

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 or 15 (d) of THE  
SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended June 30, 1997

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 of 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  No

--- ---

As of August 4, 1997, there were outstanding 6,648,967 common shares,  
without par value, of the registrant.

The exhibit index appears on page 18.

This report including the cover page contains a total of 49 pages.

FIRST MERCHANTS CORPORATION

FORM 10-Q

INDEX

PAGE NO.

PART I. Financial information:

Item 1. Financial Statements:

Consolidated Condensed Balance Sheet. . . . .3  
Consolidated Condensed Statement of Income . . . . .4  
Consolidated Condensed Statement of Changes in  
Stockholders' Equity. . . . .5  
Consolidated Condensed Statement of Cash Flows. . . . .6  
Notes to Consolidated Condensed Financial Statements. . . . .7

Item 2. Management's Discussion and Analysis of Financial  
Condition and Results of Operations . . . . .12

PART II. Other Information:

Item 4. Submission of Matters to a Vote of Security Holders . . . . .18

Item 6. Exhibits and Reports of Form 8-K. . . . .18

Signatures . . . . .19

FIRST MERCHANTS CORPORATION

FORM 10-Q

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

CONSOLIDATED CONDENSED BALANCE SHEET

(Dollars in thousands, except per share amounts)  
(Unaudited)

	June 30, 1997	December 31, 1996
	-----	-----
<b>ASSETS:</b>		
Cash and due from banks . . . . .	\$ 36,072	\$ 33,882
Federal funds sold . . . . .		1,150
	-----	-----
Cash and cash equivalents	36,072	35,032
Interest-bearing deposits	481	290
Investment securities available for sale	226,319	228,379
Investment securities held to maturity	39,794	47,227
Mortgage loans held for sale	491	284
Loans . . . . .	680,406	631,416
Less: Allowance for loan losses . . . . .	(6,710)	(6,622)
	-----	-----
Net loans	673,696	624,794
Premises and equipment . . . . .	15,458	15,303
Federal Reserve and Federal Home Loan Bank stock . . . . .	3,205	3,090
Interest receivable . . . . .	8,979	8,643
Core deposit intangibles and goodwill . . . . .	1,649	1,714
Others assets . . . . .	4,291	3,237
	-----	-----
Total assets . . . . .	\$1,010,435	\$ 967,993
	-----	-----
<b>LIABILITIES:</b>		
Deposits:		
Noninterest-bearing . . . . .	\$ 99,870	\$ 110,175
Interest-bearing . . . . .	721,198	684,276
	-----	-----
Total deposits . . . . .	821,068	794,451
Short-term borrowings . . . . .	49,120	45,037
Federal Home Loan Bank advances . . . . .	16,700	9,150
Interest payable . . . . .	3,689	3,376
Other liabilities . . . . .	2,947	3,292
	-----	-----
Total liabilities . . . . .	893,524	855,306
<b>STOCKHOLDERS' EQUITY:</b>		
Preferred stock, no-par value:		
Authorized and unissued -- 500,000 shares		
Common stock, \$.125 stated value:		
Authorized --- 20,000,000 shares		
Issued and outstanding --		
6,632,049 and 6,603,319 shares . . . . .	829	825
Additional paid-in capital . . . . .	23,376	22,968
Retained earnings . . . . .	91,938	87,978
Net unrealized gain on securities available for sale . . . . .	768	916
	-----	-----
Total stockholders' equity . . . . .	116,911	112,687
	-----	-----
Total liabilities and stockholders' equity . . . . .	\$1,010,435	\$ 967,993
	-----	-----

See notes to consolidated condensed financial statements.

FIRST MERCHANTS CORPORATION

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

	Three Months Ended June 30		Six Months Ended June 30	
	1997	1996	1997	1996
	-----	-----	-----	-----
Interest Income:				
Loans receivable				
Taxable . . . . .	\$ 14,923	\$ 12,670	\$ 28,716	\$ 25,150
Tax exempt . . . . .	30	19	59	37
Investment securities:				
Taxable . . . . .	2,858	3,168	5,807	6,458
Tax exempt . . . . .	1,082	945	2,121	1,856
Federal funds sold . . . . .		117	27	387
Deposits with financial institutions . . . . .	3	3	6	8
Federal Reserve and Federal Home Loan Bank stock	84	70	128	106
Total interest income . .	18,980	16,992	36,864	34,002
Interest expense:				
Deposits . . . . .	7,828	7,140	15,330	14,505
Short-term borrowings . . . . .	864	576	1,572	1,123
Federal Home Loan Bank advances	209	140	342	265
Total interest expense . .	8,901	7,856	17,244	15,893
Net Interest Income . . . . .	10,079	9,136	19,620	18,109
Provision for loan losses . . . . .	290	300	577	580
Net Interest Income After Provision For Loan Losses	9,789	8,836	19,043	17,529
Other Income:				
Net realized gains (losses) on sales of available- for-sale securities . . . . .	(9)	9	1	26
Other income . . . . .	2,360	2,000	4,463	3,955
Total other income . . . . .	2,351	2,009	4,464	3,981
Total other expenses . . . . .	6,431	5,888	12,618	11,710
Income before income tax . . . . .	5,709	4,957	10,889	9,800
Income tax expense . . . . .	2,002	1,684	3,753	3,340
Net Income . . . . .	\$ 3,707	\$ 3,273	\$ 7,136	\$ 6,460
Per share:				
Net income . . . . .	\$ .56	\$ .50	\$ 1.08	\$ .99
Dividends (1) . . . . .	.24	.20	.48	.40
Weighted average shares outstanding . . . . .	6,618,723	6,570,648	6,611,867	6,567,589

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

See notes to consolidated condensed financial statements.

FIRST MERCHANTS CORPORATION

FORM 10-Q

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
(Dollar amounts in thousands)  
(Unaudited)

	1997	1996
	-----	-----
Balances, January 1 . . . . .	\$ 112,687	\$ 104,967
Net income. . . . .	7,136	6,460
Cash dividends. . . . .	(3,176)	(2,242)
Net change in unrealized gain (loss) on securities available for sale . . . . .	(148)	(2,126)
Stock issued under dividend reinvestment and stock purchase plan . . . . .	345	235
Stock options exercised . . . . .	67	46
	-----	-----
Balances, June 30. . . . .	\$ 116,911	\$ 107,340
	-----	-----

See notes to consolidated condensed financial statements.

FIRST MERCHANTS CORPORATION

FORM 10-Q  
 CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS  
 (Dollar amounts in thousands)  
 (Unaudited)

	Six Months Ended June 30	
	----- 1997 -----	----- 1996 -----
Cash Flows From Operating Activities:		
Net income. . . . .	\$ 7,136	\$ 6,460
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for loan losses . . . . .	577	580
Depreciation and amortization . . . . .	887	790
Securities amortization, net. . . . .	148	311
Securities losses (gains), net. . . . .	(1)	(26)
Mortgage loans originated for sale. . . . .	(1,762)	(464)
Proceeds from sales of mortgage loans . . . . .	1,586	1,212
Change in interest receivable . . . . .	(252)	77
Change in interest payable. . . . .	313	116
Other adjustments . . . . .	(194)	(854)
	-----	-----
Net cash provided by operating activities . . . . .	8,438	8,202
Cash Flows From Investing Activities:		
Net change in interest-bearing deposits . . . . .	(191)	103
Purchases of		
Securities available for sale . . . . .	(35,638)	(69,509)
Securities held to maturity . . . . .	(1,301)	(18,472)
Proceeds from maturities of		
Securities available for sale . . . . .	33,763	60,201
Securities held to maturity . . . . .	9,271	25,892
Proceeds from sales of		
Securities available for sale . . . . .	3,289	4,521
Net change in loans . . . . .	(51,256)	(34,015)
Purchases of premises and equipment . . . . .	(1,041)	(717)
Other investing activities. . . . .	220	180
	-----	-----
Net cash used by investing activities . . . . .	(42,884)	(31,816)

(continued)

FIRST MERCHANTS CORPORATION

FORM 10-Q  
 CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS  
 (Dollar amounts in thousands)  
 (Unaudited)

	Six Months Ended June 30	
	1997	1996
Cash Flows From Financing Activities:		
Net change in		
Demand and savings deposits . . . . .	\$ (7,144)	\$ (17,379)
Certificates of deposit and other time deposits . . . . .	33,761	5,922
Short-term borrowings . . . . .	4,083	11,009
Federal Home Loan Bank advances . . . . .	7,550	6,000
Repayment of Federal Home Loan Bank advances . . . . .		(6,000)
Cash dividends . . . . .	(3,176)	(2,242)
Stock issued under dividend reinvestment and stock purchase plan . . . . .	345	235
Stock options exercised . . . . .	67	46
Net cash used by financing activities . .	35,486	(2,409)
Net Change in Cash and Cash Equivalents . . . .	1,040	(26,023)
Cash and Cash Equivalents, January 1 . . . . .	35,032	77,874
Cash and Cash Equivalents, June 30 . . . . .	\$ 36,072	\$ 51,851

See notes to consolidated condensed financial statements.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

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, except for the change in method of accounting discussed more fully in Note 2. 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.

NOTE 2. Change in Methods of Accounting

Statement of Financial Accounting Standards ("SFAS") No. 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, was adopted by the Corporation on January 1, 1997. SFAS No. 125 provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are considered secured borrowings. A transfer of financial assets in which the transferor surrenders control over those assets is accounted for as a sale to the extent that consideration other than beneficial interests in the transferred assets is received in exchange. The transferor has surrendered control over transferred assets only if all specific conditions are met. This Statement provides detailed measurement standards for assets and liabilities included in these transactions. The adoption of this Statement had no material impact on the Corporation's financial condition and results of operations.

FIRST MERCHANTS CORPORATION  
FORM 10-Q  
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
(Table dollar amounts in thousands, except per share amounts)  
(Unaudited)

NOTE 3. Business Combinations

On August 1, 1996, the Corporation issued 942,685 shares of its common stock in exchange for all of the outstanding shares of Union National Bancorp, Liberty, Indiana. On October 2, 1996, the Corporation issued 565,705 shares of its common stock in exchange for all of the outstanding shares of Randolph County Bancorp, Winchester, Indiana. These transactions were accounted for under the pooling-of-interests method of accounting. The financial information contained herein reflects the mergers and reports the financial condition and results of operations as though the Corporation had been combined as of January 1, 1996. Separate operating results of Union National Bancorp and Randolph County Bancorp for the periods prior to the merger were as follows:

	Three Months Ended June 30 1996	Six Months Ended June 30 1996
	-----	-----
Net Interest Income:		
First Merchants Corporation. . . . .	\$ 7,176	\$ 14,200
Union National Bancorp . . . . .	1,273	2,514
Randolph County Bancorp. . . . .	687	1,395
	-----	-----
Combined. . . . .	\$ 9,136	\$ 18,109
	-----	-----
Net Income:		
First Merchants Corporation. . . . .	\$ 2,580	\$ 5,159
Union National Bancorp . . . . .	465	836
Randolph County Bancorp. . . . .	228	465
	-----	-----
Combined. . . . .	\$ 3,273	\$ 6,460
	-----	-----
Net Income Per Share:		
First Merchants Corporation. . . . .	\$ .40	\$ .79
Union National Bancorp . . . . .	.07	.13
Randolph County Bancorp. . . . .	.03	.07
	-----	-----
Combined. . . . .	\$ .50	\$ .99
	-----	-----



FIRST MERCHANTS CORPORATION

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

NOTE 4. Investment Securities

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	-----	-----	-----	-----
Available for sale at June 30, 1997:				
U.S. Treasury . . . . .	\$ 19,834	\$ 60	\$ 36	\$ 19,858
Federal agencies . . . . .	81,858	333	180	82,011
State and municipal . . . . .	61,156	1,140	144	62,152
Mortgage-backed securities . . . . .	37,860	353	236	37,977
Other asset-backed securities . . . . .	540	7	13	534
Corporate obligations . . . . .	23,277	83	85	23,275
Marketable equity security . . . . .	512			512
	-----	-----	-----	-----
Total available for sale . . . . .	225,037	1,976	694	226,319
	-----	-----	-----	-----
Held to maturity at June 30, 1997:				
U.S. Treasury . . . . .	249		7	242
Federal agencies . . . . .	3,421	11	4	3,428
State and municipal . . . . .	30,540	191	23	30,708
Mortgage-backed securities . . . . .	4,013		9	4,004
Other asset-backed securities . . . . .	1,571		120	1,451
	-----	-----	-----	-----
Total held to maturity . . . . .	39,794	202	163	39,833
	-----	-----	-----	-----
Total investment securities . . . . .	\$ 264,831	\$ 2,178	\$ 857	\$ 266,152
	-----	-----	-----	-----

FIRST MERCHANTS CORPORATION

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	-----	-----	-----	-----
Available for sale at December 31, 1996:				
U.S. Treasury . . . . .	\$ 21,570	\$ 92	\$ 46	\$ 21,616
Federal agencies . . . . .	79,130	540	180	79,490
State and municipal . . . . .	52,026	1,173	106	53,093
Mortgage-backed securities . . . . .	41,441	297	275	41,463
Other asset-backed securities . . . . .	709			709
Corporate obligations . . . . .	31,470	156	128	31,498
Marketable equity securities . . . . .	510			510
	-----	-----	-----	-----
Total available for sale . . . . .	226,856	2,258	735	228,379
	-----	-----	-----	-----
Held to maturity at December 31, 1996:				
U.S. Treasury . . . . .	249		7	242
Federal agencies . . . . .	5,729	23	5	5,747
State and municipal . . . . .	36,405	381	21	36,765
Mortgage-backed securities . . . . .	2,730		13	2,717
Other asset-backed securities . . . . .	2,114	17	108	2,023
	-----	-----	-----	-----
Total held to maturity . . . . .	47,227	421	154	47,494
	-----	-----	-----	-----
Total investment securities . . . . .	\$ 274,083	\$ 2,679	\$ 889	\$ 275,873
	-----	-----	-----	-----

FIRST MERCHANTS CORPORATION

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

NOTE 5. Loans and Allowance

	June 1997	December 31, 1996
	-----	-----
Loans:		
Commercial and industrial loans . . . . .	\$ 139,938	\$ 132,134
Bankers' acceptances and loans to financial institutions . . . . .	1,040	625
Agricultural production financing and other loans to farmers . . . . .	17,839	18,906
Real estate loans:		
Construction . . . . .	17,005	13,167
Commercial and farmland . . . . .	102,734	97,596
Residential . . . . .	276,320	253,530
Individuals' loans for household and other personal expenditures . . . . .	122,876	113,507
Tax-exempt loans . . . . .	1,334	1,643
Other loans . . . . .	2,128	1,672
Unearned interest on loans . . . . .	(808)	( 1,364)
	-----	-----
Total . . . . .	\$ 680,406	\$ 631,416
	-----	-----
		Six Months Ended June 30
	-----	-----
Allowance for loan losses:	1997	1996
	-----	-----
Balances, January 1 . . . . .	\$ 6,622	\$ 6,696
Provision for losses . . . . .	577	580
Recoveries on loans . . . . .	331	144
Loans charged off . . . . .	(820)	(789)
	-----	-----
Balances, June 30 . . . . .	\$ 6,710	\$ 6,631
	-----	-----

FIRST MERCHANTS CORPORATION

FORM 10-Q

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

RESULTS OF OPERATIONS

The Corporation has recorded 21 consecutive years of growth in earnings per share, reaching \$2.00 in 1996, an increase of 8.7 per cent over 1995.

Return on assets rose to 1.41 per cent in 1996, from 1.35 per cent in 1995, and 1.22 per cent in 1994.

Return on equity, was 12.16 per cent in 1996, 12.17 per cent in 1995, and 12.42 per cent in 1994.

Following are the levels achieved in each of these ratios during the first half of 1997, as compared to the same period in 1996.

- Earnings per share were \$1.08, up 9.1 per cent from \$.99
- Return on assets was 1.46 per cent increasing from 1.41 per cent
- Return on equity totaled 12.47 per cent compared to 12.19 per cent for the first half of 1996

CAPITAL

The Corporation's capital strength continues to exceed regulatory minimums and peer group averages. Management believes that strong capital is a distinct advantage in the competitive environment in which the Corporation operates and will provide a solid foundation for continued growth.

The Corporation's Tier I capital to average assets ratio was 11.6 per cent at year-end 1996 and 11.7 per cent at June 30, 1997. At June 30, 1997, the Corporation had a Tier I risk-based capital ratio of 16.7 per cent, total risk-based capital ratio of 17.68 per cent, and a leverage ratio of 11.53 per cent. Regulatory capital guidelines require a Tier I risk-based capital ratio of 4.0 per cent and a total risk-based capital ratio of 8.0 per cent.

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 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 cannot be specifically identified.

FIRST MERCHANTS CORPORATION

FORM 10-Q

The following table summarized the risk elements for the Corporation.

(Dollars in Thousands)	June 30, 1997	December 31, 1996	December 31, 1995
Non-accrual loans . . . . .	\$1,527	\$2,777	\$ 576
Loans contractually past due 90 days or more other than nonaccruing . . . . .	3,705	1,699	1,119
Restructured loans . . . . .	3,237	1,540	1,075
Total	\$8,469	\$6,016	\$2,770

The increase in non-performing loans from December 31, 1995, to December 31, 1996, is primarily attributable to one loan placed in non-accrual status during 1996. This loan is included in impaired loans at December 31, 1996, for which an allowance was recorded. Management is in the process of resolving this loan situation and anticipates that no additional provision for loan losses will be required. The increase at June 30, 1997, is primarily due to one loan of \$1.7 million which is performing but which the Corporation refused to renew. The Corporation will be paid when financing arrangements with another bank are completed.

The Corporation adopted SFAS No. 114 and No. 118 ACCOUNTING BY CREDITORS FOR IMPAIRMENT OF A LOAN AND ACCOUNTING BY CREDITORS FOR IMPAIRMENT OF A LOAN-INCOME RECOGNITION AND DISCLOSURES on January 1, 1995. Impaired loans included in the table above, totaled \$3,992,000 at December 31, 1996. An allowance for loan losses was not deemed necessary for impaired loans totaling \$868,000, but an allowance of \$1,092,000 was recorded for the remaining balance of impaired loans of \$3,124,000. The average balance of impaired loans for 1996 was \$5,213,000. The balance of impaired loans has not changed significantly since December 31, 1996.

At December 31, 1996, the allowance for loan losses was \$6,622,000, down slightly from year end 1995. As a per cent of loans, the allowance was 1.05 per cent, down from 1.21 per cent at year end 1995. The provision for loan losses in 1996 was \$1,253,000 compared to \$1,388,000 in 1995.

At June 30, 1997, the allowance for loan losses stood at \$6,710,000 or .99 per cent of loans. \$577,000 was provided for loan losses in the first half of 1997 compared to \$580,000 in the same period of 1996.

The table below presents loan loss experience for the years indicated and compares the Corporation's loss experience to that of its peer group, consisting of bank holding companies with assets between \$500 million and \$1 billion.

	1997 (1)	1996	1995	1994
	(Dollars in Thousands)			
Allowance for loan losses:				
Balance at January 1 . . . . .	\$6,622	\$6,696	\$6,603	\$6,467
Chargeoffs . . . . .	820	1,636	1,554	1,488
Recoveries . . . . .	331	309	259	422
Net chargeoffs . . . . .	489	1,327	1,295	1,066
Provision for loan losses . . . . .	577	1,253	1,388	1,202
Balance at December 31 . . . . .	\$6,710	\$6,622	\$6,696	\$6,603
Ratio of net chargeoffs during the period to average loans outstanding during the period . . . . .	.15% (2)	.23%	.24%	.21%
Peer Group . . . . .	N/A	.26%	.26%	.25%

(1) Through June 30, 1997

(2) First six months annualized



FIRST MERCHANTS CORPORATION

FORM 10-Q

LIQUIDITY AND INTEREST SENSITIVITY

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

The Corporation's liquidity and interest sensitivity position at June 30, 1997, remained adequate to meet the Corporation's primary goal of achieving optimum interest margins while avoiding undue interest rate risk. The table below presents the Corporation's interest rate sensitivity analysis as of June 30, 1997.

INTEREST-RATE SENSITIVITY ANALYSIS

At June 30, 1997

(Dollars in Thousands)

	1-180 Days	181-365 Days	1-5 Years	Beyond 5 Years	Total
<b>Rate-Sensitive Assets:</b>					
Federal funds sold and interest-bearing deposits . . . . .	\$ 481				\$ 481
Investment securities . . . . .	57,463	\$ 51,208	\$ 126,091	\$ 31,351	266,113
Loans . . . . .	310,511	76,688	230,062	63,636	680,897
Federal Reserve and Federal Home Loan Bank stock . . . . .	2,808			397	3,205
<b>Total rate-sensitive assets . . . . .</b>	<b>371,263</b>	<b>127,896</b>	<b>356,153</b>	<b>95,384</b>	<b>950,696</b>
<b>Rate-Sensitive Liabilities:</b>					
Interest bearing deposits . . . . .	336,435	78,755	303,913	2,095	721,198
Short-term borrowings . . . . .	48,425	695			49,120
Federal Home Loan Bank advances . . . . .	149	2,144	9,578	4,829	16,700
<b>Total rate-sensitive liabilities . . . . .</b>	<b>385,009</b>	<b>81,594</b>	<b>313,491</b>	<b>6,924</b>	<b>787,018</b>
Interest rate sensitivity gap by period . . . . .	(13,746)	46,302	42,662	88,460	
Cumulative rate sensitivity gap . . . . .	(13,746)	32,556	75,218	163,678	
Cumulative rate sensitivity gap ratio . . . . .					
June 30, 1997 . . . . .	96.4%	107.0%	109.6%	120.8%	
March 31, 1997 . . . . .	97.1	106.3	109.2	120.1	

The Corporation had a cumulative positive gap of \$32,556,000 in the one year horizon at June 30, 1997 or 3.2 per cent of total assets. Net interest income at financial institutions with positive gaps tends to increase when rates increase and generally decrease as interest rates decline.

FIRST MERCHANTS CORPORATION

FORM 10-Q

EARNING ASSETS

Earning assets increased by \$30.3 million during 1996, and \$38.9 million during the first half of 1997.

The following table presents the earning asset mix for the years ended 1996 and 1995 and at June 30, 1997.

Loans grew by more than \$79 million during 1996 while short-term investments and securities declined, reflecting the Corporation's intent to change the balance sheet mix to emphasize loans which generally carry higher yields than federal funds sold, interest-bearing deposits and investment securities and often provide collateral business. The same trend continued during the first half of 1997. Loans grew by more than \$49.5 million, accounting for all of the growth in earning assets.

EARNING ASSETS (Dollars in Millions)	June 30, 1997	December 31, 1996	December 31, 1995
Federal funds sold and interest-bearing deposits . . . .	\$ 0.5	\$ 1.4	\$ 39.2
Investment securities available for sale . . . . .	226.3	228.4	225.9
Investment securities held to maturity . . . . .	39.8	47.2	60.7
Mortgage loans held for sale . . . . .	0.5	0.3	0.7
Loans . . . . .	680.4	631.4	552.3
Federal Reserve and Federal Home Loan Bank stock . . . .	3.2	3.1	2.7
Total . . . . .	\$ 950.7	\$ 911.8	\$ 881.5

DEPOSITS, SHORT-TERM BORROWINGS AND FEDERAL HOME LOAN BANK ADVANCES

The following table presents the level of deposits and borrowed funds (Federal funds purchased, repurchase agreements with customers, U.S. Treasury demand notes and Federal Home Loan Bank advances) for the years ended 1996 and 1995 and at June 30, 1997. Lack of substantial deposit growth coupled with loan growth has resulted in a greater reliance on borrowed funds. The Corporation plans to place further emphasis on deposit growth going forward through advertising and product development.

DEPOSITS, SHORT-TERM BORROWINGS AND FEDERAL HOME LOAN BANK ADVANCES (Dollars in Millions)	June 30, 1997	December 31, 1996	December 31, 1995
Deposits . . . . .	\$ 821.1	\$ 794.5	\$ 783.9
Short-term borrowings . . . . .	49.9	45.0	37.4
Federal Home Loan Bank advances . . . . .	16.7	9.2	9.0



## 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.

Asset yields improved slightly in 1996 (.04 per cent FTE) due to strong loan growth. Interest costs declined by a like amount, primarily due to rate reductions to three interest-bearing deposit products: interest checking, Money Market investment account and regular savings.

The resulting "spread" increase of .08 per cent combined with earning asset growth of \$35.5 million accounted for the growth in net interest income (FTE) of \$2.2 million.

During the first half of 1997, both interest yields and interest costs remained stable, increasing by .03 per cent. All of the increase in net interest income is attributable to earning asset growth which amounted to nearly \$52 million.

The table below presents the Corporation's asset yields, interest expense, and net interest income as a per cent of average earning assets for the three-year period ending in 1996 and the first half of 1997.

-----  
(Dollars in Thousands)

	Interest Income (FTE) as a Per Cent of Average Earning Assets	Interest Expense as a Per Cent of Average Earning Assets	Net Interest Income (FTE) as a Per Cent of Average Earning Assets	Average Earning Assets	Net Interest Income on a Fully Taxable Equivalent Basis
1997 (1)	8.16%	3.70 %	4.46%	\$932,441	\$ 41,588
1996	8.13	3.67	4.46	880,729	39,258
1995	8.09	3.71	4.38	845,198	37,049
1994	7.42	2.96	4.46	805,987	35,909

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.

(1) First Six Months Annualized  
-----

## OTHER INCOME

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

Other income in 1996 amounted to \$8,342,000 or 9.9 per cent higher than in 1995. The increase of \$750,000 is primarily attributable to the following five factors:

1. Trust revenues increased \$166,000 (5.9 per cent) due to stronger business activity and investment returns.
2. Deposit service charges increased \$195,000 (6.9 per cent) primarily due to changes in pricing.
3. Interchange fees for the Corporation's credit and debit card programs grew by \$169,000 (142 per cent) due to increased product offerings.
4. The Corporation recorded securities gains of \$148,000 compared to losses of \$30,000 last year, an increase of \$178,000 as shorter maturity, available for sale securities were sold at gains and longer maturity, higher yielding investments were purchased.
5. Postal money order agent fees increased \$79,000 (19.4 per cent) due to an increased client base.

FIRST MERCHANTS CORPORATION

FORM 10-Q

Other income in the first half of 1997 exceeded the same period in the prior year by \$487,000 or 8.1 per cent. Two categories accounted for most of this increase:

1. Trust fees grew by \$203,000 or 14.5 per cent, again due to new business and positive investment returns.
2. Deposit service charges increased by \$154,000 or 9.8 per cent due primarily to changes in pricing.

OTHER EXPENSE

Total "other expenses" represent non-interest operating expenses of the Corporation. Those expenses amounted to \$24,135,000 in 1996, an increase of 5.0 per cent from the prior year, or \$1,142,000.

Including an \$813,000 reduction in deposit insurance premiums, remaining operating expenses grew by \$1,955,000. Four major areas account for most of this increase:

1. Salary and benefit expenses, which account for over one-half of the Corporation's non-interest operating expenses, increased by \$640,000 (5.0 per cent) due to normal salary increases.
2. Equipment expense rose \$223,000, reflecting the Corporation's investment in technology to increase productivity and improve customer service.
3. Expenses related to mergers with Union National Bancorp and Randolph County Bancorp amounted to \$258,000.
4. The previous year included a \$238,000 refund from the State of Indiana for intangibles taxes paid in 1988 and 1989.

First half other expense in 1997 exceeded the same period of the prior year by \$908,000 or 7.8 per cent. Four primary areas account for this increase:

1. Salaries and benefits grew by \$277,000 or 4.1 per cent due primarily to normal annual salary adjustments.
2. Business supply expense grew by \$85,000 or nearly 20.4 per cent primarily due to increased use of data processing supplies and personal money order forms.
3. Equipment expense grew \$114,000 or 11.4 per cent, again reflecting the Corporation's investment in technology to increase productivity and improve customer service.
4. Deposit insurance expense increased \$40,000 (571.4 per cent) due to higher insurance premiums.

INCOME TAXES

1996 income tax expense increased by \$698,000 due to a \$1,792,000 increase in net pre-tax income. Likewise, the increase of \$413,000 in the first half of 1997, as compared to the same period in 1996, results from a \$1,089,000 increase in pre-tax net income.

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 the address is (<http://www.sec.gov>).

FIRST MERCHANTS CORPORATION

FORM 10-Q

PART II. OTHER INFORMATION

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

The 1997 Annual Meeting of Stockholders was held on April 8, 1997. Set forth below are the matters, other than the election of directors and the ratification of the independent auditor, voted upon at the Annual Meeting and the resulting vote:

- The adoption of an amendment to the Corporation's Articles of Incorporation to reduce the minimum number of directors to the Corporation from twelve to nine.

	Shares Voted	% of Eligible Shares Voted
	-----	-----
For	6,015,368	91.09%
Against	47,694	.72
Abstaining	56,191	.85

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

Exhibit No.:	Description of Exhibit:	Form 10-Q Page Number
-----	-----	-----
3.1	First Merchants Corporation Articles of Incorporation, as amended . . .	20
3.2	First Merchants Corporation Bylaws, as amended. . . . .	32
27.1	Financial Data Schedule, Period Ending June 30, 1997 . . . . .	47
27.2	Restated Financial Data Schedule, Period Ending June 30, 1996 . . . . .	48
27.3	Restated Financial Data Schedule, Period Ending June 30, 1995 . . . . .	49

(b) Reports on Form 8-K:

No reports were filed on Form 8-K during the quarter ended June 30, 1997.

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 August 6, 1997 by /s/ Michael L. Cox  
-----  
Michael L. Cox  
Executive Vice President  
and Director

Date August 6, 1997 by /s/ James L. Thrash  
-----  
James L. Thrash  
Chief Financial & Principal  
Accounting Officer

ARTICLES OF INCORPORATION  
OF  
FIRST MERCHANTS CORPORATION

Following are the Articles of Incorporation, as amended, of First Merchants Corporation (hereinafter referred to as the "Corporation"), a corporation existing pursuant to the provisions of the Indiana Business Corporation Law, as amended (hereinafter referred to as the "Act"):

ARTICLE I

NAME

The name of the Corporation is First Merchants Corporation.

ARTICLE II

PURPOSES

The purposes for which the Corporation is formed are:

SECTION 1. To acquire control of The Merchants National Bank of Muncie and to operate as a bank holding company.

SECTION 2. GENERAL POWERS. To possess, exercise, and enjoy all rights, powers and privileges conferred upon bank holding companies by the Bank Holding Company Act of 1956 as amended and as hereafter amended or supplemented, and all other rights and powers authorized by the laws of the State of Indiana, and the laws of the United States of America applicable to bank holding companies and the regulations of the Board of Governors of the Federal Reserve System.

SECTION 3. TO DEAL IN REAL PROPERTY. Subject to the limitations of Section 2 above, to acquire by purchase, exchange, lease or otherwise, and to hold, own, use, construct, improve, equip, manage, occupy, mortgage, sell, lease, convey, exchange or otherwise dispose of, alone or in conjunction with others, real estate and leaseholds of every kind, character and description whatsoever and wheresoever situated, and any other interests therein, including, but without limiting the generality thereof, buildings, factories, warehouses, offices and structures of all kinds.

SECTION 4. CAPACITY TO ACT. Subject to the limitations of Section 2 above, to have the capacity to act possessed by natural persons and to perform such acts as are necessary and advisable to accomplish the purposes, activities and business of the Corporation.

SECTION 5. TO ACT AS AGENT. Subject to the limitations of Section 2 above, to act as agent or representative for any firm, association, corporation, partnership, government or person, public or private, with respect to any activity or business of the Corporation.

SECTION 6. TO MAKE CONTRACTS AND GUARANTEES. Subject to the limitations of Section 2 above, to make, execute and perform, or cancel and rescind, contracts of every kind and description, including guarantees and contracts of suretyship, with any firm, association, corporation, partnership, government or person, public or private.

SECTION 7. TO BORROW FUNDS. Subject to the limitations of Section 2 above, to borrow moneys for any activity or business of the Corporation and, from time to time, without limit as to amount, to draw, make, accept, endorse, execute and issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures, notes, trust receipts, and other negotiable or non-negotiable instruments and evidences of indebtedness, and to secure the payment thereof, and the interest thereon, by mortgage, pledge, conveyance, or assignment in trust of all or any part of the assets of the Corporation, real, personal or mixed, including contract rights, whether at the time owned or thereafter acquired, and to sell, exchange or otherwise dispose of such securities or other obligations of the Corporation.

SECTION 8. TO DEAL IN ITS OWN SECURITIES. Subject to the limitations of Section 2 above, to purchase, take, receive or otherwise acquire, and to hold, own, pledge, transfer or otherwise dispose of shares of its own capital stock and other securities. Purchases of the Corporation's own shares, whether direct or indirect, may be made without shareholder approval only to the extent of unreserved and unrestricted earned surplus available therefor.

### ARTICLE III

#### PERIOD OF EXISTENCE

The period during which the Corporation shall continue is perpetual.

### ARTICLE IV

#### RESIDENT AGENT AND PRINCIPAL OFFICE

SECTION 1. RESIDENT AGENT. The name and address of the Corporation's Resident Agent for service of process is:

Larry R. Helms  
200 East Jackson Street  
Muncie, IN 47305

SECTION 2. PRINCIPAL OFFICE. The post office address of the principal office of the Corporation is:

200 East Jackson Street  
Muncie, IN 47305

#### ARTICLE V

##### AUTHORIZED SHARES

SECTION 1. NUMBER OF SHARES. The total number of shares of common stock which the Corporation is to have authority to issue is 20,000,000, all with no par value. The total number of shares of preferred stock the Corporation is to have authority to issue is 500,000, all with no par value.

SECTION 2. TERMS OF SHARES. The authorized shares of "Common Stock" shall be equal to every other share of Common Stock and shall participate equally with other shares of Common Stock in all earnings and profits of the Corporation and on distribution of assets, either on dissolution, liquidation or otherwise. The authorized shares of "Preferred Stock" shall be equal to every other share of Preferred Stock and shall participate equally with other shares of Preferred Stock. The terms of the Preferred Stock and its relative rights, preferences, limitations or restrictions shall be established by the Board of Directors prior to issuance of any Preferred Stock.

SECTION 3. VOTING RIGHTS. Each holder of Common Stock shall have the right to vote on all matters presented to shareholders and shall be entitled on all matters including elections of Directors to one vote for each share of Common Stock registered in his/her name on the books of the Corporation. The voting rights of the Preferred Stock, if any, shall be determined by the Board of Directors prior to issuance of the Preferred Stock.

#### ARTICLE VI

##### REQUIREMENTS PRIOR TO DOING BUSINESS

The Corporation will not commence business until consideration of the value of at least One Thousand Dollars (\$1,000.00) has been received for the issuance of shares.

#### ARTICLE VII

##### DIRECTORS

SECTION 1. NUMBER. The number of Directors of the Corporation shall not be less than nine (9) nor more than twenty-one (21), as may be specified from time to time by the Bylaws. If and whenever the Bylaws do not contain a provision specifying the number of Directors, the number shall be sixteen (16). The Directors shall be classified, with respect to the time for which they

severally hold office, into three (3) classes as nearly equal in number as possible, as shall be specified in the Bylaws, one class to be elected for a term expiring at each annual meeting of shareholders, with each Director to hold office until his successor is elected and qualified. At each annual meeting of shareholders, the successor of each Director whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of shareholders held in the third year following the year of his election, or until his successor is elected and qualified.

SECTION 2. NAMES AND POST OFFICE ADDRESSES OF THE DIRECTORS. The names and post office addresses of the initial Board of Directors of the Corporation are:

NAME	NUMBER AND STREET OR BUILDING	CITY	STATE	ZIP CODE
Stefan S. Anderson	2705 W. Twickingham Drive	Muncie	IN	47304
Thomas F. Bluemle	1900 N. Brentwood Lane	Muncie	IN	47304
Frank A. Bracken	1011 E. Parkway Drive	Muncie	IN	47304
Clell W. Douglass	305 Normandy Drive	Muncie	IN	47304
David A. Galliher	2500 W. Berwyn Road	Muncie	IN	47304
William P. Givens	1209 W. Beechwood Avenue	Muncie	IN	47303
John W. Hartmeyer	818 W. Riverside Avenue	Muncie	IN	47303
David W. Howell	Rural Route #2, Box 174	Middletown	IN	47358
Betty J. Kendall	Rural Route #14, Box 425	Muncie	IN	47302
Don E. Marsh	1250 Warwick Road	Muncie	IN	47304
Robert H. Mohlman	3405 N. Vienna Woods Drive	Muncie	IN	47304
Robert R. Park	Rural Route #2, Box 126	Gaston	IN	47342
Peter L. Roesner	2207 W. Wiltshire Road	Muncie	IN	47304
Hamer D. Shafer	3500 W. Gatewood Lane	Muncie	IN	47304
Robert M. Smitson	2601 W. Chelsea Drive	Muncie	IN	47304
Reed D. Voran	2308 W. Wiltshire Road	Muncie	IN	47304

SECTION 3. QUALIFICATIONS OF DIRECTORS. Directors need not be shareholders of the Corporation.

ARTICLE VIII

INCORPORATOR(S)

The name and post office address of the incorporator of the Corporation is:

Stefan S. Anderson  
 200 East Jackson Street  
 Muncie, IN 47305



ARTICLE IX

PROVISIONS FOR REGULATION OF BUSINESS  
AND CONDUCT OF AFFAIRS OF CORPORATION

SECTION 1. MEETINGS OF SHAREHOLDERS. Meetings of shareholders of the Corporation shall be held at such place, within or without the State of Indiana, as may be specified in the notices or waivers of notice of such meetings.

SECTION 2. MEETINGS OF DIRECTORS. Meetings of Directors of the Corporation shall be held at such place, within or without the State of Indiana, as may be specified in the notices or waivers of notice of such meetings. A member of the Board of Directors or of a committee designated by the Board may participate in a meeting of the Board or committee by means of a conference telephone or similar communications equipment by which all persons participating in the meeting can communicate with each other, and participation by these means constitutes presence in person at the meeting.

SECTION 3. CONSIDERATION FOR SHARES. Shares of stock of the Corporation shall be issued or sold in such manner and for such amount of consideration as may be fixed from time to time by the Board of Directors.

SECTION 4. BYLAWS OF THE CORPORATION. The Board of Directors, unless otherwise provided in the Bylaws or in these Articles of Incorporation, may by a majority vote of the actual number of Directors elected and qualified from time to time make, alter, amend or repeal the Bylaws.

The Board of Directors may, by resolution adopted by a majority of the actual number of Directors elected and qualified, from time to time, designate from among its members an executive committee and one or more other committees, each of which, to the extent provided in the resolution, the Articles of Incorporation, or the Bylaws, may exercise all of the authority of the Board of Directors of the Corporation, including, but not limited to, the authority to issue and sell or approve any contract to issue and sell, securities or shares of the Corporation or designate the terms of a series of a class of securities or shares of the Corporation. The terms which may be affixed by each such committee include, but are not limited to, the price, dividend rate, and provisions of redemption, a sinking fund, conversion, voting or preferential rights or other features of securities or class or series of a class of shares. Each such committee may have full power to adopt a final resolution which sets forth those terms and to authorize a statement of such terms to be filed with the Secretary of State. However, no such committee has the authority to declare dividends or distributions, amend the Articles of Incorporation or the Bylaws, approve a plan of merger or consolidation even if such plan does not require shareholder approval, reduce earned or capital surplus, authorize or approve the reacquisition of shares unless pursuant to a general formula or method specified by the Board of Directors, or recommend to the shareholders a voluntary dissolution of the Corporation or a revocation thereof. No member of any such committee shall continue to be a member thereof after he ceases to be a Director of the Corporation. The calling and

holding of meetings of any such committee and its method of procedure shall be determined by the Board of Directors. A member of the Board of Directors shall not be liable for any action taken by any such committee if he is not a member of that committee and has acted in good faith and in a manner he reasonably believes is in the best interest of the Corporation.

SECTION 5. CONSENT ACTION BY SHAREHOLDERS. Any action required by statute to be taken at a meeting of the shareholders, or any action which may be taken at a meeting of the shareholders, may be taken without a meeting if, prior to such action, a consent in writing, setting forth the action so taken, shall be signed by all of the shareholders entitled to vote with respect to the subject matter thereof, and such written consent is filed with the minutes of the proceedings of the shareholders.

SECTION 6. CONSENT ACTION BY DIRECTORS. Any action required or permitted to be taken at any meeting of the Board of Directors or any committee thereof may be taken without a meeting, if prior to such action a written consent to such action is signed by all members of the Board of Directors or such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board of Directors or committee.

SECTION 7. INTEREST OF DIRECTORS IN CONTRACTS. Any contract or other transaction between the Corporation or any corporation in which this Corporation owns a majority of the capital stock shall be valid and binding, notwithstanding that the Directors or officers of this Corporation are identical or that some or all of the Directors or officers, or both, are also directors or officers of such other corporation.

Any contract or other transaction between the Corporation and one or more of its Directors or members or employees, or between the Corporation and any firm of which one or more of its Directors are members or employees or in which they are interested, or between the Corporation and any corporation or association of which one or more of its Directors are stockholders, members, directors, officers, or employees, or in which they are interested, shall be valid for all purposes notwithstanding the presence of such Director or Directors at the meeting of the Board of Directors of the Corporation which acts upon, or in reference to, such contract or transaction and notwithstanding his or their participation in such action, if the fact of such interest shall be disclosed or known to the Board of Directors and the Board of Directors shall authorize, approve and ratify such contract or transaction by a vote of a majority of the Directors present, such interested Director or Directors to be counted in determining whether a quorum is present, but not to be counted in calculating the majority of such quorum necessary to carry such vote. This Section shall not be construed to invalidate any contract or other transaction which would otherwise be valid under the common and statutory law applicable thereto.

SECTION 8. INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS. Every person who is or was a Director, officer, employee or agent of this Corporation or of any other corporation for which he is or was serving in any capacity at the request of this Corporation shall be indemnified by this Corporation against any and all liability and expense that may be incurred by him in connection with or resulting from or arising out of any claim, action, suit or proceeding,

provided that such person is wholly successful with respect thereto or acted in good faith in what he reasonably believed to be in or not opposed to the best interest of this Corporation or such other corporation, as the case may be, and, in addition, in any criminal action or proceeding in which he had no reasonable cause to believe that his conduct was unlawful. As used herein, "claim, action, suit or proceeding" shall include any claim, action, suit or proceeding (whether brought by or in the right of this Corporation or such other corporation or otherwise), civil, criminal, administrative or investigative, whether actual or threatened or in connection with an appeal relating thereto, in which a Director, officer, employee or agent of this Corporation may become involved, as a party or otherwise,

(i) by reason of his being or having been a Director, officer, employee, or agent of this Corporation or such other corporation or arising out of his status as such or

(ii) by reason of any past or future action taken or not taken by him in any such capacity, whether or not he continues to be such at the time such liability or expense is incurred.

The terms "liability" and "expense" shall include, but shall not be limited to, attorneys' fees and disbursements, amounts of judgments, fines or penalties, and amounts paid in settlement by or on behalf of a Director, officer, employee, or agent, but shall not in any event include any liability or expenses on account of profits realized by him in the purchase or sale of securities of the Corporation in violation of the law. The termination of any claim, action, suit or proceeding, by judgment, settlement (whether with or without court approval) or conviction or upon a plea of guilty or of Nolo Contendere, or its equivalent, shall not create a presumption that a Director, officer, employee, or agent did not meet the standards of conduct set forth in this paragraph.

Any such Director, officer, employee, or agent who has been wholly successful with respect to any such claim, action, suit or proceeding shall be entitled to indemnification as a matter of right. Except as provided in the preceding sentence, any indemnification hereunder shall be made only if (i) the Board of Directors acting by a quorum consisting of Directors who are not parties to or who have been wholly successful with respect to such claim, action, suit or proceeding shall find that the Director, officer, employee, or agent has met the standards of conduct set forth in the preceding paragraph; or (ii) independent legal counsel shall deliver to the Corporation their written opinion that such Director, officer, employee, or agent has met such standards of conduct.

If several claims, issues or matters of action are involved, any such person may be entitled to indemnification as to some matters even though he is not entitled as to other matters.

The Corporation may advance expenses to or, where appropriate, may at its expense undertake the defense of any such Director, officer, employee, or agent upon receipt of an undertaking by or on behalf of such person to repay such expenses if it should ultimately be determined that he is not entitled to indemnification hereunder.

The provisions of this Section shall be applicable to claims, actions, suits or proceedings made or commenced after the adoption hereof, whether arising from acts or omissions to act during, before or after the adoption hereof.

The rights of indemnification provided hereunder shall be in addition to any rights to which any person concerned may otherwise be entitled by contract or as a matter of law and shall inure to the benefit of the heirs, executors and administrators of any such person.

The Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation against any liability asserted against him and incurred by him in any capacity or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Section or otherwise.

SECTION 9. DISTRIBUTIONS OUT OF CAPITAL SURPLUS. The Board of Directors of the Corporation may from time to time distribute to its shareholders out of the capital surplus of the Corporation a portion of its assets, in cash or property, without the assent or vote of the shareholders, provided that with respect to such a distribution the requirements of the Act other than shareholder approval are satisfied.

SECTION 10. POWERS OF DIRECTORS. In addition to the powers and the authority granted by these Articles or by statute expressly conferred, the Board of Directors of the Corporation is hereby authorized to exercise all powers and to do all acts and things as may be exercised or done under the laws of the State of Indiana by a corporation organized and existing under the provisions of the Act and not specifically prohibited or limited by these Articles.

SECTION 11. REMOVAL OF DIRECTORS. Any and all members of the Board of Directors may be removed, with or without cause, at a meeting of the shareholders called expressly for that purpose by the affirmative vote of the holders of not less than two-thirds (2/3) of the outstanding shares of capital stock then entitled to vote on the election of Directors, except that if the Board of Directors, by an affirmative vote of at least two-thirds (2/3) of the entire Board of Directors, recommends removal of a Director to the shareholders, such removal may be effected by the affirmative vote of the holders of not less than a majority of the outstanding shares of capital stock then entitled to vote on the election of Directors at a meeting of shareholders called expressly for that purpose.

SECTION 12. FAIR PRICE, FORM OF CONSIDERATION AND PROCEDURAL SAFEGUARDS FOR CERTAIN BUSINESS COMBINATIONS.

(A) The affirmative vote of the holders of not less than three-fourths (3/4) of the Voting Shares (as hereinafter defined) of the Corporation shall be required for the authorization or adoption, except as provided in subsection (D) of this Section, of the following transactions:

1. Any merger or consolidation of the Corporation or its subsidiary or subsidiaries (as hereinafter defined) with or into either of the following:
  - (a) 10% Shareholders (as hereinafter defined); or
  - (b) Any other corporation (whether or not itself a 10% Shareholder) which, after such merger or consolidation, would be an Affiliate (as hereinafter defined) of a 10% Shareholder.
2. Any sale, lease, exchange, transfer or other disposition (including, without limitation, the granting of a mortgage or other security interest) to or with any 10% Shareholder of any material part of the assets of the Corporation or any of its subsidiaries; and
3. A liquidation or dissolution of the Corporation or any material subsidiary thereof or adoption of any plan with respect thereto.
4. Any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its subsidiaries or any other transaction (whether or not with or into or otherwise involving a 10% Shareholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the Corporation or any subsidiary which is directly or indirectly owned by any 10% Shareholder; and
5. Any agreement, contract or other arrangement providing for any one or more of the actions specified in the foregoing clauses (A)1. through (A)4.

(B) Prior to the approval of any of the transactions referred to in subsection (A) of this section ("Business Combination"), the Board of Directors of the Corporation shall make an evaluation of all relevant factors and issues arising out of or in connection with any such Business Combination and shall report to the shareholders the conclusion which the Board of Directors reaches from such evaluation. Relevant factors and issues shall include consideration of the impact which any such Business Combination will have on the community in which the Corporation or its subsidiaries conducts business, the employees of the Corporation or any of its subsidiaries, and the suppliers and customers of the Corporation and its subsidiaries, and shall also include any and all other factors which the Board of Directors in its discretion deems relevant.

(C) The following definitions shall apply when used in this Section:

1. "10% Shareholder" shall mean, in respect of any Business Combination, any person (other than the Corporation) who or which, as of the record date for the determination of shareholders entitled to notice of and to vote on such

Business Combination or immediately prior to the consummation of any such Business Combination:

- (a) Is the beneficial owner (as determined in accordance with Rule 13d-3 promulgated by the Securities and Exchange Commission) ("Beneficial Owner"), directly or indirectly, of not less than ten percent (10%) of the Voting Shares; or
- (b) Is an Affiliate (as hereinafter defined) of the Corporation and at any time within two years prior thereto was the Beneficial Owner, directly or indirectly, of not less than ten percent (10%) of the then outstanding Voting Shares; or
- (c) Any individual, corporation, partnership or other person or entity which, together with any of its Affiliates (as hereinafter defined), beneficially owns in the aggregate more than ten percent (10%) of the Voting Shares of the Corporation.

2. "Voting Shares" includes:

- (a) Any securities of the Corporation which are entitled to vote on any matter referred to in this Section;
- (b) Any securities, including but not limited to, preferred stock, bonds, debentures, or options, which can be converted into voting securities at the time of the vote referred to in this Section; and
- (c) Security agreements of any nature for which voting securities are pledged as collateral.

3. "Affiliate" shall include all persons who would be defined as affiliates under Rule 12b-2 under the Securities Exchange Act of 1934.

4. "Subsidiary" means any corporation of which a majority of any class of equity securities (as defined in Rule 3a 11-1 of the general rules and regulations under the Securities Exchange Act of 1934) are owned, directly or indirectly, by the Corporation; provided, however, that for the purposes of the definition of a 10% Shareholder set forth above, the term "Subsidiary" shall mean only a corporation of which a majority of each class of equity security is owned, directly or indirectly, by the Corporation.

5. "Fair Market Value" means:

(1) In the case of stock, in the absence of any determination price as established on a national, regional, or local exchange or over-the-counter market, or in the absence of any market-maker dealing in the stock on a regular basis, the fair market value of such stock on the date in question as determined by the Board in good faith; and

(2) In the case of property other than cash or stock, the fair market value of such property on the date in question as determined by the Board in good faith.

(D) The additional voting requirement set forth in subsection (A) above shall not be applicable, and any such Business Combination shall require the affirmative vote of two-thirds (2/3) of the Voting Shares, if one of the following occurs:

1. The Business Combination shall have been approved by two-thirds (2/3) of the Directors of the Corporation; or

2. All of the following conditions shall have been met:

(a) The aggregate amount of the cash and the Fair Market Value as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of Common Stock in such Business Combination shall be at least equal to the greater of (i) and (ii), where (i) is the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the 10% Shareholder or any other party for any shares of Common Stock acquired within the two-year period immediately prior to the first public announcement of the proposal of the Business Combination (the "Announcement Date") or, if higher, the per share price paid in the transaction in which the 10% Shareholder became a 10% Shareholder, and (ii) is the per share book value of the Corporation reported at the end of the fiscal quarter immediately preceding the later of any public announcement of any proposed Business Combination or the meeting date on which the shareholders are to consider the proposed Business Combination;

(b) The consideration to be received by holders of a particular class of outstanding Voting Stock (including Common Stock) shall be in cash or in the same form as the 10% Shareholder has previously paid for shares of such class of Voting Stock. If the 10% Shareholder has paid for shares of any class of Voting Stock with varying forms of consideration, the form of consideration for such class of Voting Stock shall be either cash or the form used to acquire the largest number of shares of such class of Voting Stock previously acquired by it;

(c) A proxy or information statement describing the proposed merger or consolidation and complying with the requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to shareholders of the Corporation at least thirty (30) days prior to the meeting of shareholders called to consider the proposed Business Combination or, if no meeting, thirty (30) days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions).

#### ARTICLE X

#### AMENDMENTS

These Articles of Incorporation may be amended at any time, subject to the provisions of this Article, by the affirmative vote of a majority of the outstanding shares of stock of the Corporation entitled to vote on such amendment. No amendment shall be adopted which shall repeal, modify, amend, alter or diminish in any way the provisions of Article V, Section 1 of Article VII, Section 4 of Article IX, Section 11 of Article IX, Section 12 of Article IX, or this Article X without the affirmative vote of three-fourths (3/4) of the outstanding shares of stock of the Corporation entitled to vote on such amendment.

The Bylaws of the Corporation may be amended as provided herein and therein except that no amendment shall in any way repeal, modify, amend, alter or diminish the provisions of this Article or the other provisions of the Articles of Incorporation referenced in this Article.



BYLAWS OF  
FIRST MERCHANTS CORPORATION

Following are the Bylaws, as amended, of First Merchants Corporation (hereinafter referred to as the "Corporation"), a corporation existing pursuant to the provisions of the Indiana Business Corporation Law, as amended (hereinafter referred to as the "Act"):

## ARTICLE I

SECTION 1. NAME. The name of the Corporation is First Merchants Corporation.

SECTION 2. PRINCIPAL OFFICE AND RESIDENT AGENT. The post office address of the principal office of the Corporation is 200 East Jackson Street, Muncie, Indiana 47305, and the name of its Resident Agent in charge of such office is Rodney A. Medler.

SECTION 3. SEAL. The seal of the Corporation shall be circular in form and mounted upon a metal die, suitable for impressing the same upon paper. About the upper periphery of the seal shall appear the words "First Merchants Corporation" and about the lower periphery thereof the word "Muncie, Indiana". In the center of the seal shall appear the word "Seal".

## ARTICLE II

The fiscal year of the Corporation shall begin each year on the first day of January and end on the last day of December of the same year.

## ARTICLE III

## CAPITAL STOCK

SECTION 1. NUMBER OF SHARES AND CLASSES OF CAPITAL STOCK. The total number of shares of capital stock which the Corporation shall have authority to issue shall be as stated in the Articles of Incorporation.

SECTION 2. CONSIDERATION FOR NO PAR VALUE SHARES. The shares of stock of the Corporation without par value shall be issued or sold in such manner and for such amount of consideration as may be fixed from time to time by the Board of Directors. Upon payment of the consideration fixed by the Board of Directors, such shares of stock shall be fully paid and nonassessable.

SECTION 3. CONSIDERATION FOR TREASURY SHARES. Treasury shares may be disposed of by the Corporation for such consideration as may be determined from time to time by the Board of Directors.

SECTION 4. PAYMENT FOR SHARES. The consideration for the issuance of shares of capital stock of the Corporation may be paid, in whole or in part, in money, in other property, tangible or intangible, or in labor actually performed for, or services actually rendered to the Corporation; provided, however, that the part of the surplus of the Corporation which is transferred to stated capital upon the issuance of shares as a share dividend shall be deemed to be the consideration for the issuance of such shares. When payment of the consideration for which a share was authorized to be issued shall have been received by the Corporation, or when surplus shall have been transferred to stated capital upon the issuance of a share dividend, such share shall be declared and taken to be fully paid and not liable to any further call or assessment, and the holder thereof shall not be liable for any further payments thereon. In the absence of actual fraud in the transaction, the judgment of the Board of Directors as to the value of such property, labor or services received as consideration, or the value placed by the Board of Directors upon the corporate assets in the event of a share dividend, shall be conclusive. Promissory notes, uncertified checks, or future services shall not be accepted in payment or part payment of the capital stock of the Corporation, except as permitted by the Act.

SECTION 5. CERTIFICATE FOR SHARES. Each holder of capital stock of the Corporation shall be entitled to a stock certificate, signed by the President or a Vice President and the Secretary or any Assistant Secretary of the Corporation, with the seal of the Corporation thereto affixed, stating the name of the registered holder, the number of shares represented by such certificate, the par value of each share of stock or that such shares of stock are without par value, and that such shares are fully paid and nonassessable. If such shares are not fully paid, the certificates shall be legibly stamped to indicate the per cent which has been paid, and as further payments are made, the certificate shall be stamped accordingly.

If the Corporation is authorized to issue shares of more than one class, every certificate shall state the kind and class of shares represented thereby, and the relative rights, interests, preferences and restrictions of such class, or a summary thereof; provided, that such statement may be omitted from the certificate if it shall be set forth upon the face or back of the certificate that such statement, in full, will be furnished by the Corporation to any shareholder upon written request and without charge.

SECTION 6. FACSIMILE SIGNATURES. If a certificate is countersigned by the written signature of a transfer agent other than the Corporation or its employee, the signatures of the officers of the Corporation may be facsimiles. If a certificate is countersigned by the written signature of a registrar other than the Corporation or its employee, the signatures of the transfer agent and the officers of the Corporation may be facsimiles. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of its issue.

SECTION 7. TRANSFER OF SHARES. The shares of capital stock of the Corporation shall be transferable only on the books of the Corporation upon surrender of the certificate or certificates representing the same, properly endorsed by the registered holder or by his duly authorized attorney or accompanied by proper evidence of succession, assignment or authority to transfer.

SECTION 8. CANCELLATION. Every certificate surrendered to the Corporation for exchange or transfer shall be canceled, and no new certificate or certificates shall be issued in exchange for any existing certificate until such existing certificate shall have been so canceled, except in cases provided for in Section 10 of this Article III.

SECTION 9. TRANSFER AGENT AND REGISTRAR. The Board of Directors may appoint a transfer agent and a registrar for each class of capital stock of the Corporation and may require all certificates representing such shares to bear the signature of such transfer agent and registrar. Shareholders shall be responsible for notifying the Corporation or transfer agent and registrar for the class of stock held by such shareholder in writing of any changes in their addresses from time to time, and failure so to do shall relieve the Corporation, its shareholders, Directors, officers, transfer agent and registrar of liability for failure to direct notices, dividends, or other documents or property to an address other than the one appearing upon the records of the transfer agent and registrar of the Corporation.

SECTION 10. LOST, STOLEN OR DESTROYED CERTIFICATES. The Corporation may cause a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Corporation may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to give the Corporation a bond in such sum and in such form as it may direct to indemnify against any claim that may be made against the Corporation with respect to the certificates alleged to have been lost, stolen or destroyed or the issuance of such new certificate. The Corporation, in its discretion, may authorize the issuance of such new certificates without any bond when in its judgment it is proper to do so.

SECTION 11. REGISTERED SHAREHOLDERS. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of such shares to receive dividends, to vote as such owner, to hold liable for calls and assessments, and to treat as owner in all other respects, and shall not be bound to recognize any equitable or other claims to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Indiana.

SECTION 12. OPTIONS TO OFFICERS AND EMPLOYEES. The issuance, including the consideration, of rights or options to Directors, officers or employees of the Corporation, and not to the shareholders generally, to purchase from the Corporation shares of its capital stock shall be

approved by the affirmative vote of the holders of a majority of the shares entitled to vote thereon or shall be authorized by and consistent with a plan approved by such a vote of the shareholders.

#### ARTICLE IV

##### MEETINGS OF SHAREHOLDERS

SECTION 1. PLACE OF MEETING. Meetings of shareholders of the Corporation shall be held at such place, within or without the State of Indiana, as may from time to time be designated by the Board of Directors, or as may be specified in the notices or waivers of notice of such meetings.

SECTION 2. ANNUAL MEETING. The annual meeting of shareholders for the election of Directors, and for the transaction of such other business as may properly come before the meeting, shall be held on the third Tuesday in April of each year, if such day is not a holiday, and if a holiday, then on the first following day that is not a holiday, or in lieu of such day may be held on such other day as the Board of Directors may set by resolution, but not later than the end of the fifth month following the close of the fiscal year of the Corporation. Failure to hold the annual meeting at the designated time shall not work any forfeiture or a dissolution of the Corporation, and shall not affect otherwise valid corporate acts.

SECTION 3. SPECIAL MEETINGS. Special meetings of the shareholders, for any purpose or purposes, unless otherwise prescribed by statute or by the Articles of Incorporation, may be called by the Board of Directors or the President and shall be called by the President or Secretary at the request in writing of a majority of the Board of Directors, or at the request in writing of shareholders holding of record not less than one-fourth (1/4) of all the shares outstanding and entitled by the Articles of Incorporation to vote on the business for which the meeting is being called.

SECTION 4. NOTICE OF MEETINGS. A written or printed notice, stating the place, day and hour of the meeting, and in case of a special meeting, or when required by any other provision of the Act, or of the Articles of Incorporation, as now or hereafter amended, or these Bylaws, the purpose or purposes for which the meeting is called, shall be delivered or mailed by the Secretary, or by the officers or persons calling the meeting, to each shareholder of record entitled by the Articles of Incorporation, as now or hereafter amended, and by the Act to vote at such meeting, at such address as appears upon the records of the Corporation, at least ten (10) days before the date of the meeting. Notice of any such meeting may be waived in writing by any shareholder, if the waiver sets forth in reasonable detail the purpose or purposes for which the meeting is called, and the time and place thereof. Attendance at any meeting in person, or by proxy, shall constitute a waiver of notice of such meeting. Each shareholder, who has in the manner above provided waived notice of a shareholders' meeting, or who personally attends a shareholders' meeting, or is represented thereat by a proxy authorized to appear by an instrument of proxy, shall be conclusively presumed to have been given due notice of such meeting. Notice of any adjourned meeting of shareholders shall not be required

to be given if the time and place thereof are announced at the meeting at which the adjournment is taken except as may be expressly required by law.

SECTION 5. ADDRESSES OF SHAREHOLDERS. The address of any shareholder appearing upon the records of the Corporation shall be deemed to be the latest address of such shareholder appearing on the records maintained by the Corporation or its transfer agent for the class of stock held by such shareholder.

SECTION 6. VOTING AT MEETINGS.

(A) QUORUM. The holders of record of a majority of the issued and outstanding stock of the Corporation entitled to vote at such meeting, present in person or by proxy, shall constitute a quorum at all meetings of shareholders for the transaction of business, except where otherwise provided by law, the Articles of Incorporation or these Bylaws. In the absence of a quorum, any officer entitled to preside at, or act as secretary of, such meeting shall have the power to adjourn the meeting from time to time until a quorum shall be constituted. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the original meeting, but only those shareholders entitled to vote at the original meeting shall be entitled to vote at any adjournment or adjournments thereof unless a new record date is fixed by the Board of Directors for the adjourned meeting.

(B) VOTING RIGHTS. Except as otherwise provided by law or by the provisions of the Articles of Incorporation, every shareholder shall have the right at every shareholders' meeting to one vote for each share of stock having voting power, registered in his name on the books of the Corporation on the date for the determination of shareholders entitled to vote, on all matters coming before the meeting including the election of directors. At any meeting of shareholders, every shareholder having the right to vote shall be entitled to vote in person, or by proxy executed in writing by the shareholder or a duly authorized attorney in fact and bearing a date not more than eleven (11) months prior to its execution, unless a longer time is expressly provided therein.

(C) REQUIRED VOTE. When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which, by express provision of the Act or of the Articles of Incorporation or by these Bylaws, a greater vote is required, in which case such express provision shall govern and control the decision of such question.

SECTION 7. VOTING LIST. The Corporation or its transfer agent shall make, at least five (5) days before each election of directors, a complete list of the shareholders entitled by the Articles of Incorporation, as now or hereafter amended, to vote at such election, arranged in alphabetical order, with the address and number of shares so entitled to vote held by each, which list shall be on file at the principal office of the Corporation and subject to inspection by any shareholder. Such list shall be produced and kept open at the time and place of election and subject to the inspection of any shareholder during the holding of such election. The original stock register or transfer book, or a

duplicate thereof kept in the State of Indiana, shall be the only evidence as to who are the shareholders entitled to examine such list or the stock ledger or transfer book or to vote at any meeting of the shareholders.

SECTION 8. FIXING OF RECORD DATE TO DETERMINE SHAREHOLDERS ENTITLED TO VOTE. The Board of Directors may prescribe a period not exceeding fifty (50) days prior to meetings of the shareholders, during which no transfer of stock on the books of the Corporation may be made; or, in lieu of prohibiting the transfer of stock may fix a day and hour not more than fifty (50) days prior to the holding of any meeting of shareholders as the time as of which shareholders entitled to notice of, and to vote at, such meeting shall be determined, and all persons who are holders of record of voting stock at such time, and no others, shall be entitled to notice of, and to vote at, such meeting. In the absence of such a determination, such date shall be ten (10) days prior to the date of such meeting.

SECTION 9. NOMINATIONS FOR DIRECTOR. Nominations for election to the Board of Directors may be made by the Board of Directors or by an shareholder of any outstanding class of capital stock of the Corporation entitled to vote for the election of directors. Nominations, other than those made by or on behalf of the existing management of the Corporation, shall be made in writing and shall be delivered or mailed to the President of the Corporation not less than ten (10) days nor more than fifty (50) days prior to any meeting of shareholders called for the election of Directors. Such notification shall contain the following information to the extent known to the notifying shareholder: (a) the name and address of each proposed nominee; (b) the principal occupation of each proposed nominee; (c) the total number of shares of capital stock of the Corporation that will be voted for each proposed nominee; (d) the name and residence address of the notifying shareholder; and (e) the number of shares of capital stock of the Corporation owned by the notifying shareholder. Nominations not made in accordance herewith may, in his discretion, be disregarded by the chairman of the meeting, and upon his instructions, the vote tellers may disregard all votes cast for each such nominee.

#### ARTICLE V

##### BOARD OF DIRECTORS

SECTION 1. ELECTION, NUMBER AND TERM OF OFFICE. The number of Directors of the Corporation to be elected by the holders of the shares of stock entitled by the Articles of Incorporation to elect Directors shall be eleven (11) unless changed by amendment of this Section by a two-thirds (2/3) vote of the Board of Directors.

The Directors shall be divided into three (3) classes as nearly equal in number as possible, all Directors to serve three (3) year terms except as provided in the third paragraph of this Section. One class shall be elected at each annual meeting of the shareholders, by the holders of the shares of stock entitled by the Articles of Incorporation to elect Directors. Unless the number of Directors is changed by amendment of this Section, Classes I and II shall each have four (4) Directors, and

Class III shall have three (3) Directors. No decrease in the number of Directors shall have the effect of shortening the term of any incumbent Director.

No person shall serve as a Director subsequent to the annual meeting of shareholders following the end of the calendar year in which such person attains the age of seventy (70) years; however, for current Directors who served as a director of the Corporation's subsidiary, The Merchants National Bank of Muncie (now known as First Merchants Bank, N.A.) on or before January 1, 1971, such age shall be seventy-two (72) years. The term of a Director shall expire as of the annual meeting following which the Director is no longer eligible to serve under the provisions of this paragraph, even if fewer than three (3) years have elapsed since the commencement of the Director's term.

Except in the case of earlier resignation, removal or death, all Directors shall hold office until their respective successors are chosen and qualified.

The provisions of this Section of the Bylaws may not be changed or amended except by a two-thirds (2/3) vote of the Board of Directors.

SECTION 2. VACANCIES. Any vacancy occurring in the Board of Directors caused by resignation, death or other incapacity, or an increase in the number of Directors, shall be filled by a majority vote of the remaining members of the Board of Directors, until the next annual meeting of the shareholders, or at the discretion of the Board of Directors, such vacancy may be filled by a vote of the shareholders at a special meeting called for that purpose.

SECTION 3. ANNUAL MEETING OF DIRECTORS. The Board of Directors shall meet each year immediately after the annual meeting of the shareholders, at the place where such meeting of the shareholders has been held either within or without the State of Indiana, for the purpose of organization, election of officers, and consideration of any other business that may properly come before the meeting. No notice of any kind to either old or new members of the Board of Directors for such annual meeting shall be necessary.

SECTION 4. REGULAR MEETINGS. Regular meetings of the Board of Directors shall be held at such times and places, either within or without the State of Indiana, as may be fixed by the Directors. Such regular meetings of the Board of Directors may be held without notice or upon such notice as may be fixed by the Directors.

SECTION 5. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by the Chairman of the Board, the President, or by not less than a majority of the members of the Board of Directors. Notice of the time and place, either within or without the State of Indiana, of a special meeting shall be served upon or telephoned to each Director at least twenty-four (24) hours, or mailed, telegraphed or cabled to each Director at his usual place of business or residence at least forty-eight (48) hours, prior to the time of the meeting. Directors, in lieu of such notice, may sign

a written waiver of notice either before the time of the meeting, at the meeting or after the meeting. Attendance by a Director in person at any special meeting shall constitute a waiver of notice.

SECTION 6. QUORUM. A majority of the actual number of Directors elected and qualified, from time to time, shall be necessary to constitute a quorum for the transaction of any business except the filling of vacancies, and the act of a majority of the Directors present at the meeting, at which a quorum is present, shall be the act of the Board of Directors, unless the act of a greater number is required by the Act, by the Articles of Incorporation, or by these Bylaws. A Director, who is present at a meeting of the Board of Directors, at which action on any corporate matter is taken, shall be conclusively presumed to have assented to the action taken, unless (a) his dissent shall be affirmatively stated by him at and before the adjournment of such meeting (in which event the fact of such dissent shall be entered by the secretary of the meeting in the minutes of the meeting), or (b) he shall forward such dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. The right of dissent provided for by either clause (a) or clause (b) of the immediately preceding sentence shall not be available, in respect of any matter acted upon at any meeting, to a Director who voted at the meeting in favor of such matter and did not change his vote prior to the time that the result of the vote on such matter was announced by the chairman of such meeting.

A member of the Board of Directors may participate in a meeting of the Board by means of a conference telephone or similar communications equipment by which all Directors participating in the meeting can communicate with each other, and participation by these means constitutes presence in person at the meeting.

SECTION 7. CONSENT ACTION BY DIRECTORS. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if prior to such action a written consent to such action is signed by all members of the Board of Directors or such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board of Directors or committee.

SECTION 8. REMOVAL. Any or all members of the Board of Directors may be removed, with or without cause, at a meeting of the shareholders called expressly for that purpose by the affirmative vote of the holders of not less than two-thirds (2/3) of the outstanding shares of capital stock then entitled to vote on the election of Directors, except that if the Board of Directors, by an affirmative vote of at least two-thirds (2/3) of the entire Board of Directors, recommends removal of a Director to the shareholders, such removal may be effected by the affirmative vote of the holders of not less than a majority of the outstanding shares of capital stock then entitled to vote on the election of Directors at a meeting of shareholders called expressly for that purpose.

The provisions in this Section of the Bylaws may not be changed or amended except by a two-thirds (2/3) vote of the Board of Directors.



SECTION 9. DIVIDENDS. The Board of Directors shall have power, subject to any restrictions contained in the Act or in the Articles of Incorporation and out of funds legally available therefor, to declare and pay dividends upon the outstanding capital stock of the Corporation as and when they deem expedient. Before declaring any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time in their absolute discretion deem proper for working capital, or as a reserve or reserves to meet contingencies or for such other purposes as the Board of Directors may determine, and the Board of Directors may in their absolute discretion modify or abolish any such reserve in the manner in which it was created.

SECTION 10. FIXING OF RECORD DATE TO DETERMINE SHAREHOLDERS ENTITLED TO RECEIVE CORPORATE BENEFITS. The Board of Directors may fix a day and hour not exceeding fifty (50) days preceding the date fixed for payment of any dividend or for the delivery of evidence of rights, or for the distribution of other corporate benefits, or for a determination of shareholders for any other purpose, as a record time for the determination of the shareholders entitled to receive any such dividend, rights or distribution, and in such case only shareholders of record at the time so fixed shall be entitled to receive such dividend, rights or distribution. If no record date is fixed for the determination of shareholders entitled to receive payment of a dividend, the end of the day on which the resolution of the Board of Directors declaring such dividend is adopted shall be the record date for such determination.

SECTION 11. INTEREST OF DIRECTORS IN CONTRACTS. Any contract or other transaction between the Corporation or any corporation in which this Corporation owns a majority of the capital stock shall be valid and binding, notwithstanding that the Directors or officers of this Corporation are identical or that some or all of the Directors or officers, or both, are also directors or officers of such other corporation.

Any contract or other transaction between the Corporation and one or more of its Directors or members or employees, or between the Corporation and any firm of which one or more of its Directors are members or employees or in which they are interested, or between the Corporation and any corporation or association of which one or more of its Directors are stockholders, members, directors, officers, or employees or in which they are interested, shall be valid for all purposes, notwithstanding the presence of such Director or Directors at the meeting of the Board of Directors of the Corporation which acts upon, or in reference to, such contract or transaction and notwithstanding his or their participation in such action, if the fact of such interest shall be disclosed or known to the Board of Directors and the Board of Directors shall authorize, approve and ratify such contract or transaction by a vote of a majority of the Directors present, such interested Director or Directors to be counted in determining whether a quorum is present, but not to be counted in calculating the majority of such quorum necessary to carry such vote. This Section shall not be construed to invalidate any contract or other transaction which would otherwise be valid under the common and statutory law applicable thereto.

SECTION 12. COMMITTEES. The Board of Directors may, by resolution adopted by a majority of the actual number of Directors elected and qualified, from time to time, designate from among its members an executive committee and one or more other committees.

During the intervals between meetings of the Board of Directors, any executive committee so appointed, unless expressly provided otherwise by law or these Bylaws, shall have and may exercise all the authority of the Board of Directors, including, but not limited to, the authority to issue and sell or approve any contract to issue or sell, securities or shares of the Corporation or designate the terms of a series or class of securities or shares of the Corporation. The terms which may be affixed by the executive committee include, but are not limited to, the price, dividend rate, and provisions of redemption, a sinking fund, conversion, voting, or preferential rights or other features of securities or class or series of a class of shares. Such committee may have full power to adopt a final resolution which sets forth these terms and to authorize a statement of such terms to be filed with the Secretary of State. However, such executive committee shall not have the authority to declare dividends or distributions, amend the Articles of Incorporation or the Bylaws, approve a plan of merger or consolidation, even if such plan does not require shareholder approval, reduce earned or capital surplus, authorize or approve the reacquisition of shares unless pursuant to a general formula or method specified by the Board of Directors, or recommend to the shareholders a voluntary dissolution of the Corporation or a revocation thereof.

The Board of Directors may, in its discretion, constitute and appoint other committees, in addition to an executive committee, to assist in the management and control of the affairs of the Corporation, with responsibilities and powers appropriate to the nature of the several committees and as provided by the Board of Directors in the resolution of appointment or in subsequent resolutions and directives. Such committees may include, but are not limited to, an audit committee and a compensation and human resources committee.

No member of any committee appointed by the Board of Directors shall continue to be a member thereof after he ceases to be a Director of the Corporation. However, where deemed in the best interests of the Corporation, to facilitate communication and utilize special expertise, directors of the Corporation's affiliated banks and corporations may be appointed to serve on such committees, as "affiliate representatives." Such affiliate representatives may attend and participate fully in meetings of such committees, but they shall not be entitled to vote on any matter presented to the meeting nor shall they be counted for the purpose of determining whether a quorum exists. The calling and holding of meetings of any such committee and its method of procedure shall be determined by the Board of Directors. To the extent permitted by law, a member of the Board of Directors, and any affiliate representative, serving on any such committee shall not be liable for any action taken by such committee if he has acted in good faith and in a manner he reasonably believes is in the best interests of the Corporation. A member of a committee may participate in a meeting of the committee by means of a conference telephone or similar communications equipment by which all members participating in the meeting can communicate with each other, and participation by these means constitutes presence in person at the meeting.

## ARTICLE VI

### OFFICERS

SECTION 1. PRINCIPAL OFFICERS. The principal officers of the Corporation shall be a Chairman of the Board, Vice Chairman of the Board, a President, one (1) or more Vice Presidents, a Treasurer and a Secretary. The Corporation may also have, at the discretion of the Board of Directors, such other subordinate officers as may be appointed in accordance with the provisions of these Bylaws. Any two (2) or more offices may be held by the same person, except the duties of President and Secretary shall not be performed by the same person. No person shall be eligible for the office of Chairman of the Board, Vice Chairman of the Board, or President who is not a Director of the Corporation.

SECTION 2. ELECTION AND TERM OF OFFICE. The principal officers of the Corporation shall be chosen annually by the Board of Directors at the annual meeting thereof. Each such officer shall hold office until his successor shall have been duly chosen and qualified, or until his death, or until he shall resign, or shall have been removed in the manner hereinafter provided.

SECTION 3. REMOVAL. Any principal officer may be removed, either with or without cause, at any time, by resolution adopted at any meeting of the Board of Directors by a majority of the actual number of Directors elected and qualified from time to time.

SECTION 4. SUBORDINATE OFFICERS. In addition to the principal officers enumerated in Section 1 of this Article VI, the Corporation may have one or more Assistant Treasurers, one or more Assistant Secretaries and such other officers, agents and employees as the Board of Directors may deem necessary, each of whom shall hold office for such period, may be removed with or without cause, have such authority, and perform such duties as the President, or the Board of Directors may from time to time determine. The Board of Directors may delegate to any principal officer the power to appoint and to remove any such subordinate officers, agents or employees.

SECTION 5. RESIGNATIONS. Any officer may resign at any time by giving written notice to the Chairman of the Board of Directors, or to the President, or to the Secretary. Any such resignation shall take effect upon receipt of such notice or at any later time specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 6. VACANCIES. Any vacancy in any office for any cause may be filled for the unexpired portion of the term in the manner prescribed in these Bylaws for election or appointment to such office for such term.

SECTION 7. CHAIRMAN OF THE BOARD. The Chairman of the Board, who shall be chosen from among the Directors, shall preside at all meetings of shareholders and at all meetings of the

Board of Directors. He shall perform such other duties and have such other powers as, from time to time, may be assigned to him by the Board of Directors.

SECTION 8. VICE CHAIRMAN OF THE BOARD. The Vice Chairman of the Board, who shall be chosen from among the Directors, shall act in the absence of the Chairman of the Board. He shall perform such other duties and have such other powers as, from time to time, may be assigned to him by the Board of Directors.

SECTION 9. PRESIDENT. The President, who shall be chosen from among the Directors, shall be the chief executive officer of the Corporation and as such shall have general supervision of the affairs of the Corporation, subject to the control of the Board of Directors. He shall be an EX OFFICIO member of all standing committees. In the absence or disability of the Chairman of the Board and Vice Chairman of the Board, the President shall preside at all meetings of shareholders and at all meetings of the Board of Directors. Subject to the control and direction of the Board of Directors, the President may enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation. In general, he shall perform all duties and have all powers incident to the office of President, as herein defined, and all such other duties and powers as, from time to time, may be assigned to him by the Board of Directors.

SECTION 10. VICE PRESIDENTS. The Vice Presidents in the order of their seniority, unless otherwise determined by the Board of Directors, shall, in the absence or disability of the President and Executive Vice President, perform the duties and exercise the powers of the President. They shall perform such other duties and have such other powers as the President or the Board of Directors may from time to time assign.

SECTION 11. TREASURER. The Treasurer shall have charge and custody of, and be responsible for, all funds and securities of the Corporation and shall deposit all such funds in the name of the Corporation in such banks or other depositories as shall be selected by the Board of Directors. He shall upon request exhibit at all reasonable times his books of account and records to any of the Directors of the Corporation during business hours at the office of the Corporation where such books and records shall be kept; shall render upon request by the Board of Directors a statement of the condition of the finances of the Corporation at any meeting of the Board of Directors or at the annual meeting of the shareholders; shall receive, and give receipt for, moneys due and payable to the Corporation from any source whatsoever; and in general, shall perform all duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the President or the Board of Directors. The Treasurer shall give such bond, if any, for the faithful discharge of his duties as the Board of Directors may require.

SECTION 12. SECRETARY. The Secretary shall keep or cause to be kept in the books provided for that purpose the minutes of the meetings of the shareholders and of the Board of Directors; shall duly give and serve all notices required to be given in accordance with the provisions of these Bylaws and by the Act; shall be custodian of the records and of the seal of the Corporation and see that the seal is affixed to all documents, the execution of which on behalf of the Corporation under

its seal is duly authorized in accordance with the provisions of these Bylaws; and, in general, shall perform all duties incident to the office of Secretary and such other duties as may, from time to time, be assigned to him by the President or the Board of Directors.

SECTION 13. SALARIES. The salaries of the principal officers shall be fixed from time to time by the Board of Directors, and the salaries of any subordinate officers may be fixed by the President.

SECTION 14. VOTING CORPORATION'S SECURITIES. Unless otherwise ordered by the Board of Directors, the Chairman of the Board, the President and Secretary, and each of them, are appointed attorneys and agents of the Corporation, and shall have full power and authority in the name and on behalf of the Corporation, to attend, to act, and to vote all stock or other securities entitled to be voted at any meetings of security holders of corporations, or associations in which the Corporation may hold securities, in person or by proxy, as a stockholder or otherwise, and at such meetings shall possess and may exercise any and all rights and powers incident to the ownership of such securities, and which as the owner thereof the Corporation might have possessed and exercised, if present, or to consent in writing to any action by any such other corporation or association. The Board of Directors by resolution from time to time may confer like powers upon any other person or persons.

## ARTICLE VII

### INDEMNIFICATION

SECTION 1. INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS. Every person who is or was a Director, officer, employee or agent of this Corporation or of any other corporation for which he is or was serving in any capacity at the request of this Corporation shall be indemnified by this Corporation against any and all liability and expense that may be incurred by him in connection with or resulting from or arising out of any claim, action, suit or proceeding, provided that such person is wholly successful with respect thereto or acted in good faith in what he reasonably believed to be in or not opposed to the best interest of this Corporation or such other corporation, as the case may be, and, in addition, in any criminal action or proceeding in which he had no reasonable cause to believe that his conduct was unlawful. As used herein, "claim, action, suit or proceeding" shall include any claim, action, suit or proceeding (whether brought by or in the right of this Corporation or such other corporation or otherwise), civil, criminal, administrative or investigative, whether actual or threatened or in connection with an appeal relating thereto, in which a Director, officer, employee or agent of this Corporation may become involved, as a party or otherwise,

- (i) by reason of his being or having been a Director, officer, employee, or agent of this Corporation or such other corporation or arising out of his status as such or

- (ii) by reason of any past or future action taken or not taken by him in any such capacity, whether or not he continues to be such at the time such liability or expense is incurred.

The terms "liability" and "expense" shall include, but shall not be limited to, attorneys' fees and disbursements, amounts of judgments, fines or penalties, and amounts paid in settlement by or on behalf of a Director, officer, employee, or agent, but shall not in any event include any liability or expenses on account of profits realized by him in the purchase or sale of securities of the Corporation in violation of the law. The termination of any claim, action, suit or proceeding, by judgment, settlement (whether with or without court approval) or conviction or upon a plea of guilty or of NOLO CONTENDERE, or its equivalent, shall not create a presumption that a Director, officer, employee, or agent did not meet the standards of conduct set forth in this paragraph.

Any such Director, officer, employee, or agent who has been wholly successful with respect to any such claim, action, suit or proceeding shall be entitled to indemnification as a matter of right. Except as provided in the preceding sentence, any indemnification hereunder shall be made only if

- (i) the Board of Directors acting by a quorum consisting of Directors who are not parties to or who have been wholly successful with respect to such claim, action, suit or proceeding shall find that the Director, officer, employee, or agent has met the standards of conduct set forth in the preceding paragraph; or
- (ii) independent legal counsel shall deliver to the Corporation their written opinion that such Director, officer, employee, or agent has met such standards of conduct.

If several claims, issues or matters of action are involved, any such person may be entitled to indemnification as to some matters even though he is not entitled as to other matters.

The Corporation may advance expenses to or, where appropriate, may at its expense undertake the defense of any such Director, officer, employee, or agent upon receipt of an undertaking by or on behalf of such person to repay such expenses if it should ultimately be determined that he is not entitled to indemnification hereunder.

The provisions of this Section shall be applicable to claims, actions, suits or proceedings made or commenced after the adoption hereof, whether arising from acts or omissions to act during, before or after the adoption hereof.

The rights of indemnification provided hereunder shall be in addition to any rights to which any person concerned may otherwise be entitled by contract or as a matter of law and shall inure to the benefit of the heirs, executors and administrators of any such person.

The Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation against any liability asserted against him and incurred by him in any capacity or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Section or otherwise.

#### ARTICLE VIII

##### AMENDMENTS

Except as expressly provided herein or in the Articles of Incorporation, the Board of Directors may make, alter, amend or repeal these Bylaws by an affirmative vote of a majority of the actual number of Directors elected and qualified.





THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FIRST MERCHANTS CORPORATION'S CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (UNAUDITED) FOR PERIOD ENDING JUNE 30, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

6-MOS	DEC-31-1997	JAN-01-1997	JUN-30-1997
			36,072
	481	0	0
		0	
226,319	39,794		
	39,833		
		680,406	
		6,710	
	1,010,435		
		821,068	
		49,120	
6,636		16,700	
	0	0	
		829	
		116,082	
1,010,435			
	28,775		
	7,928		
	161		
	36,864		
	15,330		
	17,244		
	19,620		
		577	
	1		
	12,618		
	10,889		
7,136			
	0		0
		7,136	
		1.08	
		1.08	
		0	
		0	0
		0	0
		0	0
		0	0
		0	0
	0		
	0		
	0		



THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION FOR FIRST MERCHANTS CORPORATION FOR PERIOD ENDING JUNE 30, 1996 RESTATED AS A RESULT OF POOLING OF INTEREST TRANSACTIONS.

1,000

6-MOS		
	DEC-31-1996	
	JAN-01-1996	
	JUN-30-1996	36,751
	156	
	15,100	
	0	
173,295		
	107,993	
	108,166	
		583,964
		6,631
	945,096	
		772,479
		48,386
	7,893	
		9,000
	0	
		0
		822
		106,518
945,096		
	25,187	
	8,374	
	501	
	34,002	
	14,505	
	15,893	
	18,109	
		580
	26	
	11,708	
	9,802	
6,460		
	0	
		0
	6,460	
	.99	
	.99	
	0	
		0
		0
	0	
	0	
	0	
		0
		0
	0	
	0	
		0
	0	
	0	
		0



