FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

QUARTERLY RETORT UNDER SECTION 13 or 15 (d) of THE

SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended June 30, 2001 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 (I.R.S. Employer
incorporation of organization) Identification No.)

200 East Jackson Street - Muncie, IN 47305-2814

(Address of principal executive office) (Zip
code)

(765) 747-1500

(Registrant's telephone number, including area code)

Not Applicable

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

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

As of July 31, there were 12,116,993 outstanding common shares, without par value, of the registrant.

This report including the cover page contains a total of 20 pages.

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PART I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS
CONSOLIDATED CONDENSED BALANCE SHEET
(Dollars in thousands)
(Unaudited)

	June 30, 2001	December 31, 2000
ASSETS:		
Cash and due from banks	$ 62,043	$ 52,563
Federal funds sold	32,335	14,900
Cash and cash equivalents	94,378	67,463
Interest-bearing deposits	1,260	883
Investment securities available for sale	252,952	295,730
Investment Securities held to maturity	9,045	12,233
Mortgage loans held for sale	810	
Loans, net of allowance for loan losses of $12,505 and $12,454	1,198,530	1,163,132
Premises and equipment	23,062	23,868
Federal Reserve and Federal Home Loan Bank Stock	7,190	7,185
Interest receivable	11,737	13,135
Core deposit intangibles and goodwill	20,530	21,055
Cash surrender value of life insurance	6,306	6,312
Other assets	10,470	10,067
Total assets	$1,636,270	$1,621,063
LIABILITIES:		
Deposits:		
Noninterest-bearing	$ 161,513	$ 157,053
Interest-bearing	1,128,450	1,131,246
Total deposits	1,289,963	1,288,299
Borrowings	174,432	163,581
Interest payable	6,304	6,335
Other liabilities	6,306	6,785
Total liabilities	1,477,005	1,465,000
STOCKHOLDERS' EQUITY:		
Perferred stock, no-par value:		
Authorized and unissued-500,000 shares		
Common Stock, $.125 stated value:		
Authorized --- 50,000,000 shares		
Issued and outstanding - 11,437,790 and 11,611,732 shares	1,430	1,451
Additional paid-in capital	37,658	41,665
Retained earnings..	118,632	113,244
Accumulated other comprehensive income (loss)	1,545	(297)
Total stockholders' equity	159,265	156,063
Total liabilities and stockholders' equity	$1,636,270	$1,621,063

See notes to consolidated condensed financial statements.

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

	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	2001	2000
Interest Income:				
Loans receivable				
Taxable	$24,980	$22,918	$50,170	$44,348
Tax exempt	112	76	204	148
Investment securities:				
Taxable	2,777	3,634	6,316	7,378
Tax exempt	1,024	1,127	2,051	2,269
Federal funds sold	206	197	295	248
Deposits with financial institutions	10	19	20	33
Federal Reserve and Federal Home Loan Bank stock	158	126	299	247
Total interest income	29,267	28,097	59,355	54,671
Interest expense:				
Deposits	11,446	11,782	24,147	22,685
Securities sold under repurchase agreements	884	962	1,848	2,052
Federal Home Loan Bank advances	1,565	1,021	3,121	1,971
Other Borrowings	102	542	279	900
Total interest expense	13,997	14,307	29,395	27,608
Net Interest Income	15,270	13,790	29,960	27,063
Provision for loan losses	695	665	1,348	1,144
Net Interest Income After Provision for Loan Losses	14,575	13,125	28,612	25,919
Net realized gains (losses) on available-for-sale securities		12		(186)
Other Income	4,617	4,087	9,011	7,990
Total other income	4,617	4,099	9,011	7,804
Total other expenses	10,505	9,881	20,979	19,288
Income before income tax	8,687	7,343	16,644	14,435
Income tax expense	3,113	2,340	5,964	4,612
Net Income	$ 5,574	$ 5,003	$10,680	$ 9,823
Per share:				
Net Income:				
Diluted Cash Earnings	$ .51	$ .46	$ .97	$ .90
Basic Net Income	.49	.45	.93	.89
Diluted Net Income	.48	.45	.92	.89
Cash Dividends Paid	.23	.22	.46	.44

See notes to consolidated condensed financial statements.

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CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
(Dollar amounts in thousands)
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	2001	2000
Net Income	$ 5,574	$ 5,003	$10,680	$ 9,823
Other comprehensive income(loss), net of tax:				
Unrealized (losses) gains on securities available for sale:				
Unrealized holding (losses) gains arising during the period, net of income tax (expense) benefit of $(41), $610, $(1,228), and $1,258	62	(916)	1,843	(1,888)
Less: Reclassification adjustment for gains (losses) included in net income, net of income tax (expense) benefit of $5 and $(75)		7		(111)
	62	(923)	1,843	(1,777)
Comprehensive income	$ 5,636	$ 4,080	$12,523	$ 8,046

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CONSOLIDATED CONDENSED STATEMENT OF STOCKHOLDERS' EQUITY
(Dollar Amounts in thousands)
(Unaudited)

	2001	2000
Balances, January 1	$ 156,063	$ 126,296
Net income	10,680	9,823
Cash dividends	(5,294)	(4,963)
Other comprehensive income (loss), net of tax	1,843	(1,777)
Issuance of stock related to acquisition		21,358
Stock issued under dividend reinvestment and stock purchase plan	373	373
Stock options exercised	92	417
Stock Redeemed	(4,492)	(4,314)
Balances, June 30	$ 159,265	$ 147,213

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, 2001	Six Months Ended June 30, 2000
Cash Flows From Operating Activities:		
Net income	$ 10,680	$ 9,823
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for loan losses	1,348	1,144
Depreciation and amortization	2,124	1,526
Securities amortization, net	(173)	112
Securities losses, net		186
Gains on sale of premises and equipment	(64)	(105)
Mortgage loans originated for sale	(6,942)	811
Proceeds from sales of mortgage loans	6,132	(750)
Change in interest receivable	1,398	(443)
Change in interest payable	(31)	532
Other adjustments	(2,206)	(2,079)
Net cash provided by operating activities	$ 12,266	$ 10,747
Cash Flows From Investing Activities:		
Net change in interest-bearing deposits	(377)	488
Purchases of		
Securities available for sale	(10,761)	(5,093)
Proceeds from maturities of		
Securities available for sale	57,182	24,384
Securities held to maturity	2,707	3,066
Proceeds from sales of		
Securities available for sale		10,844
Securities held to maturity		(66,905)
Net change in loans	(36,746)	(2,766)
Purchases of premises and equipment	(706)	512
Proceeds from sale of fixed assets	156	392
Net cash provided (used) by investing activities	11,455	(35,078)

(continued)

FIRST MERCHANTS CORPORATION

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

	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
Cash Flows From Financing Activities:		
Net change in		
Demand and savings deposits	$ 4,460	$ 3,649
Certificates of deposit and other time deposits	(2,796)	(12,932)
Borrowings	10,851	10,537
Cash dividends	(5,294)	(4,963)
Stock issued under dividend reinvestment and stock purchase plan	373	373
Stock options exercised	92	417
Stock repurchased	(4,492)	(4,314)
Net cash provided (used) by financing activities	3,194	(7,233)
Net Change in Cash and Cash Equivalents	26,915	(31,564)
Cash and Cash Equivalents, January 1	67,463	84,293
Cash and Cash Equivalents, June 30	$ 94,378	$ 52,729

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 or adoption of accounting pronouncements discussed more fully in Note2. 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. Accounting Matters

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

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

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

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

Statement No. 133 was adopted on July 1, 2000 and did not have a material impact on the operations of the Corporation.

NOTE 3. Business Combinations

On July 1, 2001, the Corporation completed the acquisition of Francor Financial, Inc., Wabash, Indiana. The acquisition will be accounted for under the purchase method of accounting. Under the terms of the agreement, the Corporation will issue 676,000 shares of its common stock and $14,949,000 cash in exchange for all of the common stock of Francor Financial, Inc. The Corporation anticipates amortizing core deposit intangibles over ten years. As of December 31, 2000, Francor Financial, Inc., had total assets and shareholders' equity of $165,009,000 and $18,393,000 respectively.

(Table dollar amounts in thousands)

NOTE 4. Investment Securities

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale at June 30, 2001				
U.S. Treasury	$ 99	$ 77		$ 176
Federal agencies..................	34,466	435	$ (20)	34,881
State and municipal	75,490	1,653	(59)	77,084
Mortgage-backed securities	123,623	859	(191)	124,291
Other asset-backed securities.....	10,372	126	(14)	10,484
Corporate obligations.............	4,983	80	(213)	4,850
Marketable equity securities......	1,316		(130)	1,186
Total available for sale	250,349	3,230	(627)	252,952
Held to maturity at June 30, 2001				
State and municipal...............	8,765	182	(18)	8,929
Mortgage-backed securities........	280			280
Total held to maturity	9,045	182	(18)	9,209
Total investment securities ..	$259,394	$ 3,412	$ (645)	$262,161

(Table dollar amounts in thousands)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale at December 31, 2000:				
U.S. Treasury	$ 2,997			$ 2,997
Federal agencies	55,403	$ 268	$ 155	55,516
State and municipal	81,370	1,045	103	82,312
Mortgage-backed securities	127,907	139	922	127,124
Other asset-backed securities	19,924	10	148	19,786
Corporate obligations	7,238	9	395	6,852
Marketable equity securities	1,277		134	1,143
Total available for sale	296,116	1,471	1,857	295,730
Held to maturity at December 31, 2000:				
U.S. Treasury	250			250
State and municipal	11,645	131	36	11,740
Mortgage-backed securities	338			338
Total held to maturity	12,233	131	36	12,328
Total investment securities	$308,349	$ 1,602	$ 1,893	$308,058

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

NOTE 5. Loans and Allowance

	June 30, 2001	December 31, 2000
Loans:		
Commercial and industrial loans	$ 279,881	$ 258,405
Agricultural production financing and other loans to farmers	27,633	24,547
Real estate loans:		
Construction	50,629	45,412
Commercial and farmland	176,077	167,317
Residential	472,450	466,660
Individuals' loans for household and other personal expenditures	191,204	201,629
Tax-exempt loans	5,238	6,093
Other loans	7,925	5,523
Unearned interest on loans	(2)	
Total	1,211,035	1,175,586

	Six Months Ended June 30 2001	2000
Allowance for loan losses:		
Balances, January 1	$ 12,454	$ 10,128
Allowance acquired in acquisition		1,413
Provision for losses	1,348	1,144
Recoveries on loans	292	290
Loans charged off	(1,589)	(804)
Balances, June 30	$ 12,505	$ 12,171

NOTE 6. Net Income Per Share

	Three Months Ended June 30, 2001			2000		
	Income	Weighted-Average Shares	Per Share Amount	Income	Weighted-Average Shares	Per Share Amount
Basic net income per share:						
Net income available to common stockholders	$ 5,574	11,452,258	$ .49	$ 5,003	11,091,226	$ .45
Effect of dilutive stock options		76,478			67,546	
Diluted net income per share:						
Net income available to common stockholders and assumed conversions	5,574	11,528,736	$ .48	$ 5,003	11,158,772	$ .45

	Six Months Ended June 30,					
	2001			2000		
	Income	Weighted-Average Shares	Per Share Amount	Income	Weighted-Average Shares	Per Share Amount
Basic net income per share:						
Net income available to common stockholders.................	$ 10,680	11,524,777	$ .93	$ 9,823	10,997,638	$ .89
Effect of dilutive stock options........		78,161			83,123	
Diluted net income per share:						
Net income available to common stockholders and assumed conversions.............	$ 10,680	11,602,938	$ .92	$ 9,823	11,080,761	$ .89

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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.

Forward-Looking Statements

Congress passed the Private Securities Litigation Report Act of 1995 to encourage corporations to provide investors with information about the company's anticipated future financial performance, goals, and strategies. The act anticipated future financial performance, goals, and strategies. The act provides a safe harbor for such disclosure, or in other words, protection from unwarranted litigation if actual results are not the same as management's expectations.

First Merchants Corporation desires to provide its shareholders with sound information about past performance and future trends. Consequently, this Quarterly Report, including Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements that are subject to numerous assumptions, risks, and uncertainties. Actual results could differ materially from those contained in or implied by First Merchants Corporation's statements due to a variety of factors including: changes in economic conditions; movements in interest rates; competitive pressures on product pricing and services; success and timing of business strategies; the successful integration of acquired businesses; the nature and extent of governmental actions and reform; and extended disruption of vital infrastructure. The management of First Merchants Corporation encourages readers of this report to understand forward-looking statements to be strategic objectives rather than absolute targets of future performance.

Results of Operations

Net income for the three months ended June 30, 2001, was $5,574,000, compared to $5,003,000 earned in the same period of 2000. Diluted earnings per share were $.48 and increase of $.03 over the $.45 reported for the first quarter 2000.

Net income for the six months ended June 30, 2001, was $10,680,000, compared to $9,823,000 during the same period in 2000. Diluted earnings per share were $.92, a 3.4% increase over $.89 in 2000.

Cash basis earnings per share for the quarter increased 10.1% to $.51 up $.05 from $.46. Year to date cash basis earnings per share increased 7.8% to $.97 from $.90 in 2000

Annualized returns on average assets and average shareholder's equity for six months ended June 30, 2001 were 1.34 percent and 13.51 percent, respectively, compared with 1.34 percent and 14.80 percent for the same period of 2000.

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 ration was 8.7 percent at year-end 2000 and 8.7 percent at June 30, 2001. At June 30, 2001, the Corporation had a Tier I risk-based capital ratio of 11.4 percent, total risk-based capital ratio of 12.5 percent. Regulatory capital guidelines require a Tier I risk-based capital ratio of 4.0 percent and a total risk-based capital ratio of 8.0 percent. Banks with Tier I risk-based capital ratios of 6.0 percent and total risk-based capital ratios of 10.0 percent are considered "well capitalized." All of the Banks remain "well capitalized" as of June 30, 2001.

Asset Quality/Provision for Loan Losses

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

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

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

The following table summarizes the risk elements for the Corporation.

(Dollars in Thousands)	June 30, 2001	December 31, 2000	December 31, 1999
Non-accrual loans	$2,643	$2,370	$1,280
Loans contractually past due 90 days Or more other than nonaccruing	2,447	2,465	2,327
Restructured loans	3,132	3,085	908
Total	$8,213	$7,920	$4,515

At December 31, 2000, non-performing loans totaled $7,920,000. As of December 31, 2000, impaired loans included in the table above totaled $1,900,000.

The Corporation adopted Statement of Financial Accounting Standards ("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. At December 31, 2000, impaired loans totaled $14,839,000. An allowance for losses was not deemed necessary for impaired loans totaling $6,977,000, but an allowance of $2,253,000 was recorded for the remaining balance of impaired loans of $7,862,000. The average balance of impaired loans for 2000 was $15,053,000.

At June 30, 2001, the allowance for loan losses increased by $51,000, to $12,505,000, up slightly from year end 2000. As a percent of loans, the allowance was 1.03 percent, down from 1.07 percent at year end 2000.

The provision totaled $1,348,000 as of June 30, 2001. The provision was $204,000 more than the $1,144,000 provision from 2000. Net charge offs amounted to $1,297,000 during same period.

The second quarter 2001 provision of $695,000 increased $30,000 from $665,000 for the same quarter in 2000. Net charge offs amounted to $380,000 during the quarter.

	Six Months Ended June 30,	
	2001	2000
	(Dollars in Thousands)	
Balance at beginning of period	$12,454	$10,128
Chargeoffs	1,589	804
Recoveries	292	290
Net chargeoffs	1,297	514
Provision for loan losses	1,348	1,413
Balance at end of period	$12,505	$12,171
Ratio of net chargeoffs during the period to average loans outstanding during the period	.22(1)	.10%(1)

(1) First six months annualized

Liquidity, Interest Sensitivity, and Disclosures About Market Risk

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

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

The Corporation's liquidity and interest sensitivity position at March 31, 2001, remained adequate to meet the Corporation's primary goal of achieving optimum interest margins while avoiding undue interest rate risk. First Merchants Corporation beleives the March 31, 2001 data, on the following page, materially reflects the Corpoations interest sensitivity position on June 30, 2001.

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

The Corporation's asset liability process monitors simulated net interest income under three separate interest rate scenarios; rising (rate shock), falling (rate shock) and base case (flat rates). Net Interest income is simulated over a 12-month horizon. By policy, the variance between rising rates and base case nor falling rates and base case can be more than a negative 5%.

Assumed interest rate changes are simulated to move immediate and parallel the rate movement to noteworthy interest rate indexes appear below:

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

Results for the flat, rising (rate shock), and falling (rate shock) interest scenarios are listed below. The net interest income shown represents cumulative net interest income over a 12-month time horizon. Balance sheet assumptions are the same under all scenarios:

	Base Case Flat Rates	Rising	Falling
Net Interest Income (Dollars in Thousands)	$61,027	$59,570	$60,376
Change vs. Base Case		(1,457)	(651)
Percent Change		(2.39)%	(1.07)%
Policy Limitation		(5.00)%	(5.00)%

Earning Assets

The following table presents the earning asset mix as of June 30, 2001, and December 31, 2000, and December 31, 1999.

Loans grew by over $35.4 million from December 31, 2000 to June 30, 2001, while investment securities declined by $45.9 million during the same period. Commercial and industrial loans increased by more than $21.5 million, while individuals' loans for household and personal expenditures declined by nearly $10.4 million.

EARNING ASSETS (Dollars in Millions	June 30, 2001	December 31, 2000	December 31, 1999
Federal funds sold and interest-bearing deposits	$ 33.6	$ 15.8	$ 27.1
Investment securities available for sale	253.0	295.7	329.7
Investment securities held to maturity	9.0	12.2	14.3
Mortgage loans held for sale	.8		
Loans	1,211.0	1,175.6	998.9
Federal Reserve and Federal Home Loan Bank stock	7.2	7.2	5.8
Total	$ 1,514.6	$ 1,506.5	$ 1,375.8

Net Interest Income

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

The table below presents the Corporation's asset yields, interest expense, and net interest income as a percent of average earning assets for the six months ended June 30, 2001 and 2000.

Annualized net interest income (FTE) for the six months ended June 30, 2001 increased by $5,687,000, or 10.0 percent over the same period in 2000, due to an increase in average earning assets of over $102 million.

(Dollars in Thousands)	Interest Income (FTE) as a Percent of Average Earning Assets	Interest Expense as a Percent of Average Earning Assets	Net Interest Income (FTE) as a Percent of Average Earning Assets	Average Earning Assets	Annualized Net Interest Income On a Fully Taxable Equivalent Basis
For the three months Ended June 30,					
2001	8.01%	3.75%	4.26%	$1,492,034	$63,523
2000	8.15%	4.06%	4.09%	$1,408,371	$57,619

(Dollars in Thousands)	Interest Income (FTE) as a Percent of Average Earning Assets	Interest Expense as a Percent of Average Earning Assets	Net Interest Income (FTE) as a Percent of Average Earning Assets	Average Earning Assets	Annualized Net Interest Income On a Fully Taxable Equivalent Basis
For the six months Ended June 30,					
2001	8.12%	3.94%	4.18%	$1,491,688	$62,348
2000	8.05%	3.97%	4.08%	$1,389,941	$56,661

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

Other Income

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

Total Other income in the second quarter of 2001 exceeded the same quarter in the prior year by $518,000, or 12.6 percent.

Two major areas account for most of the increase:

1. Service charges on deposit accounts increased $197,000 or 17.1 percent due to increased number of accounts and price adjustments.

2. Revenues from fiduciary activities increased $112,000 or 8.4 percent due primarily to increased sales efforts of First Merchants Insurance Services, Inc.

Other income in the first six months of 2001 exceeded the same period in the prior year by $1,207,000, or 15.5 percent.

Two major areas account for most of the increase:

1. Service charges on deposit accounts increased $356,000 or 15.8 percent due to increased number of accounts and price adjustments.

2. Revenues from fiduciary activities increased $264,000 or 10.5 percent due primarily to increased sales efforts of First Merchants Insurance Services, Inc.

3. Gains on sale of mortgage loans increased by $352,000 due to declining interest rates and increased mortgage volume.

Other Expense

Total other expenses represent non-interest operating expenses of the Corporation. Other expense during the second quarter of 2001 exceeded the same period of the prior year by $624,000, or 6.3 percent.

Two major areas account for most of the increase:

1. Salaries and benefit expense grew $371,000 or 6.8 percent, due to normal salary increases and staff additions.

2. Goodwill amortization increased by $171,000, due to utilization of the purchase method of accounting for the Corporations June 1, 2000 acquisition of Decatur Bank & Trust Company.

Other expense during the first six months in 2001 exceeded the same period of the prior year by $1,691,000, or 8.8 percent.

Two major areas account for most of the increase:

1. Salaries and benefit expense grew $1,001,000 or 9.4 percent, due to normal salary increases and staff additions.

2. Goodwill amortization increased by $485,000, due to utilization of the purchase method of accounting for the Corporations June 1, 2000 acquisition of Decatur Bank & Trust Company.

Income Taxes

Income tax expense during the second quarter totaled $3,113,000, an increase of $773,000 over the $2,340,000 reported in the same quarter of 2000.

Income tax expense, for the six months ended June 30, 2001, increased by $1,352,000 over the same period in 2000.

Other

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The information required under this item is included as part of Management's Discussion and Analysis under the heading Liquidity, Interest Sensitivity, and Disclosures About Market Risk.

FIRST MERCHANTS CORPORATION

FORM 10-Q

PART II. OTHER INFORMATION

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

At the April 11, 2001 Annual Meeting of Shareholders, the following matters were submitted to a vote of the shareholders.

Election of Directors - The following directors were elected for a term of three years.

	Vote Count	
	For	Against
Dennis A. Bieberich	9,693,521.8597	9,223.7432
Michael L. Cox	9,314,040.8597	388,704.7432
George A. Sissel	9,690,123.3157	12,622.2872
Robert M. Smitson	9,686,819.8597	15,925.7432
Blaine A. Brownell	9,691,526.5917	11,219.0112
Roger M. Arwood	9,693,521.8597	9,223.7432

Item 6. Exhibits and Reports on Form 8-K

None

FIRST MERCHANTS CORPORATION

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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 8/14/01 by /s/ Michael L. Cox
Michael L. Cox
President and Chief Executive Officer

Date 8/17/01 by /s/ James L. Thrash
James L. Thrash
Chief Financial & Principal
Accounting Officer