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 March 31, 2000

Commission File Number 0-17071

First Merchants Corporation
(Exact name of registrant as specified in its charter)

Indiana	35-1544218
(State or other jurisdiction of incorporation 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 X No ---

As of May 10, 2000 there were outstanding 10,786,575 common shares, without par value, of the registrant.

The exhibit index appears on page 2.

This report including the cover page contains a total of 22 pages.

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FIRST MERCHANTS CORPORATION

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

	March 31, 2000	December 31, 1999
ASSETS:		
Cash and due from banks	$ 37,418	$ 58,893
Federal funds sold	1,800	25,400
Cash and cash equivalents	39,218	84,293
Interest-bearing deposits	482	1,730
Investment securities available for sale	305,929	329,668
Investment securities held to maturity	11,951	14,303
Mortgage loans held for sale	227	61
Loans	1,043,567	998,895
Less: Allowance for loan losses	(10,468)	(10,128)
Net loans	1,033,326	988,767
Premises and equipment	20,552	20,073
Federal Reserve and Federal Home Loan Bank Stock	5,858	5,858
Interest receivable	10,843	11,279
Core deposit intangibles and goodwill	2,820	2,885
Others assets	15,199	15,131
Total assets	$1,446,178	$1,474,048
LIABILITIES:		
Deposits:		
Noninterest-bearing	$ 138,022	$ 140,547
Interest-bearing	1,005,741	1,006,656
Total deposits	1,143,763	1,147,203
Borrowings	166,312	189,862
Interest payable	5,114	4,599
Other liabilities	6,201	6,088
Total liabilities	1,321,390	1,347,752
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 - 10,809,430 and 10,936,617 shares	1,351	1,367
Additional paid-in capital	22,419	25,481
Retained earnings	106,064	103,640
Accumulated other comprehensive income (loss)	(5,046)	(4,192)
Total stockholders' equity	124,788	126,296
Total liabilities and stockholders' equity	$1,446,178	$1,474,048

See notes to consolidated condensed financial statements.

FIRST MERCHANTS CORPORATION

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

	Three Months Ended March 31, 2000	
	2000	1999
Interest Income:		
Loans receivable		
Taxable	$21,430	$18,580
Tax exempt	72	53
Investment securities:		
Taxable	3,744	3,495
Tax exempt	1,142	1,310
Federal funds sold	51	228
Deposits with financial institutions	14	4
Federal Reserve and Federal Home Loan Bank stock	121	100
Total interest income	26,574	23,770
Interest expense:		
Deposits	10,903	9,341
Borrowings	2,398	1,590
Total interest expense	13,301	10,931
Net Interest Income	13,273	12,839
Provision for loan losses	479	505
Net Interest Income After Provision for Loan Losses	12,794	12,334
Other Income:		
Net realized gains (losses) on sales of available-for-sale securities	(198)	15
Other income	3,903	3,413
Total other income	3,705	3,428
Total other expenses	9,407	8,690
Income before income tax	7,092	7,072
Income tax expense	2,272	2,429
Net Income	$ 4,820	$ 4,643
Per share:		
Net Income:		
Basic	$ .44	$ .39
Diluted	.44	.38
Dividends	.22	.20

See notes to consolidated condensed financial statements.

FIRST MERCHANTS CORPORATION

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

	Three Months Ended March 31, 2000	
	2000	1999
Net Income	$ 4,820	$ 4,643
Other comprehensive income, 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 $648, and $461	(972)	(692)
Less: Reclassification adjustment for gains (losses) included in net income, net of income tax (expense) benefit of $80 and $(6)	(118)	9
	(854)	(701)
Comprehensive income	$ 3,966	$ 3,942

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

	2000	1999
Balances, January 1	$126,296	$153,891
Net income	4,820	4,643
Cash dividends	(2,392)	(2,111)
Other comprehensive income (loss), net of tax	(854)	(701)
Stock issued under dividend reinvestment and stock purchase plan	192	182
Stock options exercised	322	166
Stock Redeemed	(3,596)	(339)
Balances, March 31	$124,788	$155,731

See notes to consolidated condensed financial statements

FIRST MERCHANTS CORPORATION

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CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS
(Dollar amounts in thousands)
(Unaudited)

	Three Months Ended March 31, 2000	Three Months Ended March 31, 1999
Cash Flows From Operating Activities:		
Net income	$ 4,820	$ 4,643
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for loan losses	479	505
Depreciation and amortization	758	649
Securities amortization, net	66	3
Securities losses (gains), net	198	(15)
Gains on sale of premises and equipment	(105)	
Mortgage loans originated for sale	240	(3,376)
Proceeds from sales of mortgage loans	(406)	4,152
Change in interest receivable	436	287
Change in interest payable	(515)	26
Other adjustments	1,886	4,111
Net cash provided by operating activities	$ 7,857	$ 10,985
Cash Flows From Investing Activities:		
Net change in interest-bearing deposits	1,248	(175)
Purchases of		
Securities available for sale		(86,845)
Proceeds from maturities of		
Securities available for sale	12,928	52,401
Proceeds from sales of		
Securities available for sale	2,312	1,778
Securities held to maturity	9,151	1,955
Net change in loans	(45,040)	(9,967)
Purchases of premises and equipment	(1,579)	(1,231)
Proceeds from sale of fixed assets	512	17
Net cash provided (used) by investing activities	(20,468)	(42,067)

(continued)

FIRST MERCHANTS CORPORATION

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CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS
(Dollar amounts in thousands)
(Unaudited)

	Three Months Ended March 31	
	2000	1999
Cash Flows From Financing Activities:		
Net change in		
Demand and savings deposits	$ (2,525)	$(22,781)
Certificates of deposit and other time deposits	(915)	(22,865)
Borrowings	(23,550)	44,975
Cash dividends	(2,392)	(2,111)
Stock issued under dividend reinvestment and stock purchase plan	192	182
Stock options exercised	322	166
Stock repurchased	(3,596)	(339)
Net cash provided (used) by financing activities	(32,464)	(2,773)
Net Change in Cash and Cash Equivalents	(45,075)	(33,855)
Cash and Cash Equivalents, January 1	84,293	77,769
Cash and Cash Equivalents, March 31	$ 39,218	$ 43,914

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

Statement No. 133 was originally effective for all fiscal years beginning after June 15, 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.

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

NOTE 3. Subsequent Event--Acquisition

On January 21, 2000, the Corporation signed a definitive agreement to acquire Decatur Financial Inc., Decatur, Indiana. The acquisition will be accounted for under the purchase method of accounting. Under the terms of the agreement, the Corporation will issue 1,346,000 shares of its common stock in exchange for all of the common stock of Decatur Financial, Inc. The transaction is subject to approval by stockholders of Decatur Financial, Inc., and appropriate regulatory agencies. The Corporation anticipates amortizing core deposit intangibles over eight years and goodwill over twenty years. As of December 31, 1999, Decatur Financial, Inc., had total assets and shareholders'equity of $128,140,000 and $14,253,000 respectively.

NOTE 4. Investment Securities

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale at March 31, 2000				
U.S. Treasury......................................	$ 2,993		$ 28	$ 2,965
Federal agencies...................................	57,877		1,290	56,587
State and municipal................................	82,001	$ 394	977	81,418
Mortgage-backed securities.........................	140,928	42	5,320	135,650
Other asset-backed securities......................	21,327		846	20,481
Corporate obligations..............................	8,253		179	8,074
Marketable equity securities.......................	915		161	754
Total available for sale.......................	314,294	436	8,801	305,929
Held to maturity at March 31, 2000				
U.S. Treasury......................................	250		2	248
State and municipal................................	11,124	49	19	11,154
Mortgage-backed securities.........................	311	1	15	297
Other asset-backed securities......................	266		1	265
Total held to maturity.........................	11,951	50	37	11,964
Total investment securities....................	$ 326,245	$ 486	$ 8,838	$ 317,893

(Table dollar amounts in thousands)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale at December 31, 1999:				
U.S. Treasury	$ 7,337	$ 3	$ 72	$ 7,268
Federal agencies	61,215	50	1,199	60,066
State and municipal	94,598	568	945	94,221
Mortgage-backed securities	141,673	58	4,332	137,399
Other asset-backed securities	21,773		758	21,015
Corporate obligations	9,082	4	140	8,946
Marketable equity securities	915		162	753
Total available for sale	336,593	683	7,608	329,668
Held to maturity at December 31, 1999:				
U.S. Treasury	250		2	248
State and municipal	13,243	77	13	13,307
Mortgage-backed securities	311	1	1	311
Other asset-backed securities	499	0	81	418
Total held to maturity	14,303	78	97	14,284
Total investment securities	$ 350,896	$ 761	$ 7,705	$343,952

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

NOTE 5. Loans and Allowance

	March 31, 2000	December 31, 1999
Loans:		
Commercial and industrial loans	$253,604	$224,712
Agricultural production financing and other loans to farmers	22,485	21,547
Real estate loans:		
Construction	32,810	31,996
Commercial and farmland	149,171	150,544
Residential	383,413	380,596
Individuals' loans for household and other personal expenditures	193,999	181,906
Tax-exempt loans	4,765	4,070
Other loans	3,339	3,552
Unearned interest on loans	(19)	(28)
Total	$1,043,567	$998,895

	Three Months Ended March 31	
	2000	1999
Allowance for loan losses:		
Balances, January 1	$10,128	$ 9,209
Provision for losses	479	505
Recoveries on loans	149	163
Loans charged off	(288)	(321)
Balances, March 31	$10,468	$ 9,556

NOTE 6. Net Income Per Share

	Three Months Ended March 31,					
	2000			1999		
	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	$4,820	10,904,050	$ .44	$4,643	11,978,451	$ .39
Effect of dilutive stock options		103,344			119,963	
Diluted net income per share:						
Net income available to common stockholders and assumed conversions	$4,820	11,007,394	$ .44	$4,643	12,098,414	$ .38

FIRST MERCHANTS CORPORATION

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

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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 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 March 31, 2000, was $4,820,000, compared to $4,643,000 earned in the same period of 1999. Diluted earnings per share were $.44 a 15.8% increase over $.38 reported for the first quarter 1999.

The increase in earnings was primarily due to growth in earning assets and non-interest income. Net interest income increased $434,000 or 3.4 percent over the first three months of 1999 due to growth in average assets of 8.4 percent. Non-interest income increased $277,000 or 8.1 percent over the first three months of 1999 due primarily to increased revenues from fiduciary activities and commission income.

Annualized returns on average assets and average shareholder's equity for quarter ended March 31, 2000 were 1.34 percent and 15.36 percent, respectively, compared with 1.40 percent and 11.97 percent for the same period of 1999.

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 9.2 percent at year-end 1999 and 8.8 percent at March 31, 2000. At March 31, 2000, the Corporation had a Tier I risk-based capital ratio of 12.3 percent, total risk-based capital ratio of 13.3 percent, and a leverage ratio of 8.8 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."

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)	March 31, 2000	December 31, 1999	December 31, 1998
Non-accrual loans	$1,115	$1,280	$1,073
Loans contractually past due 90 days Or more other than nonaccruing	2,466	2,327	2,334
Restructured loans	2,802	908	1,110
Total	$6,383	$4,515	$4,517

At March 31, 2000, non-performing loans totaled $6,383,000, an increase of $1,868,000 from December 31, 1999. Impaired loans at December 31, 1999 included in the table above totaled $1,380,000.

The Corporation adopted Statement of Financial Accounting Standards ("SFAS") No. 113 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, 1999, impaired loans totaled $7,140,000, a decrease of $1,947,000 from December 31, 1998. On December 31, 1999 an allowance for losses was not deemed necessary for impaired loans totaling $4,398,000, but an allowance of $1,061,000 was recorded for the remaining balance of impaired loans of $2,742,000. The average balance of impaired loans for 1999 was $8,770,000.

At March 31, 2000, the allowance for loan losses increased by $340,000, to $10,468,000, up slightly from year end 1999. As a percent of loans, the allowance was 1.00 percent, down from 1.01 percent at year end 1999.

The first quarter 2000 provision of $479,000 was down $26,000 from $505,000 for the same quarter in 1999. Net charge offs amounted to $139,000 during the quarter.

This table below presents loan loss experience for the periods indicated and compares the Corporation's loss experience to that of its peer group, consisting of bank holding companies with assets between $1 billion and $3 billion.

	Three Months Ended March 31, 2000	Three Months Ended March 31, 1999	Year Ended December 31, 1999	Year Ended December 31, 1998
	(Dollars in Thousands)			
Allowance for loan losses:				
Balance at beginning of period	$10,128	$ 9,209	$8,429	$8,010
Chargeoffs	288	1,769	2,231	1,949
Recoveries	149	447	639	633
Net chargeoffs	139	1,322	1,592	1,316
Provision for loan losses	479	2,241	2,372	1,735
Balance at end of period	$10,468	$10,128	$9,209	$8,429
Ratio of net chargeoffs during the period to average loans outstanding during the period	.06%(1)	.14%	.18%	.16%
Peer Group	N/A	N/A	.26%	.29%

(1) First three 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, 2000, remained adequate to meet the Corporation's primary goal of achieving optimum interest margins while avoiding undue interest rate risk.

The Corporation had a cumulative negative gap of $95,837,000 in the three month horizon at March 31, 2000, or just over 6.6 percent of total assets. Net interest income at a financial institution with a negative gap tends to decrease when rates rise and generally increase as interest rates decline.

The GAP/Interest Rate Sensitive Report is a tool which displays repricing timing differences between interest sensitive assets and liabilities. The 0-180 day Sensitivity Gap Ratio depicts the institution is liability sensitive with a rate sensitive asset to rate sensitive liability ratio of 76.5 percent.

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 percent.

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 an 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)	$54,782	$52,312	$56,504
Change vs. Base Case		($ 2,470)	$ 1,722
Percent Change		(4.51%)	3.14%
Policy Limitation		(5.00%)	(5.00%)

Earning Assets

The following table presents the earning asset mix as of March 31, 2000, and December 31, 1999, and December 31, 1998.

Loans grew by $44.7 million from December 31, 1999, to March 31, 2000, while investment securities declined by $26.1 million during the same period. Commercial and industrial loans increased by more than $28.9 million, while individuals' loans for household and personal expenditures grew by nearly $12.1 million.

EARNING ASSETS

(Dollars in Millions)	March 31, 2000	December 31, 1999	December 31, 1998
Federal funds sold and interest-bearing deposits	$ 1.8	$ 27.1	$ 46.3
Investment securities available for sale	305.9	329.7	329.5
Investment securities held to maturity	12.0	14.3	21.7
Mortgage loans held for sale	0.2		0.8
Loans	1,043.6	998.9	890.4
Federal Reserve and Federal Home Loan Bank stock	5.8	5.8	4.5
Total	$ 1,369.3	$ 1,375.8	$ 1,293.2

Deposits, Securities Sold Under Repurchase Agreements, Federal Funds Sold and Other Short-tern Borrowing

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 1999 and 1998 and at March 31, 2000.

(Dollars in Millions)	March 31, 2000	December 31, 1999	December 31, 1998
Deposits	$1,143.8	$1,147.2	$1,086.0
Securities sold under repurchase agreements	63.7	78.0	48.8
Other short-term borrowings	26.6	38.4	17.8
Federal Home Loan Bank advances	76.0	73.5	47.1

The Corporation has continued to leverage its large capital position with Federal Home Loan Bank advances, as well as, repurchase agreements which are pledged against acquired investment securities as collateral for the borrowings. The interest rate risk is included as part of the Corporation's interest simulation discussed in Management's Discussion and Analysis under the heading Liquidity, Interest Sensitivity, and Disclosures about Market Risk. The effect on the Corporation" capital ratios is minimal as the Corporation remains adequately capitalized.

Net Interest Income

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

The table below presents the Corporation's asset yields, interest expense, and net interest income as a percent of average earning assets for the three months ended March 31, 2000 and 1999.

Net interest income (FTE) for the three months ended March 31, 2000 increased by $$354,000, or 2.6 percent over the same period in 1999, due to an increase in average earning assets of over $$107 million. For the same period interest income and interest expense, as a percent of average earning assets, increased 19 basis points, 43 basis points respectively, due to lower interest rates and increased non-deposit funding.

(Dollars in Thousands)

	Interest Income (FTE) as a Percent of Average Earning Assets	Interest Expense as a Percent of Average Earning Assets	Net Interest Income (FTE) as a Percent of Average Earning Assets	Average Earning Assets	Net Interest Income On a Fully Taxable Equivalent Basis
For the three months Ended March 31,					
2000	7.95%	3.89%	4.07%	$1,369,343	$55,740
1999	7.76%	3.46%	4.30%	$1,262,664	$54,288

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

Other Income

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

Other income in the first quarter of 2000 exceeded the same quarter in the prior year by $490,000, or 14.4 percent.

Two major areas account for most of the increase:

1. Serves charges on deposit accounts increased $136,000 or 14.2 percent due to increased number of accounts and price adjustments.

2. Commission income increased $127,000 or 38.4 percent due primarily to increased sales efforts of First Merchants Insurance Services, Inc.

Other Expense

Total other expenses represent non-interest operating expenses of the Corporation. First quarter other expense in 2000 exceeded the same quarter of the prior year by $717,000, or 8.3 percent.

Two major areas account for most of the increase:

1. Salaries and benefit expense grew $318,000 or 6.5 percent, due to normal salary increases and staff additions.

2. Equipment expense increased by $138,000, or 16.6 percent, reflecting the Corporation's efforts to improve efficiency and provide electronic service delivery to its customers.

Income Taxes

Income tax expense, for the three months ended March 31, 2000, decreased by $157,000 over the same period in 1999, due to reduced state income tax liability.

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

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit No.:	Description of Exhibit:	Form 10-Q Page Number
2	Plans of acquisition/reorganization are incorporated by reference to forms S-4 filed on March 24, 2000.	
27	Financial Data Schedule, Period Ending March 31, 2000	21

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 05/11-00	by	/s/Michael L. Cox
		Michael L. Cox President and Chief Executive Officer
Date 05/11/00	by	/s/James L. Thrash
		James L. Thrash Chief Financial & Principal Accounting Officer

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1,000

3-MOS
DEC-31-2000
JAN-01-2000
MAR-31-2000
37,418
482
1,800
0
305,929
11,951
11,964
1,043,567
10,468
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200,549
0
0
0
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123,437
1,446,178
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26,574
10,903
13,301
13,273
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(198)
9,407
7,092
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4,820
0.44
0.44
4.07
1,115
2,466
0
0
10,128
288
149
10,468
10,468
0
0