SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

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

For the Fiscal year ended December 31, 1999 Commission file number 0-17071

FIRST MERCHANTS CORPORATION

(Exact name of registrant as specified in its charter)

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

(Address of principal executive offices)

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

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

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

Common Stock, $.125 stated value per share

(Title of Class)

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

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

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

As of March 6,2000 there were 10,870,921 outstanding common shares, without par value, of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Documents	Part of Form 10-K Into Which Incorporated
1999 Annual Report to Stockholders	Part II (Items 5, 6, 7, 7A, and 8)
Definitive Proxy Statement for Annual Meeting of Shareholders to be held April 12, 2000	Part III (Items 10 through 13)

Exhibit Index: Page

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PART I

ITEM 1. BUSINESS

GENERAL

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

As of December 31, 1999, the Corporation had consolidated assets of $1.474 billion, consolidated deposits of $1.147 billion and stockholders' equity of $126.3 million.

The Corporation is headquartered in Muncie, Indiana, and is presently engaged in conducting commercial banking business through the 27 offices of its five banking subsidiaries. As of December 31, 1998, the Corporation and its subsidiaries had 492 full-time equivalent employees.

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

Acquisition Policy and Pending Transactions

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

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

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COMPETITION

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

REGULATION AND SUPERVISION

OF FIRST MERCHANTS, DECATUR FINANCIAL AND SUBSIDIARIES

BANK HOLDING COMPANY REGULATION

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

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

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

2. Merging or consolidating with another bank holding company.

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

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

CAPITAL ADEQUACY GUIDELINES FOR BANK HOLDING COMPANIES

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

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

The following are the Corporation's regulatory capital ratios as of December 31, 1999:

	Corporation	Regulatory Minimum Requirement
Tier 1 Capital:	12.7%	4.0%
Total Capital:	13.7%	8.0%

BANK REGULATION

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

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

BANK REGULATION continued

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

BANK CAPITAL REQUIREMENTS

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

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

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

All of First Merchants' affiliate banks exceed the risk-based capital guidelines of the FDIC and/or the OCC as of December 31, 1999.

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

FDICIA

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

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

As of December 31, 1999, each bank subsidiary of First Merchants is "well capitalized" based on the "prompt corrective action" ratios and deadlines described above. It should be noted, however, that a bank's capital category is determined solely for the purpose of applying the OCC's (or the FDIC's) "prompt corrective action" regulations and that the capital category may not constitute an accurate representation of the bank's overall financial condition or prospects.

DEPOSIT INSURANCE

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

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

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

BROKERED DEPOSITS

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

INTERSTATE BANKING AND BRANCHING

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

FINANCIAL SERVICES MODERNIZATION ACT

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

First Merchants has not had an opportunity to assess the impact of the legislation on its operations, but at the present time does not believe that the legislation will have a material adverse effect on its operations in the near future. In addition, First Merchants does not anticipate significant changes in its products or services as a result of this legislation. However, to the extent that this legislation permits banks, securities firms and insurance companies to affiliate, the financial services industry may experience further consolidation and may increase the amount of competition that First Merchants faces from larger institutions and other types of companies offering financial products.

ADDITIONAL MATTERS

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

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

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

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STATISTICAL DATA

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

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

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

	1999			1998			1997		
	Average Balance	Interest Income/ Expense	Average Rate	Average Balance	Interest Income/ Balance	Rate	Average Balance	Interest Income/ Expense	Average Rate
Assets:									
Federal funds sold	$ 14,369	$ 657	4.6%	$ 23,236	$ 1,026	4.4%	$ 4,602	$ 261	5.7%
Interest-bearing deposits......	1,105	59	5.3	654	30	4.6	693	35	5.1
Federal Reserve and									
Federal Home Loan Bank stock.	5,121	446	8.7	4,322	398	9.2	3,617	346	9.6
Securities: (1)									
Taxable	256,424	15,459	6.0	189,285	11,596	6.1	185,896	11,587	6.2
Tax-exempt	111,437	8,066	7.2	100,304	7,547	7.5	94,548	7,013	7.4
Total Securities............	367,861	23,525	6.4	289,589	19,143	6.6	280,444	18,600	6.6
Mortgage loans held for sale.....	125	15	12.0	773	98	12.7	406	47	11.6
Loans: (2)									
Commercial	415,840	35,616	8.6	379,897	33,902	8.9	340,767	31,608	9.3
Bankers' acceptance and									
Commercial paper purchased...	371	18	4.9	1,366	67	4.9	1,193	68	5.7
Real estate mortgage...........	332,670	26,604	8.0	320,194	26,484	8.3	300,596	25,262	8.4
Installment	183,095	16,113	8.8	165,349	15,420	9.3	154,853	14,342	9.3
Tax-exempt	3,615	358	9.9	3,511	360	10.3	2,021	226	11.2
Total loans	935,591	78,709	8.4	870,317	76,233	8.8	799,430	71,506	8.9
Total earning assets.........	$1,324,172	$103,411	7.8	$1,188,981	$ 96,928	8.2	$1,089,192	$90,795	8.3
Net unrealized gain on securities									
Available for sale..............	(47)			3,041			1,284		
Allowance for loan losses........	(10,821)			(8,769)			(8,280)		
Cash and due from banks..........	36,873			31,015			37,167		
Premises and equipment	19,794			18,706			16,621		
Other assets	27,259			21,249			15,097		
Total assets	$1,397,230			$1,254,223			$1,151,081		
Liabilities:									
Interest-bearing deposits:									
NOW accounts	$ 152,268	$ 2,642	1.7%	$ 145,224	$ 2,977	2.1%	$ 122,125	$ 2,800	2.3%
Money market deposit accounts	177,091	6,804	3.8	146,745	5,921	4.0	123,302	4,895	4.0
Savings deposits	95,344	2,399	2.5	91,842	2,388	2.6	81,284	2,031	2.5
Certificates and other									
time deposits	518,624	26,694	5.1	519,625	28,587	5.5	499,097	27,644	5.5
Total interest-bearing									
deposits................	943,327	38,539	4.1	903,436	39,873	4.4	825,808	37,370	4.5
Borrowings	154,839	8,359	5.4	78,737	4,592	5.8	72,950	4,023	5.5
Total interest-bearing									
liabilities.................	1,098,166	46,898	4.3	982,173	44,465	4.5	898,758	41,393	4.6
Noninterest-bearing deposits.....	129,747			113,193			107,642		
Other liabilities	19,590			10,805			8,723		
Total liabilities...........	1,247,503			1,106,171			1,015,123		
Stockholders' equity	149,727			148,052			135,958		
Total liabilities and									
stockholders' Equity........	$1,397,230	46,898	3.5(3)	$1,254,223	44,465	3.7(3)	$1,151,081	41,393	3.83
Net interest income		$ 56,513	4.3		$ 52,463	4.4		$49,402	4.5

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

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

(3) Total interest expense divided by total earning assets adjustment to convert tax exempt investment securities to fully taxable equivalent basis, using marginal rate of 35% for 1997, 1998, and 1999............................

	1999	1998	1997
	$2,948	$2,676	$2,611

STATISTICAL DATA (continued)

ANALYSIS OF CHANGES IN NET INTEREST INCOME

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

	1999 Compared to 1998 Increase (Decrease) Due To			1998 Compared to 1997 Increase (Decrease) Due To		
	Volume	Rate	Total	Volume	Rate	Total
	(Dollars in Thousands on Fully Taxable Equivalent Basis)					
Interest income:						
Federal funds sold	$ (404)	$ 35	$ (369)	$ 835	$ (70)	$ 765
Interest-bearing deposits	23	6	29	(2)	(3)	(5)
Federal Reserve and Federal Home Loan Bank stock	70	(22)	48	179	(127)	52
Securities	5,024	(642)	4,382	605	(62)	543
Mortgage loans held for sale	(78)	(5)	(83)	46	5	51
Loans	5,569	(3,093)	2,476	6,234	(1,507)	4,727
Totals	10,204	(3,721)	6,483	7,897	(1,764)	6,133
Interest expense:						
NOW accounts	139	(474)	(335)	494	(317)	177
Money market deposit accounts........................	1,177	(294)	883	945	81	1,026
Savings deposits..................	89	(78)	11	272	85	357
Certificates and other time deposits...................	(55)	(1,838)	(1,893)	1,130	(187)	943
Borrowings........................	4,132	(365)	3,767	330	239	569
Totals..........................	5,482	(3,049)	2,433	3,171	(99)	3,072
Change in net interest income (fully taxable equivalent basis)...............	$ 4,722	$ (672)	$ 4,050	$ 4,726	$ (1,665)	$ 3,061
Tax equivalent adjustment using marginal rate of 35% for 1997, 1998, and 1999..........................			(181)			(157)
Change in net interest income...........................			$ 3,869			$ 2,904

STATISTICAL DATA (continued)

INVESTMENT SECURITIES

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

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

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

STATISTICAL DATA (continued)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale at December 31, 1997:				
U.S. Treasury	$ 19,706	$ 108	$ 11	$ 19,803
Federal agencies	74,172	451	50	74,573
State and municipal	74,073	1,946	29	75,990
Mortgage-backed securitie	39,832	386	106	40,112
Other asset-backed securities	487	2	54	435
Corporate obligations	18,219	139	30	18,328
Marketable equity securities	1,445		103	1,342
Total available for sale	227,934	3,032	383	230,583
Held to maturity at December 31, 1997:				
U.S. Treasury	249		2	247
Federal agencies	3,412	6	1	3,417
State and municipal	27,137	275	2	27,410
Mortgage-backed securities	1,255	4	1	1,258
Other asset-backed securities	4,210	7	166	4,051
Total held to maturity	36,263	292	172	36,383
Total investment securities	$264,197	$ 3,324	$ 555	$266,966

	Cost		
	1999	1998	1997
Federal Reserve and Federal Home Loan Bank stock at December 31:			
Federal Reserve Bank stock	$ 493	$ 493	$ 493
Federal Home Loan Bank stock	5,365	3,962	3,560
Total	$5,858	$4,455	$4,053

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

The maturity distribution (dollars in thousands) and average yields for the securities portfolio at December 31, 1999 were:

Securities available for sale December 31, 1999:

	Within 1 Year		1-5 Years		5-10 Years	
	Amount	Yield*	Amount	Yield*	Amount	Yield*
U.S. Treasury	$ 2,277	5.8%	$ 4,991	5.5%		
Federal Agencies	38,178	5.9	14,938	5.9	$ 2,000	6.3%
State and Municipal	10,481	7.2	56,841	7.0	15,228	8.1
Corporate Obligations	1,622	7.0	7,324	6.5		
Total	$52,558	6.2%	$84,094	6.7%	$17,228	7.9%

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STATISTICAL DATA (continued)

	Due After Ten Years		Marketable Equity, Mortgage and Other Asset-Backed Securities		Total	
	Amount	Yield*	Amount	Yield*	Amount	Yield*
U.S. Treasury........................					$ 7,268	5.6%
Federal Agencies.....................	$ 4,950	6.1%			60,066	5.9
State and Municipal..................	11,671	8.1			94,221	7.4
Corporate Obligations................					8,946	6.6
Marketable Equity Security...........			$ 753	5.5%	753	5.5
Mortgage-backed securities...........			137,399	6.1	137,399	6.1
Other asset-backed securities........			21,015	5.1	21,015	5.1
Total............................	$ 16,621	7.5%	$ 159,167	6.0%	$329,668	6.4%

Securities held to maturity at December 31, 1999:

	Within 1 Year		1-5 Years		5-10 Years	
	Amount	Yield*	Amount	Yield*	Amount	Yield*
U.S. Treasury........................			$ 250	5.3%		
State and Municipal..................	$ 5,330	7.4%	7,293	7.5	$ 620	8.9%
Total............................	$ 5,330	7.4%	$ 7,543	7.4%	$ 620	8.9%

	Due After Ten Years		Mortgage and other Asset-backed		Total	
	Amount	Yield*	Amount	Yield*	Amount	Yield*
U.S. Treasury........................					$ 250	5.3%
State and Municipal..................					13,243	7.5
Mortgage-backed securities...........			$ 311	5.6%	311	5.6
Other asset-backed securities........			499	6.2	499	6.2
Total............................			$ 810	6.0%	$14,303	7.4%

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

Federal Reserve and Federal Home Loan Bank stock at December 31, 1999:

	Amount	Yield
Federal Reserve Bank Stock...........	$ 493	6.0%
Federal Home Loan Bank stock.........	5,365	7.9
Total............................	$5,858	7.7%

STATISTICAL DATA (continued)

LOAN PORTFOLIO

TYPES OF LOANS

The loan portfolio at the dates indicated is presented below:

	1999	1998	1997	1996	1995
	(Dollars in Thousands)				
Loans at December 31:					
Commercial and industrial loans	$224,712	$188,841	$178,696	$157,317	$112,915
Bankers acceptances and loans to financial institutions		900	705	625	2,925
Agricultural production financing and other loans to farmers	21,547	21,951	16,764	18,906	17,203
Real estate loans:					
Construction	31,996	31,719	22,710	14,533	11,053
Commercial and farmland	150,544	137,671	142,394	133,435	126,341
Residential	380,596	361,611	331,405	290,705	238,298
Individuals' loans for Household and other Personal expenditures	181,906	143,075	139,620	126,718	111,433
Tax-exempt loans	4,070	2,652	2,598	1,643	1,204
Other loans	3,552	2,073	3,782	1,672	949
	998,923	890,493	838,674	745,554	622,321
Unearned interest on loans	(28)	(137)	(487)	(1,364)	(1,518)
Total loans	$998,895	$890,356	$838,187	$744,190	$620,803

Residential Real Estate Loans Held for Sale at December 31, 1999, 1998, 1997, 1996, and 1995 were $61,000, $775,800, $471,400, $284,020 and $735,522.

MATURITIES AND SENSITIVITIES OF LOANS TO CHANGES IN INTEREST RATES

Presented in the table below are the maturities of loans (excluding commercial real estate, banker acceptances, farmland, residential real estate and individuals' loans) outstanding as of December 31, 1999. Also presented are the amounts due after one year classified according to the sensitivity to changes in interest rates.

	Maturing			
	Within 1 Year	1-5 Years	Over 5 Years	Total
	(Dollars in Thousands)			
Commercial and industrial loans	$ 178,945	$ 24,613	$ 21,154	$ 224,712
Agricultural production financing And other loans to farmers	18,024	2,891	632	21,547
Real estate - Construction	23,309	7,347	1,340	31,996
Tax-exempt loans	2,107	690	1,273	4,070
Other loans	304	3,248		3,552
Total	$ 222,689	$ 38,789	$ 24,399	$ 285,877

STATISTICAL DATA (continued)

	Maturing	
	1 - 5 Years	Over 5 Years
	(Dollars in Thousands)	
Loans maturing after one Year with:		
Fixed rates.............................	$ 23,880	$ 24,257
Variable rate...........................	14,909	142
Total.................................	$ 38,789	$ 24,399

RISK ELEMENTS

	December 31				
	1999	1998	1997	1996	1995
	(Dollars in Thousands)				
Nonaccruing loans.........................	$1,280	$1,073	$2,146	$3,547	$ 914
Loans contractually past due 90 days or more other than nonaccruing.............................	2,327	2,334	2,034	1,790	1,135
Restructured loans........................	908	1,110	469	1,766	1,254

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

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

Interest income of $94,000 for the year ended December 31, 1999, was recognized on the nonaccruing and restructured loans listed in the table above, whereas interest income of $223,000 would have been recognized under their original loan terms.

Potential problem loans:

Management has identified certain other loans totaling $10,590,000 as of December 31, 1999, not included in the risk elements table, or impaired loan table, about which there are doubts as to the borrowers' ability to comply with present repayment terms.

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

STATISTICAL DATA (continued)

SUMMARY OF LOAN LOSS EXPERIENCE

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

	1999	1998	1997	1996	1995
			(Dollars in Thousands)		
Allowance for loan losses:					
Balance at January 1	$ 9,209	$ 8,429	$ 8,010	$ 7,702	$ 7,510
Chargeoffs:					
Commercial	361	794	543	873	794
Real estate mortgage	40	44	31	14	1
Installment	1,368	1,393	1,375	945	919
Total chargeoffs	1,769	2,231	1,949	1,832	1,714
Recoveries:					
Commercial	114	325	364	106	127
Real estate mortgage	32	20	1	7	4
Installment	301	294	268	237	232
Total recoveries	447	639	633	350	363
Net chargeoffs	1,322	1,592	1,316	1,482	1,351
Provisions for loan losses	2,241	2,372	1,735	1,790	1,543
Balance at December 31	$10,128	$ 9,209	$ 8,429	$ 8,010	$ 7,702
Ratio of net chargeoffs during the period to average loans outstanding during the period	.14%	.18%	.16%	.21%	.22%
Peer Group	N/A	.26%	.29%	.26%	.26%

STATISTICAL DATA (continued)

Allocation of the Allowance for Loan Losses at December 31:

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

	1999		1998	
	Amount	Per Cent	Amount	Per Cent
	(Dollars in Thousands)			
Balance at December 31:				
commercial, financial and agricultural	$ 3,344	24.6%	$ 2,950	23.7%
Real estate - construction	3	3.2	4	3.6
Real estate - mortgage	1,297	53.2	1,313	56.1
Installment	3,909	18.6	3,509	16.3
Tax-exempt loans	5	.4	5	.3
Unallocated	1,570	N/A	1,428	N/A
Totals	$ 10,128	100.0%	$ 9,209	100.0%

	1997		1996	
	Amount	Per Cent	Amount	Per Cent
	(Dollars in Thousands)			
Balance at December 31:				
commercial, financial and agricultural	$ 3,226	23.4%	$ 3,537	23.5%
Real estate - construction	4	2.7	4	2.0
Real estate - mortgage	1,319	56.5	1,259	57.0
Installment	2,117	17.1	1,906	17.3
Tax-exempt loans	5	.3	19	.2
Unallocated	1,758	N/A	1,285	N/A
Totals	$ 8,429	100.0%	$ 8,010	100.0%

	1995	
	Amount	Per Cent
	(Dollars in Thousands)	
Balance at December 31:		
commercial, financial and agricultural	$ 3,572	21.2%
Real estate - construction	1	1.8
Real estate - mortgage	1,289	58.7
Installment	1,732	18.1
Tax-exempt loans	5	.2
Unallocated	1,103	N/A
Totals	$ 7,702	100.0%

STATISTICAL DATA (continued)

Loan Loss Charegoff Procedures

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

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

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

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

Provision for Loan Losses

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

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

	1999	1998	1997
		(Dollars in Thousands)	
For the year ending December 31:			
Impaired loans with an allowance...................	$ 2,742	$ 2,105	$ 1,956
Impaired loans for which the discounted cash flows or collateral value exceeds the carrying value of the loan.......................	4,398	6,982	1,158
Total impaired loans.........................	$ 7,140	$ 9,087	$ 3,114
Allowance for impaired loans (included in the Corporation's allowance for loan losses).........	$ 1,061	$ 795	$ 448
Average balance of impaired loans..................	8,770	8,881	4,155
Interest income recognized on impaired loans.......	705	873	191
Cash basis interest included above.................	637	745	173

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STATISTICAL DATA (continued)

DEPOSITS

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

	1999		1998		1997	
	Amount	Rate	Amount	Rate	Amount	Rate
			(Dollars in Thousands)			
Balance at December 31:						
Noninterest bearing deposits.......	$ 129,747		$ 113,193		$ 107,642	
NOW accounts.......................	152,268	1.7%	145,224	2.1%	122,125	2.3%
Money market deposit accounts....	177,091	3.8	146,745	4.0	123,302	4.0
Savings deposits...................	95,344	2.5	91,842	2.6	81,284	2.5
Certificates of deposit and other time deposits.............	518,624	5.1	519,625	5.5	499,097	5.5
Total deposits................	$1,073,074	3.6%	$ 1,016,629	3.9%	$ 933,450	4.0%

As of December 31, 1999, certificates of deposit and other time deposits of $100,000 or more mature as follows:

		Maturing			
	3 Months or less	3-6 Months	6-12 Months	Over 12 Months	Total
			(Dollars in Thousands)		
Certificates of deposit and other time deposits..........	$121,604	$ 22,092	$ 23,519	$ 30,443	$197,658
Per cent.......................	62%	11%	12%	15%	100%

RETURN ON EQUITY AND ASSETS

	1999	1998	1997
Return on assets (net income divided by average total assets)..........................	1.37%	1.43%	1.43%
Return on equity (net income divided by average equity)................................	12.75	12.09	12.12
Dividend payout ratio (dividends per share divided by net income per share)..........	53.16	52.03	50.00
Equity to assets ratio (average equity divided by average total assets)...............	10.72	11.80	11.81

STATISTICAL DATA (continued)

SHORT-TERM BORROWINGS

	1999	1998	1997
	(Dollars in Thousands)		
Balance at December 31:			
Securities sold under repurchase agreements (short-term portion)........	$ 15,271	$ 11,598	$ 15,398
Federal funds purchased..................	28,885	15,170	5,370
U.S. Treasury demand notes...............	9,506	2,629	8.211
Total short-term borrowings.........	$ 53,662	$ 29,397	$ 28,979

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

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

	1999	1998	1997
	(Dollars in Thousands)		
Weighted average interest rate on outstanding balance at December 31:			
Securities sold under repurchase agreements(short-term portion)..............	4.7%	5.1%	5.1%
Total short-term borrowings.....................	5.3	5.3	5.4
Weighted average interest rate during the year:			
Securities sold under repurchase Agreements (short-term portion).............	4.5%	5.1%	5.0%
Total short-term borrowings.....................	4.5	5.0	5.4
Highest amount outstanding at any month end During the year:			
Securities sold under repurchase Agreements (short-term portion).............	$ 19,700	$ 27,002	$ 49,750
Total short-term borrowings.....................	55,893	67,968	85,612
Average amount outstanding during the year:			
Securities sold under repurchase Agreements (short-term portion).............	$ 17,696	$ 24,526	$ 31,327
Total short-term borrowings.....................	36,157	44,467	53,937

ITEM 2. PROPERTIES.

The headquarters of the Corporation and First Merchants are located in a five-story building at 200 East Jackson Street, Muncie, Indiana. This building and eight branch buildings are owned by First Merchants; four remaining branches of First Merchants are located in leased premises. Twelve automated cash dispensers are located in leased premises. All of the Corporation's and First Merchants'facilities are located in Delaware and Madison Counties of Indiana.

The principal offices of Pendleton are located at 100 West State Street, Pendleton, Indiana. Pendleton also operates three branches. All of Pendleton's properties are owned by Pendleton and are located in Madison County, Indiana. Two automated dispensers are located in Madison County, Indiana. Two automated dispensers are located in leased premises.

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

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

None of the properties owned by the banks are subject to any major encumbrances. The net investment of the Corporation and subsidiaries in real estate and equipment at December 31, 1999 was $20,073,000.

ITEM 3. LEGAL PROCEEDINGS.

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

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

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

No matters were submitted during the fourth quarter of 1999 to a vote of security holders, through the solicitation of proxies or otherwise.

SUPPLEMENTAL INFORMATION - EXECUTIVE OFFICERS OF THE REGISTRANT.

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

Name and Age	Offices with the Corporation And Subsidiary Banks	Principal Occupation During Past Five Years
Stefan S. Anderson 65	Chairman of the Board, Chief Executive Officer, (CEO until April 16, 1999), Corporation and First Merchants	Chairman the Board of the Corporation and First Merchants since 1987; Chief Executive officer of the Corporation from 1982 to April 1999; President of the Corporation from 1982 to August 1998, and Chief Executive Officer of First Merchants Bank from 1979 to April 1999
Michael L. Cox 55	President, Chief Executive Officer (CEO since April 16, 1999), Corporation and First Merchants	Chief Executive Officer of the Corporation and First Merchants since April 1999. President and Chief Operating Officer, Corporation since August 1998 and May, 1994 to April 1999 respectively; President and Chief Operating Officer, First Merchants from April, 1996 to April 1999; Director, Corporation and First Merchants since December, 1984; President, Information Services Group, Ontario Corporation prior to May 1994
Roger M. Arwood 48	Executive Vice President, Corporation and First Merchants	Executive Vice President of the Corporation and First Merchants since February of 2000; Executive Vice President, Bank of America from 1983 to February 2000.
Charles R. Phillips 54	Senior Vice President, Corporation and First Merchants	Senior Vice President of the Corporation and First Merchants since September 1998; Chief Information Officer, Amerisure Insurance Company from December 1997 to September 1998; Senior Vice President and Chief Information Officer, NBD Bank from June 1994 to December 1997.
Larry R. Helms 59	Senior Vice President, Corporation and First Merchants; General Counsel and Secretary, Corporation	Senior Vice President, Corporation since 1982; General Counsel, Corporation since 1990 and Secretary since January 1, 1997; Senior Vice President, First Merchants since January 1979; Director of First United Bank since 1991 and Pendleton Banking Company since 1992
Ted J. Montgomery 60	Senior Vice President , Corporation; (also, President, Union County, Until September 3, 1999)	Senior Vice President and Director, Corporation since August 1996; President, Union County National Bank since 1983 and Director since 1981
James L. Thrash 50	Senior Vice President , Corporation and First Merchants; Chief Financial Officer, Corporation	Senior Vice President and Chief Financial Officer of the Corporation since 1990; Senior Vice President, First Merchants since 1990

PART II

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

The information required under this item is incorporated by reference to page 46 of the Corporation's 1999 Annual Report to Stockholders under the caption "Stockholder Information," Exhibit 13.

ITEM 6. SELECTED FINANCIAL DATA.

The information required under this item is incorporated by reference to page 15 of the Corporation's 1999 Annual Report to Stockholders - Financial Review under the caption "Five-Year Summary of Selected Financial Data," Exhibit 13.

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

The information required under this item is incorporated by reference to page 16 through 23 of the Corporation's 1999 Annual Report to Stockholders - Financial Review under the caption "Management's Discussion and Analysis," Exhibit 13.

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

The information required under this item is incorporated by reference to page 18 and 19 of the Corporation's 1999 Annual Report to Stockholders - Financial Review under the caption "Management's Discussion and Analysis," Exhibit 13.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements and supplementary data required under this item are incorporated herein by reference to page 14 and pages 24 through 43 of the Corporation's 1999 Annual Report to Stockholders - Financial Review, Exhibit 13.

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

In connection with its audits for the two most recent fiscal years ended December 31, 1999, there have been no disagreements with the Corporation's independent certified public accountants on any matter of accounting principles or practices, financial statement disclosure or audit scope or procedure, nor have there been any changes in accountants.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information required under this item relating to directors is incorporated by reference to the Corporation's 1999 Proxy Statement furnished to its stockholders in connection with an annual meeting to be held April 12, 2000 (The "1999 Proxy Statement"), under the caption "Election of Directors," which Proxy Statement has been filed with the Commission. The information required under this item relating to executive officers is set forth in part I, "Supplemental Information - Executive Officers of the Registrant" of this annual report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION.

The information required under this item is incorporated by reference to the Corporation's 1999 Proxy Statement, under the captions, "Compensation of Directors" and "Compensation of Executive Officers," which Proxy Statement has been filed with the Commission.

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

The information required under this item is incorporated by reference to the Corporation's 1999 Proxy Statement, under the caption, "Security Ownership of Certain Beneficial Owners and Management," which Proxy Statement has been filed with the Commission.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

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The information required under this item is incorporated by reference to the Corporation's 1999 Proxy Statement, under the caption "Interest of Management in Certain Transactions," which Proxy Statement has been filed with the Commission.

PART IV

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

	Exhibit 13 Page Number
(a) 1. Financial Statements:	
Independent auditor's report	14
Consolidated balance sheet at December 31, 1999 and 1998	24
Consolidated statement of income, years ended December 31, 1999, 1998 and 1997	25
Consolidated statement of comprehensive income, Years ended December 31, 1999, 1998, and 1997	26
Consolidated statement of cash flows, years ended December 31, 1999, 1998 and 1997	27
Notes to consolidated financial statements	28-43

(a) 2. Financial statement schedules:
All schedules are omitted because they are not applicable or not required, or because the required information is included in the consolidated financial statements or related notes.

(a) 3. Exhibits:

Exhibit No:	Description of Exhibit:
3a	First Merchants Corporation Articles of Incorporation and the Articles and amendment thereto is incorporated by reference to registrant's Form 10-Q for quarter ended June 30, 1999.
3b	First Merchants Corporation Bylaws and amendments thereto is incorporated by reference to registrant's Form 10-Q for quarter ended June 30, 1997.
10a	First Merchants Corporation and First Merchants Bank, National Association Management Incentive Plan is incorporated by reference to registrant's Form 10-K for year ended December 31, 1996.
10b	First Merchants Bank, National Association Unfunded Deferred Compensation Plan, as amended is incorporated by reference to registrant's Form 10-K for year ended December 31, 1996.
10c	First merchants Corporation 1989 Stock Option Plan is incorporated by reference to Registrant's Registration Statement on Form S08 (SEC File No. 33-28901) effective on May 24, 1989.
10d	First Merchants Corporation 1994 Stock Option Plan is incorporated by reference to Registrant's Form 10-K for year ended December 31, 1993.

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

(b) Reports on Form 8-K:

None

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 30th day of March, 2000.

FIRST MERCHANTS CORPORATION

By /s/ Michael L.Cox

Michael L. Cox, President
& Chief Executive Officer

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

Signature	Capacity	Date
/s/ Michael L. Cox Michael L. Cox	President, Chief Executive Officer	March 30, 2000
/s/ James L. Thrash James L. Thrash	Principal Financial and Principal Accounting Officer	March 30, 2000
/s/ Stefan S. Anderson Stefan S. Anderson	Director	March 30, 2000
/s/ Frank A. Bracken Frank A. Bracken	*Director	March 30, 2000
/s/ Thomas B. Clark Thomas B. Clark	*Director	March 30, 2000
/s/ David A. Galliher David A. Galliher	*Director	March 30, 2000
/s/ Norman M. Johnson Norman M. Johnson	*Director	March 30, 2000
/s/ Ted J. Montgomery Ted J. Montgomery	*Director	March 30, 2000
/s/ George A. Sissel George A. Sissel	*Director	March 30, 2000

Signature	Capacity	Date
/s/ Robert M. Smitson Robert M. Smitson	*Director	March 30, 2000
/s/ Michael D. Wickersham Michael D. Wickersham	*Director	March 30, 2000
/s/ John E. Worthen John E. Worthen	*Director	March 30, 2000

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

By /s/ James L. Thrash

James L. Thrash
As Attorney-in-Fact
March 30, 2000

INDEX TO EXHIBITS

(a) 3. Exhibits:

Exhibit No:	Description of Exhibit:
13	1999 Annual Report to Stockholders (Except for the Pages and information thereof expressly incorporated by reference in this Form 10-K, the Annual Report to Stockholders is provided solely for the information of the Securities and Exchange Commission and is not deemed "filed" as part of this Form 10-K.)
21	Subsidiaries of Registrant
23	Consent of Independent Auditors
24	Limited Power of Attorney
27	Financial Data Schedule, year ended December 31, 1999
99.1	Financial statements and independent auditor's report for First Merchants Corporation Employee Stock Purchase Plan

Financial
review

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of First Merchants Corporation and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1999 (pages 24-43). These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

The consolidated financial statements as of December 31, 1999 and for the three years then ended have been restated to reflect the pooling-of-interests with Jay Financial Corporation and Anderson Community Bank as described in Note 2 to the consolidated financial statements. We did not audit the 1998 or 1997 financial statements of Jay Financial Corporation and Anderson Community Bank, which statements reflect total assets of $185,355,000 as of December 31, 1998, and total revenues of $15,588,000 and $13,626,000 for the years ended December 31, 1998 and 1997. Those statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for First Merchants Corporation as of December 31, 1999 and for the three years then ended, is based solely on the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements described above present fairly, in all material respects, the consolidated financial position of First Merchants Corporation and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with generally accepted accounting principles.

OLIVE LLP

Indianapolis, Indiana
January 22, 2000

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

(in thousands, except share data)	1999	1998	1997	1996	1995
Operations					
Net Interest Income					
Fully Taxable Equivalent (FTE) Basis	$ 56,513	$ 52,463	$ 49,403	$ 45,431	$ 41,321
Less Tax Equivalent Adjustment	2,948	2,767	2,611	2,312	2,243
Net Interest Income	53,565	49,696	46,792	43,119	39,078
Provision for Loan Losses	2,241	2,372	1,735	1,790	1,543
Net Interest Income					
After Provision for Loan Losses	51,324	47,324	45,057	41,329	37,535
Total Other Income	14,573	12,880	10,146	9,317	8,188
Total Other Expenses	36,710	32,741	30,016	27,596	25,585
Income Before Income Tax Expense	29,187	27,463	25,187	23,050	20,138
Income Tax Expense	10,099	9,556	8,704	8,006	6,905
Net Income	$ 19,088	$ 17,907	$ 16,483	$ 15,044	$ 13,233
Per share data (1)					
Basic Net Income	$ 1.59	$ 1.50	$ 1.40	$ 1.29	$ 1.15
Diluted Net Income	1.58	1.48	1.38	1.27	1.14
Cash Dividends Paid (2)	.84	.77	.69	.59	.51
December 31 Book Value	11.55	12.85	11.95	11.10	10.40
December 31 Market Value (Bid Price)	25.56	26.00	24.33	16.83	17.17
Average balances					
Total Assets	$1,397,230	$1,254,223	$1,151,081	$1,079,816	$ 989,340
Total Loans	935,716	870,317	799,430	698,417	612,641
Total Deposits	1,073,074	1,016,629	825,808	778,096	714,660
Securities Sold Under Repurchase Agreements					
(long-term portion)	62,686	37,238			
Total Federal Home Loan Bank Advances	57,062	30,742	19,746	9,192	9,000
Total Stockholders' Equity	149,727	148,052	135,958	125,907	115,655
Year-end balances					
Total Assets	$1,474,048	$1,362,527	$1,181,359	$1,112,672	$1,037,509
Total Loans	998,895	890,356	838,658	744,474	621,539
Total Deposits	1,147,203	1,085,952	976,972	918,876	862,023
Securities Sold Under Repurchase Agreements					
(long-term portion)	35,000	48,836			
Total Federal Home Loan Bank Advances	73,514	47,067	25,500	10,150	9,000
Total Stockholders' Equity	126,296	153,891	141,794	130,250	121,339
Financial ratios					
Return on Average Assets	1.37%	1.43%	1.43%	1.39%	1.34%
Return on Average Stockholders' Equity (3)	12.75	12.09	12.12	11.95	11.44
Average Earning Assets to Total Assets	94.77	94.80	94.62	94.39	94.61
Allowance for Loan Losses as % of Total Loans	1.01	1.03	1.01	1.08	1.24
Dividend Payout Ratio	53.16	52.03	50.00	46.46	44.74
Average Stockholders' Equity to Average Assets	10.72	11.80	11.81	11.66	11.69
Tax Equivalent Yield on Earning Assets (4)	7.81	8.15	8.34	8.10	8.10
Cost of Supporting Liabilities	3.54	3.74	3.80	3.64	3.69
Net Interest Margin on Earning Assets	4.27	4.41	4.54	4.46	4.41

(1) Restated for 3-for-2 stock splits distributed October, 1995 and October, 1998.

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

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

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

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

RESULTS OF OPERATIONS

Net income for the year 1999 reached $19,088,000, up from $17,907,000 in 1998. Diluted earnings per share totaled $1.58, a 6.8% increase over $1.48 reported for 1998. Cash basis earnings per share were $1.60, an increase of 6.7% over the 1998 level of $1.50. During the year, the Corporation absorbed merger-related expenses amounting to $ .05 per share incurred during the successful completion of two acquisitions. Excluding these expenses, diluted earnings per share would have been $1.63, a 10.1% increase. In 1999, First Merchants Corporation ("Corporation") recorded the twenty-fourth consecutive year of improvement in net income on both an aggregate and per share basis.

Return on equity was 12.75 percent in 1999, up from 1998 and 1997 figures of 12.09 percent and 12.12 percent.

Return on assets was 1.37 percent in 1999, 1.43 percent in 1998 and 1997.

[THE FOLLOWING TABLE WAS REPRESENTED BY A BAR CHART IN THE PRINTED MATERIAL.]

Return on average assets
(percent)

Year	%
97	1.43
98	1.43
99	1.37

[THE FOLLOWING TABLE WAS REPRESENTED BY A BAR CHART IN THE PRINTED MATERIAL.]

Return on average equity
(percent)

Year	%
97	12.12
98	12.09
99	12.75

CAPITAL

The Corporation successfully completed a self-tender offer on December 17, 1999, repurchasing 1,130,669 shares of its own stock for a price of $28 per share. The buyback is expected to have a positive impact on the Corporation's EPS and ROE in future periods.

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

The Corporation's Tier I capital to average assets ratio was 9.2 percent at year-end 1999, and 11.9 percent at December 31, 1998. At December 31, 1999, the Corporation had a Tier I risk-based capital ratio of 12.7 percent, total risk-based capital ratio of 13.7 percent, and a leverage ratio of 9.2 percent. Regulatory capital guidelines require a Tier I risk-based capital ratio of 4.0 percent and a total risk-based capital ratio of 8.0 percent.

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

ASSET QUALITY/PROVISION FOR LOAN LOSSES

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

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

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

At December 31, 1999, non-performing loans totaled $4,515,000, a decrease of $2,000. Impaired loans included in the table at right totaled $1,380,000.

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, 1999, impaired loans totaled $7,140,000, a decrease of $1,947,000. 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 December 31, 1999, the allowance for loan losses was $10,128,000, up $919,000 from year end 1998. As a percent of loans, the allowance was 1.01 percent, down from 1.03 percent at year-end 1998.

The provision for loan losses in 1999 was $2,241,000 compared to $2,372,000 in 1998.

[THE FOLLOWING TABLE WAS REPRESENTED BY A BAR CHART IN THE PRINTED MATERIAL.]

Net loan losses
(as a percent of average loans)

	99	98	97
First Merchants Corporation	.14	.18	.16
Peer Group	NA	.26	.29

The following table summarizes the risk elements for the Corporation.

(dollars in thousands)	December 31, 1999	1998
Non-accrual loans	$1,280	$1,073
Loans contractually past due 90 days or more other than non-accruing	2,327	2,334
Restructured loans	908	1,110
Total	$4,515	$4,517

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

(Dollars in Thousands)	1999	1998	1997
Allowance for loan losses:			
Balance at January 1	$ 9,209	$ 8,429	$ 8,010
Chargeoffs	1,769	2,231	1,949
Recoveries	447	639	633
Net chargeoffs	1,322	1,592	1,316
Provision for loan losses	2,241	2,372	1,735
Balance at December 31	$10,128	$ 9,209	$ 8,429
Ratio of net chargeoffs during the period to average loans outstanding during the period	.14%	.18%	.16%
Peer Group	NA	.26%	29%

LIQUIDITY, INTEREST SENSITIVITY AND DISCLOSURES ABOUT MARKET RISK

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

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

The Corporation's liquidity and interest sensitivity position at December 31, 1999, remained adequate to meet the Corporation's primary goal of achieving optimum interest margins while avoiding undue interest rate risk. The table below presents the Corporation's interest rate sensitivity analysis as of December 31, 1999.

INTEREST RATE SENSITIVITY ANALYSIS
(dollars in thousands)

At December 31, 1999	1-180 DAYS	181-365 DAYS	1-5 YEARS	BEYOND 5 YEARS	TOTAL
Rate-Sensitive Assets:					
Federal funds sold and interest-bearing deposits	$ 27,130				$ 27,130
Investment securities	43,442	$ 41,194	$ 198,838	$ 60,497	343,971
Loans	360,779	81,769	405,523	150,885	998,956
Federal Reserve and Federal Home Loan Bank stock	5,858				5,858
Total rate-sensitive assets	437,209	122,963	604,361	211,382	$1,375,915
Rate-Sensitive Liabilities:					
Interest-bearing deposits	494,495	183,111	328,452	598	1,006,656
Securities sold under repurchase agreements	21,957	21,000	35,000		77,957
Other short-term borrowings	38,391				38,391
Federal Home Loan Bank advances	44,914	2,450	17,450	8,700	73,514
Total rate-sensitive liabilities	599,757	206,561	380,902	9,298	1,196,518
Interest rate sensitivity gap by period	$ (162,548)	$ (83,598)	$ 223,459	$ 202,084	
Cumulative rate sensitivity gap	(162,548)	(246,146)	(22,687)	179,397	
Cumulative rate sensitivity gap ratio at December 31, 1999	72.9 %	69.5%	98.1%	115.0%	

The Corporation had a cumulative negative gap of $246,146,000 in the one-year horizon at December 31, 1999, just over 16.7 percent of total assets. Net interest income at financial institutions with negative gaps tends to increase when rates decrease and decrease as interest rates increase.

LIQUIDITY, INTEREST SENSITIVITY AND DISCLOSURES ABOUT MARKET RISK CONTINUED

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

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

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

	RISING	FALLING
Prime	300 Basis Points	(300)Basis Points
Federal Funds	300	(300)
90-Day T-Bill	310	(275)
One-Year T-Bill	290	(270)
Three-Year T-Bill	290	(265)
Five-Year T-Note	290	(255)
Ten-Year T-Note	290	(245)
Interest Checking	100	(57)
MMIA Savings	150	(100)
Money Market Index	219	(215)
Regular Savings	100	(57)

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

	FLAT/BASE	RISING	FALLING
Net Interest Income (dollars in thousands)	$ 82,872	$ 80,233	$ 82,248
Change vs. Flat/Base Scenario		$ (2,639)	$ (624)
Percent Change		-3.18%	-0.75%

Earning assets

Earning assets increased $82.6 million during 1999. The table below reflects the earning asset mix for the years 1999 and 1998 (at December 31).

Loans grew by $108.5 million while investment securities declined by $7.2 million. High loan demand combined with the Corporation's self-tender resulted in a minimal decrease to the investment securities portfolio.

EARNING ASSETS
(dollars in millions)

	December 31, 1999	December 31, 1998
Federal funds sold and interest-bearing time deposits	$ 27.1	$ 46.3
Securities available for sale	329.7	329.5
Securities held to maturity	14.3	21.7
Mortgage loans held for sale		0.8
Loans	998.9	890.4
Federal Reserve and Federal Home Loan Bank stock	5.8	4.5
Total	$1,375.8	$1,293.2

Deposits, securities sold under repurchase agreements, other short-term borrowings and Federal Home Loan Bank advances

The table below reflects the level of deposits and borrowed funds (Federal funds purchased, repurchase agreements, U.S. Treasury demand notes and Federal Home Loan Bank advances) based on year-end levels at December 31, 1999 and 1998.

As of December 31 (dollars in millions)

	DEPOSITS	SECURITIES SOLD UNDER REPURCHASE AGREEMENTS	OTHER SHORT-TERM BORROWINGS	FEDERAL HOME LOAN BANK ADVANCES
1999	$1,147.2	$78.0	$38.4	$73.5
1998	$1,086.0	$48.8	$17.8	$47.1

NET INTEREST INCOME

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

The table below reflects the Corporation's asset yields, interest expense, and net interest income as a percent of average earning assets for the three-year period ending in 1999.

In 1999, asset yields declined 34 basis points (FTE), interest cost declined 20 basis points, resulting in a 14 basis point (FTE) decline in net interest income. This decline primarily resulted from a $90 million investment project in the fourth quarter of 1998 and another $30 million in the first quarter of 1999. The "spread" from both projects was approximately 120 basis points.

(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
1999	7.81%	3.54%	4.27%	$1,324,172	$56,513
1998	8.15	3.74	4.41	1,188,981	52,463
1997	8.34	3.80	4.54	1,089,192	49,403

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

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

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

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

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

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

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

OTHER INCOME continued

Other income in 1998 amounted to $12,880,000 or 26.9 percent higher than in 1997. The increase of $2,734,000 is primarily attributable to the following factors:

1. Revenues from fiduciary activity grew $763,000, or 22.1 percent, due to strong new business activity and markets.

2. Commission income increased $712,000, or 196.7 percent, due to the acquisition of the Muncie office of Insurance and Risk Management, Inc., renamed First Merchants Insurance Services, on April 1, 1998.

3. Other income increased $663,000 or 139.9 percent, due primarily to a $442,000 gain on sale of a Bank building.

4. Other customer fees increased $521,000 or 24.7 percent due to increased fees from electronic card usage and price adjustments.

Equipment expense increased $552,000 or 17.5%, reflecting the Corporation's efforts to provide state-of-the-art products to its customers.

OTHER EXPENSES

Total "other expenses" represent non-interest operating expenses of the Corporation. Those expenses amounted to $36,710,000 in 1999, an increase of 12.1 percent from the prior year, or $3,969,000.

Three major areas account for most of the increase:

1. Salary and benefit expenses, which account for over one-half of the Corporation's non-interest operating expenses, grew by $1,514,000, or 8.3 percent, due to normal salary increases and staff additions.

2. Non-recurring merger related costs in 1999 were $804,000 representing just over 5 cents per share.

3. Equipment expenses increased $552,000, or 17.5 percent, reflecting the Corporation's efforts to improve efficiency and provide electronic service delivery to its customers.

Expenses for 1998 amounted to $32,741,000, an increase of

9.1 percent from the prior year, or $2,725,000.

Three major areas account for most of the increase:

1. Salary and benefit expenses, which account for over one-half of the Corporation's non-interest operating expenses, grew by $1,668,000 or 10.0 percent, due to normal salary increases and staff additions.

2. Equipment expenses increased $399,000, or 14.4 percent, reflecting the Corporation's efforts to improve efficiency and provide electronic service delivery to its customers.

3. Net occupancy expense grew by $237,000, or 13.0 percent, due primarily to increased branch expansion into new markets.

INCOME TAXES

The increase in 1999 tax expense of $543,000 is attributable primarily to a $1,724,000 increase in net pre-tax income, mitigated somewhat by a $336,000 increase in tax-exempt income and increased tax credits of $204,000. Likewise, the $852,000 increase in 1998 resulted primarily from a $2,276,000 increase in pre-tax net income, mitigated by a $291,000 increase in tax-exempt income.

ACCOUNTING MATTERS

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

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

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

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

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

INFLATION

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

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

CONSOLIDATED BALANCE SHEET
(in thousands, except share data)

	December 31, 1999	December 31, 1998
Assets		
Cash and due from banks	$ 58,893	$ 35,474
Federal funds sold	25,400	45,295
Cash and cash equivalents	84,293	80,769
Interest-bearing time deposits	1,730	1,008
Investment securities		
Available for sale	329,668	329,508
Held to maturity (fair value of $14,284 and $22,061)	14,303	21,709
Total investment securities	343,971	351,217
Mortgage loans held for sale	61	776
Loans	998,895	890,356
Less: Allowance for loan losses	(10,128)	(9,209)
Net loans	988,767	881,147
Premises and equipment	20,073	18,963
Federal Reserve and Federal Home Loan Bank stock	5,858	4,455
Interest receivable	11,279	10,797
Core deposit intangibles and goodwill	2,885	3,117
Other assets	15,131	10,278
Total assets	$ 1,474,048	$ 1,362,527
Liabilities		
Deposits		
Noninterest-bearing	$ 140,547	$ 139,469
Interest-bearing	1,006,656	946,483
Total deposits	1,147,203	1,085,952
Borrowings	189,862	113,703
Interest payable	4,599	4,134
Other liabilities	6,088	4,847
Total liabilities	1,347,752	1,208,636
COMMITMENTS AND CONTINGENT LIABILITIES		
Stockholders' equity		
Preferred stock, no-par value		
Authorized and unissued -- 500,000 shares		
Common stock, $.125 stated value		
Authorized -- 50,000,000 shares		
Issued and outstanding -- 10,936,617 and 11,975,955 shares	1,367	1,497
Additional paid-in capital	25,481	31,263
Retained earnings	103,640	118,920
Accumulated other comprehensive income	(4,192)	2,211
Total stockholders' equity	126,296	153,891
Total liabilities and stockholders' equity	$ 1,474,048	$ 1,362,527

See notes to consolidated financial statements.

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

	Year Ended December 31,		
	1999	1998	1997
Interest income			
Loans receivable			
Taxable	$ 78,366	$ 75,971	$ 71,058
Tax exempt	233	234	163
Investment securities			
Taxable	15,459	11,596	11,587
Tax exempt	5,243	4,906	4,686
Federal funds sold	657	1,026	308
Deposits with financial institutions	59	30	35
Federal Reserve and Federal Home Loan Bank stock	446	398	347
Total interest income	100,463	94,161	88,184
Interest expense			
Deposits	38,539	39,873	37,370
Securities sold under repurchase agreements	4,273	2,015	1,563
Federal Home Loan Bank advances	3,260	1,923	1,121
Other borrowings	826	654	1,338
Total interest expense	46,898	44,465	41,392
Net interest income	53,565	49,696	46,792
Provision for loan losses	2,241	2,372	1,735
Net interest income after provision for loan losses	51,324	47,324	45,057
Other income			
Fiduciary activities	4,600	4,209	3,446
Service charges on deposit accounts	4,450	3,706	3,763
Other customer fees	3,089	2,627	2,106
Net realized gains (losses) on sales of available-for-sale securities	257	127	(5)
Commission income	1,529	1,074	362
Other income	648	1,137	474
Total other income	14,573	12,880	10,146
Other expenses			
Salaries and employee benefits	19,820	18,306	16,638
Net occupancy expenses	2,139	2,064	1,827
Equipment expenses	3,715	3,163	2,764
Marketing expense	869	903	928
Deposit insurance expense	129	125	118
Outside data processing fees	1,647	1,465	1,367
Printing and office supplies	1,275	984	1,117
Merger-related expenses	804		
Other expenses	6,312	5,731	5,257
Total other expenses	36,710	32,741	30,016
Income before income tax	29,187	27,463	25,187
Income tax expense	10,099	9,556	8,704
Net income	$ 19,088	$ 17,907	$ 16,483
Net income per share:			
Basic	$ 1.59	$ 1.50	$ 1.40
Diluted	1.58	1.48	1.38

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(dollar amounts in thousands)

	Year Ended December 31, 1999	1998	1997
Net income	$ 19,088	$ 17,907	$ 16,483
Other comprehensive income, net of tax:			
Unrealized gains (losses) on securities available for sale:			
Unrealized holding gains (losses) arising during the period, net of income tax (expense) benefit of $4,258,$(499), $(487)	(6,249)	731	715
Less: Reclassification adjustment for gains (losses) included in net income, net of income tax (expense) benefit of $(103), $(51), $2	154	76	(3)
	(6,403)	655	718
COMPREHENSIVE INCOME	$ 12,685	$(18,562)	$ 17,201

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(In thousands, except share data)

	COMMON STOCK SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL
Balances, January 1, 1997	7,825,960	$ 1,021	$ 28,837	$ 99,554	$ 838	$ 130,250
Net income for 1997				16,483		16,483
Cash dividends ($ .69 per share)				(7,090)		(7,090)
Other comprehensive income, net of tax					718	718
Stock issued under employee benefit plans	13,690	2	289			291
Stock issued under dividend reinvestment and stock purchase plan	23,276	3	723			726
Stock options exercised	47,522	28	389			417
Balances, December 31, 1997	7,910,448	1,054	30,238	108,947	1,556	141,795
Net income for 1998				17,907		17,907
Cash dividends ($ .77 per share)				(7,934)		(7,934)
Other comprehensive income, net of tax					655	655
Stock issued under employee benefit plans	14,471	2	383			385
Stock issued under dividend reinvestment and stock purchase plan	19,092	2	677			679
Stock options exercised	52,460	19	463			482
Stock redeemed	(2,000)	(72)				(72)
Three-for-two stock split	3,981,769	420	(420)			
Cash paid in lieu of issuing fractional shares	(285)		(6)			(6)
Balances, December 31, 1998	11,975,955	1,497	31,263	118,920	2,211	153,891
Net income for 1999				19,088		19,088
Cash dividends ($ .84 per share)				(9,759)		(9,759)
Other comprehensive income, net of tax					(6,403)	(6,403)
Stock issued under employee benefit plans	20,870	3	454			457
Stock issued under dividend reinvestment and stock purchase plan	30,227	4	718			722
Stock options exercised	55,234	6	265			271
Stock redeemed	(1,145,669)	(143)	(7,384)	(24,609)		(32,136)
Tax benefit of stock dispositions			165			165
Balances, December 31, 1999	10,936,617	$ 1,367	$ 25,481	$ 103,640	$ (4,192)	$ 126,296

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands, except share data)

	Year Ended December 31, 1999	1998	1997
Operating activities:			
Net income	$ 19,088	$ 17,907	$ 16,483
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	2,241	2,372	1,735
Depreciation and amortization	2,517	2,394	2,259
Amortization of goodwill and intangibles	232	258	89
Deferred income tax	(1,122)	153	(140)
Securities amortization, net	358	221	264
Securities losses (gains), net	(257)	(127)	5
Gain on sale of premises and equipment	(4)	(442)	
Mortgage loans originated for sale	(6,179)	(10,251)	(7,139)
Proceeds from sales of mortgage loans	6,894	9,946	6,952
Net change in			
Interest receivable	(482)	(448)	(544)
Interest payable	465	37	290
Other adjustments	1,932	(2,579)	(910)
Net cash provided by operating activities	25,683	19,441	19,344
Investing activities:			
Net change in interest-bearing deposits	(722)	(524)	(194)
Purchases of			
Securities available for sale	(148,210)	(193,728)	(77,274)
Securities held to maturity	(2,667)	(90)	(2,652)
Proceeds from maturities of			
Securities available for sale	120,509	88,439	83,557
Securities held to maturity	7,226	14,325	16,099
Proceeds from sales of			
Securities available for sale	19,627	7,394	12,555
Net change in loans	(109,861)	(53,761)	(95,313)
Acquisition of insurance subsidiary		(1,254)	
Purchase of Federal Home Loan Bank stock	(1,403)	(402)	(565)
Purchases of premises and equipment	(3,679)	(5,231)	(2,563)
Proceeds from sale of fixed assets	56	1,347	
Other investing activities		(645)	(880)
Net cash used by investing activities	(119,124)	(144,130)	(67,230)
Financing activities:			
Net change in			
Demand and savings deposits	17,411	16,439	3,584
Certificates of deposit and other time deposits	43,840	92,541	54,512
Repurchase agreements and other borrowings	49,713	37,656	(16,733)
Federal Home Loan Bank advances	314,500	27,657	15,350
Repayment of Federal Home Loan Bank advances	(288,054)	(6,089)	
Cash dividends	(9,759)	(7,934)	(7,090)
Stock issued under employee benefit plans	457	385	291
Stock issued under dividend reinvestment and stock purchase plan	722	679	726
Stock options exercised	271	482	417
Stock redeemed	(32,136)	(72)	
Cash paid in lieu of issuing fractional shares		(6)	
Net cash provided by financing activities	96,965	161,738	51,057
Net change in cash and cash equivalents	3,524	37,049	3,171
Cash and cash equivalents, beginning of year	80,769	43,720	40,549
Cash and cash equivalents, end of year	$ 84,293	$ 80,769	$ 43,720
Additional cash flows information:			
Interest paid	$ 46,433	$ 45,678	$ 42,747
Income tax paid	10,157	9,861	9,446

See notes to consolidated financial statements.

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

NOTE 1

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

CONSOLIDATION

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

INVESTMENT SECURITIES

Debt securities are classified as held to maturity when the Corporation has the positive intent and ability to hold the securities to maturity. Securities held to maturity are carried at amortized cost.

Debt securities not classified as held to maturity are classified as available for sale. Securities available for sale are carried at fair value with unrealized gains and losses reported separately in accumulated other comprehensive income, net of tax.

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

LOANS HELD FOR SALE are carried at the lower of aggregate cost or market. Market is determined using the aggregate method. Net unrealized losses are recognized through a valuation allowance by charges to income.

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

Certain loan fees and direct costs are being deferred and amortized as an adjustment of yield on the loans.

ALLOWANCE FOR LOAN LOSSES is maintained to absorb potential loan losses based on management's continuing review and evaluation of the loan portfolio and its judgment as to the impact of economic conditions on the portfolio. The evaluation by management includes consideration of past loan loss experience, changes in the composition of the loan portfolio, the current condition and amount of loans outstanding, and the probability of collecting all amounts due.

Impaired loans are measured by the present value of expected future cash flows, or the fair value of the collateral of the loans, if collateral dependent.

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. Management believes that, as of December 31, 1999, the allowance for loan losses is adequate based on information currently available. A worsening or protracted economic decline in the area within which the Corporation operates would increase the likelihood of additional losses due to credit and market risks and could create the need for additional loss reserves.

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

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

 continued

Notes to consolidated financial statements
(table dollar amounts in thousands, except share data)

NOTE 1

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

RECLASSIFICATIONS of certain amounts in the prior years consolidated financial statements have been made to conform to the 1999 presentation.

NOTE 2

BUSINESS COMBINATIONS

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 1,130,000 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.

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

On April 21, 1999, the Corporation issued 810,642 shares of its common stock in exchange for all of the outstanding shares of Anderson Community Bank, Anderson, Indiana. At December 31, 1998, Anderson Community Bank had total assets and shareholders' equity of $77,984,000 and $7,740,000, respectively. The transaction was accounted for under the pooling-of-interests method of accounting. The financial information contained herein reflects the merger and reports the financial condition and results of operations as though the Corporation had been combined as of January 1, 1997. Separate operating results of Jay Financial Corporation and Anderson Community Bank for the periods prior to the merger were as follows:

	1999	1998	1997
Net interest income:			
First Merchants Corporation	$ 50,175	$ 41,678	$ 39,750
Jay Financial Corporation	2,250	4,824	4,678
Anderson Community Bank	1,140	3,194	2,364
Combined	$ 53,565	$ 49,696	$ 46,792
Net income:			
First Merchants Corporation	$ 17,934	$ 15,399	$ 14,373
Jay Financial Corporation	703	1,431	1,485
Anderson Community Bank	451	1,077	625
Combined	$ 19,088	$ 17,907	$ 16,483
Net income per share:			
Basic:			
First Merchants Corporation	$ 1.49	$ 1.29	$ 1.22
Jay Financial Corporation	.06	.12	.13
Anderson Community Bank	.04	.09	.05
Combined	$ 1.59	$ 1.50	$ 1.40
Diluted:			
First Merchants Corporation	$ 1.48	$ 1.27	$ 1.21

Jay Financial Corporation	.06	.12	.12
Anderson Community Bank	.04	.09	.05
Combined	$ 1.58	$ 1.48	$ 1.38

(table dollar amounts in thousands, except share data)

NOTE 3

RESTRICTION ON CASH AND DUE FROM BANKS

The Banks are required to maintain reserve funds in cash and/or on deposit with the Federal Reserve Bank. The reserve required at December 31, 1999, was $16,244,000.

note 4

INVESTMENT SECURITIES

	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		81	418
Total held to maturity	14,303	78	97	14,284
Total investment securities	$350,896	$ 761	$ 7,705	$343,952
Available for sale at December 31, 1998				
U.S. Treasury	$ 22,275	$ 120		$ 22,395
Federal agencies	61,605	627	$ 32	62,200
State and municipal	93,198	2,778	21	95,955
Mortgage-backed securities	128,610	440	198	128,852
Other asset-backed securities	265	1	11	255
Corporate obligations	18,624	143	8	18,759
Marketable equity securities	1,200		108	1,092
Total available for sale	325,777	4,109	378	329,508
Held to maturity at December 31, 1998				
U.S. Treasury	249	4		253
Federal agencies	500	1		501
State and municipal	18,335	370	1	18,704
Mortgage-backed securities	864	3		867
Other asset-backed securities	1,761	2	27	1,736
Total held to maturity	21,709	380	28	22,061
Total investment securities	$347,486	$ 4,489	$ 406	$351,569

continued

(table dollar amounts in thousands, except share data)

NOTE 4

INVESTMENT SECURITIES continued

The amortized cost and fair value of securities held to maturity and available for sale at December 31, 1999, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	AVAILABLE FOR SALE		HELD TO MATURITY	
	AMORTIZED COST	FAIR VALUE	AMORTIZED COST	FAIR VALUE
Maturity distribution at December 31, 1999:				
Due in one year or less	$ 26,911	$ 26,939	$ 5,330	$ 5,338
Due after one through five years	102,747	101,891	7,543	7,605
Due after five through ten years	25,723	25,338	245	245
Due after ten years	16,851	16,333	375	367
	172,232	170,501	13,493	13,555
Mortgage-backed securities	141,673	137,399	311	311
Other asset-backed securities	21,773	21,015	499	418
Marketable equity securities	915	753		
Totals	$336,593	$329,668	$ 14,303	$ 14,284

Securities with a carrying value of approximately $161,462,000 and $146,903,000 were pledged at December 31, 1999 and 1998, to secure certain deposits and securities sold under repurchase agreements, and for other purposes as permitted or required by law.

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

Proceeds from sales of securities available for sale during 1999, 1998 and 1997 were $19,627,000, $7,394,000, and $12,555,000. Gross gains of $257,000, 127,000 in 1999 and 1998 and gross losses of $5,000 in 1997 were realized on those sales.

(table dollar amounts in thousands, except share data)

NOTE 5

LOANS AND ALLOWANCE

	1999	1998
Loans at December 31:		
Commercial and industrial loans	$ 224,712	$ 188,841
Bankers' acceptances and loans to financial institutions		900
Agricultural production financing and other loans to farmers	21,547	21,951
Real estate loans:		
Construction	31,996	31,719
Commercial and farmland	150,544	137,671
Residential	380,596	361,611
Individuals' loans for household and other personal expenditures	181,906	143,075
Tax-exempt loans	4,070	2,652
Other loans	3,552	2,073
	998,923	890,493
Unearned interest on loans	(28)	(137)
Total loans	$ 998,895	$ 890,356

	1999	1998	1997
Allowance for loan losses:			
Balance, January 1	$ 9,209	$ 8,429	$ 8,010
Provision for losses	2,241	2,372	1,735
Recoveries on loans	447	639	633
Loans charged off	(1,769)	(2,231)	(1,949)
Balance, December 31	$ 10,128	$ 9,209	$ 8,429

Information on impaired loans is summarized below:	1999	1998	1997
As of, and for the year ending December 31:			
Impaired loans with an allowance	$2,742	$2,105	$1,956
Impaired loans for which the discounted cash flows or collateral value exceeds the carrying value of the loan	4,398	6,982	1,158
Total impaired loans	$7,140	$9,087	$3,114
Allowance for impaired loans (included in the Corporation's allowance for loan losses)	$1,061	$ 795	$ 448
Average balance of impaired loans	8,770	8,881	4,155
Interest income recognized on impaired loans	705	873	191
Cash basis interest included above	637	745	173

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

The aggregate amount of loans, as defined, to such related parties is as shown on the right:

Balances, January 1, 1999	$17,926
New loans, including renewals	16,646
Payments, etc., including renewals	6,054
Balances, December 31, 1999	$28,518

(table dollar amounts in thousands, except share data)

NOTE 6

PREMISES AND EQUIPMENT

	1999	1998
Cost at December 31:		
Land	$ 3,442	$ 3,442
Buildings and leasehold improvements	18,949	17,314
Equipment	20,393	18,570
Total cost	42,784	39,326
Accumulated depreciation and amortization	(22,711)	(20,363)
Net	$ 20,073	$ 18,963

The Corporation is committed under various noncancelable lease contracts for certain subsidiary office facilities. Total lease expense for 1999, 1998 and 1997 was $336,000, $250,000, and $190,000, respectively. The future minimum rental commitments required under the operating leases in effect at December 31, 1999, expiring at various dates through the year 2013, follow on the right for the years ending December 31:

2000	$ 246
2001	204
2002	186
2003	161
2004	152
After 2004	693
Total future minimum obligations	$1,642

NOTE 7

DEPOSITS

	1999	1998
Deposits at December 31:		
Demand deposits	$ 300,309	$ 307,506
Savings deposits	283,249	258,641
Certificates and other time deposits of $100,000 or more	197,658	114,374
Other certificates and time deposits	365,987	405,431
Total deposits	$1,147,203	$1,085,952

Certificates and other time deposits maturing in years ending December 31:	
2000	$396,773
2001	111,634
2002	37,178
2003	9,887
2004	7,747
After 2004	426
	$563,645

(table dollar amounts in thousands, except share data)

NOTE 8

BORROWINGS

	1999	1998
Borrowings at December 31:		
Securities sold under repurchase agreements	$ 77,957	$ 48,836
Federal funds purchased	28,885	15,170
U. S. Treasury demand notes	9,506	2,629
Federal Home Loan Bank advances	73,514	47,068
Total borrowings	$189,862	$113,703

Securities sold under repurchase agreements consist of obligations of the Banks to other parties. The obligations are secured by U.S. Treasury, Federal agency obligations and corporate asset-backed securities. The maximum amount of outstanding agreements at any month-end during 1999 and 1998 totaled $91,261,000 and $78,302,000, and the average of such agreements totaled $78,877,000 and $36,506,000.

Maturities of Federal Home Loan Bank advances and securities sold under repurchase agreements as of December 31, 1999 are as follows:

	FEDERAL HOME LOAN BANK ADVANCES		SECURITIES SOLD UNDER REPURCHASE AGREEMENTS	
	AMOUNT	WEIGHTED-AVERAGE INTEREST RATE	AMOUNT	WEIGHTED-AVERAGE INTEREST RATE
Maturities in years ending December 31:				
2000	$51,350	5.88%	$42,957	5.45%
2001	7,000	5.45	2,500	5.73
2002	150	7.07	9,600	5.49
2003	3,000	5.26	13,800	5.80
2004			9,100	5.68
After 2004	12,014	6.26		
Total	$73,514	5.88%	$77,957	5.55%

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

NOTE 9

LOAN SERVICING

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

The Corporation has adopted SFAS No. 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. The adoption of this statement has had no material impact on the Corporation's financial condition and results of operations for all years presented.

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

NOTE 10

INCOME TAX

	1999	1998	1997
Income tax expense, for the year ended December 31:			
Currently payable:			
Federal	$ 8,491	$ 7,269	$ 6,857
State	2,730	2,134	1,987
Deferred:			
Federal	(939)	138	(119)
State	(183)	15	(21)
Total income tax expense	$ 10,099	$ 9,556	$ 8,704
Reconciliation of federal statutory to actual tax expense:			
Federal statutory income tax at 34%	$ 9,924	$ 9,338	$ 8,563
Tax-exemptm interest	(1,555)	(1,424)	(1,378)
Graduated tax rates	291	173	(7)
Effect of state income taxes	1,656	1,418	1,298
Other	(217)	51	228
Actual tax expense	$ 10,099	$ 9,556	$ 8,704

Tax expense (benefit) applicable to security gains and losses for the years ended December 31, 1999, 1998 and 1997, was $103,000, $51,000 and $(2,000), respectively.

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

	1999	1998
Deferred tax asset at December 31:		
Assets:		
Differences in accounting for loan losses	$4,429	$3,552
Deferred compensation	668	427
Differences in accounting for pensions and other employee benefits	33	199
Net unrealized loss on securities available for sale	2,736	
Other	138	47
Total assets	8,004	4,225
Liabilities:		
Differences in depreciation methods	896	$1,171
Differences in accounting for loans and securities	305	360
Differences in accounting for loan fees	336	286
Net unrealized gain on securities available for sale		1,505
State income tax	238	141
Other	238	134
Total liabilities	2,013	3,597
Net deferred tax asset	$5,991	$ 628

(table dollar amounts in thousands, except share data)

NOTE 11

COMMITMENTS AND CONTINGENT LIABILITIES

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

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

	1999	1998
Commitments to extend credit	$228,598	$207,322
Standby letters of credit	6,031	4,477

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

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

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

NOTE 12

STOCKHOLDERS' EQUITY

National and state banking laws restrict the maximum amount of dividends that a bank may pay in any calendar year. National and state banks are limited to the bank's retained net income (as defined) for the current year plus those for the previous two years. The amount at December 31, 1999, available for 2000 dividends to the Corporation is $30,356,000. The subsidiaries restrict dividends to a lesser amount because of the need to maintain an adequate capital structure.

Total stockholders' equity for all subsidiaries at December 31, 1999, was $155,460,000, of which $125,104,000 was restricted from dividend distribution to the Corporation.

The Corporation has a Dividend Reinvestment and Stock Purchase Plan, enabling stockholders to elect to have their cash dividends on all shares held and automatically reinvested in additional shares of the Corporation's common stock. In addition, stockholders may elect to make optional cash payments up to an aggregate of $2,500 per quarter for the purchase of additional shares of common stock. The stock is credited to participant accounts at fair market value. Dividends are reinvested on a quarterly basis. At December 31, 1999, there were 476,063 shares of common stock reserved for purchase under the plan.

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

NOTE 13

REGULATORY CAPITAL

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

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

At December 31, 1999, the management of the Corporation believes that it meets all capital adequacy requirements to which it is subject. The most recent notifications from the regulatory agencies categorized the Corporation and Banks as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Corporation and Banks must maintain a minimum total capital to risk-weighted assets, Tier I capital to risk-weighted assets and Tier I capital to average assets of 10 percent, 6 percent and 5 percent, respectively. There have been no conditions or events since that notification that management believes have changed this categorization.

Actual and required capital amounts and ratios are on the following page.

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NOTE 13

REGULATORY CAPITAL continued

	1999				1998			
	ACTUAL		REQUIRED FOR ADEQUATE CAPITAL (1)		ACTUAL		REQUIRED FOR ADEQUATE CAPITAL (1)	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
December 31								
Total Capital (1)(to risk-weighted assets)								
Consolidated	$137,714	13.71%	$ 80,378	8.00%	$157,653	17.00%	$ 74,388	8.00%
First Merchants	86,350	14.90	46,323	8.00	79,685	15.70	40,678	8.00
Madison	24,267	16.40	11,826	8.00	21,879	16.60	10,578	8.00
First United	8,797	13.90	5,053	8.00	8,069	18.50	3,484	8.00
Randolph County	10,819	19.70	4,404	8.00	10,574	18.20	4,640	8.00
Union County	20,646	15.60	10,594	8.00	19,375	16.40	9,541	8.00
First National	16,030	21.20	6,049	8.00	15,498	19.60	6,331	8.00
Tier I Capital (1)(to risk-weighted assets)								
Consolidated	$127,586	12.70%	$ 40,189	4.00%	$148,511	16.00%	$ 37,194	4.00%
First Merchants	82,009	14.20	23,161	4.00	75,752	14.90	20,338	4.00
Madison	22,509	15.20	5,913	4.00	20,353	15.40	5,289	4.00
First United	8,196	13.00	2,527	4.00	7,599	17.40	1,742	4.00
Randolph County	10,128	18.40	2,202	4.00	9,848	17.00	2,320	4.00
Union County	19,124	14.40	5,297	4.00	17,966	15.20	4,726	4.00
First National	15,085	20.00	3,024	4.00	14,509	18.30	3,165	4.00
Tier I Capital (1) (to average assets)								
Consolidated	$127,586	9.15%	$ 55,773	4.00%	$148,511	11.90%	$ 49,951	4.00%
First Merchants	82,009	10.20	32,310	4.00	75,752	10.80	27,982	4.00
Madison	22,509	11.60	7,773	4.00	20,353	11.30	7,184	4.00
First United	8,196	10.50	3,119	4.00	7,599	11.50	2,646	4.00
Randolph County	10,128	14.90	2,723	4.00	9,848	13.00	3,042	4.00
Union County	19,124	8.80	8,728	4.00	17,966	8.60	8,362	4.00
First National	15,085	14.40	4,198	4.00	14,509	13.00	4,469	4.00

(1) as defined by regulatory agencies

(table dollar amounts in thousands, except share data)

NOTE 14

EMPLOYEE BENEFIT PLANS

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

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

	December 31 1999	December 31 1998
Change in benefit obligation		
Benefit obligation at beginning of year	$ 16,319	$ 14,454
Service cost	737	688
Interest cost	1,081	1,044
Actuarial (gain) loss	(1,542)	793
Benefits paid	(789)	(660)
Benefit obligation at end of year	15,806	16,319
Change in plan assets		
Fair value of plan assets at beginning of year	19,243	18,865
Actual return of plan assets	3,871	1,038
Benefits paid	(789)	(660)
Fair value of plan assets at end of year	22,325	19,243
Funded status	6,519	2,924
Unrecognized net actuarial gain	(6,184)	(2,579)
Unrecognized prior service cost	(132)	(144)
Unrecognized transition asset	(344)	(480)
Accrued benefit cost	$ (141)	$ (279)

	1999	1998	1997
Pension expense (benefit) includes the following components:			
Service cost-benefits earned during the year	$ 737	$ 688	$ 624
Interest cost on projected benefit obligation	1,081	1,044	956
Actual return on plan assets	(3,871)	(1,038)	(4,251)
Net amortization and deferral	1,915	(946)	2,810
Total pension expense (benefit)	$ (138)	$ (252)	$ 139

	1999	1998	1997
Assumptions used in the accounting as of December 31 were:			
Discount rate	7.68%	6.77%	7.40%
Rate of increase in compensation	4.00%	4.00%	4.50%
Expected long-term rate of return on assets	9.00%	9.00%	9.00%

In 1989, stockholders approved the 1989 Stock Option Plan, reserving 253,125 shares of Corporation common stock for the granting of options to certain employees. The exercise price of the shares may not be less than the fair market value of the shares upon grant of the option. Options become 100 percent vested when granted and are fully exercisable generally six months after the date of grant, for a period of ten years. There were no shares available for grant at December 31, 1999.

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

 continued

(table dollar amounts in thousands, except share data)

NOTE 14

EMPLOYEE BENEFIT PLANS continued

On April 14, 1999, stockholders approved the 1999 Long-term Equity Incentive Plan, reserving 1,427,177 shares of Corporation common stock for the granting of options to certain employees and non-employee directors. The maximum number of options granted in any given year cannot exceed 1.5% of the shares outstanding at the end of the prior fiscal year. Options become 100 percent vested when granted and are fully exercisable generally six months after the date of the grant for a period of ten years. There were 1,316,527 shares available for grant at December 31, 1999.

The table below is a summary of the status of the Corporation's stock option plans and changes in those plans as of and for the years ended December 31, 1999, 1998 and 1997. The number of shares and prices have been restated to give effect to the Corporation's 1998 stock split.

	Year Ended December 31,					
	1999		1998		1997	
OPTIONS	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding, beginning of year	497,004	$ 17.62	471,037	$ 14.59	461,257	$ 12.23
Granted	136,400	22.21	113,915	25.83	99,825	20.44
Exercised	(63,848)	9.81	(87,086)	11.96	(90,045)	8.97
Cancelled	(1,275)	24.58	(862)	28.71		
Outstanding, end of year	568,281	$ 19.56	497,004	$ 17.62	471,037	$ 14.59
Options exercisable at year end	443,006		397,221		372,112	
Weighted-average fair value of options granted during the year		$ 5.77		$ 5.48		$ 4.14

As of December 31, 1999, other information by exercise price range for options outstanding and exercisable is as follows:

OUTSTANDING				EXERCISABLE	
EXERCISE PRICE RANGE	NUMBER OF SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	NUMBER OF SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
$ 0.00 - $16.08	195,574	$13.13	4.6 years	191,374	$13.42
16.17 - 22.75	242,924	20.56	7.9 years	145,374	19.08
23.69 - 30.44	129,783	27.37	8.8 years	106,258	28.01
	568,281	$19.56	7.0 years	443,006	$18.77

The Corporation's stock option plans are accounted for in accordance with Accounting Principles Board Opinion ("APB") No. 25, Accounting for Stock Issued to Employees, and related interpretations. APB No. 25 requires compensation expense for stock options to be recognized only if the market price of the underlying stock exceeds the exercise price on the date of the grant. Accordingly, the Company recognized compensation expense of $35,000 in 1999. No compensation expense was required to be recognized in 1998 or 1997.

Although the Corporation has elected to follow APB No. 25, SFAS No. 123 requires pro forma disclosures of net income and earnings per share as if the Corporation had accounted for its employee stock options under that Statement. The fair value of each option grant was estimated on the grant date using an option-pricing model with the following assumptions:

	1999	1998	1997
Risk-free interest rates	5.72%	5.45%	6.54%
Dividend yields	3.23%	3.25%	3.37%
Volatility factors of expected market price common stock	21.98%	17.19%	11.20%
Weighted-average expected life of the options	8.50 years	8.50 years	8.50 years

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

NOTE 14

EMPLOYEE BENEFIT PLANS continued

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

	1999	1998	1997
Net Income			
As reported....................	$19,088	$17,907	$16,483
Pro Forma......................	18,661	17,147	16,056
Earnings per share			
Basic:			
As reported....................	$1.59	$ 1.50	$ 1.40
Pro forma......................	1.55	1.44	1.36
Diluted:			
As reported	$1.58	$ 1.48	$ 1.38
Pro forma	1.54	1.42	1.34

In 1994, the stockholders approved the 1994 Employee Stock Purchase Plan, enabling eligible employees to purchase the Corporation's common stock. A total of 253,125 shares of the Corporation's common stock are reserved for issuance persuant to the plan. The price of the stock to be paid by the employees is determined by the Corporation's compensation committee, but may not be less than 85 percent of the lesser of the fair market value of the Corporation's common stock at the beginning or at the end of the offering period. Common stock purchases are made annually and are paid through advance payroll deductions of up to 20 percent of eligible compensation. Participants under the plan purchased 20,870 shares in 1999 at $20.24 per share. The fair market value per share on the purchase date was $23.81.

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

At December 31, 1999, there were 250,000 shares of Corporation common stock reserved for purchase under the plan, and $257,000 has been withheld from compensation, plus interest, toward the purchase of shares after June 30, 2000, the end of the annual offering period.

The Corporation's Employee Stock Purchase Plan is accounted for in accordance with APB No. 25. Although the Corporation has elected to follow APB No. 25, SFAS No. 123 requires pro forma disclosures of net income and earnings per share as if the Corporation had accounted for the purchased shares under that statement. The pro forma disclosures are included in the table above and were estimated using an option pricing model with the following assumptions for 1999, 1998 and 1997, respectively: dividend yield of 3.23, 3.25 and 3.37 percent; an expected life of one year for all years; expected volatility of 21.98, 17.19 and 11.20 percent; and risk-free interest rates of 5.72, 5.45 and 6.54 percent. The fair value of those purchase rights granted in 1999, 1998 and 1997 was $4.50, $12.69 and $5.03, respectively.

The Banks have retirement savings 401(k) plans in which substantially all employees may participate. The Banks match employees' contributions at the rate of 25-50 percent for the first 5-6 percent of base salary contributed by participants. The Banks' expense for the plans was $191,000 for 1999, $178,000 for 1998, and $189,000 for 1997.

NOTE 15

NET INCOME PER SHARE

	Year Ended December 31, 1999			1998			1997		
	INCOME	WEIGHTED-AVERAGE SHARES	PER SHARE AMOUNT	INCOME	WEIGHTED-AVERAGE SHARES	PER SHARE AMOUNT	INCOME	WEIGHTED-AVERAGE SHARES	PER SHARE AMOUNT
Basic net income per share:									
Net income available to common stockholders	$19,088	12,008,152	$1.59	$ 17,907	11,922,879	$1.50	$16,483	11,815,377	$1.40
Effect of dilutive stock options .		108,756	=====		164,287	=====		143,072	=====
Diluted net income per share:									
Net income available to common stockholders and assumed conversions	$19,088	12,116,908	$1.58	$ 17,907	12,087,166	$1.48	$16,483	11,958,449	$1.38

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(table dollar amounts in thousands, except share data)

NOTE 16

FAIR VALUES OF FINANCIAL INSTRUMENTS

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

Cash and cash equivalents

The fair value of cash and cash equivalents approximates carrying value.

Interest-bearing time deposits

The fair value of interest-bearing time deposits approximates carrying value.

Investment securities

Fair values are based on quoted market prices.

Mortgage loans held for sale

The fair value of mortgages held for sale approximates carrying values.

LOANS

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

INTEREST RECEIVABLE/PAYABLE

The fair values of interest receivable/payable approximate carrying values.

Federal Reserve and
Federal Home Loan Bank stock

The fair value of FRB and FHLB stock is based on the price at which it may be resold to the FRB and FHLB.

DEPOSITS

The fair values of noninterest-bearing demand accounts, interest-bearing demand accounts and savings deposits are equal to the amount payable on demand at the balance sheet date. The carrying amounts for variable rate, fixed-term certificates of deposit approximate their fair values at the balance sheet date. Fair values for fixed-rate certificates of deposit and other time deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on such time deposits.

FEDERAL FUNDS PURCHASED
AND U.S. TREASURY DEMAND NOTES

These financial instruments are short-term borrowing arrangements. The rates at December 31, 1999 and 1998, approximate market rates, thus the fair value approximates carrying value.

Securities sold under repurchase agreements and Federal home loan bank advances

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

Off-balance sheet commitments

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

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

	1999		1998	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Assets at December 31:				
Cash and cash equivalents	$ 84,293	$ 84,293	$ 80,769	$ 80,769
Interest-bearing time deposits	1,730	1,730	1,008	1,008
Investment securities available for sale	329,668	329,668	329,508	329,508
Investment securities held to maturity	14,303	14,284	21,709	22,061
Mortgage loans held for sale	61	61	776	776
Loans	988,767	983,147	881,147	890,542
FRB and FHLB stock	5,858	5,858	4,455	4,455

Interest receivable	11,279	11,279	10,797	10,797
Liabilities at December 31:				
Deposits	1,147,203	1,145,134	1,085,952	1,089,083
Borrowings:				
Securities sold under repurchase agreements	77,957	76,739	48,836	43,903
Federal funds purchased	28,885	28,885	15,170	15,170
U.S. Treasury demand notes	9,506	9,506	2,629	2,629
FHLB advances	73,514	73,093	47,068	47,249
Interest payable	4,599	4,599	4,134	4,134

(table dollar amounts in thousands, except share data)

NOTE 17

CONDENSED FINANCIAL INFORMATION (PARENT COMPANY ONLY)

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

CONDENSED BALANCE SHEET

	December 31, 1999	December 31, 1998
Assets		
Cash	$ 212	$ 84
Loans to affiliates	2,350	1,500
Investment securities available for sale		285
Investment in subsidiaries	155,460	151,409
Goodwill	535	578
Other assets	356	303
Total assets	$158,913	$154,159
Liabilities		
Borrowings from affiliates	$ 32,000	
Other liabilities	617	$ 268
Total liabilities	32,617	268
Stockholders' equity	126,296	153,891
Total liabilities and stockholders' equity	$158,913	$154,159

CONDENSED STATEMENT OF INCOME

	Year Ended December 31, 1999	1998	1997
Income			
Dividends from subsidiaries	$ 9,894	$ 7,980	$ 7,080
Gain on sale of available-for-sale securities	98		
Other income	112	112	107
Total income	10,104	8,092	7,187
Expenses			
Amortization of core deposit intangibles, goodwill, and fair value adjustments	43	71	71
Business combination expenses	804	36	
Other expenses	834	551	591
Total expenses	1,681	658	662
Income before income tax benefit and equity in undistributed income of subsidiaries	8,423	7,434	6,525
Income tax benefit	(321)	(216)	(191)
Income before equity in undistributed income of subsidiaries	8,744	7,650	6,716
Equity in undistributed income of subsidiaries	10,344	10,257	9,767
Net Income	$ 19,088	$ 17,907	$ 16,483

 continued

(table dollar amounts in thousands, except share data)

NOTE 17

CONDENSED FINANCIAL INFORMATION (PARENT COMPANY ONLY) continued

CONDENSED STATEMENT OF CASH FLOWS

	Year Ended December 31, 1999	1998	1997
Operating activities:			
Net income	$ 19,088	$ 17,907	$ 16,483
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization	43	44	43
Equity in undistributed income of subsidiaries	(10,344)	(10,257)	(9,767)
Security gains	(98)		
Net change in:			
Other assets	(53)	(115)	(32)
Other liabilities	349	154	16
Net cash provided by operating activities	8,985	7,733	6,743
Investing activities:			
Security purchased with an agreement to resell to an affiliate		2,000	(1,000)
Net change in loans	(850)	(1,500)	
Proceeds from sales of securities available for sale	383		
Investment in subsidiary		(1,729)	
Other investing activities	55	(272)	(182)
Net cash used by investing activities	(412)	(1,501)	(1,182)
Financing activities:			
Cash dividends	(9,759)	(7,934)	(7,090)
Borrowing from affiliates	32,000		
Stock issued under employee benefit plans	457	385	291
Stock issued under dividend reinvestment and stock purchase plan	722	679	726
Stock options exercised	271	482	417
Stock redeemed	(32,136)	(72)	
Cash paid in lieu of issuing fractional shares		(6)	
Net cash used by financing activities	(8,445)	(6,466)	(5,656)
Net change in cash	128	(234)	(95)
Cash, beginning of year	84	318	413
Cash, end of year	$ 212	$ 84	$ 318

NOTE 18

QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following table sets forth certain quarterly results for the years ended December 31, 1999 and 1998:

QUARTER ENDED	INTEREST INCOME	INTEREST EXPENSE	NET INTEREST INCOME	PROVISION FOR LOAN LOSSES	NET INCOME	AVERAGE SHARES OUTSTANDING BASIC	DILUTED	NET INCOME PER SHARE BASIC	DILUTED
1999:									
March	$ 23,770	$ 10,931	$ 12,839	$ 505	$ 4,643	11,978,451	12,098,414	$ .39	$ .38
June	24,916	11,453	13,463	522	4,649	12,004,475	12,101,757	.39	.39
Sept	25,380	11,804	13,576	590	4,863	12,043,381	12,146,080	.40	.40
Dec	26,397	12,710	13,687	624	4,933	12,005,285	12,125,563	.41	.41
	$ 100,463	$ 46,898	$ 53,565	$ 2,241	$ 19,088	12,008,152	12,116,908	$1.59	$1.58
1998:									
March	$ 22,460	$ 10,509	$ 11,951	$ 508	$ 4,393	11,876,960	12,065,754	$ .37	$ .36
June	23,209	10,993	12,216	504	4,414	11,903,127	12,097,882	.37	.37
Sept	23,843	11,352	12,491	539	4,559	11,950,118	12,110,502	.38	.38
Dec	24,649	11,611	13,038	821	4,541	11,960,598	12,106,589	.38	.37
	$ 94,161	$ 44,465	$ 49,696	$ 2,372	$ 17,907	11,922,879	12,087,166	$1.50	$1.48

STOCKHOLDER INFORMATION

[PHOTO]

First Merchants Corporation was organized in September of 1982 as the bank holding company for Merchants National Bank of Muncie, now First Merchants Bank, N.A., an institution which has served Muncie and the east central Indiana market since 1893.

Since its organization, First Merchants Corporation has acquired six additional affiliate banks and a multi-line insurance agency. Pendleton Banking Company of Pendleton, Indiana was acquired in November of 1988; First United Bank of Middletown, Indiana in July of 1991; The Union County National Bank of Liberty, Indiana in August of 1996; The Randolph County Bank of Winchester, Indiana in October of 1996; Anderson Community Bank of Anderson, Indiana and First National Bank of Portland, Indiana in April of 1999. Also, in April of 1998, First Merchants acquired the Muncie office of Insurance & Risk Management, an independent agency based in Fort Wayne, Indiana. The agency, renamed First Merchants Insurance Services, offers a full line of insurance products to customers in the Corporation's ten-county service area.

First Merchants Bank also operates one of the ten largest trust departments in Indiana, with fiduciary assets in excess of one billion dollars at market value.

In June of 1999, U.S. Banker magazine ranked First Merchants 24th out of 200 mid-sized public banking companies in the United States based on financial performance. In addition, the Corporation continues to receive an A+ rating from Standard & Poor's for its common stock and Blue Ribbon status from independent bank-rating service Veribanc. First Merchants Corporation is one of only two Indiana-based companies listed among America's Finest Companies, an investment guide published by The Staton Institute.

[LOGO]

Corporate Office
200 East Jackson Street
Muncie, Indiana 47305

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

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

ANNUAL MEETING

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

Wednesday, April 12, 2000 o 3:30 p.m.

Horizon Convention Center
401 South High Street
Muncie, Indiana

First Merchants Corporation
Market Area

Indiana
Delaware County
1 Corporate Office o Muncie
2 Albany
3 Eaton
4 Daleville
Fayette County
5 Connersville
Hamilton County
6 Carmel
7 Noblesville
Henry County
8 Middletown
9 Mooreland
10 Sulphur Springs
Jay County
11 Portland
Madison County
12 Anderson
13 Edgewood
14 Ingalls
15 Lapel
16 Markleville
17 Pendleton
Randolph County
18 Winchester
Union County
19 Liberty
Wayne County
20 Richmond
Ohio
Butler County
21 Oxford

STOCK PRICE & DIVIDEND INFORMATION

PRICE PER SHARE

QUARTER	HIGH 1999	HIGH 1998	LOW 1999	LOW 1998	DIVIDENDS DECLARED 1999	DIVIDENDS DECLARED 1998
First Quarter	$ 26.13	$ 27.67	$ 21.50	$ 24.50	$ .200	$ .187
Second Quarter	24.75	31.83	21.50	25.67	.200	.187
Third Quarter	25.69	30.83	22.25	24.00	.220	.200
Fourth Quarter	29.25	28.75	21.88	21.50	.220	.200

The table above lists per share prices and dividend payments during 1999 and 1998. Prices are as reported by the National Association of Securities Dealers. Automated Quotation - National Market System.
Numbers rounded to nearest cent when applicable.
Restated for 3-for-2 stock split distributed October, 1998.

STOCK INFORMATION

Common stock listing

First Merchants Corporation common stock is traded over-the-counter on the NASDAQ National Market System. Quotations are carried in many daily papers. The NASDAQ symbol is FRME (Cusip #320817-10-9). At the close of business on December 31, 1999, the number of shares outstanding was 10,936,617. There were 1,780 stockholders of record on that date.

General stockholder inquiries

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

Mr. Douglas B. Harris
Vice President
Investor Services & Bank Investments
First Merchants Corporation
P. O. Box 792
Muncie, Indiana 47308-0792
765-741-7278
1-800-262-4261 Ext. 7278

Stock transfer agent and registrar

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

MARKET MAKERS

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

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

FORM 10-K AND FINANCIAL INFORMATION

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

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

First Merchants Corporation
P. O. Box 792
Muncie, Indiana 47308-0792
765-747-1390
1-800-262-4261 Ext. 1390

EXHIBIT 21--SUBSIDIARIES OF THE REGISTRANT

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

EXHIBIT 23--CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

- --

We hereby consent to the incorporation by reference to Registration Statements on Form S-8, File Number 33-28900 and 33-28901, or our report dated January 15, 1999, on the consolidated financial statements of First Merchants Corporation, which report is incorporated by reference in the Annual Report on Form 10-K of First Merchants Corporation.

/s/ Olive LLP

Indianapolis, Indiana
March 22, 1999

EXHIBIT 24 - FORM 10-K, LIMITED POWER OF ATTORNEY

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

Dated: February 8, 2000

/s/ Michael L. Cox	/s/ Stefan S. Anderson
Michael L. Cox Officer	Stefan S. Anderson Director
/s/ James L. Thrash	/s/ James F. Ault
James L. Thrash Officer	James F Ault Director
	/s/ Frank A. Bracken
	Frank A. Bracken Director
	/s/ Thomas B. Clark
	Thomas B. Clark Director
	/s/ Michael L. Cox
	Michael L. Cox Director
	/s/ David A. Galliher
	David A. Galliher Director
	/s/ Barry Hudson
	Barry Hudson Director
	/s/ Norman M. Johnson
	Norman M. Johnson Director
	Ted Montgomery Director
	/s/ George A. Sissel
	George A. Sissel Director
	/s/ Robert M. Smitson
	Robert M. Smitson Director
	/s/ Michael D. Wickersham
	Michael D. Wickersham Director
	Dr. John E. Worthen Director

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12-MOS
DEC-31-1999
JAN-01-1999
DEC-31-1999
58,893
1,730
25,400
0
329,668
14,303
14,284
998,895
10,128
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127,176
10,687
62,686
0
0
1,367
124,929
1,474,048
78,599
20,702
1,162
100,463
38,539
46,898
53,565
2,241
257
14,316
29,187
19,088
0
0
19,088
0
1.58
4.27
1280
2,327
0
0
9,209
1769
447
10,128
10,128
0
0

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

The annual financial statements and independent auditor's report thereon for First Merchants Corporation Employee Stock Purchase Plan for the year ending December 31, 1999, will be filed as an amendment to the 1999 Annual Report on Form 10-K no later than March 30, 2000.