FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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

SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 1995

Commission File Number 0-17071

First Merchants Corporation

(Exact name of registrant as specified in its character)

Indiana	35-1544218
(State or other jurisdiction of incorporation of organization)	(I.R.S. Employer Identification No.)

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

(317) 747-1500

(Registrant's telephone number, including area code)

Not Applicable

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days,

Yes X No

As of May 10, 1995, there were outstanding 3,373,054 common shares, without par value, of the registrant.

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PART I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS
CONSOLIDATED CONDENSED BALANCE SHEET
(Dollar amounts in thousands, except per share amounts)
(Unaudited)

	March 31, 1995	December 31, 1994
ASSETS:		
Cash and due from banks	$ 27,881	$ 42,684
Federal funds sold	1,875	3,675
Cash and cash equivalents	29,756	46,359
Interest-bearing time deposits	51	23
Securities available for sale	112,985	99,363
Securities held to maturity (Fair value $71,654 and $76,522)	72,175	77,677
Federal Reserve and Federal Home Loan Bank stock	1,879	1,879
Loans:		
Loans, net of unearned interest	404,701	401,605
Less: Allowance for loan losses	5,072	4,998
Net loans	399,629	396,607
Premises and equipment	9,874	9,545
Interest receivable	5,505	5,627
Core deposit intangibles and goodwill	1,944	1,977
Others assets	5,858	5,549
Total assets	$ 639,656	$ 644,606
LIABILITIES:		
Deposits:		
Noninterest-bearing	$ 73,028	$ 99,667
Interest-bearing	449,320	430,163
Total deposits	522,348	529,830
Short-term borrowings	36,949	39,189
Interest payable	1,527	1,320
Other liabilities	5,149	3,249
Total liabilities	565,973	573,588
STOCKHOLDERS' EQUITY:		
Preferred stock, no-par value:		
Authorized and unissued -- 500,000 shares		
Common stock, $.125 stated value:		
Authorized --- 20,000,000 shares		
Issued and outstanding -- 3,370,965 and 3,366,346 shares	421	421
Additional paid-in capital	16,360	16,231
Retained earnings	58,333	56,886
Net unrealized losses on securities available for sale	(1,431)	(2,520)
Total stockholders' equity	73,683	71,018
Total liability and stockholders' equity	$ 639,656	$ 644,606

See notes to consolidated condensed financial statements.

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

	Three Months Ended March 31	
Interest Income:	1995	1994
Loans, including fees:		
Taxable	$ 8,937	$ 7,225
Tax exempt	18	23
Securities:		
Taxable	2,012	2,326
Tax exempt	545	573
Federal funds sold	42	38
Interest-bearing time deposits		2
Federal Reserve and Federal Home Loan Bank stock	34	24
Total interest income	11,588	10,211
Interest expense:		
Deposits	4,058	3,340
Short-term borrowings	603	428
Total interest expense	4,661	3,768
Net Interest Income	6,927	6,443
Provision for loan losses	160	193
Net Interest Income After Provision For Loan Losses	6,767	6,250
Other Income:		
Securities gains, net	10	10
Other income	1633	1580
Total other income	1,643	1,590
Total other expenses	4,712	4,395
Income before income tax	3,698	3,445
Income tax expense	1,307	1,199
Net Income	$ 2,391	$ 2,246
Per share:		
Net income	$ .71	$ .66
Weighted average shares outstanding	3,367,488	3,388,666

See notes to consolidated condensed financial statements.

FIRST MERCHANTS CORPORATION

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CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(Dollar amounts in thousands)

(Unaudited)

	1995	1994
Balances, January 1	$ 71,018	$ 68,804
Net income	2,391	2,246
Cash dividends	(944)	(847)
Stock issued under dividend reinvestment and stock purchase plan	104	89
Stock options exercised	25	22
Stock redeemed		(147)
Net change in unrealized gain (loss) on securities available for sale	1,089	(641)
Balances, March 31	$ 73,683	$ 69,526

See notes to consolidated condensed financial statements.

FIRST MERCHANTS CORPORATION

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

	Three Months Ended March 31	
	1995	1994
Cash Flows From Operating Activities:		
Net income	$ 2,391	$ 2,246
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	160	193
Depreciation and amortization	289	283
Securities amortization, net	251	307
Change in interest receivable	183	347
Change in interest payable	207	(35)
Other adjustments	919	112
Net cash provided by operating activities	4,400	3,453
Cash Flows From Investing Activities:		
Net change in interest-bearing time deposits	(28)	251
Purchases of:		
Securities available for sale	(13,766)	(6,880)
Securities held to maturity	(7,340)	(18,061)
Proceeds from maturities and sales of:		
Securities available for sale	1,794	4,293
Securities held to maturity	12,754	15,468
Net change in loans	(3,314)	686
Purchases of premises and equipment	(618)	(114)
Other investing activities	52	139
Net cash used in investing activities	(10,466)	(4,218)
Cash Flows From Financing Activities:		
Net change in:		
Noninterest-bearing, NOW, money market and savings deposits	(30,036)	(7,871)
Certificates of deposit and other time deposits	22,554	(2,389)
Short-term borrowings	(2,240)	13,953
Cash dividends	(944)	(847)
Stock issued under dividend reinvestment and stock purchase plan	104	89
Stock options exercised	25	22
Stock redeemed		(147)
Net cash provided (used) in financing activities	(10,537)	2,810
Net Increase (Decrease) in Cash and Cash Equivalents	(16,603)	2,045
Cash and Cash Equivalents, January 1	46,359	26,567
Cash and Cash Equivalents, March 31	$ 29,756	$ 28,612

See notes to consolidated condensed financial statements.

FORM 10-Q
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. General

The significant accounting policies followed by First Merchants Corporation ("Corporation") and its wholly owned subsidiaries for interim financial reporting are consistent with the accounting policies followed for annual financial reporting, except for the changes in methods of accounting discussed more fully in Note 2. All adjustments which are in the opinion of management necessary for a fair statement of the results for the periods reported have been included in the accompanying consolidated financial statements.

NOTE 2. Changes In Methods of Accounting

In May, 1993, the Financial Accounting Standard Board issued Statement of Financial Accounting Standards No. 115 (SFAS No. 115), ACCOUNTING FOR CERTAIN INVESTMENTS IN DEBT AND EQUITY SECURITIES. The statement requires that securities be classified in three categories and provides specific accounting treatment for each. Trading securities are bought and held primarily for sale in the near term and are carried at fair value, with unrealized holding gains and losses included in earnings; held-to-maturity securities, for which the intent is to hold to maturity, are carried at amortized cost; and available-for-sale securities are all others and are carried at fair value with unrealized holding gains and losses excluded from earnings and reported as a separate component of stockholders' equity.

The Corporation adopted SFAS No. 115 on January 1, 1994. At that date, securities with an approximate carrying value of $107,569,000 were reclassified as available for sale. This reclassification resulted in an increase in total stockholders' equity, net of tax, of $644,000.

In May 1993, the Financial Accounting Standard Board issued Statement of Financial Accounting Standards No. 114 (SFAS No. 114), Accounting by Creditors for Impairment of a Loan. The statement requires that impaired loans that are within the scope of this Statement be measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical or expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent.

The Corporation adopted SFAS No. 114 on January 1, 1995. The adoption of SFAS No. 114 did not have a material impact on the financial condition or the results of operations of the Corporation.

(Dollar amounts in thousands)

NOTE 3. Investment Securities

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale at March 31, 1995:				
U.S. Treasury	$ 11,780	$ 8	$ 305	$ 11,483
Federal agencies	44,319	142	719	43,742
State and municipal	12,818	130	226	12,722
Mortgage and other asset-backed securities	21,523	41	665	20,899
Other Securities	250			250
Corporate obligations	24,665	6	782	23,889
Total	$ 115,355	$ 327	$ 2,697	$ 112,985
Securities held to maturity at March 31, 1995:				
U.S. Treasury	$ 8,621	$ 18	$ 115	$ 8,524
Federal agencies	20,760	36	265	20,531
State and municipal	40,333	266	439	40,160
Mortgage and other asset-backed securities	322			322
Corporate obligations	2,139		22	2,117
Total	$ 72,175	$ 320	$ 841	$ 71,654
Securities available for sale at December 31, 1994:				
U.S. Treasury	$ 11,817		$ 550	$ 11,267
Federal agencies	35,565		1,271	34,294
State and municipal	9,762	$ 31	385	9,408
Mortgage and other asset-backed securities	22,171	29	836	21,364
Corporate obligations	24,221	4	1,195	23,030
Total	$ 103,536	$ 64	$ 4,237	$ 99,363

(Table dollar amounts in thousands)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Securities held to maturity at December 31, 1994:				
U.S. Treasury	$ 12,630	$ 21	$ 222	$ 12,429
Federal agencies	24,529	29	469	24,089
State and municipal	38,117	211	680	37,648
Mortgage and other asset-backed securities	370			370
Corporate obligations	2,031		45	1,986
Total	$ 77,677	$ 261	$ 1,416	$ 76,522

	Cost	
	1995	1994
Federal Reserve and Federal Home Loan Bank stock on March 31:		
Federal Reserve Bank Stock	$ 307	$ 307
Federal Home Loan Stock	1,572	1,572
Total	$ 1,879	$ 1,879

FIRST MERCHANTS CORPORATION

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

NOTE 4. Loans and Allowance

	March 31, 1995	December 31, 1994
Loans:		
Commercial and industrial loans	$ 82,246	$ 78,943
Bankers' acceptances and loans to financial institutions	1,400	
Agricultural production financing and other loans to farmers	4,915	5,310
Real estate loans:		
Construction	7,312	8,126
Commercial and farmland	64,232	64,110
Residential	166,649	164,760
Individuals' loans for household and other personal expenditures	76,239	78,041
Tax exempt loans	1,042	1,204
Other loans	666	1,111
Total loans	$ 404,701	$ 401,605
Nonperforming loans:		
Nonaccruing loans	$ 292	$ 326
Loans contractually past due 90 days or more other than nonaccruing	752	703
Restructured loans	729	754

	Three Months Ended March 31 1995	1994
Allowance for loan losses:		
Balances, January 1	$ 4,998	$ 4,800
Provision for losses	160	193
Recoveries on loans	53	44
Loans charged off	(139)	(247)
Balances, March 31	$ 5,072	$ 4,790

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

RESULTS OF OPERATIONS

The Corporation has recorded 19 consecutive years of growth in operating earnings per share, reaching $2.71 in 1994, an increase of 9.3 per cent over 1993.

Return on assets, which exceeded 1 per cent for the first time in 1988, rose to 1.44 per cent in 1994, from 1.39 per cent in 1993, and 1.29 per cent in 1992.

Return on equity exceeded 12 per cent for the first time in 1989, was 12.71 per cent in 1992, 13.01 per cent in 1993 and 13.06 per cent in 1994.

Improvement was achieved in each of these ratios during the first quarter of 1995, as compared to the same period in 1994.

- Earnings per share were $.71, up 7.6 per cent from $.66
- Return on assets was 1.52 per cent increasing from 1.41 per cent
- Return on equity totalled 13.22 per cent compared to 12.99 per cent for the first quarter of 1994

CAPITAL

First Merchants Corporation's capital strength continues to exceed regulatory minimums and peer group averages. Management believes that strong capital is a distinct advantage in the competitive environment in which the Corporation operates, and will provide a solid foundation for continued growth, and instilling customer confidence. First Merchants Corporation and its subsidiaries have received honors from various financial rating services recognizing the Banks for safety and soundness. Earnings asset quality and capital strength were considered in the ratings.

The Corporation's capital to assets ratio was 10.99 per cent at December 31, 1993, 11.02 per cent at December 31, 1994 and 11.52 per cent at March 31, 1995. At March 31, 1995, the Corporation had a Tier I risk-based capital ratio of 17.03 per cent, total risk-based capital ratio of 18.03 per cent and a leverage ratio of 11.68 per cent. Regulatory capital guidelines require a Tier I risk-based capital ratio of 4.0 per cent and a total risk-based capital ratio of 8.0 per cent.

The Corporation has an employee stock purchase plan and an employee stock option plan. Activity under this program is detailed in the Consolidated Condensed Statement of Changes in Stockholders' Equity. The transactions under these plans have not had a material effect in the Corporation's capital position.

ASSET QUALITY/PROVISION FOR LOAN LOSSES

First Merchants Corporation's asset quality and loan loss experience has consistently been superior to that of its peer group, as summarized 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. The evaluation takes into consideration identified credit problems as well as the possibility of losses inherent in the loan portfolio that cannot be specifically identified.

The following table summarizes the risk elements for First Merchants Corporation and its peer group, consisting of bank holding companies with average assets between $500 million and $1 billion. The statistics were provided by the Federal Reserve System.

	Non-Performing Loans (1) at December 31 as a Per Cent of Loans	
	First Merchants	Peer Group
1995 (March 31)	.26%	N/A%
1994	.26	.98
1993	.30	1.62
1992	.41	1.82
1991	.86	2.54
1990	1.09	2.57

(1) Accruing loans past due 90 days or more, and non-accruing loans, but excluding restructured loans.

On March 31, 1995, the loan loss reserve stood at $5,072,000. As a per cent of loans, the reserve stood at 1.25 per cent compared to 1.24 per cent at year end 1994, and 1.27 per cent at year end 1993. The provision for loan losses for the first quarter of 1995 declined to $160,000 from $193,000 for the same period of 1994, based on management's analysis of the adequacy of the reserve in light of improving credit quality in the loan portfolio.

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

	1995 (1)	1994	1993	1992	1991
	(Dollar amount in thousands)				
Allowance for loan losses					
Balance at January 1.	$ 4,998	$ 4,800	$ 4,351	$ 3,867	$ 3,254
Addition resulting from acquisition . . .					252
Chargeoffs:					
Commercial.	21	526	391	588	806
Real estate mortgage.		41	129	100	41
Installment	118	346	388	552	511
Total chargeoffs	139	913	908	1,240	1,358
Recoveries:					
Commercial.	25	216	240	215	227
Real estate mortgage.	2	30	5	38	7
Installment	26	83	98	114	84
Total recoveries	53	329	343	367	318
Net chargeoffs	86	584	565	873	1,040
Provision for loan losses.	160	782	1,014	1,357	1,401
Balance at December 31	$ 5,072	$ 4,998	$ 4,800	$ 4,351	$ 3,867
Ratio of net chargeoffs during the period to average loans during the period - annualized	.09%	.15%	.16%	.26%	.35%
Peer Group	N/A	.25%	.49%	.65%	.95%

(1) Through March 31, 1995

LIQUIDITY AND INTEREST SENSITIVITY

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

First Merchants Corporation's liquidity and interest sensitivity position at March 31, 1995, remained adequate to meet the Corporation's primary goal of achieving optimum interest margins while avoiding undue interest rate risk. The table below represents the Corporation's interest rate sensitivity analysis as of March 31, 1995.

Interest-Rate Sensitivity Analysis
(Dollar amounts in thousands)

	At March 31, 1995				
	1-180 Days	181-365 Days	1-5 Years	Beyond 5 Years	Total
Rate-sensitive assets:					
Federal funds sold and interest-bearing time deposits.	$ 1,926				$ 1,926
Investment Securities	31,784	$ 33,103	$ 113,847	$ 8,305	187,039
Loans	215,415	45,452	96,698	47,136	404,701
Total rate-sensitive assets.	$ 249,125	$ 78,555	$ 210,545	$ 55,441	$ 593,666
Rate-sensitive liabilities:					
Interest-bearing deposits	$ 203,751	$ 39,762	$ 205,742	$ 65	$ 449,320
Other borrowed funds.	36,949				36,949
Total rate-sensitive liabilities	$ 240,700	$ 39,762	$ 205,742	$ 65	$ 486,269
Interest rate sensitivity gap by period. . .	$ 8,425	$ 38,793	$ 4,803	$ 55,376	
Cumulative gap	8,425	47,218	52,021	107,397	
Cumulative ratio at March 31, 1995	103%	116%	110%	122%	
Cumulative ratio at December 31, 1994 . . .	106%	121%	114%	125%	

EARNING ASSETS

Earning assets declined $ .8 million during 1994 and increased $9.5 million during the first quarter of 1995. Growth over the fifteen month period occurred in loans with securities and short term investments declining.

The following table presents the earning asset mix for the years ended 1993, 1994 and at March 31, 1995.

Earning Assets (Dollar Amounts in Millions)

	March 31 1995	December 31, 1994	December 31, 1993
Federal funds sold and interest bearing time deposits	$ 1.9	$ 3.7	$ 1.9
Securities available for sale. . . .	113.0	99.3	206.2
Securities held to maturity	72.2	77.7	204.3
Federal Reserve and Federal Home Loan Bank stock	1.9	1.9	1.9
Loans.	404.7	401.6	376.9
Total	$ 593.7	$ 584.2	$ 585.0

DEPOSITS AND BORROWINGS

The following tables present the level of deposits and short term borrowings (Federal funds purchased, repurchase agreements with customers, and U.S. Treasury demand notes) based on period end levels and average daily balances for the past two years and most recent quarter:

Period End Balances (Dollar Amounts in Millions)

	Deposits	Short-term Borrowings
March 31, 1995	$ 522.3	$ 36.9
December 31, 1994	529.8	39.2
December 31, 1993	506.3	46.9

Average Balances (Dollar Amounts in Millions)

	Deposits	Short-term Borrowings
March 31, 1995	$ 506.2	$ 44.0
December 31, 1994	514.0	45.6
December 31, 1993	517.8	35.3

NET INTEREST INCOME

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

The table below presents the Corporation's interest income, interest expense, and net interest income as a per cent of average earning assets for the four-year period ending in 1994 and the first quarter of 1995. (Table dollar amounts in thousands.)

Asset yields improved slightly in 1994 (.06 per cent), while interest expense declined 11 basis points.

The resulting "spread" increase of .17 per cent (4.74% vs 4.57%) accounted for approximately two-thirds of the $1,476,000 increase in fully taxable equivalent ("FTE") net interest income. The remaining increase is attributable to growth in average earning assets of $10,093,000 (see table below.)

During the first quarter of 1995, interest income (FTE) as a per cent of average earning assets increased .57 per cent while interest expense as a per cent of average earning assets grew by just .44 per cent. Consequently, net interest income (FTE) as a per cent of average earning assets grew .13 per cent, accounting for the increase in first quarter net interest income (FTE-annualized.)

The Corporation does consider the effect of changing rates in its loan and deposit pricing and structure decisions, and in its investment strategy; and expects no significant change in net interest income as a result of interest rate changes.

	Interest Income (FTE) as a Per Cent of Average Earning Assets	Interest Expense as a Per Cent of Average Earning Assets	Net Interest Income (FTE) as a Per Cent of Average Earning Assets	Average Earning Assets	Net Interest Income on a Fully Taxable Equivalent Basis
1995 (1)	8.01%	3.14%	4.87%	$ 593,542	$ 28,920
1994	7.44	2.70	4.74	597,102	28,282
1993	7.38	2.81	4.57	587,009	26,806
1992	8.31	3.65	4.66	566,467	26,400
1991	9.48	5.05	4.43	525,799	23,277

(1) First quarter annualized.

OTHER INCOME

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

Other income declined in 1994 by $290,000, or 4.4 per cent. The decline is attributable to two factors:

1. Loss on the sale of securities of $31,000 compared to gains of $395,000 in 1993, a change of $426,000.
2. A $126,000 (5.0 per cent) decline in deposit service charges.

The first factor is not relevant to the underlying fee income potential of the Corporation. Without that change, fee income would have increased from $6,194,000 to $6,329,000 (2.2 per cent).

During the first quarter of 1995, other income equalled $1,643,000, or 3.3 per cent above the first quarter 1994 level of $1,590,000. Increases in deposit service charges ($22,000) and data processing fees ($19,000) accounted for most of the $53,000 improvement.

OTHER EXPENSE

Total "other expenses" represent non-interest operating expenses of the Corporation. Those expenses amounted to $18,434,000 in 1994, an increase of $219,000 or 1.2 per cent from the prior year. Most of the change in 1994 is attributable to two factors:

1. During the fourth quarter of 1993, First Merchants Bank, N.A. assumed responsibility for the data processing function for the Corporation and its subsidiaries. The agreement with an outside party to provide data processing was terminated. The cost of conversion equipment and software was approximately $1,700,000. The equipment and software costs are being depreciated on a straight-line method based on useful life of the assets. The Corporation estimates that data processing costs under the new arrangement declined by approximately $400,000 (net of additional salary, employee benefit, equipment, and software costs.)

2. Salary and benefit expense increased by $928,000 or 10.2 per cent. About one-fourth of that increase is attributable to the change in data processing (described above). The rest is attributable to normal salary increases and key additions to staff.

During the first quarter of 1995 other expenses were $4,712,000, up $317,000 or 7.2 per cent from the same quarter in 1994. Salary and benefit expenses grew $215,000 (9.2 per cent), accounting for most of the increase.

INCOME TAXES

The increase in 1994 tax expense was attributable to a $1,198,000 increase in pre-tax net income.

During the first quarter of 1995, income tax expense grew slightly from the same period one year earlier, also due to a $253,000 increase in pre-tax net income.

The following is a breakdown, by year, of federal and state income taxes.

	Three Months Ended March 31, 1995	Three Months Ended March 31, 1994	Twelve Months Ended December 31, 1994	Twelve Months Ended December 31, 1993
			(Dollars in Thousands)	
Federal taxes. .	$ 982	$ 898	$ 3,735	$ 3,272
State taxes. . .	325	301	1,172	1,124
Total	$ 1,307	$ 1,199	$ 4,907	$ 4,396

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 First Merchants' net interest income, loan volume, and other operating expenses, such as employees' 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 the rate of inflation and benefit from a decrease.

PART II. OTHER INFORMATION

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

The 1995 Annual Meeting of Stockholders was held on March 30, 1995. Shareholders voted upon the election of directors and the ratification of the independent auditor. No other matters were voted upon at the Annual Meeting.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) No exhibits are required to be filed.

(b) No reports were filed on Form 8-K during the quarter ended March 31, 1995.

FIRST MERCHANTS CORPORATION

FORM 10-Q

SIGNATURES

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

FIRST MERCHANTS CORPORATION
(Registrant)

Date	May 11, 1995	by	/s/ Stefan S. Anderson
			Stefan S. Anderson President and Director
Date	May 11, 1995	by	/s/ James L. Thrash
			James L. Thrash Chief Financial & Principal Accounting Officer

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED CONDENSED BALANCE SHEET AND CONSOLIDATED CONDENSED STATEMENT OF INCOME FOUND ON PAGE 3 AND 4 OF THE COMPANY'S FORM 10-Q FOR THE YEAR-TO-DATE, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

3-MOS
DEC-31-1995
MAR-01-1995
MAR-31-1995
27,881
51
1,875
0
112,985
72,175
71,654
404,701
5,072
639,656
522,348
36,949
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