UNITED STATES
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, 2003   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 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 [ ]

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. [ ]

Indicate by checkmark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [x] No[ ]

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 $447,502,779 as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2003).

As of March 11, 2004 there were 18,540,055 outstanding common shares, without par value, of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Documents	Part of Form 10-K Into Which Incorporated
Portions of the Registrant's Annual Report to Shareholders for the year ended December 31, 2003	Part II (Items 1, 5, 6, 7, 7A, and 8)
Portions of the Registrant's Definitive Proxy Statement for Annual Meeting of Shareholders to be held April 22, 2004	Part III (Items 10 through 14)

Exhibit Index: Page 31

FORM 10-K TABLE OF CONTENTS

PART I

ITEM 1. BUSINESS

FORWARD-LOOKING STATEMENTS

The Corporation from time to time includes forward-looking statements in its oral and written communication. The Corporation may include forward-looking statements in filings with the Securities and Exchange Commission, such as this Form 10-K, in other written materials and in oral statements made by senior management to analysts, investors, representatives of the media and others. The Corporation intends these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and the Corporation is including this statement for purposes of these safe harbor provisions. Forward-looking statements can often be identified by the use of words like "believe", "continue", "pattern", "estimate", "project", "intend", "anticipate", "expect" and similar expressions or future or conditional verbs such as "will", "would", "should", "could", "might", "can", "may", or similar expressions. These forward-looking statements include:

* statements of the Corporation's goals, intentions and expectations;

* statements regarding the Corporation's business plan and growth strategies;

* statements regarding the asset quality of the Corporation's loan and investment portfolios; and

* estimates of the Corporation's risks and future costs and benefits.

These forward-looking statements are subject to significant risks, assumptions and uncertainties, including, among other things, the following important factors which could affect the actual outcome of future events:

* fluctuations in market rates of interest and loan and deposit pricing, which could negatively affect the Corporation's net interest margin, asset valuations and expense expectations;

* adverse changes in the economy, which might affect the Corporation's business prospects and could cause credit-related losses and expenses;

* adverse developments in the Corporation's loan and investment portfolios;

* competitive factors in the banking industry, such as the trend towards consolidation in the Corporation's market;

* changes in the banking legislation or the regulatory requirements of federal and state agencies applicable to bank holding companies and banks like the Corporation's affiliate banks;

* acquisitions of other businesses by the Corporation and integration of such acquired businesses;

* changes in market, economic, operational, liquidity, credit and interest rate risks associated with the Corporation's business; and

* the continued availability of earnings and excess capital sufficient for the lawful and prudent declaration and payment of cash dividends.

Because of these and other uncertainties, the Corporation's actual future results may be materially different from the results indicated by these forward-looking statements. In addition, the Corporation's past results of operations do not necessarily indicate its future results.

GENERAL

First Merchants Corporation (the "Corporation") is a financial holding company headquartered in Muncie, Indiana. The Corporation's Common Stock is traded on NASDAQ's National Market System under the symbol FRME and was organized in September 1982. Since its organization, the Corporation has grown to include ten affiliate banks with over 70 locations in 17 Indiana and two Ohio counties, a trust company, a multi-line insurance company, a reinsurance company, and a title agency. During 2003, the Corporation formed (as of January 1, 2003) Merchants Trust Company, National Association, a wholly-owned subsidiary of the Corporation. In addition, on March 1, 2003, the Corporation acquired Commerce National Bank, a national banking association incorporated in 1991.

The bank subsidiaries of the Corporation include First merchants Bank, National Association in Delaware and Hamilton counties; The Madison Community Bank, National Association in Madison County; First United Bank, National Association in Henry County; The Union County National Bank of Liberty with locations in Union, Fayette, Wayne and Butler (OH) counties; The Randolph County Bank, National Association; The First National Bank of Portland in Jay County; Decatur Bank & Trust Company, National Association in Adams County; Frances Slocum Bank & Trust Company, National Association in Wabash, Howard, and Miami counties; Lafayette Bank and Trust Company, National Association in Tippecanoe, Carroll, Jasper, and White Counties; and Commerce National Bank in Franklin County, Ohio.

The Corporation also operates First Merchants Insurance Services, a full-service property, casualty, personal lines, and health care insurance agency headquartered in Muncie, Indiana; is the majority owner of the Indiana Title Insurance Company LLC, a full-service title insurance agency; and operates First Merchants Reinsurance Co. Ltd., a re-insurance agency.

Merchants Trust Company, National Association formed in 2003, unites the trust and asset management services of all affiliate banks of the Corporation and represents one of the largest trust companies in the state of Indiana, with assets in excess of $1.5 billion. Merchants Trust Company, National Association provides a full range of trust and investment services for individuals, families, businesses, and not-for-profit organizations.

As of December 31, 2003, the Corporation had consolidated assets of $3.1 billion, consolidated deposits of $2.4 billion and stockholders' equity of $304 million. The Corporation is presently engaged in conducting commercial banking business through the offices of its ten banking subsidiaries. As of December 31, 2003, the Corporation and its subsidiaries had 1,138 full-time equivalent employees.

Through its bank subsidiaries, the Corporation offers a broad range of financial services, including: accepting time, savings and demand deposits; making consumer, commercial, agri-business and real estate mortgage loans; renting safe deposit facilities; providing personal and corporate trust services; providing full service brokerage; and providing other corporate services, letters of credit and repurchase agreements. Through various nonbank subsidiaries, the Corporation also offers personal and commercial lines of insurance and engages in the title agency business and the reinsurance of credit life, accident, and health insurance.

The Corporation makes its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, available on its website at www.firstmerchants.com without charge, as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the Securities and Exchange Commission. Additionally, the Corporation will also provide without charge, a copy of its Form 10-K to any shareholder by mail. Requests should be sent to Mr. Brian Edwards, Shareholder Relations Officer, First Merchants Corporation, P.O. Box 792, Muncie, IN 47308-0792.

Acquisition Policy

The Corporation anticipates that it will continue its policy of geographic expansion of its banking business through the acquisition of banks whose operations are consistent with its community banking philosophy. Management routinely explores opportunities to acquire financial institutions and other financial services-related businesses and to enter into strategic alliances to expand the scope of its services and its customer base.

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COMPETITION

The Corporation's banking subsidiaries are located in Adams, Boone, Carroll, Delaware, Fayette, Hamilton, Henry, Howard, Jasper, Jay, Madison, Miami, Tippecanoe, Wabash, Wayne, White, Randolph, and Union counties in Indiana and Butler and Franklin counties 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 CORPORATION AND SUBSIDIARIES

BANK HOLDING COMPANY REGULATION

The Corporation is registered as a bank holding company and has elected to be a financial holding company. It is subject to the supervision of, and regulation by the Board of Governors of the Federal Reserve System ("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 section of this Form 10-K) with the terms of any capital restoration plan filed by such subsidiary with its appropriate federal banking agency. 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 requires the Corporation to obtain the prior approval of the Federal Reserve before:

1. Acquiring direct or indirect control or ownership of any voting shares of any bank or bank holding company if, after such acquisition, the bank holding company will directly or indirectly own or control more than 5% of the voting shares of the bank or bank holding company.

2. Merging or consolidating with another bank holding company; or

3. Acquiring substantially all of the assets of any bank.

The BHC Act generally prohibits bank holding companies that have not become financial holding companies from (i) engaging in activities other than banking or managing or controlling banks or other permissible subsidiaries, and (ii) acquiring or retaining direct or indirect control of any company engaged in the activities other than those activities determined by the Federal Reserve to be closely related to banking or managing or controlling banks.

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

CAPITAL ADEQUACY GUIDELINES FOR BANK HOLDING COMPANIES

The Corporation is 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 stockholders' 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 Corporation 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, 2003:

	Corporation	Regulatory Minimum Requirement
Tier 1 Capital: (to risk-weighted assets)	9.4%	4.0%
Total Capital:	11.6%	8.0%

BANK REGULATION

First Merchants, Union County, First National and Commerce National are national banks and are supervised, regulated and examined by the Office of the Comptroller of the Currency (the "OCC"). First United, Madison, Randolph County, Decatur, Frances Slocum and Lafayette were state banks chartered in Indiana and supervised, regulated and examined by the Indiana Department of Financial Institutions. In addition, six of the Corporation's subsidiaries, Madison, First United, Randolph County, Decatur, Frances Slocum and Lafayette were supervised, regulated and examined 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. Effective January 1, 2004, the Corporation's six state chartered bank subsidiaries, as noted above, converted each of their state bank charters to national charters.

Both federal and state law extensively regulate various aspects of the banking business such as reserve requirements, truth-in-lending and truth-in-savings disclosures, 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 the Corporation's affiliate banks exceed the risk-based capital guidelines of the FDIC and/or the OCC as of December 31, 2003.

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.

FDIC IMPROVEMENT ACT OF 1991

The Federal Deposit Insurance Corporation Improvement Act of 1991 ("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 becoming "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.

FDICIA continued

As of December 31, 2003, 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

The Corporation's 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.

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 FICO assessments do not vary depending upon a depository institution's capitalization or supervisory evaluations.

DIVIDEND LIMITATIONS

National and state banking laws restrict the amount of dividends that an affiliate bank may declare in a year without obtaining prior regulatory approval. 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. At December 31, 2003, the Corporation's affiliate banks had a total of $15,556,000 retained net profits available for 2003 dividends to the Corporation without prior regulatory approval.

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) financial holding companies such as the Corporation are 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

The Gramm-Leach-Bliley Act of 1999 (the "Financial Services Modernization Act") establishes 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, the Corporation is able to provide securities and insurance services. Furthermore, under this legislation, the Corporation is 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.

A bank holding company may become a financial holding company if each of its subsidiary banks is well capitalized, is well managed and has at least a satisfactory rating under the Community Reinvestment Act, by filing a declaration that the bank holding company wishes to become a financial holding company. Also effective March 11, 2000, no regulatory approval is required for a financial holding company to acquire a company, other than a bank or savings association, engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the Federal Reserve Board. The Federal Reserve Bank of Chicago approved the Corporation's application to become a Financial Holding Company effective September 13, 2000.

USA PATRIOT ACT

As part of the USA Patriot Act, signed into law on October 26, 2001, Congress adopted the International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001 (the "Act"). The Act authorizes the Secretary of the Treasury, in consultation with the heads of other government agencies, to adopt special measures applicable to financial institutions such as banks, bank holding companies, broker-dealers and insurance companies. Among its other provisions, the Act requires each financial institution: (i) to establish an anti-money laundering program; (ii) to establish due diligence policies, procedures and controls that are reasonably designed to detect and report instances of money laundering in United States private banking accounts and correspondent accounts maintained for non-United States persons or their representatives; and (iii) to avoid establishing, maintaining, administering, or managing correspondent accounts in the United States for, or on behalf of, a foreign shell bank that does not have a physical presence in any country. In addition, the Act expands the circumstances under which funds in a bank account may be forfeited and requires covered financial institutions to respond under certain circumstances to requests for information from federal banking agencies within 120 hours.

Treasury regulations implementing the due diligence requirements were issued in 2002. These regulations required minimum standards to verify customer identity, encouraged cooperation among financial institutions, federal banking agencies, and law enforcement authorities regarding possible money laundering or terrorist activities, prohibited the anonymous use of "concentration accounts," and required all covered financial institutions to have in place an anti-money laundering compliance program.

The Act also amended the Bank Holding Company Act and the Bank Merger Act to require the federal banking agencies to consider the effectiveness of a financial institution's anti-money laundering activities when reviewing an application under these acts.

THE SARBANES-OXLEY ACT

The Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act"), which became law on July 30, 2002, added new legal requirements for public companies affecting corporate governance, accounting and corporate reporting.

The Sarbanes-Oxley Act provides for, among other things:

* a prohibition on personal loans made or arranged by the issuer to its directors and executive officers (except for loans made by a bank subject to Regulation O);
* independence requirements for audit committee members;
* independence requirements for company auditors;
* certification of financial statements on Forms 10-K and 10-Q reports by the chief executive officer and the chief financial officer;
* the forfeiture by the chief executive officer and chief financial officer of bonuses or other incentive-based compensation and profits from the sale of an issuer's securities by such officers in the twelve month period following initial publication of any financial statements that later require restatement due to corporate misconduct;
* disclosure of off-balance sheet transactions;
* two-business day filing requirements for insiders filing Form 4s;
* disclosure of a code of ethics for financial officers and filing a Form 8-K for a change in or waiver of such code;
* the reporting of securities violations "up the ladder" by both in-house and outside attorneys;
* restrictions on the use of non-GAAP financial measures in press releases and SEC filings;
* the formation of a public accounting oversight board; and
* various increased criminal penalties for violations of securities laws.

The Sarbanes-Oxley Act contains provisions which became effective upon enactment on July 30, 2002,including provisions which became effective from within 30 days to one year from enactment. The SEC has been delegated the task of enacting rules to implement various provisions. In addition, each of the national stock exchanges developed new corporate governance rules, including rules strengthening director independence requirements for boards, the adoption of corporate governance codes and charters for the nominating, corporate governance and audit committees.

ADDITIONAL MATTERS

The Corporation and its affiliate banks are subject to the Federal Reserve Act, which restricts financial transactions between banks and affiliated companies. The statute limits credit transactions between banks, affiliated companies and its executive officers and its affiliates. The statute prescribes terms and conditions for bank affiliate transactions deemed to be consistent with safe and sound banking practices, and restricts the types of collateral security permitted in connection with the bank's extension of credit to an affiliate. Additionally, all transactions with an affiliate must be on terms substantially the same or at least as favorable to the institution as those prevailing at the time for comparable transactions with non-affiliated parties.

In addition to the matters discussed above, the Corporation's 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 the Corporation and its affiliate banks in particular would be affected.

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.
(Dollars in Thousands)

	2003			2002			2001		
	Average Balance	Interest Income/ Balance	Average Rate	Average Balance	Interest Income/ Balance	Average Rate	Average Balance	Interest Income/ Expense	Average Rate
Assets:									
Federal funds sold	$ 44,243	$ 485	1.1%	$ 39,239	$ 557	1.4%	$ 31,820	$ 899	2.8%
Interest-bearing deposits......	6,655	76	1.1	2,866	141	4.9	2,060	106	5.1
Federal Reserve and Federal Home Loan Bank stock.	13,615	649	4.8	12,327	735	6.0	7,657	559	7.3
Securities: (1)									
Taxable	181,698	6,105	3.4	170,937	9,086	5.3	179,006	11,207	6.3
Tax-exempt	136,028	9,648	7.1	131,145	9,523	7.3	85,288	6,312	7.4
Total Securities.............	317,726	15,753	5.0	302,082	18,609	6.2	264,294	17,519	6.6
Mortgage loans held for sale.....	12,294	725	5.9	21,545	503	2.3	481	41	8.5
Loans: (2)									
Commercial	1,387,704	82,183	5.9	1,010,232	66,736	6.6	612,031	49,786	8.1
Bankers' acceptance and Commercial paper purchased...	4,660	61	1.3						
Real estate mortgage...........	517,376	32,100	6.2	484,267	35,704	7.4	404,831	31,908	7.9
Installment	345,084	26,167	7.6	318,277	26,649	8.4	245,978	21,388	8.7
Tax-exempt	14,496	1,088	7.5	8,108	725	8.9	7,234	674	9.3
Total loans	2,281,614	142,324	6.2	1,842,429	130,317	7.1	1,270,555	103,797	8.2
Total earning assets.........	2,663,853	159,287	6.0	2,198,943	150,359	6.8	1,576,386	122,880	7.8
Net unrealized gain (loss) on securities available for sale..............	7,553			6,214			2,608		
Allowance for loan losses........	(28,906)			(20,187)			(13,736)		
Cash and due from banks..........	75,801			66,510			42,814		
Premises and equipment	39,069			44,088			25,265		
Other assets	202,825			110,683			56,357		
Total assets	$2,960,195			$2,406,251			$1,689,694		
Liabilities:									
Interest-bearing deposits:									
NOW accounts	$ 344,933	2,015	0.6%	$ 273,126	3,680	1.3%	$ 192,573	2,475	1.3%
Money market deposit accounts	336,669	3,360	1.0	332,811	3,290	1.0	214,087	6,386	3.0
Savings deposits	293,119	1,376	0.5	184,849	2,184	1.2	122,175	2,310	1.9
Certificates and other time deposits	988,957	28,107	2.8	838,272	30,546	3.6	655,477	34,655	5.3
Total interest-bearing deposits....................	1,963,678	34,858	1.8	1,629,058	39,700	2.4	1,184,312	45,826	3.9
Borrowings	381,178	17,530	4.6	277,709	14,060	5.1	171,771	10,248	6.0
Total interest-bearing liabilities.................	2,344,856	52,388	2.2	1,906,767	53,760	2.8	1,356,083	56,074	4.1
Noninterest-bearing deposits.....	293,397			227,995			147,318		
Other liabilities	28,339			33,914			20,061		
Total liabilities............	2,666,592			2,168,676			1,523,462		
Stockholders' equity	293,603			237,575			166,232		
Total liabilities and stockholders' equity........	$2,960,195	52,388	2.0(3)	$2,406,251	53,760	2.4(3)	$1,689,694	56,074	3.6(3)
Net interest income		$106,899			$ 96,599			$ 66,806	
Net interest margin..........			4.0			4.4			4.2

(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 2003, 2002, and 2001............................

	2003	2002	2001
	$3,757	$3,676	$2,445

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.

	2003 Compared to 2002 Increase (Decrease) Due To			2002 Compared to 2001 Increase (Decrease) Due To		
	Volume	Rate	Total	Volume	Rate	Total
	(Dollars in Thousands on Fully Taxable Equivalent Basis)					
Interest income:						
Federal funds sold	$ 65	$ (135)	$ (70)	$ 176	$ (518)	$ (342)
Interest-bearing deposits	127	(248)	(121)	49	42	91
Federal Reserve and Federal Home Loan Bank stock	72	(158)	(86)	293	(117)	176
Securities	924	(3,780)	(2,856)	2,386	(1,296)	1,090
Mortgage loans held for sale	(288)	510	222	513	(51)	462
Loans	29,315	(17,475)	11,840	40,558	(14,556)	26,002
Totals	30,215	(21,286)	8,929	43,975	(16,496)	27,479
Interest expense:						
NOW accounts	794	(2,459)	(1,665)	1,080	125	1,205
Money market deposit accounts	38	32	70	2,468	(5,564)	(3,096)
Savings deposits	899	(1,707)	(808)	928	(1,054)	(126)
Certificates and other time deposits	4,948	(7,387)	(2,439)	8,244	(12,353)	(4,109)
Borrowings	4,853	(1,381)	3,472	5,552	(1,741)	3,811
Totals	11,532	(12,902)	(1,370)	18,272	(20,587)	(2,315)
Change in net interest income (fully taxable equivalent basis)	$18,683	$ (8,384)	10,299	$25,703	$ 4,091	29,794
Tax equivalent adjustment using marginal rate of 35% for 2003, 2002, and 2001			(80)			(1,232)
Change in net interest income			$ 10,219			$ 28,562

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:
(Dollars in Thousands)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale at December 31, 2003				
U.S. Treasury	$ 1,498			$ 1,498
Federal agencies	38,290	$ 523	$ 52	38,761
State and municipal	118,794	6,932	86	125,640
Mortgage-backed securities	174,208	813	1,817	173,204
Corporate obligations	500	16		516
Marketable equity securities	9,237	4		9,241
Total available for sale	342,527	8,288	1,955	348,860
Held to maturity at December 31, 2003				
State and municipal	7,860	389		8,249
Mortgage-backed securities	77			77
Total held to maturity	7,937	389		8,326
Total investment securities	$350,464	$ 8,677	$ 1,955	$357,186
Available for sale at December 31, 2002				
U.S. Treasury	$ 125			$ 125
Federal agencies	27,630	$ 814	$ 8	28,436
State and municipal	135,715	5,787	178	141,324
Mortgage-backed securities	117,724	2,448	54	120,118
Other asset-backed securities	1,000			1,000
Corporate obligations	12,101	465		12,566
Marketable equity securities	29,452	20	116	29,356
Total available for sale	323,747	9,534	356	332,925
Held to maturity at December 31, 2002				
State and municipal	9,013	448		9,461
Mortgage-backed securities	124			124
Total held to maturity	9,137	448		9,585
Total investment securities	$332,884	$ 9,982	$ 356	$342,510

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale at December 31, 2001				
U.S. Treasury	$ 124			$ 124
Federal agencies	30,808	$ 767	$ 2	31,573
State and municipal	74,776	1,644	215	76,205
Mortgage-backed securities	100,811	1,710	1	102,520
Other asset-backed securities	10,116	167		10,283
Corporate obligations	3,498	116		3,614
Marketable equity securities	7,472		123	7,349
Total available for sale	227,605	4,404	341	231,668
Held to maturity at December 31, 2001				
State and municipal	8,426	166	58	8,534
Mortgage-backed securities	228			228
Total held to maturity	8,654	166	58	8,762
Total investment securities	$236,259	$ 4,570	$ 399	$240,430

	Cost		
	2003	2002	2001
Federal Reserve and Federal Home Loan Bank stock at December 31:			
Federal Reserve Bank stock	$ 2,320	$ 493	$ 493
Federal Home Loan Bank stock	13,182	10,916	7,857
Total	$15,502	$11,409	$8,350

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, 2003 were:

Securities available for sale December 31, 2003:

	Within 1 Year		1-5 Years		5-10 Years	
	Amount	Yield*	Amount	Yield*	Amount	Yield*
U.S. Treasury......................	$ 1,498	0.9%				
Federal Agencies...................	3,384	4.2	$28,733	3.4%	$ 3,578	2.8%
State and Municipal................	12,355	6.4	28,511	6.7	40,273	6.8
Corporate Obligations..............	516	6.9				
Total..........................	$17,753	5.5%	$57,244	5.0%	$43,851	6.5%

STATISTICAL DATA (continued)

	Due After Ten Years		Marketable Equity and Mortgage - Backed Securities		Total	
	Amount	Yield*	Amount	Yield*	Amount	Yield*
U.S. Treasury					$ 1,498	0.9%
Federal Agencies	$ 3,066	2.7%			38,761	3.4
State and Municipal	44,501	7.5			125,640	7.0
Corporate Obligations					516	6.9
Marketable Equity Securities			$ 9,241	7.6%	9,241	7.6
Mortgage-backed securities			173,204	3.4	173,204	3.4
Total	$ 47,567	7.2%	$ 182,445	3.6%	$348,860	4.8%

Securities held to maturity at December 31, 2003:

	Within 1 Year		1-5 Years		5-10 Years	
	Amount	Yield*	Amount	Yield*	Amount	Yield*
State and Municipal	$ 1,485	7.6%	$ 4,060	8.0%	$1,086	8.8%

	Due After Ten Years		Mortgage-Backed Securities		Total	
	Amount	Yield*	Amount	Yield*	Amount	Yield*
State and Municipal	$ 1,229	8.7%			$ 7,860	8.1%
Mortgage-backed securities			$ 77	8.4%	77	8.4
Total	$ 1,229	8.7%	$ 77	8.4%	$ 7,937	8.2%

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

The following table shows the Corporation's gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2003:

	Less than 12 Months		12 Months or Longer		Total	
	FAIR VALUE	GROSS UNREALIZED LOSSES	FAIR VALUE	GROSS UNREALIZED LOSSES	FAIR VALUE	GROSS UNREALIZED LOSSES
Federal agencies	$ 7,410	$ (50)	$ 747	$ (2)	$ 8,157	$ (52)
State and municipal	2,547	(82)	166	(4)	2,713	(86)
Mortgage-backed securities	90,148	(1,817)			90,148	(1,817)
Total temporarily impaired investment securities	$100,105	$ (1,949)	$ 913	$ (6)	$101,018	$ (1,955)

Federal Reserve and Federal Home Loan Bank stock at December 31, 2003:

	Amount	Yield
Federal Reserve Bank Stock	$ 2,320	6.0%
Federal Home Loan Bank stock	13,182	5.0
Total	$15,502	5.1%

STATISTICAL DATA (continued)

LOAN PORTFOLIO

TYPES OF LOANS

The loan portfolio at the dates indicated is presented below:

	2003	2002	2001	2000	1999
			(Dollars in Thousands)		
Loans at December 31:					
Commercial and industrial loans	$ 443,140	$ 406,644	$ 301,962	$ 258,405	$224,712
Agricultural production financing and other loans to farmers	95,048	85,059	29,645	24,547	21,547
Real estate loans:					
Construction	149,865	133,896	58,316	45,412	31,996
Commercial and farmland	564,578	401,561	230,233	167,317	150,544
Residential	866,477	746,349	544,028	466,660	380,596
Individuals' loans for household and other personal expenditures	196,093	206,083	179,325	201,629	181,878
Tax-exempt loans	16,363	12,615	7,277	6,093	4,070
Other loans	21,939	12,170	8,800	5,523	3,552
Total loans	$2,353,503	$2,004,377	$1,359,586	$1,175,586	$998,895

Residential Real Estate Loans Held for Sale at December 31, 2003, 2002, 2001, 2000 and 1999 were $3,043,000, $21,545,000, $307,000, $0 and $61,000.

MATURITIES AND SENSITIVITIES OF LOANS TO CHANGES IN INTEREST RATES

Presented in the table below are the maturities of loans (excluding banker acceptances, residential real estate and individuals' loans) outstanding as of December 31, 2003. 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	$ 328,219	$ 86,385	$ 28,536	$ 443,140
Agricultural production financing and other loans to farmers	82,631	8,694	3,723	95,048
Real estate - Construction	110,652	31,714	7,499	149,865
Real estate - Commercial and farmland	262,545	239,522	62,511	564,578
Tax-exempt loans	7,158	4,282	4,923	16,363
Other loans	8,972	12,775	192	21,939
Total	$ 800,177	$ 383,372	$107,384	$1,290,933

	Maturing 1 - 5 Years	Maturing Over 5 Years
	(Dollars in Thousands)	
Loans maturing after one year with:		
Fixed rate..............................	$ 96,553	$ 104,011
Variable rate...........................	286,819	3,373
Total.................................	$ 383,372	$ 107,384

NONACCRUING, CONTRACTUALLY PAST DUE 90 DAYS OR MORE
OTHER THAN NONACCRUING AND RESTRUCTURED LOANS

	December 31 2003	2002	2001	2000	1999
	(Dollars in Thousands)				
Nonaccruing loans.........................	$19,453	$14,134	$6,327	$2,370	$1,280
Loans contractually past due 90 days or more other than nonaccruing.............................	6,530	6,676	4,828	2,483	2,826
Restructured loans........................	641	2,508	3,511	3,085	908

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 $950,000 for the year ended December 31, 2003, was recognized on the nonaccruing and restructured loans listed in the table above, whereas interest income of $1,357,000 would have been recognized under their original loan terms.

Potential problem loans:

Management has identified certain other loans totaling $70,682,000 as of December 31, 2003, not included in the table above, or the impaired loan table in the footnotes to the consolidated financial statements, about which there are doubts as to the borrowers' ability to comply with present repayment terms.

The Corporation's affiliate banks generate commercial, mortgage and consumer loans from customers located primarily in north-central and east-central Indiana and Butler and Franklin counties in Ohio. The Banks' loans are generally secured by specific items of collateral, including real property, consumer assets, and business assets.

STATISTICAL DATA (continued)
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SUMMARY OF LOAN LOSS EXPERIENCE

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

	2003	2002	2001	2000	1999
	(Dollars in Thousands)				
Allowance for loan losses:					
Balance at January 1	$ 22,417	$ 15,141	$ 12,454	$ 10,128	$ 9,209
Chargeoffs:					
Commercial and industrial(1)	5,023	4,711	1,688	974	361
Real estate mortgage(3)	2,111	800	227	43	40
Individuals' loans for household and other personal expenditures, including other loans	5,005	2,602	1,632	1,274	1,368
Total chargeoffs	12,139	8,113	3,547	2,291	1,769
Recoveries:					
Commercial and industrial(2)	1,002	549	176	171	114
Real estate mortgage(4)	421	92	32	1	32
Individuals' loans for household and other personal expenditures, including other loans	588	672	365	407	301
Total recoveries	2,011	1,313	573	579	447
Net chargeoffs	10,128	6,800	2,974	1,712	1,322
Provisions for loan losses	9,477	7,174	3,576	2,625	2,241
Allowance acquired in purchase	3,727	6,902	2,085	1,413	
Balance at December 31	$25,493	$22,417	$15,141	$12,454	$10,128

(1)Category also includes the chargeoffs for bankers acceptances, loans to financial institutions, tax-exempt loans and agricultural production financing and other loans to farmers.
(2)Category also includes the recoveries for bankers acceptances, loans to financial institutions, tax-exempt loans and agricultural production financing and other loans to farmers.
(3)Category includes the chargeoffs for construction, commercial and farmland and residential real estate loans.
(4)Category includes the recoveries for construction, commercial and farmland and residential real estate loans.

	2003	2002	2001	2000	1999
Ratio of net chargeoffs during the period to average loans outstanding during the period	.44%	.37%	.23%	.16%	.14%

STATISTICAL DATA (continued)

The information regarding the analysis of loan loss experience on Page 10 of the Corporation's Annual Report to Stockholders - Financial Review 2003 under the caption "ASSET QUALITY/PROVISION FOR LOAN LOSSES" is expressly incorporated herein by reference.

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 percent of loans in each category to total loans:

	2003		2002	
	Amount	Per Cent	Amount	Per Cent
	(Dollars in Thousands)			
Balance at December 31:				
Commercial and industrial(1)	$ 17,517	29.9%	$ 12,405	31.8%
Real estate mortgage(2)	4,441	60.8	2,875	57.3
Individuals' loans for household and other personal expenditures, including other loans	3,435	9.3	7,037	10.9
Unallocated	100	N/A	100	N/A
Totals	$ 25,493	100.0%	$ 22,417	100.0%

	2001		2000	
	Amount	Per Cent	Amount	Per Cent
	(Dollars in Thousands)			
Balance at December 31:				
Commercial and industrial(1)	$ 6,884	29.2%	$ 4,478	28.5%
Real estate mortgage(2)	2,655	56.9	1,554	53.9
Individuals' loans for household and other personal expenditures, including other loans	5,502	13.9	4,622	17.6
Unallocated	100	N/A	1,800	N/A
Totals	$ 15,141	100.0%	$ 12,454	100.0%

	1999	
	Amount	Per Cent
	(Dollars in Thousands)	
Balance at December 31:		
Commercial and industrial(1)	$ 3,347	28.3%
Real estate mortgage(2)	1,297	53.2
Individuals' loans for household and other personal expenditures, including other loans	3,914	18.5
Unallocated	1,570	N/A
Totals	$ 10,128	100.0%

(1) Category also includes the allowance for loan losses and percent of loans for bankers acceptances, loans to financial institutions, tax-exempt loans, agricultural production financing and other loans to farmers and construction real estate loans.
(2) Category includes the allowance for loan losses and percent of loans for commercial and farmland and residential real estate loans.

STATISTICAL DATA (continued)

Loan Administration and Loan Loss Chargeoff Procedures

Primary responsibility and accountability for day-to-day lending activities rests with the Corporation's affiliate banks. Loan personnel at each bank have the authority to extend credit under guidelines approved by the bank's board of directors. Executive and board loan committees active at each bank serve as vehicles for communication between the banks and for the pooling of knowledge, judgment and experience of the Corporation's affiliate banks. These committees provide valuable input to lending personnel, act as an approval body, and monitor the overall quality of the banks' loan portfolios. The Corporation also maintains a loan grading and review program for its affiliate banks, which includes quarterly reviews of problem loans, delinquencies and charge-offs. The purpose of this program is to evaluate loan administration, credit quality, loan documentation and the adequacy of the allowance for loan losses.

The Corporation maintains an allowance for loan losses to cover probable credit losses identified during its loan review process. The allowance is increased by the provision for loan losses and decreased by charge-offs less recoveries. All charge-offs are approved by the bank's 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:

	2003	2002	2001
	(Dollars in Thousands)		
As of, and for the year ending December 31:			
Impaired loans with an allowance	$ 12,725	$ 16,901	$ 10,381
Impaired loans for which the discounted cash flows or collateral value exceeds the carrying value of the loan	32,047	27,450	10,780
Total impaired loans	$ 44,772	$ 44,351	$ 21,161
Allowance for impaired loans (included in the Corporation's allowance for loan losses)	$ 5,728	$ 7,299	$ 3,251
Average balance of impaired loans	50,245	49,663	22,327
Interest income recognized on impaired loans	3,259	3,656	1,538
Cash basis interest included above	2,714	2,344	1,555

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DEPOSITS

The average balances, interest income and expense and average rates on deposits for the years ended December 2003, 2002 and 2001 are presented within the "Distribution of Assets, Liabilities and Stockholders' Equity, Interest Rates and Interest Differential" table on page 11 of this Form 10-K.

As of December 31, 2003, 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..........	$105,020	$ 43,759	$ 39,965	$ 91,066	$279,810
Per cent.......................	37%	16%	14%	33%	100%

RETURN ON EQUITY AND ASSETS

The information regarding return on equity and assets is presented on page 2 of the Corporation's Annual Report to Stockholders - Financial Review 2003 under the caption "Five - Year Summary of Selected Financial Data" is expressly incorporated herein by reference.

SHORT-TERM BORROWINGS

	2003	2002	2001
	(Dollars in Thousands)		
Balance at December 31:			
Securities sold under repurchase agreements (short-term portion)........	$ 71,095	$ 65,962	$ 22,732
Federal funds purchased..................			10,500
U.S. Treasury demand notes...............			6,273
Total short-term borrowings......	$ 71,095	$ 65,962	$ 39,505

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:

	2003	2002	2001
	(Dollars in Thousands)		
Weighted average interest rate on outstanding balance at December 31:			
Securities sold under repurchase agreements(short-term portion)..............	1.4%	1.1%	3.3%
Total short-term borrowings.....................	1.4	1.1	2.4
Weighted average interest rate during the year:			
Securities sold under repurchase agreements (short-term portion).............	.9%	1.4%	3.7%
Total short-term borrowings.....................	.9	1.3	4.0
Highest amount outstanding at any month end during the year:			
Securities sold under repurchase agreements (short-term portion).............	$ 69,396	$ 54,375	$ 17,750
Total short-term borrowings.....................	113,618	67,984	46,195
Average amount outstanding during the year:			
Securities sold under repurchase agreements (short-term portion).............	$ 51,780	$ 41,241	$ 14,036
Total short-term borrowings.....................	59,719	49,886	22,126

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. The building is owned by First Merchants.

The Corporation's affiliate banks conduct business through numerous facilities owned and leased by the respective affiliate banks. Of the 69 banking offices operated by the Corporation's affiliate banks, 55 are owned by the respective banks and 14 are leased from non-affiliated third parties.

None of the properties owned by the Corporation's affiliate banks are subject to any major encumbrances. The net investment of the Corporation and subsidiaries in real estate and equipment at December 31, 2003 was $39,639,000.

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 or any of its subsidiaries.

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 2003 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 and all persons chosen to become executive officers are listed below. The officers are elected by the Board of Directors of the Corporation for a term of one (1) year or until the election of their successors. There are no arrangements between any officer and any other person pursuant to which he was selected as an officer.

Name and Age	Offices with the Corporation And Subsidiary Banks	Principal Occupation During Past Five Years
Michael L. Cox 59	President, Chief Executive Officer, Corporation	Chief Executive Officer of the Corporation since April 1999; President First Merchants from April 1999 to September 2000; President and Chief Operating Officer, Corporation since August 1998 and from 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.
Roger M. Arwood 52	Executive Vice President and Chief Operating Officer, Corporation	Chief Operating Officer of the Corporation since August 2002; President and Chief Executive Officer First Merchants from September 2000 to August 2002; Bank of America from 1983 to February 2000; Executive Vice President of the Corporation since February of 2000.
Robert R. Connors 54	Senior Vice President of Operations and Technology, Corporation and First Merchants	Senior Vice President of Operations and Technology, Corporation and First Merchants since August 2002; Senior Vice President of Operations and Compliance Officer at First Internet Bank of Indiana from 1999 to 2002; Senior Vice President of Operations and Chief Information Officer at Peoples Bank & Trust Company from 1984 to 1999.
Larry R. Helms 63	Senior Vice President, General Counsel and Secretary, Corporation	Senior Vice President and General Counsel, Corporation since 1982 and Secretary since January 1997; Senior Vice President, First Merchants from January 1979 to 2002; Director of First United Bank from 1991 to 2002 and Pendleton Banking Company from 1992 to 2002.
Mark K. Hardwick 33	Senior Vice President and Chief Financial Officer, Corporation	Senior Vice President and Chief Financial Officer of the Corporation since April of 2002; Corporate Controller, Corporation from November 1997 to April 2002; Senior Accountant, Geo. S. Olive & Company from September 1994 to October 1997.

PART II

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

The information on pages 58 and 59 of the Corporation's Annual Report to Stockholders - Financial Review 2003 under the captions "Annual Meeting, Stock Price & Dividend Information" and "Common Stock Listing", is expressly incorporated herein by reference.

On May 1, 2003, the Corporation issued 2,134 unregistered shares of its common stock pursuant to a Merger Agreement dated September 6, 2002, between the Corporation and Stephenson Insurance Service, Inc. ("SIS"). The Corporation issued the unregistered shares to the sole shareholder of SIS, at a value of $23.56 per share, in exchange for all the common stock of SIS. The issuance by the Corporation of its shares of common stock were not registered under the Securities Act of 1933, as amended ("Securities Act"). The shares were issued pursuant to the exemption contemplated in Section 4 (2) of the Securities Act, for transactions not involving a public offering.

ITEM 6. SELECTED FINANCIAL DATA.

The information on page 2 of the Corporation's Annual Report to Stockholders - Financial Review 2003 under the caption "Five-Year Summary of Selected Financial Data", is expressly incorporated herein by reference.

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

The information on pages 3 through 21 of the Corporation's Annual Report to Stockholders - Financial Review 2003 under the caption "Management's Discussion & Analysis of Financial Condition and Results of Operations", is expressly incorporated herein by reference.

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

The information on pages 12 through 15 of the Corporation's Annual Report to Stockholders - Financial Review 2003 under the caption "Management's Discussion & Analysis of Financial Condition and Results of Operations" within the section "Interest Sensitivity and Disclosures About Market Risk", is expressly incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Pages 22 through 57 of the Corporation's Annual Report to Stockholders - Financial Review 2003, are expressly incorporated herein by reference.

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, 2003, 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 9A. CONTROLS AND PROCEDURES

At the end of the period covered by this report, the Corporation carried out an evaluation, under the supervision and with the participation of the Corporation's management, including the Corporation's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of it's disclosure controls and procedures. Based upon that evaluation, the Corporation's Chief Executive Officer and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures are effective. Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed in Corporation reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There have been no changes in the Corporation's internal controls over financial reporting identified in connection with the evaluation referenced above that occurred during the Corporation's last fiscal quarter that have materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information in the Corporation's Proxy Statement dated March 5, 2004 furnished to its stockholders in connection with an annual meeting to be held April 22, 2004 (the "2004 Proxy Statement"), under the captions "ELECTION OF DIRECTORS", "COMMITTEES OF THE BOARD" and "SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE", is expressly incorporated herein by reference. 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 and is expressly incorporated herein by reference.

The Corporation has adopted a Code of Ethics that applies to its Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Controller and Treasurer. It is part of the Corporation's Code of Business Conduct, which applies to all employees and directors of the Corporation and its affiliates. A copy of the Code of Ethics may be obtained, free of charge, by writing to the General Counsel of First Merchants Corporation at 200 East Jackson Street, Muncie, IN 47305. In addition, the Code of Ethics is maintained on the Corporation's web site, which can be accessed at http://www.firstmerchants.com.

ITEM 11. EXECUTIVE COMPENSATION.

The information in the Corporation's 2004 Proxy Statement, under the captions, "COMPENSATION OF DIRECTORS", "COMPENSATION OF EXECUTIVE OFFICERS", "COMMITTEES OF THE BOARD-Compensation and Human Resources Committee Interlocks and Insider Participation", "COMMITTEES OF THE BOARD-Compensation and Human Resources Committee Report on Executive Compensation" and "PERFORMANCE GRAPH" is expressly incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information in the Corporation's 2004 Proxy Statement, under the captions, "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT" and "EQUITY COMPENSATION PLAN INFORMATION," is expressly incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information in the Corporation's 2004 Proxy Statement, under the caption "INTEREST OF MANAGEMENT IN CERTAIN TRANSACTIONS," is expressly incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information in the Corporation's 2004 Proxy Statement, under the caption "INDEPENDENT PUBLIC ACCOUNTANTS", is expressly incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) 1. Financial Statements:
- Independent accountants' report
- Consolidated balance sheets at December 31, 2003 and 2002
- Consolidated statements of income, years ended December 31, 2003, 2002 and 2001
- Consolidated statements of comprehensive income, years ended December 31, 2003, 2002 and 2001
- Consolidated statements of stockholders' equity, years ended December 31, 2003, 2002 and 2001
- Consolidated statements of cash flows, years ended December 31, 2003, 2002 and 2001
- Notes to consolidated financial statements

(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 Exhibits:
2.1	Agreement of Reorganization and Merger by and between First Merchants Corporation and CNBC Bancorp dated August 28, 2002 (the "Merger Agreement"). (Incorporated by reference to Exhibit 2 to First Merchants Corporation's Current Report on Form 8-K filed August 28, 2002.)
2.2	Undertaking by First Merchants Corporation to furnish supplementally to the Commission upon request the Disclosure Letters referenced in the Merger Agreement. (Incorporated by reference to Exhibit 2.2 to First Merchants Corporation's Form 10-Q for the quarter ended September 30, 2003.)
3a	First Merchants Corporation Articles of Incorporation. (Incorporated by reference to registrant's Form 10-Q for quarter ended June 30, 1999)
3b	First Merchants Corporation Bylaws (2)
4.1	Certificate of Trust of First Merchants Capital Trust I dated December 12, 2001 (3)
4.2	Amended and Restated Trust Agreement of First Merchants Capital Trust I dated April 17, 2002 (3)
4.3	Agreement as to Expenses and Liabilities dated April 17, 2002 (3)
4.4	Cumulative Trust Preferred Security Certificate (3)
4.5	Preferred Securities Guarantee Agreement dated April 17, 2002 (3)
4.6	Indenture dated April 17, 2002 (3)
4.7	First Supplemental Indenture dated April 17, 2002 (3)
4.8	8.75% Junior Subordinated Debenture due June 30, 2002 (3)
10a	First Merchants Corporation and First Merchants Bank, National Association Management Incentive Plan. (Incorporated by reference to registrant's Form 10-K for year ended December 31, 1996)(1)

10b	First Merchants Corporation Senior Management Incentive Compensation Program, as amended. (Incorporated by reference to the registrant's Form 10-K for the year ended December 31, 2000)(1)
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10l	First Merchants Corporation 1999 Long-Term Equity Incentive Plan, as amended. (Incorporated by reference to registrant's registration statement on Form S-8 (see File No.333-111374) effective on December 19, 2003)(1)
13	Annual Report to Stockholders-Financial Review 2003 (except for the pages and information expressly incorporated by reference in this Form 10-K, the Annual Report to Stockholders-Financial Review 2003 is provided solely for the information of the Securities and Exchange Commission and is not deemed "filed" as part of this Form 10-K(2)
21	Subsidiaries of Registrant(2)
23	Consent of Independent Accountants(2)
24	Limited Power of Attorney(2)
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002(2)
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002(2)
32	Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002(2)
99.1	Financial statements and independent accountants' report for First Merchants Corporation Employee Stock Purchase Plan (See Exhibit 13 to this Form 10-K)(2)

(1) Management contract or compensatory plan.
(2) Filed here within.
(3) Incorporated by reference to the registrant's Form 8-K filed on April 19, 2002.

(b) Reports on Form 8-K:

A report on Form 8-K, dated October 22, 2003, was filed on October 22, 2003 under report items number 9 and 7, concerning the Press Release announcing third quarter 2003 earnings.

Under report item number 7, the following exhibit was included in this Form 8-K.

(c) Exhibit

(99.1) Press Release, dated October 22, 2003, issued by First Merchants Corportation

SIGNATURES

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 15th day of March, 2004.

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 indicated, on this 15th day of March, 2004.

/s/ Michael L. Cox		/s/Mark K. Hardwick	
Michael L. Cox	President and Chief Executive Officer (Principal Executive Officer)	Mark K. Hardwick	Sr. Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ Stefan S. Anderson*		/s/ Michael L. Cox	
Stefan S. Anderson	Director	Michael L. Cox	Director
/s/ Roger M. Arwood*		/s/ Barry J. Hudson*	
Roger M. Arwood	Director	Barry J. Hudson	Director
/s/ James F. Ault*		/s/ Robert T. Jeffares*	
James F. Ault	Director	Robert T. Jeffares	Director
/s/ Dennis A. Bieberich*		/s/ Norman M. Johnson*	
Dennis A. Bieberich	Director	Norman M. Johnson	Director
/s/Richard A. Boehning*		/s/ Thomas D. McAuliffe*	
Richard A. Boehning	Director	Thomas D. McAuliffe	Director
Blaine M. Brownell	Director	George A. Sissel	Director
Frank A. Bracken	Director	Robert M. Smitson	Director
/s/ Thomas B. Clark*			
Thomas B. Clark	Director	Dr. John E. Worthen	Director

* By Mark K. Hardwick as Attorney-in Fact pursuant to a limited Power of Attorney executed by the directors listed above, which Power of Attorney is being filed with the Securities and Exchange Commission as an exhibit hereto.

By /s/ Mark K. Hardwick

Mark K. Hardwick
As Attorney-in-Fact
March 15, 2004

INDEX TO EXHIBITS

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EXHIBIT-3b

BYLAWS OF
FIRST MERCHANTS CORPORATION

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

ARTICLE I

Section 1. Name.

The name of the Corporation is First Merchants Corporation.

Section 2. Principal Office and Resident Agent.

The post office address of the principal office of the Corporation is 200 East Jackson Street, Muncie, Indiana 47305, and the name of its Resident Agent in charge of such office is Larry R. Helms.

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

ARTICLE II

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

ARTICLE III

Capital Stock

Section 1. Number of Shares and Classes of Capital Stock. The total number of shares of capital stock which the Corporation shall have authority to issue shall be as stated in the Articles of Incorporation.

Section 2. Consideration for No Par Value Shares. The shares of stock of the Corporation without par value shall be issued or sold in such manner and for such amount of consideration as may be fixed from time to time by the Board of Directors. Upon payment of the consideration fixed by the Board of Directors, such shares of stock shall be fully paid and nonassessable.

Section 3. Consideration for Treasury Shares. Treasury shares may be disposed of by the Corporation for such consideration as may be determined from time to time by the Board of Directors.

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

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

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

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

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

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

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

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

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

Section 12. Options to Officers and Employees. The issuance, including the consideration, of rights or options to Directors, officers or employees of the Corporation, and not to the shareholders generally, to purchase from the Corporation shares of its capital stock shall be approved by the affirmative vote of the holders of a majority of the shares entitled to vote thereon or shall be authorized by and consistent with a plan approved by such a vote of the shareholders.

ARTICLE IV

Meetings of Shareholders

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

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

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

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

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

Section 6. Voting at Meetings.

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

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

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

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

Section 8. Fixing of Record Date to Determine Shareholders Entitled to Vote. The Board of Directors may fix a record date, not exceeding seventy (70) days prior to the date of any meeting of the shareholders, for the purpose of determining the shareholders entitled to notice of and to vote at the meeting. In the absence of action by the Board of Directors fixing a record date as herein provided, the record date shall be the sixtieth (60th) day prior to the date of the meeting. A new record date must be fixed if a meeting of the shareholders is adjourned to a date more than one hundred twenty (120) days after the date fixed for the original meeting.

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

ARTICLE V

Board of Directors

Section 1. Election, Number and Term of Office. The number of Directors of the Corporation to be elected by the holders of the shares of stock entitled by the Articles of Incorporation to elect Directors shall be sixteen (16) unless changed by amendment of this Section by a two-thirds (2/3) vote of the Board of Directors.

The Directors shall be divided into three (3) classes as nearly equal in number as possible, all Directors to serve three (3) year terms except as provided in the third paragraph of this Section. One class shall be elected at each annual meeting of the shareholders, by the holders of the shares of stock entitled by the Articles of Incorporation to elect Directors. Unless the number of Directors is changed by amendment of this Section, Classes I and II shall each have five (5) Directors, and Class III shall have six (6) Directors. No decrease in the number of Directors shall have the effect of shortening the term of any incumbent Director.

No person shall serve as a Director subsequent to the annual meeting of shareholders following the end of the calendar year in which such person attains the age of seventy (70) years. The term of a Director shall expire as of the annual meeting following which the Director is no longer eligible to serve under the provisions of this paragraph, even if fewer than three (3) years have elapsed since the commencement of the Director's term.

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

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

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

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

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

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

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

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

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

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

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

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

Section 10. Fixing of Record Date to Determine Shareholders Entitled to Receive Corporate Benefits. The Board of Directors may fix a day and hour not exceeding fifty (50) days preceding the date fixed for payment of any dividend or for the delivery of evidence of rights, or for the distribution of other corporate benefits, or for a determination of shareholders for any other purpose, as a record time for the determination of the shareholders entitled to receive any such dividend, rights or distribution, and in such case only shareholders of record at the time so fixed shall be entitled to receive such dividend, rights or distribution. If no record date is fixed for the determination of shareholders entitled to receive payment of a dividend, the end of the day on which the resolution of the Board of Directors declaring such dividend is adopted shall be the record date for such determination.

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

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

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

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

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

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

ARTICLE VI

Officers

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

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

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

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

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

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

Section 7. Chairman of the Board. The Chairman of the Board, who shall be chosen from among the Directors, shall preside at all meetings of shareholders and at all meetings of the Board of Directors. He shall perform such other duties and have such other powers as, from time to time, may be assigned to him by the Board of Directors.

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

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

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

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

Section 12. Secretary. The Secretary shall keep or cause to be kept in the books provided for that purpose the minutes of the meetings of the shareholders and of the Board of Directors; shall duly give and serve all notices required to be given in accordance with the provisions of these Bylaws and by the Act; shall be custodian of the records and of the seal of the Corporation and see that the seal is affixed to all documents, the execution of which on behalf of the Corporation under its seal is duly authorized in accordance with the provisions of these Bylaws; and, in general, shall perform all duties incident to the office of Secretary and such other duties as may, from time to time, be assigned to him by the President or the Board of Directors.

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

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

ARTICLE VII

Indemnification

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

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

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

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

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

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

(ii) independent legal counsel shall deliver to the Corporation their written opinion that such Director, officer, employee, or agent has met such standards of conduct.

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

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

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

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

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

ARTICLE VIII

Amendments

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

EXHIBIT-13

ANNUAL REPORT TO STOCKHOLDERS-FINANCIAL REVIEW 2003

EXHIBIT 13--ANNUAL REPORT TO STOCKHOLDERS - FINANCIAL REVIEW 2003

FINANCIAL REVIEW

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

(in thousands, except share data)	2003	2002	2001	2000	1999
Operations (4)					
Net Interest Income					
Fully Taxable Equivalent (FTE) Basis	$ 106,899	$ 96,599	$ 66,806	$ 58,619	$ 56,513
Less Tax Equivalent Adjustment	3,757	3,676	2,445	2,637	2,948
Net Interest Income	103,142	92,923	64,361	55,982	53,565
Provision for Loan Losses	9,477	7,174	3,576	2,625	2,241
Net Interest Income After Provision for Loan Losses	93,665	85,749	60,785	53,357	51,324
Total Other Income	35,902	27,077	18,543	16,634	14,573
Total Other Expenses	91,279	71,009	45,195	40,083	36,710
Income Before Income Tax Expense	38,288	41,817	34,133	29,908	29,187
Income Tax Expense	10,717	13,981	11,924	9,968	10,099
Net Income	$ 27,571	$ 27,836	$ 22,209	$ 19,940	$ 19,088
Per share data (1)(4)					
Basic Net Income	$ 1.51	$ 1.70	$ 1.63	$ 1.51	$ 1.37
Diluted Net Income	1.50	1.69	1.61	1.50	1.36
Cash Dividends Paid (2)	.90	.86	.84	.78	.72
December 31 Book Value	16.42	15.24	12.82	11.61	9.98
December 31 Market Value (Bid Price)	25.51	21.67	21.78	19.54	22.08
Average balances (4)					
Total Assets	$2,960,195	$2,406,251	$1,689,694	$1,532,691	$1,397,230
Total Loans (5)	2,281,614	1,842,429	1,270,555	1,104,013	935,716
Total Deposits	2,257,075	1,857,053	1,331,631	1,209,015	1,073,074
Securities Sold Under Repurchase Agreements (long-term portion)		66,535	44,394	53,309	56,181
Total Federal Home Loan Bank Advances	166,733	155,387	103,941	80,008	57,062
Total Trust Preferred Securities	56,521	37,379			
Total Stockholders' Equity	293,603	237,575	166,232	141,446	149,727
Year-end balances (4)					
Total Assets	$3,076,812	$2,678,687	$1,787,035	$1,621,063	$1,474,048
Total Loans (5)	2,356,546	2,025,922	1,359,893	1,175,586	998,956
Total Deposits	2,362,101	2,036,688	1,421,251	1,288,299	1,147,203
Securities Sold Under Repurchase Agreements (long-term portion)		23,632	32,500	32,500	35,000
Total Federal Home Loan Bank Advances	212,779	184,677	103,499	93,182	73,514
Total Trust Preferred Securities	57,188	53,188			
Total Stockholders' Equity	303,965	261,129	179,128	156,063	126,296
Financial ratios (4)					
Return on Average Assets	.93%	1.16%	1.31%	1.30%	1.37%
Return on Average Stockholders' Equity	9.39	11.72	13.36	14.10	12.75
Average Earning Assets to Total Assets	89.99	91.38	93.29	94.85	94.77
Allowance for Loan Losses as % of Total Loans	1.08	1.11	1.11	1.06	1.01
Dividend Payout Ratio	60.00	50.89	52.17	52.00	52.94
Average Stockholders' Equity to Average Assets	9.92	9.87	9.84	9.23	10.72
Tax Equivalent Yield on Earning Assets (3)	5.98	6.83	7.80	8.19	7.81
Cost of Supporting Liabilities	1.97	2.44	3.56	4.16	3.54
Net Interest Margin on Earning Assets	4.01	4.39	4.24	4.03	4.27

(1) Restated for all stock dividends and stock splits.

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

(3) 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.

(4) Business combinations that affect the comparability of this information are discussed in Note 2 to the Consolidated Financial Statements.

(5) Includes loans held for sale.

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MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
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The Corporation's financial data has been restated for all mergers accounted for as pooling of interests.

FORWARD-LOOKING STATEMENTS

The Corporation from time to time includes forward-looking statements in its oral and written communication. The Corporation may include forward-looking statements in filings with the Securities and Exchange Commission, such as Form 10-K and Form 10-Q, in other written materials and in oral statements made by senior management to analysts, investors, representatives of the media and others. The Corporation intends these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and the Corporation is including this statement for purposes of these safe harbor provisions. Forward-looking statements can often be identified by the use of words like "estimate," "project," "intend," "anticipate," "expect" and similar expressions. These forward-looking statements include:

- statements of the Corporation's goals, intentions and expectations;

- statements regarding the Corporation's business plan and growth strategies;

- statements regarding the asset quality of the Corporation's loan and investment portfolios; and

- estimates of the Corporation's risks and future costs and benefits.

These forward-looking statements are subject to significant risks, assumptions and uncertainties, including, among other things, the following important factors which could affect the actual outcome of future events:

- fluctuations in market rates of interest and loan and deposit pricing, which could negatively affect the Corporation's net interest margin, asset valuations and expense expectations;

- adverse changes in the economy, which might affect the Corporation's business prospects and could cause credit-related losses and expenses;

- adverse developments in the Corporation's loan and investment portfolios;

- competitive factors in the banking industry, such as the trend towards consolidation in the Corporation's market; and

- changes in the banking legislation or the regulatory requirements of federal and state agencies applicable to bank holding companies and banks like the Corporation's affiliate banks.

Because of these and other uncertainties, the Corporation's actual future results may be materially different from the results indicated by these forward-looking statements. In addition, the Corporation's past results of operations do not necessarily indicate its future results.

CRITICAL ACCOUNTING POLICIES

Generally accepted accounting principles require management to apply significant judgment to certain accounting, reporting and disclosure matters. Management must use assumptions and estimates to apply those principles where actual measurement is not possible or practical. For a complete discussion of the Corporation's significant accounting policies, see the notes to the consolidated financial statements (pages 27 to 31) and discussion throughout this Annual Report. Below is a discussion of the Corporation's critical accounting policies. These policies are critical because they are highly dependent upon subjective or complex judgments, assumptions and estimates. Changes in such estimates may have a significant impact on the Corporation's financial statements. Management has reviewed the application of these policies with the Corporation's Audit Committee.

Allowance for Loan Losses. The allowance for loan losses represents management's estimate of probable losses inherent in the Corporation's loan portfolio. In determining the appropriate amount of the allowance for loan losses, management makes numerous assumptions, estimates and assessments.

The Corporation's strategy for credit risk management includes conservative credit policies and underwriting criteria for all loans, as well as an overall credit limit for each customer significantly below legal lending limits. The strategy also emphasizes diversification on a geographic, industry and customer level, regular credit quality reviews and management reviews of large credit exposures and loans experiencing deterioration of credit quality.

The Corporation's allowance consists of three components: probable losses estimated from individual reviews of specific loans, probable losses estimated from historical loss rates, and probable losses resulting from economic, environmental, qualitative or other deterioration above and beyond what is reflected in the first two components of the allowance.

Larger commercial loans that exhibit probable or observed credit weaknesses are subject to individual review. Where appropriate, reserves are allocated to individual loans based on management's estimate of the borrower's ability to repay the loan given the availability of collateral, other sources of cash flow and legal options available to the Corporation. Included in the review of individual loans are those that are impaired as provided in SFAS No. 114, Accounting by Creditors for Impairment of a Loan. Any allowances for impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or fair value of the underlying collateral. The Corporation evaluates the collectibility of both principal and interest when assessing the need for a loss accrual. Historical loss rates are applied to other commercial loans not subject to specific reserve allocations.

CRITICAL ACCOUNTING POLICIES continued

Homogenous loans, such as consumer installment and residential mortgage loans are not individually risk graded. Rather, credit scoring systems are used to assess credit risks. Reserves are established for each pool of loans using loss rates based on a five year average net charge-off history by loan category.

Historical loss rates for commercial and consumer loans may be adjusted for significant factors that, in management's judgment, reflect the impact of any current conditions on loss recognition. Factors which management considers in the analysis include the effects of the national and local economies, trends in the nature and volume of loans (delinquencies, charge-offs and nonaccrual loans), changes in mix, asset quality trends, risk management and loan administration, changes in the internal lending policies and credit standards, collection practices and examination results from bank regulatory agencies and the Corporation's internal loan review.

An unallocated reserve, primarily based on the factors noted above, is maintained to recognize the imprecision in estimating and measuring loss when evaluating reserves for individual loans or pools of loans. Allowances on individual loans and historical loss rates are reviewed quarterly and adjusted as necessary based on changing borrower and/or collateral conditions and actual collection and charge-off experience.

The Corporation's primary market areas for lending are north-central and east-central Indiana and Columbus, Ohio. When evaluating the adequacy of allowance, consideration is given to this regional geographic concentration and the closely associated effect changing economic conditions have on the Corporation's customers.

The Corporation has not substantively changed any aspect of its overall approach in the determination of the allowance for loan losses. There have been no material changes in assumptions or estimation techniques as compared to prior periods that impacted the determination of the current period allowance.

CRITICAL ACCOUNTING POLICIES continued

Valuation of Securities. The Corporation's available-for-sale security portfolio is reported at fair value. The fair value of a security is determined based on quoted market prices. If quoted market prices are not available, fair value is determined based on quoted prices of similar instruments. Available-for-sale and held-to-maturity securities are reviewed quarterly for possible other-than-temporary impairment. The review includes an analysis of the facts and circumstances of each individual investment such as the length of time the fair value has been below cost, the expectation for that security's performance, the credit worthiness of the issuer and the Corporation's ability to hold the security to maturity. A decline in value that is considered to be other-than temporary is recorded as a loss within other operating income in the consolidated statements of income.

Pension. The Corporation provides pension benefits to its employees. In accordance with applicable accounting rules, the Corporation does not consolidate the assets and liabilities associated with the pension plan. Instead, the Corporation recognizes a prepaid asset for contributions the Corporation has made to the pension plan in excess of pension expense. The measurement of the prepaid asset and the annual pension expense involves actuarial and economic assumptions.

The assumptions used in pension accounting relate to the expected rate of return on plan assets, the rate of increase in salaries, the interest-crediting rate, the discount rate, and other assumptions. See Note 16 "Employee Benefit Plans" in the Annual Report for the specific assumptions used by the Corporation.

The annual pension expense for the Corporation is currently most sensitive to the discount rate. Each 25 basis point reduction in the 2004 discount rate of 6.25 percent would increase the Corporation's 2004 pension expense by approximately $180,000. In addition, each 25 basis point reduction in the 2004 expected rate of return of 8.0 percent would increase the Corporation's 2004 pension expense by approximately $45,000.

Goodwill and Intangibles. For purchase acquisitions, the Company is required to record the assets acquired, including identified intangible assets, and the liabilities assumed at their fair value, which in many instances involves estimates based on third party valuations, such as appraisals, or internal valuations based on discounted cash flow analyses or other valuation techniques that may include estimates of attrition, inflation, asset growth rates or other relevant factors. In addition, the determination of the useful lives for which an intangible asset will be amortized is subjective.

CRITICAL ACCOUNTING POLICIES continued

Goodwill and indefinite-lived assets recorded must be reviewed for impairment on an annual basis, as well as on an interim basis if events or changes indicate that the asset might be impaired. An impairment loss must be recognized for any excess of carrying value over fair value of the goodwill or the indefinite-lived intangible with subsequent reversal of the impairment loss being prohibited. The tests for impairment fair values are based on internal valuations using management's assumptions of future growth rates, future attrition, discount rates, multiples of earnings or other relevant factors. The resulting estimated fair values could have a significant impact on the carrying values of goodwill or intangibles and could result in impairment losses being recorded in future periods.

RESULTS OF OPERATIONS

As of December 31, 2003 total assets totaled $3,076,812,000, an increase of $398,125,000. Of this amount, loans increased $349,126,000, investments increased $14,735,000, intangibles, including goodwill, increased $35,506,000 and cash value of life insurance increased by $23,618,000. The addition of Commerce National Bank on March 1, 2003 accounted for $298,702,000 in loan growth, $12,500,000 in investment growth and most of the increase in intangibles.

Absent Commerce National Bank, total loans increased by $50,424,000. Positive growth of commercial and commercial real estate loans of $73,436,000 was significantly mitigated by declines in installment loans and residential real estate loans of $12,166,000 and $9,776,000, respectively.

The Corporation also completed the purchase of $23 million in Bank Owned Life Insurance (BOLI) during May, 2003. The BOLI yield is 8.34 percent on a fully tax equivalent basis, adjustable annually. The tax-free investment was used to offset the cost of current employee benefit programs, as detailed in Note 16.

Net income for 2003 totaled $27,571,000, down from $27,836,000 in 2002. The $265,000 decrease is attributable to several factors, including compression of the net interest margin, increased provision for loan losses and increased noninterest expenses. These factors and others are discussed within the respective sections of Management's Discussion & Analysis of Financial Condition and Results of Operations. Diluted earnings per share totaled $1.50, a 11.2 percent decrease from $1.69 reported for 2002.

Net income for the year 2002 reached $27,836,000 up from $22,209,000 in 2001. The $5,627,000 increase is attributable to several factors, including the April 1, 2002 acquisition of Lafayette Bank and Trust Company, improved net interest margin and the elimination of goodwill amortization. However, these factors were mitigated by increased provisions for loan losses and increased other expenses. These factors and others are discussed within the respective sections of Management's Discussion & Analysis of Financial Condition and

RESULTS OF OPERATIONS continued

Results of Operations. Diluted earnings per share totaled $1.69, a 5.0 percent increase from $1.61 reported for 2001.

Return on equity was 9.39 percent in 2003, 11.72 percent in 2002 and 13.36 percent in 2001. Return on assets was .93 percent in 2003, 1.16 percent in 2002 and 1.31 percent in 2001.

CAPITAL

The Corporation's regulatory capital continues to exceed regulatory "well capitalized" standards. Tier I regulatory capital consists primarily of total stockholders' equity and trust-preferred securities, less non-qualifying intangible assets and unrealized net securities gains. The Corporation's Tier I capital to average assets ratio was 7.38 percent and 7.92 percent at December 31, 2003 and 2002, respectively. In addition, at December 31, 2003, the Corporation had a Tier I risk-based capital ratio of 9.40 percent and total risk-based capital ratio of 11.60 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's GAAP capital ratio, defined as total stockholders' equity to total assets, equaled 9.88 percent as of December 31, 2003, up from 9.75 percent in 2002. When the Corporation acquires other companies, GAAP capital increases by the entire amount of the purchase price. Additional GAAP capital resulting from the purchase of CNBC Bancorp and Commerce National Bank, acquired on March 1,2003, totaled $55,729,000, and was reduced by cash used for consideration totaling $24,562,000 per Note 2.

The Corporation's tangible capital ratio, defined as total stockholders' equity less intangibles net of tax to total assets less intangibles net of tax, equaled 5.78 percent as of December 31, 2003 down from 6.25 percent in 2002.

Management believes that all of the above capital ratios are meaningful measurements for evaluating the safety and soundness of the Corporation. Additionally, management believes the following table is also meaningful when considering performance measures of the Corporation. The table details and reconciles tangible earnings per share, return on tangible capital and tangible assets to traditional GAAP measures.

CAPITAL continued

(Dollars in Thousands)	December 31, 2003	2002
Average Goodwill	$ 107,232	$ 67,391
Average Core Deposit Intangible (CDI)	24,393	16,906
Average Deferred Tax on CDI	(8,951)	(6,249)
Intangible Adjustment	$ 122,674	$ 78,048
Average Shareholders' Equity (GAAP Capital)	$ 293,603	$ 261,129
Intangible Adjustment	(122,674)	(78,048)
Average Tangible Capital	$ 170,929	$ 183,081
Average Assets	$ 2,960,195	$ 2,406,251
Intangible Adjustment	(122,674)	(78,048)
Average Tangible Assets	$ 2,837,521	$ 2,328,203
Net Income	$ 27,571	$ 27,836
CDI Amortization, net of tax	2,341	1,619
Tangible Net Income	$ 29,912	$ 29,455
Diluted Earnings per Share	$ 1.50	$ 1.69
Diluted Tangible Earnings per Share	$ 1.63	$ 1.78
Return on Average GAAP Capital	9.39%	11.72%
Return on Average Tangible Capital	17.50%	16.09%
Return on Average Assets	0.93%	1.16%
Return on Average Tangible Assets	1.05%	1.27%

ASSET QUALITY/PROVISION FOR LOAN LOSSES

The allowance for loan losses is maintained through the provision for loan losses, which is a charge against earnings. The amount provided for loan losses and the determination of the adequacy of the allowance are based on a continuous review of the loan portfolio, including an internally administered loan "watch" list and an independent loan review primarily 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. (See Critical Accounting Policies)

At December 31, 2003, non-performing loans totaled $26,624,000, an increase of $3,306,000, as noted in the table on the following page. This increase was primarily due to one loan totaling $5,000,000, related to declining collateral values of this borrower being placed on non-accrual status during 2003. Loans 90 days past due other than non-accrual and restructured loans decreased by $2,013,000.

At December 31, 2003, impaired loans totaled $44,772,000, an increase of $421,000 from year end 2002. At December 31, 2003, an allowance for losses was not deemed necessary for impaired loans totaling $32,047,000, but an allowance of $5,728,000 was recorded for the remaining balance of impaired loans of $12,725,000 and is included in the Corporation's allowance for loan losses. The average balance of impaired loans for 2003 was $50,245,000.

ASSET QUALITY/PROVISION FOR LOAN LOSSES continued

At December 31, 2003, the allowance for loan losses was $25,493,000, an increase of $3,076,000 from year end 2002. As a percent of loans, the allowance was 1.08 percent at December 31, 2003 and 1.11 percent at December 31, 2002.

The provision for loan losses in 2003 was $9,477,000, an increase of $2,303,000 from $7,174,000 in 2002. The Corporation's allowance for loan losses reflects increased non-performing loans, increased specific reserves and increased impaired loans, resulting in increased provision expense. The provision expense increase was primarily attributable to declining collateral values of a single commercial borrower, with the remaining based on the regular ongoing evaluation of the loan portfolios of the Corporation's bank subsidiaries. Current non-performing and impaired loan balances indicate that some decline in loan asset quality has occurred, which management believes is a result of current economic conditions.

The following table summarizes the non-accrual, contractually past due 90 days or more other than non-accruing and restructured loans for the Corporation.

(dollars in thousands)	December 31, 2003	December 31, 2002
Non-accrual loans	$19,453	$14,134
Loans contractually past due 90 days or more other than non-accruing	6,530	6,676
Restructured loans	641	2,508
Total	$26,624	$23,318

The table below presents loan loss experience for the years indicated

(Dollars in Thousands)	2003	2002	2001
Allowance for loan losses:			
Balance at January 1	$22,417	$15,141	$12,454
Chargeoffs	12,139	8,113	3,547
Recoveries	2,011	1,313	573
Net chargeoffs	10,128	6,800	2,974
Provision for loan losses	9,477	7,174	3,576
Allowance acquired in acquisitions	3,727	6,902	2,085
Balance at December 31	$25,493	$22,417	$15,141
Ratio of net chargeoffs during the period to average loans outstanding during the period	.44%	.37%	.23%

LIQUIDITY

Liquidity management is the process by which the Corporation ensures that adequate liquid funds are available for the Corporation and its subsidiaries. These funds are necessary in order for the Corporation and its subsidiaries to meet financial commitments on a timely basis. These commitments include withdrawals by depositors, funding credit obligations to borrowers, paying dividends to shareholders, paying operating expenses, funding capital expenditures, and maintaining deposit reserve requirements. Liquidity is

LIQUIDITY continued

monitored and closely managed by the asset/liability committees at each subsidiary and by the Corporation's asset/liability committee.

The liquidity of the Corporation is dependent upon the receipt of dividends from its bank subsidiaries, which are subject to certain regulatory limitations as explained in Note 14 to the consolidated financial statements, and access to other funding sources. Liquidity of the Corporation's bank subsidiaries is derived primarily from core deposit growth, principal payments received on loans, the sale and maturity of investment securities, net cash provided by operating activities, and access to other funding sources. The most stable source of liability-funded liquidity for both the long-term and short-term is deposit growth and retention in the core deposit base. In addition, the Corporation utilizes advances from the Federal Home Loan Bank ("FHLB") as a funding source. At December 31, 2003, total borrowings from the FHLB were $212,779,000. The Corporation's bank subsidiaries have pledged certain mortgage loans and certain investments to the FHLB. The total available remaining borrowing capacity from the FHLB at December 31, 2003, was $197,273,000. The principal source of asset-funded liquidity is investment securities classified as available-for-sale, the market values of which totaled $348,860,000 at December 31, 2003, an increase of $15,935,000 or 4.8 percent over 2002. Securities classified as held-to-maturity that are maturing within a short period of time can also be a source of liquidity. Securities classified as held-to-maturity and that are maturing in one year or less totaled $1,485,000 at December 31, 2003. In addition, other types of assets-such as cash and due from banks, federal funds sold and securities purchased under agreements to resell, and loans and interest-bearing deposits with other banks maturing within one year-are sources of liquidity.

In the normal course of business, the Corporation is a party to a number of other off-balance sheet activities that contain credit, market and operational risk that are not reflected in whole or in part in the Corporation's consolidated financial statements. Such activities include: traditional off-balance sheet credit-related financial instruments and commitments under operating leases.

The Corporation provides customers with off-balance sheet credit support through loan commitments and standby letters of credit. Summarized credit-related financial instruments at December 31, 2003 are as follows:

(Dollars in thousands)	At December 31, 2003
Amounts of commitments:	
Loan commitments to extend credit	$ 481,771
Standby letters of credit	25,242
	$ 507,013

Since many of the commitments are expected to expire unused or be only partially used, the total amount of unused commitments in the preceding table does not necessarily represent future cash requirements.

LIQUIDITY continued

In addition to owned banking facilities, the Corporation has entered into a number of long-term leasing arrangements to support the ongoing activities of the Corporation. The required payments under such commitments and borrowing arrangements at December 31, 2003 are as follows:

(Dollars in thousands)	2004	2005	2006	2007	2008	2009 and after	Total
Operating leases	$ 1,563	$ 1,447	$ 1,327	$ 1,112	$ 916	$ 3,255	$ 9,620
Trust preferred securities						57,188	57,188
Securities sold under repurchase agreements	71,095						71,095
Federal Home Loan Bank Advances	22,750	24,500	23,882	14,495	17,464	109,688	212,779
Subordinated debentures, revolving credit lines and term loans	10,594					30,000	40,594
Total	$106,002	$25,947	$25,209	$15,607	$ 18,380	$ 200,131	$391,276

The Corporation's purchase obligations have no material impact in its cash flow or liquidity and, accordingly, has not been included in the above table.

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 review how changes in interest rates may 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.

Management believes that the Corporation's liquidity and interest sensitivity position at December 31, 2003, remained adequate to meet the Corporation's primary goal of achieving optimum interest margins while avoiding undue interest rate risk. The following table presents the Corporation's interest rate sensitivity analysis as of December 31, 2003.

INTEREST SENSITIVITY AND DISCLOSURES ABOUT MARKET RISK continued

(dollars in thousands)	At December 31, 2003				
	1-180 DAYS	181-365 DAYS	1-5 YEARS	BEYOND 5 YEARS	TOTAL
Rate-Sensitive Assets:					
Federal funds sold and interest-bearing deposits	$ 40,556				$ 40,556
Investment securities	36,876	$ 24,045	$ 136,084	$159,792	356,797
Loans	1,012,808	326,043	870,082	147,613	2,356,546
Federal Reserve and Federal Home Loan Bank stock	15,502				15,502
Total rate-sensitive assets	1,105,742	350,088	1,006,166	307,405	2,769,401
Rate-Sensitive Liabilities:					
Interest-bearing deposits	1,411,925	224,461	383,135	4,379	2,023,900
Securities sold under repurchase agreements	71,095				71,095
Federal Home Loan Bank advances	7,750	15,000	80,341	109,688	212,779
Trust preferred securities				57,188	57,188
Other short-term borrowings	1,514				1,514
Other borrowed funds	10,594			30,000	40,594
Total rate-sensitive liabilities	1,502,878	239,461	463,476	201,255	2,407,070
Interest rate sensitivity gap by period	$ (397,136)	$ 110,627	$ 542,690	$106,150	
Cumulative rate sensitivity gap	(397,136)	(286,509)	256,181	362,331	
Cumulative rate sensitivity gap ratio					
at December 31, 2003	73.6%	83.6%	111.6%	115.1%	
at December 31, 2002	111.8%	85.2%	98.2%	113.8%	

The Corporation had a cumulative negative gap of $286,509,000 in the one-year horizon at December 31, 2003, just over 9.3 percent of total assets.

The Corporation places its greatest credence in net interest income simulation modeling. The above GAP/Interest Rate Sensitivity Report is believed by the Corporation's management 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.

Net interest income simulation modeling, or earnings-at-risk, measures the sensitivity of net interest income to various interest rate movements. The Corporation's asset liability process monitors simulated net interest income under three separate interest rate scenarios; base, rising and falling. Estimated net interest income for each scenario is calculated over a 12-month horizon. The immediate and parallel changes to the base case scenario used in the model are presented below. The interest rate scenarios are used for analytical purposes and do not necessarily represent management's view of future market movements. Rather, these are intended to provide a measure of the degree of volatility interest rate movements may introduce into the earnings of the Corporation.

The base scenario is highly dependent on numerous assumptions embedded in the model, including assumptions related to future interest rates. While the base sensitivity analysis incorporates management's best estimate of interest rate and balance sheet dynamics under various market rate movements, the actual behavior and resulting earnings impact will likely differ from that projected. For mortgage-related assets, the base simulation model captures the expected prepayment behavior under changing interest rate environments. Assumptions and methodologies regarding the interest rate or balance behavior of indeterminate

INTEREST SENSITIVITY AND DISCLOSURES ABOUT MARKET RISK continued

maturity products, e.g., savings, money market, NOW and demand deposits reflect management's best estimate of expected future behavior.

The comparative rising and falling scenarios for the period ending December 31, 2004 assume further interest rate changes in addition to the base simulation discussed above. These changes are immediate and parallel changes to the base case scenario. In addition, total rate movements (beginning point minus ending point) to each of the various driver rates utilized by management in the base simulation for the period ended December 31, 2004 are as follows:

Driver Rates	RISING	FALLING
Prime	200 Basis Points	(200) Basis Points
Federal Funds	200	(100)
One-Year T-Bill	200	(138)
Two-Year T-Bill	200	(194)
Interest Checking	100	(14)
MMIA Savings	100	(24)
First Flex	100	(24)
CD's	200	(59)
FHLB Advances	200	(117)

Results for the base, rising and falling interest rate scenarios are listed below. The net interest income shown represents cumulative net interest income over a 12-month time horizon. Balance sheet assumptions used for the base scenario are the same for the rising and falling simulations.

	BASE	RISING	FALLING
Net Interest Income (dollars in thousands)	$100,873	$102,792	$ 87,217
Variance from base		$ 1,919	$(13,655)
Percent of change from base		1.90%	(13.54)%

The comparative rising and falling scenarios for the period ended December 31, 2003 assume further interest rate changes in addition to the base simulation discussed above. These changes are immediate and parallel changes to the base case scenario. In addition, total rate movements (beginning point minus ending point) to each of the various driver rates utilized by management in the base simulation for the period ended December 31, 2003 are as follows:

Driver Rates	RISING	FALLING
Prime	200 Basis Points	(50) Basis Points
Federal Funds	200	(50)
One-Year T-Bill	200	(20)
Two-Year T-Bill	200	(59)
Interest Checking	100	--
MMIA Savings	100	--
First Flex	100	(25)
CD's	200	(53)
FHLB Advances	200	(66)

INTEREST SENSITIVITY AND DISCLOSURES ABOUT MARKET RISK continued

Results for the base, rising and falling interest rate scenarios are listed below, based upon the Corporation's rate sensitive assets at December 31, 2002. The net interest income shown represents cumulative net interest income over a 12-month time horizon. Balance sheet assumptions used for the base scenario are the same for the rising and falling simulations.

	BASE	RISING	FALLING
Net Interest Income (dollars in thousands)	$105,138	$113,855	$ 98,793
Variance from base		$ 8,717	$ (6,345)
Percent of change from base		8.29%	(6.03)%

EARNING ASSETS

Earning assets increased approximately $355 million during 2003. The table below reflects the earning asset mix for the years 2003 and 2002 (at December 31).

Loans grew by $349.2 million, while investment securities increased by $14.8 million. $298.7 million of the increase in loans and $12.5 million of the increase in investment securities are attributable to the March 1, 2003 acquisition of CNBC Bancorp. Excluding increases related to this acquisition, loans increased by $50.5 million and investments increased by $2.3 million.

EARNING ASSETS
(dollars in millions)

	December 31, 2003	December 31, 2002
Federal funds sold and interest-bearing time deposits	$ 40.6	$ 35.0
Securities available for sale	348.9	332.9
Securities held to maturity	7.9	9.1
Mortgage loans held for sale	3.0	21.5
Loans	2,353.6	2,004.4
Federal Reserve and Federal Home Loan Bank stock	15.5	11.4
Total	$2,769.5	$ 2,414.3

DEPOSITS AND BORROWINGS

The table below reflects the level of deposits and borrowed funds (repurchase agreements, Federal Home Loan Bank advances, trust preferred securities, subordinated debentures and other borrowed funds) based on year-end levels at December 31, 2003 and 2002.

(Dollars in Millions)	December 31, 2003	December 31, 2002
Deposits	$ 2,362.1	$ 2,036.7
Securities sold under repurchase agreements	71.1	89.6
Federal Home Loan Bank advances	212.8	184.7
Trust preferred securities	57.2	53.2
Subordinated debentures, revolving credit lines and term loans	40.6	19.3
Other borrowed funds	1.5	10.2

The Corporation has continued to leverage its capital position with Federal Home Loan Bank advances, as well as, repurchase agreements which are pledged against acquired investment securities as collateral for the borrowings. Trust preferred securities are classified as Tier I Capital and the Subordinated Debenture of $25,000,000 is classified as Tier II Capital when computing risk based capital ratios due to the long-term nature of the investment. The interest rate risk is included as part of the Corporation's interest simulation discussed in Management's Discussion and Analysis under the headings "LIQUIDITY" and "INTEREST SENSITIVITY AND DISCLOSURES ABOUT MARKET RISK".

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 2003.

In 2003, asset yields decreased 85 basis points (FTE) and interest cost decreased 47 basis points, resulting in a 38 basis point (FTE) decrease in net interest income.

(Dollars in Thousands)	December 31, 2003	2002	2001
Net Interest Income	$ 103,142	$ 92,923	$ 64,361
FTE Adjustment	$ 3,757	$ 3,676	$ 2,445
Net Interest Income On a Fully Taxable Equivalent Basis	$ 106,899	$ 96,599	$ 66,806
Average Earning Assets	$2,663,853	$2,198,943	$1,576,334
Interest Income (FTE) as a Percent of Average Earning Assets	5.98%	6.83%	7.80%
Interest Expense as a Percent of Average Earning Assets	1.97%	2.44%	3.56%
Net Interest Income (FTE) as a Percent of Average Earning Assets	4.01%	4.39%	4.24%

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 2003 amounted to $35,902,000 or 32.6 percent higher than in 2002. The increase of $8,825,000 is primarily attributable to the following factors:

1. Gains on sales of mortgage loans included in other income increased by $4,676,000 due to increased mortgage volume during most of 2003. In addition, decreasing mortgage loan rates during the first three quarters of 2003 caused an increase in refinancing volume, which facilitated an increase in loan sales activity.

2. Service charges on deposit accounts increased $1,775,000 or 19.0 percent due to increased number of accounts, price adjustments and approximately $742,000 of additional service charge income related to April 1, 2002 acquisition of Lafayette.

3. Life insurance proceeds included in other income were $535,000 for 2003, compared to $0 for the same period last year.

4. Insurance commissions increased by $465,000 or 21.1 percent primarily as a result of the September 6, 2002 acquisition of Stephenson Insurance Services, Inc.

5. Revenues from fiduciary activities increased $478,000 or 7.6 percent due primarily to the additional fees related to the acquisition of Lafayette.

Other income in 2002 amounted to $27,077,000 or 46.0 percent higher than in 2001. The increase of $8,534,000 is primarily attributable to the following factors:

1. Service charges on deposit accounts increased $3,601,000 or 62.9 percent due to increased number of accounts, price adjustments and approximately $3,105,000 of additional service charge income related to the April 1, 2002 acquisition of Lafayette.

2. Net realized gains on sales of available-for-sale securities totaled $739,000 in 2002, while net realized losses on sales of available-for- sale securities totaled $(200,000) during 2001.

3. Revenues from fiduciary activities increased $829,000 or 15.3 percent due primarily to additional fees received related to the acquisition of Lafayette.

OTHER INCOME continued

4. The Corporation sold its purchase money order business in September of 2002, resulting in a net gain on sale of $514,000.

5. Abstract, title insurance and other related income increased $910,000 in 2002, related to the January 1, 2002 acquisition of Delaware County Abstract Company, Inc. and Beebe & Smith Title Insurance Company, Inc.

6. Gains on sale of mortgage loans included in other income increase by $481,000, or 39.1 percent, due to increased mortgage volume. In addition, decreasing mortgage loan rates caused an increase in refinancing volume, which facilitated an increase in loan sales activity.

OTHER EXPENSES

Other expenses represent non-interest operating expenses of the Corporation. Other expenses amounted to $91,279,000 in 2003, an increase of 28.5 percent from the prior year, or $20,270,000. The following factors account for most of the increase:

1. Salaries and benefit expense grew $11,334,000 or 29.0 percent, due to normal salary increases, staff additions and additional salary cost related to the April 1, 2002 acquisition of Lafayette and the March 1, 2003 acquisition of Commerce National.

2. Net occupancy expenses increased by $1,262,000 or 34.7 percent primarily due to the acquisitions of Lafayette and Commerce National.

3. Equipment expense increased by $1,364,000 or 20.3 percent primarily due to the acquisitions of Lafayette and Commerce National.

4. Core deposit intangible amortization increased by $1,111,000, due to the acquisitions of Lafayette and Commerce National.

5. Prepayment penalties for early prepayment of FHLB advances totaled $340,000 for 2003 and no such penalties were incurred during 2002.

6. Investment securities writedowns totaling $615,000 were incurred in 2003, resulting from other-than-temporary losses being recognized on two securities.

OTHER EXPENSES continued

Other expenses in 2002 amounted to $71,009,000, an increase of 57.1 percent from the prior year, or $25,814,000. The following factors account for most of the increase.

1. Salaries and benefit expense grew $14,439,000, or 58.4 percent, due to normal salary increases, staff additions and additional salary and benefit cost of $9,785,000 related to the April 1, 2002 acquisition of Lafayette.

2. Telephone expenses increased by $1,497,000 or 140.9 percent, due to additional telephone costs related to the acquisition of Lafayette. In addition, increased service contract charges related to greater usage of telephone lines, contributed to this increase.

3. Equipment expenses increased by $2,188,000 or 48.4 percent, primarily related to the April 1, 2002 acquisition of Lafayette.

4. Core deposit intangible amortization increased by $907,000, due to utilization of the purchase method of accounting for the Corporation related to the April 1, 2002 acquisition of Lafayette.

5. Data processing fees increased by $1,421,000, or 63.4 percent, primarily due to increases in processing expenses related to greater usage of debit/ATM cards by customers and increases in loans originated and processed during 2002.

6. Net occupancy expenses increased by $903,000 or 33.1 percent, primarily related to the April 1, 2002 acquisition of Lafayette.

INCOME TAXES

Income tax expense totaling $10,717,000 for 2003 decreased by $3,264,000 from 2002. The lower expense in 2003 primarily resulted from the Corporation's tax-exempt investment income on securities and loans, income tax credits generated from investments in affordable housing projects, income generated by subsidiaries domiciled in a state with no state or local income tax, increases in tax exempt earnings from bank-owned life insurance contracts and reduced state taxes, resulting from the effect of state income apportionment.

The increase in 2002 tax expense of $2,057,000, as compared to the 2001 tax expense, is attributable primarily to the acquisition of Lafayette and an increase in pre-tax income of $5,627,000.

In addition, the effective tax rates for the periods ending December 31, 2003, 2002 and 2001 were 28.0 percent, 33.4 percent and 34.9 percent, respectively. The 54 basis point decrease is primarily a result of the same factors discussed above regarding the 2003 tax expense.

ACCOUNTING MATTERS

In December of 2003, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits". The Statement requires companies to provide additional pension disclosures in the notes to their financial statements, including, among others, details of pension plan assets by category, such as equity, debt and real estate; a description of investment policies and strategies; and target allocation percentages, or target ranges, for these asset categories. In addition, information concerning projections of future benefit payments and estimates of employer contributions to their pension plans are required to be disclosed. The Statement is effective for fiscal years ending after December 15, 2003, and was adopted by the Corporation on December 31, 2003.

In May of 2003, Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" was issued and was originally effective for financial instruments entered into or modified after May 31, 2003. The FASB's Staff Position 150-3 deferred indefinitely the guidance in SFAS No. 150 on certain mandatorily redeemable noncontrolling interests. This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability. The Corporation currently classifies its obligated mandatory redeemable capital securities and cumulative trust preferred securities as liabilities. Therefore, this pronouncement has no impact on the Corporation's financial statements.

In January of 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51", and in December 2003, the FASB deferred certain effective dates of Interpretation No. 46. For all variable interest entities other than special purpose entities, the revised Interpretation is effective for periods ending after March 15, 2004. For variable interest entities meeting the definition of special purpose entities under earlier accounting rules, the Interpretation remains effective for periods ending after December 31, 2003. The Interpretation requires the consolidation of entities in which an enterprise absorbs a majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual or other financial interests in the entity. Currently, entities are generally consolidated by an enterprise when it has a controlling interest through ownership of a majority voting interest in the entity. The Corporation is currently studying the impact of this Interpretation on its investments in trust preferred securities, but believes the effect of the adoption will not have a material impact on the results of operations, financial position or cash flows of the Corporation.

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 financial holding company's operations is such that there will generally be an excess of monetary assets over monetary liabilities, and, thus, a financial holding company will tend to suffer from an increase in the rate of inflation and benefit from a decrease.

INDEPENDENT ACCOUNTANTS' REPORT

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

We have audited the accompanying consolidated balance sheets of First Merchants Corporation as of December 31, 2003 and 2002, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2003. 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.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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, based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of First Merchants Corporation as of December 31, 2003 and 2002, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

As more fully discussed in Note 7, the Corporation changed its method of accounting for goodwill in 2002.

BKD, LLP

Indianapolis, Indiana
January 23, 2004

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)	December 31, 2003	December 31, 2002
Assets		
Cash and due from banks	$ 77,112	$ 87,638
Federal funds sold	32,415	31,400
Cash and cash equivalents	109,527	119,038
Interest-bearing time deposits	8,141	3,568
Investment securities		
Available for sale	348,860	332,925
Held to maturity (fair value of $8,326 and $9,585)	7,937	9,137
Total investment securities	356,797	342,062
Mortgage loans held for sale	3,043	21,545
Loans, net of allowance for loan losses of $25,493 and $22,417	2,328,010	1,981,960
Premises and equipment	39,639	38,645
Federal Reserve and Federal Home Loan Bank stock	15,502	11,409
Interest receivable	16,840	17,346
Core deposit intangibles	24,044	19,577
Goodwill	118,679	87,640
Cash value of life insurance	37,927	14,309
Other assets	18,663	21,588
Total assets	$3,076,812	$2,678,687
Liabilities		
Deposits		
Noninterest-bearing	$ 338,201	$ 272,128
Interest-bearing	2,023,900	1,764,560
Total deposits	2,362,101	2,036,688
Borrowings	383,170	356,927
Interest payable	4,680	6,019
Other liabilities	22,896	17,924
Total liabilities	2,772,847	2,417,558
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 -- 18,512,834 and 17,138,885 shares	2,314	2,142
Additional paid-in capital	150,310	116,401
Retained earnings	149,096	138,110
Accumulated other comprehensive income	2,245	4,476
Total stockholders' equity	303,965	261,129
Total liabilities and stockholders' equity	$3,076,812	$2,678,687

See notes to consolidated financial statements

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except share data)	Year Ended December 31,		
	2003	2002	2001
Interest income			
Loans receivable			
Taxable	$141,236	$129,279	$ 103,123
Tax exempt	707	638	438
Investment securities			
Taxable	6,105	9,086	11,207
Tax exempt	6,270	6,190	4,103
Federal funds sold	487	557	899
Deposits with financial institutions	76	197	106
Federal Reserve and Federal Home Loan Bank stock	649	735	559
Total interest income	155,530	146,682	120,435
Interest expense			
Deposits	34,858	39,700	45,856
Securities sold under repurchase agreements	1,521	2,060	3,208
Federal Home Loan Bank advances	9,439	8,166	6,556
Trust preferred securities	4,931	3,324	
Other borrowings	1,639	509	454
Total interest expense	52,388	53,759	56,074
Net interest income	103,142	92,923	64,361
Provision for loan losses	9,477	7,174	3,576
Net interest income after provision for loan losses	93,665	85,749	60,785
Other income			
Fiduciary activities	6,736	6,258	5,429
Service charges on deposit accounts	11,105	9,330	5,729
Other customer fees	4,124	3,918	3,166
Net realized gains (losses) on sales of available-for-sale securities	950	739	(200)
Commission income	2,668	2,203	1,945
Earnings on cash surrender value of life insurance	1,347	689	385
Net gains and fees on sales of loans	6,388	1,712	1,235
Other income	2,584	2,228	854
Total other income	35,902	27,077	18,543
Other expenses			
Salaries and employee benefits	50,484	39,150	24,711
Net occupancy expenses	4,894	3,632	2,729
Equipment expenses	8,073	6,709	4,521
Marketing expenses	1,797	1,495	1,072
Outside data processing fees	4,118	3,664	2,243
Printing and office supplies	1,706	1,597	1,143
Goodwill and core deposit amortization	3,704	2,589	1,682
Other expenses	16,503	12,173	7,094
Total other expenses	91,279	71,009	45,195
Income before income tax	38,288	41,817	34,133
Income tax expense	10,717	13,981	11,924
Net income	$ 27,571	$ 27,836	$ 22,209
Net income per share:			
Basic	$ 1.51	$ 1.70	$ 1.63
Diluted	1.50	1.69	1.61

See notes to consolidated financial statements

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Year Ended December 31, (in thousands)	2003	2002	2001
Net income	$ 27,571	$ 27,836	$ 22,209
Other comprehensive income (loss), 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 $1,465, $(2,426), $(1,848)	(2,197)	3,639	2,775
Less: Reclassification adjustment for gains (losses) included in net income, net of income tax (expense) benefit of $(380), $(296), $80	570	443	(120)
Unrealized loss on pension minimum funding liability:			
Unrealized loss arising during the period, net of income tax benefit of $357 and $879	(536)	(1,318)	
	(2,231)	1,878	2,895
COMPREHENSIVE INCOME	$ 25,340	$ 29,714	$ 25,104

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands, except share data)

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL
Balances, January 1, 2001	11,611,732	$ 1,451	$ 41,665	$113,244	$ (297)	$ 156,063
Net income for 2001				22,209		22,209
Cash dividends ($.84 per share)				(11,127)		(11,127)
Other comprehensive income (loss), net of tax					2,895	2,895
Stock issued under employee benefit plans	28,466	4	500			504
Stock issued under dividend reinvestment and stock purchase plan	35,348	4	799			803
Stock options exercised	19,627	2	223			225
Stock redeemed	(306,966)	(38)	(6,985)			(7,023)
Issuance of stock related to acquisition	677,972	85	14,516			14,601
Five percent (5%) stock dividend	604,128	76	(76)			
Cash paid in lieu of fractional shares				(22)		(22)
Balances, December 31, 2001	12,670,307	1,584	50,642	124,304	2,598	179,128
Net income for 2002				27,836		27,836
Cash dividends ($.86 per share)				(13,995)		(13,995)
Other comprehensive income (loss), net of tax					1,878	1,878
Stock issued under employee benefit plans	35,613	4	654			658
Stock issued under dividend reinvestment and stock purchase plan	28,487	5	946			951
Stock options exercised	49,689	6	488			494
Stock redeemed	(148,405)	(20)	(4,313)			(4,333)
Issuance of stock related to acquisitions	2,912,869	364	68,183			68,547
Five percent (5%) stock dividend	774,188	97	(97)			
Cash paid in lieu of fractional shares				(35)		(35)
Balances, December 31, 2002	16,322,748	2,040	116,503	138,110	4,476	261,129
Net income for 2003				27,571		27,571
Cash dividends ($.90 per share)				(16,557)		(16,557)
Other comprehensive income (loss), net of tax					(2,231)	(2,231)
Stock issued under employee benefit plans	39,747	5	814			819
Stock issued under dividend reinvestment and stock purchase plan	48,168	6	1,218			1,224
Stock options exercised	66,513	8	1,183			1,191
Stock redeemed	(17,915)	(2)	(486)			(488)
Issuance of stock related to acquisition	1,173,996	147	31,188			31,335
Five percent (5%) stock dividend	879,577	110	(110)			
Cash paid in lieu of fractional shares				(28)		(28)
Balances, December 31, 2003	18,512,834	$ 2,314	$150,310	$149,096	$ 2,245	$ 303,965

See notes to consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands, except share data)	Year Ended December 31, 2003	2002	2001
Operating activities:			
Net income	$ 27,571	$ 27,836	$ 22,209
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	9,477	7,174	3,576
Depreciation and amortization	4,769	4,273	2,984
Mortgage loans originated for sale	(212,243)	(140,584)	(22,705)
Proceeds from sales of mortgage loans	230,745	126,905	22,398
Net change in			
Interest receivable	1,368	763	2,514
Interest payable	(1,695)	(1,318)	(1,727)
Other adjustments	5,677	(7,354)	1,963
Net cash provided by operating activities	65,669	17,695	31,212
Investing activities:			
Net change in interest-bearing deposits	(4,573)	10,729	(2,988)
Purchases of			
Securities available for sale	(260,467)	(182,511)	(34,500)
Proceeds from maturities of			
Securities available for sale	174,003	164,273	108,692
Securities held to maturity		4,307	3,612
Proceeds from sales of			
Securities available for sale	58,245	21,363	770
Net change in loans	(56,825)	(100,650)	(50,384)
Net cash received (paid) in acquisition	(7,793)	(12,532)	5,261
Other adjustments	(6,355)	(5,494)	(2,993)
Net cash provided (used) by investing activities	(103,765)	(100,515)	27,470
Cash flows from financing activities:			
Net change in			
Demand and savings deposits	39,400	34,818	55,640
Certificates of deposit and other time deposits	14,476	(26,662)	(72,940)
Borrowings	(11,452)	106,934	10,823
Cash dividends	(16,557)	(13,995)	(11,127)
Stock issued under employee benefit plans	819	658	504
Stock issued under dividend reinvestment and stock purchase plan	1,224	951	803
Stock options exercised	1,191	494	225
Stock redeemed	(488)	(4,333)	(7,023)
Cash paid in lieu of issuing fractional shares	(28)	(35)	(22)
Net cash provided (used) by financing activities	28,585	98,830	(23,117)
Net change in cash and cash equivalents	(9,511)	16,010	35,565
Cash and cash equivalents, beginning of year	119,038	103,028	67,463
Cash and cash equivalents, end of year	$ 109,527	$ 119,038	$ 103,028
Additional cash flows information:			
Interest paid	$ 53,727	$ 53,228	$ 56,921
Income tax paid	13,952	14,313	12,440

See notes to consolidated financial statements.

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"), First United Bank ("First United"), The Randolph County Bank ("Randolph County"), Union County National Bank ("Union National"), First National Bank ("First National"), Decatur Bank and Trust Company ("Decatur"), Frances Slocum Bank & Trust Company ("Frances Slocum"), Lafayette Bank and Trust Company ("Lafayette"), and Commerce National Bank ("Commerce National"), (collectively the "Banks"), Merchants Trust Company, National Association ("MTC"), First Merchants Insurance Services, Inc. ("FMIS"), First Merchants Reinsurance Company ("FMRC"), Indiana Title Insurance Company ("ITIC"), CNBC Retirement Services, Inc. ("CRS, Inc."), First Merchants Capital Trust I ("FMC Trust I"), and CNBC Statutory Trust I ("CNBC Trust I"), 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 financial 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, First National and Commerce National operate under national bank charters and provide full banking services, including trust services. As national banks, First Merchants, Union National, First National and Commerce 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, Randolph County, Decatur, Frances Slocum and Lafayette operated under state bank charters and provide full banking services, including trust services. As state banks, Madison, First United, Randolph County, Decatur, Frances Slocum and Lafayette were subject to the regulation of the Department of Financial Institutions, State of Indiana, and the FDIC. Effective January 1, 2004, the Corporation's six state bank subsidiaries, as noted above, converted each of their state bank charters to national bank charters.

The Banks generate commercial, mortgage, and consumer loans and receive deposits from customers located primarily in north-central and east-central Indiana and Butler and Franklin counties in 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.

NOTE 1

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued
CONSOLIDATION

The consolidated financial statements include the accounts of the Corporation and all its subsidiaries, 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, if any, are recognized through a valuation allowance by charges to income based on the difference between estimated sales proceeds and aggregate cost.

LOANS held in the Corporation's portfolio 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 uncollectable. 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.

NOTE 1

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

ALLOWANCE FOR LOAN LOSSES is maintained to absorb losses inherent in the loan portfolio and is based on ongoing, quarterly assessments of the probable losses inherent in the loan portfolio. The allowance is increased by the provision for loan losses, which is charged against current operating results. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. The Corporation's methodology for assessing the appropriateness of the allowance consists of three key elements -the determination of the appropriate reserves for specifically identified loans, historical losses, and economic, environmental or qualitative factors.

Larger commercial loans that exhibit probable or observed credit weaknesses are subject to individual review. Where appropriate, reserves are allocated to individual loans based on management's estimate of the borrower's ability to repay the loan given the availability of collateral, other sources of cash flow and legal options available to the Corporation. Included in the review of individual loans are those that are impaired as provided in SFAS No. 114. Any allowances for impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or fair value of the underlying collateral. The Corporation evaluates the collectibility of both principal and interest when assessing the need for a loss accrual. Historical loss rates are applied to other commercial loans not subject to specific reserve allocations.

Homogenous loans, such as consumer installment and residential mortgage loans are not individually risk graded. Rather, credit scoring systems are used to assess credit risks. Reserves are established for each pool of loans using loss rates based on a five year average net charge-off history by loan category.

Historical loss rates for commercial and consumer loans may be adjusted for significant factors that, in management's judgment, reflect the impact of any current conditions on loss recognition. Factors which management considers in the analysis include the effects of the national and local economies, trends in the nature and volume of loans (delinquencies, charge-offs and nonaccrual loans), changes in mix, asset quality trends, risk management and loan administration, changes in the internal lending policies and credit standards, collection practices and examination results from bank regulatory agencies and the Corporation's internal loan review.

An unallocated reserve, primarily based on the factors noted above, is maintained to recognize the imprecision in estimating and measuring loss when evaluating reserves for individual loans or pools of loans. Allowances on individual loans and historical loss rates are reviewed quarterly and adjusted as necessary based on changing borrower and/or collateral conditions and actual collection and charge-off experience.

NOTE 1

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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.

INTANGIBLE ASSETS that are subject to amortization, including core deposit intangibles, are being amortized on both the straight-line and accelerated basis over 10 years. Intangible assets are periodically evaluated as to the recoverability of their carrying value.

GOODWILL is maintained by applying the provisions of SFAS No. 142, which was adopted by the Corporation on January 1, 2002. Goodwill is reviewed for impairment annually in accordance with this statement with any loss recognized through the income statement, at that time.

INCOME TAX in the consolidated statements 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's stock-based employee compensation plans are described more fully in Note 16. 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 Corporation recognized compensation expense of $12,000 in 2003 and $23,000 in 2002 and 2001, related to specific grants in which the market price exceeded the exercise price. For all remaining grants, no stock-based employee compensation cost is reflected in net income, as options granted under those plans had an exercise price equal to the market value of the underlying common stock on the grant date.

(table dollar amounts in thousands, except share data)

NOTE 1

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

The following table illustrates the effect on net income and earnings per share if the Corporation had applied the fair value provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

	Year Ended December 31		
	2003	2002	2001
Net income, as reported	$27,571	$27,836	$22,209
Add: Total stock-based employee compensation cost included in reported net income, net of income taxes	12	23	23
Less: Total stock-based employee compensation cost determined under the fair value based method, net of income taxes	(1,034)	(1,029)	(521)
Pro forma net income	$26,549	$26,830	$21,711
Earnings per share:			
Basic - as reported	$ 1.51	$ 1.70	$ 1.63
Basic - pro forma	$ 1.46	$ 1.64	$ 1.59
Diluted - as reported	$ 1.50	$ 1.69	$ 1.61
Diluted - pro forma	$ 1.45	$ 1.63	$ 1.58

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 five percent (5%) stock dividend on its shares of outstanding common stock distributed to stockholders on September 12, 2003.

NOTE 2

BUSINESS COMBINATIONS

On March 1, 2003, the Corporation acquired 100 percent of the outstanding stock of CNBC Bancorp, the holding company of Commerce National, CRS, Inc. and CNBC Trust I. Commerce National is a national chartered bank located in Columbus, Ohio. CNBC Bancorp was merged into the Corporation, and Commerce National maintained its national charter as a wholly-owned subsidiary of the Corporation. CRS, Inc. and the CNBC Trust I are also maintained as wholly-owned subsidiaries of the Corporation. The Corporation issued approximately 1,225,242 shares of its common stock and approximately $24,562,000 in cash to complete the transaction. As a result of the acquisition, the Corporation will have an opportunity to increase its customer base and continue to increase its market share. The purchase had a recorded acquisition price of $55,729,000, including goodwill of $30,291,000 none of which is deductible for tax purposes. Additionally, core deposit intangibles totaling $8,171,000 were recognized and are being amortized over 10 years using the 150 percent declining balance method.

(table dollar amounts in thousands, except share data)

NOTE 2

BUSINESS COMBINATIONS continued

The combination was accounted for under the purchase method of accounting. All assets and liabilities were recorded at their fair values as of March 1, 2003. The purchase accounting adjustments are being amortized over the life of the respective asset or liability. Commerce National's results of operations are included in the Corporation's consolidated income statement beginning March 1, 2003. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

Investments	$ 12,500
Loans	298,702
Premises and equipment	1,293
Core deposit intangibles	8,171
Goodwill	30,291
Other	20,789
Total assets acquired	371,746
Deposits	271,537
Other	44,480
Total liabilities acquired	316,017
Net assets acquired	$ 55,729

The following proforma disclosures, including the effect of the purchase accounting adjustments, depict the results of operations as though the CNBC Bancorp merger had taken place at the beginning of each period.

	Year Ended December 31, 2003	Year Ended December 31, 2002
Net Interest Income	$104,797	$102,641
Net Income	23,601	29,454
Per Share - combined:		
Basic Net Income	1.28	1.67
Diluted Net Income	1.27	1.66

Effective January 1, 2003, the Corporation formed MTC, a wholly-owned subsidiary of the Corporation, through a capital contribution totaling approximately $2,038,000. On January 1, 2003, MTC purchased the trust operations of First Merchants, First National and Lafayette for a fair value acquisition price of $20,687,000. MTC unites the trust and asset management services of all affiliate banks of the Corporation. All intercompany transactions related to this purchase by MTC have been eliminated in the consolidated financial statements of the Corporation.

(table dollar amounts in thousands, except share data)

NOTE 2

BUSINESS COMBINATIONS continued

Effective September 6, 2002, the Corporation acquired Stephenson Insurance Service, Inc., which was merged into FMIS, a wholly-owned subsidiary of the Corporation. The Corporation issued 38,090 shares of its common stock at a cost of $26.16 per share to complete the transaction. This acquisition was deemed to be an immaterial acquisition.

On April 1, 2002, the Corporation acquired 100 percent of the outstanding stock of Lafayette Bancorporation, the holding company of Lafayette, which is located in Lafayette, Indiana. Lafayette was a state chartered bank with branches located in central Indiana. Lafayette Bancorporation was merged into the Corporation, and Lafayette maintained its bank charter as a subsidiary of First Merchants Corporation. The Corporation issued approximately 3,057,298 shares of its common stock at a cost of $21.30 per share and approximately $50,867,000 in cash to complete the transaction. As a result of the acquisition, the Corporation has an opportunity to increase its customer base and continue to increase its market share. The purchase had a recorded acquisition price of $115,978,000, including goodwill of $57,893,000 none of which is deductible for tax purposes. Additionally, core deposit intangibles totaling $16,052,000 were recognized and are being amortized over 10 years using the 150 percent declining balance method.

The combination was accounted for under the purchase method of accounting. All assets and liabilities were recorded at their fair values as of April 1, 2002. The purchase accounting adjustments are being amortized over the life of the respective asset or liability. Lafayette's results of operations are included in the Corporation's consolidated income statement beginning April 1, 2002. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

Investments	$104,717
Loans	552,016
Premises and equipment	10,269
Core deposit intangibles	16,052
Goodwill	57,893
Other	64,074
Total assets acquired	805,021
Deposits	607,281
Other	81,762
Total liabilities acquired	689,043
Net assets acquired	$115,978

(table dollar amounts in thousands, except share data)

NOTE 2

BUSINESS COMBINATIONS continued

The following proforma disclosures, including the effect of the purchase accounting adjustments, depict the results of operations as though the Lafayette merger had taken place at the beginning of each period.

	Year Ended December 31, 2002	Year Ended December 31, 2001
Net Interest Income	$ 98,855	$ 87,090
Net Income	28,016	28,504
Per share - combined:		
Basic Net Income	1.61	1.71
Diluted Net Income	1.60	1.70

Effective January 1, 2002, the Corporation acquired Delaware County Abstract Company, Inc. and Beebe & Smith Title Insurance Company, Inc., which were merged into ITIC, a wholly-owned subsidiary of the Corporation. The Corporation issued approximately 114,365 shares of its common stock at a cost of $21.31 per share to complete the transaction. ITIC's operations were subsequently contributed to Indiana Title Insurance Company, LLC in which the Corporation has a 52.12 percent ownership interest. This acquisition was deemed to be an immaterial acquisition.

On July 1, 2001, the Corporation acquired 100 percent of the outstanding stock of Francor Financial, Inc., the holding company of Frances Slocum. Frances Slocum was a state chartered bank with branches located in east-central Indiana. Francor Financial, Inc. was merged into the Corporation, and Frances Slocum maintained its bank charter as a subsidiary of First Merchants Corporation. The Corporation issued 784,838 shares of its common stock at a cost of $19.53 per share and $14,490,985 in cash to complete the transaction. As a result of the acquisition, the Corporation has an opportunity to increase its customer base and continue to increase its market share. The purchase had a recorded acquisition price of $29,454,000, including goodwill of $7,907,000, none of which is deductible for tax purposes. Additionally, core deposit intangibles totaling $4,804,000 were recognized and are being amortized over 10 years using the 150 percent declining balance method.

The combination was accounted for under the purchase method of accounting. All assets and liabilities were recorded at their fair values as of July 1, 2001. The purchase accounting adjustments are being amortized over the life of the respective asset or liability. Francor Financial Inc.'s results of operations are included in the Corporation's consolidated income statement beginning July 1, 2001.

(table dollar amounts in thousands, except share data)

NOTE 2

BUSINESS COMBINATIONS continued

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

Loans	$ 134,505
Premises and equipment	4,401
Core deposit intangibles	4,804
Goodwill	7,907
Other	34,581
Total assets acquired	186,198
Deposits	150,252
Other	6,492
Total liabilities acquired	156,744
Net assets acquired	$ 29,454

The following proforma disclosures, including the effect of the purchase accounting adjustments, depict the results of operations as though the Frances Slocum merger had taken place at the beginning of 2001.

	Year Ended December 31, 2001
Net Interest Income	$ 67,352
Net Income	21,876
Per share - combined:	
Basic Net Income	1.55
Diluted Net Income	1.54

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, 2003, was $15,092,000.

(table dollar amounts in thousands, except share data)

NOTE 4

INVESTMENT SECURITIES

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
Available for sale at December 31, 2003				
U.S. Treasury	$ 1,498			$ 1,498
Federal agencies	38,290	$ 523	$ 52	38,761
State and municipal	118,794	6,932	86	125,640
Mortgage-backed securities	174,208	813	1,817	173,204
Corporate obligations	500	16		516
Marketable equity securities	9,237	4		9,241
Total available for sale	342,527	8,288	1,955	348,860
Held to maturity at December 31, 2003				
State and municipal	7,860	389		8,249
Mortgage-backed securities	77			77
Total held to maturity	7,937	389		8,326
Total investment securities	$350,464	$ 8,677	$ 1,955	$357,186
Available for sale at December 31, 2002				
U.S. Treasury	$ 125			$ 125
Federal agencies	27,630	$ 814	$ 8	28,436
State and municipal	135,715	5,787	178	141,324
Mortgage-backed securities	117,724	2,448	54	120,118
Other asset-backed securities	1,000			1,000
Corporate obligations	12,101	465		12,566
Marketable equity securities	29,452	20	116	29,356
Total available for sale	323,747	9,534	356	332,925
Held to maturity at December 31, 2002				
State and municipal	9,013	448		9,461
Mortgage-backed securities	124			124
Total held to maturity	9,137	448		9,585
Total investment securities	$332,884	$ 9,982	$ 356	$342,510

Certain investments in debt securities are reported in the financial statements at an amount less than their historical cost. The historical cost of these investments totaled $102,973,000 at December 31, 2003. Total fair value of these investments at December 31, 2003, was $101,018,000, which is approximately 28.3 percent of the Corporation's available-for-sale and held-to-maturity investment portfolio. These declines primarily resulted from recent increases in market interest rates and failure of certain investments to maintain consistent credit quality ratings (or meet projected earnings targets).

Based on evaluation of available evidence, including recent changes in market interest rates, credit rating information and information obtained from regulatory filings, management believes the declines in fair value for these securities are temporary.

Should the impairment of any of these securities become other-than-temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the other-than-temporary impairment is identified.

(table dollar amounts in thousands, except share data)

NOTE 4

INVESTMENT SECURITIES continued

The following table shows the Corporation's gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2003:

	Less than 12 Months		12 Months or Longer		Total	
	FAIR VALUE	GROSS UNREALIZED LOSSES	FAIR VALUE	GROSS UNREALIZED LOSSES	FAIR VALUE	GROSS UNREALIZED LOSSES
Federal agencies	$ 7,410	$ (50)	$ 747	$ (2)	$ 8,157	$ (52)
State and municipal	2,547	(82)	166	(4)	2,713	(86)
Mortgage-backed securities	90,148	(1,817)			90,148	(1,817)
Total temporarily impaired investment securities	$100,105	$ (1,949)	$ 913	$ (6)	$101,018	$ (1,955)

The amortized cost and fair value of securities available for sale and held to maturity at December 31, 2003, 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, 2003:				
Due in one year or less	$ 17,557	$ 17,753	$1,485	$1,493
Due after one through five years	55,723	57,244	4,060	4,243
Due after five through ten years	41,274	43,851	1,086	1,247
Due after ten years	44,528	47,567	1,229	1,266
	159,082	166,415	7,860	8,249
Mortgage-backed securities	174,208	173,204	77	77
Marketable equity securities	9,237	9,241		
Totals	$342,527	$348,860	$7,937	$8,326

Securities with a carrying value of approximately $158,474,000 and $136,269,000 were pledged at December 31, 2003 and 2002 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 2003, 2002 and 2001 were $58,245,000, $21,363,000 and $770,000. Gross gains of $950,000 and $739,000 in 2003 and 2002 and gross losses of $200,000 in 2001, were realized on those sales. In addition, losses of $615,000 were recorded during 2003 due to a permanent decline in the values of two securities.

(table dollar amounts in thousands, except share data)

NOTE 5

LOANS AND ALLOWANCE

	2003	2002
Loans at December 31:		
Commercial and industrial loans	$ 443,140	$ 406,644
Agricultural production financing and other loans to farmers	95,048	85,059
Real estate loans:		
Construction	149,865	133,896
Commercial and farmland	564,578	401,561
Residential	866,477	746,349
Individuals' loans for household and other personal expenditures	196,093	206,083
Tax-exempt loans	16,363	12,615
Other loans	21,939	12,170
	2,353,503	2,004,377
Allowance for loan losses	(25,493)	(22,417)
Total loans	$ 2,328,010	$ 1,981,960

	2003	2002	2001
Allowance for loan losses:			
Balance, January 1	$ 22,417	$ 15,141	$ 12,454
Allowance acquired in acquisitions	3,727	6,902	2,085
Provision for losses	9,477	7,174	3,576
Recoveries on loans	2,011	1,313	573
Loans charged off	(12,139)	(8,113)	(3,547)
Balance, December 31	$ 25,493	$ 22,417	$ 15,141

Information on nonaccruing, contractually past due 90 days or more other than nonaccruing and restructured loans is summarized below:

	2003	2002	2001
At December 31:			
Non-accrual loans	$19,453	$14,134	$ 6,327
Loans contractually past due 90 days or more other than nonaccruing	6,530	6,676	4,828
Restructured loans	641	2,508	3,511
Total non-performing loans	$26,624	$23,318	$14,666

(table dollar amounts in thousands, except share data)

NOTE 5

LOANS AND ALLOWANCE continued

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.

Information on impaired loans is summarized below:	2003	2002	2001
As of, and for the year ending December 31:			
Impaired loans with an allowance	$12,725	$16,901	$10,381
Impaired loans for which the discounted cash flows or collateral value exceeds the carrying value of the loan	32,047	27,450	10,780
Total impaired loans	$44,772	$44,351	$21,161
Total impaired loans as a percent of total loans	1.90%	2.19%	1.56%
Allowance for impaired loans (included in the Corporation's allowance for loan losses)	$ 5,728	$ 7,299	$ 3,251
Average balance of impaired loans	50,245	49,663	22,327
Interest income recognized on impaired loans	3,259	3,656	1,538
Cash basis interest included above	2,714	2,344	1,555

NOTE 6

PREMISES AND EQUIPMENT

	2003	2002
Cost at December 31:		
Land	$ 7,463	$ 6,473
Buildings and leasehold improvements	40,308	39,768
Equipment	38,777	34,898
Total cost	86,548	81,139
Accumulated depreciation and amortization	(46,909)	(42,494)
Net	$ 39,639	$ 38,645

The Corporation is committed under various noncancelable lease contracts for certain subsidiary office facilities. Total lease expense for 2003, 2002 and 2001 was $1,629,000, $1,027,000, and $771,000, respectively. The future minimum rental commitments required under the operating leases in effect at December 31, 2003, expiring at various dates through the year 2013 are as follows for the years ending December 31:

2004	$1,563
2005	1,447
2006	1,327
2007	1,112
2008	916
After 2008	3,255
Total future minimum obligations	$9,620

(table dollar amounts in thousands, except share data)

NOTE 7

GOODWILL

During 2002, the Corporation changed its method of accounting and financial reporting for goodwill and other intangible assets by adopting the provisions of SFAS No. 142. Had the new method been applied retroactively, the previously reported 2001 net income would have increased by $1,070,000. No impairment loss was recorded in 2003 and 2002.

The changes in the carrying amount of goodwill are as follows:

	2003	2002
Balance, January 1	$ 87,640	$26,081
Goodwill acquired	30,291	60,122
Adjustments to previously acquired goodwill	748	1,437
Balance, December 31	$118,679	$87,640

NOTE 8

CORE DEPOSIT INTANGIBLES

The carrying basis and accumulated amortization of recognized core deposit intangibles at December 31 were:

	2003	2002
Gross carrying amount	$ 31,073	$ 22,902
Accumulated amortization ...	(7,029)	(3,325)
Core deposit intangibles	$ 24,044	$ 19,577

Amortization expense for the years ended December 31, 2003, 2002 and 2001, was $3,704,000, $2,571,000 and $612,000, respectively. Estimated amortization expense for each of the following five years is:

2004	$3,348
2005	3,064
2006	3,013
2007	3,013
2008	3,013

(table dollar amounts in thousands, except share data)

NOTE 9

DEPOSITS

	2003	2002
Deposits at December 31:		
Demand deposits	$ 706,202	$ 594,961
Savings deposits	643,328	567,186
Certificates and other time deposits of $100,000 or more	279,810	199,734
Other certificates and time deposits	732,761	674,807
Total deposits	$2,362,101	$2,036,688

Certificates and other time deposits maturing in years ending December 31:

2004	$ 619,528
2005	188,247
2006	82,929
2007	77,822
2008	40,122
After 2008	3,923
	$1,012,571

NOTE 10

BORROWINGS

	2003	2002
Borrowings at December 31:		
Securities sold under repurchase agreements	$ 71,095	$ 89,594
Federal Home Loan Bank advances	212,779	184,677
Trust preferred securities	57,188	53,188
Subordinated debentures, revolving credit and term loans	40,594	19,300
Other borrowed funds	1,514	10,168
Total borrowings	$383,170	$356,927

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 2003 and 2002 totaled $74,969,000 and $89,594,000, and the average of such agreements totaled $70,354,000 and $72,791,000 during 2003 and 2002.

(table dollar amounts in thousands, except share data)

NOTE 10

BORROWINGS continued

Maturities of Federal Home Loan Bank advances and securities sold under repurchase agreements as of December 31, 2003, 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:				
2004	$ 22,750	4.36%	$71,095	1.44%
2005	24,500	3.77		
2006	23,882	4.80		
2007	14,495	4.28		
2008	17,464	4.36		
After 2008	109,688	5.10		
Total	$212,779	4.72%	$71,095	1.44%

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.

Trust Preferred Securities. On April 12, 2002, the Corporation and First Merchants Capital Trust I (the "Trust") entered into an Underwriting Agreement with Stifel, Nicolaus & Company, Incorporated and RBC Dain Rauscher Inc. for themselves and as co-representatives for several other underwriters (the "Underwriting Agreement"). On April 17, 2002 and pursuant to the Underwriting Agreement, the Trust issued 1,850,000 8.75 percent Cumulative Trust Preferred Securities (liquidation amount $25 per Preferred Security) (the "Preferred Securities") with an aggregate liquidation value of $46,250,000. On April 23, 2002 and pursuant to the Underwriting Agreement, the Trust issued an additional 277,500 Preferred Securities with an aggregate liquidation value of $6,937,500 to cover over-allotments. The proceeds from the sale of the Preferred Securities were invested by the Trust in the Corporation's 8.75 percent Junior Subordinated Debentures due June 30, 2032 (the "Debentures"). The proceeds from the issuance of the Debentures were used by the Corporation to fund a portion of the cash consideration payable to the shareholders of Lafayette Bancorporation in connection with the acquisition of Lafayette. The Preferred Securities are recorded as borrowings in the Corporation's consolidated December 31, 2003 and 2003, balance sheets. Issuance costs are being amortized over the life of the Preferred Securities. Distributions are paid quarterly on March 31, June 30, September 30 and December 31 of each year. The Debentures will mature and the Preferred Securities must be redeemed on June 30, 2032. The Trust has the option of shortening the maturity date to a date not earlier than June 30, 2007, requiring prior approval of the Board of Governors of the Federal Reserve System.

NOTE 10

BORROWINGS continued

As part of the March 1, 2003, acquisition of CNBC Bancorp ("CNBC"), referenced in Note 2 to the consolidated financial statements, the Corporation assumed $4.0 million of 10.20 percent fixed rate obligated mandatory redeemable capital securities issued in February 2001 through a subsidiary trust of CNBC as part of a pooled offering. The Corporation may redeem them, in whole or in part, at its option commencing February 22, 2011, at a redemption price of 105.10 percent of the outstanding principal amount and, thereafter, at a premium which declines annually. On or after February 22, 2021, the securities may be redeemed at face value with prior approval of the Board of Governors of the Federal Reserve System. The securities are recorded as borrowings in the Corporation's consolidated December 31, 2003, balance sheet and treated as Tier 1 Capital for regulatory capital purposes.

Subordinated Debentures, Revolving Credit Lines and Term Loans. On December 31, 2003, borrowings included $40,594,000 which represents the outstanding balance of a Loan and Subordinated Debenture Loan Agreement ("Agreement") entered into with LaSalle Bank, N.A. on March 25, 2003. The Agreement includes three credit facilities:

The Term Loan of $5,000,000 matures on March 25, 2010. Interest is calculated at a floating rate equal to the lender's prime rate or LIBOR plus 1.50 percent. The Term Loan is secured by 100 percent of the common stock of First Merchants Bank, N.A. and 100 percent of the common stock of Lafayette Bank and Trust Company. The Agreement contains several restrictive covenants, including the maintenance of various capital adequacy levels, asset quality and profitability ratios, and certain restrictions on dividends and other indebtedness.

The Revolving Loan had a balance of $10,594,000 at December 31, 2003. Interest is payable quarterly based on LIBOR plus 1 percent. Principal and interest are due on or before March 23, 2004. The total principal amount outstanding at any one time may not exceed $20,000,000. The Revolving Loan is secured by 100 percent of the common stock of First Merchants Bank, N.A. and 100 percent of the common stock of Lafayette Bank and Trust Company. The Agreement contains several restrictive covenants, including the maintenance of various capital adequacy levels, asset quality and profitability ratios, and certain restrictions on dividends and other indebtedness.

The Subordinated Debt of $25,000,000 is unsecured and matures on March 25, 2010. Interest is calculated at a floating rate equal to, at the Corporation's option, either the lender's prime rate or LIBOR plus 2.50 percent. The Subordinated Debentures are treated as Tier 2 capital for regulatory capital purposes.

(table dollar amounts in thousands, except share data)

NOTE 11

LOAN SERVICING

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The loans are serviced primarily for the Federal Home Loan Mortgage Corporation, and the unpaid balances totaled $105,865,000, $90,346,000 and $71,640,000 at December 31, 2003, 2002 and 2001. The amount of capitalized servicing assets is considered immaterial.

NOTE 12

INCOME TAX

	2003	2002	2001
Income tax expense for the year ended December 31:			
Currently payable:			
Federal	$ 9,475	$ 11,869	$ 9,098
State	1,569	2,615	2,210
Deferred:			
Federal	(597)	(446)	406
State	270	(57)	210
Total income tax expense	$ 10,717	$ 13,981	$ 11,924
Reconciliation of federal statutory to actual tax expense:			
Federal statutory income tax at 34%	$ 13,030	$ 14,085	$ 11,539
Tax-exempt interest	(2,198)	(2,006)	(1,319)
Graduated tax rates	289	355	312
Effect of state income taxes	1,213	1,613	1,597
Earnings on life insurance	(512)	(133)	(78)
Tax credits	(317)	(293)	(330)
Other	(788)	360	203
Actual tax expense	$ 10,717	$ 13,981	$ 11,924

Tax expense (benefit) applicable to security gains and losses for the years ended December 31, 2003, 2002 and 2001, was $380,000, $296,000 and ($80,000), respectively.

A cumulative net deferred tax liability is included in the consolidated balance sheets. The components of the liability are as follows:

	2003	2002
Deferred tax liability at December 31:		
Assets:		
Differences in accounting for loan losses	$ 11,305	$ 8,820
Deferred compensation	2,514	1,949
State income tax	18	
Other	135	157
Total assets	13,972	10,926
Liabilities:		
Differences in depreciation methods	3,061	1,058
Differences in accounting for loans and securities	9,905	7,072
Differences in accounting for loan fees	715	383
Differences in accounting for pensions and other employee benefits	861	86
State income tax		57
Net unrealized gain on securities available for sale	2,123	2,513
Other	1,102	1,040
Total liabilities	17,767	12,209
Net deferred tax liability	$ (3,795)	$ (1,283)

NOTE 13

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 Corporation's 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 sheets.

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

	2003	2002
Commitments to extend credit	$481,771	$312,146
Standby letters of credit	25,242	18,124

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 14

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. At December 31, 2003, First Merchants, First United, Union National and Decatur had no retained net profits available for 2004 dividends to the Corporation without prior regulatory approval. The amount at December 31, 2003, available for 2004 dividends from Madison, Randolph County, First National, Frances Slocum, Lafayette and Commerce National to the Corporation totaled $1,245,000, $583,000, $238,000, $1,624,000, $8,213,000 and $3,653,000, respectively.

Total stockholders' equity for all subsidiaries at December 31, 2003, was $385,061,000, of which $360,651,000 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 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, 2003, there were 326,061 shares of common stock reserved for purchase under the plan.

On August 15, 2003, the Board of Directors of the Corporation declared a five percent (5%) stock dividend on its outstanding common shares. The new shares were distributed on September 12, 2003, to holders of record on August 29, 2003.

On August 13, 2002, the Board of Directors of the Corporation declared a five percent (5%) stock dividend on its outstanding common shares. The new shares were distributed on September 13, 2002, to holders of record on August 30, 2002.

On August 14, 2001, the Board of Directors of the Corporation declared a five percent (5%) stock dividend on its outstanding common shares. The new shares were distributed on September 24, 2001, to holders of record on September 3, 2001.

NOTE 15

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, 2003, 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 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.

(table dollar amounts in thousands, except share data)

NOTE 15

REGULATORY CAPITAL continued

Actual and required capital amounts and ratios are listed below.

	2003				2002			
	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	$266,488	11.60%	$183,793	8.00%	$224,967	11.17%	$161,087	8.00%
First Merchants	67,425	11.08	48,667	8.00	69,424	11.69	47,493	8.00
Madison	21,682	10.71	16,198	8.00	21,040	11.45	14,706	8.00
First United	6,679	10.95	4,882	8.00	7,429	12.97	4,581	8.00
Randolph County	8,023	11.20	5,731	8.00	7,616	11.27	5,407	8.00
Union County	15,679	11.37	11,032	8.00	16,636	12.35	10,778	8.00
First National	10,643	12.25	6,951	8.00	10,211	11.37	7,182	8.00
Decatur	11,273	11.84	7,616	8.00	11,462	11.77	7,789	8.00
Frances Slocum	18,173	15.19	9,571	8.00	16,259	11.68	11,132	8.00
Lafayette	70,401	11.32	49,765	8.00	67,912	11.00	49,387	8.00
Commerce National	36,698	12.31	23,851	8.00				
Tier I Capital (1)(to risk-weighted assets)								
Consolidated	$215,995	9.40%	$ 91,896	4.00%	$202,550	10.06%	$ 80,543	4.00%
First Merchants	59,858	9.84	24,334	4.00	63,776	10.74	23,746	4.00
Madison	19,473	9.62	8,099	4.00	18,978	10.32	7,353	4.00
First United	5,985	9.81	2,441	4.00	6,713	11.72	2,290	4.00
Randolph County	7,160	10.00	2,865	4.00	6,771	10.02	2,703	4.00
Union County	14,067	10.20	5,516	4.00	15,202	11.28	5,389	4.00
First National	9,750	11.22	3,476	4.00	9,324	10.39	3,591	4.00
Decatur	10,268	10.79	3,808	4.00	10,242	10.52	3,895	4.00
Frances Slocum	16,669	13.93	4,785	4.00	14,510	10.43	5,566	4.00
Lafayette	64,982	10.45	24,883	4.00	61,111	9.90	24,694	4.00
Commerce National	27,472	9.21	11,926	4.00				
Tier I Capital (1) (to average assets)								
Consolidated	$215,995	7.38%	$117,110	4.00%	$ 202,550	7.92%	$102,309	4.00%
First Merchants	59,858	7.37	32,475	4.00	63,776	8.14	31,327	4.00
Madison	19,473	8.07	9,658	4.00	18,978	8.47	8,959	4.00
First United	5,985	6.99	3,426	4.00	6,713	8.32	3,226	4.00
Randolph County	7,160	7.89	3,632	4.00	6,771	7.64	3,546	4.00
Union County	14,067	7.30	7,709	4.00	15,202	7.38	8,239	4.00
First National	9,750	8.53	4,571	4.00	9,324	8.20	4,547	4.00
Decatur	10,268	7.61	5,400	4.00	10,242	7.66	5,350	4.00
Frances Slocum	16,669	10.52	6,341	4.00	14,510	8.37	6,933	4.00
Lafayette	64,982	8.02	32,397	4.00	61,111	7.93	30,813	4.00
Commerce National	27,472	7.78	14,133	4.00				

(1) as defined by regulatory agencies

NOTE 16

EMPLOYEE BENEFIT PLANS

The Corporation's defined-benefit pension plans cover substantially all of the Corporation's 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.

(table dollar amounts in thousands, except share data)

NOTE 16

EMPLOYEE BENEFIT PLANS continued

The table below sets forth the plans' funded status and amounts recognized in the consolidated balance sheets at December 31, using measurement dates of September 30, 2003 and 2002.

	December 31 2003	December 31 2002
Change in benefit obligation		
Benefit obligation at beginning of year	$ 44,718	$ 20,172
Obligation acquired in acquisition		17,712
Service cost	1,564	2,007
Interest cost	2,617	2,470
Actuarial (gain) loss	(1,667)	3,971
Benefits paid	(1,653)	(1,614)
Benefit obligation at end of year	45,579	44,718
Change in plan assets		
Fair value of plan assets at beginning of year	31,650	20,638
Fair value of plan assets acquired in acquisition		15,507
Actual return (loss) on plan assets	3,876	(2,881)
Benefits paid	(1,653)	(1,614)
Employer contributions	67	
Fair value of plan assets at end of year	33,940	31,650
Unfunded status	(11,639)	(13,068)
Unrecognized net actuarial loss	9,656	12,940
Unrecognized prior service cost	1,834	1,986
Unrecognized transition asset	(178)	(329)
Prepaid benefit cost (liability)	(327)	1,529
Additional pension liability	(4,924)	(3,810)
Net minimum liability	$ (5,251)	$ (2,281)
Amounts recognized in the balance sheets consist of:		
Prepaid benefit cost (liability)	$ (327)	$ 1,529
Additional pension liability	(4,924)	(3,810)
Intangible asset	1,834	1,613
Deferred taxes	1,236	879
Accumulated other comprehensive loss	1,854	1,318
Net amount recognized	$ (327)	$ 1,529

At December 31, 2003 and 2002, the plans' accumulated benefit obligation totaled $39,192,000 and $33,929,000. The Corporation's planned contributions to its defined-benefit pension plans in 2004 total $3,314,000, of which $2,108,000 is required and $1,206,000 is discretionary.

At September 30, 2003 the plans' assets were allocated 67 percent to equity securities, 25 percent to debt securities, and 8 percent to real estate and other plan assets. The targeted allocation for those categories of plan assets are 40 to 80 percent, 20 to 60 percent, and 0 to 15 percent, respectively.

(table dollar amounts in thousands, except share data)

NOTE 16

EMPLOYEE BENEFIT PLANS continued

	2003	2002(1)	2001
Pension cost (benefit) includes the following components:			
Service cost-benefits earned during the year	$ 1,564	$ 1,770	$ 926
Interest cost on projected benefit obligation	2,617	2,202	1,269
Actual (return) loss on plan assets	(3,876)	2,654	2,305
Net amortization and deferral	1,617	(5,674)	(4,858)
Total pension cost (benefit)	$ 1,922	$ 952	$ (358)

(1) Lafayette components are included beginning as of April 1, 2002.

	2003	2002	2001
Assumptions used in the accounting as of December 31 were:			
Discount rate	6.25%	6.75%	7.11%
Rate of increase in compensation	4.00%	4.00%	4.00%
Expected long-term rate of return on assets	8.00%	8.14%	9.00%

The above assumptions used to measure benefit obligations as of the plan's measurement date were the same assumptions used to determine the net benefit cost.

At September 30, 2003, the Corporation based its estimate of the expected long-term rate of return on analysis of the historical returns of the plans and current market information available. The plans' investment strategies are to provide for preservation of capital with an emphasis on long-term growth without undue exposure to risk. The assets of the plans' are invested in accordance with the plans' Investment Policy Statement, subject to strict compliance with ERISA and any other applicable statutes.

The plans' risk management practices include quarterly evaluations of investment managers, including reviews of compliance with investment manager guidelines and restrictions; ability to exceed performance objectives; adherence to the investment philosophy and style; and ability to exceed the performance of other investment managers. The evaluations are reviewed by management with appropriate follow-up and actions taken, as deemed necessary. The Investment Policy Statement generally allows investments in cash and cash equivalents, real estate, fixed income debt securities and equity securities, and specifically prohibits investments in derivatives, options, futures, private placements, short selling, non-marketable securities and purchases of non-investment grade bonds.

At December 31, 2003 the maturities of the plans' debt securities ranged from 59 days to 5.6 years, with a weighted average maturity of 2.5 years.

The 1994 Stock Option Plan reserved 546,978 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. No shares remain available for grant under the 1994 Plan.

(table dollar amounts in thousands, except share data)

NOTE 16

EMPLOYEE BENEFIT PLANS continued

This number does not include shares remaining available for future issuance under the 1999 Long-term Equity Incentive Plan, which was approved by the Corporation's shareholders at the 1999 annual meeting. The aggregate number of shares that are available for grants under that Plan in any calendar year is equal to the sum of: (a) 1 percent of the number of common shares of the Corporation outstanding as of the last day of the preceding calendar year; plus (b) the number of shares that were available for grants, but not granted, under the Plan in any previous year; but in no event will the number of shares available for grants in any calendar year exceed 1.5 percent of the number of common shares of the Corporation outstanding as of the last day of the preceding calendar year. The 1999 Long-term Equity Incentive Plan will expire in 2009.

In December 2003, the Corporation's board of directors approved the 2004 Employee Stock Purchase Plan ("2004 Plan"). The 2004 Plan includes terms that are substantially the same as the 1999 Plan. Implementation of the 2004 Plan is subject to approval by stockholders of the Corporation.

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, 2003, 2002 and 2001.

Year Ended December 31,	2003		2002		2001	
	WEIGHTED-AVERAGE		WEIGHTED-AVERAGE		WEIGHTED-AVERAGE	
OPTIONS	SHARES	EXERCISE PRICE	SHARES	EXERCISE PRICE	SHARES	EXERCISE PRICE
Outstanding, beginning of year	842,583	$ 19.89	770,817	$ 17.91	658,290	$ 17.13
Granted	166,629	23.46	166,760	26.85	143,328	19.70
Exercised	(69,672)	16.93	(71,538)	12.74	(26,721)	9.81
Cancelled	(12,116)	22.27	(23,456)	22.18	(4,080)	19.85
Outstanding, end of year	948,996	$ 20.71	842,583	$ 19.89	770,817	$ 17.91
Options exercisable at year end	653,040		569,758		519,710	
Weighted-average fair value of options granted during the year		$ 5.99		$ 7.47		$ 5.71

As of December 31, 2003, 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
$ 11.18 - $19.65	384,297	$16.48	3.9 years	384,187	$16.48
19.73 - 23.46	332,948	21.71	8.2 years	167,763	20.01
23.99 - 27.28	231,751	26.28	7.2 years	101,090	25.49
	948,996	$20.71	6.2 years	653,040	$18.79

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.

(table dollar amounts in thousands, except share data)

NOTE 16

EMPLOYEE BENEFIT PLANS continued

The fair value of each option grant was estimated on the grant date using an option-pricing model with the following assumptions:

	2003	2002	2001
Risk-free interest rates	3.55%	4.78%	5.32%
Dividend yields	3.65%	3.63%	3.59%
Volatility factors of expected market price common stock	31.29%	31.02%	30.95%
Weighted-average expected life of the options	8.50 years	8.50 years	8.50 years

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 in Note 1 to the consolidated financial statements.

The 1999 Employee Stock Purchase Plan enables eligible employees to purchase the Corporation's common stock. A total of 289,406 shares of the Corporation's common stock were initially reserved for issuance pursuant 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 41,734 shares in 2003 at $19.64 per share. The fair value on the purchase date was $23.46.

At December 31, 2003, there were 163,244 shares of Corporation common stock reserved for purchase under the plan. $487,000 has been withheld from compensation, plus interest, toward the purchase of shares during the current offering period expiring on June 30, 2004.

NOTE 16

EMPLOYEE BENEFIT PLANS continued

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 Note 1 to the consolidated financial statements and were estimated using an option pricing model with the following assumptions for 2003, 2002 and 2001, respectively: dividend yield of 3.65, 3.63, and 3.59 percent; an expected life of one year for all years; expected volatility of 31.29, 31.02, and 30.95 percent; and risk-free interest rates of 3.55, 4.78, and 5.32 percent. The fair value of those purchase rights granted in 2003, 2002 and 2001 was $4.81, $10.14, and $5.10 respectively.

The Corporation maintains retirement savings 401(k) plans in which substantially all employees may participate. The Corporation matches employees' contributions at the rate of 25 to 50 percent for the first 4 to 6 percent of base salary contributed by participants. The Corporation's expense for the plans was $600,000 for 2003, $315,000 for 2002, and $190,000 for 2001.

The Corporation maintains supplemental executive retirement and other nonqualified retirement plans for the benefit of certain directors and officers. Under the plans, the Corporation agrees to pay retirement benefits that are actuarially determined based upon plan participants' compensation amounts and years of service. Accrued benefits payable totaled $2,511,000 and $2,133,000 at December 31, 2003 and 2002. Benefit plan expense was $485,000, $436,000 and $375,000 for 2003, 2002 and 2001.

The Corporation maintains post-retirement benefit plans that provide health insurance benefits to retirees. The plans allow retirees to be carried under the Corporation's health insurance plan, generally from ages 55 to 65. The retirees pay most of the premiums due for their coverage, with amounts paid by retirees ranging from 70 to 100 percent of the premiums payable. The accrued benefits payable under the plans totaled $1,043,000 and $801,000 at December 31, 2003 and 2002. Post-retirement plan expense totaled $240,000, $19,000 and $18,000 for the years ending December 31, 2003, 2002 and 2001.

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") was signed into law. The Act introduces a prescription drug benefit under Medicare Part D, as well as a federal subsidy to sponsors of retiree health care benefit plans that provide benefits at least actuarially equivalent to Medicare Part D. In accordance with FASB Staff Position 106-1, the Corporation has not reflected the effects of the Act on the measurements of plan benefit obligations and periodic benefit costs and accompanying notes. Specific authoritative guidance on the accounting for the federal subsidy is pending and that guidance, when issued, may require the Corporation to change previously reported information. Corporation to change previously reported information.

(table dollar amounts in thousands, except share data)

NOTE 17

NET INCOME PER SHARE

Year Ended December 31,	2003			2002			2001		
	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	$27,571	18,233,855	$1.51	$27,836	16,364,788	$1.70	$22,209	13,670,983	$1.63
Effect of dilutive stock options		137,575			137,703			98,502	
Diluted net income per share:									
Net income available to common stockholders and assumed conversions	$27,571	18,371,400	$1.50	$27,836	16,502,491	$1.69	$22,209	13,769,485	$1.61

Options to purchase 233,658, 162,207, and 123,506 shares of common stock with weighted average exercise prices of $24.01, $25.94, and $23.58 at December 31, 2003, 2002 and 2001 were excluded from the computation of diluted net income per share because the options exercise price was greater than the average market price of the common stock.

NOTE 18

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.

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.

INTEREST RECEIVABLE/PAYABLE The fair values of interest receivable/payable approximate carrying values.

(table dollar amounts in thousands, except share data)

NOTE 18

FAIR VALUES OF FINANCIAL INSTRUMENTS continued

CASH VALUE OF LIFE INSURANCE The fair value of cash value of life insurance approximates carrying value.

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.

BORROWINGS

The fair value of borrowings is estimated using a discounted cash flow calculation, based on current rates for similar debt, except for short-term and adjustable rate borrowing arrangements. At December 31, the fair value for these instruments approximates carrying value.

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:

	2003		2002	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Assets at December 31:				
Cash and cash equivalents	$ 109,527	$ 109,527	$ 119,038	$ 119,038
Interest-bearing time deposits	8,141	8,141	3,568	3,568
Investment securities available for sale	348,860	348,860	332,925	332,925
Investment securities held to maturity	7,937	8,326	9,137	9,585
Mortgage loans held for sale	3,043	3,043	21,545	21,545
Loans	2,328,010	2,383,666	1,981,960	2,008,189
FRB and FHLB stock	15,502	15,502	11,409	11,409
Interest receivable	16,840	16,840	17,346	17,346
Cash value of life insurance	37,927	37,927	14,309	14,309
Liabilities at December 31:				
Deposits	2,362,101	2,378,669	2,036,688	2,063,474
Borrowings:				
Securities sold under repurchase agreements	71,095	71,139	89,594	90,138
FHLB advances	212,779	239,251	184,677	196,244
Trust preferred securities	57,188	62,719	53,188	57,655
Other borrowed funds	42,108	42,108	29,468	29,468
Interest payable	4,680	4,680	6,019	6,019

(table dollar amounts in thousands, except share data)

NOTE 19

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 SHEETS

	December 31, 2003	2002
Assets		
Cash	$ 3,235	$ 4,404
Investment securities available for sale	3,500	3,500
Investment in subsidiaries	391,241	320,309
Goodwill	448	448
Other assets	10,500	12,265
Total assets	$408,924	$340,926
Liabilities		
Borrowings	$ 99,550	$ 74,132
Other liabilities	5,409	5,665
Total liabilities	104,959	79,797
Stockholders' equity	303,965	261,129
Total liabilities and stockholders' equity	$408,924	$340,926

CONDENSED STATEMENTS OF INCOME

	December 31, 2003	2002	2001
Income			
Dividends from subsidiaries	$ 45,445	$ 22,720	$ 20,245
Administrative services fees from subsidiaries	10,849	6,580	4,133
Other income	472	535	269
Total income	56,766	29,835	24,647
Expenses			
Amortization of core deposit intangibles, goodwill, and fair value adjustments	26	28	66
Interest expense	6,463	3,858	88
Salaries and employee benefits	9,531	7,641	4,767
Net occupancy expenses	1,869	1,527	1,002
Equipment expenses	1,955	1,447	898
Telephone expenses	1,571	1,543	547
Other expenses	3,730	2,767	1,003
Total expenses	25,145	18,811	8,371
Income before income tax benefit and equity in undistributed income of subsidiaries	31,621	11,024	16,276
Income tax benefit	5,577	4,336	1,567
Income before equity in undistributed income of subsidiaries	37,198	15,360	17,843
Equity in undistributed (distributions in excess of) income of subsidiaries	(9,627)	12,476	4,366
Net Income	$ 27,571	$ 27,836	$ 22,209

(table dollar amounts in thousands, except share data)

NOTE 19

CONDENSED FINANCIAL INFORMATION (parent company only)

CONDENSED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2003	2002	2001
Operating activities:			
Net income	$ 27,571	$ 27,836	$ 22,209
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization	26	28	66
Distributions in excess of (equity in undistributed) income of subsidiaries	(9,627)	(12,476)	(4,366)
Net change in:			
Other assets	2,406	(6,892)	(1,274)
Other liabilities	(6)	4,430	(842)
Net cash provided by operating activities	20,370	12,926	15,793
Investing activities:			
Purchase of securities available for sale			(3,500)
Investment in subsidiary	(25,858)	(51,135)	(14,296)
Net cash used by investing activities	(25,858)	(51,135)	(17,796)
Financing activities:			
Cash dividends	(16,557)	(13,995)	(11,127)
Borrowings	47,594	55,832	8,500
Repayment of borrowings	(29,550)		
Stock issued under employee benefit plans	819	658	504
Stock issued under dividend reinvestment and stock purchase plan	1,339	951	803
Stock options exercised	1,191	494	225
Stock redeemed	(489)	(4,333)	(7,023)
Cash paid in lieu of issuing fractional shares	(28)	(35)	(22)
Net cash provided (used) by financing activities	4,319	39,572	(8,140)
Net change in cash	(1,169)	1,363	(10,143)
Cash, beginning of year	4,404	3,041	13,184
Cash, end of year	$ 3,235	$ 4,404	$ 3,041

NOTE 20

QUARTERLY RESULTS OF OPERATIONS (unaudited)

The following table sets forth certain quarterly results for the years ended December 31, 2003 and 2002:

QUARTER ENDED	INTEREST INCOME	INTEREST EXPENSE	NET INTEREST INCOME	PROVISION FOR LOAN LOSSES	NET INCOME	AVERAGE SHARES OUTSTANDING BASIC	AVERAGE SHARES OUTSTANDING DILUTED	NET INCOME PER SHARE BASIC	NET INCOME PER SHARE DILUTED
2003:									
March	$ 38,981	$ 12,971	$ 26,010	$ 4,601	$ 5,658	17,565,405	17,675,633	$ .32	$ .32
June	39,554	13,599	25,955	2,123	8,745	18,392,925	18,519,155	.48	.48
September	38,959	13,085	25,874	1,706	7,349	18,466,678	18,622,306	.40	.39
December	38,036	12,733	25,303	1,047	5,819	18,497,612	18,666,079	.31	.31
	$ 155,530	$ 52,388	$ 103,142	$ 9,477	$ 27,571	18,233,855	18,371,400	$1.51	$1.50
2002:									
March	$ 27,591	$ 10,213	$ 17,378	$ 1,192	$ 5,479	14,088,149	14,208,467	$ .39	$ .39
June	39,678	14,596	25,082	1,284	7,940	17,122,348	17,296,513	.46	.46
September	40,148	14,820	25,328	1,821	7,827	17,079,298	17,224,358	.47	.46
December	39,265	14,130	25,135	2,877	6,590	17,128,100	17,232,099	.38	.38
	$ 146,682	$ 53,759	$ 92,923	$ 7,174	$ 27,836	16,364,788	16,502,491	$1.70	$1.69

ANNUAL MEETING, STOCK PRICE & DIVIDEND INFORMATION

The 2004 Annual Meeting of Stockholders of First Merchants Corporation will be held...

Thursday, April 22, 2004 at 3:30 p.m.

Horizon Convention Center
401 South High Street
Muncie, Indiana

STOCK INFORMATION

QUARTER	PRICE PER SHARE HIGH		PRICE PER SHARE LOW		DIVIDENDS DECLARED(1)	
	2003	2002	2003	2002	2003	2002
First Quarter	$ 23.15	$ 24.53	$ 21.29	$ 19.95	$ .22	$ .21
Second Quarter	24.56	27.34	21.72	23.13	.22	.21
Third Quarter	27.25	27.38	23.47	20.41	.23	.22
Fourth Quarter	27.22	24.26	25.00	20.63	.23	.22

(1)The Liquidity section of Management's Discussion & Analysis of Financial Condition and Results of Operations and Note 14 to Consolidated Financial Statements include discussions regarding dividend restrictions from the bank subsidiaries to the Corporation.

The table above lists per share prices and dividend payments during 2003 and 2002. Prices are as reported by the National Association of Securities Dealers. Automated Quotation - National Market System.

Numbers rounded to nearest cent when applicable.

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COMMON STOCK LISTING
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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 February 6, 2004, the number of shares outstanding was 18,535,682. There were 3,149 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. Brian Edwards
Shareholder Relations Officer
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
American Stock Transfer & Trust Company
59 Maiden Lane, 1st Floor
New York, NY 10038

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FORM 10-K, FINANCIAL INFORMATION AND CODE OF ETHICS
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FORM 10-K, FINANCIAL INFORMATION AND CODE OF ETHICS

The 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.

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

The Corporation has adopted a Code of Ethics that applies to its Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Controller and Treasurer. It is part of the Corporation's Code of Business Conduct, which applies to all employees and directors of the Corporation and its affiliates. A copy of the Code of Ethics may be obtained, free of charge, by writing to the General Counsel of First Merchants Corporation at 200 East Jackson Street, Muncie, IN 47305. In addition, the Code of Ethics is maintained on the Corporation's web site, which can be accessed at http://www.firstmerchants.com.

Please contact:
Mr. Mark Hardwick
Senior Vice President
and Chief Financial Officer

First Merchants Corporation
P. O. Box 792
Muncie, Indiana 47308-0792

765-751-1857
1-800-262-4261 Ext. 1857

EXHIBIT-21

SUBSIDIARIES OF THE REGISTRANT

EXHIBIT 21--SUBSIDIARIES OF THE REGISTRANT

Name	State of Incorporation
First Merchants Bank, National Association (also doing business as First Merchants Bank of Hamilton County)	U.S.
The Madison Community Bank, National Association	U.S.
First United Bank, National Association	U.S.
The Union County National Bank of Liberty	U.S.
The Randolph County Bank, National Association	U.S.
The First National Bank of Portland	U.S.
Decatur Bank & Trust Company, National Association	U.S.
Frances Slocum Bank & Trust Company, National Association	U.S.
Lafayette Bank and Trust Company, National Association	U.S.
Commerce National Bank	U.S.
First Merchants Capital Trust I	Delaware
First Merchants Insurance Services, Inc	Indiana
First Merchants Reinsurance Co. Ltd	Providencials Turkes and Caicos, Island
Indiana Title Insurance Company	Indiana
Indiana Title Insurance Company, LLC	Indiana
FMB Portfolio Management, Inc	Delaware
UCNB Portfolio Management, Inc	Delaware
Wabash Valley Investments, Inc	Nevada
Wabash Valley, LLC	Nevada
Wabash Valley Holdings, Inc	Nevada
Merchants Trust Company, National Association	U.S.
CNBC Retirement Services, Inc	Ohio
CNBC Statutory Trust I	Connecticut

EXHIBIT-23
CONSENT OF INDEPENDENT ACCOUNTANTS

EXHIBIT 23 - CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference to the Registration Statement on Form S-8, File Numbers 333-111374, 333-50484, 333-80119 and 333-80117 of our report dated January 23 2004, on the consolidated financial statements of First Merchants Corporation which report is included in the Annual Report on Form 10-K of First Merchants Corporation.

BKD LLP

Indianapolis, Indiana
March 15, 2004

EXHIBIT-24
LIMITED POWER OF ATTORNEY

EXHIBIT 24--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 Mark K. Hardwick, 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 10, 2004

/s/ Michael L. Cox
Michael L. Cox — President and Chief Executive Officer (Principal Executive Officer)

/s/Mark K. Hardwick
Mark K. Hardwick — Sr. Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

/s/ Stefan S. Anderson
Stefan S. Anderson — Director

/s/ Roger M. Arwood
Roger M. Arwood — Director

/s/ James F. Ault
James F. Ault — Director

/s/ Dennis A. Bieberich
Dennis A. Bieberich — Director

/s/ Richard A. Boehning
Richard A. Boehning — Director

Blaine M. Brownell — Director

Frank A. Bracken — Director

/s/ Thomas B. Clark
Thomas B. Clark — Director

/s/ Michael L. Cox
Michael L. Cox — Director

/s/ Barry J. Hudson
Barry J. Hudson — Director

/s/ Robert T. Jeffares
Robert T. Jeffares — Director

/s/ Norman M. Johnson
Norman M. Johnson — Director

/s/ Thomas D. McAuliffe
Thomas D. McAuliffe — Director

George A. Sissel — Director

Robert M. Smitson — Director

Dr. John E. Worthen — Director

EXHIBIT-31.1

FIRST MERCHANTS CORPORATION

FORM 10-K
CERTIFICATIONS PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION

I, Michael L. Cox, President and Chief Executive Officer of First Merchants Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of First Merchants Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board or directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2004

/s/Michael L. Cox

Michael L. Cox
President and Chief Executive Officer

EXHIBIT-31.2

FIRST MERCHANTS CORPORATION

FORM 10-K
CERTIFICATIONS PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION

I, Mark K. Hardwick, Senior Vice President and Chief Financial Officer of First Merchants Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of First Merchants Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board or directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2004

/s/Mark K. Hardwick

Mark K. Hardwick
Senior Vice President and
Chief Financial Officer
(Principal Financial and Chief
Accounting Officer)

EXHIBIT-32

CERTIFICATIONS PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of First Merchants Corporation (the "Corporation") on Form 10-K for the period ending December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I Michael L. Cox, President and Chief Executive Officer of the Corporation, do hereby certify, in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o (d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date 03/15/04 by /s/ Michael L. Cox

Michael L. Cox
President and Chief Executive Officer

A signed copy of this written statement required by Section 906 has been provided to First Merchants Corporation and will be retained by First Merchants Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

In connection with the annual report of First Merchants Corporation (the "Corporation") on Form 10-K for the period ending December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I Mark K. Hardwick, Senior Vice President and Chief Financial Officer of the Corporation, do hereby certify, in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o (d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date 03/15/04 by /s/ Mark K. Hardwick

Mark K. Hardwick
Senior Vice President and
Chief Financial Officer
(Principal Financial and Chief
Accounting Officer)

A signed copy of this written statement required by Section 906 has been provided to First Merchants Corporation and will be retained by First Merchants Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT-99.1
ACCOUNTANTS' REPORT FOR FIRST MERCHANTS CORPORATION
EMPLOYEE STOCK PURCHASE PLAN

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

The annual finanial statements and independent accountants' report thereon for First Merchants Corporation Employee Stock Purchase Plan for the year ending December 31, 2003, will be filed as an amendment to the 2003 Annual Report on Form 10-K.