

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2004

OR

[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from _____ to _____

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 Street
Muncie, IN

47305-2814

(Address of principal executive office)

(Zip code)

(765) 747-1500

(Registrant's telephone number, including area code)

Not Applicable

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

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

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

As of July 31, 2004, there were 18,547,613 outstanding common shares, without par value, of the registrant.

FIRST MERCHANTS CORPORATION

FORM 10-Q

INDEX

Page No.

PART I. Financial Information:

Item 1.	Financial Statements:	
	Consolidated Condensed Balance Sheets.....	3
	Consolidated Condensed Statements of Income.....	4
	Consolidated Condensed Statements of Comprehensive Income.....	5
	Consolidated Condensed Statements of Stockholders' Equity.....	6
	Consolidated Condensed Statements of Cash Flows.....	7
	Notes to Consolidated Condensed Financial Statements.....	8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	14
Item 3.	Quantitative and Qualitative Disclosures About	

	Market Risk.....	24
Item 4.	Controls and Procedures.....	24
PART II. Other Information:		
Item 1.	Legal Proceedings.....	25
Item 2.	Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities.....	25
Item 3.	Defaults Upon Senior Securities.....	25
Item 4.	Submission of Matters to a Vote of Security Holders.....	25
Item 5.	Other Information.....	25
Item 6.	Exhibits and Reports of Form 8-K.....	26
	Signatures.....	28
	Exhibit Index.....	29

FIRST MERCHANTS CORPORATION

FORM 10-Q

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

CONSOLIDATED CONDENSED BALANCE SHEETS

(Dollars in thousands, except per share amounts)

	June 30, 2004	December 31, 2003
	----- (Unaudited)	-----
ASSETS:		
Cash and due from banks	\$ 72,432	\$ 77,112
Federal funds sold	0	32,415
	-----	-----
Cash and cash equivalents	72,432	109,527
Interest-bearing deposits.....	20,424	8,141
Investment securities available for sale	405,237	348,860
Investment securities held to maturity	5,903	7,937
Mortgage loans held for sale.....	4,001	3,043
Loans, net of allowance for loan losses of \$25,510 and \$30,639.	2,339,870	2,328,010
Premises and equipment	38,437	39,639
Federal Reserve and Federal Home Loan Bank stock.....	22,494	15,502
Interest receivable	14,943	16,840
Goodwill	118,715	118,679
Core deposit intangibles	22,299	24,044
Cash surrender value of life insurance.....	41,288	37,927
Other assets	22,247	18,663
	-----	-----
Total assets	\$ 3,128,290	\$ 3,076,812
	=====	=====
LIABILITIES:		
Deposits:		
Noninterest-bearing	\$ 334,018	\$ 338,201
Interest-bearing	2,038,092	2,023,900
	-----	-----
Total deposits	2,372,110	2,362,101
Borrowings	422,885	383,170
Interest payable	4,216	4,680
Other liabilities.....	24,811	22,896
	-----	-----
Total liabilities	2,824,022	2,772,847
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 - 18,483,936 and 18,408,177 shares....	2,310	2,314
Additional paid-in capital	149,194	150,310
Retained earnings	154,876	149,096
Accumulated other comprehensive income (loss).....	(2,112)	2,245
	-----	-----
Total stockholders' equity	304,268	303,965
	-----	-----
Total liabilities and stockholders' equity	\$ 3,128,290	\$ 3,076,812
	=====	=====

See notes to consolidated condensed financial statements.

FIRST MERCHANTS CORPORATION

FORM 10-Q
 CONSOLIDATED CONDENSED STATEMENTS OF INCOME
 (Dollars in thousands, except per share amounts)
 (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Interest Income:				
Loans receivable				
Taxable	\$34,021	\$35,759	\$ 68,248	\$ 70,932
Tax exempt	137	162	300	327
Investment securities				
Taxable	2,052	1,600	4,001	3,279
Tax exempt	1,420	1,626	2,850	3,257
Federal funds sold	37	177	55	290
Deposits with financial institutions	125	19	234	41
Federal Reserve and Federal Home Loan Bank stock	307	211	635	409
	-----	-----	-----	-----
Total interest income	38,099	39,554	76,323	78,535
	-----	-----	-----	-----
Interest expense:				
Deposits	7,879	9,048	16,069	17,932
Borrowings	4,373	4,551	8,775	8,638
	-----	-----	-----	-----
Total interest expense	12,252	13,599	24,844	26,570
	-----	-----	-----	-----
Net Interest Income	25,847	25,955	51,479	51,965
Provision for loan losses	1,720	2,123	3,092	6,724
	-----	-----	-----	-----
Net Interest Income After Provision for Loan Losses	24,127	23,832	48,387	45,241
	-----	-----	-----	-----
Other Income:				
Net realized gains on sales of available-for-sale securities.	1,352	3,351	2,153	4,286
Other income	7,904	7,802	15,319	15,153
	-----	-----	-----	-----
Total other income	9,256	11,153	17,472	19,439
Total other expenses	22,622	22,935	45,186	44,376
	-----	-----	-----	-----
Income before income tax	10,761	12,050	20,673	20,304
Income tax expense	3,406	3,305	6,383	5,901
	-----	-----	-----	-----
Net Income	\$ 7,355	\$ 8,745	\$14,290	\$14,403
	=====	=====	=====	=====
Per share:(1)				
Basic	\$.40	\$.48	\$.77	\$.80
Diluted .....	.40	.48	.77	.80
Dividends .....	.23	.22	.46	.44

(1) Prior period per share amounts have been restated for the 5% stock dividend paid in September 2003.

See notes to consolidated condensed financial statements.

FIRST MERCHANTS CORPORATION

FORM 10-Q
 CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
 (Dollars in thousands)
 (Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
Net Income.....	\$ 7,355	\$ 8,745	\$14,290	\$14,403
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 \$(4,183), \$1,279, \$(2,745) and \$1,162.....	(6,274)	1,918	(4,117)	1,743
Less: Reclassification adjustment for gains included in net income, net of income tax expense of \$145, \$27, \$160 and \$175.....	218	40	240	263
	(6,492)	1,878	(4,357)	1,480
Comprehensive income	\$ 863	\$ 10,623	\$ 9,933	\$15,883

See notes to consolidated condensed financial statements

FIRST MERCHANTS CORPORATION

FORM 10-Q
 CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY
 (Dollars in thousands)
 (Unaudited)

	2004	2003
	-----	-----
Balances, January 1	\$ 303,965	\$ 261,129
Net income	14,290	14,403
Cash dividends	(8,510)	(8,058)
Other comprehensive income (loss), net of tax.....	(4,357)	1,480
Stock issued under dividend reinvestment and stock purchase plan	674	570
Stock options exercised	636	277
Stock Redeemed	(2,430)	(125)
Issuance of stock in acquisitions.....		31,218
Cash paid in lieu of fractional shares.....		116
	-----	-----
Balances, June 30	\$ 304,268	\$ 301,010
	=====	=====

See notes to consolidated condensed financial statements

FIRST MERCHANTS CORPORATION

FORM 10-Q
 CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
 (Dollars in thousands)
 (Unaudited)

	Six Months Ended June 30,	
	2004	2003
Cash Flows From Operating Activities:		
Net income.....	\$ 14,290	\$ 14,403
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for loan losses.....	3,092	6,724
Depreciation and amortization.....	2,549	2,254
Mortgage loans originated for sale.....	(47,746)	(139,855)
Proceeds from sales of mortgage loans.....	46,788	146,249
Change in interest receivable.....	1,897	1,616
Change in interest payable.....	(464)	(881)
Other adjustments.....	1,302	(3,376)
Net cash provided by operating activities.....	\$ 21,708	\$ 27,134
Cash Flows From Investing Activities:		
Net change in interest-bearing deposits.....	\$ (12,283)	\$ (5,209)
Purchases of		
Securities available for sale.....	(126,522)	(172,549)
Proceeds from maturities of		
Securities available for sale.....	44,001	106,228
Proceeds from sales of		
Securities available for sale.....	23,180	37,493
Purchase of Federal Reserve and Federal Home Loan Bank Stock.....	(6,992)	
Net change in loans.....	(14,952)	(19,999)
Other adjustments.....	(3,830)	(7,793)
Net cash paid in acquisition.....		(1,680)
Net cash provided by investing activities.....	\$ (97,398)	\$ (63,509)
Cash Flows From Financing Activities:		
Net change in		
Demand and savings deposits.....	\$ (26,586)	\$ (2,210)
Certificates of deposit and other time deposits.....	36,594	7,313
Borrowings.....	38,216	22,732
Cash dividends.....	(8,510)	(8,183)
Stock issued under dividend reinvestment and stock purchase plan.....	674	570
Stock options exercised.....	637	275
Stock redeemed.....	(2,430)	
Cash paid in lieu of fractional shares.....		116
Net cash used by financing activities.....	38,595	20,613
Net Change in Cash and Cash Equivalents.....	(37,095)	(15,762)
Cash and Cash Equivalents, January 1.....	109,527	119,038
Cash and Cash Equivalents, June 30.....	\$ 72,432	\$ 103,276

See notes to consolidated condensed financial statements.

FIRST MERCHANTS CORPORATION

FORM 10-Q
 NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
 (Table dollars in thousands)
 (Unaudited)

NOTE 1. General

The significant accounting policies followed by First Merchants Corporation ("Corporation") and its wholly owned subsidiaries for interim financial reporting are consistent with the accounting policies followed for annual financial reporting. All adjustments which are of a normal recurring nature and are in the opinion of management necessary for a fair statement of the results for the periods reported have been included in the accompanying consolidated condensed financial statements.

The consolidated condensed balance sheet of the Corporation as of December 31, 2003 has been derived from the audited consolidated balance sheet of the Corporation as of that date. Certain information and note disclosures normally included in the Corporation's annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Corporation's Form 10-K annual report filed with the Securities and Exchange Commission.

The results of operations for the three and six month periods ended June 30, 2004 are not necessarily indicative of the results to be expected for the year.

Stock options are granted for a fixed number of shares to employees. 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. For all 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.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
	-----		-----	
Net income, as reported	\$ 7,355	\$ 8,745	\$ 14,290	\$ 14,403
Add: Total stock-based employee compensation cost included in reported net income, net of income taxes.....		4		10
Less: Total stock-based employee compensation cost determined under the fair value based method, net of income taxes	(229)	(242)	(459)	(492)
Pro forma net income	<u>\$ 7,126</u>	<u>\$ 8,507</u>	<u>\$ 13,831</u>	<u>\$ 13,921</u>
	=====	=====	=====	=====
Earnings per share:				
Basic - as reported	\$.40	\$.48	\$.77	\$.80
Basic - pro forma .....	.38	.46	.75	.77
Diluted - as reported .....	.40	.48	.77	.80
Diluted - pro forma .....	.38	.46	.74	.77

FIRST MERCHANTS CORPORATION

FORM 10-Q
 NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
 (Table dollars in thousands)
 (Unaudited)

NOTE 1. General (continued)

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, upon request the Corporation will also provide without charge, a copy of its Form 10-Q 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.

NOTE 2. Investment Securities

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale at June 30, 2004				
U.S. Treasury	\$ 1,498	\$	\$ (1)	\$ 1,497
Federal agencies.....	37,265	42	(323)	36,984
State and municipal	156,392	4,213	(153)	160,452
Mortgage-backed securities	191,488	430	(4,574)	187,344
Other asset-backed securities.....	519			519
Corporate obligations.....	500	4		504
Marketable equity securities.....	17,931	6		17,937
	-----	-----	-----	-----
Total available for sale	405,593	4,695	(5,051)	405,237
	-----	-----	-----	-----
Held to maturity at June 30, 2004				
State and municipal.....	5,843	199		6,042
Mortgage-backed securities.....	60			60
	-----	-----	-----	-----
Total held to maturity	5,903	199		6,102
	-----	-----	-----	-----
Total investment securities ..	\$411,496	\$ 4,894	\$ (5,051)	\$411,339
	=====	=====	=====	=====

FIRST MERCHANTS CORPORATION

FORM 10-Q
 NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
 (Table dollars in thousands)
 (Unaudited)

	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
	=====	=====	=====	=====

FIRST MERCHANTS CORPORATION

FORM 10-Q
 NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
 (Table dollars in thousands)
 (Unaudited)

NOTE 3. Loans and Allowance

	June 30, 2004 ----	December 31, 2003 ----
Loans:		
Commercial and industrial loans	\$ 458,354	\$ 443,140
Agricultural production financing and other loans to farmers	95,258	95,048
Real estate loans:		
Construction	149,069	149,865
Commercial and farmland	576,309	564,578
Residential	849,389	866,477
Individuals' loans for household and other personal expenditures	206,761	196,093
Tax-exempt loans	7,258	16,363
Other loans	22,982	21,939
	-----	-----
Allowance for loan losses.....	2,365,380 (25,510)	2,353,503 (25,493)
	-----	-----
Total Loans.....	\$ 2,339,870	\$ 2,328,010
	=====	=====

	Six Months Ended June 30,	
	2004 -----	2003 -----
Allowance for loan losses:		
Balances, January 1	\$ 25,493	\$ 22,417
Allowance acquired in acquisition.....		3,727
Provision for losses	3,092	6,724
Recoveries on loans	632	1,013
Loans charged off	(3,707)	(3,242)
	-----	-----
Balances, June 30	\$ 25,510	\$ 30,639
	=====	=====

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

	June 30, 2004	December 31, 2003
Non-accrual loans.....	\$ 17,702	\$ 19,453
Loans contractually past due 90 days or more other than nonaccruing.....	2,488	6,530
Restructured loans.....	926	641
	-----	-----
Total.....	\$ 21,116	\$ 26,624
	=====	=====

FIRST MERCHANTS CORPORATION

FORM 10-Q
 NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
 (Table dollars in thousands)
 (Unaudited)

NOTE 4. Net Income Per Share

	Three Months Ended June 30,					
	2004			2003		
	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.....	\$ 7,355	18,511,190	\$.40	\$ 8,745	18,392,925	\$.48
Effect of dilutive stock options.....		122,111			126,230	
Diluted net income per share:						
Net income available to common stockholders and assumed conversions.....	\$ 7,355	18,633,301	\$.40	\$ 8,745	18,519,155	\$.48

Options to purchase 234,282 and 225,628 shares for the three months ended June 30, 2004 and 2003 were not included in the earnings per share calculation because the exercise price exceeded the average market price.

	Six Months Ended June 30,					
	2004			2003		
	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.....	\$ 14,290	18,514,716	\$.77	\$ 14,403	17,981,451	\$.80
Effect of dilutive stock options.....		130,237			118,883	
Diluted net income per share:						
Net income available to common stockholders and assumed conversions.....	\$ 14,290	18,644,953	\$.77	\$ 14,403	18,100,334	\$.80

Options to purchase 234,283 and 226,469 shares for the six months ended June 30, 2004 and 2003 were not included in the earnings per share calculation because the exercise price exceeded the average market price.

FIRST MERCHANTS CORPORATION

FORM 10-Q
 NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
 (Table dollars in thousands)
 (Unaudited)

Note 5. Defined Benefit Pension Costs

The Corporation has defined benefit pension plans covering substantially all employees. The plans provide benefits that are based on the employees' compensation and years of service. The Corporation uses an actuarial calculation to determine pension plan costs.

The following represents the pension cost for the three and six months ended June 30.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Pension Cost				
Service cost.....	\$ 410	\$ 392	\$ 960	\$ 782
Interest cost	697	654	1,394	1,308
Expected return on plan assets	(742)	(630)	(1,402)	(1,259)
Amortization of the transition asset.....	(38)	(38)	(75)	(75)
Amortization of prior service cost.....	34	34	69	69
Amortization of the net loss.....	88	65	176	129
Total Pension Cost.....	\$ 449	\$ 477	\$ 1,122	\$ 954

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

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-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 "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.

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

of Operations continued

CRITICAL ACCOUNTING POLICIES

Generally accepted accounting principles are complex and require management to apply significant judgments to various accounting, reporting and disclosure matters. Management of the Corporation must use assumptions and estimates to apply these principles where actual measurement is not possible or practical. For a complete discussion of the Corporation's significant accounting policies, see "Notes to the Consolidated Financial Statements" in the Corporation's 2003 Annual Report. Certain policies are considered 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 financial statements. Management has reviewed the application of these policies with the Audit Committee of the Corporation's Board of Directors. For a discussion of applying critical accounting policies, see "Critical Accounting Policies" beginning on page 4 in the Corporation's 2003 Annual Report.

RESULTS OF OPERATIONS

Net income for the three months ended June 30, 2004, equaled \$7,355,000, compared to \$8,745,000 in the same period of 2003. Diluted earnings per share were \$.40, an decrease of 16.7 percent from the \$.48 reported for the second quarter 2003.

Net income for the six months ended June 30, 2004, equaled \$14,290,000, compared to \$14,403,000 during the same period in 2003. Diluted earnings per share were \$.77, a 3.9 percent decrease from the \$.80 reported in 2003.

Annualized returns on average assets and average stockholders' equity for the six months ended June 30, 2004 were .93 percent and 9.30 percent, respectively, compared with 1.00 percent and 10.10 percent for the same period of 2003.

The decreases in diluted earning per share, return on equity and return on assets are primarily due to a decrease in net interest margin of 30 basis points or \$4,138,000, decreased gains from the sale of mortgage loans of \$2,133,000 mitigated by a reduction in the provision for loan losses of \$3,632,000. For further analysis, see the respective sections of Management's Discussion and Analysis of Financial Conditions and Results of Operations.

FIRST MERCHANTS CORPORATION

FORM 10-Q

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 7.5 percent at June 30, 2004 and 7.4 percent at year end 2003. In addition, at June 30, 2004, the Corporation had a Tier I risk-based capital ratio of 9.5 percent and total risk-based capital ratio of 11.7 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 9.7 percent as of June 30, 2004, down from 9.9 percent in 2003. When the Corporation acquires other companies, GAAP capital increases by the entire amount of the purchase price.

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 5.7 percent as of June 30, 2004, down from 6.1 percent in 2003.

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.

(Dollars in Thousands)	June 30, 2004	December 31, 2003
Average Goodwill	\$ 112,281	\$ 107,232
Average Core Deposit Intangible (CDI)	22,993	24,393
Average Deferred Tax on CDI	(8,406)	(8,951)
	-----	-----
Intangible Adjustment	\$ 126,868	\$ 122,674
	=====	=====
Average Stockholders' Equity (GAAP Capital)	\$ 307,171	\$ 293,603
Intangible Adjustment	(126,868)	(122,674)
	-----	-----
Average Tangible Capital	\$ 180,303	\$ 170,929
	=====	=====
Average Assets	\$ 3,059,499	\$ 2,960,195
Intangible Adjustment	(126,868)	(122,674)
	-----	-----
Average Tangible Assets	\$ 2,932,631	\$ 2,837,521
	=====	=====
Net Income	\$ 14,290	\$ 27,571
CDI Amortization, net of tax	1,104	2,341
	-----	-----
Tangible Net Income	\$ 15,394	\$ 29,912
	=====	=====
Diluted Earnings per Share	\$ 0.77	\$ 1.50
Diluted Tangible Earnings per Share	\$ 0.83	\$ 1.63
Return on Average GAAP Capital	9.30%	9.39%
Return on Average Tangible Capital	17.08%	17.50%
Return on Average Assets	0.93%	0.93%
Return on Average Tangible Assets	1.05%	1.05%

FIRST MERCHANTS CORPORATION

FORM 10-Q

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.

At June 30, 2004, non-performing loans totaled \$21,116,000, a decrease during the period of \$5,508,000 from December 31, 2003, as noted in the table on page 11.

At June 30, 2004, impaired loans totaled \$44,665,000, a decrease of \$107,000 from December 31, 2003. At June 30, 2004, an allowance for losses was not deemed necessary for impaired loans totaling \$32,817,000, but an allowance of \$5,016,000 was recorded for the remaining balance of impaired loans of \$11,848,000 and is included in the Corporation's allowance for loan losses. The average balance of impaired loans for the first six months of 2004 was \$41,778,000.

At December 31, 2003, impaired loans totaled \$44,772,000. 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.

At June 30, 2004, the allowance for loan losses was \$25,510,000, an increase of \$17,000 from year end 2003. As a percent of loans, the allowance was 1.08 percent at both June 30, 2004 and December 31, 2003.

The provision for loan losses for the first six months of 2004 was \$3,092,000, a decrease of \$3,632,000 from \$6,724,000 for the same period in 2003. The Corporation's provision for loan losses reflects reduced specific reserves, net charge-offs and non-performing loans, resulting in decreased provision expense. Current declines in the amount of non-performing loans and average impaired loan balances indicate that loan asset quality has improved during the first six months of 2004.

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 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 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") and a revolving line of credit with LaSalle Bank, N.A. as a funding source. At June 30, 2004, total borrowings from the FHLB were \$226,738,000. 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 June 30, 2004, was \$165,316,000. At June 30, 2004, the Corporation's revolving line of credit had a balance of \$5,094,000 and a remaining borrowing capacity of \$14,906,000. The principal source of asset-funded liquidity is investment securities classified as available-for-sale, the market values of which totaled \$405,237,000 at June 30, 2004, an increase of \$56,377,000 or 16.2% over December 31, 2003. 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 \$1,168,000 at June 30, 2004. 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, commitments under operating leases and long-term debt.

The Corporation provides customers with off-balance sheet credit support through loan commitments and standby letters of credit. Summarized credit-related financial instruments at June 30, 2004 are as follows:

	At June 30,
	2004
=====	
(Dollars in thousands)	
=====	
Amounts of commitments:	
Loan commitments to extend credit	\$ 532,654
Standby letters of credit	28,641

	\$ 561,295
	=====

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.

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 long-term debt at June 30, 2004 are as follows:

	2004	2005	2006	2007	2008	2009	Total
(Dollars in thousands)	remaining					and after	
=====							
Operating leases	\$ 767	\$ 1,443	\$ 1,327	\$ 1,112	\$ 916	\$ 3,255	\$ 8,820
Long-term debt	120,955	29,727	25,882	20,995	51,901	173,425	422,885
	-----	-----	-----	-----	-----	-----	-----
Total	\$121,722	\$ 31,170	\$ 27,209	\$ 22,107	\$ 52,817	\$176,680	\$431,705
	=====	=====	=====	=====	=====	=====	=====

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 June 30, 2004, remained adequate to meet the Corporation's primary goal of achieving optimum interest margins while avoiding undue interest rate risk.

The Corporation places its greatest credence in net interest income simulation modeling. The 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 maturity products, e.g., savings, money market, NOW and demand deposits reflect management's best estimate of expected future behavior.

FIRST MERCHANTS CORPORATION

FORM 10-Q

The comparative rising and falling scenarios for the period ended June 30, 2005 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 March 31, 2005 are as follows:

Driver Rates	RISING	FALLING
Prime	200 Basis Points	(200) Basis Points
Federal Funds	200	(100)
One-Year T-Bill	200	(157)
Two-Year T-Bill	200	(233)
Three-Year T-Bill	200	(290)
Interest Checking	100	(14)
MMIA Savings	100	(24)
First Flex	100	(24)
CD's	200	(200)
FHLB Advances	200	(200)

Results for the base, rising and falling interest rate scenarios are listed below, based upon the Corporation's rate sensitive assets at March 31, 2004. 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)	\$102,936	\$104,685	\$ 94,248
Variance from base		\$ 1,749	\$ (8,688)
Percent of change from base		1.70%	(8.44)%

The comparative rising and falling scenarios for the period ended 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)%

FIRST MERCHANTS CORPORATION

FORM 10-Q

EARNING ASSETS

The following table presents the earning asset mix as of June 30, 2004, and December 31, 2003.

Loans increased approximately \$11.8 million from December 31, 2003 to June 30, 2004, while investment securities increased by \$56.3 million during the same period. The Corporation's interest sensitivity and liquidity position has allowed management to purchase securities resulting in increased net interest income from securities.

EARNING ASSETS (Dollars in Millions)	June 30, 2004	December 31, 2003
Federal funds sold and interest-bearing deposits	\$ 20.4	\$ 40.6
Investment securities available for sale	405.2	348.9
Investment securities held to maturity	5.9	7.9
Mortgage loans held for sale	4.0	3.0
Loans	2,365.4	2,353.6
Federal Reserve and Federal Home Loan Bank stock	22.5	15.5
Total	\$ 2,823.4 =====	\$ 2,769.5 =====

DEPOSITS AND BORROWINGS

The following table presents the level of deposits and borrowed funds (Federal funds purchased, repurchase agreements, U.S. Treasury demand notes, Federal Home Loan Bank advances, subordinated debentures and other borrowed funds) at June 30, 2004, and December 31, 2003.

(Dollars in Millions)	June 30, 2004	December 31, 2003
Deposits	\$ 2,372.1	\$ 2,362.1
Securities sold under repurchase agreements.....	63.4	71.1
Federal funds purchased		
and U.S. Treasury demand notes.....	38.5	
Federal Home Loan Bank advances	226.7	212.8
Subordinated debentures, revolving credit lines		
and term loans.....	94.1	97.8
Other borrowed funds .....	.2	1.5

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. 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".

FIRST MERCHANTS CORPORATION

FORM 10-Q

NET INTEREST INCOME

Net Interest Income is the primary source of the Corporation's earnings. It is a function of net interest margin and the level of average earning assets. The table below presents the Corporation's asset yields, interest expense, and net interest income as a percent of average earning assets for the six months ended June 30, 2004 and 2003.

Annualized net interest income (FTE) for the six months ended June 30, 2004 decreased by \$1.5 million, or 1.4 percent over the same period in 2003. For the same period interest income and interest expense, as a percent of average earning assets, decreased 55 basis points and 25 basis points respectively. This resulted in a 30 basis point decline in net interest income, as a percent of average earning assets, from the first six months 2003 margin of 4.17 percent. Federal Reserve Bank rate reductions during 2003 significantly contributed to this margin compression; however, management's ability to favorably reprice deposit interest costs caused the first quarter of 2004 net interest margin of 3.87 percent to increase 9 basis points, as compared to the fourth quarter 2003 net interest margin of 3.78 percent. This increase was maintained in the second quarter of 2004.

(Dollars in Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Annualized Net Interest Income.....	\$ 103,389	\$ 103,819	\$ 102,958	\$ 103,929
Annualized FTE Adjustment.....	\$ 3,352	\$ 3,804	\$ 3,292	\$ 3,836
Annualized Net Interest Income On a Fully Taxable Equivalent Basis.....	\$ 106,741	\$ 107,623	\$ 106,250	\$ 107,765
Average Earning Assets.....	\$2,758,369	\$2,705,844	\$2,748,832	\$2,585,749
Interest Income (FTE) as a Percent of Average Earning Assets.....	5.65%	5.99%	5.68%	6.23%
Interest Expense as a Percent of Average Earning Assets.....	1.78%	2.01%	1.81%	2.06%
Net Interest Income (FTE) as a Percent of Average Earning Assets.....	3.87%	3.98%	3.87%	4.17%

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. In addition, annualized amounts are computed utilizing a 30/360 day basis.

FIRST MERCHANTS CORPORATION

FORM 10-Q

OTHER INCOME

Other income in the second quarter of 2004 was \$1,897,000 or 17.0% lower than the same quarter of 2003. Gains decreased by \$1,999,000 from the same period in 2003 as stabilizing mortgage rates caused reduced volume from refinancing of mortgage loans.

Other income in the first six months of 2004 was \$1,967,000 of 10.0% lower than the same period of 2003. Gains decreased by \$2,133,000 from the same period in 2003 as stabilizing mortgage rates caused reduced volume from refinancing of mortgage loans.

OTHER EXPENSES

Total other expenses represent non-interest expenses of the Corporation. Total other expenses during the second quarter of 2004 decreased from the second quarter of 2003 by \$313,000 or 1.4%.

Total other expenses during the first six months of 2004 exceeded the same period in 2003 by \$810,000 or 1.8%.

Two areas account for the change:

1. Salaries and benefit expense grew \$1,404,000, due to normal salary increases, staff additions and additional salary cost related to the March 1, 2003 acquisition of Commerce National Bank.
2. In 2003, the Corporation accrued \$460,000 in anticipation of a settlement of a claim. The claim is being settled for \$200,000 causing a reduction in other expenses of \$260,000 during the second quarter of 2004.

FIRST MERCHANTS CORPORATION

FORM 10-Q

INCOME TAXES

Income tax expense, for the six months ended June 30, 2004, increased by \$482,000 from the same period in 2003. The effective tax rate was 30.9 and 29.1 percent for the 2004 and 2003 periods.

OTHER

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The information required under this item is included as part of Management's Discussion and Analysis of Financial Condition and Results of Operations, under the headings "LIQUIDITY" and "INTEREST SENSITIVITY AND DISCLOSURES ABOUT MARKET RISK".

Item 4. 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 its 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.

FIRST MERCHANTS CORPORATION

FORM 10-Q

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

- a. None
- b. None
- c. None
- d. None
- e. Issuer purchases of Equity Securities

PERIOD	TOTAL NUMBER OF SHARES PURCHASED	AVERAGE PRICE PAID PER SHARE	TOTAL NUMBER OF SHARES PURCHASED AS PART OF BOARD AUTHORIZATION(1)	MAXIMUM NUMBER OF SHARES THAT MAY YET BE PURCHASED UNDER BOARD AUTHORIZATION(1)
April 1-30, 2004	0		0	250,000
May 1-31, 2004	66,625	\$23.16	64,000	186,000
June 1-30, 2004	36,136	\$24.32	31,000	155,000

(1) On February 10, 2004, the Corporation's Board authorized management to repurchase up to 250,000 shares of the Corporation's Common Stock. This authorization expires February 8, 2005.

Item 3. Defaults Upon Senior Securities

None

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

- a. The Annual Meeting of Shareholders of the Corporation was held on April 22, 2004.
- b. No response is required.
- c. The following matters were voted on by shareholders:
 - i) Election of Directors - The following directors were elected for a term of three years.

	Vote Count		
	Vote For	Vote Against	Vote Abstained
Michael L. Cox	15,205,594	0	465,799
Norman M. Johnson	15,301,859	0	369,535
Thomas D. McAuliffe	15,278,641	0	392,756
Robert M. Smitson	15,288,806	0	382,590

- ii) Approval of the First Merchants Corporation 2004 Employee Stock Purchase Plan: Votes For - 12,204,838, Votes Against - 470,315, Votes Abstained - 168,254.
- iii) Ratification of the appointment of Independent Public Accountants - BKD, LLP, Indianapolis, Indiana: Votes For - 15,487,156, Votes Against - 84,904, Votes Abstained - 99,333.
- d. Not applicable.

Item 5. Other Information

- a. None
- b. None

FIRST MERCHANTS CORPORATION

FORM 10-Q

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits

Exhibit No.:	Description of Exhibit:	Form 10-Q Page No.:
3(ii)	Bylaws of First Merchants Corporation, as most recently amended on April 22, 2004	30
10a	First Merchants Corporation 2005 Employee Stock Purchase Plan approved on April 22, 2004	45
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002	50
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002	51
32	Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	52

Item 6. Exhibits and Reports on Form 8-K continued

b. Reports on Form 8-K

A report on Form 8-K, dated April 22, 2004, was filed on April 22, 2004 under report items number 9 and 7, concerning the Press Release announcing first quarter 2004 earnings.

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

(c) Exhibit

- (99) Press Release, dated April 22, 2004, issued by First Merchants Corporation

A report on Form 8-K, dated April 23, 2004 was filed on April 27, 2004 under report item 5, concerning the Corporation's intention to merge two of its wholly owned subsidiaries: The Randolph County Bank, National Association and The Union County National Bank of Liberty.

Under report item number 5, the following exhibit was included in this Form 8-K.

(c) Exhibit

- (99) Press release dated April 23, 2004

A report on Form 8-K, dated June 22, 2004, was filed on June 22, 2004 under report item number 5, concerning the Corporation's declaration of a cash dividend on its shares of common stock paid on June 18, 2004. The dividend was paid to shareholders of record on June 4, 2004. The dividend was distributed along with a letter to shareholders.

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

(c) Exhibit

- (99) Press release dated February 13, 2004.

FIRST MERCHANTS CORPORATION

FORM 10-Q

SIGNATURES

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

First Merchants Corporation

(Registrant)

Date 08/09/04

by /s/ Michael L. Cox

Michael L. Cox
President and Chief Executive Officer

Date 08/09/04

by /s/ Mark K. Hardwick

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

FIRST MERCHANTS CORPORATION

FORM 10-Q

INDEX TO EXHIBITS

INDEX TO EXHIBITS

(a)3. Exhibits:

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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

BE IT RESOLVED that Article V, Section 1, of the Bylaws of the Corporation is hereby amended to read as follows, effective April 22, 2004:

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 thirteen (13) 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 four (4) Directors, and Class III shall have five (5) 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 clause (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.

FIRST MERCHANTS CORPORATION

2004 EMPLOYEE STOCK PURCHASE PLAN

INTRODUCTION

The First Merchants Corporation 2004 Employee Stock Purchase Plan (the "Plan") was adopted by the Board of Directors (the "Board") of First Merchants Corporation (the "Company") on December 9, 2003, subject to approval of the Company's shareholders at their annual meeting on April 22, 2004. The effective date of the Plan shall be July 1, 2004, if it is approved by the shareholders. The purpose of the Plan is to provide eligible employees of the Company and its subsidiaries a convenient opportunity to purchase shares of common stock of the Company through annual offerings financed by payroll deductions. As used in this Plan, "subsidiary" means a corporation or other form of business association of which shares (or other ownership interests) having 50% or more of the voting power are, or in the future become, owned or controlled, directly or indirectly, by the Company.

The Plan may continue until all the stock allocated to it has been purchased or until after the fifth offering is completed, whichever is earlier. The Board may terminate the Plan at any time, or make such amendment of the Plan as it may deem advisable, but no amendment may be made without the approval of the Company's shareholders if it would materially: (i) increase the benefits accruing to participants under the Plan; (ii) modify the requirements as to eligibility for participation in the Plan; (iii) increase the number of shares which may be issued under the Plan, (iv) increase the cost of the Plan to the Company; or (v) alter the allocation of Plan benefits among participating employees.

The Plan is not qualified under Section 401(a) of the Internal Revenue Code of 1986 (the "Code") and is not subject to any provisions of the Employee Retirement Income Security Act of 1974 (ERISA). It is the Company's intention to have the Plan qualify as an "employee stock purchase plan" under Section 423 of the Code, and the provisions of the Plan shall be construed so as to extend and limit participation in a manner consistent with the requirements of that Section of the Code.

ADMINISTRATION

The Plan is administered by the Compensation and Human Resources Committee (the "Committee"), which consists of two or more members of the Board, none of whom are eligible to participate in the Plan and all of whom are "non-employee directors," as such term is defined in Rule 16b-3(b)(3) of the Securities and Exchange Commission, under the Securities Exchange Act of 1934, as amended (the "1934 Act"). The Committee shall prescribe rules and regulations for the administration of the Plan and interpret its provisions. The Committee may correct any defect, reconcile any inconsistency or resolve any ambiguity in the Plan. The actions and determinations of the Committee on matters relating to the Plan are conclusive. The Committee and its members may be addressed in care of the Company at its principal office. The members of the Committee do not serve for fixed periods but may be appointed or removed at any time by the Board.

STOCK SUBJECT TO THE PLAN

An aggregate of 400,000 shares of common stock, without par value, of the Company (the "Common Stock") is available for purchase under the Plan. Shares of Common Stock which are to be delivered under the Plan may be obtained by the Company by authorized purchases on the open market or from private sources, or by issuing authorized but unissued shares of Common Stock. In the event of any change in the Common Stock through recapitalization, merger, consolidation, stock dividend or split, combination or exchanges of shares or otherwise, the Committee may make such equitable adjustments in the Plan and the then outstanding offering as it deems necessary and appropriate including, but not limited to, changing the number of shares of Common Stock reserved under the Plan and the price of the current offering. If the number of shares of Common Stock that participating employees become entitled to purchase is greater than the number of shares of Common Stock available, the available shares shall be allocated by the Committee among such participating employees in such manner as it deems fair and equitable. No fractional shares of Common Stock shall be issued or sold under the Plan.

ELIGIBILITY

All employees of the Company and such of its subsidiaries as shall be designated by the Committee will be eligible to participate in the Plan. No employee shall be eligible to participate in the Plan if his or her customary employment is less than 20 hours per week. No employee shall be eligible to participate in an offering unless he or she has been continuously employed by the Company or subsidiary for at least six months as of the first day of such offering. No employee shall be eligible to participate in the Plan if, immediately after an option is granted under the Plan, the employee owns more than five percent (5%) of the total combined voting power or value of all classes of shares of the Company or of any parent or subsidiary of the Company.

OFFERINGS, PARTICIPATING, DEDUCTIONS

The Company may make up to five offerings of 12 months' duration each to eligible employees to purchase Common Stock under the Plan. An eligible employee may participate in such offering by authorizing at any time prior to the first day of such offering a payroll deduction for such purpose in whole dollar amounts, up to a maximum of twenty percent (20%) of his or her basic salary or wages, excluding any bonus, overtime, incentive or other similar extraordinary remuneration received by such employee. The Committee may at any time suspend an offering if required by law or if determined by the Committee to be in the best interests of the Company.

The Company will maintain or cause to be maintained payroll deduction accounts for all participating employees. All funds received or held by the Company or its subsidiaries under the Plan may be, but need not be, segregated from other corporate funds. Payroll deduction accounts will be credited with interest at such rates and intervals as the Committee shall determine from time to time. Any balance remaining in any employee's payroll deduction account at the end of an offering period will be refunded to the employee.

Each participating employee will receive a statement of his or her payroll deduction account and the number of shares of Common Stock purchased therewith following the end of each offering period.

Subject to rules, procedures and forms adopted by the Committee, a participating employee may at any time during the offering period increase, decrease or suspend his or her payroll deduction, or may withdraw the entire balance of his or her payroll deduction account and thereby withdraw from participation in an offering. Under the initial rules established by the Committee, payroll deductions may not be altered more than once in each offering period and withdrawal requests may be received on or before the last day of such offering. In the event of a participating employee's retirement, death or termination of employment, his or her participation in any offering under the Plan shall cease, no further amounts shall be deducted pursuant to the Plan, and the balance in the employee's account shall be paid to the employee, or, in the event of the employee's death, to the employee's beneficiary designated on a form approved by the Committee (or, if the employee has not designated a beneficiary, to his or her estate).

PURCHASE, LIMITATIONS, PRICE

Each employee participating in any offering under the Plan will be granted an option, upon the effective date of such offering, for as many full shares of Common Stock as the amount of his or her payroll deduction account at the end of any offering period can purchase. No employee may be granted an option under the Plan which permits his or her rights to purchase Common Stock under the Plan, and any other stock purchase plan of the Company or a parent or subsidiary of the Company qualified under Section 423 of the Code, to accrue at a rate which exceeds \$25,000 of Fair Market Value of such Common Stock (determined at the time the option is granted) for each calendar year in which the option is outstanding at any time. As of the last day of the offering period, the payroll deduction account of each participating employee shall be totaled. If such account contains sufficient funds to purchase one or more full shares of Common Stock as of that date, the employee shall be deemed to have exercised an option to purchase the largest number of full shares of Common Stock at the offering price. Such employee's account will be charged for the amount of the purchase and the employee's book entry stock account will be credited with the number of shares of Common Stock purchased.

The Committee shall determine the purchase price of the shares of Common Stock which are to be sold under each offering, which price shall be the lesser of (i) an amount equal to 85 percent of the Fair Market Value of the Common Stock at the time such option is granted, or (ii) an amount equal to 85 percent of the Fair Market Value of the Common Stock at the time such option is exercised. "Fair Market Value" of a share of Common Stock on a given date is defined as the last reported sale price of a share on such date, or if no sale took place, the last reported sale price of a share of stock on the most recent day on which a sale of a share of stock took place as recorded on the Nasdaq Stock Market or national securities exchange on which the Common Stock of the Company is listed on such date. If the Common Stock of the Company isn't listed on such date on the Nasdaq Stock Market or a national securities exchange, "Fair Market Value" is defined as the fair market value of a share on such date as determined in good faith by the Committee.

STOCK ACCOUNTS, TRANSFER OF INTERESTS

Shares of Common Stock purchased under the Plan may be registered in the name of a nominee or held in such other manner as the Committee determines to be appropriate. A book entry stock account will be established in each participating employee's name. Each participating employee will be the beneficial owner of the Common Stock purchased under the Plan and credited to his or her stock account, and he or she will have all rights of beneficial ownership in such Common Stock. The Company or its nominee will retain custody of the Common Stock purchased under the Plan until specifically requested in writing by the participating employee to be sold, transferred or delivered. A participating employee may request that a stock certificate, representing all or part of the shares of Common Stock credited to his or her stock account, be issued and delivered to the participating employee at any time.

No option, right or benefit under the Plan may be transferred by a participating employee other than by will or the laws of descent and distribution, and all options, rights and benefits under the Plan may be exercised during the participating employee's lifetime only by such employee or the employee's guardian or legal representative. There are no restrictions imposed by or under the Plan upon the resale of shares of Common Stock issued under the Plan.

Certain officers of the Company are subject to restrictions under Section 16(b) of the 1934 Act. With respect to such officers, transactions under the Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the 1934 Act. To the extent any provision of the Plan or action by the Committee fails to so comply, it shall be deemed null and void if permitted by law and deemed advisable by the Committee.

Beneficial ownership of the shares of Common Stock purchased under the Plan may be held only in the name of the participating employee, or, if such employee so indicates on his or her authorization form, in his or her name jointly with a member of his or her family, with right of survivorship. A participating employee who is a resident of a jurisdiction which does not recognize such a joint tenancy may hold shares in the employee's name as tenant in common with a member of his or her family, without right of survivorship.

CERTIFICATION PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

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

1. I have reviewed this quarterly report on Form 10-Q of First Merchants Corporation;
2. Based on my knowledge, this quarterly 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: August 9, 2004

/s/Michael L. Cox

Michael L. Cox
President and Chief Executive Officer

CERTIFICATION PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

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

1. I have reviewed this quarterly report on Form 10-Q of First Merchants Corporation;
2. Based on my knowledge, this quarterly 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: August 9, 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 quarterly report of First Merchants Corporation (the "Corporation") on Form 10-Q for the period ending June 30, 2004 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 08/09/04

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 quarterly report of First Merchants Corporation (the "Corporation") on Form 10-Q for the period ending June 30, 2004 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 08/09/04

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.