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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended September 30, 1996

Commission File Number 0-17071

FIRST MERCHANTS CORPORATION

(Exact name of registrant as specified in its character)

INDIANA	35-1544218
(State or other jurisdiction of incorporation of organization)	(I.R.S. Employer dentification No.)
200 East Jackson Street - Muncie, IN	47305-2814
(Address of principal executive office)	(Zip code)

(317) 747-1500

(Registrant's telephone number, including area code)

Not Applicable

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

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

Yes X No

As of October 30, 1996, there were outstanding 6,597,204 common shares, without par value, of the registrant.

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

	September 30, 1996	December 31, 1995
ASSETS:		
Cash and due from banks	$ 41,451	$ 34,893
Federal funds sold	2,250	37,500
Cash and cash equivalents	43,701	72,393
Interest-bearing deposits with financial institutions	444	155
Securities available for sale	207,012	203,909
Securities held to maturity	51,809	60,678
Mortgage loans held for sale		736
Loans:		
Loans	559,506	508,844
Less: Allowance for loan losses	6,038	6,101
Net loans	553,468	502,743
Premises and equipment	13,811	13,503
Federal Reserve and Federal Home Loan Bank stock	2,839	2,702
Interest receivable	7,754	7,917
Core deposit intangibles and goodwill	1,747	1,845
Others assets	4,135	2,356
Total assets	$ 886,720	$ 868,937
LIABILITIES:		
Deposits:		
Noninterest-bearing	$ 82,853	$ 107,238
Interest-bearing	605,661	613,257
Total deposits	688,514	720,495
Short-term borrowings	81,802	37,377
Federal Home Loan Bank advances	9,150	9,000
Interest payable	3,204	3,035
Other liabilities	3,424	2,816
Total liabilities	786,094	772,723
STOCKHOLDERS' EQUITY:		
Preferred stock, no-par value: Authorized and unissued -- 500,000 shares		
Common stock, $.125 stated value: Authorized --- 20,000,000 shares Issued and outstanding -- 6,030,868 and 5,996,586 shares	754	750
Additional paid-in capital	19,402	18,661
Retained earnings	80,311	74,955
Net unrealized gain on securities available for sale	159	1,848
Total stockholders' equity	100,626	96,214
Total liabilities and stockholders' equity	$ 886,720	$ 868,937

See notes to consolidated condensed financial statements.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	1996	1995	1996	1995
Interest Income:				
Loans, including fees:				
Taxable	$ 12,157	$11,488	$ 35,317	$ 33,413
Tax exempt	22	39	59	93
Securities:				
Taxable	2,955	2,983	9,000	8,478
Tax exempt	887	847	2,575	2,436
Federal funds sold	115	275	448	632
Interest-bearing deposits with financial institutions	2	3	7	6
Federal Reserve and Federal Home Loan Bank stock	53	49	159	144
Total interest income	16,191	15,684	47,565	45,202
Interest Expense:				
Deposits	6,575	6,670	19,841	18,643
Short-term borrowings	850	832	1,965	1,962
Federal Home Loan Bank advances	134	78	399	320
Total interest expense	7,559	7,580	22,205	20,925
Net Interest Income	8,632	8,104	25,360	24,277
Provision for loan losses	250	236	740	767
Net Interest Income After Provision For Loan Losses	8,382	7,868	24,620	23,510
Other Income:				
Net realized gains (losses) on sale of available for sale securities	24	(2)	50	(50)
Other income	1,950	2,013	5,785	5,494
Total other income	1,974	2,011	5,835	5,444
Total other expenses	5,811	5,467	16,817	16,147
Income before income tax	4,545	4,412	13,638	12,807
Income tax expense	1,548	1,582	4,676	4,382
Net Income	$ 2,997	$ 2,830	$ 8,962	$ 8,425
Per share:				
Net income (1)	$ .50	$ .47	$ 1.49	$ 1.40
Dividends (1)(2)	.24	.20	.64	.58
Weighted average shares outstanding (1)	6,025,472	6,005,433	6,009,747	5,999,253

(1) Restated for 3-for-2 stock split distributed October, 1995.
(2) Dividends per share is for First Merchants Corporation, not restated for pooling transaction.

See notes to consolidated financial statements.

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CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(Dollar amounts in thousands)

(Unaudited)

	1996	1995
Balances, January 1	$ 96,214	$ 84,427
Net income	8,962	8,425
Cash dividends	(3,606)	(3,102)
Net change in unrealized gain (loss) on securities available for sale	(1,689)	3,483
Stock issued under employee benefit plans	298	277
Stock issued under dividend reinvestment and stock purchase plan	384	327
Stock options exercised	64	199
Stock redeemed		(920)
Cash paid in lien of issuing fractional shares	(1)	
Balances, September 30	$ 100,626	$ 93,116

See notes to consolidated condensed financial statements.

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

	Nine Months Ended September 30	
	1996	1995
Cash Flows From Operating Activities:		
Net income	$ 8,962	$ 8,425
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	740	767
Depreciation and amortization	1,095	1,052
Securities amortization, net	316	533
Mortgage loans originated for sale	(1,458)	(1,852)
Proceeds from sale of mortgage loans	2,211	1,859
Change in interest receivable	163	(861)
Change in interest payable	169	1,146
Other adjustments	(131)	105
Net cash provided by operating activities	12,067	11,174
Cash Flows From Investing Activities:		
Net change in interest-bearing deposits with financial institutions	(289)	(136)
Purchases of:		
Securities available for sale	(88,457)	(63,250)
Securities held to maturity	(21,616)	(30,762)
Proceeds from maturities of:		
Securities available for sale	76,092	14,458
Securities held to maturity	30,335	29,339
Proceeds from sales of securities available for sale	7,407	13,695
Net change in loans	(52,441)	(13,820)
Purchases of premises and equipment	(1,403)	(1,634)
Other investing activities	180	219
Net cash used by investing activities	(50,192)	(51,891)
Cash Flows From Financing Activities:		
Net change in:		
Noninterest-bearing, NOW, money market and savings deposits	(45,948)	(43,905)
Certificates of deposit and other time deposits	13,967	58,009
Short-term borrowings	44,425	29,308
Federal Home Loan Bank advances	(150)	
Cash dividends	(3,606)	(3,102)
Stock issued under employee benefit plans	298	277
Stock issued under dividend reinvestment and stock purchase plan	384	327
Stock options exercised	64	199
Stock redeemed		(920)
Cash paid in lieu of issuing fractional shares	(1)	
Net cash provided by financing activities	9,433	40,193
Net Decrease in Cash and Cash Equivalents	(28,692)	(524)
Cash and Cash Equivalents, January 1	72,393	50,022
Cash and Cash Equivalents, September 30	$ 43,701	$49,498

See notes to consolidated condensed financial statements.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Table dollar amounts in thousands, except per share amounts)
(Unaudited)

NOTE 1. General

The significant accounting policies followed by First Merchants Corporation ("Corporation") and its wholly owned subsidiaries for interim financial reporting are consistent with the accounting policies followed for annual financial reporting, except for the changes in methods of accounting discussed more fully in Note 2. All adjustments, which are 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 financial statements.

NOTE 2. Change in Methods of Accounting

Statement of Financial Standards ("SFAS") No. 123, Stock-Based Compensation, is effective for the Corporation for 1996. This statement establishes a fair value based method of accounting for stock-based compensation plans. The Corporation intends to account for stock-based compensation as prescribed in Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees.

Statement of Financial Accounting Standards ("SFAS") No. 122, Accounting for Mortgage Servicing Rights, was adopted by the Corporation on January 1, 1996. SFAS 122 eliminates the accounting distinction between mortgage servicing rights that are acquired through loan origination activities and those acquired through purchase transactions. Under SFAS 122, if a mortgage banking enterprise sells or securitizes loans and retains the mortgage servicing rights, the enterprise must allocate the total cost of the mortgage loans to the mortgage servicing rights and the loans (without the rights) based on their relative fair values if it is practicable to estimate those fair values. If it is not practicable, the entire cost should be allocated to the mortgage servicing rights. The adoption of this statement had no material impact on the Corporation's financial condition and results of operations.

NOTE 3. Acquisitions

On August 1, 1996, the Corporation issued 942,685 shares of its common stock in exchange for all of the outstanding shares of Union National Bancorp, Liberty, Indiana (Union National). At December 31, 1995, Union National had total assets and shareholders' equity of $161,078,000 and $15,741,000, respectively. The transaction was accounted for under the pooling of interests method of accounting. The financial information contained herein reflects the merger and reports the financial condition and results of operations as though the Corporation had been combined as of January 1, 1995. Separate operating results of Union National for the periods prior to the merger were as follows:

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	Three Months Ended September 30		Nine Months Ended September 30	
	1996	1995	1996	1995
Net interest income:				
First Merchants Corporation	$8,202	$6,955	$22,402	$20,883
Union National Bancorp	430	1,149	2,958	3,394
Combined	$8,632	$8,104	$25,360	$24,277
Net income:				
First Merchants Corporation	2,837	2,414	7,996	7,334
Union National Bancorp	160	416	966	1,091
Combined	$2,997	$2,830	$ 8,962	$ 8,425
Net income per share:				
First Merchants Corporation	.47	.40	1.33	1.22
Union National Bancorp	.03	.07	.16	.18
Combined	$ .50	$ .47	$ 1.49	$ 1.40

On October 2, 1996, the Corporation issued 565,705 shares of its common stock in exchange for all of the outstanding shares of Randolph County Bancorp, Winchester, Indiana (Randolph County). At December 31, 1995, Randolph County had total assets and shareholders' equity of $73,219,000 and $8,753,000, respectively. The transaction will be accounted for under the pooling of interests method of accounting. The financial information contained herein does not reflect the merger. Pro forma unaudited results of operations assuming the merger had occurred on January 1, 1995, are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	1996	1995	1996	1995
Net interest income	$ 9,310	$ 8,779	$ 27,434	$26,230
Net income	3,221	3,051	9,651	8,999
Net income per share	.49	.46	1.47	1.37

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(Table dollar amounts in thousands)
(Unaudited)

NOTE 4. Investment Securities

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale at September 30, 1996:				
U.S. Treasury	$ 20,737	$ 62	$ 87	$ 20,712
Federal agencies	77,228	486	351	77,363
State and municipal	39,005	882	171	39,716
Mortgage and other asset-backed securities	43,074	201	651	42,624
Corporate obligations	26,198	90	197	26,091
Marketable equity securities	506			506
Total available for sale	206,748	1,721	1,457	207,012
Held to maturity at September 30, 1996:				
U.S. Treasury	850	1	10	841
Federal agencies	6,585	24	13	6,596
State and municipal	37,595	247	59	37,783
Mortgage and other asset-backed securities	4,482	9		4,491
Corporate obligations	2,297	11	12	2,296
Total held to maturity	51,809	292	94	52,007
Total investment securities	$ 258,557	$ 2,013	$ 1,551	$259,019

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(Table dollar amounts in thousands)
(Unaudited)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale at December 31, 1995:				
U.S. Treasury	$ 12,530	$ 161	$ 3	$ 12,688
Federal agencies	79,155	1,501	83	80,573
State and municipal	31,963	1,207	50	33,120
Mortgage and other asset-backed securities	47,445	411	283	47,573
Corporate obligations	29,177	264	79	29,362
Marketable equity security	562	31		593
Total available for sale	200,832	3,575	498	203,909
Held to maturity at December 31, 1995:				
U.S. Treasury	3,103	8	2	3,109
Federal agencies	11,645	69	21	11,693
State and municipal	40,393	574	57	40,910
Mortgage and other asset-backed securities	5,037	17	21	5,033
Corporate obligations	500		1	499
Total held to maturity	60,678	668	102	61,244
Total investment securities	$261,510	$4,243	$ 600	$265,153

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(Table dollar amounts in thousands)
(Unaudited)

NOTE 5. Loans and Allowance

	September 30, 1996	December 31, 1995
Loans:		
Commercial and industrial loans	$ 107,432	$ 94,343
Bankers' acceptances and loans to financial institutions	2,625	2,925
Agricultural production financing and other loans to farmers	12,979	11,140
Real estate loans:		
Construction	11,780	9,989
Commercial and farmland	85,669	84,570
Residential	236,827	213,233
Individuals' loans for household and other personal expenditures	96,640	89,274
Tax-exempt loans	1,229	1,119
Other loans	4,325	2,251
Total loans	$ 559,506	$ 508,844

	Nine Months Ended September 30	
	1996	1995
Allowance for loan losses:		
Balances, January 1	$ 6,101	$ 6,114
Provision for losses	740	767
Recoveries on loans	197	156
Loans charged off	(1,000)	(821)
Balances, September 30	$ 6,038	$ 6,216

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

RESULTS OF OPERATIONS

The Corporation has recorded 20 consecutive years of growth in operating earnings per share, reaching $1.90 in 1995, an increase of 8.6 per cent over 1994.

Return on assets was 1.40 per cent in 1995, up from 1.36 per cent in 1994.

Return on equity was 12.59 per cent in 1995 and 12.65 in 1994.

Following are the levels achieved in each of these ratios during the first nine months of 1996, as compared to the same period in 1995.

- Earnings per share were $1.49, up 6.4 per cent from $1.40
- Return on assets was 1.41 per cent increasing from 1.37 per cent
- Return on equity totaled 12.23 per cent compared to 12.60 per cent for the first nine months of 1995

CAPITAL

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

The Corporation's capital to assets ratio was 11.07 per cent at December 31, 1995, and 11.35 per cent at September 30, 1996. At September 30, 1996, the Corporation had a Tier I risk-based capital ratio of 17.09 per cent, total risk-based capital ratio of 18.13 per cent and a leverage ratio of 11.56 per cent. Regulatory capital guidelines require a Tier I risk-based capital ratio of 4.0 per cent and a total risk-based capital ratio of 8.0 per cent.

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

ASSET QUALITY/PROVISION FOR LOAN LOSSES

Asset quality has been a major factor in the Corporation's ability to generate consistent profit improvement. The increase in non-performing loans from December 31, 1995 to September 30, 1996 is primarily attributable to two loans placed in non-accrual status during the first half of 1996. These loans were included in impaired loans at December 31, 1995 for which an allowance was recorded. Management is in the process of resolving these loan situations and anticipates that no additional provision for loan losses is required.

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

The following table summarizes the risk elements for First Merchants Corporation (table dollar amounts in thousands).

	September 30, 1996	December 31, 1995	September 30, 1995
Non-accrual Loans	$ 4,105	$ 587	$ 797
Loans contractually past due 90 days or more other than nonaccruing	1,748	1,188	1,039
Restructured loans	902	1,075	1,141
Total	$ 6,755	$2,850	$2,977

On September 30, 1996, the loan loss reserve stood at $6,038,000. As a per cent of loans, the reserve stood at 1.08 per cent compared to 1.20 per cent at year end 1995. The provision for loan losses for the first nine months of 1996 was $740,000 compared to $767,000 for the same period of 1995. The Corporation adopted SFAS No. 114 and No. 118, Accounting by Creditors for Impairment of a Loan and Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures on January 1, 1995. Impaired loans totaled $4,181,000 at December 31, 1995. An allowance for losses at December 31, 1995, was not deemed necessary for impaired loans totaling $1,972,600, but an allowance of $1,104,000 was recorded for the remaining balance of impaired loans of $2,208,400. The balance of impaired loans has not changed significantly since December 31, 1995.

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The following table presents loan loss experience for the periods indicated and compares the Corporations loss experience to its peer group consisting of bank holding companies with average assets between $500 million and $1 billion. The statistics were provided by the Federal Reserve System (table dollar amounts in thousands).

	1996(1)	1995	1994
Allowance for loan losses:			
Balance at January 1	$ 6,101	$ 6,114	$ 5,900
Chargeoffs:			
Commercial	413	549	846
Real estate mortgage	14	1	41
Installment	573	680	384
Total chargeoffs	1,000	1,230	1,271
Recoveries:			
Commercial	59	121	265
Real estate mortgage	6	4	30
Installment	132	112	108
Total recoveries	197	237	403
Net chargeoffs	803	993	868
Provision for loan losses	740	980	1,082
Balance at December 31	$ 6,038	$ 6,101	$6,114
Ratio of net chargeoffs during the period to average loans outstanding during the period	.20%(2)	.20%	.18%
Peer Group	N/A	.26	.25

(1) Through September 30, 1996
(2) Annualized

LIQUIDITY AND INTEREST SENSITIVITY

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

First Merchants Corporation's liquidity and interest sensitivity position at September 30, 1996, remained adequate to meet the Corporation's primary goal of achieving optimum interest margins while avoiding undue interest rate risk. The table below represents the Corporation's interest rate sensitivity analysis as of September 30, 1996 (table dollar amounts in thousands).

Interest-Rate Sensitivity Analysis
At September 30, 1996

	1-180 Days	181-365 Days	1-5 Years	Beyond 5 Years	Total
Rate-sensitive assets:					
Federal funds sold and interest-bearing deposits with financial institutions	$ 2,694				$ 2,694
Investment securities	47,107	$ 31,363	$152,763	$ 27,588	258,821
Loans	260,818	59,206	166,239	73,243	559,506
Federal Reserve and Federal Home Loan Bank stock	2,532			307	2,839
Total rate-sensitive assets	313,151	90,569	319,002	101,138	823,860
Rate-sensitive liabilities:					
Interest-bearing deposits	254,530	92,475	257,359	1,297	605,661
Short-term borrowing	81,802				81,802
Federal Home Loan Bank advance	2,000		7,150		9,150
Total rate-sensitive liabilities	338,332	92,475	264,509	1,297	696,613
Periodic rate sensitivity gap	$(25,181)	$(1,906)	$ 54,493	$ 99,841	
Cumulative rate sensitivity gap	(25,181)	(27,087)	27,406	127,247	
Cumulative rate sensitivity gap ratio	93%	94%	1.04%	1.18%	

Although rate sensitivity GAPS constantly change as funds are acquired and invested, the Corporation had a negative GAP of $27,087,000 or 94 per cent at one year or less as of September 30, 1996. This, in the opinion of management is a relative balanced position. Net interest income at financial institutions with negative GAPS tends to decline as interest rates increase and generally increase as interest rates decline.

EARNING ASSETS

Earning assets increased $92.4 million during 1995 and increased $9.3 million during the first nine months of 1996.

The following table presents the earning asset mix for the years ended 1994, 1995 and at September 30, 1996 (table dollar amounts in millions).

	Earning Assets		
	September 30, 1996	December 31, 1995	December 31, 1994
Federal funds sold and interest-bearing deposits with financial institutions	$ 2.7	$ 37.7	$ 4.3
Securities available for sale	207.0	203.9	122.2
Securities held to maturity	51.8	60.7	108.0
Mortgage loans held for sale		.7	
Federal Reserve and Federal Home Loan Bank stock	2.8	2.7	2.7
Loans	559.5	508.8	484.9
Total	$823.8	$814.5	$722.1

The Corporation has placed an emphasis on increasing the loan portfolio to improve net interest income. Loan growth has outpaced deposit growth resulting in a reduction in Federal Funds sold and interest-bearing deposits with financial institutions.

DEPOSITS AND BORROWINGS

The following tables present the level of deposits and borrowed funds (Federal funds purchased, repurchase agreements with customers, U.S. Treasury demand notes, and Federal Home Loan Bank advances) based on period end levels and average daily balances for the past two years and the nine month period ended September 30, 1996 (table dollar amounts in thousands).

	Period End Balances		
	Deposits	Short-term Borrowings	Federal Home Loan Bank Advances
September 30, 1996	$688,514	$ 81,802	$ 9,150
December 31, 1995	720,495	37,377	9,000
December 31, 1994	651,228	40,631	8,000

	Average Balances		
	Deposits	Short-term Borrowings	Federal Home Loan Bank Advances
September 30, 1996	$687,288	$ 48,621	$ 9,212
December 31, 1995	656,561	47,367	8,515
December 31, 1994	621,746	47,966	7,904

Deposits at December 31, 1995 included deposits seasonal in nature, such as deposits of States and political subdivisions, certain large corporations, financial institutions and trusts. Average balances reflect a relative steady increase in deposits since December 31, 1994.

NET INTEREST INCOME

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

The table below presents the Corporation's interest income, interest expense, and net interest income as a per cent of average earning assets for 1994, 1995 and the first nine months of 1996. (Table dollar amounts in thousands.)

During the first nine months of 1996, interest income (FTE) as a per cent of average earning assets increased .14% while interest expense as a per cent of average earning assets increased .10%

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

	Interest Income (FTE) as a Per Cent of Average Earning Assets	Interest Expense as a Per Cent of Average Earning Assets	Net Interest Income (FTE) as a Per Cent of Earning Assets	Average Earning Assets	Net Interest Income on a Fully Taxable Equivalent Basis
1996(1)	8.12%	3.68%	4.44%	$804,416	$ 35,706
1995	8.12	3.71	4.41	776,660	34,233
1994	7.46	2.93	4.53	731,328	33,100

(1) First nine months annualized.

OTHER INCOME

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

Other income in the first nine months of 1996 amounted to $5,835,000 or 7.2 per cent higher than the first nine months of 1995. $343,000 of the increase of $391,000 is attributable to four factors:

1. Trust revenues increased $124,000 (6.1 per cent).

2. Deposit service charges increased $155,000 (7.7 per cent) primarily due to changes in pricing.

3. Interchange fees for the Corporation's credit and debit card programs grew by $119,000 (157 per cent) due to increased product offerings.

4. The Corporation recorded securities gains of $50,000 compared to losses of $50,000 last year, an increase of $100,000.

OTHER EXPENSE

Total "other expenses" represent non-interest operating expenses of the Corporation.

"Other expenses" for the first nine months of 1996 were $16,817,000 or $670,000 (4.1 per cent) above the same period of 1995. Salary and benefit expenses, which account for over one-half of the Corporation's non-interest operating expenses, increased by $511,000 (5.7 per cent). Increases in equipment, data processing and advertising expenses totaling $179,000 were offset by a $664,000 reduction in the cost of deposit insurance.

"Other expenses" for the first nine months of 1995 included a refund of $238,000 from the State of Indiana for intangible taxes paid in 1988 and 1989.

INCOME TAXES

During the first nine months of 1996, income tax expense grew $294,000 from the same period one year earlier, primarily due to a $831,000 increase in pre-tax net income.

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 the address is (http://www.sec.gov).

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FORM 10-Q

PART II. OTHER INFORMATION

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

None.

Item 6. Exhibits and Reports on Form 8-K

(a) No exhibits are required to be filed.

(b) Form 8-K was filed August 15, 1996 for the acquisition and merger by the Corporation of all the assets of Union National Bancorp. Form 8-K included various financial statements and exhibits related to this merger.

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 November 13, 1996	by	/s/ Stefan S. Anderson
		Stefan S. Anderson President and Director
Date November 13, 1996	by	/s/ Gary D. Marshall
		Gary D. Marshall Acting Chief Financial Officer

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET (PAGE 3), THE CONSOLIDATED CONDENSED STATEMENT OF INCOME (PAGE 4) AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000
U.S DOLLARS

9-MOS
DEC-31-1996
JAN-01-1996
SEP-30-1996
1
41,451
444
2,250
0
207,012
51,809
52,285
559,506
6,038
886,720
688,514
81,802
6,628
9,150
0
0
754
99,872
886,720
35,376
11,575
614
47,565
19,841
22,205
25,360
740
50
16,817
13,638
8,962
0
0
8,962
1.49
1.49
0
0
0
0
0
0
0
0
0
0
0
0