FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
QUARTERLY RETORT UNDER SECTION 13 or 15 (d) of THE
SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended June 30, 2000

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 of 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 ---

As of July 31, 2000 there were outstanding 11,691,133 common shares, without par value, of the registrant.

The exhibit index appears on page 2.

This report including the cover page contains a total of 23 pages.

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FIRST MERCHANTS CORPORATION

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PART I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS
CONSOLIDATED CONDENSED BALANCE SHEET
(Dollars in thousands)
(Unaudited)

	June 30, 2000	December 31, 1999
ASSETS:		
Cash and due from banks	$ 46,204	$ 58,893
Federal funds sold	6,525	25,400
Cash and cash equivalents	52,729	84,293
Interest-bearing deposits	1,725	1,730
Investment securities available for sale	311,202	329,668
Investment securities held to maturity	15,088	14,303
Mortgage loans held for sale		61
Loans	1,156,029	998,895
Less: Allowance for loan losses	(12,171)	(10,128)
Net loans	1,143,858	988,767
Premises and equipment	24,143	20,073
Federal Reserve and Federal Home Loan Bank Stock	6,465	5,858
Interest receivable	12,753	11,279
Core deposit intangibles and goodwill	21,558	2,885
Others assets	20,893	15,131
Total assets	$1,610,413	$1,474,048
LIABILITIES:		
Deposits:		
Noninterest-bearing	$ 159,930	$ 140,547
Interest-bearing	1,085,046	1,006,656
Total deposits	1,244,976	1,147,203
Borrowings	207,617	189,862
Interest payable	5,388	4,599
Other liabilities	5,219	6,088
Total liabilities	1,463,200	1,347,752
STOCKHOLDERS' EQUITY:		
Perferred stock, no-par value:		
Authorized and unissued-500,000 shares		
Common Stock, $.125 stated value:		
Authorized --- 50,000,000 shares		
Issued and outstanding - 11,666,948 and 10,936,617 shares	1,458	1,367
Additional paid-in capital	43,224	25,481
Retained earnings	108,500	103,640
Accumulated other comprehensive income (loss)	(5,969)	(4,192)
Total stockholders' equity	147,213	126,296
Total liabilities and stockholders' equity	$1,610,413	$1,474,048

See notes to consolidated condensed financial statements.

FIRST MERCHANTS CORPORATION

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

	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
Interest Income:				
Loans receivable				
Taxable	$22,918	$19,204	$44,348	$37,784
Tax exempt	76	59	148	112
Investment securities:				
Taxable	3,634	3,994	7,378	7,489
Tax exempt	1,127	1,323	2,269	2,633
Federal funds sold	197	198	248	426
Deposits with financial institutions	19	30	33	34
Federal Reserve and Federal Home Loan Bank stock	126	108	247	208
Total interest income	28,097	24,916	54,671	48,686
Interest expense:				
Deposits	11,782	9,339	22,685	18,680
Borrowings	2,525	2,114	4,923	3,704
Total interest expense	14,307	11,453	27,608	22,384
Net Interest Income	13,790	13,463	27,063	26,302
Provision for loan losses	665	522	1,144	1,027
Net Interest Income After Provision for Loan Losses	13,125	12,941	25,919	25,275
Other Income:				
Net realized gains (losses) on sales of available-for-sale securities	13	142	(185)	157
Other income	4,086	3,622	7,989	7,035
Total other income	4,099	3,764	7,804	7,192
Total other expenses	9,881	9,488	19,288	18,178
Income before income tax	7,343	7,217	14,435	14,289
Income tax expense	2,340	2,568	4,612	4,997
Net Income	$ 5,003	$ 4,649	$ 9,823	$ 9,292
Per share:				
Net Income:				
Basic	$ .45	$ .39	$ .89	$ .78
Diluted	.45	.39	.89	.77
Dividends	.22	.20	.44	.40

See notes to consolidated condensed financial statements.

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CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
(Dollar amounts in thousands)
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
Net Income	$ 5,003	$ 4,649	$ 9,823	$ 9,292
Other comprehensive income, net of tax:				
Unrealized (losses) gains on securities available for sale:				
Unrealized holding (losses) gains arising during the period, net of income tax (expense) benefit of $610, $1,748, $1,258, and $2,209	(916)	(2,622)	(1,888)	(3,314)
Less: Reclassification adjustment for gains (losses) included in net income, net of income tax (expense) benefit of $6, $57, $(74)and $63	7	85	(111)	94
	(923)	(2,707)	(1,777)	(3,408)
Comprehensive income	$ 4,080	$ 1,942	$ 8,046	$ 5,884

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CONSOLIDATED CONDENSED STATEMENT OF STOCKHOLDERS' EQUITY
(Dollar Amounts in thousands)
(Unaudited)

	2000	1999
Balances, January 1	$126,296	$153,891
Net income	9,823	9,292
Cash dividends	(4,963)	(4,457)
Other comprehensive income (loss), net of tax	(1,777)	(3,408)
Issuance of stock related to acquisition	21,358	
Stock issued under dividend reinvestment and stock purchase plan	373	338
Stock options exercised	417	123
Stock Redeemed	(4,314)	(339)
Balances, June 30	$147,213	$155,440

See notes to consolidated condensed financial statements

FIRST MERCHANTS CORPORATION

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

	Six Months Ended June 30, 2000	Six Months Ended June 30, 1999
Cash Flows From Operating Activities:		
Net income	$ 9,823	$ 9,292
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for loan losses	1,144	1,027
Depreciation and amortization	1,526	1,379
Securities amortization, net	112	176
Securities losses (gains), net	186	(157)
Gains on sale of premises and equipment	(105)	
Mortgage loans originated for sale	811	(4,837)
Proceeds from sales of mortgage loans	(750)	5,547
Change in interest receivable	(443)	(346)
Change in interest payable	532	236
Other adjustments	(2,079)	589
Net cash provided by operating activities	10,747	12,906
Cash Flows From Investing Activities:		
Net change in interest-bearing deposits	488	217
Purchases of		
Securities available for sale	(5,093)	(127,380)
Proceeds from maturities of		
Securities available for sale	24,384	78,635
Securities held to maturity	3,066	4,552
Proceeds from sales of		
Securities available for sale	10,844	13,692
Net change in loans	(66,905)	(30,846)
Purchases of premises and equipment	(2,766)	(2,311)
Proceeds from sale of fixed assets	512	461
Cash received in acquisition	392	
Net cash provided (used) by investing activities	(35,078)	(63,902)

(continued)

FIRST MERCHANTS CORPORATION

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

	Six Months Ended June 30	
	2000	1999
Cash Flows From Financing Activities:		
Net change in		
Demand and savings deposits	$ 3,649	$ (5,201)
Certificates of deposit and other time deposits	(12,932)	10,738
Borrowings	10,537	37,473
Cash dividends	(4,963)	(4,457)
Stock issued under dividend reinvestment and stock purchase plan	373	338
Stock options exercised	417	123
Stock repurchased	(4,314)	(339)
Net cash provided (used) by financing activities	(7,233)	38,675
Net Change in Cash and Cash Equivalents	(31,564)	(12,321)
Cash and Cash Equivalents, January 1	84,293	80,769
Cash and Cash Equivalents, June 30	$ 52,729	$ 68,448

See notes to consolidated condensed financial statements.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

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 change in method of accounting or adoption of accounting pronouncements 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 condensed financial statements.

NOTE 2. Accounting Matters

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

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

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

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

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

NOTE 3. Business Combinations

On May 31, 2000, the Corporation acquired Decatur Financial Inc., the holding company of Decatur Bank and Trust Company. Decatur Bank and Trust Company is a state chartered savings bank with branches located in eastcentral Indiana. Decatur Financial Inc. was merged into the Corporation and Decatur Bank and Trust Company will maintain its state charter as a subsidiary of First Merchants Corporation.

The combination was accounted for under the purchase method of accounting. Decatur Financial Inc.'s results of operations are included in the Corporation's consolidated income statement beginning June 1, 2000. Shareholders of Decatur Financial Inc. on May 31, 2000, had the right to convert their shares into 9.13 shares of First Merchants Corporation stock or receive $237.39 in cash. The company issued 878,242 shares of its common stock at a cost of $24.31875 per share and $12,164,000 in cash to complete the transaction. The purchase had a recorded acquisition cost of $33,681,000 and goodwill of $16,859,000. Goodwill is being amortized over 20 years utilizing the straight-line method. Additionally core deposit intangibles totaling $2,046,000 were recognized and will be amortized over 10 years using 150% declining balance method.

The purchase resulted in the Corporation recording net loans of $89,332,000, held to maturity and available for sale securities of $3,921,000 and 14,132,000 respectively, deposit liabilities of $107,056,000 and borrowings of 7,217,000. All assets and liabilities were recorded at fair values as of May 31, 2000. The purchase accounting adjustments will be amortized over the life of the respective asset or liability.

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

	Six Months Ended June 30	
	2000	1999
Net Interest Income:		
First Merchants Corporation	$ 26,733	$ 25,906
Decatur Financial Inc	2,196	2,328
	$ 28,929	$ 28,234
Net Income:		
First Merchants Corporation	$ 9,627	$ 9,057
Decatur Financial Inc	(181)	468
	$ 9,447	$ 9,528
Net Income per share - combined:		
Basic	$ .81	$ .74
Diluted	.80	.73

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

NOTE 4. Investment Securities

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale at June 30, 2000				
U.S. Treasury	$ 2,994		$ 24	$ 2,970
Federal agencies	58,149	$ 28	1,246	56,931
State and municipal	89,201	401	849	88,753
Mortgage-backed securities	140,311	14	6,420	133,905
Other asset-backed securities	20,945		806	20,139
Corporate obligations	7,749		180	7,569
Marketable equity securities	1,169		234	935
Total available for sale	320,518	443	9,759	311,202
Held to maturity at June 30, 2000				
U.S. Treasury	250		2	248
State and municipal	13,932	44	40	13,936
Mortgage-backed securities	189	1	15	175
Other asset-backed securities	240			240
Corporate obligations	477			477
Total held to maturity	15,088	45	57	15,076
Total investment securities	$ 335,606	$ 488	$ 9,816	$ 326,278

(Table dollar amounts in thousands)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale at December 31, 1999:				
U.S. Treasury	$ 7,337	$ 3	$ 72	$ 7,268
Federal agencies	61,215	50	1,199	60,066
State and municipal	94,598	568	945	94,221
Mortgage-backed securities	141,673	58	4,332	137,399
Other asset-backed securities	21,773		758	21,015
Corporate obligations	9,082	4	140	8,946
Marketable equity securities	915		162	753
Total available for sale	336,593	683	7,608	329,668
Held to maturity at December 31, 1999:				
U.S. Treasury	250		2	248
State and municipal	13,243	77	13	13,307
Mortgage-backed securities	311	1	1	311
Other asset-backed securities	499	0	81	418
Total held to maturity	14,303	78	97	14,284
Total investment securities	$ 350,896	$ 761	$ 7,705	$343,952

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

NOTE 5. Loans and Allowance

	June 30, 2000	December 31, 1999
Loans:		
Commercial and industrial loans	$259,061	$224,712
Agricultural production financing and other loans to farmers	27,323	21,547
Real estate loans:		
Construction	39,708	31,996
Commercial and farmland	162,039	150,544
Residential	446,511	380,596
Individuals' loans for household and other personal expenditures	212,023	181,906
Tax-exempt loans	5,407	4,070
Other loans	3,970	3,552
Unearned interest on loans	(13)	(28)
Total	$1,156,029	$998,895

	Six Months Ended June 30, 2000	1999
Allowance for loan losses:		
Balances, January 1	$10,128	$ 9,209
Allowance acquired in acquisition	1,413	
Provision for losses	1,144	1,027
Recoveries on loans	290	223
Loans charged off	(804)	(601)
Balances, June 30	$12,171	$ 9,858

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

NOTE 6. Net Income Per Share

	Three Months Ended June 30, 2000			Three Months Ended June 30, 1999		
	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	$5,003	11,091,226	$ .45	$4,649	12,004,475	$ .39
Effect of dilutive stock options		67,546			97,282	
Diluted net income per share:						
Net income available to common stockholders and assumed conversions	$5,003	11,158,772	$ .45	$4,649	12,101,757	$ .39

	Six Months Ended June 30, 2000			Six Months Ended June 30, 1999		
	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	$9,823	10,997,638	$ .89	$9,292	11,989,955	$ .78
Effect of dilutive stock options		83,123			108,551	
Diluted net income per share:						
Net income available to common stockholders and assumed conversions	$9,823	11,080,761	$ .89	$9,292	12,098,506	$ .77

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

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

Forward-Looking Statements

Congress passed the Private Securities Litigation Report Act of 1995 to encourage corporations to provide investors with information about the company's anticipated future financial performance, goals, and strategies. The act provides a safe harbor for such disclosure, or in other words, protection from unwarranted litigation if actual results are not the same as management's expectations.

First Merchants Corporation desires to provide its shareholders with sound information about past performance and future trends. Consequently, this Quarterly Report, including Management's Discussion and Analysis of financial Condition and Results of Operations, contains forward-looking statements that are subject to numerous assumptions, risks, and uncertainties. Actual results could differ materially from those contained in or implied by First Merchants Corporation's statements due to a variety of factors including: changes in economic conditions; movements in interest rates; competitive pressures on product pricing and services; success and timing of business strategies; the successful integration of acquired businesses; the nature and extent of governmental actions and reform; and extended disruption of vital infrastructure. The management of First Merchants Corporation encourages readers of this report to understand forward-looking statements to be strategic objectives rather than absolute targets of future performance.

Results of Operations

Net income for the three months ended June 30, 2000, was $5,003,000, compared to $4,649,000 earned in the same period of 1999. Diluted earnings per share were $.45 a 15.4% increase over $.39 reported for the second quarter 1999.

Diluted net income per share for the six month ended June 30, 2000, was $.89 compared to $.77 for the first six months of 1999. The 15.6% increase in diluted earnings per share was a result of a $531,000 increase in net income from $9,292,000 in the prior year to $9,823,000 at June 30, 2000.

The increase in earnings was primarily due to growth in earning assets and non-interest income. Net interest income increased $761,000 or 2.9 percent over the first six months of 1999 due to growth in average assets of 8.4 percent. Non-interest income increased $612,000 or 8.5 percent over the first six months of 1999 due primarily to increased revenues from fiduciary activities and commission income.

Annualized returns on average assets and average shareholder's equity for the quarter ended June 30, 2000 were 1.34 percent and 14.72 percent, respectively, compared with 1.34 percent and 11.94 percent for the same period of 1999.

Annualized returns on average assets and average shareholder's equity for the first six months ended June 30, 2000, were 1.34 percent and 14.80 percent, respectively, compared with 1.37 percent and 11.97 percent in 1999.

Capital

The 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.

The Corporation's Tier I capital to average assets ratio was 9.2 percent at year-end 1999 and 9.4 percent at June 30, 2000. At June 30, 2000, the Corporation had a Tier I risk-based capital ratio of 12.0 percent, total risk-based capital ratio of 13.1 percent, and a leverage ratio of 9.4 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. Banks with Tier I risk-based capital ratios of 6.0 percent and total risk-based capital ratios of 10.0 percent are considered "well capitalized."

Asset Quality/Provision for Loan Losses

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

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

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

The following table summarizes the risk elements for the Corporation.

(Dollars in Thousands)	June 30, 2000	December 31, 1999	December 31, 1998
Non-accrual loans	$1,643	$1,280	$1,073
Loans contractually past due 90 days Or more other than nonaccruing	2,415	2,327	2,334
Restructured loans	3,022	908	1,110
Total	$7,080	$4,515	$4,517

At June 30, 2000, non-performing loans totaled $7,080,000, an increase of $2,565,000 from December 31, 1999. Impaired loans at December 31, 1999 included in the table above totaled $1,380,000.

At December 31, 1999, impaired loans totaled $7,140,000, a decrease of $1,947,000 from December 31, 1998. On December 31, 1999 an allowance for losses was not deemed necessary for impaired loans totaling $4,398,000, but an allowance of $1,061,000 was recorded for the remaining balance of impaired loans of $2,742,000. The average balance of impaired loans for 1999 was $8,770,000.

At June 30, 2000, the allowance for loan losses increased by $2,043,000 to $12,171,000, up significantly from year end 1999. The Corporation added $1,413,000, to the allowance through the acquisition of Decatur Financial Inc. on May 31, 2000. As a percent of loans, the allowance was 1.05 percent, up from 1.01 percent at year end 1999.

The second quarter 2000 provision of $665,000 was up $143,000 from $522,000 for the same quarter in 1999. Net charge offs amounted to $375,000 during the quarter.

This table below presents loan loss experience for the periods indicated and compares the Corporation's loss experience to that of its peer group, consisting of bank holding companies with assets between $1 billion and $3 billion.

	Six Months Ended June 30,	Year Ended December 31,		
	2000	1999	1998	1997
		(Dollars in Thousands)		
Allowance for loan losses:				
Balance at beginning of period	$10,128	$ 9,209	$8,429	$8,010
Chargeoffs	804	1,769	2,231	1,949
Recoveries	290	447	639	633
Net chargeoffs	514	1,322	1,592	1,316
Provision for loan losses	1,144	2,241	2,372	1,735
Allowance acquired in acquisition	1,413			
Balance at end of period	$12,171	$10,128	$9,209	$8,429
Ratio of net chargeoffs during the period to average loans outstanding during the period	.10%(1)	.14%	.18%	.16%
Peer Group	N/A	N/A	.26%	.29%

(1) First six months annualized

Liquidity, Interest Sensitivity, and Disclosures About Market Risk

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

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

The Corporation's liquidity and interest sensitivity position at June 30, 2000, remained adequate to meet the Corporation's primary goal of achieving optimum interest margins while avoiding undue interest rate risk.

The Corporation had a cumulative negative gap of $101,714 in the six month horizon at June 30, 2000, or just over 82 percent of total assets. Net interest income at a financial institution with a negative gap tends to decrease when rates rise and generally increase as interest rates decline.

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

The Corporation's asset liability process monitors simulated net interest income under three separate interest rate scenarios; rising (rate shock), falling (rate shock) and base case (flat rates). Net Interest Income is simulated over a 12-month horizon. By policy, the variance between rising rates and base case nor falling rates and base case can be more than a negative 5 percent.

Assumed interest rate changes are simulated to move immediate and parallel. The rate movement to noteworthy interest rate indexes appear below:

	Rising	Falling
Prime	200 Basis Points	(200) Basis Points
Federal Funds	200	(200)
90 Day T-Bill	200	(200)
One Year T-Bill	200	(200)
Three Year T-Note	200	(200)
Five Year T-Note	200	(200)
Ten Year T-Note	200	(200)
Interest Checking	67	(67)
MMIA Savings	200	(200)
Money Market Index	200	(200)
Regular Savings	67	(67)

Results for the flat, rising (rate shock), and falling (rate shock) interest scenarios are listed below. The net interest income shown represents cumulative net interest income over an 12-month time horizon. Balance sheet assumptions are the same under all scenarios:

	Base Case Flat Rates	Rising	Falling
Net Interest Income (Dollars in Thousands)	$59,215	$56,946	$60,339
Change vs. Base Case		($ 2,270)	$ 1,123
Percent Change		(3.83%)	1.90%
Policy Limitation		(5.00%)	(5.00%)

Earning Assets

The following table presents the earning asset mix as of June 30, 2000, December 31, 1999 and December 31, 1998.

Loans grew by $157.1 million from December 31, 1999, to June 30, 2000, while investment securities declined by $17.7 million during the same period. Residential real estate loans grew by $65.9 million, while commercial and industrial loans and individual loans for household expenditures grew by $34.3 million and $30.1 million, respectively.

EARNING ASSETS

(Dollars in Millions)	June 30, 2000	December 31, 1999	December 31, 1998
Federal funds sold and interest-bearing deposits...........	$ 8.3	$ 27.1	$ 46.3
Investment securities available for sale...................	311.2	329.7	329.5
Investment securities held to maturity.....................	15.1	14.3	21.7
Mortgage loans held for sale...............................			0.8
Loans..	1,156.0	998.9	890.4
Federal Reserve and Federal Home Loan Bank stock...........	6.5	5.8	4.5
Total................................	$ 1,497.1	$ 1,375.8	$ 1,293.2

Deposits, Securities Sold Under Repurchase Agreements, Federal Funds Sold and Other Short-tern Borrowing

The following table presents 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) for the years ended 1999 and 1998 and at June 30, 2000.

(Dollars in Millions)	June 30, 2000	December 31, 1999	December 31, 1998
Deposits..	$1,245.0	$1,147.2	$1,086.0
Securities sold under repurchase agreements.....................	69.0	78.0	48.8
Other short-term borrowings.....................................	44.3	38.4	17.8
Federal Home Loan Bank advances.................................	94.3	73.5	47.1

The Corporation has continued to leverage its large 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 heading Liquidity, Interest Sensitivity, and Disclosures about Market Risk. The effect on the Corporation's capital ratios is minimal as the Corporation remains "well" capitalized.

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 three and six months ended June 30, 1999 and 2000.

Annualized net interest income (FTE) for the three months ended June 30, 2000, increased by $815,000, or 1.4 percent over the same period in 1999, due to an increase in average earning assets of over $92 million. For the same period interest income and interest expense, as a percent of average earning assets, increased 35 basis points and 58 basis points respectively, due to higher interest rates and increased non-deposit funding.

Interest income and interest expense, as a percent of average earning assets, increased 27 basis points and 50 basis points, respectively from June 30, 1999, to June 30, 2000. Annualized net interest imcome (FTE) increased $1,115,000 or 2.0 percent during the same period.

(Dollars in Thousands)

	Interest Income (FTE) as a Percent of Average Earning Assets	Interest Expense as a Percent of Average Earning Assets	Net Interest Income (FTE) as a Percent of Average Earning Assets	Average Earning Assets	Net Interest Income On a Fully Taxable Equivalent Basis
For the three months Ended June 30,					
2000	8.15%	4.06%	4.09%	$1,408,371	$57,619
1999	7.80%	3.48%	4.32%	$1,315,932	$56,804
For the six months Ended June 30,					
2000	8.05%	3.97%	4.08%	$1,389,941	$56,661
1999	7.78%	3.47%	4.31%	$1,289,445	$55,546

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

Other Income

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

Other income, excluding securities gains and losses, in the second quarter of 2000 exceeded the same quarter in the prior year by $464,000, or 12.8 percent.

Three major areas account for most of the increase:

1. Revenues from fiduciary activity grew $145,000, or 12.3%, due to strong new business activity and markets.

2. Other customer fees increased $146,000, or 20.5%, due to increased fees from electronic card usage and price adjustments.

3. Commission income increased $107,000 or 29.2%, due to increased sales efforts.

Other income, excluding securities gains and losses, for the first six months of 2000 exceeded the prior year by $954,000, or 13.6 percent.

Three major areas account for most of the increase:

1. Commission income increased $235,000, or 33.6%, due to increased sales efforts.

2. Other customer fees increased $234,000, or 15.9%, due to increased fees from electronic card usage and price adjustments.

3. Revenues from fiduciary activity grew $218,000, or 9.5%, due to strong new business activity and markets.

Other Expense

Total other expenses represent non-interest operating expenses of the Corporation. Second quarter other expense in 2000 exceeded the same quarter of the prior year by $393,000, or 4.1 percent.

Three major areas account for most of the increase:

1. Salaries and benefit expense grew $533,000 or 10.9 percent, due to normal salary increases and staff additions.

2. Equipment expense increased by $154,000, or 17.7 percent, reflecting the Corporation's efforts to improve efficiency and provide electronic service delivery to its customers.

3. Merger related costs declined by $648,000 resulting from the Corporation's 1999 acquisitions of Anderson Community Bank and Jay Financial, Inc.

Total other expenses represent non-interest operating expenses of the Corporation. Other expense for the first six month of 2000 exceeded the prior year by $1,110, or 6.1 percent.

Three major areas account for most of the increase:

1. Salaries and benefit expense grew $851,000, or 8.7 percent, due to normal salary increases and staff additions.

2. Equipment expense increased by $291,000, or 17.2 percent, reflecting the Corporation's efforts to improve efficiency and provide electronic service delivery to its customers.

3. Merger related costs declined by $648,000 resulting from the corporation's 1999 acquisition of Anderson Community Bank and Jay Financial, Inc.

Income Taxes

Income tax expense, for the three months ended June 30, 2000, decreased by $228,000 over the same period in 1999, due to reduced state income tax liability. Income tax expense, for the six months ended June 30, 2000 also decreased by $385,000 over the same period in 1999.

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 under the heading Liquidity, Interest Sensitivity, and Disclosures About Market Risk.

FIRST MERCHANTS CORPORATION

FORM 10-Q

PART II. OTHER INFORMATION

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

At the April 12, 2000 Annual Meeting of Shareholders, the following matters were submitted to a vote of the shareholders.

Election of Directors - The following directors were elected for a term of three years.

	Vote Count	
	For	Against
James F. Ault	9,520,632.92	9,942.34
Frank A. Bracken	9,503,788.03	26,787.23
Barry J. Hudson	9,518,726.91	11,848.35

Selection of Independent Public Accountants - Olive, LLP, Indianapolis, Indiana: Votes For - 9,446,961.51, Votes Against - 51,027.71, Votes Abstained - 32,586.04.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit No.:	Description of Exhibit:	Form 10-Q Page Number
27	Financial Data Schedule, Period Ending June 30 , 2000	23

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 08/14/00 by /s/Michael L. Cox

Michael L. Cox
President and Chief Executive Officer

Date 08/14/00 by /s/James L. Thrash

James L. Thrash
Chief Financial & Principal
Accounting Officer

9

1,000

6-MOS

DEC-31-2000
JAN-01-2000
JUN-30-2000
46,204
1,725
6,525
0
311,202
15,088
15,076
1,156,029
12,171
1,610,413
1,244,976
0
218,224
0
0
0
1,458
145,755
1,610,413
44,496
9,647
528
54,671
22,685
27,608
27,063
1,144
(185)
19,288
14,435
9,823
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0
9,823
0.45
0.45
4.08
1,643
2,415
0
0
10,128
804
209
12,171
12,171
0
0