FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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

SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended September 30, 1997

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 October 30, 1997, there were outstanding 6,659,602 common shares, without par value, of the registrant.

The exhibit index appears on page 18.

This report including the cover page contains a total of 22 pages.

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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, 1997	December 31, 1996
ASSETS:		
Cash and due from banks	$ 30,860	$ 33,882
Federal funds sold		1,150
Cash and cash equivalents	30,860	35,032
Interest-bearing deposits	261	290
Investment securities available for sale	212,374	228,379
Investment securities held to maturity	36,846	47,227
Mortgage loans held for sale	550	284
Loans	699,495	631,416
Less: Allowance for loan losses	(6,785)	(6,622)
Net loans	692,710	624,794
Premises and equipment	15,320	15,303
Federal Reserve and Federal Home Loan Bank stock	3,361	3,090
Interest receivable	9,084	8,643
Core deposit intangibles and goodwill	1,659	1,714
Others assets	4,686	3,237
Total assets	$ 1,007,711	$ 967,993
LIABILITIES:		
Deposits:		
Noninterest-bearing	$ 93,285	$ 110,175
Interest-bearing	696,081	684,276
Total deposits	789,366	794,451
Short-term borrowings	72,802	45,037
Federal Home Loan Bank advances	18,700	9,150
Interest payable	3,720	3,376
Other liabilities	3,409	3,292
Total liabilities	887,997	855,306
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 -- 6,657,016 and 6,603,319 shares	832	825
Additional paid-in capital	23,918	22,968
Retained earnings	93,613	87,978
Net unrealized gain on securities available for sale	1,351	916
Total stockholders' equity	119,714	112,687
Total liabilities and stockholders' equity	$ 1,007,711	$ 967,993

See notes to consolidated condensed financial statements.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	1997	1996	1997	1996
Interest Income:				
Loans receivable				
Taxable	$ 15,288	$ 13,176	$ 44,004	$ 38,326
Tax exempt	28	22	87	59
Investment securities:				
Taxable	2,588	3,165	8,395	9,623
Tax exempt	1,064	975	3,185	2,831
Federal funds sold		115	27	502
Deposits with financial institutions	6	5	12	13
Federal Reserve and Federal Home Loan Bank stock	68	53	196	159
Total interest income	19,042	17,511	55,906	51,513
Interest expense:				
Deposits	8,157	7,208	23,487	21,713
Short-term borrowings	690	859	2,262	1,982
Federal Home Loan Bank advances	285	134	627	399
Total interest expense	9,132	8,201	26,376	24,094
Net Interest Income	9,910	9,310	29,530	27,419
Provision for loan losses	375	295	952	875
Net Interest Income After Provision For Loan Losses	9,535	9,015	28,578	26,544
Other Income:				
Net realized gains (losses) on sales of available-for-sale securities	(4)	24	(3)	50
Other income	2,295	2,016	6,758	5,971
Total other income	2,291	2,040	6,755	6,021
Total other expenses	6,486	6,179	19,104	17,887
Income before income tax	5,340	4,876	16,229	14,678
Income tax expense	1,804	1,655	5,557	4,997
Net Income	$ 3,536	$ 3,221	$ 10,672	$ 9,681
Per share:				
Net income	$ .53	.49	$ 1.61	$ 1.48
Dividends (1)	.28	.24	.76	.64
Weighted average shares outstanding	6,649,993	6,591,219	6,624,576	6,575,465

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

See notes to consolidated condensed financial statements.

FIRST MERCHANTS CORPORATION

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CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(Dollar amounts in thousands)
(Unaudited)

	1997	1996
Balances, January 1	$ 112,687	$ 104,967
Net income	10,672	9,681
Cash dividends	(5,038)	(3,785)
Net change in unrealized gain (loss) on securities available for sale	435	(1,789)
Stock issued under employee benefit plans	292	298
Stock issued under dividend reinvestment and stock purchase plan	539	384
Stock options exercised	127	64
Cash paid in lieu of issuing fractional shares		(1)
Balances, September 30	$ 119,714	$ 109,819

See notes to consolidated condensed financial statements

FIRST MERCHANTS CORPORATION

FORM 10-Q
CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS
(Dollar amounts in thousands)
(Unaudited)

	Nine Months Ended September 30	
	1997	1996
Cash Flows From Operating Activities:		
Net income	$ 10,672	$ 9,681
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for loan losses	952	875
Depreciation and amortization		
Securities amortization, net		
Securities losses (gains), net		
Mortgage loans originated for sale		
Proceeds from sales of mortgage loans		
Change in interest receivable		
Change in interest payable		
Other adjustments		
Net cash provided by operating activities		
Cash Flows From Investing Activities:		
Net change in interest-bearing deposits		
Purchases of		
Securities available for sale		
Securities held to maturity		
Proceeds from maturities of		
Securities available for sale		
Securities held to maturity		
Proceeds from sales of		
Securities available for sale		
Net change in loans		
Purchases of premises and equipment		
Other investing activities		
Net cash used by investing activities		

(continued)

FIRST MERCHANTS CORPORATION

FORM 10-Q
CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS
(Dollar amounts in thousands)
(Unaudited)

	Nine Months Ended September 30	
	1997	1996
Cash Flows From Financing Activities:		
Net change in		
Demand and savings deposits	$	$
Certificates of deposit and other time deposits		
Short-term borrowings		
Federal Home Loan Bank advances		
Repayment of Federal Home Loan Bank advances		
Cash dividends	(5,038)	(3,785)
Stock issued under employee benefit plans	292	298
Stock issued under dividend reinvestment and stock purchase plan	539	384
Stock options exercised	127	64
Cash paid in lieu of issuing fractional shares		(1)
Net cash used by financing activities		
Net Change in Cash and Cash Equivalents	(4,172)	(32,233)
Cash and Cash Equivalents, January 1	35,032	77,874
Cash and Cash Equivalents, September 30	$ 30,860	$ 45,641

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 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. Change in Methods of Accounting

Statement of Financial Accounting Standards ("SFAS") No. 128, Earnings Per Share, is effective for the Corporation's 1997 annual financial statements. This statement simplifies the calculations of earnings per share. The Corporation does not expect that the new disclosure from basic earnings per share will be substantially different from the primary earnings per share as currently calculated and disclosed. Additional disclosures include diluted earnings per share, which will reflect the potential dilution that could occur from unexercised stock options under the Corporation's stock option plans.

(Table dollar amounts in thousands, except per share amounts)

NOTE 3. Business Combinations

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. This 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, 1996. Separate operating results of Randolph County Bancorp for the periods prior to the merger are as follows:

	Three Months Ended September 30 1996	Nine Months Ended September 30 1996
Net Interest Income:		
First Merchants Corporation	$ 8,787	$ 25,501
Randolph County Bancorp	523	1,918
Combined	$ 9,310	$ 27,419
Net Income:		
First Merchants Corporation	$ 3,047	$ 9,042
Randolph County Bancorp	174	639
Combined	$ 3,221	$ 9,681
Net Income Per Share:		
First Merchants Corporation	$ .46	$ 1.38
Randolph County Bancorp	.03	.10
Combined	$ .49	$ 1.48

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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 September 30, 1997:				
U.S. Treasury	$ 18,728	$ 92	$ 14	$ 18,806
Federal agencies	72,222	443	59	72,606
State and municipal	65,111	553	66	65,598
Mortgage-backed securities	33,261	409	128	33,542
Other asset-backed securities	566	1	68	499
Corporate obligations	20,607	494	40	21,061
Marketable equity security	262			262
Total available for sale	210,757	1,992	375	212,374
Held to maturity at September 30, 1997:				
U.S. Treasury	249		4	245
Federal agencies	3,417	12	2	3,427
State and municipal	27,905	242	5	28,142
Mortgage-backed securities	1,303	1	2	1,302
Other asset-backed securities	3,972	6	239	3,739
Total held to maturity	36,846	261	252	36,855
Total investment securities	$ 247,603	$ 2,253	$ 627	$ 249,229

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale at December 31, 1996:				
U.S. Treasury	$ 21,570	$ 92	$ 46	$ 21,616
Federal agencies.	79,130	540	180	79,490
State and municipal	52,026	1,173	106	53,093
Mortgage-backed securities.	41,441	297	275	41,463
Other asset-backed securities	709			709
Corporate obligations	31,470	156	128	31,498
Marketable equity securities.	510			510
Total available for sale	226,856	2,258	735	228,379
Held to maturity at December 31, 1996:				
U.S. Treasury	249		7	242
Federal agencies.	5,729	23	5	5,747
State and municipal	36,405	381	21	36,765
Mortgage-backed securities.	2,730		13	2,717
Other asset-backed securities	2,114	17	108	2,023
Total held to maturity	47,227	421	154	47,494
Total investment securities.	$ 274,083	$ 2,679	$ 889	$ 275,873

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

NOTE 5. Loans and Allowance

	September 30, 1997	December 31, 1996
Loans:		
Commercial and industrial loans	$ 145,639	$ 132,134
Bankers' acceptances and loans to financial institutions	1,020	625
Agricultural production financing and other loans to farmers	19,802	18,906
Real estate loans:		
Construction	19,515	13,167
Commercial and farmland	100,974	97,596
Residential	283,476	253,530
Individuals' loans for household and other personal expenditures	126,662	113,507
Tax-exempt loans	1,235	1,643
Other loans	1,796	1,672
Unearned interest on loans	(624)	(1,364)
Total	$ 699,495	$ 631,416

	Nine Months Ended September 30	
Allowance for loan losses:	1997	1996
Balances, January 1	$ 6,622	$ 6,696
Provision for losses	952	875
Recoveries on loans	386	219
Loans charged off	(1,175)	(1,043)
Balances, September 30	$ 6,785	$ 6,747

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.

RESULTS OF OPERATIONS

The Corporation has recorded 21 consecutive years of growth in earnings per share, reaching $2.00 in 1996, an increase of 8.7 per cent over 1995.

Return on assets rose to 1.41 per cent in 1996, from 1.35 per cent in 1995, and 1.22 per cent in 1994.

Return on equity, was 12.16 per cent in 1996, 12.17 per cent in 1995, and 12.42 per cent in 1994.

Following are the levels achieved in each of these ratios during the first nine months of 1997, as compared to the same period in 1996.

- Earnings per share were $1.61, up 8.8 per cent from $1.48
- Return on assets was 1.44 per cent increasing from 1.40 per cent
- Return on equity totaled 11.73 per cent compared to 11.59 per cent for the first nine months of 1996

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 11.6 per cent at year-end 1996 and 11.7 per cent at September 30, 1997. At September 30, 1997, the Corporation had a Tier I risk-based capital ratio of 16.5 per cent, total risk-based capital ratio of 17.6 per cent, and a leverage ratio of 11.7 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. Banks with Tier I risk-based capital ratios of 6.0 per cent and total risk-based capital ratios of 10.0 per cent are considered "well capitalized."

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 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 summarized the risk elements for the Corporation.

(Dollars in Thousands)	September 30, 1997	December 31, 1996	December 31, 1995
Non-accrual loans	$ 1,842	$ 2,777	$ 576
Loans contractually past due 90 days or more other than nonaccruing . . .	2,025	1,699	1,119
Restructured loans	2,936	1,540	1,075
Total	$ 6,803	$ 6,016	$ 2,770

The increase in non-performing loans from December 31, 1995, to December 31, 1996, is primarily attributable to one loan placed in non-accrual status during 1996. This loan is included in impaired loans at December 31, 1996, for which an allowance was recorded. Management is in the process of resolving this loan situation and anticipates that no additional provision for loan losses will be required.

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 included in the table above, totaled $3,992,000 at December 31, 1996. An allowance for loan losses was not deemed necessary for impaired loans totaling $868,000, but an allowance of $1,092,000 was recorded for the remaining balance of impaired loans of $3,124,000. The average balance of impaired loans for 1996 was $5,213,000. The balance of impaired loans has not changed significantly since December 31, 1996.

At December 31, 1996, the allowance for loan losses was $6,622,000, down slightly from year end 1995. As a per cent of loans, the allowance was 1.05 per cent, down from 1.21 per cent at year end 1995. The provision for loan losses in 1996 was $1,253,000 compared to $1,388,000 in 1995.

At September 30, 1997, the allowance for loan losses stood at $6,785,000 or .97 per cent of loans. $952,000 was provided for loan losses in the first nine months of 1997 compared to $875,000 in the same period of 1996.

The table below presents loan loss experience for the years 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.

(Dollars in Thousands)	1997 (1)	1996	1995
Allowance for loan losses:			
Balance at January 1	$6,622	$6,696	$6,603
Chargeoffs	1,175	1,636	1,554
Recoveries	386	309	259
Net chargeoffs	789	1,327	1,295
Provision for loan losses.	952	1,253	1,388
Balance at December 31	$6,785	$6,622	$6,696
Ratio of net chargeoffs during the period to average loans outstanding during the period .	.16%	.23%	.24%
Peer Group	.27%(3)	.26%	.27%

(1) Through September 30, 1997

(2) First nine months annualized

(3) Through June 30, 1997

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.

The Corporation's liquidity and interest sensitivity position at September 30, 1997, remained adequate to meet the Corporation's primary goal of achieving optimum interest margins while avoiding undue interest rate risk. The table below presents the Corporation's interest rate sensitivity analysis as of September 30, 1997.

INTEREST-RATE SENSITIVITY ANALYSIS
At September 30, 1997
(Dollars in Thousands)

	1-180 Days	181-365 Days	1-5 Years	Beyond 5 Years	Total
Rate-Sensitive Assets:					
Federal funds sold and interest-bearing deposits	$ 261				$ 261
Investment securities.	62,925	$ 35,358	$ 117,099	$ 33,838	249,220
Loans.	296,339	71,872	264,516	67,318	700,045
Federal Reserve and Federal Home Loan Bank stock.	2,964			397	3,361
Total rate-sensitive assets.	362,489	107,230	381,615	101,553	952,887
Rate-Sensitive Liabilities:					
Interest bearing deposits.	296,281	88,852	309,754	1,194	696,081
Short-term borrowings.	72,802				72,802
Federal Home Loan Bank advances.	2,149	144	11,578	4,829	18,700
Total rate-sensitive liabilities	371,232	88,996	321,332	6,023	787,583
Interest rate sensitivity gap by period . . .	(8,743)	18,234	60,283	95,530	
Cumulative rate sensitivity gap	(8,743)	9,491	69,774	165,304	
Cumulative rate sensitivity gap ratio					
September 30, 1997	97.6%	102.1%	108.9%	121.0%	
June 30, 1997.	96.4%	107.0%	109.6%	120.8%	

The Corporation had a cumulative positive gap of $9,491,000 in the one year horizon at September 30, 1997 or .94 percent of total assets. Net interest income at financial institutions with positive gaps tends to increase when rates increase and generally decrease as interest rates decline.

EARNING ASSETS

Earning assets increased by $30.3 million during 1996, and $41.2 million during the first nine months of 1997.

The following table presents the earning asset mix for the years ended 1996 and 1995 and at September 30, 1997.

Loans grew by more than $79 million during 1996 while short-term investments and securities declined, reflecting the Corporation's intent to change the balance sheet mix to emphasize loans which generally carry higher yields than federal funds sold, interest-bearing deposits and investment securities, and often provide collateral business. The same trend continued during the first nine months of 1997. Loans grew by more than $68 million, accounting for all of the growth in earning assets. Maturities in the investment portfolio helped fund the loan growth.

EARNING ASSETS (Dollars in Millions)	September 30, 1997	December 31, 1996	December 31, 1995
Federal funds sold and interest-bearing deposits	$ .3	$ 1.4	$ 39.2
Investment securities available for sale	212.4	228.4	225.9
Investment securities held to maturity	36.8	47.2	60.7
Mortgage loans held for sale	.6	0.3	0.7
Loans	699.5	631.4	552.3
Federal Reserve and Federal Home Loan Bank stock	3.4	3.1	2.7
Total	$953.0	$911.8	$881.5

DEPOSITS, SHORT-TERM BORROWINGS AND FEDERAL HOME LOAN BANK ADVANCES

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 1996 and 1995 and at September 30, 1997. Lack of deposit growth coupled with loan growth has resulted in a greater reliance on borrowed funds. The Corporation plans to place further emphasis on deposit growth going forward through advertising and product development.

DEPOSITS, SHORT-TERM BORROWINGS AND FEDERAL HOME LOAN BANK ADVANCES (Dollars in Millions)	September 30, 1997	December 31, 1996	December 31, 1995
Deposits	$ 789.4	$ 794.5	$ 783.9
Short-term borrowings	72.8	45.0	37.4
Federal Home Loan Bank advances	18.7	9.2	9.0

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.

Asset yields improved slightly in 1996 (.04 per cent FTE) due to strong loan growth. Interest costs declined by a like amount, primarily due to rate reductions to three interest-bearing deposit products: interest checking, Money Market investment account and regular savings.

The resulting "spread" increase of .08 per cent combined with earning asset growth of $35.5 million accounted for the growth in net interest income (FTE) of $2.2 million.

During the first nine months of 1997, both interest yields and interest costs remained stable, increasing by .09 per cent. All of the increase in net interest income is attributable to earning asset growth which amounted to nearly $54.3 million.

The table below presents the Corporation's asset yields, interest expense, and net interest income as a per cent of average earning assets for the three-year period ending in 1996 and the first nine months of 1997.

(Dollars in Thousands)

	Interest Income (FTE) as a Per Cent of Average Earning Assets	Interest Expense as a Per Cent of Average Earning Assets	Net Interest Income (FTE) as a Per Cent of Average Earning Assets	Average Earning Assets	Net Interest Income on a Fully Taxable Equivalent Basis
1997 (1)	8.22 %	3.76 %	4.46 %	$ 935,023	$ 41,724
1996	8.13	3.67	4.46	880,729	39,258
1995	8.09	3.71	4.38	845,198	37,049
1994	7.42	2.96	4.46	805,987	35,909

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.

(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 1996 amounted to $8,342,000 or 9.9 per cent higher than in 1995. The increase of $750,000 is primarily attributable to the following five factors:

1. Trust revenues increased $166,000 (5.9 per cent) due to stronger business activity and investment returns.
2. Deposit service charges increased $195,000 (6.9 per cent) primarily due to changes in pricing.
3. Interchange fees for the Corporation's credit and debit card programs grew by $169,000 (142 per cent) due to increased product offerings.
4. The Corporation recorded securities gains of $148,000 compared to losses of $30,000 last year, an increase of $178,000 as shorter maturity, available for sale securities were sold at gains and longer maturity, higher yielding investments were purchased.
5. Postal money order agent fees increased $79,000 (19.4 per cent) due to an increased client base.

Other income in the first nine months of 1997 exceeded the same period in the prior year by $734,000 or 12.2 per cent. Three categories accounted for most of this increase:

1. Trust fees grew by $260,000 or 12.0 per cent, again due to new business and positive investment returns.
2. Deposit service charges increased by $226,000 or 9.9 per cent due primarily to changes in pricing.
3. Other customer fees increased by $282,000 or 24.4 per cent due primarily to an increase in sales of personal money orders.

OTHER EXPENSE

Total "other expenses" represent non-interest operating expenses of the Corporation. Those expenses amounted to $24,135,000 in 1996, an increase of 5.0 per cent from the prior year, or $1,142,000.

Including an $813,000 reduction in deposit insurance premiums, remaining operating expenses grew by $1,955,000. Four major areas account for most of this increase:

1. Salary and benefit expenses, which account for over one-half of the Corporation's non-interest operating expenses, increased by $640,000 (5.0 per cent) due to normal salary increases.
2. Equipment expense rose $223,000, reflecting the Corporation's investment in technology to increase productivity and improve customer service.
3. Expenses related to mergers with Union National Bancorp and Randolph County Bancorp amounted to $258,000.
4. The previous year included a $238,000 refund from the State of Indiana for intangibles taxes paid in 1988 and 1989.

Other expense in the first nine months of 1997 exceeded the same period of the prior year by $1,217,000 or 6.8 per cent. Five primary areas account for this increase:

1. Salaries and benefits grew by $427,000 or 4.2 per cent due primarily to normal annual salary adjustments.
2. Business supply expense grew by $95,000 or nearly 14.3 per cent primarily due to increased use of data processing supplies and personal money order forms.
3. Equipment expense grew $184,000 or 12.0 per cent, again reflecting the Corporation's investment in technology to increase productivity and improve customer service.
4. Deposit insurance expense increased $61,000 (610 per cent) due to higher insurance premiums.
5. Marketing expense increased $82,000 or 13.5 per cent due primarily to the promotion of deposit products and and home banking services.

INCOME TAXES

1996 income tax expense increased by $698,000 due to a $1,792,000 increase in net pre-tax income. Likewise, the increase of $560,000 in the first nine months of 1997, as compared to the same period in 1996, results from a $1,551,000 increase in pre-tax net income, mitigated somewhat by a $382,000 increase in tax exempt 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).

FIRST MERCHANTS CORPORATION

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) Exhibits:

EXHIBIT NO.:	DESCRIPTION OF EXHIBIT:	FORM 10-Q PAGE NUMBER
27.1	Financial Data Schedule, Period Ending September 30, 1997	20
27.2	Restated Financial Data Schedule, Period Ending September 30, 1996	21
27.3	Restated Financial Data Schedule, Period Ending September 30, 1995	22

(b) Reports on Form 8-K:

No reports were filed on Form 8-K during the quarter ended September 30, 1997.

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 12, 1997 By /s/ Michael L. Cox

Michael L. Cox
Executive Vice President
and Director

Date November 12, 1997 By /s/ James L. Thrash

James L. Thrash
Chief Financial & Principal
Accounting Officer

9
1,000

9-MOS
DEC-31-1997
JAN-01-1997
SEP-30-1997
30,860
261
0
0
212,374
36,846
36,851
700,045
6,785
1,007,711
789,366
72,802
7,129
18,700
0
0
832
118,882
1,007,711
44,091
11,580
235
55,906
23,487
26,376
29,530
952
(3)
19,104
16,229
10,672
0
0
10,672
1.61
1.61
0
0
0
0
0
0
0
0
0
0
0
0

9

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM
FIRST MERCHANTS CORPORATION FOR QUARTER ENDED SEPTEMBER 30, 1996
RESTATES AS A REQUEST OF POOLING OF INTEREST TRANSACTIONS, AND IS
QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

9-MOS
DEC-31-1996
JAN-01-1996
SEP-01-1996
43,391
444
2,250
0
229,297
51,809
52,285
605,960
6,747
959,409
749,733
83,671
7,030
9,150
0
0
825
108,994
959,409
38,385
12,454
674
51,513
21,713
24,094
27,419
875
50
17,887
14,678
9,681
0
0
9,681
1.48
1.48
0
0
0
0
0
0
0
0
0
0
0
0

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FIRST MERCHANTS CORPORATION FOR QUARTER ENDED SEPTEMBER 30, 1995 RESTATED AS A RESULT OF POOLING OF INTEREST TRANSACTIONS, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

9-MOS
DEC-31-1995
JAN-01-1995
SEP-30-1995
30,663
259
0
0
165,103
128,791
129,820
543,141
6,708
914,367
727,859
69,939
6,990
8,000
0
0
821
100,758
914,367
36,378
11,960
676
49,014
20,781
23,073
25,941
857
(50)
17,318
13,625
8,991
0
0
8,991
1.37
1.37
0
0
0
0
0
0
0
0
0
0
0
0