annual report 1999

Moving ahead at the speed of life

First Merchants Corporation

your life

our mission

It is the mission of First Merchants Corporation to be the financial services provider of choice in east central Indiana by consistently:

- producing customer satisfaction through delivering quality products and superior quality service;
- providing employees with growth opportunities for personal achievement, career satisfaction and teamwork;
- achieving a superior return on our stockholders' investment.

We will take the extra step to recognize customer needs, to exercise initiative in developing sales and service opportunities, and to serve customer needs in a personal, reliable and professional manner.

our operating philosophy

To achieve our mission, we seek to implement four objectives which define the way we conduct our business.

We strive to be . . .

Customer Focused

placing our customers' needs and superior customer service as our highest priority;

Value Driven

providing products and services of high value at competitively fair prices;

Plan Disciplined

achieving market initiative and superior financial results through planning;

Managed for Achievers

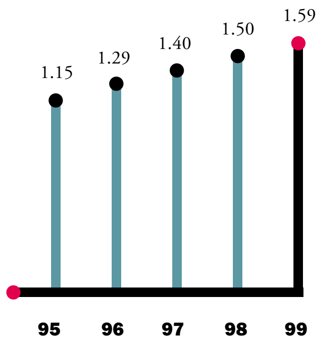
creating a personal growth environment which encourages and allows all of our employees to reach their highest level of achievement.

Financial highlights

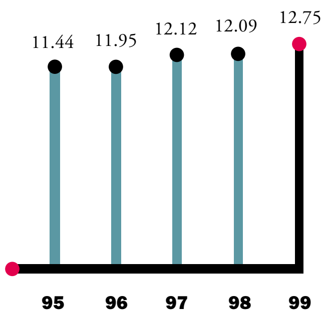
(table dollar amounts in thousands, except per share data)	1999	1998
At year end		
Total Assets	$1,474,048	$1,362,527
Stockholders' Equity	126,296	153,891
Total Loans	998,895	890,356
Securities	343,971	351,217
Total Deposits	1,147,203	1,085,952
Trust Accounts at Market Value *(not included in banking assets)*	1,423,000	1,301,000
For the year		
Interest Income	$ 100,463	$ 94,161
Interest Expense	46,898	44,465
Net Interest Income	53,565	49,696
Total Other Income	14,573	12,880
Total Other Expenses	36,710	32,741
Net Income	19,088	17,907
Per share [1]		
Basic Net Income	$ 1.59	$ 1.50
Diluted Net Income	1.58	1.48
Cash Earnings [2]	1.60	1.50
Cash Dividends	.84	.77
Book Value	11.55	12.85
Market Value (Dec. 31 Bid Price)	25.56	26.00
Averages during the year		
Total Assets	$1,397,230	$1,254,223
Total Loans	935,716	870,317
Securities	372,983	293,721
Total Deposits	1,073,074	1,016,629

[1] Restated for 3-for-2 stock split distributed October, 1998.
[2] Diluted Net Income plus amortization of purchase accounting adjustments and goodwill.

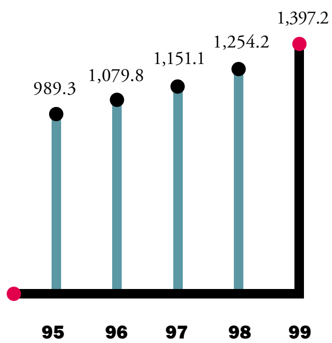
Basic net income per share [1]
(in dollars)



Return on average equity
(percent)



Average assets
(in millions of dollars)



STEFAN S. ANDERSON

MICHAEL L. COX

1999 marked the 24th consecutive year of profit growth for First Merchants Corporation, a record shared by only a handful of companies nationwide.

A key element in our sustained progress was the implementation of a capital management plan designed to utilize our strong capital and improve return on equity.

to our *Stockholders* 1999

1999 proved to be an eventful year as individuals and businesses around the world prepared for the turn of the century. The past year was one of challenge and opportunity alike, and we are pleased to report that First Merchants Corporation marked its 24th consecutive year of profit growth, a record shared by only a handful of companies nationwide.

A key element in our sustained progress was the implementation of a capital management plan designed to utilize our strong capital and improve return on equity. We set an aggressive return on equity goal of 15% and set in motion a strategy for aggressive capital management. On December 17, we concluded a self-tender for shares of First Merchants stock by repurchasing 1,130,000 shares from participating shareholders. This transaction will positively impact our reported return on equity and earnings per share.

Earnings for First Merchants Corporation exceeded $19 million in 1999. After absorbing approximately $800,000 in one-time acquisition expenses, diluted earnings per share were $1.58, an increase of 6.8% over the previous year. Excluding these non-recurring costs, operating EPS advanced 10.1%.

Dividends also increased in 1999 by $.07 per share. This represents a 9.1% increase over the prior fiscal year and extended our record of consecutive dividend increases to seventeen years.

Trust Department performance continued at record levels in 1999 as year-end market value of assets reached $1.4 billion. The number of managed accounts grew by double digits as our customer base expanded, while revenues increased by 9.3% to a new high of $4.6 million. This valuable division continues to lead our growth in non-interest revenue – a major initiative for the future.

The theme of this year's report, *Moving Ahead at the Speed of Life*, is certainly timely as we embrace the new millennium. A strategic directive has centered on increasing the utilization of electronic banking services throughout our network. New software and hardware are being implemented on our popular *EZ OnLine Banking* product to enhance this delivery channel. In addition, we successfully introduced *EZ OnLine Banking for Business,* the commercial companion to our consumer product that allows both small and large companies to perform bank-related transactions from a PC at their office. This new delivery channel has been well received by our business customers and promises to be an attractive offering to clients in our affiliate markets.

As reported briefly last year, two new community bank affiliates joined First Merchants Corporation in 1999. The First National Bank of Portland, based in Jay County, and Anderson Community Bank, located in Madison County, officially became part of the Corporation in the second quarter of the year. Anderson Community Bank merged with FMC affiliate, Pendleton Banking Company, to form a new affiliate, Madison Community Bank. Not only did the merger process run smoothly, but a heightened sense of camaraderie and teamwork emerged as a result of the partnership. Along with their excellent records of financial success, these new affiliates continue to be community leaders in their respective markets, a perfect match with our corporate philosophy.

The expansion of our successful "non-chartered community bank" continued in 1999 as First Merchants Bank-Hamilton County opened two new offices and four new ATM locations. The new branch at Carmel Drive & Rangeline Road in Carmel was well received in December and our second joint venture with Marsh Supermarkets opened at 106th & Michigan Road near Zionsville

Our Trust Department continued to perform at record levels in 1999 as managed accounts grew by double digits and revenues reached a new high, leading our growth in non-interest revenue.

A major initiative, to increase the utilization of electronic banking services throughout our network, includes enhancements to our *EZ Online Banking* product as well as the successful introduction of *EZ Online Banking for Business.*

Two new community bank affiliates, First National Bank of Portland in Jay County and Anderson Community Bank in Madison County, joined the Corporation in 1999.

Our "non-chartered community bank" in Hamilton County achieved profitability well ahead of projections as systematic expansion continued in this rapidly growing market.

Early returns on efforts to expand our base of customers within First Merchants Insurance Services are quite promising as acceptance of this new financial service continues to grow.

Year 2000 compliance was achieved by April 1, 1999...well ahead of the schedule set by the Federal Reserve. On the first business day of the new century, First Merchants' affiliates were open and ready for business just as we were at the turn of the last century.

Steve Anderson, long-time CEO, retired in 1999 after a remarkable record of 20 consecutive years of earnings improvement. Mr. Anderson will continue to serve in his capacity as Chairman of the Board.

in March of 2000. Our systematic growth will continue in this rapidly expanding market. We are pleased to report our high expectations of this area's potential were rewarded when the Hamilton County operation achieved profitability in just nine months – well ahead of projections. Much credit goes to the outstanding efforts of our dedicated personnel and local Advisory Board.

Another initiative for the year was to expand our base of customers within First Merchants Insurance Services and to aggressively market insurance products to present banking customers through direct mail, personal contact and an extensive multi-media campaign. Early returns are quite promising and acceptance of this new financial service by First Merchants' customers continues to grow.

We cannot recite 1999 achievements without mentioning Y2K, or the Year 2000 issue. Never before have so many diverse industries and organizations devoted so much time and resources to the same issue. First Merchants Corporation was ready for the new millennium after devoting more than three years, countless man-hours and substantial resources to assure that our family of banks was prepared for the new millennium. Year 2000 compliance by April 1, 1999, put us well ahead of the schedule set by the Federal Reserve. On the first business day of the new century, First Merchants affiliates were open and ready for business just as we were at the turn of the last century. Our thanks go to a team of knowledgeable and dedicated employees in our computer operations division who made sure Y2K was OK at First Merchants Corporation.

April, 1999 marked the retirement of long-time CEO, Steve Anderson, after compiling a remarkable record of 20 years of consecutive earnings improvement. Mr. Anderson will continue to serve in his capacity as Chairman of the Board.

In late January of 2000, we were pleased to announce that Decatur Financial, Inc., holding company for Decatur Bank and Trust Company, would join our family of community banks. With a record of stellar financial performance – 17 years of consecutive earnings growth – Decatur further strengthens our presence in northeastern Indiana. We anticipate closing this transaction at mid-year with the addition of our seventh high-quality community bank.

All of the successes and achievements of the past year have a common element – *our people.* Every division, every department, every project, every initiative and goal are driven by exceptional people who genuinely care about their co-workers, company, and most importantly, their customers. These people and their dedication to service are the defining attributes that set our company apart from other community bank competitors and the disruptive aftermath of mega-bank expansion.

As we look ahead to future goals and objectives, we remain steadfast in our resolve to continue the steady growth of your organization. Now the fifth largest Indiana-based bank holding company, we believe our opportunities are limitless. We will continue to encourage high-quality community banks to join our family and fully expect to add new affiliates in the future.

Community banking, high-touch/high-service banking, as practiced by all FMC affiliates, enjoys great receptiveness in the marketplace. We pledge to not disappoint our thousands of loyal customers and will continue to provide them with the very best in financial services to keep *Moving Ahead at the Speed of Life.*

Sincerely,

Stefan S. Anderson
Chairman of the Board

Michael L. Cox
President and Chief Executive Officer

Decatur Bank & Trust Company, the seventh high-quality community bank to join the First Merchants family, brings a record of 17 years of consecutive earnings growth and a strong northeastern Indiana presence to our company.

All of the achievements of the past year have a common element… our people, who help set our company apart from other community bank competitors and the disruptive aftermath of mega-bank expansion.

Now the fifth largest Indiana-based bank holding company, we believe our opportunities are limitless. High-touch/high-service banking, as practiced by all FMC affiliates, continues to enjoy great receptiveness in the marketplace.

Moving ahead at the speed of **life**

New technologies

to fit life in the fast lane,

as well as traditional services

our customers have come to expect.

Look down any Main Street, USA on a typical weekday and you're likely to see the same picture. People hustling and bustling to a variety of daily destinations. Working moms and dads rushing to make the next appointment, after-school recitals, sporting events...and the list goes on. If you perceive the pace of life to be one of perpetual acceleration, consider yourself among the majority.

Unfortunately, time is a commodity that simply can't be changed. Despite advances in technology, we can't create more time for the increasing demands on our lives. We can, however, take advantage of technology to better utilize the time we have.

First Merchants Corporation is *Moving Ahead at the Speed of Life…* **your life.** We understand the importance of delivering our products and services at a pace that fits your schedule – whatever and whenever is convenient. We also recognize that many of our customers' needs haven't changed that dramatically despite the pace of today's world. While these valued clients may still embrace new technology and delivery channels, our people and branch network are still invaluable assets for product and service access.

We've seen a steady migration of customers coming to our bank as a result of mergers and mega-bank takeovers. People still want local decision-making and the kind of service we provide as a community bank.

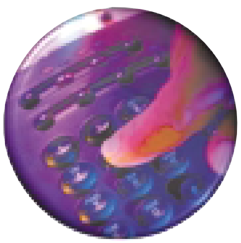
— **MARILYN WILLIAMS**
Union County National Bank

For First Merchants, *Moving Ahead at the Speed of Life* encompasses both sides of the proverbial coin. New technologies to fit life in the fast lane, as well as traditional services our customers have come to expect. First Merchants understands the critical balance necessary to ensure that no erosion of customer service takes place. Throughout the evolution of this process, we continue to offer our benchmark of *Everything You'd Expect... and More* regardless of the avenue chosen.

The introduction of *EZ OnLine Banking for Business*, this past year, was welcomed very favorably by our existing commercial customers and will open new doors throughout our affiliate markets. Our companion consumer product, *EZ OnLine Banking*, is being upgraded and will be introduced in affiliate markets as well. This innovative delivery channel has seen continual growth at First Merchants Bank since its introduction over three years ago and, based on preliminary customer surveys, is expected to receive equally favorable response at the affiliate level.

First Merchants Corporation was among the first bank holding companies nationwide to introduce a Web site when *FirstPage* debuted nearly four years ago. Today, significant upgrades and changes are in progress to revamp our site for simpler navigation and customer convenience. These improvements, dovetailed with the previously mentioned upgrades to our online banking products, will give customers a new level of functionality while managing their funds via personal computer.

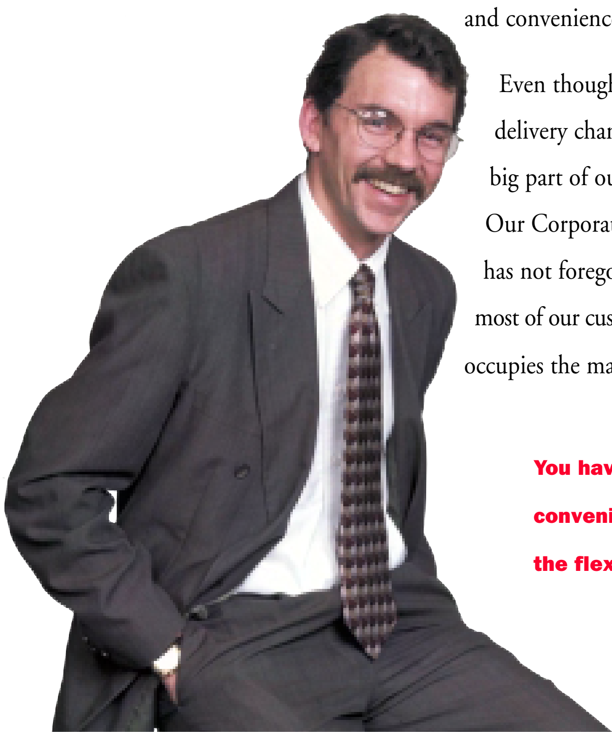
Every advancement, every positive improvement in the way we serve our customers and exceed their expectations is attributable to the people in our First Merchants family.



Our popular telephone-banking product, *TellerLine*, has also undergone several changes that promise to increase customer satisfaction. Since inception over a decade ago, *TellerLine* has enjoyed wide acceptance among First Merchants customers for balance inquiries, transfers, payments and automated loan applications. In July of 1999, the *LoanLine* feature was enhanced by replacing the automated function with real people, available 24 hours-a-day, 7 days-a-week to take and process loan applications. This new feature is more consistent with our hands-on approach to community banking and adds a greater level of service for our customers. A new option, *RateLine,* was added to the telephone menu two months later allowing customers to obtain quotes on loan and deposit products anytime, day or night. Both of these new features give customers greater flexibility and convenience for accessing funds or gathering information.

Many of our new customers are surprised to find the variety of services we can offer at a smaller, community bank. From debit cards, to telephone banking, to on-line banking… it's a terrific menu!

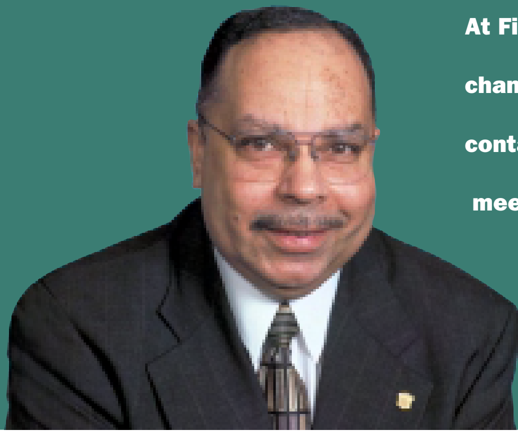
— **DEIDRE JONES**
First United Bank



Even though new technology continues to broaden our delivery channels, a "brick and mortar" presence is still a big part of our *Moving Ahead at the Speed of Life* philosophy. Our Corporation, while responsibly embracing new technology, has not foregone the people and infrastructure upon which most of our customers still rely. First Merchants Corporation occupies the market leader position among community banks in

You have to be prepared to service your customers whenever it's convenient for them. A variety of service options gives customers the flexibility to choose a method that meets their needs.

— **CHRIS CALDWELL**
Madison Community Bank



At First Merchants, the technology and delivery channels we employ do not diminish our day-to-day contact but, instead, enhance the ways we can meet the needs of our clients.

— BOB RHOADES
First Vice President
First Merchants Bank

the area with more than 35 branches in 10 Indiana and Ohio counties. Future plans call for continued expansion into new growth markets and territories. The addition of two new banking centers in Carmel and Zionsville doubled the branch presence at First Merchants Bank, Hamilton County, our successful "non-chartered" community bank introduced in 1998. We anticipate further expansion there, as well as additional ATMs in the future.

Financial solutions are a big part of what we do, but the little things are also important. We still help customers balance their checkbooks, open a lockbox... whatever it takes to meet their needs.

— TRINA FRAZIER
Randolph County Bank

The announcement early in 2000 of a definitive agreement between Decatur Bank & Trust Company and First Merchants Corporation continued our plan to affiliate with like-minded community bank partners. This fine institution has an outstanding track record of financial success and fiscal responsibility, with a sterling reputation for community service and philanthropy. We are extremely pleased to welcome Decatur Bank & Trust to the First Merchants Corporation family.

And, indeed, a family we are. Among all of our products and achievements, there is a common thread that is interwoven in each one...*our people.* First Merchants Corporations' employees provide a unique blend of knowledge and dedication to our corporate make-up, not shared by most competitors. Every advancement, every positive improvement in the way we serve our customers and exceed their expectations is attributable to the people in our First Merchants family. Whether through company pride, empowerment or recognition, our employees are collectively committed to taking the *Extra Step* to assure that the level of service we provide is indeed *Everything You'd Expect and More!*

First Merchants' *Extra Step* employee recognition program continues to be a cornerstone of our organization, with the primary focus on customer retention and satisfaction. A peer-nominated system, the *Extra Step* program recognizes employees who go beyond the norm to promote teamwork, leadership, assist a customer or correct a problem.

For instance, Robert Kellogg of our Customer Service department drove nearly twenty miles to take cash to a customer at a gas station that didn't accept checks. Assistant Vice President Joan Wools, braved a near blizzard to to open her banking center and make sure that several commercial clients including a major supermarket chain and several fast-food restaurants, had cash available to transact business. As illustrated, taking the *Extra Step* isn't always easy, but when it comes to customer satisfaction, First Merchants employees embrace the challenge.

Main Street, USA will undoubtedly continue to change as we go forward into the new millennium. If history teaches us anything, it's that change is constant, and how we prepare for and manage change will shape the direction of our lives. For most of our affiliate banks, the history of their respective organizations spans well over a century of helping people meet the financial challenges of one generation after another. As we continue to grow and plan for the future, who can guess how technology and progress will affect our lives ten, twenty,even fifty years from now? But be assured that First Merchants Corporation will continue to offer the financial products and services you need to keep *Moving Ahead at the Speed of Life...* **your life.**

The onus for us, as agents, is to utilize technology to find the best products at the best value, provide faster response and improve overall service for our customers.

— TONY MILLER
First Merchants insurance Services

Even though our bank is located in a rural community, we have customers who do business all across the country. On-line banking helps to keep us on the leading edge without detracting from our hometown identity.

— SUE BOWERS
First National Bank of Portland

Financial review

independent auditor's report

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

We have audited the accompanying consolidated balance sheet of First Merchants Corporation and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1999 (pages 24-43). These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

The consolidated financial statements as of December 31, 1999 and for the three years then ended have been restated to reflect the pooling-of-interests with Jay Financial Corporation and Anderson Community Bank as described in Note 2 to the consolidated financial statements. We did not audit the 1998 or 1997 financial statements of Jay Financial Corporation and Anderson Community Bank, which statements reflect total assets of $185,355,000 as of December 31, 1998, and total revenues of $15,588,000 and $13,626,000 for the years ended December 31, 1998 and 1997. Those statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for First Merchants Corporation as of December 31, 1999 and for the three years then ended, is based solely on the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements described above present fairly, in all material respects, the consolidated financial position of First Merchants Corporation and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with generally accepted accounting principles.

OLIVE LLP

Indianapolis, Indiana
January 22, 2000

Five-Year Summary of selected financial data

(in thousands, except share data)	1999	1998	1997	1996	1995
Operations					
Net Interest Income					
Fully Taxable Equivalent (FTE) Basis	$ 56,513	$ 52,463	$ 49,403	$ 45,431	$ 41,321
Less Tax Equivalent Adjustment	2,948	2,767	2,611	2,312	2,243
Net Interest Income	53,565	49,696	46,792	43,119	39,078
Provision for Loan Losses	2,241	2,372	1,735	1,790	1,543
Net Interest Income					
After Provision for Loan Losses	51,324	47,324	45,057	41,329	37,535
Total Other Income	14,573	12,880	10,146	9,317	8,188
Total Other Expenses	36,710	32,741	30,016	27,596	25,585
Income Before Income Tax Expense	29,187	27,463	25,187	23,050	20,138
Income Tax Expense	10,099	9,556	8,704	8,006	6,905
Net Income	$ 19,088	$ 17,907	$ 16,483	$ 15,044	$ 13,233
Per share data (1)					
Basic Net Income	$ 1.59	$ 1.50	$ 1.40	$ 1.29	$ 1.15
Diluted Net Income	1.58	1.48	1.38	1.27	1.14
Cash Dividends Paid (2)	.84	.77	.69	.59	.51
December 31 Book Value	11.55	12.85	11.95	11.10	10.40
December 31 Market Value (Bid Price)	25.56	26.00	24.33	16.83	17.17
Average balances					
Total Assets	$1,397,230	$1,254,223	$1,151,081	$1,079,816	$ 989,340
Total Loans	935,716	870,317	799,430	698,417	612,641
Total Deposits	1,073,074	1,016,629	825,808	778,096	714,660
Securities Sold Under Repurchase Agreements					
(long-term portion)	62,686	37,238			
Total Federal Home Loan Bank Advances	57,062	30,742	19,746	9,192	9,000
Total Stockholders' Equity	149,727	148,052	135,958	125,907	115,655
Year-end balances					
Total Assets	$1,474,048	$1,362,527	$1,181,359	$1,112,672	$1,037,509
Total Loans	998,895	890,356	838,658	744,474	621,539
Total Deposits	1,147,203	1,085,952	976,972	918,876	862,023
Securities Sold Under Repurchase Agreements					
(long-term portion)	35,000	48,836			
Total Federal Home Loan Bank Advances	73,514	47,067	25,500	10,150	9,000
Total Stockholders' Equity	126,296	153,891	141,794	130,250	121,339
Financial ratios					
Return on Average Assets	1.37%	1.43%	1.43%	1.39%	1.34%
Return on Average Stockholders' Equity (3)	12.75	12.09	12.12	11.95	11.44
Average Earning Assets to Total Assets	94.77	94.80	94.62	94.39	94.61
Allowance for Loan Losses as % of Total Loans	1.01	1.03	1.01	1.08	1.24
Dividend Payout Ratio	53.16	52.03	50.00	46.46	44.74
Average Stockholders' Equity to Average Assets	10.72	11.80	11.81	11.66	11.69
Tax Equivalent Yield on Earning Assets (4)	7.81	8.15	8.34	8.10	8.10
Cost of Supporting Liabilities	3.54	3.74	3.80	3.64	3.69
Net Interest Margin on Earning Assets	4.27	4.41	4.54	4.46	4.41

(1) Restated for 3-for-2 stock splits distributed October, 1995 and October, 1998.

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

(3) Average stockholders' equity is computed by averaging the last five quarters ending balance.

(4) 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.

Management's discussion & analysis

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

Results of operations

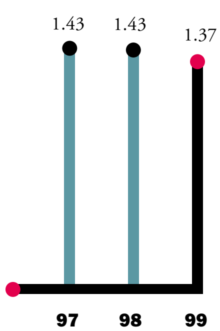
Net income for 1999 rose to $19,088,000, while diluted earnings per share totaled $1.58, a 6.8% increase over the previous year. Excluding non-recurring acquisition-related expenses, operating EPS advanced 10.1%

Net income for the year 1999 reached $19,088,000, up from $17,907,000 in 1998. Diluted earnings per share totaled $1.58, a 6.8% increase over $1.48 reported for 1998. Cash basis earnings per share were $1.60, an increase of 6.7% over the 1998 level of $1.50. During the year, the Corporation absorbed merger-related expenses amounting to $ .05 per share incurred during the successful completion of two acquisitions. Excluding these expenses, diluted earnings per share would have been $1.63, a 10.1% increase. In 1999, First Merchants Corporation ("Corporation") recorded the twenty-fourth consecutive year of improvement in net income on both an aggregate and per share basis.

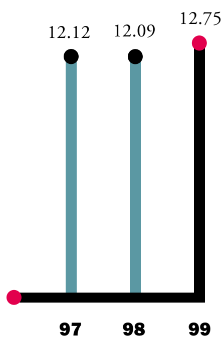
Return on equity was 12.75 percent in 1999, up from 1998 and 1997 figures of 12.09 percent and 12.12 percent.

Return on assets was 1.37 percent in 1999, 1.43 percent in 1998 and 1997.

Return on average assets
(percent)



Return on average equity
(percent)



Capital

The Corporation successfully completed a self-tender offer on December 17, 1999, repurchasing 1,130,669 shares of its own stock for a price of $28 per share. The buyback is expected to have a positive impact on the Corporation's EPS and ROE in future periods.

The Corporation's capital strength continues to exceed regulatory minimums and management believes that its strong capital continues to be a distinct advantage in the competitive environment in which the Corporation operates.

The Corporation's Tier I capital to average assets ratio was 9.2 percent at year-end 1999, and 11.9 percent at December 31, 1998. At December 31, 1999, the Corporation had a Tier I risk-based capital ratio of 12.7 percent, total risk-based capital ratio of 13.7 percent, and a leverage ratio of 9.2 percent. Regulatory capital guidelines require a Tier I risk-based capital ratio of 4.0 percent and a total risk-based capital ratio of 8.0 percent.

The Corporation has an employee stock purchase plan and an employee stock option plan. Activity under these plans is described in Note 14 to the Consolidated Financial Statements. The transactions under these plans have not had a material effect on the Corporation's capital position.

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 in the table below. 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 are not specifically identified.

At December 31, 1999, non-performing loans totaled $4,515,000, a decrease of $2,000. Impaired loans included in the table at right totaled $1,380,000.

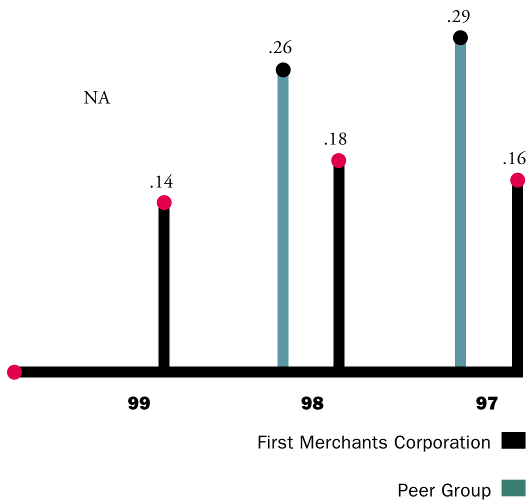
The Corporation adopted Statement of Financial Accounting Standards ("SFAS") No. 114 and No. 118, *Accounting by Creditors for Impairment of a Loan and Accounting by Creditors for Impairment of a Loan – Income Recognition and Disclosures,* on January 1, 1995. At December 31, 1999, impaired loans totaled $7,140,000, a decrease of $1,947,000. 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 December 31, 1999, the allowance for loan losses was $10,128,000, up $919,000 from year end 1998. As a percent of loans, the allowance was 1.01 percent, down from 1.03 percent at year-end 1998.

The provision for loan losses in 1999 was $2,241,000 compared to $2,372,000 in 1998.

Net loan losses

(as a percent of average loans)



The following table summarizes the risk elements for the Corporation.

(dollars in thousands)	December 31, 1999	1998
Non-accrual loans	**$1,280**	$1,073
Loans contractually past due 90 days or more other than non-accruing	**2,327**	2,334
Restructured loans	**908**	1,110
Total	**$4,515**	$4,517

The table below presents loan loss experience for the years indicated and compares the Corporation's loss experience to that of its peer group.

(Dollars in Thousands)	1999	1998	1997
Allowance for loan losses:			
Balance at January 1	**$ 9,209**	$8,429	$8,010
Chargeoffs	**1,769**	2,231	1,949
Recoveries	**447**	639	633
Net chargeoffs	**1,322**	1,592	1,316
Provision for loan losses	**2,241**	2,372	1,735
Balance at December 31	**$10,128**	$9,209	$8,429
Ratio of net chargeoffs during the period to average loans outstanding during the period	**.14%**	.18%	.16%
Peer Group	**NA**	.26%	.29%

Liquidity, interest sensitivity and disclosures about market risk

The Corporation's asset quality and loan loss experience have consistently been superior to that of its peer group. 1999 net chargeoffs to average loans outstanding equaled .14%

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 December 31, 1999, 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 December 31, 1999.

Interest rate sensitivity analysis

(dollars in thousands)

	At December 31, 1999				
	1-180 DAYS	**181-365 DAYS**	**1-5 YEARS**	**BEYOND 5 YEARS**	**TOTAL**
Rate-Sensitive Assets:					
Federal funds sold and interest-bearing deposits	$ 27,130				$ 27,130
Investment securities	43,442	$ 41,194	$ 198,838	$ 60,497	343,971
Loans	360,779	81,769	405,523	150,885	998,956
Federal Reserve and Federal Home Loan Bank stock	5,858				5,858
Total rate-sensitive assets	437,209	122,963	604,361	211,382	$1,375,915
Rate-Sensitive Liabilities:					
Interest-bearing deposits	494,495	183,111	328,452	598	1,006,656
Securities sold under repurchase agreements	21,957	21,000	35,000		77,957
Other short-term borrowings	38,391				38,391
Federal Home Loan Bank advances	44,914	2,450	17,450	8,700	73,514
Total rate-sensitive liabilities	599,757	206,561	380,902	9,298	1,196,518
Interest rate sensitivity gap by period	$(162,548)	$(83,598)	$ 223,459	$202,084	
Cumulative rate sensitivity gap	(162,548)	(246,146)	(22,687)	179,397	
Cumulative rate sensitivity gap ratio at December 31, 1999	72.9 %	69.5%	98.1%	115.0%	

The Corporation had a cumulative negative gap of $246,146,000 in the one-year horizon at December 31, 1999, just over 16.7 percent of total assets. Net interest income at financial institutions with negative gaps tends to increase when rates decrease and decrease as interest rates increase.

Liquidity, interest sensitivity and disclosures about market risk continued

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 flat. Net interest income is simulated over an 18-month horizon. By policy, the difference between the best performing and the worst performing rate scenarios are not allowed to show a variance greater than 5 percent.

Assumed interest rate changes are simulated to move incrementally over 18 months. The total rate movement (beginning point minus ending point) to noteworthy interest rate indexes are as follows:

	RISING	FALLING
Prime	300 Basis Points	(300) Basis Points
Federal Funds	300	(300)
90-Day T-Bill	310	(275)
One-Year T-Bill	290	(270)
Three-Year T-Bill	290	(265)
Five-Year T-Note	290	(255)
Ten-Year T-Note	290	(245)
Interest Checking	100	(57)
MMIA Savings	150	(100)
Money Market Index	219	(215)
Regular Savings	100	(57)

The Corporation's Asset/Liability function is utilized to provide optimum and stable net interest income given various rate scenarios, economic conditions and competitive environments.

Results for the flat, rising (rate shock), and falling (rate shock) interest rate scenarios are listed below. The net interest income shown represents cumulative net interest income over an 18-month time horizon. Balance sheet assumptions are the same under both scenarios:

	FLAT/BASE	RISING	FALLING
Net Interest Income *(dollars in thousands)*	$ 82,872	$ 80,233	$ 82,248
Change vs. Flat/Base Scenario		$(2,639)	$(624)
Percent Change		-3.18%	-0.75%

Earning assets

Earning assets increased $82.6 million during 1999. The table below reflects the earning asset mix for the years 1999 and 1998 (at December 31).

Loans grew by $108.5 million while investment securities declined by $7.2 million. High loan demand combined with the Corporation's self-tender resulted in a minimal decrease to the investment securities portfolio.

The Corporation successfully completed a self-tender offer on December 17, 1999, repurchasing 1,130,669 shares of its own stock for a price of $28 per share. The buyback is expected to have a positive impact on the Corporation's EPS and ROE.

Earning assets

(dollars in millions)

	December 31, 1999	December 31, 1998
Federal funds sold and interest-bearing time deposits	$ 27.1	$ 46.3
Securities available for sale	329.7	329.5
Securities held to maturity	14.3	21.7
Mortgage loans held for sale		0.8
Loans	998.9	890.4
Federal Reserve and Federal Home Loan Bank stock	5.8	4.5
Total	$1,375.8	$1,293.2

Deposits, securities sold under repurchase agreements, other short-term borrowings and Federal Home Loan Bank advances

The table below reflects the level of deposits and borrowed funds (Federal funds purchased, repurchase agreements, U.S. Treasury demand notes and Federal Home Loan Bank advances) based on year-end levels at December 31, 1999 and 1998.

As of December 31 (dollars in millions)

	DEPOSITS	SECURITIES SOLD UNDER REPURCHASE AGREEMENTS	OTHER SHORT-TERM BORROWINGS	FEDERAL HOME LOAN BANK ADVANCES
1999	$1,147.2	$78.0	$38.4	$73.5
1998	$1,086.0	$48.8	$17.8	$47.1

Net interest income

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

The table below reflects the Corporation's asset yields, interest expense, and net interest income as a percent of average earning assets for the three-year period ending in 1999.

In 1999, asset yields declined 34 basis points (FTE), interest cost declined 20 basis points, resulting in a 14 basis point (FTE) decline in net interest income. This decline primarily resulted from a $90 million investment project in the fourth quarter of 1998 and another $30 million in the first quarter of 1999. The "spread" from both projects was approximately 120 basis points.

(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
1999	7.81%	3.54%	4.27%	$1,324,172	$56,513
1998	8.15	3.74	4.41	1,188,981	52,463
1997	8.34	3.80	4.54	1,089,192	49,403

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.

Net interest income increased $4.1 million, as a result of growth in average earning assets of $135.2 million. Strong loan demand accounted for a $108.5 million increase in total earning assets.

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 1999 amounted to $14,573,000 or 13.1 percent higher than in 1998. The increase of $1,693,000 is primarily attributable to the following factors:

1. Service charges on deposit accounts increased $744,000 or 20.1 percent due to increased number of accounts and price adjustments.
2. Other customer fees increased $462,000, or 17.6 percent, due to increased fees from electronic card usage and price adjustments.
3. Commission income increased $455,000, or 42.4 percent, due to the acquisition of the Muncie office of Insurance & Risk Management, Inc., renamed First Merchants Insurance Services, on April 1, 1998.
4. Revenues from fiduciary activity grew $391,000, or 9.3 percent, due to strong new business activity and markets.
5. Other income decreased $489,000, or 43.0 percent due primarily to a $442,000 gain on sale of a Bank building in 1998.

The Corporation's emphasis to increase revenue from non-interest income resulted in a 13.1% rise for 1999 to $14.6 million, following a double-digit increase in 1998.

Other income continued

Other income in 1998 amounted to $12,880,000 or 26.9 percent higher than in 1997. The increase of $2,734,000 is primarily attributable to the following factors:

1. Revenues from fiduciary activity grew $763,000, or 22.1 percent, due to strong new business activity and markets.
2. Commission income increased $712,000, or 196.7 percent, due to the acquisition of the Muncie office of Insurance and Risk Management, Inc., renamed First Merchants Insurance Services, on April 1, 1998.
3. Other income increased $663,000 or 139.9 percent, due primarily to a $442,000 gain on sale of a Bank building.
4. Other customer fees increased $521,000 or 24.7 percent due to increased fees from electronic card usage and price adjustments.

Other expenses

Total "other expenses" represent non-interest operating expenses of the Corporation. Those expenses amounted to $36,710,000 in 1999, an increase of 12.1 percent from the prior year, or $3,969,000.

Three major areas account for most of the increase:

1. Salary and benefit expenses, which account for over one-half of the Corporation's non-interest operating expenses, grew by $1,514,000, or 8.3 percent, due to normal salary increases and staff additions.
2. Non-recurring merger related costs in 1999 were $804,000 representing just over 5 cents per share.
3. Equipment expenses increased $552,000, or 17.5 percent, reflecting the Corporation's efforts to improve efficiency and provide electronic service delivery to its customers.

Equipment expense increased $552,000 or 17.5%, reflecting the Corporation's efforts to provide state-of-the-art products to its customers.

Expenses for 1998 amounted to $32,741,000, an increase of 9.1 percent from the prior year, or $2,725,000.

Three major areas account for most of the increase:

1. Salary and benefit expenses, which account for over one-half of the Corporation's non-interest operating expenses, grew by $1,668,000 or 10.0 percent, due to normal salary increases and staff additions.
2. Equipment expenses increased $399,000, or 14.4 percent, reflecting the Corporation's efforts to improve efficiency and provide electronic service delivery to its customers.
3. Net occupancy expense grew by $237,000, or 13.0 percent, due primarily to increased branch expansion into new markets.

Income taxes

The increase in 1999 tax expense of $543,000 is attributable primarily to a $1,724,000 increase in net pre-tax income, mitigated somewhat by a $336,000 increase in tax-exempt income and increased tax credits of $204,000. Likewise, the $852,000 increase in 1998 resulted primarily from a $2,276,000 increase in pre-tax net income, mitigated by a $291,000 increase in tax-exempt income.

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 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 was originally effective for all fiscal years beginning after June 15, 1999 and was amended. It is now effective for all fiscal years beginning 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.

Inflation

Changing prices of goods, services and capital affect the financial position of every business enterprise. The level of market interest rates and the price of funds loaned or borrowed fluctuate due to changes in the rate of inflation and various other factors, including government monetary policy.

Fluctuating interest rates affect the Corporation's net interest income, loan volume and other operating expenses, such as employee salaries and benefits, reflecting the effects of escalating prices, as well as increased levels of operations and other factors. As the inflation rate increases, the purchasing power of the dollar decreases. Those holding fixed-rate monetary assets incur a loss, while those holding fixed-rate monetary liabilities enjoy a gain. The nature of a bank holding company's operations is such that there will be an excess of monetary assets over monetary liabilities, and, thus, a bank holding company will tend to suffer from an increase in the rate of inflation and benefit from a decrease.

Consolidated balance sheet

(in thousands, except share data)

	December 31, 1999	December 31, 1998
Assets		
Cash and due from banks	$ 58,893	$ 35,474
Federal funds sold	25,400	45,295
Cash and cash equivalents	84,293	80,769
Interest-bearing time deposits	1,730	1,008
Investment securities		
Available for sale	329,668	329,508
Held to maturity (fair value of $14,284 and $22,061)	14,303	21,709
Total investment securities	343,971	351,217
Mortgage loans held for sale	61	776
Loans	998,895	890,356
Less: Allowance for loan losses	(10,128)	(9,209)
Net loans	988,767	881,147
Premises and equipment	20,073	18,963
Federal Reserve and Federal Home Loan Bank stock	5,858	4,455
Interest receivable	11,279	10,797
Core deposit intangibles and goodwill	2,885	3,117
Other assets	15,131	10,278
Total assets	$ 1,474,048	$ 1,362,527
Liabilities		
Deposits		
Noninterest-bearing	$ 140,547	$ 139,469
Interest-bearing	1,006,656	946,483
Total deposits	1,147,203	1,085,952
Borrowings	189,862	113,703
Interest payable	4,599	4,134
Other liabilities	6,088	4,847
Total liabilities	1,347,752	1,208,636
Commitments and contingent liabilities		
Stockholders' equity		
Preferred stock, no-par value		
Authorized and unissued – 500,000 shares		
Common stock, $.125 stated value		
Authorized – 50,000,000 shares		
Issued and outstanding – 10,936,617 and 11,975,955 shares	1,367	1,497
Additional paid-in capital	25,481	31,263
Retained earnings	103,640	118,920
Accumulated other comprehensive income	(4,192)	2,211
Total stockholders' equity	126,296	153,891
Total liabilities and stockholders' equity	$ 1,474,048	$ 1,362,527

See notes to consolidated financial statements.

Consolidated statement of income

(in thousands, except share data)

	Year Ended December 31,		
	1999	1998	1997
Interest income			
Loans receivable			
Taxable	$ 78,366	$ 75,971	$ 71,058
Tax exempt	233	234	163
Investment securities			
Taxable	15,459	11,596	11,587
Tax exempt	5,243	4,906	4,686
Federal funds sold	657	1,026	308
Deposits with financial institutions	59	30	35
Federal Reserve and Federal Home Loan Bank stock	446	398	347
Total interest income	100,463	94,161	88,184
Interest expense			
Deposits	38,539	39,873	37,370
Securities sold under repurchase agreements	4,273	2,015	1,563
Federal Home Loan Bank advances	3,260	1,923	1,121
Other borrowings	826	654	1,338
Total interest expense	46,898	44,465	41,392
Net interest income	53,565	49,696	46,792
Provision for loan losses	2,241	2,372	1,735
Net interest income after provision for loan losses	51,324	47,324	45,057
Other income			
Fiduciary activities	4,600	4,209	3,446
Service charges on deposit accounts	4,450	3,706	3,763
Other customer fees	3,089	2,627	2,106
Net realized gains (losses) on			
sales of available-for-sale securities	257	127	(5)
Commission income	1,529	1,074	362
Other income	648	1,137	474
Total other income	14,573	12,880	10,146
Other expenses			
Salaries and employee benefits	19,820	18,306	16,638
Net occupancy expenses	2,139	2,064	1,827
Equipment expenses	3,715	3,163	2,764
Marketing expense	869	903	928
Deposit insurance expense	129	125	118
Outside data processing fees	1,647	1,465	1,367
Printing and office supplies	1,275	984	1,117
Merger-related expenses	804		
Other expenses	6,312	5,731	5,257
Total other expenses	36,710	32,741	30,016
Income before income tax	29,187	27,463	25,187
Income tax expense	10,099	9,556	8,704
Net income	$ 19,088	$ 17,907	$ 16,483
Net income per share:			
Basic	$ 1.59	$ 1.50	$ 1.40
Diluted	1.58	1.48	1.38

See notes to consolidated financial statements.

Consolidated statement of comprehensive income

(dollar amounts in thousands)

	Year Ended December 31, 1999	1998	1997
Net income	$ 19,088	$ 17,907	$ 16,483
Other comprehensive income, net of tax:			
Unrealized gains (losses) on securities available for sale:			
Unrealized holding gains (losses) arising during the period, net of income tax (expense) benefit of $4,258, $(499), $(487)	(6,249)	731	715
Less: Reclassification adjustment for gains (losses) included in net income, net of income tax (expense) benefit of $(103), $(51), $2	154	76	(3)
	(6,403)	655	718
Comprehensive income	$ 12,685	$ 18,562	$ 17,201

Consolidated statement of stockholders' equity

(In thousands, except share data)

	COMMON STOCK SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL
Balances, January 1, 1997	7,825,960	$1,021	$28,837	$ 99,554	$ 838	$ 130,250
Net income for 1997				16,483		16,483
Cash dividends ($ .69 per share)				(7,090)		(7,090)
Other comprehensive income, net of tax					718	718
Stock issued under employee benefit plans	13,690	2	289			291
Stock issued under dividend reinvestment and stock purchase plan	23,276	3	723			726
Stock options exercised	47,522	28	389			417
Balances, December 31, 1997	7,910,448	1,054	30,238	108,947	1,556	141,795
Net income for 1998				17,907		17,907
Cash dividends ($ .77 per share)				(7,934)		(7,934)
Other comprehensive income, net of tax					655	655
Stock issued under employee benefit plans	14,471	2	383			385
Stock issued under dividend reinvestment and stock purchase plan	19,092	2	677			679
Stock options exercised	52,460	19	463			482
Stock redeemed	(2,000)		(72)			(72)
Three-for-two stock split	3,981,769	420	(420)			
Cash paid in lieu of issuing fractional shares	(285)		(6)			(6)
Balances, December 31, 1998	11,975,955	1,497	31,263	118,920	2,211	153,891
Net income for 1999				19,088		19,088
Cash dividends ($ .84 per share)				(9,759)		(9,759)
Other comprehensive income, net of tax					(6,403)	(6,403)
Stock issued under employee benefit plans	20,870	3	454			457
Stock issued under dividend reinvestment and stock purchase plan	30,227	4	718			722
Stock options exercised	55,234	6	265			271
Stock redeemed	(1,145,669)	(143)	(7,384)	(24,609)		(32,136)
Tax benefit of stock dispositions			165			165
Balances, December 31, 1999	10,936,617	$ 1,367	$ 25,481	$ 103,640	$(4,192)	$ 126,296

See notes to consolidated financial statements.

Consolidated statement of cash flows

(in thousands, except share data)

	Year Ended December 31, 1999	1998	1997
Operating activities:			
Net income	$ 19,088	$ 17,907	$ 16,483
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	2,241	2,372	1,735
Depreciation and amortization	2,517	2,394	2,259
Amortization of goodwill and intangibles	232	258	89
Deferred income tax	(1,122)	153	(140)
Securities amortization, net	358	221	264
Securities losses (gains), net	(257)	(127)	5
Gain on sale of premises and equipment	(4)	(442)	
Mortgage loans originated for sale	(6,179)	(10,251)	(7,139)
Proceeds from sales of mortgage loans	6,894	9,946	6,952
Net change in			
Interest receivable	(482)	(448)	(544)
Interest payable	465	37	290
Other adjustments	1,932	(2,579)	(910)
Net cash provided by operating activities	25,683	19,441	19,344
Investing activities:			
Net change in interest-bearing deposits	(722)	(524)	(194)
Purchases of			
Securities available for sale	(148,210)	(193,728)	(77,274)
Securities held to maturity	(2,667)	(90)	(2,652)
Proceeds from maturities of			
Securities available for sale	120,509	88,439	83,557
Securities held to maturity	7,226	14,325	16,099
Proceeds from sales of			
Securities available for sale	19,627	7,394	12,555
Net change in loans	(109,861)	(53,761)	(95,313)
Acquisition of insurance subsidiary		(1,254)	
Purchase of Federal Home Loan Bank stock	(1,403)	(402)	(565)
Purchases of premises and equipment	(3,679)	(5,231)	(2,563)
Proceeds from sale of fixed assets	56	1,347	
Other investing activities		(645)	(880)
Net cash used by investing activities	(119,124)	(144,130)	(67,230)
Financing activities:			
Net change in			
Demand and savings deposits	17,411	16,439	3,584
Certificates of deposit and other time deposits	43,840	92,541	54,512
Repurchase agreements and other borrowings	49,713	37,656	(16,733)
Federal Home Loan Bank advances	314,500	27,657	15,350
Repayment of Federal Home Loan Bank advances	(288,054)	(6,089)	
Cash dividends	(9,759)	(7,934)	(7,090)
Stock issued under employee benefit plans	457	385	291
Stock issued under dividend reinvestment and stock purchase plan	722	679	726
Stock options exercised	271	482	417
Stock redeemed	(32,136)	(72)	
Cash paid in lieu of issuing fractional shares		(6)	
Net cash provided by financing activities	96,965	161,738	51,057
Net change in cash and cash equivalents	3,524	37,049	3,171
Cash and cash equivalents, beginning of year	80,769	43,720	40,549
Cash and cash equivalents, end of year	$ 84,293	$ 80,769	$ 43,720
Additional cash flows information:			
Interest paid	$ 46,433	$ 45,678	$ 42,747
Income tax paid	10,157	9,861	9,446

See notes to consolidated financial statements.

note 1

Nature of operations and summary of significant accounting policies

The accounting and reporting policies of First Merchants Corporation ("Corporation"), and its wholly owned subsidiaries, First Merchants Bank, N.A. ("First Merchants"), Madison Community Bank ("Madison"), and its subsidiary First Merchants Insurance Services, Inc., First United Bank ("First United"), The Randolph County Bank ("Randolph County"), Union County National Bank ("Union National"), and First National Bank ("First National"), (collectively "the Banks"), conform to generally accepted accounting principles and reporting practices followed by the banking industry. The more significant of the policies are described below.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Corporation is a bank holding company whose principal activity is the ownership and management of the Banks and operates in a single significant business segment. First Merchants, Union National and First National operate under national bank charters and provide full banking services, including trust services. As national banks, First Merchants, First National and Union National are subject to the regulation of the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation ("FDIC"). Madison, First United and Randolph County operate under state bank charters and provide full banking services, including trust services. As state banks, Madison, First United and Randolph County are subject to the regulation of the Department of Financial Institutions, State of Indiana, and the FDIC.

The Banks generate commercial, mortgage, and consumer loans and receive deposits from customers located primarily in central and east central Indiana and Butler County, Ohio. The Banks' loans are generally secured by specific items of collateral, including real property, consumer assets, and business assets. Although the Banks have a diversified loan portfolio, a substantial portion of their debtors' ability to honor their contracts is dependent upon economic conditions in the automotive and agricultural industries.

Consolidation

The consolidated financial statements include the accounts of the Corporation and the Banks, after elimination of all material intercompany transactions.

Investment securities

Debt securities are classified as held to maturity when the Corporation has the positive intent and ability to hold the securities to maturity. Securities held to maturity are carried at amortized cost.

Debt securities not classified as held to maturity are classified as available for sale. Securities available for sale are carried at fair value with unrealized gains and losses reported separately in accumulated other comprehensive income, net of tax.

Amortization of premiums and accretion of discounts are recorded as interest income from securities. Realized gains and losses are recorded as net security gains (losses). Gains and losses on sales of securities are determined on the specific-identification method.

Loans held for sale are carried at the lower of aggregate cost or market. Market is determined using the aggregate method. Net unrealized losses are recognized through a valuation allowance by charges to income.

Loans are carried at the principal amount outstanding. Certain nonaccrual and substantially delinquent loans may be considered to be impaired. A loan is impaired when, based on current information or events, it is probable that the Banks will be unable to collect all amounts due (principal and interest) according to the contractual terms of the loan agreement. In applying the provisions of Statement of Financial Accounting Standards ("SFAS") No. 114, the Corporation considers its investment in one-to-four family residential loans and consumer installment loans to be homogeneous and therefore excluded from separate identification for evaluation of impairment. Interest income is accrued on the principal balances of loans, except for installment loans with add-on interest, for which a method that approximates the level yield method is used. The accrual of interest on impaired loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. When interest accrual is discontinued, all unpaid accrued interest is reversed when considered uncollectible. Interest income is subsequently recognized only to the extent cash payments are received.

Certain loan fees and direct costs are being deferred and amortized as an adjustment of yield on the loans.

Allowance for loan losses is maintained to absorb potential loan losses based on management's continuing review and evaluation of the loan portfolio and its judgment as to the impact of economic conditions on the portfolio. The evaluation by management includes consideration of past loan loss experience, changes in the composition of the loan portfolio, the current condition and amount of loans outstanding, and the probability of collecting all amounts due. Impaired loans are measured by the present value of expected future cash flows, or the fair value of the collateral of the loans, if collateral dependent.

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. Management believes that, as of December 31, 1999, the allowance for loan losses is adequate based on information currently available. A worsening or protracted economic decline in the area within which the Corporation operates would increase the likelihood of additional losses due to credit and market risks and could create the need for additional loss reserves.

Premises and equipment are carried at cost net of accumulated depreciation. Depreciation is computed using the straight-line and declining balance methods based on the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred, while major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations.

Federal Reserve and Federal Home Loan Bank stock are required investments for institutions that are members of the Federal Reserve Bank ("FRB") and Federal Home Loan Bank ("FHLB") systems. The required investment in the common stock is based on a predetermined formula.

continued

(table dollar amounts in thousands, except share data)

note 1

Nature of operations and summary of significant accounting policies continued

Intangible assets are being amortized on the straight-line basis over periods ranging from 7 to 25 years. Such assets are periodically evaluated as to the recoverability of their carrying value.

Income tax in the consolidated statement of income includes deferred income tax provisions or benefits for all significant temporary differences in recognizing income and expenses for financial reporting and income tax purposes. The Corporation files consolidated income tax returns with its subsidiaries.

Stock options are granted for a fixed number of shares to employees. The Corporation accounts for and will continue to account for stock option grants in accordance with APB Opinion No. 25, *Accounting for Stock Issued to Employees,* and accordingly, recognizes compensation expense for the stock option grants which have been granted with an exercise price less than the fair value of the shares at the date of grant.

Earnings per share have been computed based upon the weighted average common and common equivalent shares outstanding during each year and have been restated to give effect to a three-for-two stock split distributed to stockholders on October 23, 1998.

Reclassifications of certain amounts in the prior years consolidated financial statements have been made to conform to the 1999 presentation.

note 2

Business combinations

On January 21, 2000, the Corporation signed a definitive agreement to acquire Decatur Financial, Inc., Decatur, Indiana. The acquisition will be accounted for under the purchase method of accounting. Under the terms of the agreement, the Corporation will issue 1,130,000 shares of its common stock in exchange for all of the common stock of Decatur Financial, Inc. The transaction is subject to approval by stockholders of Decatur Financial, Inc., and appropriate regulatory agencies. The Corporation anticipates amortizing core deposit intangibles over eight years and goodwill over twenty years. As of December 31, 1999, Decatur Financial, Inc., had total assets and shareholders' equity of $128,140,000 and $14,253,000, respectively.

On April 1, 1999, the Corporation issued 1,098,795 shares of it common stock in exchange for all of the outstanding shares of Jay Financial Corporation, Portland, Indiana. At December 31, 1998, Jay Financial Corporation had total assets and shareholders' equity of $114,895,000 and $14,903,000, respectively. The transaction was accounted for under the pooling-of-interests method of accounting.

On April 21, 1999, the Corporation issued 810,642 shares of its common stock in exchange for all of the outstanding shares of Anderson Community Bank, Anderson, Indiana. At December 31, 1998, Anderson Community Bank had total assets and shareholders' equity of $77,984,000 and $7,740,000, 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, 1997. Separate operating results of Jay Financial Corporation and Anderson Community Bank for the periods prior to the merger were as follows:

	1999	1998	1997
Net interest income:			
First Merchants Corporation	$50,175	$41,678	$39,750
Jay Financial Corporation	2,250	4,824	4,678
Anderson Community Bank	1,140	3,194	2,364
Combined	$53,565	$49,696	$46,792
Net income:			
First Merchants Corporation	$17,934	$15,399	$14,373
Jay Financial Corporation	703	1,431	1,485
Anderson Community Bank	451	1,077	625
Combined	$19,088	$17,907	$16,483
Net income per share:			
Basic:			
First Merchants Corporation	$ 1.49	$1.29	$ 1.22
Jay Financial Corporation	.06	.12	.13
Anderson Community Bank	.04	.09	.05
Combined	$ 1.59	$ 1.50	$ 1.40
Diluted:			
First Merchants Corporation	$ 1.48	$ 1.27	$ 1.21
Jay Financial Corporation	.06	.12	.12
Anderson Community Bank	.04	.09	.05
Combined	$ 1.58	$ 1.48	$ 1.38

(table dollar amounts in thousands, except share data)

note 3

Restriction on cash and due from Banks

The Banks are required to maintain reserve funds in cash and/or on deposit with the Federal Reserve Bank. The reserve required at December 31, 1999, was $16,244,000.

note 4

Investment securities

	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		81	418
Total held to maturity	14,303	78	97	14,284
Total investment securities	$350,896	$ 761	$7,705	$343,952
Available for sale at December 31, 1998				
U.S. Treasury	$ 22,275	$ 120		$ 22,395
Federal agencies	61,605	627	$ 32	62,200
State and municipal	93,198	2,778	21	95,955
Mortgage-backed securities	128,610	440	198	128,852
Other asset-backed securities	265	1	11	255
Corporate obligations	18,624	143	8	18,759
Marketable equity securities	1,200		108	1,092
Total available for sale	325,777	4,109	378	329,508
Held to maturity at December 31, 1998				
U.S. Treasury	249	4		253
Federal agencies	500	1		501
State and municipal	18,335	370	1	18,704
Mortgage-backed securities	864	3		867
Other asset-backed securities	1,761	2	27	1,736
Total held to maturity	21,709	380	28	22,061
Total investment securities	$347,486	$4,489	$ 406	$351,569

continued

(table dollar amounts in thousands, except share data)

note 4

Investment securities continued

The amortized cost and fair value of securities held to maturity and available for sale at December 31, 1999, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	AVAILABLE FOR SALE		HELD TO MATURITY	
	AMORTIZED COST	FAIR VALUE	AMORTIZED COST	FAIR VALUE
Maturity distribution at December 31, 1999:				
Due in one year or less	$ 26,911	$ 26,939	$ 5,330	$ 5,338
Due after one through five years	102,747	101,891	7,543	7,605
Due after five through ten years	25,723	25,338	245	245
Due after ten years	16,851	16,333	375	367
	172,232	170,501	13,493	13,555
Mortgage-backed securities	141,673	137,399	311	311
Other asset-backed securities	21,773	21,015	499	418
Marketable equity securities	915	753		
Totals	$336,593	$329,668	$14,303	$14,284

Securities with a carrying value of approximately $161,462,000 and $146,903,000 were pledged at December 31, 1999 and 1998, to secure certain deposits and securities sold under repurchase agreements, and for other purposes as permitted or required by law.

In addition, all otherwise unpledged securities are pledged as collateral for Federal Home Loan Bank advances with qualified first mortgage loans.

Proceeds from sales of securities available for sale during 1999, 1998 and 1997 were $19,627,000, $7,394,000, and $12,555,000. Gross gains of $257,000, 127,000 in 1999 and 1998 and gross losses of $5,000 in 1997 were realized on those sales.

(table dollar amounts in thousands, except share data)

note 5

Loans and allowance

	1999	1998
Loans at December 31:		
Commercial and industrial loans	$ 224,712	$ 188,841
Bankers' acceptances and loans to financial institutions		900
Agricultural production financing and other loans to farmers	21,547	21,951
Real estate loans:		
Construction	31,996	31,719
Commercial and farmland	150,544	137,671
Residential	380,596	361,611
Individuals' loans for household and other personal expenditures	181,906	143,075
Tax-exempt loans	4,070	2,652
Other loans	3,552	2,073
	998,923	890,493
Unearned interest on loans	(28)	(137)
Total loans	$ 998,895	$ 890,356

	1999	1998	1997
Allowance for loan losses:			
Balance, January 1	$ 9,209	$ 8,429	$ 8,010
Provision for losses	2,241	2,372	1,735
Recoveries on loans	447	639	633
Loans charged off	(1,769)	(2,231)	(1,949)
Balance, December 31	$ 10,128	$ 9,209	$ 8,429

Information on impaired loans is summarized below:

	1999	1998	1997
As of, and for the year ending December 31:			
Impaired loans with an allowance	$2,742	$2,105	$1,956
Impaired loans for which the discounted cash flows or collateral value exceeds the carrying value of the loan	4,398	6,982	1,158
Total impaired loans	$7,140	$9,087	$3,114
Allowance for impaired loans (included in the Corporation's allowance for loan losses)	$1,061	$ 795	$ 448
Average balance of impaired loans	8,770	8,881	4,155
Interest income recognized on impaired loans	705	873	191
Cash basis interest included above	637	745	173

The Banks have entered into transactions with certain directors, executive officers, significant stockholders, and their affiliates or associates ("related parties"). Such transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers, and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features.

The aggregate amount of loans, as defined, to such related parties is as shown on the right:

Balances, January 1, 1999	$17,926
New loans, including renewals	16,646
Payments, etc., including renewals	6,054
Balances, December 31, 1999	$28,518

(table dollar amounts in thousands, except share data)

note 6

Premises and equipment

	1999	1998
Cost at December 31:		
Land	$ 3,442	$ 3,442
Buildings and leasehold improvements	18,949	17,314
Equipment	20,393	18,570
Total cost	42,784	39,326
Accumulated depreciation and amortization	(22,711)	(20,363)
Net	$ 20,073	$ 18,963

The Corporation is committed under various noncancelable lease contracts for certain subsidiary office facilities. Total lease expense for 1999, 1998 and 1997 was $336,000, $250,000, and $190,000, respectively. The future minimum rental commitments required under the operating leases in effect at December 31, 1999, expiring at various dates through the year 2013, follow on the right for the years ending December 31:

2000	$ 246
2001	204
2002	186
2003	161
2004	152
After 2004	693
Total future minimum obligations	$1,642

note 7

Deposits

	1999	1998
Deposits at December 31:		
Demand deposits	$ 300,309	$ 307,506
Savings deposits	283,249	258,641
Certificates and other time deposits of $100,000 or more	197,658	114,374
Other certificates and time deposits	365,987	405,431
Total deposits	$1,147,203	$1,085,952

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

2000	$396,773
2001	111,634
2002	37,178
2003	9,887
2004	7,747
After 2004	426
	$563,645

(table dollar amounts in thousands, except share data)

note 8

Borrowings

	1999	1998
Borrowings at December 31:		
Securities sold under repurchase agreements	**$77,957**	$ 48,836
Federal funds purchased	**28,885**	15,170
U. S. Treasury demand notes	**9,506**	2,629
Federal Home Loan Bank advances	**73,514**	47,068
Total borrowings	**$189,862**	$113,703

Securities sold under repurchase agreements consist of obligations of the Banks to other parties. The obligations are secured by U.S. Treasury, Federal agency obligations and corporate asset-backed securities. The maximum amount of outstanding agreements at any month-end during 1999 and 1998 totaled $91,261,000 and $78,302,000, and the average of such agreements totaled $78,877,000 and $36,506,000.

Maturities of Federal Home Loan Bank advances and securities sold under repurchase agreements as of December 31, 1999 are as follows:

	Federal Home Loan Bank Advances		Securities Sold Under Repurchase Agreements	
	AMOUNT	WEIGHTED-AVERAGE INTEREST RATE	AMOUNT	WEIGHTED-AVERAGE INTEREST RATE
Maturities in years ending December 31:				
2000	$51,350	5.88%	$42,957	5.45%
2001	7,000	5.45	2,500	5.73
2002	150	7.07	9,600	5.49
2003	3,000	5.26	13,800	5.80
2004			9,100	5.68
After 2004	12,014	6.26		
Total	$73,514	5.88%	$77,957	5.55%

The terms of a security agreement with the FHLB require the Corporation to pledge, as collateral for advances, qualifying first mortgage loans and all otherwise unpledged investment securities in an amount equal to at least 160 percent of these advances. Advances are subject to restrictions or penalties in the event of prepayment.

note 9

Loan servicing

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheet. The loans are serviced primarily for the Federal Home Loan Mortgage Corporation and the unpaid balances totaled $22,769,000 and $15,541,000 at December 31, 1999 and 1998.

The Corporation has adopted SFAS No. 125, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities.* The adoption of this statement has had no material impact on the Corporation's financial condition and results of operations for all years presented.

(table dollar amounts in thousands, except share data)

note 10

Income tax

	1999	1998	1997
Income tax expense, for the year ended December 31:			
Currently payable:			
Federal	$ 8,491	$ 7,269	$ 6,857
State	2,730	2,134	1,987
Deferred:			
Federal	(939)	138	(119)
State	(183)	15	(21)
Total income tax expense	$ 10,099	$ 9,556	$ 8,704
Reconciliation of federal statutory to actual tax expense:			
Federal statutory income tax at 34%	$ 9,924	$ 9,338	$ 8,563
Tax-exempt interest	(1,555)	(1,424)	(1,378)
Graduated tax rates	291	173	(7)
Effect of state income taxes	1,656	1,418	1,298
Other	(217)	51	228
Actual tax expense	$ 10,099	$ 9,556	$ 8,704

Tax expense (benefit) applicable to security gains and losses for the years ended December 31, 1999, 1998 and 1997, was $103,000, $51,000 and $(2,000), respectively.

A cumulative net deferred tax asset is included in other assets. The components of the asset are as follows:

	1999	1998
Deferred tax asset at December 31:		
Assets:		
Differences in accounting for loan losses	$4,429	$3,552
Deferred compensation	668	427
Differences in accounting for pensions and other employee benefits	33	199
Net unrealized loss on securities available for sale	2,736	
Other	138	47
Total assets	8,004	4,225
Liabilities:		
Differences in depreciation methods	896	$1,171
Differences in accounting for loans and securities	305	360
Differences in accounting for loan fees	336	286
Net unrealized gain on securities available for sale		1,505
State income tax	238	141
Other	238	134
Total liabilities	2,013	3,597
Net deferred tax asset	$5,991	$ 628

(table dollar amounts in thousands, except share data)

note 11

Commitments and contingent liabilities

In the normal course of business, there are outstanding commitments and contingent liabilities, such as commitments to extend credit and standby letters of credit, which are not included in the accompanying financial statements. The Banks' exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. The Banks use the same credit policies in making such commitments as they do for instruments that are included in the consolidated balance sheet.

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

	1999	1998
Commitments to extend credit	$228,598	$207,322
Standby letters of credit	6,031	4,477

Commitments to extend credit are agreements to lend to a customer, as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Banks evaluate each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Banks upon extension of credit, is based on management's credit evaluation. Collateral held varies, but may include accounts receivable, inventory, property and equipment, and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Banks to guarantee the performance of a customer to a third party.

The Corporation and subsidiaries are also subject to claims and lawsuits which arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position of the Corporation.

note 12

Stockholders' equity

National and state banking laws restrict the maximum amount of dividends that a bank may pay in any calendar year. National and state banks are limited to the bank's retained net income (as defined) for the current year plus those for the previous two years. The amount at December 31, 1999, available for 2000 dividends to the Corporation is $30,356,000. The subsidiaries restrict dividends to a lesser amount because of the need to maintain an adequate capital structure.

Total stockholders' equity for all subsidiaries at December 31, 1999, was $155,460,000, of which $125,104,000 was restricted from dividend distribution to the Corporation.

The Corporation has a Dividend Reinvestment and Stock Purchase Plan, enabling stockholders to elect to have their cash dividends on all shares held and automatically reinvested in additional shares of the Corporation's common stock. In addition, stockholders may elect to make optional cash payments up to an aggregate of $2,500 per quarter for the purchase of additional shares of common stock. The stock is credited to participant accounts at fair market value. Dividends are reinvested on a quarterly basis. At December 31, 1999, there were 476,063 shares of common stock reserved for purchase under the plan.

On August 11, 1998, the Board of Directors of the Corporation declared a three-for-two stock split on its common shares. The new shares were distributed on October 23, 1998, to holders of record on October 16, 1998.

note 13

Regulatory capital

The Corporation and Banks are subject to various regulatory capital requirements administered by the federal banking agencies and are assigned to a capital category. The assigned capital category is largely determined by three ratios that are calculated according to the regulations: total risk adjusted capital, Tier 1 capital, and Tier 1 leverage ratios. The ratios are intended to measure capital relative to assets and credit risk associated with those assets and off-balance sheet exposures of the entity. The capital category assigned to an entity can also be affected by qualitative judgments made by regulatory agencies about the risk inherent in the entity's activities that are not part of the calculated ratios.

There are five capital categories defined in the regulations, ranging from well capitalized to critically undercapitalized. Classification of a bank in any of the undercapitalized categories can result in actions by regulators that could have a material effect on a bank's operations.

At December 31, 1999, the management of the Corporation believes that it meets all capital adequacy requirements to which it is subject. The most recent notifications from the regulatory agencies categorized the Corporation and Banks as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Corporation and Banks must maintain a minimum total capital to risk-weighted assets, Tier I capital to risk-weighted assets and Tier I capital to average assets of 10 percent, 6 percent and 5 percent, respectively. There have been no conditions or events since that notification that management believes have changed this categorization.

Actual and required capital amounts and ratios are on the following page.

continued

(table dollar amounts in thousands, except share data)

note 13

Regulatory capital continued

	1999				1998			
	ACTUAL		REQUIRED FOR ADEQUATE CAPITAL [1]		ACTUAL		REQUIRED FOR ADEQUATE CAPITAL [1]	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
December 31								
Total Capital [1] *(to risk-weighted assets)*								
Consolidated	$137,714	13.71%	$80,378	8.00%	$157,653	17.00%	$74,388	8.00%
First Merchants	86,350	14.90	46,323	8.00	79,685	15.70	40,678	8.00
Madison	24,267	16.40	11,826	8.00	21,879	16.60	10,578	8.00
First United	8,797	13.90	5,053	8.00	8,069	18.50	3,484	8.00
Randolph County	10,819	19.70	4,404	8.00	10,574	18.20	4,640	8.00
Union County	20,646	15.60	10,594	8.00	19,375	16.40	9,541	8.00
First National	16,030	21.20	6,049	8.00	15,498	19.60	6,331	8.00
Tier I Capital [1] *(to risk-weighted assets)*								
Consolidated	$127,586	12.70%	$40,189	4.00%	$148,511	16.00%	$37,194	4.00%
First Merchants	82,009	14.20	23,161	4.00	75,752	14.90	20,338	4.00
Madison	22,509	15.20	5,913	4.00	20,353	15.40	5,289	4.00
First United	8,196	13.00	2,527	4.00	7,599	17.40	1,742	4.00
Randolph County	10,128	18.40	2,202	4.00	9,848	17.00	2,320	4.00
Union County	19,124	14.40	5,297	4.00	17,966	15.20	4,726	4.00
First National	15,085	20.00	3,024	4.00	14,509	18.30	3,165	4.00
Tier I Capital [1] *(to average assets)*								
Consolidated	$127,586	9.15%	$55,773	4.00%	$148,511	11.90%	$49,951	4.00%
First Merchants	82,009	10.20	32,310	4.00	75,752	10.80	27,982	4.00
Madison	22,509	11.60	7,773	4.00	20,353	11.30	7,184	4.00
First United	8,196	10.50	3,119	4.00	7,599	11.50	2,646	4.00
Randolph County	10,128	14.90	2,723	4.00	9,848	13.00	3,042	4.00
Union County	19,124	8.80	8,728	4.00	17,966	8.60	8,362	4.00
First National	15,085	14.40	4,198	4.00	14,509	13.00	4,469	4.00

[1] as defined by regulatory agencies

(table dollar amounts in thousands, except share data)

note 14

Employee benefit plans

The Corporation's defined-benefit pension plans cover substantially all of the Banks' employees. The benefits are based primarily on years of service and employees' pay near retirement. Contributions are intended to provide not only for benefits attributed to service-to-date, but also for those expected to be earned in the future.

The table below sets forth the plans' funded status and amounts recognized in the consolidated balance sheet at December 31:

	December 31 1999	1998
Change in benefit obligation		
Benefit obligation at beginning of year	$ 16,319	$ 14,454
Service cost	737	688
Interest cost	1,081	1,044
Actuarial (gain) loss	(1,542)	793
Benefits paid	(789)	(660)
Benefit obligation at end of year	15,806	16,319
Change in plan assets		
Fair value of plan assets at beginning of year	19,243	18,865
Actual return of plan assets	3,871	1,038
Benefits paid	(789)	(660)
Fair value of plan assets at end of year	22,325	19,243
Funded status	6,519	2,924
Unrecognized net actuarial gain	(6,184)	(2,579)
Unrecognized prior service cost	(132)	(144)
Unrecognized transition asset	(344)	(480)
Accrued benefit cost	$(141)	$(279)

	1999	1998	1997
Pension expense (benefit) includes the following components:			
Service cost-benefits earned during the year	$ 737	$ 688	$ 624
Interest cost on projected benefit obligation	1,081	1,044	956
Actual return on plan assets	(3,871)	(1,038)	(4,251)
Net amortization and deferral	1,915	(946)	2,810
Total pension expense (benefit)	$(138)	$(252)	$ 139

	1999	1998	1997
Assumptions used in the accounting as of December 31 were:			
Discount rate	7.68%	6.77%	7.40%
Rate of increase in compensation	4.00%	4.00%	4.50%
Expected long-term rate of return on assets	9.00%	9.00%	9.00%

In 1989, stockholders approved the 1989 Stock Option Plan, reserving 253,125 shares of Corporation common stock for the granting of options to certain employees. The exercise price of the shares may not be less than the fair market value of the shares upon grant of the option. Options become 100 percent vested when granted and are fully exercisable generally six months after the date of grant, for a period of ten years. There were no shares available for grant at December 31, 1999.

On March 31, 1994, stockholders approved the 1994 Stock Option Plan, reserving 472,500 shares of Corporation common stock for the granting of options to certain employees and non-employee directors. The exercise price of the shares may not be less than the fair market value of the shares upon the grant of the option. Options become 100 percent vested when granted and are fully exercisable generally six months after the date of the grant, for a period of ten years. There were no shares available for grant at December 31, 1999.

continued

(table dollar amounts in thousands, except share data)

note 14

Employee benefit plans continued

On April 14, 1999, stockholders approved the 1999 Long-term Equity Incentive Plan, reserving 1,427,177 shares of Corporation common stock for the granting of options to certain employees and non-employee directors. The maximum number of options granted in any given year cannot exceed 1.5% of the shares outstanding at the end of the prior fiscal year.

Options become 100 percent vested when granted and are fully exercisable generally six months after the date of the grant for a period of ten years. There were 1,316,527 shares available for grant at December 31, 1999.

The table below is a summary of the status of the Corporation's stock option plans and changes in those plans as of and for the years ended December 31, 1999, 1998 and 1997. The number of shares and prices have been restated to give effect to the Corporation's 1998 stock split.

	Year Ended December 31,					
	1999		1998		1997	
OPTIONS	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding, beginning of year	**497,004**	**$17.62**	471,037	$14.59	461,257	$12.23
Granted	**136,400**	**22.21**	113,915	25.83	99,825	20.44
Exercised	**(63,848)**	**9.81**	(87,086)	11.96	(90,045)	8.97
Cancelled	**(1,275)**	**24.58**	(862)	28.71		
Outstanding, end of year	**568,281**	**$19.56**	497,004	$17.62	471,037	$14.59
Options exercisable at year end	**443,006**		397,221		372,112	
Weighted-average fair value of options granted during the year		**$ 5.77**		$ 5.48		$ 4.14

As of December 31, 1999, other information by exercise price range for options outstanding and exercisable is as follows:

	OUTSTANDING			EXERCISABLE	
EXERCISE PRICE RANGE	NUMBER OF SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	NUMBER OF SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
$ 0.00 - $16.08	195,574	$13.13	4.6 years	191,374	$13.42
16.17 - 22.75	242,924	20.56	7.9 years	145,374	19.08
23.69 - 30.44	129,783	27.37	8.8 years	106,258	28.01
	568,281	$19.56	7.0 years	443,006	$18.77

The Corporation's stock option plans are accounted for in accordance with Accounting Principles Board Opinion ("APB") No. 25, *Accounting for Stock Issued to Employees,* and related interpretations. APB No. 25 requires compensation expense for stock options to be recognized only if the market price of the underlying stock exceeds the exercise price on the date of the grant. Accordingly, the Company recognized compensation expense of $35,000 in 1999. No compensation expense was required to be recognized in 1998 or 1997.

Although the Corporation has elected to follow APB No. 25, SFAS No. 123 requires pro forma disclosures of net income and earnings per share as if the Corporation had accounted for its employee stock options under that Statement. The fair value of each option grant was estimated on the grant date using an option-pricing model with the following assumptions:

	1999	1998	1997
Risk-free interest rates	**5.72%**	5.45%	6.54%
Dividend yields	**3.23%**	3.25%	3.37%
Volatility factors of expected market price common stock	**21.98%**	17.19%	11.20%
Weighted-average expected life of the options	**8.50 years**	8.50 years	8.50 years

continued

(table dollar amounts in thousands, except share data)

note 14

Employee benefit plans continued

Under SFAS No. 123, compensation cost is recognized in the amount of the estimated fair value of the options and amortized to expense over the options' vesting period. The pro forma effect on net income and earnings per share of this statement are shown on the right:

	1999	1998	1997
Net Income			
As reported	**$19,088**	$17,907	$16,483
Pro Forma	**18,661**	17,147	16,056
Earnings per share			
Basic:			
As reported	**$1.59**	$ 1.50	$ 1.40
Pro forma	**1.55**	1.44	1.36
Diluted:			
As reported	**$1.58**	$ 1.48	$ 1.38
Pro forma	**1.54**	1.42	1.34

In 1994, the stockholders approved the 1994 Employee Stock Purchase Plan, enabling eligible employees to purchase the Corporation's common stock. A total of 253,125 shares of the Corporation's common stock are reserved for issuance persuant to the plan. The price of the stock to be paid by the employees is determined by the Corporation's compensation committee, but may not be less than 85 percent of the lesser of the fair market value of the Corporation's common stock at the beginning or at the end of the offering period. Common stock purchases are made annually and are paid through advance payroll deductions of up to 20 percent of eligible compensation. Participants under the plan purchased 20,870 shares in 1999 at $20.24 per share. The fair market value per share on the purchase date was $23.81.

In 1999, the stockholders approved the 1999 Employee Stock Purchase Plan, enabling eligible employees to purchase the Corporation's common stock. A total of 250,000 shares of the Corporation's common stock are reserved for issuance persuant to the plan. The price of the stock to be paid by the employees is determined by the Corporation's compensation committee, but may not be less than 85 percent of the lesser of the fair market value of the Corporation's common stock at the beginning or at the end of the offering period. Common stock purchases are made annually and are paid through advance payroll deductions of up to 20 percent of eligible compensation.

At December 31, 1999, there were 250,000 shares of Corporation common stock reserved for purchase under the plan, and $257,000 has been withheld from compensation, plus interest, toward the purchase of shares after June 30, 2000, the end of the annual offering period.

The Corporation's Employee Stock Purchase Plan is accounted for in accordance with APB No. 25. Although the Corporation has elected to follow APB No. 25, SFAS No. 123 requires pro forma disclosures of net income and earnings per share as if the Corporation had accounted for the purchased shares under that statement. The pro forma disclosures are included in the table above and were estimated using an option pricing model with the following assumptions for 1999, 1998 and 1997, respectively: dividend yield of 3.23, 3.25 and 3.37 percent; an expected life of one year for all years; expected volatility of 21.98, 17.19 and 11.20 percent; and risk-free interest rates of 5.72, 5.45 and 6.54 percent. The fair value of those purchase rights granted in 1999, 1998 and 1997 was $4.50, $12.69 and $5.03, respectively.

The Banks have retirement savings 401(k) plans in which substantially all employees may participate. The Banks match employees' contributions at the rate of 25-50 percent for the first 5-6 percent of base salary contributed by participants. The Banks' expense for the plans was $191,000 for 1999, $178,000 for 1998, and $189,000 for 1997.

note 15

Net income per share

	Year Ended December 31, 1999			1998			1997		
	INCOME	WEIGHTED-AVERAGE SHARES	PER SHARE AMOUNT	INCOME	WEIGHTED-AVERAGE SHARES	PER SHARE AMOUNT	INCOME	WEIGHTED-AVERAGE SHARES	PER SHARE AMOUNT
Basic net income per share:									
Net income available to common stockholders	$19,088	12,008,152	$1.59	$17,907	11,922,879	$1.50	$16,483	11,815,377	$1.40
Effect of dilutive stock options		108,756			164,287			143,072	
Diluted net income per share:									
Net income available to common stockholders and assumed conversions	$19,088	12,116,908	$1.58	$17,907	12,087,166	$1.48	$16,483	11,958,449	$1.38

(table dollar amounts in thousands, except share data)

note 16

Fair values of financial instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents

The fair value of cash and cash equivalents approximates carrying value.

Interest-bearing time deposits

The fair value of interest-bearing time deposits approximates carrying value.

Investment securities

Fair values are based on quoted market prices.

Mortgage loans held for sale

The fair value of mortgages held for sale approximates carrying values.

Loans

For both short-term loans and variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. The fair value for other loans is estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

Interest receivable/payable

The fair values of interest receivable/payable approximate carrying values.

Federal Reserve and Federal Home Loan Bank stock

The fair value of FRB and FHLB stock is based on the price at which it may be resold to the FRB and FHLB.

Deposits

The fair values of noninterest-bearing demand accounts, interest-bearing demand accounts and savings deposits are equal to the amount payable on demand at the balance sheet date. The carrying amounts for variable rate, fixed-term certificates of deposit approximate their fair values at the balance sheet date. Fair values for fixed-rate certificates of deposit and other time deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on such time deposits.

Federal funds purchased and U.S. Treasury demand notes

These financial instruments are short-term borrowing arrangements. The rates at December 31, 1999 and 1998, approximate market rates, thus the fair value approximates carrying value.

Securities sold under repurchase agreements and Federal home loan bank advances

The fair value of the these borrowings is estimated using a discounted cash flow calculation, based on current rates for similar debt.

Off-balance sheet commitments

Loan commitments and letters-of-credit generally have short-term, variable-rate features and contain clauses which limit the Banks' exposure to changes in customer credit quality. Accordingly, their carrying values, which are immaterial at the respective balance sheet dates, are reasonable estimates of fair value.

The estimated fair values of the Corporation's financial instruments are as follows:

	1999		1998	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Assets at December 31:				
Cash and cash equivalents	$ 84,293	$ 84,293	$ 80,769	$ 80,769
Interest-bearing time deposits	1,730	1,730	1,008	1,008
Investment securities available for sale	329,668	329,668	329,508	329,508
Investment securities held to maturity	14,303	14,284	21,709	22,061
Mortgage loans held for sale	61	61	776	776
Loans	988,767	983,147	881,147	890,542
FRB and FHLB stock	5,858	5,858	4,455	4,455
Interest receivable	11,279	11,279	10,797	10,797
Liabilities at December 31:				
Deposits	1,147,203	1,145,134	1,085,952	1,089,083
Borrowings:				
Securities sold under repurchase agreements	77,957	76,739	48,836	43,903
Federal funds purchased	28,885	28,885	15,170	15,170
U.S. Treasury demand notes	9,506	9,506	2,629	2,629
FHLB advances	73,514	73,093	47,068	47,249
Interest payable	4,599	4,599	4,134	4,134

(table dollar amounts in thousands, except share data)

note 17

Condensed financial information (parent company only)

Presented below is condensed financial information as to financial position, results of operations, and cash flows of the Corporation:

Condensed balance sheet

	December 31, 1999	1998
Assets		
Cash	$ 212	$ 84
Loans to affiliates	2,350	1,500
Investment securities available for sale		285
Investment in subsidiaries	155,460	151,409
Goodwill	535	578
Other assets	356	303
Total assets	$158,913	$154,159
Liabilities		
Borrowings from affiliates	$ 32,000	
Other liabilities	617	$ 268
Total liabilities	32,617	268
Stockholders' equity	126,296	153,891
Total liabilities and stockholders' equity	$158,913	$154,159

Condensed statement of income

	Year Ended December 31, 1999	1998	1997
Income			
Dividends from subsidiaries	$ 9,894	$ 7,980	$ 7,080
Gain on sale of available-for-sale securities	98		
Other income	112	112	107
Total income	10,104	8,092	7,187
Expenses			
Amortization of core deposit intangibles, goodwill, and fair value adjustments	43	71	71
Business combination expenses	804	36	
Other expenses	834	551	591
Total expenses	1,681	658	662
Income before income tax benefit and equity in undistributed income of subsidiaries	8,423	7,434	6,525
Income tax benefit	(321)	(216)	(191)
Income before equity in undistributed income of subsidiaries	8,744	7,650	6,716
Equity in undistributed income of subsidiaries	10,344	10,257	9,767
Net Income	$ 19,088	$ 17,907	$ 16,483

continued

(table dollar amounts in thousands, except share data)

note 17

Condensed financial information (parent company only) continued

Condensed statement of cash flows

	Year Ended December 31, 1999	1998	1997
Operating activities:			
Net income	$ 19,088	$ 17,907	$ 16,483
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization	43	44	43
Equity in undistributed income of subsidiaries	(10,344)	(10,257)	(9,767)
Security gains	(98)		
Net change in:			
Other assets	(53)	(115)	(32)
Other liabilities	349	154	16
Net cash provided by operating activities	8,985	7,733	6,743
Investing activities:			
Security purchased with an agreement to resell to an affiliate		2,000	(1,000)
Net change in loans	(850)	(1,500)	
Proceeds from sales of securities available for sale	383		
Investment in subsidiary		(1,729)	
Other investing activities	55	(272)	(182)
Net cash used by investing activities	(412)	(1,501)	(1,182)
Financing activities:			
Cash dividends	(9,759)	(7,934)	(7,090)
Borrowing from affiliates	32,000		
Stock issued under employee benefit plans	457	385	291
Stock issued under dividend reinvestment and stock purchase plan	722	679	726
Stock options exercised	271	482	417
Stock redeemed	(32,136)	(72)	
Cash paid in lieu of issuing fractional shares		(6)	
Net cash used by financing activities	(8,445)	(6,466)	(5,656)
Net change in cash	128	(234)	(95)
Cash, beginning of year	84	318	413
Cash, end of year	$ 212	$ 84	$ 318

note 18

Quarterly results of operations (unaudited)

The following table sets forth certain quarterly results for the years ended December 31, 1999 and 1998:

QUARTER ENDED	INTEREST INCOME	INTEREST EXPENSE	NET INTEREST INCOME	PROVISION FOR LOAN LOSSES	NET INCOME	AVERAGE SHARES OUTSTANDING BASIC	AVERAGE SHARES OUTSTANDING DILUTED	NET INCOME PER SHARE BASIC	NET INCOME PER SHARE DILUTED
1999:									
March	$ 23,770	$10,931	$12,839	$ 505	$ 4,643	11,978,451	12,098,414	$ .39	$ .38
June	24,916	11,453	13,463	522	4,649	12,004,475	12,101,757	.39	.39
Sept.	25,380	11,804	13,576	590	4,863	12,043,381	12,146,080	.40	.40
Dec.	26,397	12,710	13,687	624	4,933	12,005,285	12,125,563	.41	.41
	$100,463	$46,898	$53,565	$2,241	$19,088	12,008,152	12,116,908	$1.59	$1.58
1998:									
March	$ 22,460	$10,509	$11,951	$ 508	$ 4,393	11,876,960	12,065,754	$ .37	$ .36
June	23,209	10,993	12,216	504	4,414	11,903,127	12,097,882	.37	.37
Sept.	23,843	11,352	12,491	539	4,559	11,950,118	12,110,502	.38	.38
Dec.	24,649	11,611	13,038	821	4,541	11,960,598	12,106,589	.38	.37
	$ 94,161	$44,465	$49,696	$2,372	$17,907	11,922,879	12,087,166	$1.50	$1.48

Stockholder information

First Merchants Corporation was organized in September of 1982 as the bank holding company for Merchants National Bank of Muncie, now First Merchants Bank, N.A., an institution which has served Muncie and the east central Indiana market since 1893.

Since its organization, First Merchants Corporation has acquired six additional affiliate banks and a multi-line insurance agency. Pendleton Banking Company of Pendleton, Indiana was acquired in November of 1988; First United Bank of Middletown, Indiana in July of 1991; The Union County National Bank of Liberty, Indiana in August of 1996; The Randolph County Bank of Winchester, Indiana in October of 1996; Anderson Community Bank of Anderson, Indiana and First National Bank of Portland, Indiana in April of 1999. Also, in April of 1998, First Merchants acquired the Muncie office of Insurance & Risk Management, an independent agency based in Fort Wayne, Indiana. The agency, renamed First Merchants Insurance Services, offers a full line of insurance products to customers in the Corporation's ten-county service area.

First Merchants Bank also operates one of the ten largest trust departments in Indiana, with fiduciary assets in excess of one billion dollars at market value.

In June of 1999, *U.S. Banker* magazine ranked First Merchants 24th out of 200 mid-sized public banking companies in the United States based on financial performance. In addition, the Corporation continues to receive an A+ rating from Standard & Poor's for its common stock and Blue Ribbon status from independent bank-rating service Veribanc. First Merchants Corporation is one of only two Indiana-based companies listed among *America's Finest Companies*, an investment guide published by The Staton Institute.

First Merchants Corporation

Corporate Office
200 East Jackson Street
Muncie, Indiana 47305

765-747-1500
http://www.firstmerchants.com

First Merchants Corporation currently provides services through offices located in Delaware, Fayette, Hamilton, Henry, Jay, Madison, Wayne, Randolph and Union counties in Indiana and Butler county in Ohio.

First Merchants Corporation Market Area

Indiana

DELAWARE COUNTY
- **1** Corporate Office • Muncie
- **2** Albany
- **3** Eaton
- **4** Daleville

FAYETTE COUNTY
- **5** Connersville

HAMILTON COUNTY
- **6** Carmel
- **7** Noblesville

HENRY COUNTY
- **8** Middletown
- **9** Mooreland
- **10** Sulphur Springs

JAY COUNTY
- **11** Portland

MADISON COUNTY
- **12** Anderson
- **13** Edgewood
- **14** Ingalls
- **15** Lapel
- **16** Markleville
- **17** Pendleton

RANDOLPH COUNTY
- **18** Winchester

UNION COUNTY
- **19** Liberty

WAYNE COUNTY
- **20** Richmond

Ohio

BUTLER COUNTY
- **21** Oxford

Annual meeting

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

Wednesday, April 12, 2000 • 3:30 p.m.

Horizon Convention Center
401 South High Street
Muncie, Indiana

Stock price & dividend information

	PRICE PER SHARE					
QUARTER	HIGH		LOW		DIVIDENDS DECLARED	
	1999	1998	1999	1998	1999	1998
First Quarter	$26.13	$27.67	$21.50	$24.50	$ .200	$ .187
Second Quarter	24.75	31.83	21.50	25.67	.200	.187
Third Quarter	25.69	30.83	22.25	24.00	.220	.200
Fourth Quarter	29.25	28.75	21.88	21.50	.220	.200

The table above lists per share prices and dividend payments during 1999 and 1998.
Prices are as reported by the National Association of Securities Dealers.
Automated Quotation – National Market System.
Numbers rounded to nearest cent when applicable.
Restated for 3-for-2 stock split distributed October, 1998.

Stock information

Common stock listing

First Merchants Corporation common stock is traded over-the-counter on the NASDAQ National Market System. Quotations are carried in many daily papers. The NASDAQ symbol is FRME (Cusip #320817-10-9). At the close of business on December 31, 1999, the number of shares outstanding was 10,936,617. There were 1,780 stockholders of record on that date.

General stockholder inquiries

Stockholders and interested investors may obtain information about the Corporation upon written request or by calling:

Mr. Douglas B. Harris
Vice President
Investor Services & Bank Investments

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

765-741-7278
1-800-262-4261 Ext. 7278

Stock transfer agent and registrar

First Merchants Bank, N.A.
Corporate Trust Department
P. O. Box 792
Muncie, Indiana 47308-0792

Market makers

The following firms make a market in First Merchants Corporation stock:

Robert W. Baird & Co., Inc.
Keefe, Bruyette & Woods, Inc.
Knight Securities, L.P.
Herzog, Heine, Geduld, Inc.
Howe, Barnes & Johnson, Inc.
McDonald and Company
NatCity Investments, Inc.
Spear, Leads, and Kellog

Form 10-k and financial information

First Merchants Corporation, upon request and without charge, will furnish stockholders, security analysts and investors a copy of Form 10-K filed with the Securities and Exchange Commission.

Please contact:

Mr. James Thrash
Senior Vice President
and Chief Financial Officer

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

765-747-1390
1-800-262-4261 Ext. 1390

Boards of directors

First Merchants Corporation

STEFAN S. ANDERSON
Chairman of the Board

ROBERT M. SMITSON
Vice Chairman of the Board
Maxon Corporation
Chairman of the Board

MICHAEL L. COX
First Merchants Corporation
President
Chief Executive Officer

JAMES F. AULT
Madison Community Bank
Chairman of the Board

FRANK A. BRACKEN, ESQ.
Of Counsel
Bingham, Summers,
Welsh & Spilman

THOMAS B. CLARK
Alltrista Corporation
President
Chief Executive Officer

DAVID A. GALLIHER
Boyce Forms • Systems
Chairman of the Board

BARRY J. HUDSON
First National Bank
Chairman of the Board
Chief Executive Officer

NORMAN M. JOHNSON
Stein Roe & Farnham
Executive Vice President
Retired

TED J. MONTGOMERY
Union County National Bank
Chairman of the Board

GEORGE A. SISSEL
Ball Corporation
Chairman of the Board
Chief Executive Officer

MICHAEL D. WICKERSHAM
Wick's Pies, Inc.
President

DR. JOHN E. WORTHEN
Ball State University
President

Secretary to the Board

LARRY R. HELMS
Senior Vice President

Assistant Secretary to the Board

C. RONALD HALL
Vice President

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Vice Chairman of the Board
Maxon Corporation
Chairman of the Board

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President
Chief Executive Officer

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Cardinal Health System, Inc.
Executive Vice President
Chief Operating Officer

ROGER W. GILCREST
First Merchants Bank
Executive Vice President

SUZANNE GRESHAM, PhD
Comprehensive Mental
Health Services, Inc.
President
Chief Executive Officer

JOHN W. HARTMEYER
Al Pete Meats, Inc.
President

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Centennial Packaging, Inc.
Chairman of the Board

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DeFur, Voran, Hanley,
Radcliff & Reed
Partner

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Muncie Power Products, Inc.
President
Chief Executive Officer

Secretary to the Board

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Executive Administrative Officer

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Directors Emeriti

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CLELL W. DOUGLASS
HURLEY C. GOODALL
BETTY J. KENDALL
HAMER D. SHAFER

First National Bank of Portland

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Chairman of the Board
Chief Executive Officer

JOHN F. BRIGHAM
Mutual Security, Inc.

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First Merchants Bank
Senior Vice President

BONNIE MAITLEN, PhD
Training & Development
Specialist-Consultant

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First National Bank
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Owner

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Family Medicine

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Jay School Corporation
Director of Adult Education

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Whitenack Farm & Supply Co.
Farmer

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Anderson University
Investment Advisor

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Minister-at-Large Interchurch Relations

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Real Estate Developer

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Board of Pension

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Attorney at Law
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and Title Corporation
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Radiologist

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Senior Vice President

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Wisehart & Wisehart
Partner

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President

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Lincoln Financial Advisors

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Matchett and Ward Insurance

Union County National Bank

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Stein Roe & Farnham
Executive Vice President
Retired

PASTOR RON L. NORRIS
Bethel A.M.E. Church

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Medreco, Inc.
Chief Executive Officer
Owner

ELIZABETH M. SWAILES
Swailes Enterprises
Owner

JAN S. WILLIAMS
Certified Public Accountant

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Chief Executive Officer

LARRY R. HELMS
Senior Vice President
Corporate Counsel

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Chief Financial Officer

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Chief Executive Officer

JAMES A. MEINERDING
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Executive Vice President

JEFF WHETSTONE
Chief Financial Officer

CARL WALKER
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Senior Vice President

ELKE BALTIMORE
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MARY GARDNER
Vice President

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Vice President

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President
Chief Executive Officer

BRIAN A. EDWARDS
Executive Vice President
& Cashier

RICK D. TUDOR
Vice President

Union County National Bank Senior Officers

NORMAN L. LOCKE
President
Chief Executive Officer

DALE A. CUMMINS
Executive Vice President

DIANE M. BOLSER
Executive Vice President

KURT A. KINZLER
Senior Vice President

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Vice President

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