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FIRST MERCHANTS CORP
Form 11-K
June 28, 2002

First Merchants Corporation
Retirement Savings Plan
EIN 35-1544218 PN 002

Accountants' Report and Financial Statements
December 31, 2001 and 2000

First Merchants Corporation
Retirement Savings Plan
December 31, 2001 and 2000

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Independent Accountants' Report

Administrative Committee
First Merchants Corporation
Retirement Savings Plan
Muncie, Indiana

We have audited the accompanying statements of net assets available for benefits

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of First Merchants Corporation Retirement Savings Plan as of December 31, 2001 and 2000, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 financial statements referred to above present fairly, in all material respects, the net assets available for benefits of First Merchants Corporation Retirement Savings Plan at December 31, 2001 and 2000, and the changes in its net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying supplemental schedules of (1) assets held for investment purposes at end of year, and (2) reportable transactions are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD, LLP

Indianapolis, Indiana
May 29, 2002

Federal Employer Identification Number: 44-0160260

First Merchants Corporation
Retirement Savings Plan
Statements of Net Assets Available for Benefits
December 31, 2001 and 2000

Assets

	2001	2000

Investments, at fair value		
Temporary deposit funds	\$ 880,831	\$ 415,194

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Collective investment funds	11,295,638	10,232,468
Common stock	134,872	
Mutual funds	1,089,898	681,184
	-----	-----
Total investments	13,401,239	11,328,846
Employee contributions receivable		24,673
Employer contributions receivable	15,651	27,739
Accrued income receivable	2,057	2,372
Cash	228	
	-----	-----
Total assets	13,419,175	11,383,630
Liabilities		
Cash overdraft		68,203
	-----	-----
Net Assets Available for Benefits	\$ 13,419,175	\$ 11,315,427
	=====	=====

First Merchants Corporation
Retirement Savings Plan
Statements of Changes in Net Assets Available for Benefits
Years Ended December 31, 2001 and 2000

	2001	

Additions		
Investment income		
Net appreciation (depreciation) in fair value of investments	\$ (948,700)	\$
Interest and dividends	65,008	

	(883,692)	
Employee contributions	848,547	
Employer contributions	126,549	
Employee rollover contributions	210,367	
Transfers from other plans	2,389,965	

Total additions	2,691,736	

Deductions		
Benefits paid to participants	546,833	
Administrative expenses	41,155	

Total deductions	587,988	

Net Increase	2,103,748	
Net Assets Available for Benefits, Beginning of Year	11,315,427	

Net Assets Available for Benefits, End of Year	\$ 13,419,175	\$
	=====	=====

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First Merchants Corporation
Retirement Savings Plan
Notes to Financial Statements
December 31, 2001 and 2000

Note 1: Description of Plan

The following description of First Merchants Corporation Retirement Savings Plan (Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

General

The Plan is a defined-contribution plan sponsored by First Merchants Corporation (Corporation) for the benefit of all employees who have completed one year of service, worked at least 1000 hours, and are age twenty-one or older. As of January 1, 2001, the eligibility age was lowered to age 18. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). First Merchants Bank, N.A. (Bank) is the trustee of the Plan.

Contributions

The Plan permits eligible employees through a salary deferral election to have the Corporation make annual contributions of up to 15% of eligible compensation. Employee rollover contributions are also permitted. The Corporation makes matching contributions of its employees' salary deferral amounts of 25% of the first 5% of employees' eligible compensation. Forfeitures are used to reduce the Corporation's contributions.

Participant Investment Account Options

Investment account options available include a managed, fixed value, bond, stock, international equity and small cap fund, and as of January 1, 2001, a Corporation stock fund. Each participant has the option of directing his contributions into any of the separate investment accounts and may change the allocation quarterly.

Participant Accounts

Each participant's account is credited with the participant's contribution, allocation of the Corporation contribution and Plan earnings. Allocations of Plan earnings are based on participant account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

Vesting

Participants are immediately vested in their salary deferral and rollover contribution accounts plus actual earnings thereon. Vesting in the remainder of their accounts is based on years of continuous service. A participant is 100% vested after five years of credited service.

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First Merchants Corporation
Retirement Savings Plan
Notes to Financial Statements
December 31, 2001 and 2000

Payment of Benefits

Upon termination of service, participants may elect to receive a lump-sum amount or installments equal to the value of their accounts. Withdrawals other than for termination are permitted under circumstances provided by the Plan.

Plan Termination

Although it has not expressed any intent to do so, the Corporation has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in their accounts.

Note 2: Summary of Significant Accounting Policies

Method of Accounting

The accompanying financial statements are prepared on the accrual method of accounting.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets and changes in net assets available for benefits. Actual results could differ from those estimates.

Investments

Investments are valued at estimated fair value. Temporary deposit funds are valued at cost, which approximates market. Purchases and sales of securities are recorded on a trade-date basis.

Payment of Benefits

Benefits are recorded when paid.

Administrative Expenses

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Administrative expenses may be paid by the Corporation or the Plan, at the Corporation's discretion.

First Merchants Corporation
Retirement Savings Plan
Notes to Financial Statements
December 31, 2001 and 2000

Reclassifications

Certain reclassifications have been made to the 2000 financial statements to conform to the 2001 financial statement presentation. These reclassifications had no effect on changes in net assets available for benefits.

Note 3: Investments

The Plan's investments are held by a bank-administered trust fund. The Plan's investments (including investments bought, sold, and held during the year) appreciated (depreciated) in fair value as follows:

		2001
	Net Appreciation (Depreciation) in Fair Value During Year	
Investments at estimated fair value as determined by quoted prices in an active market		
Common stock	\$ 11,311	\$
Mutual funds	(61,186)	
Investments at estimated fair value and cost which approximates market		
Temporary deposit funds		
Collective investment funds	(898,825)	
	\$ (948,700)	\$
	Net Appreciation (Depreciation) in Fair Value During Year	2000
Investments at estimated fair value as determined by quoted prices in an active market		

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Mutual funds	\$	(101,887)	\$
Investments at estimated fair value and cost which approximates market			
Temporary deposit funds			
Collective investment funds		200,125	

	\$	98,238	\$
		=====	

First Merchants Corporation
Retirement Savings Plan
Notes to Financial Statements
December 31, 2001 and 2000

The fair values of individual investments that represented 5% or more of the Plan's assets were as follows:

		2001

First Merchants Bank, N.A. Intermediate Growth Fund for Tax Exempt Accounts	\$	8,766,390
First Merchants Bank, N.A. Intermediate Term Income Fund for Tax Exempt Accounts		2,529,248
First Merchants Bank, N.A. Temporary Fund II		880,831

Note 4: Party-in-Interest Transactions

Party-in-interest transactions include those with fiduciaries or employees of the Plan, any person who provides services to the Plan, an employer whose employees are covered by the Plan, an employee organization whose members are covered by the Plan, a person who owns 50 percent or more of such an employer or employee association, or relatives of such persons.

The Plan invests in First Merchants Bank, N.A. Temporary Fund II, Intermediate Growth Fund for Tax Exempt Account, Intermediate Term Income Fund for Tax Exempt Accounts and common stock.

Activity at fair value was as follows:

	First Merchants Bank, N.A.	First Merchants Bank, N.A.
First Merchants Bank, N.A. Temporary Deposit Fund	Intermediate Growth Fund for Tax Exempt Accounts	Intermediate Term Income Fund for Tax Exempt Accounts

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Balance, January 1, 2000				
	\$	477,969	\$	7,816,447
Changes		(62,775)		390,430
		-----		-----
Balance, December 31, 2000		415,194		8,206,877
Changes		465,637		559,513
		-----		-----
Balance, December 31, 2001	\$	880,831	\$	8,766,390
		=====		=====
				\$ 1,790,011
				235,580
				2,025,591
				503,657
				2,529,248

The Corporation provided certain administrative services at no cost to the Plan in 2000. Effective January 1, 2001, fees for certain trust and administrative services provided by the trustee are now paid by the Plan and were \$41,155 for 2001.

First Merchants Corporation
 Retirement Savings Plan
 Notes to Financial Statements
 December 31, 2001 and 2000

Note 5: Tax Status

The Internal Revenue Service has advised that the Plan constitutes a qualified plan under Section 401 of the Internal Revenue Code and that the trust established under the Plan is therefore exempt from federal income taxes. The Plan has been restated since receiving the determination letter. However, the Plan administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code and that the Plan was qualified and the related trust was tax exempt as of the financial statement date.

Note 6: Plan Changes and Restatement

Effective January 1, 2001, employees of Decatur Bank and Trust Company (Decatur Bank and Trust Company 401(k) Profit Sharing Plan) were added to the Plan, and assets of approximately \$2,390,000 were transferred into the Plan.

The Plan was restated effective January 1, 1998. As of January 1, 2001, a Corporation stock fund was added as an investment account option, and the Plan eligibility age was lowered to age 18.

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First Merchants Corporation
 Retirement Savings Plan
 Schedule H, Line 4i - Schedule of Assets Held for Investment Purposes
 at End of Year
 December 31, 2001
 Employer Identification Number: 35-1544218 Plan Number: 002

(a)	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment Including Par or Maturity Value

	Temporary Deposit Funds	
	*First Merchants Bank, N.A. Temporary Fund II	\$880,831
	Collective Investment Funds	
	*First Merchants Bank, N.A. Intermediate Growth Fund for Tax Exempt Accounts	428,275 shares
	*First Merchants Bank, N.A. Intermediate Term Income Fund for Tax Exempt Accounts	289,438 shares
	Common Stock	
	*First Merchants Corporation	5,615 shares
	Mutual Funds	
	T. Rowe Price International Fund	6,391 shares
	Scudder International Fund	1,896 shares
	Franklin Templeton Foreign Fund	9,545 shares
	Vanguard International Fund	4,872 shares
	Franklin Small Cap Growth Fund	8,221 shares
	Managers Special Equity Fund	3,623 shares
	T. Rowe Price Small Cap Value Fund	12,122 shares
	Franklin Templeton Developing Markets	89 shares

*Party-in-interest

First Merchants Corporation
 Retirement Savings Plan

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Schedule H, Line 4j - Schedule of Reportable Transactions
 (Transactions in Excess of 5% of Plan Assets at Beginning of Year)
 Year Ended December 31, 2001
 Employer Identification Number: 35-1544218 Plan Number: 002

(a)	(b)	(c)	(d)	(e)	(f)
Identity of Party Involved	Description of Assets	Purchase Price	Selling Price	Lease Rental	Expenses Incurred With Transaction
Issuer	First Merchants Bank, N.A. Temporary Fund 11				
	Purchases	\$ 9,481,458			\$
	Sales		\$ 9,015,821		

Exhibit 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in a Registration Statement of First Merchants Corporation on Form S-8 (File Number 333-50484) of our report dated May 29, 2002, of our audit on the financial statements of the First Merchants Corporation Retirement Savings Plan for the year ended December 31, 2001, which report is included in its Annual Report on Form 11-K.

BKD, LLP
 Indianapolis, Indiana
 June 25, 2002

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

Date: 05/29/02 By: /s/ Kimberly J. Ellington

 Kimberly J. Ellington
 First Merchants Corporation
 Retirement Savings Plan