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FIRST MERCHANTS CORP
Form 11-K
June 25, 2003

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

Accountants' Report and Financial Statements
December 31, 2002 and 2001

First Merchants Corporation
Retirement Savings Plan
December 31, 2002 and 2001

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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 of First Merchants Corporation Retirement Savings Plan as of December 31, 2002 and 2001, 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, 2002 and 2001, 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 16, 2003

Federal Employer Identification Number: 44-0160260

See Notes to Financial Statements

First Merchants Corporation
Retirement Savings Plan

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Statements of Net Assets Available for Benefits December 31, 2002 and 2001

Assets

	2002	

Investments, at fair value		
Temporary deposit funds	\$ --	\$
Collective investment funds	--	
Common stock	397,275	
Mutual funds	12,399,376	
Money market funds	1,012,993	

Total investments	13,809,644	
Employer contributions receivable	--	
Accrued income receivable	4,906	
Cash	12,607	

Net Assets Available for Benefits	\$ 13,827,157	\$
	=====	

First Merchants Corporation Retirement Savings Plan Statements of Changes in Net Assets Available for Benefits Years Ended December 31, 2002 and 2001

	2002	

Additions		
Investment income		
Net depreciation in fair value of investments	\$ (628,121)	\$
Interest and dividends	199,247	

	(428,874)	
Employee contributions	1,179,439	
Employer contributions	182,857	
Employee rollover contributions	202,273	
Transfers from other plans	--	

Total additions	1,135,695	

Deductions		
Benefits paid to participants	703,229	
Administrative expenses	24,484	

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Total deductions	----- 727,713 -----
Net Increase	407,982
Net Assets Available for Benefits, Beginning of Year	13,419,175 -----
Net Assets Available for Benefits, End of Year	\$ 13,827,157 =====

First Merchants Corporation Retirement Savings Plan Notes to Financial Statements December 31, 2002 and 2001

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 and are age eighteen or older. As of July 1, 2002, employees are eligible on their date of hire. 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. Effective January 1, 2003, the Corporation named Merchants Trust Company the trustee of the Plan. PrimeVest Financial Services is the custodian for a majority of the Plan's assets.

Contributions

The Plan permits eligible employees through a salary deferral election to have the Corporation make annual contributions of up to the limitations of the Economic Growth and Tax Relief Act of 2001 (EGTRRA). As discussed in Note 6, the Plan was amended during 2002 to provide for automatic enrollment and deferral of 3% of compensation upon a participant's date of hire unless they affirmatively elect to not participate or to contribute a different percentage to the Plan. 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.

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Participant Investment Account Options

Investment account options available include various funds including a Corporation stock fund. Each participant has the option of directing his contributions into any of the separate investment accounts and, effective in 2002, may change the allocation daily.

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.

First Merchants Corporation
Retirement Savings Plan
Notes to Financial Statements
December 31, 2002 and 2001

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.

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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. Money market funds and 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

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, 2002 and 2001

Note 3: Investments

At December 31, 2002, the Plan's investments are held by PrimeVest Financial Services and the Corporation. The Plan's investments (including investments bought, sold, and held during the year) depreciated in fair value as follows:

		2002
	Net Appreciation (Depreciation) in Fair Value During Year	

Investments at estimated fair value as determined by quoted prices in an active market		
Common stock	\$	(14,413)
Mutual funds		137,222
Money market funds		--
Investments at estimated fair value and cost which approximates market		
Collective investment funds		(750,930)

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	\$	(628,121)	\$
		=====	
			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)	\$
		=====	

First Merchants Corporation
Retirement Savings Plan
Notes to Financial Statements
December 31, 2002 and 2001

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

		2002

Federated Prime Cash Obligations Fund	\$	1,012,993
American Funds Amcap Fund		2,012,478
American Century Equity Income Fund		811,342
Federated Capital Preservation Fund		988,210
Franklin Short-Intermediate U. S. Government Securities Fund		1,016,651
MFS Value Fund		1,861,145
PIMCO Total Return Fund		1,754,784
Oppenheimer Main Street Income and Growth Fund		982,942
Oppenheimer Small Cap. Value Fund		713,842
First Merchants Bank, N.A. Intermediate Growth Fund for Tax		
Exempt Accounts		--
First Merchants Bank, N.A. Intermediate Term Income Fund for		
Tax Exempt Accounts		--
First Merchants Bank, N.A. Temporary Fund II		--

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Note 4: Nonparticipant-directed Investments

Information about the net assets and the significant components of the changes in net assets relating to the nonparticipant-directed investments, is as follows:

	2002
Net Assets	
Federated Prime Cash Obligations	\$ --
Temporary deposit funds	--

	\$ 0
	=====
	2002

Transfers in	\$ 12,337,615
Transfers out	(12,337,615)

	\$ 0
	=====

First Merchants Corporation
Retirement Savings Plan
Notes to Financial Statements
December 31, 2002 and 2001

Note 5: 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 invested in First Merchants Bank, N.A. Temporary Fund II, Intermediate Growth Fund for Tax Exempt Account Intermediate Term Income Fund for Tax Exempt Accounts through July 2002. The Plan continues to invest in First Merchants Bank common stock.

Activity at fair value was as follows:

First Merchants Bank, N.A.	First Merchants Bank, N.A.
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	First Merchants Bank, N.A. Temporary Deposit Fund	Intermediate Growth Fund for Tax Exempt Accounts	Intermediate Term Income Fund for Tax Exempt Accounts
Balance, January 1, 2001	\$ 415,194	\$ 8,206,877	\$ 2,025,591
Changes	465,637	559,513	503,657
Balance, December 31, 2001	880,831	8,766,390	2,529,248
Changes	(880,831)	(8,766,390)	(2,529,248)
Balance, December 31, 2002	\$ 0	\$ 0	\$ 0

The Corporation provides certain administrative services at no cost to the Plan. Effective January 1, 2001, fees for certain trust and administrative services provided by the trustee are now paid by the Plan and were \$24,484 and \$41,155 for 2002 and 2001, respectively.

Note 6: 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 amended 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.

First Merchants Corporation
Retirement Savings Plan
Notes to Financial Statements
December 31, 2002 and 2001

Note 7: 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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Effective January 1, 2002, the Plan was amended to provide participants the opportunity to increase their contributions in accordance with the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA).

Effective July 1, 2002, the Plan was amended to automatically enroll employees in the Plan as of their date of hire unless they affirmatively elect not to participate. Also, on July 1, 2002, the Plan was converted from a quarterly to a daily valuation. As part of the conversion, all of the previous fund options were replaced.

Supplemental Schedules

First Merchants Corporation
Retirement Savings Plan
Schedule H, Line 4i - Schedule of Assets Held for Investment Purposes
at End of Year
December 31, 2002
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
	Common Stock	
	*First Merchants Corporation	17,432 shares
	Mutual Funds	
	AIM Small Cap. Equity Fund	30,970 shares
	American Funds Amcap. Fund	154,806 shares
	American Century Equity Income Fund	124,248 shares
	American High Income Trust Fund	15,729 shares
	Federated Capital Preservation Fund	98,821 shares
	Federated Max-Cap. Index Fund	23,681 shares
	Fidelity Advisor International Capital Appreciation Fund	3,830 shares
	Franklin Short-Intermediate U. S. Government Securities Fund	96,001 shares
	Franklin Templeton Foreign Fund	18,865 shares
	MFS Value Fund	112,660 shares
	MFS Mid-Cap. Growth Fund	72,043 shares
	Oppenheimer Main Street Income and Growth Fund	37,805 shares
	Oppenheimer Small Cap. Value Fund	36,796 shares
	PIMCO Foreign Bond Fund	6,048 shares

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PIMCO Total Return Fund	164,460 shares
Putnam Capital Opportunities Fund	34,409 shares
Putnam International Voyager Fund	9,742 shares
Putnam Small Cap. Growth Fund	28,118 shares

Money Market Fund	
Federated Prime Cash Obligations Fund	1,012,993 shares

*Party-in-interest

First Merchants Corporation
Retirement Savings Plan
Schedule H, Line 4j - Schedule of Reportable Transactions
(Transactions in Excess of 5% of Plan Assets at Beginning of Year)
Year Ended December 31, 2002
Employer Identification Number: 35-1544218 Plan Number: 002

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Identity of Party Involved	Description of Assets	Purchase Price	Selling Price	Lease Rental	Expenses Incurred With Transaction	Cost of Asset
Issuer	Federated Prime Cash Obligations Fund					
	Purchases	\$ 13,350,608				\$ 13,350,608
	Sales		\$ 12,337,615			12,337,615

Exhibit 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statement of First Merchants Corporation on Form S-8 (File Number 333-50484) of our report dated May 16, 2003, of our audit on the financial statements of First Merchants Corporation Retirement Savings Plan for the year ended December 31, 2002, which report is included in its Annual Report on Form 11-K.

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BKD, LLP

Indianapolis, Indiana

June 25, 2003

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: 06/25/03

By: /s/ Kimberly J. Ellington

Kimberly J. Ellington
First Merchants Corporation
Retirement Savings Plan