



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

First Merchants Corporation

Person to be contacted regarding this report:	Jeff Lorentson	RSSD: (For Bank Holding Companies)	1208559
CPP Funds Received:	\$116,000,000	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP Funds Repaid to Date:	\$0	FDIC Certificate Number: (For Depository Institutions)	4365
Date Funded (first funding):	2/20/2009	City:	Muncie
Date Repaid ¹ :		State:	Indiana

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	Receipt of CPP capital at First Merchants Bank allowed the Bank to continue its lending programs without any limitation or restriction. Our lenders were able to seek, approve, and close loans to credit worthy borrowers.
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<input checked="" type="checkbox"/> To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	<p>Receipt of CPP capital allowed the bank to continue its lending programs in all sectors of lending; commercial lending, consumer lending, and mortgage lending. During 2009, since the receipt of CPP capital, the Bank originated or renewed \$2.4B in loans in all sectors.</p>
<input checked="" type="checkbox"/> Increase securities purchased (ABS, MBS, etc.).	<p>Receipt of CPP capital and the reduction in loan demand from credit worthy borrowers allowed the bank to increase securities purchases. These were invested primarily in Municipal Bonds and Mortgage Backed Securities.</p>
<input checked="" type="checkbox"/> Make other investments	<p>Receipt of CPP capital and the reduction in loan demand from credit worthy borrowers allowed the bank to make other investments, such as a Tax Credit opportunity in one of the communities that we serve.</p>
<input checked="" type="checkbox"/> Increase reserves for non-performing assets	<p>Receipt of CPP capital allowed the bank to increase its reserves for non-performing assets without reducing its capital position to an unsafe level. Throughout 2009 those reserves increased approximately \$42 million.</p>

<input checked="" type="checkbox"/> Reduce borrowings	Receipt of CPP capital allowed the parent company to reduce borrowings by \$20 million.
<input type="checkbox"/> Increase charge-offs	Receipt of CPP capital has no influence in decisions to charge-off loans. Loans are charged off when the loan is determined to be not-collectible.
<input type="checkbox"/> Purchase another financial institution or purchase assets from another financial institution	First Merchants Corporation made no acquisitions in 2009.
<input checked="" type="checkbox"/> Held as non-leveraged increase to total capital	Receipt of CPP capital allowed First Merchants Corporation to make capital infusions into the Banks that it owns in the amount of \$58 million. That infusion of capital allowed those Banks the opportunity to continue making lending investments into the communities they serve.

What actions were you able to avoid because of the capital infusion of CPP funds?

Receipt of CPP capital allowed First Merchants to avoid retrenchment in the services it provides to the communities it serves. Without CPP capital, First Merchants Corporation would be requiring its Bank to shrink its balance sheets by reducing loans outstanding in order to preserve capital.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

Receipt of CPP capital allowed First Merchants to continue to be a full-service financial institution offering a full menu of lending and depository services to the communities that it serves.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

No actions other than those otherwise already described.

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