

BankNotes

FALL EDITION 2020

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**President &
CEO Michael
C. Rechin
Announces
Retirement**

After more than 13 years of leading significant growth and success for First Merchants, President & CEO Michael C. Rechin announced he will retire from his position effective December 31, 2020. Rechin will remain on the First Merchants Board of Directors and will serve as an advisor to First Merchants going forward.

Charles Schalliol, Chairman of the Board of Directors, stated, “Mike’s retirement caps an outstanding period in which he led First Merchants Corporation to unprecedented growth and success. On Mike’s watch, First Merchants grew from \$3 billion in assets to \$13 billion, with income growth to match. Forbes has recognized and ranked First Merchants as one of the five best banks in the country in each of the last three years.”

Succeeding Rechin will be Mark Hardwick, current COO and CFO, who will become CEO, and Michael Stewart, current Chief Banking Officer, who will become President. Michele Kawiecki, current Senior Vice President of Finance, will become CFO. All leadership changes will be effective January 1, 2021.

“It has been a great privilege to lead First Merchants Corporation,” said Rechin. “The management team we’ve developed is well prepared to take First Merchants to the next level as Mark, Mike and Michele have all earned their next leadership responsibilities. My wife Debbie and I consider Indiana home. We plan to stay for the foreseeable future, and I will continue to assist the new leadership team.”

Mark Hardwick joined First Merchants in November 1997 as corporate controller and was promoted to CFO in April of 2002. In June of 2007, Hardwick assumed all leadership duties related to operations, technology and risk management for the corporation. In 2016, his title expanded to include COO, broadening his responsibilities to oversight of internal audits, facilities and corporate social responsibility.

“This is a tremendous opportunity, and I want to thank Mike Rechin and the Board of Directors for believing in my ability to lead First Merchants,” said Hardwick. “I plan to continue building on the foundation Mike laid and prepare First Merchants to enhance the digital banking experience and community connectivity. Mike Stewart and I are aligned on taking First Merchants to the next level.”

Mike Stewart joined First Merchants in 2008 and leads revenue generating activities in his current role. Prior to First Merchants, Stewart served in executive roles with National City Bank in Indiana.

“I look forward to working closely with Mark and the Board to continue First Merchants’ positive trajectory,” said Stewart. “First Merchants has experienced tremendous growth during the past decade, and we will continue that model. Over the course of my 32-year banking career, I have had the privilege to work for Mike for 23 of those. We have enjoyed a strong partnership and perspective of First Merchants growth that I intend to continue with our First Merchants teammates. Our success stems from the success of our clients and communities, and we will maintain our focus on exceptional service.”

Michele Kawiecki joined First Merchants in 2015 having previously served as Senior Vice President

of Capital Management and Assistant Treasurer at UMB Financial Corporation in Kansas City, Missouri.

“I’ve had the pleasure of working closely with our leadership team during the past several years,” said Kawiecki. “We are completely aligned with our goals and strategies moving forward, and I very much look forward to beginning my new role.”

Schalliol added, “All three announced promotions are part of a long planned succession process by Mike Rechin and the Board of Directors. The Board believes strongly that these management changes will position First Merchants well to continue to be a leading regional bank. We thank Mike Rechin for his tenure of superb leadership.”

THE COMMUNITY CUP



The Community Cup, presented by The Columbus Foundation, rallies Central Ohio organizations to compete in contests for all skill levels.

First Merchants Bank participated in the event on Saturday, August 1. This was our 2nd year participating. Our team came in first place for Golf Chipping and 5th place overall.

Events included soccer, Frisbee toss, cornhole,

basketball, wiffle ball, hockey, lacrosse and football.

FIRST MERCHANTS BANK SUPPORTS WELCOME WAREHOUSE

First Merchants Bank participated in a back to



school event on Saturday, August 8. This year’s event was a drive-through and volunteers provided much needed supplies to families.

Our Sawmill Road branch is a big supporter of Welcome Warehouse and their programs all year round.





A Reading of Economic Data in the Age of COVID

By Michael J. Hicks

The economic statistics that aid us in understanding the current state of the economy are in the midst of an unusual, if not unprecedented, upheaval. Combined with the equally unparalleled oscillations of the economy through the early months of COVID, economy watchers

are naturally confused. Add to this the tendency towards dissembling, which accompanies elections, and we are poised for a couple months of economic confusion. This column is aimed at relieving some of that confusion.

The staff of the Bureau of Labor Statistics, the Bureau of Economic Analysis and the Census survey teams are responsible for compiling and reporting data on employment, GDP and other economic data. They are, by far, the best economic statistical service ever devised. Governments have been at this for more than a millennium, and the work done today is first rate and thus far immune from political shenanigans. Americans should be pleased at the economists, statisticians and data scientists doing this work. They are not perfect.

The survey tools that give us the monthly unemployment rate were designed for initial personal contacts. COVID naturally interrupted that and, naturally, the response rate of phone calls plummeted. This introduced a great deal of uncertainty about the answers given to survey questions. This survey reports that roughly 11.2 million fewer people are working today than in January, of which roughly 4 million left the labor force.

This yields an unemployment rate in August of 8.2 percent.

We also have an alternative, administrative measure of unemployment. This is applications of unemployment insurance. On the very same week the survey told us we had 11.2 million out of work, the administrative data told a startlingly different story. There were 13.79 million unemployed in the regular state system, another 13.5 million on pandemic unemployment assistance, and just under 2 million more in other programs. This is a total of 29 million unemployed and receiving benefits.

These data have our national unemployment rate at roughly 18.1 percent in August. Even accounting for a 15 percent error rate due to fraud or misreporting, the real U.S. unemployment rate is nearly 16 percent. The error rate is not that high—I just want to be conservative and acknowledge the potential for errors in overcounting the unemployed. If we could measure it effectively, the actual U.S. unemployment rate hasn't been this high since before World War Two. Given the ongoing effects of COVID, we won't sort this out until next year, if then. But, by my reckoning, the actual unemployment rate is between 16 and 18 percent.

So, as we march toward the election, Americans can be certain that the official statistics offer very little truth about the level of employment. Again, that is not due to perfidy among federal statisticians. On the contrary, they are doing high quality work with the utmost integrity. Until we are released from COVID's grip, and can look retrospectively at the data, we must simply

adjust to living in uncertain times, but uncertainty isn't our only problem. Misunderstanding the way we report changes to the economy can easily lead to confusion. Last quarter, our economy shrank by 9.1 percent, or at a compounded annualized rate of -37.1 percent. That is, far and away, the worst quarter on record. This quarter will be the best quarter of economic growth on record. We report GDP growth compared to the last quarter. So, let's say the economy grows at exactly the same rate it fell in the second quarter (9.1 percent). That wouldn't erase the losses from the second quarter.

If the economy shrinks by 9.1 percent in the second quarter, then recovers by 9.1 percent in the third quarter, the actual loss over two quarters will be roughly 5 percent. So, on the morning of October 29th, we will get some eye-popping news about economic growth, and economists will be quickly explaining that, saying a 25 percent or 30 percent growth rate in the third quarter 2020, really means the US economy shrank by more in six months than in any other time in history.

Using these calculations for Indiana and Ohio, the actual unemployment rate could be 12.3 and 15.3 percent, respectively. But, as uncertain as the data is at the national level, state level estimates are even less firm. We can only be certain that deep distress afflicts many American families.

The third big challenge to understanding the state of the economy is the difference between permanent and part-time employment. Workers who have been temporarily laid off are typically recalled in a matter of months. Those who face

permanent job losses take much longer to find work. The growing number of permanently unemployed is the long-term problem for the economy. Moreover, these numbers are surely undercounted, since they also come from the survey data. As of August, the number of permanently unemployed is growing at record pace.

The size of the problem is already enormous. At current levels, it will take perhaps six years to shrink these numbers back down to the January 2020 level. Even if temporary layoffs return, we face a long, long slog to normalcy. As election nears, be wary of claims about economic performance. There will be good and bad news, but much of what you read or hear won't be close to the truth. 🏠

Michael J. Hicks, PhD, is the Director at the Center for Business and Economic Research at Ball State University. Dr. Hicks' views do not necessarily reflect the opinion of First Merchants Bank and First Merchants Corporation.





Coq Au Vin

By Jennifer Griffith

Welcome to Fall and the season of comfort food. Slow braised meats, Sunday soups, and crock pot dinners. A friend asked me about some of my favorite recipes, and I'll share this one with you – Coq Au Vin.

As the name suggests, this requires great chicken and great wine. Don't ever cook with wine that isn't delicious—it will ruin your meal.

I prefer to make this dish in a big Dutch oven with a tight-fitting lid.

Start by patting the chicken dry and season well with salt and pepper. I prefer to use mostly thighs, but use your favorite (bone in). Next, brown your chicken on both sides in some olive oil in the bottom of your Dutch oven. Remove the chicken to a plate and get started on your vegetables.

I love carrots, onions and celery, and I always use thyme. Sauté your vegetables in the delicious chicken drippings with plenty of seasoning and some garlic to finish. Let your vegetables brown a bit—you won't regret it.

Now it's time to intoxicate the chicken. Add all your chicken parts back to the Dutch oven (feel free to add some small potatoes) and cover with a bottle of bold red wine. Add about half a box of stock and more thyme (lots of thyme!). Put this in the oven with the lid on at 300 degrees for about 35 minutes.

After 35 minutes, take the lid off and return the

Dutch oven to the stove top. Remove chicken, then thicken the wine and stock a bit with butter and flour, and check your seasoning. It will thicken up in about ten minutes. Return chicken to Dutch oven, and feel free to add some sautéed mushrooms. Serve to your family and friends immediately...and with a great bottle of wine. I love to serve this with dark mushrooms over thick egg noodles with lots of chopped flat-leaf parsley.

You'll be serving up joy for all. Don't forget that servant leadership isn't just for the office. It's a way of life. Happy Fall! 🍷

Jennifer Griffith is the Ohio Regional President of First Merchants Bank. If you would like to reach out to Jennifer please feel free to contact her by calling 614.583.2050 or by emailing her at jgriffith@firstmerchants.com.



FIRST MERCHANTS ANNOUNCES \$1.4 BILLION COMMUNITY BENEFITS AGREEMENT

MUNCIE, Ind. – First Merchants announced today a \$1.4 billion community investment plan with the National Community Reinvestment Coalition (NCRC) and its community-based members and partners. The collaborative initiative began with a needs assessment in September 2019 and was finalized earlier this month.

The commitment, which extends through 2025, includes mortgage, small business and community development investments and lending. Philanthropic funding is a primary focus as well and will be funneled to low- and moderate-income communities across First Merchants' regional market areas in Indiana, Ohio, Illinois and Michigan.

“The \$1.4 billion Community Benefits Agreement accelerates First Merchants' leadership in helping our communities and customers thrive,” said Mike Rechin, First Merchants CEO. “At a time when low- and moderate-income neighborhoods are most vulnerable, we will provide hundreds of millions of dollars to help communities throughout Indiana, Ohio, Illinois and Michigan. The impact of these resources will last well into the future.”



The collaboration with NCRC involves 19 locally-based community organizations that provided critical input to develop the plan.

“This agreement is a product of all of our efforts. This commitment provides First Merchants Bank an opportunity to increase their Community Reinvestment Act activity, and to direct it where it is needed most,” said Jesse Van Tol, NCRC CEO. “This is how the Community Reinvestment Act should work for banks and communities alike.”

First Merchants will leverage its current partnerships with community-based organizations to help identify and engage with potential clients who may benefit from existing and newly developed products and programs.

“The Community Benefits Agreement is an opportunity for the employees of First Merchants to take great pride and engage in as we continue along with our partners to stand in the gap assisting those who most need an opportunity to build financial stability,” said Karen Evens, First Merchants Marketing Director.

The commitment by First Merchants will focus on underserved, low- to moderate-income and rural communities and provide:

- \$398 million in mortgage lending
- \$423 million in small business lending
- \$580 million in community development lending and investment commitments
- \$3.4 million in sponsorships, grant, loan and investment opportunities
- \$10 million to open five new branches and/or loan production offices in low- to moderate-income communities, including Marion County, Ind. Lake County, Ind., Franklin County, Ohio and Wayne County, Mich.



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MORE THAN INTEREST.**

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We give to our neighborhoods. Sponsor youth sports and education. And support other good causes. While our communities enjoy the philanthropic dividends, so do we. Because we are the community. We're the little league coach approving your car loan. Or the financial advisor volunteering for a city park cleanup. We are neighbors and bankers. In that order. For more information, call 1.800.205.3464 or go to firstmerchants.com.

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A photograph of an older man and a woman walking through a pumpkin patch. The man is holding a large orange pumpkin. They are both smiling and looking at each other. The background is filled with many pumpkins, creating a warm, autumnal atmosphere.

**YOUR ANNUAL TRADITION.
OUR DAILY PROMISE.**

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We gather here every year as a community. It's simple, old-fashioned fun. First Merchants' banking tools will help make your financial life just as carefree. From a simple mobile banking app to private wealth advisory counsel, we have blue ribbon services for all. For more information, call 1.800.205.3464 or go to firstmerchants.com.

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3650 Olentangy River Road, Suite 100
Columbus, Ohio 43214

ATTENTION

Currently our banking centers are servicing the majority of our clients' needs through our drive ups and digital channels. The banking centers that have a drive up are our Reynoldsburg, Grandview, Reed Rd, Sawmill, Clintonville, Graceland and Karl Rd locations. Every banking center does have the ability to set appointments for transactions or assistance from a banker that cannot be achieved through our other channels. Please call your local banking center for any questions or concerns during this unprecedented time

Visit One of Our Convenient Locations

Clintonville: 3245 N. High Street – 614.408.0470

Graceland: 5090 N. High Street – 614.408.0480

Grandview: 1460 Grandview Avenue – 614.486.0700

Karl Road: 1616 E. Dublin–Granville Road – 614.408.0410

Olentangy: 3650 Olentangy River Road – 614.583.2200

Reed Road: 4621 Reed Road – 614.486.9600

Reynoldsburg: 6950 E. Main Street – 614.408.0375

Sawmill: 5811 Sawmill Road – 614.408.0274

Tremont Center: 2130 Tremont Center – 614.486.9000

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**First Merchants Bank
Ranked Top 5 in
2018, 2019 and 2020**