

# BankNotes

SPRING EDITION 2021

**First Merchants 4th Quarter Earnings**

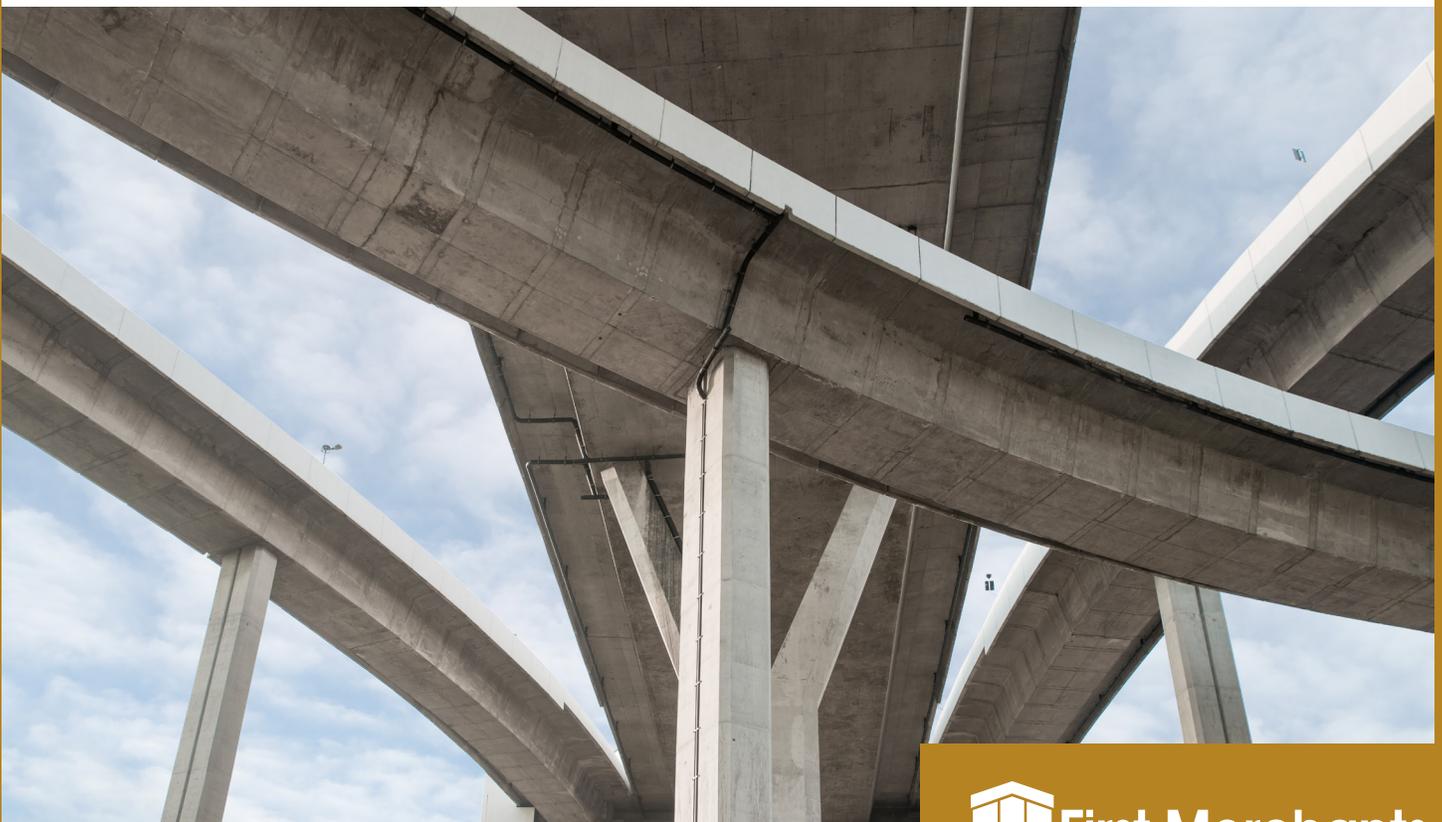
**Workplace Banking** – Jon Meister

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Spring Edition | [firstmerchants.com](https://firstmerchants.com) | 614.583.2200



COMMERCIAL BANKING | PERSONAL BANKING | PRIVATE WEALTH

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## 4<sup>TH</sup> QUARTER 2020 EARNINGS

First Merchants Corporation (NASDAQ - FRME) has reported fourth quarter 2020 net income of \$45.1 million compared to \$47.8 million during the same period in 2019. Earnings per share for the period totaled \$.83 per share compared to fourth quarter 2019 result of \$.87 per share. Net income for the year ended December 31, 2020 totaled \$148.6 million, compared to \$164.5 million during the same period in 2019. Year-to-date earnings per share totaled \$2.74 compared to \$3.19 in 2019.

Total assets equaled \$14.1 billion as of year-end and loans totaled \$9.2 billion. The Corporation's loan portfolio increased by \$789 million, or 9.2 percent, during 2020. Paycheck Protection Program ("PPP") loans accounted for \$667 million of the year's loan growth. Investments increased \$551 million, or 21.2 percent, during the year and now total \$3.1 billion. Total deposits equaled \$11.4 billion as of year-end and increased by \$1.5 billion, or 15.5 percent, during 2020.

Mark Hardwick, Chief Executive Officer, stated, "We are proud of our 2020 results given the significant headwinds of the past year. The global pandemic quickly turned 2020 into a year filled with economic, political, medical and logistical challenges. However, our employees demonstrated courage and a can-do attitude for the benefit of all stakeholders. We guided over 5,200 customers through the Paycheck Protection Program while maintaining branch and back-office operations with as many as 1,000 employees working remotely. We grew loans by 9.2 percent, deposits by 15.5 percent, processed over 2,700 loan modifications and donated an additional \$1 million to COVID relief efforts in our communities.

Despite providing \$58.7 million to the allowance for loan losses and managing through 40 basis points of margin compression we still delivered \$149 million of net income to shareholders." Hardwick also added, "Executive management expects 2021 to be a year of increasing momentum as the vaccine helps reopen our lobbies and allows us to repopulate our offices while growing our customer base." 🏠



### Employee Spotlight Brian Shanahan

Brian Shanahan joined First Merchants Bank as a Commercial Banker in January of 2021. Brian started his career 27 years ago at GE working in various business units across the country in both GE Capital and GE Aircraft Engines.

Brian finally settled in Cincinnati, OH where he left GE and continued his career in commercial lending with a number of banks including PNC, KeyBank, and 5/3. His background includes broad experience in commercial/corporate banking, floorplan finance, foreign direct investment, and commercial credit cards. He also has held positions in a manufacturing environment at GE in auditing, FP&A, and risk management.

In his personal time he is a part of a special operations water rescue team where he is trained as a search and rescue diver, a surface rescue swimmer, ice rescue specialist, and a boat operator. Brian is one of the Team's Supervisors holding the rank of Sergeant and is in charge of training and part of the new member selection committee. The team is available to support all local, state and Federal government agencies in any water related operations. In his down time he enjoys working out, swimming, and spending time with his family.



### Workplace Banking By Jon Meister

This past year has been one of great unpredictability to say the least. No one could have possibly imagined the extent and longevity of the impact of the COVID-19 pandemic. Masks, social distancing and now vaccines are signs of the impact this virus has had upon our health and physical well-being. That impact also affects our financial well-being, and First Merchants Bank is here to help.

First Merchants Workplace Banking is a premier partnership between employers and First Merchants, empowering employees by offering exclusive banking products and comprehensive financial services from experienced bankers. Participating in this program enables business owners to focus on their business by entrusting First Merchants to assist and support employees on financial matters. Our broad range of financial products, services and educational seminars will empower employees and their families to improve their financial health. The result is financially-confident employees, which makes for a stronger and smarter workforce.

While First Merchants offers a complete range of financial products, from deposits to loans to investment options, the Workplace Banking Program also offers employees the First Direct checking account. First Direct offers numerous benefits beyond the standard debit card and checks. First Direct offers benefits to save you money, such as no annual fees on home equity lines of credit, discounted mortgage closing costs, savings on safe deposit boxes and more!

Health Savings accounts are another benefit of this program, allowing pre-tax dollars to be

put aside to pay for out-of-pocket health care expenses to those participating in a qualified high deductible health plan (HDHP). As long as the funds are used to pay for qualified medical expenses, the money is spent tax-free.

Of course, First Merchants offers a complete range of digital services to manage accounts. Services such as online banking, mobile banking, money transfer options with Zelle, contactless payments and more are fully available to all First Merchants clients to meet their day-to-day access needs.

The Workplace Banking Program is customized to meet the demands of businesses and the needs of employees. We are available to meet at the workplace or virtually. We can meet with individual employees, provide advice and even open accounts onsite. Our educational seminars can be done both in-person and virtually, as frequently as needed, and the topics are specific to the needs of employees; whether that may mean budgeting, establishing credit, purchasing a home, savings and retirement, and more.

Employers need a financial partner who can deliver flexible and convenient value-added programs that empower their employees to be confident in reaching their financial goals. First Merchants Bank is that partner, and we do all of this for businesses and employees at absolutely no cost!

*Jon Meister is a Workplace Banking Representative of First Merchants Bank. If you would like to reach out to Jon please feel free to contact him by calling 614.583.2301 or by emailing him at [jmeister@firstmerchants.com](mailto:jmeister@firstmerchants.com).* 🏠



**Central Ohio Housing Activity Remains Strong**  
By Gary McNutt

As we look ahead to 2021, the housing sector appears poised for another strong year. 2020 was a record year for home sales and Central Ohio appears likely to continue that pace.

In January there were 1,926 home sales, up 10.4 percent from last year (1,745). Although homes in contract were 4.8% lower than January 2020, sales of 2,573 homes will likely close in the next 30-60 days, pushing sales higher as we move into the spring months.

Homes under \$350,000 sold in an average of 20 days. Homes sold between \$350,000 and \$500,000 took about 36 days to sell, and homes sold between \$500,000 and \$700,000 averaged 48 days. Homes above \$700,000 averaged 79 days to sell.

The annual pace of new housing starts has remained strong, helping to bring more inventory to the housing market to try to keep pace with robust demand. Single-family construction slightly climbed to the highest level since 2007 and was 29 percent higher than a year ago – the fifth month of double-digit annual growth.

Monetary policy has been quite supportive for the housing and mortgage markets. Low rates have stimulated refinance activity and have also increased affordability for many potential homebuyers. The Mortgage Bankers Association has forecast that purchase originations are expected to rise to a record

\$1.56T in 2021, which would eclipse the previous all-time high of \$1.51T in 2005.

The Federal Reserve has provided additional assurance that supportive policies will remain in place, and there is hope that an additional fiscal stimulus package will support households and businesses currently in distress. Additionally, the Fed also reaffirmed its commitment to keep short-term rates at zero for the foreseeable future. They have also indicated that they would continue to purchase Treasuries and MBS at the current pace until there is “substantial progress” towards a stronger economy.

These factors and many more should bode well for Central Ohio real estate, and First Merchants is here to help you achieve your goals. If you are interested in exploring purchase or refinance options, you may access information and apply online at [firstmerchants.mymortgage-online.com](http://firstmerchants.mymortgage-online.com) or contact one of our residential mortgage originators via your local First Merchants branch office.

*Gary McNutt NMLS: #574806 is a Mortgage Sales Manager for First Merchants Bank. If you would like to reach out to Gary, please feel free to contact him by calling 614.583.2297 or by emailing him at [gmcnutt@firstmerchants.com](mailto:gmcnutt@firstmerchants.com).*



**Merchant Fees**  
By Nicole Kauffman

**What’s the word on Merchant fees?**

Merchant accounts don’t come cheap. In addition to the processing rates you’ll have to pay on each transaction, your merchant account provider can also charge you a baffling

variety of one-time, monthly, and annual fees for maintaining your account. For a small or recently-launched business, these fees can quickly add up. Merchant account processors provide an invaluable service to business owners and they charge reasonable fees in order to do so. Traditionally, merchant processors have relied on tacking a lot of nickel-and-dime fees onto your bill to compensate for the low processing rates they offer to entice you into signing up with them. Fortunately, a number of processors are disrupting this old business model by offering accounts with low, fully-disclosed fees.

In evaluating any merchant account provider, you’ll want to look for a fee structure (there are **many**) that is both reasonable and transparent.

So, what kinds of fees might you be charged?

**Monthly Or Annual Account Fees:** Almost all providers charge some sort of fee to maintain your account. This might be billed monthly, or charged as an annual fee.

**Monthly Minimums:** Not a fee in itself, a monthly minimum is a requirement that your business process a sufficient total amount in transactions to incur at least a specified amount (typically \$25) in processing charges.

**PCI Compliance Fees:** Your merchant account must comply with the Payment Card Industry Data Security Standard (PCI DSS) security standards. This protects both you and your customers who, after all, are entrusting you with their card holder information. Being PCI compliant is mandatory and not being compliant

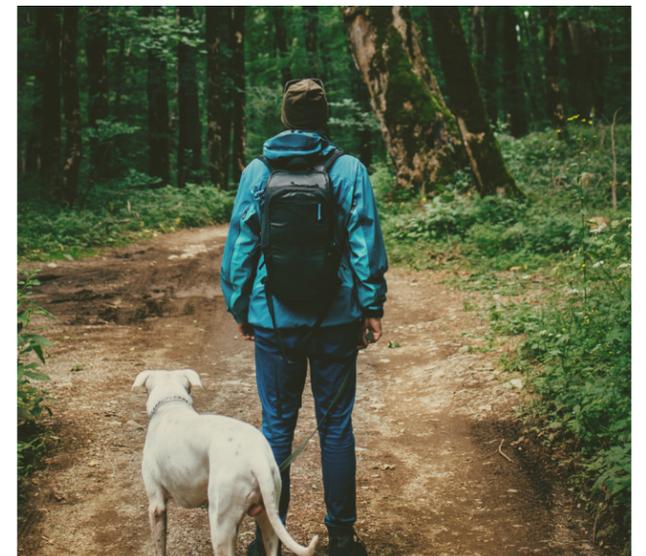
can come with hefty fees.

**Statement Fees & Other Account Fees:** Merchant processors can add any number of miscellaneous fees to your monthly bill. While most of these fees are pretty minor, things like statement fees can add up quickly.

**Early Termination Fees:** Some processors in the industry will sign you up for a long-term contract (typically three years), and will charge you an early termination fee if you try to close your account early – for any reason.

Already have a merchant account? Make sure to look through your statement for unknown fees and charges and always **ask questions!** A free cost comparison with your bank can shed some light on your current pricing structure and how best to grow your business with merchant services.

*Nicole Kauffman is a Merchant Card Sales Officer of First Merchants Bank. If you would like to reach out to Nicole please feel free to contact her by calling 614.583.2130 or by emailing her at [nkauffman@firstmerchants.com](mailto:nkauffman@firstmerchants.com).*



# 2021

FIRST MERCHANTS  
PRIVATE WEALTH ADVISORS

2021 BUSINESS VISION

As we put 2020 behind us and look ahead to better days in 2021, we are excited to share the new **First Merchants Private Wealth** annual perspective. We know our clients, friends and family were faced with many challenges last year and we hope you are staying well.

FIND OUR MOST RECENT ISSUE ON OUR WEBSITE [FIRSTMERCHANTS.COM](https://www.firstmerchants.com)



## CONSISTENCY THROUGH CHANGE LIVE EVENT PERSPECTIVE FROM PRIVATE WEALTH

Important economic and market activity as well as distinct strategies for staying on course in times of change.

ACCESS THE LIVE EVENT IN THE PRIVATE WEALTH SECTION OF OUR WEBSITE [FIRSTMERCHANTS.COM](https://www.firstmerchants.com)



Keep up to date with our **Weekly Investment Perspectives**. Each week our team provides an economic overview to keep you up to date on **what's happening in the economy**, markets and more.

SEARCH FOR "WEEKLY INVESTMENT PERSPECTIVE"  
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## NATIONAL OUTLOOK

GDP growth will return in 2021 and 2022

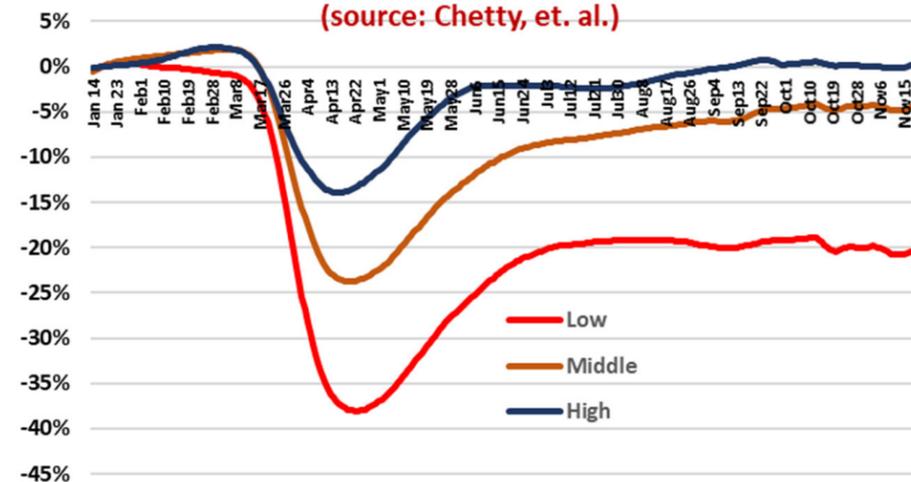


(chart assumes 70% vaccine coverage by 7/1/21)

- Permanent job losses in 2020 erased 6 years of gains.
- The deep economic downturn (top 5 in last century) caused by COVID will have deep and long-lasting implications on the economy.
- We expect a full recovery in 2026.

Employment Change by Income

(source: Chetty, et. al.)



- COVID's impact on jobs will be felt for many years, accelerating automation of service sector, so fewer jobs and leaving 30%-50% of students with deep learning losses.
- Asymmetric impacts will also deeply exacerbate inequality, as depicted in this chart of the K-shaped recovery.



BALL STATE UNIVERSITY  
Center for Business and Economic Research

## 2021 ECONOMIC OUTLOOK SERIES

By Dr. Michael J. Hicks in Partnership with Ball State University Center for Business and Economic Research

Michael J. Hicks, PhD is the George and Frances Ball Distinguished Professor of Economics and Director of the Center for Business and Economic Research at Ball State University. He has held faculty positions at the Air Force Institute of Technology, Marshall University and the University of Tennessee.

Dr. Hicks' research has been reported in The Economist, The Atlantic, Rolling Stone, Vanity Fair, The Wall Street Journal, The New York Times, The Washington Post, NPR, CSPAN, CNBC, Fox Business and the Nightly Business Report.

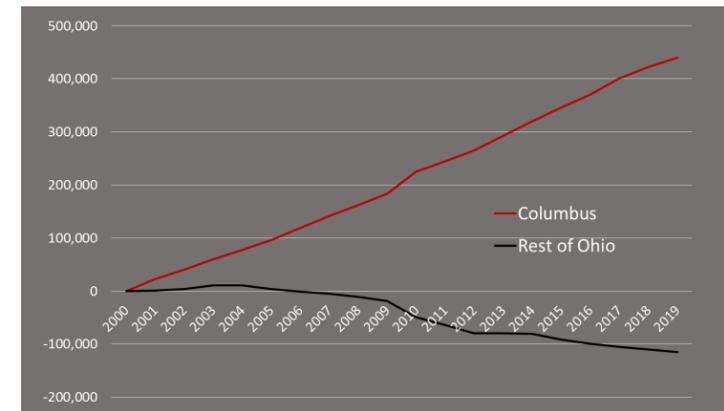
## REGIONAL OUTLOOK

Real GDP Changes by State

	IL	IN	MI	OH	WI
2020	-3.7%	-4.6%	-9.9%	-6.0%	-4.3%
2021	1.7%	2.2%	3.0%	2.5%	2.2%
2022	1.5%	2.0%	2.6%	2.3%	2.0%

Real Personal Income Changes by State

	IL	IN	MI	OH	WI
2020	7.1%	5.5%	7.3%	6.4%	5.6%
2021	0.2%	0.9%	-0.2%	0.3%	0.7%
2022	0.3%	1.0%	-0.1%	0.5%	0.7%



- Ohio and Midwest will recover slowly from COVID (personal income in Q2 2020 jumped due to CARES Act stimulus)
- Entry level job options and the growing education gap will be challenges
- Urbanization trends will continue.
- Ohio's largest urban center is booming, everyone else, is not.

We expect that the nation's full recovery from job losses will be realized in 2026. Automation of the service sector will lessen entry level job options everywhere. Notably, there is also a significant and growing education gap in the Midwest and Ohio. Ohio will recover slowly from COVID like everyone else.



### TOUCHLESS PAYMENTS

Your customers expect your business to process payments safely, securely and conveniently. Touchless transactions sound great, but how many different kinds are there, and how do you know if you're set up correctly? Our Merchant Services group can help you navigate payment processing solutions to fit your business now and as technology advances. Visit our website and get started today.



### PAYMENT CARD INDUSTRY (PCI) COMPLIANCE

What is a PCI Compliance, ACH or AVS Fee? Pricing in the credit card processing industry is complex and most merchant statements do not make it easy to understand. Contact a local First Merchants banker today and learn how to get the best value for your company.



PLEASE CALL 866.833.0050 OR VISIT

FIRSTMERCHANTS.COM/BUSINESS/TREASURY-MANAGEMENT/MERCHANT-SERVICES



First Merchants was founded on a principle: banks should help their communities thrive. Over 125 years ago, a group of business owners created First Merchants to ensure our neighbors had a trusted place for their money. Today, we continue to serve with a dynamic and passionate spirit. For our clients and our communities, we are focused on solutions.

**Working together, we create them.**

For more information, please call 800.205.3464 or check us out at firstmerchants.com.



**WORKING TOGETHER**  
CREATING SOLUTIONS FOR COMMUNITIES & BUSINESS.





**Employee Spotlight**  
**Matthew Gerhardt**

new equipment purchases, owner occupied real estate, and providing working capital lines.

Originally from Circleville, Ohio, Matt got his undergraduate degree from Ohio State and his MBA from Xavier University in Cincinnati. He resides in the Columbus suburb of Upper Arlington with his wife, 12 year old son, and dog.

In his off time he likes to travel, spend time with his family, and tell some really awful dad jokes. 🏠



**Build Your Brand with Superior Customer Service**  
**By Mark Engle**

marketing efforts to prospect and compete for business. Your investment in customer service should be equally as significant, if not greater.

Sales and/or marketing delivers a product or service to the marketplace; however, superior customer service (a positive customer experience) can convert this business transaction into a lasting relationship. This is

Matt joined First Merchants Bank January 4, 2021. Most recently he was a relationship manager with Associated Bank as well as few other local banks. Matt has twenty plus years of experience working with middle market companies and financing acquisitions,

Customer service is critical to any business. In fact, it defines your brand, and everyone within your business should understand and embrace this. As a business owner, you probably make a significant investment in your sales or

where you have an opportunity to demonstrate ability, inspire confidence and develop your brand. Hard work went into winning the business, but that is only the beginning. The real work comes when you create customers into raving fans of your business. Your customers will refer their friends to you based upon their experiences and level of service they receive over time, beginning with the initial contact. Building your brand with superior customer service will lead to new sales opportunities.

What is customer service? In general terms it is... effectively and timely resolving a customer concern or inquiry that meets or exceeds the customer's expectations. This might also be considered the customer experience, or the reason the customer continues to be YOUR customer. This seems like a pretty easy concept, right? Effectively delivering customer service requires strong communication skills, listening and asking clarifying questions. It also requires responsiveness, collaboration, resourcefulness, and accuracy. Everyone in your business should know how they can contribute to a positive customer experience, even if they do not have direct customer contact.

How can you measure the level of customer service that your business provides? Ask the customer. Every time someone within your business has contact with a customer they can, and should, confirm customer satisfaction. Technology can also help in this area by allowing you to solicit reviews, feedback, or likes on social media. Be aware however that social media can also expose (publicly) where you may be falling short. Requesting feedback from customers, whether in person or on social

media, can make your business better by identifying needed improvements.

Businesses continue to utilize technology in various ways. From marketing to process improvements to customer service, technology can help your business grow and become more efficient. When considering the customer experience, make sure the technology is user-friendly and it does not become an inconvenience or barrier. Find the right balance that will allow you to help the customer without compromising the lasting relationship. 🏠

*Mark Engle is a Relationship Manager for First Merchants Bank. If you would like to reach out to Mark, please feel free to contact him by calling 513.794.7457 or by emailing him at [mengle@firstmerchants.com](mailto:mengle@firstmerchants.com).*

## FIRST MERCHANTS BANK NAMED A BEST BANK 4 YEARS IN A ROW

MUNCIE, Ind. – Forbes has released its 2021 list of “America’s Best Banks,” and once again, one of the Midwest’s legacy financial institutions sits at the top of banks based in Indiana and one of the best in the nation. First Merchants Bank – Indiana’s second largest financial services holding company – is rated by Forbes as the country’s 15th best bank for 2021.

“My colleagues and I are honored and humbled for First Merchants to once again be recognized as the top bank in Indiana and among the leading financial institutions nationally,” said First Merchants CEO Mark Hardwick. “The ranking recognizes and demonstrates the strength and stability we provide our clients – particularly during this unprecedented and

uncertain environment caused by the COVID-19 pandemic. The true barometer of our company’s performance will continue to be the results we produce for our clients and providing the highest level of service to them, our neighbors and communities.”

First Merchants – rated fifth in Forbes’ 2020 grading of the country’s 100 largest banks – once again ranks ahead of peers like JPMorgan Chase, Fifth Third Bancorp and Citigroup. The company was ranked second in the U.S. by Forbes in 2019.

Forbes ranks the country’s 100 largest banks based on 10 metrics related to growth, profitability, capital adequacy and asset quality. Metrics include return on average tangible equity, return on average assets, net interest margin, efficiency ratio and net charge-offs as a percent of total loans. S&P Global Market Intelligence provides data, but the rankings are done exclusively by Forbes. The global media company also factored in nonperforming assets as a percent of assets, risk-based capital ratio and reserves as a percent of nonperforming assets.

In his article, Forbes reporter Antoine Gara noted the effect COVID-19 has had on the economy and the staying power of America’s biggest banks as they have navigated a unique year supporting their clients and remaining, for the most part, unscathed.

First Merchants has assets of approximately \$14.1 billion with 130 banking offices in Indiana, Michigan, Ohio and Illinois. 🏠



**SOME CALL US FANATICS.  
WE SAY WE'RE COMMITTED.**



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

COMMERCIAL BANKING | PERSONAL BANKING | PRIVATE WEALTH

Softball. Basketball. Bankers. We're all part of some team. And First Merchants has the lineup for your needs. With checking and savings accounts, lending, debit cards, online banking and more, we have the tools to help you reach your financial goals. No matter what your needs are, we're game. For more information go to [firstmerchants.com](https://firstmerchants.com).

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**FIRST MERCHANTS BANK NAMED  
A BEST BANK 4 YEARS IN A ROW**

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**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