THE LONG VIEW

2020 BUSINESS VISION

FIRST MERCHANTS
PRIVATE WEALTH
ADVISORS

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Our First Merchants Private Wealth Advisors team rallies around a goal to provide comprehensive solutions and personal service in pursuit of a secure financial future for our clients. Their approach helps our clients experience the value of our whole bank, which collectively focuses on being a responsive, knowledgeable and high-performing financial partner.

MICHAEL RECHIN
President & CEO, First Merchants Corporation

LETTER FROM PRIVATE WEALTH ADVISORS PRESIDENT

ON BEHALF OF OUR TEAM, we are excited to present to you "The Long View," a perspective on our business in the last year and the direction we are headed as we partner with clients in their pursuit of a secure financial future. We have built this publication to present a view into how the capabilities and expertise of our team allow our clients to reach and surpass their financial goals and dreams.

MICHAEL JOYCE
President

For our team, 2019 was marked by an expansion in Michigan with the welcoming of Monroe Bank and Trust to our team. The cadre of professionals in Michigan bring a strong commitment to the success of their clients and strengthen First Merchants' capabilities in Investment Management, Fiduciary Administration and Planning and Advice. Beyond geographic expansion, our team earned a number of degrees, designations and certifications in service of their craft including Chartered Financial Analyst, Certified Financial Planner and Certified Securities Operations Professional. Additionally, we have stayed in front of changes in tax rules and inheritance law in order to ensure our clients' plans continue to position them to reach their goals and aspirational objectives. Just as our clients and partners have stayed focused on success in their professions, our teams are committed to maintaining a knowledge edge and providing powerful, comprehensive and coordinated advice.

Beyond commitment to the technical requirements of the wealth management business, our strongest commitment is to having thoughtful discussion and potent relationships with our clients and their families. As the adage goes, clients do not care how much you know until they know how much you care. And more than the reward of effective expertise, it is the strength of the relationships we have with our clients that brings us charging through the door each day. In a world increasingly portrayed as adversarial and lacking trust, we sincerely appreciate the partnerships we have with our clients. For it is in those partnerships we are reminded of the goodness of people and the power of relationships, something we are committed to never taking for granted.

Thank you for taking the time to enjoy "The Long View" and our sincerest appreciation for the trust you have placed in our team. We are honored to be a part of your journey and remain committed to being the financial partner for all of your family's needs.

MICHAEL JOYCE
President
Private Wealth Advisors

PRIVATE WEALTH ADVISORS MISSION

We partner with individuals, families and organizations to provide comprehensive solutions and personal service in pursuit of a secure financial future.

With more than **100 PROFESSIONALS**, our team administers assets in excess of **$4 BILLION** – we are experts in private wealth who bring dedicated expertise to our clients as attorneys, CFAs, CFPs, CTFAs, CRPSs, CPAs and ChFCs.

We create value for our clients through:

POWERFUL LOCAL RESOURCES We deliver broad advisory capabilities through local, engaged and empowered leaders.

COMPREHENSIVE AND COORDINATED APPROACH We surround our clients with a team of experts to deliver financial solutions focused on their long-term financial success.

STANDARD OF EXCELLENCE We deliver proactive service and client advocacy as we look to build powerful, intergenerational relationships.

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The opportunity to work with clients and their families over multiple generations speaks volumes about our team’s dedication and professionalism, and the expertise and service they provide.

DAVID BRECHBUHL
Director, Client Development

2019 IN REVIEW

TWELVE MONTHS OF ACQUISITIONS, GROWTH AND BROADENED CAPABILITIES MEAN MORE OPTIONS FOR OUR CURRENT AND FUTURE CLIENTS.

In 2019, First Merchants Corporation completed its acquisition of Monroe Bank and Trust in Monroe, Mich., and welcomed the Monroe team. At the same time, we continued our integration in Fort Wayne and our expansion into the Lakeshore region in Illinois and northwest Indiana and in the Columbus, Ohio, market.

But our growth and expansion were not limited to geography. In all of our markets, we continue to broaden the available solutions for our clients through the expansion of our Wealth Advisor and Private Banking team.

In Private Banking, we expanded both in personnel and capabilities. Clients can now enjoy total balance sheet management, including deposit and cash flow solutions and private, customized lending.

We also added key professionals in Corporate Retirement Plan services, allowing us to offer more detailed, customized guidance for business owners and plan sponsors in addition to our current fully bundled retirement plan offering.

2019 Market Summary

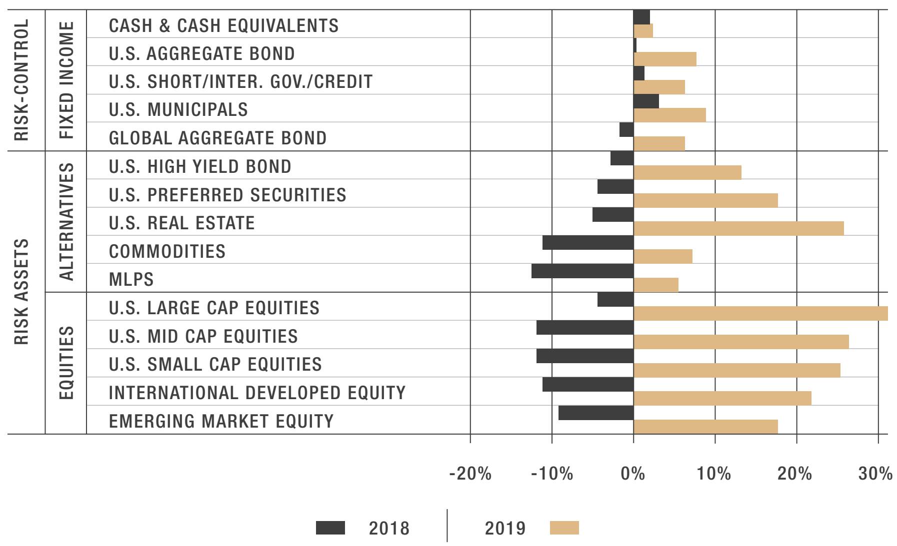
What a difference a year makes. In 2018, there was almost no place to hide from market volatility. The decade-long bull run was threatened by a combination of overly aggressive tightening in monetary policy from the Federal Reserve and investor fears of slowing global economic growth amid rising geopolitical tensions. Even though many of the same underlying tensions remained in 2019, it was a different story entirely for financial markets.

You can see the divergence between the two years in the table at right. Almost all asset classes outside of high quality U.S. bonds ended 2018 in the red, just to come roaring back in 2019 to recoup those losses and then some. Large cap U.S. equities led the way in recovery as the S&P 500 index returned 31.5% including dividends in 2019 after falling by 15% in the final quarter of 2018. High-growth technology stocks proved to be the biggest winners, with the S&P 500 tech sector posting 47% gains for the year.

What allowed for such high returns in the face of so much uncertainty?

Progress on geopolitical conflicts may be front of mind as Brexit and the U.S.-China trade war dominated headlines in 2019. Easing trade tensions certainly played a role in encouraging risk in investor sentiment, particularly in the last quarter as the U.S. and China made a preliminary agreement on a phase one trade deal and agreed to stem the tit-for-tat tariff increases. However, several other fundamental factors were at work in shaping financial market returns in 2019.

TOTAL RETURNS BY ASSET CLASS 2018 VS. 2019



SOURCES: FACTSET, FIRST MERCHANTS PRIVATE WEALTH ADVISORS

Perhaps the most significant driving force behind the rebound can be attributed to the Federal Reserve's 180° pivot in monetary policy. In 2018, the Federal Reserve hiked interest rates four times and indicated at the December meeting that another two to three rate hikes were in order for 2019 as the Fed believed rates remained too accommodative. Financial markets quickly showed the Fed their disagreement. Market participants rapidly sold risk assets to end the year as they believed the U.S. economy could not support further tightening amid slowing global growth, geopolitical conflicts and fading benefits from tax reform.

In response, the Federal Reserve changed course in January, announcing it would pause on further interest rate hikes. As the year went on, long-term rates dropped due to an outlook of slowing economic growth, and the yield curve became inverted in August, which created significant worry. The Federal Reserve responded with three 0.25% rate cuts in the second half of the year to ease financial conditions and sustain our economic expansion, completely reversing its plans from late 2018. The resulting flood of liquidity fueled a rebound in demand for risk assets like equities as fears of recession subsided and bond yields presented a less attractive investing alternative.

Another factor in the outcome of stock market returns was forward-looking expectations for corporate profit growth. Following earnings growth of 21.9% for the S&P 500 constituents in 2018, which was driven largely by tax stimulus, earnings for the S&P 500 actually fell by 0.02% in 2019, based on the preliminary estimates from FactSet. The stock market returns for those two years may seem surprising in light of their respective earnings growth, but the market is

2019 IN REVIEW

a forward-looking machine. Most of the benefits of tax reform to occur in 2018 and the resulting corporate profit growth was already baked into stock prices in 2017. In 2018, the outlook for corporate profit growth in 2019 soured considerably, as 2018 had set such a high bar, and the stimulus from tax reform and the ensuing share repurchase frenzy were expected to fade. But the outlook for 2020 is looking more optimistic, with the consensus earnings growth forecast currently sitting at 9.5%.

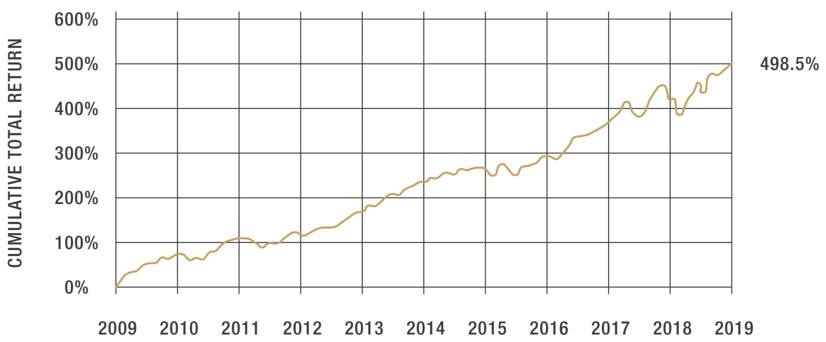
Throughout the turmoil of 2018 and the subsequent rally of 2019, the resiliency of the U.S. economy, and the U.S. consumer in particular, has allowed the bull market to live on. U.S. GDP growth is expected to hit 2.3% in 2020 over 2019, which is down from 2.9% in 2018 but a solid growth rate nonetheless. The domestic consumer supplied about 85% of GDP growth in the first three quarters of 2019. The picture remains solid for the domestic consumer with unemployment near 50-year lows, wage growth in excess of inflation, and consumer confidence at high levels. In the year ahead, market participants are hoping business investment will start to pick up some slack to supplement this performance. Easing uncertainty from progress in the U.S.-China trade war could be part of the recipe in reviving it.

MORE THAN A DECADE SINCE THE GLOBAL FINANCIAL CRISIS

The end of 2019 marked the end of an exceptional decade for the U.S. stock market, which saw an uninterrupted bull market run. The price of the S&P 500 index advanced 190% over the course of the 2010s. If you go back just a few months earlier to the trough of the global financial crisis on March 9, 2009, the S&P 500 actually climbed 377.5% by the end of 2019. Including dividends received, the gains on the S&P 500 since that date would total nearly 500%.

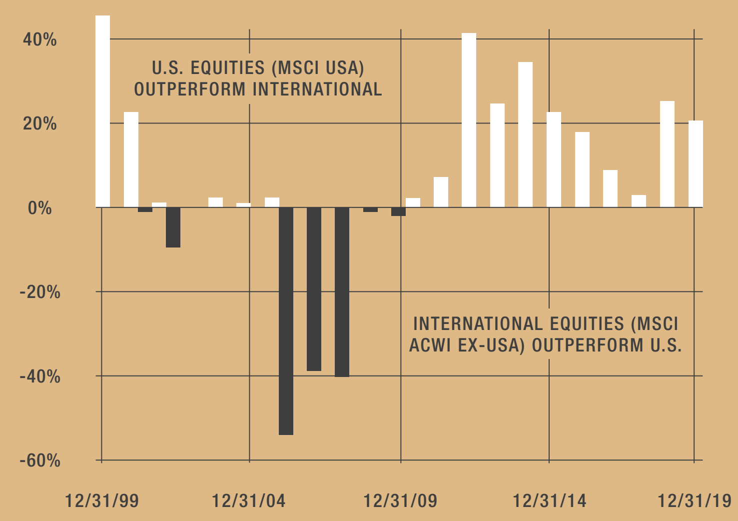
Of course, buying in at the depths of the financial crisis and holding on throughout the past decade would have been much easier said than done, even for investors with the most ironclad stomachs. This bull run has been tested time and time again by crises and conflicts, including a European debt crisis, an Ebola outbreak, a Chinese stock market crash and currency devaluation, an oil-price collapse, and trade wars to boot. Through it all, our team at First Merchants Private Wealth Advisors (FMPWA) helped clients put these crises and conflicts in perspective with the fundamentals, such as diversifying against undue risk and staying the course in meeting their financial objectives.

S&P 500 TOTAL RETURN SINCE 3/9/2009



SOURCES: FACTSET, FIRST MERCHANTS PRIVATE WEALTH ADVISORS

U.S. EQUITIES VS. INTERNATIONAL EQUITIES



EQUITIES: U.S. MARKET EXTENDS ITS OUTPERFORMANCE

In 2019, the broad U.S. equity market (represented by the MSCI USA index) posted a total return of 31.6%, more than 10% higher than the 21.3% return for the global equity market excluding the U.S. (represented by the MSCI All Country World ex-USA index).

For the last 12 years, FMPWA has carried a notable underweighting of international securities to the benefit of our clients. While the U.S. financial system made the effort to recapitalize following 2008, many international financial systems, including the Eurozone, did not undertake reparations to the same extent and remain notably undercapitalized. The stability of the U.S. financial system and the attractiveness of its sovereign debt yields relative to a bevy of negative rates around the world have boosted inflows to U.S. securities and enhanced the value of its currency. The U.S. market has also had greater exposure to innovative industries within the tech and health care sectors that have been a boon to corporate profit growth.

While we're maintaining this allocation decision for now, we will continually reevaluate it with a close eye on future valuations, the strength of the U.S. dollar, and other catalysts that could drive momentum in the other direction. We will also continue to search for and invest in many foreign companies that we have identified as best in class, regardless of domicile.

ERIN SYLVESTOR
Director
Client Services

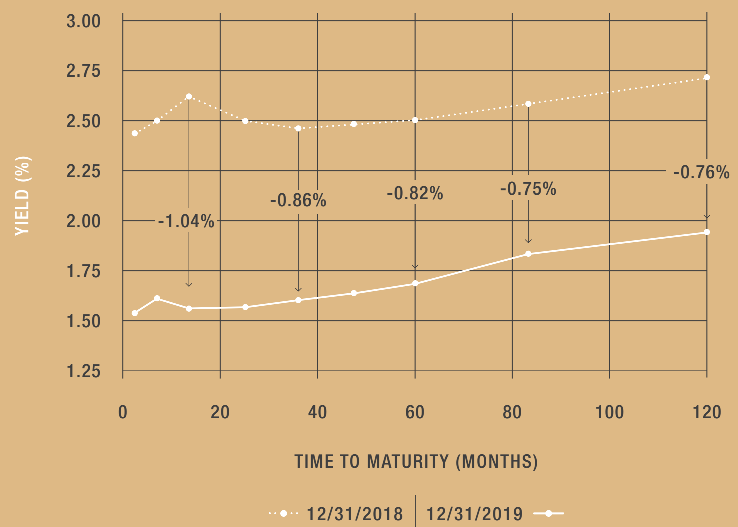
2019 IN REVIEW

FIXED INCOME: INTEREST RATES MARCH LOWER

U.S. interest rates took a wild ride in 2019, with the 10-year Treasury yield starting the year at 2.68%, dipping as low as 1.46% to start the third quarter, and rebounding back up to 1.92% to end the year. The Treasury yield curve sounded off alarm bells in August when it became significantly inverted with long-term yields falling below short-term yields, an indicator that has historically preceded all U.S. recessions. In response, our team evaluated the inversion in context. We sent out a client communication saying that such an indicator shouldn't be taken lightly, but that the strength of the U.S. economy had not yet provided us with confirming evidence of near-term recession.

At year-end, the yield curve, though relatively flat, has been restored to its normal upward slope, easing investor anxieties heading into the new year. It took three 0.25% rate cuts from the Federal Reserve to drop the short end of the curve and an improving economic outlook on consistently strong employment-based data and easing trade tensions to boost long-term yields upward.

U.S. TREASURY CURVE



SOURCES: FACTSET, FIRST MERCHANTS PRIVATE WEALTH ADVISORS

SOLUTIONS IN FOCUS

Our team covers disciplines in Investment Management, Financial and Estate Planning, Private Banking, Fiduciary Administration and Retirement Plan Services. Our clients are supported by more than 100 professionals who manage assets in excess of $4 billion.

Services of Private Wealth: Financial and Estate Planning and Fiduciary Services

Virtually all of life's necessities and goals have a financial component. Our professionals engage with you to understand your unique situation and offer appropriate financial strategies and solutions to support your life plans.

Financial and estate planning is often one of the most overlooked areas of personal financial management, but one of the most important. Virtually all of life's necessities and goals have a financial component. Our professionals engage with you to understand your unique situation and offer appropriate financial strategies and solutions in support of your life plans. As directed by you, our trust and planning professionals work as a team with your other advisors, such as attorneys, CPAs and other individuals upon whom you rely.

Your team of experts work alongside you throughout your lifetime to ensure your goals and wishes are realized and your well-earned assets are protected. Whether your objectives involve an immediate need, future goals, tax planning or generational and charitable aspirations, we are here for you.

"The value we provide to clients in our comprehensive and coordinated approach is the recognition that an individual team member may not have all of the answers our clients need, but each has access to the experts and team members around the client to provide those solutions.

AUDREY MISTOR
Managing Director, Wealth Management

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First Merchants Private Banking extends well beyond banking. It's really more of a professional lifestyle we offer our clients to deliver personal and high-touch service to establish relationships that work with individuals and families for the very specific banking needs they have.

NANCY LEMING
Director, Private Banking

Services of Private Wealth: Private Banking

Private Banking is dedicated to providing exclusive banking services for our clients. We offer personal cash management with preferred depository accounts. Custom financing is a vital component of your personal balance sheet. Our tailored lending includes portfolio lines of credit, home equity lines of credit, specialized mortgages, and financing for personal and professional investment.

Our Exclusive Approach to Private Banking

We understand preservation and protection of your wealth is of the utmost importance to you and your family.

First Merchants Private Banking integrates the highest level of banking expertise and excellence with personal service to create a strong relationship with a unique experience. We understand the preservation and protection of your wealth is of the utmost importance to you and your family. We offer a holistic, personalized service approach to wealth management.

Today's world requires an investment of your time to meet demanding personal and business schedules. Your financial needs are dynamic and change over time. Private Banking understands the financial attention you need and deserve and will serve as your trusted financial partner to meet your individual financing and liquidity goals.

First Merchants Private Banking solutions are delivered to you through a responsive, accessible and single point of entry.

“As the adage goes, clients do not care how much you know until they know how much you care. And more than the reward of effective expertise, it is the strength of the relationships we have with our clients that brings us charging through the door each day.

MICHAEL JOYCE
President
Private Wealth Advisors

BRETT FISHER
Director
First Merchants Investment Services

JANE SMITH
Director
Retirement Plan Services

Services of Private Wealth: Investment Management

IT ALL STARTS WITH A CONVERSATION, talking to our clients and developing personal investment policy statements. Then, we create tailored portfolios to meet the goals and needs of clients while still executing our fiduciary responsibility. We provide clients with diversified equity and fixed-income portfolio management as well as access to our portfolio research and management teams. With fee-based asset management and the sound advice that comes from a disciplined buy and sell philosophy, no one manages your investments better.

Services of Private Wealth: Corporate Retirement Plan Services

A SUCCESSFUL RETIREMENT PROGRAM is one of the most important benefits you can offer your employees. Regardless of the size of your business or the type of plan you need, First Merchants can assist. We will advise you through every step in starting up a plan or transferring an existing plan to one of our experts.

First Merchants offers many types of retirement plan options and will help you determine the ideal solution for your business. Advantages of a retirement plan include potential employer tax benefits, attracting and retaining quality employees and providing secure retirement for employers and employees.

2020: OUR LOOK AHEAD

IN THE BUSINESS OF INVESTING OTHERS' HARD EARNED MONEY, it is amazing how some things change nearly overnight while others seem never to change. Even more amazing is how wrong the forecasters usually are each year. A little more than 12 months ago, we were looking back on a rather dreary 2018. Most stock indexes had lost ground as fears of additional rate increases by the Federal Reserve, rising trade disputes, slowing global growth and additional discord in Washington sent stocks sharply lower in the fourth quarter of 2018. Most forecasters expected rate hikes and anemic stock returns in 2019.

A year later, the forecast looks a little brighter, with eye-popping stock price increases and interest rate decreases in 2019 surprising almost everyone. While part of last year's increases were simply recovering from December 2018's plunge, equity returns are still great, especially in light of the decade-long rally from the market bottom of March 2009. For bonds, markets rotated from expecting three rate increases in 2019 to witnessing three rate cuts. All the while, the U.S. economy is the envy of the world, unemployment is near 50-year lows, consumer confidence is high with household income at the highest level in 20 years, and trade disputes seem to be lessening—at least for the time being.

However, some things have not changed. Global growth is still dreadfully slow, the European banking system is on life support, the European Union must still deal with Brexit and other problems too numerous to mention, China is slowing and the Japanese economy

TERRY BLAKER
Director
Investment & Portfolio Management

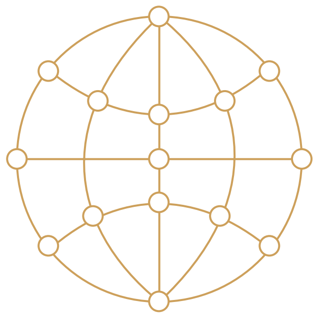
2020: OUR LOOK AHEAD

is still just hoping to emerge from three decades of being stuck in neutral. While some progress has been made on trade issues, we caution that significant issues must still be hammered out. The discord in Washington has probably been worse in the past, but it's hard for most of us to remember when. And while the U.S. consumer has been spending, business spending continues to be lackluster as companies are still trying to navigate the uncertainties of the global economy.

We do not intend to inundate you with forecasts, but instead we will point out developments the investment team at First Merchants will be closely monitoring. Never have we taken for granted the trust our clients have placed in our team to serve as stewards of their wealth. Clients often mention how times seem to be more uncertain than in the past; however, in our team's collective century of investment management experience, never can we remember a time when there was not a long list of uncertainties.

TRADE ISSUES

We have seen some recent progress on both the North American and Chinese trade disputes, but trade issues will continue to be an issue for not only months but also years ahead. Global trade is extremely complicated with a myriad of issues involved, making it difficult to base individual buy and sell decisions on any one outcome. While trade wars are not good for economic growth and are a definite headwind, in the U.S. they are not expected to shave more than a few tenths off GDP growth or push the U.S. economy into a recession.



GLOBAL GROWTH & INFLATION

We do not expect trade or geopolitical issues to go away in the foreseeable future as global growth and inflation are likely to remain lower for longer. As we enter 2020, the global economy shows some early signs of stabilization. Inflation is expected to remain muted for years but, looking forward, we will be concerned with debt escalation in many countries and companies and the possible effect on inflation. Trade and political uncertainty will remain a drag on business demand. Europe continues to have a long list of problems that cause significant concerns. Continued economic and social issues will affect both financial and political institutions as Europe struggles with anemic economic growth, high debt, a shaky financial system, immigration and the social needs of an aging population. The European banking system continues to be very fragile and unprofitable. Globally, banks have announced plans to cut about 78,000 jobs, and 82% of that total is from European banks.

WASHINGTON POLITICS

While politics do matter and do influence markets in the short run, even major negative political events (like the impeachment of a president) seldom cause more than a few months of hiccups in the overall stock market. Patient investors can do well in election years but should brace for market volatility. A look at history shows that presidential elections have made essentially no difference in long-term investment returns. Elections do have the potential to affect certain industries (i.e. health care or banking) or specific company stocks for longer periods. Historically, equity returns have been the best in periods when the federal government is not controlled by one party. Current indications are the 2020 election will prolong the divided government—and will remove some uncertainty.

U.S. MONETARY POLICY

Although most believe the Federal Reserve will be "on hold" during 2020, it is certainly possible it may feel pressured into further rate cuts if growth falters. In countries where monetary policy is already very loose, we may see some type of fiscal stimulus. Although manufacturing is still important, the U.S. consumer is the powerhouse behind U.S. economic growth and a major factor in our constructive outlook.

EASY MONEY/DEBT PRESSURES

Easy money policies around the world have certainly led to increased risks in the financial system. Low rates have caused investors to reach for yield, leading to stretched valuations in some assets while also encouraging both consumers and corporations to take on higher debt loads. Any economic or market downturn could be magnified as debt holders or ill-advised investors scramble as times turn against them.

As you can see, we expect many factors to influence markets in 2020. We know there are matters we can control and those we cannot, and we recognize the need to separate the short-term "noise" from the significant events that have long-term implications.

We will continue to focus on individual companies with management teams that have historically used shareholder capital efficiently and continue to build high quality balance sheets, pay sustainable dividends, possess pricing power, and have strong cash flows and underlying earnings growth capable of weathering an economic slowdown. We expect companies more dependent on consumer spending to be more stable than those dependent on business spending.

We will also continue to look further out than next quarter's earnings to attempt to identify the long-term trends that can revolutionize economic or industrial sectors and determine long-term winners, such as the effect that artificial intelligence can have on individual companies. Additionally, we will continue to monitor the massive changes in energy production and how things are powered and the resulting impacts on many industries.

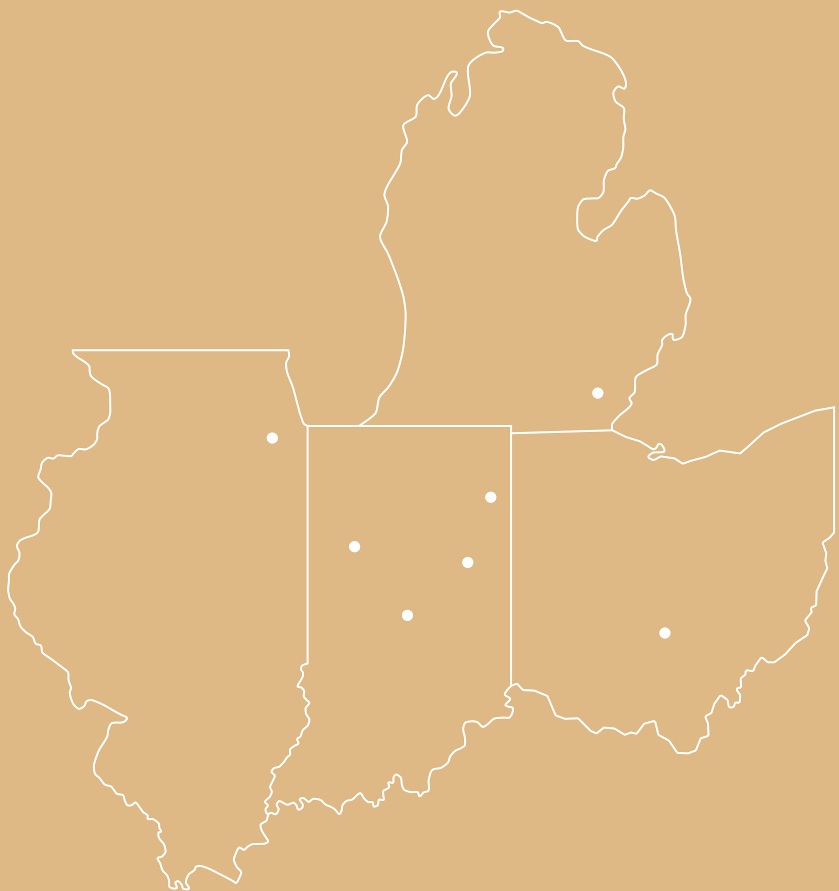
While we remain cautiously optimistic on the prospects for the U.S. economy and the equity markets, we also want to stress investors should expect subdued returns and bouts of volatility that might rock those without a solid and reasonable long-term financial plan. Numerous studies have shown the average investor has realized returns far worse than the average mutual fund, primarily as a result of jumping in and out of the market at the wrong time. A good long-term plan that puts emotion aside and focuses on long-term goals is the surest way to avoid this result.

We will continue to focus on individual companies with management teams that have historically used shareholder capital efficiently, pay sustainable dividends and have strong cash flows.

PRIVATE WEALTH ADVISORS TEAM

Positioned across our seven regions, our First Merchants Private Wealth Advisors teams provide individualized attention and services backed by the strength and broad range of solutions available through First Merchants.

First Merchants Private Wealth Advisors offices



You spend your time achieving goals, making memories and creating a legacy. We help protect that hard-earned lifestyle by preserving and growing your assets. Our team works with you to clarify your financial goals and help you achieve them through the expertise of our local, engaged and empowered advisors.

Front Row (seated left to right)

BRAD REYNOLDS
Managing Director
Client Services & Support

TERRY BLAKER
Director
Investment & Portfolio Management

NANCY LEMING
Director
Private Banking

DAVID BRECHBUHL
Director
Client Development

AUDREY MISTOR
Managing Director
Wealth Management

Back Row (standing left to right)

DAVID FORBES
Director
Personal Trust

ERIN SYLVESTOR
Director
Client Services

MICHAEL JOYCE
President
Private Wealth Advisors

JANE SMITH
Director
Retirement Plan Services

BRETT FISHER
Director
Investment Services

CANDY SHANNON
Director
Wealth Operations

First Merchants
Private Wealth Advisors

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