

January 24, 2022

Dear Shareholder,

Though our complete audited financial report will not be mailed to you until early March, I am proud to announce strong preliminary performance results for year-end 2021. While preliminary and not yet fully audited, net income is projected to be \$28.77 million, which is \$8.2 million above plan and a year-over-year earnings increase of \$7.3 million (33.8%).

It was another unique year. Our team was amazing in navigating through another full year of health pandemic protocols and adapting to unusual market conditions. Most notably, our commercial banking and credit administration teams continued to be deployed in support of the Small Business Administration's Paycheck Protection Program (PPP), and our residential mortgage lending operation produced another year of extraordinary volume. Our commitment to our customers, communities and co-workers never wavered as the results of the pandemic continued to unfold. Specific noteworthy performance accomplishments include:

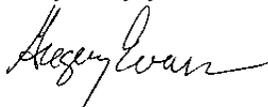
- Originating \$81.5 million in PPP loans and recognizing \$8 million in PPP fee income (for 2020 and 2021 PPP loans facilitated).
- Total residential mortgage loan volume exceeded \$835.2 million, which was \$309 million above our forecast. Over the past two years, our mortgage team has originated nearly \$1.8 billion of home mortgage loans.
- Continued year-over-year deposit growth of \$326.8 million (14.9%), to a total of \$2.52 billion.

We were pleased that our results allowed us to distribute both an increased semi-annual dividend and a special one-time dividend to our Shareholders last month. We truly value the loyalty and support of our Shareholder base and it was gratifying to be positioned to represent that in form of the dividend payments. If you have not yet had opportunity to deposit your payments, we would encourage you to do so.

It is an honor to share this preliminary report on behalf of the Merchants team with you. Thank you again for your loyalty and believing in the importance of our role as a driver of economic vitality throughout our region as an independent community bank.

We send our best wishes for 2022 and look forward to seeing you at our Annual Shareholder meeting on Thursday, April 14.

Very truly yours,



Gregory M. Evans
President and CEO