

January 27, 2025

Dear Shareholder,

While you won't receive our complete audited financial report in the mail until March, I want to share our preliminary performance results for year-end 2024. These results, though not yet fully audited, project net income of \$18.54 million which is \$6.67 million below plan and a year-over-year decline of 27.3% compared to 2023. While disappointing by our standard expectation, our results are in line with performance metrics for the banking industry in what continued to be a difficult market and interest rate environment, and represent Merchants' resilience, strength and stability.

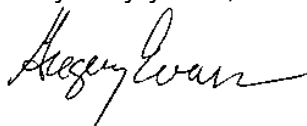
Because we began 2024 impacted by tight liquidity and intensely compressed interest margin, our priority focus throughout the year was on repositioning our balance sheet. I'm tremendously proud of our team's accomplishment in transforming our position by year-end. Earnings results didn't reflect the good work in that regard, due to the impact of credit risk exposure associated with a small number of larger loans. As a result, we added to our Allowance for Credit Loss (ACL) at a level that exceeded our forecast for the year by \$9 million, intentionally accommodating for loss exposure before year-end.

Specific business highlights which will be detailed in our 2024 Annual Report include:

- Exceptional deposit growth of \$249 million, an 11.47% increase year-over-year
- Flat loan growth – this was mostly by design as we intensified focus on pricing and credit structure in accommodating our liquidity management objectives
- Growth of our investment portfolio to \$319.2 million, an increase of 33.04% from year-end 2023 – again, an intentional focus to improve liquidity
- Continued progress on numerous strategic initiatives to move the Company forward and position us for strong business growth and performance in 2025

Despite the challenges and soft performance, I am tremendously proud of our team. We have caring people who work tirelessly in fulfillment of our mission to help friends, neighbors and local business owners achieve financial hopes and dreams. As always, this isn't something that could happen without your loyalty and support. Thank you for being a Merchants Financial Group, Inc. Shareholder. I look forward to seeing you at our Annual Shareholder meeting on Thursday, April 24.

Very truly yours,



Gregory M. Evans
President and CEO