

February 1, 2024

Dear Shareholder,

While you won't receive our complete audited financial report in the mail until March, I am pleased to announce strong preliminary performance results for year-end 2023. These results, though not yet fully audited, project net income of \$25.5 million. While this is \$1.2 million below our plan target and a year-over-year decline of 16.2% from our record year in 2022, I'm very confident our performance will stand out admirably compared to peers. These results represent the strength and stability of your Company in what was a challenging environment for the entire industry.

This past year we faced anticipated fallout from the Federal Reserve's dramatic shift in monetary policy, but we could not have known that the news of isolated bank failures would drive added turbulence and volatility in the marketplace. Amidst these challenges, we were better positioned than many in our industry because of our consistent and disciplined approach to balance sheet, liquidity, and interest rate risk management.

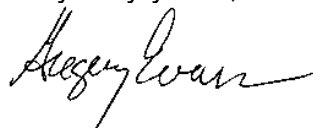
Specific performance highlights which will be detailed in our 2023 Annual Report include:

- Continued strong loan growth – total loans increased 15.0% from year-end 2022 to \$2.16 billion.
- Our deposit franchise remains strong with total deposits of \$2.17 billion; at mid-year we had a 7% decline in balances but ended with a year-over-year decline of 3.7% as runoff stabilized during the last three quarters of the year.
- An exceptional year for our Merchants Bank Equipment Finance division with total new origination activity of \$165.5 million, a division record, and a profit contribution of \$2.95 million.
- Outstanding revenue growth for the Trust division of our wealth management practice – our Trust team has more than doubled the number of client relationships over the course of the past four years; total Assets Under Management (AUM) increased 21.6% from year-end 2022 to \$552.7 million and gross revenue growth for 2023 was 15.9%.

The resilience of the Merchants organization is a tremendous source of pride. Again in 2023, we encountered challenges that we expected and others in unexpected form. The year ahead is likely to include headwinds, most notably in the form of interest margin compression with an interest rate environment which is difficult to predict. Through it all, I fully expect the stability of the Company to remain uncompromised.

I am fortunate to lead a team that is mission-focused and takes seriously its tremendous responsibility to position Merchants as a financial partner of choice in the communities we serve. It is our absolute privilege to cultivate meaningful partnerships with friends, neighbors and local businesses in contributing to the economic vitality of this region. We could not do that without your support, and I am grateful for your loyalty. I look forward to seeing you at our Annual Shareholder meeting on Thursday, April 25.

Very truly yours,



Gregory M. Evans
President and CEO