Merchants
Financial Group

July 30, 2026

Dear Shareholder,

I am thrilled to share a strong mid-year earnings report for Merchants Financial Group, Inc. (MFGI) with year-to-date net income of $16.59 million. This is $2.6 million above our 2026 plan and ahead of 2025 mid-year earnings by $2.4 million.

Our performance continues to be optimized due to the strength of our balance sheet, balanced performance from our diverse business lines, and increasing interest and fee income. Our strong liquidity position has afforded us the opportunity to grow our investment portfolio with a strategy that allows for significant flexibility to support our evolving balance sheet needs. In addition, we recognized some positive one-time income variances to plan that bolstered our results.

Second quarter performance highlights include:

- Stability in our deposit franchise with total deposits of $2.50 billion -- $13.8 million above plan, and a 3.73% increase ($89 million) from mid-year 2025.
- Total net loans of $2.04 billion -- while slightly behind plan and 2025 levels (1.42%), loan interest and fee income for the year is $1.49 million above plan.
- Balanced profit contribution performance from our wealth management business lines, Merchants Bank Equipment Finance, and residential mortgage lending.

In addition to our earnings performance, we continue to make tremendous progress on numerous strategic and change-management initiatives…all mission-critical to our earned independence and long-term relevance objectives. Summer is also a busy time for many of our branches as we put into practice our community leadership focus by hosting, supporting and volunteering for countless events across our footprint.

As the country celebrated America's 250th anniversary earlier this month, it is not lost on me that Merchants has been serving customers for 151 of those years. Our loyal shareholder base is one of the key reasons for our longevity, strength and stability. Thank you for your loyalty.

Very truly yours,

Gregory Evans

Gregory M. Evans
President and CEO

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Merchants Financial Consolidated

Consolidated Statements of Financial Condition

Unaudited

($ in thousands, except share data)	June 30, 2026	December 31, 2025
ASSETS		
Cash and cash equivalents	167,531	242,145
Federal funds sold	261	295
Available-for-sale securities	446,417	400,820
Held-to-maturity securities	35,928	37,534
Loans held for sale	20,586	14,014
Loans and direct financing leases, net	2,015,843	2,011,316
Operating lease assets	7,560	10,780
Premises and equipment	23,640	24,043
Investment in restricted stock	5,131	5,067
Other real estate and other personal property owned	970	970
Accrued interest receivable and other assets	40,178	41,821
Cash value of life insurance	62,522	62,213
Mortgage servicing rights, net	13,799	13,800
Goodwill	35,665	35,665
Intangibles	-	-
Deferred tax assets	7,285	-
Total assets	**2,883,318**	**2,900,482**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-bearing	456,300	476,273
Interest-bearing	2,040,930	2,044,875
Total deposits	2,497,230	2,521,148
Federal funds purchased	-	-
Repurchase agreements	15,043	15,043
Notes payable	1,599	1,599
Subordinated debentures	28,351	28,351
Deferred tax liability	0	4,959
Accrued interest payable and other liabilities	25,295	21,689
Total liabilities	2,567,517	2,592,789
Stockholders' Equity		
Common stock, par value $.025 per share	68	68
Additional paid-in-capital	10,261	10,261
Retained earnings	325,156	312,165
Accumulated other comprehensive gain	(9,904)	(5,021)
Unearned ESOP shares	(9,781)	(9,781)
Total stockholders' equity	315,801	307,693
Total liabilities and stockholders' equity	**2,883,318**	**2,900,482**

Merchants Financial Consolidated

Consolidated Statements of Income

Unaudited

($ in thousands, except share data)	**June 30, 2026**	**June 30, 2025**
INTEREST INCOME:		
Loan interest	55,262	55,248
Loan fees	1,833	1,367
Securities	10,533	6,953
Direct financing leases	642	736
Other income	2,941	3,520
Total interest income	71,210	67,824
INTEREST EXPENSE:		
Deposits	22,176	25,683
Notes payable, federal funds purchased and repurchase agreements	313	565
Subordinated debentures	709	788
Total interest expense	23,197	27,036
Net interest income	48,013	40,788
Provision for loan and lease losses	1,101	(631)
Net interest income after provision for loan and lease losses	46,911	41,419
NON-INTEREST INCOME:		
Trust department	1,911	1,474
Service charges and other fees	3,740	3,255
Loan servicing fees	3,298	3,362
Net gain on sale of available-for sale securities	17	114
Net gain on sale of loans	3,291	2,256
Net gain(loss) on sale of other real estate & other personal prop.	-	25
Operating lease income	1,907	2,856
Other income	4,522	4,592
Total Non-interest income	18,686	17,934
NON-INTEREST EXPENSE:		
Salaries and employee benefits	23,422	22,478
Occupancy	7,335	7,295
Depreciation expense on operating leases	1,509	2,212
Net loss on disposal of premises and equipment	-	10
Mortgage servicing rights	1,304	1,400
Other expense	10,942	8,453
Total non-interest expense	44,512	41,848
Income before income taxes	21,085	17,505
Provision for income taxes	4,497	3,271
Net income	**16,589**	**14,234**

Merchants Financial Consolidated

Consolidated Financial Highlights
Second Quarter 2026
Unaudited

($ in thousands, except share data)		Quarterly					Year to Date	
		2nd Qtr 2026	**1st Qtr 2026**	**4th Qtr 2025**	**3rd Qtr 2025**	**2nd Qtr 2025**	**June 30, 2026**	**June 30, 2025**
$ Earnings								
Net Interest Income	$	24,565	23,448	23,608	22,309	19,849	48,013	40,790
Provision (Reversal) for loan loss	$	(23)	1,125	(954)	(3)	(989)	1,101	(631)
Other non-interest income	$	10,023	8,645	9,056	9,518	9,881	18,668	17,820
Security Gains/Losses	$	17	-	-	-	-	17	114
Other non-interest expense	$	23,434	21,077	22,119	19,785	21,766	44,512	41,848
Pre-tax income	$	11,194	9,892	11,499	12,045	8,952	21,085	17,505
Taxes	$	2,885	1,612	2,413	2,987	1,202	4,497	3,271
Net Income	$	**8,309**	**8,280**	**9,086**	**9,058**	**7,750**	**16,589**	**14,234**
Pre-tax, pre-provision earnings	$	11,171	11,016	10,545	12,042	7,963	22,187	16,875
Earnings per share	$	1.02	1.01	1.11	1.11	0.95	2.03	1.74
Performance Ratios								
Return on average assets		1.16%	1.16%	1.28%	1.28%	1.13%	1.16%	1.03%
Return on average equity		10.61%	10.79%	11.90%	12.23%	10.86%	10.70%	10.18%
Return on average tangible common equity		11.96%	12.22%	13.53%	13.97%	12.47%	12.07%	11.73%
Yield on earning assets		5.38%	5.30%	5.34%	5.34%	5.37%	5.34%	5.32%
Cost of funds (inc non-int bearing deposits)		1.80%	1.87%	1.88%	1.98%	2.32%	1.84%	2.20%
Net interest margin		3.67%	3.53%	3.55%	3.46%	3.16%	3.60%	3.22%
Loan to Deposit Ratio		81.76%	79.47%	80.81%	83.73%	86.24%	81.76%	86.24%
Efficiency ratio		67.28%	64.91%	66.78%	60.21%	72.61%	66.14%	70.53%
Net overhead ratio		1.87%	1.74%	1.78%	1.45%	1.73%	1.81%	1.73%
Capital								
Tier 1 leverage capital ratio		11.44%	11.34%	11.35%	11.26%	11.11%	11.44%	11.11%
Common equity risk-based capital ratio		12.28%	12.10%	11.74%	11.71%	11.18%	12.28%	11.18%
Tier 1 risk-based capital ratio		13.40%	13.23%	12.86%	12.85%	12.30%	13.40%	12.30%
Total risk-based capital ratio		14.46%	14.32%	13.93%	14.01%	13.42%	14.46%	13.42%
Tangible capital to tangible assets		9.84%	9.54%	9.50%	9.51%	9.33%	9.84%	9.33%
Book value per share	$	38.61	38.15	37.62	36.77	35.54	38.61	35.54
Tangible book value per share	$	34.25	33.78	33.26	32.41	31.18	34.25	31.18
Outstanding shares		8,178,741	8,178,741	8,178,741	8,178,741	8,178,741	8,178,741	8,178,741
Average outstanding shares		8,178,741	8,178,741	8,178,741	8,178,741	8,178,741	8,178,741	8,178,741
Asset Quality								
Net charge-offs (recoveries) YTD	$	569	357	1,320	699	599	569	599
Net charge-offs (recoveries) to average loans		0.03%	0.02%	0.06%	0.03%	0.03%	0.03%	0.03%
Allowance for loan losses	$	25,906	26,575	25,996	27,667	27,528	25,906	27,528
Allowance to total loans		1.27%	1.31%	1.28%	1.35%	1.33%	1.27%	1.33%
Nonperforming loans (Nonaccrual & 90 days Past Due)	$	10,927	18,598	17,080	18,636	16,247	10,927	16,247
Other real estate owned	$	970	1,070	970	2,072	4,543	970	4,543
Nonperforming loans to total loans		0.54%	0.92%	0.84%	0.91%	0.78%	0.54%	0.78%
Nonperforming assets to total assets		0.41%	0.67%	0.62%	0.73%	0.75%	0.41%	0.75%
End of Period Balances								
Assets	$	2,883,318	2,932,068	2,900,482	2,823,519	2,769,366	2,883,318	2,769,366
Tangible Assets	$	2,847,653	2,896,403	2,864,817	2,787,855	2,733,697	2,847,653	2,733,697
Earning Assets	$	2,680,389	2,732,776	2,698,556	2,627,409	2,554,630	2,680,389	2,554,630
Total investments	$	487,476	503,189	443,420	382,551	375,350	487,476	375,350
Total loans	$	2,041,749	2,029,350	2,037,312	2,052,490	2,076,227	2,041,749	2,076,227
Intangible assets	$	35,665	35,665	35,665	35,665	35,669	35,665	35,669
Deposit	$	2,497,230	2,553,492	2,521,144	2,451,380	2,407,431	2,497,230	2,407,431
Customer repurchase agreements	$	15,043	15,043	15,043	15,045	15,048	15,043	15,048
Borrowings	$	1,599	1,599	1,599	1,979	1,979	1,599	1,979
Tangible Common Equity	$	280,136	276,317	272,028	265,067	254,983	280,136	254,983
Shareholders' Equity	$	315,801	311,981	307,693	300,731	290,652	315,801	290,652
Average Balances								
Assets	$	2,877,910	2,891,626	2,815,060	2,797,643	2,758,678	2,884,731	2,788,984
Tangible Assets		2,842,246	2,855,962	2,779,395	2,761,977	2,723,001	2,849,066	2,753,293
Earning Assets	$	2,683,391	2,697,178	2,624,139	2,602,469	2,569,209	2,690,246	2,599,139
Total investments	$	496,809	462,447	401,956	375,985	360,749	479,723	351,390
Total loans	$	2,045,841	2,047,585	2,041,230	2,079,468	2,077,226	2,046,708	2,089,188
Intangible assets	$	35,665	35,665	35,665	35,666	35,678	35,665	35,691
Deposit	$	2,496,205	2,510,890	2,439,732	2,432,162	2,396,350	2,503,507	2,427,846
Customer repurchase agreements	$	15,001	15,004	14,987	14,841	14,952	15,002	14,979
Borrowings	$	1,599	1,599	1,975	1,979	6,537	1,599	8,872
Tangible Common Equity	$	278,561	275,522	267,152	258,069	250,494	277,050	246,146
Shareholders' Equity	$	314,226	311,187	302,817	293,735	286,171	312,715	281,836
Stock Valuation								
Closing Market Price (OTCPink)	$	39.34	35.00	31.99	27.10	25.10	39.34	25.10
Multiple of Tangible Book Value		1.15	1.04	0.96	0.84	0.81	1.15	0.81
Price/EPS		9.26	8.38	6.16	4.65	5.32	9.70	7.21