

January 22, 2021

Dear Shareholder,

As we begin 2021 and look forward to everything this new year will bring, I wanted to provide preliminary 2020 year-end information ahead of our traditional Annual Report mailing. The complete audited financial report and detailed inventory of strategic accomplishments will be mailed in late February as usual.

Despite the challenges we encountered, I am extremely proud to report strong earnings results as the Merchants team adapted to the everchanging economic situation caused by the pandemic. While preliminary and not yet fully audited, net income was \$21.51 million. This was \$1.9 million above plan, and a year-over-year increase of \$1.7 million (8.8%).

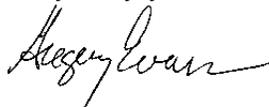
Each quarter I am grateful to be able to tell you about the tremendous teamwork and dedication of our employees. This past year was no exception, and I would say 2020 was an extraordinary example of what we can achieve by working together. How we accomplished our impressive performance results required great initiative and adaptation throughout the year, as traditional sources of revenue were impacted by the pandemic. Our focus on helping customers never wavered and our business diversification again drove our results. Specific noteworthy performance accomplishments include:

- Total residential mortgage loan volume exceeded \$950 million, an increase of 77% year-over-year, due to a low-rate environment making refinancing appealing for many of our customers.
- Being a source of financial relief for our business customers as we originated \$207 million in loans through the Small Business Administration's Paycheck Protection Program. At year end, approximately 35% of the nearly 1,600 loans have been successfully processed through the important loan forgiveness aspect associated with the program.
- Excellent year-over-year deposit growth of \$376 million (21%), to a total of \$2.2 billion.

I am humbled and honored to share this preliminary report on behalf of the Merchants team. You will receive your more detailed report soon. Thank you again for loyalty as a shareholder and believing in the importance of our role as a driver of economic vitality throughout our region as an independent community bank.

We wish you the best in 2021 and look forward to seeing you at our Annual Shareholder meeting on Thursday, April 8 – even if it's in a virtual form.

Very truly yours,



Gregory M. Evans
President and CEO