Merchants Financial Group

October 29, 2026

Dear Shareholder,

I am pleased to announce continued strong performance results for Merchants Financial Group, Inc. At the end of the third quarter, year-to-date net income was $27,362,963, a $4.3 million positive variance to plan and $4.1 million ahead of 2025 earnings. In recognition of continued strong performance, your Board of Directors has authorized a semiannual dividend payment of $0.48/share, to be paid on December 18, 2026 to Shareholders of record as of November 20, 2026. The dividend amount is a 9.1% increase over the semiannual payment of $0.44 for the first half of the year.

Our team continues to earn the loyalty of satisfied customers across our diverse business lines every day. Third quarter performance was driven by continued balance sheet strength, with continued deposit growth. Strong liquidity throughout 2026 has allowed for continued expansion of our balanced investment portfolio, providing opportunity to increase yield with minimal duration risk. This balance sheet strength, together with revenue performance above plan, positions the Company well as we move into the fourth quarter.

Third quarter performance highlights include:

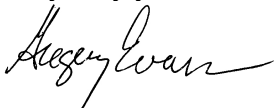
- Total deposits of $2.51 billion, which is $10.7 million below plan, but $59.8 million ahead of 2025 third quarter results.
- Loan growth continues to be soft with total net loans of $2.05 billion. While this is $52.8 million below plan, loans are $7.8 million ahead of 2025 with loan interest and fee income for the year exceeding plan and well above last year.
- Continued strength and diversity associated with fee income business lines. The Trust Department's revenue of $2.8 million grew by 26.1% compared to 2025, standing out as a primary driver of total non-interest revenue growth.

As we turn to the final quarter of 2026, our team is keenly focused on the needs of our customers and working to deepen the relationships we are favored with. There are also several strategic initiatives in flight that will enhance our customer-centric approach and set us up for success in 2027. As always, thank you for your support and the trust you place in this Company. Your appreciation of and commitment to our community banking mission is what provides your Board of Directors and Management the confidence to pursue with zeal our long-term strategies.

With winter approaching, if you have plans to travel extensively, please share your alternate address with Becky Tiedje to ensure all shareholder-related correspondence reaches you and is not returned to the bank. You can reach her at shareholderrelations@merchantsbank.com or (507) 457-9323. For those of you who will be changing your address with your local teller or banker, you may request that your address update is provided to Becky.

We wish you a wonderful holiday season and look forward to sharing our year-end updates in early 2027.

Very truly yours,



Gregory M. Evans
President and CEO

Merchants Financial Consolidated

Consolidated Statements of Financial Condition

Unaudited

($ in thousands, except share data)	**September 30, 2026**	**December 31, 2025**
ASSETS		
Cash and cash equivalents	159,971	242,145
Federal funds sold	282	295
Available-for-sale securities	458,461	400,820
Held-to-maturity securities	34,671	37,534
Loans held for sale	21,710	14,014
Loans and direct financing leases, net	2,023,773	2,011,316
Operating lease assets	6,400	10,780
Premises and equipment	23,571	24,043
Investment in restricted stock	5,128	5,067
Other real estate and other personal property owned	1,582	970
Accrued interest receivable and other assets	35,595	41,821
Cash value of life insurance	62,955	62,213
Mortgage servicing rights, net	13,926	13,800
Goodwill	35,665	35,665
Deferred tax assets	12,552	-
Total assets	**2,896,244**	**2,900,482**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-bearing	462,225	476,273
Interest-bearing	2,048,988	2,044,875
Total deposits	2,511,212	2,521,148
Federal funds purchased	-	-
Repurchase agreements	15,042	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	30,256	21,689
Total liabilities	2,586,461	2,592,789
Stockholders' Equity		
Common stock, par value $.025 per share	68	68
Additional paid-in-capital	10,261	10,261
Retained earnings	335,930	312,165
Accumulated other comprehensive gain	(23,479)	(5,021)
Unearned ESOP shares	(12,997)	(9,781)
Total stockholders' equity	309,783	307,693
Total liabilities and stockholders' equity	**2,896,244**	**2,900,482**

Merchants Financial Consolidated

Consolidated Statements of Income

Unaudited

($ in thousands, except share data)	**September 30, 2026**	**September 30, 2025**
INTEREST INCOME:		
Loan interest	84,383	83,435
Loan fees	2,665	1,995
Securities	16,121	10,868
Direct financing leases	1,029	1,079
Other income	4,142	5,124
Total interest income	108,340	102,501
INTEREST EXPENSE:		
Deposits	32,901	37,524
Notes payable, federal funds purchased and repurchase agreements	392	697
Subordinated debentures	1,063	1,182
Total interest expense	34,356	39,403
Net interest income	73,984	63,097
Provision for loan and lease losses	1,280	(634)
Net interest income after provision for loan and lease losses	72,704	63,731
NON-INTEREST INCOME:		
Trust department	2,840	2,253
Service charges and other fees	6,277	5,248
Loan servicing fees	4,938	5,038
Net gain on sale of available-for sale securities	17	114
Net gain on sale of loans	5,007	3,795
Net gain(loss) on sale of other real estate & other personal prop.	659	(86)
Operating lease income	2,650	4,081
Other income	6,674	7,009
Total Non-interest income	29,062	27,452
NON-INTEREST EXPENSE:		
Salaries and employee benefits	34,446	32,549
Occupancy	11,216	10,925
Depreciation expense on operating leases	2,096	3,163
Net loss on disposal of premises and equipment	-	16
Mortgage servicing rights	1,997	2,310
Other expense	16,382	12,671
Total non-interest expense	66,137	61,633
Income before income taxes	35,629	29,550
Provision for income taxes	8,267	6,258
Net income	**27,363**	**23,292**

Merchants Financial Consolidated

Consolidated Financial Highlights
Third Quarter 2026
Unaudited

($ in thousands, except share data)		Quarterly					Year to Date	
		3rd Qtr 2026	2nd Qtr 2026	1st Qtr 2026	4th Qtr 2025	3rd Qtr 2025	September 30, 2026	September 30, 2025
$ Earnings								
Net Interest Income	$	25,971	24,565	23,448	23,608	22,309	73,984	63,099
Provision (Reversal) for loan loss	$	178	(23)	1,125	(954)	(3)	1,280	(634)
Other non-interest income	$	10,376	10,023	8,645	9,056	9,518	29,045	27,338
Security Gains/Losses	$	-	17	-	-	-	17	114
Other non-interest expense	$	21,625	23,434	21,077	22,119	19,785	66,137	61,633
Pre-tax income	$	14,544	11,194	9,892	11,499	12,045	35,629	29,550
Taxes	$	3,770	2,885	1,612	2,413	2,987	8,267	6,258
Net Income	$	**10,774**	**8,309**	**8,280**	**9,086**	**9,058**	**27,363**	**23,292**
Pre-tax, pre-provision earnings	$	14,722	11,171	11,016	10,545	12,042	36,909	28,917
Earnings per share	$	1.32	1.02	1.01	1.11	1.11	3.35	2.85
Performance Ratios								
Return on average assets		1.48%	1.16%	1.16%	1.28%	1.28%	1.27%	1.12%
Return on average equity		13.55%	10.61%	10.79%	11.90%	12.23%	11.67%	10.89%
Return on average tangible common equity		15.28%	12.00%	12.22%	13.53%	13.97%	13.16%	12.51%
Yield on earning assets		5.52%	5.43%	5.35%	5.34%	5.34%	5.43%	5.33%
Cost of funds (inc non-int bearing deposits)		1.74%	1.80%	1.87%	1.88%	1.98%	1.80%	2.12%
Net interest margin		3.88%	3.72%	3.58%	3.55%	3.46%	3.73%	3.30%
Loan to Deposit Ratio		81.62%	81.76%	79.47%	80.81%	83.73%	81.62%	83.73%
Efficiency ratio		59.87%	67.28%	64.91%	66.78%	60.21%	63.95%	66.91%
Net overhead ratio		1.54%	1.87%	1.74%	1.78%	1.45%	1.72%	1.64%
Capital								
Tier 1 leverage capital ratio		11.73%	11.44%	11.34%	11.35%	11.26%	11.73%	11.26%
Common equity risk-based capital ratio		12.58%	12.28%	12.10%	11.74%	11.71%	12.58%	11.71%
Tier 1 risk-based capital ratio		13.71%	13.40%	13.23%	12.86%	12.85%	13.71%	12.85%
Total risk-based capital ratio		14.77%	14.46%	14.32%	13.93%	14.01%	14.77%	14.01%
Tangible capital to tangible assets		9.58%	9.84%	9.54%	9.50%	9.51%	9.58%	9.51%
Book value per share	$	37.88	38.61	38.15	37.62	36.77	37.88	36.77
Tangible book value per share	$	33.52	34.25	33.78	33.26	32.41	33.52	32.41
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	$	619	569	357	1,320	699	619	699
Net charge-offs (recoveries) to average loans		0.03%	0.03%	0.02%	0.06%	0.03%	0.03%	0.03%
Allowance for loan losses	$	25,927	25,906	26,575	25,996	27,667	25,927	27,667
Allowance to total loans		1.26%	1.27%	1.31%	1.28%	1.35%	1.26%	1.35%
Nonperforming loans (Nonaccrual & 90 days Past Due)	$	11,249	10,927	18,598	17,080	18,636	11,249	18,636
Other real estate owned	$	1,582	970	1,070	970	2,072	1,582	2,072
Nonperforming loans to total loans		0.55%	0.54%	0.92%	0.84%	0.91%	0.55%	0.91%
Nonperforming assets to total assets		0.44%	0.41%	0.67%	0.62%	0.73%	0.44%	0.73%
End of Period Balances								
Assets	$	2,896,244	2,883,318	2,932,068	2,900,482	2,823,519	2,896,244	2,823,519
Tangible Assets	$	2,860,579	2,847,653	2,896,403	2,864,817	2,787,855	2,860,579	2,787,855
Earning Assets	$	2,696,862	2,680,389	2,732,776	2,698,556	2,627,409	2,696,862	2,627,409
Total investments	$	498,260	487,476	503,189	443,420	382,551	498,260	382,551
Total loans	$	2,049,701	2,041,749	2,029,350	2,037,312	2,052,490	2,049,701	2,052,490
Intangible assets	$	35,665	35,665	35,665	35,665	35,665	35,665	35,665
Deposit	$	2,511,212	2,497,230	2,553,492	2,521,144	2,451,380	2,511,212	2,451,380
Customer repurchase agreements	$	15,042	15,043	15,043	15,043	15,045	15,042	15,045
Borrowings	$	1,599	1,599	1,599	1,599	1,979	1,599	1,979
Tangible Common Equity	$	274,118	280,136	276,317	272,028	265,067	274,118	265,067
Shareholders' Equity	$	309,783	315,801	311,981	307,693	300,731	309,783	300,731
Average Balances								
Assets	$	2,889,098	2,877,910	2,891,626	2,815,060	2,797,643	2,886,203	2,791,902
Tangible Assets		2,853,434	2,842,246	2,855,962	2,779,395	2,761,977	2,850,538	2,756,220
Earning Assets	$	2,692,053	2,683,391	2,697,178	2,624,139	2,602,469	2,690,855	2,600,261
Total investments	$	498,354	496,809	462,447	401,956	375,985	486,002	357,866
Total loans	$	2,062,839	2,045,841	2,047,585	2,041,230	2,079,468	2,052,144	2,085,912
Intangible assets	$	35,665	35,665	35,665	35,665	35,666	35,665	35,682
Deposit	$	2,499,409	2,496,205	2,510,890	2,439,732	2,432,162	2,502,126	2,429,300
Customer repurchase agreements	$	14,964	15,001	15,004	14,987	14,841	14,989	14,932
Borrowings	$	1,599	1,599	1,599	1,975	1,979	1,599	6,549
Tangible Common Equity	$	279,724	278,561	275,522	267,152	258,069	277,951	250,164
Shareholders' Equity	$	315,389	314,226	311,187	302,817	293,735	313,616	285,846
Stock Valuation								
Closing Market Price (OTCPink)	$	44.75	39.34	35.00	31.99	27.10	44.75	27.10
Multiple of Tangible Book Value		1.34	1.15	1.04	0.96	0.84	1.34	0.84
Price/EPS		10.04	9.26	5.32	3.80	3.71	10.03	7.14