

April 30, 2026

Dear Shareholder,

I am pleased to announce strong first quarter earnings for Merchants Financial Group, Inc. (MFGI) with year-to-date net income of \$8.28 million, which is \$1.5 million above our 2026 plan and \$1.8 million ahead of 2025 first quarter earnings. Given the strong first quarter results and the Company's overall financial position, the Board of Directors approved with confidence an increase in our semi-annual dividend to \$.44/share, a 7.3% increase compared to the semiannual dividend paid in December. The cash dividend will be paid on June 19 to Shareholders of record as of May 22.

Due to the Company's strong capital position, the Board also for the first time authorized a stock repurchase plan by which the Company will redeem stock offered for sale under certain conditions. This initial repurchase plan authorizes the Company to purchase a maximum of 150,000 shares. The timing of the purchases, if any, will depend on certain factors, including but not limited to, market conditions and prices, available funds and alternative uses of capital. The stock repurchase program may be carried out through open-market purchases, block trades, negotiated private transactions and pursuant to a trading plan that will be adopted in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934. Any repurchased shares will be held by the Company as treasury shares.

It's gratifying to note that our strong performance momentum carried over from last year into the start of 2026. In the first quarter, we continued to benefit from a healthy liquidity position that offers flexibility in our balance sheet to fund loan growth, which will be our most intense focus for the balance of the year.

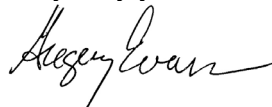
First quarter performance highlights include:

- Our deposit franchise continues to grow, with total deposits of \$2.55 billion. This is \$92.7 million above plan and a 4.35% increase compared to 2025.
- Total net loans are \$2.01 billion, which is below plan by \$32 million; we have experienced an uptick in commercial loan closings, and our loan interest and fee income was \$28.7 million, which was \$941,000 above plan.
- The continued growth of our Trust wealth management business resulted in fee income for the quarter that was \$339,000 above plan, and an increase of 48% compared to the first quarter of 2025.

I also wanted to thank many of you for attending our Annual Shareholder Meeting as we looked back on our record earnings year and 150<sup>th</sup> anniversary in 2025. The evening always serves as a wonderful reminder of the legacy of Merchants and what a privilege it is to be a locally owned Company.

With summer around the corner, I hope you'll join our team at one of the many community event opportunities coming up on the calendar. We always appreciate your support, engagement and encouragement. Thank you for being a Merchants shareholder. You make a meaningful contribution to our work and continued success.

Very truly yours,



Gregory M. Evans  
President and CEO

# Merchants Financial Consolidated

## Consolidated Statements of Financial Condition

### Unaudited

(\$ in thousands, except share data)

|                                                     | <u>March 31, 2026</u>   | <u>December 31, 2025</u> |
|-----------------------------------------------------|-------------------------|--------------------------|
| <u>ASSETS</u>                                       |                         |                          |
| Cash and cash equivalents                           | 222,856                 | 242,145                  |
| Federal funds sold                                  | 294                     | 295                      |
| Available-for-sale securities                       | 460,600                 | 400,820                  |
| Held-to-maturity securities                         | 37,457                  | 37,534                   |
| Loans held for sale                                 | 8,795                   | 14,014                   |
| Loans and direct financing leases, net              | 2,002,776               | 2,011,316                |
| Operating lease assets                              | 9,285                   | 10,780                   |
| Premises and equipment                              | 23,818                  | 24,043                   |
| Investment in restricted stock                      | 5,132                   | 5,067                    |
| Other real estate and other personal property owned | 1,070                   | 970                      |
| Accrued interest receivable and other assets        | 41,003                  | 41,821                   |
| Cash value of life insurance                        | 62,654                  | 62,213                   |
| Mortgage servicing rights, net                      | 13,724                  | 13,800                   |
| Goodwill                                            | 35,665                  | 35,665                   |
| Intangibles                                         | -                       | -                        |
| Deferred tax assets                                 | 6,940                   | -                        |
| Total assets                                        | <u><u>2,932,068</u></u> | <u><u>2,900,482</u></u>  |
| <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>         |                         |                          |
| <u>Liabilities</u>                                  |                         |                          |
| Deposits                                            |                         |                          |
| Noninterest-bearing                                 | 449,883                 | 476,273                  |
| Interest-bearing                                    | <u>2,103,616</u>        | <u>2,044,875</u>         |
| Total deposits                                      | 2,553,498               | 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      | <u>21,595</u>           | <u>21,689</u>            |
| Total liabilities                                   | 2,620,087               | 2,592,789                |
| <u>Stockholders' Equity</u>                         |                         |                          |
| Common stock, par value \$.025 per share            | 68                      | 68                       |
| Additional paid-in-capital                          | 10,261                  | 10,261                   |
| Retained earnings                                   | 320,446                 | 312,165                  |
| Accumulated other comprehensive gain                | (9,013)                 | (5,021)                  |
| Unearned ESOP shares                                | <u>(9,781)</u>          | <u>(9,781)</u>           |
| Total stockholders' equity                          | <u>311,981</u>          | <u>307,693</u>           |
| Total liabilities and stockholders' equity          | <u><u>2,932,068</u></u> | <u><u>2,900,482</u></u>  |

# Merchants Financial Consolidated

## Consolidated Statements of Income

### Unaudited

(\$ in thousands, except share data)

|                                                                    | <u>March 31, 2026</u> | <u>March 31, 2025</u> |
|--------------------------------------------------------------------|-----------------------|-----------------------|
| <u>INTEREST INCOME:</u>                                            |                       |                       |
| Loan interest                                                      | 27,421                | 27,488                |
| Loan fees                                                          | 922                   | 582                   |
| Securities                                                         | 4,988                 | 3,274                 |
| Direct financing leases                                            | 327                   | 376                   |
| Other income                                                       | 1,577                 | 2,077                 |
| Total interest income                                              | <u>35,236</u>         | <u>33,796</u>         |
| <u>INTEREST EXPENSE:</u>                                           |                       |                       |
| Deposits                                                           | 11,318                | 12,150                |
| Notes payable, federal funds purchased and repurchase agreements   | 115                   | 312                   |
| Subordinated debentures                                            | 354                   | 394                   |
| Total interest expense                                             | <u>11,788</u>         | <u>12,856</u>         |
| Net interest income                                                | 23,448                | 20,941                |
| Provision for loan and lease losses                                | <u>1,125</u>          | <u>358</u>            |
| Net interest income after provision for loan and lease losses      | 22,324                | 20,582                |
| <u>NON-INTEREST INCOME:</u>                                        |                       |                       |
| Trust department                                                   | 1,044                 | 704                   |
| Service charges and other fees                                     | 1,631                 | 1,567                 |
| Loan servicing fees                                                | 1,664                 | 1,685                 |
| Net gain on sale of available-for sale securities                  | -                     | 114                   |
| Net gain on sale of loans                                          | 1,373                 | 926                   |
| Net gain(loss) on sale of other real estate & other personal prop. | -                     | (215)                 |
| Operating lease income                                             | 1,034                 | 1,505                 |
| Other income                                                       | 1,900                 | 1,767                 |
| Total Non-interest income                                          | <u>8,645</u>          | <u>8,053</u>          |
| <u>NON-INTEREST EXPENSE:</u>                                       |                       |                       |
| Salaries and employee benefits                                     | 11,241                | 10,588                |
| Occupancy                                                          | 3,887                 | 3,517                 |
| Depreciation expense on operating leases                           | 823                   | 1,166                 |
| Net loss on disposal of premises and equipment                     | -                     | -                     |
| Mortgage servicing rights                                          | 624                   | 711                   |
| Other expense                                                      | 4,503                 | 4,100                 |
| Total non-interest expense                                         | <u>21,077</u>         | <u>20,082</u>         |
| Income before income taxes                                         | 9,892                 | 8,553                 |
| Provision for income taxes                                         | <u>1,612</u>          | <u>2,069</u>          |
| <b>Net income</b>                                                  | <b><u>8,280</u></b>   | <b><u>6,484</u></b>   |

**Merchants Financial Consolidated**
**Consolidated Financial Highlights**
**First Quarter 2026**
**Unaudited**

|                                                     | Quarterly           |              |              |              |              | Year to Date   |                |
|-----------------------------------------------------|---------------------|--------------|--------------|--------------|--------------|----------------|----------------|
|                                                     | 1st Qtr 2026        | 4th Qtr 2025 | 3rd Qtr 2025 | 2nd Qtr 2025 | 1st Qtr 2025 | March 31, 2026 | March 31, 2025 |
| (\$ in thousands, except share data)                |                     |              |              |              |              |                |                |
| <b>\$ Earnings</b>                                  |                     |              |              |              |              |                |                |
| Net Interest Income                                 | \$ 23,448           | 23,608       | 22,309       | 19,849       | 20,941       | 23,448         | 20,941         |
| Provision (Reversal) for loan loss                  | \$ 1,125            | (954)        | (3)          | (989)        | 358          | 1,125          | 358            |
| Other non-interest income                           | \$ 8,645            | 9,056        | 9,518        | 9,881        | 7,939        | 8,645          | 7,939          |
| Security Gains/Losses                               | \$ -                | -            | -            | -            | 114          | -              | 114            |
| Other non-interest expense                          | \$ 21,077           | 22,119       | 19,785       | 21,766       | 20,082       | 21,077         | 20,082         |
| Pre-tax income                                      | \$ 9,892            | 11,499       | 12,045       | 8,952        | 8,553        | 9,892          | 8,553          |
| Taxes                                               | \$ 1,612            | 2,413        | 2,987        | 1,202        | 2,069        | 1,612          | 2,069          |
| <b>Net Income</b>                                   | \$ <b>8,280,190</b> | <b>9,086</b> | <b>9,058</b> | <b>7,750</b> | <b>6,484</b> | <b>8,280</b>   | <b>6,484</b>   |
| Pre-tax, pre-provision earnings                     | \$ 11,016           | 10,545       | 12,042       | 7,963        | 8,911        | 11,016         | 8,911          |
| Earnings per share                                  | \$ 1.01             | 1.11         | 1.11         | 0.95         | 0.79         | 1.01           | 0.79           |
| <b>Performance Ratios</b>                           |                     |              |              |              |              |                |                |
| Return on average assets                            | 1.16%               | 1.28%        | 1.28%        | 1.13%        | 0.93%        | 1.16%          | 0.93%          |
| Return on average equity                            | 10.79%              | 11.90%       | 12.23%       | 10.86%       | 9.48%        | 10.79%         | 9.48%          |
| Return on average tangible common equity            | 12.19%              | 13.53%       | 13.97%       | 12.47%       | 10.95%       | 12.19%         | 10.95%         |
| Yield on earning assets                             | 5.35%               | 5.34%        | 5.34%        | 5.37%        | 5.27%        | 5.35%          | 5.27%          |
| Cost of funds (inc non-int bearing deposits)        | 1.87%               | 1.88%        | 1.98%        | 2.32%        | 2.07%        | 1.87%          | 2.07%          |
| Net interest margin                                 | 3.58%               | 3.55%        | 3.46%        | 3.16%        | 3.29%        | 3.58%          | 3.29%          |
| Loan to Deposit Ratio                               | 79.47%              | 80.81%       | 83.73%       | 86.24%       | 84.67%       | 79.47%         | 84.67%         |
| Efficiency ratio                                    | 64.91%              | 66.78%       | 60.21%       | 72.61%       | 68.42%       | 64.91%         | 68.42%         |
| Net overhead ratio                                  | 1.74%               | 1.78%        | 1.45%        | 1.73%        | 1.73%        | 1.74%          | 1.73%          |
| <b>Capital</b>                                      |                     |              |              |              |              |                |                |
| Tier 1 leverage capital ratio                       | 11.34%              | 11.35%       | 11.26%       | 11.11%       | 10.62%       | 11.34%         | 10.62%         |
| Common equity risk-based capital ratio              | 12.10%              | 11.74%       | 11.71%       | 11.18%       | 11.08%       | 12.10%         | 11.08%         |
| Tier 1 risk-based capital ratio                     | 13.23%              | 12.86%       | 12.85%       | 12.30%       | 12.21%       | 13.23%         | 12.21%         |
| Total risk-based capital ratio                      | 14.32%              | 13.93%       | 14.01%       | 13.42%       | 13.40%       | 14.32%         | 13.40%         |
| Tangible capital to tangible assets                 | 9.54%               | 9.50%        | 9.51%        | 9.33%        | 9.04%        | 9.54%          | 9.04%          |
| Book value per share                                | \$ 38.15            | 37.62        | 36.77        | 35.54        | 35.07        | 38.15          | 35.07          |
| Tangible book value per share                       | \$ 33.78            | 33.26        | 32.41        | 31.18        | 30.70        | 33.78          | 30.70          |
| 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      |
| <b>Asset Quality</b>                                |                     |              |              |              |              |                |                |
| Net charge-offs (recoveries) YTD                    | \$ 357              | 1,320        | 699          | 599          | 128          | 357            | 128            |
| Net charge-offs (recoveries) to average loans       | 0.02%               | 0.06%        | 0.03%        | 0.03%        | 0.01%        | 0.02%          | 0.01%          |
| Allowance for loan losses                           | \$ 26,575           | 25,996       | 27,667       | 27,528       | 28,751       | 26,575         | 28,751         |
| Allowance to total loans                            | 1.31%               | 1.28%        | 1.35%        | 1.33%        | 1.39%        | 1.31%          | 1.39%          |
| Nonperforming loans (Nonaccrual & 90 days Past Due) | \$ 18,598           | 17,080       | 18,636       | 16,247       | 7,406        | 18,598         | 7,406          |
| Other real estate owned                             | \$ 1,070            | 970          | 2,072        | 4,543        | 5,638        | 1,070          | 5,638          |
| Nonperforming loans to total loans                  | 0.92%               | 0.84%        | 0.91%        | 0.78%        | 0.36%        | 0.92%          | 0.36%          |
| Nonperforming assets to total assets                | 0.67%               | 0.62%        | 0.73%        | 0.75%        | 0.46%        | 0.67%          | 0.46%          |
| <b>End of Period Balances</b>                       |                     |              |              |              |              |                |                |
| Assets                                              | \$ 2,932,068        | 2,900,482    | 2,823,519    | 2,769,366    | 2,812,811    | 2,932,068      | 2,812,811      |
| Tangible Assets                                     | \$ 2,896,403        | 2,864,817    | 2,787,855    | 2,733,697    | 2,777,124    | 2,896,403      | 2,777,124      |
| Earning Assets                                      | \$ 2,732,776        | 2,698,556    | 2,627,409    | 2,554,630    | 2,605,623    | 2,732,776      | 2,605,623      |
| Total investments                                   | \$ 503,189          | 443,420      | 382,551      | 375,350      | 337,456      | 503,189        | 337,456        |
| Total loans                                         | \$ 2,029,350        | 2,037,312    | 2,052,490    | 2,076,227    | 2,071,697    | 2,029,350      | 2,071,697      |
| Intangible assets                                   | \$ 35,665           | 35,665       | 35,665       | 35,669       | 35,687       | 35,665         | 35,687         |
| Deposit                                             | \$ 2,553,492        | 2,521,144    | 2,451,380    | 2,407,431    | 2,446,934    | 2,553,492      | 2,446,934      |
| Customer repurchase agreements                      | \$ 15,043           | 15,043       | 15,045       | 15,048       | 15,058       | 15,043         | 15,058         |
| Borrowings                                          | \$ 1,599            | 1,599        | 1,979        | 1,979        | 6,900        | 1,599          | 6,900          |
| Tangible Common Equity                              | \$ 276,317          | 272,028      | 265,067      | 254,983      | 251,120      | 276,317        | 251,120        |
| Shareholders' Equity                                | \$ 311,981          | 307,693      | 300,731      | 290,652      | 286,807      | 311,981        | 286,807        |
| <b>Average Balances</b>                             |                     |              |              |              |              |                |                |
| Assets                                              | \$ 2,891,626        | 2,815,060    | 2,797,643    | 2,758,678    | 2,819,626    | 2,891,626      | 2,819,626      |
| Tangible Assets                                     | \$ 2,855,962        | 2,779,395    | 2,761,977    | 2,723,001    | 2,783,922    | 2,855,962      | 2,783,922      |
| Earning Assets                                      | \$ 2,697,178        | 2,624,139    | 2,602,469    | 2,569,209    | 2,629,401    | 2,697,178      | 2,629,401      |
| Total investments                                   | \$ 462,447          | 401,956      | 375,985      | 360,749      | 341,926      | 462,447        | 341,926        |
| Total loans                                         | \$ 2,047,585        | 2,041,230    | 2,079,468    | 2,077,226    | 2,101,282    | 2,047,585      | 2,101,282      |
| Intangible assets                                   | \$ 35,665           | 35,665       | 35,666       | 35,678       | 35,704       | 35,665         | 35,704         |
| Deposit                                             | \$ 2,510,890        | 2,439,732    | 2,432,162    | 2,396,350    | 2,459,692    | 2,510,890      | 2,459,692      |
| Customer repurchase agreements                      | \$ 15,004           | 14,987       | 14,841       | 14,952       | 15,006       | 15,004         | 15,006         |
| Borrowings                                          | \$ 1,599            | 1,975        | 1,979        | 6,537        | 11,233       | 1,599          | 11,233         |
| Tangible Common Equity                              | \$ 275,522          | 267,152      | 258,069      | 250,494      | 241,749      | 275,522        | 241,749        |
| Shareholders' Equity                                | \$ 311,187          | 302,817      | 293,735      | 286,171      | 277,453      | 311,187        | 277,453        |
| <b>Stock Valuation</b>                              |                     |              |              |              |              |                |                |
| Closing Market Price (OTCPink)                      | \$ 35.00            | 31.99        | 27.10        | 25.10        | 23.75        | 35.00          | 23.75          |
| Multiple of Tangible Book Value                     | 1.04                | 0.96         | 0.84         | 0.81         | 0.77         | 1.04           | 0.77           |
| Price/EPS                                           | 8.38                | 8.08         | 7.02         | 7.08         | 9.14         | 34.57          | 29.96          |