

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

CURRENT REPORT

**PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): April 28, 2022

Merchants Bancorp
(Exact Name of Registrant as Specified in its Charter)

Indiana
(State or Other Jurisdiction
of Incorporation)

001-38258
(Commission
File Number)

20-5747400
(IRS Employer
Identification No.)

410 Monon Boulevard
Carmel, Indiana 46032
(Address of Principal Executive Offices) (Zip Code)

(317) 569-7420
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|--|-------------------|---|
| Common Stock, without par value | MBIN | NASDAQ |
| Series A Preferred Stock, without par value | MBINP | NASDAQ |
| Depositary Shares, each representing a 1/40th interest in a share of Series B Preferred Stock, without par value | MBINO | NASDAQ |
| Depositary Shares, each representing a 1/40th interest in a share of Series C Preferred Stock, without par value | MBINN | NASDAQ |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On April 28, 2022, Merchants Bancorp issued a press release reporting its financial results for the first quarter of 2022. The press release is furnished as Exhibit 99.1 hereto and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

| Exhibit No. | Description |
|------------------------|--|
| 99.1 | Press Release dated April 28, 2022 issued by Merchants Bancorp. |
| 104 | Cover Page Interactive Data File. The cover page XBRL tags are embedded within the inline XBRL document. |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MERCHANTS BANCORP

Date: April 28, 2022

By: /s/ John F. Macke

Name: John F. Macke

Title: Chief Financial Officer



 PRESS RELEASE

Merchants Bancorp Reports First Quarter 2022 Results
For Release April 28, 2022

- First quarter 2022 net income of \$50.1 million decreased 19% compared to the first quarter of 2021 and decreased 9% compared to the fourth quarter of 2021
- First quarter 2022 diluted earnings per common share of \$1.02 decreased 24% compared to the first quarter of 2021 and decreased 11% compared to the fourth quarter of 2021
- Total assets of \$9.7 billion decreased 1%, compared to March 31, 2021, and decreased 14% compared to December 31, 2021
- Return on average assets was 1.92% in the first quarter of 2022 compared to 2.49% in the first quarter of 2021 and 2.02% in the fourth quarter of 2021
- Tangible book value per common share of \$18.70 increased 27% compared to \$14.72 in the first quarter of 2021 and increased 4% compared to \$17.96 in the fourth quarter of 2021
- Credit quality remained strong, as nonperforming loans represented 0.08% of loans receivable compared to 0.08% at March 31, 2021 and 0.01% at December 31, 2021
- Quarterly dividends were increased by 17%, to \$.07 per common share
- The Company was recognized as the 2021 best-performing bank in the U.S. among public U.S. banks with more than \$10 billion in assets, according to the 2021 S&P Global Market Intelligence Ranking

CARMEL, Indiana – (PR Newswire) - Merchants Bancorp (the “Company” or “Merchants”) (Nasdaq: MBIN), parent company of Merchants Bank of Indiana, today reported first quarter 2022 net income of \$50.1 million, or diluted earnings per common share of \$1.02. This compared to \$62.0 million, or diluted earnings per common share of \$1.35 in the first quarter of 2021, and compared to \$55.2 million, or diluted earnings per common share of \$1.14 in the fourth quarter of 2021.

“We were honored in March to be named as the 2021 best-performing large public bank in the country by S&P Global Market Intelligence. Our focus on profitability and safety and soundness has continued into 2022 despite the headwinds of industry volume declines in single-family loans as market interest rates have increased. With a tangible book value of \$18.70 per share, an industry-leading return on average assets of 1.92% and an efficiency ratio of just 30.9% in the quarter, we are off to a great start this year,” said Michael F. Petrie, Chairman and CEO of Merchants.

Michael J. Dunlap, President and Chief Operating Officer of Merchants, added, “Our strong results will continue to be driven by the exceptional team we have assembled across the country as we expand our relationship-based product offerings to a larger geographic footprint, while maintaining our hallmarks of efficiency and credit quality. Our diverse business model positions us to enhance revenue streams well into the future.”

Net income for the first quarter 2022 decreased by \$11.9 million, or 19%, compared to the first quarter of 2021, primarily driven by a \$9.4 million, or 21%, decrease in noninterest income that reflected a 37% decrease in gain on sale of loans. Also contributing to the lower net income was a \$6.2 million, or 9%, decrease in net interest income that reflected a 4% decrease in interest income that reflected lower loan balances.

Net income for the first quarter 2022 decreased by \$5.1 million, or 9%, compared to the fourth quarter of 2021, primarily driven by a \$5.7 million, or 14%, decrease in noninterest income that reflected a 37% decrease in gain on sale of loans. Also contributing to the lower net income was a \$7.0 million, or 10%, decrease in net interest income that reflected a 8% decrease in interest income. Partially offsetting these items was a \$6.6 million, or 18%, decrease in noninterest expenses from a 16% decrease in salaries and employee benefits, including commissions.

Total Assets

Total assets of \$9.7 billion at March 31, 2022 decreased 1%, compared to March 31, 2021, and decreased \$1.6 billion, or 14%, compared to December 31, 2021. The decrease compared to December 31, 2021 was primarily due to a decrease in cash and loans held for sale.

Return on average assets was 1.92% for the first quarter of 2022 compared to 2.49% for the first quarter of 2021 and 2.02% for the fourth quarter of 2021.

Asset Quality

The allowance for credit losses on loans of \$32.1 million at March 31, 2022 increased \$3.0 million compared to March 31, 2021 and increased \$0.8 million compared to December 31, 2021. The increases compared to December 31, 2021 were primarily in the multi-family and healthcare loan portfolios. The Company implemented its current expected credit losses (“CECL”) model during the quarter, in accordance with the new accounting standard. As of March 31, 2022, the Company had only one loan remaining in a COVID-19 payment deferral arrangement, with an unpaid balance of \$36.8 million.

Non-performing loans were \$4.7 million, or 0.08%, of loans receivable at March 31, 2022, compared to \$4.7 million, or 0.08% of loans receivable at March 31, 2021, and compared to \$0.8 million, or 0.01%, of loans receivable at December 31, 2021.

Total Deposits

Total deposits of \$7.5 billion at March 31, 2022 decreased \$587.4 million, or 7%, compared to March 31, 2021, and decreased \$1.5 billion, or 17%, compared to December 31, 2021. The decrease compared to December 31, 2021 was primarily due to a decrease in brokered demand and certificates of deposits.

Total brokered deposits of \$379.9 million at March 31, 2022 decreased \$478.2 million, or 56%, from March 31, 2021 and decreased \$1.8 billion, or 82%, from December 31, 2021. Brokered deposits represented 5% of total deposits at March 31, 2022 compared to 11% of total deposits at March 31, 2021 and 24% of total deposits at December 31, 2021.

Liquidity

Cash balances of \$411.5 million at March 31, 2022 increased by \$142.1 million compared to March 31, 2021 and decreased by \$621.1 million compared to December 31, 2021. The Company also continues to have significant borrowing capacity, with unused lines of credit totaling \$2.2 billion at March 31, 2022 compared to \$3.7 billion at March 31, 2021 and \$2.4 billion at December 31, 2021. This liquidity enhances the ability to effectively manage interest expense and asset levels in the future.

Net Interest Income

Net interest income of \$65.7 million in the first quarter of 2022 decreased \$6.2 million, or 9%, compared to the first quarter of 2021 and decreased \$7.0 million, or 10%, compared to the fourth quarter of 2021.

The 9% decrease in net interest income compared to the first quarter of 2021 reflected a 4% decrease in interest income from lower average loan balances. The interest rate spread of 2.55% for the first quarter of 2022 decreased 38 basis points compared to 2.93% in the first quarter of 2021. The net interest margin of 2.62% for the first quarter of 2022 decreased 37 basis points compared to 2.99% for the first quarter of 2021. The decrease in net interest margin compared to the first quarter of 2021 reflected lower average loan balances at lower average yields, higher average cash balances, and higher average deposit balances at higher yields.

The 10% decrease in net interest income compared to the fourth quarter of 2021 reflected lower average loan balances that offset higher loan yields. The interest rate spread of 2.55% for the first quarter of 2022 decreased 7 basis points compared to 2.62% in the fourth quarter of 2021. The net interest margin of 2.62% for the first quarter of 2022 decreased 8 basis points compared to 2.70% for the fourth quarter of 2021.

Interest Income

Interest income of \$76.0 million in the first quarter of 2022 decreased \$3.5 million, or 4%, compared to the first quarter of 2021 and decreased \$6.6 million, or 8%, compared to the fourth quarter of 2021.

The 4% decrease in interest income compared to the first quarter of 2021 was primarily due to a decrease in average loan balances and slightly lower average yields. The lower interest income reflected a \$329.4 million, or 4%, decrease in the average balance of loans, including loans held for sale, as warehouse volumes declined. Average loans were \$8.0 billion for the first quarter of 2022 compared to \$8.4 billion for the first quarter of 2021. The average yield on loans and loans held for sale of 3.64% for the first quarter of 2022 decreased 2 basis points compared to 3.66% for the first quarter of 2021.

The 8% decrease in interest income compared to the fourth quarter of 2021 reflected a \$1.0 billion, or 11%, decrease in the average balance of loans, including loans held for sale, as warehouse volumes declined. Average loans were \$8.0 billion for the first quarter of 2022 compared to \$9.1 billion for the fourth quarter of 2021. The average yield on loans and loans held for sale of 3.64% for the first quarter of 2022 increased 27 basis points compared to 3.37% for the fourth quarter of 2021.

Interest Expense

Total interest expense increased \$2.7 million, or 36%, to \$10.3 million for the first quarter of 2022 compared to the first quarter of 2021 and increased \$0.4 million, or 5%, compared to the fourth quarter of 2021. Interest expense on deposits of \$8.8 million for the first quarter of 2022 increased \$2.7 million, or 44%, compared to the first quarter of 2021 and increased \$0.3 million, or 4%, compared to the fourth quarter of 2021.

The 36% increase in interest expense on deposits compared to the first quarter of 2021 was primarily due to increases in average balances of money market accounts and certificates of deposits, which was partially offset by lower average rates for certificates of deposit. The average balance of interest-bearing deposits of \$8.0 billion for the first quarter of 2022 increased \$557.3 million, or 7%, compared to the first quarter of 2021. The average yield of interest-bearing deposits was 0.44% for the first quarter of 2022, which was a 11 basis point increase compared to 0.33% in the first quarter of 2021.

The 5% increase in interest expense on deposits compared to the fourth quarter of 2021 was primarily due to higher average balances of money market accounts. The average balance of interest-bearing deposits of \$8.0 billion for the first quarter of 2022 decreased \$260.9 million, or 3%, compared to the fourth quarter of 2021. The average yield of interest-bearing deposits was 0.44% for the first quarter of 2022, which was a 3 basis point increase compared to 0.41% in the fourth quarter of 2021.

Noninterest Income

Noninterest income of \$34.6 million for the first quarter of 2022 decreased \$9.3 million, or 21%, compared to the first quarter of 2021 and decreased \$5.7 million, or 14%, compared to the fourth quarter of 2021.

The 21% decrease in noninterest income compared to the first quarter of 2021 was primarily due to a \$10.7 million decrease in gain on sale of loans, partially offset by an increase in loan servicing fees of \$1.8 million. Included in loan servicing fees for the first quarter of 2022 was a \$7.6 million positive fair market value adjustment to servicing rights, which compared to a \$6.9 million positive fair market value adjustment for the first quarter of 2021.

The 14% decrease in noninterest income compared to the fourth quarter of 2021 was primarily due to a \$10.5 million decrease in gain on sale of loans, as well as a \$4.7 million decrease in low-income housing tax credit syndication fees, partially offset by an increase in loan servicing fees of \$8.3 million. Included in loan servicing fees for the first quarter of 2022 was a \$7.6 million positive fair market value adjustment to servicing rights, which compared to a \$1.9 million positive fair market value adjustment for the fourth quarter of 2021.

At March 31, 2022, servicing rights were valued at \$121.0 million, an increase of 10% compared to December 31, 2021 and an increase of 26% compared to March 31, 2021. These increases were driven by higher loan balances of serviced assets and higher interest rates that impacted fair market value adjustments in the first quarter of 2022. The value of servicing rights generally increases in rising interest rate environments and declines in falling interest rate environments due to expected prepayments.

Noninterest Expense

Noninterest expense of \$31.0 million for the first quarter of 2022 increased \$0.9 million, or 3%, compared to the first quarter of 2021 and decreased \$6.6 million, or 18%, compared to the fourth quarter of 2021.

The 3% increase in noninterest expense compared to the first quarter of 2021 was due primarily to increases in professional fees, technology expenses and other expenses, offset by a decrease in loan expenses. The efficiency ratio of 30.9% for the first quarter of 2022 compared to 26.0% for the first quarter of 2021.

The 18% decrease in noninterest expense compared to the fourth quarter of 2021 was primarily due to a \$4.1 million, or 16%, decrease in salaries and employee benefits, including commissions. The efficiency ratio of 30.9% for the first quarter of 2022 compared to 33.3% for the fourth quarter of 2021.

Segments

Banking

For the first quarter of 2022, net income of \$28.8 million for Banking increased 25% from the first quarter of 2021, reflecting higher net interest income that was partially offset by lower noninterest income from gains on sale of loans. Included in noninterest income for the first quarter of 2022 was a \$4.3 million positive fair market value adjustment to servicing rights, which compared to a \$4.7 million positive fair market value adjustment for the first quarter of 2021.

Net income for this segment increased 27% from the fourth quarter of 2021 primarily due to higher net interest income and loan servicing fees, partially offset by higher noninterest expenses from higher salaries and employee benefits. Included in loan servicing fees for the first quarter of 2022 was a \$4.3 million positive fair market value adjustment to servicing rights, which compared to a \$0.9 million positive fair market value adjustment for the fourth quarter of 2021.

Multi-family Mortgage Banking

For the first quarter of 2022, net income of \$11.5 million for Multi-family Mortgage Banking decreased 4% compared with the first quarter of 2021, primarily due to lower noninterest income from gain on sale of loans that was partially offset by higher loan servicing fees and other income. The increase in loan servicing fees reflected a positive fair market value adjustment of \$3.3 million on servicing rights in the first quarter of 2022 compared to a positive fair market value adjustment of \$2.1 million in the first quarter of 2021.

Compared to the fourth quarter of 2021, net income for this segment decreased 19%, reflecting lower noninterest income from gain on sale of loans that was partially offset by higher loan servicing fees. The increase in loan servicing fees reflected a positive fair market value adjustment of \$3.3 million on servicing rights in the first quarter of 2022 compared to a positive fair market value adjustment of \$1.0 million in the fourth quarter of 2021.

Mortgage Warehousing

For the first quarter of 2022, net income of \$13.2 million for Mortgage Warehousing decreased 55% compared to the first quarter of 2021 and decreased 38% compared to the fourth quarter of 2021. The decreases compared to the prior periods reflected lower net interest income and mortgage warehouse fees as industry volumes declined.

About Merchants Bancorp

Ranked as a top performing U.S. public bank by S&P Global Market Intelligence, Merchants Bancorp is a diversified bank holding company headquartered in Carmel, Indiana operating multiple lines of business, including Federal Housing Administration ("FHA") multi-family housing and healthcare facility financing and servicing; mortgage warehouse financing; retail and correspondent residential mortgage banking; agricultural lending; and traditional community banking. Merchants Bancorp, with \$9.7 billion in assets and \$7.5 billion in deposits as of March 31, 2022, conducts its business primarily through its direct and indirect subsidiaries, Merchants Bank of Indiana, Merchants Capital Corp., Farmers-Merchants Bank of Illinois, Merchants Capital Servicing, LLC, and Merchants Mortgage, a division of Merchants Bank of Indiana. For more information and financial data, please visit Merchants' Investor Relations page at investors.merchantsbancorp.com.

Forward-Looking Statements

This press release contains forward-looking statements which reflect management's current views with respect to, among other things, future events and financial performance. These statements are often, but not always, made through the use of words or phrases such as "may," "might," "should," "could," "predict," "potential," "believe," "expect," "continue," "will," "anticipate," "seek," "estimate," "intend," "plan," "projection," "goal," "target," "outlook," "aim," "would," "annualized" and "outlook," or the negative version of those words or other comparable words or phrases of a future or forward-looking nature. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about the industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control, such as the potential impacts of the COVID-19 pandemic. Accordingly, management cautions that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions, estimates and uncertainties that are difficult to predict. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements. A number of important factors could cause actual results to differ materially from those indicated in these forward-looking statements, including the impacts of the COVID-19 pandemic, such as the severity, magnitude, duration and businesses' and governments' responses thereto, on the Company's operations and personnel, and on activity and demand across its businesses, and other factors identified in "Risk Factors" or "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K and other periodic filings with the Securities and Exchange Commission. Any forward-looking statements presented herein are made only as of the date of this press release, and the Company does not undertake any obligation to update or revise any forward-looking statements to reflect changes in assumptions, the occurrence of unanticipated events, or otherwise.

MEDIA CONTACT: REBECCA MARSH

Merchants Bancorp

Phone: (317) 805-4356

Email: rmarsh@merchantsbankofindiana.com

INVESTOR CONTACT: JOHN MACKE

Merchants Bancorp

Phone: (317) 536-7421

Email: jmacke@merchantsbankofindiana.com

Consolidated Balance Sheets

(Unaudited)

(In thousands, except share data)

| | March 31 2022 | December 31, 2021 | September 30, 2021 | June 30, 2021 | March 31, 2021 |
|---|---------------------|----------------------|-----------------------|---------------------|---------------------|
| Assets | | | | | |
| Cash and due from banks | \$ 9,853 | \$ 14,030 | \$ 14,352 | \$ 13,745 | \$ 12,003 |
| Interest-earning demand accounts | 401,668 | 1,018,584 | 788,224 | 388,304 | 257,436 |
| Cash and cash equivalents | 411,521 | 1,032,614 | 802,576 | 402,049 | 269,439 |
| Securities purchased under agreements to resell | 4,798 | 5,888 | 5,923 | 6,507 | 6,544 |
| Mortgage loans in process of securitization | 324,280 | 569,239 | 634,027 | 461,914 | 432,063 |
| Available for sale securities | 314,266 | 310,629 | 301,119 | 315,260 | 241,691 |
| Federal Home Loan Bank (FHLB) stock | 28,804 | 29,588 | 70,767 | 70,767 | 70,656 |
| Loans held for sale (includes \$14,567, \$48,583, \$26,296, \$26,623 and \$57,998, respectively, at fair value) | 2,289,094 | 3,303,199 | 3,453,279 | 2,955,390 | 2,749,662 |
| Loans receivable, net of allowance for credit losses on loans of \$32,102, \$31,344, \$29,134, \$28,696 and \$29,091, respectively | 5,976,960 | 5,751,319 | 5,431,227 | 5,444,227 | 5,710,291 |
| Premises and equipment, net | 34,559 | 31,212 | 31,423 | 31,384 | 31,261 |
| Servicing rights | 121,036 | 110,348 | 105,473 | 98,331 | 96,215 |
| Interest receivable | 23,499 | 24,103 | 21,894 | 22,068 | 22,111 |
| Goodwill | 15,845 | 15,845 | 15,845 | 15,845 | 15,845 |
| Intangible assets, net | 1,574 | 1,707 | 1,843 | 1,990 | 2,136 |
| Other assets and receivables | 104,356 | 92,947 | 76,637 | 55,800 | 57,346 |
| Total assets | <u>\$ 9,650,592</u> | <u>\$ 11,278,638</u> | <u>\$ 10,952,033</u> | <u>\$ 9,881,532</u> | <u>\$ 9,705,260</u> |
| Liabilities and Shareholders' Equity | | | | | |
| Liabilities | | | | | |
| Deposits | | | | | |
| Noninterest-bearing | \$ 461,193 | \$ 641,442 | \$ 824,118 | \$ 814,567 | \$ 818,621 |
| Interest-bearing | 7,014,628 | 8,341,171 | 8,123,201 | 7,225,011 | 7,244,560 |
| Total deposits | 7,475,821 | 8,982,613 | 8,947,319 | 8,039,578 | 8,063,181 |
| Borrowings | 879,929 | 1,033,954 | 809,136 | 701,373 | 545,160 |
| Deferred and current tax liabilities, net | 30,695 | 19,170 | 21,681 | 18,819 | 41,610 |
| Other liabilities | 75,644 | 87,492 | 64,019 | 62,698 | 44,054 |
| Total liabilities | <u>8,462,089</u> | <u>10,123,229</u> | <u>9,842,155</u> | <u>8,822,468</u> | <u>8,694,005</u> |
| Commitments and Contingencies | | | | | |
| Shareholders' Equity | | | | | |
| Common stock, without par value | | | | | |
| Authorized - 50,000,000 shares | | | | | |
| Issued and outstanding - 43,267,776 shares, 43,180,079 shares, 43,178,061 shares, 43,175,399 shares and 43,173,209 shares | | | | | |
| | 137,882 | 137,565 | 137,200 | 136,836 | 136,474 |
| Preferred stock, without par value - 5,000,000 total shares authorized | | | | | |
| 8% Preferred stock - \$1,000 per share liquidation preference | | | | | |
| Authorized - 50,000 shares | | | | | |
| Issued and outstanding - 0 shares, 0 shares, 0 shares, 0 shares and 41,625 shares. | | | | | |
| | — | — | — | — | 41,581 |
| 7% Series A Preferred stock - \$25 per share liquidation preference | | | | | |
| Authorized - 3,500,000 shares | | | | | |
| Issued and outstanding - 2,081,800 shares | | | | | |
| | 50,221 | 50,221 | 50,221 | 50,221 | 50,221 |
| 6% Series B Preferred stock - \$1,000 per share liquidation preference | | | | | |
| Authorized - 125,000 shares | | | | | |
| Issued and outstanding - 125,000 shares (equivalent to 5,000,000 depositary shares) | | | | | |
| | 120,844 | 120,844 | 120,844 | 120,844 | 120,844 |
| 6% Series C Preferred stock - \$1,000 per share liquidation preference | | | | | |
| Authorized - 250,000 shares | | | | | |
| Issued and outstanding - 196,181 shares, 196,181 shares, 196,181 shares, 196,181 shares and 150,000 shares, respectively (equivalent to | | | | | |

| | | | | | |
|---|---------------------|----------------------|----------------------|---------------------|---------------------|
| 7,847,233 depository shares, 7,847,233 depository shares, 7,847,233 depository shares, 7,847,233 depository shares and 6,000,000 depository shares) | 191,084 | 191,084 | 191,084 | 191,084 | 144,925 |
| Retained earnings | 694,776 | 657,149 | 610,267 | 560,083 | 516,961 |
| Accumulated other comprehensive income | (6,304) | (1,454) | 262 | (4) | 249 |
| Total shareholders' equity | <u>1,188,503</u> | <u>1,155,409</u> | <u>1,109,878</u> | <u>1,059,064</u> | <u>1,011,255</u> |
| Total liabilities and shareholders' equity | <u>\$ 9,650,592</u> | <u>\$ 11,278,638</u> | <u>\$ 10,952,033</u> | <u>\$ 9,881,532</u> | <u>\$ 9,705,260</u> |

Consolidated Statement of Income
(Unaudited)
(In thousands, except share data)

| | Three Months Ended | | |
|--|--------------------|----------------------|-------------------|
| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
| Interest Income | | | |
| Loans | \$ 72,196 | \$ 77,113 | \$ 75,517 |
| Mortgage loans in process of securitization | 2,245 | 4,018 | 3,136 |
| Investment securities: | | | |
| Available for sale - taxable | 701 | 1,007 | 354 |
| Available for sale - tax exempt | — | 9 | 11 |
| Federal Home Loan Bank stock | 269 | 177 | 384 |
| Other | 601 | 261 | 147 |
| Total interest income | <u>76,012</u> | <u>82,585</u> | <u>79,549</u> |
| Interest Expense | | | |
| Deposits | 8,813 | 8,492 | 6,100 |
| Borrowed funds | 1,474 | 1,350 | 1,486 |
| Total interest expense | <u>10,287</u> | <u>9,842</u> | <u>7,586</u> |
| Net Interest Income | 65,725 | 72,743 | 71,963 |
| Provision for credit losses | 2,451 | 2,585 | 1,663 |
| Net Interest Income After Provision for Credit Losses | <u>63,274</u> | <u>70,158</u> | <u>70,300</u> |
| Noninterest Income | | | |
| Gain on sale of loans | 17,965 | 28,430 | 28,620 |
| Loan servicing fees, net | 9,731 | 1,382 | 7,951 |
| Mortgage warehouse fees | 1,858 | 2,469 | 4,116 |
| Gains on sale of investments available for sale ⁽¹⁾ | — | 191 | — |
| Low-income housing tax credit syndication fees | 519 | 5,230 | 55 |
| Other income | 4,524 | 2,569 | 3,194 |
| Total noninterest income | <u>34,597</u> | <u>40,271</u> | <u>43,936</u> |
| Noninterest Expense | | | |
| Salaries and employee benefits | 21,293 | 25,387 | 21,274 |
| Loan expenses | 1,211 | 1,479 | 2,523 |
| Occupancy and equipment | 1,814 | 2,069 | 1,627 |
| Professional fees | 1,303 | 3,325 | 422 |
| Deposit insurance expense | 759 | 705 | 671 |
| Technology expense | 1,236 | 1,123 | 937 |
| Other expense | 3,417 | 3,558 | 2,630 |
| Total noninterest expense | <u>31,033</u> | <u>37,646</u> | <u>30,084</u> |
| Income Before Income Taxes | 66,838 | 72,783 | 84,152 |
| Provision for income taxes ⁽²⁾ | 16,696 | 17,582 | 22,169 |
| Net Income | <u>\$ 50,142</u> | <u>\$ 55,201</u> | <u>\$ 61,983</u> |
| Dividends on preferred stock | (5,728) | (5,728) | (3,757) |
| Net Income Allocated to Common Shareholders | <u>\$ 44,414</u> | <u>\$ 49,473</u> | <u>\$ 58,226</u> |
| Basic Earnings Per Share | <u>\$ 1.03</u> | <u>\$ 1.15</u> | <u>\$ 1.35</u> |
| Diluted Earnings Per Share | <u>\$ 1.02</u> | <u>\$ 1.14</u> | <u>\$ 1.35</u> |
| Weighted-Average Shares Outstanding | | | |
| Basic | 43,190,066 | 43,179,377 | 43,158,138 |
| Diluted | <u>43,360,034</u> | <u>43,399,064</u> | <u>43,275,621</u> |

⁽¹⁾ Includes \$0, \$191, \$0, respectively, related to accumulated other comprehensive earnings reclassifications.

⁽²⁾ Includes \$0, \$(46), \$0, respectively, related to income tax (expense)/benefit for reclassification items.

Key Operating Results

(Unaudited)

(\$ in thousands, except share data)

| | Three Months Ended | | |
|---|--------------------|----------------------|-------------------|
| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
| Noninterest expense | \$ 31,033 | \$ 37,646 | \$ 30,084 |
| Net interest income (before provision for credit losses) | 65,725 | 72,743 | 71,963 |
| Noninterest income | 34,597 | 40,271 | 43,936 |
| Total income | <u>\$ 100,322</u> | <u>\$ 113,014</u> | <u>\$ 115,899</u> |
| Efficiency ratio | <u>30.93%</u> | <u>33.31%</u> | <u>25.96%</u> |
| Average assets | \$ 10,436,448 | \$ 10,945,026 | \$ 9,952,911 |
| Net income | \$ 50,142 | \$ 55,201 | \$ 61,983 |
| Return on average assets before annualizing | 0.48% | 0.50% | 0.62% |
| Annualization factor | 4.00 | 4.00 | 4.00 |
| Return on average assets | <u>1.92%</u> | <u>2.02%</u> | <u>2.49%</u> |
| Return on average tangible common shareholders' equity (1) | <u>22.37%</u> | <u>26.04%</u> | <u>38.32%</u> |
| Tangible book value per common share (1) | <u>\$ 18.70</u> | <u>\$ 17.96</u> | <u>\$ 14.72</u> |
| Tangible common shareholders' equity/tangible assets (1) | <u>8.40%</u> | <u>6.89%</u> | <u>6.56%</u> |

(1) Non-GAAP financial measure - see "Reconciliation of Non-GAAP Measures"

(1) Reconciliation of Non-GAAP Financial Measures

Certain non-GAAP financial measures provide useful information to management and investors that is supplementary to the company's financial condition, results of operations and cash flows computed in accordance with GAAP; however, they do have a number of limitations. As such, the reader should not view these disclosures as a substitute for results determined in accordance with GAAP, and they are not necessarily comparable to non-GAAP financial measures that other companies use. A reconciliation of GAAP to non-GAAP financial measures is below. Net Income Available to Common Shareholders excludes preferred stock. Tangible common equity is calculated by excluding the balance of goodwill and other intangible assets and preferred stock from the calculation of total assets. Tangible Assets is calculated by excluding the balance of goodwill and intangible assets. Tangible book value per share is calculated by dividing tangible common equity by the number of shares outstanding.

| | Three Months Ended | | |
|--|---------------------|----------------------|---------------------|
| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
| Net income | \$ 50,142 | \$ 55,201 | \$ 61,983 |
| Less: preferred stock dividends | (5,728) | (5,728) | (3,757) |
| Net income available to common shareholders | <u>\$ 44,414</u> | <u>\$ 49,473</u> | <u>\$ 58,226</u> |
| Average shareholders' equity | \$ 1,173,837 | \$ 1,139,714 | \$ 852,900 |
| Less: average goodwill & intangibles | (17,495) | (17,626) | (18,057) |
| Less: average preferred stock | (362,149) | (362,149) | (227,115) |
| Tangible common shareholders' equity | <u>\$ 794,193</u> | <u>\$ 759,939</u> | <u>\$ 607,728</u> |
| Annualization factor | 4.00 | 4.00 | 4.00 |
| Return on average tangible common shareholders' equity | <u>22.37%</u> | <u>26.04%</u> | <u>38.32%</u> |
| Total equity | \$ 1,188,503 | \$ 1,155,409 | \$ 1,011,255 |
| Less: goodwill and intangibles | (17,419) | (17,552) | (17,981) |
| Less: preferred stock | (362,149) | (362,149) | (357,571) |
| Tangible common shareholders' equity | <u>\$ 808,935</u> | <u>\$ 775,708</u> | <u>\$ 635,703</u> |
| Assets | \$ 9,650,592 | \$ 11,278,638 | \$ 9,705,260 |
| Less: goodwill and intangibles | (17,419) | (17,552) | (17,981) |
| Tangible assets | <u>\$ 9,633,173</u> | <u>\$ 11,261,086</u> | <u>\$ 9,687,279</u> |

| | | | |
|--|-----------------|-----------------|-----------------|
| Ending common shares | 43,267,776 | 43,180,079 | 43,173,209 |
| Tangible book value per common share | <u>\$ 18.70</u> | <u>\$ 17.96</u> | <u>\$ 14.72</u> |
| Tangible common shareholders' equity/tangible assets | <u>8.40%</u> | <u>6.89%</u> | <u>6.56%</u> |

Merchants Bancorp
Average Balance Analysis
(\$ in thousands)
(Unaudited)

| | Three Months Ended March 31, 2022 | | | Three Months Ended December 31, 2021 | | | Three Months Ended March 31, 2021 | | |
|--|--------------------------------------|-------------------------|-----------------------|---|-------------------------|-----------------------|--------------------------------------|-------------------------|-----------------------|
| | Average Balance | Interest | Yield/ Rate | Average Balance | Interest | Yield/ Rate | Average Balance | Interest | Yield/ Rate |
| Assets: | | | | | | | | | |
| Interest-bearing deposits, and other Securities available for sale - taxable | \$ 1,460,486 | \$ 870 | 0.24% | \$ 698,263 | \$ 438 | 0.25% | \$ 610,884 | \$ 531 | 0.35% |
| Securities available for sale - tax exempt | 305,600 | 701 | 0.93% | 308,581 | 1,007 | 1.29% | 267,428 | 354 | 0.54% |
| Mortgage loans in process of securitization | — | — | | 1,204 | 9 | 2.97% | 1,366 | 11 | 3.27% |
| Loans and loans held for sale | 349,027 | 2,245 | 2.61% | 621,946 | 4,018 | 2.56% | 500,234 | 3,136 | 2.54% |
| Total interest-earning assets | <u>8,049,877</u> | <u>72,196</u> | <u>3.64%</u> | <u>9,064,880</u> | <u>77,113</u> | <u>3.37%</u> | <u>8,379,227</u> | <u>75,517</u> | <u>3.66%</u> |
| Allowance for credit losses on loans | 10,164,990 | 76,012 | 3.03% | 10,694,874 | 82,585 | 3.06% | 9,759,139 | 79,549 | 3.31% |
| Noninterest-earning assets | (31,023) | | | (29,801) | | | (28,308) | | |
| | <u>302,481</u> | | | <u>279,953</u> | | | <u>222,080</u> | | |
| Total assets | <u>\$ 10,436,448</u> | | | <u>\$ 10,945,026</u> | | | <u>\$ 9,952,911</u> | | |
| Liabilities & Shareholders' Equity: | | | | | | | | | |
| Interest-bearing checking | 4,015,709 | 2,204 | 0.22% | 4,325,991 | 2,094 | 0.19% | 4,806,665 | 1,210 | 0.10% |
| Savings deposits | 230,702 | 33 | 0.06% | 223,912 | 35 | 0.06% | 192,196 | 37 | 0.08% |
| Money market | 2,710,961 | 5,252 | 0.79% | 2,528,453 | 5,018 | 0.79% | 2,065,218 | 3,738 | 0.73% |
| Certificates of deposit | <u>1,080,438</u> | <u>1,324</u> | <u>0.50%</u> | <u>1,220,392</u> | <u>1,345</u> | <u>0.44%</u> | <u>416,426</u> | <u>1,115</u> | <u>1.09%</u> |
| Total interest-bearing deposits | 8,037,810 | 8,813 | 0.44% | 8,298,748 | 8,492 | 0.41% | 7,480,505 | 6,100 | 0.33% |
| Borrowings | <u>589,597</u> | <u>1,474</u> | <u>1.01%</u> | <u>620,173</u> | <u>1,350</u> | <u>0.86%</u> | <u>810,856</u> | <u>1,486</u> | <u>0.74%</u> |
| Total interest-bearing liabilities | 8,627,407 | 10,287 | 0.48% | 8,918,921 | 9,842 | 0.44% | 8,291,361 | 7,586 | 0.37% |
| Noninterest-bearing deposits | 518,140 | | | 795,704 | | | 740,807 | | |
| Noninterest-bearing liabilities | 117,064 | | | 90,687 | | | 67,843 | | |
| Total liabilities | <u>9,262,611</u> | | | <u>9,805,312</u> | | | <u>9,100,011</u> | | |
| Shareholders' equity | <u>1,173,837</u> | | | <u>1,139,714</u> | | | <u>852,900</u> | | |
| Total liabilities and shareholders' equity | <u>\$ 10,436,448</u> | | | <u>\$ 10,945,026</u> | | | <u>\$ 9,952,911</u> | | |
| Net interest income | | <u>\$ 65,725</u> | | | <u>\$ 72,743</u> | | | <u>\$ 71,963</u> | |
| Net interest spread | | | <u>2.55%</u> | | | <u>2.62%</u> | | | <u>2.93%</u> |
| Net interest-earning assets | <u>\$ 1,537,583</u> | | | <u>\$ 1,775,953</u> | | | <u>\$ 1,467,778</u> | | |
| Net interest margin | | | <u>2.62%</u> | | | <u>2.70%</u> | | | <u>2.99%</u> |
| Average interest-earning assets to average interest-bearing liabilities | | | <u>117.82%</u> | | | <u>119.91%</u> | | | <u>117.70%</u> |

Supplemental Results

(Unaudited)
(\$ in thousands)

| Segment | Net Income | | |
|-------------------------------|---------------------------|------------------------------|---------------------------|
| | Three Months Ended | | |
| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
| Multi-family Mortgage Banking | \$ 11,492 | \$ 14,124 | \$ 11,961 |
| Mortgage Warehousing | 13,159 | 21,311 | 29,183 |
| Banking | 28,764 | 22,629 | 23,025 |
| Other | (3,273) | (2,863) | (2,186) |
| Total | \$ 50,142 | \$ 55,201 | \$ 61,983 |

| Segment | Total Assets | | |
|----------------------|-------------------------------|------------------------------|---------------------------|
| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
| | Multi-family Mortgage Banking | \$ 293,286 | \$ 296,129 |
| Mortgage Warehousing | 2,863,907 | 3,977,537 | 4,383,759 |
| Banking | 6,409,943 | 6,929,565 | 5,010,799 |
| Other | 83,456 | 75,407 | 90,748 |
| Total | \$ 9,650,592 | \$ 11,278,638 | \$ 9,705,260 |

| Loan Type | Gain on Sale of Loans | | |
|----------------------------------|------------------------------|------------------------------|---------------------------|
| | Three Months Ended | | |
| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
| Multi-family | \$ 14,953 | \$ 24,797 | \$ 22,836 |
| Single-family | 457 | 1,086 | 4,213 |
| Small Business Association (SBA) | 2,555 | 2,547 | 1,571 |
| Total | \$ 17,965 | \$ 28,430 | \$ 28,620 |

| | Loans Receivable and Loans Held for Sale | | |
|--|---|------------------------------|---------------------------|
| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
| | Mortgage warehouse lines of credit | \$ 752,447 | \$ 781,437 |
| Residential real estate | 858,325 | 843,101 | 731,334 |
| Multi-family financing | 2,876,005 | 2,702,042 | 2,514,176 |
| Healthcare financing | 850,751 | 826,157 | 692,457 |
| Commercial and commercial real estate | 567,971 | 520,199 | 357,682 |
| Agricultural production and real estate | 90,688 | 97,060 | 96,108 |
| Consumer and margin loans | 12,875 | 12,667 | 13,077 |
| | 6,009,062 | 5,782,663 | 5,739,382 |
| Less: Allowance for credit losses on loans | 32,102 | 31,344 | 29,091 |
| Loans receivable | \$ 5,976,960 | \$ 5,751,319 | \$ 5,710,291 |
| Loans held for sale | 2,289,094 | 3,303,199 | 2,749,662 |
| Total loans, net of allowance | \$ 8,266,054 | \$ 9,054,518 | \$ 8,459,953 |