

# Merchants Holding Company

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October 5, 2018

Dear Shareholders:

On behalf of the Board of Directors of Merchants Holding Company (“Merchants”), I am pleased to inform you that on October 4, 2018, Merchants Holding Company (“Merchants”) entered into an Agreement and Plan of Merger (the “Definitive Agreement”) with the Bank of Commerce Holdings (“Bank of Commerce”) pursuant to which Bank of Commerce will acquire Merchants and The Merchants National Bank of Sacramento.

Under the Definitive Agreement, Bank of Commerce will acquire Merchants by merging Merchants with and into Bank of Commerce, with Bank of Commerce surviving (the “Merger”). As consideration for the Merger, in exchange for one share of Merchants common stock, Merchant shareholders of record may elect to receive (i) 3.8703 shares of Bank of Commerce common stock, or (ii) a cash amount equal to \$48.43, or (iii) a combination of 2.3223 shares of Bank of Commerce common stock and \$19.37. Under the Definitive Agreement, such shareholder elections are subject to adjustment, and Bank of Commerce will issue no more than 1,834,173 shares of common stock of Bank of Commerce and pay no more than \$15.3 million in cash.

Bank of Commerce is a \$1.3 billion asset bank holding company headquartered at 555 Capitol Mall in Sacramento, and is the parent company for Redding Bank of Commerce (the “Redding Bank”) which operates under two separate names (Redding Bank of Commerce and Sacramento Bank of Commerce, a division of Redding Bank of Commerce). The Redding Bank opened for business in 1982 and is an FDIC-insured California banking corporation providing community banking and financial services through nine northern California offices. Bank of Commerce is a public company whose common stock is listed on NASDAQ and trades under the symbol “BOCH”.

The Merger enables our shareholders to receive a premium on their investment and the liquidity of a publicly traded stock, which has been paying a regular cash dividend. Your Board of Directors carefully considered our available strategic alternatives as well as potential future opportunities. As a community bank in today’s challenging regulatory and technological environment, your Board concluded that our best option is to partner with Bank of Commerce, a larger bank with a similar culture and enhanced prospects. The banking philosophy that Bank of Commerce shares with us will enable the merged bank to not only maintain but to enhance our commitment to provide a high level of personal service.

The Board of Director believes that the Merger will enable our shareholders to receive a premium on their investment and an opportunity to hold publicly traded stock, which has been paying a regular cash dividend. The Board of Directors has carefully considered strategic alternatives as well as potential future opportunities available to us. As a community bank in today’s challenging regulatory and technological environment, the Board of Directors concluded that our best option is to partner with Bank of Commerce. The Board of Director believes that our mission and values

complement the vision and values of Bank of Commerce. Our similar banking philosophy will enable the merged bank to not only maintain but to enhance our commitment to provide high level of customer service. The Merger will provide our customers with an expanded range of products and services as well as opportunities for our employees.

The Merger is subject to approvals from regulators and our shareholders and is expected to close in the first quarter of 2019. In the future, you will receive a detailed proxy statement/prospectus which will describe the proposed Merger, give you additional information regarding Bank of Commerce and the proposed Merger, and notify you of the date for our shareholder meeting to vote on the Merger. We urge you to carefully review the proxy statement/prospectus upon receipt.

Enclosed is a copy of the press release issued by Bank of Commerce announcing the Definitive Agreement. Please feel free to call us directly with any questions. We sincerely appreciate your loyal support through the years.

Sincerely,  
Stephen A. Meyers,  
Chairman, President and Chief Executive Officer of Merchants.

Enclosure