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April 30, 2009

Dear Customers and Friends,

Merchants Bancorp is pleased to report financial results for the first quarter of 2009. Despite a difficult economic environment, net income for the first quarter ending March 31, 2009 was positive. As expected it was less than the first quarter of 2008. Earnings continue to be hampered largely by the volatility in the housing sector.

First quarter 2009 total assets ended at \$320.6 million versus \$306.5 million at the end of first quarter 2008. MBank's net loan portfolio was \$232.5 million at the end of the first quarter of 2009, a decrease of approximately 7% over first quarter 2008 net loans of \$248.1 million. It should be noted that a decrease in the loan portfolio follows the banks current strategy of shrinking both loan volume and loan concentrations in certain sectors within the overall portfolio. This strategy is a prudent step in this economy and one we expect to continue for the balance of the year.

We are optimistic that the stress on our loans appears to have leveled off from the velocity that was experienced during the third and fourth quarters of 2008. While we still saw some deterioration during the first quarter of 2009, it was nowhere near the bruising pace of the second half of 2008. The allowance for loan loss at March 31, 2009 is at a record \$4.5 million, or approximately 1.87% of gross loans.

As a community bank it has become painfully clear to us that when our borrowers are struggling, so are we. Still, we take pride and comfort in our customer relationships and our knowledge of the collateral securing our loans. Throughout the remainder of the year we will remain focused on efforts to mitigate the stress in our loan portfolio while also being attentive to our regulatory responsibilities. Our 2009 goal is to preserve capital, restore earnings and serve our valued customers.

Sincerely,

Thomas A. Perrick
President

Rex Brittle
CEO/Chairman of the Board

Balance Sheet (Unaudited)	03/31/2009	03/31/2008
Assets		
Cash and due from banks	\$46,388,053	\$9,496,982
Available-for-sale securities, at est. fair value	17,367,141	27,416,996
Federal Home Loan Bank stock	2,041,500	2,041,500
Loans, net of allowance for loan losses and unearned income	232,457,965	248,141,548
Bank premises and equipment, net depreciation and amortization	7,893,614	8,536,603
Other real estate owned	1,383,229	403,000
Goodwill	1,159,019	1,159,019
Cash surrender value of bank-owned life ins.	5,961,838	5,943,235
Accrued interest and other assets	5,991,488	3,356,528
TOTAL ASSETS	<u>\$320,643,847</u>	<u>\$306,495,411</u>
Liabilities and Stockholders' Equity		
Demand deposit and NOW accounts	\$36,816,396	\$42,153,426
Money market and savings accounts	38,899,989	51,243,023
Time deposits	<u>179,528,225</u>	<u>141,296,965</u>
Total deposits	255,244,610	234,693,414
Repurchase agreements	4,740,309	7,924,367
Federal Home Loan Bank borrowings	31,500,000	32,000,000
Junior subordinated debentures	5,155,000	5,155,000
Accrued interest payable and other liabilities	<u>1,444,751</u>	<u>1,031,578</u>
Total liabilities	298,084,670	280,804,359
Minority Interest in Fenton, Wangler Financial	30,276	37,784
Stockholders' Equity		
Common stock (4,380,032 shares at 03/31/09)	4,380,032	4,380,032
Additional paid-in capital	18,817,992	18,785,356
Retained (deficit) earnings	(949,370)	2,123,817
Accumulated other comprehensive income	<u>280,247</u>	<u>364,063</u>
Total stockholders' equity	<u>22,528,901</u>	<u>25,653,268</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$320,643,847</u>	<u>\$306,495,411</u>