



Executive Management

Rex Brittle
Chief Executive Officer

Tom Perrick
President

Mike Czajka
*Executive Vice President
Chief Credit Officer*

Ron Shoemake
*Executive Vice President
Chief Operations Officer*

Jef Baker
*Senior Vice President
Chief Financial Officer*

Tom Sciarretta
*Senior Vice President
Relationship Banking Manager*

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Stan Morris
*Chairman of the Board
Investor*

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*Co-owner
East Portland E.N.T. Clinic*

Chuck Maples
*Founder and CEO
IPAC Pharmacy Services*

Fred Bruning
*President
CenterCal Properties*

Rex Brittle
*Chief Executive Officer
Merchants Bancorp*

Tom Perrick
*President
Merchants Bancorp*



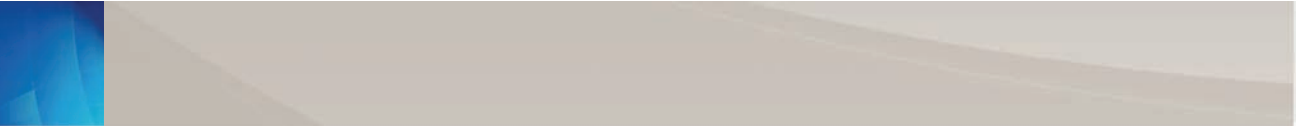
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Merchants Bancorp
2007 First Quarter Financial Report



May 20th, 2007



Dear Shareholders and Friends of MBank,

Merchants Bancorp is pleased to report strong growth and financial results for first quarter 2007. With our focus on local decision making and quick, nimble service, net income for the quarter ended March 31, 2007 increased by 1.0% to \$794 thousand, or \$0.17 per diluted share, compared to \$786 thousand, or \$0.15 per diluted share, in first quarter 2006. Stated earnings per share have been retroactively adjusted for the subsequent stock dividend declared in February 2007. Annualized return on average assets was 1.11% for first quarter 2007 versus 1.24% for first quarter 2006 and annualized return on average equity was 12.2% for first quarter 2007 versus 14.1 % for first quarter 2006.

Total assets grew to \$286.3 million at March 31, 2007, an increase of 12.5% over March 31, 2006 assets of \$254.6 million. MBank's net loan portfolio (excluding loans held for sale), grew at 9.8% to \$230.9 million for the period, compared to \$210.2 million for the same period in 2006. Recognizing our stringent underwriting process and dedicated lending team, nonperforming loans at March 31, 2007 totaled \$63 thousand, or 0.03% of gross loans, while nonperforming assets at March 31, 2007 totaled \$426 thousand, or 0.18% of gross loans. There were zero charge-offs and \$1 thousand of recoveries in first quarter 2007.

The banking industry, in general, has reported lackluster results in deposit growth. At MBank, however, our focus on deposit acquisition reflects our strategic initiatives to develop and deliver products that meet our customers' needs and, in turn, provide a vital source of funding for our continued loan growth. As a result, we are especially pleased to report record deposit production. Notably, an increase of 18.8% to \$209.4 million at March 31, 2007, compared to \$176.2 million at March 31, 2006.

Shareholders' equity increased 15.6% to \$26.5 million at quarter end 2007, compared to \$22.9 million at quarter end 2006. For the period, book value per share of common stock at March 31, 2007 was \$5.69 compared to \$4.92 at March 31, 2006 (adjusted for the 2007 stock dividend). At March 31, 2007, there were 4,660,466 outstanding shares of Merchants Bancorp common stock.

Throughout 2007, we will continue to focus on meeting our customers' needs with innovative products and competitive pricing, despite a challenging banking environment. For example, our recently unveiled [M]Deposit product, which affords our customers the opportunity to make deposits remotely from their own offices and at their own convenience, is being met with rave reviews. Additionally, we expect to celebrate the grand opening of MBank's Lake Grove office in May of this year and we're already underway with construction of our newest office opening later this year, in Portland's Hollywood District. We look forward to sharing more of MBank's positive news with you throughout the year and wish to thank you for your continued confidence.

Sincerely,

Handwritten signature of Thomas A. Perrick in black ink.

Thomas A. Perrick
President

Handwritten signature of Stanley C. Morris in black ink.

Stanley C. Morris
Chairman of the Board

Consolidated Balance Sheets

[unaudited]



	<i>as of March 31st,</i>	<i>2007</i>	<i>2006</i>
<i>Assets</i>			
Cash and due from banks	\$ 14,536,102	\$ 7,387,580	
Available-for-sale securities, at est. fair value	20,757,584	18,629,363	
Federal Home Loan Bank stock	2,041,500	2,041,500	
Loans, net of allowance for loan losses and unearned income	230,877,919	210,205,022	
Bank premises and equipment, net of depreciation and amortization	7,707,417	6,930,724	
Other real estate owned	426,194	0	
Goodwill	1,159,019	1,159,019	
Cash surrender value of bank-owned life insurance	5,658,362	5,381,503	
Accrued interest and other assets	3,144,907	2,870,410	
<i>Total Assets</i>	<u>\$ 286,309,004</u>	<u>\$ 254,605,121</u>	
<i>Liabilities and Stockholders' Equity</i>			
Demand deposit and NOW accounts	\$44,157,805	\$41,633,412	
Money market and savings accounts	41,817,038	45,097,786	
Time deposits	123,410,951	89,502,200	
<i>Total Deposits</i>	<u>209,385,794</u>	<u>176,233,398</u>	
Repurchase agreements	11,186,563	11,432,303	
Federal Home Loan Bank borrowings	32,500,000	38,000,000	
Junior subordinated debentures	5,155,000	5,155,000	
Accrued interest payable and other liabilities	1,547,233	820,258	
<i>Total Liabilities</i>	<u>259,774,590</u>	<u>231,640,959</u>	
<i>Minority Interest in Fenton, Wangler</i>	31,396	39,963	
<i>Stockholders' Equity</i>			
Common stock (4,660,466 shares at 3/31/07)	4,660,466	4,234,987	
Additional paid-in capital	21,042,168	18,019,744	
Retained earnings	793,786	748,365	
Accumulated other comprehensive income	6,598	[78,897]	
<i>Total Stockholders' Equity</i>	<u>26,503,018</u>	<u>22,924,199</u>	
<i>Total Liabilities and Stockholder's Equity</i>	<u>\$ 286,309,004</u>	<u>\$ 254,605,121</u>	



Consolidated Income Statements

[unaudited]

	Quarter Ending March 31st, 2007	2006
<i>Interest Income</i>		
Interest and fees on loans	\$ 5,318,425	\$ 4,447,007
Interest on available-for-sale	219,475	198,210
Interest on federal funds sold	<u>84,583</u>	<u>31,862</u>
	5,622,483	4,677,079
<i>Interest Expense</i>		
Interest on deposits	1,754,682	1,118,175
Interest on other borrowings	<u>581,126</u>	<u>584,516</u>
	2,335,808	1,702,691
Net interest income	3,286,675	2,974,388
Provision for loan loss	<u>55,500</u>	<u>53,700</u>
Net interest income after provision for loan loss	3,231,175	2,920,688
<i>Noninterest Income</i>		
Real estate brokerage fee income	180,101	226,812
Service charges and fees	71,126	93,156
Investment advisory services	44,465	66,388
Other income	<u>105,617</u>	<u>42,030</u>
	401,309	428,386
<i>Noninterest Expense</i>		
Salaries and related payroll expenses	1,301,489	1,220,469
Occupancy expenses	420,562	374,767
Advertising and promotional expenses	33,790	85,211
Supplies	42,270	68,637
Professional fees	77,316	61,924
Data processing	66,798	48,092
Other expenses	<u>395,316</u>	<u>331,112</u>
	2,337,541	2,190,212
Income before taxes and minority interest	<u>1,294,942</u>	<u>1,158,862</u>
Provision for income taxes	494,000	354,789
Minority interest in earnings of subsidiary	7,156	18,337
<i>Net Income After Tax</i>	<u>\$ 793,786</u>	<u>\$ 785,736</u>