

March 28, 2011

To our Shareholders:

I am writing to advise you that on March 21, 2011, Merchants Bancorp and MBank entered into a definitive agreement (the "Agreement") with a newly-formed entity named MB Acquisition Bancorp ("MBAB") for MBAB to invest \$20 million or more in new shares of MBank common stock (the "Investment"). As part of the Agreement, Merchants Bancorp will exchange the shares of MBank common stock it currently owns for non-voting preferred stock of MBank. This preferred stock will convert back into MBank common stock at a conversion formula tied to the performance of the current loans and real estate of MBank over an approximately two-year period. In addition, the Agreement provides that, at Merchants Bancorp's election, approximately two years after the closing of the Investment, MBAB will offer to purchase the shares of Merchants Bancorp common stock from shareholders for an aggregate purchase price for all shares of \$1 million. **The transactions are subject to usual and customary closing conditions, including the receipt of all necessary approvals from appropriate bank regulatory authorities and the approval of Merchants Bancorp shareholders.**

As you know, MBank is subject to a consent order with federal and state bank regulators, and a supervisory prompt corrective action directive from the FDIC, that require the Bank to strengthen its condition, including increasing capital. This capital injection will substantially improve MBank's capital position and satisfy the capital requirements in the order and the directive.

In light of the pending transactions, Merchants Bancorp has postponed its annual meeting, which we currently expect will occur sometime in the second quarter. At the annual meeting we intend to conduct normal business and also seek shareholder approval of these transactions. You will be notified once we have set the annual meeting date and will receive proxy materials providing more details about the proposed transactions.

Sincerely,



H. Rex Brittle
President & CEO



Stanley C. Morris
Chairman of the Board

