



- ☒ Mercantile Bank Corporation (MBC)
- ☐ Mercantile Bank (MB)
- ☐ Eastern Michigan Bank (EMB)
- ☐ Mercantile Community Partners (MCP)
- ☐ Renewal ☒ New

CHARTER OF THE RISK MANAGEMENT COMMITTEE

I. Purpose

The Risk Management Committee (the “Committee”) is established by the Board of Directors (the “Board”) to assist in fulfilling its oversight responsibilities regarding the identification, assessment, management, and monitoring of key risks facing the organization. The Committee will ensure that a robust risk management framework is in place, and that risk considerations are integrated into strategic decision-making.

II. Authority

The Committee is granted the authority and resources to execute its responsibilities or to investigate any activity brought to its attention, to seek any information it requires from any employee or external party, and to obtain outside legal or other professional advice as it deems necessary to fulfill its responsibilities. The Committee may form, and delegate authority to, subcommittees comprised of one or more members of the Committee, as it deems appropriate. Each subcommittee shall have the full power and authority of the Committee with respect to matters delegated to it.

The Committee shall coordinate with other committees of the Board, particularly the Audit and Compensation Committees, to ensure appropriate oversight of risk-related matters.

III. Membership

- The Committee shall consist of at least three members of the Board, all of whom must be independent directors.
- Members shall possess relevant risk management, financial, or governance expertise. At least one member of the Committee shall, in the judgment of the Board, have experience in identifying, assessing, and managing risk exposures of financial institutions commensurate with the Bank's structure, risk profile, complexity, activities, and size.
- Committee members and the Committee Chair shall be appointed by the Board on the recommendation of the Governance and Nominating Committee.
- The Chief Risk Officer (CRO) and other relevant executives may attend meetings as invitees but shall not be voting members.

IV. Meetings

- The Committee shall meet at least quarterly, and more frequently as circumstances require.
- A majority of the members of the Committee shall constitute a quorum.
- Minutes of meetings shall be recorded and submitted to the Board.
- Special meetings may be called by the Chair or at the request of any Committee member.

V. Responsibilities

1. Periodically review and recommend for Board approval, the establishment and maintenance of risk tolerance and risk appetite.
2. Produce a written statement of risk appetite and tolerance to be communicated throughout the organization.
3. Review and recommend for Board approval, the organization's risk management framework.
4. Oversee the identification, assessment, and prioritization of key enterprise risks, including but not limited to strategic, financial, operational, credit policy, compliance, and reputational risks.
5. Review emerging risks facing the Bank and discuss strategies and actions being taken to monitor and address the emerging risks.



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6. Advise the Board on risk implications of significant business decisions, strategies, and transactions.
7. Review reports from the Bank's Enterprise Risk Management Committee.
8. Review and assess the effectiveness of the enterprise-wide risk assessment.
9. Monitor the effectiveness of risk mitigation strategies and internal controls.
10. Promote linkage between enterprise risk management and the strategic planning process.
11. Review the Bank's information security and cybersecurity risk management program.
12. Review third-party risk management program, including the identification, assessment, and monitoring of risks associated with material third-party relationships.
13. Oversee the Bank's compliance risk management program, including the adequacy and effectiveness of the compliance management system.
14. Oversee the performance of independent loan reviews.
15. Annually review Mercantile's insurance program for adequacy.
16. Review with management and legal counsel, material litigation and significant correspondence with or actions by regulators or government agencies.
17. Oversee model risk through periodic review of the model risk profile and model validation schedule.
18. Oversee Environmental, Social, and Governance (ESG) matters.
19. Oversee the Bank's liquidity risk management practices. At least annually, review and recommend to the Board the Bank's liquidity risk tolerance, taking into account the Bank's capital structure, risk profile, and strategic plan.
20. Oversee the Asset Liability Committee (ALCO) process.
21. Ensure adequate resources and training are allocated to risk management functions.
22. Review and approve the appointment, replacement, reassignment, or dismissal of the Chief Risk Officer.
23. Annually review and provide input regarding the Chief Risk Officer's performance and the adequacy of the Bank's risk management functions.
24. Report regularly to the Board on the Committee's activities, findings, and recommendations.
25. Perform any other duties as assigned by the Board relating to risk management oversight.
26. Review this charter at least annually and recommend to the Board any necessary or desired changes to the charter.
27. Review and assess its own performance annually, recommending any changes to the Board for approval. The Committee shall conduct this evaluation in any manner it deems appropriate.

VI. Reporting

The Committee shall report its discussions, decisions, and recommendations to the Board after each meeting, ensuring transparency and full Board awareness of key risk matters.

VII. Adoption and Review

This Charter is effective as of the date of Board approval. It shall be reviewed at least annually and updated as needed to reflect the evolving risk environment and regulatory requirements.