2023

Mercantile Bank Corporation

# ANNUAL MEETING OF SHAREHOLDERS

MAY 25, 2023

# AGENDA

1. INTRODUCTORY COMMENTS
2. CALL THE MEETING TO ORDER
3. INTRODUCTION OF PRESENTERS
4. APPROVAL OF MINUTES
5. SHAREHOLDER PROPOSALS
   - Election of Six Directors (each for a one-year term)
   - Approval of the Mercantile Bank Corporation Stock Incentive Plan of 2023
   - Ratification of Plante & Moran, PLLC as Independent Public Accounting Firm for 2023
   - Advisory Approval of the Compensation of the Named Executive Officers
6. MANAGEMENT PRESENTATION
7. ANNOUNCEMENT OF VOTING RESULTS
8. QUESTIONS FOR ACCOUNTANTS AND LEGAL COUNSEL
9. ADJOURNMENT OF MEETING
10. QUESTIONS FOR MANAGEMENT OF THE COMPANY
11. ADJOURNMENT OF Q&A SESSION

2023 Mercantile® Bank Corporation
ANNUAL MEETING OF SHAREHOLDERS

# INTRODUCTORY COMMENTS



**ROBERT B. KAMINSKI, JR.**

President and Chief Executive Officer

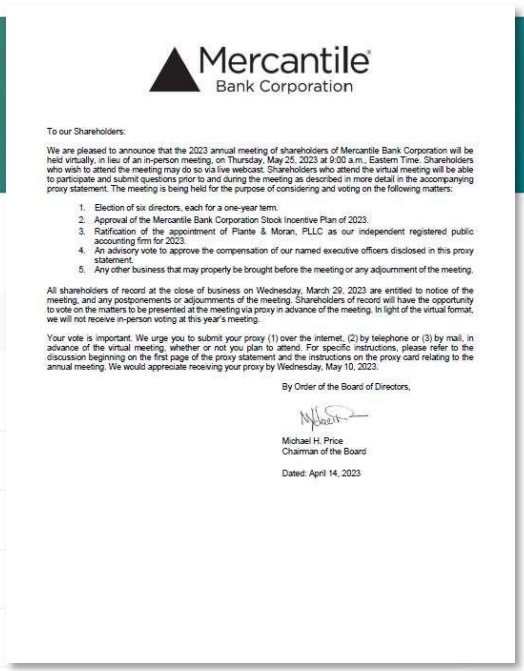
Mercantile Bank Corporation

Overview Stock Filings Financials News & Market Data Resources

# Annual Reports

- 2022
  - 2022 Annual Report & Proxy Statement
- 2021
- 2020
- 2019
- 2018
- 2017
- 2016
- 2015
- 2014



Mercantile Bank Corporation

To our Shareholders:

We are pleased to announce that the 2023 annual meeting of shareholders of Mercantile Bank Corporation will be held virtually, in lieu of an in-person meeting, on Thursday, May 25, 2023 at 9:00 a.m., Eastern Time. Shareholders who wish to attend the meeting may do so via live webcast. Shareholders who attend the virtual meeting will be able to participate and submit questions prior to and during the meeting as described in more detail in the accompanying proxy statement. The meeting is being held for the purpose of considering and voting on the following matters:

1. Election of six directors, each for a one-year term.
2. Approval of the Mercantile Bank Corporation Stock Incentive Plan of 2023.
3. Ratification of the appointment of Plante & Moran, PLLC as our independent registered public accounting firm for 2023.
4. An advisory vote to approve the compensation of our named executive officers disclosed in this proxy statement.
5. Any other business that may properly be brought before the meeting or any adjournment of the meeting.

All shareholders of record at the close of business on Wednesday, March 29, 2023 are entitled to notice of the meeting, and any postponements or adjournments of the meeting. Shareholders of record will have the opportunity to vote on the matters to be presented at the meeting via proxy in advance of the meeting. In light of the virtual format, we will not receive in-person voting at this year's meeting.

Your vote is important. We urge you to submit your proxy (1) over the internet, (2) by telephone or (3) by mail, in advance of the virtual meeting, whether or not you plan to attend. For specific instructions, please refer to the discussion beginning on the first page of the proxy statement and the instructions on the proxy card relating to the annual meeting. We would appreciate receiving your proxy by Wednesday, May 10, 2023.

By Order of the Board of Directors,

Michael H. Price
Chairman of the Board

Dated: April 14, 2023

## ANNUAL REPORT & PROXY STATEMENT

2023

Mercantile Bank Corporation

ANNUAL MEETING OF SHAREHOLDERS

# BOARD OF DIRECTORS



**DAVID M. CASSARD**
Retired
Real Estate Executive



**MICHAEL S. DAVENPORT**
Owner
Jireh Metal Products, Inc.



**MICHELLE L. ELDRIDGE**
Owner
Clear Ridge Wealth Management



**ROBERT B. KAMINSKI, JR.**
President and
Chief Executive Officer



**MICHAEL H. PRICE**
Chairman of the Board
Retired Banking Executive



**DAVID B. RAMAKER**
Retired
Banking Executive

# ACCOUNTANTS & COUNSEL



**ROBERT BONDY**
Accounting Firm
Plante & Moran, PLLC



**CYNTHIA A. MOORE**
Legal Counsel
Dickinson Wright, PLLC



**BRAD WYATT**
Legal Counsel
Dickinson Wright, PLLC

# SHAREHOLDER PROXIES

**DAVID M. CASSARD**

Director
Shareholder Proxy





**MICHELLE L. ELDRIDGE**

Director
Shareholder Proxy

PRESENTATION BY

# MANAGEMENT



**RAYMOND E. REITSMA**

Executive Vice President
Chief Operating Officer
and President of the Bank



**CHARLES E. CHRISTMAS**

Executive Vice President
Chief Financial Officer
and Treasurer

# Forward-Looking Statements

## Forward-Looking Statements

This presentation contains statements or information that may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as: “anticipates,” “intends,” “plans,” “goal,” “seeks,” “believes,” “projects,” “estimates,” “expects,” “indicates,” “strategy,” “future,” “is likely,” “may,” “should,” “will,” and variations of such words and similar references to future periods. Any such statements are based on current expectations that involve a number of risks, uncertainties and assumptions (“Future Factors”) that are difficult to predict with regard to timing, extent, likelihood and degree of occurrence. We undertake no obligation to update, amend or clarify forward-looking statements, whether as a result of new information, future events (whether anticipated or unanticipated), or otherwise. Therefore, actual results and outcomes may differ materially from the results expressed or forecasted in such forward-looking statements. Future factors include, among others, adverse changes in interest rates and interest rate relationships; increasing rates of inflation and slower growth rates or recession; significant declines in the value of commercial real estate; market volatility; demand for products and services; climate impact; labor markets; the degree of competition by traditional and nontraditional financial services companies; changes in banking regulation or actions by bank regulators; changes in tax laws and other laws and regulations applicable to us; changes in prices, levies, and assessments; the impact of technological advances; potential cyber-attacks, information security breaches and other criminal activities; litigation liabilities; governmental and regulatory policy changes; the outcomes of existing or future contingencies; trends in customer behavior as well as their ability to repay loans; changes in local real estate values; damage to our reputation resulting from adverse publicity, regulatory actions, litigation, operational failures, and the failure to meet client expectations and other facts; the transition from LIBOR to SOFR; changes in the national and local economies; unstable political and economic environments; disease outbreaks, such as the COVID-19 pandemic or similar public health threats, and measures implemented to combat them; and risk factors described in our annual report on Form 10-K for the year ended December 31, 2022, including those disclosed from time to time in filings made by Mercantile with the Securities and Exchange Commission. Investors are cautioned not to place undue reliance on any forward-looking statements contained herein.

# A Commitment to Excellence

## Performance Highlights

- Relationship Banking Model
- Diversified Lending & Deposit Base
- Pristine Asset Quality
- Strong Capital Position
- Solid Earnings Performance
- Strong Loan Pipelines



**NASDAQ:**
MBWM

$435M
**MARKET CAP**

$4.9B
**TOTAL ASSETS**

$4.0B
**TOTAL LOANS**

$3.6B
**TOTAL DEPOSITS**

# Total Loans*

| *($ in thousands)* | | Balance | Percentage |
|---|---|---|---|
| Commercial Loans | | | |
| Commercial and Industrial | $ | 1,173,500 | 30% |
| Real Estate – Non-Owner Occupied | $ | 1,051,200 | 26% |
| Real Estate – Owner Occupied | $ | 630,200 | 16% |
| Real Estate – Multi-Family & Residential Rental | $ | 219,300 | 5% |
| Real Estate – Land Development & Residential Construction | $ | 66,200 | 2% |
| Total Commercial Loans | $ | 3,140,400 | 79% |
| Retail Loans | | | |
| 1 – 4 Family Mortgages | $ | 795,000 | 20% |
| Other Consumer | $ | 30,100 | 1% |
| Total Retail Loans | $ | 825,100 | 21% |
| Total Loans | $ | 3,965,500 | 100% |

**As of March 31, 2023.*

# Non-Owner Occupied Commercial Real Estate Lending*

| *($ in thousands)* | | Balance | Percentage of NOO CRE | Percentage of Total Loans |
|---|---|---|---|---|
| Retail | $ | 292,000 | 28% | 7% |
| Office | $ | 256,600 | 24% | 6% |
| Industrial | $ | 194,000 | 18% | 5% |
| Assisted Living | $ | 103,600 | 10% | 3% |
| Hotel | $ | 89,800 | 9% | 2% |
| Multi-Family | $ | 75,500 | 7% | 2% |
| Other | $ | 39,700 | 4% | 1% |
| Total | $ | 1,051,200 | 100% | 26% |

**As of March 31, 2023.*

# Asset Quality (Unaudited)

| *($ in thousands)* | | Quarterly | | | | |
|---|---|---|---|---|---|---|
| | | 2023 1st Qtr | 2022 4th Qtr | 2022 3rd Qtr | 2022 2nd Qtr | 2022 1st Qtr |
| Gross loan charge-offs | $ | 100 | 100 | 0 | 0 | 200 |
| Recoveries | $ | 100 | 200 | 200 | 300 | 300 |
| Net loan charge-offs (recoveries) | $ | 0 | (100) | (200) | (300) | (100) |
| Net loan charge-offs (recoveries) to average loans | | (0.01%) | (0.01%) | (0.03%) | (0.04%) | (0.01%) |
| Provision for credit losses | $ | 600 | 3,100 | 2,900 | 500 | 100 |
| Allowance for credit losses | $ | 42,900 | 42,200 | 39,100 | 36,000 | 35,200 |
| Allowance to loans | | 1.08% | 1.08% | 1.01% | 0.97% | 0.99% |
| Nonperforming loans | $ | 7,800 | 7,700 | 1,400 | 1,800 | 1,600 |
| Other real estate/repossessed assets | $ | 700 | 0 | 0 | 0 | 0 |
| Nonperforming loans to total loans | | 0.20% | 0.20% | 0.04% | 0.05% | 0.05% |
| Nonperforming assets to total assets | | 0.17% | 0.16% | 0.03% | 0.04% | 0.03% |

# Loan Repricing*

| | | Commercial | Retail | Total |
|---|---|---|---|---|
| Variable Rate Loans: | | | | |
| 0 – 12 Months | $ | 1,993,000 | 66,200 | 2,059,200 |
| 1 – 5 Years | $ | 42,200 | 140,800 | 183,000 |
| 5 – 15 Years | $ | 59,100 | 356,900 | 416,000 |
| Total | $ | 2,094,300 | 563,900 | 2,658,200 |
| Fixed Rate Loans: | | | | |
| 0 – 12 Months | $ | 135,600 | 7,100 | 142,700 |
| 1 – 5 Years | $ | 841,500 | 50,400 | 891,900 |
| 5 – 15 Years | $ | 143,900 | 128,800 | 272,700 |
| Total | $ | 1,121,000 | 186,300 | 1,307,300 |
| Total Loans: | | | | |
| 0 – 12 Months | $ | 2,128,600 | 73,300 | 2,201,900 |
| 1 – 5 Years | $ | 883,700 | 191,200 | 1,074,900 |
| 5 – 15 Years | $ | 203,000 | 485,700 | 688,700 |
| Total | $ | 3,215,300 | 750,200 | 3,965,500 |

**As of March 31, 2023.*

# Deposits & Sweep Accounts*

| | | Amount | Percentage |
|---|---|---|---|
| Noninterest-Bearing Checking | $ | 1,376,800 | 36% |
| Interest-Bearing Checking | $ | 576,700 | 15% |
| Money Market | $ | 842,600 | 22% |
| Savings | $ | 340,200 | 9% |
| Time Under $100,000 | $ | 132,500 | 3% |
| Time $100,000 & Over | $ | 329,300 | 9% |
| Sweep Accounts | $ | 227,500 | 6% |
| Total | $ | 3,825,600 | 100% |

**As of March 31, 2023.*

# Sources of Liquidity*

| Source | | Availability *($ in thousands)* |
|---|---|---|
| Unsecured Federal Funds Line of Credit | $ | 53,000 |
| FHLB of Indianapolis | $ | 281,000 |
| Unpledged Investments | $ | 365,000 |

**As of March 31, 2023.*

# Net Interest Margin

| | 2023 1st Qtr | 2022 4th Qtr | 2022 3rd Qtr | 2022 2nd Qtr | 2022 1st Qtr | 2021 4th Qtr | 2021 3rd Qtr | 2021 2nd Qtr | 2021 1st Qtr |
|---|---|---|---|---|---|---|---|---|---|
| Earning Asset Yields: | | | | | | | | | |
| Loans | 5.90% | 5.49% | 4.56% | 3.97% | 3.87% | 4.07% | 4.07% | 3.99% | 4.03% |
| Investments | 1.95% | 1.91% | 1.79% | 1.68% | 1.52% | 1.46% | 1.46% | 1.54% | 1.61% |
| Other | 4.18% | 3.60% | 2.15% | 0.76% | 0.19% | 0.15% | 0.16% | 0.12% | 0.11% |
| Total Earning Assets | 5.35% | 4.95% | 4.04% | 3.32% | 2.99% | 3.12% | 3.13% | 3.20% | 3.26% |
| Cost of Funds: | | | | | | | | | |
| Deposits | 0.87% | 0.42% | 0.24% | 0.19% | 0.19% | 0.19% | 0.23% | 0.25% | 0.31% |
| Borrowed Funds | 2.51% | 2.13% | 1.99% | 1.90% | 1.82% | 1.66% | 1.67% | 1.73% | 1.78% |
| Total Earning Assets | 1.07% | 0.65% | 0.48% | 0.44% | 0.42% | 0.38% | 0.42% | 0.44% | 0.49% |
| Net Interest Margin | 4.28% | 4.30% | 3.56% | 2.88% | 2.57% | 2.74% | 2.71% | 2.76% | 2.77% |

| *($ in thousands)* | 3/31/23 | 12/31/22 | 9/30/22 | 6/30/22 | 3/31/22 | 12/31/21 | 9/30/21 | 6/30/21 | 3/31/21 |
|---|---|---|---|---|---|---|---|---|---|
| Investment Unrealized Gain / (Loss) | ($71,200) | ($82,700) | ($91,700) | ($60,300) | ($40,400) | ($4,700) | ($400) | $1,900 | ($2,700) |

# Investment Portfolio

## Gains & Losses *($ in thousands)*

| As of March 31, 2023 | | Amortized Cost | Unrealized Gains | Unrealized Losses | Fair Value |
|---|---|---|---|---|---|
| U.S. Gov't Agency Bonds | $ | 454,000 | - | 57,800 | 396,200 |
| Municipal Bonds - GO | $ | 168,700 | 1,100 | 6,700 | 163,100 |
| Municipal Bonds - Revenue | $ | 30,800 | 200 | 2,400 | 28,600 |
| Mortgage-Backed Securities | $ | 37,200 | - | 5,600 | 31,600 |
| Other Investments | $ | 500 | - | - | 500 |
| Totals | $ | 691,200 | 1,300 | 72,500 | 620,000 |

| As of December 31, 2022 | | | | | |
|---|---|---|---|---|---|
| U.S. Gov't Agency Bonds | $ | 453,800 | - | 65,100 | 388,700 |
| Municipal Bonds - GO | $ | 163,000 | 500 | 9,100 | 154,400 |
| Municipal Bonds - Revenue | $ | 30,300 | 100 | 3,100 | 27,300 |
| Mortgage-Backed Securities | $ | 38,000 | - | 6,000 | 32,000 |
| Other Investments | $ | 500 | - | - | 500 |
| Totals | $ | 685,600 | 600 | 83,300 | 602,900 |

# Capital

## Regulatory Ratios

| *($ in thousands)* | 3/31/23 | 12/31/22 | 9/30/22 | 6/30/22 | 3/31/22 | 12/31/21 | 9/30/21 | 6/30/21 | 3/31/21 |
|---|---|---|---|---|---|---|---|---|---|
| As Reported: | | | | | | | | | |
| Tier 1 Leverage Capital Ratio | 12.16% | 11.55% | 11.00% | 10.75% | 10.50% | 10.40% | 9.25% | 9.40% | 9.45% |
| Total Risk-Based Capital Ratio | 13.81% | 13.65% | 13.35% | 13.45% | 13.75% | 13.65% | 12.45% | 13.00% | 13.25% |
| Adjusted for Unrealized Gains / Losses: | | | | | | | | | |
| Tier 1 Leverage Capital Ratio | 11.13% | 10.38% | 9.79% | 9.91% | 9.93% | 10.34% | 9.27% | 9.43% | 9.44% |
| Total Risk-Based Capital Ratio | 12.74% | 12.39% | 11.93% | 12.48% | 13.10% | 13.55% | 12.42% | 13.04% | 13.22% |
| Excess Total Risked-Based Capital @ 10.0%: | | | | | | | | | |
| As Reported | $175,700 | $165,600 | $150,300 | $149,100 | $156,900 | $146,900 | $94,300 | $110,200 | $114,900 |
| Adjusted for Unrealized Gains / Losses | $124,800 | $106,800 | $84,900 | $106,200 | $128,300 | $143,500 | $93,900 | $111,600 | $113,300 |
| Net Unrealized Gain / (Loss): | | | | | | | | | |
| Pre-Tax | ($71,200) | ($82,700) | ($91,700) | ($60,300) | ($40,400) | ($4,700) | ($400) | $1,900 | ($2,200) |
| After Tax | ($56,300) | ($65,300) | ($72,400) | ($47,600) | ($31,900) | ($3,700) | ($300) | $1,500 | ($1,700) |

# Thoughts on Remainder of 2023

## Rising Prime/LIBOR/SOFR Rates

Federal funds rate remains unchanged during the remainder of 2023.

## Performance Metrics

| | 2nd Qtr | 3rd Qtr | 4th Qtr |
|---|---|---|---|
| Loan Growth | 6.00% – 8.00% | 6.00% – 8.00% | 6.00% – 8.00% |
| Net Interest Margin | 3.85% – 3.95% | 3.70% – 3.80% | 3.60% – 3.70% |
| Fee Income | $6.5M – $7.0M | $6.5M – $7.0M | $6.0M – $6.5M |
| Overhead Costs | $27.0M – $28.0M | $28.0M – $29.0M | $28.0M – $29.0M |
| Federal Tax Rate | 19.75% | 19.75% | 19.75% |

# VOTING RESULTS

## SHAREHOLDER PROPOSALS

- Election of Six Directors (each for a one-year term)
- Approval of the Mercantile Bank Corporation Stock Incentive Plan of 2023
- Ratification of Plante & Moran, PLLC as Independent Registered Public Accounting Firm for 2023
- Advisory Approval of the Compensation of the Named Executive Officers

## QUESTIONS FOR ACCOUNTANTS &

# COUNSEL



**ROBERT BONDY**
Accounting Firm
Plante & Moran, PLLC



**CYNTHIA A. MOORE**
Legal Counsel
Dickinson Wright, PLLC



**BRAD WYATT**
Legal Counsel
Dickinson Wright, PLLC

# QUESTIONS FOR MANAGEMENT



**ROBERT B. KAMINSKI, JR.**

President and
Chief Executive Officer



**RAYMOND E. REITSMA**

Executive Vice President
Chief Operating Officer
and President of the Bank



**CHARLES E. CHRISTMAS**

Executive Vice President
Chief Financial Officer
and Treasurer

2023

Mercantile Bank Corporation

# THANK YOU

NASDAQ Global Select Market Symbol: MBWM

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