



**MERCANTILE BANK CORPORATION
MERCANTILE BANK**

Corporate Governance Guidelines

1. Board Size

- 10 to 15 Directors on the Bank Board and Corporate Board is optimal. This approach is flexible depending on the circumstances and the qualifications of proposed candidates.

2. Number, Structure and Function of Committees

- The number, structure and function of Board Committees are reviewed and recommended by the Governance and Nominating Committee.
- The Audit Committee, Compensation Committee, and the Governance and Nominating Committee each have a written Charter.

3. Board Meetings

- The frequency and length of Board and Committee meetings are determined by the Chairperson of the Board, Committee Chairpersons and the Chief Executive Officer, with input from the Directors.

4. Agenda Items

- Agenda items for Board or Board Committee meetings can be determined by one or more Directors at any time.

5. Business Information

- Business materials and other relevant information, to the extent practical, are distributed in advance of meetings.

6. Presentations by Management

- Members of Management report at each meeting on business and other topics of interest to the Board.

7. Executive Sessions

- The non-Management Directors of the Corporation's Board will meet in Executive Sessions without Management at least twice a year. Invitations may be extended to the Bank Board Directors to participate on an occasional basis and is at the discretion of the Corporate Board. The Executive Sessions are facilitated by an independent Director designated by the Board of Directors to be the Executive Session Facilitator or the Chairperson of the Committee responsible for the principal subject being discussed.

8. Reports and Recommendations by the Committees to the Board

- The Board Committees regularly report to the Board on their proceedings and deliberations.
- The Board Committees make recommendations to the Board for actions requiring their recommendations under the rules of the NASDAQ Stock Market or other rules applicable to the Company, and when the Board or a Committee believes that a recommendation would be helpful.
- Minutes are kept of meetings of Board Committees and are available to all Directors.

9. Director Qualifications, Responsibilities, Orientation and Continuing Education

- Director qualifications are reviewed by the Governance and Nominating Committee and subsequently by the Board in connection with the nomination of candidates for election at the annual meeting or appointments to fill vacancies.
- The Company's business is managed under the direction of the Board of Directors. Directors are expected to invest the time and effort necessary to understand the Company's business and financial strategies and challenges. The basic duties and responsibilities of the Directors include attending Board meetings, preparing for meetings by advance review of any meeting materials and actively participating in Board discussions.
- Company Management is responsible for providing orientation materials to, and scheduling orientation sessions for, new Directors. The Officers of the Company will also work with the Chairperson of the Board and Committee Chairpersons as necessary to periodically provide materials and other guidance that would assist Directors with their continuing education.

10. Director Nomination Process and Shareholder Recommendations

- The Governance and Nominating Committee identifies and evaluates Director candidates for the Board, including candidates proposed by shareholders and third parties. The Committee makes recommendations for Directors to the Board, who nominates candidates for Director positions.
- The Governance and Nominating Committee uses an informal process to identify potential candidates for nomination as Directors. Candidates for nomination are typically recommended by an Executive Officer or Director and considered by the Committee and the Board of Directors.
- The Governance and Nominating Committee considers diversity as one of many important aspects as they contemplate Director Candidates for both of the Boards. Mercantile is committed to fostering, cultivating and preserving a culture of diversity, equity and inclusion, because embracing human diversity makes the organization stronger and reflective of the communities we serve. The Governance and Nominating Committee considers gender, racial and ethnic diversity to be an asset when identifying Director Candidates.
- The Governance and Nominating Committee has not adopted specific minimum qualifications that it believes must be met by a person it recommends for nomination as a Director. In evaluating candidates for nomination, the Committee will consider the factors it believes to be appropriate, including the candidate's personal and

professional integrity, business judgment, relevant experience and skills, and potential to be an effective Director in conjunction with the rest of the Board of Directors in collectively serving the long-term interests of the Company's shareholders.

- When considering an existing Director for nomination for re-election to the Board, the Governance and Nominating Committee will also consider the Director's Board and Committee attendance, performance and length of service.
- If a Director is up for re-election and turning seventy-two (72) during the calendar year in which his or her term would commence, he or she would not be nominated for election. The Governance and Nominating Committee has the authority to retain a search firm to assist it in identifying Director Candidates.

11. Shareholders Recommendations and Nominations of Directors

- The Governance and Nominating Committee will consider as potential nominees, persons recommended by shareholders. Recommendations should be submitted to the Committee in care of the Secretary of the Company, 310 Leonard Street NW, Grand Rapids, Michigan 49504. Each recommendation should include a personal biography of the suggested nominee, an indication of the background or experience that qualifies the person for consideration.
- The Governance and Nominating Committee shall not give preference to any potential nominee because such nominee is recommended to the Committee by a Shareholder.
- Shareholders who themselves wish to effectively nominate a person for election to the Board of Directors, as contrasted with recommending a potential nominee to the Governance and Nominating Committee for its consideration, are required to comply with the advance notice and other requirements set forth in the Company's Articles of Incorporation.

12. Director Independence

- The Board will be composed of a majority of independent Directors.
- The Audit Committee, Compensation Committee, and Governance and Nominating Committee will be composed entirely of independent Directors.
- The Governance and Nominating Committee and the full Board annually review the financial and other relationships disclosed between the non-Management Bank Directors and the Company and/or the Bank. The Governance and Nominating Committee makes recommendations to the Board about the independence of non-Management Directors and the Board determines whether such Directors are independent.

13. Change in Position

- Directors will offer to resign from the Board of Directors upon a significant change in position or responsibility from that held when they were elected to the Board. The offer will be considered by the Governance and Nominating Committee, who will recommend to the Board of Directors whether, and on what conditions, to accept or reject the offer. The Board of Directors will make the decision as to whether or not to accept or reject the offer.

14. Retirement Age and Term Limits (Corporation & Bank Directors)

- The mandatory retirement age for Directors shall be seventy-two (72) years of age. A Director who reaches the mandatory retirement age while in office will retire from the Board of Directors at the annual meeting following when they turn 72.
- The Board does not believe it should limit the number of terms that an individual may serve as a Director. Directors who have served on the Board for an extended period of time are able to provide valuable insight into the operations and future of the Company based on their experience with and understanding of the Company's history, policies and objectives.

15. Director Compensation and Stock Ownership (Corporation & Bank Directors)

- Director compensation is periodically reviewed by the Compensation Committee, usually on an annual basis.
- The Committee's review includes a comparison of the Company's Director compensation practices with the practices of other comparable peer banks.
- Director and Executive Officer stock ownership is annually reviewed by the Governance and Nominating Committee.
- Within five (5) years of appointment to the Board, each non-management Director is expected to acquire and continue to hold stock-based holdings in the Company of an aggregate market value, which equals or exceeds five (5) times the rate of their regular annual retainer.

16. Executive Officer Stock Ownership (Named Executive Officers)

- Within five (5) years of becoming a Named Executive Officer (NEO) of the Company, each Named Executive Officer is expected to acquire and continue to hold stock-based holdings in the Company of an aggregate market value, which equals or exceeds the following position guidelines:

POSITION

Chief Executive Officer

Other Named Executive Officers

NUMBER OF SHARES

Value equivalent to 5 times base salary

Value equivalent to 2 times base salary

- All shares beneficially owned by a given Named Executive Officer will be credited toward the target level, including without limitation:
 - Shares owned outright or with an immediate family member;
 - Shares beneficially owned through a trust or other estate planning vehicle;
 - Shares held in benefit plans (e.g., 401(k), stock purchase plan, etc.); and
 - Unvested restricted shares

17. Board and Committee Self-Evaluation

- The Board evaluates its performance and that of each Committee annually, as recommended and administered by the Governance and Nominating Committee and may do so in Executive Session. The Board will conduct these evaluations at least annually.

18. Access to Senior Management and Independent Advisors

- Management is available to discuss matters of concern to Directors and Directors have regular access to Senior Management.
- The Board may retain independent advisors as it deems appropriate in its discretion.

19. Interaction with Third Parties

- Management is the primary voice of the Company.

20. Evaluation of Executive Officers

- The performance of the Chief Executive Officer is formally reviewed annually by the Compensation Committee. The Chief Executive Officer will periodically report on the performance of the other Executive Officers to the Compensation Committee.

21. Management Resources and Succession

- The Chief Executive Officer reports regularly to the Board of Directors on succession planning and management development. The Board's practice is to conduct an annual review.

22. Attending Annual Meetings of Shareholders

- Directors are expected to attend the annual meetings of shareholders.

23. Shareholders Communications with Directors

- Shareholders and other persons may send communications to members of the Board who serve on the Audit Committee by utilizing the webpage on the Company's website (www.mercbank.com) designated for that purpose.
- Communications received through the webpage are reviewed by a member of the Internal Audit staff and the Chairperson of the Audit Committee. Communications that relate to functions of the Board or its Committees, or that either of them believe requires the attention of members of the Board are provided to the entire Audit Committee, and reported to the Board by a member of the Audit Committee. Directors may review a log of these communications, and request copies of any of the communications.