

---

## Section 1: 8-K (FORM 8-K)

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

---

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of Report (date of earliest event reported): January 22, 2019

---

### Mercantile Bank Corporation

(Exact name of registrant as specified in its charter)

**Michigan**  
(State or other jurisdiction  
of incorporation)

**000-26719**  
(Commission File  
Number)

**38-3360865**  
(IRS Employer  
Identification Number)

**310 Leonard Street NW, Grand Rapids, Michigan**  
(Address of principal executive offices)

**49504**  
(Zip Code)

Registrant's telephone number, including area code

**616-406-3000**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**Item 2.02 Results of Operations and Financial Condition.**

***Earnings Release***

On January 22, 2019, Mercantile Bank Corporation issued a press release announcing earnings and other financial results for the quarter and year ended December 31, 2018. A copy of the press release is furnished as Exhibit 99.1 to this report and incorporated here by reference.

In accordance with General Instruction B.2 of Form 8-K, the information in this Current Report on Form 8-K, including Exhibit 99.1, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

| <u>Exhibit Number</u> | <u>Description</u>   |
|-----------------------|--|
| 99.1                  | <a href="#"><u>Press release of Mercantile Bank Corporation dated January 22, 2019, reporting financial results and earnings for the quarter and year ended December 31, 2018.</u></a> |

## Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Mercantile Bank Corporation

By: /s/ Charles E. Christmas  
Charles E. Christmas  
Executive Vice President, Chief  
Financial Officer and Treasurer

Date: January 22, 2019

## Exhibit Index

| <u>Exhibit Number</u> | <u>Description</u>  |
|-----------------------|---|
| 99.1                  | Press release of Mercantile Bank Corporation dated January 22, 2019, reporting financial results and earnings for the quarter and year ended December 31, 2018. |

[\(Back To Top\)](#)

## **Section 2: EX-99.1 (EXHIBIT 99.1)**

**Exhibit 99.1**



### **Mercantile Bank Corporation Announces Strong Fourth Quarter and Full Year 2018 Results**

*Robust profitability and loan growth of nearly 8 percent highlight 2018*

**GRAND RAPIDS, Mich., January 22, 2019** – Mercantile Bank Corporation (NASDAQ: MBWM) ("Mercantile") reported net income of \$11.6 million, or \$0.70 per diluted share, for the fourth quarter of 2018, compared with net income of \$8.0 million, or \$0.48 per diluted share, for the respective prior-year period. For the full year 2018, Mercantile reported net income of \$42.0 million, or \$2.53 per diluted share, compared with net income of \$31.3 million, or \$1.90 per diluted share, for the full year 2017.

Net income during the fourth quarter and full year 2018 benefited from a reduction in the corporate federal income tax rate, which was lowered from 35 percent to 21 percent on January 1, 2018, as a result of the enactment of the Tax Cuts and Jobs Act. Mercantile's effective tax rate was 18.7 percent and 18.9 percent during the fourth quarter and full year 2018, respectively, down from 35.9 percent and 32.1 percent during the respective prior-year periods.

The fourth quarter and full year were highlighted by:

- Robust earnings and capital position
- Strong and stable net interest margin
- Solid growth in a variety of fee income categories
- Controlled overhead costs
- Strong asset quality, as depicted by low levels of nonperforming assets and loans in the 30- to 89-days delinquent category
- Net loan growth of \$195 million, or nearly 8 percent, during the full year
- New commercial term loan originations of approximately \$136 million during the fourth quarter and \$508 million during the full year
- Sustained strength in commercial loan pipeline
- Announced first quarter 2019 regular cash dividend of \$0.26 per common share, an increase of 4.0 percent from the regular cash dividend paid during the fourth quarter of 2018
- Mercantile Bank of Michigan received a Community Reinvestment Act rating of "Outstanding" for the fourth consecutive examination

“We are very pleased that the solid operating performance we demonstrated during the first nine months of 2018 continued during the fourth quarter,” said Robert B. Kaminski, Jr., President and Chief Executive Officer of Mercantile. “Our financial performance exhibited throughout the year reflects a solid net interest margin, strong asset quality, increases in certain fee income categories, and controlled overhead costs. In spite of continuing competitive pressures in our markets, we were able to record robust growth in the loan portfolio. Based on our current commercial and residential loan pipelines, we are confident that solid loan growth can be realized in future periods. In addition to being pleased with our ongoing financial strength, we are proud to report that Mercantile Bank of Michigan once again received an “Outstanding” Community Reinvestment Act rating, which depicts our continuing focus on meeting the needs of the communities we serve.”

## **Operating Results**

Total revenue, which consists of net interest income and noninterest income, was \$36.2 million during the fourth quarter of 2018, up \$3.3 million, or 10.0 percent, from the prior-year fourth quarter. Net interest income during the fourth quarter of 2018 was \$30.8 million, up \$2.4 million, or 8.5 percent, from the fourth quarter of 2017, primarily reflecting a 22 basis point increase in the net interest margin and a 6.8 percent increase in average total loans. Total revenue was \$139 million during the full year 2018, up \$10.3 million, or 8.0 percent, from 2017. Net interest income was \$120 million in 2018, up \$10.3 million, or 9.4 percent, from the prior year, mainly reflecting a 17 basis point increase in the net interest margin and a 5.9 percent increase in average total loans.

The net interest margin was 3.98 percent in the fourth quarter of 2018, up from 3.76 percent in the prior-year fourth quarter. The improved net interest margin depicts a higher yield on average earning assets, mainly reflecting an increased yield on commercial loans and a change in earning asset mix, which more than offset a higher cost of funds, primarily resulting from increased costs of certain non-time deposit accounts, time deposits, and borrowed funds. The increased yield on commercial loans primarily reflects the impact of higher interest rates on variable-rate commercial loans, which comprised about 55 percent of total commercial loans, stemming from the Federal Open Market Committee raising the targeted federal funds rate by 25 basis points in each of the past five quarters. The change in earning asset mix mainly reflects loan growth and a reduction in interest-earning deposit balances. On average, higher-yielding loans represented 87.9 percent of earning assets during the fourth quarter of 2018, up from 84.0 percent during the prior-year fourth quarter, while lower-yielding interest-earning deposit balances represented 1.0 percent of earning assets during the fourth quarter of 2018, down from 4.6 percent during the fourth quarter of 2017.

The net interest margin was 3.96 percent in 2018, up from 3.79 percent in 2017. The increased net interest margin reflects a higher yield on average earning assets, primarily depicting an improved yield on commercial loans, which more than offset a higher cost of funds, mainly resulting from increased costs of certain non-time deposit accounts, time deposits, and borrowed funds. The increased yield on commercial loans primarily reflects the impact of higher interest rates on variable-rate commercial loans stemming from the Federal Open Market Committee raising the targeted federal funds rate by 25 basis points on four occasions during 2018 and three occasions during 2017.

Net interest income and the net interest margin during 2018 and 2017 were also affected by purchase accounting accretion and amortization entries associated with the fair value measurements recorded effective June 1, 2014. Increases in interest income on loans totaling \$4.0 million and \$4.6 million were recorded during 2018 and 2017, respectively. Purchased loan accretion amounts vary from period to period as a result of periodic cash flow re-estimations, loan payoffs, and payment performance. An increase in interest expense on subordinated debentures totaling \$0.7 million was recorded during both 2018 and 2017.

Mercantile recorded no provision expense during the fourth quarter of 2018, compared to a provision expense of \$0.6 million during the prior-year fourth quarter. During 2018, Mercantile recorded a provision for loan losses of \$1.1 million, compared to a provision of \$3.0 million during 2017. No provision expense was recorded during the fourth quarter of 2018 as the positive impact of net loan recoveries offset increased reserve allocations necessitated by loan growth and changes in loan loss reserve environmental factors. The provision expense recorded during 2018 and 2017 primarily reflects ongoing loan growth and periodic adjustments to loan loss reserve environmental factors.

Noninterest income during the fourth quarter of 2018 was \$5.4 million. Noninterest income during the quarter included a one-time \$0.9 million accounting adjustment related to mortgage banking activities in prior years; excluding this adjustment, noninterest income decreased slightly in the fourth quarter of 2018 compared to the prior-year fourth quarter. Noninterest income totaled \$19.0 million during both 2018 and 2017. Noninterest income during 2018 included the previously mentioned mortgage banking activity adjustment, while noninterest income during 2017 included a \$1.4 million bank owned life insurance death benefit claim; excluding these transactions, noninterest income increased \$0.5 million, or 2.9 percent, during 2018 compared to 2017. Growth in credit and debit card fees, payroll processing revenue, and treasury management income during the fourth quarter of 2018 was more than offset by a decline in mortgage banking activity income, while growth in these revenue streams during the full year 2018 surpassed a decrease in mortgage banking activity income. Although Mercantile believes its market share increased during 2018, mortgage banking activity income declined during the 2018 periods compared to the respective 2017 periods primarily due to the impacts of a limited supply of homes for sale in the Bank's markets and lower refinance activity due to rising residential mortgage loan interest rates.

Noninterest expense totaled \$22.0 million during the fourth quarter of 2018, up \$2.1 million, or 10.6 percent, from the prior-year fourth quarter. Noninterest expense during 2018 was \$86.2 million, an increase of \$6.5 million, or 8.1 percent, from the \$79.7 million expensed during 2017. The higher level of expense in the 2018 periods primarily resulted from increased salary costs, mainly reflecting annual employee merit pay increases and higher stock-based compensation expense. In addition, a one-time pay increase for all hourly employees that totaled \$1.6 million on an annualized basis became effective on April 1, 2018, contributing to the higher level of noninterest expense.

Mr. Kaminski continued, "As expected, our ongoing emphasis on disciplined loan pricing and sound underwriting, along with a beneficial balance sheet structure, produced a healthy and steady net interest margin throughout 2018. Our improved yield on earning assets, mainly reflecting increased interest rates on variable-rate commercial loans, more than offset a higher cost of funds stemming from the continuing rising interest rate environment. We anticipate that any further interest rate hikes initiated by the Federal Open Market Committee will have a positive impact on our net interest income in light of our current balance sheet structure. We are pleased with the increases in certain fee income categories and remain committed to controlling overhead costs. Although our mortgage banking activity income was hampered in 2018 by a lack of inventory in our markets and lower refinance activity, we are hopeful that our current loan pipeline, prominent level of pre-qualifications, and heightened efforts to sell a greater percentage of originated mortgage loans should result in solid levels of income in future periods."

## Balance Sheet

As of December 31, 2018, total assets were \$3.36 billion, up \$77.2 million, or 2.3 percent, from December 31, 2017. Total loans increased \$195 million, or 7.6 percent, to \$2.75 billion over the same time period. Approximately \$136 million and \$508 million in commercial term loans to new and existing borrowers were originated during the fourth quarter and full year of 2018, respectively, as ongoing sales and relationship-building efforts resulted in increased lending opportunities. As of December 31, 2018, unfunded commitments on commercial construction and development loans totaled approximately \$170 million, which are expected to be largely funded over the next 12 to 18 months.

Ray Reitsma, President of Mercantile Bank of Michigan, noted, "We are very pleased with the net loan growth achieved during 2018, along with the level of new commercial term loan originations, which exceeded \$500 million for the fourth consecutive year. Net loan growth during 2018 reflects higher levels of commercial loans and residential mortgage loans. All commercial loan segments, most notably the commercial and industrial loan portfolio, grew during the year. The solid growth in commercial loans depicts our ongoing efforts to identify new lending opportunities and meet the credit needs of our existing customers, while growth in residential mortgage loans reflects the continuing success of strategic initiatives that were centered on increasing our market penetration. We remain committed to growing the loan portfolio with an emphasis on risk-based pricing and sound underwriting parameters. In light of our current commercial loan and residential loan pipelines, additional lending opportunities conveyed by commercial lenders, and the level of residential mortgage loan pre-qualifications, we believe that we can grow the commercial and residential loan portfolios in future periods."

As of December 31, 2018, commercial and industrial loans and owner-occupied commercial real estate loans combined represented approximately 58 percent of total commercial loans.

Total deposits at December 31, 2018 were \$2.46 billion, down \$58.7 million from December 31, 2017. Local deposits were down \$69.2 million, and out-of-area deposits were up \$10.5 million since year-end 2017. The decrease in local deposits during the current year mainly depicts the managed reduction of public unit time deposits given the strong competition and resulting relatively high interest rates in Mercantile's markets and declines in certain personal account products stemming from depositors using funds for personal investments and expenditures. Noninterest-bearing checking accounts reflected solid growth during 2018 primarily due to new commercial loan relationships. Wholesale funds were \$474 million, or approximately 16 percent of total funds, as of December 31, 2018, compared to \$323 million, or about 11 percent of total funds, as of December 31, 2017.

## Asset Quality

Nonperforming assets at December 31, 2018, were \$5.0 million, or 0.2 percent of total assets, compared to \$9.4 million, or 0.3 percent of total assets, at December 31, 2017. The decline in nonperforming assets during 2018 primarily reflects successful loan collection efforts and sales of bank-owned properties that were no longer being used or considered for use as bank facilities. The level of past due loans remains nominal, and loan relationships on the internal watch list generally declined in number and dollar volume during 2018. Net loan recoveries were \$0.7 million during the fourth quarter of 2018 and \$1.8 million for the full year 2018. Net loan charge-offs were \$0.3 million during the fourth quarter of 2017 and \$1.4 million for the full year 2017, representing 0.05 percent and 0.06 percent of average total loans, respectively.

## **Capital Position**

Shareholders' equity totaled \$375 million as of December 31, 2018, an increase of \$9.4 million from year-end 2017. The Bank's capital position remains above "well-capitalized" with a total risk-based capital ratio of 12.3 percent as of December 31, 2018, compared to 12.6 percent at December 31, 2017. At December 31, 2018, the Bank had approximately \$72 million in excess of the 10.0 percent minimum regulatory threshold required to be considered a "well-capitalized" institution. Mercantile reported 16,534,256 total shares outstanding at December 31, 2018.

As part of a \$20 million common stock repurchase program announced in January of 2015, which was expanded by \$15 million in early 2016, Mercantile repurchased approximately 200,000 shares for \$5.9 million, or a weighted average all-in cost per share of \$29.73, during the fourth quarter of 2018; no shares were repurchased during the first nine months of 2018. As of December 31, 2018, future share repurchases totaling \$9.6 million could be made under the program.

Mr. Kaminski concluded, "Our strong financial performance during 2018 enabled us to reward shareholders with the increased payment of regular quarterly cash dividends and a special dividend during the fourth quarter. As demonstrated by our continuing cash dividend program, including the announcement of an increased first quarter 2019 regular cash dividend earlier today, we remain dedicated to building shareholder value. Our relationship-based banking philosophy, which entails meeting customers' needs through the efficient delivery of a wide array of products and services, continues to attract new clients and has allowed us to retain existing customers. We believe that our sound financial condition positions us to meet growth objectives and enhance shareholder value in future periods."

## **About Mercantile Bank Corporation**

Based in Grand Rapids, Michigan, Mercantile Bank Corporation is the bank holding company for Mercantile Bank of Michigan. Mercantile provides banking services to businesses, individuals and governmental units, and differentiates itself on the basis of service quality and the expertise of its banking staff. Mercantile has assets of approximately \$3.4 billion and operates 47 banking offices. Mercantile Bank Corporation's common stock is listed on the NASDAQ Global Select Market under the symbol "MBWM."



## **Forward-Looking Statements**

This news release contains comments or information that constitute forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) that are based on current expectations that involve a number of risks and uncertainties. Actual results may differ materially from the results expressed in forward-looking statements. Factors that might cause such a difference include changes in interest rates and interest rate relationships; demand for products and services; the degree of competition by traditional and nontraditional competitors; changes in banking regulation or actions by bank regulators; changes in tax laws; changes in prices, levies, and assessments; the impact of technological advances; governmental and regulatory policy changes; the outcomes of contingencies; trends in customer behavior as well as their ability to repay loans; changes in local real estate values; changes in the national and local economies; and other factors, including risk factors, disclosed from time to time in filings made by Mercantile with the Securities and Exchange Commission. Mercantile undertakes no obligation to update or clarify forward-looking statements, whether as a result of new information, future events or otherwise.

## **FOR FURTHER INFORMATION:**

Robert B. Kaminski, Jr.  
President and CEO  
616-726-1502  
[rkaminski@mercbank.com](mailto:rkaminski@mercbank.com)

Charles Christmas  
Executive Vice President and CFO  
616-726-1202  
[cchristmas@mercbank.com](mailto:cchristmas@mercbank.com)

MERCANTILE BANK CORPORATION  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)

|   | DECEMBER 31,<br>2018           | DECEMBER 31,<br>2017           | DECEMBER 31,<br>2016           |
|---|--------------------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>                                     |                                |                                |                                |
| Cash and due from banks                           | \$ 64,872,000                  | \$ 55,127,000                  | \$ 50,200,000                  |
| Interest-earning deposits                         | 10,482,000                     | 144,974,000                    | 133,396,000                    |
| Total cash and cash equivalents                   | <u>75,354,000</u>              | <u>200,101,000</u>             | <u>183,596,000</u>             |
| Securities available for sale                     | 337,366,000                    | 335,744,000                    | 328,060,000                    |
| Federal Home Loan Bank stock                      | 16,022,000                     | 11,036,000                     | 8,026,000                      |
| Loans   | 2,753,085,000                  | 2,558,552,000                  | 2,378,620,000                  |
| Allowance for loan losses                         | (22,380,000)                   | (19,501,000)                   | (17,961,000)                   |
| Loans, net  | <u>2,730,705,000</u>           | <u>2,539,051,000</u>           | <u>2,360,659,000</u>           |
| Premises and equipment, net                       | 48,321,000                     | 46,034,000                     | 45,456,000                     |
| Bank owned life insurance                         | 69,647,000                     | 68,689,000                     | 67,198,000                     |
| Goodwill  | 49,473,000                     | 49,473,000                     | 49,473,000                     |
| Core deposit intangible                           | 5,561,000                      | 7,600,000                      | 9,957,000                      |
| Other assets                                      | <u>31,458,000</u>              | <u>28,976,000</u>              | <u>30,146,000</u>              |
| <b>Total assets</b>                               | <u><u>\$ 3,363,907,000</u></u> | <u><u>\$ 3,286,704,000</u></u> | <u><u>\$ 3,082,571,000</u></u> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |                                |                                |                                |
| Deposits:   |                                |                                |                                |
| Noninterest-bearing                               | \$ 889,784,000                 | \$ 866,380,000                 | \$ 810,600,000                 |
| Interest-bearing                                  | 1,573,924,000                  | 1,655,985,000                  | 1,564,385,000                  |
| Total deposits                                    | <u>2,463,708,000</u>           | <u>2,522,365,000</u>           | <u>2,374,985,000</u>           |
| Securities sold under agreements to repurchase    | 103,519,000                    | 118,748,000                    | 131,710,000                    |
| Federal Home Loan Bank advances                   | 350,000,000                    | 220,000,000                    | 175,000,000                    |
| Subordinated debentures                           | 46,199,000                     | 45,517,000                     | 44,835,000                     |
| Accrued interest and other liabilities            | 25,232,000                     | 14,204,000                     | 15,230,000                     |
| Total liabilities                                 | <u>2,988,658,000</u>           | <u>2,920,834,000</u>           | <u>2,741,760,000</u>           |
| <b>SHAREHOLDERS' EQUITY</b>                       |                                |                                |                                |
| Common stock                                      | 308,005,000                    | 309,772,000                    | 305,488,000                    |
| Retained earnings                                 | 75,483,000                     | 60,132,000                     | 40,904,000                     |
| Accumulated other comprehensive income/(loss)     | (8,239,000)                    | (4,034,000)                    | (5,581,000)                    |
| Total shareholders' equity                        | <u>375,249,000</u>             | <u>365,870,000</u>             | <u>340,811,000</u>             |
| <b>Total liabilities and shareholders' equity</b> | <u><u>\$ 3,363,907,000</u></u> | <u><u>\$ 3,286,704,000</u></u> | <u><u>\$ 3,082,571,000</u></u> |

MERCANTILE BANK CORPORATION  
CONSOLIDATED REPORTS OF INCOME  
(Unaudited)

|  | THREE<br>MONTHS<br>ENDED<br>December 31,<br>2018 | THREE<br>MONTHS<br>ENDED<br>December 31,<br>2017 | TWELVE<br>MONTHS<br>ENDED<br>December 31,<br>2018 | TWELVE<br>MONTHS<br>ENDED<br>December 31,<br>2017 |
|--|--|--|---|---|
| <b>INTEREST INCOME</b>                                     |  |  |   |   |
| Loans, including fees                                      | \$ 34,676,000                                    | \$ 30,411,000                                    | \$ 131,763,000                                    | \$ 116,816,000                                    |
| Investment securities                                      | 2,347,000  | 2,036,000  | 8,975,000   | 7,631,000   |
| Other interest-earning assets                              | 172,000  | 455,000  | 1,243,000   | 1,096,000   |
| Total interest income                                      | <u>37,195,000</u>                                | <u>32,902,000</u>                                | <u>141,981,000</u>                                | <u>125,543,000</u>                                |
| <b>INTEREST EXPENSE</b>                                    |  |  |   |   |
| Deposits   | 3,949,000  | 2,819,000  | 13,869,000  | 9,362,000   |
| Short-term borrowings                                      | 92,000   | 48,000   | 273,000   | 190,000   |
| Federal Home Loan Bank advances                            | 1,513,000  | 966,000  | 4,647,000   | 3,657,000   |
| Other borrowed money                                       | 823,000  | 667,000  | 3,110,000   | 2,586,000   |
| Total interest expense                                     | <u>6,377,000</u>                                 | <u>4,500,000</u>                                 | <u>21,899,000</u>                                 | <u>15,795,000</u>                                 |
| <b>Net interest income</b>                                 | 30,818,000                                       | 28,402,000                                       | 120,082,000                                       | 109,748,000                                       |
| Provision for loan losses                                  | <u>0</u>   | <u>600,000</u>                                   | <u>1,100,000</u>                                  | <u>2,950,000</u>                                  |
| <b>Net interest income after provision for loan losses</b> | 30,818,000                                       | 27,802,000                                       | 118,982,000                                       | 106,798,000                                       |
| <b>NONINTEREST INCOME</b>                                  |  |  |   |   |
| Service charges on accounts                                | 1,099,000  | 1,085,000  | 4,358,000   | 4,233,000   |
| Credit and debit card income                               | 1,399,000  | 1,263,000  | 5,354,000   | 4,760,000   |
| Mortgage banking income                                    | 994,000  | 1,188,000  | 4,109,000   | 4,421,000   |
| Payroll services   | 335,000  | 323,000  | 1,462,000   | 1,305,000   |
| Earnings on bank owned life insurance                      | 318,000  | 337,000  | 1,287,000   | 2,731,000   |
| Other income   | 1,225,000  | 307,000  | 2,440,000   | 1,551,000   |
| Total noninterest income                                   | <u>5,370,000</u>                                 | <u>4,503,000</u>                                 | <u>19,010,000</u>                                 | <u>19,001,000</u>                                 |
| <b>NONINTEREST EXPENSE</b>                                 |  |  |   |   |
| Salaries and benefits                                      | 12,884,000                                       | 11,601,000                                       | 50,910,000  | 45,397,000  |
| Occupancy  | 1,662,000  | 1,479,000  | 6,711,000   | 6,186,000   |
| Furniture and equipment                                    | 681,000  | 543,000  | 2,470,000   | 2,168,000   |
| Data processing costs                                      | 2,141,000  | 2,067,000  | 8,557,000   | 8,222,000   |
| Other expense  | 4,590,000  | 4,158,000  | 17,522,000  | 17,743,000  |
| Total noninterest expense                                  | <u>21,958,000</u>                                | <u>19,848,000</u>                                | <u>86,170,000</u>                                 | <u>79,716,000</u>                                 |
| <b>Income before federal income tax expense</b>            | 14,230,000                                       | 12,457,000                                       | 51,822,000  | 46,083,000  |
| Federal income tax expense                                 | <u>2,657,000</u>                                 | <u>4,478,000</u>                                 | <u>9,798,000</u>                                  | <u>14,809,000</u>                                 |
| <b>Net Income</b>  | <u>\$ 11,573,000</u>                             | <u>\$ 7,979,000</u>                              | <u>\$ 42,024,000</u>                              | <u>\$ 31,274,000</u>                              |
| Basic earnings per share                                   | \$ 0.70  | \$ 0.48  | \$ 2.53   | \$ 1.90   |
| Diluted earnings per share                                 | \$ 0.70  | \$ 0.48  | \$ 2.53   | \$ 1.90   |
| Average basic shares outstanding                           | 16,594,412                                       | 16,525,625                                       | 16,600,612  | 16,478,968  |
| Average diluted shares outstanding                         | 16,600,108                                       | 16,536,225                                       | 16,606,416  | 16,489,070  |

MERCANTILE BANK CORPORATION  
CONSOLIDATED FINANCIAL HIGHLIGHTS  
(Unaudited)

| (dollars in thousands except per share data) | Quarterly    |            |            |            |            | Year-To-Date |            |
|--|--------------|------------|------------|------------|------------|--------------|------------|
|  | 2018         | 2018       | 2018       | 2018       | 2017       | 2018         | 2017       |
|  | 4th Qtr      | 3rd Qtr    | 2nd Qtr    | 1st Qtr    | 4th Qtr    |              |            |
| <b>EARNINGS</b>                              |              |            |            |            |            |              |            |
| Net interest income                          | \$ 30,818    | 29,840     | 29,225     | 30,199     | 28,402     | 120,082      | 109,748    |
| Provision for loan losses                    | \$ 0         | 400        | 700        | 0          | 600        | 1,100        | 2,950      |
| Noninterest income                           | \$ 5,370     | 4,708      | 4,550      | 4,381      | 4,503      | 19,010       | 19,001     |
| Noninterest expense                          | \$ 21,958    | 21,650     | 21,414     | 21,147     | 19,848     | 86,170       | 79,716     |
| Net income before federal income tax expense | \$ 14,230    | 12,498     | 11,661     | 13,433     | 12,457     | 51,822       | 46,083     |
| Net income                                   | \$ 11,573    | 10,123     | 9,446      | 10,881     | 7,979      | 42,024       | 31,274     |
| Basic earnings per share                     | \$ 0.70      | 0.61       | 0.57       | 0.66       | 0.48       | 2.53         | 1.90       |
| Diluted earnings per share                   | \$ 0.70      | 0.61       | 0.57       | 0.66       | 0.48       | 2.53         | 1.90       |
| Average basic shares outstanding             | 16,594,412   | 16,611,411 | 16,601,400 | 16,595,115 | 16,525,625 | 16,600,612   | 16,478,968 |
| Average diluted shares outstanding           | 16,600,108   | 16,619,295 | 16,610,819 | 16,604,325 | 16,536,225 | 16,606,416   | 16,489,070 |
| <b>PERFORMANCE RATIOS</b>                    |              |            |            |            |            |              |            |
| Return on average assets                     | 1.39%        | 1.22%      | 1.17%      | 1.36%      | 0.97%      | 1.28%        | 1.00%      |
| Return on average equity                     | 12.40%       | 10.64%     | 10.25%     | 12.07%     | 8.70%      | 11.33%       | 8.82%      |
| Net interest margin (fully tax-equivalent)   | 3.98%        | 3.87%      | 3.92%      | 4.06%      | 3.76%      | 3.96%        | 3.79%      |
| Efficiency ratio                             | 60.68%       | 62.67%     | 63.40%     | 61.15%     | 60.32%     | 61.95%       | 61.92%     |
| Full-time equivalent employees               | 630          | 637        | 667        | 640        | 641        | 630          | 641        |
| <b>YIELD ON ASSETS / COST OF FUNDS</b>       |              |            |            |            |            |              |            |
| Yield on loans                               | 5.08%        | 4.91%      | 4.92%      | 5.14%      | 4.76%      | 5.01%        | 4.70%      |
| Yield on securities                          | 2.80%        | 2.70%      | 2.64%      | 2.61%      | 2.60%      | 2.69%        | 2.47%      |
| Yield on other interest-earning assets       | 2.20%        | 1.98%      | 1.80%      | 1.52%      | 1.29%      | 1.79%        | 1.21%      |
| Yield on total earning assets                | 4.80%        | 4.60%      | 4.60%      | 4.70%      | 4.35%      | 4.68%        | 4.33%      |
| Yield on total assets                        | 4.46%        | 4.28%      | 4.27%      | 4.37%      | 4.04%      | 4.35%        | 4.02%      |
| Cost of deposits                             | 0.63%        | 0.56%      | 0.53%      | 0.50%      | 0.45%      | 0.56%        | 0.39%      |
| Cost of borrowed funds                       | 2.22%        | 2.14%      | 2.01%      | 1.83%      | 1.74%      | 2.06%        | 1.68%      |
| Cost of interest-bearing liabilities         | 1.26%        | 1.11%      | 1.02%      | 0.94%      | 0.88%      | 1.08%        | 0.80%      |
| Cost of funds (total earning assets)         | 0.82%        | 0.73%      | 0.68%      | 0.64%      | 0.59%      | 0.72%        | 0.54%      |
| Cost of funds (total assets)                 | 0.76%        | 0.68%      | 0.63%      | 0.60%      | 0.55%      | 0.67%        | 0.50%      |
| <b>PURCHASE ACCOUNTING ADJUSTMENTS</b>       |              |            |            |            |            |              |            |
| Loan portfolio - increase interest income    | \$ 603       | 386        | 777        | 2,271      | 683        | 4,037        | 4,608      |
| Trust preferred - increase interest expense  | \$ 171       | 171        | 171        | 171        | 171        | 684          | 684        |
| Core deposit intangible - increase overhead  | \$ 477       | 477        | 530        | 556        | 556        | 2,040        | 2,357      |
| <b>MORTGAGE BANKING ACTIVITY</b>             |              |            |            |            |            |              |            |
| Total mortgage loans originated              | \$ 44,448    | 66,829     | 62,032     | 40,937     | 62,526     | 214,246      | 223,224    |
| Purchase mortgage loans originated           | \$ 29,729    | 47,704     | 41,239     | 25,137     | 33,958     | 143,809      | 135,850    |
| Refinance mortgage loans originated          | \$ 14,719    | 19,125     | 20,793     | 15,800     | 28,568     | 70,437       | 87,374     |
| Total mortgage loans sold                    | \$ 21,805    | 30,713     | 24,114     | 19,813     | 26,254     | 96,445       | 107,946    |
| Net gain on sale of mortgage loans           | \$ 829       | 1,116      | 851        | 729        | 1,051      | 3,525        | 3,926      |
| <b>CAPITAL</b>                               |              |            |            |            |            |              |            |
| Tangible equity to tangible assets           | 9.68%        | 9.98%      | 9.87%      | 9.63%      | 9.56%      | 9.68%        | 9.56%      |
| Tier 1 leverage capital ratio                | 11.41%       | 11.76%     | 11.81%     | 11.50%     | 11.24%     | 11.41%       | 11.28%     |
| Common equity risk-based capital ratio       | 10.41%       | 10.93%     | 11.03%     | 11.04%     | 10.71%     | 10.41%       | 10.76%     |
| Tier 1 risk-based capital ratio              | 11.80%       | 12.35%     | 12.49%     | 12.52%     | 12.19%     | 11.80%       | 12.23%     |
| Total risk-based capital ratio               | 12.50%       | 13.05%     | 13.19%     | 13.20%     | 12.85%     | 12.50%       | 12.89%     |
| Tier 1 capital                               | \$ 373,721   | 382,829    | 375,167    | 367,546    | 359,047    | 373,721      | 360,533    |
| Tier 1 plus tier 2 capital                   | \$ 396,102   | 404,521    | 396,334    | 387,520    | 378,548    | 396,102      | 380,035    |
| Total risk-weighted assets                   | \$ 3,167,655 | 3,100,158  | 3,003,778  | 2,935,367  | 2,946,527  | 3,167,655    | 2,948,013  |
| Book value per common share                  | \$ 22.70     | 22.84      | 22.57      | 22.19      | 22.05      | 22.70        | 22.05      |
| Tangible book value per common share         | \$ 19.37     | 19.50      | 19.20      | 18.79      | 18.61      | 19.37        | 18.61      |

|                                       |    |         |         |         |         |        |         |        |
|---------------------------------------|----|---------|---------|---------|---------|--------|---------|--------|
| Cash dividend per common share        | \$ | 1.00    | 0.24    | 0.22    | 0.22    | 0.19   | 1.68    | 0.74   |
| <b>ASSET QUALITY</b>                  |    |         |         |         |         |        |         |        |
| Gross loan charge-offs                | \$ | 354     | 169     | 273     | 654     | 920    | 1,450   | 3,235  |
| Recoveries                            | \$ | 1,042   | 294     | 766     | 1,127   | 628    | 3,229   | 1,825  |
| Net loan charge-offs (recoveries)     | \$ | (688)   | (125)   | (493)   | (473)   | 292    | (1,779) | 1,410  |
| Net loan charge-offs to average loans |    | (0.10%) | (0.02%) | (0.08%) | (0.08%) | 0.05%  | (0.07%) | 0.06%  |
| Allowance for loan losses             | \$ | 22,380  | 21,692  | 21,167  | 19,974  | 19,501 | 22,380  | 19,501 |
| Allowance to originated loans         |    | 0.88%   | 0.88%   | 0.89%   | 0.87%   | 0.88%  | 0.88%   | 0.88%  |
| Nonperforming loans                   | \$ | 4,141   | 4,852   | 4,965   | 5,742   | 7,143  | 4,141   | 7,143  |
| Other real estate/repossessed assets  | \$ | 811     | 948     | 842     | 2,384   | 2,260  | 811     | 2,260  |
| Nonperforming loans to total loans    |    | 0.15%   | 0.18%   | 0.19%   | 0.23%   | 0.28%  | 0.15%   | 0.28%  |
| Nonperforming assets to total assets  |    | 0.15%   | 0.18%   | 0.18%   | 0.25%   | 0.29%  | 0.15%   | 0.29%  |

**NONPERFORMING ASSETS - COMPOSITION**

|                            |          |       |       |       |       |       |       |
|----------------------------|----------|-------|-------|-------|-------|-------|-------|
| Residential real estate:   |          |       |       |       |       |       |       |
| Land development           | \$ 0     | 0     | 0     | 0     | 0     | 0     | 0     |
| Construction               | \$ 0     | 0     | 0     | 0     | 0     | 0     | 0     |
| Owner occupied / rental    | \$ 3,555 | 3,908 | 3,650 | 3,571 | 3,574 | 3,555 | 3,574 |
| Commercial real estate:    |          |       |       |       |       |       |       |
| Land development           | \$ 0     | 0     | 0     | 0     | 35    | 0     | 35    |
| Construction               | \$ 0     | 0     | 0     | 0     | 0     | 0     | 0     |
| Owner occupied             | \$ 1,363 | 1,543 | 1,957 | 3,913 | 4,272 | 1,363 | 4,272 |
| Non-owner occupied         | \$ 0     | 0     | 0     | 0     | 36    | 0     | 36    |
| Non-real estate:           |          |       |       |       |       |       |       |
| Commercial assets          | \$ 17    | 331   | 180   | 620   | 1,444 | 17    | 1,444 |
| Consumer assets            | \$ 17    | 18    | 20    | 22    | 42    | 17    | 42    |
| Total nonperforming assets | \$ 4,952 | 5,800 | 5,807 | 8,126 | 9,403 | 4,952 | 9,403 |

**NONPERFORMING ASSETS - RECON**

|                              |            |       |         |         |        |         |         |
|------------------------------|------------|-------|---------|---------|--------|---------|---------|
| Beginning balance            | \$ 5,800   | 5,807 | 8,126   | 9,403   | 10,558 | 9,403   | 6,408   |
| Additions - originated loans | \$ 1,247   | 999   | 300     | 1,426   | 402    | 3,972   | 9,952   |
| Merger-related activity      | \$ 0       | 5     | 17      | 29      | 0      | 51      | 226     |
| Return to performing status  | \$ 0       | 0     | 0       | (175)   | 0      | (175)   | (233)   |
| Principal payments           | \$ (1,836) | (857) | (778)   | (1,557) | (688)  | (5,028) | (4,234) |
| Sale proceeds                | \$ (128)   | (147) | (1,807) | (299)   | (101)  | (2,381) | (677)   |
| Loan charge-offs             | \$ (57)    | (3)   | (50)    | (597)   | (754)  | (707)   | (1,933) |
| Valuation write-downs        | \$ (74)    | (4)   | (1)     | (104)   | (14)   | (183)   | (106)   |
| Ending balance               | \$ 4,952   | 5,800 | 5,807   | 8,126   | 9,403  | 4,952   | 9,403   |

**LOAN PORTFOLIO COMPOSITION**

|                                   |              |           |           |           |           |           |           |
|-----------------------------------|--------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Commercial:                       |              |           |           |           |           |           |           |
| Commercial & industrial           | \$ 822,723   | 818,113   | 776,995   | 739,805   | 753,764   | 822,723   | 753,764   |
| Land development & construction   | \$ 44,885    | 39,396    | 37,868    | 31,437    | 29,872    | 44,885    | 29,872    |
| Owner occupied comm'l R/E         | \$ 548,619   | 542,730   | 533,075   | 531,152   | 526,327   | 548,619   | 526,327   |
| Non-owner occupied comm'l R/E     | \$ 816,282   | 811,767   | 818,376   | 794,206   | 791,685   | 816,282   | 791,685   |
| Multi-family & residential rental | \$ 127,597   | 94,101    | 95,656    | 96,428    | 101,918   | 127,597   | 101,918   |
| Total commercial                  | \$ 2,360,106 | 2,306,107 | 2,261,970 | 2,193,028 | 2,203,566 | 2,360,106 | 2,203,566 |
| Retail:                           |              |           |           |           |           |           |           |
| 1-4 family mortgages              | \$ 307,540   | 301,765   | 283,657   | 264,996   | 254,560   | 307,540   | 254,560   |
| Home equity & other consumer      | \$ 85,439    | 89,545    | 91,229    | 93,180    | 100,426   | 85,439    | 100,426   |
| Total retail                      | \$ 392,979   | 391,310   | 374,886   | 358,176   | 354,986   | 392,979   | 354,986   |
| Total loans                       | \$ 2,753,085 | 2,697,417 | 2,636,856 | 2,551,204 | 2,558,552 | 2,753,085 | 2,558,552 |

**END OF PERIOD BALANCES**

|  |              |           |           |           |           |           |           |
|--|--------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Loans  | \$ 2,753,085 | 2,697,417 | 2,636,856 | 2,551,204 | 2,558,552 | 2,753,085 | 2,558,552 |
| Securities                                       | \$ 353,388   | 337,603   | 342,178   | 348,024   | 346,780   | 353,388   | 346,780   |
| Other interest-earning assets                    | \$ 10,482    | 28,193    | 69,402    | 163,879   | 144,974   | 10,482    | 144,974   |
| Total earning assets ( <i>before allowance</i> ) | \$ 3,116,955 | 3,063,213 | 3,048,436 | 3,063,107 | 3,050,306 | 3,116,955 | 3,050,306 |
| Total assets                                     | \$ 3,363,907 | 3,300,106 | 3,288,521 | 3,293,900 | 3,286,704 | 3,363,907 | 3,286,704 |
| Noninterest-bearing deposits                     | \$ 889,784   | 879,442   | 884,470   | 830,187   | 866,380   | 889,784   | 866,380   |
| Interest-bearing deposits                        | \$ 1,573,924 | 1,629,368 | 1,645,341 | 1,709,866 | 1,655,985 | 1,573,924 | 1,655,985 |
| Total deposits                                   | \$ 2,463,708 | 2,508,810 | 2,529,811 | 2,540,053 | 2,522,365 | 2,463,708 | 2,522,365 |
| Total borrowed funds                             | \$ 513,220   | 401,575   | 373,642   | 373,824   | 387,468   | 513,220   | 387,468   |
| Total interest-bearing liabilities               | \$ 2,087,144 | 2,030,943 | 2,018,983 | 2,083,690 | 2,043,453 | 2,087,144 | 2,043,453 |
| Shareholders' equity                             | \$ 375,249   | 379,465   | 374,919   | 368,340   | 365,870   | 375,249   | 365,870   |

**AVERAGE BALANCES**

|  |              |           |           |           |           |           |           |
|--|--------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Loans  | \$ 2,706,617 | 2,658,092 | 2,596,828 | 2,552,070 | 2,534,729 | 2,628,907 | 2,483,440 |
| Securities                                       | \$ 343,597   | 342,593   | 340,990   | 348,431   | 346,318   | 343,886   | 340,770   |
| Other interest-earning assets                    | \$ 30,564    | 61,810    | 63,336    | 123,633   | 138,095   | 69,559    | 90,925    |
| Total earning assets ( <i>before allowance</i> ) | \$ 3,080,778 | 3,062,495 | 3,001,154 | 3,024,134 | 3,019,142 | 3,042,352 | 2,915,135 |
| Total assets                                     | \$ 3,312,648 | 3,295,129 | 3,232,038 | 3,249,794 | 3,248,828 | 3,272,637 | 3,142,673 |
| Noninterest-bearing deposits                     | \$ 905,065   | 893,181   | 848,650   | 805,214   | 849,751   | 863,384   | 802,024   |
| Interest-bearing deposits                        | \$ 1,579,632 | 1,628,346 | 1,635,755 | 1,690,135 | 1,635,727 | 1,633,150 | 1,589,778 |
| Total deposits                                   | \$ 2,484,697 | 2,521,527 | 2,484,405 | 2,495,349 | 2,485,478 | 2,496,534 | 2,391,802 |
| Total borrowed funds                             | \$ 434,365   | 383,830   | 365,124   | 376,890   | 384,168   | 390,193   | 382,917   |
| Total interest-bearing liabilities               | \$ 2,013,997 | 2,012,176 | 2,000,879 | 2,067,025 | 2,019,895 | 2,023,343 | 1,972,695 |
| Shareholders' equity                             | \$ 370,175   | 377,574   | 365,521   | 365,521   | 363,823   | 370,796   | 354,448   |

[\(Back To Top\)](#)