

MERCANTILE BANK CORPORATION

CHARTER FOR THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

I. **Purpose**

The purpose of the Compensation Committee of the Board of Directors (the "Committee") is to assist the Board of Directors (the "Board") in carrying out its responsibilities relating to compensation and benefits for the Company's Directors, Officers and employees. The Committee is also responsible for performing the duties relating to Executive compensation provided for in the rules of the national securities exchange on which the Company's stock is listed. The Committee is also responsible for preparing any compensation committee reports required in the Company's annual report and proxy materials by the rules of the Securities and Exchange Commission ("SEC").

II. **Composition and Meetings**

Composition

The Committee shall consist of no fewer than three (3) Directors. Each member of the Committee shall be an "independent Director" as that term is defined in the applicable rules of The NASDAQ Stock Market LLC, or any successor national securities exchange on which the Company's stock is listed. Each member of the Committee shall be free from any relationship (including disallowed compensatory arrangements) that in the opinion of the Board would interfere with the exercise of his/her independent judgment as a member of the Committee.

All of the members of the Committee must qualify as "non-employee Directors" for the purposes of Rule 16b-3 under the Exchange Act.

Appointment and Removal

The members of the Committee are appointed by the Board. Each member serves until his/her successor is duly designated or until the member's earlier resignation or removal. The Board may remove any member from the Committee at any time, with or without cause, by a majority vote of the Board. Unless a Chairperson is designated for the Committee by the Board, the members of the Committee may designate a Chairperson by majority vote of the Committee membership.

Meetings

The Committee shall meet as often as necessary to carry out its responsibilities. The Chairperson or any two (2) members of the Committee may call a meeting of the Committee. The Chairperson chairs the meetings of the Committee that he/she attends.

The Committee may establish its own rules and procedures for notice and conduct of its meetings provided that they are consistent with the Company's Bylaws and applicable law.

The Committee may invite such members of management to its meetings as it deems appropriate. However, the Committee shall also meet without such members present, and in all cases the Chief Executive Officer and any other such Executive Officers shall not be present at meetings at which Executive Officer compensation or performance is to be discussed or determined.

III. **Responsibilities and Authority**

A. *Risk Review and Committee Certification*

1. Risk Review. The Committee shall discuss, evaluate and review at least annually with the Company's Senior Risk Officer, the Named Executive Officer ("NEO") compensation plans (the "NEO compensation plans") and the employee compensation plans. With respect to the NEO compensation plans, the Committee should assess whether they encourage NEOs to take unnecessary and excessive risks (long-term or short-term) that threaten the value of the Company. With respect to the employee compensation plans, the Committee shall review such plans in light of the risks posed to the Company by such plans and how to limit those risks. The Committee must identify the features in the NEO compensation plans that could lead NEOs to take these risks and the features in the employee compensation plans that pose risks to the Company, including any features in the plans that would encourage behavior focused on short-term results and not on long-term value creation. The Committee must limit these features to ensure that the NEOs are not encouraged to take risks that are unnecessary or excessive and that the Company is not unnecessarily exposed to risks.
2. Employee Compensation Plan Review. The Committee shall discuss, evaluate and review at least annually the employee compensation plans to insure that these plans do not encourage the manipulation of reported earnings of the Company to enhance the compensation of any employee.
3. Review Certification. The Committee must certify to the Board that it has completed the review of the NEO compensation plans and the employee compensation plans as described in 1 & 2 above. The certification will form the basis for disclosures in the Compensation Committee Report included in the annual proxy statement and annual report.
4. The Committee shall certify that:
 - a. It has reviewed with the Senior Risk Officer the NEO compensation plans and has made all reasonable efforts to ensure that these plans do not encourage NEOs to take unnecessary and excessive risks that threaten the value of the Company;

- b. It has reviewed with the Senior Risk Officer the employee compensation plans and had made all reasonable efforts to limit any unnecessary risks that these plans pose to the Company; and
- c. It has reviewed the employee compensation plans to eliminate any features of these plans that would encourage the manipulation of reported earnings of the Company to enhance the compensation of any employee.

B. Additional Responsibilities and Authority

- 10. Goals and Objectives. The Committee is responsible for reviewing and approving the goals and objectives relating to the compensation of the Company's Executive Officers, and may recommend them to the Board.
- 11. Elements of Compensation. The Committee is responsible for determining or recommending to the Board for determination, all elements of compensation for Executive Officers of the Company. Elements of compensation may include, among other items: (a) annual base salary; (b) annual cash incentive compensation; (c) cash and equity based long-term incentive compensation; (d) employment agreements, severance arrangements and change in control agreements; (e) deferred compensation and retirement plans; (f) health, disability and life insurance; and (g) special or supplemental benefits. The Committee may make awards to Directors under the Company's Stock Incentive Plan of 2016 and other equity and non-equity incentive plans from time to time in effect, to the extent provided in such plans.
- 12. Chief Executive Officer Performance Evaluation. At least annually, the Committee shall evaluate the performance of the Company's Chief Executive Officer and shall review and oversee the performance evaluation of the Company's other named Executive Officers. Such evaluation shall include consideration of the Officer's performance in light of the goals and objectives relating to compensation that has been previously approved by the Committee and/or the Board. The Committee will recommend to the Board, for their determination, the annual base salaries for the Executive Officers of the Company.
- 13. Annual Review of Director Compensation. At least annually, the Committee will review the Company's compensation of its Directors, including cash and equity based compensation and benefits, and will review the Company's guidelines for Director ownership of Company stock. The Committee has the authority to make changes to the cash and equity retainer structure for Directors, or may recommend such changes to the Board for approval. In order to promote continuity in its compensation programs for Directors, the Committee will customarily implement compensation programs that remain in effect for periods of two-three years prior to making or recommending changes thereto.

14. Administration of Incentive Plans. The Committee shall take such actions as it deems appropriate to administer the Company's Stock Incentive Plan of 2006, Stock Incentive Plan of 2016, Employee Stock Purchase Plan of 2014 and any other equity and non-equity incentive plans from time to time in effect, to the extent provided in such plans. The Committee may also take such actions as it deems appropriate in connection with any 401(k) plans of the Company or its subsidiaries.
15. Compensation Discussion and Analysis. The Committee will review and discuss with management any Compensation Discussion and Analysis that management prepares for inclusion in the Company's annual reports and proxy statements. The Committee will prepare any compensation committee reports required for the Company's annual reports and proxy materials by the rules of the SEC, including any required disclosures relating to the Compensation Discussion and Analysis.
16. Subcommittees. The Committee has the authority to delegate appropriate matters to subcommittees as the Committee may determine in its discretion.
17. Outside Advisers. The Committee shall have authority, in its sole discretion, to retain or obtain the advice of a compensation consultant, legal counsel, or other adviser (a "Compensation Adviser"). The Committee shall be directly responsible for the appointment, compensation, and oversight of the work of any Compensation Adviser retained by the Committee. The Board and the Company shall be required to provide for appropriate funding, as determined by the Committee, for payment of reasonable compensation to any Compensation Adviser retained by the Committee. The Committee may select, or receive advice from, a Compensation Adviser, other than in-house legal counsel, only after taking into consideration the following six independence factors:
 - i. the provision of other services to the Company or its subsidiaries by the entity that employs the Compensation Adviser;
 - ii. the amount of fees received from the Company or its subsidiaries by the entity that employs the Compensation Adviser, as a percentage of the total revenue of the entity that employs the Compensation Adviser;
 - iii. the policies and procedures of the entity that employs the Compensation Adviser that are designed to prevent conflicts of interest;
 - iv. any business or personal relationship of the Compensation Adviser with a member of the Committee;
 - v. any stock of the Company owned by the Compensation Adviser; and
 - vi. any business or personal relationship of the Compensation Adviser or the entity employing the Compensation Adviser with an Executive Officer of the Company.

The Committee shall not be required to implement or act consistently with the advice or recommendations of the Compensation Adviser, and the retention of such a Compensation Adviser shall in no way affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of its duties. The Committee may select, or receive advice from, any Compensation Adviser the Committee prefers, including Compensation Advisers that are not independent, but only after considering the six independence factors outlined above.

The Committee shall evaluate whether any Compensation Adviser retained or to be retained by it has any conflict of interest in accordance with Item 407(e)(3)(iv) of Regulation S-K.

18. Say on Pay. The Committee shall have authority to review and recommend to the Board for approval the frequency with which the Company will conduct Say on Pay Votes, taking into account the results of the most recent shareholder advisory vote on frequency of Say on Pay Votes required by Section 14A of the Exchange Act, and review and approve the proposals regarding the Say on Pay Vote and the frequency of the Say on Pay Vote to be included in the Company's proxy statement. In evaluating and determining, or making recommendations regarding, executive compensation, the Committee shall consider the results of the most recent Say on Pay Vote required by Section 14A of the Exchange Act.
19. Reporting. The Chairperson of the Committee or another of its members will report the actions and recommendations of the Committee to the Board.
20. Charter Review. The Committee shall review annually the adequacy of this Charter and recommend any proposed changes to the Board for its approval.