

The background of the slide is a photograph of a city waterfront. A blue truss bridge spans across a river. In the background, there are several buildings, including a prominent blue glass skyscraper. Overlaid on the image are several yellow triangles of varying sizes. A large yellow triangle is centered in the lower half of the image, containing the Mercantile Bank of Michigan logo. To its right, two smaller yellow triangles are positioned in the upper right quadrant. On the left side, a large dotted black triangle is oriented vertically, with its top vertex pointing upwards. The Mercantile logo consists of a brown triangle pointing upwards, with the word "Mercantile" in a bold, sans-serif font above the words "Bank of Michigan" in a smaller, regular sans-serif font.

**Mercantile**<sup>®</sup>  
Bank of Michigan

**INVESTOR  
PRESENTATION**

**FIRST QUARTER 2020**

Mercantile lobbies allowing face-to-face customer assistance by appointment only

**MARCH  
18**

Over 75% of all Mercantile employees working remotely each day

**MARCH  
23**

Mercantile lobbies closed to customers. Bank open via drive-thru, VBM, call center & online banking.

**MARCH  
25**

Number of Mercantile SBA PPP Applications Approved

**1,549**

As of  
4/16/2020  
@ 12:00 PM

Total Dollars Approved by SBA for Mercantile Customers

**\$502,921,123**

As of  
4/16/2020  
@ 12:00 PM

Total SBA Dollars Funded for Approved Mercantile Customer Applications

**\$256,726,752**

As of  
4/16/2020  
@ 12:00 PM



## Customer Feedback

"It is during challenged Times that we see what organizations are made of and the integrity of their team. Your team has proven we have made the right choice in our continued work together."

"Awesome! Thank you so much. This is going to be a key part of our future success."

"Just wanted to say thanks for your timely work on this and for continually communicating with us. As a firm we are working with nearly every bank in town on these loans and I have come to appreciate the approach you and Mercantile took to handling these. There are a few banks that could have taken a lesson from you."

**"THANKS  
SO  
MUCH!!!"**

"We realize how much stress/anxiety everyone is experiencing and then to couple it with long days, nights, weekends for Mercantile staff what a committed TEAM! We could never say Thank You enough times for helping us in this time of need."





# Payment Relief Notes Closed

Commercial, Retail and Mortgage

## Interest Only Amendments

# Total to Date	\$\$\$ Total
286	285,729,694

## Payment Deferrals

# Total to Date	\$\$\$ Total
74	4,359,897

## Hardship Inquiries by Loan Type

Type of Loan	# of Inquiries	Total Principal Balance	Average Principal Balance
Freddie	282	32,119,558	115,124
Port	110	12,813,812	116,489
Consumer Term	61	676,834	11,281
Port ARM	36	6,836,514	195,329
Port - Junior	17	357,824	21,048
HELOC - Int Only	13	699,235	58,270
HELOC - 2%	12	280,475	25,498
FHLBI	5	859,995	171,999
Port ARM - Junior	5	248,207	49,641
HELOC Term Out	3	126,966	42,322
HELOC - 1%	1	74,961	74,961
Personal Line	1	4,541	4,541
Retail Vacant Land	1	9,323	9,323
<b>Grand Total</b>	<b>547</b>	<b>55,108,246</b>	<b>102,052</b>

## Hardship Inquiries Logged

Date	Number
3/13/2020	2
3/17/2020	5
3/18/2020	1
3/19/2020	13
3/20/2020	10
3/23/2020	56
3/24/2020	44
3/25/2020	34
3/26/2020	26
3/27/2020	40
3/28/2020	5
3/30/2020	53
3/31/2020	35
4/1/2020	55
4/2/2020	28
4/3/2020	34
4/4/2020	1
4/6/2020	38
4/7/2020	14
4/8/2020	15
4/9/2020	13
4/10/2020	10
4/11/2020	1
4/13/2020	14
<b>Grand Total</b>	<b>547</b>

## Past Due

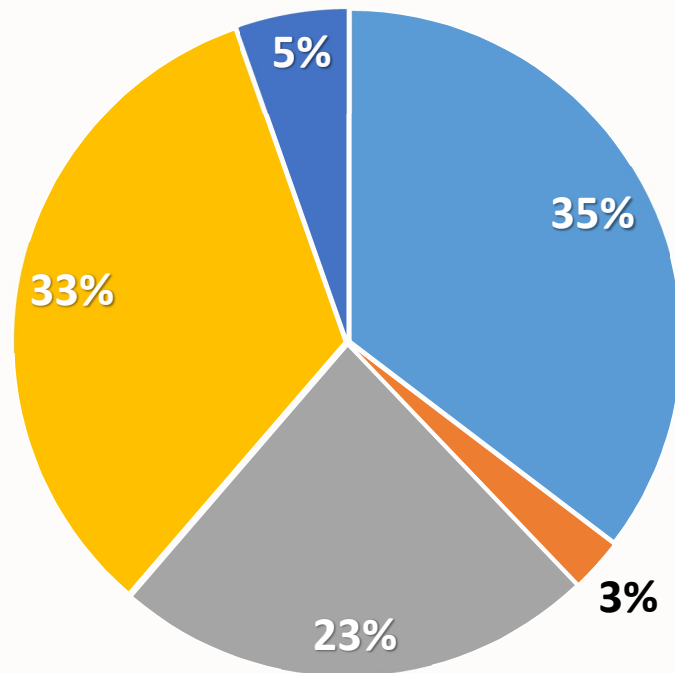
An age analysis of past due loans as of March 31, 2020:

	30 – 59 Days Past Due	60 – 89 Days Past Due	> 89 Days Past Due	Total Past Due	Current	Total Loans	Recorded Balance > 89 Days & Counting
<b>Commercial:</b>							
Commercial & Industrial	\$ 123,000	579,000	0	702,000	872,977,000	873,679,000	0
Vacant Land, Land Development, Residential Construction	\$ 482,000	0	43,000	525,000	62,383,000	62,908,000	0
Real Estate – Owner Occupied	\$ 0	0	232,000	232,000	578,997,000	579,229,000	0
Real Estate – Non-Owner Occupied	\$ 0	0	0	0	823,366,000	823,366,000	0
Real Estate – Multi-Family & Residential Rental	\$ 181,000	0	0	181,000	132,967,000	133,148,000	0
<b>Total Commercial</b>	<b>\$ 786,000</b>	<b>579,000</b>	<b>275,000</b>	<b>1,640,000</b>	<b>2,470,690,000</b>	<b>2,472,330,000</b>	<b>0</b>
<b>Retail:</b>							
Home Equity & Other	\$ 172,000	27,000	58,000	257,000	72,618,000	72,875,000	0
1-4 Family Mortgages	\$ 514,000	0	381,000	895,000	355,433,000	356,338,000	0
<b>Total Retail</b>	<b>\$ 686,000</b>	<b>27,000</b>	<b>439,000</b>	<b>1,152,000</b>	<b>428,061,000</b>	<b>429,213,000</b>	<b>0</b>
<b>Total Past Due Loans</b>	<b>\$ 1,472,000</b>	<b>606,000</b>	<b>714,000</b>	<b>2,792,000</b>	<b>2,898,751,000</b>	<b>2,901,543,000</b>	<b>0</b>

## Credit risk profiled by internal credit risk grades:

Internal Credit Risk Grade Groupings:	Commercial & Industrial	Commercial Vacant Land, Land Development, & Residential Construction	Commercial Real Estate – Owner Occupied	Commercial Real Estate – Non-Owner Occupied	Commercial Real Estate – Multi-Family & Residential Rental
Grades 1-4	\$528,288,000	\$24,943,000	\$340,680,000	\$562,617,000	\$74,923,000
Grades 5-7	\$333,023,000	\$37,263,000	\$233,258,000	\$260,617,000	\$58,088,000
Grades 8-9	\$12,368,000	\$702,000	\$5,291,000	\$132,000	\$137,000
<b>Total Commercial</b>	<b>\$873,679,000</b>	<b>\$62,908,000</b>	<b>\$579,229,000</b>	<b>\$823,366,000</b>	<b>\$133,148,000</b>
<b>% of Total Commercial Loans as of March 31, 2020</b>	<b>35%</b>	<b>3%</b>	<b>23%</b>	<b>33%</b>	<b>5%</b>

## Commercial Loan Portfolio by Loan Type



- Commercial & Industrial
- Commercial Vacant Land, Land Development, & Residential Construction
- Commercial Real Estate - Owner Occupied
- Commercial Real Estate - Non-Owner Occupied
- Commercial Real Estate - Multi-Family & Residential Rental



	March 31, 2020	Percentage of Total Commercial Loans
Motor vehicle and parts dealers	\$121,000,000	4.9%
Hotels/Motels/Lodging	\$103,000,000	4.2%
Nursing & assisted living	\$105,000,000	4.3%
Restaurants	\$108,000,000	4.4%
Construction	\$94,000,000	3.8%
Movie Theaters/Entertainment	\$70,000,000	2.8%
Other Retail		
Miscellaneous	\$29,000,000	1.2%
Food & Beverage Stores	\$15,000,000	0.6%
Gas Stations	\$10,000,000	0.4%

## PAYCHECK PROTECTION PROGRAM LOANS



### Interest Rate

1.00% Fixed



### Forgiveness

Dollars borrowed forgiven if majority of funds used for payroll, rent and utilities.



### Repayment Terms

Deferred Payment First Six Months  
Monthly Payments Following 18 months –  
Fully Amortizing



### Origination Fee

SBA to pay 1% - 5% Based on Loan Amount

- Paid within five (5) days after loan closing
- Deferred income, accreted to interest income over life of loan
- Accelerated accretion if loan paid-off or forgiven
- Effective yield enhancement = 2.50%

## FEDERAL RESERVE TERM ADVANCES



### Interest Rate

0.35% Fixed



### Borrow Dollar-For-Dollar of PPP Loans

- PPP Loans Serve as Collateral



### Repayment Terms

- 24 month
- Paydowns required as forgiveness payments received from SBA
- Paydowns required as payments made by borrower

# Consolidated Reports of Income

Unaudited

	THREE MONTHS ENDED March 31, 2020		THREE MONTHS ENDED March 31, 2019	
<b>Net Income</b>	\$	<u>10,673,000</u>	\$	<u>11,824,000</u>
Basic earnings per share		\$0.65		\$0.72
Diluted earnings per share		\$0.65		\$0.72
Average basic shares outstanding		16,350,281		16,429,571
Average diluted shares outstanding		16,351,559		16,435,176

# Consolidated Reports of Income

Unaudited

	THREE MONTHS ENDED March 31, 2020		THREE MONTHS ENDED March 31, 2019	
<b>INTEREST INCOME</b>				
Loans, including fees	\$	33,442,000	\$	35,789,000
Investment securities		4,017,000		2,441,000
Other interest-earning assets		475,000		407,000
Total interest income		<u>37,934,000</u>		<u>38,637,000</u>
<b>INTEREST EXPENSE</b>				
Deposits		4,641,000		4,804,000
Short-term borrowings		40,000		104,000
Federal Home Loan Bank advances		2,212,000		2,234,000
Other borrowed money		724,000		850,000
Total interest expense		<u>7,617,000</u>		<u>7,992,000</u>
<b>Net interest income</b>		30,317,000		30,645,000
Provision for loan losses		<u>750,000</u>		<u>850,000</u>
Net interest income after provision for loan loss		<u>29,567,000</u>		<u>29,795,000</u>

	THREE MONTHS ENDED March 31, 2020		THREE MONTHS ENDED March 31, 2019	
<b>NONINTEREST INCOME</b>				
Service charges on accounts	\$	1,222,000	\$	1,077,000
Credit and debit card income		1,361,000		1,337,000
Mortgage banking income		2,627,000		1,057,000
Payroll services		577,000		505,000
Earnings on bank owned life insurance		336,000		1,630,000
Other income		427,000		1,026,000
Total noninterest income		<u>6,550,000</u>		<u>6,632,000</u>

# Consolidated Reports of Income

Unaudited

	THREE MONTHS ENDED March 31, 2020		THREE MONTHS ENDED March 31, 2019	
<b>NONINTEREST EXPENSE</b>				
Salaries and benefits	\$	13,528,000	\$	13,015,000
Occupancy		2,059,000		1,762,000
Furniture and equipment		778,000		635,000
Data processing costs		2,483,000		2,216,000
Other expense		4,092,000		4,202,000
Total noninterest expense		<u>22,940,000</u>		<u>21,830,000</u>
<b>Income before federal income tax expense</b>		29,567,000		29,795,000
Federal income tax expense		<u>2,504,000</u>		<u>2,773,000</u>
<b>Net Income</b>	\$	<u>10,673,000</u>	\$	<u>11,824,000</u>

	Quarterly				
	2020 1st Qtr	2019 4th Qtr	2019 3rd Qtr	2019 2nd Qtr	2019 1st Qtr
<i>(dollars in thousands except per share data)</i>					
<b>YIELD ON ASSETS / COST OF FUNDS</b>					
Yield on loans	4.69%	5.01%	5.06%	5.18%	5.21%
Yield on securities	4.73%	2.90%	2.99%	2.85%	2.82%
Yield on other interest-earning assets	1.22%	1.65%	2.15%	2.38%	2.40%
Yield on total earning assets	4.54%	4.61%	4.73%	4.85%	4.89%
Yield on total assets	4.23%	4.31%	4.42%	4.53%	4.56%
Cost of deposits	0.70%	0.79%	0.83%	0.85%	0.77%
Cost of borrowed funds	2.31%	2.36%	2.35%	2.40%	2.43%
Cost of interest-bearing liabilities	1.36%	1.47%	1.52%	1.55%	1.47%
Cost of funds <i>(total earning assets)</i>	0.91%	0.98%	1.02%	1.06%	1.01%
Cost of funds <i>(total assets)</i>	0.85%	0.91%	0.95%	0.99%	0.94%
Net interest margin <i>(fully tax-equivalent)</i>	3.63%	3.63%	3.71%	3.79%	3.88%



	Quarterly				
	2020 1st Qtr	2019 4th Qtr	2019 3rd Qtr	2019 2nd Qtr	2019 1st Qtr
<b>MORTGAGE BANKING ACTIVITY</b>					
Total mortgage loans originated	\$ 132,859	110,611	132,852	80,205	44,932
Purchase mortgage loans originated	\$ 46,538	49,407	61,839	41,986	29,891
Refinance mortgage loans originated	\$ 86,321	61,204	71,013	38,219	15,041
Mortgage loans originated with intent to sell	\$ 95,327	81,590	104,890	49,396	21,502
Net gain on sale of mortgage loans	\$ 2,086	3,062	2,886	1,419	698

# Consolidated Financial Highlights

Unaudited

	Quarterly				
	2020 1st Qtr	2019 4th Qtr	2019 3rd Qtr	2019 2nd Qtr	2019 1st Qtr
<b>CAPITAL</b>					
Tangible equity to tangible assets	10.14%	10.15%	9.67%	9.82%	9.41%
Tier 1 leverage capital ratio	11.47%	11.28%	11.08%	11.17%	11.16%
Common equity risk-based capital ratio	10.92%	11.00%	10.53%	10.47%	10.46%
Tier 1 risk-based capital ratio	12.28%	12.36%	11.87%	11.82%	11.84%
Total risk-based capital ratio	13.03%	13.09%	12.60%	12.55%	12.56%
Tier 1 capital	\$ 406,445	405,148	395,010	388,788	379,334
Tier 1 plus tier 2 capital	\$ 431,273	429,038	419,424	412,841	402,469
Total risk-weighted assets	\$ 3,309,336	3,276,754	3,327,723	3,289,958	3,204,295
Book value per common share	\$ 25.82	25.36	24.93	24.34	23.37
Tangible book value per common share	\$ 22.55	22.12	21.64	21.05	20.05
Cash dividend per common share	\$ 0.28	0.27	0.27	0.26	0.26

# Consolidated Financial Highlights

Unaudited

	Quarterly				
	2020 1st Qtr	2019 4th Qtr	2019 3rd Qtr	2019 2nd Qtr	2019 1st Qtr
<b>ASSET QUALITY</b>					
Gross loan charge-offs	\$ 40	112	519	78	174
Recoveries	\$ 229	287	180	96	79
Net loan charge-offs (recoveries)	\$ (189)	(175)	339	(18)	95
Net loan charge-offs (recoveries) to average loans	(0.03%)	(0.02%)	0.05%	(0.01%)	0.01%
Total risk-based capital ratio	\$ 24,828	23,889	24,414	24,053	23,135
Tier 1 capital	0.86%	0.89%	0.88%	0.89%	0.89%
Tier 1 plus tier 2 capital	\$ 3,469	2,284	2,644	3,505	4,138
Total risk-weighted assets	\$ 271	452	243	446	396
Book value per common share	0.12%	0.08%	0.09%	0.12%	0.15%
Tangible book value per common share	0.10%	0.08%	0.08%	0.11%	0.13%

# Consolidated Financial Highlights

Unaudited

	Quarterly				
	2020 1st Qtr	2019 4th Qtr	2019 3rd Qtr	2019 2nd Qtr	2019 1st Qtr
<b>NONPERFORMING ASSETS - RECONCILIATION</b>					
Beginning balance	\$ 2,736	2,887	3,951	4,534	4,952
Additions	\$ 1,344	30	339	26	539
Other activity	\$ (31)	135	57	34	0
Return to performing status	\$ (7)	0	(126)	0	0
Principal payments	\$ (110)	(232)	(1,014)	(512)	(382)
Sale proceeds	\$ (192)	(36)	(253)	(74)	(429)
Loan charge-offs	\$ 0	(48)	(59)	(36)	(146)
Valuation write-downs	\$ 0	0	(8)	(21)	0
Ending balance	\$ 3,740	2,736	2,887	3,951	4,534

## NET INTEREST INCOME

30 Day Libor Rate

PPP/PPPLF Volume

PPP Loan Forgiveness

Additional Agency Discount Calls

Asset Quality

## PROVISION EXPENSE

- Net Loan Growth
- Volume of Loan Downgrades
- Volume of New Nonaccrual Loans
- Reserve Environmental Allocation Changes

## FEE INCOME

Mortgage Loan Volume for Home Purchases

Card Interchange Income

## OVERHEAD EXPENSE

- Employee-Related Expenses
- Loan Collection Costs



Mercantile<sup>®</sup>  
Bank of Michigan