

Employee Development, Health and Safety

Mercantile's employees are our most valuable assets and alongside our team members we are dedicated to maintaining an environment of personal growth and development. Whether it is the service that we provide, the products that we offer or the technology that keeps our information secure, we are committed to excellence. It is important that our customers feel this commitment every time they talk to us. We hire people who are able to connect, listen and deliver the best solutions to our customers and communicate with integrity every time. We are devoted to attracting and retaining the best talent in the markets we serve.

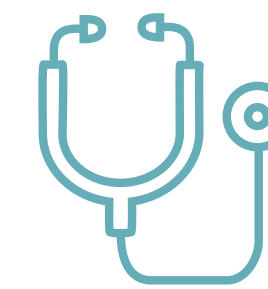
As such, we were selected to participate in the implementation of HireReach's evidence-based selection process for equitable hiring in West Michigan, which we have implemented with all branch new hires since September 2020. The system utilizes a standardized, consistent process and relevant quantitative data to facilitate a multidimensional assessment of job candidates to create better matches between workers and jobs, decrease time-to-hire, reduce first-year turnover, increase workforce diversity, and boost productivity. In 2020, Mercantile committed 249 hours to this local initiative, as we believe in leading through example in our communities. To date, we have worked with HireReach to establish a cohort of 15 local companies that have adopted the evidence-based hiring process to help increase diversity in the workforce.

The prioritization of our people is reflected in the robust employee benefits and compensation packages offered to our staff, including health and wellness insurance plans and incentives, a 401(k) plan with matching contributions, dedicated internship programs for young professionals in finance, employee stock ownership plan participation, as well as clothing, home office and fitness equipment loans. We offer

our team paid time off for vacations, holidays, sick time and bereavement, along with pay-it-forward initiatives and paid volunteer time. And, with the obstacles in maintaining balance between work responsibilities and personal time this year, we enabled team members to pursue a safe and healthy work-life balance by increasing paid time off benefits for our employees.



91%
of eligible employees
participate in our benefit plans

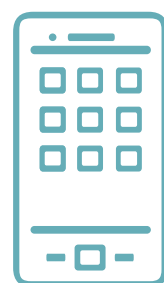


Our employees pay
21% less
than local benchmarks for
Family HSA premiums



249 hours
dedicated to HireReach program

Providing Technological Value in a Highly Professional and Personalized Manner



42,285 checks deposited via **business mobile image capture** totaling **\$270 million**



1.15M checks deposited via **business scanners** totaling **\$4.5 billion**



66,298 checks deposited via **consumer mobile image capture** totaling **\$45 million**

As the needs of our customers and our methods of engagement evolved during the year, we continued to identify opportunities to optimize our branch network. As the choices available to consumers and businesses increase with the entrance of new players into the market, we fully understand that we must add value to our customers as they seek to fulfill their financial needs. In order to best serve our customers as trusted financial advisors, branch locations are being transformed into relationship centers. The primary focus of our branch teams will be to engage customers and potential customers with evolving strategies to identify and fulfill current and future financial needs.

We believe that digital channels will continue to be the safest, most efficient and convenient method to conduct traditional banking transactions for many of our customers. Our communication with customers is paramount, and we have acted swiftly to keep customers up to date with written communication as well as regular updates to our social media sites.

To best keep customers safe and informed, we've added a COVID-related information page on our website to host relevant updates and policies as well as reflective graphics and signage in our branch lobbies to effectively notify of changing information. We have also expanded our normal business hours and services throughout the height of the pandemic, prioritizing the accessibility of our Live ATM banking machines. In line with this changing environment, we've installed more than 17 devices throughout our company to reduce travel and accommodate video conference capabilities for employees. In addition to video conferencing, the Bank utilizes Cisco Webex as its online meeting platform to help keep employees and teams connected.

Mercantile has shifted focus to provide customers with the option to bank anytime and anywhere with state-of-the-art technology solutions. The Bank has rolled out contactless credit and debit cards to put the power of Mercantile in users' pockets. Additionally, we are working continuously to save customers time and money through Remote Deposit Capture, allowing businesses to consolidate regional or national deposits into one account and expediting the check collection process and availability of funds. In 2020, Mercantile's Mobile Remote Deposit Capture (mRDC) program included **42,285 checks deposited via business mobile image capture totaling more than \$270 million; 1,152,119 checks deposited via business scanners totaling nearly \$4.5 billion; and 66,298 checks deposited via consumer mobile image capture totaling more than \$45 million.**

Providing Operational Value in a Highly Professional and Personalized Manner

Mercantile partners with Q2, a leading provider of digital transformation solutions for banking and lending, as an early adopter of crucial new functionality. In this role, Mercantile Bank doesn't merely test the viability of a new product; we help determine and improve its functionality, user experience and future direction. Those improvements then make their way into the product and benefit the entirety of Q2's customer base. For this partnership, Mercantile earned Q2's 2020 award for Customer of the Year in the banking category.

Our Vendor Management Program allows us to classify and assess risk associated with outsourcing services to a vendor, which allows for appropriate due diligence review based on actual risk and overall data security. This allows the Bank to keep with its strategy of partnering with "best in class" vendors by ensuring the most critical and/or risky vendors have been properly identified and mitigating controls are in place. Out of 1,144 identified vendors, Mercantile has classified and performed a full due diligence review on 48 vendors which provide a significant or critical service for the Bank. Numerous contract reviews have been conducted for both new or current vendor relationships providing opportunities to renegotiate or have services added or removed. All of these efforts have positioned the Bank

to either request additional measures be considered prior to engaging with a vendor or allow the Bank the opportunity to choose another more fitting vendor relationship.

Our implementation of such vendors includes our Positive Pay treasury product with focused efforts toward reducing fraud. Across 2020, Positive Pay returned 353 checks totaling more than \$1.7 million as unauthorized as well as 93 Automated Clearing House (ACH) items totaling \$828,426. Altogether, 1,080 checks were returned for the year.

Additionally Mercantile serves as a member of the Michigan Minority Supplier Development Council. The Bank has also enacted a Supplier Diversity Program Policy to identify the best suppliers, support our competitive pledge of excellence, ensure customer satisfaction and increase the Bank's sustainability. Through everyday actions, we strive to promote diversity, innovation and social responsibility while reflecting, supporting and creating a positive economic impact in the communities the Bank serves.

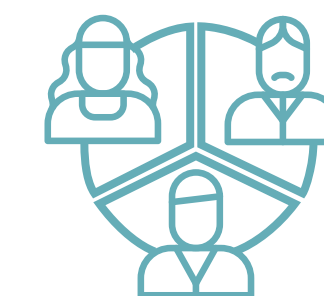
The Bank's Supplier Diversity Objectives include:



Actively seeking out diverse suppliers that are able to provide competitive, high-quality goods and services and whose business model is aligned with the Bank's business strategy.



Ensuring the inclusion of diverse suppliers as a part of the Bank's strategic procurement process.



Communicating the value and process of the Supplier Diversity Program both internally and externally to all stakeholders.

Our Work to Better All of Our Communities

As the pandemic limited our team’s ability for community involvement in many ways, we still saw incredible efforts by our staff to serve, reaching a total of **12,420 hours for 523 non-profit organizations** in 2020. Mercantile remains dedicated to making a difference in our communities through our lending practices, investments, grants and volunteering efforts. We provided over \$150 million dollars in community development lending across the year and awarded over \$670,000 in grants toward affordable housing, home improvements and down payment assistance. Our team members also led and volunteered alongside non-profits to help navigate pandemic-related obstacles and provided financial education through 108 different classes and over 1,000 participants. Mercantile’s drive to impact locally was not deterred, as we decided in late 2020 that we needed to take some bold action to help address the food and shelter crises in our communities. As a result, we partnered with local non-profit agencies to invest \$100,000 as direct donations for the purchase of items to help support these basic human needs in our markets. **For all of 2020, Mercantile donated over \$812,000 in support of non-profit organizations and other needs throughout the communities we serve.**

Sustainable cities and communities have long been important to Mercantile, and our strategic and sustainability plans are dedicated to effectively deploying efforts throughout our value chains, and across the 17 United Nations Sustainable Development Goals, to further promote our sustainable business model.



523
non-profit organizations served



\$150M
in community development lending

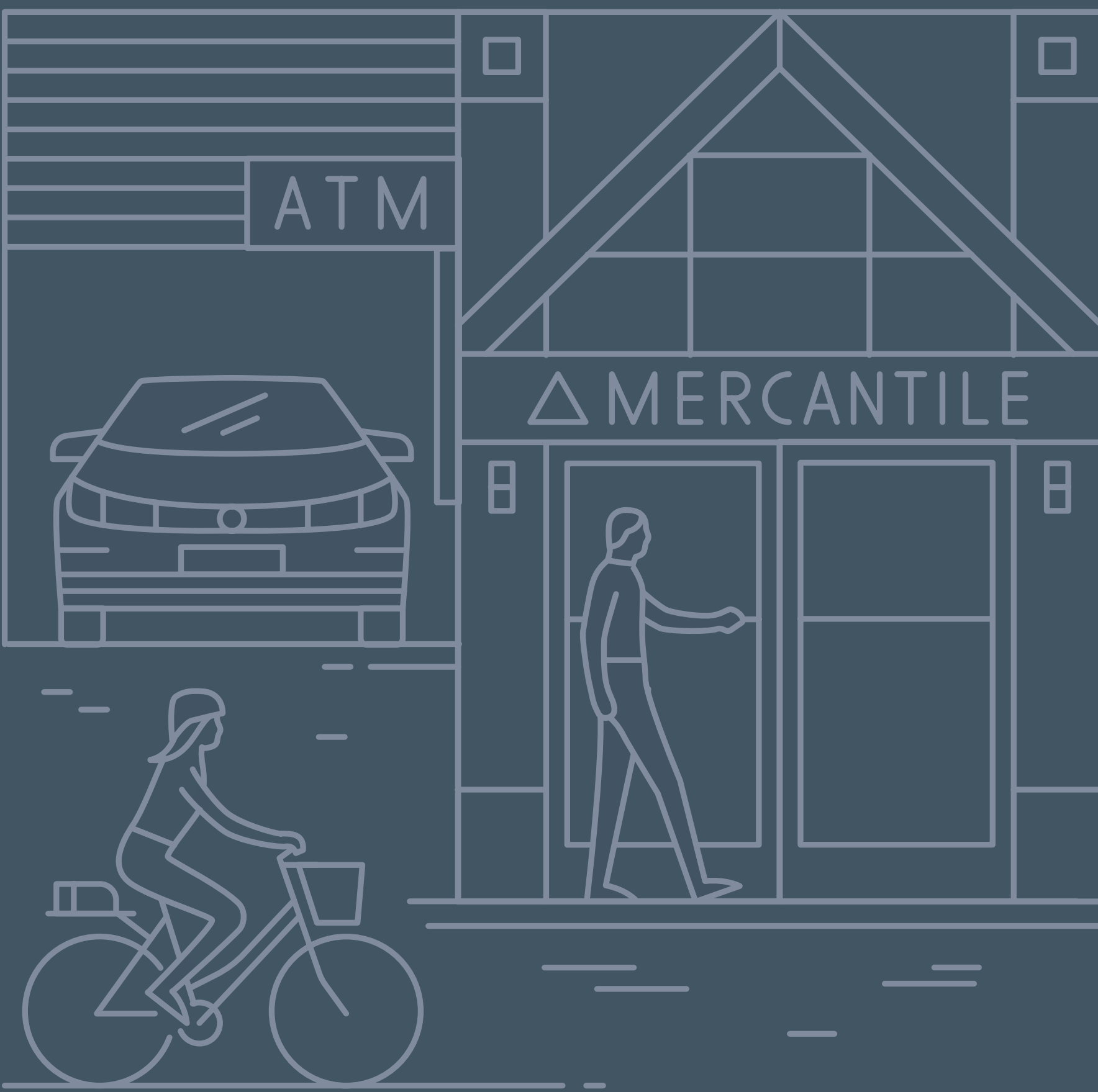
SUSTAINABLE DEVELOPMENT GOALS

The percentage in the circles represent the hours Mercantile employees dedicated to volunteering in each category.



Governance

Let's make the right moves.



Governance

Mercantile is strongly committed to sound corporate governance practices. We believe that integrity, trustworthiness and transparency are the cornerstones upon which successful companies are built. Through our corporate governance initiatives and our continuing oversight and evaluation, we seek to constantly maintain the trust and confidence of all our stakeholders.

It All Starts at the Top

Directors at both Mercantile Bank Corporation and Mercantile Bank of Michigan bring a diverse range of characteristics and capabilities to the organization, which frame our strategic pursuits and goals. Both the Corporate and Bank Directors offer leadership and expertise which helps guide management in the day-to-day operation of the Bank.

ESG Committee

In 2020, Mercantile formed an Environmental, Social and Corporate Governance Committee (the “ESG Committee”) to support our on-going commitment to environmental, health and safety, corporate social responsibility, corporate governance, sustainability and other public policy matters relevant to our organization. The ESG Committee is a cross-functional management committee that assists executive management in (a) setting general strategy relating to ESG matters, (b) developing, implementing and monitoring initiatives and policies based on that strategy, (c) recommending communications with employees, investors and stakeholders with respect to ESG matters, and (d) monitoring and assessing developments relating to, and improving our understanding of ESG matters. One of the ESG Committee’s first recommendations was the development of this CSR Report.

2021 Mercantile Bank of Michigan Board of Directors



DAVID M. CASSARD*
Audit Committee Chair



MICHAEL S. DAVENPORT*



THOMAS D. DICKINSON



MICHELLE L. ELDRIDGE*
Compensation Committee Chair



MICHAEL D. FAAS



JEFF A. GARDNER*
*Governance & Nominating
Committee Chair*



KURT D. HASSBERGER



DOYLE A. HAYES



JOSEPH D. JONES



ROBERT B. KAMINSKI*
*President & Chief
Executive Officer*



DIANE R. MAHER



MICHAEL H. PRICE*
Chairman



DAVID B. RAMAKER*



RAYMOND E. REITSMAN*
Executive Vice President



PHILLIP R. SEYBERT



SHORAN R. WILLIAMS

* Mercantile Bank Corporation Board members

Governance

Community Reinvestment Act

We are honored to be rated as “Outstanding” by the FDIC in our Community Reinvestment Act (CRA) examinations for the last four consecutive exam cycles, covering a twelve year period. The Community Reinvestment Act is a federal law that encourages financial institutions to help meet the credit needs of the communities they serve, including low and moderate income neighborhoods, while maintaining safe and sound operations. An “Outstanding” rating is the highest possible rating and is achieved by less than 10% of all banks. The “Outstanding” rating is based on an evaluation of our mortgage, small business and community development lending as well as our investments and services. We believe this rating is a reflection of our commitment to the communities we serve and the hard work and dedication of our employees, who year after year, contribute and invest in the communities we live and work. To this end, we are consistently looking for opportunities to better serve our communities through lending services, accessible banking and community partnerships.

Risk Management

Mercantile also seeks to monitor and control its risk exposure through a risk and control framework encompassing a variety of separate but complementary financial, credit, operational, compliance and legal reporting systems, internal controls, management review processes and other mechanisms.

The oversight and management of our vendors that provide service activities will continue as required, while services and reports from vendors are provided in a timely and adequate manner to mitigate the risks of Identity Theft.

Mercantile is committed to protecting customer privacy and providing a secure banking experience. We continue to adapt our security measures to help protect online information from fraudulent access methods. We conservatively estimate that \$5,700,000 in potential identity theft losses were prevented in 2020.

How We Protect Customers:

- Extended Validation Secure Socket Layer (EV SLL) Certificates
- Secure Online & Mobile Banking Login
- Ultimate ID[®]
- Account and Security Alerts
- MercCards
- SecurLOCK Equip
- Reporting Fraud
- Multifactor Authentication
- Dual Control
- Positive Pay

Links:

[Code of Ethics Policy](#)

[Diversity, Equity and Inclusion Policy](#)

[Supplier Diversity Program Policy](#)

Mercantile ESG Committee Heading	Pillar	Category	Tracked Metrics	Response
Construction & Environmental Matters	ENVIRONMENTAL	Management	Facilities personnel	Follow LEED Green certifications where possible
		Carbon/Climate	Employee mileage reduced	Remote work during COVID led to lower gas consumption
			Building renovation and expansion	\$1.5 million dedicated spend for an HVAC system, which enabled energy costs to be maintained despite an increase in square footage by nearly one-third
			Reducing use of paper through estatements, docuSign, eStatement adoption at 56% bank-wide.	
			Reduced paper by eliminating paper receipts and expense reports	Adoption of the Ascend accounts payable system
			Low flow devices/LED lighting	All new construction includes low flow devices and LED lighting required by energy code
		Natural Resources	Water usage	Water bottle refill stations installed during expansion to reduce plastic bottles
		Waste & Toxicity	COVID Building protocols - extra cleaning, etc.	Increased cleaning costs by an average of \$7k per month
			Repurpose/recycle	Any renovations and expansion projects are met with Mercantile's repurpose and recycle initiative, which donates previously used office furniture to non-profit organizations
			Shredding and recycling program (internal and community shred days)	In 2020, we collectively shred 151.5 tons of paper
Community Service & Volunteering	SOCIAL	Human Rights	MercVolunteer Hours	12,420 hours down from 33,776 prior year (due to COVID impact)
			Community value of volunteer hours	2020 value of volunteer hours \$337,824 down from \$871,083 in 2019 (due to COVID impact)
			Number of organizations assisted/board positions	523 organizations impacted down from 1,320 prior year (due to COVID impact)
			Dollars invested/donated to communities - impact gifts	\$812,127 total donations. Impact gifts to help homelessness/housing crisis and food shortage crisis
			Tracking using worldwide UN standards	Reference sustainable development goals - page 14
			Financial education provided	108 classes taught with over 1,000 participants
			Incentive vacation time for volunteering	In the past five years, averaged over 500 hours per year of Volunteer Hours in this program
HR, Employee Development, Health & Safety AND Diversity, Equity and Inclusion	SOCIAL	Labor, Health and Safety	HR Goals for hiring	Goals for diversification of workforce
			Employee education hours	1,200 hours not including annual Day of Training, New Hire training, New Accounts/Desk training, Compliance and Information Security training, DEI Training
			Awards received	2020 Awards: Best & Brightest Companies to Work For- 16 years in a row Corp! Magazine Salute to Diversity Award- Diversity Focused Company Q2 Customer of the Year (banking) Greater Ottawa County United Way- Community Builder Award Heart of West Michigan United Way- Gold Award (3 years in a row) Michigan Bankers Association Financial Literacy Award
			Supplier Diversity Program	Enacted a Supplier Diversity Program Policy
			Diversity council	Diversity Council comprised of 13 members representing diverse perspectives across departments and view points
			STRIVE Efforts	This Initiative provides a forum for women to discuss and develop leadership skills for the workplace and the community
			HR HireReach - selected to be part of program	HR HireReach's evidence based hiring system has been utilized with all retail new hires. In 2020 249 hours were committed to HR HireReach initiative. HR HireReach is a cohort of 15 local companies that have adopted the evidence based hiring process to help increase diversity in the workforce
			2021 Health insurance renewals in place	Only a 5% premium increase while holding/improving benefit levels
			Intern program	Provide opportunities to young professionals within the financial industry
			Employee wellness program	Variety of monthly challenges - employees receive points and can earn rewards for participating
			Donate paid time to employees in need	Employees can donate up to 24 hours per year to a vacation bank for other employees
Economic Impact	SOCIAL	Stakeholder and Society	Robust employee benefit program	Adoption/IVF assistance, clothing loan, stock purchase, fitness equipment loan, home office loan, 401(k) match, Pay it Forward, paid time to volunteer, United Way day, 3 additional vacation days in 2021 due to COVID protocols
			Speciality loans	Expanded awareness of programs
			PPP successes	Approved over \$554 million in loans to over 2,100 companies that employ over 56,000 people
			Community development lending	119 loans for \$150,765,830
			Affordable Housing/FHLB grants	27 grants for \$170,925 - 21 families received money to make needed home improvements and 6 families received down payment assistance - 1 affordable housing program grant for \$500,000 that will provide 19 units of housing serving homeless populations
Small Business lending/CRA data reports	3,653 loans for \$655,162,000			

Mercantile ESG Committee Heading	Pillar	Category	Tracked Metrics	Response
Operations & Technology AND Strategic Communication & Marketing	SOCIAL	Product Safety and Quality	Contactless Cards	Rolled out contactless credit and debit cards
			Remote Deposit capture - commercial customers depositing remotely	42,285 checks deposited via business mobile image capture totaling more than \$270 million; 1,152,119 checks deposited via business scanners totaling nearly \$4.5 billion; and 66,298 checks deposited via consumer mobile image capture totaling more than \$45 million
			Live ATM banking machines	Expanded hours, service during COVID
			Treasury product of Positive Pay to reduce fraud	Across 2020, Positive Pay returned 353 checks totalling more than \$1.7 million as unauthorized as well as 93 Automated Clearing House (ACH) items totaling \$828,426. Altogether 1,080 checks were returned for the year
		Data Security	Smart boards installed throughout company to reduce travel. Also implemented Webex video meetings	17 devices installed for video conference capabilities. Utilizing Webex video meetings to continue human connection during pandemic
			Increased customer usage of technology - online banking (OLB) usage and increase in online account opening	Mobile logins increased 68% since 2017. Desktop increased 25%. Overall logins are 63% mobile. There was a 25% spike in overall logins in the spring to see stimulus payments. Achieved a 6% increase in the number of users this year, and 14% since 2017. Consumer Mobile increased 16% since last year due to COVID and 32% since 2017. P2P increased 43% since last year and tripled since 2017
			Remote access increase	Over 80% of workforce able to work from home
			Relationship with technology vendors	Mercantile Bank often partners with Q2 as an early adopter of crucial new functionality. In this role, Mercantile Bank doesn't merely test the viability of a new product; we helped determine and improve its functionality, user experience, and future direction. Those improvements then make their way into the product and benefit the entirety of Q2's customer base
			Vendor management review program	As our Vendor Management Program has been able to classify and assess risk associated with outsourcing services to a vendor, which allows for appropriate due diligence review based on actual risk. This allows the bank to keep with its strategy of partnering with "best in breed" vendors by ensuring the most critical and/or risky vendors have been properly identified and mitigating controls in place Out of 1,144 identified vendors Mercantile has classified and performed a full due diligence review on 48 vendor which posed a Significant or Critical service. Over 2020, 210 new vendors were added to our portfolio. There have been numerous contract reviews for both new vendor relationships or current vendor relationships that were re-negotiated or had services added/removed. All of these efforts have allowed the bank to position itself to either request additional controls to be in place prior to engaging with a vendor or allow the bank the opportunity to choose another more fitting vendor relationship.
		Data Security	Conservatively estimate that \$5.7 million in potential Identity Theft losses were prevented	
		Marketing & Communication	Communication with customers	Communication with customers is paramount, and we have acted swiftly to keep customers up to date with written communication as well as regular updates to our social media sites. To best keep clients safe and informed, we've added a COVID-related page on our website to host relevant updates and policies as well as reflective graphics and signage in our branch lobbies to effectively notify of changing information
			Social Media stats	Reach: 1,679,819 (that's the cumulative reach of all of our posts added together) Engagements: 18,000+ Posts: 188
			Website updates	Implementation of a Content Management System, rollout in 2021
			Email communication to customers	Updated planning initiatives in 2020, will start rollout in 2021
Marketing checklist	Ensures regulatory compliance			
Board of Directors AND Management Team	GOVERNANCE	Corporate Governance	Formed ESG committee	The ESG Committee is a cross-functional management committee that assists executive management
			Policies	Code of Ethics; Conflict of Interest; Policy Against Harassment; Diversity, Equity and Inclusion; Supplier Diversity Program; Non-Discrimination and Equal Employment Opportunities (EEO)
			CRA rating	Rated as "Outstanding" by the FDIC in our Community Investment Act (CRA) examinations, having received four consecutive outstanding CRA ratings that cover a 12 year period
			Reported Identity Theft incidents	25,909 Identity Theft Red Flag notifications were reported to Loss Prevention for review (in 2019 - 19,027 incidents were reported) 25,392 were generated by Card Services (in 2019 - 18,538 incidents were reported) 517 (2%) reported from other sources including those discovered by Loss Prevention (in 2019 - 489 incidents or roughly 3% were reported by LP and other sources)
			Customer Protection	Extended Validation Secure Socket Layer (EV SSL) Certificates; Secure Online & Mobile Banking Login; Ultimate ID ®; Account and Security Alerts; MercCards; SecurLOCK Equip; Reporting Fraud; Multifactor Authentication; Dual Control

MISSION STATEMENT



The mission of Mercantile Bank Corporation is to provide value in a highly professional and personalized manner. We recognize that our most important partners are our customers. We will satisfy our customers' need for security and achievement of their goals and dreams by delivering top quality services that distinguishes us from our competitors. Our employees are our most valuable asset. Our exceptional team members are committed to maintaining an environment of personal growth and development. We recognize the importance of being strong supporters of the diverse communities in which we live and serve. We pledge to help make them stronger through investments of time and resources. We believe that by fulfilling our mission to our customers, employees and communities, we will provide our shareholders with an excellent return on their investment in Mercantile Bank Corporation.

[MERC BANK.COM](https://www.mercbank.com) | 800.453.8700

MERCANTILE BANK CORPORATION, 310 LEONARD STREET NW, GRAND RAPIDS, MI 49504