

**CPP ANNUAL USE OF CAPITAL SURVEY - 2010**

**NAME OF INSTITUTION**

(Include Holding Company Where Applicable)

MERCANTILE BANK CORPORATION
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Person to be contacted regarding this report:	Michael Price	RSSD: (For Bank Holding Companies)	2608763
UST Sequence Number:	449	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	21,000,000	FDIC Certificate Number: (For Depository Institutions)	34598
CPP/CDCI Funds Repaid to Date:	0	Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	May 15, 2009	City:	Grand Rapids
Date Repaid <sup>1</sup> :	n/a	State:	Michigan

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

*American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.*

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	Since issuing the preferred shares, we have originated over \$150 million in new loans. Without this CPP source of capital, we would have been forced to severely reduce the number of new loans originated to conserve our capital position.
<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	The majority of our new loan originations were small business and commercial mortgage loans.
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	

<input type="checkbox"/>	Make other investments	
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	The CPP funds were also instrumental in supporting the increase in reserves for loan losses and non-performing loans.
<input type="checkbox"/>	Reduce borrowings	
<input checked="" type="checkbox"/>	Increase charge-offs	The poor economic environment caused charge-offs to increase and the CPP funds have allowed us to maintain a strong capital position despite the large losses.
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	All relevant capital ratios were fortified by the CPP funds.

What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

The Board of Directors of our Bank is committed to maintaining capital ratios in excess of the regulatory definition of "well capitalized". As such, without the CPP funds, bank management would have attempted to raise new capital in an extremely difficult, if not impossible environment for Community Banks located in Michigan. If no capital were available, the Bank would have had to cut off all lending and severely contract the asset size of our Bank. There is no doubt that the capital provided through the CPP program made a significant impact on the health of our Bank and the amount of lending we were able to participate in during the past 2 years. The program has been a huge success and prevented an even more dire cut back in small business lending in our market.

What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

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According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.