OMB Control Number 1505-0222

ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION
(Include Holding Company Where Applicable)

Mercantile Bank Corporation

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 Funds Received:	21,000,000	FDIC Certificate Number: (For Depository Institutions)	34598
CPP Funds Repaid to Date:	0	City:	Grand Rapids
Date Funded (first funding):	May 15, 2009	State:	Michigan
Date Repaid[1]:	N/A		

[1]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). To answer that question, Treasury is seeking responses that describe generally how the CPP 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 investment was deployed or how many CPP 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 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 funds were outstanding).

☒	Increase lending or reduce lending less than otherwise would have occurred.	Since May 31 2009 our sole Bank subsidiary has closed $641.8 million in total loans. $106.5 million of this total were new originations. Without the CPP our capital management strategy would have been to severely restrict all lending and specifically eliminate new loans of all types.
☒	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.
☐	Increase securities purchased (ABS, MBS, etc.).	

☐	Make other investments	
☒	Increase reserves for non-performing assets	The CPP funds were also instrumental in supporting the increase in reserves for loan losses and non-performing assets.
☐	Reduce borrowings	
☒	Increase charge-offs	Due to the economic downturn, charge-offs have increased and the CPP funds have been helpful to stabilizing our bank's capital position to cushion the effects of these losses.
☐	Purchase another financial institution or purchase assets from another financial institution	
☒	Held as non-leveraged increase to total capital	The CPP increased all relevant capital ratios.

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

The Board of Directors of our Bank is committed to maintaining capital ratios in excess of the regulatory definition for "well capitalized". As such, without the CPP funds management would have attempted to raise new capital in an extremely difficult, if not impossible capital environment for community banks. Given this very difficult capital market and the real possibility of no access to new capital, our Bank would have had to severely reduce the balance of it's loan portfolio to maintain it's well capitalized status. In fact, our bank did reduce it's loan portfolio by over $300 million during 2009, but would have had to further reduce it by approximately $200 million during the year to maintain it's well capitalized status. To accomplish this our Bank would not have originated the $106.5 million in new loans for the year. In addition further steps would have been undertaken to not renew existing customer loans and/or to force existing loan relationships out of the Bank.

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

More normalized consideration of new loan requests for creditworthy customers.

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

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.