

MERCANTILE BANK CORP

Form 10-Q

August 08, 2008

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**U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2008

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

**Commission File No. 000-26719
MERCANTILE BANK CORPORATION**
(Exact name of registrant as specified in its charter)

Michigan
(State or other jurisdiction of
incorporation or organization)

38-3360865
(IRS Employer Identification No.)

310 Leonard Street, NW, Grand Rapids, MI 49504

(Address of principal executive offices) (Zip Code)

(616) 406-3000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

At August 8, 2008, there were 8,530,146 shares of Common Stock outstanding.

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CONSOLIDATED BALANCE SHEETS**

	June 30, 2008 (Unaudited)	December 31, 2007
ASSETS		
Cash and due from banks	\$ 37,632,000	\$ 29,138,000
Short term investments	137,000	292,000
Total cash and cash equivalents	37,769,000	29,430,000
Securities available for sale	129,013,000	136,673,000
Securities held to maturity (fair value of \$64,022,007 at June 30, 2008 and \$66,440,000 at December 31, 2007)	63,787,000	65,330,000
Federal Home Loan Bank stock	14,973,000	9,733,000
Loans and leases	1,840,793,000	1,799,880,000
Allowance for loan and lease losses	(31,881,000)	(25,814,000)
Loans and leases, net	1,808,912,000	1,774,066,000
Premises and equipment, net	33,557,000	34,351,000
Bank owned life insurance policies	41,004,000	39,118,000
Accrued interest receivable	8,317,000	9,957,000
Other assets	26,022,000	22,745,000
Total assets	\$ 2,163,354,000	\$ 2,121,403,000
LIABILITIES AND SHAREHOLDERS EQUITY		
Deposits		
Noninterest-bearing	\$ 131,107,000	\$ 133,056,000
Interest-bearing	1,413,597,000	1,458,125,000
Total deposits	1,544,704,000	1,591,181,000
Securities sold under agreements to repurchase	82,300,000	97,465,000
Federal funds purchased	16,000,000	13,800,000
Federal Home Loan Bank advances	285,000,000	180,000,000
Subordinated debentures	32,990,000	32,990,000
Other borrowed money	14,245,000	4,013,000
Accrued expenses and other liabilities	20,402,000	23,799,000
Total liabilities	1,995,641,000	1,943,248,000

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Shareholders' equity		
Preferred stock, no par value; 1,000,000 shares authorized, none issued	0	0
Common stock, no par value: 20,000,000 shares authorized; 8,530,512 shares outstanding at June 30, 2008 and 8,527,197 shares outstanding at December 31, 2007	172,640,000	172,938,000
Retained earnings (deficit)	(2,672,000)	4,948,000
Accumulated other comprehensive income (loss)	(2,255,000)	269,000
Total shareholders' equity	167,713,000	178,155,000
Total liabilities and shareholders' equity	\$ 2,163,354,000	\$ 2,121,403,000

See accompanying notes to consolidated financial statements.

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MERCANTILE BANK CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended June 30, 2008 (Unaudited)	Three Months Ended June 30, 2007 (Unaudited)	Six Months Ended June 30, 2008 (Unaudited)	Six Months Ended June 30, 2007 (Unaudited)
Interest income				
Loans and leases, including fees	\$ 26,483,000	\$ 33,513,000	\$ 55,546,000	\$ 66,935,000
Securities, taxable	1,906,000	1,792,000	3,993,000	3,591,000
Securities, tax-exempt	718,000	693,000	1,433,000	1,400,000
Federal funds sold	31,000	82,000	117,000	175,000
Short term investments	1,000	4,000	5,000	8,000
Total interest income	29,139,000	36,084,000	61,094,000	72,109,000
Interest expense				
Deposits	14,861,000	19,179,000	31,964,000	38,004,000
Short term borrowings	472,000	866,000	1,023,000	1,698,000
Federal Home Loan Bank advances	2,666,000	1,390,000	4,995,000	2,584,000
Long term borrowings	548,000	701,000	1,137,000	1,391,000
Total interest expense	18,547,000	22,136,000	39,119,000	43,677,000
Net interest income	10,592,000	13,948,000	21,975,000	28,432,000
Provision for loan and lease losses	6,200,000	2,350,000	15,300,000	3,370,000
Net interest income after provision for loan and lease losses	4,392,000	11,598,000	6,675,000	25,062,000
Noninterest income				
Services charges on accounts	480,000	393,000	984,000	782,000
Earnings on bank owned life insurance policies	418,000	309,000	853,000	606,000
Mortgage banking activities	174,000	103,000	413,000	214,000
Other income	686,000	616,000	1,398,000	1,227,000
Total noninterest income	1,758,000	1,421,000	3,64	