

MERCANTILE BANK CORP
Form 10-Q
August 05, 2013
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U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2013

.. **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)

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Michigan
(State or other jurisdiction of

38-3360865
(IRS Employer

incorporation or organization)

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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.

Large accelerated filer Accelerated filer

Non-accelerated filer 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 5, 2013, there were 8,707,003 shares of common stock outstanding.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
ASSETS		
Cash and due from banks	\$ 16,789,000	\$ 20,302,000
Interest-bearing deposit balances	6,108,000	10,822,000
Federal funds sold	35,080,000	104,879,000
Total cash and cash equivalents	57,977,000	136,003,000
Securities available for sale	130,134,000	138,314,000
Federal Home Loan Bank stock	11,961,000	11,961,000
Loans	1,058,662,000	1,041,189,000
Allowance for loan losses	(24,947,000)	(28,677,000)
Loans, net	1,033,715,000	1,012,512,000
Premises and equipment, net	25,382,000	25,919,000
Bank owned life insurance	50,736,000	50,048,000
Accrued interest receivable	3,660,000	3,874,000
Other real estate owned and repossessed assets	3,916,000	6,970,000
Net deferred tax asset	19,711,000	22,015,000
Other assets	6,558,000	15,310,000
Total assets	\$ 1,343,750,000	\$ 1,422,926,000
LIABILITIES AND SHAREHOLDERS EQUITY		
Deposits		
Noninterest-bearing	\$ 197,304,000	\$ 190,241,000
Interest-bearing	864,011,000	944,963,000
Total deposits	1,061,315,000	1,135,204,000
Securities sold under agreements to repurchase	57,328,000	64,765,000
Federal Home Loan Bank advances	35,000,000	35,000,000
Subordinated debentures	32,990,000	32,990,000
Accrued interest and other liabilities	6,179,000	8,377,000
Total liabilities	1,192,812,000	1,276,336,000

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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; 8,707,003 shares outstanding at June 30, 2013 and 8,706,251 shares outstanding at December 31, 2012	164,548,000	166,074,000
Retained earnings (deficit)	(12,718,000)	(21,134,000)
Accumulated other comprehensive income (loss)	(892,000)	1,650,000
Total shareholders' equity	150,938,000	146,590,000
Total liabilities and shareholders' equity	\$ 1,343,750,000	\$ 1,422,926,000

See accompanying notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended June 30, 2013 (Unaudited)	Three Months Ended June 30, 2012 (Unaudited)	Six Months Ended June 30, 2013 (Unaudited)	Six Months Ended June 30, 2012 (Unaudited)
Interest income				
Loans, including fees	\$ 12,687,000	\$ 13,454,000	\$ 25,533,000	\$ 27,268,000
Securities, taxable	1,007,000	1,063,000	2,014,000	2,342,000
Securities, tax-exempt	257,000	367,000	552,000	789,000
Federal funds sold	35,000	38,000	89,000	70,000
Interest-bearing deposit balances	6,000	8,000	13,000	14,000
Total interest income	13,992,000	14,930,000	28,201,000	30,483,000
Interest expense				
Deposits	2,223,000	2,844,000	4,543,000	5,853,000
Short-term borrowings	19,000	42,000	39,000	91,000
Federal Home Loan Bank advances	119,000	300,000	238,000	688,000
Other borrowings	319,000	233,000	615,000	471,000
Total interest expense	2,680,000	3,419,000	5,435,000	7,103,000
Net interest income	11,312,000	11,511,000	22,766,000	23,380,000
Provision for loan losses	(1,500,000)	(3,000,000)	(3,000,000)	(3,000,000)
Net interest income after provision for loan losses	12,812,000	14,511,000	25,766,000	26,380,000
Noninterest income				
Services charges on accounts	384,000	379,000	758,000	764,000
Earnings on bank owned life insurance	350,000	385,000	688,000	792,000
Mortgage banking activities	225,000	275,000	477,000	574,000
Rental income from other real estate owned	156,000	324,000	355,000	536,000
Other income	657,000	577,000	1,321,000	1,208,000
Total noninterest income	1,772,000	1,940,000	3,599,000	3,874,000
Noninterest expense				
Salaries and benefits	4,981,000	4,855,000	9,838,000	9,545,000
Occupancy	624,000	671,000	1,282,000	1,349,000
Furniture and equipment depreciation, rent and maintenance	256,000	299,000	512,000	606,000
Nonperforming asset costs	279,000	2,080,000	410,000	3,355,000
FDIC insurance costs	175,000	296,000	420,000	600,000
Other expense	2,498,000	2,403,000	4,935,000	4,803,000

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Total noninterest expenses	8,813,000	10,604,000	17,397,000	20,258,000
Income before federal income tax expense	5,771,000	5,847,000	11,968,000	9,996,000
Federal income tax expense	1,755,000	1,856,000	3,552,000	3,125,000
Net income	4,016,000	3,991,000	8,416,000	6,871,000
Preferred stock dividends and accretion	0			