

MERCANTILE BANK CORP  
Form S-4/A  
November 05, 2013  
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Registration No. 333-191212

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**AMENDMENT NO. 3**  
**TO**  
**FORM S-4**  
**REGISTRATION STATEMENT**  
***UNDER***  
***THE SECURITIES ACT OF 1933***

**MERCANTILE BANK CORPORATION**

(Exact Name of Registrant as Specified in its Charter)

Michigan  
(State or Other Jurisdiction of)

000-26719  
(Commission)

38-3360865  
(IRS Employer)

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Incorporation or Organization)

File Number)  
310 Leonard St., N.W.

Identification Number)

Grand Rapids, Michigan 49504

(616) 406-3000

(Address, including ZIP Code, and telephone number, including area code, of registrant's principal executive offices)

Charles E. Christmas

Senior Vice President, Chief Financial Officer and Treasurer

Mercantile Bank Corporation

310 Leonard St., N.W.

Grand Rapids, Michigan 49504

(616) 406-3000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

*Copies to:*

Daniel C. Persinger

Thomas R. Sullivan

Harvey Koning

Warner Norcross & Judd LLP

President and CEO

Varnum LLP

900 Fifth Third Center

Firstbank Corporation

333 Bridge Street, N.W.

111 Lyon Street, N.W.

311 Woodworth Avenue

Suite 1700

Grand Rapids, Michigan 49503-2487

Alma, Michigan 48801

Grand Rapids, Michigan 49504

(616) 752-2353

(989) 463-3131

(616) 336-6588

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this Registration Statement is declared effective and upon the satisfaction or waiver of all other conditions to consummation of the transactions described herein.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: "

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If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

**The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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**The information in this joint proxy statement and prospectus is subject to completion and amendment. A registration statement relating to the securities described in this joint proxy statement and prospectus has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy these securities be accepted prior to the time the registration statement becomes effective. This joint proxy statement and prospectus shall not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of these securities in any jurisdiction, in which such offer, solicitation or sale would be unlawful prior to registration under the securities laws of any such jurisdiction.**

**PRELIMINARY SUBJECT TO COMPLETION DATED NOVEMBER 5, 2013**

**JOINT PROXY STATEMENT AND PROSPECTUS**

**MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

The boards of directors of each of Mercantile Bank Corporation and Firstbank Corporation have unanimously approved a business combination. Mercantile and Firstbank entered into an Agreement and Plan of Merger, dated as of August 14, 2013. Under the terms of the merger agreement, Firstbank will be merged with and into Mercantile, with Mercantile as the surviving corporation.

Upon completion of the merger, Firstbank shareholders will receive one share of Mercantile common stock for each share of Firstbank common stock that they own. The exchange ratio is fixed and will not be adjusted to reflect stock price changes prior to the effective time of the merger. Based on the closing price of Mercantile common stock on the Nasdaq Stock Market on August 14, 2013, the last trading day before public announcement of the merger, the exchange ratio represented approximately \$18.77 in value for each share of Firstbank common stock. The closing price of Firstbank common stock on the Nasdaq Stock Market on August 14, 2013, was \$16.66 per share. Mercantile shareholders will continue to own their existing Mercantile shares. Mercantile common stock and Firstbank common stock are currently traded on Nasdaq under the symbols MBWM and FBML, respectively. We urge you to obtain current market quotations of Mercantile and Firstbank common stock.

Firstbank shareholders are not expected to recognize any gain or loss for U.S. federal income tax purposes upon the exchange of shares of Firstbank common stock for shares of Mercantile common stock pursuant to the merger, except with respect to cash received in lieu of fractional shares of Mercantile common stock.

Based on the estimated number of shares of Mercantile and Firstbank common stock that will be outstanding immediately prior to the effective time of the merger, we estimate that, upon the closing, former Mercantile shareholders will own approximately 52% of the combined company following the merger and former Firstbank shareholders will own approximately 48% of the combined company following the merger.

Mercantile and Firstbank will each hold special meetings of their respective shareholders in connection with the proposed merger. At the Mercantile special meeting, Mercantile shareholders will be asked to vote on a proposal to approve the merger agreement, a proposal to approve the issuance of shares of Mercantile common stock to Firstbank shareholders in connection with the merger, a proposal to approve an amendment to Mercantile's articles of incorporation to increase the number of authorized shares of Mercantile common stock and a proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Mercantile's named executive officers that is based on or otherwise related to the proposed transactions.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this joint proxy statement and prospectus or determined if this joint proxy statement and prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

**This is a prospectus offering up to 8,500,000 shares of Mercantile common stock to Firstbank shareholders.** This joint proxy statement and prospectus is dated \_\_\_\_\_, 2013 and is first being mailed to Mercantile shareholders and Firstbank shareholders on or about \_\_\_\_\_, 2013.

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At the Firstbank special meeting, Firstbank shareholders will be asked to vote on the proposal to approve the merger agreement and to vote on a proposal to approval, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Firstbank's named executive officers that is based on or otherwise relates to the proposed transactions.

We cannot complete the merger unless (i) the Mercantile shareholders approve the issuance of shares of Mercantile common stock to Firstbank shareholders in connection with the merger and approve the merger agreement, and (ii) the Firstbank shareholders approve the merger agreement, in each case as described above. Your vote is very important, regardless of the number of shares that you own. Whether or not you expect to attend your special meeting in person, please submit a proxy to vote your shares as promptly as possible so that your shares may be represented and voted at the Mercantile or Firstbank special meeting, as applicable.

The Mercantile board of directors unanimously recommends that the Mercantile shareholders vote **FOR** the proposal to approve the merger agreement, **FOR** the proposal to approve the issuance of shares of Mercantile common stock to Firstbank shareholders in connection with the merger, **FOR** the proposal to approve the amendment to Mercantile's articles of incorporation to increase the number of authorized shares of Mercantile common stock and **FOR** the proposal to approve the adjournment of the Mercantile special meeting, if necessary or appropriate, to permit further solicitation of proxies. The Firstbank board of directors unanimously recommends that the Firstbank shareholders vote **FOR** the proposal to approve the merger agreement, **FOR** the proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Firstbank's named executive officers that is based on or otherwise relates to the proposed transactions and **FOR** the proposal to approve the adjournment of the Firstbank special meeting, if necessary or appropriate, to permit further solicitation of proxies.

The obligations of Mercantile and Firstbank to complete the merger are subject to the satisfaction or waiver of several conditions. The accompanying joint proxy statement and prospectus contains detailed information about Mercantile, Firstbank, the special meetings, the merger agreement and the merger. **You should read this joint proxy statement and prospectus carefully and in its entirety before voting, including the section entitled Risk Factors beginning on page 31.**

We look forward to the successful combination of Mercantile and Firstbank.

Sincerely,

Michael H. Price  
President and Chief Executive Officer  
Mercantile Bank Corporation

Thomas R. Sullivan  
President and Chief Executive Officer  
Firstbank Corporation

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**ADDITIONAL INFORMATION**

This joint proxy statement and prospectus incorporates important business and financial information about Mercantile and Firstbank from other documents that are not included in or delivered with this joint proxy statement and prospectus. This information is available to you without charge upon your request. You can obtain the documents incorporated by reference into this joint proxy statement and prospectus free of charge by requesting them in writing or by telephone from the appropriate company at the following addresses and telephone numbers:

Georgeson Inc.

480 Washington Blvd.

26th Floor

Jersey City, New Jersey 07310

Toll-Free: (800) 868-1390

**Investors may also consult Mercantile's or Firstbank's website for more information about Mercantile or Firstbank, respectively.** Mercantile's website is [www.mercbank.com](http://www.mercbank.com). Firstbank's website is [www.firstbankmi.com](http://www.firstbankmi.com). Information included on these websites is not incorporated by reference into this joint proxy statement and prospectus.

**If you would like to request any documents, please do so by December 2, 2013 in order to receive them before the special meetings.**

For a more detailed description of the information incorporated by reference in this joint proxy statement and prospectus and how you may obtain it, see "Where You Can Find More Information" beginning on page 154.

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**ABOUT THIS JOINT PROXY STATEMENT AND PROSPECTUS**

This joint proxy statement and prospectus, which forms part of a registration statement on Form S-4 filed with the U.S. Securities and Exchange Commission (referred to as the "SEC") by Mercantile, constitutes a prospectus of Mercantile under Section 5 of the Securities Act of 1933, as amended (referred to as the "Securities Act"), with respect to the shares of Mercantile common stock to be offered to Firstbank shareholders in connection with the merger. This joint proxy statement and prospectus also constitutes a joint proxy statement for both Mercantile and Firstbank under Section 14(a) of the Securities Exchange Act of 1934, as amended (referred to as the "Exchange Act"). It also constitutes a notice of meeting with respect to the special meeting of Mercantile shareholders and a notice of meeting with respect to the special meeting of Firstbank shareholders.

You should rely only on the information contained in or incorporated by reference into this joint proxy statement and prospectus. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this joint proxy statement and prospectus. This joint proxy statement and prospectus is dated [redacted], 2013. You should not assume that the information contained in this joint proxy statement and prospectus is accurate as of any date other than that date. You should not assume that the information incorporated by reference into this joint proxy statement and prospectus is accurate as of any date other than the date of the incorporated document. Neither our mailing of this joint proxy statement and prospectus to Mercantile shareholders or Firstbank shareholders nor the issuance by Mercantile of shares of common stock pursuant to the merger will create any implication to the contrary.

**This joint proxy statement and prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation. Information contained in this joint proxy statement and prospectus regarding Mercantile has been provided by Mercantile and information contained in this joint proxy statement and prospectus regarding Firstbank has been provided by Firstbank.**

All references in this joint proxy statement and prospectus to "Mercantile" refer to Mercantile Bank Corporation, a Michigan corporation; all references in this joint proxy statement and prospectus to "Firstbank" refer to Firstbank Corporation, a Michigan corporation; all references in this joint proxy statement and prospectus to "we," "our" and "us" refer to Mercantile and Firstbank collectively, unless otherwise indicated or as the context requires; and all references to the "merger agreement" refer to the Agreement and Plan of Merger, dated as of August 14, 2013, by and between Mercantile Bank Corporation and Firstbank Corporation, a copy of which is included as Annex A to this joint proxy statement and prospectus. Mercantile and Firstbank, subject to and following completion of the merger, are sometimes referred to in this joint proxy statement and prospectus as the "combined company."

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**Mercantile Bank Corporation**

**310 Leonard St., N.W.**

**Grand Rapids, Michigan 49504**

**(616) 406-3000**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**To Be Held On December 12, 2013**

To the Shareholders of Mercantile Bank Corporation:

We are pleased to invite you to attend the special meeting of shareholders of Mercantile Bank Corporation, a Michigan corporation (referred to as Mercantile ), which will be held at Mercantile Bank Corporation headquarters, 310 Leonard Street NW, Grand Rapids, Michigan, 49504, on December 12, 2013 at 9:30 a.m., local time, for the following purposes:

to vote on a proposal to approve the merger agreement;

to vote on a proposal to approve the issuance of shares of Mercantile common stock, no par value per share, to shareholders of Firstbank Corporation (referred to as Firstbank ) in connection with the merger contemplated by the Agreement and Plan of Merger, dated August 14, 2013, by and between Mercantile and Firstbank, as it may be amended from time to time (referred to as the merger agreement ), a copy of which is included as Annex A to the joint proxy statement and prospectus of which this notice is a part;

to vote on a proposal to approve an amendment to Mercantile s articles of incorporation to increase the number of authorized shares of common stock from 20 million to 40 million, a copy of which amendment is included as Annex B to the joint proxy statement and prospectus of which this notice is a part;

to vote on a proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Mercantile s named executive officers that is based on or otherwise related to the proposed transactions; and

to vote on a proposal to approve the adjournment of the Mercantile special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes at the time of the special meeting to approve the proposals listed above.

Completion of the merger is conditioned on approval of the merger agreement and approval of the issuance of shares of Mercantile common stock to Firstbank shareholders in connection with the merger, however it is not conditioned on the approval of the amendment to Mercantile s articles of incorporation to increase the number of authorized shares of Mercantile common stock.

Mercantile will transact no other business at the special meeting except such business as may properly be brought before the special meeting or any adjournment or postponement thereof. Please refer to the joint proxy statement and prospectus of which this notice is a part for further information with respect to the business to be transacted at the Mercantile special meeting.

The Mercantile board of directors has fixed the close of business on November 1, 2013 as the record date for the Mercantile special meeting. Only Mercantile shareholders of record at that time are entitled to receive notice of, and to vote at, the Mercantile special meeting or any adjournment or postponement thereof.



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The Mercantile board of directors has unanimously approved the merger, adopted the merger agreement, and unanimously recommends that Mercantile shareholders vote **FOR** the proposal to approve the merger agreement, **FOR** the proposal to approve the issuance of shares of Mercantile common stock to Firstbank shareholders in connection with the merger, **FOR** the proposal to approve the amendment to Mercantile's articles of incorporation, **FOR** the proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Mercantile's named executive officers that is based on or otherwise related to the proposed transactions, and **FOR** the proposal to approve the adjournment of the Mercantile special meeting, if necessary or appropriate, to permit further solicitation of proxies.

Your vote is very important. Whether or not you expect to attend the Mercantile special meeting in person, to ensure your representation at the Mercantile special meeting, we urge you to submit a proxy to vote your shares as promptly as possible by (i) visiting the internet site listed on the Mercantile proxy card, (ii) calling the toll-free number listed on the Mercantile proxy card or (iii) submitting your Mercantile proxy card by mail by using the provided self-addressed, stamped envelope. Submitting a proxy will not prevent you from voting in person, but it will help to secure a quorum and avoid added solicitation costs. Any eligible holder of record of Mercantile stock who is present at the Mercantile special meeting may vote in person, thereby canceling any previous proxy. In any event, a proxy may be revoked in writing at any time before the Mercantile special meeting in the manner described in the accompanying document. If your shares are held in the name of a bank, broker or other nominee, please follow the instructions on the voting instruction card furnished by the bank, broker or other nominee.

The enclosed joint proxy statement and prospectus provides a detailed description of the merger and the merger agreement and the other matters to be considered at the Mercantile special meeting. We urge you to carefully read this joint proxy statement and prospectus, including any documents incorporated by reference, and the Annexes in their entirety. If you have any questions concerning the merger or this joint proxy statement and prospectus, would like additional copies or need help voting your shares of Mercantile common stock, please contact Mercantile's proxy solicitor, Georgeson Inc., by mail at 480 Washington Blvd., 26th Floor, Jersey City, New Jersey 07310, or by telephone, toll-free, at (800) 868-1390.

By Order of the Mercantile Board of Directors

Michael H. Price

Chairman of the Board, President and Chief Executive Officer

, 2013

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**Firstbank Corporation**

**311 Woodworth Ave.**

**PO Box 1029**

**Alma, Michigan 48801**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**To Be Held On December 12, 2013**

To the Shareholders of Firstbank Corporation:

We are pleased to invite you to attend the special meeting of shareholders of Firstbank Corporation, a Michigan corporation (referred to as Firstbank ), which will be held at Firstbank Corporation headquarters, 311 Woodworth Avenue, Alma, Michigan 48801, on December 12, 2013 at 9:30 a.m., local time, for the following purposes:

to vote on a proposal to adopt the Agreement and Plan of Merger, dated as of August 14, 2013, by and among Firstbank and Mercantile Bank Corporation, a Michigan corporation (referred to as Mercantile ), as it may be amended from time to time (referred to as the merger agreement ), a copy of which is included as Annex A to the joint proxy statement and prospectus of which this notice is a part;

to consider and cast an advisory (non-binding) vote on the compensation that may be paid or become payable to Firstbank s named executive officers that is based on or otherwise related to the proposed transactions; and

to vote on a proposal to approve the adjournment of the Firstbank special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes at the time of the special meeting to approve the first proposal listed above.

Firstbank will transact no other business at the special meeting except such business as may properly be brought before the special meeting or any adjournment or postponement thereof. Please refer to the joint proxy statement and prospectus of which this notice is a part for further information with respect to the business to be transacted at the Firstbank special meeting.

The Firstbank board of directors has fixed the close of business on November 1, 2013 as the record date for the Firstbank special meeting. Only Firstbank shareholders of record at that time are entitled to receive notice of, and to vote at, the Firstbank special meeting or any adjournment or postponement thereof. A complete list of such shareholders will be available for inspection by any Firstbank shareholder for any purpose germane to the special meeting during ordinary business hours for the ten days preceding the Firstbank special meeting at Firstbank s offices at 311 Woodworth Ave., Alma, Michigan 48801. The eligible Firstbank shareholder list will also be available at the Firstbank special meeting for examination by any shareholder present at such meeting.

Completion of the merger is conditioned on approval and adoption of the merger agreement by the Firstbank shareholders, which requires the affirmative vote of a majority of the issued and outstanding shares of Firstbank common stock entitled to vote at the special meeting.

**The Firstbank board of directors has unanimously approved the merger and the merger agreement and unanimously recommends that Firstbank shareholders vote FOR the proposal to adopt the merger**

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agreement, the merger and the other transactions contemplated by the merger agreement, **FOR** the approval, on an advisory (non-binding) basis, of the compensation that may be paid or become payable to Firstbank's named executive officers that is based on or otherwise relates to the proposed transactions and **FOR** the proposal to approve the adjournment of the Firstbank special meeting, if necessary or appropriate, to permit further solicitation of proxies.

**Your vote is very important, regardless of the number of shares that you own. Whether or not you expect to attend the Firstbank special meeting in person, to ensure your representation at the Firstbank special meeting, we urge you to submit a proxy to vote your shares as promptly as possible by (i) accessing the internet site listed on the Firstbank proxy card, (ii) calling the toll-free number listed on the Firstbank proxy card or (iii) submitting your Firstbank proxy card by mail by using the provided self-addressed, stamped envelope.** Submitting a proxy will not prevent you from voting in person, but it will help to secure a quorum and avoid added solicitation costs. Any eligible holder of Firstbank stock who is present at the Firstbank special meeting may vote in person, thereby canceling any previous proxy. In any event, a proxy may be revoked in writing at any time before the Firstbank special meeting in the manner described in the accompanying document. If your shares are held in the name of a bank, broker or other nominee, please follow the instructions on the voting instruction card furnished by such bank, broker or other nominee.

The enclosed joint proxy statement and prospectus provides a detailed description of the merger and the merger agreement and the other matters to be considered at the Firstbank special meeting. We urge you to carefully read the joint proxy statement and prospectus, including any documents incorporated by reference, and the Annexes in their entirety. If you have any questions concerning the merger or the joint proxy statement and prospectus, would like additional copies or need help voting your shares of Firstbank common stock, please contact Firstbank's proxy solicitor, Georgeson Inc., by mail at 480 Washington Blvd., 26th Floor, Jersey City, New Jersey 07310, or by telephone, toll-free, at (800) 868-1390.

By Order of the Firstbank Corporation Board of Directors,

Samuel G. Stone

Executive Vice President, Chief Financial Officer,

Secretary and Treasurer

Alma, Michigan

, 2013



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**QUESTIONS AND ANSWERS**

*The following are some questions that you, as a Mercantile shareholder or a Firstbank shareholder, may have regarding the merger and the other matters being considered at the special meetings and the answers to those questions. Mercantile and Firstbank urge you to carefully read the remainder of this joint proxy statement and prospectus, including any documents incorporated by reference, and the Annexes in their entirety because the information in this section does not provide all of the information that might be important to you with respect to the merger and the other matters being considered at the special meetings.*

**Q: Why am I receiving this joint proxy statement and prospectus?**

A: Mercantile and Firstbank have agreed to a business combination pursuant to the terms of the merger agreement that is described in this joint proxy statement and prospectus. A copy of the merger agreement is included in this joint proxy statement and prospectus as Annex A. In order to complete the merger, among other things, Mercantile shareholders must approve the merger agreement and the issuance of shares of Mercantile common stock to Firstbank shareholders in connection with the merger, and Firstbank shareholders must approve the merger agreement. In addition, while not a condition to the closing of the transactions contemplated by the merger agreement, Mercantile shareholders will vote on a proposal to approve an amendment to Mercantile's articles of incorporation to increase the number of authorized shares of capital stock of Mercantile and a proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Mercantile's named executive officers that is based on or otherwise related to the proposed transactions, and Firstbank shareholders will vote on a proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Mercantile's named executive officers that is based on or otherwise related to the merger.

Mercantile and Firstbank will hold separate special meetings of their shareholders to obtain these approvals. This joint proxy statement and prospectus, including its Annexes, contains and incorporates by reference important information about Mercantile and Firstbank, the merger and the shareholder meetings of Mercantile and Firstbank. You should read all of the available information carefully and in its entirety.

**Q: What will I receive in the merger?**

A: Mercantile shareholders: Whether or not the merger is completed, Mercantile shareholders will retain the Mercantile common stock that they currently own. They will not receive any merger consideration, and they will not receive any additional shares of Mercantile common stock in the merger. As part of the merger, the Mercantile board of directors expects to declare and pay a special cash dividend of \$2.00 per share to Mercantile shareholders prior to the effective time of the merger, subject to the satisfaction of the closing conditions set forth in the merger agreement. Anticipation of the special dividend may cause upward pressure on or support of the price of Mercantile common stock as investors purchase or hold shares to collect the expected special dividend. The price of Mercantile common stock may decline on or after the ex-dividend date or payment date of the dividend.

Firstbank shareholders: If the merger is completed, Firstbank shareholders will receive one share of Mercantile common stock for each share of Firstbank common stock that they hold at the effective time of the merger. Based on the closing price of Mercantile common stock on the Nasdaq Stock Market on August 14, 2013, the last trading day before public announcement of the merger, the exchange ratio represented approximately \$18.77 in value for each share of Firstbank common stock. The closing price of Firstbank common stock on the Nasdaq Stock Market on August 14, 2013, was \$16.66 per share. Firstbank shareholders will not receive any fractional shares of Mercantile common stock in the merger. Instead, Mercantile will pay cash in lieu of any fractional shares of Mercantile common stock that a Firstbank shareholder would otherwise have been entitled to receive. Firstbank shareholders will also be entitled to any dividends declared and paid by Mercantile with a record date after the effective time of the merger after they have surrendered their certificates representing Firstbank common stock.

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**Q: What is the value of the merger consideration?**

A: Because Mercantile will issue one share of Mercantile common stock in exchange for each share of Firstbank common stock, the value of the merger consideration that Firstbank shareholders receive will depend on the price per share of Mercantile common stock at the effective time of the merger. That price will not be known at the time of the special meetings and may be less than the current price or the price at the time of the special meetings. As part of the merger, the Mercantile board of directors expects to declare and pay a special cash dividend of \$2.00 per share to Mercantile shareholders prior to the effective time of the merger. Anticipation of the special dividend may cause upward pressure on or support of the price of Mercantile common stock as investors purchase or hold shares to collect the expected special dividend. The price of Mercantile common stock may decline on or after the ex-dividend date or payment date of the dividend. We urge you to obtain current market quotations of Mercantile common stock and Firstbank common stock. See the section titled "Risk Factors" beginning on page 31. Based on the closing price of Mercantile common stock on the Nasdaq Stock Market on August 14, 2013, the last trading day before public announcement of the merger, the exchange ratio represented approximately \$18.77 in value for each share of Firstbank common stock. The closing price of Firstbank common stock on the Nasdaq Stock Market on August 14, 2013, was \$16.66 per share.

**Q: When and where will the special meetings be held?**

A: Mercantile shareholders: The special meeting of Mercantile shareholders will be held at Mercantile headquarters, 310 Leonard Street N.W., Grand Rapids, Michigan 49504.

Firstbank shareholders: The special meeting of Firstbank shareholders will be held at Firstbank headquarters, 311 Woodworth Avenue, Alma, Michigan 48801.

**Q: Who is entitled to vote at the special meetings?**

A: Mercantile shareholders: The record date for the Mercantile special meeting is November 1, 2013. Only record holders of shares of Mercantile common stock at the close of business on such date are entitled to notice of, and to vote at, the Mercantile special meeting or any adjournment or postponement thereof.

Firstbank shareholders: The record date for the Firstbank special meeting is November 1, 2013. Only record holders of shares of Firstbank common stock at the close of business on such date are entitled to notice of, and to vote at, the Firstbank special meeting or any adjournment or postponement thereof.

**Q: What constitutes a quorum at the special meetings?**

A: Mercantile shareholders: Shareholders who hold shares representing at least a majority of the shares entitled to vote at the Mercantile special meeting must be present in person or represented by proxy to constitute a quorum. All shares of Mercantile common stock represented at the Mercantile special meeting, including shares that are represented but that vote to abstain, will be treated as present for purposes of determining the presence or absence of a quorum. Broker non-votes will not be treated as present for purposes of determining the presence or absence of a quorum.

No business may be transacted at the Mercantile special meeting unless a quorum is present. If a quorum is not present, or if fewer shares than required for the necessary shareholder approvals, if necessary or appropriate to allow additional time for obtaining additional proxies, the special meeting may be adjourned if the approval of a majority of the votes cast at the special meeting is obtained. No notice of an adjourned meeting need be given unless a new record date is fixed for the adjourned meeting, in which case a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting. At any adjourned meeting, all proxies will be voted in the same manner as they would have been voted at the original convening of the special meeting, except for any proxies that have been effectively revoked or withdrawn prior to the adjourned meeting.

Firstbank shareholders: Shareholders who hold shares representing at least a majority of the shares entitled to vote at the Firstbank special meeting must be present in person or represented by proxy to constitute a quorum.

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All shares of Firstbank common stock represented at the Firstbank special meeting, either person or by proxy, including shares that are represented but that vote to abstain, will be treated as present for purposes of determining the presence or absence of a quorum. Broker non-votes will have no effect on determining the presence or absence of a quorum at the Firstbank special meeting.

No business may be transacted at the Firstbank special meeting unless a quorum is present. If a quorum is not present, or if fewer shares than required for the necessary shareholder approval, if necessary or appropriate to allow additional time for obtaining additional proxies, the special meeting may be adjourned if the approval of a majority of the votes cast at the special meeting is obtained. No notice of an adjourned meeting need be given unless a new record date is fixed for the adjourned meeting, in which case a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting. At any adjourned meeting, all proxies will be voted in the same manner as they would have been voted at the original convening of the special meeting, except for any proxies that have been effectively revoked or withdrawn prior to the adjourned meeting.

### **Q: How do I vote if I am a shareholder of record?**

A: Mercantile shareholders: If you were a record holder of Mercantile stock at the close of business on the record date for the Mercantile special meeting, you may vote in person by attending the Mercantile special meeting or, to ensure that your shares are represented at the Mercantile special meeting, you may authorize a proxy to vote by:

visiting the internet site listed on the Mercantile proxy card and following the instructions provided on that site anytime up to 1:00 a.m. Eastern time on December 12, 2013;

calling the toll-free number listed on the Mercantile proxy card and following the instructions provided in the recorded message anytime up to 1:00 a.m. Eastern time on December 12, 2013; or

submitting your Mercantile proxy card by mail by using the provided self-addressed, stamped envelope.

If you hold shares of Mercantile common stock in street name through a stock brokerage account or through a bank or other nominee, please follow the voting instructions provided by your broker, bank or other nominee to ensure that your shares are represented at the Mercantile special meeting.

Firstbank shareholders: If you were a record holder of Firstbank stock at the close of business on the record date for the Firstbank special meeting, you may vote in person by attending the Firstbank special meeting or, to ensure that your shares are represented at the Firstbank special meeting, you may authorize a proxy to vote by:

visiting the internet site listed on the Firstbank proxy card and following the instructions provided on that site anytime up to 3:00 a.m. Eastern time on December 12, 2013;

calling the toll-free number listed on the Firstbank proxy card and following the instructions provided in the recorded message anytime up to 3:00 a.m. Eastern time on December 12, 2013; or

submitting your Firstbank proxy card by mail by using the provided self-addressed, stamped envelope.

If you hold shares of Firstbank common stock in street name through a stock brokerage account or through a bank or other nominee, please follow the voting instructions provided by your broker, bank or other nominee to ensure that your shares are represented at the Firstbank special meeting.

### **Q: How many votes do I have?**

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A: Mercantile shareholders: With respect to each proposal to be presented at the Mercantile special meeting, holders of Mercantile common stock are entitled to one vote for each share of Mercantile common stock owned at the close of business on the Mercantile record date. At the close of business on the Mercantile record date, there were            shares of Mercantile common stock outstanding and entitled to vote at the Mercantile special meeting.

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Firstbank shareholders: With respect to each proposal to be presented at the Firstbank special meeting, holders of Firstbank common stock are entitled to one vote for each share of Firstbank common stock owned at the close of business on the Firstbank record date. At the close of business on the Firstbank record date, there were 8,076,621 shares of Firstbank common stock outstanding and entitled to vote at the Firstbank special meeting.

### **Q: What vote is required to approve each proposal?**

A: Mercantile shareholders: The approval of the merger agreement requires the affirmative vote of a majority of the issued and outstanding shares of Mercantile common stock entitled to vote at the Mercantile special meeting. Failures to vote, broker non-votes and abstentions will have the same effect as a vote against this proposal.

The approval of the issuance of shares of Mercantile common stock to Firstbank shareholders in connection with the merger requires the approval of a majority of the votes cast on this proposal at the Mercantile special meeting, assuming a quorum. Failures to vote, broker non-votes and abstentions will have no effect on the vote for this proposal.

The approval of the proposed amendment to Mercantile's articles of incorporation requires the approval of a majority of the issued and outstanding shares of Mercantile common stock entitled to vote at the Mercantile special meeting. Failures to vote, broker non-votes and abstentions will have the same effect as a vote against this proposal.

The proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Mercantile's named executive officers that is based on or otherwise related to the proposed transactions requires the approval of a majority of the votes cast on this proposal at the Mercantile special meeting, assuming a quorum. Failures to vote, broker non-votes and abstentions will have no effect on the vote for this proposal.

The adjournment of the Mercantile special meeting, if necessary or appropriate, to solicit additional proxies requires the approval of a majority of the votes cast on this proposal at the Mercantile special meeting, regardless of whether or not a quorum is present. Failures to vote, broker non-votes and abstentions will have no effect on the vote for this proposal.

Firstbank shareholders: The approval of the merger agreement requires the affirmative vote of a majority of the issued and outstanding shares of Firstbank common stock entitled to vote at the special meeting. Failures to vote, broker non-votes and abstentions will have the same effect as a vote against this proposal.

The approval, on an advisory (non-binding) basis, of the compensation that may be paid or become payable to Firstbank's named executive officers that is based on or otherwise related to the proposed transactions requires the affirmative vote of a majority of the votes cast at the Firstbank special meeting, assuming a quorum. Failures to vote, broker non-votes and abstentions will have no effect on the vote for this proposal.

The adjournment of the Firstbank special meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of a majority of the issued and outstanding shares of Firstbank common stock that are present in person or represented by proxy and entitled to vote at the special meeting, regardless of whether or not a quorum is present. Failures to vote, broker non-votes and abstentions will have no effect on the vote for this proposal.

### **Q: How does the Mercantile board of directors recommend that Mercantile shareholders vote?**

A: The Mercantile board of directors has unanimously determined that the merger and the other transactions contemplated by the merger agreement (including the issuance of shares of Mercantile common stock to Firstbank shareholders in connection with the merger and the proposed amendment to Mercantile's articles of incorporation) are in the best interests of Mercantile and its shareholders. Accordingly, the Mercantile board of

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directors unanimously recommends that Mercantile shareholders vote FOR the proposal to approve the merger agreement, FOR the proposal to approve the issuance of shares of Mercantile common stock to Firstbank shareholders in connection with the merger, FOR the proposal to approve the amendment to Mercantile's articles of incorporation, FOR the proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Mercantile's named executive officers that is based on or otherwise related to the proposed transactions and FOR the proposal to approve the adjournment of the Mercantile special meeting, if necessary or appropriate, to permit further solicitation of proxies.

**Q: How does the Firstbank board of directors recommend that Firstbank shareholders vote?**

A: The Firstbank board of directors has unanimously adopted the merger agreement and determined that the merger agreement is in the best interests of Firstbank and its shareholders. Accordingly, the Firstbank board of directors unanimously recommends that Firstbank shareholders vote FOR the proposal to approve the merger agreement, FOR the proposal to approve on an advisory (non-binding) basis, the compensation that may be paid or become payable to Firstbank's named executive officers that is based on or otherwise related to the proposed transactions and FOR the proposal to approve the adjournment of the Firstbank special meeting, if necessary or appropriate, to permit further solicitation of proxies.

**Q: My shares are held in street name by my broker, bank or other nominee. Will my broker, bank or other nominee automatically vote my shares for me?**

A: No. If your shares are held through a stock brokerage account or a bank or other nominee, you are considered the beneficial holder of the shares held for you in what is known as street name. The record holder of such shares is your broker, bank or other nominee, and not you. If this is the case, this joint proxy statement and prospectus has been forwarded to you by your broker, bank or other nominee. You must provide the record holder of your shares with instructions on how to vote your shares. Otherwise, your broker, bank or other nominee may not vote your shares on any of the proposals to be considered at the Mercantile special meeting or the Firstbank special meeting, as applicable, and a broker non-vote will result. In connection with the Mercantile special meeting, broker non-votes will have (i) the same effect as a vote AGAINST the proposal to approve the merger agreement, the merge and the other transactions contemplated by the merger agreement, (ii) no effect on the proposal to approve the issuance of shares of Mercantile common stock to Firstbank shareholders in connection with the merger (assuming a quorum is present), (iii) the same effect as a vote AGAINST the proposal to approve the amendment to Mercantile's articles of incorporation, (iv) no effect on the proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Mercantile's named executive officers that is based on or otherwise related to the proposed transactions and (v) no effect on the proposal to approve the adjournment of the Mercantile special meeting, if necessary or appropriate, to permit further solicitation of proxies. In connection with the Firstbank special meeting, broker non-votes will have (a) the same effect as a vote AGAINST the proposal to approve the of the merger agreement, (b) no effect on the proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Firstbank's named executive officers that is based on or otherwise related to the proposed transactions and (c) no effect on the proposal to approve the adjournment of the Firstbank special meeting, if necessary or appropriate, to permit further solicitation of proxies.

Please follow the voting instructions provided by your broker, bank or other nominee so that it may vote your shares on your behalf. Please note that you may not vote shares held in street name by returning a proxy card directly to Mercantile or Firstbank or by voting in person at the special meeting unless you first obtain a legal proxy from your broker, bank or other nominee.

**Q: What will happen if I fail to vote?**

A: Mercantile shareholders: If you fail to vote, it will have (i) the same effect as a vote AGAINST the proposal to approve the merger agreement, the merge and the other transactions contemplated by the merger agreement, (ii) no effect on the proposal to approve the issuance of shares of Mercantile common stock to Firstbank

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shareholders in connection with the merger (assuming a quorum is present), (iii) the same effect as a vote AGAINST the proposal to approve the amendment to Mercantile's articles of incorporation, (iv) no effect on the proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Mercantile's named executive officers that is based on or otherwise related to the proposed transactions and (v) no effect on the proposal to approve the adjournment of the Mercantile special meeting, if necessary or appropriate, to permit further solicitation of proxies.

Firstbank shareholders: If you fail to vote, it will have (a) the same effect as a vote AGAINST the proposal to approve the merger agreement, (b) no effect on the proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Firstbank's named executive officers that is based on or otherwise related to the proposed transactions and (c) no effect on the proposal to approve the adjournment of the Firstbank special meeting, if necessary or appropriate, to permit further solicitation of proxies.

**Q: What will happen if I mark my proxy or voting instructions to abstain from voting?**

A: Mercantile shareholders: If you mark your proxy or voting instructions to abstain, it will have (i) the same effect as a vote AGAINST the proposal to approve the merger agreement, the merge and the other transactions contemplated by the merger agreement, (ii) no effect on the proposal to approve the issuance of shares of Mercantile common stock to Firstbank shareholders in connection with the merger (assuming a quorum is present), (iii) the same effect as a vote AGAINST the proposal to approve the amendment to Mercantile's articles of incorporation, (iv) no effect on the proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Mercantile's named executive officers that is based on or otherwise related to the proposed transactions and (v) no effect on the proposal to approve the adjournment of the Mercantile special meeting, if necessary or appropriate, to permit further solicitation of proxies.

Firstbank shareholders: If you mark your proxy or voting instructions to abstain, it will have (i) the same effect as a vote AGAINST the proposal to approve the merger agreement, (ii) no effect on the proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Firstbank's named executive officers that is based on or otherwise related to the proposed transactions and (iii) no effect on the proposal to approve the adjournment of the Mercantile special meeting, if necessary or appropriate, to permit further solicitation of proxies.

**Q: What will happen if I return my proxy card without indicating how to vote?**

A: Mercantile shareholders: If you properly complete and sign your proxy card but do not indicate how your shares of Mercantile common stock should be voted on a proposal, the shares of Mercantile common stock represented by your proxy will be voted as the Mercantile board of directors recommends and, therefore, FOR the proposal to approve the merger agreement, FOR the proposal to approve the issuance of shares of Mercantile common stock to Firstbank shareholders in connection with the merger, FOR the proposal to approve the amendment to Mercantile's articles of incorporation, FOR the proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Mercantile's named executive officers that is based on or otherwise related to the proposed transactions and FOR the proposal to approve the adjournment of the Mercantile special meeting, if necessary or appropriate, to permit further solicitation of proxies.

Firstbank shareholders: If you properly complete and sign your proxy card but do not indicate how your shares of Firstbank common stock should be voted on a proposal, the shares of Firstbank common stock represented by your proxy will be voted as the Firstbank board of directors recommends and, therefore, FOR the proposal to approve the merger agreement, FOR the proposal to approve on an advisory (non-binding) basis, the compensation that may be paid or become payable to Firstbank's named executive officers that is based on or otherwise related to the proposed transactions and FOR the proposal to approve the adjournment of the Firstbank special meeting, if necessary or appropriate, to permit further solicitation of proxies.

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**Q: Can I change my vote or revoke my proxy after I have returned a proxy or voting instruction card?**

A: Yes. If you are the record holder of either Mercantile or Firstbank stock, you can change your vote or revoke your proxy at any time before your proxy is voted at the applicable special meeting. You can do this by:

timely delivering a signed written notice of revocation;

timely delivering a new, valid proxy bearing a later date (including by telephone or through the internet); or

attending the special meeting and voting in person, which will automatically cancel any proxy previously given, or revoking your proxy in person. Simply attending the Mercantile special meeting or the Firstbank special meeting without voting will not revoke any proxy that you have previously given or change your vote.

If you choose either of the first two methods, your notice of revocation or your new proxy must be received by the Secretary of Mercantile or Firstbank, as applicable, no later than the beginning of the applicable special meeting.

Regardless of the method used to deliver your previous proxy, you may revoke your proxy by any of the above methods.

If you hold shares of either Mercantile or Firstbank in street name, you must contact your broker, bank or other nominee to change your vote.

**Q: What are the material U.S. federal income tax consequences of the merger to U.S. holders of Firstbank common stock?**

A: Mercantile has received the opinion of Warner Norcross & Judd LLP, and Firstbank has received the opinion of Varnum LLP, that the merger will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (referred to as the Code). Assuming the merger qualifies as a reorganization, a holder of Firstbank common stock generally will not recognize any gain or loss for U.S. federal income tax purposes upon the exchange of the holder's shares of Firstbank common stock for shares of Mercantile common stock in connection with the merger, except with respect to cash received in lieu of fractional shares. As permitted by the terms of the merger agreement, the Mercantile board of directors expects to declare and pay a one-time special cash dividend of \$2.00 per share to Mercantile shareholders prior to the effective time of the merger, subject to the satisfaction of the closing conditions set forth in the merger agreement. Generally, holders will be taxed on the pre-merger special cash dividend at applicable U.S. Federal income tax rates.

**Q: When do you expect the merger to be completed?**

A: Mercantile and Firstbank hope to complete the merger as soon as reasonably possible and expect the effective time of the merger to occur on or about January 1, 2014. However, the merger is subject to various regulatory clearances and the satisfaction or waiver of other conditions, and it is possible that factors outside the control of Mercantile and Firstbank could result in the merger being completed at an earlier time, a later time or not at all. There may be a substantial amount of time between the Mercantile and Firstbank special meetings and the completion of the merger.

**Q: Do I need to do anything with my shares of common stock other than vote for the proposals at the special meeting?**

A: Mercantile shareholders: If you are a Mercantile shareholder, after the merger is completed, you are not required to take any action with respect to your shares of Mercantile common stock.



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Firstbank shareholders: If you are a Firstbank shareholder, after the merger is completed, each share of Firstbank common stock that you hold will be converted automatically into the right to receive one share of Mercantile common stock, together with cash in lieu of any fractional shares, as applicable. You will receive instructions at that time regarding exchanging your Firstbank shares for shares of Mercantile common stock. You do not need to take any action at this time. Please do not send your Firstbank stock certificates with your proxy card.

**Q: Are shareholders entitled to appraisal or dissenters rights?**

A: No. Neither the shareholders of Firstbank nor the shareholders of Mercantile are entitled to appraisal rights or dissenters rights in connection with the merger under Michigan law or under the governing documents of either company.

**Q: What happens if I sell my shares of Firstbank common stock before the Firstbank special meeting?**

A: The record date for the Firstbank special meeting is earlier than the date of the Firstbank special meeting and the date that the merger is expected to be completed. If you transfer your Firstbank shares after the Firstbank record date but before the Firstbank special meeting, you will retain your right to vote at the Firstbank special meeting, but will have transferred the right to receive the merger consideration in the merger. In order to receive the merger consideration, you must hold your shares through the effective date of the merger.

**Q: What if I hold shares in both Mercantile and Firstbank?**

A: If you are both a Mercantile shareholder and a Firstbank shareholder, you will receive two separate packages of proxy materials. A vote cast as a Mercantile shareholder will not count as a vote cast as a Firstbank shareholder, and a vote cast as a Firstbank shareholder will not count as a vote cast as a Mercantile shareholder. Therefore, please separately submit a proxy for each of your Mercantile and Firstbank shares.

**Q: Who can help answer my questions?**

A: Shareholders of Mercantile or Firstbank who have questions about the merger, the other matters to be voted on at the special meetings, or how to submit a proxy or who desire additional copies of this joint proxy statement and prospectus or additional proxy cards should contact:

Georgeson Inc.

480 Washington Blvd.

26th Floor

Jersey City, New Jersey 07310

Toll-Free: (800) 868-1390

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### **SUMMARY**

*This summary highlights information contained elsewhere in this joint proxy statement and prospectus and may not contain all the information that is important to you with respect to the merger and the other matters being considered at the Mercantile and Firstbank special meetings. Mercantile and Firstbank urge you to read the remainder of this joint proxy statement and prospectus carefully, including the attached Annexes, and the other documents to which we have referred you. See also the section entitled "Where You Can Find More Information" beginning on page 154. We have included page references in this summary to direct you to a more complete description of the topics presented below.*

#### **The Companies**

##### *Mercantile Bank Corporation*

Mercantile Bank Corporation is a registered bank holding company under the Bank Holding Company Act of 1956, as amended. Mercantile was organized on July 15, 1997 under the laws of the State of Michigan and is the holding company for Mercantile Bank of Michigan. Its current subsidiaries include an insurance company, a real estate company, and a Delaware business trust. Mercantile has seven full-service banking offices in Grand Rapids, Holland, and Lansing, Michigan. Mercantile and its subsidiaries provide a wide variety of commercial and retail banking and related services primarily to small-to medium-sized businesses, and to a lesser extent, individuals and governmental units in and around West Michigan. As of June 30, 2013, Mercantile's total assets were \$1.3 billion, and total deposits were \$1.1 billion.

Mercantile common stock trades on the Nasdaq Stock Market under the symbol MBWM.

The principal executive offices of Mercantile are located at 310 Leonard St., N.W., Grand Rapids, Michigan 49504, and Mercantile's telephone number is (616) 406-3000. Additional information about Mercantile and its subsidiaries is included in documents incorporated by reference into this joint proxy statement and prospectus. See "Where You Can Find More Information" on page 154.

##### *Firstbank Corporation*

Firstbank Corporation is a registered bank holding company under the Bank Holding Company Act of 1956, as amended. Firstbank has two subsidiary banks, Firstbank and Keystone Community Bank. The banks are full-service community banks with 46 banking offices serving Michigan's Lower Peninsula. Each subsidiary bank is a full-service community bank offering customary banking services, including the acceptance of checking, savings, and time deposits and the making of commercial, mortgage, home improvement, automobile, and other consumer loans. As of June 30, 2013, Firstbank's total assets were \$1.5 billion, and total deposits were \$1.2 billion.

Firstbank common stock trades on the Nasdaq Stock Market under the symbol FBMI.

The principal executive offices of Firstbank are located at 311 Woodworth Ave., Alma, Michigan 48801, and Firstbank's telephone number is (989) 463-3131. Additional information about Firstbank and its subsidiaries is included in documents incorporated by reference into this joint proxy statement and prospectus. See "Where You Can Find More Information" on page 154.

#### **The Merger**

*A copy of the merger agreement is attached as Annex A to this joint proxy statement and prospectus. Mercantile and Firstbank encourage you to read the entire merger agreement carefully because it is the principal document governing the merger. For more information on the merger agreement, see the section entitled "The Merger Agreement" beginning on page 103.*

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### **Form of the Merger (see page 49)**

Subject to the terms and conditions of the merger agreement, at the effective time of the merger, Firstbank will be merged with and into Mercantile, and the separate corporate existence of Firstbank shall cease, and Mercantile shall be the surviving corporation of the merger. The combined company may pursue a consolidation of its subsidiary banks after completing the merger.

### **Merger Consideration (see page 104)**

Firstbank shareholders will have the right to receive one share of Mercantile common stock for each share of Firstbank common stock they hold at the effective time of the merger (referred to as the exchange ratio). The exchange ratio is fixed and will not be adjusted for changes in the market value of the common stock of Firstbank or Mercantile. As a result, the implied value of the consideration to Firstbank shareholders will fluctuate between the date of this joint proxy statement and prospectus and the effective date of the merger. As part of the merger, the Mercantile board of directors expects to declare and pay a special cash dividend of \$2.00 per share to Mercantile shareholders prior to the effective time of the merger. Anticipation of the special dividend may cause upward pressure on or support of the price of Mercantile common stock as investors purchase or hold shares to collect the expected special dividend. The price of Mercantile common stock may decline on or after the ex-dividend date or payment date of the dividend. Based on the closing price of Mercantile common stock on the Nasdaq Stock Market (referred to as the Nasdaq) on August 14, 2013, the last trading day before public announcement of the merger, the exchange ratio represented approximately \$18.77 in value for each share of Firstbank common stock. The closing price of Firstbank common stock on the Nasdaq Stock Market on August 14, 2013, was \$16.66 per share. Based on the closing price of Mercantile common stock on Nasdaq on , 2013, the latest trading day before the date of this joint proxy statement and prospectus, the exchange ratio represented approximately \$[ ] in value for each share of Firstbank common stock.

### **Material U.S. Federal Income Tax Consequences of the Merger (see page 125)**

Holders of Firstbank common stock generally will not recognize any gain or loss for U.S. federal income tax purposes upon the exchange of the holder's shares of Firstbank common stock for shares of Mercantile common stock pursuant to the merger, except with respect to cash received in lieu of fractional shares of Mercantile common stock. As permitted by the terms of the merger agreement, the Mercantile board of directors expects to declare and pay a one-time special cash dividend of \$2.00 per share per share to Mercantile shareholders prior to the effective time of the merger, subject to the satisfaction of the closing conditions set forth in the merger agreement. Generally, holders will be taxed on the pre-merger special cash dividend at applicable U.S. Federal income tax rates.

You are urged to consult your own tax advisor regarding the particular consequences to you of the merger.

### **Recommendation of the Board of Directors of Mercantile and Reasons for the Merger (see page 55)**

After careful consideration, the Mercantile board of directors unanimously determined that the merger and the other transactions contemplated by the merger agreement are in the best interests of Mercantile and its shareholders, approved the merger, adopted the merger agreement, and recommended to Mercantile shareholders the approval of the merger agreement and the approval of the issuance of Mercantile common stock to Firstbank shareholders in connection with the merger. The board of directors of Mercantile is making this recommendation because of the complementary business strengths of Mercantile and Firstbank, the expected strengthened competitive positioning of the combined company throughout Michigan, and because of the other reasons set forth under The Merger Mercantile's Reasons for the Merger; Recommendation of the Mercantile Board of Directors beginning on page 55. The Mercantile board of directors approved and declared advisable the proposed amendment to Mercantile's articles of incorporation which increases the number of authorized shares

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of capital stock under its articles of incorporation at the effective time of the merger, and recommends the approval of the amendment to Mercantile's articles of incorporation to the holders of Mercantile common stock. For more information regarding the factors considered by the Mercantile board of directors in reaching its decisions relating to its recommendations, see the section entitled "The Merger - Mercantile's Reasons for the Merger; Recommendation of the Mercantile Board of Directors." **The Mercantile board of directors unanimously recommends that Mercantile shareholders vote FOR the proposal to approve the merger agreement, FOR the proposal to approve the issuance of shares of Mercantile common stock to Firstbank shareholders in connection with the merger, FOR the proposal to approve the amendment to Mercantile's articles of incorporation, FOR the proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Mercantile's named executive officers that is based on or otherwise related to the proposed transactions and FOR the proposal to approve the adjournment of the Mercantile special meeting, if necessary or appropriate, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the issuance of shares of Mercantile common stock or the merger agreement.**

**Recommendation of the Board of Directors of Firstbank and Reasons for the Merger (see page 69)**

After careful consideration, the Firstbank board of directors unanimously approved the merger agreement, determined that the merger agreement and the transactions contemplated thereby, including the merger, are in the best interests of Firstbank's shareholders, and recommended that the merger agreement be approved by Firstbank's shareholders. Firstbank's board of directors is making this recommendation because it believes that the merger has the potential to deliver a higher value to Firstbank's shareholders than the alternatives to the merger and because of the other reasons set forth under "The Merger - Firstbank's Reasons for the Merger; Recommendation of the Firstbank Board of Directors" beginning on page 69. For more information regarding the factors considered by the Firstbank board of directors in reaching its decision to recommend the approval of the merger agreement, see the section entitled "The Merger - Firstbank's Reasons for the Merger; Recommendation of the Firstbank Board of Directors." **The Firstbank board of directors unanimously recommends that Firstbank shareholders vote FOR the proposal to approve the merger agreement, FOR the proposal to approve on an advisory (non-binding) basis, the compensation that may be paid or become payable to Firstbank's named executive officers that is based on or otherwise related to the proposed transactions and FOR the proposal to approve the adjournment of the Firstbank special meeting to a later date or dates, if necessary or appropriate to solicit additional proxies in the event there are not sufficient votes at the time of the special meeting to approve the merger agreement.**

**Opinion of Mercantile's Financial Advisor in Connection with the Merger (see page 58)**

In connection with the merger agreement and the transactions contemplated thereby, Mercantile's board of directors received a written opinion, dated August 14, 2013, from Mercantile's financial advisor, Keefe, Bruyette & Woods, which we refer to as "KBW", as to the fairness to Mercantile, from a financial point of view and as of the date of such opinion, of the exchange ratio. **The full text of KBW's written opinion dated August 14, 2013, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex C to this proxy statement and prospectus and is incorporated herein by reference. Shareholders are urged to read KBW's written opinion carefully and in its entirety. KBW's opinion was provided for the use and benefit of Mercantile's board of directors (in its capacity as such) in its evaluation of the merger and related transactions. KBW's opinion is limited solely to the fairness to Mercantile, from a financial point of view, of the exchange ratio and does not address Mercantile's underlying business decision to effect the merger or the relative merits of the merger as compared to any alternative business strategies or transactions that might be available with respect to Mercantile. KBW's opinion does not constitute a recommendation to any shareholder of Mercantile as to how such shareholder should vote or act with respect to the merger or any other matter.**

**Table of Contents****Opinion of Firstbank's Financial Advisor in Connection with the Merger (see page 73)**

In connection with the merger, Firstbank's board of directors received a written opinion, dated August 14, 2013, from Sandler O'Neill & Partners, L.P., which we refer to as Sandler O'Neill, as to the fairness, from a financial point of view and as of the date of the opinion, to holders of Firstbank common stock of the exchange ratio provided for in the merger agreement. The full text of Sandler O'Neill's written opinion, which is attached to this joint proxy statement and prospectus as Annex D, sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken. **Sandler O'Neill's opinion was provided for the information of Firstbank's board of directors (in its capacity as such) in connection with its evaluation of the exchange ratio from a financial point of view and did not address any other aspects or implications of the merger. Sandler O'Neill expressed no view as to, and its opinion did not address, the underlying business decision of Firstbank to effect the merger, the relative merits of the merger as compared to any alternative business strategies that might exist for Firstbank or the effect of any other transaction in which Firstbank might engage. Sandler O'Neill's opinion is not intended to be and does not constitute a recommendation to any shareholder as to how such shareholder should vote or act on any matters relating to the proposed merger or otherwise.**

**Interests of Mercantile Directors and Executive Officers in the Merger (see page 90)**

Certain of Mercantile's directors and executive officers have financial interests in the merger that may be different from, or in addition to, the interests of Mercantile shareholders generally.

The merger will constitute a change in control of Mercantile for the purposes of the Mercantile Bank Corporation Stock Incentive Plan of 2006. The vesting of restricted stock awards held by Mercantile executive officers and directors will be accelerated as of the effective time of the merger. In addition, the merger will constitute a change in control for certain deferred compensation arrangements with Mercantile executive officers. This acceleration of vesting and payments are summarized in the following table:

	Value of Restricted Stock	NQDC Payment	Total
	Vesting (\$)	Accelerated (\$)	Total (\$)
Michael H. Price	\$ 162,512	\$ 137,462	\$ 299,974
Robert B. Kaminski	\$ 101,570	\$ 4,403	\$ 105,973
Charles E. Christmas	\$ 101,570	\$ 0	\$ 101,570

In addition, each of Mercantile's nine non-employee directors will realize the benefit of approximately \$182,790 in acceleration of the vesting of shares of restricted stock held by them. Please see The Merger Interests of Mercantile Directors and Executive Officers in the Merger beginning on page 90 for detailed information.

As detailed below under The Merger Board of Directors and Management Following the Merger, the merger agreement provides that upon consummation of the merger, the board of directors of Mercantile will consist of six directors, which will include (i) the President and Chief Executive Officer of Mercantile plus two members of the Mercantile board of directors selected by the Mercantile board of directors and (ii) the President and Chief Executive Officer of Firstbank plus two members of the Firstbank board of directors selected by the Firstbank board of directors. In addition, it is expected that, upon consummation of the merger:

Michael H. Price, the Chairman of the Board, President and Chief Executive Officer of Mercantile, will serve as the President and Chief Executive Officer of the combined company;

Robert B. Kaminski, Jr., the Executive Vice President, Chief Operating Officer and Secretary of Mercantile, will serve as Executive Vice President and Chief Operating Officer of the combined company; and



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Charles E. Christmas, the current Senior Vice President, Chief Financial Officer and Treasurer of Mercantile will serve as Senior Vice President and Chief Financial Officer of the combined company.

As of November 1, 2013, the record date for the Mercantile special meeting, the directors and executive officers of Mercantile and their affiliates beneficially owned and were entitled to vote 294,653 shares of Mercantile common stock, collectively representing approximately [ ]% of the shares of Mercantile common stock outstanding and entitled to vote. Mercantile's directors have entered into agreements obligating them to vote their shares in favor of the merger agreement and the issuance of shares of Mercantile common stock to Firstbank shareholders in connection with the Merger.

The Mercantile board of directors was aware of these interests and considered them, among other matters, in evaluating the merger and in making its recommendations to Mercantile shareholders.

**Interests of Firstbank Directors and Executive Officers in the Merger (see page 91)**

Certain of Firstbank's directors and executive officers have financial interests in the merger that may be different from, or in addition to, the interests of Firstbank's shareholders generally. The Firstbank board of directors was aware of these interests and considered them, among other matters, in evaluating the merger and in making its recommendations to Firstbank shareholders.

As detailed below in *Interests of Certain Firstbank Directors and Executive Officers in the Merger*, the merger agreement provides that upon consummation of the merger the board of directors of Mercantile will consist of six directors, which will include (i) the President and Chief Executive Officer of Mercantile plus two members of the Mercantile board of directors selected by the Mercantile board of directors and (ii) the President and Chief Executive Officer of Firstbank plus two members of the Firstbank board of directors selected by the Firstbank board of directors.

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Also as described in Interests of Certain Firstbank Directors and Executive Officers in the Merger, Firstbank and Mercantile have entered into new employment agreements with the executive officers of Firstbank to be effective upon consummation of the merger. Under these new employment agreements, the merger will result in the payment to executive officers of change in control cash payments or retention bonuses as disclosed in the table below and included in the column titled Subtotal Upon a Change in Control Without a Qualifying Termination. In the event of a termination of employment of an executive officer by the combined company without cause or by the executive officer for good reason, the executive officers would be entitled to additional specified severance compensation as disclosed in the table below and included in the column titled Total Upon a Change in Control With a Qualifying Termination.

Name	Cash (\$) <sup>(1)(2)</sup>	Restricted Stock (\$) <sup>(1)(3)</sup>	Subtotal Upon a Change in Control Without a Qualifying Termination (\$) <sup>(1)(4)</sup>	Health & Welfare Benefits (\$) <sup>(1)(5)</sup>	Excise Tax & Gross-Up (\$) <sup>(1)(6)</sup>	Cash Severance (\$) <sup>(1)(7)</sup>	Total Upon a Change in Control With a Qualifying Termination (\$)
Thomas R. Sullivan	752,405	56,327	808,732	85,988		364,750	1,259,470
Samuel G. Stone	530,774	36,340	567,114	79,432	431,197	411,000	1,488,743
William L. Benear	395,584	23,985	419,569	66,974		0	486,543
Douglas J. Ouellette	60,938	25,438	86,376			304,687	391,063
James E. Wheeler, II	60,938	23,985	84,923			304,687	389,610
Daniel H. Grenier	52,500	21,804	74,304			262,500	336,804
Thomas O. Schlueter	55,625	23,985	79,610			278,125	357,735
David L. Miller	42,540	23,621	66,161			212,700	278,861
Richard D. Rice	42,750	23,985	66,735			213,750	280,485
Executive Officer Totals	\$ 1,994,054	\$ 259,470	\$ 2,253,524	\$ 232,394	\$ 431,197	\$ 2,352,199	\$ 5,269,314

- (1) Please see the information under the caption Potential Payments to Firstbank Executive Officers Upon a Change in Control Resulting from the Merger beginning on page 92 for more information about the components of these potential payments.
- (2) Represents lump sum cash payments for Mr. Sullivan, Mr. Stone and Mr. Benear and retention bonuses for the other executives.
- (3) Represents acceleration of outstanding Firstbank restricted stock awards.
- (4) Payable upon a change of control if there is no qualifying termination of employment.
- (5) Payable upon the occurrence of both a change of control and a qualifying termination of employment.
- (6) Payable upon the occurrence of both a change of control and a qualifying termination of employment and based on assumptions that may change depending on the timing of the change of control and qualifying termination of employment.
- (7) Payable upon the occurrence of a change of control and, for all executives except Mr. Benear, a qualifying termination of employment. Represents continuations of salaries for Mr. Sullivan and Mr. Stone and lump sum cash payments to each of Mr. Ouellette, Mr. J. Wheeler, Mr. Grenier, Mr. Schlueter, Mr. Miller and Mr. Rice based on each of their respective salaries, target incentive compensation and retention bonuses.

Firstbank's non-employee directors will not receive any merger-related compensation.

Current and former directors and officers of Firstbank will also be entitled to continued indemnification and liability insurance coverage.

As of November 1, 2013, the record date of the Firstbank special meeting, the directors and executive officers of Firstbank and their affiliates beneficially owned and were entitled to vote 551,156 shares of Firstbank



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common stock, collectively representing approximately 6.8% of the shares of Firstbank common stock outstanding and entitled to vote. Firstbank's directors have entered into agreements obligating them to vote their shares in favor of the merger agreement.

**Board of Directors and Management Following the Merger (see page 100)**

Immediately following the effective time of the merger, the board of directors of the combined company will consist of six members, including: (i) the President and Chief Executive Officer of Mercantile plus two members of the Mercantile board of directors as of the date of the merger agreement who are independent for purposes of the rules of Nasdaq selected by the Mercantile board of directors and (ii) the President and Chief Executive Officer of Firstbank plus two members of the Firstbank board of directors who are independent for purposes of the rules of Nasdaq selected by the Firstbank board of directors. The Firstbank board of directors has selected Edward Grant and Jeff Gardner to serve as directors of the combined company. The Mercantile board of directors has made a non-binding determination to select David Cassard and Calvin Murdock to serve as directors of the combined company. The fees and/or other remuneration to be provided to the non-employee directors of the combined company have not been determined.

The merger agreement provides that, upon completion of the merger, Thomas R. Sullivan will serve as Mercantile's Chairman of the Board, Michael H. Price will continue to serve as Mercantile's President and Chief Executive Officer, Robert B. Kaminski, Jr. will continue to serve as an Executive Vice President and Chief Operating Officer of Mercantile, Charles E. Christmas will continue to service as Mercantile's Senior Vice President and Chief Financial Officer, and Samuel G. Stone will serve as an Executive Vice President of Mercantile.

**Treatment of Firstbank Equity-Based Awards (see page 101)**

Upon completion of the merger, each right of any kind to receive Firstbank common stock or benefits measured by the value of a number of shares of Firstbank common stock granted under the Firstbank stock plans will be converted into an award with respect to a number of shares of Mercantile common stock equal to the aggregate number of shares of Firstbank common stock subject to such award. Such converted awards shall otherwise continue to have, and be subject to, the same terms and conditions set forth in the applicable Firstbank stock plan (or any other agreement to which such converted award was subject immediately prior to the effective time of the merger). The exercise or strike price (if any) per share of Mercantile common stock applicable to any such converted award shall be equal to the per share exercise price of such converted award immediately prior to the effective time of the merger. Firstbank restricted stock and unvested stock options will become fully vested as of the effective time of the merger.

**Regulatory Approval Required for the Merger (see page 100)**

Approval of the Board of Governors of the Federal Reserve System (FRB) is required to complete the merger. An application was filed with the FRB on September 17, 2013. Approval has not yet been obtained. Mercantile and Firstbank have each agreed to take actions in order to obtain regulatory clearance required to consummate the merger. While Mercantile and Firstbank expect to obtain all required regulatory clearances, we cannot assure you that these regulatory clearances will be obtained or that the granting of these regulatory clearances will not involve the imposition of additional conditions on the completion of the merger, including the requirement to divest assets, or require changes to the terms of the merger agreement. These conditions or changes could result in the conditions to the merger not being satisfied.

**Amendment to the Articles of Incorporation of Mercantile (see page 69)**

The Mercantile board of directors has approved, subject to Mercantile shareholder approval, an amendment to the Mercantile's articles of incorporation which increases the number of authorized shares of common stock

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from 20 million to 40 million. The form of amendment to Mercantile's articles of incorporation is included in this joint proxy statement and prospectus as Annex B. The approval of the amendment by the Mercantile shareholders is not a condition precedent to the closing of the merger. In the event this proposal is approved by Mercantile shareholders, but the merger is not completed, the amendment will not become effective.

### **Expected Timing of the Merger**

Mercantile and Firstbank currently expect the effective time of the merger to be on or about January 1, 2014. However, the merger is subject to various regulatory clearances and the satisfaction or waiver of other conditions as described in the merger agreement, and it is possible that factors outside the control of Mercantile and Firstbank could result in the merger being completed at an earlier time, a later time or not at all.

### **Conditions to Completion of the Merger (see page 116)**

The obligations of Mercantile and Firstbank to complete the merger are subject to the satisfaction of the following conditions:

the approval of the merger agreement by the holders of a majority of the outstanding shares of Mercantile common stock;

the approval of the merger agreement by the holders of a majority of the outstanding shares of Firstbank common stock;

the approval of the issuance of shares of Mercantile common stock to Firstbank shareholders in connection with the merger by the affirmative vote of holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Mercantile special meeting, assuming a quorum;

the consents, authorizations, approvals, or exemptions required under the Bank Holding Company Act, the FDI Act, and the Michigan Banking Code;

the absence of any injunction, decree, order, statute, rule or regulation by a court or other governmental entity that makes unlawful or prohibits the consummation of the merger;

the effectiveness of the registration statement of which this joint proxy statement and prospectus forms a part and the absence of a stop order or proceedings threatened or initiated by the SEC for that purpose; and

the authorization for the listing on Nasdaq of the shares of Mercantile common stock to be issued in connection with the merger and upon conversion of the Firstbank restricted stock and the shares of Mercantile common stock reserved for issuance pursuant to Mercantile stock options, subject to official notice of issuance.

In addition, each of Mercantile's and Firstbank's obligations to effect the merger is subject to the satisfaction or waiver of the following additional conditions:

the representations and warranties of the other party, other than the representations related to the ownership of subsidiaries, capitalization, and authorization of the merger (i) to the extent qualified by material adverse effect, will be true and correct, and (ii) to the extent not qualified by material adverse effect, will be true and correct except where the failure to be true and correct, individually or in the aggregate, has not had, and would not reasonably be expected to have, a material adverse effect on such party, each as of the date of the merger agreement and as of the closing date (other than those representations and warranties that were made only as of a specified date, which need only be true and correct as of such specified date);

the representations and warranties of the other party relating to the ownership of subsidiaries and capitalization will be true and correct in all respects (other than de minimis inaccuracies) as of the date

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of the merger agreement and as of the closing date (except to the extent such representations or warranties were made only as of a specified date, which need only be true and correct as of such specified date);

the representations and warranties of the other party relating to the authorization of the merger will be true and correct in all respects;

the other party will have performed, in all material respects, its covenants and agreements under the merger agreement required to be performed on or prior to the closing date;

a certificate executed by the other party's chief executive officer or chief financial officer as to the satisfaction of the conditions described in the preceding four bullets will have been received by each party;

there shall not have occurred a material adverse effect with respect to the other party; and

a tax opinion from the party's tax counsel as described in the section titled "The Merger Agreement - Conditions to Completion of the Merger," including an opinion that the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code, will have been received by each party.

### **No Solicitation of Alternative Proposals (see page 112)**

The merger agreement generally precludes Mercantile and Firstbank from soliciting or engaging in discussions or negotiations with a third party with respect to an acquisition proposal. However, if Mercantile or Firstbank receives an unsolicited acquisition proposal from a third party and Mercantile's or Firstbank's board of directors, as applicable, among other things, determines in good faith (after consultation with its legal and financial advisors) that such unsolicited proposal is a superior proposal, then Mercantile or Firstbank, as applicable, may furnish non-public information to and enter into discussions with, and only with, that third party regarding such acquisition proposal.

### **Termination of the Merger Agreement (see page 117)**

Mercantile and Firstbank may mutually agree to terminate the merger agreement at any time, notwithstanding approval of the merger agreement by shareholders. Either company may also terminate the merger agreement if the merger is not consummated by March 31, 2014, subject to certain exceptions. In addition, either company may terminate the agreement to enter into a definitive agreement with respect to a superior proposal, subject to certain conditions and the payment of a termination fee. See the section entitled "The Merger Agreement - Termination of the Merger Agreement" for a discussion of these and other rights of each of Mercantile and Firstbank to terminate the merger agreement.

### **Termination Fees and Expenses (see page 119)**

Generally, all fees and expenses incurred in connection with the merger agreement and the transactions contemplated by the merger agreement will be paid by the party incurring those expenses, subject to the specific exceptions discussed in this joint proxy statement and prospectus where Mercantile or Firstbank, as the case may be, may be required to pay a termination fee of \$7.9 million and/or expense reimbursement up to \$2 million. See the section entitled "The Merger Agreement - Expenses and Termination Fees; Liability for Breach" for a discussion of the circumstances under which such termination fee will be required to be paid.

### **Accounting Treatment (see page 127)**

Mercantile and Firstbank each prepares its respective financial statements in accordance with accounting principles generally accepted in the United States of America, referred to as GAAP. The merger will be accounted for using the acquisition method of accounting. Mercantile will be treated as the acquiror for accounting purposes.



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### **No Appraisal or Dissenters' Rights (see page 150)**

Neither the holders of shares of Mercantile common stock nor the holders of shares of Firstbank common stock are entitled to appraisal rights or dissenters' rights in connection with the merger, in accordance with Michigan law. Neither the articles of incorporation of Mercantile or its bylaws nor the articles of incorporation of Firstbank or its bylaws confers such appraisal rights.

### **Comparison of Rights of Shareholders (see page 141)**

Firstbank shareholders receiving merger consideration will have different rights once they become shareholders of the combined company due to differences between the governing corporate documents of Firstbank and the governing corporate documents of the combined company. These differences are described in detail under the section entitled "Comparison of Rights of Shareholders."

### **Listing of Shares of Mercantile Common Stock; Delisting and Deregistration of Shares of Firstbank Common Stock (see page 102)**

It is a condition to the completion of the merger that the shares of Mercantile common stock to be issued to Firstbank shareholders pursuant to the merger (including those shares of Mercantile common stock to be issued upon conversion of the Firstbank stock options, restricted stock, and restricted stock units) be authorized for listing on Nasdaq at the effective time of the merger, subject to official notice of issuance. Upon completion of the merger, shares of Firstbank common stock currently listed on Nasdaq will cease to be listed on Nasdaq and will be subsequently deregistered under the Exchange Act.

## **The Meetings**

### ***The Mercantile Special Meeting (see page 39)***

The special meeting of Mercantile shareholders will be held at Mercantile headquarters, 310 Leonard Street N.W., Grand Rapids, Michigan 49504, on December 12, 2013 at 9:30 a.m. local time. The special meeting of Mercantile shareholders is being held to consider and vote on:

a proposal to approve the merger agreement, which is further described in the sections titled "The Merger" and "The Merger Agreement," beginning on pages 48 and 102, respectively;

a proposal to approve the issuance of shares of Mercantile common stock to Firstbank shareholders in connection with the merger;

a proposal to approve an amendment to Mercantile's articles of incorporation to increase the number of authorized shares of Mercantile common stock;

a proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Mercantile's named executive officers that is based on or otherwise related to the proposed transactions; and

a proposal to approve the adjournment of the Mercantile special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes at the time of the special meeting to approve the proposals listed above.

Completion of the merger is conditioned on approval of the merger agreement and approval of the issuance of shares of Mercantile common stock to Firstbank shareholders in connection with the merger, however it is not conditioned on the approval of the amendment to Mercantile's articles of incorporation to increase the number of authorized shares of Mercantile common stock.

With respect to each Mercantile proposal listed above, Mercantile shareholders may cast one vote for each share of Mercantile common stock that they own. The proposal to approve the merger agreement requires the approval of a majority of the issued and outstanding shares of Mercantile common stock entitled to vote at the



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special meeting. Failures to vote, broker non-votes and abstentions will have the same effect as a vote against this proposal. The proposal to approve the issuance of shares of Mercantile common stock to Firstbank shareholders in connection with the merger requires the approval of a majority of the votes cast on this proposal at the Mercantile special meeting, assuming a quorum. Failures to vote, broker non-votes and abstentions will have no effect on the vote for this proposal. The proposal to approve the amendment to Mercantile's articles of incorporation requires the approval of a majority of the outstanding shares of Mercantile common stock entitled to vote at the Mercantile special meeting. Failures to vote, broker non-votes and abstentions will have the same effect as a vote against this proposal. The proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Mercantile's named executive officers that is based on or otherwise related to the proposed transactions requires the approval of a majority of the votes cast on this proposal at the Mercantile special meeting, assuming a quorum. Failures to vote, broker non-votes and abstentions will have no effect on the vote for this proposal.

No business may be transacted at the Mercantile special meeting unless a quorum is present. If a quorum is not present, or if fewer shares are voted than required to obtain the necessary shareholder approvals, to allow additional time for obtaining additional proxies, the special meeting may be adjourned if the approval of a majority of the votes cast at the special meeting on this proposal is obtained, regardless of whether or not a quorum is present. No notice of an adjourned meeting need be given unless a new record date is fixed for the adjourned meeting, in which case a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting.

*The Firstbank Special Meeting (see page 44)*

The special meeting of Firstbank shareholders will be held on December 12, 2013 at Firstbank headquarters, 311 Woodworth Avenue, Alma, Michigan 48801 at 9:30 a.m. local time. The special meeting of Firstbank shareholders is being held to consider and vote on:

a proposal to adopt the merger agreement, the merger and the other transactions contemplated by the merger agreement, which is further described in the sections titled "The Merger" and "The Merger Agreement," beginning on pages 49 and 103, respectively;

an advisory (non-binding) proposal to approve the compensation that may be paid or become payable to Firstbank's named executive officers that is based on or otherwise related to the proposed transactions; and

a proposal to approve the adjournment of the Firstbank special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes at the time of the special meeting to approve the first proposal listed above.

Completion of the merger is conditioned on the adoption of the merger agreement, the merger and the other transactions contemplated by the merger agreement.

With respect to each Firstbank proposal listed above, Firstbank shareholders may cast one vote for each share of Firstbank common stock that they own. The proposal to adopt the merger agreement, the merger, and other transactions required by the merger agreement requires the approval of a majority of the issued and outstanding shares of Firstbank common stock entitled to vote at the special meeting. Failures to vote, broker non-votes and abstentions will have the same effect as a vote against this proposal. The proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Firstbank's named executive officers that is based on or otherwise related to the proposed transactions requires the approval of a majority of the issued and outstanding shares of Firstbank common stock that are present in person or represented by proxy and entitled to vote at the special meeting, assuming a quorum. Failures to vote and broker non-votes will have no effect on the vote for this proposal; however, abstentions will have the same effect as a vote against the approval of such proposal.



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No business may be transacted at the Firstbank special meeting unless a quorum is present. If a quorum is not present, or if fewer shares are voted than required to obtain the necessary shareholder approvals, to allow additional time for obtaining additional proxies, the special meeting may be adjourned if the approval of a majority of the votes cast at the special meeting is obtained, regardless of whether or not a quorum is present. No notice of an adjourned meeting need be given unless a new record date is fixed for the adjourned meeting, in which case a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting.

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**SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA OF FIRSTBANK**

**(Unaudited)**

The following statement of earnings data for each of the three years in the period ended December 31, 2012 and the balance sheet data as of December 31, 2012 and 2011 have been derived from the audited consolidated financial statements of Firstbank contained in its Annual Report on Form 10-K for the fiscal year ended December 31, 2012, which is incorporated into this document by reference. The statement of earnings data for the years ended December 31, 2009 and 2008 and the balance sheet data as of December 31, 2010, 2009 and 2008 have been derived from Firstbank's audited consolidated financial statements for such years, which have not been incorporated into this document by reference.

The statement of earnings data for the six months ended June 30, 2013 and June 30, 2012, and the balance sheet data as of June 30, 2013 have been derived from Firstbank's unaudited interim condensed consolidated financial statements contained in its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2013, which is incorporated into this document by reference. The balance sheet data as of June 30, 2012 has been derived from Firstbank's unaudited interim condensed consolidated financial statements contained in its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012, which has not been incorporated into this document by reference. The financial statements in the Form 10-Q are unaudited, but, in the opinion of Firstbank's management, contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly Firstbank's consolidated financial position and results of operations for the periods indicated.

You should read this summary financial data together with the consolidated financial statements that are incorporated by reference into this document and their accompanying notes and management's discussion and analysis of financial condition and results of operations of Firstbank contained in such reports. See "Where You Can Find More Information" beginning on page 154.

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	As of and for the Six Months Ended June 30,		As of and for the Years Ended December 31,					2008
	2013	2012	2012	2011	2010	2009		
<b>Consolidated Results of Operations:</b>								
Interest income	\$ 29,423	\$ 32,146	\$ 62,866	\$ 67,644	\$ 72,382	\$ 74,686	\$ 82,191	
Interest expense	3,220	4,540	8,374	12,972	20,890	25,939	35,353	
Net interest income	26,203	27,606	54,492	54,672	51,492	48,747	46,838	
Provision for loan losses	1,830	4,988	7,690	13,337	13,344	14,671	8,256	
Noninterest income	5,868	6,243	12,670	9,675	11,829	15,409	3,990	
Noninterest expense	21,508	22,079	44,682	43,553	44,702	45,750	42,915	
Income (loss) before income tax expense (benefit)	8,733	6,782	14,790	7,457	5,275	3,735	(343)	
Income tax expense (benefit)	2,527	1,961	4,256	1,834	1,512	1,044	(1,062)	
Net income	\$ 6,206	\$ 4,821	\$ 10,534	\$ 5,623	\$ 3,763	\$ 2,691	\$ 719	
Preferred stock dividends and accretion	481	840	1,275	1,679	1,679	1,540		
Net income attributable to common shares	\$ 5,725	\$ 3,981	\$ 9,259	\$ 3,944	\$ 2,084	\$ 1,151	\$ 719	
<b>Per Common Share Data:</b>								
Net income:								
Basic	\$ 0.71	\$ 0.50	\$ 1.17	\$ 0.50	\$ 0.27	\$ 0.15	\$ 0.10	
Diluted	0.71	0.50	1.16	0.50	0.27	0.15	0.10	
Book value at end of period	16.41	16.14	16.26	15.53	14.82	14.77	15.44	
Dividends declared	0.12	0.07	0.29	0.04	0.08	0.40	0.90	
Dividend payout ratio	16.89%	13.92%	21.97%	5.58%	16.47%	113.80%	935.73%	
<b>Consolidated Financial Ratios:</b>								
Return on average assets	0.83%	0.65%	0.70%	0.38%	0.25%	0.19%	0.05%	
Return on average shareholders equity	8.44%	6.30%	7.00%	3.75%	2.56%	1.86%	0.61%	
Average shareholders equity to average assets	9.80%	10.40%	10.04%	10.07%	9.87%	10.09%	8.38%	
Nonperforming loans to total loans	1.22%	1.86%	1.62%	2.38%	2.61%	3.02%	2.12%	
Allowance for loan losses to total loans	2.07%	2.17%	2.21%	2.14%	2.07%	1.70%	1.26%	
Tier 1 leverage capital	9.01%	9.47%	9.71%	10.30%	10.02%	10.05%	8.08%	
Tier 1 leverage risk-based capital	13.61%	14.37%	14.73%	15.29%	14.68%	13.00%	10.00%	
Total risk-based capital	14.87%	15.63%	15.99%	16.55%	15.94%	14.21%	11.06%	
<b>Consolidated Balance Sheet Data:</b>								
Total assets	\$ 1,457,046	\$ 1,485,738	\$ 1,498,762	\$ 1,485,299	\$ 1,458,343	\$ 1,482,356	\$ 1,425,340	
Cash and cash equivalents	54,430	94,099	102,528	80,248	83,943	117,615	63,712	
Securities	358,288	333,946	360,950	349,452	263,919	158,592	122,179	
Loans	975,796	991,887	966,683	984,258	1,032,975	1,122,185	1,159,632	
Allowance for loan losses	20,239	21,522	21,340	21,019	21,431	19,114	14,594	
Goodwill	35,513	35,513	35,513	35,513	35,513	35,513	35,603	

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Deposits	1,208,302	1,211,846	1,241,401	1,220,542	1,183,783	1,149,063	1,046,914
Securities sold under agreements to repurchase	43,661	45,746	42,785	46,784	41,328	39,409	52,917
Federal Home Loan Bank advances	19,862	24,334	22,493	19,457	40,658	100,263	155,921
Subordinated debentures	36,084	36,084	36,084	36,084	36,084	36,084	36,084
Shareholders equity	132,444	145,143	147,058	155,377	148,428	146,880	114,983

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**SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA OF MERCANTILE**

**(Unaudited)**

The following statement of earnings data for each of the three years ended December 31, 2012 and the balance sheet data as of December 31, 2012 and 2011 have been derived from the audited consolidated financial statements of Mercantile contained in its Annual Report on Form 10-K for the fiscal year ended December 31, 2012, which is incorporated into this document by reference. The statement of earnings data for the years ended December 31, 2009 and 2008 and the balance sheet data as of December 31, 2010, 2009 and 2008 have been derived from Mercantile's audited consolidated financial statements for such years, which have not been incorporated into this document by reference.

The statement of earnings data for the six months ended June 30, 2013 and 2012, and the balance sheet data as of June 30, 2013 have been derived from Mercantile's unaudited interim condensed consolidated financial statements contained in its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2013, which is incorporated into this document by reference. The balance sheet data as of June 30, 2012 has been derived from Mercantile's unaudited interim condensed consolidated financial statements contained in its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012, which has not been incorporated into this document by reference. The financial statements in the Form 10-Q are unaudited, but, in the opinion of Mercantile's management, contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly Mercantile's consolidated financial position and results of operations for the periods indicated.

You should read this summary financial data together with the consolidated financial statements that are incorporated by reference into this document and their accompanying notes and management's discussion and analysis of financial condition and results of operations of Mercantile contained in such reports. See "Where You Can Find More Information" beginning on page 154.

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	As of and for the Six Months Ended June 30,			As of and for the Years Ended December 31,				2008
	2013	2012	2012	2011	2010	2009		
(In thousands, except per share data)								
<b>Consolidated Results of Operations:</b>								
Interest income	\$ 28,201	\$ 30,483	\$ 59,917	\$ 71,069	\$ 88,143	\$ 104,909	\$ 121,072	
Interest expense	5,435	7,103	13,216	19,832	31,794	53,576	74,863	
Net interest income	22,766	23,380	46,701	51,237	56,349	51,333	46,209	
Provision for loan losses	(3,000)	(3,000)	(3,100)	6,900	31,800	59,000	21,200	
Noninterest income	3,599	3,874	7,994	7,282	9,244	7,558	7,282	
Noninterest expense	17,397	20,258	39,624	41,495	47,156	46,488	42,126	
Income (loss) before income tax expense (benefit)	11,968	9,996	18,171	10,124	(13,363)	(46,597)	(9,835)	
Income tax expense (benefit)	3,552	3,125	5,636	(27,361)	(47)	5,490	(4,876)	
Net income (loss)	\$ 8,416	\$ 6,871	\$ 12,535	\$ 37,485	\$ (13,316)	\$ (52,087)	\$ (4,959)	
Preferred stock dividends and accretion		1,030	1,030	1,343	1,295	802		
Net income (loss) attributable to common shares	\$ 8,416	\$ 5,841	\$ 11,505	\$ 36,142	\$ (14,611)	\$ (52,889)	\$ (4,959)	
<b>Per Common Share Data:</b>								
Net income (loss):								
Basic	\$ 0.97	\$ 0.68	\$ 1.33	\$ 4.20	\$ (1.72)	\$ (6.23)	\$ (0.59)	
Diluted	0.97	0.65	1.30	4.07	(1.72)	(6.23)	(0.59)	
Book value at end of period	17.34	17.38	16.84	16.73	12.20	13.86	20.29	
Dividends declared	0.21		0.09		0.01	0.07	0.31	
Dividend payout ratio	21.55%	NA	6.73%	NA	NA	NA	NA	
<b>Consolidated Financial Ratios:</b>								
Return on average assets	1.23%	0.83%	0.82%	2.36%	(0.80%)	(2.51%)	(0.23%)	
Return on average shareholders' equity	11.38%	7.26%	7.51%	27.28%	(10.62%)	(29.91%)	(2.87%)	
Average shareholders equity to average assets	10.83%	11.46%	10.90%	8.66%	7.56%	8.40%	8.01%	
Nonperforming loans to total loans	0.99%	2.69%	1.82%	4.20%	5.50%	5.52%	2.66%	
Allowance for loan losses to total loans	2.36%	2.80%	2.75%	3.41%	3.59%	3.11%	1.46%	
Tier 1 leverage capital	12.52%	11.42%	11.31%	12.09%	9.09%	8.64%	9.17%	
Tier 1 leverage risk-based capital	14.17%	13.33%	13.37%	14.19%	11.17%	9.92%	9.68%	
Total risk-based capital	15.43%	14.59%	14.63%	15.46%	12.45%	11.18%	10.93%	
<b>Consolidated Balance Sheet Data:</b>								
Total assets	\$ 1,343,750	\$ 1,385,245	\$ 1,422,926	\$ 1,433,229	\$ 1,632,421	\$ 1,906,208	\$ 2,208,010	
Cash and cash equivalents	57,977	82,466	136,003	76,372	64,198	21,735	25,804	

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Securities	142,095	139,552	150,275	184,953	235,175	257,384	242,787
Loans	1,058,662	1,060,996	1,041,189	1,072,422	1,262,630	1,539,818	1,856,915
Allowance for loan losses	24,947	29,689	28,677	36,532	45,368	47,878	27,108
Bank owned life insurance	50,736	49,312	50,048	48,520	46,743	45,024	42,462
Deposits	1,061,315	1,105,630	1,135,204	1,112,075	1,273,832	1,401,627	1,599,575
Securities sold under agreements to repurchase	57,328	52,831	64,765	72,569	116,979	99,755	94,413
Federal Home Loan Bank advances	35,000	35,000	35,000	45,000	65,000	205,000	270,000
Subordinated debentures	32,990	32,990	32,990	32,990	32,990	32,990	32,990
Shareholders equity	150,938	149,662	146,590	164,999	125,936	140,104	174,372

**Table of Contents****SUMMARY UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION OF MERCANTILE AND FIRSTBANK**

The following table presents selected unaudited pro forma condensed combined financial information about Mercantile's consolidated balance sheet and results of operations, after giving effect to the merger with Firstbank and the payment of the special cash dividend. The information under Results of Operations Data in the table below gives effect to the merger as if it had been consummated on January 1, 2012, the beginning of the earliest period presented. The information under Balance Sheet Data in the table below assumes the merger had been consummated on June 30, 2013. This unaudited pro forma combined financial information was prepared using the acquisition method of accounting with Mercantile considered the acquirer of Firstbank. See Accounting Treatment on page 127.

In addition, the unaudited pro forma combined financial information includes adjustments which are preliminary and will likely be revised as additional information becomes available and as additional analysis is performed. There can be no assurance that such revisions will not result in material changes. The unaudited pro forma combined financial information is presented for illustrative purposes only and does not indicate the financial results of the combined company.

The information presented below should be read in conjunction with the historical consolidated financial statements of Mercantile and Firstbank, including the related notes, filed by each of them with the SEC, and with the pro forma condensed combined financial statements of Mercantile and Firstbank, including the related notes, appearing elsewhere in this document. See Where You Can Find More Information beginning on page 154 and Unaudited Pro Forma Condensed Combined Financial Information beginning on page 128. The unaudited pro forma condensed combined financial information is not necessarily indicative of results that actually would have occurred or that may occur in the future had the merger been completed on the dates indicated.

<i>(in thousands)</i>	<b>Six Months Ended June 30, 2013</b>	<b>Year Ended December 31, 2012</b>
<b>Results of Operations Data</b>		
Net interest income	\$ 48,367	\$ 100,150
Provision for loan losses	(1,170)	4,590
Net interest income after provision for loan losses	49,537	95,560
Other income	9,467	20,664
Other expense	39,836	86,320
Income before income tax expense	19,168	29,904
Income tax expense	5,542	8,822
Net income	13,626	21,082
Preferred stock dividends	481	2,305
Net income to common shareholders	\$ 13,145	\$ 18,777



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<i>(in thousands)</i>	<b>As of June 30, 2013</b>
<b>Balance Sheet Data</b>	
Cash and cash equivalents	\$ 100,352
Investment securities	500,383
Net loans	1,991,011
Total Assets	2,799,875
Deposits	2,271,917
Borrowings	173,951
Subordinated debentures	54,074
Total shareholders' equity	285,061

The table below presents the pro forma regulatory capital levels for the consolidated combined company and regulatory minimum required capital levels, giving effect to the merger as if it had occurred on June 30, 2013, and assuming payment of a \$2.00 per share dividend by Mercantile (dollars in thousands):

June 30, 2013	Mercantile (as reported)		Firstbank (As reported)		Pro Forma		Minimum Required for Capital Adequacy Purposes	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>Total capital</b>								
(to risk weighted assets)	\$ 183,956	15.4%	\$ 144,062	14.0%	\$ 304,698	13.9%	\$ 173,069	8.0%
<b>Tier 1 capital</b>								
(to risk weighted assets)	\$ 168,929	14.2%	\$ 131,858	13.5%	\$ 279,751	12.9%	\$ 86,535	4.0%
<b>Tier 1 capital</b>								
(to average assets)	\$ 168,929	12.5%	\$ 131,858	9.0%	\$ 279,751	10.0%	\$ 112,024	4.0%

**Table of Contents****Unaudited Selected Comparative Per Share Data**

The following table sets forth the basic earnings, diluted earnings, cash dividends and book value per common share data for Mercantile and Firstbank on a historical basis and on a pro forma combined basis, as of and for the six month period ended June 30, 2013, and as of and for the twelve months ended December 31, 2012. The pro forma data was derived by combining the historical consolidated financial information of Mercantile and Firstbank using the acquisition method of accounting for business combinations and assumes the transaction is completed as contemplated. The pro forma and pro forma-equivalent per share information gives effect to the merger as if the transactions had been effective on the dates presented in the case of the book value data, and as if the transactions had become effective on January 1, 2012, in the case of the earnings per share and dividends declared data. The unaudited pro forma data represent a current estimate based on available information of the combined company's results of operations. The pro forma financial adjustments record the assets and liabilities of Firstbank at their estimated fair values and are subject to adjustment as additional information becomes available and as additional analysis is performed. See Unaudited Pro Forma Condensed Combined Financial Information for more information on page 128.

	Mercantile As Reported	Firstbank As Reported	Pro Forma Combined Mercantile <sup>(1)</sup>	Pro Forma Equivalent Per Share Information <sup>(2)</sup>
<b>Mercantile Pro Forma Per Share</b>				
<b>Income for the six months ended June 30, 2013:</b>				
Basic earnings per share	\$ 0.97	\$ 0.71	\$ 0.79	\$ 0.79
Diluted earnings per share	0.97	0.71	0.78	0.78
Cash Dividends <sup>(3)</sup>	0.21	0.12	0.21	0.21
Book value per common share as of June 30, 2013 <sup>(4)</sup>	17.34	16.41	16.99	16.99
<b>Income for the year ended December 31, 2012:</b>				
Basic earnings per share	\$ 1.33	\$ 1.17	\$ 1.13	\$ 1.13
Diluted earnings per share	1.30	1.16	1.12	1.12
Cash Dividends <sup>(3)</sup>	0.09	0.29	0.09	0.09
Book value per common share as of December 31, 2012 <sup>(4)</sup>	16.84	16.26		

- (1) Pro forma earnings per share are based on pro forma combined net income and pro forma combined weighted average shares outstanding at the end of the period.
- (2) Calculated based on pro forma combined multiplied by the applicable exchange ratio of 1.00.
- (3) Pro forma dividends per share represent Mercantile's historical dividends per share, excluding the special cash dividend.
- (4) Calculated based on pro forma combined equity and pro forma combined common shares outstanding at the end of period.

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**Comparative Market Prices**

The following table shows the closing sale prices of Mercantile and Firstbank common stock as reported on NASDAQ as of August 14, 2013, the last trading day before public announcement of the merger, and as of [ ], 2013, the last trading day before the date of this joint proxy statement and prospectus.

	<b>Mercantile Common Stock</b>	<b>Firstbank Common Stock</b>	<b>Implied Value for Each Share of Firstbank Common Stock</b>
August 14, 2013	\$ 18.77	\$ 16.66	\$ 18.77
[ ], 2013	\$ [ ]	\$ [ ]	\$ [ ]

*The market price of Mercantile common stock and Firstbank common stock will fluctuate prior to the merger. Mercantile's shareholders and Firstbank shareholders are urged to obtain current market quotations for the shares prior to making any decision with respect to the merger.*

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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This joint proxy statement and prospectus and the documents incorporated by reference into this joint proxy statement and prospectus contain forward-looking statements within the meaning of the federal securities laws that are not limited to historical facts, but reflect Mercantile and Firstbank's current beliefs, expectations or intentions regarding future events. Words such as may, will, could, should, expect, plan, propose, intend, anticipate, believe, estimate, predict, potential, pursue, target, continue, and similar expressions are intended to identify such forward-looking statements. These forward-looking statements include, without limitation, Mercantile's and Firstbank's expectations with respect to the synergies, costs and other anticipated financial impacts of the proposed transaction; future financial and operating results of the combined company; the combined company's plans, objectives, expectations and intentions with respect to future operations and services; approval of the proposed transaction by shareholders and by governmental regulatory authorities; the satisfaction of the closing conditions to the proposed transaction; and the timing of the completion of the proposed transaction. Management's determination of the provision and allowance for loan losses, the appropriate carrying value of intangible assets (including deferred pay assets) and other real estate owned and the value of investment securities involves judgments that are inherently forward-looking. The financial projections set forth under the captions "Certain Prospective Financial Information Reviewed by Mercantile" beginning on page 67 and "Certain Prospective Financial Information Reviewed by Firstbank" beginning on page 87 are inherently forward-looking.

All forward-looking statements involve significant risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements, many of which are generally outside the control of Mercantile and Firstbank and are difficult to predict. These risks and uncertainties also include those set forth under "Risk Factors," beginning on page 31, as well as, among others, risks and uncertainties relating to:

- the ability to obtain regulatory approvals of the merger and satisfy other closing conditions or follow the expected schedule for the transactions;
- the actions of actual or potential competitors in the markets in which the combined company will operate;
- the combined company's ability to effectively maintain and improve customer relationships, realize expected benefits of the merger, realize growth opportunities, maintain or expand customer base, reduce operating costs, continue to pay dividends, and successfully implement and realize the expected benefits of various programs, initiatives and goals;
- difficulties and delays in integrating the Mercantile and Firstbank businesses following the merger;
- changes in the value of commercial and residential real estate and the value of certain securities held in investment portfolios;
- changes in interest rates and capital markets;
- effects of governmental regulations and policies;
- changes in asset quality and credit risk;
- the effectiveness of the combined company's capital investments and marketing strategies;

general economic conditions;

the proposed merger, including the ability to complete the merger in the anticipated timeframe or at all, the diversion of each party's management in connection with the merger and the combined company's ability to realize, fully or at all, the anticipated benefits of the merger; and

other financial, operational and legal risks and uncertainties detailed from time to time in each party's SEC filings.

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Mercantile and Firstbank caution that the foregoing list of factors is not exclusive. Additional information concerning these and other risk factors is contained in Mercantile's and Firstbank's most recently filed Annual Reports on Form 10-K, subsequent Quarterly Reports on Form 10-Q, recent Current Reports on Form 8-K and other SEC filings. All subsequent written and oral forward-looking statements concerning Mercantile, Firstbank, the proposed transaction or other matters and attributable to Mercantile or Firstbank or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements above. The forward-looking statements speak only as of the date made and, other than as required by law, neither Mercantile nor Firstbank undertake any obligation to update publicly or revise any of these forward-looking statements, whether as a result of new information, future events or otherwise.

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**RISK FACTORS**

*In addition to the other information included in and incorporated by reference into this joint proxy statement and prospectus, including the matters addressed in the section entitled **Special Note Regarding Forward-Looking Statements** beginning on page 29, you should carefully consider the following risk factors before deciding whether to vote for the proposal to approve the merger agreement and approve the merger and, in the case of Mercantile shareholders, for the proposal to approve the Mercantile share issuance. In addition, you should read and consider the risks associated with each of the businesses of Firstbank and Mercantile because these risks will relate to the combined company following the completion of the merger. Descriptions of some of these risks can be found in the Annual Reports of Mercantile and Firstbank on Form 10-K for the fiscal years ended December 31, 2012, in each case, as such risks may be updated or supplemented in each company's subsequently filed Quarterly Reports on Form 10-Q or Current Reports on Form 8-K, which are incorporated by reference into this joint proxy statement and prospectus. You should also consider the other information in this document and the other documents incorporated by reference into this document. See the section entitled **Where You Can Find More Information** beginning on page 154.*

**Risks Relating to the Merger**

***The merger is subject to conditions, including certain conditions that may not be satisfied or completed on a timely basis, if at all. Failure to complete the merger could have material and adverse effects on Mercantile and Firstbank.***

The completion of the merger is subject to a number of conditions, including the approval by the shareholders of Mercantile and Firstbank, which make the completion and timing of the completion of the merger uncertain. See the section entitled **The Merger Agreement - Conditions to Completion of the Transaction**, beginning on page 116, for a more detailed discussion. Also, either Mercantile or Firstbank may terminate the merger agreement if the merger has not been consummated by March 31, 2014, except that this right to terminate the merger agreement will not be available to any party whose failure to perform any obligation under the merger agreement is the cause of or the primary factor that results in the failure of the merger to be consummated on or before that date.

If the merger is not completed on a timely basis, or at all, Mercantile's and Firstbank's respective ongoing businesses may be adversely affected and, without realizing any of the benefits of having completed the merger, Mercantile and Firstbank will be subject to a number of risks, including the following:

Mercantile and Firstbank will be required to pay their respective costs relating to the merger, such as legal, accounting, financial advisory and printing fees, whether or not the merger is completed;

time and resources committed by Mercantile's and Firstbank's respective boards of directors and management to matters relating to the merger could otherwise have been devoted to pursuing other beneficial opportunities;

the market price of Mercantile common stock or Firstbank common stock could decline to the extent that the current market price reflects a market assumption that the merger will be completed; and

if the merger agreement is terminated and the board of directors of Mercantile or the board of directors of Firstbank seeks another business combination, Mercantile shareholders and Firstbank shareholders cannot be certain that Mercantile or Firstbank will be able to find a party willing to enter into a merger agreement on terms equivalent to or more attractive than the terms that the other party has agreed to in the merger agreement.

***The market value of the merger consideration paid to Firstbank shareholders will fluctuate because the exchange ratio is fixed and will not be adjusted in the event of any change in either Mercantile's or Firstbank's stock price.***

Upon completion of the merger, each share of Firstbank common stock will be converted into the right to receive 1 share of Mercantile common stock. This exchange ratio will not be adjusted for changes in the market





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price of either Mercantile common stock or Firstbank common stock between the date of signing the merger agreement and completion of the merger. Changes in the price of Mercantile common stock prior to the merger will affect the value of Mercantile common stock that Firstbank common shareholders will receive on the closing date.

The prices of Mercantile common stock and Firstbank common stock on the date of the completion of the merger may vary from their prices on the date the merger agreement was executed, on the date of this joint proxy statement and prospectus and on the date of each shareholder meeting. As a result, the value represented by the exchange ratio will also vary. For example, based on the range of closing prices of Mercantile common stock during the period from August 14, 2013, the last full trading day before the public announcement of the merger, through November [ ], 2013, the latest practicable trading date before the date of this joint proxy statement and prospectus, the exchange ratio represented a value ranging from a high of \$[ ] to a low of \$[ ] for each share of Firstbank common stock.

These variations could result from changes in the business, operations or prospects of Mercantile or Firstbank prior to or following the completion of the merger, regulatory considerations, general market and economic conditions and other factors both within and beyond the control of Mercantile or Firstbank. At the time of the special shareholders meetings, Firstbank shareholders will not know with certainty the value of the shares of Mercantile common stock that they will receive upon completion of the merger.

***Anticipation of the special dividend may cause upward pressure on or support of the price of Mercantile common stock as investors purchase or hold shares to collect the expected special dividend. The price of Mercantile common stock may decline on or after the ex-dividend date or payment date of the dividend.***

As part of the merger, the Mercantile board of directors expects to declare and pay a special cash dividend of \$2.00 per share to Mercantile shareholders prior to the effective time of the merger, subject to the satisfaction of the closing conditions set forth in the merger agreement. Anticipation of the special dividend may cause upward pressure on or support of the price of Mercantile common stock as investors purchase or hold shares to collect the expected special dividend. The price of Mercantile common stock may decline on or after the ex-dividend date or payment date of the dividend because the shareholders' equity of Mercantile will decrease by the amount of the distribution.

***The merger agreement contains provisions that limit each party's ability to pursue alternatives to the merger, could discourage a potential competing acquiror of either Mercantile or Firstbank from making a favorable alternative transaction proposal and, in specified circumstances, could require either party to pay a termination fee of \$7.9 million and transaction-related expenses of up to \$2 million to the other party.***

The merger agreement contains certain provisions that restrict each of Mercantile's and Firstbank's ability to initiate, solicit, knowingly encourage or, subject to certain exceptions, engage in discussions or negotiations with respect to, or approve or recommend, any third-party proposal for an alternative transaction. Further, even if the board of directors of either company withdraws or qualifies its recommendation with respect to the approval of the merger, unless the merger agreement has been terminated in accordance with its terms, Mercantile or Firstbank, as the case may be, will still be required to submit each of their merger-related proposals to a vote at their special meeting of shareholders. In addition, the other party generally has an opportunity to offer to modify the terms of the merger and other transactions contemplated by the merger agreement in response to any third-party alternative transaction proposal before the board of directors of the company that has received a third-party alternative transaction proposal may withdraw or qualify its recommendation with respect to the merger-related proposal. In some circumstances, upon termination of the merger agreement, a party will be required to pay a termination fee of \$7.9 million and transaction-related expenses of up to \$2 million to the other party. See the sections entitled "The Merger Agreement - Restrictions on Solicitation" beginning on page 112, "The Merger Agreement - Termination of the Merger Agreement" beginning on page 117 and "The Merger Agreement - Termination Fees and Expenses; Liability for Breach" beginning on page 119.

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These provisions could discourage a potential third-party acquiror or merger partner that might have an interest in acquiring all or a significant portion of Mercantile or Firstbank or pursuing an alternative transaction from considering or proposing such a transaction, even if it were prepared to pay consideration with a higher per share cash or market value than market value proposed to be received or realized in the merger, or might result in a potential third-party acquiror or merger partner proposing to pay a lower price to the Mercantile shareholders or Firstbank shareholders than it might otherwise have proposed to pay because of the added expense of the \$7.9 million termination fee and transaction-related expenses of up to \$2 million that may become payable in certain circumstances.

If the merger agreement is terminated and either Mercantile or Firstbank determines to seek another business combination, Mercantile or Firstbank, as applicable, may not be able to negotiate a transaction with another party on terms comparable to, or better than, the terms of the merger.

***If either party terminates the merger agreement because of the failure by the other party to fulfill its obligations, then the breaching party may be required to reimburse the terminating party's expenses.***

The merger agreement provides that Mercantile may terminate the merger agreement, subject to certain exceptions, if Firstbank breaches or fails to perform any of its representations, warranties, covenants or other agreements therein and such breach or failure to perform is not cured within 30 business days or is incapable of being cured by March 31, 2014. Similarly, Firstbank may terminate the agreement, subject to certain exceptions, if Mercantile breaches or fails to perform any of its respective representations, warranties, covenants or other agreements therein and such breach or failure to perform is not cured within 30 business days or is incapable of being cured by March 31, 2014. If the merger agreement is terminated as a result of a breach by the other party, the breaching party will be required to reimburse up to \$2 million of the terminating party's documented out-of-pocket fees and expenses in connection with the transaction. In addition, if the breaching party receives a third-party proposal for certain types of alternative transactions prior to termination of the merger agreement and consummates a takeover proposal within 12 months after termination of the merger agreement or enters into an agreement for a takeover proposal within 12 months after termination of the merger agreement and subsequently consummates such transaction, the breaching party will be required to pay a termination of \$7.9 million.

***Mercantile's and Firstbank's executive officers and directors have interests in the merger that may be different from, or in addition to, the interests of Mercantile and Firstbank shareholders generally.***

Mercantile's and Firstbank's executive officers and directors have interests in the merger that may be different from, or in addition to, the interests of Mercantile and Firstbank shareholders generally. The executive officers of Firstbank have agreements and arrangements with Firstbank that provide for severance, accelerated vesting of certain rights and other benefits if their employment is terminated under certain circumstances following the completion of the merger. In addition, certain of Firstbank's compensation and benefit plans and arrangements provide for payment or accelerated vesting or distribution of certain rights or benefits upon completion of the merger. Executive officers and directors of Firstbank also have rights to indemnification, advancement of expenses and directors' and officers' liability insurance that will survive completion of the merger. Certain executive officers of Mercantile have arrangements with Mercantile that provide for the accelerated vesting of restricted stock and deferred compensation upon completion of the merger.

The merger agreement contains certain provisions relating to the governance of the combined company following completion of the merger. Completion of the merger is subject to the conditions described under "The Merger Agreement - Conditions to Completion of the Transaction" beginning on page 116.

The board of directors of the combined company and its committees will consist of six directors, which will include (i) the current President and Chief Executive Officer of Mercantile plus two members of the current Mercantile board of directors selected by the Mercantile board of directors and (ii) the current President and Chief Executive Officer of Firstbank plus two members of the current Firstbank board of directors selected by the Firstbank board of directors. The current President and Chief Executive Officer of Firstbank will serve as Chairman of the Board following the Merger.

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The current President and Chief Executive Officer of Mercantile will serve as the President and Chief Executive Officer of the combined company. The current Chief Operating Officer of Mercantile will serve as an Executive Vice President and Chief Operating Officer of the combined company. The Chief Financial Officer of Mercantile will serve as a Senior Vice President and Chief Financial Officer of the combined company. The current Chief Financial Officer of Firstbank will serve as an Executive Vice President of the combined company.

The Mercantile and Firstbank boards of directors were aware of these interests at the time each approved the merger agreement, the merger and the other transactions contemplated by the merger agreement. These interests may cause Mercantile's and Firstbank's directors and executive officers to view the proposed merger differently and more favorably than you may view them. These interests are described in greater detail in the sections entitled "The Merger - Interests of Mercantile Directors and Executive Officers in the Merger" beginning on page 90, "The Merger - Interests of Certain Firstbank Directors and Executive Officers in the Merger" beginning on page 91, and "The Merger - Board of Directors and Management Following the Merger" beginning on page 100.

***Each party is subject to business uncertainties and contractual restrictions while the proposed merger is pending, which could adversely affect each party's business and operations.***

In connection with the pendency of the merger, it is possible that some customers and other persons with whom Mercantile or Firstbank has a business relationship may delay or defer certain business decisions or might seek to terminate, change or renegotiate their relationships with Mercantile or Firstbank, as the case may be, as a result of the merger, which could negatively affect Mercantile's or Firstbank's respective revenues, earnings and cash flows, as well as the market price of Mercantile's or Firstbank's common stock, regardless of whether the merger is completed.

Under the terms of the merger agreement, each of Mercantile or Firstbank is subject to certain restrictions on the conduct of its business prior to completing the merger, which may adversely affect its ability to execute certain of its business strategies, including the ability in certain cases to enter into or amend contracts, acquire or dispose of assets, incur indebtedness or incur capital expenditures. Such limitations could negatively affect each party's businesses and operations prior to the completion of the merger.

***The merger is subject to the receipt of approvals, consents or clearances from regulatory authorities which, if not obtained, could prevent completion of the merger.***

Before the merger may be completed, the consents, authorizations, approvals, or exemptions required under the Bank Holding Company Act, the FDI Act, the Michigan Banking Code and other applicable law must have been obtained. Under the merger agreement, Mercantile and Firstbank have agreed to use their commercially reasonable efforts to obtain such approvals, consents and clearances. There is no assurance that such approvals, consents, and clearances will be obtained. For a more detailed description of the regulatory review process, see the section entitled "The Merger - Regulatory Clearances Required for the Merger" beginning on page 100.

***Uncertainties associated with the merger may cause a loss of management personnel and other key employees which could adversely affect the future business and operations of the combined company.***

Mercantile and Firstbank are dependent on the experience and industry knowledge of their officers and other key employees to execute their business plans. The combined company's success after the completion of the merger will depend in part upon the ability of Mercantile and Firstbank to retain key management personnel and other key employees. Current and prospective employees of Mercantile and Firstbank may experience uncertainty about their roles within the combined company following the completion of the merger, which may have an adverse effect on the ability of each of Mercantile and Firstbank to attract or retain key management and other key personnel. Accordingly, no assurance can be given that the combined company will be able to attract or retain key management personnel and other key employees of Mercantile and Firstbank to the same extent that Mercantile and Firstbank have previously been able to attract or retain their own employees.

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***Litigation may be filed against Mercantile, Firstbank and/or their respective boards of directors could prevent or delay the consummation of the merger or result in the payment of damages following completion of the merger.***

In connection with the merger, it is possible that Firstbank shareholders may file putative shareholder class action lawsuits against Firstbank and its board of directors, and against Mercantile, and it is possible that Mercantile shareholders may file putative shareholder class action lawsuits against Mercantile and its board of directors. Among other remedies, the plaintiffs may seek to enjoin the merger. The outcome of any such litigation is uncertain. If a dismissal is not granted or a settlement is not reached, such potential lawsuits could prevent or delay completion of the merger and result in substantial costs to Mercantile and Firstbank, including any costs associated with indemnification. The defense or settlement of any lawsuit or claim that remains unresolved at the time the merger is consummated may adversely affect the combined company's business, financial condition, results of operations, cash flows and market price.

***The unaudited pro forma condensed combined financial information in this joint proxy statement and prospectus is presented for illustrative purposes only and may not be reflective of the operating results and financial condition of the combined company following completion of the merger.***

The unaudited pro forma condensed combined financial information in this joint proxy statement and prospectus is presented for illustrative purposes only and is not necessarily indicative of what the combined company's actual financial position or results of operations would have been had the merger been completed on the date indicated. Further, the combined company's actual results and financial position after the merger may differ materially and adversely from the unaudited pro forma condensed combined financial data that is included in this joint proxy statement and prospectus. The unaudited pro forma condensed combined financial information has been prepared based on the determination that Mercantile will be identified as the acquiror under GAAP and reflects adjustments based upon preliminary estimates of the fair value of assets to be acquired and liabilities to be assumed. The final acquisition accounting will be based upon the actual purchase price and the fair value of the assets and liabilities of Firstbank as of the date of the completion of the merger. In addition, subsequent to the closing date, there will be further refinements of the acquisition accounting as additional information becomes available. Accordingly, the final acquisition accounting may differ materially from the pro forma condensed combined financial information reflected in this document. See Unaudited Pro Forma Condensed Combined Financial Information beginning on page 128 for more information.

***Completion of the merger will trigger change in control or other provisions in certain agreements to which Mercantile or Firstbank is a party.***

The completion of the merger will trigger change in control or other provisions in certain agreements to which Mercantile or Firstbank is a party. If Mercantile and Firstbank are unable to negotiate waivers of those provisions, the counterparties may exercise their rights and remedies under the agreements, potentially terminating the agreements or seeking monetary damages. Even if Mercantile and Firstbank are able to negotiate waivers, the counterparties may require a fee for such waivers or seek to renegotiate the agreements on terms less favorable to Firstbank, Mercantile or the combined company.

**Risks Relating to the Combined Company after Completion of the Merger**

***The combined company may be unable to successfully integrate the businesses of Mercantile and Firstbank and realize the anticipated benefits of the merger.***

The merger involves the combination of two companies that currently operate, and will continue to operate until the effective date of the merger, as independent public companies. The combined company will be required

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to devote significant management attention and resources to integrating the business practices and operations of Mercantile and Firstbank. Potential difficulties the combined company may encounter as part of the integration process include the following:

inability to successfully combine the businesses of Mercantile and Firstbank in a manner that permits the combined company to achieve the full benefits anticipated to result from the merger;

complexities associated with managing the businesses of the combined company, including the challenge of integrating complex systems, technology, networks and other assets of each of the companies in a seamless manner that minimizes any adverse impact on customers, employees and other constituencies; and

potential unknown liabilities and unforeseen increased expenses or delays associated with the merger, including capital expenditures and one-time cash costs to integrate the two companies.

In addition, Mercantile and Firstbank have operated and, until the completion of the merger, will continue to operate independently and may not begin the actual integration process. Although the parties are conducting an integration planning process as permitted by legal restrictions, this process could result in:

diversion of the attention of each company's management; and

the disruption of, or the loss of momentum in, each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies,

any of which could adversely affect each company's ability to maintain relationships with customers, employees and other constituencies or Mercantile's and Firstbank's ability to achieve the anticipated benefits of the merger or could reduce each company's earnings or otherwise adversely affect the business and financial results of the combined company.

***Mercantile shareholders and Firstbank shareholders will have a reduced ownership and voting interest after the merger and will exercise less influence over management.***

Mercantile shareholders presently have the right to vote in the election of Mercantile's board of directors and on other matters affecting Mercantile. Firstbank shareholders presently have the right to vote in the election of Firstbank's board of directors and on other matters affecting Firstbank. Immediately after the merger is completed, it is expected that current Mercantile shareholders will own approximately 52% of the combined company's common stock outstanding and current Firstbank shareholders will own approximately 48% of the combined company's common stock outstanding, respectively.

As a result, current Mercantile shareholders and current Firstbank shareholders will have less influence on the management and policies of the combined company than they now have on the management and policies of Mercantile and Firstbank, respectively.

***The future results of the combined company will suffer if the combined company does not effectively manage its expanded operations following the completion of the merger.***

Following the completion of the merger, the size of the business of the combined company will increase significantly beyond the current size of either Mercantile's or Firstbank's business. The combined company's future success depends, in part, upon its ability to manage this expanded business, which will pose substantial challenges for management, including challenges related to the management and monitoring of new operations and associated increased costs and complexity. There can be no assurances that the combined company will be successful or that it will realize the expected operating efficiencies, cost savings and other benefits currently anticipated from the merger.



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*The combined company is expected to incur substantial expenses related to the completion of the merger and the integration of Mercantile and Firstbank.*

The combined company is expected to incur substantial expenses in connection with the completion of the merger and the integration of Mercantile and Firstbank. There are a large number of processes, policies, procedures, operations, technologies and systems that must be integrated, including banking operations software and systems, accounting and finance, payroll, revenue management, marketing and benefits. While Mercantile and Firstbank have assumed that a certain level of expenses will be incurred, there are many factors beyond their control that could affect the total amount or the timing of the integration expenses. Moreover, many of the expenses that will be incurred are, by their nature, difficult to estimate accurately. These expenses could, particularly in the near term, exceed the savings that the combined company expects to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost savings. These integration expenses likely will result in the combined company taking significant charges against earnings following the completion of the merger, and the amount and timing of such charges are uncertain at present.

*The market price of the combined company's common stock may be affected by factors different from those affecting the price of Mercantile or Firstbank common stock.*

Upon completion of the merger, holders of Mercantile common stock and Firstbank common stock will become holders of common stock in the combined company. As the businesses of Mercantile and Firstbank are different, the results of operations of the combined company as well as the price of the combined company's common stock may in the future be affected by factors different from those factors affecting Mercantile and Firstbank as independent, stand-alone companies. The combined company will face additional risks and uncertainties to which Mercantile or Firstbank may not currently be exposed as independent companies.

### **Other Risks Relating to Mercantile and Firstbank**

Mercantile's and Firstbank's businesses are and will be subject to the risks described above. In addition, Mercantile and Firstbank are and will continue to be subject to the risks described in Mercantile's and Firstbank's respective Annual Reports on Form 10-K for the fiscal year ended December 31, 2012, as updated by subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, all of which are filed with the SEC and incorporated by reference into this joint proxy statement and prospectus. See "Where You Can Find More Information" beginning on page 154 for the location of information incorporated by reference into this joint proxy statement and prospectus.

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**THE COMPANIES**

**Mercantile Bank Corporation**

Mercantile Bank Corporation is a registered bank holding company under the Bank Holding Company Act of 1956, as amended. Mercantile was organized on July 15, 1997 under the laws of the State of Michigan to provide banking services to business, individuals, and governmental units, and commenced business on December 15, 1997. Mercantile is the holding company for Mercantile Bank of Michigan and its current subsidiaries include an insurance company, a real estate company, and a Delaware business trust. Mercantile has seven full-service banking offices in Grand Rapids, Holland, and Lansing, Michigan. As of June 30, 2013, Mercantile's total assets were \$1.3 billion, and total deposits were \$1.1 billion.

Mercantile's common stock is traded on Nasdaq under the symbol MBWM.

The principal executive offices of Mercantile are located at 310 Leonard St., N.W., Grand Rapids, Michigan 49504, and Mercantile's telephone number is (616) 406-3000. Additional information about Mercantile and its subsidiaries is included in documents incorporated by reference into this joint proxy statement and prospectus. See "Where You Can Find More Information" on page 154.

**Firstbank Corporation**

Firstbank Corporation is a registered bank holding company under the Bank Holding Company Act of 1956, as amended. Firstbank has two subsidiary banks, Firstbank and Keystone Community Bank. The banks are full-service community banks with 46 banking offices serving Michigan's Lower Peninsula. Each subsidiary bank is a full-service community bank offering customary banking services, including the acceptance of checking, savings, and time deposits and the making of commercial, mortgage, home improvement, automobile, and other consumer loans. As of June 30, 2013, Firstbank's total assets were \$1.5 billion, and total deposits were \$1.2 billion.

Firstbank common stock trades on the Nasdaq Stock Market under the symbol FBMI.

The principal executive offices of Firstbank are located at 311 Woodworth Ave., Alma, Michigan 48801, and Firstbank's telephone number is (989) 463-3131. Additional information about Firstbank and its subsidiaries is included in documents incorporated by reference into this joint proxy statement and prospectus. See "Where You Can Find More Information" on page 154.



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**THE MERCANTILE SPECIAL MEETING**

*This joint proxy statement and prospectus is being provided to the Mercantile shareholders as part of a solicitation of proxies by the Mercantile board of directors for use at the Mercantile special meeting to be held at the time and place specified below and at any properly convened meeting following an adjournment or postponement thereof. This joint proxy statement and prospectus provides Mercantile shareholders with information they need to know to be able to vote or instruct their vote to be cast at the Mercantile special meeting.*

**Date, Time and Place**

The special meeting of Mercantile shareholders will be held at Mercantile headquarters, 310 Leonard Street N.W., Grand Rapids, Michigan 49504, on December 12, 2013 at 9:30 a.m. local time.

**Purpose of the Mercantile Special Meeting**

At the Mercantile special meeting, Mercantile shareholders will be asked to consider and vote on the following:

a proposal to approve the merger agreement, which is further described in the sections titled "The Merger" and "The Merger Agreement," beginning on pages 49 and 103, respectively;

a proposal to approve the issuance of shares of Mercantile common stock to Firstbank shareholders in connection with the merger;

a proposal to approve an amendment to Mercantile's articles of incorporation to increase the number of authorized shares of Mercantile common stock;

a proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Mercantile's named executive officers that is based on or otherwise related to the proposed transactions;

a proposal to approve the adjournment of the Mercantile special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes at the time of the special meeting to approve the first two proposals listed above.

Completion of the merger is conditioned on approval of the merger agreement and approval of the issuance of shares of Mercantile common stock to Firstbank shareholders in connection with the merger. Completion of the merger is not conditioned on the approval of the amendment to Mercantile's articles of incorporation to increase the number of authorized shares of Mercantile common stock or the approval of the compensation that may be paid or become payable to Mercantile's named executive officers in connection with the merger.

**Recommendation of the Mercantile Board of Directors**

At a special meeting held on August 14, 2013, the Mercantile board of directors unanimously determined that the merger and the other transactions contemplated by the merger agreement, including the issuance of shares of Mercantile common stock to Firstbank shareholders in connection with the merger, are in the best interests of Mercantile and its shareholders. In addition, the Mercantile board of directors determined that the proposed amendment to the Mercantile's articles of incorporation to increase the authorized shares of common stock from 20 million to 40 million is in the best interests of Mercantile and its shareholders. **Accordingly, the Mercantile board of directors unanimously recommends that Mercantile shareholders vote FOR the proposal to approve the merger agreement, FOR the proposal to approve the issuance of shares of Mercantile common stock to Firstbank shareholders in connection with the merger, FOR the proposal to approve the amendment to Mercantile's articles of incorporation, FOR the a proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Mercantile's named executive officers that is based on or otherwise related to the proposed transactions and FOR the proposal to approve the adjournment of the Mercantile special meeting, if necessary or appropriate, to permit further solicitation of proxies.**



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Mercantile shareholders should carefully read this joint proxy statement and prospectus, including any documents incorporated by reference, and the Annexes in their entirety, for more detailed information concerning the merger and the transactions contemplated by the merger agreement.

### **Mercantile Record Date; Shareholders Entitled to Vote**

The record date for the Mercantile special meeting is November 1, 2013. Only record holders of shares of Mercantile common stock at the close of business on such date are entitled to notice of, and to vote at, the Mercantile special meeting or any adjournment or postponement thereof. At the close of business on the record date, the only outstanding voting securities of Mercantile were common stock, and [ ] shares of Mercantile common stock were issued and outstanding.

Each share of Mercantile common stock outstanding on the record date of the Mercantile special meeting is entitled to one vote on each proposal and any other matter coming before the Mercantile special meeting.

### **Voting by Mercantile's Directors and Executive Officers**

At the close of business on the record date for the Mercantile special meeting, Mercantile directors and executive officers and their affiliates were entitled to vote 294,653 shares of Mercantile common stock or approximately [ ]% of the shares of Mercantile common stock outstanding on that date. Mercantile's directors have entered into agreements obligating them to vote their shares in favor of the merger agreement and the issuance of shares of Mercantile common stock to Firstbank shareholders in connection with the Merger.

### **Quorum**

No business may be transacted at the Mercantile special meeting unless a quorum is present. Shareholders who hold shares representing at least a majority of the shares entitled to vote at the Mercantile special meeting must be present in person or represented by proxy to constitute a quorum. If a quorum is not present, the chairman may adjourn the meeting to solicit additional proxies. In addition, if fewer shares than required are voted than required to obtain the necessary shareholder approvals, then the special meeting may be adjourned to allow additional time for obtaining additional proxies, if the approval of a majority of the votes cast at the special meeting on this proposal is obtained.

No notice of an adjourned meeting need be given unless, the adjournment is more than 30 days or after the adjournment, a new record date is fixed for the adjourned meeting, in which case a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting. At any adjourned meeting, all proxies will be voted in the same manner as they would have been voted at the original convening of the special meeting, except for any proxies that have been effectively revoked or withdrawn prior to the adjourned meeting.

All shares of Mercantile common stock represented at the Mercantile special meeting, including shares that are represented but that vote to abstain, will be treated as present for purposes of determining the presence or absence of a quorum. Broker non-votes will have no effect on determining the presence or absence of a quorum.

### **Required Vote**

The required votes to approve the Mercantile proposals are as follows:

The approval of the merger agreement requires the affirmative vote of a majority of the issued and outstanding shares of Mercantile common stock entitled to vote at the special meeting. Failures to vote, broker non-votes and abstentions will have the same effect as a vote against this proposal.

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The approval of the issuance of shares of Mercantile common stock to Firstbank shareholders in connection with the merger requires the approval of a majority of the votes cast on this proposal at the Mercantile special meeting, assuming a quorum. Failures to vote, broker non-votes and abstentions will have no effect on the vote for the proposal.

The approval of the proposed amendment to Mercantile's articles of incorporation to increase the number of authorized shares of Mercantile common stock requires the approval of a majority of the outstanding shares of Mercantile common stock entitled to vote at the Mercantile special meeting. Failures to vote, broker non-votes and abstentions will have the same effect as a vote against the proposal.

The approval of the proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Mercantile's named executive officers that is based on or otherwise related to the proposed transactions requires the approval of a majority of the votes cast on this proposal at the Mercantile special meeting, assuming a quorum. Failures to vote, broker non-votes and abstentions will have no effect on the vote for the proposal.

The adjournment of the Mercantile special meeting, if necessary or appropriate, to solicit additional proxies requires the approval of a majority of the votes cast on this proposal at the Mercantile special meeting, regardless of whether or not there is a quorum. Failures to vote, broker non-votes and abstentions will have no effect on the vote for the proposal.

**Voting of Proxies by Holders of Record**

If you were a record holder of Mercantile stock at the close of business on the record date of the Mercantile special meeting, a proxy card is enclosed for your use. Mercantile requests that you vote your shares as promptly as possible by (i) visiting the internet site listed on the Mercantile proxy card, (ii) calling the toll-free number listed on the Mercantile proxy card or (iii) submitting your Mercantile proxy card by mail by using the provided self-addressed, stamped envelope. Information and applicable deadlines for voting through the internet or by telephone are set forth on the enclosed proxy card. When the accompanying proxy is returned properly executed, the shares of Mercantile common stock represented by it will be voted at the Mercantile special meeting or any adjournment or postponement thereof in accordance with the instructions contained in the proxy card. Your internet or telephone vote authorizes the named proxies to vote your shares in the same manner as if you had marked, signed and returned a proxy card.

If a proxy is returned without an indication as to how the shares of Mercantile common stock represented are to be voted with regard to a particular proposal, the Mercantile common stock represented by the proxy will be voted in accordance with the recommendation of the Mercantile board of directors and, therefore, FOR the proposal to approve the merger agreement, FOR the proposal to approve the issuance of shares of Mercantile common stock to Firstbank shareholders in connection with the merger, FOR the proposal to amend the Mercantile's articles of incorporation, FOR the proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Mercantile's named executive officers that is based on or otherwise related to the proposed transactions and FOR the proposal to adjourn the Mercantile special meeting, if necessary or appropriate, to permit further solicitation of proxies.

As of the date hereof, the Mercantile board of directors has no knowledge of any business that will be presented for consideration at the Mercantile special meeting and that would be required to be set forth in this joint proxy statement and prospectus or the related proxy card other than the matters set forth in Mercantile's Notice of Special Meeting of Shareholders. If any other matter is properly presented at the Mercantile special meeting for consideration, the persons named in the enclosed form of proxy and acting thereunder will vote in accordance with their best judgment on such matter.

**Your vote is important. Accordingly, if you were a record holder of Mercantile common stock on the record date of the Mercantile special meeting, please sign and return the enclosed proxy card or vote via**

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**the internet or telephone whether or not you plan to attend the Mercantile special meeting in person. Proxies submitted through the specified internet website or by phone must be received by 1:00 a.m., Eastern Time, on December 12, 2013.**

### **Shares Held in Street Name**

If you hold shares of Mercantile common stock through a stock brokerage account or a bank or other nominee, you are considered the beneficial holder of the shares held for you in what is known as street name. The record holder of such shares is your broker, bank or other nominee, and not you, and you must provide the record holder of your shares with instructions on how to vote your shares. Please follow the voting instructions provided by your broker, bank or other nominee. Please note that you may not vote shares held in street name by returning a proxy card directly to Mercantile or by voting in person at the Mercantile special meeting unless you have a legal proxy, which you must obtain from your broker, bank or other nominee. Please also note that brokers, banks or other nominees who hold shares of Mercantile common stock on behalf of their customers may not give a proxy to Mercantile to vote those shares without specific instructions from their customers.

If you are a Mercantile shareholder and you do not instruct your broker, bank or other nominee on how to vote your shares, your broker, bank or other nominee may not vote your shares on any of the Mercantile proposals.

### **Attending the Meeting; Voting in Person**

Only Mercantile shareholders, their duly appointed proxies and invited guests may attend the meeting. **All attendees must present government-issued photo identification** (such as a driver's license or passport) for admittance. The additional items, if any, that attendees must bring depend on whether they are shareholders of record, beneficial owners, or proxy holders.

A Mercantile shareholder who holds shares directly registered in such shareholder's name with Mercantile's transfer agent, Computershare, who wishes to attend the special meeting in person should bring government-issued photo identification.

A shareholder who holds shares in street name through a broker, bank, trustee or other nominee (referred to in this joint proxy statement and prospectus as a beneficial owner) who wishes to attend the special meeting in person must bring proof of beneficial ownership as of the record date, such as a letter from the broker, bank, trustee or other nominee that is the record owner of such beneficial owner's shares, a brokerage account statement or the voting instruction form provided by the broker).

A person who holds a validly executed proxy entitling such person to vote on behalf of a record owner of Mercantile shares who wishes to attend the special meeting in person must bring the validly executed proxy naming such person as the proxy holder, signed by the Mercantile shareholder, and proof of the signing shareholder's record ownership as of the record date.

No cameras, recording equipment or other electronic devices will be allowed in the meeting room. Failure to provide the requested documents at the door or failure to comply with the procedures for the special meeting may prevent shareholders from being admitted to the Mercantile special meeting.

### **Revocation of Proxies**

A Mercantile shareholder may revoke a proxy at any time before it is voted at the meeting by taking any of the following four actions:

delivering written notice of revocation to Mercantile's Secretary, 310 Leonard St., N.W., Grand Rapids, Michigan 49504;

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delivering a proxy card bearing a later date than the proxy that you wish to revoke;

casting a subsequent vote via telephone or the Internet, as described above; or

attending the meeting and voting in person.

Merely attending the meeting will not, by itself, revoke your proxy; you must cast a subsequent vote at the meeting using forms provided for that purpose. Your last valid vote that we receive before or at the annual meeting is the vote that will be counted.

## **Solicitation of Proxies**

Mercantile is soliciting proxies for the Mercantile special meeting from its shareholders. In accordance with the merger agreement, Mercantile will pay its own cost of soliciting proxies from its shareholders, including the cost of mailing this joint proxy statement and prospectus. In addition to solicitation of proxies by mail, proxies may be solicited by Mercantile's officers, directors and regular employees, without additional remuneration, by personal interview, telephone or other means of communication.

Mercantile will make arrangements with brokerage houses, custodians, nominees and fiduciaries to forward proxy solicitation materials to beneficial owners of Mercantile common stock. Mercantile may reimburse these brokerage houses, custodians, nominees and fiduciaries for their reasonable expenses incurred in forwarding the proxy materials.

To help assure the presence in person or by proxy of the largest number of shareholders possible, we have engaged Georgeson Inc., a proxy solicitation firm, which we refer to as "Georgeson", to solicit proxies on Mercantile's behalf. We have agreed to pay Georgeson a proxy solicitation fee of \$6,000. We will also reimburse Georgeson for its reasonable out-of-pocket costs and expenses.

## **Adjournments**

Any adjournment of the Mercantile special meeting may be made from time to time if the approval of the holders of a majority of the votes cast at the Mercantile special meeting is obtained, whether or not a quorum exists, without further notice other than by an announcement made at the special meeting (unless a new record date is fixed). If a quorum is not present at the special meeting then the chairman may adjourn the meeting to solicit additional proxies. If a quorum is present at the special meeting but there are not sufficient votes to obtain the necessary shareholder approvals, then Mercantile shareholders may be asked to approve an adjournment of the meeting to permit the further solicitation of proxies.

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### THE FIRSTBANK SPECIAL MEETING

*This joint proxy statement and prospectus is being provided to the Firstbank shareholders as part of a solicitation of proxies by the Firstbank board of directors for use at the Firstbank special meeting to be held at the time and place specified below and at any properly convened meeting following an adjournment or postponement thereof. This joint proxy statement and prospectus provides Firstbank shareholders with information they need to know to be able to vote or instruct their vote to be cast at the Firstbank special meeting.*

#### **Date, Time and Place**

The special meeting of Firstbank shareholders will be held on December 12, 2013 at Firstbank headquarters, 311 Woodworth Avenue, Alma, Michigan 48801 at 9:30 a.m. local time.

#### **Purpose of the Firstbank Special Meeting**

At the Firstbank special meeting, Firstbank shareholders will be asked to consider and vote on the following:

a proposal to adopt the merger agreement, the merger and the other transactions contemplated by the merger agreement, which is further described in the sections titled *The Merger* and *The Merger Agreement*, beginning on pages 49 and 103, respectively;

an advisory (non-binding) proposal to approve the compensation that may be paid or become payable to Firstbank's named executive officers that is based on or otherwise related to the proposed transactions; and

a proposal to approve the adjournment of the Firstbank special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes at the time of the special meeting to approve the first proposal listed above.

Completion of the merger is conditioned on the adoption of the merger agreement, the merger and the other transactions contemplated by the merger agreement.

#### **Recommendation of the Firstbank Board of Directors**

At a special meeting held on August 14, 2013, the Firstbank board of directors unanimously determined that the merger and the other transactions contemplated by the merger agreement are in the best interests of Firstbank and its shareholders. **Accordingly, the Firstbank board of directors unanimously recommends that Firstbank shareholders vote FOR the proposal to adopt the merger agreement, the merger and the other transactions contemplated by the merger agreement, FOR approval, on an advisory (non-binding) basis, of the compensation that may be paid or become payable to Firstbank's named executive officers that is based or otherwise relates to the proposed transactions and FOR the proposal to approve the adjournment of the Firstbank special meeting, if necessary or appropriate, to permit further solicitation of proxies.**

Firstbank shareholders should carefully read this joint proxy statement and prospectus, including any documents incorporated by reference, and the Annexes in their entirety for more detailed information concerning the merger and the transactions contemplated by the merger agreement.

#### **Firstbank Record Date; Shareholders Entitled to Vote**

The record date for the Firstbank special meeting is November 1, 2013. Only record holders of shares of Firstbank common stock at the close of business on such date are entitled to notice of, and to vote at, the Firstbank special meeting or any adjournment or postponement thereof. At the close of business on the record date, the only outstanding voting securities of Firstbank were common stock, and 8,076,621 shares of Firstbank common stock were issued and outstanding. Each share of Firstbank common stock outstanding on the record date of the Firstbank special meeting is entitled to one vote on each proposal and any other matter coming before the Firstbank special meeting.





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### **Voting by Firstbank's Directors and Executive Officers**

At the close of business on the record date for the Firstbank special meeting, Firstbank directors and executive officers and their affiliates were entitled to vote 551,156 shares of Firstbank common stock or approximately 6.8% of the shares of Firstbank common stock outstanding on that date. We currently expect that Firstbank directors and executive officers and their affiliates will vote their shares in favor of all Firstbank proposals. Each of Firstbank's directors has entered into an agreement obligating him to do so.

### **Quorum**

No business may be transacted at the Firstbank special meeting unless a quorum is present. Shareholders who hold shares representing at least a majority of the shares entitled to vote at the Firstbank special meeting must be present in person or represented by proxy to constitute a quorum. If a quorum is not present, or if fewer shares are voted in favor of the proposal to adopt the merger agreement, the merger and the other transactions contemplated by the merger agreement that is required, then the special meeting may be adjourned to allow additional time for obtaining additional proxies, if the approval of a majority of the votes cast at the special meeting is obtained.

No notice of an adjourned meeting need be given unless after the adjournment, a new record date is fixed for the adjourned meeting, in which case a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting. At any adjourned meeting, all proxies will be voted in the same manner as they would have been voted at the original convening of the special meeting, except for any proxies that have been effectively revoked or withdrawn prior to the adjourned meeting.

All shares of Firstbank common stock represented at the Firstbank special meeting, including shares that are represented but that vote to abstain, will be treated as present for purposes of determining the presence or absence of a quorum. Broker non-votes will have no effect on determining the presence or absence of a quorum.

### **Required Vote**

The required votes to approve the Firstbank proposals are as follows:

The approval of the merger agreement, the merger and the other transactions required by the merger agreement requires the affirmative vote of a majority of the outstanding shares of Firstbank common stock entitled to vote at the Firstbank special meeting. Failures to vote, broker non-votes and abstentions will have the same effect as a vote **AGAINST** the proposal.

The approval, on an advisory (non-binding) basis, of the compensation that may be paid or become payable to Firstbank's named executive officers that is based on or otherwise related to the proposed transactions requires the affirmative vote of a majority of the issued and outstanding shares of Firstbank common stock that are present in person or represented by proxy and entitled to vote at the special meeting, assuming a quorum. Failures to vote and broker non-votes will have no effect on the vote for this proposal; however, abstentions will have the same effect as a vote **AGAINST** the approval of such proposal.

The adjournment of the Firstbank special meeting, if necessary or appropriate, to solicit additional proxies requires the approval of a majority of the votes cast at the Firstbank special meeting, regardless of whether there is a quorum. Failures to vote, broker non-votes and abstentions will have no effect on the vote for the proposal.

### **Voting of Proxies by Holders of Record**

If you were a record holder of Firstbank stock at the close of business on the record date of the Firstbank special meeting, a proxy card is enclosed for your use. Firstbank requests that you vote your shares as promptly

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as possible by (i) visiting the internet site listed on the Firstbank proxy card, (ii) calling the toll-free number listed on the Firstbank proxy card or (iii) submitting your Firstbank proxy card by mail by using the provided self-addressed, stamped envelope. Information and applicable deadlines for voting through the internet or by telephone are set forth on the enclosed proxy card. When the accompanying proxy is returned properly executed, the shares of Firstbank common stock represented by it will be voted at the Firstbank special meeting or any adjournment or postponement thereof in accordance with the instructions contained in the proxy card. Your internet or telephone vote authorizes the named proxies to vote your shares in the same manner as if you had marked, signed and returned a proxy card.

If a proxy is returned without an indication as to how the shares of Firstbank common stock represented are to be voted with regard to a particular proposal, the Firstbank common stock represented by the proxy will be voted in accordance with the recommendation of the Firstbank board of directors and, therefore, FOR the proposal to adopt the merger agreement, the merger and the other transactions contemplated by the merger agreement, FOR approval, on an advisory (non-binding) basis, of the compensation that may be paid or become payable to Firstbank's named executive officers that is based or otherwise relates to the proposed transactions and FOR the proposal to approve the adjournment of the Firstbank special meeting, if necessary or appropriate, to permit further solicitation of proxies.

At the date hereof, the Firstbank board of directors has no knowledge of any business that will be presented for consideration at the Firstbank special meeting and that would be required to be set forth in this joint proxy statement and prospectus or the related proxy card other than the matters set forth in Firstbank's Notice of Special Meeting of Stockholders. If any other matter is properly presented at the Firstbank special meeting for consideration, it is intended that the persons named in the enclosed form of proxy and acting thereunder will vote in accordance with their best judgment on such matter.

**Your vote is important. Accordingly, if you were a record holder of Firstbank common stock on the record date of the Firstbank special meeting, please sign and return the enclosed proxy card or vote via the internet or telephone whether or not you plan to attend the Firstbank special meeting in person. Proxies submitted through the specified internet website or by phone must be received by 3:00 a.m., Eastern Time, on December 12, 2013.**

### **Shares Held in Street Name**

If you hold shares of Firstbank common stock through a stock brokerage account or a bank or other nominee, you are considered the beneficial holder of the shares held for you in what is known as street name. The record holder of such shares is your broker, bank or other nominee, and not you, and you must provide the record holder of your shares with instructions on how to vote your shares. Please follow the voting instructions provided by your broker, bank or other nominee. Please note that you may not vote shares held in street name by returning a proxy card directly to Firstbank or by voting in person at the Firstbank special meeting unless you have a legal proxy, which you must obtain from your broker, bank or other nominee. Please also note that brokers, banks or other nominees who hold shares of Firstbank common stock on behalf of their customers may not give a proxy to Firstbank to vote those shares without specific instructions from their customers.

If you are a Firstbank shareholder and you do not instruct your broker, bank or other nominee on how to vote your shares, your broker, bank or other nominee may not vote your shares on any of the Firstbank proposals.

### **Attending the Meeting; Voting in Person**

Only Firstbank shareholders, their duly appointed proxies, and invited guests may attend the meeting. **All attendees must present government-issued photo identification** (such as a driver's license or passport) for admittance. The additional items, if any, that attendees must bring depend on whether they are shareholders of record, beneficial owners, or proxy holders. A Firstbank shareholder who holds shares directly registered in such shareholder's name with Firstbank's transfer agent, Registrar & Transfer Company, who wishes to attend the special meeting in person should bring government-issued photo identification.

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A shareholder who holds shares in street name through a broker, bank, trustee or other nominee (referred to as a beneficial owner) who wishes to attend the special meeting in person must bring proof of beneficial ownership as of the record date, such as a letter from the broker, bank, trustee or other nominee that is the record owner of such beneficial owner's shares, a brokerage account statement or the voting instruction form provided by the broker).

A person who holds a validly executed proxy entitling such person to vote on behalf of a record owner of Firstbank shares who wishes to attend the special meeting in person must bring the validly executed proxy naming such person as the proxy holder, signed by the Firstbank shareholder, and proof of the signing shareholder's record ownership as of the record date.

No cameras, recording equipment or other electronic devices will be allowed in the meeting room. Failure to provide the requested documents at the door or failure to comply with the procedures for the special meeting may prevent shareholders from being admitted to the Firstbank special meeting.

## **Revocation of Proxies**

A Firstbank shareholder may revoke a proxy at any time before it is voted at the meeting by taking any of the following four actions:

delivering written notice of revocation to Firstbank's Secretary, 311 Woodworth Ave., Alma, Michigan 48801-1826;

delivering a proxy card bearing a later date than the proxy that you wish to revoke;

casting a subsequent vote via telephone or the Internet, as described above; or

attending the meeting and voting in person.

Merely attending the meeting will not, by itself, revoke your proxy; you must cast a subsequent vote at the meeting using forms provided for that purpose. Your last valid vote that we receive before or at the annual meeting is the vote that will be counted.

## **Solicitation of Proxies**

Firstbank is soliciting proxies for the Firstbank special meeting from its shareholders. In accordance with the merger agreement, Firstbank will pay its own cost of soliciting proxies from its shareholders, including the cost of mailing this joint proxy statement and prospectus. In addition to solicitation of proxies by mail, proxies may be solicited by Firstbank's officers, directors and regular employees, without additional remuneration, by personal interview, telephone or other means of communication.

Firstbank will make arrangements with brokerage houses, custodians, nominees and fiduciaries to forward proxy solicitation materials to beneficial owners of Firstbank common stock. Firstbank may reimburse these brokerage houses, custodians, nominees and fiduciaries for their reasonable expenses incurred in forwarding the proxy materials.

To help assure the presence in person or by proxy of the largest number of shareholders possible, we have engaged Georgeson, Inc., a proxy solicitation firm, which we refer to as Georgeson, to solicit proxies on Firstbank's behalf. We have agreed to pay to Georgeson a proxy solicitation fee of \$6,000. We will also reimburse Georgeson for its reasonable out-of-pocket costs and expenses.

## **Adjournments**

Any adjournment of the Firstbank special meeting may be made from time to time if the approval of the holders of a majority of the votes cast at the Firstbank special meeting is obtained, whether or not a quorum



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exists, without further notice other than by an announcement made at the special meeting (unless a new record date is fixed). If a quorum is not present at the special meeting, or if a quorum is present at the special meeting but there are not sufficient votes at the time of the special meeting to approve the proposal to issue shares of Firstbank common stock in connection with the merger, then Firstbank shareholders may be asked to vote on a proposal to adjourn the Firstbank special meeting so as to permit the further solicitation of proxies.

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### **THE MERGER**

*This discussion of the merger is qualified in its entirety by reference to the merger agreement, which is attached to this joint proxy and registration statement as Annex A. You should read the entire merger agreement carefully, as it is the legal document that governs the merger.*

#### **Effects of the Merger**

At the effective time of the merger, Firstbank will merge with and into Mercantile. Mercantile will be the surviving entity following the merger.

In the merger, each outstanding share of Firstbank common stock will be converted into the right to receive one share of Mercantile common stock, with cash paid in lieu of fractional shares. This exchange ratio is fixed and will not be adjusted to reflect stock price changes prior to the effective time of the merger. Mercantile shareholders will continue to hold their existing Mercantile shares.

#### **Background of the Merger**

The Firstbank board of directors regularly reviews Firstbank's performance, risks, opportunities and strategy and discusses such matters at board meetings. Firstbank's board of directors and management team review and evaluate the possibility of pursuing various strategic alternatives and relationships as part of Firstbank's ongoing efforts to strengthen its businesses and improve its operations and financial performance in order to create value for its shareholders, taking into account economic, regulatory, competitive and other conditions. In the past, such reviews and evaluations have resulted in considering strategic transactions with other companies.

Mercantile's board of directors regularly evaluates and assesses Mercantile's strategy and opportunities to achieve profitable growth through various strategic initiatives and transactions, giving consideration to the context of developments in the industry, conditions in the geographic areas that Mercantile serves, competitive considerations and other factors. Most recently, the board of directors of Mercantile instructed senior management to explore possible strategic transactions to grow Mercantile's business and enhance shareholder value following the accomplishment of several key milestones in 2012 that strengthened the company financially, including Mercantile's successful exit from the Troubled Asset Relief Program (TARP) with the full repurchase of preferred stock issued and common stock purchase warrant issued to the U.S. Department of the Treasury.

Thomas R. Sullivan and Michael H. Price, the Chief Executive Officers of Firstbank and Mercantile, respectively, have known each other professionally since approximately 2005 when they both served on the Board of Directors of the Federal Home Loan Bank of Indianapolis. Since that time, Mr. Price and Mr. Sullivan met informally at various professional events from time to time and discussed developments in the banking industry and the markets that the companies serve.

In mid-September 2012, Mr. Price telephoned Mr. Sullivan and arranged for a lunch meeting in Greenville, Michigan on October 5, 2012. At the October meeting, the officers spoke in general terms about Firstbank's recent exit from TARP; Mercantile's desire to expand within Michigan; the strengths and weaknesses of each company; and the complementary geographic, cultural, and service orientations of each company. While there was no specific discussion of a potential business combination of Mercantile and Firstbank, both Mr. Price and Mr. Sullivan recognized the synergies and potential for a merger, and agreed to meet again later that month.

On September 24, 2012, the Firstbank board of directors discussed strategic planning topics in the context of accomplishments achieved during the year, including Firstbank's successful exit from TARP and the associated movement of capital internally within the company, progress on improving credit metrics, progress on earnings and a significant increase in stock price. Mr. Sullivan also advised the board of his upcoming meeting with Mr. Price. The board of directors instructed management to continue efforts to increase shareholder value and identify strategic opportunities.

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Mr. Price and Mr. Sullivan met again in Greenville, Michigan on October 26, 2012. Mr. Price and Mr. Sullivan reviewed an illustration of a potential combination of Mercantile and Firstbank and had preliminary discussions regarding a potential combination of Mercantile and Firstbank. Mr. Price and Mr. Sullivan did not discuss specific details of a potential transaction, but the discussion was based upon a merger of equals concept. Mr. Price and Mr. Sullivan agreed to meet in the future to continue discussions and that a mutual exchange of information would add value to those discussions. Following the October 26 meeting, each of Mr. Sullivan and Mr. Price advised the board of directors of their respective companies regarding the discussions.

On October 30, 2012, Mercantile and Firstbank entered into a confidentiality agreement providing for the mutual exchange and non-disclosure of confidential information. Following the execution of this agreement, the parties began exchanging a limited amount of financial and operational due diligence information.

On November 30, 2012, Firstbank Executive Vice President Samuel G. Stone, Mercantile Chief Operating Officer Robert Kaminski and Mercantile Chief Financial Officer Charles Christmas met with Mr. Price and Mr. Sullivan in Grand Rapids, Michigan. At this meeting, the respective senior management teams of Mercantile and Firstbank reviewed and discussed a possible business combination between the two companies, to be structured as a merger of equals, with both Mercantile and Firstbank represented equally on the board of directors of the combined company. Topics of discussion at the meeting included balance sheet and income statement contribution analysis, the combined loan portfolio, branch locations, corporate culture, social issues and other matters.

On December 10, 2012, Mr. Sullivan reported the substance of the November 30, 2012 meeting to the Firstbank board. The board discussed the environment for merger and acquisition transactions, including mergers of equals, and the progress of Firstbank's business plan and the increase in Firstbank's stock price over the past year. Following discussion and deliberation, the board determined to continue to explore a full range of strategic options.

During December 2012 and January 2013, the senior management teams of Mercantile and Firstbank met to discuss various aspects of a possible combination, including whether or not the subsidiary banks should be consolidated, the proposed name of the combined company, the governance and management of the companies (including Board structure and membership) and the governance of the subsidiary bank following bank consolidation. The boards of directors of each company were apprised of these discussions at appropriate intervals.

On January 11, 2013, Messrs. Sullivan and Stone of Firstbank met with representatives of Sandler O'Neill & Partners, LP (referred to as Sandler O'Neill) at Firstbank's offices in Alma, Michigan. Sandler O'Neill had previously advised Firstbank in connection with Firstbank's exit from the TARP program and the associated warrant repurchase. At the meeting, Firstbank and Sandler O'Neill discussed general trends in Michigan banking, Firstbank's capital position and strategic alternatives.

At regular meetings of the board of directors of Mercantile held on January 10 and January 24, 2013, the board discussed several potential strategic alternatives for Mercantile, including a proposed merger with Firstbank and other possible strategic transactions. The primary strategic alternatives considered by Mercantile at these meetings and other meetings were: (i) to continue Mercantile's business on a stand-alone basis, while seeking growth through increased market share and an expansion of the services offered and markets covered; (ii) a strategic transaction with another bank holding company in near or adjacent markets to increase the company's size and scope; or (iii) a merger with Firstbank. The Mercantile board of directors determined to pursue the merger with Firstbank instead of these other alternatives for several reasons, including the fact that Firstbank's footprint is generally contiguous with Mercantile's footprint; the complementary cultures and business strengths of each company, including Firstbank's strength in retail banking; the attractiveness of the combined loan portfolio of the two companies; the estimated probability of execution of a transaction with Firstbank given factors such as regulatory approval, shareholder approval, and the ability to integrate the two

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companies; the cost and difficulty of establishing branch networks in adjacent markets other than through a merger; and the other factors described in the section entitled "The Merger - Mercantile's Reasons for the Merger; Recommendation of the Mercantile Board of Directors."

On January 28, 2013, Mr. Sullivan provided an update to the directors of Firstbank. The board of directors of Firstbank authorized the engagement of Sandler O'Neill to serve as Firstbank's financial advisor for a potential transaction with Mercantile and to provide a review of strategic alternatives for Firstbank, including an analysis of other potential strategic transactions. This engagement was formalized on February 25, 2013.

On or about February 4, 2013, Mercantile formally engaged Stifel, Nicolaus & Company, Incorporated to advise Mercantile regarding a strategic transaction with Firstbank. The services under the engagement were performed by Keefe, Bruyette & Woods, Inc. (referred to as "KBW"), an affiliate of Stifel, Nicolaus & Company. On February 20, 2013, Mercantile engaged Warner Norcross & Judd LLP ("Warner Norcross") to serve as Mercantile's legal counsel with respect to a potential merger with Firstbank.

On February 22, 2013, Mr. Price and Mr. Sullivan met at Mercantile's headquarters in Grand Rapids. They reviewed the progress of the discussions to date. In addition, Messrs. Stone, Christmas and Kaminski joined the meeting to review financial and operational aspects of a potential merger, including synergies and cost savings. At that meeting, the parties began discussing and planning for a reciprocal comprehensive due diligence investigation, including discussion of engaging a third-party consulting firm to conduct due diligence on each company's loan portfolio.

On February 25, 2013, the Firstbank board reviewed and discussed certain general market materials provided by Sandler O'Neill.

On February 26, 2013, at a meeting of the Mercantile board of directors, Mercantile's senior management presented to the board of directors its preliminary findings and proposals regarding the structure and terms of the potential transaction, including discussion of the proposed management of the combined company, potential synergies, a transaction timetable and risks. KBW presented financial information and analysis of a potential transaction with Firstbank, prepared in coordination with Mercantile's senior management. Warner Norcross advised the Mercantile board of directors regarding the board's fiduciary duties in connection with considering a possible business combination and the board's fiduciary duties of care and loyalty in the board's review and deliberations. At the conclusion of the meeting, the Mercantile board of directors authorized management to continue consideration and negotiation of a potential transaction with Firstbank.

During March and April 2013, Mr. Sullivan, Mr. Price and the senior management teams of Firstbank and Mercantile continued to discuss a possible merger and exchange due diligence information. Mr. Sullivan and Mr. Price advised their respective boards of directors regarding discussions at appropriate intervals.

On March 25, 2013, the Firstbank board of directors held a regular meeting. Representatives of Sandler O'Neill and Varnum LLP ("Varnum"), Firstbank's legal advisors, were present at the meeting. At the meeting, the board reviewed and discussed the banking industry and the competitive landscape of banks in Michigan. The board discussed the potential for strategic combinations with certain other parties. After extensive review and discussion, the Firstbank board instructed management to further explore strategic alternatives, including a possible combination with Mercantile. Varnum advised the members of the board of their responsibilities and fiduciary duties as directors, including the importance of considering alternatives, carefully investigating any potential merger partner and the importance of making informed decisions. Following adjournment of the meeting, directors, management and advisors present continued informal discussion over dinner.

Since the February 22, 2013 meeting, the management teams of Mercantile and Firstbank had discussed retaining a third-party consultant to assist with loan due diligence. On April 12, 2013, a joint conference call was held during which Mercantile, Firstbank and the third-party consultant discussed a two-step approach to loan due



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diligence. It was agreed that Firstbank and Mercantile would engage the consultant for the first phase of the due diligence process, and on April 15, 2013, the consultant was formally engaged to perform loan due diligence for both parties.

On April 22, 2013, Mr. Sullivan updated the Firstbank board on recent developments. On April 26, 2013 and May 9, 2013, Messrs. Sullivan, Stone, Price, Kaminski, and Christmas held a joint telephone conference to discuss with the third-party consultant the results of the first phase of the loan due diligence.

On May 16, 2013, Messrs. Price, Stone, Kaminski, Christmas and Sullivan, together with representatives of KBW and Sandler O'Neill, met at the offices of Varnum in Grand Rapids to review financial analysis of the proposed transaction and other aspects of the proposed merger. The parties discussed the exchange ratio for the proposed transaction, the results of the loan due diligence review, accounting matters related to the transaction, including credit marks, social issues, the relative contribution of each company, and governance matters. The discussions at this meeting continued to focus on the transaction as a merger of equals, with each company making a similar contribution to the combined company. Representatives of KBW presented a range of exchange ratios for discussion based on resulting ownership splits in a range of 60% Mercantile and 40% Firstbank to 52% Mercantile and 48% Firstbank. For that range of relative ownership, the corresponding exchange ratios ranged from 0.726 to 1.003 shares of Mercantile common stock for each share Firstbank common stock. The corresponding range of implied values for Firstbank common stock based on the May 15, 2013 closing price of Mercantile was \$12.42 to \$17.16, compared to Firstbank's actual closing price of \$13.70 on May 15, 2013. However, because the discussions focused on a merger of equals based on balance sheet contributions, the relationship between the exchange ratio and relative trading prices of the companies' stock was not emphasized in the discussions.

At the conclusion of the meeting, the parties agreed that the Chief Executive Officer of each company would meet the board of directors and senior officers of the other company as a next step in the process. Accordingly, on June 4, 2013, Mr. Price met with key officers of Firstbank in Mount Pleasant, Michigan and on June 11, 2013, Mr. Price had a lunch meeting with the Firstbank board of directors. On June 13, 2013, Mr. Sullivan attended portions of the Mercantile board of directors meeting to meet with directors, answer questions and discuss various aspects of the merger.

On May 22, 2013, a meeting of the Firstbank board of directors was held. Members of the Firstbank management team and a representative of Sandler O'Neill were present at the meeting. The board of directors reviewed the progress of discussions with Mercantile to date, and reviewed and discussed other potential opportunities and strategic alternatives. This discussion included a review of the prospects for earnings and growth of Firstbank as an independent business. The board of directors considered remaining independent, but believed that the future anticipated earnings per share and stock price would ultimately be greater if Firstbank merged with Mercantile. The board of directors also considered the geographic fit and the ability of the merger to better enable the pursuit of the loan growth opportunities available in the large and desirable Grand Rapids, Michigan, metropolitan area. The board of directors also considered alternative merger partners, including both larger regional and national banks and other community banks. The board of directors decided not to pursue a sale to a larger regional or national bank because it believed the merger presented a better long term opportunity for Firstbank's shareholders. The board of directors decided not to pursue a merger with another community bank because the board believed that Mercantile was the best available community bank merger because of the geographic fit, shared community bank culture and access to the desirable Grand Rapids, Michigan metropolitan market. In considering the alternatives, the board of directors also considered the other factors described in the section entitled "The Merger - Firstbank's Reasons for the Merger; Recommendation of the Firstbank Board of Directors".

At a regular meeting of the Mercantile board of directors held on June 13, 2013, the board discussed and considered the exchange ratio in connection with the possible transaction. Mr. Price advised the board that Firstbank indicated that it would proceed only with a transaction structured as a merger of equals, with Firstbank shareholders owning not less than 48% of the combined company. Mr. Price, in consultation with KBW, advised

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the board that 52% ownership of the combined company by Mercantile shareholders was not consistent with the relative contribution of shareholders' equity and market capitalization by Mercantile. Mr. Price and KBW led further discussion regarding the differences in relative contribution between Mercantile and Firstbank based upon earnings, various balance sheet metrics and market capitalization. At the conclusion of this meeting, the board instructed Mercantile management to continue to negotiate with Firstbank in an effort to reach an exchange ratio that the senior management team of each company could present to each board of directors.

On June 19, 2013, Mr. Price and Mr. Stone met at a banking industry conference on Mackinac Island, Michigan and discussed the possibility of Mercantile paying a \$2.00 per share special cash dividend prior to the merger to address the disproportionate level of shareholders' equity that would be contributed by Mercantile at the contemplated pro forma ownership levels.

During the week of June 17, 2013, Mr. Sullivan and Mr. Price continued to discuss a possible merger. Each agreed that, based on a relative-contribution analysis, and after considering a \$2.00 per share special dividend paid to Mercantile shareholders, the combined company should be 52% owned by Mercantile shareholders and 48% owned by Firstbank shareholders, and they agreed to recommend this pro forma ownership to their respective boards of directors, subject to continued due diligence and financial analysis.

On June 24, 2013, the Firstbank board of directors continued its discussions of Firstbank's strategic options. During this discussion, the Firstbank board of directors received analysis from Sandler O'Neill and was advised regarding legal matters by Varnum. The board reviewed potential terms for a merger of equals transaction with Mercantile as well as potential terms for transactions with other companies. In addition, the Firstbank board of directors reviewed management-identified strategies that could be employed to enhance Firstbank shareholder value as a stand-alone company. At the conclusion of deliberations, the board determined to proceed with a detailed due diligence investigation and further negotiations with Mercantile with the objective of entering into a definitive merger agreement, subject to satisfactory due diligence and further approval by the Firstbank board of directors at a later date.

On June 27, 2013, at a regular meeting of the Mercantile Board of Directors, the board of directors reviewed and discussed a proposed combination with Firstbank on the basis that Mercantile would pay \$2.00 per share special dividend prior to the effective time of the merger, with Mercantile shareholders having 52% pro forma ownership of the combined company. KBW presented detailed financial analysis, including analysis of the payment of a \$2.00 special dividend in connection with the merger. Upon conclusion of the discussion, the Mercantile board of directors voted unanimously to determine that the proposed merger with Firstbank appeared to be in the best interests of Mercantile and its shareholders, that the structure and terms of the transaction as presented were acceptable in principal (as a non-binding determination) and to authorize the officers, advisors and legal counsel of Mercantile to proceed with negotiation of a proposed definitive merger agreement to be presented to the Mercantile board of directors for consideration and approval at a later meeting.

On July 1, 2013, Mercantile delivered a due diligence document and information request list to Firstbank. On July 2, 2013, Firstbank issued a due diligence document and information request list to Mercantile. From approximately July 2, 2013 through August 14, 2013, Mercantile, Firstbank and their respective legal and financial advisors conducted reciprocal due diligence, primarily by reviewing documents and also by meeting by telephone and in person.

On July 1, 2013, Firstbank conducted a conference call with the third-party consultant who had been engaged to assist with the first phase of loan due diligence to determine scope and cost of a more in-depth loan due diligence. The consultant was instructed to proceed with the second phase of due diligence. Also on July 1, Messrs. Sullivan and Price met in Stanwood, Michigan for a lunch meeting during which they discussed details of the potential merger and additional due diligence.

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On July 11, 2013, Messrs. Christmas, Sullivan, Price and Stone met at the offices of Varnum in Grand Rapids. Representatives from the Federal Deposit Insurance Corporation, Federal Reserve and the Michigan Department of Insurance and Financial Services were present in person or by telephone. Plans for combining Firstbank and Mercantile through a merger of equals were discussed.

On July 17, 2013, Mr. Sullivan met with Mr. Price at Mercantile's offices in Grand Rapids. Messrs. Sullivan and Price agreed to meet weekly going forward in order to discuss and plan for integration and transition matters.

On July 17, 2013, representatives of Warner Norcross and Varnum spoke telephonically regarding the drafting of a definitive agreement for the merger. Following that call, Warner Norcross delivered an initial draft of the agreement and plan of merger to Varnum. Through August 14, 2013, legal counsel and financial advisors to Firstbank and Mercantile, together with each of their management teams, engaged in negotiations and exchanged drafts of the agreement and plan of merger.

On July 22, 2013, Sandler O'Neill and Varnum joined the Firstbank board meeting telephonically. Sandler O'Neill reviewed recent merger and acquisition announcements, showing trends in pricing ratios, and discussed recent transactions. Sandler O'Neill also discussed the fair value credit mark and stock prices in the context of the proposed transaction between Firstbank and Mercantile. At the meeting, Varnum provided a written and oral review of director responsibilities in the context of considering a business combination transaction. The Firstbank board of directors also reviewed and discussed treatment of various employee matters and executive agreements. All directors had participated in a Firstbank Compensation Committee meeting immediately prior to the board meeting to discuss the employment and compensation matters.

On July 25, 2013, Messrs. Sullivan and Price met in Mecosta, Michigan to continue discussion of various terms within the definitive agreement, board composition of both the holding company and the bank, employment agreements and establishment of transition and integration teams.

On July 31, 2013, the Firstbank board of directors met via telephone conference. In advance of the meeting, the board had been provided an updated draft merger agreement and related materials. The board reviewed and discussed the terms to be offered to certain employees, including new employment agreements for certain executives and a proposed amendment to certain existing executive agreements, which had been previously discussed and approved by the Firstbank Compensation Committee. The board of directors also discussed certain retention payments and the conditions for the payments, including non-compete and non-solicitation agreements. Varnum reviewed certain changes in the draft merger agreement since the previous draft reviewed by the board. Mr. Sullivan reviewed the proposed exchange ratio of 1.00:1.00 for the merger. Based on the closing prices of Mercantile common stock and Firstbank common stock on July 30, 2013 (the trading day immediately preceding this meeting), the proposed exchange ratio of 1:00:1.00 represented an implied premium of 25% for Firstbank common stock. At the conclusion of the meeting, the board determined to continue negotiations with Mercantile and scheduled a special meeting on August 14, 2013.

On August 14, 2013, the Mercantile board of directors held a special meeting. At the meeting, the Mercantile management team presented a proposed definitive agreement and plan of merger. Warner Norcross provided the board of directors of Mercantile with a summary of the terms of the proposed agreement and plan of merger, including covenants related to the non-solicitation of alternative acquisition proposals, the ability of the board of directors of each party to change its recommendation, the post-closing board structure of the combined company, termination rights and the size and triggers for termination fees. Warner Norcross reviewed the board's fiduciary duties in connection with the proposed merger. In addition, Warner Norcross reviewed the proposed voting agreements with the board of directors. The Mercantile board of directors reviewed the results of Mercantile's due diligence process regarding a review of the combined company's loan portfolio and credit marks. KBW presented financial aspects of the proposed merger, including an analysis of the factors considered in determining the proposed exchange ratio in the proposed merger. In addition, KBW delivered its oral opinion, subsequently confirmed in writing, that as of August 14, 2013, and based upon and subject to the various factors, assumptions and limitations set forth in its opinion, the exchange ratio was fair, from a financial point of view, to

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Mercantile (the assumptions, details and limitations of KBW's opinion can be found below under "The Merger - Opinion of Mercantile's Financial Advisor"). The Mercantile board of directors then considered the information presented to them at the meeting, together with the information presented at prior meetings of the board, and deliberated regarding the alternatives available to Mercantile, including continuing to execute on Mercantile's long-term strategic plan, and various other factors described below under "The Merger - Mercantile's Reasons for the Merger; Recommendation of the Mercantile Board of Directors." Following these deliberations, the Mercantile board of directors voted unanimously to determine that the merger with Firstbank is fair to and in the best interests of Mercantile and its shareholders, adopt the plan of merger, recommend that the shareholders approve the merger, authorize the issuance of shares of Mercantile common stock in the merger, and authorize Mercantile's Chief Executive Officer to execute the merger agreement.

On August 14, 2013, the Firstbank board of directors held a special meeting. Representatives from Sandler O'Neill were present both in person and telephonically, and representatives of Varnum were present in person. Varnum provided a written outline of the proposed merger agreement for the transaction between Firstbank and Mercantile and reviewed the outline and agreement with the board of directors. The board of director's review and discussion of the proposed agreement and plan of merger included discussion and deliberation concerning the transaction structure, merger consideration, treatment of stock options and restricted stock awards, suspension of the Firstbank dividend reinvestment plan, the board of directors and management team of the combined company, the Mercantile special dividend and regular dividends of the combined company, covenants (including the covenant of non-solicitation), representations and warranties, closing condition, proxy statement and other securities matters, regulatory approvals, termination fees, indemnification and insurance, end date, employee matters and the proposed voting agreements. Sandler O'Neill reviewed with the board of directors its financial analysis of the merger. Sandler O'Neill provided its oral opinion, subsequently confirmed in writing, that the exchange ratio is fair to Firstbank shareholders, from a financial point of view. Following deliberations, the Firstbank board of directors unanimously approved the merger agreement and recommended to the shareholders of Firstbank that they vote to adopt the merger agreement. In addition, in accordance with the merger agreement, the Firstbank board of directors voted to designate Edward Grant and Jeff Gardner, who are independent directors of Firstbank, to become directors of the combined company on the effective date of the merger.

Firstbank and Mercantile executed the merger agreement on August 14, 2013 and, before the financial markets opened on August 15, 2013, issued a joint press release announcing the execution of the merger agreement and the terms of the merger.

**Mercantile's Reasons for the Merger; Recommendation of the Mercantile Board of Directors**

In approving the merger agreement and recommending approval of the issuance of shares of Mercantile common stock to Firstbank shareholders in connection with the merger, the Mercantile board of directors consulted with members of Mercantile's management, as well as with Mercantile's legal, financial, and business advisors, and also considered a number of factors that the Mercantile board of directors viewed as supporting its decisions. The principal factors that the Mercantile board of directors viewed as supporting its decisions are:

the complementary business strengths of Mercantile and Firstbank, with Mercantile as a leader in commercial lending and Firstbank having a strong retail branch network;

the expected strengthened competitive positioning of the combined company throughout Michigan, which Mercantile expects will enhance its ability to serve customers;

the expectation that the combined company will have an attractive and increasingly diversified loan portfolio;

the expectation that the combined company will be able to offer an increase breadth of banking products;

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the potential opportunities for greater efficiencies from conducting Mercantile's and Firstbank's operations as part of a single enterprise, which Mercantile estimated to be approximately \$5.5 million annually, with 60% of these savings to be achieved in the first year after the merger and the full amount to be realized in subsequent years;

the board of director's belief that the merger represents a superior opportunity for increasing shareholder value compared to the other strategic alternatives available to Mercantile;

the expectation that the combined company will have increased resources to invest in future growth opportunities in comparison to Mercantile on a stand-alone basis;

the expectation that shareholders will experience opportunities for share price growth driven by a more liquid public company stock and a more diversified business profile;

that the board of directors of the combined company following the merger will have representation from the two companies consisting of three directors chosen by the current Mercantile directors and the three current Firstbank directors who are independent for the purposes of Nasdaq rules, as described under "Board of Directors and Management Following the Merger"; and

the opinion of KBW, dated August 14, 2013, addressed to Mercantile's board of directors as to the fairness to Mercantile, from a financial point of view and as of the date of such opinion, of the Exchange Ratio, as more fully described below under the caption "Opinion of Mercantile's Financial Advisor."

In addition to considering the factors described above, the Mercantile board of directors also considered the following factors:

its knowledge of Mercantile's business, operations, financial condition, earnings and prospects and its knowledge of Firstbank's business, operations, financial condition, earnings and prospects, taking into account Firstbank's publicly-filed information and the results of Mercantile's due diligence review of Firstbank;

the long-term and recent historical trading prices with respect to shares of Mercantile common stock and Firstbank common stock and the amount of the merger consideration;

the fact that the exchange ratio is fixed and will not fluctuate based upon changes in the market price of Mercantile or Firstbank common stock between the date of the merger agreement and the date of the completion of the merger;

the terms and conditions of the merger agreement, including the commitments by both Mercantile and Firstbank to complete the merger and certain reciprocal provisions that may have the effect of discouraging alternative acquisition proposals involving Firstbank or Mercantile, and the likelihood of completing the merger; and

the fact that the merger agreement does not preclude a third party from making an unsolicited proposal for a competing transaction with Mercantile or Firstbank and, that under certain circumstances more fully described in the sections "The Merger Agreement Restrictions on Solicitation" beginning on page 112 and "The Merger Agreement Changes in Board Recommendations" beginning on page 113, Mercantile or Firstbank, as applicable, may furnish non-public information to and enter into discussions with such third party regarding the competing transaction and the Mercantile or Firstbank board, as applicable, may withdraw or modify its recommendations to Mercantile or Firstbank shareholders regarding the merger and terminate the merger agreement to enter into a competing transaction under certain circumstances.

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The Mercantile board of directors weighed the foregoing against a number of potentially negative factors, including:

the restrictions on the conduct of Mercantile's business during the period between the execution of the merger agreement and the completion of the merger;

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the costs associated with the completion of the merger and the realization of the benefits expected to be obtained in connection with the merger, including management's time and energy and potential opportunity cost;

the challenges in absorbing the effect of any failure to complete the merger, including potential termination fees and shareholder and market reactions;

the risk that regulatory agencies may not approve the merger or may impose terms and conditions on their approvals that adversely affect the business and financial results of the combined company as more fully described under the caption "Regulatory Clearances Required for the Merger" beginning on page 100;

the challenges inherent in the combination of two businesses of the size and complexity of Mercantile and Firstbank, including the possible diversion of management attention for an extended period of time;

the risk of not being able to realize all of the anticipated cost savings and operational synergies between Mercantile and Firstbank and the risk that other anticipated benefits might not be realized; and

the risks of the type and nature described under "Risk Factors," beginning on page 31, and the matters described under "Special Note Regarding Forward-Looking Statements," beginning on page 29.

This discussion of the information and factors considered by Mercantile's board of directors in reaching its conclusions and recommendation includes the principal factors considered by the board of directors, but is not intended to be exhaustive and may not include all of the factors considered by the Mercantile board of directors. In view of the wide variety of factors considered in connection with its evaluation of the merger and the other transactions contemplated by the merger agreement, and the complexity of these matters, the Mercantile board of directors did not find it useful and did not attempt to quantify, rank or assign any relative or specific weights to the various factors that it considered in reaching its determination to approve the merger and the other transactions contemplated by the merger agreement, and to make its recommendation to Mercantile shareholders. Rather, the Mercantile board of directors viewed its decisions as being based on the totality of the information presented to it and the factors it considered, including its discussions with and questioning of members of Mercantile's management and outside legal and financial advisors. In addition, individual members of the Mercantile board of directors may have assigned different weights to different factors.

Certain of Mercantile's directors and executive officers have financial interests in the merger that are different from, or in addition to, those of Mercantile's shareholders generally. The Mercantile board of directors was aware of and considered these potential interests, among other matters, in evaluating the merger and in making its recommendation to Mercantile shareholders. For a discussion of these interests, see "Interests of Mercantile Directors and Executive Officers in the Merger."

**The Mercantile board of directors unanimously approved the merger, adopted the merger agreement, and determined that the merger and the other transactions contemplated by the merger agreement, including the issuance of shares of Mercantile common stock to Firstbank shareholders in connection with the merger, are in the best interests of Mercantile and its shareholders. Accordingly, the Mercantile board of directors unanimously recommends that Mercantile shareholders vote FOR the proposal to approve the merger agreement, FOR the proposal to approve the issuance of shares of Mercantile common stock to Firstbank shareholders in connection with the merger, FOR the proposal to approve the amendment to Mercantile's articles of incorporation, FOR the a proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Mercantile's named executive officers that is based on or otherwise related to the proposed transactions and FOR the proposal to approve the adjournment of the Mercantile special meeting, if necessary or appropriate, to permit further solicitation of proxies.**

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**Opinion of Mercantile's Financial Advisor in Connection with the Merger**

On January 24, 2013, Mercantile entered into an engagement agreement with Stifel, Nicolaus & Company, Incorporated, an affiliate of KBW, to render financial advisory and investment banking services to Mercantile, which services were subsequently performed by KBW. As part of its engagement, KBW agreed to assist Mercantile in analyzing, structuring, negotiating and, if appropriate, effecting a transaction between Mercantile and Firstbank. KBW also agreed to provide Mercantile with an opinion as to the fairness to Mercantile, from a financial point of view, of the exchange ratio in the proposed merger. Mercantile engaged KBW because KBW is a nationally recognized investment banking firm with substantial experience in transactions similar to the merger and is familiar with Mercantile and its business. As part of its investment banking business, KBW is continually engaged in the valuation of financial businesses and their securities in connection with mergers and acquisitions.

On August 14, 2013, the Mercantile board of directors held a meeting to evaluate the proposed merger. At that meeting, KBW reviewed the financial aspects of the proposed merger and rendered an opinion to the Mercantile board that, as of such date and based upon and subject to factors and assumptions set forth therein, the exchange ratio in the merger is fair, from a financial point of view, to Mercantile. The Mercantile board of directors approved the merger agreement at that meeting.

**The full text of KBW's written opinion, dated August 14, 2013, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex C to this document and is incorporated herein by reference. The description of the opinion set forth herein is qualified in its entirety by reference to the full text of such opinion. Mercantile's shareholders are urged to read the opinion in its entirety. KBW has reviewed and consented to the inclusion in this joint proxy statement and prospectus of the description of its opinion set forth below.**

**KBW's opinion speaks only as of the date of the opinion and KBW undertakes no obligation to revise or update its opinion. The opinion is directed to the Mercantile board of directors and addresses only the fairness, from a financial point of view to Mercantile, of the exchange ratio in the merger. The opinion does not address, and KBW expresses no view or opinion with respect to, (i) the underlying business decision of Mercantile to engage in the merger or enter into the merger agreement, (ii) the underlying decision of the Mercantile board of directors to announce its intention to declare and pay, and any subsequent declaration and payment of, the \$2.00 special cash dividend (referred to as the pre-merger special dividend) per share of common stock of Mercantile, as described in and contemplated by the merger agreement, including the merits of such decision as compared to any other alternatives that are, have been or may be available to Mercantile or the Mercantile board of directors, (iii) the relative merits of the merger as compared to any strategic alternatives that are, have been or may be available to or contemplated by Mercantile or the Mercantile board of directors, (iv) the fairness of the amount or nature of any compensation to any of Mercantile's officers directors or employees, or any class of such persons, relative to the compensation to the public shareholders of Mercantile, (v) the effect of the merger on, or the fairness of the consideration to be received by, holders of any class of securities of Mercantile or any other party to any transaction contemplated by the merger agreement, (vi) any advice or opinions, including tax advice, provided by any other advisor to any of the parties to the merger or any other transaction contemplated by the merger agreement, or (vii) any legal, regulatory, accounting, tax or similar matters relating to Mercantile, Firstbank, their respective shareholders, or relating to or arising out of the merger, including whether or not the merger would qualify as a tax-free reorganization for United States federal income tax purposes. The opinion has been reviewed and approved by KBW's Fairness Opinion Committee in conformity with its policies and procedures established under the requirements of Rule 5150 of the Financial Industry Regulatory Authority.**



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In connection with its opinion, KBW reviewed, analyzed and relied upon material bearing upon the merger and the financial and operating condition of Mercantile and Firstbank, including among other things, the following:

a version of the merger agreement dated August 12, 2013 (the most recent version made available to KBW at the time of its opinion);

the Annual Report to Shareholders for the year ended December 31, 2012 and Annual Reports on Form 10-K for the three years ended December 31, 2012 of Mercantile;

the Annual Reports to Shareholders and Annual Reports on Form 10-K for the three years ended December 31, 2012 of Firstbank;

certain interim reports to shareholders and the Quarterly Reports on Form 10-Q for the three months ended March 31, 2013 and the three months ended June 30, 2013 of Mercantile and Firstbank, and certain other communications from Mercantile and Firstbank to their respective shareholders; and

other financial information concerning the businesses and operations of Mercantile and Firstbank furnished to KBW by Mercantile and Firstbank for purposes of its analysis.

KBW also held discussions with members of senior management of Mercantile and Firstbank regarding the past and current business operations, regulatory relations, financial condition, and future prospects of the respective companies and other matters that KBW deemed relevant to its inquiry. In addition, KBW reviewed the historical and current financial position and results of operations of Mercantile and Firstbank, reviewed the assets and liabilities of Mercantile and Firstbank, compared certain financial and stock market information for Mercantile and Firstbank with similar information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the banking industry, and performed other studies and analyses that it considered appropriate. KBW's opinion was necessarily based upon conditions as they existed and could be evaluated on the date of such opinion and the information made available to KBW by members of senior management of Mercantile and Firstbank through the date of such opinion.

In conducting its review and arriving at its opinion, KBW relied upon, and assumed the accuracy and completeness of, all of the financial and other information provided to it or publicly available, and did not independently verify the accuracy or completeness of any such information or assume any responsibility or liability for such verification, accuracy or completeness. KBW relied upon members of the senior management of Mercantile and Firstbank as to the reasonableness and achievability of the financial and operating forecasts and projections (and assumptions and bases therefore, including cost savings, operating synergies and merger-related costs) provided to KBW, and KBW assumed that such forecasts and projections reflected the best currently-available estimates and judgments of such managements and that such forecasts and projections will be realized in the amounts and in the time periods currently estimated by such senior members of management. KBW also assumed that the merger will be consummated in a manner that complies with the applicable provisions the Securities Act, the Exchange Act and all other applicable federal and state statutes, rules and regulations. As stated in its opinion, KBW is not an expert in the independent valuation of the adequacy of allowances for loan and lease losses, and without independent verification, assumed that the aggregate allowances for loan and lease losses for Mercantile and Firstbank are adequate to cover those losses. In rendering its opinion, KBW did not make or obtain any evaluations or appraisals of any assets or liabilities of Mercantile or Firstbank, the collateral securing of any such assets or liabilities or the collectability of any such assets, nor did KBW examine or review any individual credit files. KBW did not evaluate the solvency, financial capability or fair value of Mercantile or Firstbank under any state or federal laws, including those related to bankruptcy, insolvency or other matters.

The projections and associated assumptions furnished to and used by KBW in certain of its analyses were prepared by Mercantile's and Firstbank's senior management teams. Mercantile and Firstbank do not publicly disclose internal management projections of the type provided to KBW in connection with its review of the merger. As a result, such projections were not prepared with a view towards public disclosure. The projections were based on numerous variables and assumptions, which are inherently uncertain, including factors related to

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general economic and competitive conditions. Accordingly, actual results could vary significantly from those set forth in the projections. Any estimates or projections contained in the analyses performed by KBW are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by these analyses. Additionally, estimates or projections of the value of businesses or securities do not purport to be appraisals or to reflect the prices at which such businesses or securities might actually be sold. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty, and KBW expressly disclaims responsibility or liability for their accuracy.

KBW was not asked to, and it did not, offer any opinion as to the terms of the merger agreement or the form of the merger or any aspect of the merger, other than the exchange ratio to the extent expressly specified in KBW's opinion. For purposes of rendering its opinion, KBW assumed that, in all respects material to its analyses:

the merger will be completed substantially in accordance with the terms set forth in the merger agreement (the final terms of which will not differ in any respect material to KBW's analyses from the draft reviewed) with no additional payments or adjustments to the exchange ratio;

the representations and warranties of each party in the merger agreement and in all related documents and instruments referred to in the merger agreement are true and correct;

each party to the merger agreement and all related documents will perform all of the covenants and agreements required to be performed by such party under such documents;

all conditions to the completion of the merger will be satisfied without any waivers or modifications to the merger agreement; and

in the course of obtaining the necessary regulatory, contractual or other consents or approvals for the merger, no restrictions, including any divestiture requirements, termination or other payments or amendments or modifications, will be imposed that will have a material adverse effect on the future results of operations or financial condition of the combined entity or the contemplated benefits of the merger, including the cost savings, revenue enhancements and related expenses expected to result from the merger.

KBW further assumed that the merger will be accounted for as a purchase transaction under generally accepted accounting principles, and that the merger will qualify as a tax-free reorganization for United States federal income tax purposes. KBW's opinion does not in any manner address the prices at which the Mercantile common stock will trade following (i) the announcement or consummation of the merger, (ii) the announcement of the Mercantile board of directors' intention to declare and pay the pre-merger special dividend, or (iii) any actual declaration or payment of the pre-merger special dividend (or the occurrence of the ex-dividend date with respect thereto).

In performing its analyses, KBW considered such financial and other factors it deemed appropriate under the circumstances, including, among others, the following: (i) the historical and current financial position and results of operations of Mercantile and Firstbank; (ii) the assets and liabilities of Mercantile and Firstbank; and (iii) the nature and terms of certain other merger transactions involving banks and bank holding companies. KBW also took into account its assessment of general economic, market and financial conditions and its experience in other transactions, as well as its experience in securities valuation and knowledge of the banking industry generally.

The exchange ratio was determined through negotiation between Mercantile and Firstbank and the decision to enter into the merger was solely that of Mercantile's board of directors. In addition, the KBW opinion was among several factors taken into consideration by the Mercantile board in making its determination to approve the merger agreement and the merger. Consequently, the analyses described below should not be viewed as determinative of the decision of the Mercantile board with respect to the fairness of the exchange ratio in the merger.

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*Summary of Analysis by KBW*

The following is a summary of the material financial analyses performed by KBW and presented to the Mercantile board on August 14, 2013, in connection with rendering the fairness opinion described above. The following summary is not a complete description of the financial analyses performed by KBW in rendering its opinion or the presentation made by KBW to the Mercantile board, nor does the order of analysis described represent relative importance or weight given to any particular analysis by KBW and is qualified in its entirety by reference to the written opinion of KBW attached as Annex C. The preparation of a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. Selecting portions of the analysis or of the summary set forth herein, without considering the analysis as a whole, could create an incomplete view of the processes underlying KBW’s opinion. In arriving at its opinion, KBW considered the results of its entire analysis and KBW did not attribute any particular weight to any analysis or factor that it considered. Rather, KBW made its determination as to fairness on the basis of its experience and professional judgment after considering the results of its entire analysis. The financial analyses summarized below include information presented in tabular format. Accordingly, KBW’s analyses and the summary of its analyses must be considered as a whole and selecting portions of its analyses and factors or focusing on the information presented below in tabular format, without considering all analyses and factors or the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the process underlying its analyses and opinion. The tables alone do not constitute a complete description of the financial analyses.

*Summary of Proposal*

Pursuant to the terms of the merger agreement, each share of common stock, no par value per share, of Firstbank issued and outstanding and not owned by Mercantile or Firstbank shall be converted into the right to receive 1.000 fully paid and nonassessable share of common stock, no par value per share, of Mercantile. The terms and conditions of the merger are more fully set forth in the merger agreement which is attached as Annex A to this joint proxy statement and prospectus.

*Selected Companies Analysis*

Using publicly available information, KBW compared the financial performance, financial condition and market performance of Mercantile and Firstbank to the following banks and bank holding companies traded on the New York Stock Exchange, NYSE MKT Equities or NASDAQ, and headquartered in Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota or Wisconsin, with total assets between \$1.0 billion and \$2.0 billion, and excluded merger targets as of August 13, 2013. Companies in this group were:

- |  |   |
|--|---|
| German American Bancorp, Inc.          | MutualFirst Financial, Inc.             |
| Peoples Bancorp Inc.                   | Pulaski Financial Corp.                 |
| United Community Financial Corp.       | LNB Bancorp, Inc.                       |
| Farmers Capital Bank Corporation       | First Business Financial Services, Inc. |
| Horizon Bancorp                        | Ames National Corporation               |
| MidwestOne Financial Group, Inc.       | HF Financial Corp.                      |
| Bank of Kentucky Financial Corporation | Hawthorn Bancshares, Inc.               |
| BankFinancial Corporation              | First Citizens Banc Corp                |
| West Bancorporation, Inc.              | Farmers National Banc Corp.             |

To perform this analysis, KBW used financial information for the last twelve months (as of the most recently available quarter) and market price information as of August 13, 2013. Earnings estimates for 2013 and 2014 were taken from a nationally recognized earnings estimate consolidator for the selected companies. Certain

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financial data prepared by KBW, and as referenced in the tables presented below, may not correspond to the data presented in Mercantile's and Firstbank's historical financial statements, or to the data prepared by Sandler O'Neill, presented under the section Opinion of Firstbank's Financial Advisor, as a result of the different periods, assumptions and methods used by KBW to compute the financial data presented.

KBW's analysis showed the following concerning Mercantile's and Firstbank's financial performance for the last twelve months:

	Mercantile	Firstbank	Selected Companies Minimum	Selected Companies Mean	Selected Companies Median	Selected Companies Maximum
Return on Average Assets	1.01%	0.80%	(1.99%)	0.57%	0.87%	1.26%
Return on Average Equity	9.57%	8.18%	(15.66%)	6.33%	8.07%	13.44%
Net Interest Margin	3.65%	3.90%	2.63%	3.45%	3.47%	4.07%
Efficiency Ratio	68.2%	65.1%	47.9%	66.2%	68.7%	87.7%

KBW's analysis showed the following concerning Mercantile's and Firstbank's financial condition:

	Mercantile	Firstbank	Selected Companies Minimum	Selected Companies Mean	Selected Companies Median	Selected Companies Maximum
Tangible Common Equity / Tangible Assets	11.23%	6.77%	4.98%	8.20%	8.09%	11.69%
Total Capital Ratio	15.43%	14.87%	12.39%	15.22%	14.71%	19.52%
Loans / Deposits	99.8%	80.7%	51.5%	79.3%	81.1%	106.6%
Loan Loss Reserve / Loans	2.36%	2.07%	1.21%	1.70%	1.64%	2.44%
Nonperforming Assets / Loans + OREO	5.41%	3.70%	0.99%	3.54%	2.93%	8.94%
Nonperforming Assets / Assets	4.27%	2.48%	0.59%	2.33%	1.91%	5.23%
Net Charge-Offs / Average Loans	0.16%	0.60%	(0.12%)	0.63%	0.42%	4.10%

KBW's analysis showed the following concerning Mercantile's and Firstbank's market performance:

	Mercantile	Firstbank	Selected Companies Minimum	Selected Companies Mean	Selected Companies Median	Selected Companies Maximum
Market Capitalization (\$mm)	\$ 166	\$ 142	\$ 54	\$ 165	\$ 185	\$ 339
1-Year Stock Price Change	13.3%	80.8%	1.6%	34.1%	29.2%	177.0%
1-Year Total Return	16.2%	86.2%	5.2%	36.7%	32.2%	177.0%
Year-to-Date Price Change	15.3%	64.0%	(1.9%)	30.4%	25.4%	97.8%
Stock Price / Book Value per Share	1.10x	1.07x	0.66x	1.17x	1.11x	1.86x
Stock Price / Tangible Book Value per Share	1.10x	1.47x	0.86x	1.29x	1.21x	2.11x
Stock Price / 2013 EPS <sup>(1)</sup>	10.7x	11.8x	9.1x	12.3x	12.4x	15.9x
Stock Price / 2014 EPS <sup>(1)</sup>	13.5x	9.8x	8.4x	12.7x	12.4x	18.9x
Dividend Yield	2.52%	1.37%	0.00%	1.89%	1.92%	3.74%
LTM Dividend Payout Ratio <sup>(1)</sup>	18.6%	24.8%	0.0%	22.4%	23.8%	54.2%

(1) Consensus earnings estimates for the selected companies per FactSet Research Systems, Inc., as compiled by SNL Financial, as of 8/13/13; earnings estimates for Mercantile and Firstbank per respective management's guidance.

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*Selected Transactions Analysis*

KBW reviewed publicly available information related to certain selected bank and thrift transactions announced after December 31, 2010 with deal values between \$100 million and \$1 billion and a target assets / buyer assets ratio greater than 30%:

**Acquiror:**

MB Financial, Inc.  
 First Federal Bancshares of Arkansas, Inc.  
 Peoples Financial Services Corp.  
 Home BancShares, Inc.  
 Union First Market Bankshares Corp  
 Provident New York Bancorp  
 SCBT Financial Corporation  
 Renasant Corporation  
 United Bankshares, Inc.  
 PacWest Bancorp  
 Columbia Banking System, Inc.  
 Cadence Bancorp, LLC  
 Prosperity Bancshares, Inc.  
 Brookline Bancorp, Inc.

**Acquired Company:**

Taylor Capital Group, Inc.  
 First National Security Company  
 Pensco Financial Services Corp  
 Liberty Bancshares, Inc  
 StellarOne Corporation  
 Sterling Bancorp  
 First Financial Holdings, Inc.  
 First M&F Corporation  
 Virginia Commerce Bancorp, Inc.  
 First California Financial Group, Inc.  
 West Coast Bancorp  
 Encore Bancshares, Inc.  
 American State Financial Corp  
 Bancorp Rhode Island, Inc.

Transaction multiples for the merger were derived from an implied aggregate offer price per share of \$19.02, prior to giving effect to the pre-merger special dividend of \$2.00 per share paid to Mercantile shareholders, and \$17.02 after giving effect to the pre-merger special dividend of \$2.00 per share paid to Mercantile shareholders. The offer price was based on Mercantile's closing price of \$19.02 on August 13, 2013 and a fixed exchange ratio of 1.000. For each transaction referred to above, KBW derived and compared, among other things, the following implied ratios:

price per common share paid for the acquired company to tangible book value per share of the acquired company based on the latest publicly available financial statements of the company available prior to the announcement of the acquisition;

tangible common equity premium (excess of purchase price over tangible common equity) to core deposits (total deposits less time deposits greater than \$100,000) based on the latest publicly available financial statements of the company available prior to the announcement of the acquisition;

price per common share paid for the acquired company to the last twelve months' earnings per share of the acquired company; and

price per common share paid for the acquired company as a premium to the closing price of the acquired company one day, one month and three months prior to the announcement of the acquisition (expressed as a percentage and referred to as the one day, one month, and three month market premiums).

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The results of the analysis are set forth in the following table:

Transaction Multiples:	Mercantile / Firstbank Merger		Selected Transactions Minimum	Selected Transactions Mean	Selected Transactions Median	Selected Transactions Maximum
	Prior to Effect of Pre-Merger Special Dividend	After Giving Effect to Pre-Merger Special Dividend				
Price / Tangible Book Value	1.60x	1.43x	1.26x	1.67x	1.64x	2.40x
Core Deposit Premium	5.5%	3.9%	2.0%	8.1%	7.8%	13.8%
Price / LTM EPS	13.9x	12.4x	11.3x	16.2x	14.7x	22.6x
1-Day Market Premium	8.5%	(2.9%)	11.6%	26.5%	22.3%	56.3%
1-Month Market Premium	38.2%	23.7%	8.7%	35.7%	29.8%	76.2%
3-Month Market Premium	40.5%	25.7%	17.1%	41.7%	37.6%	76.4%

No company or transaction used as a comparison in the above analysis is identical to Mercantile, Firstbank or the proposed merger. Accordingly, an analysis of these results is not mathematical. Rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies involved.

*Contribution Analysis*

KBW analyzed the relative contribution of Mercantile and Firstbank to the pro forma market capitalization, balance sheet and income statement items of the combined entity, including pro forma ownership, assets, gross loans, deposits, tangible common equity, and projected 2014 and 2015 net income available to common. This analysis excluded any purchase accounting adjustments and was based on Mercantile's and Firstbank's closing prices on August 13, 2013 of \$19.02 and \$17.53, respectively. To perform this analysis, KBW used financial information as of the three month period ended June 30, 2013. The results of KBW's analysis are set forth in the following table:

	Mercantile Stand-alone at 6/30/13	Mercantile as a % of Total	Firstbank Stand-alone at 6/30/13	Firstbank as a % of Total	Total (1)
<b>Ownership</b>					
100% stock (1.000x exchange ratio)		52%		48%	
<b>Balance Sheet (\$mm)</b>					
Assets	\$ 1,344	48%	\$ 1,457	52%	\$ 2,801
Gross Loans	\$ 1,059	52%	\$ 976	48%	\$ 2,034
Deposits	\$ 1,061	47%	\$ 1,208	53%	\$ 2,270
Tangible Common Equity (Prior to Giving Effect to Pre-Merger Special Dividend)	\$ 151	61%	\$ 96	39%	\$ 247
Tangible Common Equity (Prior to Giving Effect to Pre-Merger Special Dividend) <sup>(2)</sup>	\$ 134	58%	\$ 96	42%	\$ 230
<b>Earnings (\$mm)<sup>(3)</sup></b>					
2014 Est. GAAP Net Income	\$ 12	46%	\$ 15	54%	\$ 27
2015 Est. GAAP Net Income	\$ 13	47%	\$ 14	53%	\$ 27
<b>Market Capitalization (\$mm)</b>					
Current Market Capitalization (Prior to Giving Effect to Pre-Merger Special Dividend)	\$ 166	54%	\$ 142	46%	\$ 307
Current Market Capitalization (After Giving Effect to Pre-Merger Special Dividend) <sup>(2)</sup>	\$ 148	51%	\$ 142	49%	\$ 290

(1) *Total does not include any purchase accounting adjustments*

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- (2) *Adjusted for a theoretical reduction in Mercantile's stock price equal to the \$2.00 per share pre-merger special dividend.*  
(3) *All income projections per respective management estimates and exclude the anticipated impact of cost savings*  
*Financial Impact Analysis*

KBW performed pro forma merger analyses that combined projected income statement and balance sheet information of Mercantile and Firstbank. Assumptions regarding the accounting treatment, acquisition adjustments and cost savings were provided by Mercantile and Firstbank management, were relied on by KBW and were used to calculate the financial impact that the merger would have on certain projected financial results of Mercantile. In the course of this analysis, KBW used earnings estimates for Mercantile and Firstbank for 2014 and 2015, as prepared and provided by Mercantile and Firstbank management, respectively. This analysis indicated that the merger is expected to be accretive to Mercantile's estimated earnings per share in 2014 and 2015. The analysis also indicated that the merger is expected to be dilutive to tangible book value per share for Mercantile and that Mercantile is expected to maintain well-capitalized capital ratios, after giving effect to the \$2.00 per share pre-merger special dividend. For all of the above analyses, the actual results achieved by Mercantile following the merger will vary from the estimates used and the projected results, and the variations may be material.

*Firstbank Discounted Cash Flow Analysis*

KBW performed a discounted cash flow analysis to estimate a range of the present values of after-tax cash flows that Firstbank could provide to equity holders through 2018 on a stand-alone basis. In performing this analysis, KBW used earnings estimates for Firstbank, cost savings estimates, loan credit mark adjustments and restructuring charges, all as prepared and provided by Mercantile and Firstbank management, and assumed discount rates ranging from 11.0% to 16.0%. The range of values was determined by adding (i) the present value of projected cash flows to Firstbank shareholders from 2014 to 2018 and (ii) the present value of the terminal value of Firstbank's common stock. In determining cash flows available to shareholders, KBW assumed balance sheet growth provided by Firstbank management and assumed that Firstbank would maintain a tangible common equity/tangible asset ratio of 8.00% and would retain sufficient earnings to maintain these levels. Any earnings in excess of what would need to be retained represented dividendable cash flows for Firstbank. In calculating the terminal value of Firstbank, KBW applied multiples ranging from 10.0 times to 14.0 times the 2019 forecasted earnings provided by Firstbank. This resulted in a range of values of Firstbank from \$15.93 to \$26.27 per share. The discounted cash flow present value analysis is a widely used valuation methodology that relies on numerous assumptions, including asset and earnings growth rates, terminal values and discount rates. The analysis did not purport to be indicative of the actual values or expected values of Firstbank.

*Mercantile Discounted Cash Flow Analysis*

KBW performed a discounted cash flow analysis to estimate a range of the present values of after-tax cash flows that Mercantile could provide to equity holders through 2018 on a stand-alone basis. In performing this analysis, KBW used earnings estimates for Mercantile prepared and provided by Mercantile management and assumed discount rates ranging from 11.0% to 16.0%. The range of values was determined by adding (i) the present value of projected cash flows to Mercantile shareholders from 2014 to 2018 and (ii) the present value of the terminal value of Mercantile's common stock. In determining cash flows available to shareholders, KBW assumed balance sheet growth provided by Mercantile management and assumed that Mercantile would maintain a tangible common equity/tangible asset ratio of 8.00%, and would retain sufficient earnings to maintain these levels. Any earnings in excess of what would need to be retained represented dividendable cash flows for Mercantile. In calculating the terminal value of Mercantile, KBW applied multiples ranging from 10.0 times to 14.0 times the 2019 forecasted earnings provided by Mercantile. This resulted in a range of values of Mercantile from \$18.48 to \$26.06 per share. To illustrate the implied offer to Firstbank, KBW applied the exchange ratio of



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1,000 shares of Mercantile to the aforementioned implied discounted cash flow value per Mercantile share, resulting in an implied offer range of values to Firstbank of \$18.48 to \$26.06 per share, without giving effect to the \$2.00 per share special dividend. The discounted cash flow present value analysis is a widely used valuation methodology that relies on numerous assumptions, including asset and earnings growth rates, terminal values and discount rates. The analysis did not purport to be indicative of the actual values or expected values of Mercantile.

*Pro Forma Discounted Cash Flow Analysis*

KBW performed a discounted cash flow analysis to estimate a range of the present values of after-tax cash flows that Mercantile (pro forma for the merger) could provide to equity holders through 2018 on a pro forma basis. In performing this analysis, KBW used earnings estimates, cost savings estimates, purchase accounting adjustments, and restructuring charges provided by Mercantile management and assumed discount rates ranging from 10.0% to 15.0%. The range of values was determined by adding (i) the present value of projected cash flows to Mercantile (pro forma for the merger) shareholders from 2014 to 2018 and (ii) the present value of the terminal value of Mercantile's (pro forma for the merger) common stock. In determining cash flows available to shareholders, KBW assumed balance sheet growth prepared and provided by Mercantile management and assumed, at the direction of Mercantile management, that Mercantile (pro forma for the merger) would maintain a tangible common equity/tangible asset ratio of 8.00% and would retain sufficient earnings to maintain these levels. Any earnings in excess of what would need to be retained represented dividendable cash flows for Mercantile (pro forma for the merger). In calculating the terminal value of Mercantile (pro forma for the merger), KBW applied multiples ranging from 10.0 times to 14.0 times 2019 forecasted earnings. This resulted in a range of share values of Mercantile (pro forma for the merger) from \$16.78 to \$26.11 per share, prior to giving effect to the pre-merger special dividend, and from \$18.78 to \$28.11 after giving effect to the pre-merger special dividend. The discounted cash flow present value analysis is a widely used valuation methodology that relies on numerous assumptions, including asset and earnings growth rates, terminal values and discount rates. The analysis did not purport to be indicative of the actual values or expected values of Mercantile (pro forma for the merger).

*Engagement of KBW by Mercantile*

The Mercantile board retained KBW as financial adviser to Mercantile regarding the merger. As part of its investment banking business, KBW is continually engaged in the valuation of banking businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for various other purposes. As specialists in the securities of banking companies, KBW has experience in, and knowledge of, the valuation of banking enterprises. In the ordinary course of its business as a broker-dealer, KBW may, from time to time, purchase securities from, and sell securities to, Mercantile and Firstbank. As a market maker in securities, KBW may from time to time have a long or short position in, and buy or sell, debt or equity securities of Mercantile and Firstbank for KBW's own account and for the accounts of its customers. To the extent KBW held any such positions, it was disclosed to the Mercantile board of directors on or before the August 14, 2013 board of directors meeting.

KBW has acted exclusively for the Mercantile board of directors in rendering its opinion in connection with the merger. Pursuant to the KBW engagement agreement, Mercantile agreed to pay to KBW a cash fee of \$200,000 concurrently with the rendering of KBW's opinion as well as a cash contingent advisory fee equal to approximately \$1,459,000 to be paid at the time of closing of the merger. In addition, pursuant to the engagement agreement, Mercantile also agreed to reimburse KBW for all reasonable out-of-pocket expenses and disbursements up to \$25,000, including fees and reasonable expenses of counsel, incurred in connection with the engagement and to indemnify KBW and related parties against certain liabilities, including but not limited to liabilities under federal securities laws, relating to, or arising out of, its engagement. During the two years preceding the date of its opinion to the Mercantile board of directors, KBW and its affiliates have received \$24,000 in compensation for investment banking services from Mercantile, and have received no other compensation from Mercantile. KBW has not received compensation for investment banking services from Firstbank.

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**Certain Prospective Information Reviewed by Mercantile**

Mercantile does not as a matter of course make public projections as to future sales, earnings, or other results. However, the management of Mercantile has prepared the prospective financial information set forth below in connection with its evaluation of the proposed merger. The accompanying prospective financial information was not prepared with a view toward public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but in the view of Mercantile's management, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of the knowledge and belief of Mercantile's management, the expected course of action and the expected future financial performance of Mercantile and Firstbank. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and the readers of this joint proxy statement/prospectus are cautioned not to place undue reliance on the prospective financial information. Neither Mercantile's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

The prospective financial information regarding Mercantile's and Firstbank's anticipated future operations were prepared by Mercantile for the years 2013 through 2018. In the case of Mercantile's projections of Firstbank's future performance, Mercantile's management based these projections in part on estimates of certain expected 2013 financial and operating data provided by Firstbank to Mercantile. The projections were reviewed by the Mercantile board of directors and provided by management to Mercantile's financial advisors in connection with the proposed merger. The projections were independently prepared by Mercantile management based on assumptions that Mercantile management believed to be reasonable at the time and were provided to and reviewed by Firstbank or its financial advisors prior to the announcement of the transaction.

The financial projections were based on numerous variables and assumptions (including but not limited to those related to industry performance, competition, general business, economic, market and financial conditions) that are inherently uncertain and are beyond the control of Mercantile and Firstbank. Financial projections for both Mercantile and Firstbank are subject to many risks and uncertainties, including, but not limited to, the impact of general economic factors outside the control of Mercantile or Firstbank, volatility in interest rates, economic conditions generally and in the markets that Mercantile and Firstbank serve, consumer sentiment, and other risks and uncertainties relating to Mercantile's and Firstbank's business (including their ability to achieve strategic goals, objectives and targets over applicable periods) and other factors described under Special Note Regarding Forward-Looking Statements, all of which are subject to change. As a result, actual results may differ materially from those contained in the financial projections.

The inclusion of a summary of the financial projections in this joint proxy statement/prospectus should not be regarded as an indication that any of Mercantile, Firstbank or their respective affiliates, officers, directors or other representatives consider the financial projections to be necessarily predictive of actual future events, and the financial projections should not be relied upon as such. None of Mercantile, Firstbank or their respective affiliates, officers, directors or other representatives can give you any assurance that actual results will not differ materially from the financial projections, and none of them undertakes any obligation to update or otherwise revise or reconcile the financial projections to reflect circumstances existing after the date the financial projections were generated or to reflect the occurrence of future events, even in the event that any or all of the assumptions underlying the projections are shown to be in error. None of Mercantile, Firstbank or their respective affiliates, officers, directors or other representatives has made or makes any representation to any shareholder or other person regarding Mercantile's or Firstbank's ultimate performance compared to the information contained in the financial projections or that the projected results will be achieved. The summary of the financial projections included below is not being included to influence your decision whether to vote for the merger and the transactions contemplated in connection with the merger, but are being provided because the financial projections were considered in connection with the merger.

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Mercantile has made no representations to Firstbank, and Firstbank has made no representations to Mercantile, in the merger agreement or otherwise, concerning the financial projections or the estimates on which they are based. Mercantile and Firstbank urge all shareholders to review Mercantile's and Firstbank's most recent SEC filings for a description of Mercantile's and Firstbank's reported financial results.

**Mercantile Summary Financial Projections****(Prepared by Mercantile)****(Dollars in thousands, except per share data)****(Assumes payment of \$2.00 special dividend in 2013)**

	Years Ending December 31					
	2013E	2014E	2015E	2016E	2017E	2018E
Net income to common shareholders	\$ 15,499	\$ 12,245	\$ 12,621	\$ 13,634	\$ 14,873	\$ 16,126
Total assets	\$ 1,386,068	\$ 1,415,459	\$ 1,465,383	\$ 1,518,531	\$ 1,573,993	\$ 1,631,761
Total stockholders' equity	\$ 138,520	\$ 146,587	\$ 154,900	\$ 163,881	\$ 173,678	\$ 184,300
Tier 1 capital/Total assets (5%)	11.29%	11.63%	11.80%	11.98%	12.18%	12.40%
Tier 1 capital/Risk weighted assets (6%)	13.36%	13.76%	13.96%	14.17%	14.41%	14.67%
Total RBC/Risk weighted assets (10%)	14.62%	15.02%	15.22%	15.43%	15.67%	15.93%
Diluted EPS	\$ 1.78	\$ 1.40	\$ 1.45	\$ 1.56	\$ 1.71	\$ 1.85

**Firstbank Summary Financial Projections****(Prepared by Mercantile)****(Dollars in thousands, except per share data)**

	Years Ending December 31					
	2013E	2014E	2015E	2016E	2017E	2018E
Net income to common shareholders	\$ 12,151	\$ 14,507	\$ 14,187	\$ 14,922	\$ 15,716	\$ 16,951
Total assets	\$ 1,512,660	\$ 1,546,152	\$ 1,593,174	\$ 1,631,414	\$ 1,670,679	\$ 1,713,021
Total stockholders' equity	\$ 137,900	\$ 149,663	\$ 160,304	\$ 171,488	\$ 183,326	\$ 196,107
Tier 1 capital/Total assets (5%)	9.31%	9.90%	10.30%	10.76%	11.22%	11.70%
Tier 1 capital/Risk weighted assets (6%)	13.66%	14.54%	15.14%	15.82%	16.51%	17.23%
Total RBC/Risk weighted assets (10%)	14.91%	15.79%	16.39%	17.07%	17.76%	18.48%
Diluted EPS	\$ 1.49	\$ 1.79	\$ 1.74	\$ 1.83	\$ 1.92	\$ 2.07

In preparing the foregoing projections, Mercantile made a number of assumptions and estimates regarding, among other things, loan growth rates, deposit growth rates, borrowing growth rates, ratio of loan loss reserves to gross loans, ratio of net charge-offs to gross loans, net interest spread, net interest margin, non-interest income and non-interest expense. Mercantile believed these assumptions and estimates were reasonable at the time the projections were prepared, but these assumptions and estimates may not be realized and are inherently subject to significant business, economic, competitive and regulatory uncertainties and contingencies, including, among others, the risks and uncertainties described under the sections entitled "Special Note Regarding Forward-Looking Statements" beginning on page 29 and "Risk Factors" beginning on page 31. These uncertainties and contingencies are difficult to estimate or predict and many are or will be beyond the control of Mercantile, Firstbank, or the combined company.

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Readers of this joint proxy statement/prospectus are cautioned not to place undue reliance on the projections set forth above. The inclusion of the above projections in this joint proxy statement/prospectus should not be regarded as an indication that Mercantile, Firstbank, or their respective officers, directors, agents or other affiliates consider such information to be an accurate prediction of future results or necessarily achievable. There can be no assurance that the underlying assumptions will prove to be accurate or that the projected results will be realized, and actual results likely will differ, and may differ materially, from those reflected in the projections, whether or not the merger is completed. In addition, the above projections do not give effect to the merger nor do they take into account the effect of any failure of the merger to occur, and should not be viewed as necessarily accurate or continuing in that context.

Readers of this joint proxy statement/prospectus are urged to review Mercantile's and Firstbank's most recent SEC filings for a description of each company's results of operations and financial condition during the prior year. Mercantile does not intend to update or otherwise revise the above projections to reflect events that occur or circumstances that exist after the date of this joint proxy statement/prospectus, except as may be required by applicable law.

### **Amendment to Mercantile's Articles of Incorporation**

The Mercantile board of directors has approved, subject to Mercantile shareholder approval and completion of the merger, an amendment to the Mercantile's articles of incorporation to provide for an increase in the number of authorized shares of common stock of Mercantile from 20,000,000 to 40,000,000. The approval of this amendment to the articles of incorporation is not a condition to completion of the merger. In the event this proposal is approved by Mercantile shareholders but the merger is not completed, this amendment will not become effective.

As of November 1, 2013, Mercantile had no shares of Mercantile preferred stock and [ ] shares of Mercantile common stock issued and outstanding. As of November 1, 2013, there were approximately 700,000 shares of Mercantile common stock reserved for issuance. Based on the number of shares of Firstbank common stock outstanding as of such date, if the merger is completed, Mercantile would be required to issue approximately 8.5 million additional shares of Mercantile common stock to the Firstbank shareholders. In addition, upon completion of the merger, Mercantile would likely reserve for issuance approximately 1 million additional shares of Mercantile common stock to cover, among other things, stock options, restricted stock, and other share-based awards assumed from Firstbank. Although the number of shares of common stock currently authorized under Mercantile's articles of incorporation will be sufficient to complete the merger, unless Mercantile's capital stock is increased, upon completion of the merger the combined company is expected to have fewer than 3 million authorized shares of common stock available for issuance. The Mercantile board of directors believes that it is advisable to have additional authorized shares of common stock available for important corporate purposes, such as to provide the ability to react quickly to strategic opportunities and to attract and retain talented employees through the use of equity incentive compensation. Although there are no present plans or commitments for the issuance of any of the additional shares that would be authorized upon approval of this amendment, such shares would be available for equity incentive plans, possible future stock splits and dividends, public or private offerings of common stock or securities convertible into common stock, equity-based acquisitions and other corporate purposes that might be proposed. The additional shares of Mercantile common stock will not be entitled to preemptive rights nor will existing shareholders have any preemptive right to acquire any of those shares when issued. **The Mercantile Board of Directors unanimously recommends that the Mercantile shareholders vote FOR the proposal to approve the amendment to the articles of incorporation to increase the number of authorized shares to 40,000,000.**

### **Firstbank's Reasons for the Merger; Recommendation of the Firstbank Board of Directors**

**After careful consideration, Firstbank's board of directors, at a meeting held on August 14, 2013, unanimously determined that the merger agreement is in the best interests of Firstbank and its shareholders. Accordingly, Firstbank's board of directors adopted and approved the merger agreement**

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**and unanimously recommends that Firstbank shareholders vote FOR the approval of the Firstbank merger proposal, FOR the approval of the advisory compensation proposal and FOR the approval of the Firstbank adjournment proposal.**

In reaching its decision to adopt and approve the merger agreement and to recommend that its shareholders approve the merger agreement, the Firstbank board of directors consulted with Firstbank management, as well as its financial and legal advisors, and considered a number of factors, including, without limitation, the following material factors:

the business strategy and strategic plan of Firstbank, its prospects for the future, projected financial results and expectations relating to the proposed merger with Mercantile;

a review of the risks and prospects of Firstbank remaining independent, including the challenges of the current financial and regulatory climate;

the board's belief that the merger has the potential to deliver a higher value to Firstbank's shareholders than the alternatives to the merger;

whether there might be other potential merger parties that might be attractive and have sufficient market capitalization or other resources to consummate a merger with Firstbank;

a review of the historical financial statements and condition of Firstbank and certain other internal information, primarily financial in nature, relating to the business, earnings and balance sheet of Firstbank;

the fact that the merger would combine two established banking franchises to create a well-positioned, Michigan based community bank with approximately \$3.0 billion in assets;

comparative stand alone and pro forma analyses of Firstbank, Mercantile and the combined entity, and the book and tangible book values per share, earnings per share, dividends and capital levels of each entity;

the anticipated future earnings growth of Firstbank compared to the potential future earnings growth of Mercantile and the combined entity;

the anticipated future trading value of the Firstbank common stock compared to the value of the common stock consideration offered by Mercantile and the potential future trading value of the combined entity's common stock;

the anticipated future receipt by Firstbank shareholders of an increase in dividends after completion of the merger as Mercantile shareholders, based on Mercantile's current and forecasted dividend payout ratio;

the prospects for increased commercial loan growth opportunities and improved market demographics resulting from Mercantile's market presence in the large and desirable Grand Rapids, Michigan metropolitan area;

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the complementary nature of the businesses of Firstbank and Mercantile and the anticipated improved stability of the combined company's business and earnings in varying economic and market climates;

the familiarity of certain members of Firstbank's senior management team with Mercantile's senior management team and the belief of Firstbank's senior management that the management and employees of both Firstbank and Mercantile possess complementary skills and expertise, as well as the potential advantages of a combined larger institution when pursuing, or seeking to retain, capable personnel;

the value of Mercantile's common stock consideration being offered to Firstbank shareholders in relation to the historic and current market value, tangible book value per share, earnings per share and projected earnings per share of Firstbank and the combined entity;

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the form and amount of the merger consideration, including the tax effects of stock consideration and the fact that Firstbank shareholders would own approximately 48% of the combined company;

the anticipated greater market capitalization of the combined organization and trading volume and liquidity of Mercantile common stock after the merger in the event Firstbank shareholders desire to sell the shares of Mercantile common stock to be received by them upon completion of the merger;

the fact that the merger consideration represented more than a 12% premium to the closing price of Firstbank common stock on August 14, 2013 (the business day prior to the news report of a potential transaction), 13.8x LTM earnings per share and 1.58 times the June 30, 2013 tangible book value per share of Firstbank common stock;

the ability of Mercantile to complete a merger transaction from a financial and regulatory perspective;

the geographic fit and increased customer convenience of the branch networks of the combined entity;

the scale, scope, strength and diversity of operations, product lines and delivery systems that could be achieved by combining Firstbank with Mercantile;

the potential cost-saving opportunities resulting from the merger which were estimated to be approximately \$5.5 million per year, with 60% of these savings expected to be achieved in the first year after the merger and the full amount to be achieved in subsequent years;

the ability of the combined company to provide comprehensive financial services to its customers, and the potential for operating synergies and cross-marketing of products and services across the combined company;

the continued representation of Firstbank's management and directors on the management team and board of directors of the combined entity, with Firstbank directors to comprise half of the combined company's board of directors immediately following the merger in order to continue to influence the actions and profitability of the combined entity;

the shared community banking cultures of Firstbank and Mercantile;

the likelihood of successful integration and operation of the combined company;

the likelihood of obtaining the regulatory approvals needed to complete the transaction;

the analyses presented by Varnum LLP, Firstbank's outside legal counsel, as to the structure of the merger, the merger agreement, duties of the Firstbank board of directors under applicable law, and the process that Firstbank (including its board of directors) employed in considering potential strategic alternatives, including the merger with Mercantile;

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the thorough process conducted by Firstbank, with the assistance of its advisors;

certain structural protections included in the merger agreement, including the ability of Firstbank to terminate the merger agreement in certain circumstances; and

the financial analyses reviewed and discussed with the Firstbank board of directors by representatives of Sandler O'Neill, as well as the oral opinion of Sandler O'Neill rendered to the Firstbank board of directors on August 14, 2013 (which was subsequently confirmed in writing by delivery of Sandler O'Neill's written opinion dated August 16, 2013) with respect to the fairness of the exchange ratio in the merger pursuant to the merger agreement, from a financial point of view, to the holders of Firstbank common stock.

The Firstbank board of directors also considered a number of potential risks and uncertainties associated with the merger in connection with its deliberation of the proposed transaction, including, without limitation, the following:

the challenges of integrating Firstbank's business, operations and employees with those of Mercantile;

the need to obtain approval by shareholders of Firstbank and Mercantile, as well as regulatory approvals in order to complete the transaction;



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the risks associated with the operations of the combined company including the ability to achieve the anticipated cost savings;

the risks and costs associated with entry into the merger agreement and restrictions on the conduct of Firstbank's business before the merger is completed;

the impact that provisions of the merger agreement relating to payment of a termination fee by Firstbank may have on Firstbank receiving superior acquisition offers;

the Board's review of the potential costs associated with executing the merger agreement, including change in control payments and related costs, as well as estimated advisor fees;

that the fixed exchange ratio, by its nature, would not adjust upwards to compensate for declines in Mercantile's stock price prior to the completion of the merger, meaning that Firstbank shareholders would not be protected against decreases in Mercantile's stock price prior to the completion of the merger; based upon its review of Mercantile and its historical stock prices and prospects, the Firstbank board of directors believes that a fixed exchange ratio is appropriate and in the best interests of Firstbank shareholders and achieves the intended 48% percentage ownership by Firstbank shareholders of the combined company; and

the possibility of litigation in connection with the merger.

The Firstbank board of directors also noted that it could terminate the merger agreement in order to concurrently enter into an agreement with respect to an unsolicited acquisition proposal that was received and considered by Firstbank in compliance with the nonsolicitation provisions of the merger agreement and that would, if consummated, result in a transaction that is more favorable to Firstbank shareholders than the merger. This termination right is conditioned on Firstbank providing notice of the unsolicited acquisition proposal to Mercantile, Mercantile not making a revised offer to Firstbank that is at least as favorable as the unsolicited acquisition proposal and Firstbank paying a \$7.9 million break-up fee to Mercantile. The amount of this potential fee was negotiated at arm's-length and was deemed by the Firstbank board of directors to be reasonable. As of the date of this joint proxy statement and prospectus, no unsolicited acquisition proposals have been received. See "The Merger Agreement Termination Fees and Expenses; Liability for Breach" on page 119 for more information.

Based on the factors described above, the board of directors of Firstbank determined that the merger with Mercantile would be advisable and in the best interests of Firstbank shareholders and unanimously approved the merger agreement.

The foregoing discussion of the information and factors considered by Firstbank's board of directors is not intended to be exhaustive but includes the material factors considered by Firstbank's board of directors. In view of the wide variety of the factors considered in connection with its evaluation of the merger and the complexity of these matters, Firstbank's board of directors did not find it useful, and did not attempt, to quantify, rank or otherwise assign relative weights to these factors. In considering the factors described above, the individual members of Firstbank's board of directors may have given different weight to different factors. Firstbank's board of directors conducted an overall analysis of the factors described above including thorough discussions with, and questioning of, Firstbank management and Firstbank's legal and financial advisors, and considered the factors overall to be favorable to, and to support, its determination.

The foregoing explanation of Firstbank's board of directors' reasoning and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed in the section entitled "Special Note Regarding Forward-Looking Statements."

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**Opinion of Firstbank's Financial Advisor in Connection with the Merger**

By letter dated February 4, 2013, Firstbank retained Sandler O'Neill to act as its financial advisor in connection with Firstbank's merger with Mercantile. Sandler O'Neill is a nationally recognized investment banking firm whose principal business specialty is financial institutions. In the ordinary course of its investment banking business, Sandler O'Neill is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions.

Sandler O'Neill acted as financial advisor to Firstbank in connection with the proposed transaction and participated in certain of the negotiations leading to the execution of the merger agreement. At a meeting of the Firstbank board of directors on August 14, 2013, Sandler O'Neill delivered to the Firstbank board of directors its oral opinion, followed by delivery of its written opinion, that, as of such date, the exchange ratio was fair to the holders of Firstbank common stock from a financial point of view. **The full text of Sandler O'Neill's written opinion dated August 14, 2013 is attached as Annex D to this proxy statement. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Sandler O'Neill in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the opinion. Firstbank shareholders are urged to read the entire opinion carefully in connection with their consideration of the proposed merger.**

**Sandler O'Neill's opinion speaks only as of the date of the opinion. The opinion was directed to the Firstbank board of directors and is directed only to the fairness of the common stock consideration to be paid to the holders of Firstbank common stock from a financial point of view. It does not address the underlying business decision of Firstbank to engage in the merger or any other aspect of the merger and is not a recommendation to any Firstbank shareholder as to how such shareholder should vote with respect to the merger or any other matter.**

In connection with its opinion on August 14, 2013, Sandler O'Neill reviewed and considered, among other things:

- (1) the Agreement;
- (2) certain financial statements and other historical financial information of Firstbank that Sandler O'Neill deemed relevant;
- (3) certain financial statements and other historical financial information of Mercantile that Sandler O'Neill deemed relevant;
- (4) internal financial projections for Firstbank for the years ending December 31, 2013 through 2018 as provided by with senior management of Firstbank;
- (5) internal financial projections for Mercantile for the year ended December 31, 2013 through 2018 as provided by with senior management of Mercantile;
- (6) the pro forma financial impact of the Merger on the combined company based on assumptions relating to transaction expenses, purchase accounting adjustments, cost savings and other synergies as determined by the senior management of Firstbank and Mercantile;
- (7) a comparison of certain financial and other information for Firstbank and Mercantile with similar publicly available information for certain other banking institutions, the securities of which are publicly traded;
- (8) the terms and structures of other recent mergers and acquisition transactions in the banking sector;

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- (9) the current market environment generally and in the banking sector in particular; and
  
- (10) such other information, financial studies, analyses and investigations and financial, economic and market criteria as Sandler O'Neill considered relevant.

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Sandler O Neill also discussed with certain members of senior management of Firstbank the business, financial condition, results of operations and prospects of Firstbank and held similar discussions with the senior management of Mercantile regarding the business, financial condition, results of operations and prospects of Mercantile.

In performing its review, Sandler O Neill relied upon the accuracy and completeness of all of the financial and other information that was available to it from public sources, that was provided to it by Firstbank and Mercantile or that was otherwise reviewed by it and assumed such accuracy and completeness for purposes of rendering its opinion. Sandler O Neill further relied on the assurances of the management of Firstbank and Mercantile that they are not aware of any facts or circumstances that would make any of such information inaccurate or misleading in any material respect. Sandler O Neill did not make an independent evaluation or appraisal of the specific assets, the collateral securing assets or the liabilities (contingent or otherwise) of Firstbank or Mercantile or any of their respective subsidiaries. Sandler O Neill did not make an independent evaluation of the adequacy of the allowance for loan losses of Firstbank and Mercantile or the combined entity after the Merger and did not review any individual credit files relating to Firstbank and Mercantile. Sandler O Neill has assumed, with Firstbank's consent, that the respective allowances for loan losses for both Firstbank and Mercantile are adequate to cover such losses and will be adequate on a pro forma basis for the combined entity.

In preparing its analyses, Sandler O Neill used internal financial projections as provided by the senior managements of Firstbank and Mercantile. Sandler O Neill also received and used in its analyses certain projections of transaction costs, purchase accounting adjustments, expected cost savings and other synergies which were prepared by and/or reviewed with representatives and senior management of Mercantile and Firstbank. With respect to those projections, estimates and judgments, the respective managements of Firstbank and Mercantile confirmed those projections, estimates and judgments reflected the best currently available estimates and judgments of those respective managements of the future financial performance of Firstbank and Mercantile, respectively, and Sandler O Neill has assumed that such performance would be achieved. Sandler O Neill expressed no opinion as to such estimates or the assumptions on which they were based. Sandler O Neill assumed that there has been no material change in the respective assets, liabilities, financial condition, results of operations, business or prospects of Firstbank and Mercantile since the date of the most recent financial data made available to it. Sandler O Neill also assumed in all respects material to its analysis that Firstbank and Mercantile would remain as going concerns for all periods relevant to its analyses. Sandler O Neill expressed no opinion as to any of the legal, accounting and tax matters relating to the Merger and any other transactions contemplated in connection therewith.

Sandler O Neill's analyses and the views expressed herein were necessarily based on financial, economic, regulatory, market and other conditions as in effect on, and the information made available to it as of, the date of its opinion. Events occurring after the date of Sandler O Neill's opinion could materially affect its opinion. Sandler O Neill has not undertaken to update, revise, reaffirm or withdraw this opinion or otherwise comment upon events occurring after the date hereof.

Sandler O Neill has acted as Firstbank's financial advisor in connection with the Merger and a significant portion of its fees are contingent upon closing of the Merger. Sandler O Neill will receive a fee from Firstbank for providing this opinion. Firstbank has also agreed to indemnify Sandler O Neill against certain liabilities arising out of its engagement. In the ordinary course of Sandler O Neill's business as a broker-dealer, it may purchase securities from and sell securities to Firstbank and Mercantile and their affiliates. Sandler O Neill may also actively trade the equity and debt securities of Firstbank and Mercantile or their affiliates for its own account and for the accounts of its customers.

Sandler O Neill's opinion was directed to the Board of Directors of Firstbank in connection with its consideration of the Merger and does not constitute a recommendation to any shareholder of Firstbank as to how such shareholder should vote at any meeting of Firstbank shareholders called to consider and vote upon the Merger. Sandler O Neill's opinion is directed only to the fairness, from a financial point of view, of the

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Exchange Ratio to holders of Firstbank common stock and does not address the underlying business decision of Firstbank to engage in the Merger, the relative merits of the Merger as compared to any other alternative business strategies that might exist for Firstbank or the effect of any other transaction in which Firstbank might engage. This opinion shall not be reproduced or used for any other purposes, without Sandler O'Neill's prior written consent. This Opinion has been approved by Sandler O'Neill's fairness opinion committee. Sandler O'Neill does not express any opinion as to the fairness of the amount or nature of the compensation to be received in the Merger by Firstbank's officers, directors, or employees, or class of such persons, relative to the compensation to be received in the Merger by any other shareholders of Firstbank.

In rendering its August 14, 2013 opinion, Sandler O'Neill performed a variety of financial analyses. The following is a summary of the material analyses performed by Sandler O'Neill, but is not a complete description of all the analyses underlying Sandler O'Neill's opinion. The summary includes information presented in tabular format. **In order to fully understand the financial analyses, these tables must be read together with the accompanying text. The tables alone do not constitute a complete description of the financial analyses.** The preparation of a fairness opinion is a complex process involving subjective judgments as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. In arriving at its opinion, Sandler O'Neill did not attribute any particular weight to any analysis or factor that it considered. Rather Sandler O'Neill made qualitative judgments as to the significance and relevance of each analysis and factor. Sandler O'Neill did not form an opinion as to whether any individual analysis or factor (positive or negative) considered in isolation supported or failed to support its opinion; rather Sandler O'Neill made its determination as to the fairness of the common stock consideration on the basis of its experience and professional judgment after considering the results of all its analyses taken as a whole. The process, therefore, is not necessarily susceptible to a partial analysis or summary description. Sandler O'Neill believes that its analyses must be considered as a whole and that selecting portions of the factors and analyses to be considered without considering all factors and analyses, or attempting to ascribe relative weights to some or all such factors and analyses, could create an incomplete view of the evaluation process underlying its opinion. Also, no company included in Sandler O'Neill's comparative analyses described below is identical to Firstbank or Mercantile and no transaction is identical to the merger. Accordingly, an analysis of comparable companies or transactions involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading values or merger transaction values, as the case may be, of Firstbank or Mercantile and the companies to which they are being compared.

In performing its analyses, Sandler O'Neill also made numerous assumptions with respect to industry performance, business and economic conditions and various other matters, many of which cannot be predicted and are beyond the control of Firstbank, Mercantile and Sandler O'Neill. The analysis performed by Sandler O'Neill is not necessarily indicative of actual values or future results, both of which may be significantly more or less favorable than suggested by such analyses. Sandler O'Neill prepared its analyses solely for purposes of rendering its opinion and provided such analyses to the Firstbank board of directors at the August 14, 2013 meeting. Estimates on the values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold. Such estimates are inherently subject to uncertainty and actual values may be materially different. Accordingly, Sandler O'Neill's analyses do not necessarily reflect the value of Firstbank's common stock or the prices at which Firstbank's common stock may be sold at any time. The analysis and opinion of Sandler O'Neill was among a number of factors taken into consideration by the Firstbank board of directors in making its determination to adopt the plan of merger contained in the merger agreement and the analyses described below should not be viewed as determinative of the decision the Firstbank board of directors with respect to the fairness of the merger.

At the August 14, 2013 meeting of the Firstbank board of directors, Sandler O'Neill presented certain financial analyses of the merger. The summary below is not a complete description of the analyses underlying the opinions of Sandler O'Neill or the presentation made by Sandler O'Neill to the Firstbank board of directors, but is instead a summary of the material analyses performed and presented in connection with the opinion. Sandler O'Neill has reviewed and consented to the inclusion in this joint proxy statement and prospectus of the disclosure below relating to its opinion.

**Table of Contents***Summary of Proposal*

Sandler O Neill reviewed the financial terms of the proposed transaction. Shares of Firstbank common stock issued and outstanding immediately prior to the merger will be converted into the right to receive 1.0 share of Mercantile common stock. The aggregate transaction value was approximately \$155.0 million<sup>1</sup>, or \$18.87 per share. Based upon financial information as or for the quarter ended June 30, 2013, Sandler O Neill calculated the following transaction ratios:

	<b>Implied Transaction Multiples</b>	<b>Nationwide Transactions<sup>4</sup></b>	<b>Midwest Transactions<sup>5</sup></b>	<b>Merger Transactions<sup>6</sup></b>
Price / Last Twelve Months Earnings Per Share:	13.8x	18.7x	14.6x	15.4x
Price / 2013 Estimated Earnings Per Share <sup>2</sup> :	13.1x	20.0x	19.3x	15.4x
Price / 2013 Management Estimated Earnings Per Share:	12.7x	N/A	N/A	N/A
Price / Book Value Per Share:	115%	123%	110%	117%
Price / Tangible Book Value Per Share:	158%	136%	124%	147%
Tangible Book Premium / Core Deposits <sup>3</sup> :	5.4%	5.2%	2.3%	7.4%
Market Premium as of August 12, 2013:	8%	38%	25%	20%
60-Day Average Market Premium as of August 12, 2013:	33%	N/A	N/A	N/A

Note:

<sup>1</sup> Based on 8,070,268 shares outstanding plus \$2.604mm attributable to Firstbank options

<sup>2</sup> 2013E EPS based on average published I/B/E/S estimates

<sup>3</sup> Core deposits defined as total deposits less jumbo CDs greater than \$100,000

<sup>4</sup> Nationwide Transactions Since January 1, 2012 with Deal Value \$50mm - \$300mm and Target NPAs/Assets < 5.0%

<sup>5</sup> Midwest Transactions Since January 1, 2012 with Deal Value > \$25mm and Target NPAs/Assets < 5.0%

<sup>6</sup> Includes Merger Transactions (target's pro forma ownership is greater than 40%) Since January 1, 2006 with a Bank or Thrift Target

*Firstbank Stock Price Performance*

Sandler O Neill reviewed the history of the publicly reported trading prices of Firstbank common stock for the one-year period ended August 12, 2013. Sandler O Neill also reviewed the history of the publicly reported trading prices of Firstbank's common stock for the three-year period and the five-year period ended August 12, 2013. Sandler O Neill then compared the relationship between the movements in the price of Firstbank's common stock against the movements in the prices of Mercantile's common stock, its peer group and the S&P 500 Index.

<b>Firstbank One Year Stock Performance</b>		
	<b>Beginning Index Value August 12, 2012</b>	<b>Ending Index Value August 12, 2013</b>
Firstbank	100.0%	181.9%
Mercantile	100.0%	111.7%
Firstbank Peer Group	100.0%	118.7%
S&P 500 Index	100.0%	120.1%

<b>Firstbank Three Year Stock Performance</b>		
	<b>Beginning Index Value August 12, 2010</b>	<b>Ending Index Value August 12, 2013</b>
Firstbank	100.0%	357.1%
Mercantile	100.0%	351.4%
Firstbank Peer Group	100.0%	166.3%
S&P 500 Index	100.0%	155.9%



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Firstbank Five Year Stock Performance		
	Beginning Index Value August 12, 2008	Ending Index Value August 12, 2013
Firstbank	100.0%	167.2%
Mercantile	100.0%	198.6%
Firstbank Peer Group	100.0%	105.2%
S&P 500 Index	100.0%	130.3%

**Sandler O Neill noted that the above analysis showed that Firstbank stock outperformed Mercantile and the indices to which Firstbank was compared for the one year period and for the three year period and outperformed its peer group and the S&P 500 Index for the five year period.**

*Firstbank Comparable Company Analysis*

Sandler O Neill also used publicly available information to compare selected financial and market trading information for Firstbank and a group of financial institutions selected by Sandler O Neill.

The Firstbank peer group was selected by Sandler O Neill and consisted of the following publicly-traded Midwest commercial banks with total assets between \$1 billion and \$2 billion and nonperforming assets to total assets less than 5.0%. The group excluded thrifts and merger targets:

Bank of Kentucky Financial Corporation  
 First Business Financial Services, Inc.  
 First Citizens Banc Corp  
 Horizon Bancorp  
 Mercantile Bank Corporation  
 Marquette National Corporation  
 Merchants Financial Group, Inc.

MidWestOne Financial Group, Inc.  
 MutualFirst Financial, Inc.  
 Security National Corporation  
 STAR Financial Group, Inc.  
 Tri City Bankshares Corporation  
 West Bancorporation, Inc.



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The analysis compared publicly available financial information for Firstbank and the median financial and market trading data for the Firstbank peer group as of and for the last twelve months ended June 30, 2013. The table below sets forth the data for Firstbank and the Firstbank peer group as of and for the last twelve months ended June 30, 2013, with pricing data as of August 12, 2013.

Data for the Period Ending June 30, 2013 or  
 Most Recent Quarter Pricing Data as of August 12, 2013  
 Values in Millions

	City, State	Ticker	Capital Position			LTM Profitability				Asset Quality				Tang. Book Value	Price/ EPS	Valuation		
			Total Assets (\$)	TCE/TA (%)	Leverage Ratio (%)	Total RBC Ratio (%)	ROAA (%)	ROAE (%)	Net Interest Margin (%)	Efficiency Ratio (%)	LLR/ Gross Loans (%)	NPAs/ Total Assets (%)	NCOs/ Avg. Loans (%)			LTM EPS (x)	2013 Est. EPS (x)	Current Dividend Yield (%)
Bankcorp	Michigan City, IN	HBNC	1,786	7.05	9.73	15.33	1.18	13.27	4.07	59.9	1.67	1.49	0.45	161	10.1	10.1	1.7	17.0
Bank of Kentucky	Crestview Hills, KY	BKYF	1,766	8.39	8.99	13.18	1.00	10.48	3.53	58.2	1.39	1.78	0.75	142	11.7	11.5	2.5	35.0
First Financial Corporation	Iowa City, IA	MOFG	1,742	9.42	10.01	14.23	1.03	10.44	3.45	58.0	1.71	0.75	0.11	137	12.5	12.4	1.9	22.0
First Financial	Fort Wayne, IN	SFIGA	1,667	9.16	10.07	14.15	0.76	8.04	3.66	75.9	1.91	1.26	0.34	61	7.4	NA	0.0	37.0
First National Bank	Chicago, IL	MNAT	1,558	4.90	7.98	15.11	0.28	3.30	3.51	78.8	2.67	4.25	1.02	79	23.7	NA	0.0	0.0
First National Corporation	West Des Moines, IA	WTBA	1,452	8.38	9.84	13.82	1.15	11.91	3.40	52.3	1.64	0.95	0.02	180	14.9	13.9	3.2	44.0
First National Financial	Muncie, IN	MFSF	1,408	7.64	9.15	14.90	0.58	5.98	3.07	72.1	1.60	2.33	0.47	100	15.8	16.5	1.6	25.0
First Financial	Grand Rapids, MI	MBWM	1,344	11.23	12.52	15.43	1.01	9.57	3.65	68.2	2.36	4.27	0.16	109	11.7	11.1	2.5	26.0
First Financial	Winona, MN	MFGI	1,294	6.98	10.03	13.88	0.93	10.85	3.46	75.6	1.24	1.09	0.13	99	7.1	NA	2.6	17.0
First Business Services, Inc.	Madison, WI	FBIZ	1,276	8.09	9.17	13.12	0.95	12.81	3.49	59.0	1.60	1.01	0.16	124	9.4	10.0	1.7	12.0
First Bankshares	Oak Creek, WI	TRCY	1,196	9.22	9.24	16.09	0.59	5.77	3.66	71.5	1.65	3.80	1.06	109	17.1	NA	0.0	241.0
First National Bank	Dakota Dunes, SD	SNLC	1,193	9.39	9.35	17.17	1.08	11.13	2.99	60.8	2.55	0.55	(0.06)	125	11.0	NA	1.3	101.0
First Banc Corp	Sandusky, OH	FCZA	1,174	4.98	8.96	15.14	0.54	5.94	3.84	72.8	2.44	3.12	0.26	93	9.2	9.2	2.3	18.0
		High	1,786	11.23	12.52	17.17	1.18	13.27	4.07	78.8	2.67	4.27	1.06	180	23.7	16.5	3.2	241.0
		Low	1,174	4.90	7.98	13.12	0.28	3.30	2.99	52.3	1.24	0.55	(0.06)	61	7.1	9.2	0.0	0.0
		Mean	1,450	8.06	9.62	14.73	0.85	9.19	3.52	66.4	1.88	2.05	0.38	117	12.4	11.8	1.6	46.0
		Median	1,408	8.38	9.35	14.90	0.95	10.44	3.51	68.2	1.67	1.49	0.26	109	11.7	11.3	1.7	25.0
	<b>Alma, MI</b>		<b>1,457</b>	<b>6.77</b>	<b>9.01</b>	<b>14.87</b>	<b>0.80</b>	<b>8.18</b>	<b>3.90</b>	<b>65.1</b>	<b>2.07</b>	<b>2.48</b>	<b>0.60</b>	<b>146</b>	<b>12.7</b>	<b>12.1</b>	<b>1.4</b>	<b>24.0</b>
	<b>Firstbank Ranking out of 14:</b>		<b>6</b>	<b>12</b>	<b>11</b>	<b>8</b>	<b>9</b>	<b>9</b>	<b>2</b>	<b>7</b>	<b>5</b>	<b>10</b>	<b>11</b>	<b>3</b>	<b>5</b>	<b>4</b>	<b>10</b>	

**Table of Contents***Mercantile Stock Price Performance*

Sandler O Neill reviewed the history of the publicly reported trading prices of Mercantile common stock for the one-year period ended August 12, 2013. Sandler O Neill also reviewed the history of the publicly reported trading prices of Mercantile's common stock for the three-year period and the five-year period ended August 12, 2013. Sandler O Neill then compared the relationship between the movements in the price of Mercantile's common stock against the movements in the prices of Firstbank's common stock, its peer group and the S&P 500 Index.

<b>Mercantile One Year Stock Performance</b>		
	<b>Beginning Index Value August 12, 2013</b>	<b>Ending Index Value August 12, 2013</b>
Mercantile	100.0%	111.7%
Firstbank	100.0%	181.9%
Mercantile Peer Group	100.0%	122.7%
S&P 500 Index	100.0%	118.7%

<b>Mercantile Three Year Stock Performance</b>		
	<b>Beginning Index Value August 12, 2010</b>	<b>Ending Index Value August 12, 2013</b>
Mercantile	100.0%	351.4%
Firstbank	100.0%	357.1%
Mercantile Peer Group	100.0%	164.7%
S&P 500 Index	100.0%	155.9%

<b>Mercantile Five Year Stock Performance</b>		
	<b>Beginning Index Value August 12, 2008</b>	<b>Ending Index Value August 12, 2013</b>
Mercantile	100.0%	198.6%
Firstbank	100.0%	167.2%
Mercantile Peer Group	100.0%	103.3%
S&P 500 Index	100.0%	130.3%

**Sandler O Neill noted that the above analysis showed that Mercantile stock outperformed Firstbank and the indices to which it was compared for the five year period and underperformed Firstbank, and outperformed its peer group and the S&P 500 Index for the three year period. Sandler O Neill also noted that the above analysis showed that Mercantile stock underperformed Firstbank and the indices to which it was compared for the one year period.**

*Mercantile Comparable Company Analysis*

Sandler O Neill also used publicly available information to compare selected financial and market trading information for Mercantile and a group of financial institutions selected by Sandler O Neill.

The Mercantile peer group was selected by Sandler O Neill and consisted of the following publicly-traded Midwest commercial banks with total assets between \$1 billion and \$2 billion and nonperforming assets to total assets less than 5.0%. The group excluded thrifts and merger targets:

Bank of Kentucky Financial Corporation  
 First Business Financial Services, Inc.  
 First Citizens Banc Corp  
 Firstbank  
 Horizon Bancorp  
 Marquette National Corporation  
 Merchants Financial Group, Inc.

MidWestOne Financial Group, Inc.  
 MutualFirst Financial, Inc.  
 Security National Corporation  
 STAR Financial Group, Inc.  
 Tri City Bankshares Corporation  
 West Bancorporation, Inc.



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The analysis compared publicly available financial information for Mercantile and the median financial and market trading data for the Mercantile peer group as of and for the last twelve months ended June 30, 2013. The table below sets forth the data for Mercantile and the Mercantile peer group as of and for the last twelve months ended June 30, 2013, with pricing data as of August 12, 2013.

ending June 30, 2013  
Data as of August 12, 2013

Company	Ticker	Capital Position			LTM Profitability					Asset Quality			Price/		2013 Est. EPS (x)	2013 Cu Div Y (x)
		Total Assets (\$)	TCE/TA (%)	Leverage Ratio (%)	Total RBC Ratio (%)	ROAA (%)	ROAE (%)	Net Interest Margin (%)	Efficiency Ratio (%)	LLR/ Gross Loans (%)	NPAs/ Total Assets (%)	NCOs/ Avg. Loans (%)	Tang. Book Value (%)	LTM EPS (x)		
Indianapolis, IN	HBNC	1,786	7.05	9.73	15.33	1.18	13.27	4.07	59.9	1.67	1.49	0.45	161	10.1	10.1	
Lawrenceville, KY	BKYF	1,766	8.39	8.99	13.18	1.00	10.48	3.53	58.2	1.39	1.78	0.75	142	11.7	11.5	
Madison, IA	MOFG	1,742	9.42	10.01	14.23	1.03	10.44	3.45	58.0	1.71	0.75	0.11	137	12.5	12.4	
Indianapolis, IN	SFIGA	1,667	9.16	10.07	14.15	0.76	8.04	3.66	75.9	1.91	1.26	0.34	61	7.4	NA	
Indianapolis, IL	MNAT	1,558	4.90	7.98	15.11	0.28	3.30	3.51	78.8	2.67	4.25	1.02	79	23.7	NA	
Indianapolis, IN	FBMI	1,457	6.77	9.01	14.87	0.80	8.18	3.90	65.1	2.07	2.48	0.60	146	12.7	12.1	
Des Moines, IA	WTBA	1,452	8.38	9.84	13.82	1.15	11.91	3.40	52.3	1.64	0.95	0.02	180	14.9	13.9	
Indianapolis, IN	MFSF	1,408	7.64	9.15	14.90	0.58	5.98	3.07	72.1	1.60	2.33	0.47	100	15.8	16.5	
Indianapolis, MN	MFGI	1,294	6.98	10.03	13.88	0.93	10.85	3.46	75.6	1.24	1.09	0.13	99	7.1	NA	
Indianapolis, WI	FBIZ	1,276	8.09	9.17	13.12	0.95	12.81	3.49	59.0	1.60	1.01	0.16	124	9.4	10.0	
Indianapolis, WI	TRCY	1,196	9.22	9.24	16.09	0.59	5.77	3.66	71.5	1.65	3.80	1.06	109	17.1	NA	
Indianapolis, SD	SNLC	1,193	9.39	9.35	17.17	1.08	11.13	2.99	60.8	2.55	0.55	(0.06)	125	11.0	NA	
Indianapolis, OH	FCZA	1,174	4.98	8.96	15.14	0.54	5.94	3.84	72.8	2.44	3.12	0.26	93	9.2	9.2	
	High	1,786	9.42	10.07	17.17	1.18	13.27	4.07	78.8	2.67	4.25	1.06	180	23.7	16.5	
	Low	1,174	4.90	7.98	13.12	0.28	3.30	2.99	52.3	1.24	0.55	(0.06)	61	7.1	9.2	
	Mean	1,459	7.72	9.35	14.69	0.84	9.09	3.54	66.2	1.86	1.91	0.41	120	12.5	12.0	
	Median	1,452	8.09	9.24	14.87	0.93	10.44	3.51	65.1	1.67	1.49	0.34	124	11.7	11.8	
Indianapolis, MI		<b>1,344</b>	<b>11.23</b>	<b>12.52</b>	<b>15.43</b>	<b>1.01</b>	<b>9.57</b>	<b>3.65</b>	<b>68.2</b>	<b>2.36</b>	<b>4.27</b>	<b>0.16</b>	<b>109</b>	<b>11.7</b>	<b>11.1</b>	
out of 14:		<b>9</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>5</b>	<b>8</b>	<b>6</b>	<b>8</b>	<b>4</b>	<b>14</b>	<b>5</b>	<b>9</b>	<b>8</b>	<b>6</b>	

**Table of Contents***Firstbank Net Present Value Analysis*

Sandler O Neill performed an analysis that estimated the present value of Firstbank through December 31, 2017. Sandler O Neill based the analysis on Firstbank's projected earnings and dividend stream as derived from the internal financial projections provided by Firstbank management for the years ending December 31, 2013 through 2018.

To approximate the terminal value of Firstbank's common stock at December 31, 2017, Sandler O Neill applied price to forward earnings multiples of 10.0x to 18.0x and multiples of tangible book value ranging from 100% to 180%. The income streams and terminal values were then discounted to present values using different discount rates ranging from 9.32% to 15.32%, which were assumed deviations downward, as selected by Sandler O Neill based on the calculated Firstbank discount rate of 15.32% as determined by Sandler O Neill. The discount rate is determined by adding the 10 year Treasury Bond rate (2.61%), the published Ibbotson 60 year equity risk premium (5.70%), the published Ibbotson size premium (3.81%) and the published Ibbotson Industry Premium (3.20%).

**Earnings Per Share Multiples**

Discount Rate	10.0x	12.0x	14.0x	16.0x	18.0x
9.32%	\$14.23	\$16.80	\$19.36	\$21.93	\$24.50
10.32%	\$13.68	\$16.15	\$18.61	\$21.07	\$23.53
11.32%	\$13.16	\$15.52	\$17.89	\$20.25	\$22.62
12.32%	\$12.66	\$14.93	\$17.20	\$19.47	\$21.75
13.32%	\$12.18	\$14.37	\$16.55	\$18.73	\$20.91
14.32%	\$11.73	\$13.83	\$15.93	\$18.02	\$20.12
15.32%	\$11.30	\$13.32	\$15.33	\$17.35	\$19.37

**Tangible Book Value Per Share Multiples**

Discount Rate	100%	120%	140%	160%	180%
9.32%	\$13.69	\$16.14	\$18.59	\$21.05	\$23.50
10.32%	\$13.16	\$15.51	\$17.87	\$20.22	\$22.58
11.32%	\$12.66	\$14.92	\$17.18	\$19.44	\$21.70
12.32%	\$12.18	\$14.35	\$16.52	\$18.69	\$20.86
13.32%	\$11.72	\$13.81	\$15.89	\$17.98	\$20.07
14.32%	\$11.28	\$13.29	\$15.30	\$17.30	\$19.31
15.32%	\$10.87	\$12.80	\$14.73	\$16.66	\$18.58

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Sandler O Neill also considered and discussed with the Firstbank board of directors how this analysis would be affected by changes in the underlying assumptions, including variations with respect to net income. To illustrate this impact, Sandler O Neill performed a similar analysis assuming Firstbank's net income varied from 25% above projections to 25% below projections. This analysis resulted in the following reference ranges of indicated aggregate values for Firstbank's common stock, using a discount rate of 15.32%:

**Earnings Per Share Multiples**

<b>Annual Budget Variance</b>	<b>10.0x</b>	<b>12.0x</b>	<b>14.0x</b>	<b>16.0x</b>	<b>18.0x</b>
<b>(25.0%)</b>	\$8.78	\$10.29	\$11.80	\$13.32	\$14.83
<b>(20.0%)</b>	\$9.28	\$10.89	\$12.51	\$14.12	\$15.74
<b>(15.0%)</b>	\$9.78	\$11.50	\$13.21	\$14.93	\$16.64
<b>(10.0%)</b>	\$10.29	\$12.10	\$13.92	\$15.74	\$17.55
<b>(5.0%)</b>	\$10.79	\$12.71	\$14.63	\$16.54	\$18.46
<b>0.0%</b>	\$11.30	\$13.32	\$15.33	\$17.35	\$19.37
<b>5.0%</b>	\$11.80	\$13.92	\$16.04	\$18.13	\$20.28
<b>10.0%</b>	\$12.31	\$14.53	\$16.74	\$18.96	\$21.18
<b>15.0%</b>	\$12.81	\$15.13	\$17.45	\$19.77	\$22.09
<b>20.0%</b>	\$13.32	\$15.74	\$18.16	\$20.58	\$23.00
<b>25.0%</b>	\$13.82	\$16.34	\$18.86	\$21.39	\$23.91

*Mercantile Net Present Value Analysis*

Sandler O Neill performed an analysis that estimated the present value of Mercantile through December 31, 2017. Sandler O Neill based the analysis on Mercantile's projected earnings and dividend stream as derived from the internal financial projections provided by Mercantile management for the years ending December 31, 2013 through 2018.

To approximate the terminal value of Mercantile's common stock at December 31, 2017, Sandler O Neill applied price to forward earnings multiples of 10.0x to 18.0x and multiples of tangible book value ranging from 100% to 180%. The income streams and terminal values were then discounted to present values using different discount rates ranging from 9.32% to 15.32%, which were assumed deviations downward, as selected by Sandler O Neill based on the calculated Mercantile discount rate of 15.32% as determined by Sandler O Neill. The discount rate is determined by adding the 10 year Treasury Bond rate (2.61%), the published Ibbotson 60 year equity risk premium (5.70%), the published Ibbotson size premium (3.81%) and the published Ibbotson Industry Premium (3.20%).

**Earnings Per Share Multiples**

<b>Discount Rate</b>	<b>10.0x</b>	<b>12.0x</b>	<b>14.0x</b>	<b>16.0x</b>	<b>18.0x</b>
<b>9.32%</b>	\$15.15	\$17.44	\$19.72	\$22.01	\$24.30
<b>10.32%</b>	\$14.64	\$16.83	\$19.03	\$21.22	\$23.42
<b>11.32%</b>	\$14.15	\$16.26	\$18.37	\$20.48	\$22.58
<b>12.32%</b>	\$13.69	\$15.71	\$17.74	\$19.76	\$21.79
<b>13.32%</b>	\$13.25	\$15.19	\$17.14	\$19.08	\$21.03
<b>14.32%</b>	\$12.82	\$14.69	\$16.56	\$18.43	\$20.30
<b>15.32%</b>	\$12.42	\$14.22	\$16.02	\$17.81	\$19.61

**Table of Contents****Tangible Book Value Per Share Multiples**

<b>Discount Rate</b>	<b>100%</b>	<b>120%</b>	<b>140%</b>	<b>160%</b>	<b>180%</b>
<b>9.32%</b>	\$17.09	\$19.77	\$22.44	\$25.12	\$27.80
<b>10.32%</b>	\$16.50	\$19.07	\$21.64	\$24.21	\$26.78
<b>11.32%</b>	\$15.94	\$18.41	\$20.87	\$23.34	\$25.81
<b>12.32%</b>	\$15.41	\$17.78	\$20.15	\$22.51	\$24.88
<b>13.32%</b>	\$14.90	\$17.17	\$19.45	\$21.73	\$24.00
<b>14.32%</b>	\$14.41	\$16.60	\$18.79	\$20.98	\$23.16
<b>15.32%</b>	\$13.95	\$16.05	\$18.16	\$20.26	\$22.36

Sandler O Neill also considered and discussed with the Firstbank board of directors how this analysis would be affected by changes in the underlying assumptions, including variations with respect to net income. To illustrate this impact, Sandler O Neill performed a similar analysis assuming Mercantile's net income varied from 25% above projections to 25% below projections. This analysis resulted in the following reference ranges of indicated per share values for Mercantile's common stock, using a discount rate of 15.32%:

**Earnings Per Share Multiples**

<b>Annual Budget Variance</b>	<b>10.0x</b>	<b>12.0x</b>	<b>14.0x</b>	<b>16.0x</b>	<b>18.0x</b>
<b>(25.0%)</b>	\$10.17	\$11.52	\$12.87	\$14.22	\$15.57
<b>(20.0%)</b>	\$10.62	\$12.03	\$13.50	\$14.94	\$16.38
<b>(15.0%)</b>	\$11.07	\$12.60	\$14.13	\$15.66	\$17.19
<b>(10.0%)</b>	\$11.52	\$13.14	\$14.76	\$16.38	\$17.99
<b>(5.0%)</b>	\$11.97	\$13.68	\$15.39	\$17.10	\$18.80
<b>0.0%</b>	\$12.42	\$14.22	\$16.02	\$17.81	\$19.61
<b>5.0%</b>	\$12.87	\$14.76	\$16.65	\$18.53	\$20.42
<b>10.0%</b>	\$13.32	\$15.30	\$17.28	\$19.25	\$21.23
<b>15.0%</b>	\$13.77	\$15.84	\$17.90	\$19.97	\$22.04
<b>20.0%</b>	\$14.22	\$16.38	\$18.53	\$20.69	\$22.85
<b>25.0%</b>	\$14.67	\$16.92	\$19.16	\$21.41	\$23.66

**Table of Contents***Analysis of Selected Merger Transactions*

Sandler O'Neill reviewed three sets of comparable mergers and acquisitions.

The first set of mergers and acquisitions included 10 transactions announced from January 1, 2012 through August 12, 2013 in which the targets were Midwest commercial bank and thrifts having an announced transaction value greater than \$25 million and target nonperforming assets to total assets less than 5.0%. Sandler O'Neill deemed these transactions to be reflective of the proposed Firstbank and Mercantile combination. Sandler O'Neill reviewed the following multiples: transaction price to book value, transaction price to tangible book value, transaction price to last twelve months earnings per share, transaction price to estimated next twelve months earnings per share, core deposit premium and 1-day market premium. As illustrated in the following table, Sandler O'Neill compared the proposed merger multiples to the median multiples of these comparable transactions.

(Dollar Values in Millions)

Acquiror	St	Target	St	Date	Transaction Information								Seller Information			
					Deal Value	LTM Earnings (x)	Est. EPS (x)	Price/Book		Core Deposit Premium (%)	1-Day Market Premium (%)	Total Assets (\$)	TCE/TA (%)	YTD ROAA (%)	Res./Loans (%)	NP/Assets (%)
								Value	TBV							
Financial Inc.	IL	Taylor Capital Group Inc.	IL	07/14/13	658.8	11.3	14.0	182	182	11.5	24.6	5,901.4	6.0	1.15	2.09	1.8
Portland Financial USA Inc.	IA	Morrill Bancshares Inc.	KS	06/12/13	61.5	11.0	NA	102	125	2.3	NA	752.3	6.6	0.64	1.12	0.8
First Merchants Corp.	IN	CFS Bancorp Inc.	IN	05/13/13	114.7	19.8	25.0	101	101	0.2	13.8	1,146.4	9.8	0.53	1.81	4.3
Wrightman Bancshares Inc.	OH	Indebancorp	OH	04/30/13	29.1	18.6	NA	134	134	4.2	NA	219.3	9.4	0.64	1.13	2.0
First Financial Corp.	PA	FC Banc Corp.	OH	02/12/13	40.5	10.9	NA	117	117	2.3	25.4	367.3	9.3	0.98	1.35	0.7
First B. Corp.	PA	PVF Capital Corp.	OH	01/29/13	109.6	22.8	34.2	141	141	6.9	76.7	781.8	9.6	1.04	2.52	4.3
First Trust Financial Corp.	IL	HPK Financial Corp.	IL	09/18/12	27.5	14.6	NA	101	106	(3.3)	NA	389.8	8.6	0.54	1.85	2.3
FirstMerit Corp.	OH	Citizens Republic Bancorp Inc.	MI	09/12/12	1,291.4	2.6	4.3	90	130	4.1	14.7	9,670.5	7.7	6.92	2.46	1.1
First National Australia Bank	AUS	North Central Bancshares Inc.	IA	03/12/12	41.5	20.0	NA	99	100	(0.0)	31.2	433.0	9.6	0.59	1.83	3.0
First National Bancorp	IN	Indiana Community Bancorp	IN	01/24/12	105.2	NM	19.3	123	123	2.2	65.4	984.6	6.8	(0.17)	2.10	4.3
				<b>High</b>	<b>1,291.4</b>	<b>22.8</b>	<b>34.2</b>	<b>182</b>	<b>182</b>	<b>11.5</b>	<b>76.7</b>	<b>9,670.5</b>	<b>9.8</b>	<b>6.92</b>	<b>2.52</b>	<b>4.3</b>
				<b>Low</b>	<b>27.5</b>	<b>2.6</b>	<b>4.3</b>	<b>90</b>	<b>100</b>	<b>(3.3)</b>	<b>13.8</b>	<b>219.3</b>	<b>6.0</b>	<b>(0.17)</b>	<b>1.12</b>	<b>0.8</b>
				<b>Mean</b>	<b>248.0</b>	<b>14.6</b>	<b>19.3</b>	<b>119</b>	<b>126</b>	<b>3.0</b>	<b>36.0</b>	<b>2,064.6</b>	<b>8.4</b>	<b>1.29</b>	<b>1.83</b>	<b>2.0</b>
				<b>Median</b>	<b>83.3</b>	<b>14.6</b>	<b>19.3</b>	<b>110</b>	<b>124</b>	<b>2.3</b>	<b>25.4</b>	<b>767.0</b>	<b>8.9</b>	<b>0.64</b>	<b>1.84</b>	<b>2.0</b>



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The second set of mergers and acquisitions included 34 transactions announced from January 1, 2012 through August 12, 2013 in which the targets were Nationwide commercial bank and thrifts having an announced transaction value between \$50 million and \$300 million and target nonperforming assets to total assets less than 5.0%. Sandler O'Neill deemed these transactions to be reflective of the proposed Firstbank and Mercantile combination. Sandler O'Neill reviewed the following multiples: transaction price to book value, transaction price to tangible book value, transaction price to last twelve months earnings per share, transaction price to estimated next twelve months earnings per share, core deposit premium and 1-day market premium. As illustrated in the following table, Sandler O'Neill compared the proposed merger multiples to the median multiples of these comparable transactions.

(Dollar Values in Millions)

Acquiror	St	Target	St	Date	Transaction Information								Seller Information											
					Deal Value (\$)	LTM Earnings (x)	Est. EPS (x)	Book Value (%)	Market TBV (%)	Deposit Premium (%)	1-Day Premium (%)	Total Assets (\$)	TCE/TA (%)	YTD ROAA (%)	Res./Loans (%)	NPAs/Assets (%)								
																	Price/	Core	1-Day	Total	TCE/	YTD	Res./	NPAs
																	Value	Value	Premium	Assets	TA	ROAA	Loans	Assets
CenterState Banks	FL	Gulfstream Bancshares Inc.	FL	07/29/13	77.6	16.4	NA	131	131	4.2	NA	572.3	9.0	0.68	3.65	1.53								
Wilshire Bancorp Inc.	CA	Saehan Bancorp	CA	07/15/13	105.5	NM	NA	170	170	11.3	(3.5)	542.4	10.8	0.03	3.43	1.79								
First Federal Bancshares AR	AR	First National Security Co.	AR	07/01/13	123.4	14.2	NA	84	137	5.2	NA	954.4	10.0	0.90	2.27	0.38								
Poples Financial Services N.B. Corp.	PA	Penseco Financial Services	PA	06/28/13	155.9	15.1	NA	117	147	7.6	26.1	929.8	11.7	1.10	1.12	0.43								
Heartland Financial USA Inc.	IA	Morrill Bancshares Inc.	KS	06/12/13	61.5	11.0	NA	102	125	2.3	NA	752.3	6.6	0.64	1.12	0.48								
Home BancShares Inc.	AR	Liberty Bancshares Inc	AR	05/21/13	280.0	12.7	NA	106	162	3.3	NA	2,853.1	6.3	0.80	1.87	3.39								
First Merchants Corp.	IN	CFS Bancorp Inc.	IN	05/13/13	114.7	19.8	25.0	101	101	0.2	13.8	1,146.4	9.8	0.53	1.81	4.89								
BFH Inc.	TX	VB Texas Inc.	TX	03/06/13	76.8	17.1	NA	91	100	NM	NA	605.6	12.8	0.76	1.16	0.35								
Financial Group Inc.	CT	Newport Bancorp Inc.	RI	03/05/13	63.9	38.2	NM	116	116	4.1	6.5	449.4	11.8	0.34	1.12	1.17								
CBT Financial Corp.	SC	First Financial Holdings Inc.	SC	02/19/13	298.6	12.0	15.3	127	132	0.3	10.2	3,215.6	7.1	0.89	1.73	1.54								
N.B. Corp.	PA	PVF Capital Corp.	OH	01/29/13	109.6	22.8	34.2	141	141	6.9	76.7	781.8	9.6	1.04	2.52	4.73								
Wakeland Bancorp	NJ	Somerset Hills Bancorp	NJ	01/28/13	65.7	18.8	18.2	152	152	7.9	31.5	368.9	11.3	0.95	1.27	0.29								
Benasant Corp.	MS	First M&F Corp.	MS	01/16/13	151.0	23.3	16.1	121	127	3.0	64.8	1,601.7	6.0	0.44	1.76	3.49								
First Financial Bankshares	TX	Orange SB SSB	TX	11/07/12	57.4	13.2	NA	127	130	3.8	NA	442.8	10.0	1.60	1.02	0.97								
McWest Bancorp	CA	First California Financial Grp	CA	11/06/12	235.2	21.1	20.0	111	170	5.4	17.5	1,990.8	7.2	0.64	1.55	1.95								
N.B. Corp.	PA	Annapolis Bancorp Inc.	MD	10/22/12	50.5	18.6	NA	160	160	5.2	53.7	437.5	7.0	0.79	2.32	1.91								
BT Bancorp Inc.	NY	Alliance Financial Corp.	NY	10/07/12	230.7	19.1	21.0	157	212	12.4	22.4	1,422.8	7.9	0.78	0.99	0.62								
Resurgent Financial Bancshares	NC	ECB Bancorp Inc.	NC	09/25/12	54.4	NM	NA	81	81	(4.2)	59.5	944.3	7.0	0.21	2.12	4.00								
Prosperity Bancshares Inc.	TX	Coppermark Bancshares Inc.	OK	09/21/12	194.4	13.1	NA	159	159	6.9	NA	1,325.0	9.2	1.11	1.32	1.71								
Specific Premier Bancorp	CA	First Associations Bank	TX	09/11/12	54.2	17.7	NA	118	118	2.7	NA	356.2	12.9	1.40	1.07	0.00								
First PacTrust Bancorp Inc.	CA	Private Bank of California	CA	07/23/12	52.0	25.4	NA	122	122	0.3	27.0	638.7	6.4	0.33	1.84	0.43								
ResBanco Inc.	WV	Fidelity Bancorp Inc.	PA	07/19/12	72.9	NM	NA	157	167	5.5	82.9	665.8	6.4	0.20	1.12	2.96								
Investors Bancorp Inc. (MHC)	NJ	Marathon Banking Corporation	NY	06/14/12	135.0	23.8	NA	123	151	7.4	NA	902.1	10.1	0.72	1.68	0.79								
Shire Hills Bancorp Inc.	MA	Beacon Federal Bancorp Inc.	NY	05/31/12	130.4	22.6	24.2	111	111	3.7	48.9	1,024.7	11.1	0.50	1.81	4.00								
Bank Sterling Corporation	NC	Citizens South Banking Corp.	NC	05/13/12	77.8	NM	NA	112	114	(1.6)	35.2	1,073.8	6.4	(0.80)	1.58	3.62								
Independent Bank Corp.	MA	Central Bancorp Inc.	MA	04/30/12	64.8	NM	NA	154	165	8.4	70.7	521.4	6.3	0.21	0.97	2.75								
McWest Bancorp	CA	American Perspective Bank	CA	04/30/12	58.1	20.3	NA	132	132	9.3	31.7	259.2	16.7	1.14	1.78	1.01								
YNB Corp.	TX	First State Bank	TX	04/04/12	52.0	17.7	NA	179	179	10.5	NA	272.7	10.7	1.66	1.30	1.51								
United Financial Bancorp	MA	New England Bancshares	CT	03/19/12	86.2	19.1	NA	118	155	6.5	38.2	726.5	7.9	0.64	1.02	2.71								
Endeavour Bancorp LLC	TX	Encore Bancshares Inc.	TX	03/05/12	251.3	NM	24.8	171	240	13.8	37.7	1,522.6	6.8	0.49	1.75	1.12								
Carlisle Bancshares Inc.	TX	Northstar Financial Corp.	TX	02/21/12	114.5	18.2	NA	173	174	7.4	NA	949.8	6.9	1.08	1.78	2.00								
Wilmington Financial Corporation	NY	VIST Financial Corp.	PA	01/25/12	109.1	28.8	12.8	71	116	1.4	83.8	1,485.7	5.0	0.30	1.57	2.79								
Mid National Bancorp	IN	Indiana Community Bancorp	IN	01/24/12	105.2	NM	19.3	123	123	2.2	65.4	984.6	6.8	(0.17)	2.10	4.35								
				<b>High</b>	<b>298.6</b>	<b>38.2</b>	<b>34.2</b>	<b>179</b>	<b>240</b>	<b>13.8</b>	<b>83.8</b>	<b>3,215.6</b>	<b>16.7</b>	<b>1.66</b>	<b>3.65</b>	<b>4.89</b>								
				<b>Low</b>	<b>50.5</b>	<b>11.0</b>	<b>12.8</b>	<b>71</b>	<b>81</b>	<b>(4.2)</b>	<b>(3.5)</b>	<b>259.2</b>	<b>5.0</b>	<b>(0.80)</b>	<b>0.97</b>	<b>0.00</b>								

<b>Mean</b>	<b>116.1</b>	<b>19.2</b>	<b>21.0</b>	<b>128</b>	<b>143</b>	<b>5.1</b>	<b>40.8</b>	<b>981.3</b>	<b>8.8</b>	<b>0.65</b>	<b>1.68</b>	<b>2.02</b>
<b>Median</b>	<b>95.7</b>	<b>18.7</b>	<b>20.0</b>	<b>123</b>	<b>136</b>	<b>5.2</b>	<b>37.7</b>	<b>841.9</b>	<b>8.3</b>	<b>0.66</b>	<b>1.70</b>	<b>1.75</b>

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The third set of mergers and acquisitions included 20 transactions announced from January 1, 2006 through August 12, 2013 in which the targets were Nationwide commercial bank and thrifts and target's pro forma ownership was greater than 40%. Sandler O'Neill deemed these transactions to be reflective of the proposed Firstbank and Mercantile combination. Sandler O'Neill reviewed the following multiples: transaction price to book value, transaction price to tangible book value, transaction price to last twelve months' earnings per share, transaction price to estimated next twelve months' earnings per share, core deposit premium and 1-day market premium. As illustrated in the following table, Sandler O'Neill compared the proposed merger multiples to the median multiples of these comparable transactions.

*(Dollar Values in Millions)*

Acquiror	St	Target	St	Date	Transaction Information								Seller Information				
					Deal Value	Target Pro Forma Ownership (%)	TM Earnings (x)	Est. EPS (x)	Book Value (%)	TBV (%)	Core Deposit Premium (%)	1-Day Market Premium (%)	Total Assets (\$)	TCE/TA (%)	YTD ROAA (%)	Res./Loans (%)	NPAs/Assets (%)
Annuc.					(\$)	(%)	(x)	(x)	(%)	(%)	(%)	(%)	(\$)	(%)	(%)	(%)	(%)
PacWest Bancorp	CA	CapitalSource Inc.	CA	07/22/13	2,381.9	60.0	5.4	19.1	150	169	35.4	20.1	8,482.7	16.2	1.38	1.91	2.11
Peoples Financial Services	PA	Penseco Financial Services	PA	06/28/13	155.9	59.2	15.1	NA	117	147	7.6	26.1	929.8	11.7	1.10	1.12	0.43
Union First Market Bkshs Corp.	VA	StellarOne Corp.	VA	06/09/13	444.5	46.9	19.9	18.8	103	142	6.0	20.3	3,013.9	10.7	0.79	1.34	1.96
Provident New York Bancorp	NY	Sterling Bancorp															