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MERCANTILE BANK CORP
Form 11-K
June 30, 2003

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended December 31, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from _____ to _____

Commission File Number: 000-26719

MERCANTILE BANK OF WEST MICHIGAN 401(K) PLAN

MERCANTILE BANK CORPORATION
5650 BYRON CENTER AVENUE, S.W.
WYOMING, MICHIGAN 49509
(616) 406-3777

REPORT OF INDEPENDENT AUDITORS

Plan Administrator of
Mercantile Bank of West Michigan 401(k) Plan
Grand Rapids, Michigan

We have audited the accompanying statements of net assets available for benefits of the Mercantile Bank of West Michigan 401(k) Plan ("the Plan") as of December 31, 2002 and 2001, and the related statement of changes in net assets available for benefits for the year ended December 31, 2002. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial

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statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2002 and 2001, and the changes in net assets available for benefits for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Crowe Chizek and Company LLC

Grand Rapids, Michigan
April 17, 2003

1.

MERCANTILE BANK OF WEST MICHIGAN 401(k) PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
December 31, 2002 and 2001

	2002

ASSETS	
Investments, at fair value (Note 4)	
Common stock	\$ 2,353,435
Mutual funds	1,347,004

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	3,700,439
Receivables	
Employer contribution	19,288
Participant contributions	32,967

	52,255

Total assets	3,752,694
LIABILITIES	
Due to custodian for securities purchased	22,826

NET ASSETS AVAILABLE FOR BENEFITS	\$ 3,729,868
	=====

See accompanying notes to financial statements.

2.

MERCANTILE BANK OF WEST MICHIGAN 401(k) PLAN
 STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 Year ended December 31, 2002

ADDITIONS TO NET ASSETS ATTRIBUTED TO:

Investment income
 Net appreciation in fair value of investments (Note 4)
 Dividends - cash
 Dividends - stock

Total income

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Contributions
Employer
Participants
Rollovers from other plans

Total contributions

Total additions

DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:

Benefits paid to participants

Total deductions

NET INCREASE

Net assets available for benefits
Beginning of year

End of year

See accompanying notes to financial statements.

3.

MERCANTILE BANK OF WEST MICHIGAN 401(k) PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

NOTE 1 - DESCRIPTION OF PLAN

The following description of the Mercantile Bank of West Michigan 401(k) Plan

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(the Plan) is provided for general information purposes only. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General: The Plan was established by the plan sponsor, Mercantile Bank of West Michigan (the Bank), effective January 1, 1998. The Bank acts as trustee for the Plan assets. The Plan is a defined contribution plan which covers all employees who have completed one hour of service. The Plan has a contributory 401(k) portion based on elective contributions from participants in the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions: Elective deferrals by participants under the 401(k) provisions are based on a percentage of their compensation as defined in the Plan agreement which are subject to certain limitations. Employees also may rollover account balances from other plans into their account. The Bank may, at the sole discretion of the Board of Directors, contribute to each participant's account a matching contribution which is a percentage of the participant's elective contribution for the year. For 2002, the Bank made matching contributions equal to 100% of the first 5% of the compensation deferred by each 401(k) participant subject to certain limitations as specified in the Plan agreement.

Participant Accounts: Each participant's account is credited with the participant's contributions and allocation of (a) the Bank's contributions and (b) Plan earnings. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the aggregate of the participants' deferrals and rollovers and employer matching contributions. Each participant directs the investment of their account to any of the investment options available under the Plan.

Retirement, Death and Disability: A participant is entitled to 100% of his or her account balance upon retirement, death or disability while employed.

Vesting: Participants are immediately vested in their elective and employer contributions plus actual earnings thereon.

Payment of Benefits: A participant or his or her beneficiary receives a distribution of the participant's account balance in a lump sum. A participant may receive the portion of his or her account invested in Mercantile Bank Corporation in stock or cash.

Loan Provisions: The Plan provides that participants can borrow funds against their account balances up to 50% of their vested balance, or \$50,000, whichever is less.

Expenses: Substantially all administrative expenses are paid by the Plan sponsor.

(Continued)

4.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation and Income Recognition: The Plan's investments are stated at fair value. Mutual fund shares and Mercantile Bank Corporation common stock are traded on national exchanges or quotation exchanges and are valued at the last sales price on the date of valuation. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures, and actual results may differ from these estimates.

Risks and Uncertainties for Investments: The Plan has investments in mutual funds and stocks. These investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits and participants' individual account balances.

Payment of Benefits: Benefits are recorded when paid.

NOTE 3 - PLAN TERMINATION

Although it has not expressed any intent to do so, the Bank has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA.

NOTE 4 - INVESTMENTS

The following presents investments that represent 5% or more of the Plan's net assets.

	2 0 0 2 -----		
	Number of Shares -----	Fair Value -----	Number Shares -----
MUTUAL FUNDS			
Franklin Growth fund	6,670	\$ 158,751	6,760
Franklin Small Cap Growth fund	6,859	150,545	5,121
Mutual Beacon fund	41,074	462,905	32,987
Templeton Foreign fund	21,406	177,881	17,895
COMMON STOCK			
Mercantile Bank Corporation common stock	99,511	2,353,435	79,414

(Continued)

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MERCANTILE BANK OF WEST MICHIGAN 401(k) PLAN
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2002 AND 2001

NOTE 4 -- INVESTMENTS (Continued)

During 2002, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$302,410 as follows:

Mutual funds	\$ (226,717)
Common stock	529,127

	\$ 302,410
	=====

NOTE 5 - PARTY-IN-INTEREST TRANSACTIONS

Parties-in-interest are defined under Department of Labor (DOL) regulations as any fiduciary of the Plan, any party rendering service to the Plan, the employer, and certain others. Professional fees for the administration and audit of the Plan are paid by the Bank.

As of March 31, 2002, the plan trustee resolved to change the custodian of the Plan from Stifel, Nicolaus and Company, Inc. to Raymond James & Associates, Inc.

The 99,511 and 79,414 shares of Mercantile Bank Corporation common stock held by the Plan as of December 31, 2002 and 2001 represents approximately 1.84% and 1.47% of the Corporation's outstanding shares as of December 31, 2002 and 2001.

No cash dividends were paid to the Plan by Mercantile Bank Corporation during 2002. A 5% stock dividend was declared and paid by Mercantile Bank Corporation during 2002. As a result of this stock dividend, Mercantile Bank Corporation issued 3,807 additional shares of Mercantile Bank Corporation common stock to the Plan.

As of December 31, the Plan held the following party-in-interest investments (at fair value):

	2002 ----	2001 ----
Stifel, Nicolaus Money Market fund	\$ 0	\$ 6,243
Mercantile Bank Corporation common stock; 99,511 and 79,414 shares in 2002 and 2001, respectively	2,353,435	1,342,468

NOTE 6 - TAX STATUS

The Internal Revenue Service has determined and informed the Bank by letter dated June 1, 2001, that the Plan and related trusts are designed in accordance with the applicable sections of the Internal Revenue Code (IRC) for tax exempt status.

(Continued)

6.

MERCANTILE BANK OF WEST MICHIGAN 401(k) PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

NOTE 7 - TERMINATED PARTICIPANTS

Included in net assets available for benefits are amounts allocated to individuals who have elected to withdraw from the Plan, but who have not yet been paid. Plan assets allocated to these participants were \$663 and \$5,747 at December 31, 2002 and 2001, respectively.

7.

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MERCANTILE BANK OF WEST MICHIGAN 401(k) PLAN
 SCHEDULE OF ASSETS (HELD AT END OF YEAR)
 December 31, 2002

Attachment to Form 5500, Schedule H, Part IV, Line 4i
 Name of plan sponsor: Mercantile Bank of West Michigan
 Employer identification number: 38-3360868
 Three-digit plan number: 001

(a)	(b) Identity of Issuer, Borrower, Lessor, or Similar Party	(c) Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	(d) Cost
---	-----	-----	----
MUTUAL FUNDS			
	Franklin Templeton Investments	Franklin Growth fund, 6,670 shares	
	Franklin Templeton Investments	Franklin Small Cap Growth fund, 6,859 shares	
	Franklin Templeton Investments	Franklin U.S. Government fund, 10,659 shares	
	Franklin Templeton Investments	Franklin Blue Chip fund, 7,799 shares	
	Franklin Templeton Investments	Franklin Large Cap fund, 5,931 shares	
	Franklin Templeton Investments	Franklin Balance Sheet fund, 1,529 shares	
	Franklin Templeton Investments	Templeton Foreign fund, 21,406 shares	
	Franklin Templeton Investments	Templeton Growth fund, 7,718 shares	
	Franklin Templeton Investments	Mutual Beacon fund, 41,074 shares	
	Franklin Templeton Investments	Franklin Templeton Money Market fund , 18,360 shares	
COMMON STOCK			
*	Mercantile Bank Corporation	Common stock, 99,511 shares	

* Party in interest
 (d) Investments are participant directed, therefore historical cost is not required.

MERCANTILE BANK

EXHIBITS TO REPORT ON FORM 11-K:

Exhibit No.	Exhibit Description
23	Consent of Independent Public Accountants
99.1	Certification of chief executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.2	Certification of chief financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

MERCANTILE BANK OF WEST
MICHIGAN 401(K) PLAN

Date: June 26, 2003

/s/ Gerald R. Johnson, Jr.

Gerald R. Johnson, Jr., Trustee

EXHIBIT INDEX

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