CEOCFO Interviews & News!

ceocfointerviews.com – – Issue: August 17, 2007

The ability to compete with large mega banks and super regional banks in products and services along with having quality people and a high level of personal service allows Mercantile Bancorp to be well received in the markets they operate in

Financial
Regional – Midwest Banks
(MBR-AMEX)

Mercantile Bancorp, Inc.

440 Maine Street
Quincy, IL 62301
Phone: 217-223-7300

Ted T. Awerkamp
President and CEO

BIO: Ted T. Awerkamp began his duties as President and CEO of Mercantile Bancorp, Inc. in March 2007. Prior to that he served as Vice President and Secretary of the Company from 1994 until 2007, and President and CEO of Mercantile Trust & Savings Bank from 2005 until 2007. He served as Executive Vice President and Chief Operating Officer of Mercantile Trust & Savings Bank from 1993 to 2005. From 1988 to 1993 he served as President and CEO and a director of Security State Bank of Hamilton (IL). Prior to 1988, he completed various levels as an officer of Mercantile Trust & Savings Bank.

Mr. Awerkamp currently serves as a director for Mercantile Bancorp, Inc., Mercantile Trust & Savings Bank, Marine Bank and Trust (IL), Brown County State Bank (IL) and The Royal Palm Bank of Florida (FL).

Company Profile:
Mercantile Bancorp, Inc. is a Quincy, Illinois-based bank holding Company with majority-owned subsidiaries consisting of three banks in Illinois, two banks in Missouri and one bank in each of Kansas and Florida, where the Company conducts full-service commercial and consumer banking business, engages in mortgage banking, trust services and asset management, and provides other financial services and products. In addition, the Company has minority investments in eight community banks in Missouri, Georgia, Florida, North Carolina and Tennessee.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Awerkamp, what is your vision for Mercantile Bancorp?
Mr. Awerkamp: "To be a quality company of community banks satisfying customers in their banking needs and to satisfy owners by enhancing shareholder value."

CEOCFO: How do you fulfill the vision for Mercantile?
Mr. Awerkamp: "At Mercantile Bancorp, we consider ourselves a company of community banks with a unique approach in that not only do we own and operate a group of core banks, mostly Midwestern, we also try to bring value to our ownership by investing in community banks in parts around the country that we feel like have quality bankers and markets that have real growth potential; generally those are start-up or de novo banks."

CEOCFO: There are lots of start-up banks as potential investments for Mercantile, how do you find the opportunities and how do you make your decision?
Mr. Awerkamp: "We really do not seek particular markets or bankers, but to date, it has been purely by networking and word-of-mouth and letting opportunities come to us. Obviously, those have to come at a time when we are in a position of de novo consideration, because we only commit approximately 10% of our overall capital to de novo investments. All of them have come in the form of word-of-mouth and opportunities we hear about and either make the contact directly ourselves, or someone has contacted us because they hear about how we invest in de novo banks. In addition, we seek long-term opportunities for our core banks by engaging in loan participations and in time hope to provide trust services to the de novo banks we invest in. That's a win-win for them and us."

CEOCFO: What is the common thread of the banks you have under your umbrella?
Mr. Awerkamp: "The majority of banks we own and operate are in the Midwest. Our home base is Quincy, Illinois, which is a very small MSA; about 50,000 peo-

ple. That is the base of our flagship bank, which is 101 years old this year. About 25 years ago, our board of directors at that time recognized that to grow the franchise you had to think outside the traditional box and they began very surely acquiring banks within the region. After about five or seven years of that, they determined that small banks in rural areas were not going to be the answer to quality growth forever, so they started spreading their wings a bit and invested in de novo banks with the eye on full acquisition in time, in markets like St. Louis and Kansas City. Subsequently a couple of those investments, though we grew them upwards to about 40% ownership, had opportunities came along to sell those and we did. Subsequent to that, opportunities came along to invest up to 5% in a start-up bank in suburban Atlanta and that was our first venture outside of the Midwest. After five years, that paid out to an excess of a 20% annualized return and our board determined that was a pretty good supplement to our core operating earnings.

We have done about 7 de novo investments in states from Florida, Tennessee, North Carolina, Missouri, and most recently Colorado. Lastly, about mid-year of 2005, an opportunity came along for a full acquisition in southwest Florida, the Royal Palm Bancorp of Naples, Florida became an opportunity that we took a shot at and were successful at and closed on that acquisition in fall of 2006 and today the Royal Palm Bancorp of Naples, Florida we wholly own and operate. We think that is a nice mix. Southwest Florida is a solid market and that bank franchise has facilities in Naples, Marco Island and Fort Myers. We feel like that region of south Florida has tremendous upside over the next couple of decades. Collectively, we look at those varying levels, we refer to it as our three-pronged strategy of wholly owned and operated banks, banks that we will acquire a piece of or make an acquisition to supplement our growth, and the third level being up to a 5% investment in the de novo start-up."

CEOCFO: When a customer comes into a Mercantile bank, what is different?

Mr. Awerkamp: "We have very high standards. Many community bankers talk about, 'it is our people and service' and that is a standard pitch of most community banks. However, what is tremendously important is execution. There are wonderful people in many banks but those banks are not providing the product line and the training to execute big bank products in small markets with community bank service. We have lending limit capabilities up to $35 million collectively today. We have been able to take that lending strength and go into markets both small and large. Obviously, we have to take care of the $1,500.00 car loan to the just-graduated-from-college student who wants to start a career, but secondly, we are able to do $15 million loans on complicated development deals in southwest Florida. I think our ability to execute well at both of those levels is the key. We have high standards of personal service that we expect of ourselves, but the ability to transcend that small loan mentality of community banks and literally execute substantial complex deals. We feel like that adds value to the overall franchise and as the commoditization of financial services continues, that will set us apart as a company of community banks."

> **"At Mercantile Bancorp, we consider ourselves a company of community banks with a unique approach in that not only do we own and operate a group of core banks, mostly Midwestern, we also try to bring value to our ownership by investing in community banks in parts around the country that we feel like have quality bankers and markets that have real growth potential; generally those are start-up or de novo banks."**
>
> **- Ted T. Awerkamp**

CEOCFO: Visibility and marketing are important features for Mercantile; what is your approach?

Mr. Awerkamp: "Visibility is important in the banking sector. We are working everyday toward streamlining that process. We have chosen to date to maintain our individual franchise brand in their markets in the banks that we own outright. We recognized an opportunity in 2006 to collapse five of our charters down to two in Illinois. With the really small banks we had in that mix, there was too much cost savings opportunity to pass up that it was the right thing to do to enhance shareholder value. In addition we have to continue to find ways to gain efficiencies and standardize the products and message of those products, so we are slowly and surely consolidating the marketing effort across our banks as well."

CEOCFO: What is the fastest growing area in products for you and does it vary market by market?

Mr. Awerkamp: "I do not know if it is fast growing per se, but the community banking sector in this country has changed so much to where large banks dominate many parts of the country. Those are the best things going for community banks because of the lack of personal service and the ability to execute. Customers from the common man on up, expect a bank to be competitive and have the same type of products as a super regional or a mega bank. The opportunity for community banks is that you have to maintain yourself on the technology curve and the ability to deliver and execute because your average customer be it a retiree, entrepreneurial business man, corporate business man, someone may look at banks as they are all the same, so you have to differentiate yourself and deliver products. Whether deposit products or loan products, they are relatively commoditized. To differentiate our banks, I go back to not only quality people with high expectations of service, but also the ability to execute in the manner of having the products and services just like big banks. If an individual shops and compares our banks, its services and products, they will find from internet banking, to health savings accounts, to complicated suite arrangements within the internet banking, we can compete against large mega banks and super regional banks. When you add the ability of quality people and the high level of personal service, well that tends to be very well received in the types of markets that we generally operate in."

CEOCFO: It has been hard for the banking industry with as the current interest rate environment, how has Mercantile fared?

Mr. Awerkamp: "It has been a very difficult interest rate cycle for the banking industry. We have our challenges with the interest rate yield curve or lack of the yield curve. We play very close attention to our balance sheets and the interest rate risk management is very important for us. We recognize that though we operate as independent banks and market small and large, our overall responsibility to our ownership is to manage the interest rate risk inherent in balance sheet management. We have a gentleman in our corporate level that spends most of his days studying our balance sheets and positioning ourselves for what we foresee and calculate and assess the forthcoming interest rate cycle to be like. We think we are very well positioned. In addition, one of the things that we have been very successful with in our flagship bank and we are now in the process of taking that across our banks is our trust and brokerage service. We have had good success with personal trust, estates, foundation money management and quality partnerships. It is our own trust business, but it is quality partnerships that enable us to bring that same level of sophistication and service on the trust side and that in turn with retail brokerage helps us encapsulate the lifecycles of bank customers with that high level of personal service, and that in turn adds a nice non-interest income stream to compliment our interest rate margin. When interest rate margins struggling, non-interest income is a nice supplement to help. We feel we have been streamlining our bases that provide income streams. As we start getting some cost efficiencies in line, we think there is a tremendous upside value."

CEOCFO: Why should potential investors be interested in Mercantile?

Mr. Awerkamp: "As investors ponder community banks and bank stocks in general, regional banks are somewhat of a defensive play. There are not a lot of pop and sizzle in community bank stocks because it is a competitive business with a product line that is somewhat commoditized. If a potential investor takes into account varying markets that bring a level of risk of management, because if one market is down maybe another is way up; that levels out a risk profile of an investment. When you look at our non-interest income opportunities and what we are building in that area to compliment the interest margin business, I think that brings value. The overall strategy of varying levels of owned and operated banks, plus acquisitions and de novo investments, which rounds out an investment in Mercantile Bancorp versus a standalone bank in a single region. Bank stocks just do not have rapid growth. They are long steady plays. In comparing ours to others, that it is a nice mix to have in a slow growth play. We have been at this a long time and our long-term results speak for themselves. I am very optimistic about the future."

Mercantile BANCORP, INC.

Mercantile Bancorp, Inc.
440 Maine Street
Quincy, IL 62301
Phone: 217-223-7300