

**Mercantil**  
Commercebanc



**ANNUAL  
REPORT 2009**

*Mercantil Commercebanc N.A. a subsidiary of Mercantil Servicios Financieros*



# ANNUAL REPORT 2009

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# OSCAR PELLEGRINO



## OSCAR PELLEGRINO

**Seminario • 1988**

Vinyl-acrylic paint, plaster and cement on wood • 120 x 365 x 2 cm

*Born in Caracas, Venezuela (1947-1991).*

*A self-taught painter, Pellegrino was influenced by the great European artists of the seventies. His work can be considered neo-expressionist, in that it questions traditional rules of painting. The artist's trademark spontaneity and freedom of composition secured his place among the distinguished painters of his generation. Pellegrino graduated with a degree in architecture from the Central University of Venezuela.*



2009 marked 30 years of service for Mercantil Commercebank N.A., one of the largest privately held banks in Florida. Headquartered in Coral Gables, Florida, the Bank has 17 banking centers - 15 in South Florida, one in Manhattan, New York, and one in Houston, Texas. The Bank offers a wide variety of domestic, international, personal, and commercial banking services, including investments, trusts, and estate planning through its subsidiaries, Mercantil Commercebank Investment Services, Inc. and Mercantil Commercebank Trust Company, N.A. Mercantil Servicios Financieros, a Venezuelan company, beneficially owns the Bank through U.S. bank holding companies. Mercantil Servicios Financieros is the largest provider of financial services in Venezuela with 85 years of experience.

In 2009, the Bank continued to successfully deal with the challenges of a restricted economy. The Bank's core performance remained solid and capital levels resulted in strong regulatory capital ratios. Economic conditions impacted the loan portfolio, particularly in real estate construction and land. Significant loan provisions were required with an important effect on the financial results. Also, the Bank's interest margin suffered some compression due to the historically low interest rates. Despite losses early in the year, a moderate profit was reported in the fourth quarter. This last quarter performance provides a positive indication of moderate improvements in the economy and the Bank's enduring strength.

With a strong capital base and commitment to a long-term vision, the Bank aggressively navigated the issues associated with a stressed loan portfolio. Processes were put in place and resources were allocated to manage the troubled portfolio and minimize future losses.

Refinements were made to the organizational structure to mirror the markets served and to better meet customer needs with full-service relationship banking. Workflows were streamlined to gain maximum operational efficiency and employee productivity. Through the introduction of new technologies, the Bank improved the customer experience while reducing costs.

The Bank is positioned to take full advantage of the opportunities that will arise with an improving economy. A very liquid balance sheet and a high level of capital will enable the Bank to keep pace with increasing loan demand and make prudent investments to fuel future growth.

Mercantil Commercebank is navigating the challenges of today with confidence and a commitment to its long-term success.

# Financial Highlights of Mercantil Commercebank

<i>(Dollars in millions)</i>	december 31 <b>2009</b>	december 31 <b>2008</b>	december 31 <b>2007</b>	december 31 <b>2006</b>
<b>Consolidated Balance Sheets</b>				
Total assets	\$ 5,991.0	\$ 6,023.8	\$ 5,458.6	\$ 4,892.2
Loans and leases, net	3,247.9	3,034.8	2,998.8	2,574.4
Deposits	4,399.6	4,360.8	3,980.7	3,505.5
Securities sold under agreements to repurchase	694.1	868.6	832.8	638.5
Stockholder's equity	654.5	559.5	471.2	395.3
<b>Consolidated Statements of Operations (for the 12 months ended)</b>				
Net interest income after provision for loan and lease losses	\$ 28.5	\$ 111.7	\$ 172.0	\$ 162.2
Non-interest income	68.9	34.4	31.3	26.0
Non-interest expense	136.3	143.9	137.7	110.2
Net (loss) income	(25.7)	2.5	42.2	49.5
<b>Profitability Indicators (%)</b>				
Net interest income / average financial assets	2.82	3.38	3.67	4.00
Net (loss) income / average assets (ROA)	(0.42)	0.04	0.77	1.11
Net (loss) income / average stockholder's equity (ROE)	(4.28)	0.50	9.56	13.88
<b>Capital Adequacy Indicators (%)</b>				
Tier 1 equity / risk-weighted assets	20.78	15.48	12.49	11.72
Tier 1 and tier 2 equity / risk weighted assets	22.05	16.74	13.56	12.58
Tier 1 equity / assets (period-end leverage)	10.47	8.96	8.10	7.73
<b>Asset Quality Indicators (%)</b>				
Non-performing assets / total assets	7.36	3.96	0.81	0.38
Non-accrual loans / gross loans and leases	12.46	7.04	1.13	0.70
Allowance for loan and lease losses / non-accrual loans	18.50	33.20	105.35	141.74
Allowance for loan and lease losses / gross loans and leases	2.31	2.34	1.19	0.99
<b>Efficiency Indicators (%)</b>				
Non-interest expense / average total assets	2.24	2.32	2.51	2.48
Non-interest expense / net interest income + non-interest income	69.79	65.68	62.48	56.36
<b>Liquidity Indicators (%)</b>				
Cash and cash equivalents / deposits	3.82	3.82	4.04	5.92
Cash and cash equivalents + interest earning deposits with banks, with maturities in excess of 90 days + investment securities / deposits + securities sold under agreements to repurchase	48.34	52.79	45.88	51.67
<b>Other Indicators (%)</b>				
Loans and leases, net / deposits	73.82	69.59	75.33	73.44
Financial assets / total assets	95.76	96.53	94.77	95.65
Financial assets / deposits	130.39	133.34	129.97	133.67
<b>Banking Distribution Network</b>				
Banking Centers	17	16	15	15
Loan production offices	1	1	1	1
Number of employees (FTE)	782	879	934	823

The audited financial statements and their accompanying notes are included in this report.

# *Administration*

## ***Board of Directors***

**Gustavo A. Marturet**  
Chairman

**Millar Wilson**  
President and CEO

**Jonathan Coles**

**Frederick C. Copeland, Jr.**

**Pamella J. Dana**

**Thomas E. Krayenbuehl**

**Salvador López de Azua**

**Luis A. Romero M.**

**Jose Antonio Villamil**

**J. Guillermo Villar**

## ***Executive Committee***

**Gustavo A. Marturet**  
Chairman

**Millar Wilson**  
President and CEO

**Rosa M. Costantino**  
Global Private Banking and Asset Management

**Alfonso Figueredo**  
Global Chief Financial Officer

**Fernando Figueredo M.**  
Global Chief Risk Officer

**Alejandro González Sosa**  
Global Executive Coordination

**Philip R. Henríquez**  
Global Corporate Banking

**Armando Leirós R.**  
Global Operations and Technology

**Nerio Rosales Rengifo**  
Global Personal and Commercial Banking

**Ivan E. Trujillo**  
Corporate Secretary

**Julio V. Peña**  
Alternate Corporate Secretary

# ERNESTO LEÓN



## ERNESTO LEÓN

***Porrón con plantas*** • 1986

Acrylic on wood • 122 x 110 cm

*Born in Caracas, Venezuela in 1956.*

*Responding to the social, geographic, historical, and cultural diversity of a place or scene, León's representations of nature propose a new iconography that is distinct from more academic traditions. He studied art in Madrid, Mexico, Caracas, and New York City, and his work has earned multiple awards.*

# Board of Directors Report

Coral Gables, Florida, March 2010

To our Valued Stockholders and Customers:

In 2009 as in 2008, all sectors of the U.S. economy faced unprecedented challenges and the banking sector was hard hit. Mercantil Commercebank was no exception, suffering a loss of \$25.7 million, its first loss in over 15 years. Despite the difficult year, we remain confident that our capital strength, proven business strategies, dedicated employees and enduring core values will enable us to pursue our long-term goals regardless of economic conditions. Throughout 2009, our balance sheet remained stable and we continued to strengthen our market presence in South Florida, New York and Houston. We also made important improvements to our operations and technologies. We emerged from 2009 - our 30th year - with renewed confidence in our capabilities to pursue our vision.

Our solid capital position has allowed us to withstand the economic impact on our loan portfolio. In 2009, Mercantil Commercebank's holding company provided \$115 million in capital to reach a year-end capital level of \$654.5 million, critical to maximizing opportunities for long-term growth and profit potential. At December 31, 2009, the Bank's Tier 1 Regulatory Capital ratio was 10.5 percent, which is more than double the regulatory standard for a bank to be classified as "well capitalized." This is also one of the highest regulatory capital ratios in the Bank's 30-year history. Over 41 percent of the Bank's total assets are held in cash or in the investment portfolio of high quality and extremely liquid securities. As the economy improves and loan demand increases, our liquidity will enable us to meet customer needs.

During the real estate boom, Mercantil Commercebank strategically avoided the risks associated with sub-prime mortgages and other aggressive mortgage products. However, conditions in the real estate environment, including home sales at record lows and steady declines in property values, stressed loans in the Bank's portfolio leading to increased loan provisions. In 2009, more than \$132 million was allocated to loan provisions, versus \$77 million in 2008. At year-end, the Bank reported \$441.1 million in non-performing loans and repossessed properties, representing 7.4 percent of total assets. The allocation of reserves, the compression in the interest margin, the costs associated with managing non-performing assets and significantly higher industry-wide FDIC insurance premiums, all contributed to the loss for the year of \$25.7 million.

Over the past year, the Bank continued to make the management of non-performing assets a top priority. An expanded and strengthened Special Assets Department, reporting to the President and CEO, works with customers to restructure loans in order to minimize future losses, pursues legal action when workout attempts are unsuccessful, and manages and disposes of foreclosed real estate.

U.S. domestic loan demand was at its lowest level in recent years. As a result, fewer new loans were booked and fewer fees were collected from our domestic market segments. However, the International Corporate Banking division, which lends primarily to Latin American banks in the form of 90 to 180-day trade financing lines of credit, demonstrated a year of steady growth, with an increase in its loan portfolio of \$428.2 million, or 49.0 percent. Overall, the Bank's net loans increased by 7.0 percent to \$3.2 billion during 2009.

Total deposits showed a modest increase of \$38.8 million, and our deposit mix shifted from less profitable time deposits to lower-cost interest-bearing transaction accounts. A new deposit product offering, scheduled to launch in 2010, will continue the focus on increasing core deposits while providing competitive value and choices to our customers.

The Bank reduced its operating expenses by 5.2 percent, or \$75 million in 2009, by implementing various cost reduction initiatives. These included the elimination and consolidation of functions that would not impact the quality of customer service or the management of risk. One such consolidation is a unified Domestic Personal and Commercial Banking division, which will improve the coordination between the personal and commercial segments while offering economies of scale. Similarly, a consolidated International Personal and Commercial Banking division will enable us to better address the needs of our foreign customers which are primarily based on deposit products and transactional services. The New York City and Houston banking centers will play a major role in executing these consolidated business strategies.

The Bank views innovation and technology as important ways to capitalize on market opportunities, provide superior customer service and deliver services at a low cost. We recently introduced an enhanced Telephone Banking Service that allows customers to obtain more account information over the phone and handle a wider range of banking transactions. The expanded service includes a unique wire transfer feature that enables customers to safely schedule third party I-Wire transfers within the U.S.

Likewise, we embarked on an upgrade of our online banking service. In 2010, the new service will be launched, first to our commercial customers and then to our personal online banking customers. Using the latest security technology, customers will have faster access to account information, automatic account activity alerts and reminders, and the ability to download activity to facilitate financial reporting. The Bank expects that the complete migration of customers to the new system will occur by the end of 2010.

We consider our retail distribution channel to be essential in expanding our reach in the U.S. domestic market and in 2009 opened two new banking centers. Located in an affluent market in northwestern Broward County, the newly designed Parkland banking center is staffed with bankers who specialize in meeting the needs of high net worth clients. The Lantana banking center, our first location in Palm Beach County, is situated in a high-traffic retail district and provides a considerable advantage in attracting local merchants and neighborhood shoppers as customers.





*Mercantil Commercebank's New York City Banking Center has been designated as a historical landmark.*

We are pleased to report that our investment and trust subsidiaries achieved noteworthy performances despite the difficult market landscape. They continue to represent an important component of the Bank's results for the year, growing both in terms of assets under management and achieving record profits. These subsidiaries provide us with the capabilities to offer clients a full-service relationship, including short- and long-term investments.

As one of the largest banks based in Florida, Mercantil Commercebank continues to take an active role in making the communities where it operates a better place to live. In South Florida, we are committed to education, the arts, business and entrepreneurship, and organizations which strive to benefit those in need. We have a legacy of employee involvement and corporate support for Florida International University, Enterprise Florida, La Liga Contra el Cancer, Habitat for Humanity, Voices for Children, the March of Dimes, and other worthwhile causes. We are also proud to own and preserve our New York office building, which was designated as a historical landmark by New York City's Landmarks Preservation Commission in 2009.

A successful strategy to manage the Bank through difficult economic times, and to prepare for future growth, requires a well-defined business plan and the ability to adjust as conditions change. In 2010, the management of non-performing assets will continue to be a top priority. We have already identified the most critical loan relationships and have taken the steps necessary to proactively manage them in order to maximize recovery values.

While remaining watchful of the loan portfolio, we will also be seeking new lending opportunities as the economy, particularly the real estate sector, improves. These opportunities include booking new loans that diversify the portfolio mix while establishing relationships with customers who value our emphasis on a personal banking experience.

We will continue to invest in technological innovations that improve operational efficiency while delivering added value to our customers and differentiating ourselves from the competition. Ongoing initiatives to refine our work processes, reduce costs and utilize economies of scale will maximize our efficiencies, our profitability and our competitive advantage.

Looking at the year ahead, we remain confident and focused on positioning the Bank for the economic recovery that invariably will follow this recession. We thank our employees for their hard work, dedication and outstanding expertise. We thank our customers for their continued confidence and business. We look forward to a return to the high levels of profitability earned by the Bank for the greater part of our 30 years in business.

Best regards,  
Gustavo A. Marturet, Chairman  
Millar Wilson, President and CEO  
Jonathan Coles  
Frederick C. Copeland, Jr.  
Pamella J. Dana  
Thomas E. Krayenbuehl  
Salvador López de Azua  
Luis A. Romero M.  
Jose Antonio Villamil  
J. Guillermo Villar

## Consolidated Balance Sheets

(Dollars in thousands, except per share data)

	december 31 <b>2009</b>	december 31 <b>2008</b>
<b>Assets</b>		
Cash and due from banks	\$ 21,225	\$ 19,815
Interest earning deposits with banks	146,725	146,901
Cash and cash equivalents	167,950	166,716
Interest earning deposits with banks, with original maturities in excess of 90 days	200	200
Securities:		
Trading	-	1,144
Available for sale	2,294,054	2,542,292
Held to maturity	-	50,312
Federal Reserve Bank and Federal Home Loan Bank stock	33,092	25,489
Loans and leases, net	3,247,862	3,034,824
Accrued interest receivable	17,444	24,999
Bank premises and equipment, net	86,781	69,566
Deferred tax asset, net	42,244	31,612
Customers' acceptance liability	668	1,765
Total due from investment securities brokers	10,029	2,046
Other real estate owned	26,811	19,684
Other assets	63,910	53,161
	<u>\$ 5,991,045</u>	<u>\$ 6,023,810</u>
<b>Liabilities and Stockholder's Equity</b>		
Deposits:		
Demand:		
Non-interest bearing	\$ 663,233	\$ 657,057
Interest bearing	1,376,878	1,038,646
Savings and money market	1,386,296	1,238,799
Time	973,204	1,426,284
Total deposits	4,399,611	4,360,786
Securities sold under agreements to repurchase	694,127	868,630
Advances from the Federal Home Loan Bank	201,754	151,767
Acceptances outstanding	668	1,765
Accrued interest payable	3,601	5,025
Total due to investment securities brokers	20,510	48,854
Accounts payable and accrued liabilities	16,323	27,482
	<u>5,336,594</u>	<u>5,464,309</u>
Commitments and contingencies (See notes 1, and 14 of the audited financial statements)		
Stockholder's equity:		
Common stock, \$70 par value, 2,000,000 shares authorized, 1,699,499 shares issued and outstanding in 2009, 1,526,716 in 2008	118,961	106,870
Additional paid in capital	308,505	205,596
Retained earnings	216,284	245,033
Accumulated other comprehensive income	10,701	2,002
	<u>654,451</u>	<u>559,501</u>
	<u>\$ 5,991,045</u>	<u>\$ 6,023,810</u>

The audited financial statements and their accompanying notes are included in this report.

# Financial Statements

## Consolidated Statements of Operations and Comprehensive Income

(Dollars in thousands)	12 months ended	
	december 31 2009	december 31 2008
<b>Interest Income:</b>		
Loans and leases	\$ 116,559	\$ 170,626
Trading securities	-	10,186
Investment securities	89,626	91,286
Interest earning deposits with banks	854	1,915
Federal funds sold	-	2,825
Other interest income	260	244
Total interest income	207,299	277,082
<b>Interest Expense:</b>		
Interest bearing demand deposits	3,776	8,476
Savings and money market deposits	2,397	8,985
Time deposits	15,793	39,864
Securities sold under agreements to repurchase	17,643	27,856
Trading liabilities	-	183
Advances from the Federal Home Loan Bank	6,171	2,313
Other interest expense	969	688
Total interest expense	46,749	88,365
Net interest income	160,550	188,717
Provision for loan and lease losses	132,100	77,000
Net interest income after provision for loan and lease losses	28,450	111,717
<b>Non-interest Income:</b>		
Deposit fees and service fees	15,014	14,075
Brokerage fees	6,547	6,780
Loan and trade financing servicing fees	1,721	2,442
Securities and derivative instruments gains, net	35,014	1,631
Other non-interest income	10,582	9,536
Total non-interest income	68,878	34,464
<b>Non-interest Expense:</b>		
Salaries and employee benefits	70,582	86,847
Occupancy and equipment	16,083	13,599
Insurance	10,425	4,484
Depreciation and amortization	8,238	7,985
Telecommunication and data processing	5,979	5,830
Professional fees	4,208	4,165
Other operating	20,828	20,940
Total non-interest expense	136,343	143,850
(Loss) income before benefit for income taxes	(39,015)	2,331
Benefit from income taxes	13,266	183
Net (loss) income	(25,749)	2,514
<b>Other Comprehensive Income (Loss), Net of Tax:</b>		
Net unrealized holding losses on securities available for sale arising during the year	(4,738)	(8,423)
Reclassification adjustment for net gains included in net income	13,437	2,398
Other comprehensive income (loss)	8,699	(6,025)
Comprehensive loss	\$ (17,050)	\$ (3,511)

The audited financial statements and their accompanying notes are included in this report.

# ADRIÁN PUJOL



## ADRIÁN PUJOL

*El Ávila desde Altamira II* • 1994

Acrylic on canvas • 130 x 176.5 cm

*Born in Palma de Majorca, Spain in 1948.*

*Pujol experiments with different pictorial techniques with the objective of creating a dramatic visual effect reminiscent of the textures of rubble, weathered walls and worn-out fabrics. The artist also incorporates mundane elements, such as bicycles and water bottles among other items. He studied at the Fine Arts and Artistic Crafts School in Majorca and at the San Jorge Higher Learning School of Fine Arts in Barcelona. Pujol moved to Venezuela in 1974 and joined the Center for Graphic Studies in Caracas.*

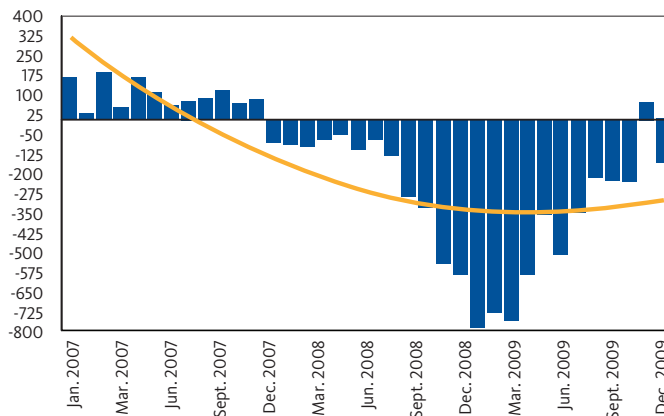
# U.S. Economic Climate

Following a very sharp contraction during 2008 and the first half of 2009, the U.S. economy started to recover during the latter part of 2009. In the first quarter of 2009, real Gross Domestic Product (GDP) declined by a substantial 6.4 percent (annualized) from the prior quarter, with almost all the key economic sectors in decline including manufacturing, finance, retail, and mining. However, the U.S. economy reportedly exited the recession in the third quarter with growth of 2.2 percent (annualized) from the prior quarter. It was aided by unprecedented global financial, fiscal and monetary support. Also, the economy was boosted by the lag-

ging effects of expansionary public policies and special transfer programs such as the U.S. government's \$3 billion Car Allowance Rebate System, more commonly known as the "cash for clunkers" program. The economy grew at an even faster 5.7 percent pace in the fourth quarter, the quickest pace in more than six years, as businesses reduced inventory investment less aggressively and the economy reflected positive contributions from exports and personal consumption expenditures. Overall real GDP decreased by 2.4 percent in 2009 in contrast to a low increase of 0.4 percent in 2008. Conditions in the financial markets improved markedly throughout 2009, although at the end of the first half of the year conditions were still considered "tight."

## Non-Farm Payroll Employment

1/2007 to 12/2009



■ Growth  
— Trend

Source: U.S. Bureau of Labor Statistics

At the end of the year, monthly indicators of economic activity showed mixed results. U.S. retail sales decreased 0.3 percent in December, when a modest increase was expected. There were clearly some extenuating circumstances: severe winter weather, retailers maintaining less stock during the holiday season and the absence of job and credit growth seemed to take its toll. 2009 was challenging for the U.S. factory sector, but activity improved as the year went on. For December, year-on-year industrial production fell 2.0 percent, while capacity utilization rose further to 72.0 percent at year-end, its highest level since December 2008.

## Consumption and Labor Market Trends

A slowdown in total consumption was registered over the year with real consumer spending decreasing 0.6 percent. Conditions were extremely difficult during the first half of the year. Such retrenchment in consumer spending is understandable given the stresses that households were under, but troubling because this sector represents over 70 percent of GDP. Con-

sumer spending started to recover in the third and fourth quarters with growth rates of 2.8 and 2.0 percent, respectively. According to the U.S. Department of Commerce's latest report on consumer income and spending, disposable income rose a steady 0.4 percent during December and for the year rose 1.5 percent due to tax cuts early in the year. These cuts enabled the savings rate to rise to 4.8 percent which was near where it began the year, but up sharply from the 1.0 percent low at the beginning of 2008. With respect to the labor market, according to the U.S. Bureau of Labor Statistics (BLS), for 2009 as a whole, payrolls declined by 5.0 million jobs, by far the worst decline since World War II. The drop of 3.7 percent during the year edged out a 3.6 percent decline in 1945. The payroll employment decline was accompanied by a steady unemployment rate at 10.0 percent, not far below the postwar record of 10.8 percent reached late in 1982. Not surprisingly, in this environment the personal savings rate was on the rise, as people tried to rebuild their wealth and provide a cushion against the possibility of a job loss.

### ***Business Spending***

Business spending was also materially affected by the economic climate, as firms faced weak demand for their products and restricted credit despite the lower interest rate environment. Many companies, especially those with lower credit ratings, continued to experience difficulty borrowing in the commercial paper market, an important source of short-term funding. Bank lines of credit reportedly were a bit easier to negotiate, but many firms became cautious in managing liquidity and in committing to undertake capital spending projects. Some companies drew on existing credit lines to have cash on hand in case the lines were restricted by their bank. Overall, business fixed investment suffered a severe drop during the first quarter of 39.2 percent; however, it recovered in the fourth quarter to show a small positive growth of 2.9 percent.

### ***The U.S. Real Estate Markets***

The ongoing correction in both residential and commercial real estate continued to hang over the economy as the rising tide of defaults and foreclosures continued to stress the financial system. U.S. real estate markets registered some modest improvement in 2009, but much of that improvement had more to do with tax rebates that effectively subsidized the cost of housing than with a resurgent demand for real estate. Federal government support, with massive purchases of mortgage-backed securities by the Federal Reserve, helped drive down mortgage rates while a tax-credit for first-time homebuyers lifted demand. Nonetheless, signs of recovery are beginning to emerge in many markets and particularly in Florida, one of the hardest hit states in the recession.

In the residential segment, after surging in the summer, U.S. housing starts fell 21 percent (annualized) in the fourth quarter. Unseasonably cold and wet weather likely played a meaningful role in the decline, as starts fell in all major regions except the South. The annualized fourth quarter housing starts were only fractionally above the record low of 554,000 units posted for the entire year. The same trend was seen in existing home sales.

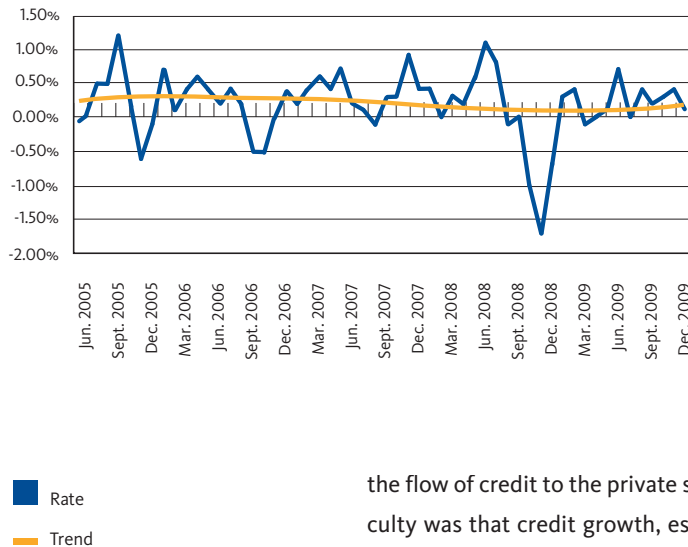
Commercial real estate appears to remain in the midst of the storm. Nonresidential construction pulled back significantly during the year as many commercial projects were delayed or were canceled outright as financing became much harder to secure and credit worthy tenants difficult to find.

## Domestic Prices

For all of 2009, consumer prices declined slightly. The 0.3 percent drop, the first since 1955, was pulled lower by a decline –on average– in energy prices. Moreover, during the first half of the year weaker economic activity around the world led to lower demand for commodities, pushing their prices, and inflationary pressures, down substantially. At the same time, rising unemployment and unused industrial capacity put downward pressure on inflation. In a December-to-December horizon, the CPI rose 2.7 percent which was the fastest 12-month increase since October 2008. For December alone, a 0.1 percent CPI rise followed stronger gains during the prior four months which were boosted by the rebound in energy prices.

### Inflation Rate in the United States

(CPI Monthly % Change)



Source: U.S. Bureau of Labor Statistics

## Monetary Policy

The Federal Reserve (Fed) and the Federal Open Markets Committee undertook numerous unprecedented actions over the past 18 months as they moved the traditional target interest rate to virtually zero and the Fed balance sheet ballooned to more than twice its pre-crisis size. Throughout 2009 the Fed has held policy relatively constant with the Fed Funds rate target at 0–0.25 percent and the balance sheet hovering near \$2 trillion. Clearly, policy remained at an extremely accommodative level, aiming to serve two main purposes: first, to provide a reliable source of liquidity to financial institutions and markets and second, to promote an increase in

the flow of credit to the private sector. However, with respect to the second target, the difficulty was that credit growth, especially in the consumer segment, was severely restrained over the year. Consumer credit outstanding as a percentage of disposable income fell in December to 22.0 percent from its 2005 high of 24.7 percent, and the December decline of \$1.8 billion, although relatively small, was the fifteenth monthly drop since the summer of 2008.

Some risks persist from both the sustainability and pace of the economic recovery and the level of future monetary and fiscal policy. Mercantil Commercebank’s challenge for 2010 will be to monitor and evaluate the changing conditions in the real estate and financial markets and to be as proactive as possible in order to mitigate adverse effects on its balance sheet and maximize profitability.

# OSCAR PELLEGRINO



**OSCAR PELLEGRINO**

*Zona Inca* • 1989

Mixed-media on canvas • 160 x 140 x 2.5 cm

# Consolidated Financial Statements Review

## Balance Sheets

The highlights of the consolidated balance sheets and the principal variations are as follows:

### Summary of Consolidated Balance Sheets

(in millions except percentages)

	december 31 <b>2009</b>	december 31 <b>2008</b>	Increase (Decrease)	
			<b>\$</b>	<b>%</b>
<b>Total Assets</b>	<b>\$ 5,991.0</b>	<b>\$ 6,023.8</b>	<b>\$ (32.8)</b>	<b>(1)</b>
Cash and cash equivalents	168.0	166.7	1.3	1
Interest earning deposits with original maturities in excess of 90 days	0.2	0.2	-	-
Securities	2,327.1	2,619.2	(292.1)	(11)
Loans and leases, net	3,247.9	3,034.8	213.1	7
Other assets	247.8	202.9	44.9	22
<b>Total Liabilities</b>	<b>\$ 5,336.6</b>	<b>\$ 5,464.3</b>	<b>\$ (127.7)</b>	<b>(2)</b>
Total deposits	4,399.6	4,360.8	38.8	1
Securities sold under agreements to repurchase	694.1	868.6	(174.5)	(20)
Advances from the Federal Home Loan Bank	201.8	151.8	50.0	33
Other liabilities	41.1	83.1	(42.0)	(51)
<b>Total Stockholder's Equity</b>	<b>\$ 654.5</b>	<b>\$ 559.5</b>	<b>\$ 95.0</b>	<b>17</b>

The audited financial statements and their accompanying notes are included in this report.

## Total Assets

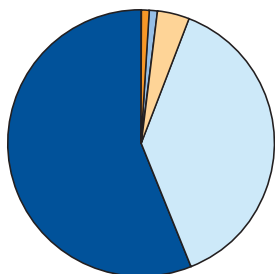
Total assets were \$6.0 billion at December 31, 2009, a decrease of \$32.8 million or 1.0 percent from the close of 2008. The net loan portfolio grew by 7.0 percent to \$3.2 billion representing 54.2 percent of total assets, and the investment securities portfolio closed at \$2.3 billion, or 38.8 percent of total assets.

## Cash and Interest Earning Deposits

Cash, cash equivalents and interest earning deposits with original maturities in excess of 90 days continues to be high at \$168.2 million. This level of highly liquid assets, 2.8 percent of total assets at December 31, 2009, along with the highly liquid and short-term investment securities portfolio, will give the Bank ample flexibility to lend and to manage its interest rate risk profile.

## Investment Securities Portfolio

December 31, 2009



U.S. Government Agencies	56%
U.S. Government Sponsored Enterprise Debt Securities	38%
Corporate Securities- Commercial Paper and Trust Preferred Securities	4%
FHLB Stock	1%
Mutual Funds & Others	1%

## Investment Securities

As of December 31, 2009, the investment portfolio was at \$2.3 billion. It is comprised primarily of highly liquid residential mortgage related instruments issued by U.S. Government agencies and U.S. Government sponsored enterprises in the form of Collateralized Mortgage Obligations (CMOs) and Mortgage Backed Securities (MBSs), as well as U.S. Treasuries.

The Bank manages its investment portfolio with strategies designed to provide the optimum combination of liquidity, interest income, credit risk and market risk. The investment portfolio market risk is the risk of market value losses associated with fluctuations in market interest rates (refer to page 32 for the market risk discussion).

The composition of the investment securities portfolio at December 31, 2009 is illustrated in the chart on the left.

The investment portfolio is of very high credit quality. U.S. Treasury, U.S. Government agency debt securities and U.S. Government sponsored enterprise debt securities, comprising 96.4 percent of the available for sale investment portfolio (up from 65.5 percent in 2008), carry an implicit AAA rating. The remaining balance of the portfolio is comprised of investment grade instruments.

## Loans and Leases, net

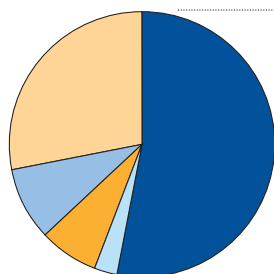
The net loan and lease portfolio grew by \$213.1 million, or 7.0 percent, reaching a record of \$3.2 billion. The increase was primarily attributed to Financial Institutions (principally Trade Finance) which grew by \$612.1 million or 188.5 percent. The increase was partially offset by decreases in Corporate International of 33.3 percent and Real Estate of 7.8 percent. The Real Estate portfolio closed at \$1.8 billion representing 52.6 percent of gross loans and leases and 29.2 percent of total assets at year-end 2009, down from 61.0 percent and 31.5 percent, respectively, at the close of 2008.

An important strategy to mitigate credit risk in the Bank's loan and lease portfolio is diversification. Diversification is managed through policies that limit exposure to individual or related debtors, collateral and economic activity of the debtors. The Bank's loan and lease portfolio, and its most important sector, Real Estate, at December 31, 2009 was well diversified in terms of economic activity and collateral as demonstrated in the following chart.

## Loan Portfolio

December 31, 2009

Real Estate	53%
Financial Institutions	28%
Corporate U.S.	9%
Corporate International	7%
Personal and Commercial	3%



Income Producing Commercial	15%
Owner Occupied Commercial	12%
Residential Construction	8%
Residential Mortgages	8%
Income Producing Multi-Family	5%
Commercial Construction	3%
Land	2%

### Other Assets

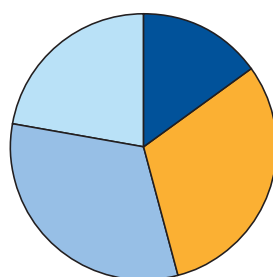
Other assets increased by \$44.9 million, or 22.2 percent. This increase is principally attributed to a \$17.2 million increase in Bank Premises and Equipment, a \$10.6 million increase in the Deferred Tax Asset, an \$8.0 million increase in Due from Investment Securities Brokers and a \$7.1 million increase in Other Real Estate Owned (repossessed properties).

### Deposits and Securities Sold Under Agreements to Repurchase

Deposits and securities sold to customers under agreements to repurchase closed at \$5.1 billion, a decrease of \$135.7 million or 2.6 percent from the prior year. Although a net decrease was experienced on a year-on-year basis, the performance within the year was mixed. Balances increased by 6.4 percent during the second semester of the year, primarily in personal accounts, partially offsetting the decline of 8.4 percent experienced during the first semester attributed primarily to corporate and commercial accounts.

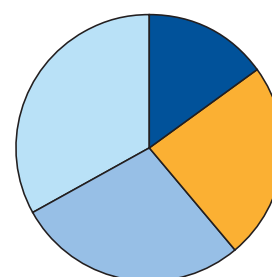
The composition of the Bank's deposits at December 31, 2009 and 2008 was as follows:

#### 2009 Deposits



Time	22%
Savings & Money Market	32%
NOW	31%
DDA	15%

#### 2008 Deposits



Time	33%
Savings & Money Market	28%
NOW	24%
DDA	15%

There was a notable favorable shift in the composition of the deposits during 2009. NOW accounts increased from 24 percent in 2008 to 31 percent in 2009, while Time Deposits decreased from 33 percent to 22 percent, respectively. This change resulted in interest expense savings to the Bank since the average interest rate paid on NOW accounts was significantly lower than the average interest rate paid on Time Deposits.

### Advances from the Federal Home Loan Bank

The Federal Home Loan Bank offers its member institutions fixed or variable rate secured lines of credit based on the institution's condition and creditworthiness. The Bank utilizes medium to long-term fixed rate advances to manage balance sheet interest rate sensitivity. Advances increased by \$50.0 million to close at \$201.8 million at December 31, 2009. Refer to note 9 of the audited financial statements, included in this report, for more detail on the outstanding balances.

At December 31, 2009 the Bank had a credit line of approximately \$1.2 billion, with an unused borrowing capacity of approximately \$1.0 billion.

## Stockholder's Equity

Stockholder's equity grew by \$95.0 million or 17.0 percent during the year. Other comprehensive income, primarily the available for sale investment portfolio's unrealized market value gain, on an after-tax basis, generated an increase of \$8.7 million and the net loss generated a decrease of \$25.7 million. During the year, the Bank received capital infusions from its shareholder totaling \$115.0 million and paid \$3.0 million in dividends.

## Statements of Operations

The Bank experienced a decrease in earnings in 2009 with a net loss of \$25.7 million. The return on average assets (ROA) was a negative 0.42 percent. The most significant factor contributing to the decrease in earnings was higher provisions for loan and lease losses.

The highlights of the operating results are as follows:

## Statements of Operations Highlights

(in millions except percentages)

	12 months ended		Favorable/(Unfavorable)	
	december 31 2009	december 31 2008	\$	Variance %
<b>Net Interest Income After Provision for Loan and Lease Losses</b>	\$ 28.5	\$ 111.7	\$ (83.2)	(74)
Interest income	207.3	277.1	(69.8)	(25)
Interest expense	46.7	88.4	41.7	47
Provision for loan and lease losses	132.1	77.0	(55.1)	(72)
<b>Non-Interest Income</b>	68.9	34.5	34.4	100
<b>Non-Interest Expense</b>	136.3	143.9	7.6	5
Salaries and employee benefits	70.6	86.9	16.3	19
Other operating	65.7	57.0	(8.7)	(15)
<b>Benefit from Income Taxes</b>	13.2	0.2	13.0	6,500
<b>Net (Loss) Income</b>	\$ (25.7)	\$ 2.5	\$ (28.2)	(1,128)

The audited financial statements and their accompanying notes are included in this report.

## Net Interest Income after Provision for Loan and Lease Losses

The Bank's net interest income after provision for loan and lease losses decreased by \$83.2 million or 74.5 percent. Before the provision, the decrease was \$28.1 million, or 14.9 percent, principally due to a decrease in the net interest margin from 3.4 percent in 2008 to 2.8 percent in 2009, partially offset by an increase in average earning assets of \$44.1 million during 2009.

The provision for loan and lease losses increased to \$132.1 million in 2009 from \$77.0 million the prior year. During the year a significant number of residential and commercial construction and development loans suffered new or increased impairments due to the stresses on these projects caused by the continuing decline in property values and a marked slow-down in sales. During the year, the Bank charged-off a net \$128.1 million in impairments primarily associated with these projects. The increase in impairments and charge-offs was especially concentrated

during the second and third quarters of the year. However, an improvement was noted during the fourth quarter as the pace of property value declines appears to be moderating and sales volumes are starting to increase. In fact, the Standard & Poors Case-Shiller Home Price Index for the Miami area reported a 3.1 percent increase in property values for the six months ended December 31, 2009, while the year-on-year index still shows a decline of 12.1 percent. This marked difference in price performance between the first and second semesters of the year may be an indication of a turning point in the local residential real estate market.

### *Non-interest Income*

Non-interest income increased by \$34.4 million, or 99.7 percent. The principal factor leading to this improvement was an increase of \$33.4 million on net gains from the sales of securities available for sale and derivative instruments. Despite these realized gains, the unrealized gain on the available for sale securities portfolio at December 31, 2009, on a pretax basis, increased significantly to \$16.0 million, compared to \$3.1 million at 2008.

### *Non-interest Expense*

The Bank's non-interest expenses decreased by \$7.6 million, or 5.3 percent, during the year. The net decrease is principally attributed to:

- Personnel expenses lower by \$16.3 million or 18.8 percent,
- Insurance higher by \$5.9 million or 132.4 percent, principally as a result of the FDIC deposit insurance special assessment and an increase in the standard premium rate
- Occupancy and equipment expense higher by \$2.5 million or 18.3 percent

The significant decrease in personnel expenses was achieved by a combination of initiatives including the consolidation of functions, the streamlining of business and product units and other improvements in operating efficiencies. The Bank's operating expense ratio (overhead over average assets) of 2.2 percent improved from 2.3 percent last year and ranks in the 30th percentile of its peer group<sup>1</sup>.

<sup>1</sup>Federal Financial Institutions Examination Council (FFIEC) Uniform Bank Performance Report (UBPR) as of December 31, 2009, for insured commercial banks with assets in excess of \$3 billion.



# ANTONIO LAZO



## ANTONIO LAZO

*Desnudo y paisaje* • 1989

Acrylic and charcoal on canvas • 240 x 300 cm

*Born in Caracas, Venezuela in 1943.*

*Influenced by the Italian Transavantgarde movement, Lazo is a highly adaptable artist whose drawings and paintings deconstruct – formally and conceptually – the meaning of art itself. Lazo's work incorporates a wide range of iconography borrowed from many cultures and the artist's experiences as a teacher and traveler throughout South America, North America and Europe.*

# ***Management Discussion and Analysis***

## ***Domestic Personal and Commercial Banking***

The Domestic Personal and Commercial Banking division serves U.S. based personal and commercial customers, including companies with commercial real estate borrowing needs.

The division was reorganized and consolidated during the year in order to fully capitalize on the opportunities that will emerge in the upcoming period of economic recovery. Processes were streamlined to achieve maximum efficiencies and customer relationships were reviewed and assigned to the business line that best fit the individual customer's needs. With this more efficient service delivery structure, resources have been freed up to allow bankers to spend the optimal amount of time servicing customers' needs. This new structure, which also adds strategic focus to each market segment, strengthens the relationship-banking model that enhances the customer experience, builds loyalty and deepens customer relationships.

All three units under the umbrella of Domestic Personal and Commercial Banking: Retail Banking, Commercial Banking and Commercial Real Estate, closed 2009 with a clear vision of the challenges and, more importantly, the opportunities facing the Bank and its customers when the economy rebounds.

## ***Domestic Retail Banking***

For nearly 30 years, the Bank has successfully developed market share by originating business through its network of banking centers. In 2009, this strategy was refocused and reinforced by shifting a large measure of responsibility for sales activities to the local banking center level. Neighborhood-based promotional programs were developed to align more closely with the potential of each local market. By employing a local market approach, rather than a broad market approach to sales, the resources used to identify and serve customer needs are more efficiently allocated. The expected result is lower business acquisition costs and greater customer satisfaction.

To further expand market share, Domestic Retail Banking opened two new banking centers in 2009, including the Bank's first banking center in Palm Beach County. Located in a popular retail area of Lake Worth, this location was chosen for its high visibility with potential customers. In June of 2009, the Bank also opened a green-designated facility in Parkland, an affluent community in Broward County. At year-end, the total number of banking centers stood at 15 in South Florida, one in New York City and one in Houston, Texas.

The unit also underwent a detailed review of its products and services. The result is a new suite of deposit products scheduled to launch in early 2010. The core product offering will lend itself to being customized by clients to meet their personal preferences and individual style of banking. Giving clients the choice to add product features is a unique approach to fulfilling the Bank's emphasis on creating a personalized banking experience for its customers and deepening customer relationships.

To expand U.S. market presence in South Florida, New York and Houston, in early 2009 the Bank brought in management with the experience and proven abilities in retail banking to oversee the unit. New ideas and practices, coupled with the Mercantil Commercebank tradition of personalized service, provide a unique opportunity to develop new business while retaining existing client relationships.

Overall, results for 2009 were very encouraging. Deposits grew by 11.8 percent to end at \$584.9 million and the quality of the loan portfolio, consisting mainly of residential mortgages, remained strong and stable, ending the year at \$257.7 million. Challenging performance targets have been set for 2010. Reaching these targets will rely primarily on increasing the customer base via the expanded banking center network, focusing on the execution of local market strategic initiatives and the roll-out of new customizable products and services. These strategies are key to optimizing customer attraction, satisfaction and retention.

### ***Domestic Commercial Banking***

In 2009, this unit focused on preparing itself for the economic recovery ahead. Consolidated and streamlined processes enhanced loan officers' ability to handle larger portfolios and more client relationships. Also, in line with the philosophy to implement more focused marketing efforts, three commercial banking hubs were formed. One hub is located in the Coral Gables corporate headquarters, a second in the highly commercial area of Doral and a third in Weston that provides easy access to the commercial districts of Broward and Palm Beach counties. The location of these hubs provides a wide-spread coverage of the South Florida market.

To further improve operating efficiencies and improve customer service, the unit successfully marketed electronic wire faxes as a superior alternative to faxed requests. Now, the majority of customers handle wire transfers using an online service, I-Wires. This provides customers with optimum convenience, security and control over their wire transfer transactions. The division's array of electronic banking services will also benefit in 2010 from the Bank-wide launch of a new electronic banking platform.

Of particular importance during 2009 was managing the credit quality of the unit's commercial loan portfolio. The ongoing review of the commercial loan portfolio helped identify early warning signs of stressed loans, permitting an orderly process of workouts with customers and other initiatives that have helped our customers through the economic downturn while protecting the Bank's interests.

During the year, loans decreased by 13 percent, which resulted in loans outstanding for the unit of \$747.8 million. As a result of its strong capital and liquidity position, the Bank is poised to meet the loan demand from credit-worthy customers in the year ahead. Increased demand is expected for owner-occupied loans as businesses take advantage of the attractive interest rate environment and lower prices, to purchase office, retail and warehouse facilities for their businesses.

## ***Commercial Real Estate***

In 2009, the unit focused on the aggressive management of its commercial real estate portfolio while continuing to minimize its concentration risks. Through the sale of real estate notes and mortgages, as well as working with borrowers to repay loan obligations prior to their maturity date, the unit's loans secured by real estate decreased by 13 percent to \$886 million at year end.

To mitigate the risk associated with new commercial real estate loans in the current turbulent real estate environment, tighter underwriting standards and limits by loan product and geographic market were implemented. Benchmarks were defined for early identification and proper risk classification of loans, including stressed loans in the areas of residential construction, land development and, to a lesser extent, commercial properties. These segments were most negatively impacted in 2008 and continued to trend downward in 2009.

During the year, processes and organizational structures were reinforced to ensure effective monitoring and supervision of the entire real estate portfolio, with a special emphasis on the stressed loans. Significant resources were invested to risk grade loans accurately and in a timely manner, to identify potential impairments and to measure the impairments' impact on the Bank's results. This permitted a focused approach on a case-by-case basis facilitating workout plans with customers and, when necessary, taking timely legal actions to maximize the Bank's recovery potential. In some cases, the Bank worked with borrowers to complete a project in order to enable unit sales. In other cases, the Bank resorted to taking title to properties in order to minimize its loss exposure. During 2009, the Bank's Other Real Estate Owned (foreclosed properties) increased by 36.2 percent to close at \$26.8 million.

## ***International Personal and Commercial Banking***

The International Personal and Commercial Banking division serves the U.S. banking needs of foreign domiciled personal and commercial customers primarily with deposit products and secured loans.

Serving a foreign domiciled customer base requires a high degree of insight into the cultural and economic forces affecting their financial needs. Traditionally, this has been one of Mercantile Commercebank's greatest strengths and has given the Bank a competitive advantage. Through a relationship banking model, customers are able to take advantage of the Bank's full range of products and services delivered by specialized international banking professionals.

Both the Personal Banking International and Commercial Banking International units achieved marked growth in 2009, despite the challenges presented by fluctuations in economic activity and restrictive exchange control policies in the Bank's key markets in Latin America.

### ***Personal Banking International***

In 2009, Personal Banking International implemented a segmentation initiative to optimize resources allocated to serving customer needs. Considering account size, transaction profiles, long-term financial goals, and service needs, all customer relationships were reviewed and assigned to specialized segments. Customers within each segment are served by dedicated international personal banking officers specialized in providing the products and services for each segment and in helping the customers with their specific needs. An added benefit of this new customer segmentation model is that marketing and promotional activities are better focused on the particular needs of the target segment.

During the year, special emphasis was placed on improving efficiency and an assessment was conducted to identify the unit's operational strengths and weakness, as well as service levels. As a result, processes were streamlined and those that failed to add value were eliminated. Productivity benchmarks were established and are regularly monitored to measure improvements.

The assessment also made possible the identification of opportunities to utilize technology to increase customer convenience while keeping service delivery costs down. Among the solutions implemented was the migration of customers to a more efficient and secure method to order wire transfers, the I-Wires service. By the end of 2009, 97 percent of customers who regularly order wire transfers from their accounts were enrolled and are actively using this service.

The Personal Banking International unit's deposits grew by 7.4 percent or \$181 million during 2009. This growth was net of transfers to other units of the Bank where the customers' needs could be better served, such as MCIS.

In 2010, the unit will continue to focus on growing the customer base by improving and more actively marketing the products and services that already set the Bank apart from its local competition.

## ***Commercial Banking International***

In 2009, Commercial Banking International was highly successful in attracting new clients by increasing referrals from affiliates, subsidiaries and existing customers who value the highly personalized service provided by the unit's experienced relationship officers. The Commercial Banking International unit's deposits grew by 8.0 percent during 2009 to end at \$598 million.

The Bank gained an important competitive advantage by making it easier for international commercial customers to open new accounts. At [www.mercantilcb.com](http://www.mercantilcb.com), foreign companies are able to find all the necessary forms, requirements and detailed instructions to quickly open a new commercial account. This process reduced manual errors, further enhanced compliance with the numerous laws and regulations governing the opening of new accounts and contributed to an increase of 51 percent in the number of accounts opened during the second half of 2009.

To improve customer satisfaction, efficiency and profitability, the division also focused on enrolling customers in online services such as electronic wire transfers via I-Wires. A substantial number of clients have been migrated to this process, which is faster, more economical and more secure.

In the coming year, the focus will continue to be on providing improved tools that make it easier for commercial customers to bank with Mercantil Commercebank.



## *International Corporate Banking*

The International Corporate Banking division serves financial institutions and corporations, including oil & gas industry concerns, based in Latin America with over \$250 million in annual sales.

The global economic downturn that began during 2008, and which continued to stifle the recovery of international financial markets and impact liquidity in the region in early 2009, significantly contributed to a decrease in the division's loan volume. From the close of 2008 to February 2009, loans decreased by 22.5 percent and hit a low for the year of \$677 million.

Recognizing the potential risks of the sustained economic downturn on its business, International Corporate Banking re-focused efforts early in the year and executed strategic business decisions which promoted growth while minimizing risk. As a result, loan volume increased and grew every quarter to reach \$1.3 billion at year-end, an increase of 49.0 percent from the prior year.

One of the key business decisions that led to this growth was increased marketing efforts in Brazil, Chile, Peru and Colombia. Despite the global economic downturn, these countries maintained stable and sustainable economies. In addition, the division focused on increasing loan volume to financial institutions, also concentrating primarily in Brazil, Chile and Peru due to their sound banking systems. The Bank's expansion into Chile began in 2008 and proved to be an effective strategy evidenced by the country's robust economy and "A" sovereign risk rating. As part of its core international business strategy, the Bank mitigates risk by maintaining exposure in countries that are rated "Investment Grade".

As a result of refocused strategies, loans to financial institutions increased by 187 percent to end the year at \$936.9 million. At the same time, the division decreased its exposure in Mexico, from \$145.9 million at year-end 2008 to \$117.0 million, as this country's economy suffered due to its strong links to the weakened U.S. economy, depressed world oil prices and the threat of the flu pandemic. See note 4 of the audited financial statements, included in this report, for more detail on the outstanding balances by country.

In 2010, International Corporate Banking expects to see loan volume increase in Chile and Peru, particularly in the mining sector, and the potential for growth in corporate business in Brazil.

## *Private Banking*

The Private Banking division serves the needs of wealthy individuals requiring more sophisticated banking, investment and trust products combined with customized levels of service delivered by a highly qualified and responsive staff.

In 2009, Private Banking focused its efforts on optimizing the integrated service model created in 2007 to achieve its full potential. Working closely with the Bank's affiliates, Mercantil Commercebank Investment Services, Inc. (MCIS) and Mercantil Commercebank Trust Company, N.A. (MCTC), Private Banking officers develop comprehensive, customized financial plans to preserve and grow their clients' wealth.

As a result of having an in-depth knowledge of their clients' financial goals and time horizons, Private Banking officers advise their clients on the products and services that will best help them achieve their goals. During the year, this highly personalized service model resulted in increased new asset referrals to MCIS, MCTC, and other affiliates of Mercantil Commercebank.

Private Banking experienced another year of strong growth in both deposits and assets under management, with deposits reaching \$341.2 million. At the close of the year, the division had \$945.4 million in assets under management. In 2010, the division will continue to refine its business model to provide the highest level of customer service.

## *Operations and Technology*

In order to enhance the quality and speed of customer service, while ensuring operational efficiency, Mercantil Commercebank relies heavily on technology. The Bank's customers, whether visiting a banking center or conducting their business from abroad via the internet or the telephone, are able to experience an appropriate balance between personal interaction and the use of electronic tools to efficiently and securely serve their needs.

### *Telephone Banking*

The new telephone banking system launched in late 2009 enables customers to bank by phone 24/7. Functional improvements include the ability to schedule third party wire transfers to a pre-set list of recipients. Customers can perform wire transfers from any telephone in the world without the need for a PC. New levels of security were also added to ensure the confidentiality and safety of client account information.

### ***Global Account Opening***

The second phase of the Global Account Opening Process (GAOP) initiative was launched in 2009, improving operational efficiency and improving processing time for international customers opening accounts online. Over 95 percent of the customers who chose this convenient, rapid and secure channel were able to open their accounts easily and without delay.

### ***Centralized Imaging Platform System***

The conversion of all international banking customer account opening documents into the Centralized Imaging Platform was completed during the year, substantially improving research capabilities and compliance with all applicable laws and regulations. The similar imaging of new and existing domestic customer records will take place by the third quarter of 2010. Finally, the imaging of other records, such as employee files and Letter of Credit documents, is scheduled to start late in 2010. These imaging projects will greatly improve operational efficiencies while at the same time help the environment by reducing wasteful paper usage.

### ***Secure Access Cards***

Customers with access to online banking are now able to order and instantly receive a Secure Access Card via their personal computer. A Secure Access Card is one of many security features designed to safeguard a customer's identity and opens the way for broader online transaction capabilities. In addition to a User Id and Password, a Secure Access Card provides individual customer verification designed to prevent unauthorized access to online functions such as Personal Online Bill Pay, e-Bills, and third party I-Wires.

### ***Banking Center Platform Replacement***

During 2009, the Operations and Technology Division researched alternatives to replace the Bank's banking center sales and teller platform. The highest priorities are that the new system supports the Bank's business model, and that it will further streamline account openings and facilitate customer verification and check ordering. Also of importance is the flexibility of the system and ease of maintenance to ensure the highest level of uninterrupted customer service. In 2010, the Bank will begin implementing the new system, called Desktop, from FISERV. This is a browser-based system that is much more scalable and cost-efficient than a traditional branch software system.

### ***S1 Enterprise Platform***

The Bank has acquired Enterprise Platform by S1, a well-known online banking application that is used globally by a number of large financial institutions. With this acquisition, Mercantil Commercebank has begun a multi-phase redesign of its current online banking system that will ultimately provide enhanced functionalities, reporting and security. New security measures

include challenge questions, site-to-user image validation and tokens. Personal banking customers will benefit from services such as Personal Financial Management Reporting. Both business and individual customers will be able to take advantage of customer-defined alerts and reminders as well as approval workflows. The implementation of Business Online Banking, expected to launch in 2010, will include secure messaging between business customers and the Bank, among other convenient features.

## Treasury

### Financial Markets

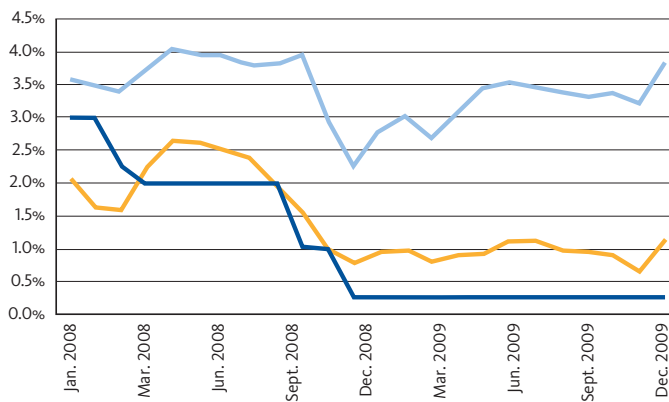
During 2009, liquidity conditions as well as credit spreads improved significantly when compared to 2008. The Federal Reserve Bank (Fed) implemented credit programs that allowed financial institutions to obtain funding by pledging assets that met various standards of credit quality. The Fed also kept the Fed Funds target rate at 0-0.25 percent during the year and engaged in quantitative easing measures. It purchased over \$300 billion of U.S. Treasury Notes and close to \$1 trillion of U.S. Agency Mortgage Backed Securities (MBS). This Fed stimulus helped maintain interest rates low along the yield curve and also had a tightening effect over credit spreads. The five-year interest rate swap spread – used as a measure of general credit

conditions – tightened to 28 basis points, a dramatic decrease from a high of 120 bps in September 2008. Corporate and emerging market bond spreads also experienced significant tightening. Global equity markets rallied during most of the year after hitting a bottom in March 2009.

Thus, 2009 ended with much improved conditions in financial markets and with historically low interest rates, although some markets such as asset backed securities, residential MBS and commercial MBS continue to present some liquidity and credit concerns.

#### Evolution of U.S. Interest Rates

December 31, 2009



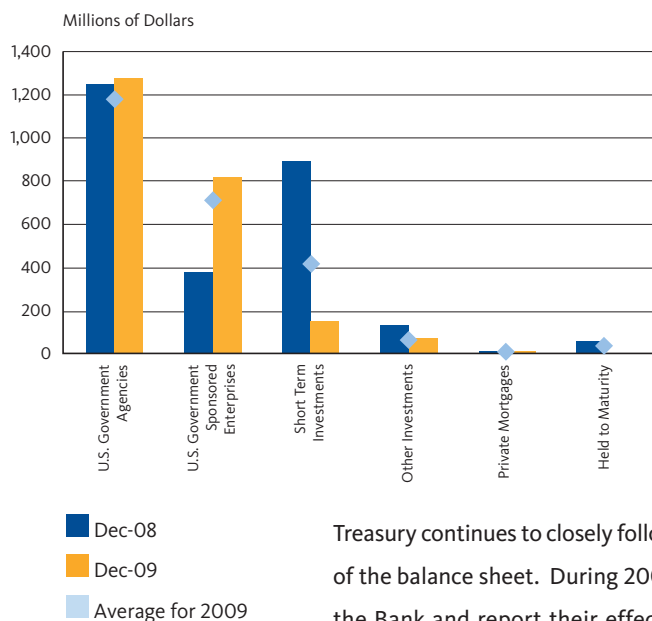
■ FED Funds  
■ U.S. 10 Year Treasury  
■ U.S. 2 Year Treasury

After a successful financing of the U.S. budget deficit in 2009, there continues to be concern about record budget deficits and a record supply of fixed income securities coming to the market in 2010 to finance the deficit. This supply will hit the market at the same time the Fed is finishing its liquidity injection programs, compounding its impact on the yield curve. The combination of a record supply and the wind-down of Fed economic stimulus may result in an increase in interest rates and credit spreads during 2010. The market expects that the Fed will start raising rates in the second half of 2010.

## Asset and Liability Management

Treasury has the responsibility to manage the level of interest rate and liquidity risk for the entire balance sheet of the Bank. During 2009, Treasury continued to manage the investment securities portfolio with almost no credit risk. Securities issued or guaranteed by the U.S.

### The Bank's Investment Portfolio December 31, 2009



government comprised the overwhelming majority of the portfolio. The portfolio was also managed to provide a very high level of liquidity. However, due to the low levels of short-term interest rates, the cost of maintaining a liquid balance sheet increased considerably. Treasury took actions to keep an acceptable balance between liquidity and return. The active management of the investment portfolio also produced significant gains from the sale of available for sale securities. On the liability side of the balance sheet, the low level of interest rates gave access to deposits and long term funding at historically low rates.

Treasury continues to closely follow the condition of the financial markets and the composition of the balance sheet. During 2009, it was able to track all financial transactions executed by the Bank and report their effect on the financial margin to the Finance Committee. This process helped to enhance overall returns for the Bank while keeping liquidity within approved limits.

## Human Resources

One of the Bank's most important assets is its staff, particularly during these challenging economic times. Their expertise, dedication and ingenuity has helped the Bank weather the downturn and has positioned it to take advantage of the opportunities that will arise during the economic recovery. In 2009, the Human Resources division launched various talent acquisition and development initiatives geared to support the Bank's goals and long-term vision.

### Staff Development

Staff development programs maximize the effectiveness of Bank employees. In 2009, training programs were delivered in the new Domestic Retail Banking unit reinforcing customer service, sales, product knowledge and cross-selling skills. The Employee Engagement Program

prepared managers to identify, develop and allocate intellectual capital. Known as the PIE Program, this educational series was designed to enhance employee morale, retain top talent and increase the Bank's competitiveness in attracting new talent. The Awareness, Insight, and Motivation (AIM) program brought in guest speakers to motivate management, created internal networking events and developed a centralized information system for leadership topics. More than 85 percent of these newly launched programs were designed and delivered in-house.

### ***Compensation and Administration***

In 2009, Human Resources implemented automated performance appraisal and salary planning tools that are fully integrated with the Bank's core Human Resources systems. This initiative will assist the Bank in identifying and retaining its top performers while proactively managing employee performance. In addition, an incentive program was developed and implemented for the sales and customer service team members in the Domestic Retail Banking unit, thereby reinforcing their business model and better aligning it with market practices. New strategies were also implemented to reduce staffing expenses, including refinements to the organizational structures in various segments and the consolidation of activities. These efforts streamlined operations and achieved significant reductions in personnel costs compared with 2008.

### ***Benefits***

A new short term disability benefits program was initiated. The new program is more cost-effective in terms of overall administration and claims processing. Similarly, redesigned health benefits programs redistributed costs based on the utilization of services. Finally, to keep future expenses down and employee productivity high, the Healthy New Beginnings Program, continued in 2009, provides employees with information on healthy lifestyle habits.



# ADRIÁN PUJOL



**ADRIÁN PUJOL**

*Playa Majagual* • 1987

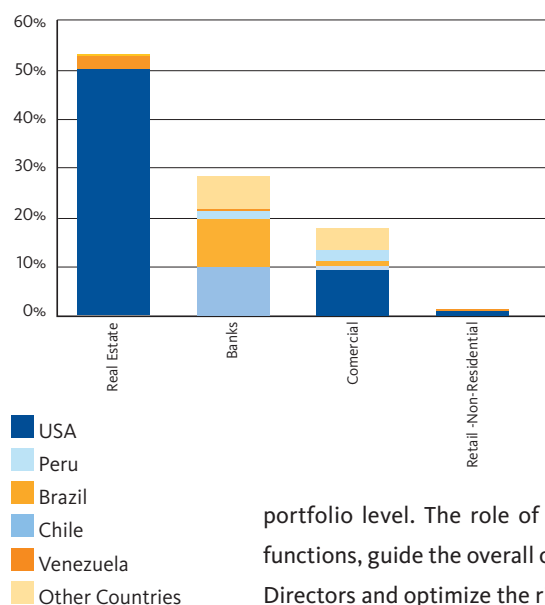
Acrylic on canvas • 150 x 205 cm

# Enterprise Risk Management

Enterprise Risk Management (ERM) at Mercantil Commercebank is a company-wide process that embraces the core principles of the Basel Accord, using them to assess, manage, and mitigate risks and to seize opportunities that will support the achievement of the Bank's vision, goals and objectives. The mission of the ERM program is to maximize shareholder value through a state-of-the-art risk management program that strengthens the decision making process, enhances the risk-adjusted return on capital and provides a foundation for the Bank's capital allocation process. ERM employs a framework of qualitative and quantitative risk management processes through collaborative working relationships with the business units to identify, measure, monitor and control risks.

## Credit Risk Exposure

December 2009



ERM is executed through three departments: Credit Risk Management, Market Risk Management and Operational Risk Management. These departments report to the Chief Risk Officer of the Bank, the Global Risk Manager of Mercantil Servicios Financieros (the Bank's ultimate parent company) and the Board Risk Committee.

## Credit Risk Management

Credit risk is the risk of loss arising from obligor or counterparty default. Through its lending and investment transactions, the Bank is exposed to credit risk, which is measured, managed and mitigated through a credit risk management process at both the individual transaction and

portfolio level. The role of Credit Risk Management is to supervise all of these control functions, guide the overall credit exposure within the parameters approved by the Board of Directors and optimize the risk-adjusted return to the Bank.

During 2009, enhancements were made to the methodology for calculating the allowance for loan and lease losses (ALLL) by improving the analysis of qualitative factors affecting the Bank's portfolio. This included a more predictive model for estimating losses based on a migration analysis technique of historical losses which will be implemented during the first quarter of 2010. No change would have been recorded in the ALLL at December 2009 had this enhanced model been implemented before year-end.

As a result of our continuous risk evaluation process, and in light of the current challenging economic environment, numerous changes were made to the Credit Risk Policy and the processes and procedures of the various areas that have an active role in the control and mitigation of credit risk. Special attention was given to those policies addressing the

management of problem loans and the management of concentrations as the portfolio continues to grow. Risk assessment models were also enhanced in order to improve credit rating accuracy. In addition, an improved Collateral Monitoring System is being developed that will enhance the credit portfolio management efforts by providing up-to-date information on the characteristics and coverage level of collateral supporting the loan portfolio. This system will greatly enhance the Bank's ability to model and shock the behavior of the portfolio under various economic scenarios.

### Credit Risk Exposure

At the end of December 2009, credit risk exposure continued to reflect a balanced composition, with 53 percent of the total exposure in the real estate sector, 28 percent in the bank sector and 18 percent in the commercial sector. The real estate sector is mostly comprised of exposure to domestic borrowers and diversified by type of product. The commercial and bank sectors are also well diversified geographically among the U.S., Chile, Brazil, Peru, Venezuela and other countries. The exposure to Venezuelan debtors includes approximately \$82.6 million in mortgages on properties situated in the U.S. Refer to note 4 of the audited financial statements and their accompanying notes, included in this report, for more detail on the loan portfolio.

### Asset Quality Highlights

The quality of the loan and lease portfolio declined in 2009 as a direct consequence of the downturn in the real estate market and deteriorating economic conditions. Non-accruing loans and leases as a percentage of total loans and leases increased from 7.0 percent at December 2008 to 12.5 percent. As a percentage of total assets, non-performing assets, which also includes repossessed properties, increased from 4.0 percent at December 2008 to 7.4 percent.

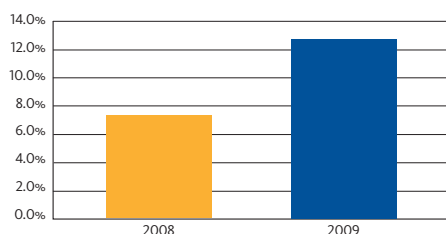
In light of the increasing level of non-performing assets and the weak economic conditions at the start of the year, we performed frequent comprehensive credit assessments of the loan and lease portfolio. These reviews led to downgrades of credits, revaluations of collateral, charge-offs of amounts deemed uncollectible and further additions to the ALLL, among other actions. As a result of these efforts, management believes that the ALLL of \$76.6 million as of December 31, 2009 provides adequate coverage for the level of risk existing in the loan and lease portfolio.

### Market Risk Management

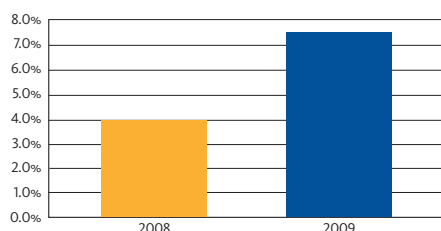
Through its normal lending, investment and deposit taking activities, the Bank is exposed to market risk, interest rate risk and liquidity risk. These risks are measured, managed and mitigated through a market risk management process at both the individual transaction and portfolio level. The role of Market Risk Management (MRM) is to direct and supervise all of these control functions.

With financial markets in disorder for most of the year, MRM focused on strengthening analytical tools and testing modeling fundamentals. Revisions were made to core assumptions regarding deposit stability and sensitivity to changes in interest rates and testing was

**Non-Accrual Loans**  
as Percentage of Total Loan Portfolio



**Non-Performing Assets**  
as Percentage of Total Assets



performed to ensure that the projected results using these new assumptions were in line with the Board of Director's risk appetite. In addition, MRM concentrated on developing models and reports for asset/liability management such as interest income sensitivity to credit spreads and interest rate volatility. These tools have helped to manage and control risk more effectively and contribute to MRM's comprehensive assessment processes.

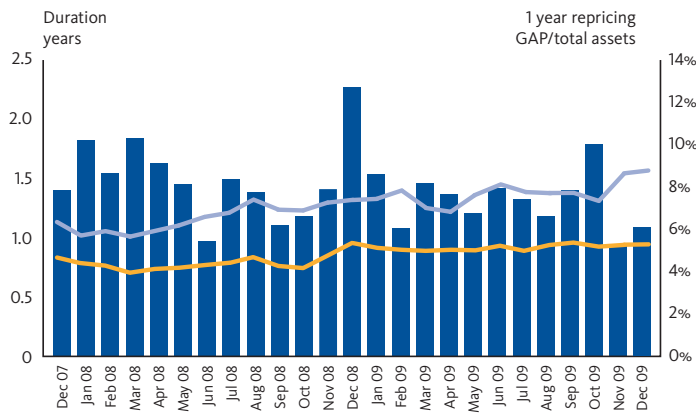
During 2009, MRM continued with the implementation of a new Asset/Liability Management system. Upon its launch, the new forecasting tool will be instrumental in providing the Asset and Liability Committee (ALCO) with improved information surrounding the Bank's balance sheet risk. Currently, the project is in the final testing stage and continues to be thoroughly analyzed and validated.

### Asset and Liability Management and Interest Rate Risk

Throughout 2009, MRM closely monitored interest rates and the re-pricing structure of the balance sheet in order to assist ALCO in decisions regarding the optimum GAP targets (re-pricing characteristics of assets vs. liabilities) asset type allocation, funding sources, product pricing and investment options. During 2009, the Bank's balance sheet had an asset-sensitive position (i.e., more assets re-priced in one year than liabilities), and an average difference between the modified duration of assets and liabilities of 0.46 which has been on the rise

from the lower levels seen during 2008. Towards the end of 2009, as the crisis began to show signs of reaching a bottom, management decreased its holdings of money market instruments which had been increased during 2008 as a defensive measure.

### Duration & 1 Year GAP Analysis



■ 1 Year Repricing Gap  
 ■ Modified Duration Assets  
 ■ Modified Duration Liabilities

to the liquidity gap model which improved the accuracy of projections regarding the behavior of investments and liabilities under severe stress conditions. Investment securities were stratified in accordance with defined liquidity levels, liabilities were modeled following stability patterns, and tolerance limits and targets were established. Moreover, the unit continued to actively use and monitor the Contingency Funding Plan that had been implemented during 2008. The results of the liquidity stress tests performed during the year, under the most severe circumstances, continuously showed an excess liquidity over the established minimum. The results ranged from an excess liquidity of \$306 million for the month of December to a lower excess earlier in the year of \$204 million.

### Liquidity Risk

Despite the weak economy and the pullback in the credit markets, the Bank's liquidity continued to be strong, effectively managed and absent of significant risk throughout the entire year. During 2009, MRM further enhanced its liquidity risk management process working-in lessons learned during the nearly absolute shutdown of the credit markets. Enhancements were made

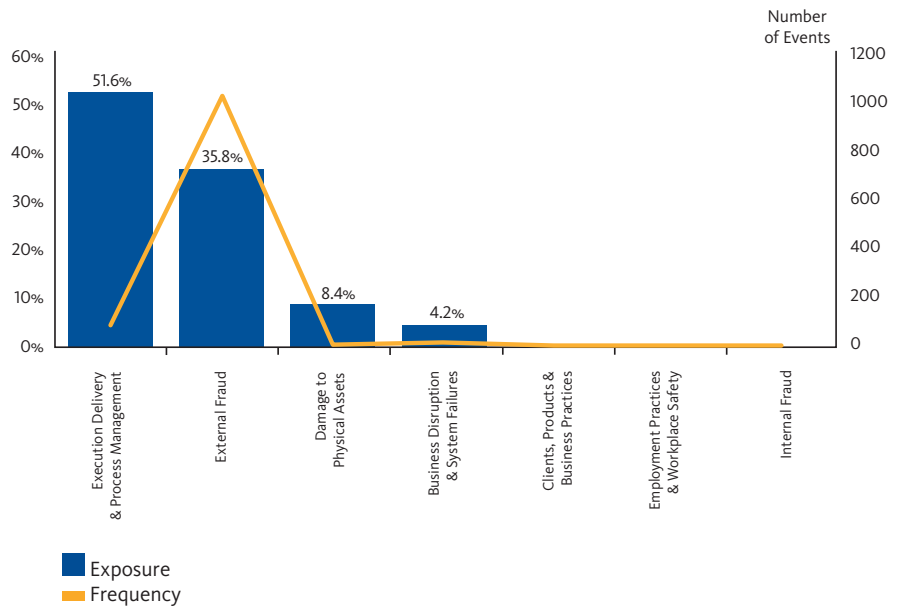
## Operational Risk Management

During 2009, Operational Risk Management continued to strengthen its operational risk management framework by driving a risk culture based on sound core risk management principles. Operational risk awareness sessions and efforts to broaden operational risk data sources served to strengthen the Bank's operational risk qualitative and quantitative analytical framework. Management reporting was enhanced to establish a higher degree of visibility of the Bank's inherent operational risks.

The Bank's operational risk exposure and losses for 2009, classified by Basel risk categories, were as follows:

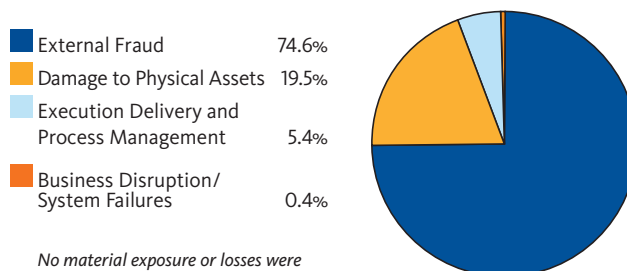
### Operational Risk Key Indicators

#### 2009 Exposure by Risk Categories and Frequency



## Operational Risk

### 2009 Losses



*No material exposure or losses were incurred in the Basel loss categories of Internal Fraud; Clients, Products and Business Practices; and Employment Practices and Workplace Safety.*

### Insurance Program

The Bank's insurance program, which serves a critical role in the transfer of risk, continued to secure policies through stable carriers with sound ratings. At the same time, coverage was increased and costs were maintained at existing levels despite the global trend of insurance premium increases across the financial sector.

### Business Continuity Planning

The Bank continues to demonstrate its dedication to its stakeholders by ensuring preparedness and response for any business continuity challenge with the evolution of its comprehensive Business Continuity Program. During 2009, the Bank's Business Continuity Program evolved to adhere to the new challenges posed by the H1N1 Pandemic Flu by incorporating a formal Pandemic Planning Strategy and Plan in alignment with guidance provided by the Center for Disease Control.

### Internal Controls

The Bank is committed to providing a solid foundation of internal control by adopting and implementing, on a voluntary basis, key aspects of the Sarbanes-Oxley Act of 2002 (SOX). Through proactive validation of internal control mechanisms and programmed certification of critical business processes, management illustrates their commitment to promoting an environment focused on ethical values, strong corporate governance and transparency in financial reporting.

# Compliance

The Compliance Department protects the Bank's customers by ensuring adherence with all applicable laws and regulations. Some of the ways the Bank fulfills its compliance obligations include full disclosure of lending, credit, and deposit terms, protection of consumer privacy and the provision of fair and equal lending opportunities.

The department also minimizes exposure to regulatory sanctions and fines, consumer litigation and other negative consequences of failing to meet regulatory compliance standards. In this respect, the department has the primary responsibility for developing robust programs, which include internal policies and procedures, as well as adequate training and monitoring in order to safeguard the interests of both the customer and the Bank.

The Bank is committed to providing consumers with full and easy-to-understand disclosures related to all lending, mortgage, credit, deposit and other financial agreements. Furthermore, it is the watchdog for customer privacy, working to ensure the Bank's practices uphold the security and confidentiality of financial information.

## *New 2009 Lending Regulations*

During 2009, in response to the financial crisis, the U.S. Congress began its reform of the regulatory system by issuing a number of new consumer protection laws and regulations. The majority of the new regulations targeted perceived unfair acts or practices in the banking industry. For example, new laws were enacted for residential mortgages to require additional consumer disclosures, to require "cooling off" periods during the mortgage loan process, and to prohibit unfair and deceptive practices in marketing, product offerings, credit approvals and loan servicing practices. In conjunction with the new mortgage lending restrictions and to provide data on lending in the sub-prime market, regulations for the reporting of mortgage loan data to the U.S. government were also expanded to require information on higher priced mortgages.

The Credit Card Act of 2009 revised laws governing credit card products. This act required enhanced disclosure of terms and conditions, required fairness in the timing and application of card payments, defined underwriting standards based on responsible lending, prohibited unfair increases or changes in rates and terms, and prohibited the application of unjust fees and interest charges.

The Federal Reserve also addressed overdraft account fees by implementing amendments that required banks to disclose the total amount of returned items or overdraft fees imposed on an account, both during the statement period and year-to-date.

## *2009 Compliance Focus*

Mercantil Commercebank has placed a consistent emphasis on ensuring fundamental integrity in the Bank's lending process. In response to the new regulations, the Compliance Department revised credit approval requirements and assessed the Bank's products and marketing materials. Operating procedures were also modified to conform with the strictest intent of the law. Comprehensive employee training was completed for all affected departments.

The Compliance Department has always taken, and continues to take, a proactive role in ensuring that all of the Bank's operations meet compliance requirements. Over the past 30 years, the Bank has developed and maintained a strong compliance culture in order to protect its customers, shareholders and employees.

# Subsidiary Activities

Mercantil Commercebank benefits from a mutually rewarding relationship with its two subsidiaries, Mercantil Commercebank Investment Services, Inc., and Mercantil Commercebank Trust Company, N.A. Working in tandem with both entities, the Bank meets the needs of its high-net-worth clients tailoring products and services as integrated solutions.

## ***Mercantil Commercebank Investment Services, Inc.***

Mercantil Commercebank Investment Services, Inc. (MCIS) is the Bank's broker-dealer and registered investment advisory subsidiary. A member of the Financial Industry Regulatory Authority (FINRA), MCIS upholds the highest standards of integrity and asset protection, holding client assets in custody with Pershing, LLC, a subsidiary of Bank of New York Mellon.

Committed to helping clients meet their financial goals, MCIS provides expert investment advice and meets the exacting requirements of execution in global financial markets. More benign markets, together with well crafted strategies and precise implementation, enabled MCIS to grow total customer assets by 21 percent to \$1.2 billion. Also, in 2009, MCIS expanded its customer base by 10 percent to reach a benchmark of over 2,000 active accounts. Advisory services and trading activity resulted in total revenues of \$6.6 million, representing a decrease of 3.5 percent over 2008. However, net income increased from \$1.8 million to \$1.9 million for the year.

In 2009, MCIS redesigned its primary advisory program by making its rebalancing recommendations more tactical, periodically adapting portfolio exposure to expected market conditions. Client satisfaction reached a record level, with an online survey conducted during the second semester revealing approval ratings well above prior years. In 2010, MCIS will continue to focus on providing sophisticated global investment solutions and the personalized service that ensure ongoing client loyalty and new business through referrals.

## ***Mercantil Commercebank Trust Company, N.A.***

Mercantil Commercebank Trust Company, N.A. (MCTC) is a national trust bank with fiduciary powers, regulated and supervised by the U.S. Office of the Comptroller of the Currency. It offers fiduciary and financial management services to a client base of high net-worth individuals throughout the United States, Latin America and the Caribbean. MCTC specializes in administering a wide array of trust and estate planning products and services to help clients and their families build and preserve their assets and achieve their wealth management objectives.

Within the global network of Mercantil Servicios Financieros and with affiliates in key markets in Europe, Latin America and the U.S., MCTC is in a unique position to offer services across multiple jurisdictions. Utilizing a multi-disciplinary approach, MCTC employs a variety of sound investment strategies, efficient trust products and financial expertise to design and implement personalized estate-planning solutions capable of meeting the most complex client needs.

During the year, MCTC focused on expanding its client base and in further enhancing its products and services capabilities by strengthening its evaluation of trust asset performance.

Despite the economic challenges of 2009, MCTC demonstrated strong performance, both in terms of the number of accounts and volume of assets under trust. At year-end, MCTC reported a 42 percent growth in trust assets over 2008. These assets, together with the trust assets managed for other Mercantil affiliates, surpassed \$765 million and generated over \$2.2 million in total revenues and nearly \$1 million in profits before taxes.

MCTC is dedicated to providing client service that adheres to the highest levels of quality and confidentiality. This is made possible by a staff of highly trained professionals that can match clients' needs to the most suitable products and services available. During the year, an additional Trust Officer earned the prestigious Diploma in International Trust Management (ITM) and the Trust and Estate Practitioner (TEP) designation.

# Corporate Governance

## ***Stockholders' Meeting***

The Stockholders' Meeting is the Bank's highest decision-making body. The Stockholders meet annually for the election of directors, approval of the audited financial statements, appointment of the Bank's external auditors, and other business that may properly come before the meeting. Additional meetings of Stockholders may be called for any purpose, at any time, as provided by the articles of association and bylaws of the Bank. A majority of votes in accordance with applicable laws, the articles of association, and the bylaws, adopts the decisions of the meeting of Stockholders.

## ***Board of Directors***

Except as expressly limited by law, all corporate powers are exercised by, or under the authority of, the Board of Directors, which is composed of ten Directors. It normally meets eight times per year and may convene special meetings as needed. In addition to oversight of the Bank's business affairs, the Board of Directors is responsible for the approval of the Bank's strategic objectives and corporate policies, the appointment and removal of members of the Board committees, other committees, and corporate officers, and the definition of their duties, the authorization of the amount, frequency, and form of payment of dividends, as well as any other activities not expressly prohibited by law or reserved by the Stockholders.

## ***Executive Committee***

The Bank has an Executive Committee that is composed of a minimum of 3 and a maximum of 9 senior officers of the Bank or its affiliates, which must include the Chairperson of the Board and the Chief Executive Officer. The Executive Committee meets weekly and special meetings may be convened as necessary. The Executive Committee is the primary vehicle for providing strategic guidance for the Bank and building alignment among senior management around key cross-functional business and operational issues, in line with Board decisions and recommendations. It supports the Board in the establishment and management of the Bank's operational policies and processes, approves procedures that govern the Bank's operations, and oversees and provides guidance on routine management issues. The Executive Committee also ensures overall compliance with fiduciary responsibilities, including compliance with laws, regulations and ethical principles.

## ***Chairperson of the Board***

The Chairperson presides at all meetings of the Stockholders and the Board of Directors, supervises the carrying out of the policies adopted or approved by the Board of Directors, has general executive powers, as well as the specific powers conferred by the bylaws, and also has such further powers and duties as from time to time may be conferred or assigned by the Board of Directors.

## ***President and Chief Executive Officer***

The President and Chief Executive Officer is selected by the Board of Directors from among its members, and has the responsibility for the general management of the business and affairs of the Bank, subject to the direction of the Board of Directors and the Executive Committee. In the absence of the Chairperson, the President and Chief Executive Officer presides at any meeting of the Stockholders, the Board of Directors, or the Executive Committee. The President and Chief Executive Officer also acts as the Chief Operating Officer of the Bank, has overall responsibility for the supervision of its operations, and also has any and all other powers and duties conferred by the bylaws or by the Board of Directors.

### **Members:**

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Jonathan Coles,  
Chairman

Thomas E. Krayenbuehl,  
Vice Chairman

Frederick C. Copeland, Jr.

Pamella J. Dana

Luis A. Romero M.

### ***Board Audit Committee***

The Board Audit Committee is charged by the Board of Directors with oversight of all aspects of the Bank's monitoring, reporting, control, and audit functions in order to ensure the safety and soundness of the Bank, as well as compliance with applicable legal, ethical, and regulatory requirements. The Audit Committee is also responsible for the approval of the engagement and remuneration of the Bank's external auditors, approval of any additional work to be performed by the external auditors, and for the oversight of the Bank's compliance function. The Committee is composed of five Board members who are independent of the management of the Bank and its related entities, and who are free of any relationship, which in the opinion of the Board, may be construed as a conflict of interest. The Committee meets eight times during the year and at least once annually in executive session with internal and external auditors. The Committee may also hold special meetings as necessary.

### **Members:**

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José Antonio Villamil,  
Chairman

Salvador López de Azua,  
Vice Chairman

Gustavo A. Marturet

J. Guillermo Villar

Millar Wilson

### ***Board Risk Committee***

The Board Risk Committee supports the Board in the identification, measurement, and monitoring of risks including, but not limited to, asset quality, interest rate, market and operations risks, and recommends limits and mitigants for the risks. The Committee consists of five members and meets a minimum of four times per year. The Committee may also hold special meetings as necessary.

## ***Board of Directors***

### **Gustavo Antonio Marturet Machado**

Chairman and Director

President and member of the Boards of Directors of Mercantil Servicios Financieros and Mercantil Banco Universal. Chairman of Boards of Directors of Mercantil Commercebank Florida Bancorp, Mercantil Commercebank N.A., Mercantil Merinvest and Fundación Mercantil. Member of the Board of Directors of Mercantil Seguros and Mercantil Bank (Schweiz) AG. Member of the Board of Directors of the Institute of International Finance, Inc. (IIF). Vice President, Venezuelan American Chamber of Commerce and Industry (VenAmCham). Member of the Chairman's Advisory Council of the Council of the Americas. President, John Paul II Foundation for Ecclesiastical Education (FESE).

Former Executive President of : Mercantil Servicios Financieros and Mercantil Banco Universal. Former President of: Venezuelan Bankers Association (ABV), National Banking Council (CBN), Council of Venezuelan American Entrepreneurs (CEVEU), Colombian Venezuelan Economic Integration Chamber (CAVECOL). Former Member of: Advisory Council of the Central Bank of Venezuela (BCV), Board of Directors of the Andean Development Corporation (CAF), and Board of Directors of various associations connected with the financial and production sector. Degree in Civil Engineering from Universidad Central de Venezuela (1962).

**Millar Wilson**

President and CEO

Director

Graduated in Business and Administrative Studies from Bradford University, England (1973). Has been with Mercantil for 32 years and is currently President and CEO of Mercantil Commercebank and Mercantil Commercebank Florida Bancorp. Also serves as Country Manager of Mercantil in the United States.

Chairman of the Boards of Mercantil Commercebank Investment Services, Mercantil Commercebank Trust Company and Mercantil Bank & Trust (Cayman). Executive President of Mercantil Bank (Curaçao) and Mercantil Bank (Panama). Managing Director of Mercantil Bank (Schweiz). Member of the Boards and Executive Committees of Mercantil Commercebank, Mercantil Servicios Financieros and Mercantil Banco Universal, and member of the Board of Directors of Mercantil Commercebank Florida Bancorp and Mercantil Seguros. Graduate of the Program for Management Development at Harvard Business School (1992). Member of the Board of Directors of Enterprise Florida, Inc. Former Chairman of the Board of the American Red Cross Greater Miami and The Keys (2001-2002). Director and Treasurer of the Miami-Dade College Foundation (1999-2004).

**Jonathan Coles**

Director

Graduated in 1968 from Yale University. Holds a Masters of Business Administration (MBA) from Venezuela's Instituto de Estudios Superiores de Administración (IESA) in 1970. Director of Mercantil Servicios Financieros, Mercantil Banco Universal, Mercantil Commercebank Florida Bancorp, and Mercantil Commercebank. Director of C.A. Ron Santa Teresa, EPA, and Farmahorro in Venezuela. Former President and Dean of IESA (Instituto de Estudios Superiores de Administración), CEO and Chairman of the Board of Directors of Mavesa, S.A., as well as former Minister of Agriculture of Venezuela and Director of the Central Bank of Venezuela (BCV).

**Frederick C. Copeland, Jr.**

Director

Chairman, President and CEO of Far East National Bank, Los Angeles, between May and December 2009. Member of the Board of Directors and Chairman of the Executive and Compliance Committees of Far East National Bank between September 2004 and December 2009. From 1995 to 2001, Mr. Copeland was President and CEO of Aetna International, Inc. Former Chairman, President, and CEO of Fleet Bank, N.A., the Connecticut subsidiary of Fleet

Financial, from 1993 to 1995. Prior to that, President and CEO of Citibank Canada. Active in the community, was Chairman of the 1995 Greater Hartford United Way campaign and has served on the Board of Directors of Connecticut Public Television (Chairman 1997, 1998), the Connecticut Business and Industry Association, the Greater Hartford Chamber of Commerce, the Capitol Region Growth Council (Chairman 1996, 1997), the Old State House and the Connecticut Historical Society. In addition, he was member of the organizing committee of the 1995 Special Olympics World Games and served on the Board of Regents of the University of Hartford and as a Trustee of the Hartford Art School. Currently, Mr. Copeland is on the Board of the Antiquarian and Landmarks Society, a Trustee of the Wadsworth Atheneum, Hartford, Connecticut, the Board of Overseers of the Coastal Maine Botanical Gardens, a Trustee of the Taiwan Greater China Fund, and Director of Mercantil Commercebank Florida Bancorp, and Mercantil Commercebank.

In addition to a Masters of Business Administration from Columbia University, Mr. Copeland holds a BA from Bowdoin College, Brunswick, Maine.

#### **Pamella J. Dana, Ph.D**

Director

Dr. Pamella J. Dana serves as Senior Strategic Advisor for the Institute for Human & Machine Cognition (IHMC), a recognized international institute engaged in artificial intelligence, robotics, and sensory substitution technology research and development. From 1999-2007, Dana served as Director of the Governor's Office of Tourism, Trade, and Economic Development where she was Florida's senior-most official responsible for programs and policies leading to economic growth. In turn, as Florida's legislatively mandated Chief Protocol Officer, Dana maintained direct responsibility for all global trade and export programs, international affairs, diplomatic protocol, and consular corps activities for the State of Florida, as well as was senior point of interface with the military, DoD, and Pentagon. From 1995-1999, Dana served as Assistant and Deputy Secretary of the California Trade and Commerce Agency overseeing the Division of Economic Development. Dana earned her Ph.D. in International Development Education and Economics from the University of Southern California; a Masters in Administration, Planning, and Social Policy from Harvard University; and a Bachelors in Sociology/Social Work from the California State University at Chico. She serves as a gubernatorial appointee on the Scripps Florida Funding Corporation board and its auditing Committee; the Seaport Security Standards Advisory Council; is a Board Trustee for the Florida Chamber of Commerce Foundation. She is an active member on the International Economic Development Council (IEDC), and Director of Mercantil Commercebank Florida Bancorp, and Mercantil Commercebank.

#### **Thomas E. Krayenbuehl, Ph.D**

Director

Doctorate Degree in Law from University of Zurich, Switzerland. Chairman of Mercantil Bank Schweiz. Director of Mercantil Commercebank Florida Bancorp, and Mercantil Commercebank and Chairman of BPI (Suisse) SA, Geneva. Advisor to the Swiss Government for projects in developing countries, and to the International Finance Corporation in Washington.

Retired in 1999 from Union Bank of Switzerland (UBS) as Managing Director after 23 years of service. He has been a Member of the Board of the Swiss-Indian Chamber of Commerce and the Latin American Chamber of Commerce, both in Zurich, as well as President of the Friends of the Zurich Art Museum.

**Salvador López de Azúa**

Director

He is currently Managing Partner of Praxxis, LLC and Director of Mercantil Commercebank Florida Bancorp, and Mercantil Commercebank. Served as Vice President of Citibank N.A. (1981-1995). Headed the Marketing organization of Citibank FSB in Chicago and spearheaded the bank's thrust into the consumer markets of the U.S. Midwest. Organized Citibank's Consumer Bank in Venezuela in 1989 and led the business to exceed all corporate profitability and performance benchmarks during his tenure. In 1995, he joined IBM Corporation as the executive in charge of the company's relationships with Latin America's largest banks. In 1998, he formed Southcross Associates LLC, a firm that eventually merged into Praxxis, LLC. Praxxis is a consulting organization that specializes in the financial services sector and advises clients in the United States, Latin America and Europe. Prior to his 25-year career in banking, he held senior positions in major U.S. advertising agencies. He majored in Economics in the University of Puerto Rico and completed multiple executive-level professional development programs at Citibank and IBM.

**Luis A. Romero M.**

Director

Electrical Engineer graduated from the Universidad Metropolitana, Venezuela. Master of Business Administration from Babson College, PMD and CEP from Harvard University. Director of Mercantil Servicios Financieros, Mercantil Banco Universal, Mercantil Commercebank Florida Bancorp, and Mercantil Commercebank. Member of the Council of the Venezuelan American Business Council (CEVEU). Director of International Briquettes Holding (IBH), and Director of Caurimare, S.A. and Desarrollos e Inversiones, S.A. Former Corporate Director of Strategic Planning of Siderúrgica Venezolana, SIVENSA, S.A.

**Jose Antonio Villamil**

Director

Received his undergraduate and graduate degrees in Economics from Louisiana State University (LSU) in Baton Rouge. In 1991, upon the recommendation of the Graduate Faculty, Florida International University awarded him a Doctor of Science Degree in Economics (Honoris Causa) for "outstanding contributions to the Nation in the formulation of Economic Policies."

He has served as a Presidential appointee in the capacity of U.S. Undersecretary of Commerce for Economic Affairs, and is the founder of a successful economic consulting practice, The Washington Economics Group, Inc. (WEG). Since August 2008, he is the Dean of the School of Business of St. Thomas University in Miami while continuing to serve as Principal Advisor to the clients of WEG. He is the immediate past Chairman of the Governor's Council of Economic Advisors of Florida, and during 1999-2000, he directed the Tourism, Trade, and Economic Development activities of the State in the Office of Governor Jeb Bush. Presently, he

is Director of Mercantil Commercebank Florida Bancorp, and Mercantil Commercebank, the Spanish Broadcasting System (NASDAQ) and Enterprise Florida – the State’s principal economic development organization. Dr. Villamil is active in professional and community affairs. He is currently Chairman of the Economic Roundtable of the Beacon Council – Miami-Dade County’s official economic development organization. He is also a Senior Research Fellow of Florida TaxWatch, an established fiscal and policy research organization of the State. Dr. Villamil has over 30 years of successful experience as a senior business economist, and as a public official of both the Federal and State of Florida governments.

**J. Guillermo Villar**

Director

Holds a Master’s Degree in Economics from Vanderbilt University. Began his banking career with Chase in 1967, participating in the Executive Credit Program for the Caribbean area, which he later directed, and went on to manage the areas of corporate and real estate lending in Puerto Rico. Joined Mercantil in Venezuela in 1974 to head the formation and management of a joint venture financial leasing company. Mr. Villar later occupied various senior management positions in Venezuela and the United States, including the position of CFO of Mercantil, President and CEO of Mercantil Commercebank, and Managing Director of other international banks of Mercantil. Director of Mercantil Commercebank Florida Bancorp, and Mercantil Commercebank. Has served on the boards of many trade, community and charitable organizations, and at some points in his career has been a university professor in topics related to banking and finance.

## ***Executive Management***

**Gustavo A. Marturet**

Chairman

See resume in Board of Directors

**Millar Wilson**

President & Chief Executive Officer

See resume in Board of Directors

**Alejandro González Sosa**

Member of the Executive Committee

Executive President of Mercantil Servicios Financieros, C.A., Global Executive Coordination Manager of Mercantil Commercebank N.A. and of Mercantil, C.A. Banco Universal. Member of the Executive Committees of Mercantil Commercebank Florida Bancorp, Mercantil Commercebank N.A., Mercantil Servicios Financieros C.A. and Mercantil C.A. Banco Universal. Member of the Board of Directors of Mercantil Commercebank Florida Bancorp, Mercantil Servicios Financieros C.A., Mercantil C.A. Banco Universal, Mercantil Seguros C.A., Mercantil Merinvest Casa de Bolsa, C.A., Mercantil Merinvest, C.A, Fundación Mercantil, Todo1 Services, Inc. and Educ Crédito A.C. Chairman of the Supervisory Board of Mercantil Bank Curaçao N.V. and Mercantil Bank Panamá, S.A. Former Executive President of Mercantil C.A.

Banco Universal, former President of Interbank C.A., Banco Universal and Mercantil Merinvest, C.A., and former Director of the Venezuelan National Banking Council (CBN), Venezuelan Banking Association (ABV), Swiss-Venezuelan Chamber of Commerce and Industry in Venezuela and Venezuelan Council for Investment Promotion (CONAPRI). Earned a degree in chemical engineering from the Universidad Metropolitana in Caracas, Venezuela and a Master Business Administration from Babson College in Massachusetts USA.

**Nerio Rosales Rengifo**

Member of the Executive Committee

Graduated from Universidad Católica Andrés Bello, Venezuela, in Economics, with 32 years of experience at Mercantil. Completed the Advanced Management Program (PAG) at the Instituto de Estudios Superiores de Administración (IESA). Executive President of Mercantil Banco Universal, Global Personal and Commercial Banking Manager of Mercantil Servicios Financieros and Mercantil Banco Universal, and member of the Executive Committee of Mercantil Servicios Financieros, Mercantil Banco Universal, Mercantil Commercebank Florida Bancorp, and Mercantil Commercebank. Director of Mercantil Servicios Financieros, Mercantil Banco Universal, Mercantil Commercebank Florida Bancorp and Mercantil Seguros.

**Armando Leirós R.**

Member of the Executive Committee

Economist graduated from Universidad Católica Andrés Bello, Venezuela. His professional experience includes more than 30 years at Mercantil, currently serving as the Global Operations and Technology Manager of Mercantil Banco Universal and Mercantil Servicios Financieros, and member of the Executive Committees of Mercantil Servicios Financieros, Mercantil Banco Universal, Mercantil Commercebank Florida Bancorp, and Mercantil Commercebank. Director of Mercantil Servicios Financieros, Mercantil Banco Universal, and Mercantil Commercebank Florida Bancorp. Director of Todo1 Services. Has held various positions at Mercantil Servicios Financieros, C.A., including: Manager of Corporate Banking, Manager of Corporate and Institutional Banking, Chief Executive Officer of Arrendadora Mercantil, C.A. and Banco de Inversión Mercantil, C.A., Director of Fondo Mercantil, Banco Hipotecario Mercantil and Mercantil Seguros.

**Philip R. Henríquez**

Member of the Executive Committee

Economist graduated from Universidad Católica Andrés Bello, Venezuela (1986). Masters of Business Administration from Columbia University, New York (1991). Currently, Global Manager of Corporate and Investment Banking of Mercantil Servicios Financieros and Mercantil Banco Universal, Executive President of Mercantil Merinvest and Member of the Executive Committees of Mercantil Servicios Financieros, Mercantil Banco Universal, and Mercantil Commercebank, N.A. Director of Mercantil Servicios Financieros, Mercantil Banco Universal, and Mercantil Commercebank Florida Bancorp. Former President of Citibank, N.A. in Venezuela, and Citigroup Country Officer in Venezuela (2000-2004). Executive Vice President of Global Wholesale Banking, member of the Board of Directors of Banco Venezuela-Grupo Santander, and President of Valores Santander Casa de Bolsa (1997-2000) with direct responsibility for

Treasury, Fixed Income, Derivatives, Corporate Finance, Analysis, Capital Markets, Trust and Custodian businesses. Member of the Board of Directors of the Venezuelan Council for Investment Promotion (CONAPRI) and the Venezuelan Association of Executives (AVE). Former member of the Board of Directors of the National Banking Council of Venezuela (2001-2004), the Venezuelan American Chamber of Commerce and Industry (VenAmCham) (2001-2004), the Caracas Stock Exchange (1998-2000), the National Art Gallery in Venezuela (2001-2003), the Venezuelan Institute of Finance Executives (IVEF) (1998-2007) and the Venezuelan Diabetes Foundation (2001-2008).

**Rosa M. Costantino**

Member of the Executive Committee

Graduated from the Universidad Central de Venezuela with a degree in Economics. Joined Mercantil in 1979 where she has occupied senior positions in the areas of treasury, finance, and retail banking. She is currently Manager of Global Private Banking and Assets Management and is a member of the Executive Committees of Mercantil Servicios Financieros, Mercantil Banco Universal, Mercantil Commercebank Florida Bancorp, and Mercantil Commercebank. She is President of Mercantil Servicios de Inversión and Mercantil Sociedad Administradora de Fondos in Venezuela. Director of Mercantil Commercebank Florida Bancorp, Mercantil Commercebank Investment Services, Mercantil Commercebank Trust Company, and Mercantil Bank (Schweiz). Director of Todo1 Mercantil, Mercantil Merinvest and Mercantil Seguros in Venezuela.

**Alfonso Figueredo**

Member of the Executive Committee

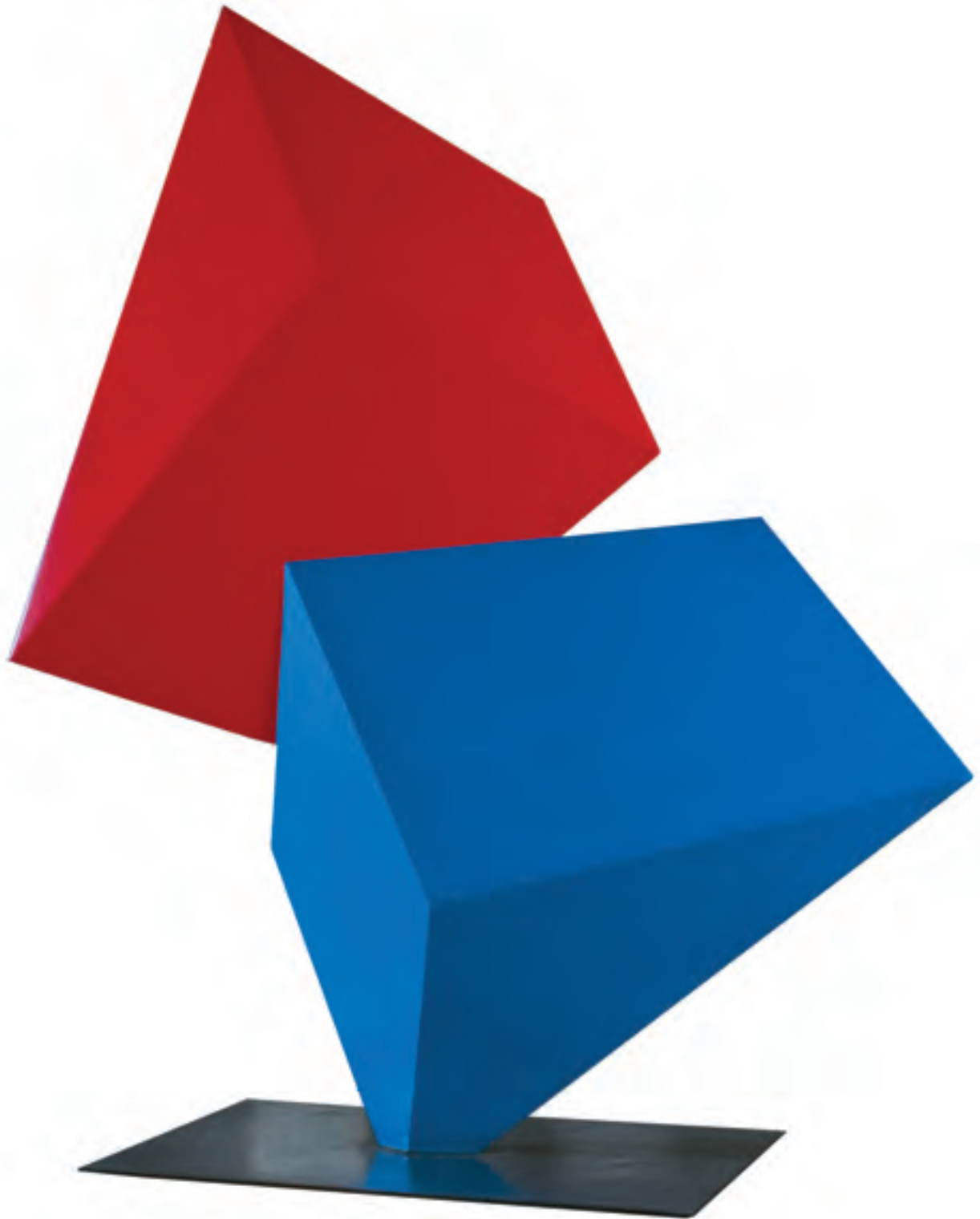
Holds a degree in Accounting (1983) and a Masters of Business Administration from Universidad Católica Andrés Bello (UCAB), Caracas, Venezuela. With twenty one years of service at Mercantil, he is the Global Chief Financial Officer of Mercantil Servicios Financieros. Director of Mercantil Commercebank Florida Bancorp. Member of the Executive Committee of Mercantil Servicios Financieros, Mercantil Banco Universal, Mercantil Commercebank Florida Bancorp, and Mercantil Commercebank. Previous to his banking career he worked for 7 years at Espiñeira, Sheldon y Asociados (PriceWaterhouseCoopers). Former President of the Venezuelan Banking Association's Comptrollers Committee.

**Fernando Figueredo M.**

Member of the Executive Committee

Graduated with a Law degree from the Universidad Católica Andrés Bello in Caracas, Venezuela. Also holds a Masters of Business Administration (MBA) degree with a dual specialization in Finance and Marketing from Columbia University in New York. Currently serves as Global Risk Officer of Mercantil Servicios Financieros and serves on the Board of Directors of several companies within the group. Member of the Executive Committees of Mercantil Commercebank and Mercantil Banco Universal. Formerly held the positions of Credit Risk Manager and Operational Risk Manager of the Corporate and Investment Bank of Mercantil Servicios Financieros. Prior to joining Mercantil Servicios Financieros, he served as head of Financial Institutions at Citibank, N.A., Venezuela, responsible for managing the areas of business segment transactional clients and corporate customer attention. Previously managed the Oil and Gas area within the Santander Group (Banco Venezuela) and the Corporate Finance Division in Santander Investment.

# RAFAEL BARRIOS



## RAFAEL BARRIOS

*Trazos triangulares* • 1997

Laquered metal • 250 x 212 x 29 cm

*Born in Louisiana in 1947 to Venezuelan parents.*

*Barrios' sculptural work reflects the artist's musings about space and the human form he will create within it as a visual point of reference. The recipient of notable national and international awards, Barrios graduated from the Ontario College of Art in Toronto, Canada with a degree in fine art, communications and design.*

# ***Social Responsibility***

Since its inception, Mercantil Commercebank has maintained a strong tradition of giving back to the communities it serves. In 2009, the Bank continued this tradition, focusing on doing its part to support the causes and organizations most in need.

## ***Fostering Community Development and Affordable Housing***

Underserved communities continued to be especially impacted by the weakened economy and the financial crisis, and the Bank considered its tradition of support to be very important. The Bank's partnership with Neighborhood Housing Services of South Florida provided counseling for homeowners facing pre-foreclosure. A long-term relationship with Habitat for Humanity was sustained through the donation of a multi-family rental apartment building with 13 units in Liberty City. The Bank also supported the efforts of the Little Haiti Housing Association, which serves the community development needs of low-income residents in the community, by providing counseling in 3 languages, rehabilitation and construction of affordable housing and assistance in obtaining financing.

### ***Community Development partners included:***

- Acción USA
- Avenue CDC
- Broward Housing Solutions
- Florida Community Loan Fund
- Habitat for Humanity of South Florida
- Housing Opportunities Project for Excellence (HOPE)
- Little Haiti Housing Association
- Neighborhood Housing Services of South Florida, Inc.

## ***Financial Literacy & Education***

A new partnership was established with the Bowery Mission in New York City, where staff provided financial literacy to the formerly homeless women participating in the program. The Bank continued its long-term support to Consumer Credit Counseling Service of South Florida as an alternative means of helping people find positive solutions to regaining control of their credit. The Bank also encouraged start-up entrepreneurs by providing partial funding for the Entrepreneurial Institute at Barry University, a program that reaches out to low income residents in various communities who are interested in starting a business. The Bank renewed its commitment to the Human Services Coalition providing financial literacy programs, screenings

and other services throughout their 13 centers in South Florida to help consumers apply for and obtain public benefits, direct them to free tax preparation services and other information to pursue economic opportunities and promote economic self-sufficiency.

*Our partners for Financial Literacy and Education included:*

- Consumer Credit Counseling Services, Inc.
- Human Services Coalition
- The Bowery Mission
- The Entrepreneurial Institute at Barry University
- Universal Truth Community Development Corp.

## ***Charitable Endeavors***

In 2009, the nonprofit sector faced a critical drop-off in contributions due to economic conditions. However, the Bank continued its involvement in charitable causes, both through financial contributions and the volunteer efforts of its employees. The Bank is proud its employees rallied to support a variety of causes, for example participating in the 34th annual telethon for La Liga Contra el Cáncer, a Miami-based nonprofit providing ongoing free medical care to cancer patients. A commitment to the Miami Beach Community Health Center helped the organization continue to provide comprehensive health care services to the uninsured and underserved in Miami-Dade County.

*Charitable endeavors included:*

- American Cancer Society
- American Red Cross
- La Liga Contra el Cancer
- Little Sisters of the Assumption
- Miami Beach Community Health Center
- Neighborhood Centers
- Senior Housing Crime Prevention Foundation
- Women in Distress

## ***Making a Difference in the Lives of Children and Young People***

Over the past 30 years, the Bank has been deeply committed to providing low-income children with educational opportunities within Florida's K-12 public school system, and more recently to supporting outreach programs for at-risk families in the New York City neighborhood of Harlem. In addition to the ongoing financial support we provide to the Voices for Children Foundation, our participation in their Holiday Toy Drive brought much deserved happiness to many foster children during the holiday season. The Bank also provided practical household items as holiday gifts to teenagers who were aging-out of foster care and needed assistance in starting out on their own.

### *In 2009, the Bank's partners in making a difference in the lives of children and young people included:*

- Charlee Homes for Children
- Children of West Perrine
- Creative Children's Therapy
- CREW
- Miami Metrozoo
- Voices for Children Foundation

## ***Arts and Cultural Legacies***

Mercantil Commercebank has always made the support of the arts one of the cornerstones of its charitable giving philosophy, recognizing the life and joy that the Arts bring to the young and old in the communities the Bank serves. The Bank promotes appreciation for the arts and pursues opportunities to promote art education through programs such as the Mercantil Commercebank Zoolens<sup>SM</sup> Photography Project in conjunction with Miami Metrozoo slated to pilot in 2010. This project will provide students in area public schools the opportunity to gain appreciation of wildlife through the use of photography.

### *In 2009, support of arts and culture included:*

- International Hispanic Theater Festival
- Miami Symphony Orchestra
- The Juilliard School

# JORGE PIZZANI



## JORGE PIZZANI

***De Goya (from the series 'Acción GAN')*** • 2005

Acrylic on canvas • 170 x 136 cm

*Born in Acarigua, Venezuela in 1949.*

*A painter and draftsman of remarkable expressive capability, Pizzani's early works were anthropomorphic representations, which documented the figure's disintegration and the rising supremacy of the gesture. In the eighties, the artist developed a gestural-expressionist style that alluded to landscapes, a theme that prevails throughout his career. He has received several recognitions and awards, including the 'Salón Avellán' awarded by the Caracas Contemporary Museum of Art. He studied at the Institute of Design of the Neumann Foundation and at the Center of Graphic Studies (CEGRA) in Caracas.*

# Banking Centers, Subsidiaries and Affiliates

## Mercantil Commercebank

### Banking Centers

#### FLORIDA

##### Miami-Dade

##### Biscayne

11900 Biscayne Boulevard  
Miami, FL 33181  
(305) 892-6171

##### Coral Gables

220 Alhambra Circle  
Coral Gables, FL 33134  
(305) 460-8701

##### Coral Way

7171 Coral Way, Suite 101  
Miami, FL 33155  
(786) 437-3100

##### Doral

3105 N.W. 107 Avenue  
Doral, FL 33172  
(305) 629-1244

##### Galloway

8726 N.W. 26 Street  
Doral, FL 33172  
(786) 437-7530

##### Hialeah East

1601 East 4th Avenue  
Hialeah, FL 33010  
(305) 885-9302

##### Hialeah Gardens

11701 W. Okeechobee Road  
Hialeah Gardens, FL 33018  
(305) 826-2022

##### Kendall

11631 North Kendall Drive  
Miami, FL 33176  
(305) 274-1850

##### Pinecrest

8181 S.W. 117 Street  
Pinecrest, FL 33156  
(305) 909-2600

##### Sunny Isles Beach

17395 North Bay Road  
Sunny Isles Beach, FL 33160  
(305) 521-4900

##### Tamiami

13650 S.W. 131 Street  
Miami, FL 33186  
(305) 506-2000

##### Broward

##### Parkland

8017 N. University Drive  
Parkland, FL 33067  
(954) 282-5004

##### Pompano

1000 South Powerline Road  
Pompano Beach, FL 33069  
(954) 978-6113

##### Weston

2630 Weston Road  
Weston, FL 33331  
(954) 349-3711

#### Palm Beach

##### Lantana Road-West

6272 Lantana Road  
Lake Worth, FL 33463  
(561) 515-1340

#### NEW YORK

##### Manhattan

11 East 51st Street  
New York, NY 10022  
(212) 891-7777

#### TEXAS

##### Houston

717 Texas Avenue, Suite 100  
Houston, Texas 77002  
(713) 571-8010

### Loan Production Office

##### Weston

2500 Weston Road, Suite 401  
Weston, FL 33331  
(954) 903-5700

### Financial Service Subsidiaries

#### Mercantil Commercebank Investment Services, Inc.

220 Alhambra Circle, Penthouse  
Coral Gables, FL 33134  
Tel: (305) 460-8599  
Fax: (305) 460-8598  
www.mercantilcis.com

#### Mercantil Commercebank Trust Company, N.A.

220 Alhambra Circle, 11th Floor  
Coral Gables, FL 33134  
Tel: (305) 441-5555  
Fax: (305) 441-5560  
www.mercantiltctc.com

### Representative Offices of Mercantil Commercebank

#### Colombia

Av. 82, N° 12-18, Piso 8, Suite 805  
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Bogotá, D.C., Colombia  
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mvillamizar@mercantilcb.com

#### Mexico

Eugenio Sue N° 58, Colonia Polanco  
Chapultepec, Delegación Miguel Hidalgo  
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Fax: (52-55) 5280-9418  
mercvenmex@prodigy.net.mx

## Affiliates

Providing support to the international activities  
of Mercantil Commercebank

### Banks

#### Curaçao

MERCANTIL BANK  
CURAÇAO N.V.  
Abraham Mendez Chumaceiro  
Boulevard 1  
Willemstad, Curaçao  
Netherlands Antilles  
Tel: (5999) 461-1566/1669  
Fax: (5999) 461-1974  
fgirigori@bancomercantilcu.com

#### Grand Cayman

MERCANTIL BANK & TRUST,  
LIMITED  
Harbour Place, 4th floor  
103 South Church Street  
P.O. Box 1034  
Grand Cayman, KY1-1102  
Cayman Islands  
Tel: (1-345) 949-8455  
Fax: (1-345) 949-8499

#### Panama

MERCANTIL BANK (PANAMA)  
Torre de las Américas, Planta Baja  
Local N° 8-A, Punta Pacífica  
P.O. Box 0819-05811 Panamá  
República de Panamá  
Tel: (507) 282-7000  
Fax: (507) 282-7040  
asubero@mercantilbankpanama.com

#### Switzerland

MERCANTIL BANK (SCHWEIZ), A.G.  
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Zurich, Switzerland  
P.O. Box 9758  
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Tel: (41-43) 344-4555 master  
Fax: (41-43) 344-4550  
www.mercantilsuiza.com

#### Venezuela

MERCANTIL, C.A. BANCO UNIVERSAL  
Avenida Andrés Bello, N° 1  
Edificio Mercantil  
Caracas 1050, Venezuela  
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Télex: 27002/27003 BMERVC  
Apartado Postal 789,  
Caracas 1010-A  
Venezuela  
mercan24@bancomercantil.com  
www.bancomercantil.com  
Centro de Atención Mercantil (CAM):  
Tel: 0-500-600-2424/0-500-503-2424  
(58-212) 600-2424  
(58-212) 503-2424

### Financial Service Subsidiaries

#### Mercantil Merinvest, C.A.

Avenida Andrés Bello, No. 1  
Edificio Mercantil, Piso 24  
Caracas 1050, Venezuela  
Tel: (58-212) 503-2700  
Fax: (58-212) 503-2757

#### Mercantil Seguros, C.A.

Av. Libertador con calle Isaías  
"Látigo" Chávez,  
Edificio Mercantil Seguros, Chacao  
Caracas 1060, Venezuela  
Tel: (58-212) 276-2000  
Fax: (58-212) 276-2001  
www.segurosmercantil.com

### Representative Offices of Mercantil Banco Universal

#### Brazil

Av. Paulista, N° 1842, 3° andar CJ. 37  
Edif. Cetenco Plaza, Torre Norte-Cep  
01310-200  
Sao Paulo SP, Brazil  
Tel: (55-11) 3285-4647/3284-0206  
Fax: (55-11) 3289-5854  
mercansp@uol.com.br

#### Colombia

Av. 82, N° 12-18, Piso 8, Suite 805  
Edificio Interbolsa, La Cabrera  
Bogotá, D.C., Colombia  
Tel: (571) 635-0035, Ext. 2008  
Fax: (571) 623-7701

#### Mexico

Eugenio Sue N° 58, Colonia Polanco  
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#### Peru

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rafael.alcazar@rebaza-alcazar.com

#### U.S. - New York

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Fax: (212) 891-7419  
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# A Study in Contrasts

# Venezuelan Art in the Eighties

*Ingenuity and self-expression achieve new levels*

For decades, the Mercantil Collection has proudly supported and showcased the rich legacy and evolution of Venezuelan art. The pieces included were carefully selected -- all express a clear point of view and represent significant transformations for their period. As a collection, the works express a key period in our history and make visible the changes that have taken place in our society. It is our hope that understanding these changes and trends will guide us toward a better future.

The eighties were a decade of broadening racial and linguistic diversity, both internationally and within the country of Venezuela itself. This environment in turn produced new social, cultural, economic, and political views that have since set the stage for the interconnected world we live in today. It was a period in which opposing and even incoherent ideas found expression and common ground. Through these pieces, we catch a glimpse of a widening freedom of thought and greater tolerance towards a range of opinions not previously accepted.

Artists during this period were attuned to a growing global sensibility, and produced a range of works in which diversity and eclecticism is presented as an alternative approach to more traditional forms of organization. While this movement offered no real signature, no structure and an acute self-consciousness about the instability of the times, the artists looked to the past for inspiration while incorporating the contradictions of the present.

It was a decade that made the impossible real, as evidenced by our collective experience of the computer age, music videos, CDs, and international TV via satellite dishes. In response, artists used new media to bring back the grandeur of their work, experimenting freely with figurative art and abstractionism without the restrictions and censure from an earlier, less opulent time.

The works of this period generally find their place within two movements of contemporary art: Neo-expressionism and Neo-figurative art. In these movements, an exciting renaissance of painting, ceramics and sculpture took place. Drawing and engraving gained recognition as autonomous arts. Photography became increasingly appreciated as a viable medium of artistic expression. Conceptual art, installations and performance art all gained momentum and recognition within the art world. And Venezuelan museums and galleries exhibited it all.

A great number of renowned Venezuelan and international artists from this prolific period have shaped our collective thoughts today. For this purpose, the Mercantil Collection presents a selection of the works by these iconic artists: Rafael Barrios, Antonio Lazo, Ernesto León, Oscar Pellegrino, Jorge Pizzani and Adrián Pujol. The selections are based on the rich expression of contrasts and depiction of the range of possibilities found in diversity.

Mercantil Commercebank is pleased to present these selections from the Mercantil art collection, as part of our continuous endeavor over the past five years to share the works of the *Colección Mercantil* in our Annual Reports.



Member FDIC

[www.mercantilcb.com](http://www.mercantilcb.com)