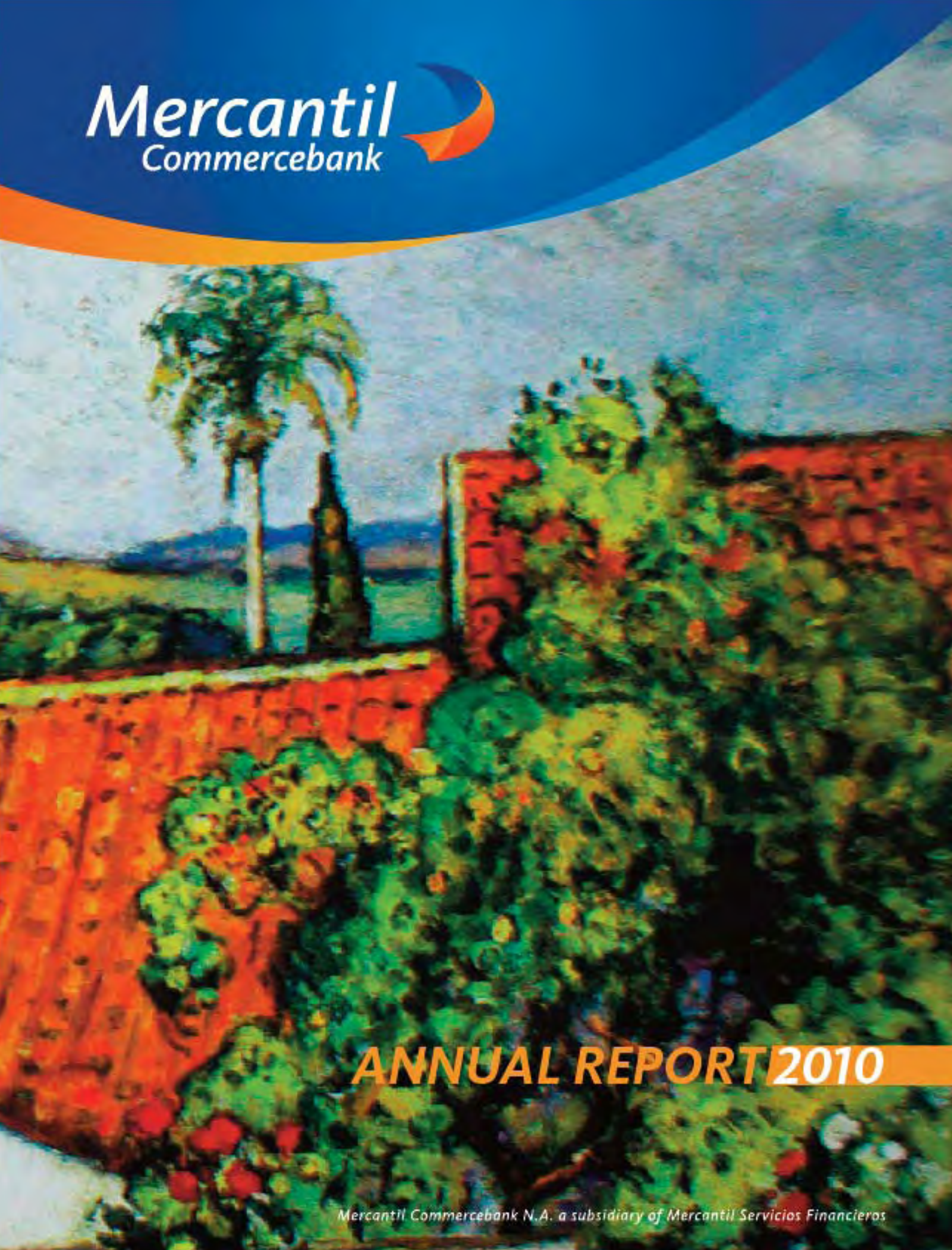


Mercantil
Commercebanc



ANNUAL REPORT 2010

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

In this report,

Mercantil Commercebank

*celebrates a group of Venezuelan artists from the early twentieth century who revitalized Venezuela's art scene and influenced art movements for decades to come. These artists based their work on the close study of nature leaving a legacy of art, beauty and life. Together they established what became known as the Fine Arts Society, and later lent their creative spirit to the "**Escuela de Caracas.**" For five decades, these artists have inspired landscape painting in Venezuelan art and given younger generations the opportunity to forever witness the beauty and light that suffuses Caracas and its surrounding areas. The works presented in this report are part of the Mercantil Collection.*



ANNUAL REPORT 2010

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Federico BRANDT

Azotea, around 1924

Oil on canvas

45,5 x 59,5 cm



Caracas, 1878 - 1932

Brandt is considered one of the greatest Venezuelan landscape painters of the first half of the twentieth century. He attended the Academy of Fine Arts and studied at Arturo Michelena's Art Studio, as well as in renowned schools and art studios in Germany and France. Although he did not become a professional painter, his passion for art led him to dedicate the majority of his free time to painting. He joined the Fine Arts Society and forged lasting friendships with many of its members.

Profile

Founded in 1979, Mercantil Commercebank is a global banking organization. The Bank's primary market is South Florida, where it operates 15 banking centers. In addition, there are locations strategically positioned in Downtown Houston, Texas and in New York City's Midtown Manhattan to service companies and individuals with expanded global banking needs. Through U.S. bank holding companies, Mercantil Commercebank is beneficially owned by Mercantil Servicios Financieros, an organization based in Venezuela that also operates subsidiaries and representative offices in the Curaçao, Grand Cayman, Panama, Mexico, Colombia, Peru and Brazil, as well as Hong Kong and Switzerland. Mercantil Commercebank is part of a brand that is globally recognized in the financial services industry.

Mercantil Commercebank provides individuals and businesses with U.S. domestic and international banking needs a full array of deposit, wealth management and credit services. In addition to our banking centers, routine banking transactions can be handled online, on the telephone, and at any of our ATM locations. These traditional banking services and delivery channels are complimented by investment, trust and estate planning offerings provided by Mercantil Commercebank's subsidiaries, Mercantil Commercebank Investment Services, Inc. and Mercantil Commercebank Trust Company, N.A.

With a customer base that exceeds 100,000 clients and assets of \$8.0 billion, including assets under management, Mercantil Commercebank's main office is located in Coral Gables, Florida which is home to an affluent population and the U.S. headquarters for many multinational companies. According to the FDIC's June 30, 2010 Summary of Deposits report, Mercantil Commercebank was the deposit share leader in Coral Gables where there were 30 commercial banks competing for over \$13 billion in deposits. The same source ranks Mercantil Commercebank as the fifth largest bank headquartered in Florida in terms of total assets and one of the Top 20 banks in Florida, as measured by deposit market share. The American Banker, a respected trade publication and authority on banking trends, lists Mercantil Commercebank's holding company among the Top 150 Bank Holding Companies in the U.S., as measured by total assets.

The mission of Mercantil Commercebank is to be recognized as a superior provider of quality financial products and services in the markets it serves. This is accomplished by regularly assessing the financial services needs of our markets and aligning our business plans to fully satisfy those needs. It includes providing the products and services that create value and long-term customer satisfaction.

Since its founding, Mercantil Commercebank's primary business strategy has been simple – to get better with each passing year. Pursuing the plans, priorities and key actions established to achieve this objective, especially during the volatile market conditions of 2010, has kept us on track to achieving our ultimate goal of being the financial institution of choice in our markets.

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 Azúa

Luis A. Romero M.

José Antonio Villamil

J. Guillermo Villar

Executive Committee

Gustavo A. Marturet
Chairman

Millar Wilson
President and CEO

Rosa M. Costantino
Global Private Banking and
Wealth Management Manager

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

Financial Highlights and Key Ratios

<i>(Dollars in millions)</i>	december 31 2010	december 31 2009	december 31 2008	december 31 2007	december 31 2006
Consolidated Balance Sheets					
Total assets	\$ 6,478.1	\$ 5,991.0	\$ 6,023.8	\$ 5,458.6	\$ 4,898.2
Securities available for sale	2,261.0	2,294.1	2,542.6	1,888.1	1,723.5
Loans, net	3,697.5	3,247.9	3,034.8	2,998.8	2,574.4
Deposits	4,715.3	4,399.6	4,360.8	3,980.7	3,505.5
Securities sold under agreements to repurchase	649.3	694.1	868.6	832.8	638.5
Advances from the Federal Home Loan Bank	429.8	201.8	151.8	33.3	109.3
Stockholder's equity	658.4	654.4	559.5	471.2	395.3
Consolidated Statements of Operations (for the 12 months ended)					
Net interest income	\$ 143.5	\$ 160.6	\$ 188.7	\$ 190.7	\$ 168.8
Provision for loan losses	72.7	132.1	77.0	18.7	6.6
Net interest income after provision for loan losses	70.8	28.5	111.7	172.0	162.2
Securities and derivative instruments gains, net	26.0	35.0	1.6	2.7	(1.0)
Non-interest income (includes securities gains)	71.1	68.9	34.4	31.3	26.0
Non-interest expense	140.1	136.3	143.7	137.7	110.2
Net income (loss)	1.2	(25.7)	2.5	42.2	49.5
Profitability Indicators (%)					
Net interest income / average total assets	2.23	2.64	3.05	3.48	3.80
Net income (loss) / average total assets (ROA)	0.02	(0.42)	0.04	0.77	1.11
Net income (loss) / average stockholder's equity (ROE)	0.19	(4.23)	0.49	9.74	13.76
Capital Adequacy Indicators (%)					
Total risk-based capital / risk-weighted assets	18.12	22.04	16.74	13.55	12.57
Tier 1 capital / risk-weighted assets	16.87	20.78	15.47	12.48	11.72
Tier 1 capital / total assets (period-end leverage)	9.20	10.44	8.93	8.10	7.74
Asset Quality Indicators (%)					
Non-performing assets / total assets	5.26	7.36	3.96	0.81	0.38
Non-accrual loans / gross loans	8.26	12.46	7.04	1.13	0.70
Allowance for loan losses / non-accrual loans	19.04	18.50	33.20	105.35	141.74
Allowance for loan losses / gross loans	1.57	2.31	2.34	1.19	0.99
Efficiency Indicators (%)					
Non-interest expense / average total assets	2.18	2.24	2.32	2.51	2.48
Non-interest expense / net interest income + non-interest income	65.27	59.39	64.41	62.03	56.57
Liquidity Indicators (%)					
Cash and cash equivalents / deposits	5.00	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	46.55	48.34	52.79	45.88	51.67
Core deposits / Net loans + securities available for sale + other real estate owned	69.48	66.13	57.99	58.94	60.06
Other Indicators (%)					
Loans, net / deposits	78.42	73.82	69.59	75.33	73.44
Interest-earnings assets / total assets	95.47	95.11	95.93	94.78	95.65
Interest-earnings assets / deposits	131.17	129.51	132.51	129.97	133.67
Banking Distribution Network					
Banking centers	17	17	16	15	15
Loan production offices	1	1	1	1	1
Number of employees (FTE)	755	782	879	934	823

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

Bernardo **MONSANTO**

Paisaje, 1961

Oil on masonite

33 x 86 cm



Caracas, 1896-1968

He began his art studies with his brother Antonio Edmundo Monsanto and with members of the Fine Arts Society. He was a professor and director at the Academy of Fine and Applied Arts of Caracas, as well as professor of Architectural History at the University of Central Venezuela. In 1945, he received the Second Award in Painting at the IV Annual Exhibition of Venezuelan Art and subsequently received the Federico Brandt Award at the same event the following year.

Board of Directors Report

Coral Gables, Florida, March 2011

To Our Valued Stockholders and Customers:

We are pleased to report that Mercantil Commercebank successfully managed through another year of challenging economic conditions, achieving an improved balance sheet and a net profit for the year.

In 2010, deposits and investments sold to customers under overnight repurchase agreements reached \$5.4 billion and net loans increased by \$449.6 million, or 13.8 percent, notable milestones during a period of weak economic conditions. In addition, we significantly reduced non-performing assets by \$100.5 million, or 22.8 percent, which was one of our key strategic goals for the year. Another key goal was to make progress toward returning the Bank to sustained profitability. We achieved a net profit for the year of \$1.2 million, compared to a net loss of \$25.7 million the prior year. Before loan provisions and taxes, the profit was \$74.5 million. A 45 percent decrease in loan provisions was the primary driver of the improvement in net profit. During 2010, loan provisions were \$72.7 million, compared to \$132.1 million in 2009. The Bank's capital ratios, another important measure of financial health, continued to significantly exceed regulatory requirements to be considered a well capitalized bank. At year end, the Total Risk Weighted Capital Ratio was 18.1 percent and the Tier 1 Leverage Ratio was 9.2 percent.

Our improved results were driven by the slowing pace of deterioration in the real estate markets and the continued stabilization of our credit quality. With sound strategies and resources in place, including an expanded Special Assets team, we accelerated the disposition of non-performing assets, primarily in the commercial real estate portfolio. Management reviewed the stressed loan portfolio to determine the best course of action to mitigate risk and potential loan losses. The outcome of this process included renegotiating terms with borrowers, taking legal action to enforce written agreements, identifying buyers to liquidate collateral on loans, and other alternatives to protect the value of these assets. In 2010, we sold a significant amount of properties repossessed during the year and were able to upgrade certain improving loans. Also, in 2010 we recovered \$7.8 million in loans previously charged off, a significant improvement from 2009 when less than \$1 million was recovered.

Recognizing that more than half of the businesses in South Florida report annual sales less than \$1 million¹, as well as the unique credit needs in our Houston and New York City banking centers, we launched a small business lending campaign in the second half of the year. We reached out to hundreds of business owners and offered them financing solutions that could



help their businesses prosper, while at the same time increasing the visibility of our brand. In order to enhance the banking experience of this customer segment, along with the important middle market segment, the Bank also launched various initiatives to improve its products and services. Among these enhancements was a new online banking platform with added functionality and safety utilizing advanced token technology. During the year, we also piloted remote deposit capture, enabling commercial customers to transmit electronic images of checks to the bank for deposit using a standard PC and a small scanning device. This service provides convenience, safety and quicker availability of funds. Planned for rollout in early 2011, we anticipate the demand for remote deposit capture will be greatest among firms that handle high volumes of checks.

At the end of 2010, the combined assets under management of our investment and trust subsidiaries were \$1.6 billion. During the year, we continued to analyze our customer base for those clients with profiles that would benefit from our wealth management services. In 2010, we extended the reach of this review beyond our private banking customers. Bankers serving customers from our banking center network received product training in order to identify and refer prospects to our wealth management subsidiaries. As a result of this effort, relationships that may have been targeted only for traditional banking services can now be expanded to include investment and trust products.

Investing in our local communities has been, and will continue to be, a priority for Mercantil Commercebank. Our tradition of giving includes economic development activities and support of many programs that improve the quality of life of children, the elderly, and underserved communities. During 2010, our employees actively volunteered their time and talent to charitable causes dedicated to, among others, helping to prevent birth defects, providing wishes to terminally ill children, helping cancer victims that are unable to afford health care and providing affordable housing. To support the economic vitality in the markets we serve, we also encourage our employees to actively participate in local chambers of commerce and trade associations, as well as organizations that guide small businesses and attract large corporations to our markets.



As we look forward to 2011, we are encouraged by the increasing signs of economic recovery. Credit quality will remain in the forefront of our attention. While we are not certain how future market conditions will impact the ability of our customers to repay their obligations, we have developed the capability to recognize and resolve problems quickly, reducing their potential negative effect. As we continue to do business in this changing economic environment, we remain committed to the core business strategies that have helped us endure the past few years. These include sales plans to capture more business from our existing customers and increase market share within the geographic proximity of our banking centers. We will continue to develop relationships with middle market and large companies that will benefit from our global expertise and lending capacity. As the banking industry consolidates and large competitors become even larger, we will compete for business leveraging on our attention to customer needs and local decision-making capabilities. While seeking products and delivery methods that are convenient for our customers, we also plan to grow the number of bankers that have the ability to provide personal care and attention.

In summary, our strategy for 2011 is to build on the momentum that has been created in order to further strengthen our balance sheet, increase our profitability, expand our market position and continually enhance our brand reputation. We look forward to the opportunities ahead that will allow us to create more value for our customers, employees and stakeholders.

Best regards,

Gustavo A. Marturet, Chairman

Millar Wilson, President & CEO

Jonathan Coles

Frederick C. Copeland, Jr.

Pamella J. Dana

Thomas E. Krayenbuehl

Salvador López de Azúa

Luis A. Romero M.

José Antonio Villamil

J. Guillermo Villar

¹ Source: USADATA, March 2011.

Armando Lira

El Ávila desde Sarria, date unknown

Oil on canvas

130,3 x 160,3 cm



Yungay, Chile, 1903 - Caracas, 1959

In 1923, Lira entered the Fine Arts School of Santiago de Chile, where he graduated as a Professor of Drawing. Subsequently, he received a scholarship to study in Europe. In 1936, he was hired by the Venezuelan government to head the "Chilean Mission," with the objective to help direct the restructuring of the Academy of Fine and Applied Arts. After several years abroad, he finally settled in Venezuela and began an intensely prolific artistic period inspired by the rural and urban landscapes of Venezuela's geography.

Economic Environment

Global

As developed economies transition out of the crisis and into sustainable recovery, a bigger and longer term favorable transition is under way. The large emerging markets are racing ahead, not only boosting their own living standards, but stimulating growth in the rest of the world. Notwithstanding this, the pace of recovery was not homogeneous. At year-end, some of the euro zone countries were still experiencing difficulties in their fiscal positions, deteriorating sovereign debt valuations and declining economic growth rates.

In the United States, the extraordinary economic performance of emerging markets, the stimulus of monetary and fiscal policies and the formal announcement of the end of the recession period that began in 2008 contributed to the recovery in 2010.

In Latin America, strong counter-cyclical stimulus and rising international commodity prices resulted in a rapid recovery of output from the 2009 global downturn. Led by Brazil, Peru, Argentina, Panama, Chile and Colombia, regional GDP growth was close to 6 percent in 2010, following a contraction of 2.3 percent in 2009. Capacity utilization reached peak levels in a number of countries and business investment spending grew rapidly, financed by a rise in corporate profits, equity investment inflows, and market borrowing. Taking advantage of substantial global liquidity, reduced risk aversion and tighter spreads, there was substantial external market borrowing by Latin American corporates, sovereigns and local governments. Also notable in the region was the Central Bank of Venezuela's implementation of a new system governing the terms and conditions for government-issued securities denominated in domestic and foreign currencies.

United States

The U.S. economy closed the year 2010 on a note of optimism as the real economy showed important signs of life: real GDP recovered, jobless claims declined; consumer spending was strong; manufacturing continued to post solid growth, and corporate profits recovered at record levels. At the same time, leading financial indicators pointed to stronger growth as well. The yield curve in the U.S. Treasury market, which has a solid forecasting record, steepened in recent months. The U.S. stock market, while not always a good indicator of economic performance, also pointed to stronger growth. The S&P 500 Index posted a 6.5 percent gain in the fourth quarter of 2010 and a gain of 13 percent for the year, driven in part by the growth in corporate profits.

Financial Markets

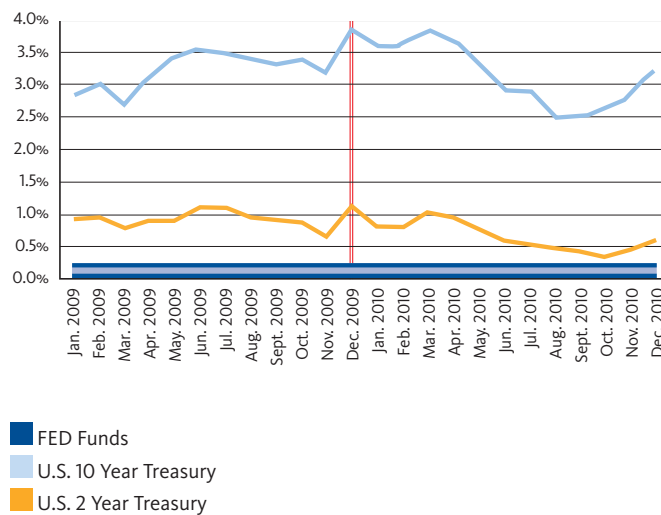
During 2010, governments and central banks around the world were committed to providing incentives to accelerate the recovery of global financial markets. Interest rates, particularly in the U.S., continued to show a downward trend and created a very favorable refinancing and portfolio rebalancing environment.

As depicted in the graph below, the Federal Reserve Bank (Fed) kept its benchmark interest rate very low at a range between zero and 0.25 percent. After a period of much speculation about the measures the Fed would take to foster confidence in the financial markets, Fed Board Chairman Bernanke announced in the second part of the year plans to grow the Fed's balance sheet. The purchase of about \$600 billion in long-term U.S. Treasury securities was part of a strategy to contain potential increases in long-term interest rates and to provide much needed liquidity while remaining cautious about deflationary pressures.

The credit risk perception continued to improve during 2010. The five-year interest rate swap spread – used as a measure of general credit conditions – tightened to 16 basis points at the end of the year. This represented a dramatic decrease from a high of 120 basis points in September 2008 at the peak of the financial crisis. The pace of corporate debt issuances spiked during 2010, with new investment-grade bonds and high-yield issuances topping \$962 billion and \$353 billion, respectively, signaling the reactivation of debt markets and in particular the high-yield side. Global merger and acquisition activity also reactivated during 2010, surpassing by almost \$1 trillion the value of transactions in 2009.

U.S. Interest Rates

December 31, 2010



In the housing market, residential real estate prices showed a tendency toward stabilization in the first half of 2010 as the U.S. Government offered tax credits to first-time home buyers. However, once this tax incentive expired, the volume of property closings drastically decreased. Low rates on 30-year fixed mortgages, the Fed's purchase of mortgage-backed securities and the official announcement that the "Big Recession" had ended, reinvigorated the housing market during the second half of 2010. The foreclosure rate slowed as regulators halted property repossessions and reviewed processes at several of the largest U.S. banks, many of which revealed weaknesses in the mortgage loan documentation and approval processes. In the commercial real estate sector, high vacancies were evident throughout the year.

Private and institutional investors were attracted to countries where growth and interest rate expectations were most favorable. This was the case for emerging economies which accumulated almost \$1.2 trillion in currency reserves between the peak of the financial crisis in 2009 and the third quarter of 2010, according to the International Monetary Fund. Such massive inflows triggered actions among emerging economies to minimize the effect of an uncompetitive currency and a massive rally in the value of their internal assets.

In the case of Europe, debt issued by Portugal, Italy, Ireland, Greece and Spain were subjected to high price volatility due to their fiscal difficulties and the challenges to reach full recovery. In the case of commodities, general levels were also up during 2010, driven specially by the high demand from China and other growing economies.

Towards the end of 2010, the U.S. Government approved the extension of income tax cuts which were about to expire. This event presented more challenges for the U.S. to reduce its fiscal deficit and investors responded with a sell-off of U.S. Treasuries. Capital flows went into the stock market fueling the Dow Jones Index to reach pre-Lehman Brothers levels of early 2008, gaining 11.0 percent for 2010.



Growth and Consumption

During 2010, the U.S. economy appears to have successfully navigated the adjustment from a recovery driven primarily by economic stimulus policies and inventory rebuilding to one driven by private consumption demand and rising exports.

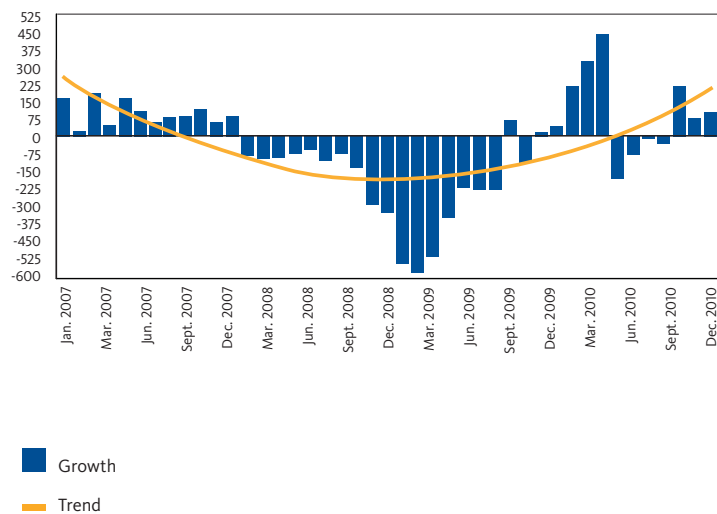
According to the U.S. Bureau of Economic Analysis, GDP growth rose 2.9 percent in 2010 and recouped the 2.6 percent lost during 2009. Powering last year's increase in total output was a 1.8 percent increase in personal consumption which grew at a strong rate of 4.4 percent in the fourth quarter with a jump in automobile sales, while growth in business investment eased slightly to 4.4 percent. The recovery in consumption spending was in large part related to the behavior of personal income which turned the corner last year into positive territory. For the full year, the pickup in income growth to 3.0 percent (from -1.7 percent in 2009) reflected positive growth in hourly earnings, a decline in unemployment and growth in entrepreneurial income. In this environment of higher income and spending, the personal savings rate slipped to 5.3 percent from the post crisis high of 5.8 percent. However, this rate is still high compared to the monthly low of 1.8 percent late in 2007.

Labor Market Trends

The U.S. economic environment that brought about a loss of 8.3 million jobs during the 2007-2009 recession regained 951,000 jobs in 2010. GDP expansion, however, was not sufficient to prevent unemployment from exceeding the previous year's figure. According to the U.S.

Non-Farm Payroll Employment

1/2007 to 12/2010



Source: U.S. Bureau of Labor Statistics

Bureau of Labor Statistics, the unemployment rate at the close of the year rose to 9.4 percent, slightly above the 9.3 percent registered in December 2009. The average duration of unemployment also rose slightly to 34.2 weeks, but remained below its highest point in June of 34.8. Of those unemployed, 44.3 percent were out of work for 27 weeks or longer. The struggling job market caused the labor force participation rate to drop to 64.3 percent, the lowest since 1984. At the current pace of job creation, total employment would be back to its December 2007 peak by late 2018 and, even then, the unemployment rate would be higher than it was in December 2007 due to growth in the labor force. Perhaps the positive note in the labor market during 2010 was the increasing gains in the generation of jobs seen in the fourth quarter and the lower level of unemployment insurance claims. Indeed, non-farm payrolls rose to 384,000 during the fourth quarter and the initial jobless claims fell to 391,000 for the week of December 25 (compared to a peak during the week ended March 28, 2009 of 651,000).

Business Spending

Business spending was stimulated by the improved economic climate, as firms faced higher demand for their products, moderate cost of capital, and better (though not extraordinary) access to credit. The December Composite Index for the service and construction sectors, published by the Institute for Supply Management, rose to 57.1 from 55.0 in November. This was the highest level since May 2006 and was up from a low of 37.2 late in 2008. Year-over-year, U.S. industrial production growth was up to 5.9 percent, compared to the plunge of 9.3 percent in 2009. Thus, the rebound in industrial production growth traced out a clear "V" shaped recovery. Capacity utilization improved throughout the year reaching 76.0 percent in December, the highest level since August 2008.

The U.S. Real Estate Market

The pace of deterioration in the U.S. real estate market has slowed sufficiently to entice investors and lenders to complete transactions. However, supply and demand dynamics remained far from healthy, particularly in South Florida where a large volume of distressed properties continued to place a heavy drag on price performance.

In early 2010, home prices began to stabilize as efforts to revive the housing market through temporary home buyer tax incentives brought a significant amount of future demand to the present. After the tax incentives expired, price declines resumed although at significantly reduced levels compared to 2009. At the end of the year, home prices in 16 of the 20 major metropolitan markets, measured by the S&P/Case-Shiller Home Price Index, closed lower

than in 2009. It is important to point out that declining home values increase the risk of mortgage defaults and discourage home purchases as potential buyers wait until the prices stop falling. Though the number of unsold homes for sale fell in December to 3.5 million, they were up 8.4 percent year-over-year. In 2010, new home sales fell 14.2 percent to 321,000, the fourth consecutive annual decline and a record low year. Finally, the difficulties with the foreclosure process will only increase the risk that a recovery in this sector will take much longer than in previous severe downturns.

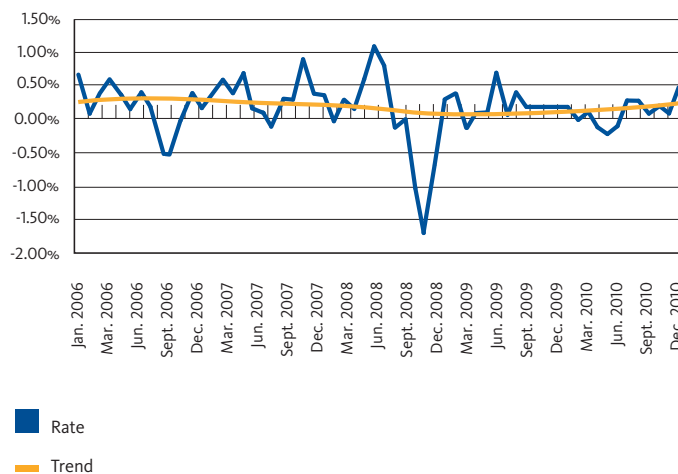
Commercial real estate remains weak, but the underlying fundamentals have shown promising signs of stabilization. In many markets, vacancy rates have stabilized, the rate of decline in rental rates has slowed, and sales volumes have improved each quarter during 2010. Given these factors, market values have started to stabilize and the demand for well-occupied properties in top-tier markets is coming back to life. Properties in less favorable markets are still struggling from a lack of demand.

Domestic Prices

Given the significant slack that characterized the U.S. economy, high inflation was not a problem in 2010. However, the sustained low levels of inflation during the year raised concerns for policy makers. Fed Board Chairman Bernanke commented that experience has shown that deflation induced by economic slack can lead to extended periods of poor economic performance. According to the U.S. Bureau of Labor Statistics during all of 2010, the CPI rose 1.6 percent following the 0.3 percent decline during last year. The December-to-December gain was 1.5 percent. Higher food and energy prices drove headline consumer prices.

Inflation Rate in the United States

(CPI Monthly % Change)



Source: U.S. Bureau of Labor Statistics

Monetary and Fiscal Policy

Monetary and fiscal policy during 2010 were generally aligned to sustain the stimulus to aggregate demand in the U.S. economy. During the year, the Fed fulfilled its lender of last resort function for commercial banks, enabling their access to the Fed funds window. The Fed continued its strong response to the recessive environment by aggressively expanding bank reserves through the continuation of a quantitative easing policy (QE) that began in December 2007 and resulted in the purchase of about \$1.7 trillion of longer-term Treasury and agency-backed securities in the open market by March 2010. In November 2010, the Fed announced yet another plan to expand its balance sheet in the following eight months through the purchase of another \$600 billion of Treasury notes with an average maturity of 5 to 6 years. Moreover, by the end of the fourth quarter, President Obama announced a 'framework' agreement with Republican Congressional leaders that changed the previous view on fiscal policy. The deal initially involved a two-year extension of all expiring tax cuts (including those for upper-income taxpayers); a two-year extension of other expiring tax provisions (including a fix for the alternative minimum tax); a new one-time 12-month, 2 percent payroll tax cut for employees; a 100 percent tax benefit from the expensing of business investment outlays in 2011; and a 13-month extension of emergency unemployment benefits.



César PRIETO

Los Caobos, around 1948

Oil on canvas

50,5 x 60,5 cm



Santa María de Ipire, State of Guárico, 1882 - Caracas, 1976

Prieto moved to Caracas around 1900 to study at the Academy of Fine Arts. During his time at the Academy, he befriended several of the artists who later went on to form the Fine Arts Society. In 1936, he began teaching at the Academy of Fine and Applied Arts, while also spending considerable time painting portraits and landscapes of Caracas and its surrounding areas. In 1950, he received the National Award in Painting.

Management Discussion and Analysis

Financial Condition and Results of Operations

The following management's discussion and analysis (MD&A) is intended to assist readers in understanding the consolidated financial condition and results of operations of the Bank as of December 31, 2010 and for the year then ended. This discussion should be read in conjunction with the audited consolidated financial statements, accompanying footnotes and other supplemental financial data included in this annual report.

Consolidated Financial Statements

The Bank prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. These consolidated financial statements include the accounts of the Bank and its wholly-owned subsidiaries. In this section, we review the main variations of the summary consolidated balance sheets and statements of operations at the close of 2010 with respect to the amounts presented at the close of 2009.

Consolidated Results of Operations Review

The following table is a condensed version of the Bank's consolidated statements of operations for the years 2010 and 2009.

Summary of Consolidated Statements of Operations

(in millions except percentages)

	12 months ended		increase / (decrease)	
	december 31 2010	december 31 2009	\$	%
Net Interest Income	\$ 143.5	\$ 160.6	\$ (17.1)	(10.7)
Interest income	178.8	207.3	(28.5)	(13.8)
Interest expense	35.3	46.7	(11.4)	(24.4)
Provision for Loan Losses	72.7	132.1	(59.4)	(45.0)
Net interest income after provision for loan losses	70.8	28.5	42.3	148.4
Non-Interest Income	71.1	68.9	2.2	3.2
Non-Interest Expense	140.1	136.3	3.8	2.8
Salaries and employee benefits	70.1	70.6	(0.5)	(0.7)
Other operating	70.0	65.7	4.3	6.5
Net Income (Loss) before Income Tax	1.8	(38.9)	40.7	104.6
Income tax (expense) benefit	(0.6)	13.2	13.8	104.5
Net Income (Loss)	1.2	(25.7)	26.9	104.7

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

Net Income

Net income of \$1.2 million in 2010 represents a significant improvement from the net loss of \$25.7 million in 2009. The main driver contributing to this result was a significant decrease in the provision for loan losses, which improved from \$132.1 million in 2009 to \$72.7 million in 2010, a decrease of \$59.4 million or 45.0 percent. This positive result was offset by a decrease in the Bank's net interest income, which decreased \$17.1 million in 2010 or 10.7 percent from 2009.

Net Interest Income

Net interest income before provision for loan losses decreased \$17.1 million, or 10.7 percent, to \$143.5 million in 2010, from \$160.6 million in 2009. The lower net interest income in 2010 was due primarily to the decrease in the net interest margin from 2.8 percent in 2009 to 2.4 percent in 2010, which reflects the low-interest rate environment that existed during the year, partially offset by an increase in average interest-earning assets of \$412 million in 2010.

Provision for Loan Losses

The provision for loan losses totaled \$72.7 million in 2010, a decrease of 45.0 percent from \$132.1 million in 2009. Although there were signs of economic recovery, those signs did not always translate into improvements in collateral valuations of some of the Bank's land and construction development loans already significantly discounted compared to values at loan originations. In 2010, the Bank charged-off a net \$98.1 million in impairments primarily associated with land and construction development loans, compared to net charge-offs of \$128.7 million in 2009.

The South Florida real estate sector continued to face challenges, particularly from the large volume of distressed properties in the market. Despite these challenges, the Bank required significantly lower provisions to the allowance for loan losses and was able to achieve a substantial decrease in its level of non-performing loans. The ratio of non-accrual loans to total gross loans was 8.3 percent at the close of 2010, compared to 12.5 percent at the close of 2009. These improvements correlate with changes in the Standard & Poors/Case-Shiller Home Price Index for the Miami Region, which showed a decline in property values of 3.7 percent in 2010 compared to a decline of 9.9 percent in 2009.

Non-interest Income

In 2010, total non-interest income increased by \$2.2 million, or 3.2 percent. One of the factors leading to this result is the addition of rental and other income obtained from the operation of repossessed properties, which increased by about \$2.4 million during the year. Other factors contributing to the increase were the improved level of fees on deposit accounts, brokerage and other services, the combined effect of which was offset by a decrease of \$9 million, or 25.7 percent, in the net gains from sales of investment securities available for sale and derivative instruments.

The sales of investment securities available for sale stem from the Treasury Unit's ongoing assessment of the total return profile of each security versus the market for investments of similar risk, the mitigation of the significant risk to equity arising from prepayments (beyond contractual) on investment securities with material market appreciation, and management of the duration of the balance sheet.

Non-interest Expense

Total non-interest expense increased by \$3.8 million, or 2.8 percent, during the year. Higher net loss from valuation write-downs, net of gains on sale, and operating expenses associated with the Bank's other real estate owned contributed a total of \$7.4 million to the increase in non-interest expenses. Factors that helped mitigate this increase included primarily:

- Lower personnel expenses by \$0.5 million, or 0.7 percent, reflecting the continued commitment to the streamlining of our businesses and the activities that support them
- Improved occupancy and equipment expenses, which decreased by \$1.4 million, or 8.8 percent, as a result of lower lease expenses for the year
- FDIC assessments and insurance decreased by \$1.1 million, or 10.8 percent

Income Taxes

In 2010, the Bank recorded an income tax expense of \$0.6 million, compared to an income tax benefit of \$13.2 million the prior year. This change is mainly associated with a substantial decrease in the amounts of tax deductible expenses and losses included in the results of operations.

Consolidated Financial Condition Review

The following table is a condensed version of the Bank's Consolidated Balance Sheets at the close of the years 2010 and 2009.

Summary of Consolidated Balance Sheets

(in millions except percentages)

	december 31 2010	december 31 2009	increase / (decrease)	
			\$	%
Total Assets	\$ 6,478.1	\$ 5,991.0	\$ 487.1	8.1
Cash and cash equivalents	235.9	168.0	67.9	40.4
Securities	2,306.1	2,327.1	(21.0)	(0.9)
Loans, net	3,697.5	3,247.9	449.6	13.8
Other assets	238.6	248.0	(9.4)	(3.8)
Total Liabilities	\$ 5,819.7	\$ 5,336.6	\$ 483.1	9.1
Total deposits	4,715.3	4,399.6	315.7	7.2
Securities sold under agreements to repurchase	649.3	694.1	(44.8)	(6.5)
Advances from the Federal Home Loan Bank	429.8	201.8	228.0	113.0
Other liabilities	25.3	41.1	(15.8)	(38.4)
Total Stockholder's Equity	\$ 658.4	\$ 654.4	\$ 4.0	0.6

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

Total Assets

Total assets closed the year 2010 at \$6.5 billion, an increase of \$487.1 million, or 8.1 percent, compared to the previous year. The net loan portfolio, which closed the year at \$3.7 billion, or 57.1 percent of total assets, grew by 13.8 percent since the end of 2009. The investment securities portfolio of \$2.3 billion at the end of 2010, or 35.6 percent of total assets, decreased slightly by 0.9 percent compared to the previous year. Cash and cash equivalents showed an increase of \$67.9 million, or 40.4 percent, compared to 2009.

Cash and Cash Equivalents

The Bank continues to maintain significantly high liquidity levels as part of its asset-liability management strategies. A significant part of those strategies is holding liquid assets in the form of cash and cash equivalents, primarily deposits with the Federal Reserve Bank. At the close of 2010, cash and cash equivalents reached \$235.9 million, 3.6 percent of total assets, an increase of 40.4 percent compared to the close of 2009.

Investment Securities

The investment portfolio, which represents approximately 35.6 percent of total assets, is composed of high-quality debt instruments issued by U.S. Government Agencies and the U.S. Treasury (61.6 percent), U.S. Government Sponsored Enterprises (21.7 percent), Corporate Securities and Foreign Sovereign Debt (14.7 percent) and other instruments (2.0 percent). The composition of the investment securities portfolio at December 31, 2010 is illustrated in the chart on the left.

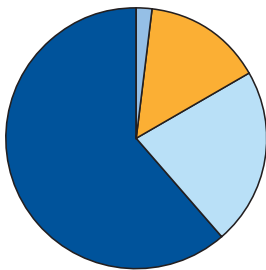
The Bank manages its investment portfolio with strategies designed to provide the optimum combination of liquidity, interest income, credit risk and market risk. The investment portfolio's market and credit risks are managed on a continuous basis by the Bank's Treasury Unit and monitored by Risk Management.

Loans, net

The net loan portfolio reached \$3.7 billion at the close of 2010, growing \$449.6 million, or 13.8 percent, compared to the previous year. This increase was primarily driven by larger International Corporate and Private Banking loan portfolios, which grew a total of \$467.2 million, or 34.9 percent in 2010. This growth was partially offset by a decrease of \$41.8 million, or 2.1 percent in the Personal and Commercial loan portfolio and a lower allowance for loan losses, which decreased \$17.6 million, or 22.9 percent in 2010.

The increase in the Corporate International and Private Banking loan portfolios is the result of the rebalancing strategy initiated during 2008, with the primary goal of reducing the Bank's concentration in real estate loans. This strategy has resulted in a 10 percent decrease in the Real Estate loan portfolio, which represented 42.1 percent of gross loans and 24.3 percent of total assets at December 31, 2010, respectively, compared to 52.6 percent and 29.2 percent at the close of 2009, respectively.

Investment Securities Portfolio December 31, 2010

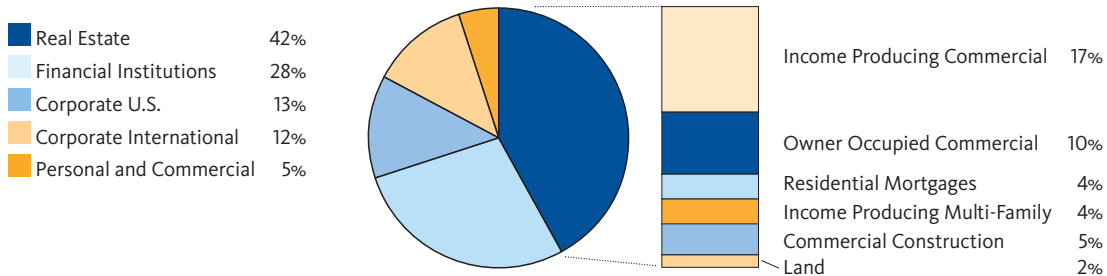


U.S. Government Agencies	61.6%
U.S. Government Sponsored Enterprise Debt Securities	21.7%
Corporate Securities and Foreign Sovereign Debt	14.7%
Other Instruments	2.0%

An important strategy to mitigate credit risk in the Bank's loan 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 portfolio, and its most important sector, Real Estate, at December 31, 2010 was well diversified in terms of economic activity and collateral as demonstrated in the following chart:

Loan Portfolio

December 31, 2010



Other Assets

Other assets decreased by \$9.4 million, or 3.8 percent. This decrease is primarily the result of:

- \$6.2 million reduction in prepaid expenses, which is mainly associated with a \$7.4 million decrease due to amortization of the FDIC assessment paid in 2009.
- \$4.8 million decrease in net premises and equipment, driven by depreciation expense of \$7.1 million and net purchases of \$2.3 million.
- \$4.7 million decrease in amounts due from securities brokers arising from unsettled sales of investment securities.
- \$3.7 million net increase in other real estate owned, which corresponds to \$48.5 million in new repossessions, offset by sales of \$35.5 million and a net loss of \$9.3 million from valuations or sales.
- Increase of \$2.7 million in accrued interest receivable, mainly driven by the increase in the loan portfolio.



Liabilities

Deposits and Securities Sold under Agreement to Repurchase

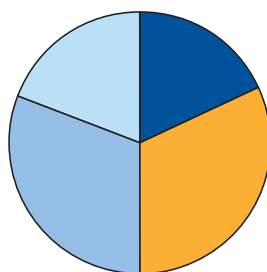
Deposits and securities sold under agreements to repurchase (repo accounts, including customer's overnight sweep repo accounts) reached an all-time high of \$5.4 billion at the close of 2010, representing an increase of \$270.9 million from 2009. This positive change was primarily driven by the growth achieved in core deposits during 2010, offset by a decline in non-core deposit balances and repo accounts.

Core deposits, comprised of non-interest and interest bearing (NOW) demand deposits, money market, savings and time deposit accounts with balances under \$100 thousand, grew by \$478.7 million, or 13.0 percent in 2010. Non-core deposits, essentially time deposits with balances over \$100 thousand, decreased \$163 million, or 22.7 percent during the year. Repo accounts decreased \$44.8 million, or 6.5 percent, compared to the previous year.

The increase in core deposits is the result of the collaboration of all business units in enriching existing customer relationships as a way of building a solid foundation on which new relationships can be identified and developed. This strategy also contributed in 2010 to the continuation of a favorable trend in the composition of the deposit balances. Non-interest bearing demand deposit accounts represented 18 percent of total deposits at the close of 2010, compared to 15 percent in 2009. At the same time, total time deposits decreased from 22 percent in 2009 to 19 percent in 2010. This shift, along with the impact of the protracted low interest rate environment, contributed to a decline in interest expense during the year.

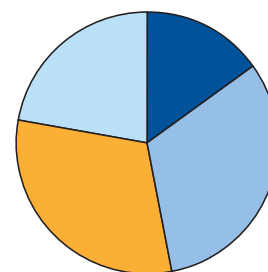
The following charts depict the composition of the Bank's deposits at December 31, 2010 and 2009:

2010 Deposits



NOW	32%
Savings & Money Market	31%
Time	19%
DDA	18%

2009 Deposits



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

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 as one of its tools to manage balance sheet interest rate sensitivity risk. Advances from the Federal Home Loan Bank closed the year at \$429.8 million, an increase of \$228 million, or 113 percent compared to 2009. \$90.5 million of this increase corresponds to advances maturing in less than a year, while \$137.5 million of the increase is in advances that mature in more than a year but less than three years.

At December 31, 2010 the Bank had a credit line of approximately \$1.3 billion, with an unused borrowing capacity of approximately \$866 million.

Stockholder's Equity

Stockholder's equity grew by \$4.0 million or 0.6 percent during the year. Net income of \$1.2 million and other comprehensive income of \$2.8 million, primarily the after-tax net unrealized fair value gains in the available for sale investment portfolio, were the contributing factors for this increase in shareholder's equity.

Tier 1 Risk-Based Capital as a percentage of Risk-Weighted Assets decreased to 16.87 percent in 2010 from 20.78 percent a year earlier. Total Risk-Based Capital to Risk-Weighted Assets decreased to 18.12 percent in 2010 from 22.04 percent in 2009. These decreases are the result of a reduction of 4.7 percent in Tier 1 Risk-Based Capital and 3.5 percent in Total Risk-Based Capital, coupled with an increase of 17.4 percent in total Risk-Weighted Assets. Total Risk-Weighted Assets increased approximately \$523 million, as a result of the growth in the portion of the loan portfolio allocated to a higher risk weight category for regulatory capital computation purposes.

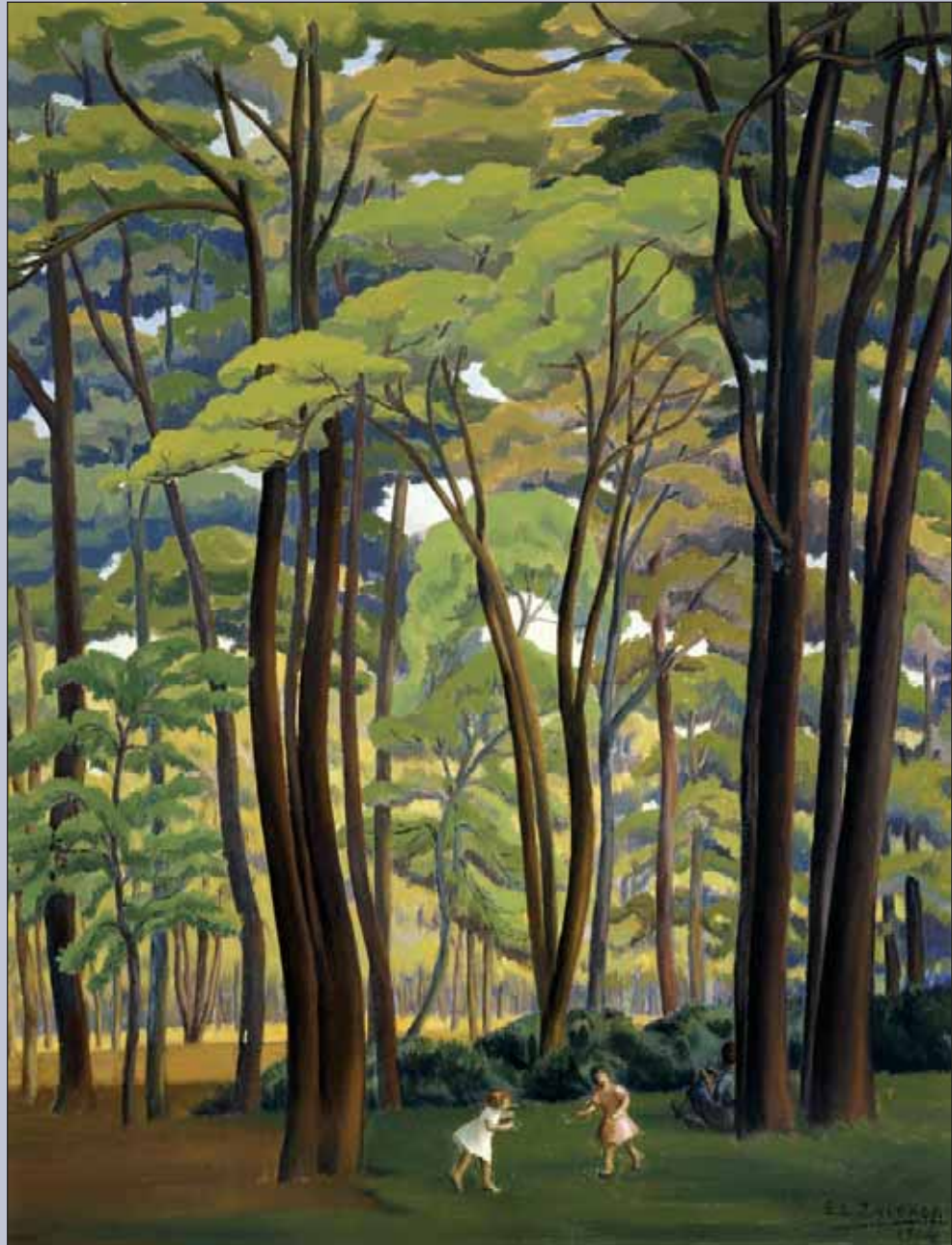
Tier 1 and Total Risk-Based Capital were reduced by approximately \$31 million in 2010 representing the estimated portion of the deferred tax asset which will be realized beyond the next 12-month period. This portion is ineligible as Tier 1 Capital under regulatory guidelines. However, no impairment valuation allowance was required on the deferred tax asset under generally accepted accounting principles (GAAP) in the U.S.

Elisa Elvira ZULOAGA

Paisaje con niñas, 1954

Oil on canvas

64,7 x 50 cm



Caracas, 1900 - 1980

Zuloaga began studying painting and sculpture as a young girl. Between 1918 and 1920, she completed her art education in Paris and later became close friends with many members of the Fine Arts Society. She was part of the "Escuela de Caracas," a generation that revitalized the country's landscape painting. Her landscapes were characterized by a ground-breaking style that was, at the time, completely new in the Venezuelan art circles. In 1948, she was named Cultural Director for the Ministry of Education. She also received the National Award in Painting in 1952 and the National Award in Engraving in 1968.

Business Segments Review

Personal and Commercial Banking

Personal and Commercial Banking (PAC) is comprised of two divisions, Domestic Personal and Commercial Banking (DPAC) and International Personal and Commercial Banking (IPAC). These divisions provide consumer, commercial, mortgage lending and credit card products to domestic and international customers.

Domestic Personal and Commercial Banking

DPAC serves domestic personal and commercial customers, including companies with commercial real estate borrowing needs, through its three operating units of Retail Banking, Commercial Banking and Commercial Real Estate. These units capitalize on the rich deposit base, dense populations and diverse industries that operate in what are considered to be among the most attractive banking markets in the United States - South Florida, Metropolitan Houston and New York City.

DPAC began the year with a focused approach to mining the opportunities in these favorable banking markets. With indications that an economic recovery was underway, and initiatives in place to maximize sales and service efficiencies, bankers worked to strengthen and deepen relationships with existing customers and build loyalty within the strategic market segments they serve. Throughout the year, bankers remained committed to these key actions despite the continuing challenges presented by the economy. The adversity to credit risk, coupled with the low interest rate environment, fueled intense competition to bank the market's most creditworthy customers. As a result, the loan portfolio experienced a slight decrease of approximately \$58.4 million, or 3 percent, to close the year at \$1.9 billion, compared to \$2.0 billion in 2009. At year end, deposits were \$752.5 million, compared to \$780.2 million in 2009, a decrease of approximately \$27.7 million, or 4 percent.

Domestic Retail Banking

The Bank closed the year with 17 banking centers - 15 located in South Florida, one in New York City's Manhattan, and one in Downtown Houston, Texas. To keep pace with consumer demand and changing market dynamics, Domestic Retail Banking continuously reviews and implements enhancements to this distribution network. In 2010, the Bank announced the relocation of an underperforming banking center to the City of Aventura, Florida. This new market, with a high concentration of residents and businesses that have global banking needs, will increase the Bank's visibility and brand exposure.

Domestic Retail Banking utilizes a neighborhood-based banking approach to serve the market. Sales initiatives are designed to align with the demographics and customer characteristics surrounding each banking center. This positions the Bank to leverage the opportunities that are unique to its distribution network.

In the second part of 2010, Domestic Retail Banking rolled out a satisfaction survey to gain a better understanding of how customers see us. The information collected included customer reaction to new and enhanced product offerings, as well as satisfaction with the Bank's delivery channels. This insight is being integrated into each banking center's neighborhood-based sales and marketing plan. The objective is to design a plan that delivers a banking experience to meet customer preferences that may differ from market to market. Results of the survey indicate high satisfaction levels with service delivered by Bank Tellers and Sales and Service Representatives whose scores are consistently exceeding expectations.

A new and simplified suite of deposit products was launched in early 2010, moving from 21 deposit products to a core set of 11 products. With this new core product offering, bankers are able to customize product packages for each customer to meet their personal preferences and individual style of banking. Giving clients choices and flexibility is a unique approach to fulfilling the Bank's emphasis on creating a personalized banking experience for its customers and deepening relationships. In addition to the consolidated product suite, pricing was realigned to better compete with local community banks and the national financial institutions prevalent in our markets.

Businesses with annual sales of less than \$1 million comprise the largest portion of businesses in South Florida. In times of economic stress, providing these businesses with working capital credit solutions not only sustains them, but helps to fuel the economic recovery. During 2010, a significant marketing campaign was launched with an attractive offer for working capital financing and owner-occupied commercial mortgages. The objective was to attract new small businesses and their ownership to the Bank. Because of the Bank's conservative credit standards, the campaign was targeted to medical professionals, CPAs, attorneys, wholesalers and manufacturers. The campaign for the working capital financing was focused on meeting the need for business owners to buy inventory, add staff and purchase equipment. The creative concept behind the campaign was "What your business wants, your business gets." The objective was to advertise that businesses can get what they want at Mercantil Commercebank. The financial results of this campaign generated new loan production that helped to offset a decline in total loans outstanding as other customers paid off and/or paid down their loans.

To expedite credit decisions associated with loan originations from this advertising campaign, as well as other commercial loan requests, the Bank is investing in an automated credit scoring platform. Upon its full implementation, this platform will allow customers to

obtain quick loan decisions on their requests. Internally, the platform increases efficiencies and, in conjunction with an automated loan documentation tool, streamlines workflow and ultimately delivers quicker response and expedited funding to the customer.

Results at the end of 2010 showed Domestic Retail Banking deposits growing by a modest 1 percent ending at \$590.1 million. The quality of the loan portfolio, consisting mainly of residential mortgages, remained sound. Total loans outstanding experienced a decrease of 9 percent, ending the year at \$233.5 million.

Domestic Retail Banking's primary strategic objective for 2011 is to increase its customer base through the implementation of neighborhood banking sales and marketing plans. There will be continued emphasis on improving customer satisfaction in order to retain relationships and optimize their profitability through cross-selling the Bank's core product offering and the services of the Bank's investment and trust management subsidiaries.

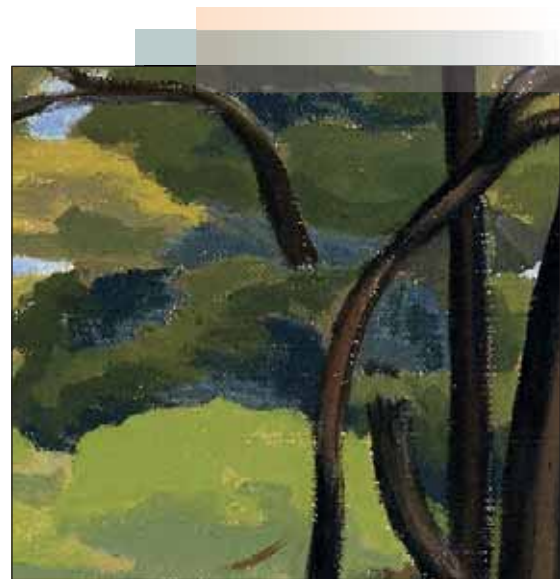
Domestic Commercial Banking

The Bank's commercial banking services are delivered through three central hubs. One is located in the City of Coral Gables, Florida, where the Bank, as well as many multi-national companies, is headquartered. The other hubs are strategically positioned in the highly commercial and growing City of Doral, and in the City of Weston which is positioned to provide easy access to most of Broward County.

Managing the credit quality of the unit's commercial loan portfolio remained a top priority in 2010. Credit underwriting standards were tightened and reduced credit limits imposed to manage loan concentrations. The creation of a senior management loan review committee proactively identified potential loan issues and worked with borrowers to renegotiate terms to protect the Bank's assets. As a result, the commercial loan portfolio experienced credit quality improvement with a significant reduction in the number of loans suffering credit deterioration during the year.

The Domestic Commercial Banking unit identified new opportunities to generate interest income. During 2010, the Bank initiated its selective participation in a loan syndication program whereby credit was extended through rated credit facilities to well-established credit-rated businesses in industries having favorable outlooks. This program takes advantage of the Bank's capacity and liquidity to lend and is expected to favorably impact net interest income. Risk diversification and the exposure to potential losses are carefully considered prior to the Bank's participation in these loan syndications.

Domestic Commercial Banking reported a slight decrease of 1 percent in total loans, ending at \$742.4 million. Deposits decreased by 13 percent, ending the year at \$135.4 million.



Looking at the year ahead, Domestic Commercial Banking expects to experience a similar banking environment to last year - low interest rates and strong competition. As the economy continues to regain strength, increased loan demand will be driven by the need for working capital and by companies that want to take advantage of the low interest rate environment and attractive pricing to finance office, retail and warehouse facilities. Domestic Commercial Banking will continue to identify new customers in credit desirable industries and leverage the Bank's strong capital and liquidity position to meet their credit needs.

Commercial Real Estate

In 2010, the Commercial Real Estate unit remained focused on rebalancing and improving the quality of its loan portfolio. The unit continued efforts to monitor and proactively risk grade loans accurately and timely in order to identify potential impairments that may impact the Bank's results. This aggressive management of the commercial real estate portfolio provided for more expeditious design of work out plans to address the need of customers while limiting losses. The Bank was able to work with many borrowers to facilitate completion of construction projects in order to enable unit sales. In other cases, it worked with borrowers, which were realistic about their limited ability to repay their obligations, to facilitate an orderly transfer of title to the collateral. Throughout the year, the Bank continued to identify opportunities to dispose of distressed real estate notes and mortgages and, where appropriate, the Bank structured new terms with borrowers to repay loan obligations, prior to their maturity date. Because of the slowdown in construction and expectation that such activity will not return to previous levels in the short-term, the Bank has significantly reduced construction lending. Commercial real estate lending in the year ahead will be primarily for income producing projects that meet the Bank's new credit underwriting criteria.

Throughout 2010, updated property appraisals, using recent comparable sales, were obtained to assess current collateral or repossessed property values. To protect the long-term value of the Bank's Other Real Estate Owned (OREO) property, the Commercial Real Estate unit worked with the Bank's Special Assets professionals to evaluate current and forecasted market conditions to make decisions on whether to dispose of assets, make improvements to the property or hold the real estate for the purpose of selling at a later date.

In 2007, the Bank initiated a strategy to decrease the concentration of loans secured by real estate in the portfolio. From 2007 to 2010, the Bank's concentration in real estate loans has been reduced from 33 percent to 19 percent, and the mix of construction and land development loans decreased from 20 percent of the portfolio to 9 percent.

During 2010, total Commercial Real Estate loans decreased 20 percent or \$177.5 million, closing the year at \$708.4 million. A large part of the reduction was due to contractually scheduled principal amortization, coupled with the Bank's ongoing successful efforts in resolving problem loans. A portion of the reduction, or \$3.7 million, was transferred to OREO property. Total OREO at the end of 2010 was \$30.5 million, compared to \$26.8 million in 2009.

During 2011, the business strategy for Commercial Real Estate will remain unchanged. The unit will work to reduce levels of newly criticized loans and significantly decrease non-performing assets. These activities will lead to a strengthened loan portfolio and improved interest income.

International Personal and Commercial Banking

IPAC serves the U.S. banking needs of personal and commercial customers domiciled abroad, with an offering that primarily includes deposit products and secured loans.

One of the Bank's greatest strengths is its ability to seamlessly serve the global banking needs of foreign-based customers in the U.S. This competitive advantage comes from the high degree of insight into the cultural and socio-economic factors affecting their financial objectives. Through a relationship banking model, foreign-based customers are able to take advantage of the Bank's full range of products and services delivered by specialized international banking professionals.

Personal Banking International

Personal Banking International (PBI) delivers products and services to customers using a segmented approach. Account balances, transaction profiles and the long-term financial goals of customers influence this segmentation. This strategy optimizes the allocation of resources to ensure costs remain level as customer relationships are assigned to a banker with the specialization and experience required to fully service the customer. The customer's primary banker is supported by professionals who help manage the relationship and handle many of the day-to-day transactional needs of the customers. Unique to the model is that all PBI relationships are serviced by professionals with international banking experience regardless of their role.

In 2010, PBI continued a strategy to enhance customers' banking experience by providing added convenience through the deployment of user-friendly and cost-effective technologies. Existing customers were educated on the benefits of processing wire transfers electronically and receiving account statements through email. At the end of 2010, the unit successfully

migrated 96 percent of the customers that process wire transfers to the Bank's electronic wire transfer service, I-Wires, and 68 percent of accounts were migrated to electronic statements. Also during the year, PBI developed and implemented strategies aimed at maximizing relationship profitability by taking a needs-based cross-sell approach and rebalancing fee structures that remained attractive to customers and competitive in the marketplace.

At the close of 2010, Personal Banking International deposits grew by 2.6 percent, or \$66.9 million, net of transfers to other units of the Bank, and had a significant increase in new accounts.

In 2011, PBI plans to collaborate with other business units to increase cross-sell activity and customer profitability. Referrals from existing customers will help attract new customers and continue the positive trend of new account openings. Customer satisfaction will reach even higher levels as initiatives centered on needs-based selling and rapid responsiveness to customer inquiries are implemented. Through the introduction of new and improved electronic banking services, customers will be provided with more banking conveniences, more transaction security and more reasons to expand and retain their relationship with the Bank.

Commercial Banking International

In 2010, Commercial Banking International (CBI) achieved significant growth in its customer portfolio, both in terms of number of relationships and in deposits, as a result of strategies in place to increase referrals from existing customers, U.S. business and trade associations, as well as the Bank's own subsidiaries and affiliates. Companies referred through these channels require the expertise of a banker with experience in global markets, international finance and the U.S. banking system. This expertise provided by the Bank creates a market differentiator and an opportunity to increase deposits, generate fee income on cash management products and earn net interest margin on credit facilities.

During 2010, commercial banking officers focused on providing excellence in customer service and enhancing relationships through the Bank's unique mix of automated solutions, such as online access to account opening documentation, online wire transfers via I-Wires and the IVR, e-Statements and the Online CD Notices Service. These strategies were the key drivers in this unit's ability to continue experiencing healthy growth, even in the challenging global economic environment of the past three years. The use of these automated services also increases operational efficiencies and helps to lower delivery costs.

During the year, deposits increased by \$126.1 million, or 21 percent, reaching a total of \$724 million. The growth is primarily attributed to a 20 percent increase in the total number of deposit accounts managed by this unit at the end of the year when compared to 2009.

The 2011 strategic priority for CBI remains focused on the evolving needs of customers and providing better and more efficient tools to expand customer relationships and retain long-term loyalty.

International Corporate Banking

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

Economies in Latin America remained on a path of growth for most of 2010, closing the year with about 6 percent aggregate GDP growth and 4.8 percent per capita growth. This was combined with an unemployment rate of 7.2 percent at year end, compared to 8.6 percent at the close of 2009, and real income growth generally increasing in the majority of the countries in the region. These economic conditions fueled the growth experienced by International Corporate Banking. At the close of 2010, loans increased by 34.5 percent, compared to the levels reached at the end of 2009.

The mitigation of risk by managing exposure in countries rated “Investment Grade” remains at the core of the Bank’s international lending business strategy. Recognizing the competitive advantages of the Bank in these markets, and the opportunities arising from an ongoing economic expansion, the International Corporate Banking division implemented a program aimed at generating new loan facilities with Latin American financial institutions and corporations, primarily in Brazil, Peru and Chile. The results of this program helped to further strengthen the stability of the loan portfolio, increase profitability and strategically enhance relationships in key markets and industry sectors. Under this program, the tenors of the loan facilities can range from 3 to 5 years.

During 2010, the division achieved significant loan growth to corporations in Peru and financial institutions in Brazil. There was a renewed interest in corporations in Mexico, as the country’s economy, strongly linked to the performance of the U.S. economy, improved. This growth was offset by a slight decrease in exposure to Chile, attributed primarily to a retrenchment following the earthquake in 2010.

In 2011, International Corporate Banking expects loan volume increases in Chile and Peru, particularly in the oil and mining sector, as well as in Brazil.

Private Banking

Working in synergy with the Bank's investment advisory and trust subsidiaries, as well as with the Bank's other business units, Private Banking serves the needs of high-net worth customers. The division integrates banking, asset management, asset protection, and estate planning services into one combined service offering delivered by highly qualified and responsive professionals.

In 2010, Private Banking's primary strategic objective was the expansion of existing relationships by accommodating the full needs of the customer. The division was challenged by heightened competition in the marketplace as traditional and non-traditional financial services providers attempted to lure Private Banking customers with above-market deposit rates. Private Banking successfully overcame the challenges of market pricing by leveraging the capabilities of the Bank's investment and trust subsidiaries.

In line with the efforts of the other business divisions, Private Banking migrated customers to online service offerings to process wire transfers and receive statements electronically. In addition to providing maximum convenience and flexibility, customers responded very favorably to the enhanced security and privacy that these product delivery channels offer.

Private Banking experienced a year of steady growth in assets under management, which closed at \$1.1 billion. Deposits reached \$395.7 million at the end of the year. As customers took advantage of the low-rate environment, the division also increased its volume of loans to \$52.7million.

Subsidiary Activities

The Bank teams with its two main operating subsidiaries, Mercantil Commercebank Investment Services, Inc. ("MCIS"), and Mercantil Commercebank Trust Company, N.A. ("MCTC") to provide a broad spectrum of financial products and services to its customers. With a team of highly qualified professionals, the subsidiaries provide brokerage, investment advisory and trust and estate planning services tailored to meet the individual needs of each investor.

Mercantil Commercebank Investment Services, Inc.

MCIS, the Bank's broker-dealer and investment advisor, provides access to a wide range of investment solutions and expert investment advice. MCIS is registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). Customer assets are protected through the Securities Investor Protection Corporation ("SIPC") and are held in custody by Pershing, LLC, an affiliate of The Bank of New York Mellon.

With a continued focus on improving its offering of high value-added advisory services, MCIS completed the migration of most customer relationships into new discretionary advisory portfolios that were better positioned to meet the client's financial goals. MCIS expects the demand for professionally managed advisory portfolios to continue to increase and represent a higher share of total customer assets. To serve client needs and preferences, a new model portfolio with variable exposure to different asset classes was launched.

During the last quarter of 2010, MCIS launched a strategy to expand its customer base through the Bank's 17 retail banking centers. Bankers are being provided with basic training on MCIS products and services in order to better identify customers with investment needs that can be serviced by MCIS and their experienced investment advisors.

New and existing customers from the Private Banking and International Personal and Commercial Banking divisions, on top of positive market performance across most asset classes, contributed to MCIS's total customer assets remaining above \$1.2 billion throughout the year.

Revenues from advisory and brokerage services reached a total of \$8.8 million, a 34 percent increase. These results contributed to an increase of 49 percent in net income, ending the year at \$2.8 million compared to \$1.9 million in 2009.

During 2011, MCIS will continue to prepare for continued growth by investing resources into customer service, trading and execution, compliance, and portfolio management activities. In order to remain competitive, new products and improvements to existing products are scheduled to be rolled out during the year.

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. MCTC offers fiduciary and financial management services to a client base of high net-worth individuals throughout the United States, Latin America, the Caribbean and Europe. MCTC specializes in providing 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. MCTC is in a unique position to provide these services across multiple jurisdictions thanks to Mercantil's global reach. Utilizing a multi-disciplinary approach for the development of its product offerings, MCTC employs a variety of sound investment strategies, efficient trust products and financial expertise to implement personalized estate-planning solutions capable of meeting the most complex and growing client needs.

In 2010, MCTC achieved positive results from cross-selling initiatives implemented during the year in partnership with the Bank's domestic retail banking network. The result was a strong demand for trust services that helped MCTC continue expanding its client base and increasing assets under trust. At year end, MCTC's volume of assets under trust grew by 39.2 percent. Total assets under trust surpassed \$287 million and generated \$815 thousand in net income on total revenue of \$2.6 million in 2010.

As the needs of its growing customer base continue to expand, MCTC is committed to investing in technology to maximize efficiency and customer satisfaction. Expected to be rolled out in 2011 is a new customer service platform which will increase the productivity of the professional staff and enhance the timeliness and quality of reports provided to trust clients.

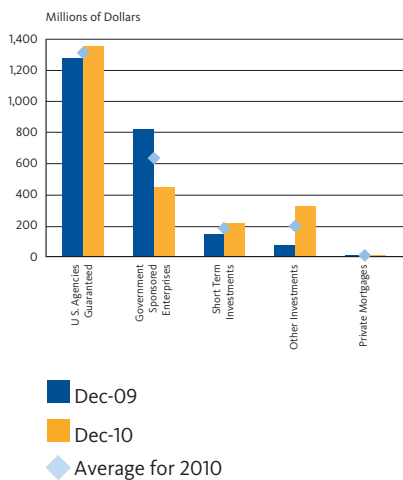
Treasury

Treasury supports the management of the Bank's liquidity and interest rate risks through its leadership in the asset/liability decision making processes and through its direct management of the significant investment securities portfolio. Treasury must continuously balance this portfolio's conflicting objectives of maximizing total return and providing a strong and readily available source of liquidity.

During 2010, Treasury continued to implement a diversification strategy for the investment securities portfolio to improve earnings while achieving lower levels of credit risk. As part of the strategy, some of the balances invested in mortgage-backed securities were converted into corporate bonds and other government-guaranteed securities. This process was conducted using specific credit lines and approved investment programs. Notwithstanding this, investment securities issued or guaranteed by the U.S. Government continue to represent the largest asset class in the investment securities portfolio. The sales of investment securities associated with carrying out the diversification strategy, as well as other efforts to manage the duration and total return profile of the portfolio, produced a net gain of \$26.0 million during the year.

As improving economic indicators evidenced that a slow recovery was underway, Treasury continued to closely follow the conditions of the financial markets and the composition of the balance sheet to identify opportunistic transactions that could benefit the Bank. During the year, Treasury continued tracking all financial transactions executed by the Bank and reported their effects on the financial margin to the Finance Committee. This practice enhances awareness throughout the Bank of the effects of the various asset/liability decisions ultimately leading to better supported decision making processes and enhanced returns.

The Bank's Investment Portfolio December 31, 2010



Business-Support Segments Review

Operations and Technology

As customers become more reliant on technology to handle routine banking, we continue to identify solutions that offer convenience and secure transaction processing while improving operational efficiencies.

Remote Deposit Capture

Late last year, we piloted remote deposit capture, a service that transmits electronic images of checks to the bank for deposit from any PC utilizing a small scanning device. Offering customers this convenient and secure technology not only eliminates the need to visit a banking center to make a deposit, but affords the customer the flexibility to make deposits at any time and immediately upon receipt of a check. Remote Deposit Capture is planned for roll-out in 2011.

Business Online Banking

A new online banking platform will provide commercial customers with an improved online banking experience. With enhanced features, customers will benefit from improved navigation to view cleared, pending, and scheduled transactions, as well as perform banking transactions with greater ease, including wire transfers. Enhanced identity protection systems will not only allow customers access to online banking services from any computer with an internet connection, but will also provide a heightened level of security. The MCB Business Online Access Key, a small device about the size of a flash drive, will continually generate a random password for entry into the online system.

Online CD Notices Service

To provide customers with easier access to the terms on their Certificates of Deposit, an Online CD Notices Service was introduced. Accessed through Personal Online Banking, customers can rely on the service to obtain details on maturity, interest disbursements, rate changes and handle their CD renewals.

Global Account Opening

Mercantil Commercebank's Global Account Opening Process (GAOP) continued to evolve during 2010. The initiative further streamlined the opening process for deposit accounts for customers with global banking needs. The third phase of the program was completed and provides customers automatic enrollment in online banking and telephone banking at the time of account opening. In addition, e-Statements became a standard feature for new accounts associated with GAOP. The service sends monthly statements to customers' email accounts, eliminating the paper and postage expense associated with mailing statements and ensuring immediate receipt.

Human Resources

At the close of 2010, the Bank counted on a team of 755 talented and dedicated professionals with the ability to adapt to the challenges of an uncertain economic climate and the continuously evolving needs of the customer. The contribution of each employee is an integral part of the Bank's success in implementing its business strategies, its continued financial strength and its steady growth. Resources were allocated to strengthen the staff's role in carrying out the Bank's integrated business model and its strategic vision. And to continue to keep a high level of staff engagement, the Human Resources division focused on career development opportunities for employees and programs designed to build an even greater place to work.

To create the most meaningful work experience for employees, the Bank administered a survey to gain insight on employee satisfaction. Conducted by an independent third party, the survey identified dimensional strengths and opportunities for improvement. From the survey, the Bank has quantitative data that indicates that employees are highly satisfied with their employment experience.

Learning and Development

The Bank is committed to the development of employees' skills that will maximize their contributions to the organization's financial performance. In 2010, Learning and Development focused on providing the knowledge and necessary tools to enhance the cross-selling potential within every business unit.

The strategy focused on building closer and stronger relationships with customers and increasing knowledge of the Bank's products and services. The "Mercantil Commercebank Investment Services - Helping our Customers Reach their Financial Goals" program, delivered in-house, provided over 80 Domestic Retail Banking professionals with an in-depth understanding of the Mercantil Commercebank Investment Services product offering. The program helped the Bank grow its internal and external network of investment referrals in the domestic and international markets.

During the year, Learning and Development continued to implement the Employee Engagement Program ("PIE") launched in 2009. The program prepares managers to more effectively identify, develop and allocate human capital. Employees proactively engage in identifying their own path to reach their future career goals and fully develop their talents. As part of this strategy, a Career Development Questionnaire was administered in the second part of 2010. The tool, offered to employees at all levels, marks the Bank's first corporate-wide career development effort and creates a benchmark for career growth planning.

Compensation and Administration

In 2010, Compensation and Administration rolled out an enhanced compensation strategy. This included, for the first time in several semesters, the awarding of merit increases. Also, an internal review of the compensation structures was conducted, along with a review of market compensation and benefits packages. This led to realignments of salary structures and, whenever needed, salary adjustments to ensure market competitiveness.

New incentive programs were developed and implemented for employees in sales positions, including Mercantil Investment Services to support the evolution of a sales culture and to align with industry trends to provide performance-based compensation. In tandem with this initiative, Human Resources also conducted an in-depth analysis of management's variable compensation programs to better align individual performance goals with the Bank's strategies and goals. Lastly, Human Resources continued to identify and implement strategies to reduce the expenses associated with administering the Bank's competitive compensation program.

Benefits

During the year, Benefits continued to operate the Healthy New Beginnings Program that was introduced in 2008. Designed to promote healthy living and educate employees on ways to improve their health, Healthy New Beginnings was expanded to include a Wellness program. Under this program, employees were offered the opportunity of lowering their share of insurance premiums by encouraging a more effective utilization of covered benefits, including an annual checkup. These efforts, combined with a health screening examination brought in-house, allowed the Bank to negotiate better terms with the health insurance carrier. The Healthy New Beginnings program encourages healthy lifestyle habits among employees and their families, helping to keep future health-related expenses down and employee productivity high.

Also in 2010, vacations and paid-time-off policies were reviewed and realigned with market trends. This initiative was designed to not only ensure competitiveness, but to also motivate and retain employees by creating a more satisfied workforce.

As businesses of all sizes and across industries have reduced retirement-related benefits as a way to lower expenses and improve the bottom line, the Bank's attractive retirement benefits have remain unchanged. In fact, new employees' eligibility timeframe for participation in the plan was shortened. This allowed for increased participation and was utilized as a tool to attract new talent.

Manuel **CABRÉ**

Río Guaire, 1917

Oil on canvas

26,5 x 48,5 cm



Barcelona (Spain), 1890 - Caracas, 1984

Cabré came to Venezuela as a young boy. In 1904, he was accepted at the Caracas Academy of Fine Arts. He participated in the student protests of 1909 and later became one of the most prominent founding members of the Fine Arts Society. Around 1931, after studying in Paris, he joined the national art scene and became known as the "painter from Avila". From 1942 to 1946, he served as Director of the Museum of Fine Arts. In 1951, he received the National Award in Painting.

Enterprise Risk Management

Enterprise Risk Management (ERM) at Mercantil Commercebank is a company-wide process that embraces the core principles of the Basel Accord 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 involving collaborative working relationships with the business units to identify, measure, control, and monitor risks.

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 and the Board of Director's Risk Committee.

Credit Risk Management

Credit risk is the risk of loss arising from obligor or counterparty default. Through 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 (CRM) is to supervise all of these control functions, guide overall credit exposure within the parameters approved by the Board of Directors and optimize the risk-adjusted return to the Bank.

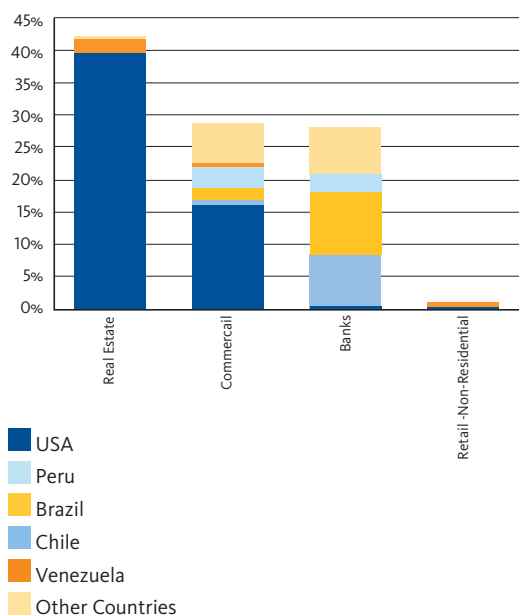
During the year, efforts were devoted to further refining the management of concentration risk through the elaboration of limits and policies addressing collateral concentrations and industry exposures. Along those lines CRM was instrumental in the development and evaluation of special limits for credit programs destined for targeted growth in the loan portfolio. To enhance the measurement of credit risk, stress testing was conducted which gave management greater insights into the efficient allocation of capital between investment securities and loans. Also, to ensure that estimates included in the financial statements are adequate, the methodology for calculating the allowance for loan losses (ALL) was evaluated by an independent party, finding it in compliance with both regulatory and accounting requirements and best industry practices.

Credit Risk Exposure

At the end of December 2010, credit risk exposure continued to reflect a balanced composition, with 42 percent of the total exposure in the real estate sector, 28 percent in the financial institutions sector, and 29 percent in the commercial sector. The real estate sector is mostly comprised of exposures to domestic borrowers and diversified by product type. The commercial and financial institutions sectors are also well diversified geographically among the U.S., Chile, Brazil, Peru, Venezuela, and other countries. The country exposure to Venezuelan debtors includes approximately \$84 million in mortgages on properties situated in the U.S. (Refer to note 4 of the audited financial statements and accompanying notes included in this report.)

Credit Risk Exposure

December 2010



Asset Quality Highlights

The quality of the loan portfolio improved in 2010 as a direct consequence of an aggressive strategy to reduce problem loans and grow the loan portfolio in key markets by promoting select products. Non-accruing loans as a percentage of total loans decreased from 12.5 percent at December 2009 to 8.3 percent. As a percentage of total assets, non-performing assets, which also includes repossessed properties, decreased from 7.4 percent at the close of 2009 to 5.3 percent at the end of 2010.

Throughout 2010, the Bank performed frequent comprehensive credit assessments of the loan portfolio. These reviews led, among other actions, to the downgrades of credits, revaluations of collateral, charge-offs of amounts deemed uncollectible and further additions to the ALL. As a result of these efforts, management considers that the ALL of \$59.1 million as of December 31, 2010 provides adequate coverage for the level of risk existing in the loan portfolio.

Market Risk Management

The Market Risk Management (MRM) unit operates as an independent entity and is tasked with the critical responsibility of identifying, measuring, monitoring and controlling those risks related to adverse market conditions - mainly interest rate and liquidity risk. Throughout the financial crisis, as well as presently when the financial markets are showing encouraging signs of improvement, the Bank has continuously employed conservative strategies to manage its interest rate and liquidity risks. Over the past year, the unit focused on strengthening risk analytics and testing modeling fundamentals in order to enhance the quality and timeliness of the tools available for sound asset/liability management.

During 2010, MRM focused on the development of a new Asset/Liability Management system. Once launched, 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 undergoing final stages of testing and the data continues to be thoroughly analyzed and validated.

Asset and Liability Management and Interest Rate Risk

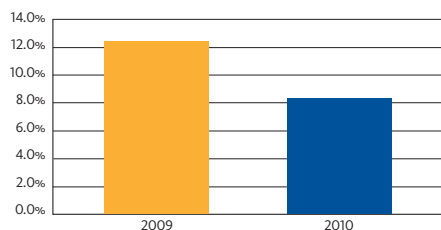
Throughout the year, MRM closely monitored interest rates along with other exposures to the Balance Sheet and provided to ALCO guidance used to set and achieve GAP targets (re-pricing characteristics of assets versus liabilities) and support for strategic decision-making

processes that include among others asset allocation, funding sources, product pricing, and investment options. During 2010, the Bank's balance sheet showed an asset-sensitive position (i.e., more assets re-pricing in one year than liabilities) and an average difference between the modified duration of assets and liabilities of 0.59 which has been on the rise from the lower levels seen for the past two years. Towards the end of the year, the level of loans had recovered from the lows experienced during 2009, resulting in a higher one-year positive re-pricing of 11 percent, as a percentage of total assets, compared to the 6 percent reported a year ago.

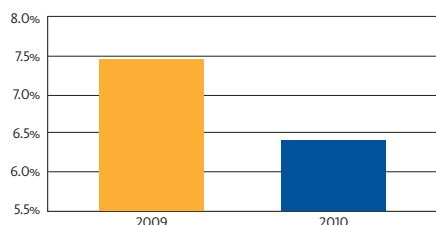
Liquidity Risk

Despite the uncertainty in the financial markets, the Bank's liquidity position continued to be sound, effectively managed, and absent of significant risk throughout the entire year. To ensure that the liquidity risk management processes responded to these uncertainties, MRM continuously adjusted and refined the processes it employs to measure and mitigate this risk.

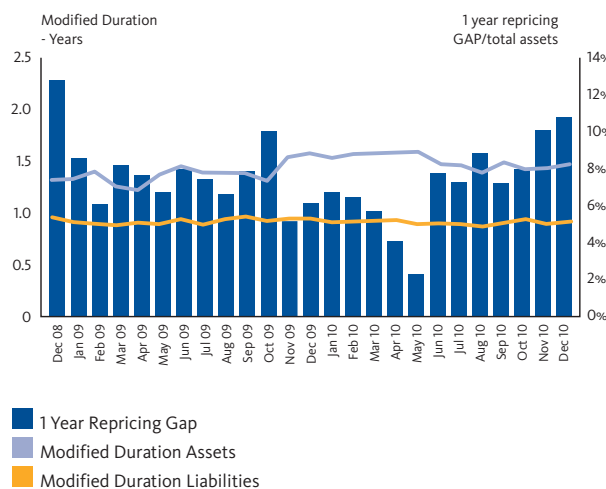
Non-Accrual Loans
as Percentage of Total Loan Portfolio



Non-Performing Assets
as Percentage of Total Assets



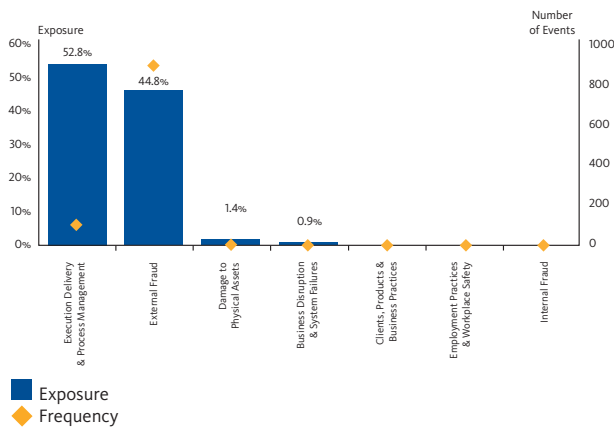
Duration & 1 Year GAP Analysis



Enhancements were made to the liquidity gap model which allowed for a more accurate modeling of both investment security and liability behavior. These enhancements resulted in investment securities being stratified in accordance with defined liquidity levels. For liabilities, it incorporated stability patterns and the establishment of definitions for limits, targets, and liquidity triggers and corresponding mitigating actions. Moreover, the unit continued to actively use and enhance the Contingency Funding Plan, revising assumptions during 2010 to reflect the lessons learned about deposit account behavior during the 2008 - 2009 crisis. The results of the liquidity stress tests performed during the year, assuming severe circumstances, showed consistent excess liquidity over the target minimum. The results of these stress tests ranged from \$371 million in excess of liquidity in the month of December, to the lowest level of the year in May with excess liquidity of \$41 million.

Operational Risk Key Indicators

2010 Exposure by Risk Categories and Frequency



Operational Risk Management

Given the growing size and complexity of the Bank, management realigned the Information Security unit under Operational Risk Management (ORM) so as to provide greater transparency and effectiveness in the monitoring and control functions. To facilitate and strengthen the management of these risks throughout the organization, several key projects were implemented during 2010.

The Bank's operational risk exposure and losses for 2010, classified by Basel risk categories, are shown on the chart to the left and on the following page:

Business Continuity Planning

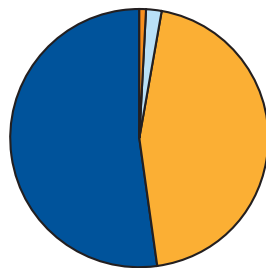
The Bank is committed to ensuring preparedness for any business continuity challenge with a robust Business Continuity Program (BCP) that is agile enough to meet the ever-changing demands of the industry, adheres to the industry's best practices and complies with the Federal Financial Institution Examination Council (FFIEC) Guidelines.

During 2010, the Business Continuity Planning Office implemented and tested enhancements to the Bank's BCP enterprise-wide recovery strategies. The results achieved during the successful testing and continuous certification of the Bank's Business Continuity Plans are indicative of the organization's commitment to a program that is scalable, sustainable and effective.

Operational Risk

2010 Losses

Execution Delivery & Process Management	54%
External Fraud	45%
Damage to Physical Assets	0.95%
Business Disruption/ System Failures	0.20%



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

Internal Controls

The Bank has committed to providing a solid foundation of internal control by adopting and implementing key aspects of the Sarbanes-Oxley Act of 2002 (SOX). Through a formal procedure requiring scheduled certification of critical business processes and independent validation of internal control mechanisms, management demonstrates its commitment to promoting an environment focused on ethical values, strong corporate governance and transparency in financial reporting.

Compliance

The Compliance Department manages the Bank's exposure to regulatory sanctions and fines, consumer litigation, reputational damage, and other negative consequences of failing to meet regulatory compliance standards. This is accomplished by developing, implementing and enhancing programs to comply with federal and state laws, and internal policies and procedures.

The programs created by the Compliance Department protect customers' interests in various aspects of a banking relationship, most notably through safeguarding deposits and ensuring the competitiveness of banking services. In addition, the Department assures that customers are provided with meaningful disclosures of deposit and credit terms; that borrowers are aware of costs and commitments in financial contracts, and that consumers are provided with equal treatment and equal access to credit. In addition, Compliance assures that the Bank's practices promote financial privacy and prevent abusive practices during credit transactions, debt collection, and reporting of credit histories.

New 2010 Consumer Protection Laws and Regulations

During 2010, in response to the financial crisis, the U.S. Congress continued 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 and provided additional protection for consumers seeking financial products and services.

For example, the Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act) requires mortgage loan originating staff that works for a bank to be registered with the newly created Nationwide Mortgage Licensing System and Registry. As part of the registration, a background check and fingerprinting of mortgage loan originators is conducted, and certain information about each originator is retained by the Registry as public information. Consumers shopping for a mortgage may access the database to check the background and experience of an originator prior to applying for a loan.

Additional disclosure requirements became effective in 2010 for mortgage products, student loans, consumer privacy, credit cards, and deposit accounts. Supervisory agencies also issued new rules and guidelines for bank overdraft practices. Regulation E, Electronic Fund Transfers, was revised to prohibit banks from charging overdraft fees caused by an ATM or debit card transaction unless advanced written approval has been provided by the consumer. In addition, consumers are provided much more information regarding overdraft fees charged to their deposit accounts due to a change to Regulation DD, Truth in Savings, which requires overdraft fees to be listed by type and in aggregate on the periodic statement.

Rules governing the integrity of a consumer's credit report and the protection against ID Theft were also strengthened by new regulations issued under the Fair Credit Reporting Act. If credit scoring is used as a factor in a credit decision, banks are now required to provide additional information about pricing practices for consumer and mortgage loans, as well as credit cards. Disclosures must be provided to explain how the interest rate on a loan may be higher or lower depending on the credit score. Also, in addition to contacting the credit reporting agency, a customer may now report errors on a credit report directly to a bank. In turn, the bank must research and resolve the customer's claim in a timely manner, as well as correct the customer's credit report.

2010 Compliance Focus

The Compliance Department responded to these changes, as well as others, by developing and delivering employee training; implementing new disclosures and forms; revising credit approval requirements; reviewing products and marketing materials; and collaborating with internal departments to modify specific operating procedures.

As regulations continue to take shape to protect consumers, the Compliance Department will remain well-informed and proactive. Actions will be taken immediately to not only comply with changes, but to also educate and inform both customers and employees on the reasons for the changes and the benefits. Communication will continue to be an integral component to the execution of programs, plans and policies that will protect the Bank's reputation and the interests of its customers, employees and shareholders.



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:

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:

José Antonio Villamil,
Chairman

Salvador López de Azúa,
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

Degree in Civil Engineering from Universidad Central de Venezuela (1962), President and member of the Boards of Directors of Mercantil Servicios Financieros and Mercantil Banco Universal. Chairman of the 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. Vice President Venezuelan American Chamber of Commerce and Industry (VenAmCham). Member of the Chairman's Advisory Council of the Council of the Americas. President of the John Paul II Foundation for Ecclesiastical Education (FESE).

Former Executive President of Mercantil Servicios Financieros and Mercantil Banco Universal, President of the Venezuelan Bankers Association (ABV), National Banking Council (CBN), Member of the Board of Directors of the Institute of International Finance, Inc. (IIF), Council of Venezuelan American Entrepreneurs (CEVEU), Colombian Venezuelan Economic Integration Chamber (CAVECOL). Former Member of the Advisory Council of the Central Bank of Venezuela (BCV), Member of the Board of Directors of the Andean Development Corporation (CAF) and board member of various associations connected with the financial and production sector.

Millar Wilson

President and CEO

Director

Graduated in Business and Administrative Studies from Bradford University, England (1973). Has been with Mercantil for 33 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). Member of the Executive Committees of Mercantil Commercebank, Mercantil Servicios Financieros and Mercantil Banco Universal. 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 Directors of the Coastal Maine Botanical Gardens, Chairman of the Board 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) AG, Director of Mercantil Commercebank Florida Bancorp, and Mercantil Commercebank N.A. and Chairman of BPI (Suisse) SA, an asset management company in Geneva. 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), Pan-American Life Insurance Group (PALIG) 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 organi-

zation. 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

Global Executive Coordination Manager of Mercantil Commercebank N.A. 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 Holding, 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. and Fundación Mercantil. Executive President of Mercantil Servicios Financieros, C.A., Global Executive Coordination Manager of Mercantil, C.A. Banco Universal, Chairman of the Board of Directors of Todo1 Services, Inc. and Chairman of the Supervisory Board of Mercantil Bank Curazao 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, Mercantil Merinvest, C.A. and Mercantil Merinvest, Casa de Bolsa, 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, Venezuelan Council for Investment Promotion (CONAPRI) and Educrédito A.C. 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 Wealth 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 three 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 worked in the Corporate Finance Division of Santander Investment in Venezuela.

Pedro Ángel **GONZÁLEZ**

Macuto, 1920

Oil on canvas

40,3 x 56,3 cm



Santa Ana, State of Nueva Esparta, 1901 - Caracas, 1981

In 1916, González moved to Caracas to study at the Academy of Fine Arts. In 1921, he met members of the Fine Arts Society. In 1936, he served as professor in the Caracas Academy of Fine and Applied Arts, where he established the Graphic Arts Studio and directed it for sixteen years. Later, between 1959 and 1960, he directed the Cristóbal Rojas Applied Arts Academy and was named Honorary President of the Graphic Arts Studio. His landscape works are numerous, with an emphasis on wide open spaces.

Social Responsibility

Over the past 30 years, Mercantil Commercebank has maintained a strong tradition of giving back to the communities it serves. This commitment, demonstrated through charitable giving, community education and employee volunteerism, positions the Bank as a caring corporate citizen. In fact, in March the Bank was recognized with an award by the Greater Miami Chamber of Commerce for community involvement. During 2010, the Bank continued this long-standing tradition, focusing on doing its part to support the causes and organizations most in need.

Fostering Community Development through Economic Development and Affordable Housing

Mercantil Commercebank's active partnership with Neighborhood Housing Services of South Florida continued in 2010. NHSSF assumed the lead position in a seven member consortium that was awarded \$89.3 million as part of Housing and Urban Development's (HUD) Neighborhood Stabilization Program (NSP2). The Consortium's mandate is to purchase foreclosed properties in certain geographies within Miami-Dade County, rehab them and sell them to individuals whose income does not exceed 120% of the area median income. The Bank also continued its long-term relationship with the fair housing organization, Housing Opportunities Project for Excellence, as well as its partnerships with other organizations who share the mission of promoting community development by providing economic development support to low and moderate income individuals or by supporting affordable housing.

To help support small businesses through this period of economic uncertainty, bankers increased their participation in local chambers of commerce. Through their volunteer efforts, they reached out to businesses to suggest financial tools that would help them endure the challenges posed by the weak economy. The Bank hosted a number of networking events in the local communities to provide small companies and independent service providers with the opportunities to network and originate new business.

In addition to support at the local level, the Bank also allocated resources to fuel the economy at the Florida state level, the market where the Bank has the most significant presence. Through Enterprise Florida Inc., a public-private partnership devoted to statewide economic development, the Bank invested in programs and activities to attract new businesses to the market in order to improve Florida's business climate and ensure the state's global competitiveness.

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
- Lake Worth CDC
- Miami Beach CDC
- Mexican Institute of Greater Houston
- Neighborhood Centers

Financial Literacy & Education

As part of the Bank's partnership with the Bowery Mission and Little Sisters of the Assumption Health Centers initiated in 2009, employees in the New York Banking Center provided financial literacy classes to the Mission's formerly homeless women and to the very low income families who use the programs provided by the Little Sisters of the Assumption in Harlem. In South Florida, the Bank has been a long-time supporter of the Entrepreneurial Institute at Barry University whose program reaches out to low and moderate income entrepreneurs that are interested in starting a business. In 2010, the Bank provided support to the Entrepreneurial Institute as they embarked on a pilot program which offered soon-to-be released incarcerated women the opportunity to learn about owning a business or how to be a good employee. Eight women graduated from this pilot program with the knowledge and confidence that self sufficiency is obtainable.

Our partners for Financial Literacy and Education included:

- Apprisen Financial Advocates
- Human Services Coalition
- The Bowery Mission
- Little Sisters of the Assumption Health Center
- The Entrepreneurial Institute at Barry University
- Neighbors & Neighbors (NANA)
- Greater Houston Partnership
- South Florida Community Development Coalition
- New York Neighborhood Housing Services

Charitable Endeavors

In 2010, the nonprofit sector continued to face a drop-off in contributions due to the weak economy. 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 35th annual telethon for La Liga Contra el Cancer, a Miami based nonprofit that provides ongoing free medical care to cancer patients. Employees also participated in drives to collect food for Florida's largest food bank and toys for abused, neglected and abandoned children. The Bank's commitment to the Miami Beach Community Health Centers helped the organization continue to provide comprehensive health care services to the uninsured and underserved in Miami-Dade County. South Florida employees volunteered their time to paint and landscape seven homes in Brownsville as part of the NeighborWorks America Work Week.

Charitable endeavors included:

- American Cancer Society
- American Red Cross
- Centro Campesino Farm Worker Center
- Feeding South Florida
- La Liga Contra el Cancer
- Miami Beach Community Health Center
- Senior Housing Crime Prevention Foundation
- South Florida Urban Ministries
- Women in Distress

Making a Difference in the Lives of Children and Young People

Employee volunteerism was strong at the annual March for Babies, a community walk whose proceeds support the research and educational programs to prevent birth defects. For the March of Dimes, employees were responsible for collecting more than \$30,000. The Bank's banking center distribution network in Florida served as a collection point to raise funds for Make a Wish Foundation, an organization whose mission is to grant wishes for children with life-threatening medical conditions.

Community partners in 2010 included:

- Charlee Homes for Children
- CREW
- Make a Wish Foundation
- Voices for Children
- Zoo Miami

Arts and Cultural Legacies

Mercantil Commercebank has always made the support of the arts one of the cornerstones of its charitable giving philosophy. During 2010, the Mercantil Commercebank ZoolensSM Photography Project was introduced. Piloted with more than 300 middle schools students from six Miami-Dade County Public Schools, the program was launched in conjunction with Zoo Miami and the Zoological Society of Florida to instill an understanding of the world's wildlife and appreciation for the photographic arts. During a field trip to the Zoo, students photographed animals and entered their photos into a contest where a panel of judges critiqued their work and awarded prizes. The pilot established the foundation for an expanded program in 2011.

Support of arts and culture included:

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

Próspero **MARTÍNEZ**

El árbol del camino, around 1920

Oil on paper

37,2 x 28 cm



Caracas, 1885 - Carrizales, State of Miranda, 1966

Between 1904 and 1909, Martínez studied at the Caracas Academy of Fine Arts. In 1909, he participated in the student protests that demanded changes in the curriculum of that same institution. He was a founding member of the Fine Arts Society and actively contributed to the exhibitions organized by this group. In 1959, his participation in the XX Annual Exhibition of Venezuelan Art garnered him the Aristides Rojas Landscape Award, initiating an avid public interest in his life and works.

Banking Centers, Subsidiaries and Affiliates

Mercantil Commercebank

Banking Centers

FLORIDA

Miami-Dade

Aventura

3001 Aventura Boulevard
Aventura, FL 33180
(305) 521-4900

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

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
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TEXAS

Houston

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Houston, Texas 77002
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Loan Production Office

Weston

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Financial Service Subsidiaries

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Mercantil Commercebank Trust Company, N.A.

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Affiliates

Providing support to the international activities
of Mercantil Commercebank

Banks

Curaçao

MERCANTIL BANK
CURAÇAO N.V.
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Willemstad, Curaçao
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Grand Cayman

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Panama

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P.O. Box 0819-05811 Panamá
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asubero@mercantilbankpanama.com

Switzerland

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Zurich, Switzerland
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Fax: (41-43) 344-4550
www.mercantilsuiza.com

Venezuela

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Télex: 27002/27003 BMERVC
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Caracas 1010-A
Venezuela
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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.

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Mercantil Seguros, C.A.

Av. Libertador con calle Isaías
"Látigo" Chávez,
Edificio Mercantil Seguros, Chacao
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www.segurosmercantil.com

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T h e F i n e A r t s S o c i e t y a n d t h e *E s c u e l a d e C a r a c a s*

Early in the twentieth century, landscape painting in Venezuela was introduced as a genre that has remained a cherished part of Venezuela's artistic progression to this day. It was in Caracas, in 1912, where the Fine Arts Society was born— a cultural movement that challenged the Academy of Fine Arts and the obsolete teachings it imparted. The group included several young artists who revitalized the national art scene through their innovative study of nature, eventually leaving behind a great legacy of art, beauty and life. This creative spirit was amplified by the “Escuela de Caracas,” driven by the artists who formed the Society and their followers. These pioneering artists secured the continuity of landscape painting in Venezuela for five decades. The selections included here offer a window into this tradition, featuring exemplary works of this genre that are part of the Mercantil Collection.

**Report of Independent Certified Public Accountants
and Consolidated Financial Statements**

