



**PUBLIC DISCLOSURE**

March 11, 2013

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

Mercantil Commercebank, National Association  
Charter Number: 16804

220 Alhambra Circle  
Coral Gables, FL 33134

Office of the Comptroller of the Currency

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NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## Overall CRA Rating

**Institution’s CRA Rating:** This institution is rated “**Outstanding**”.

The following table indicates the performance level of **Mercantil Commercebank, National Association** with respect to the Lending, Investment, and Service Tests:

Performance Levels	Mercantil Commercebank, N. A. Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	<b>X</b>	<b>X</b>	
High Satisfactory			<b>X</b>
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

\* The Lending Test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- Overall, lending activity reflects excellent responsiveness to credit needs, when consideration is given to the positive impact of community development loans and the Bank’s strategic focus. Lending activity is excellent in Florida, adequate in New York, and good in Texas. Combined, New York and Texas represent only approximately seven percent of the Bank’s total deposits. The Bank’s weaker performance in these states does not materially detract from the Bank’s overall lending activity performance.
- Overall, the geographic distribution of loans is good, considering performance context. Performance in Florida is good, given performance context. Performance is adequate in New York and good in Texas.
- Overall borrower distribution is good considering performance context. Performance in Florida is good. Performance is adequate in New York considering performance context and good in Texas.
- A substantial majority of the Bank’s loans are within its assessment area.
- Overall, the level of community development lending is very positive, displaying responsiveness to assessment area needs, and having a very positive impact on all aspects of the Lending Test. Community development lending had a very positive impact on the overall Lending Test for Florida, New York, and Texas.

- Overall, the level of qualified investments is excellent, given the availability of investment opportunities in the Bank's assessment areas. Performance is excellent in Florida, New York, and Texas.
- Overall, the Bank provided a good level of Service Test performance. Retail services are adequately distributed with branches reasonably accessible to all income geographies in all three states. Overall, community development services are excellent with the Bank taking a leadership position. An excellent level of community development services in the Florida assessment area had a positive impact on the overall Service Test conclusion. Community development services are good in both New York and in Texas.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the Bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development.

Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder' and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn). Beginning in 2004, the reports also include data on loan pricing, the lien status of the collateral, any requests for preapproval and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine

the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in ‘loans to small farms’ as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders’ equity, perpetual preferred shareholders’ equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

Mercantil Commercebank, N. A. (MCB) is an interstate commercial bank headquartered in Coral Gables, Florida, formally known as Commercebank, N.A. It is a wholly owned subsidiary of Mercantil Commercebank Holding Company (CHC), a bank holding company also headquartered in Coral Gables, which in turn is owned by Mercantil Servicios Financieros (MSF), the largest international financial institution in Venezuela. MSF is publicly owned with its stock traded on the Caracas Stock Exchange. Mercantil Commercebank Investment Services, a broker-dealer and investment adviser, is an operating subsidiary of MCB as is Mercantil Commercebank Trust Company, N.A. Because of its affiliation with CHC and MSF, the Bank has numerous affiliates. However, these affiliates operate outside the United States. No activity of any affiliate is being included in this examination and operations of the subsidiaries have no impact on the Bank's ability to meet its CRA obligations.

MCB operates 15 branches in the state of Florida, as well as one in the state of New York and two in the state of Texas. Two of the Florida offices were opened since the last evaluation in Miami-Dade County. The Bank offers a wide variety of domestic, international, personal, commercial, and corporate banking services. However, the Bank's strategic focus is business lending. Most of its customers are foreign nationals and most of the Bank's deposits are derived from this source. Trade financing and foreign correspondent banking activities are important business lines. In order to meet its CRA obligations, the Bank concentrates on small business and community development lending, areas where the Bank has significant expertise. Residential mortgage lending is not a primary business line for the Bank. Most of its residential mortgage loans are to foreign nationals purchasing second homes in the Miami area.

As of December 31, 2012, MCB reported total assets of \$6.8 billion. Total loans of \$4.4 billion represented 65 percent of total assets and consisted of commercial and commercial real estate loans (88 percent), construction and land development (2 percent), loans secured by 1-4 family residential properties (6 percent), loans secured by multi-family residential properties (3 percent), and consumer and other loans (1 percent). Deposits totaled \$5.4 billion and Tier One Capital was \$667 million, or 9.8 percent of total assets.

A majority of the Bank's deposits (85 percent as of June 30, 2012) are from foreign customers, most residing in Venezuela. The large percent of foreign deposits has a material impact on the evaluation of the Bank's CRA performance. As of June 30, 2012, only \$699 million of the Bank's deposits were from domestic customers. However, the domestic loan portfolio totaled \$2.5 billion, indicating that portions of domestic loans were funded with foreign deposits. Our evaluation of the Bank's performance considers this factor.

During the evaluation period, the Bank faced significant challenges to its ability to help meet the credit needs of its assessment areas when considering negative effects of the nationwide recession with increased foreclosures in assessment areas, sharp declines in real estate values, the reduction of funding to subsidy programs, and more stringent loan underwriting processes among financial institutions. MCB has focused more attention on strengthening the existing loan portfolio rather than originating new loans. These challenges were taken into consideration as we evaluated the Bank's CRA performance. MCB's performance was rated "Outstanding" at its last CRA evaluation dated January 26, 2010.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

This Performance Evaluation assesses the Bank's performance under the Lending, Investment, and Service Tests. In evaluating the Bank's lending performance, we reviewed residential mortgage loans subject to filing under the Home Mortgage Disclosure Act (HMDA), small loans to businesses, and community development loans, as reported under the CRA. We also evaluated community development investments and community development services. The Bank reported no small loans to farms. Therefore, tables for this product are not included in the Core Tables of this report (Appendix D).

With the exception of community development loans, the evaluation period for the Lending Test is January 1, 2010 through December 31, 2012. In consideration of changes to demographics and geographies related to the 2010 Census during the evaluation period, we prepared separate analyses to evaluate the geographic and borrower distribution. The 2000 Census applies to the years of 2010 and 2011. The 2010 Census applies to the year 2012. One set of tables covering years 2010 through 2011 are in Appendix D of this Public Disclosure, and 2012 data is discussed in the respective narrative comments.

For community development loans, the Investment Test, and Service Test, the evaluation period is January 27, 2010 through March 10, 2013. Our conclusions related to community development loans and qualified investments were based on the number and dollar amounts made during the evaluation period. In addition, we considered the level of innovation, complexity, responsiveness to community credit needs and the degree to which these instruments are not routinely provided by private investors.

### Data Integrity

This evaluation is based on accurate data. We tested the accuracy of the Bank's HMDA and small loans to businesses data prior to the beginning of the CRA examination and determined that it was accurate.

Community development loans, investments, and services submitted by Bank management were verified to ensure that they met the regulatory definition for community development. Any items submitted by the Bank that did not meet the definition or purpose of community development were excluded.

### Selection of Areas for Full-Scope Review

As of the examination date, MCB has three assessment areas, one in Florida that includes three Metropolitan Divisions (MDs), one in New York, and one in Texas. In Florida, the Miami-Dade County assessment area received a full-scope review and the Broward and Palm Beach Counties assessment areas received limited-scope reviews. The assessment areas in New York and Texas each received full-scope reviews. See Appendix A for more information.

### Ratings

MCB's overall rating is a blend of the state ratings. Because the Florida assessment area represents the majority of the Bank's deposits (93 percent), the most weight was placed on this area in determining ratings. State ratings are based on those areas that received full-scope reviews.

## **Other**

Community credit needs in the assessment areas were determined by reviewing recent community contacts conducted by the OCC in connection with other CRA examinations of banks operating in the same assessment area. We also conducted community contacts in the full-scope assessment areas of Florida, New York, and Texas. Details regarding the organizations and their mission are in the “Scope” section of each state.

The most commonly identified community development need centers around affordable housing - rehabilitation and new construction of both single-family and multi-family occupancy. Other identified needs are credit and resource assistance to purchase affordable housing, credit and resource assistance to very small businesses and entrepreneurs, and homeownership and foreclosure counseling.

Refer to the profiles in Appendix C for additional information.

## **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank’s (bank) or Federal savings association’s (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s or FSA’s lending performance.

The OCC did not identify evidence of discriminatory or other illegal credit practices with respect to this institution.

## State Rating

### State of Florida

#### CRA Rating for Florida<sup>1</sup>: Outstanding

<b>The Lending Test is rated:</b>	<b>Outstanding</b>
<b>The Investment Test is rated:</b>	<b>Outstanding</b>
<b>The Service Test is rated:</b>	<b>High Satisfactory</b>

The major factors that support this rating include:

- Lending activity that reflects excellent responsiveness to assessment area credit needs, particularly when consideration is given to the very positive impact of the number and dollar amount of community development loans and performance context.
- Good geographic distribution of loans in the Bank's assessment area, given performance context.
- Good distribution of loans by income level of the borrower in the Bank's assessment area, considering performance context.
- An excellent level of responsive community development lending that had a very positive impact on the Lending Test.
- An excellent level of qualified investments that reflect excellent responsiveness to credit and community development needs.
- Adequate retail service delivery systems that are reasonably accessible to geographies and individuals of different income levels in the Bank's assessment area.
- Excellent community development service performance that had a positive impact on the overall Service Test rating.

### Description of Institution's Operations in Florida

MCB conducts almost all of its operations in Florida from which it obtains 93 percent of its deposits. The Bank has 11 full-service offices in Miami-Dade County, where the Bank is headquartered and three offices in Broward County, and one office in Palm Beach County.

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<sup>1</sup> For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation does not reflect performance in the parts of this state contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

The vast majority of the Bank's deposits are owned by customers living in Venezuela who are referred by officers and employees of financial affiliates in Venezuela. In Florida, approximately 85 percent of the Bank's deposits are from international customers. At June 30, 2012, international deposits totaled \$4.7 billion versus domestic deposits of \$699 million.

Refer to the Market Profile for the state of Florida in Appendix C for detailed demographics and other performance context information for the assessment area that received a full-scope review.

## **Scope of Evaluation in Florida**

As of the examination date, MCB had one assessment area in Florida that includes all of MSA 33100 (Miami-Ft. Lauderdale-Palm Beach, FL). This MSA consists of three Metropolitan Divisions (MDs) including MD 33124 (Miami-Miami Beach-Kendall, FL) which is equivalent to Miami-Dade County, MD 22744 (Ft. Lauderdale-Pompano-Deerfield Beach, FL) which is equivalent to Broward County, and MD 48424 (West Palm Beach, FL) which is equivalent to Palm Beach County.

The Miami-Dade assessment area, which contains 97 percent of Florida deposits and 78 percent of Florida loan activity during the evaluation period, received a full-scope review. The Broward County and Palm Beach County assessment areas received limited-scope reviews. Ratings for the state of Florida are based primarily on performance in the Miami-Dade assessment area.

Loan products evaluated include home purchase, home refinance, and multi-family loans reported under the HMDA and small loans to businesses reported under the CRA. The Bank offers home improvement loans but this loan type is not a major product of the Bank, and the Bank reported a low volume of home improvement loans during the evaluation period. An analysis of home improvement loans is not meaningful. Similarly, small loans to farms are not a major product for the Bank and the Bank reported no small loans to farms. No analysis of this was performed and the table for small loans to farms was excluded from the Core Tables in Appendix D. We also evaluated community development loans, investments, and services.

Of reported home mortgage and small loans to businesses in Florida, 76 percent were small loans to businesses. Therefore, the most weight in reaching our conclusions was given to performance related to small loans to businesses.

For this examination, we conducted one community contact in the Miami-Dade assessment area. The community contact was a non-profit affordable housing organization. We also reviewed community contacts conducted at other examinations for banks operating in the same assessment area. The most critical identified needs are housing that is affordable to low- and moderate-income families and loans to establish small businesses.

Refer to the Market Profiles in Appendix C for additional information.

## LENDING TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The Bank's performance under the Lending Test in Florida is rated "Outstanding". Based on a full-scope review, the Bank's performance in the Miami-Dade assessment area is excellent.

### Lending Activity

Refer to Table 1 Lending Volume in the state of Florida section of Appendix D for the facts and data used to evaluate the Bank's lending activity.

Overall lending levels reflect excellent responsiveness to meeting assessment area credit needs, given the Bank's deposit mix and business strategy as well as the very positive impact of community development loans. We gave consideration to the fact that lending in the assessment area declined for home mortgage loans due to economic conditions. There were also some struggles with commercial lending but there has been increases in commercial lending for this evaluation period as economic conditions show some improvement.

Small business lending activity, which represents the majority of the Bank's lending under analysis, is excellent, given performance context. FDIC data as of June 30, 2012 (the most recent available data) shows that MCB had a total deposit market share in the Miami-Dade assessment area of 5.37 percent and was ranked 5<sup>th</sup> of 69 financial institutions taking deposits in the assessment area. However when only domestic deposits are considered, the Bank's deposit market share is .71 percent and it is ranked 26<sup>th</sup>. According to 2011 peer market data (the most recent available data) MCB's market share of small loans to businesses was .29 percent with a rank of 23<sup>rd</sup> among 106 loan reporters, based on number of loans reported. When the dollar amount of such loans is considered, the Bank had a market share of 2.43 percent and was ranked 13<sup>th</sup>, exceeding its domestic market share and rank. A comparison based on dollar volume of lending is more meaningful because of the inclusion of a large number of credit card lenders in the reporting. Credit card lenders originate a large number of loans, but the overall dollar volume is significantly smaller. For example, the top five small business loan reporters in 2011 are all credit card lenders that do not take deposits in the assessment area. Combined, these five lenders have a market share of 79 percent, based on number of loans, but only a 25 percent market share based on dollar volume. Alone, American Express Bank, FSB had a market share of 40 percent based on number of loans and 11 percent based on dollar amount.

Overall, home mortgage lending is adequate, when considering the Bank's business strategy and the market in which the Bank operates. For overall home mortgage lending (including originations and purchases), as reported under the HMDA, the Bank is ranked 87<sup>th</sup> of 499 reporters in 2011 (the most recent available data), with a market share of .12 percent, based on number of loans. The Bank's market share is .19 percent based on dollar volume. This performance is lower than the Bank's domestic deposit market share and rank but based on the Bank's business strategy and the level of competition in the market, such performance does not materially detract from the Bank's overall lending activity performance.

While the Bank's market share and rank for home purchase and refinance loans individually are consistent with overall HMDA lending, it should be noted that MCB's market share and rank of multi-family home mortgage loans is excellent and consistent with the Bank's commercial lending and CRA

strategy. According to 2011 peer mortgage data, the Bank had a market share of 2.84 percent for multi-family loan originations and purchases in the Miami assessment area and was ranked 6<sup>th</sup> among 50 reporters, based on number of loans. This performance exceeds even the Bank's total deposit market share and rank.

In addition, MCB's high volume of community development loans was considered. Community development lending represents 35 percent of the dollar volume of the Bank's loans analyzed at this examination.

### **Distribution of Loans by Income Level of the Geography**

Overall, the geographic distribution of loans in the state of Florida is good, based primarily on the distribution of small loans to businesses. The overall geographic distribution of loans in the full-scope Miami-Dade assessment area is good, based primarily on the distribution of small loans to businesses. As previously noted, these loans represent 76 percent of home mortgage and small business loan activity analyzed in the evaluation period. The geographic distribution of home mortgage loans is good considering performance context. The geographic distribution of small loans to businesses is good.

#### ***Home Mortgage Loans***

Refer to Tables 2, 4, and 5 in the state of Florida section of Appendix D for the facts and data used to evaluate the geographic distribution of the Bank's home mortgage loan originations/purchases.

The overall geographic distribution of home mortgage loans in the full-scope Miami-Dade assessment area is good. Home mortgage lending is not a primary business line of the Bank and the majority of such loans are made to Venezuelan nationals purchasing second homes in the United States.

Home purchase loans represent approximately 67 percent of all home mortgage loans under analysis; therefore, they received the most weight in reaching our conclusion. Home improvement loans are not included in the analysis as they are not a major product of the Bank and their volume was too small (1 loan) for meaningful analysis. Conclusions are based primarily on performance in moderate-income geographies because of the limited opportunities to lend in low-income geographies. According to the 2000 Census, there are only 7,586 owner-occupied housing units in the low-income geographies of the assessment area and 8,023 according to the 2010 Census.

The geographic distribution of home purchase loans is good considering performance context. For the combined years of 2010 and 2011, the Bank's percent of home purchase loans in low-income geographies exceeds the percent of owner-occupied units in these geographies, but the number of loans (1) upon which this conclusion is based is very small. The Bank's market share of home purchase loans in low-income geographies is near to its overall market share of home purchase loans. The Bank's percent of home purchase loans in moderate-income geographies is significantly lower than the percent of owner-occupied units in these geographies. The Bank's home purchase market share in moderate-income geographies is near to its overall market share of home purchase loans. For 2012, the Bank had no home purchase loans in low- or moderate-income geographies and no market share for home purchase loans.

The geographic distribution of home mortgage refinance loans is adequate considering performance context. The Bank has no refinance loans in low- or moderate-income geographies and no market share for these geographies for the years of 2010 and 2011, and for 2012.

The geographic distribution of multi-family loans is excellent. For the combine years of 2010 and 2011, the Bank had no multi-family loans in low-income geographies and no market share. The Bank's percent of multi-family loans in moderate-income geographies exceeds the percent of multi-family units in these geographies. The Bank's multi-family market share in moderate-income geographies exceeds its overall market share of multi-family loans.

### ***Small Loans to Businesses***

Refer to Table 6 in the state of Florida section of Appendix D for the facts and data used to evaluate the geographic distribution of the Bank's origination/purchase of small loans to businesses.

The geographic distribution of small loans to businesses is good. For the combined years of 2010 and 2011, the Bank's geographic distribution of small loans to businesses in low-income geographies was lower than the percentage of businesses located in such geographies. The Bank's market share of small loans to businesses in low-income geographies was somewhat lower than its overall market share of small loans to businesses. The Bank's geographic distribution of small loans to businesses in moderate-income geographies exceeded the percentage of businesses located in such geographies. The Bank's market share of small loans to businesses in moderate-income geographies exceeds its overall market share of small loans to businesses. For 2012, the geographic distribution mirrored the same performance.

### ***Lending Gap Analysis***

We evaluated the lending distribution of this assessment area to determine if any unexplained conspicuous gaps existed. No unexplained conspicuous gaps were identified after reviewing performance context.

### ***Inside/Outside Ratio***

This analysis is performed at the Bank level rather than state or assessment area levels. During the evaluation period, a substantial majority of the Bank's loan originations were within its overall assessment area. A substantial majority of the number of loans and a majority of the dollar volume of loans were in the assessment area. Specifically, 91 percent of loans by number and 87 percent by dollar volume were within the Bank's overall assessment area. By product, 80 percent by number and 80 percent by dollar of home mortgage loan originations and purchases were within the Bank's overall assessment area. Regarding small loans to businesses, 95 percent by number and 92 percent by dollar were originated or purchased within the Bank's overall assessment area. This performance was positively factored into the overall analysis of the geographic distribution of lending by income level of the geography.

### **Distribution of Loans by Income Level of the Borrower**

Overall, the distribution of loans by income level of the borrower in the state of Florida is good, based primarily on the distribution of small loans to businesses and considering performance context. The

overall distribution of loans by income level of the borrower in the full-scope Miami-Dade assessment area is good, based primarily on the distribution of small loans to businesses, and considering performance context. The distribution of home mortgage loans by income level of the borrower is poor, given performance context, but not inconsistent with the Bank's business strategy. The distribution of small loans to businesses is good, given performance context. This performance was given the greatest amount of weight based on the Bank's business strategy and the higher volume of small loans to businesses.

### ***Home Mortgage Loans***

Refer to Tables 8 and 10 in the state of Florida section of Appendix D for the facts and data used to evaluate the borrower distribution of the Bank's home mortgage loan originations and purchases.

The distribution of HMDA loans among individuals of different income levels in the full-scope Miami-Dade assessment area is adequate.

Consideration was given to the assessment area's high poverty rates (18 percent) which limit the ability of many low-income families to become homeowners, even with the assistance of subsidy programs, the availability of which became very limited during the course of the evaluation period. High property taxes and homeowner's insurance costs also contribute to the inability of low-income borrowers as well as moderate-income borrowers to become homeowners.

Furthermore, the demand for refinance loans by low- and moderate-income families is generally very limited. Many times low- and moderate- income families have taken advantage of various subsidy programs and special mortgage products that have very low interest rates that would not make it necessary for them to refinance for a lower interest rate. Some special programs do not allow for refinancing. Another challenge has been an influx of investors who purchase homes with cash.

The distribution of home purchase loans to borrowers of different income levels is good considering performance context. The Bank's percent of home purchase loans made to low-income borrowers is lower than the percent of low-income families in the assessment area. The Bank's market share of home purchase loans made to low-income borrowers is lower than its overall market share of home purchase loans to all borrowers. The Bank's percent of home purchase loans made to moderate-income borrowers is lower than the percent of moderate-income families in the assessment area. The Bank's home purchase loan market share to moderate-income borrowers is lower than its overall market share of home purchase loans to all borrowers.

The analysis of the distribution of home mortgage refinance loans among borrowers of different income levels is not meaningful. For the combined years of 2010 and 2011, as well as for 2012, the Bank had a low volume of refinance loans too small to produce a meaningful analysis.

### ***Small Loans to Businesses***

Refer to Table 11 in the state of Florida section of Appendix D for the facts and data used to evaluate the borrower distribution of the Bank's origination and purchase of small loans to businesses.

The distribution of small loans to businesses within the Miami-Dade full-scope assessment area is good, considering performance context. In the combined years of 2010 and 2011, the percent of the Bank's small loans to small businesses (businesses with annual revenues of \$1 million or less) is near to the

percent of small businesses in the full-scope assessment area. The Bank's market share of small loans to small businesses exceeds its overall market share of small loans to all businesses. In addition, of small loans to businesses, 76 percent are for amounts of \$250,000 or less for the combined years of 2010 and 2011 and 75 percent for the year 2012 indicating MCB is meeting the needs of small businesses. For 2012, performance was somewhat lower than the percent of small businesses in the assessment area, but performance exceeds the overall market share of small loans to all businesses.

## **Community Development Lending**

Refer to Table 1 Lending Volume in the state of Florida section of Appendix D for the facts and data used to evaluate the Bank's level of community development lending. This table includes all CD loans, including multifamily loans that also qualify as CD loans. In addition, Table 5 includes geographic lending data on all multi-family loans, including those that also qualify as CD loans, but Table 5 does not separately list CD loans.

Community development lending is excellent and it had a very positive impact on the Lending Test for the state of Florida. Community development activity is excellent in the Miami-Dade assessment area and it had a positive impact on the Lending Test, enhancing lending activity as well as geographic and borrower distribution. The Bank originated a significant number and dollar amount of community development loans in the Miami-Dade assessment area. These loans exhibited an excellent level of responsiveness to the various needs in the assessment area, particularly affordable housing, which is most critical in the assessment area. Refer to the profile in Appendix C for a discussion of assessment area needs and available opportunities.

During the evaluation period, MCB originated or participated in 40 community development loans totaling \$96.9 million in the full-scope Miami-Dade assessment area. Approximately \$47.6 million of total community development loan dollars (23 percent) helped to meet affordable housing needs. The remainder of community development loan dollars is helping to revitalize and stabilize low- and moderate-income geographies in the Miami-Dade assessment area. In general, the loans have helped to provide new or enhanced business facilities that will attract small businesses and jobs to the areas or newly constructed housing units that are attracting residents to the areas, most of whom are low- and moderate-income.

## **Product Innovation and Flexibility**

MCB offers no lending products that are considered innovative or flexible. This had a neutral impact on the Lending Test rating.

## **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the Bank's performance under the Lending Test in the Broward and Palm Beach Counties assessment areas is not inconsistent with the Bank's overall "outstanding" performance under the Lending Test in Florida. Refer to the Tables 1 through 12 in the state of Florida section of Appendix D for the facts and data that support these conclusions.

## INVESTMENT TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The Bank's performance under the Investment Test in Florida is rated "Outstanding". Based on a full-scope review, the Bank's performance in the Miami-Dade assessment area is excellent, given available opportunities, the capacity of the Bank, and the impact of MSA and multi-state investments. Refer to the profile in Appendix C for a discussion of available opportunities. Overall, the Bank has an excellent level of qualified community development investments and grants.

Refer to Table 14 in the state of Florida section of Appendix D for the facts and data used to evaluate the Bank's level of qualified investments.

**Current Period Investments:** Current period qualified investments totaled \$31 million and grants totaled \$717 thousand. The Bank's current period qualified investments in the full-scope Miami-Dade assessment area includes twelve government agency mortgage backed securities, that consist of single family loan pools, supporting low and moderate income home lending. Additionally, one Small Business Administration investment pool that supports small businesses and three government agency mortgage securities, which consist of multifamily loan pools, supporting affordable housing needs for low and moderate income residents of the assessment areas. Affordable housing needs are considered the most important need in this assessment area and these investments are highly responsive to those needs. Grants and donations, in the form of real estate and cash, were made to organizations that support affordable housing efforts, fair lending, and the community service needs of low- and moderate-income individuals.

### Prior Period Investments:

Qualified investments purchased during prior evaluation periods that remain on the Bank's books include forty-four government agency mortgage back securities, three Small Business Administration investment pool and, the renewal of a certificate of deposit the North Dade Federal Credit Union. These investments had a book value of \$11,003M as of our evaluation date. These investments support the affordable housing and community development needs for low and moderate-income individuals.

### Conclusions for Area Receiving Limited-Scope Reviews

Based on a limited-scope review, the Bank's performance under the Investment Test in the Broward and Palm Beach Counties assessment areas is not inconsistent with the Bank's overall "outstanding" performance under the Investment Test in Florida. Refer to the Table 14 in the state of Florida section of Appendix D for the facts and data that support these conclusions.

## SERVICE TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The Bank's performance under the Service Test in Florida is rated "High Satisfactory" considering the Bank's branch distribution, branch openings, branch closings, as well as its community development

service performance. Branch distribution, branch openings, and branch closings received the most weight in arriving at an overall rating for the Service Test. Based on a full-scope review, the Bank's performance in the Miami-Dade assessment area is good.

### **Retail Banking Services**

Refer to Table 15 in the state of Florida section of Appendix D for the facts and data used to evaluate the distribution of the Bank's branch delivery system and branch openings and closings.

MCB's delivery systems are good and accessible to essentially all portions of the geographies and individuals of different income levels throughout the full-scope assessment area. The Bank has four offices in moderate-income geographies but no offices in low-income geographies. The percentage of branches in moderate-income geographies exceeds the percentage of population residing in such geographies.

The Bank's record of opening and closing branches had a positive impact on Service Test conclusions. The Bank closed two middle-income branches during the evaluation period and opened one branch in a moderate-income geography and one branch in an upper-income geography in the Miami-Dade assessment area. Another positive factor was that three existing branch locations shifted to moderate-income geographies, as a result of the 2010 Census changes.

Office hours and services offered are comparable among the Bank's various branch locations, regardless of the income level of the geography. Branch offices are augmented by a variety of alternative retail delivery channels, including ATM's, telephone banking, and online banking. There is no data on the effectiveness of these alternative retail delivery systems, and no significant weight was given to these systems.

### **Community Development Services**

MCB's community development service performance is excellent, considering the Bank's capacity and business strategy. The Bank is a leader in providing community development services in the Miami-Dade assessment area. These services are highly responsive to current assessment area needs primarily addressing affordable housing and economic development needs both of which are critical in the present economic environment. The volume of community development services is excellent, based on the number of organizations impacted and the services they provide. During the evaluation period, at least 17 different officers and employees provided ongoing technical assistance to at least 10 different organizations in the Miami-Dade County assessment area, frequently in positions of leadership. They share their financial expertise by serving as board members, officers, and loan and/or finance committee members to organizations that help provide affordable housing opportunities, as well as economic development opportunities, small business lending, and community services to low- and moderate-income individuals and families.

Many of the organizations are helping to provide affordable housing opportunities in Miami-Dade County by providing facilities for the homeless, homebuyer education classes to help qualify low- and moderate-income buyers, or constructing or rehabilitating housing units affordable to low- and moderate-income residents, as well as small business lending. Some of the organizations include the following:

Accion USA- This is a private nonprofit micro-lender that provides financial services to low- and moderate- income entrepreneurs who are unable to access credit for their small business. The organization offers small business loans of up to \$50,000 as well as financial literacy education to its small business owners.

Florida Community Loan Fund- A statewide non-profit that provides low interest loans to non-profit developers and CBOs to build affordable housing.

Habitat for Humanity- This organization is an ecumenical ministry that builds homes in partnership with low-income families in need of a decent place to live. Habitat for Humanity works to eliminate poverty in housing by depending on volunteer labor and sweat equity from the selected homeowner.

Housing Opportunity Project for Excellence (H.O.P.E.). This fair housing agency is a catalyst in fair housing education and the investigation and preparation of housing discrimination resolution or litigation. They provide education and outreach to those who are at risk of experiencing housing discrimination. They provide education to the low- and moderate- income individuals and elderly on identifying and reporting predatory lending practices.

Little Haiti Housing Association- This nonprofit focuses on providing decent affordable housing to those within the Little Haiti neighborhood communities. It also serves the developmental needs of the low-income residents through their four major areas of service; housing development for sale and rental; home ownership education/financial literacy; tenant/homeowner services and education; and client referrals to needed social services and economic development initiatives.

Neighborhood Housing Services of South Florida- this nonprofit revitalizes, educates and empowers low- and moderate- income individuals by providing affordable housing and neighborhood revitalization throughout Miami Dade and Broward County. The organization is also a recipient of Neighborhood Stabilization Program (NSP) funding from the Department of Housing and Urban Development (HUD).

### **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on a limited-scope review, the Bank's performance under the Service Test in the Broward County is not inconsistent with the Bank's overall "High Satisfactory" performance under the Service Test in the state of Florida. In the Palm Beach County assessment area the Bank's performance is weaker than the Bank's overall performance in the state. The one branch that MCB has in the Palm Beach County assessment area is not located in a low- or moderate-income geography. Refer to Table 15 in the state of Florida section of appendix D for the facts and data that support these conclusions.

## State Rating

### State of New York

**CRA Rating for New York<sup>2</sup>: High Satisfactory**

<b>The lending test is rated:</b>	<b>High Satisfactory</b>
<b>The investment test is rated:</b>	<b>Outstanding</b>
<b>The service test is rated:</b>	<b>Low Satisfactory</b>

The major factors that support this rating include:

- Lending activity that reflects adequate responsiveness in meeting assessment area credit needs.
- Adequate geographic distribution of loans in the Bank's assessment area considering performance context.
- Community development lending that had a very positive impact on the Lending Test.
- An excellent level of qualified investments that reflects excellent responsiveness to credit and community development needs.
- Adequate retail service delivery systems that are reasonably accessible to geographies and individuals of different income levels in the Bank's assessment areas.
- An excellent level of community development services.

### Description of Institution's Operations in New York

MCB operates one branch in New York City, New York. The full service branch was opened in 2000. As of June 30, 2012, the New York branch had total deposits of \$247 million, of which 2.67 percent or \$6.6 million represent domestic deposits. However, domestic loans total \$65 million or 89 percent of the \$73 million of total loans at the New York Branch, indicating that domestic loans are being largely funded with international deposits. New York branch deposits represent 4.55 percent of the Bank's overall total deposits. The Bank has 270 or 9 percent domestic personal deposit accounts compared to 2,666 international personal deposits that represent 91 percent of all the personal deposits.

The New York branch is located in mid-town Manhattan (51<sup>st</sup> between Madison and Fifth Avenue) next to the Venezuelan Consulate. The surrounding neighborhood is comprised of luxury hotels and department stores along Madison, Park, and Fifth Avenues. The location next to the Venezuelan Consulate is advantageous for attracting international deposits because of the Bank's affiliation with its parent in Venezuela. However, opportunities for domestic retail business are limited because of the

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<sup>2</sup> For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation does not reflect performance in the parts of this state contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

Bank's very small presence, the highly competitive market, and the branch's location in a high tourist area of Manhattan.

The New York branch's business strategy focuses on international business and large syndicated and commercial real estate loans. The branch's primary customer base is international individuals and businesses, primarily from Venezuela. It is the Bank's practice to seek referrals from its affiliates in Venezuela. Residential mortgage lending is not a primary business line for the Bank. Most of its residential mortgage loan originations are either an accommodation to foreign nationals purchasing second homes in the New York area or loans to employees. During the rating period, MCB purchased loans to help support the credit needs of the assessment area.

Refer to the Market Profile for the New York MSA in Appendix C for detailed demographics and other performance context information for the assessment area.

## **Scope of Evaluation in New York**

The Bank's assessment area in New York includes a portion of Metropolitan Division (MD) 35644 (NY-White Plains-Wayne, NY-NJ) and consists of Bronx, Kings, New York, and Queens Counties. This New York MSA received a full-scope review.

Loan products evaluated include home purchase, home refinance, and multi-family loans reported under the HMDA. The Bank did not report any small loans to farms therefore the table was excluded from the Core Tables in Appendix D. We also evaluated community development loans, investments, and services.

The need for affordable housing and mortgage financing for low- and moderate-income families is a pressing need for the assessment area. This includes special mortgage products as well as programs to provide down payment and closing cost assistance. Home buyer and financial literacy programs are also needed. Since the majority of the population rents, there is a critical need for affordable rental housing. There is also an ongoing need for activities that help to create and support new and existing small businesses. We made one community contact with a non-profit organization that provides services to homeless people helping to restore them to self-sufficiency.

## **LENDING TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The Bank's performance under the Lending Test in New York is rated "High Satisfactory". Based on a full-scope review, the Bank's performance in the New York MSA is good when considering performance context and the very positive support from CD lending.

### **Lending Activity**

Refer to Table 1 Lending Volume in the state of New York section of Appendix D for the facts and data used to evaluate the Bank's lending activity.

MCB's overall lending activity in the New York MSA is adequate, given performance context. Based on FDIC data as of June 30, 2012, MCB's overall deposit market share in the New York MSA area was 0.03 percent and it was ranked 71<sup>st</sup> of 115 financial institutions reporting deposits in the assessment area. When considering only the level of domestic deposits, the Bank's market share would be too small to be meaningful.

For the combined years of 2010 and 2011, and for 2012, analyses of lending would not be meaningful given the low volume of home mortgage and business lending. For the combined years of 2010 and 2011, the Bank reported six mortgage loans and one small loan to businesses. For the year 2012, the Bank had 11 home mortgage loans and no small loans to businesses. Despite this low level of lending, the branch in New York did meet a critical need for affordable housing by extending three multifamily loans that primarily rent to low- and moderate-income people. For 2011, there was a loan for \$2.1 million with 86 percent of the units rented to low- and moderate-income tenants. For 2012, MCB originated a \$2.2 million loan with 88 percent of the units rented to low- and moderate- income tenants. There was also a third loan with a pro-rata share of affordable housing units of \$1.6 million with 45 percent of the units rented to low- and moderate-income tenants.

### **Distribution of Loans by Income Level of the Geography**

Considering a very small volume of loans originated or purchased during the evaluation period, an analysis would not be meaningful and was not performed.

Refer to Tables 2, 4, 5, and 6 in the state of New York section of Appendix D for the facts and data showing the geographic distribution of the Bank's home mortgage and business loan originations and purchases.

### ***Lending Gap Analysis***

We evaluated the lending distribution of this assessment area to determine if any unexplained conspicuous gaps existed. No unexplained conspicuous gaps were identified after reviewing the Bank's performance context.

### ***Inside/Outside Ratio***

This analysis is performed at the bank level rather than state or assessment area levels. During the evaluation period, a substantial majority of the Bank's loan originations were within its overall assessment area. A substantial majority of the number of loans and a majority of the dollar volume of loans were in the assessment area. Specifically, 91 percent of loans by number and 87 percent by dollar volume were within the Bank's overall assessment area. By product, 80 percent by number and 80 percent by dollar of home mortgage loan originations and purchases were within the Bank's overall assessment area. Regarding small loans to businesses, 95 percent by number and 92 percent by dollar were originated or purchased within the Bank's overall assessment area. This performance was positively factored into the overall analysis of the geographic distribution of lending by income level of the geography.

## **Distribution of Loans by Income Level of the Borrower**

An analysis of the distribution of loans by the income level of the borrower in the New York assessment area is not meaningful considering the very small volume of loans originated or purchased during the evaluation period; therefore, the analysis was not performed.

Refer to Tables 8, 10, and 11 in the state of New York section of Appendix D for the facts and data showing the geographic distribution of the Bank's home mortgage and business loan originations and purchases.

## **Community Development Lending**

Refer to Table 1 Lending Volume in the state of New York section of Appendix D for the facts and data used to evaluate the Bank's level of community development lending.

Community development lending is excellent and had a very positive impact on the Lending Test for the state of New York. Based on a full-scope review, community development lending in the full-scope New York assessment area is excellent with a very positive impact on the Lending Test. Refer to the profile in Appendix C for a discussion of assessment area needs and available opportunities.

During the evaluation period, MCB originated seven community development loans totaling \$32.9 million. The largest loan (\$20 million) will create or maintain some 3,117 jobs in New York City plus another CD loan for \$4.3 million for economic development that will maintain or create jobs for low- and moderate-income people. Three of the loans or \$6 million support affordable housing.

## **INVESTMENT TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The Bank's performance under the Investment Test in New York is rated "Outstanding". Based on a full-scope review, the Bank's performance in the New York MSA is excellent, given available opportunities, the size and capacity of the Bank, and the impact of multi-state investments, as discussed in the Florida portion of this evaluation. Refer to the profile in Appendix C for a discussion of available opportunities. Refer to Table 14 in the state of New York section of Appendix D for the facts and data used to evaluate the Bank's level of qualified investments.

The dollar volume of community development investments is excellent. Investments are reasonably responsive to assessment area needs addressing the critical need of affordable housing. Investments are not generally considered innovative or complex and private investors routinely provide the type of qualified investments discussed here.

### **Current Period Investments:**

Current period qualified investments totaled \$13 million and grants totaled \$103 thousand. The Bank's current period qualified investments in the full-scope New York assessment area include eight government agency mortgage backed securities that consist of single family loan pools for low and moderate income individuals. Additionally, one government agency backed security that consist of multifamily loan pools was purchased. The multifamily loan pools support affordable housing needs for

low and moderate income individuals. Affordable housing needs are considered the most important need in this assessment area and these investments are highly responsive to those needs.

Grants and donations in the form of cash were made to organizations that support affordable housing efforts and the community service needs of low and moderate income people that have expanded in light of current economic conditions in the assessment area.

**Prior Period Investments:** Qualified investments purchased during prior evaluation periods that remain on the Bank's books include three government agency mortgage back securities. These investments had a book value of \$3 million as of our evaluation date. These investments support the affordable housing for low and moderate income individuals in the assessment area.

## **SERVICE TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The Bank's Service Test rating in the state of New York is "Low Satisfactory" considering the Bank's branch distribution and its community development service performance. Branch distribution, branch openings, and branch closings received the most weight in arriving at an overall rating for the Service Test. Based on a full-scope review, the Bank's performance in the New York assessment area is adequate.

### **Retail Banking Services**

Refer to Table 15 in the state of New York section of Appendix D for the facts and data used to evaluate the distribution of the Bank's branch delivery system and branch openings and closings.

The Bank offers banking services through one location that was in an upper-income geography for the years 2010 through 2011. Due to the 2010 Census, the geography became moderate-income. The branch office location is in Manhattan, adjacent to the Venezuelan Consulate. The office is located in a business district reasonably accessible to geographies, businesses, and individuals of different income levels in the assessment area. The Bank does not have a retail orientation in the New York assessment area. The business strategy is primarily directed toward the commercial market. No branches were opened or closed during the evaluation period.

MCB offers a range of banking products and services in its assessment area, including the New York Basic Banking Account, a low-cost checking account designed for low- and moderate-income persons. The branch office is augmented by a variety of alternative delivery channels, including ATM networks, telephone banking, and online banking. There is no data on the effectiveness of these alternative delivery systems, and no significant weight was given to these systems.

### **Community Development Services**

MCB provides a good level of community development services, considering the level of the Bank's presence in the New York assessment area and the Bank's business strategy. During the evaluation period, the Bank provided financial literacy training to low- and moderate-income people through their partnerships with three nonprofit organizations. The Bank participated in 10 training sessions for two

nonprofit organizations lasting three to five hours each with three to fourteen people attending. The Bank records some 116 participants. Banking officers are also serving as board members of nonprofit organizations providing financial assistance.

Some of the organizations that the Bank provides services to and through include the following:

Little Sisters of the Assumption Family Health Service- A nonprofit, community-based organization working with the people of East Harlem to address the physical, emotional, educational, and spiritual dimensions of family health.

Browery Mission- a nonprofit organization that ministers in New York City to men, women, and children caught in the cycles of poverty, hopelessness and dependencies of many kinds, and to see their lives transformed to hope, joy, and lasting productivity.

Accion USA- This is a private nonprofit micro-lender that provides financial services to low- and moderate- income entrepreneurs who are unable to access credit for their small business. The organization offers small business loans of up to \$50,000 as well as financial literacy education to its small business owners.

## State Rating

### State of Texas

#### CRA Rating for Texas<sup>3</sup>: High Satisfactory

<b>The lending test is rated:</b>	<b>High Satisfactory</b>
<b>The investment test is rated:</b>	<b>Outstanding</b>
<b>The service test is rated:</b>	<b>Low Satisfactory</b>

The major factors that support this rating include:

- Lending activity that reflects good responsiveness in meeting assessment area credit needs.
- Good geographic distribution of loans in the Bank's assessment area.
- Adequate distribution of loans by income level of the borrower in the Bank's assessment area. However this conclusion is based on a number of loans that is not considered significant.
- Community development lending had a very positive impact on the Lending Test.
- An excellent level of qualified investments that reflects responsiveness to community development needs.
- Service delivery systems are reasonably accessible to geographies and individuals of different income levels in its assessment areas.
- A good level of community development services.

### Description of Institution's Operations in Texas

MCB operates two branches in the state of Texas. MCB has operated in the assessment area since February 1, 2006. As of June 30, 2012, the Houston branches had deposits of \$125 million, of which 18 percent or \$12 million represent domestic deposits. However, domestic loans total \$202 million or 46 percent of the \$436 million of total loans for the Houston location indicating that domestic loans are being largely funded with international deposits. Houston branch deposits represent one percent of the Bank's overall total deposits.

As with its other operations, the primary customer base in Texas is international individuals and businesses, particularly from Venezuela. The primary business focus is commercial lending, with an emphasis on the oil and gas industry, which represents a substantial portion of the area's businesses. Residential mortgage lending is not a primary business line for the Bank.

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<sup>3</sup> For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation does not reflect performance in the parts of this state contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institutions performance in that area.

Refer to the Market Profile for the state of Texas in Appendix C for detailed demographics and other performance context information for the Texas assessment area.

## **Scope of Evaluation in Texas**

The Bank's assessment area in Texas includes a portion of MSA 26420 (Houston-Sugar Land-Baytown, TX) consisting of all of Harris County. The Harris County assessment area received a full-scope review.

Loan products evaluated include home mortgage as reported under the HMDA and small loans to businesses reported under the CRA. For combined years 2010-2011, the Bank did not originate or purchase any home purchase, home refinance, home improvement, or small loans to farms. Therefore, an analysis of mortgage lending for 2010 and 2011 would not be meaningful. We did have a sufficient volume of home mortgage loans for 2012 to complete an analysis. The tables for small farm loans are not included in the Core Tables in Appendix D but mortgage loan tables are included. We also evaluated community development loans, investments, and services.

We conducted one community contact with a community development corporation in Houston that reiterated the need for affordable housing and the need to finance land acquisition to continue developing affordable housing

## **LENDING TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The Bank's performance under the Lending Test in Texas is rated "High Satisfactory". Based on a full-scope review, the Bank's performance in the Harris County assessment area is good.

### **Lending Activity**

Refer to Table 1 Lending Volume in the state of Texas section of Appendix D for the facts and data used to evaluate the Bank's lending activity.

Overall lending levels reflect good responsiveness to meeting assessment area credit needs, given the Bank's deposit mix and business strategy as well as the positive impact of community development loans. We gave consideration to the fact that lending in the assessment area declined for home mortgage and commercial loans due to economic conditions. There has been an increase in commercial lending for this evaluation period as economic conditions have shown some improvement for 2012.

Small business lending activity, which represents the majority of the Bank's lending under analysis, is excellent, given performance context. FDIC data as of June 30, 2012 (the most recent available data) shows that MCB had a total deposit market share in the Harris County assessment area of 0.08 percent and was ranked 57<sup>th</sup> of 88 financial institutions taking deposits in the assessment area. However when only domestic deposits (18 percent of the Bank's total deposits) are considered, the Bank's deposit market share is .01 percent and it is ranked 78<sup>th</sup>. According to 2011 peer market data (the most recent available data) MCB's market share of small loans to businesses was .01 percent with a rank of 61<sup>st</sup>

among 1154 loan reporters, based on number of loans reported. When the dollar amount of such loans is considered, the Bank had a market share of 0.10 percent and was ranked 51<sup>st</sup>, exceeding its domestic market share and rank. A comparison based on dollar volume of lending is more meaningful because of the inclusion of a large number of credit card lenders in the reporting. Credit card lenders originate a large number of loans, but the overall dollar volume is significantly smaller. For example, the top five small business loan reporters in 2011 are all credit card lenders that do not take deposits in the assessment area. Combined, these five lenders have a market share of 73 percent, based on number of loans, but only a 32 percent market share based on dollar volume. Alone, American Express Bank, FSB had a market share of 29 percent based on number of loans and 5.42 percent based on dollar amount.

Overall, home mortgage lending is good, when considering the Bank's business strategy and the market in which the Bank operates. For overall home mortgage lending (including originations and purchases), as reported under the HMDA, the Bank is ranked 522<sup>nd</sup> of 740 reporters in 2011 (the most recent available data), with an extremely small market share near zero percent, based on number of loans. The Bank's market share is .02 percent based on dollar volume. This performance is lower than the Bank's domestic deposit market share and rank but based on the Bank's business strategy and the level of competition in the market, such performance does not materially detract from the Bank's overall lending activity performance.

While the Bank's market share and rank for home purchase and refinance loans individually are consistent with overall HMDA lending, it should be noted that MCB's market share and rank of multi-family home mortgage loans is excellent and consistent with the Bank's commercial lending and CRA strategy. According to 2011 peer mortgage data, the Bank had a market share of .96 percent for multi-family loan originations and purchases in the Harris County assessment area and was ranked 32<sup>nd</sup> among 58 reporters, based on number of loans. This performance exceeds the Bank's total deposit market share and rank. MCB's high volume of community development lending was considered. Community development lending represents 35 percent of the dollar volume of the Bank's loans analyzed at this examination.

### **Distribution of Loans by Income Level of the Geography**

Overall, the geographic distribution of loans in the state of Texas is good, based primarily on the distribution of small loans to businesses. The overall geographic distribution of loans in the full-scope Harris County assessment area is good, based primarily on the distribution of small loans to businesses. As previously noted, these loans represent 76 percent of home mortgage and small business loan activity analyzed in the evaluation period. The geographic distribution of home mortgage loans is good considering performance context. The geographic distribution of small loans to businesses is good.

#### ***Home Mortgage Loans***

Refer to Tables 2, 4, and 5 in the state of Texas section of Appendix D for the facts and data used to evaluate the geographic distribution of the Bank's home mortgage loan originations/purchases.

The overall geographic distribution of home mortgage loans in the full-scope Harris County assessment area is good. This conclusion is based on the increased lending in 2012. Though an analysis of residential mortgage lending was not meaningful for the combined years 2010-2011, the distribution of multifamily lending is good considering loans in low- and moderate income geographies.

The geographic distribution of home purchase loans is good considering performance context. For 2012, the Bank's percent of home purchase loans in low-income geographies was 4.35 percent and near to the 5.95 percent of owner-occupied units in these geographies. The Bank's market share of home purchase loans in low-income geographies was not given any weight, because the most current information available was 2011 showing no market share. The Bank's percent of home purchase loans in moderate-income geographies of 21.74 percent was near to owner occupied units of 25.83 percent.

The geographic distribution of home mortgage refinance loans is excellent. For 2012, loans in low-income geographies of 14.25 percent exceeded the percent of owner occupied units of 5.95 percent. The Bank's market share of refinance loans was not given any weight, because the most current information available was 2011 showing no market share. The Bank's percent of refinance loans in moderate-income geographies of 28.57 percent exceeded the owner-occupied units of 25.83 percent.

The geographic distribution of multi-family loans is good. For 2012, the distribution of multifamily loans in low-income areas of 20 percent was near to the percent of multifamily loans in low-income geographies of 25.41 percent. The Bank's low-income market share of 5 percent exceeded the Bank's overall market share of 1.34 percent. For moderate-income geographies, the Bank's loans of 40 percent exceeded the percent of multifamily units in these geographies of 32.42 percent. The Bank's moderate-income market share of 1.18 percent is near its overall market share of multi-family loans of 1.34 percent.

### ***Small Loans to Businesses***

Refer to Table 6 in the state of Texas section of Appendix D for the facts and data used to evaluate the geographic distribution of the Bank's origination/purchase of small loans to businesses.

The geographic distribution of small loans to businesses is good. For the combined years of 2010 and 2011, the Bank's geographic distribution of small loans to businesses in low-income geographies exceeded the percentage of businesses located in such geographies. The Bank's market share of small loans to businesses in low-income geographies exceeded its overall market share of small loans to businesses. The Bank's geographic distribution of small loans to businesses in moderate-income geographies was near to the percentage of businesses located in such geographies. The Bank's market share of small loans to businesses in moderate-income geographies equaled its overall market share of small loans to businesses. For 2012, the geographic distribution of small loans to businesses in low-income geographies of 10 percent was near to the 10.79 percent of businesses located in such geographies. The Bank's market share of small loans to businesses in low-income geographies of 0.03 percent exceeded its overall market share of 0.01 percent for small loans to businesses. There were no small loans to businesses in the moderate-income geographies. The market share was zero and below the overall market share.

### ***Lending Gap Analysis***

We evaluated the lending distribution of this assessment area to determine if any unexplained conspicuous gaps existed. No unexplained conspicuous gaps were identified after reviewing performance context.

### ***Inside/Outside Ratio***

This analysis is performed at the Bank level rather than state or assessment area levels. During the evaluation period, a substantial majority of the Bank's loan originations were within its overall assessment area. A substantial majority of the number of loans and a majority of the dollar volume of loans were in the assessment area. Specifically, 91 percent of loans by number and 87 percent by dollar volume were within the Bank's overall assessment area. By product, 80 percent by number and 80 percent by dollar of home mortgage loan originations and purchases were within the Bank's overall assessment area. Regarding small loans to businesses, 95 percent by number and 92 percent by dollar were originated or purchased within the Bank's overall assessment area. This performance was positively factored into the overall analysis of the geographic distribution of lending by income level of the geography.

### **Distribution of Loans by Income Level of the Borrower**

Overall, the distribution of loans by income level of the borrower in the state of Texas is adequate, based primarily on the distribution of small loans to businesses and considering performance context and based on performance in 2012. We did not perform an analysis of mortgage loans for the years 2010 through 2011 due to no loan originations or purchases in those years. For 2012, the overall distribution of loans by income level of the borrower in the full-scope Harris County assessment area is good, based on distribution of home mortgages, the distribution of small loans to businesses, and performance context. The distribution of home mortgage loans by income level of the borrower is adequate, given performance context, but not inconsistent with the Bank's business strategy. The distribution of small loans to businesses is adequate, given performance context. This performance was given the greatest amount of weight based on the Bank's business strategy and the higher volume of home mortgage lending in 2012.

### ***Home Mortgage Loans***

Refer to Tables 8 and 10 in the state of Florida section of Appendix D for the facts and data used to evaluate the borrower distribution of the Bank's home mortgage loan originations and purchases.

The distribution of HMDA loans among individuals of different income levels in the full-scope Harris County assessment area is adequate.

Consideration was given to the assessment area's high poverty rate of 18 percent that limits the ability of many low-income families to become homeowners, even with the assistance of subsidy programs, the availability of which became very limited during the course of the evaluation period. High taxes, and homeowner's insurance costs also contribute to the inability of low-income borrowers as well as moderate-income borrowers to become homeowners.

Furthermore, the demand for refinance loans by low- and moderate-income families is generally very limited. Many times low- and moderate- income families have taken advantage of various subsidy programs and special mortgage products that have very low interest rates that would not make it necessary for them to refinance for a lower interest rate. In addition, some special programs do not allow for refinancing.

The distribution of home purchase loans to borrowers of different income levels is good considering performance context. For 2012, the Bank's percent of home purchase loans made to low-income borrowers of 21.74 percent is near to the percent of low-income families at 26.89 percent in the assessment area. The Bank's market share analysis was not meaningful with no market share for the most recent 2011 information, so no weight was given to the market share information. The Bank's percent of home purchase loans made to moderate-income borrowers of 78.26 percent exceeded the percent of moderate-income families of 17.48 percent in the assessment area. The Bank's home purchase loan market share to moderate-income borrowers was not meaningful with no market share noted for the most recent 2011 information so no weight was given to market share in arriving at our conclusion of performance.

The distribution of home mortgage refinance loans among borrowers of different income levels is adequate, given performance context. For 2012, there were no refinance loans made to low-income borrowers and no market share. For moderate-income borrowers, performance of 100 percent exceeded the 17.48 percent of moderate-income families. Market share was not meaningful with zero market share from the most recent information for 2011; therefore, no weight was placed on market share information.

### ***Small Loans to Businesses***

Refer to Table 11 in the state of Texas section of Appendix D for the facts and data used to evaluate the borrower distribution of the Bank's origination and purchase of small loans to businesses.

The distribution of small loans to businesses within the Harris County assessment area is adequate, considering performance context. In the combined years of 2010 and 2011, the percent of the Bank's small loans to small businesses (businesses with annual revenues of \$1 million or less) was below the percent of small businesses in the full-scope assessment area. The Bank's market share of small business loans was equal to its overall market share of small loans to businesses. For 2012, the percent of the Bank's small loans to small businesses of 20 percent was somewhat lower than the percent of small businesses at 70.91 percent. The Bank's market share of small business loans of 0.01 percent is equal to the Bank's overall market share of small loans to businesses of 0.01 percent. In addition, of small loans to businesses, 70 percent are for amounts of \$250,000 or less for the combined years of 2010 and 2011 and 50 percent for the year 2012 indicating they are meeting the needs of small businesses.

### **Community Development Lending**

Refer to Table 1 Lending Volume in the state of Texas section of Appendix D for the facts and data used to evaluate the Bank's level of community development lending.

Community development lending is excellent and had a very positive impact on the Lending Test for the state of Texas. Based on a full-scope review, community development lending in the full-scope Harris County assessment area is excellent with a very positive impact on the Lending Test. Refer to the profile in Appendix C for a discussion of assessment area needs and available opportunities.

In the Harris County assessment area, MCB originated eleven community development loans totaling \$30.3 million. Seven or \$21.4 million of the community development loans are affordable multifamily housing. Three loans totaling \$7.1 million supported economic development and job creation. One loan

totaling \$1.8 million was to an organization that provides community services to low- and moderate-income residents of nursing homes in Houston.

## **INVESTMENT TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

Refer to Table 14 in the state of Texas section of Appendix D for the facts and data used to evaluate the Bank's level of qualified investments.

The Bank's performance under the Investment Test in Harris County is rated "Outstanding". This assessment is based on the Bank's excellent performance in this assessment area given the available opportunities and the capacity of the Bank as discussed in the performance context section of this evaluation. The dollar volume of the qualified investments is excellent. Investments are responsive to the assessment area's critical need of affordable housing. Refer to the profile in Appendix C for a discussion of available opportunities. Refer to Table 14 in the Harris County section of Appendix D for the facts and data used to evaluate the Bank's level of qualified investments.

**Current Period Investments:** Current period qualified investments totaled \$12 million and grants totaled \$62 thousand. The Bank's current period qualified investments in the full-scope Harris County assessment area includes four government agency mortgage backed securities, that consist of single family loan pools, supporting low and moderate income home lending. Additionally, one government agency mortgage securities, which consists of multifamily loan pools, supporting affordable housing needs for low and moderate income residents of the assessment area was purchased.

Grants and donations, in the form of cash were made to organizations that support affordable housing efforts, fair lending, and the community service needs of low and moderate income individuals.

**Prior Period Investments:** Qualified investments purchased during prior evaluation periods that remain on the Bank's books include eleven government agency mortgage back securities. These investments had a book value of \$4 million as of our evaluation date. These investments support affordable housing for low and moderate income individuals in the assessment area.

## **SERVICE TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The Bank's Service Test rating in the state of Texas is "Low Satisfactory". Based on a full-scope review, the Bank's performance in the Harris County assessment area is adequate considering the Bank's branch distribution, branch openings, branch closings, as well as its community development service performance. Branch distribution, branch openings, and branch closings received the most weight in arriving at an overall rating for the Service Test.

## **Retail Banking Services**

Refer to Table 15 in the state of Texas section of Appendix D for the facts and data used to evaluate the distribution of the Bank's branch delivery system and branch openings and closings.

The Bank offers banking services through two locations. One branch is in an upper-income tract and the second branch that opened January 2013 is in a middle-income tract. There were no branch closings. The branch opening had a neutral impact on the Service Test conclusions. Locations are reasonably accessible to geographies, businesses, and individuals of different income levels in the assessment area. The Bank does not have a retail orientation in the Texas assessment area. Its business strategy is primarily directed toward the commercial market.

During the assessment period, the Bank launched two new low cost economy products. The MCB Value Checking for domestic customers only offers a low minimum amount to open, and no monthly charge if the customer has direct deposit or four debit card transactions per month or registers for online statements. The Bank documented that 45 customers have opened this account type. The second low cost product is the MCB Business Checking that provides a low cost business checking account for small business owners. This account requires no minimum balance requirement has no minimum monthly charge if the business registers for online statements, and provides 150 free checks or debits per month. The Bank documented that four businesses have opened this account type.

MCB offers a range of banking products and services in its assessment area. The branch office is augmented by a variety of alternative delivery channels, including ATM networks, telephone banking, and online banking. There is no data on the effectiveness of these alternative delivery systems, and no significant weight was given to these systems.

## **Community Development Services**

MCB provides a good level of community development services in the Harris County assessment area, considering the level of the Bank's presence in the assessment area. MCB partnered with Avenue Community Development Corporation, a local non-profit community development corporation (CDC) operating in a moderate-income geography of Houston. The CDC's mission is to improve their community by developing affordable housing and economic opportunities, while preserving the area's cultural, economic, and historic diversity. The organization conducted 14 homeownership workshops from 2011-2012 on behalf of MCB with 197 low- and moderate-income people in attendance for these educational workshops to prepare for home ownership. For 2010, the organization conducted 14 homebuyer education workshops on behalf of the Bank in which 239 low- and moderate- income persons attended.

One Bank officer serves on the advisory board of Avenue Community Development Corporation. That officer and four staff members volunteered a day to work to construct affordable housing in Harris County. One staff member used her organization skills to assist the organization's planning committee with the CDC's annual fund raising event.

Two Bank employees also used their knowledge of finance to work with small business owners through the University of Houston Small Business Development Center whose mission is to provide help to small business owners.

## Appendix A: Scope of Examination

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and non-metropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD loans): (01/01/10 to 12/31/12) Investment and Service Tests and CD Loans: (01/27/10 to 03/10/13)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Mercantil Commercebank, N.A. (MCB) Coral Gables, FL	Residential Mortgage Loans Small Loans to Businesses Community Development Loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
N/A		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Miami-Dade County, FL MD 33124 Broward County, FL MD 22744 Palm Beach County, FL MD 48423 New York, NY MSA 35644 Harris County, TX MSA 26420	Full-Scope Limited-Scope Limited-Scope Full-Scope Full-Scope	



## Appendix C: Market Profiles for Full-Scope Areas

### MIAMI-DADE ASSESSMENT AREA

The Bank's assessment area consists of all of Miami-Dade County, which is equivalent to Metropolitan Division (MD) 33124. The assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude low- and moderate-income geographies. The following table provides detailed demographic information about the assessment area.

Demographic Information for Full-Scope Area: MD 33124 Miami-Dade County FL						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	347	7.78	28.53	32.85	29.97	0.86
Population by Geography	2,253,362	4.89	28.61	35.68	30.79	0.02
Owner-Occupied Housing by Geography	449,333	1.69	19.82	36.99	41.51	0.00
Business by Geography	454,418	3.98	19.56	32.37	43.51	0.59
Farms by Geography	5,069	2.39	18.13	35.10	44.19	0.20
Family Distribution by Income Level	552,484	23.00	16.98	18.53	41.50	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	220,856	8.31	40.20	35.41	16.08	0.00
Median Family Income		40,266	Median Housing Value		123,974	
HUD Adjusted Median Family Income for 2011		51,900	Unemployment Rate		10.30%	
Households Below Poverty Level		18%	(December 2011)			

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2011 HUD updated MFI

Based on the 2000 Census, Miami-Dade County consists of 347 census tracts (geographies), of which 27 (8 percent) are low-income, 99 (29 percent) are moderate-income, 114 (33 percent) are middle-income, and 104 (30 percent) are upper-income. Three tracts have no income designation generally because of low population levels. The city of Miami has the greatest concentration of low- and moderate-income geographies.

According to the 2010 Census, the Miami-Dade MD geographies increased to 518 geographies distributed as follows: 31 (6 percent) low-income, 132 (26 percent) moderate-income, 166 (32 percent) middle-income, 172 (33 percent) upper-income and 17 (3 percent) no income data.

Miami-Dade County is a densely populated urban center. According to the 2000 Census, the total population is 2.25 million; however, according to the 2010 Census, the population has grown about 11 percent to 2.50 million. Approximately 16 percent of the population resides in the City of Miami. During the evaluation period, the level of homeowner occupancy declined from approximately 60 percent to 58 percent as a result of the housing crisis. However, in low- and moderate-income geographies, the level of renter occupancy is high (69 percent and 56 percent, respectively), based on 2000 Census data. These geographies also represent high levels of households below the poverty level (47 percent and 27 percent, respectively), indicating a need for affordable rental housing. In the city of Miami, 27 percent of persons are living below the poverty level. These households would have difficulty qualifying for a home loan even at current housing prices. Prior community contacts indicate that the need for affordable rental housing is acute in Miami-Dade County as rent levels rose over the past several years.

Miami-Dade County has been severely impacted by the housing crisis. It consistently has some of the highest foreclosure rates in the United States. According to Bankrate.com, Florida has consistently ranked in the top five states for the highest foreclosure rates. According to Zillow.com, as of the fourth quarter of 2011, 48 percent of homes with mortgages were in a negative equity position, limiting the owners' opportunity for mortgage refinancing. Home prices had fallen 50 percent or more since the highs of 2006, and condominium values declined 60 percent. The 2010 Census estimates the median value of owner-occupied housing units (2006-2010) in Miami-Dade County to be \$269,600. Median sales prices in Miami reportedly reached a low of \$149,000 in the third quarter of 2010. Considering that the HUD estimated median family income for 2010 and 2011 was \$52,200 and \$51,900, respectively, and poverty levels in the county, it is clear that low-income and many moderate-income families generally could not afford mortgage payments, as well as taxes and insurance, unless subsidies and other special programs provided them with assistance during the initial purchase. During the evaluation period, economic conditions had reduced the availability of such assistance. Also, realtors reported that investors were buying lower priced homes for cash that reduced opportunities available to low- and moderate-income families that wish to occupy the property as their primary residence.

Local economic conditions were weak during the evaluation period. In Miami-Dade County, housing starts declined to the lowest level in a decade. Construction and construction-related jobs drove the local economy and their decline led to high unemployment rates and the closing of many small businesses. According to Moody's Analysis, at the peak in 2005, 9,922 single-family housing permits were issued. In 2009, the number was 624, rising to 1,027 in 2010 and approximately 1,900 in 2011. The decline in jobs, particularly construction and construction-related jobs drove the county's unemployment rate to 12.4 percent as of December 31, 2010. As of December 31, 2011, the rate was 10.3 percent. These rates are higher than the state of Florida overall, which reported unemployment rates of 10.9 percent and 9.7 percent, respectively for the same time periods. This indicates a need for activities that support job creation, job placement and job training programs, and community services for low- and moderate-income persons and families.

Banking competition within the assessment area continues to be intense. In addition to community and midsize banks, branches of the largest banks in the country operate in Miami-Dade County. As of June 30, 2012, there were 69 deposit taking financial institutions in Miami-Dade County operating 678 banking offices. MCB had a deposit market share of 5.37 percent and the market was dominated by Wells Fargo and Bank of America. In addition to competition for deposits and loans, the level of competition in the assessment area is very high for qualified community development investments and loans.

Opportunities for community development lending, investments, and services in Miami-Dade County are good. Opportunities exist to finance the purchase and/or rehabilitation of multi-family housing units that provide affordable rental housing in low- and moderate-income geographies, but they have declined from previous levels because of the volume of condominium conversions during the height of the housing boom. Statewide affordable housing entities are continuing to construct affordable rental housing, as are some local developers. They are either financed directly or through loan funds that rely on the participation of a group of local banks. There is a federally designated Empowerment Zone that targets economic development with the goal of revitalizing the area by stimulating and retaining jobs, and there are areas designated as Enterprise Zones that share the same goal.

The impact of the mortgage crisis caused some community development organizations to change their focus from new construction to acquiring foreclosed properties, rehabilitating them, and then making them available for rent or for sale to low- and moderate-income persons or families. Some of these activities are

being funded through grants from the Neighborhood Stabilization Program (NSP) offered by the Department of Housing and Urban Development (HUD) which were awarded to Miami-Dade County and the city of Miami. Banking activities related to the NSP are given positive consideration under community development.

Community development investment options are available. Mortgage-backed securities backed by mortgages to low- and moderate-income borrowers are an option either directly or through loan funds that make investments in mortgage-backed securities. Low Income Housing Tax Credits remain available. Miami-Dade County, the State and the Region have community development financial institutions (“CDFIs”) and private equity organizations that need support for their community development activities. Opportunities exist to contribute to qualified non-profit organizations whose missions are focused on providing affordable housing and community services for low- and moderate-income persons, particularly in the areas of job training and job placement, as noted by a community contact made for another CRA examination in the same assessment area. However, the extent of these activities has been impacted by the financial condition of some area banks.

Opportunities exist to provide financial literacy training in schools and in cooperation with local community organizations. This training could include homeownership, credit, foreclosure counseling, and information on general banking services to assist the un-banked population.

## NEW YORK ASSESSMENT AREA

MCB's assessment area is comprised of a portion of Metropolitan Division (MD) MSA 35644, and includes the counties of the Bronx, Kings, New York, and Queens. There are significant demographic variations among the counties including home values, homeownership rates, property types, and population.

The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. The following table provides detailed demographic information about the assessment area.

Demographic Information for Full-Scope Area: MSA 35644 New York-Kings-Queens-Bronx Counties NY						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	2,107	15.33	28.57	30.09	23.35	2.66
Population by Geography	7,564,550	17.68	32.72	27.33	22.04	0.23
Owner-Occupied Housing by Geography	812,401	3.65	19.00	36.36	40.99	0.00
Business by Geography	718,732	9.42	23.04	23.10	42.99	1.44
Farms by Geography	2,337	7.10	19.08	25.59	47.41	0.81
Family Distribution by Income Level	1,755,142	31.77	16.99	16.98	34.26	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	855,777	27.75	40.30	23.19	8.76	0.00
Median Family Income		49,461	Median Housing Value		242,321	
HUD Adjusted Median Family Income for 2011		67,400	Unemployment Rate		9.10%	
Households Below Poverty Level		20%	(December 2011)			

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2011 HUD updated MFI

Based on the 2000 Census, the New York assessment area consists of 2,107 geographies distributed as follows: 323 (15 percent) low-income, 602 (29 percent) moderate-income, 634 (30 percent) middle-income, 492 (23 percent) upper-income and 56 (3 percent) have no income designation generally because of low population levels.

According to the 2010 Census, the New York assessment area geographies decreased to 2,057 geographies, of which 290 (14 percent) are low-income, 569 (28 percent) are moderate-income, 624 (30 percent) are middle-income, and 513 (25 percent) are upper-income. Sixty-one tracts (3 percent) have no income designation generally because of low population levels.

According to 2010 Census data, the population of the assessment area is 7.7 million, and contains New York City, the largest city in the United States. The distribution of families in the assessment area is as follows: 30.74 percent low-income families, 16.69 percent moderate-income families, 17.04 percent middle-income families, and 35.53 percent upper-income families. Approximately 41.76 percent of census tracts are low- or moderate-income. Most such tracts are found in New York City, with the greatest concentration in the Bronx.

Unlike the assessment area in Florida, the majority of population lives in rental housing. Within the assessment area, there are 3.1 million housing units of which only 28 percent are owner-occupied.

Approximately 62 percent of all housing units are multi-family. The majority of the multi-family units are located in Manhattan and the Bronx, and to a lesser degree, Brooklyn. The median sales price is high at 530,354 and the assessment area remains a high cost area making housing affordability a challenge.

New York City is home to a diversified mix of businesses. Although many national and international corporations are headquartered there, the assessment area has not been immune to the economic downturn. Unemployment has ranged from 8.8 percent to a high of 10.5 percent during the evaluation period and was 8.8 percent as of December 2012, and exceeds the state level of 8.2 percent. The five largest employers are government and are the City of New York, the New York Board of Education, the Metropolitan Transportation Authority, the Federal Government, and the New York City Health and Hospital Corporation. Wall Street is the largest private sector employer with JP Morgan and Citigroup in the top ten employers. Leading employment sectors include professional and business services, education, health services, and financial services. Small businesses abound throughout the assessment area.

The Bank operates in an extremely competitive market with many multinational, regional, foreign, and smaller local banks. Major banks include Citibank, JPMorgan Chase, and HSBC, with JPMorgan Chase dominating the market with a 45.95 percent deposit market share as of June 30, 2012. As of the same date, FDIC data shows that there are 115 financial institutions reporting deposits in the assessment area.

The economic downturn has resulted in the elimination or modification of some special housing loan programs. A limited supply of tax credits and the credit crisis have negatively impacted affordable housing both in terms of construction and end loan financing. Although there are a wide range of opportunities for community development lending, investments, and services throughout the assessment area larger institutions are very competitive. There are numerous community-based organizations operating in the assessment area. Financial literacy, affordable housing, micro loans for small businesses and foreclosure assistance have been identified as critical for the assessment area. There are also opportunities for the purchase of mortgage-backed securities but due to high housing prices and the decline of special programs, such opportunities have declined since mortgages to low- and moderate-income borrowers secure mortgages that qualify for CRA consideration.

MCB's banking office is in the lower west side of New York City. The branch is in a moderate-income geography. The office is a full service branch that provides services in both English and Spanish. The New York branch's business strategy focuses on high net worth international customers. The shortage of housing subsidies has made it very difficult to provide affordable housing in this assessment area, along with the Bank's inability to work with the NY Housing Authority because of distance and the Bank's small market share in New York. Deposit market share is 0.03 percent for 2012. MCB's lender market share is very small by number of loans and at 0.02 percent considering dollar volume. There are 488 lenders in the market. Opportunities for domestic retail business are limited because of the Bank's very small presence and the branch's location in a highly commercialized, tourist area of Manhattan. Opportunities for community development partnerships are difficult to develop when MCB has such a small presence. The immediate surrounding businesses are luxury hotels, a cathedral and high-end department stores along Madison, Park and Fifth Avenue. The Bank's primary customer base is international, particularly from Venezuela. It is the Bank's practice to seek referrals from its affiliate for clients who desire the dollar denominated accounts and the safety of FDIC insurance.

## TEXAS ASSESSMENT AREA

MCB's assessment area is comprised of Harris County, Texas, which is a portion of MSA 26420 (Houston-Sugar Land-Baytown, TX). The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. The following table provides detailed demographic information about the assessment area.

Demographic Information for Full-Scope Area: MSA 26420 Harris County TX						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	649	9.71	34.36	27.43	27.43	1.08
Population by Geography	3,400,578	8.24	33.98	29.11	28.60	0.07
Owner-Occupied Housing by Geography	667,129	3.94	25.93	30.45	39.67	0.00
Business by Geography	476,822	4.74	23.87	27.71	43.42	0.26
Farms by Geography	6,369	3.97	19.56	33.80	42.58	0.08
Family Distribution by Income Level	840,630	24.35	17.94	18.71	39.00	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	355,563	14.05	47.32	26.62	12.01	0.00
Median Family Income		51,431	Median Housing Value		100,639	
HUD Adjusted Median Family Income for 2011		66,000	Unemployment Rate		7.30%	
Households Below Poverty Level		13%	(December 2011)			

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2011 HUD updated MFI

Based on the 2000 Census, the Texas assessment area consists of 649 geographies distributed as follows: 63 (10 percent) low-income, 223 (34 percent) moderate-income, 178 (27.5 percent) middle-income, 178 (27.5 percent) upper-income and 7 (1 percent) have no income designation generally because of low population levels.

According to the 2010 Census, the Texas assessment area geographies increased to 786 geographies, of which 125 (16 percent) are low-income, 250 (32 percent) are moderate-income, 183 (23 percent) are middle-income, and 225 (28.6 percent) are upper-income. Three tracts (.4 percent) have no income designation generally because of low population levels.

According to 2000 Census data, the population of the Harris County assessment area is 3.4 million. The county seat is Houston, the largest city in the state of Texas with a population of about 2.2 million and the fourth largest city in the United States. The distribution of families in the assessment area is as follows: 24 percent low-income families, 18 percent moderate-income families, 19 percent middle-income families, and 39 percent upper-income families. Approximately 44 percent of geographies are low- or moderate-income. These geographies are scattered throughout the county, but there is a concentration in Houston.

Approximately 51 percent of housing units are owner-occupied. Based on data from the National Association of Realtors, the median sales price of an existing single family home in the assessment area was \$153,100 at year-end 2009.

Houston's energy industry is recognized worldwide, particularly for oil. More than 5,000 energy related firms are located in the city considered by many to be the "Energy Capital" of the world and Houston is home to the largest medical center in the world, the Texas Medical Center. The economic downturn has impacted the area. The unemployment rate in Houston was 6.1 percent in December 2010 and has decreased to 4.7 percent as of December 2012. The unemployment rate has been lower than the state of Texas unemployment rate of 8.3 percent for December 2010 and 6.2 percent for December 2012, respectively.

MCB operates in a competitive market with many multinational, regional, and smaller local banks. FDIC data as of June 30, 2012 shows that there are 88 financial institutions reporting deposits in the assessment area that operate 1,046 banking offices. The market is dominated by JPMorgan Chase with a deposit market share of 35 percent. MCB's market share is 0.08 percent and is ranked fifty-seventh.

There are a wide range of opportunities for community development lending, investments, and services throughout the assessment area. However, larger institutions in the MSA are very competitive for the opportunities that are available. Community development opportunities include working with and providing financing to the numerous organizations whose mission is to provide affordable housing and/or community services for low- and moderate-income persons, as well as organizations with a mission of economic development. Contacts with community-based organizations indicated needs related to partnerships to help facilitate small business workshops, flexible lending for small business customers, support for micro-lending programs, and financial literacy programs. Numerous Community Development Corporations (CDCs") and Community Development Financial Institutions ("CDFIs") operate in Harris County providing additional CRA opportunities.

## Appendix D: Tables of Performance Data

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### Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan areas are presented in one set of tables. References to the “Bank” include activities of any affiliates that the Bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: (1) purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the Bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area; (2) Partially geocoded loans (loans where no census tract is provided) cannot be broken down by income geographies and, therefore, are only reflected in the Total Loans in Core Tables 2 through 7 and part of Table 13; and (3) Partially geocoded loans are included in the Total Loans and % Bank Loans Column in Core Tables 8 through 12 and part of Table 13. Deposit data are compiled by the FDIC and are available as of June 30<sup>th</sup> of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table 1. Lending Volume** – Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. See Interagency Q&As \_\_.12 (i) – 5 and – 6 for guidance on when a bank may receive positive CRA consideration for such loans. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank, if applicable, over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** – Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** – See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** – See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of

multifamily housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Businesses** – The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank’s assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** – The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank’s assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** – Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** – See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** – See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** – Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Borrower Distribution of Small Loans to Farms** – Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.
- Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** – For geographic distribution, the table compares the percentage distribution of the number of

loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.

**Table 14. Qualified Investments** – Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank’s financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank’s assessment area. See Interagency Q&As \_\_.12 (i) – 5 and – 6 for guidance on when a bank may receive positive CRA consideration for such investments. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings** – Compares the percentage distribution of the number of the bank’s branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

Institution ID: MERCANTIL COMMERCEBANK, NATIONAL ASSOCIATION

**Table 1. Lending Volume**

LENDING VOLUME		Geography: FLORIDA, NEW YORK, TEXAS				Evaluation Period: JANUARY 1, 2010 TO DECEMBER 31, 2011						
Assessment Area (2011):	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA** *
		#	\$(000's)	#	\$(000's)	#	\$(000's)	#	\$(000's)	#	\$(000's)	
<b>State of Florida</b>												
<b>Full Review:</b>												
MD 33124 Miami-Dade County	81.30	78	26,815	296	65,777	0	0	40	96,905	414	189,497	96.82
<b>Limited Review:</b>												
MD 22744 Broward County	14.35	31	8,301	35	8,605	0	0	6	9,243	72	26,149	3.18
MD 48423 Palm Beach County	4.35	3	510	17	3,890	0	0	2	1,590	22	5,990	0.00
<b>State of New York</b>												
<b>Full Review</b>												
MSA 35644 NY-Kings-Queens-Bronx Counties NY	100.00	6	12,743	1	500	0	0	7	32,975	14	46,218	100.00
<b>State of Texas</b>												
<b>Full Review:</b>												
MSA 26420 Harris County TX	100.00	4	5,310	10	2,974	0	0	11	30,378	25	38,662	100.00

\* Loan Data as of December 31, 2011. Rated area refers to either state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is from January 27, 2010 to March 10, 2013.

\*\*\* Deposit Data as of June 30, 2011. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Institution ID: MERCANTIL COMMERCEBANK, NATIONAL ASSOCIATION

**Table 2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE		Geography: FLORIDA, NEW YORK, TEXAS					Evaluation Period: JANUARY 1, 2010 TO DECEMBER 31, 2011					Market Share (%) by Geography*				
Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% BANK Loans*** *	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans						
<b>Full Review:</b>																
MD 33124 Miami-Dade County FL	55	62.50	1.69	1.82	19.82	9.09	36.99	23.64	41.51	65.45	0.13	0.10	0.11	0.06	0.19	
<b>Limited Review:</b>																
MD 22744 Broward County	30	34.09	1.16	0.00	23.67	0.00	45.93	43.33	29.24	56.67	0.05	0.00	0.00	0.04	0.07	
MD 48423 Palm Beach County FL	3	3.41	1.53	0.00	24.63	0.00	36.35	33.33	37.50	66.67	0.01	0.00	0.00	0.02	0.01	
<b>State of New York</b>																
<b>Full Review</b>																
MSA 35644 NY-Kings-Queens-Bronx Counties NY	2	100.00	3.65	0.00	19.00	0.00	36.36	0.00	40.99	100.00	0.00	0.00	0.00	0.00	0.01	
<b>State of Texas</b>																
<b>Review:</b>																
TX MSA 26420 Harris County	1	100.00	3.94	0.00	25.93	0.00	30.45	0.00	39.67	100.00	0.00	0.00	0.00	0.00	0.00	

\* Based on 2011 Peer Mortgage Data (USPR)

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Institution ID: MERCANTIL COMMERCEBANK, NATIONAL ASSOCIATION

**Table 3. Geographic Distribution of Home Improvement Loans**

Geographic Distribution: HOME IMPROVEMENT															Geography: FLORIDA, NEW YORK, TEXAS					Evaluation Period: JANUARY 1, 2010 TO DECEMBER 31, 2011									
Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*																		
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp														
<b>Full Review:</b>																													
MD 33124 Miami-Dade County FL	1	100.00	1.69	0.00	19.82	0.00	36.99	100.00	41.51	0.00	0.00	0.00	0.00	0.00	0.00														
<b>Limited Review:</b>																													
MD 22744 Broward County	0	0.00	1.16	0.00	23.67	0.00	45.93	0.00	29.24	0.00	0.00	0.00	0.00	0.00	0.00														
MD 48423 Palm Beach County FL	0	0.00	1.53	0.00	24.63	0.00	36.35	0.00	37.50	0.00	0.00	0.00	0.00	0.00	0.00														
<b>State of New York</b>																													
<b>Full Review</b>																													
MSA 35644 NY-Kings-Queens-Bronx Counties NY	0	0.00	3.65	0.00	19.00	0.00	36.36	0.00	40.99	0.00	0.00	0.00	0.00	0.00	0.00														
<b>State of Texas</b>																													
<b>Full Review:</b>																													
TX MSA 26420 Harris County	0	0.00	3.94	0.00	25.93	0.00	30.45	0.00	39.67	0.00	0.00	0.00	0.00	0.00	0.00														

\* Based on 2011 Peer Mortgage Data (USPR)

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Institution ID: MERCANTIL COMMERCEBANK, NATIONAL ASSOCIATION

**Table 4. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE      Geography: FLORIDA, NEW YORK, TEXAS      Evaluation Period: JANUARY 1, 2010 TO DECEMBER 31, 2011															
Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
MD 33124 Miami-Dade County FL	5	100.00	1.69	0.00	19.82	0.00	36.99	20.00	41.51	80.00	0.02	0.00	0.00	0.03	0.02
<b>Limited Review:</b>															
MD 22744 Broward County	0	0.00	1.16	0.00	23.67	0.00	45.93	0.00	29.24	0.00	0.00	0.00	0.00	0.00	0.00
MD 48423 Palm Beach County FL	0	0.00	1.53	0.00	24.63	0.00	36.35	0.00	37.50	0.00	0.00	0.00	0.00	0.00	0.00
<b>State of New York</b>															
<b>Full Review</b>															
MSA 35644 NY-Kings-Queens-Bronx Counties NY	0	0.00	3.65	0.00	19.00	0.00	36.36	0.00	40.99	0.00	0.00	0.00	0.00	0.00	0.00
<b>State of Texas</b>															
<b>Full Review:</b>															
TX MSA 26420 Harris County	0	0.00	3.94	0.00	25.93	0.00	30.45	0.00	39.67	0.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2011 Peer Mortgage Data (USPR)

\*\* Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Institution ID: MERCANTIL COMMERCEBANK, NATIONAL ASSOCIATION

Table 5. Geographic Distribution of Multifamily Loans

Geographic Distribution: MULTIFAMILY		Geography: FLORIDA, NEW YORK, TEXAS					Evaluation Period: JANUARY 1, 2010 TO DECEMBER 31, 2011					Market Share (%) by Geography*				
Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total*	% of MF Units***	% BANK Loans***	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans						
<b>Full Review:</b>																
MD 33124 Miami-Dade County FL	9	90.00	6.85	0.00	35.49	77.78	30.24	11.11	27.42	11.11	4.80	0.00	8.20	3.45	0.00	
<b>Limited Review:</b>																
MD 22744 Broward County	1	10.00	2.27	0.00	32.48	100.00	48.64	0.00	16.61	0.00	1.23	0.00	4.00	0.00	0.00	
MD 48423 Palm Beach County FL	0	0.00	3.13	0.00	32.78	0.00	31.51	0.00	32.58	0.00	0.00	0.00	0.00	0.00	0.00	
<b>State of New York</b>																
<b>Full Review</b>																
MSA 35644 NY-Kings-Queens-Bronx Counties NY	4	100.00	20.43	50.00	30.91	25.00	19.05	25.00	29.61	0.00	0.20	0.68	0.14	0.27	0.00	
<b>State of Texas</b>																
<b>Full Review:</b>																
TX MSA 26420 Harris County	2	100.00	10.57	50.00	36.04	50.00	31.18	0.00	22.22	0.00	1.34	5.00	1.89	0.00	0.00	

\* Based on 2011 Peer Mortgage Data (USPR)

\*\* Multi-family loans originated and purchased in the MA/AA as a percentage of all multi-family loans originated and purchased in the rated area.

\*\*\* Percentage of Multi Family Units is the number of multi family units in a particular geography divided by the number of multifamily housing units in the area based on 2000 Census information.

\*\*\*\* Multifamily loan distribution includes Home Purchases, Home Improvement and Refinances.

Institution ID: MERCANTIL COMMERCEBANK, NATIONAL ASSOCIATION

Table 6. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES      Geography: FLORIDA, NEW YORK, TEXAS      Evaluation Period: JANUARY 1, 2010 TO DECEMBER 31, 2011															
Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total*	% of Business es***	% BANK Loans	% of Business es***	% BANK Loans	% of Business es***	% BANK Loans	% of Business es***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
MD 33124 Miami-Dade County FL	293	84.93	3.98	2.05	19.56	22.53	32.37	27.99	43.51	47.44	0.29	0.21	0.37	0.28	0.28
<b>Limited Review:</b>															
MD 22744 Broward County	35	10.14	4.01	2.86	19.65	25.71	41.33	17.14	35.01	54.29	0.05	0.06	0.10	0.03	0.06
MD 48423 Palm Beach County FL	17	4.93	2.78	5.88	19.29	29.41	34.19	17.65	43.62	47.06	0.04	0.11	0.05	0.03	0.03
<b>State of New York</b>															
<b>Full Review</b>															
MSA 35644 NY-Kings-Queens-Bronx Counties NY	1	100.00	9.42	0.00	23.04	0.00	23.10	0.00	42.99	100.00	0.00	0.00	0.00	0.00	0.00
<b>State of Texas</b>															
<b>Full Review:</b>															
MSA 26420 Harris County TX	8	100.00	4.74	12.50	23.87	12.50	27.71	62.50	43.42	12.50	0.01	0.03	0.01	0.02	0.00

\* Based on 2011 Peer Small Business Data -- US and PR

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2011).

Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE															
Geography: FLORIDA, NEW YORK, TEXAS															
Evaluation Period: JANUARY 1, 2010 TO DECEMBER 31, 2011															
Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total*	% Families***	% BANK Loans***	% Families	% BANK Loans***	% Families***	% BANK Loans**	% Families**	% BANK Loans***	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
MD 33124 Miami-Dade County FL	62	65.26	23.00	2.63	16.98	5.26	18.53	0.00	41.50	92.11	0.12	0.19	0.03	0.00	0.20
<b>Limited Review:</b>															
MD 22744 Broward County	30	31.58	20.85	0.00	18.17	0.00	20.48	18.52	40.50	81.48	0.05	0.00	0.00	0.05	0.08
MD 48423 Palm Beach County FL	3	3.16	19.86	0.00	18.56	0.00	20.60	0.00	40.98	100.00	0.01	0.00	0.00	0.00	0.03
<b>State of New York</b>															
<b>Full Review</b>															
MSA 35644 NY-Kings-Queens-Bronx Counties NY	2	100.00	31.77	0.00	16.99	0.00	16.98	0.00	34.26	0.00	0.00	0.00	0.00	0.00	0.00
<b>State of Texas</b>															
<b>Full Review:</b>															
TX MSA 26420 Harris County	2	100.00	24.35	0.00	17.94	0.00	18.71	50.00	39.00	50.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2011 Peer Mortgage Data (USPR)

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 28.4% of loans originated and purchased by bank.

Institution ID: MERCANTIL COMMERCEBANK, NATIONAL ASSOCIATION

**Table 9. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT															Geography: FLORIDA, NEW YORK, TEXAS					Evaluation Period: JANUARY 1, 2010 TO DECEMBER 31, 2011				
Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*													
	#	% of Total*	% Families**	% BANK Loans**	% Families	% BANK Loans****	% Families**	% BANK Loans****	% Families**	% BANK Loans****	Overall	Low	Mod	Mid	Upp									
<b>Full Review:</b>																								
MD 33124 Miami-Dade County FL	1	100.00	23.00	0.00	16.98	0.00	18.53	0.00	41.50	100.00	0.00	0.00	0.00	0.00	0.00									
<b>Limited Review:</b>																								
MD 22744 Broward County	0	0.00	20.85	0.00	18.17	0.00	20.48	0.00	40.50	0.00	0.00	0.00	0.00	0.00	0.00									
MD 48423 Palm Beach County FL	0	0.00	19.86	0.00	18.56	0.00	20.60	0.00	40.98	0.00	0.00	0.00	0.00	0.00	0.00									
<b>State of New York</b>																								
<b>Full Review</b>																								
MSA 35644 NY-Kings-Queens-Bronx Counties NY	0	0.00	31.77	0.00	16.99	0.00	16.98	0.00	34.26	0.00	0.00	0.00	0.00	0.00	0.00									
<b>State of Texas</b>																								
<b>Full Review:</b>																								
TX MSA 26420 Harris County	0	0.00	24.35	0.00	17.94	0.00	18.71	0.00	39.00	0.00	0.00	0.00	0.00	0.00	0.00									

\* Based on 2011 Peer Mortgage Data (USPR)

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 0.0% of loans originated and purchased by bank.

Institution ID: MERCANTIL COMMERCEBANK, NATIONAL ASSOCIATION

**Table 10. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE      Geography: FLORIDA, NEW YORK, TEXAS      Evaluation Period: JANUARY 1, 2010 TO DECEMBER 31, 2011															
Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total*	% Families***	% BANK Loans***	% Families	% BANK Loans***	% Families*	% BANK Loans***	% Families*	% BANK Loans**	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
MD 33124 Miami-Dade County FL	6	100.00	23.00	0.00	16.98	0.00	18.53	0.00	41.50	100.00	0.03	0.00	0.00	0.00	0.04
<b>Limited Review:</b>															
MD 22744 Broward County	0	0.00	20.85	0.00	18.17	0.00	20.48	0.00	40.50	0.00	0.00	0.00	0.00	0.00	0.00
MD 48423 Palm Beach County FL	0	0.00	19.86	0.00	18.56	0.00	20.60	0.00	40.98	0.00	0.00	0.00	0.00	0.00	0.00
<b>State of New York</b>															
<b>Full Review</b>															
MSA 35644 NY-Kings-Queens-Bronx Counties NY	0	0.00	31.77	0.00	16.99	0.00	16.98	0.00	34.26	0.00	0.00	0.00	0.00	0.00	0.00
<b>State of Texas</b>															
<b>Full Review:</b>															
TX MSA 26420 Harris County	0	0.00	24.35	0.00	17.94	0.00	18.71	0.00	39.00	0.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2011 Peer Mortgage Data (USPR)

\*\* Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 50.0% of loans originated and purchased by bank.

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**Table 11. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES      Geography: FLORIDA, NEW YORK, TEXAS      Evaluation Period: JANUARY 1, 2010 TO DECEMBER 31, 2011									
Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share*	
	#	% of Total**	% of Businesses* **	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
<b>Full Review:</b>									
MD 33124 Miami-Dade County FL	296	85.06	69.18	51.35	39.53	36.49	23.99	0.29	0.39
<b>Limited Review:</b>									
MD 22744 Broward County	35	10.06	70.49	51.43	51.43	28.57	20.00	0.05	0.07
MD 48423 Palm Beach County FL	17	4.89	70.34	47.06	29.41	52.94	17.65	0.04	0.06
<b>State of New York</b>									
<b>Full Review</b>									
MSA 35644 NY-Kings-Queens-Bronx Counties NY	1	100.00	64.79	0.00	0.00	0.00	100.00	0.00	0.00
<b>State of Texas</b>									
<b>Full Review:</b>									
TX MSA 26420 Harris County	10	100.00	66.46	20.00	20.00	50.00	30.00	0.01	0.01

\* Based on 2011 Peer Small Business Data -- US and PR

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2011).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 0.00% of small loans to businesses originated and purchased by the bank.

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Table 14. Qualified Investments

QUALIFIED INVESTMENTS		Geography: FLORIDA, NEW YORK, TEXAS				Evaluation Period: JANUARY 1, 2010 TO MARCH 10, 2013			
Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
MD 33124 Miami-Dade County FL	48	11,003	16	30,844	64	41,847	63.09	0	0
Statewide	6	1,876	0	0	6	1,876	28.28	0	0
<b>Limited Review:</b>									
MD 22744 Broward County	15	7,397	10	7,418	25	14,815	22.33	0	0
MD 48423 Palm Beach County FL	3	841	5	6,951	8	7,791	11.72	0	0
<b>State of New York</b>									
<b>Full Review</b>									
MSA 35644 NY-Kings-Queens-Bronx Counties NY	3	3,027	9	13,423	12	16,450	100.00	0	0
<b>State of Texas</b>									
<b>Full Review:</b>									
TX MSA 26420 Harris County	11	3,678	5	12,146	16	15,824	100.00	0	0

\* 'Prior Period Investments' means investments made in a previous period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

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Table 15. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS																	
Geography: FLORIDA, NEW YORK, TEXAS																	
Evaluation Period: JANUARY 1, 2010 TO MARCH 10, 2013																	
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population			
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
MD 33124 Miami-Dade County FL	96.66	11	73.33	0.00	36.36	18.18	45.46	2	2	0	+1	-2	+1	6.71	33.64	35.60	23.80
<b>Limited Review:</b>																	
MD 22744 Broward County	2.94	3	20.00	0.00	33.33	0.00	66.67	0	0	0	0	0	0	5.44	32.75	33.88	27.93
MD 48423 Palm Beach County FL	0.40	1	6.67	0.00	0.00	0.00	100.00	0	0	0	0	0	0	6.55	30.01	33.97	29.13
<b>State of New York</b>																	
<b>Full Review</b>																	
MSA 35644 NY-Kings-Queens-Bronx Counties NY	100.00	1	100.00	0.00	100.00	0.00	0.00	0	0	0	0	0	0	17.33	31.28	26.93	24.21
<b>State of Texas</b>																	
<b>Full Review:</b>																	
TX MSA 26420 Harris County	100.00	2	100.00	0.00	0.00	50.00	50.00	1	0	0	0	+1	0	13.04	30.97	26.67	28.96