



Mercantil Servicios Financieros, C.A.
Public U.S. Tailored Resolution Plan

December 31, 2016

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(a) Introduction

Mercantil Servicios Financieros, C.A., Caracas, Venezuela (“Mercantil” or “MSF”) is filing this resolution plan (“Resolution Plan”) pursuant to a requirement in Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) and the implementing joint final rule (the “Final Rule”) issued by the Board of Governors of the Federal Reserve System (the “Federal Reserve”) and the Federal Deposit Insurance Corporation (“FDIC,” together with the Federal Reserve, the “Agencies”). Section 165(d) of the Dodd-Frank Act and the Final Rule require any foreign bank or company that (i) is a bank holding company and (ii) has \$50 billion of more in total consolidated assets (a “covered company”) to submit to the Federal Reserve and the FDIC a plan for the rapid and orderly resolution of the U.S. operations of the covered company in the event of a material financial distress or failure.

The Final Rule permits certain eligible covered companies to file a “tailored” resolution plan. According to the Final Rule, a tailored resolution plan may focus solely on the U.S. “nonbanking material entities and operations” of the covered company as well as the interconnections and interdependences between the covered company, its U.S. non-banking operations and its U.S. depository institutions.

Mercantil is a bank holding company, and as of December 31, 2015, Mercantil reported total consolidated assets of more than \$50 billion.¹ Therefore, Mercantil is required to submit this Resolution Plan. The Federal Reserve and the FDIC did not object Mercantil’s eligibility to file a tailored resolution plan in 2016.

(1) Description of Plan Key Elements

(i) Covered Company

Mercantil and its subsidiaries provide financial and general banking services to corporate, middle market and retail customers. Wealth management, securities brokerage and trust services are provided in Venezuela and other jurisdictions. Insurance services are provided in Venezuela and the Republic of Panama.

¹Mercantil’s total consolidated assets for this purpose is based on its annual Capital and Asset Report for Foreign Banking Organizations on Federal Reserve Form FR Y-7Q as of December 31, 2015.

Mercantil provides banking services in Venezuela through its Venezuela-based direct subsidiary Mercantil Banco, C.A., Universal (“Mercantil Banco Universal” or “MBU”). Mercantil Banco Universal is one of the largest financial institutions in that country. At the close of 2015, Mercantil Banco Universal operated 264 agencies and branches, over 1,000 ATMs, over 50,000 point of sale terminals, and employed over 7,000 individuals in Venezuela. At the close of 2015, Mercantil Banco Universal had total assets of Bs. 550,578 million. Mercantil Banco Universal closed its U.S. agency in Coral Gables, Florida, and will close its representative office in New York, New York before the end of 2016.

Mercantil provides insurance services in Venezuela through its Venezuela-based indirect subsidiary Mercantil Seguros, C.A. (“MSeguros”). MSeguros, a regulated entity in Venezuela, has been in operation since 1974 providing individual life and general insurance products. At the close of 2015, MSeguros had total assets of Bs. 26,982 million, and approximately a 12% share of the insurance industry market place in Venezuela.

Mercantil Commercebank Holding Corporation (“MC Holding Corp.”) is Mercantil’s top-tier holding company in the U.S., Mercantil Commercebank Florida Bancorp Inc. (“MC Florida Bancorp”, together with MC Holding Corp., the “U.S. Holding Companies”). The principal U.S. subsidiary is Mercantil Commercebank, N.A., Coral Gables, Florida (“Bank” or “MCB”), a full-service national bank, is headquartered in Coral Gables, Florida. The Bank has 23 Banking Centers, 17 located in South Florida, one in New York, New York and five in Houston, Texas. At the close of 2015, the Bank employed over 1,000 individuals and had total consolidated assets of slightly over \$8 billion.

The Bank provides wealth management and trust services through its U.S. direct subsidiaries Mercantil Commercebank Investment Services, Inc. (“Broker”) and Mercantil Commercebank Trust Company, N.A., a national non-depository trust company (“Trust Company”). The Bank and the Trust Company’s primary regulator is the Office of the Comptroller of the Currency (“OCC”). The FDIC insures the Bank’s deposits. The Broker is regulated by the U.S. Securities and Exchange Commission (“SEC”) and the Financial Industry Regulatory Authority (“FINRA”).

Mercantil’s principal operating subsidiaries are the Bank, Mercantil Banco Universal and MSeguros, with combined assets of Bs. 628,558 million at the close of 2015. Mercantil also operates banking, insurance and wealth management subsidiaries domiciled in the Republic of Panama, Curacao, the Cayman Islands and Switzerland. Mercantil manages its various businesses mainly on a legal-entity and geographic basis.

Mercantil is filing this Resolution Plan because it is a bank holding company, which reported \$50 billion or more in total consolidated assets as of December 31, 2015 based on currency translations using one of several alternative “official” exchange rates in Venezuela. The Federal Reserve did not object to Mercantil’s eligibility to file a tailored resolution plan in 2016. According to the Final Rule and the related guidance issued by the Federal Reserve and the FDIC, a tailored resolution plan may focus only on the U.S. “nonbanking material entities and operations” as well as the interconnections and interdependences between its U.S. banking operations and its non-U.S. operations. Therefore, the scope of this Resolution Plan is limited to Mercantil’s “nonbanking material entities and operations” that are domiciled in the United States (if any).

(ii) Material Entities

Under the Final Rule, a foreign-based covered company, such as Mercantil, is required to assess its operations to determine whether it has any “critical operations,” “core business lines” or “material entities” in the U.S. The Final Rule defines a “material entity” as a subsidiary or foreign office of the covered company that is significant to the activities of a “critical operation” or “core business line.”

“Core business lines” is defined under the Final Rule as “those business lines of the covered company, including associated operations, services, functions and support, that, in the view of the covered company, upon failure would result in a material loss of revenue, profit, or franchise value.” Mercantil’s U.S. banking business conducted through the Bank is the only core business line for purposes of this Resolution Plan.

“Critical operations” is defined as “those operations of the covered company, including associated services, functions and support, the failure or discontinuance of which, in the view of the covered company or as jointly directed by the Board and the FDIC, would pose a threat to the financial stability of the U.S.”² Because of their immaterial size, non-complex nature and lack of interconnectedness of the non-bank U.S. subsidiaries with Mercantil’s non-U.S. operations, Mercantil believes that failure or discontinuance of its subsidiaries and operations in the U.S. would pose no threat to the financial stability of the U.S.

The Bank is the only material entity operating in the U.S. for purposes of this Resolution Plan.

(2) Description of Plan Material Changes

This is Mercantil’s first tailored resolution plan under Section 165(d) of the Dodd-Frank Act. Therefore, there are no material changes to report.

(3) Description of Improvements to Plans Previously Filed.

Not Applicable.

²Section 2(g) of 12 C.F.R. Parts 243 and 381.

(b) Consolidated and Segment Financial Information

The following includes the financial highlights of Mercantil as of and for the year ended December 31, 2015:

Consolidated Earnings <i>(In thousands of Bs, except percentages and Other Indicators)</i> <i>Year Ended</i>	December 31 2015 bolivars
Balance Sheet	
Total Assets	634,324,610
Loan Portfolio (Net)	344,140,584
Deposits	534,903,166
Shareholders' Equity	44,533,603
Income Statement	
Net Interest Income	36,733,215
Commissions and Other Income	15,424,013
Operating Expenses	(35,550,428)
Net Income	14,091,763
Profitability Indicators (%)	
Net Interest Income / Average Financial Assets (NIM)	12.0 %
Commissions and Other Income / Total Income	32.3 %
Net Earnings for the Period / Average Equity (ROE)	37.1 %
Net Earnings for the Period / Average Assets (ROA)	3.0 %
Capital Adequacy Indicators (%)	
Equity / Risk-Weighted Assets (regulatory minimum 8 %) ⁽¹⁾	11.4 %
Equity / Assets	7.0 %
Loan Portfolio Quality Indicators (%)	
Past-Due and Non-Performing Loans / Gross Loan Portfolio	0.2 %
Allowances for Loan Losses / Past-Due + Non-Performing Loans	1,273.3 %
Allowances for Loan Losses / Gross Loan Portfolio	3.0 %
Efficiency Indicators (%)	
Operating Expenses / Average Total Assets	6.4 %
Operating Expenses / Total Income	48.3 %
Liquidity Indicators (%)	
Cash and Due from Banks / Deposits	29.1 %
Cash and Due from Banks and Investment Portfolio / Deposits	47.1 %
Other Indicators (%)	
Gross Loans / Deposits	66.3 %
Financial Assets / Total Assets	70.9 %
Financial Assets / Deposits	84.1 %

Number of Employees	
Employees in Venezuela	8.696
Employees Abroad	1.161
Banking Distribution Network	
Branches in Venezuela ⁽²⁾	298
Branches Abroad	34
Representative Offices	5
Mercantil Aliado Network	
Correspondent Desk	109
Correspondent Trading Points	72
Automatic Teller Machines (ATM)	1.333
Point of Sale Terminals (POS) ⁽³⁾	53.023

(1) In accordance with the standards of the National Securities Superintendency

(2) Excludes internal branch for employees, at Edificio Mercantil (Caracas)

(3) Physical Points of Sale (POS)

Mercantil's main financial highlights were distributed geographically as of and for the year ended December 31, 2015 as follows (thousands of Bs):

	2015
	(Thousands of bolivars)
Gross financial margin	
Venezuela	40,334,477
United States of America	1,092,575
Other	<u>230,675</u>
Total	<u>41,657,727</u>
Net financial margin, commissions and other income	
Venezuela	50,543,993
United States of America	1,366,000
Other	<u>247,235</u>
Total	<u>52,157,228</u>
Operating income before tax and minority interests	
Venezuela	21,041,424
United States of America	154,363
Other	<u>(100,716)</u>
Total	<u>21,095,071</u>

	2015	
	Thousands of bolivars	%
Assets		
Venezuela	577,961,815	91
United States of America	51,081,906	8
Other	<u>5,280,889</u>	<u>1</u>
Total	<u>634,324,610</u>	<u>100</u>
Liabilities and minority interests		
Venezuela	540,343,181	92
United States of America	46,183,235	7
Other	<u>3,264,591</u>	<u>1</u>
Total	<u>589,791,007</u>	<u>100</u>

Below is a summary of the financial information by subsidiary at December 31, 2015. This information includes the effects of eliminations normally made during consolidation:

	Mercantil, C.A. Banco Universal	Mercantil Commercebank Holding Corporation (1)	Other foreign banks	Mercantil Seguros, C.A.	Mercantil Merinvest, C.A.	Mercantil Inversiones y Valores, C.A. and other	Consolidated total
	(Thousands of bolivars)						
Total assets	550,578,126	50,998,032	4,597,132	26,981,793	171,923	997,604	634,324,610
Investment portfolio	69,460,895	13,904,295	1,567,121	10,886,600	113,634	87,679	96,020,224
Loan portfolio, net	307,411,935	34,931,496	1,797,153	-	-	-	344,140,584
Total liabilities and minority interests	512,642,297	46,172,511	3,246,104	25,832,196	65,616	1,832,283	589,791,007
Deposits	491,736,626	40,104,487	3,062,053	-	-	-	534,903,166
Gross financial margin	39,588,270	1,086,454	153,957	847,431	18,829	(37,214)	41,657,727
Gross income before tax	18,798,100	165,020	(90,721)	1,776,043	97,654	341,360	21,087,456
Net income	12,219,985	108,054	(80,322)	1,463,267	66,231	314,548	14,091,763
Number of employees	7,229	1,018	123	1,409	44	34	9,857

(1) Final beneficial owner of Mercantil Commercebank, N.A.

(c) Trading, Derivative and Hedging Activities

(1) Covered Company

MSF does not actively engage in trading of securities or in derivative transactions as part of its holding company operation.

(2) Bank

Trading

The Bank does not actively engage in trading of securities for purposes of realizing short-term gains or losses on changes in the market value of its portfolio of investment securities. As a result, the Bank does not carry trading securities.

The Bank classifies its investments in securities as available for sale and carries them at fair value with unrealized gains and losses included in accumulated other comprehensive income in stockholder's equity on an after-tax basis. Investments in stock issued by the Federal Reserve Bank and the FHLB are stated at their original cost totaling approximately \$37 million, which approximates their realizable value. Securities purchased are recorded on the consolidated balance sheets as of the trade date. The Bank actively manages its held for sale investment portfolio with strategies designed to provide an optimum combination of profitability, liquidity, credit and market risks. The investment portfolio's liquidity, market, and credit risks are managed on a continuous basis by the Bank's treasury unit under the supervision of its risk management unit.

Derivatives

From time to time, the Bank enters into derivative financial instruments as part of its interest rate management activities. Those instruments may or may not be designated and qualify as part of a hedging relationship.

Derivative instruments are recognized at their respective fair values in the consolidated balance sheet. The accounting for changes in the fair value of a derivative instrument is dependent upon whether the derivative has been designated, and qualifies, as part of a hedging relationship. For derivatives that have not been designated and qualified as part of a hedging relationship, the change in their fair value is recognized in current period earnings. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is recognized as a component of other comprehensive income (loss) and reclassified into earnings in the same period during which the hedged transactions affect earnings.

As of December 31, 2015, the Bank had entered into certain interest rate swaps to manage exposure that arises from differences in the amount of the Bank's known or expected cash receipts and the known or expected cash payments related to the Bank's borrowings from the FHLB, the value of which are determined by interest rates. These interest rate swaps were designated and qualified as cash flow hedges. Management periodically evaluates the effectiveness of these hedges in offsetting the fluctuations in cash flows due to changes in benchmark interest rates.

At December 31, 2015, the Bank's interest rate swaps designated as cash flow hedges involve the payment of fixed-rate amounts in exchange for the Bank receiving variable-rate payments over the life of the agreements without exchange of the underlying notional amount. As of December 31, 2015, the Bank had interest rate swap contracts that were designated as cash flow hedges of floating rate interest payment on the currently outstanding and expected subsequent rollover of advances from the FHLB. The Bank expects the hedge relationships to be highly effective in offsetting the effects of changes in interest rates in the cash flows associated with the advances from the FHLB. No hedge ineffectiveness gains or losses were recognized in 2015.

(d) Memberships in Material Payment, Clearing and Settlement Systems

The major trading, payment, clearing or settlement systems of which the Mercantil, directly or indirectly, is a member at December 31, 2015 included:

Name	User	Jurisdiction	Description of Relationship
Federal Deposit Insurance Corporation	MCB	US	Deposit insurance
U.S. Agent Banks	MCB	US	Custody and clearing, deposit brokerage, foreign currency trading for customers
Federal Reserve Banks – Federal Reserve Financial Services	MCB	US	Custody and clearing agent
Federal Home Loan Bank of Atlanta through a US. Agent Bank	MCB	US	US correspondent banking, cash payment services, cash advances, interest rate swaps, securities custody agent
A U.S. Trust Company	MCB	US	Custodian for U.S. Agent Bank under Deposit Brokerage Agreement
Society for Worldwide Interbank Financial Telecommunication	MBU, MCB	US and Venezuela	Secure messaging services and interface software for wholesale transactions
Allpoint	MCB	US	Surcharge-free ATM network system access in the U.S. and other countries
Presto!	MCB	US	Surcharge-free ATM network system in the U.S.
Venezuelan Central Bank	MBU	Venezuela	Custody and clearing agent
Caracas Stock Exchange	Venezuela Subsidiary	Venezuela	Trading floor membership rights
Visa, MasterCard, Diners Club	MBU, MCB	US and Venezuela	Debit and credit card licencing agreements
Suiche 7B	MBU	Venezuela	Interbank ATM/Debit payment system in Venezuela
Red Conexus	MBU	Venezuela	Interbank ATM/Debit payment system in Venezuela

(e) Supervisory and Regulatory Information

Mercantil, as a publicly-traded entity in Venezuela, is subject to the supervisory authority of the SNV. There are no other regulatory bodies with authority or responsibility for ensuring the safety and soundness of the covered company.

The Bank is a national banking association subject to the supervisory authority of the OCC. The Bank is a member of the FDIC and the Federal Reserve Bank of Atlanta and is subject to FDIC and Federal Reserve regulations that apply to FDIC-insured national banks. MC Holding Company and MC Florida Bancorp are also subject to the supervisory authority of the Federal Reserve. There are no other regulatory bodies with authority or responsibility for ensuring the safety and soundness of the Bank.

(f) Corporate Governance Relation to Resolution Planning

General Description

Mercantil's corporate governance includes its Board of Directors (the "Board"), the Executive Committee, and its executive officers including the Chairman and Chief Executive Officer ("CEO"), the Chief Internal Auditor ("CIA") and the Compliance Officers. The Board has responsibility for defining corporate strategies, determining business policies and establishing and controlling the strategic direction of the institution. It also supervises the management of the organization's different business and support areas. In order for the Board to carry out its responsibilities, authority is delegated to committees of the Board in addition to boards, committees and senior management of its various operating entities.

Corporate Governance Integration into Resolution Planning

Primary responsibility for overseeing the development, maintenance, implementation, and filing of this Resolution Plan and for Mercantil's compliance with the Final Rule has been assigned to the Global Executive Vice President of Operations and Administration (the "Global EVP") of Mercantil. The Global EVP is a member of Mercantil's Executive Committee and reports to its CEO. Following these approvals and in accordance with the Final Rule, the Board approved this Resolution Plan. The Global Chief Financial Officer ("Global CFO") was delegated responsibility for all the aspects of this Resolution Plan, including data collection, communication with business lines and business support areas, development of the overall approach for resolution planning, with the finance function in Venezuela and the United States. The Global CFO reports to the Global EVP. Mercantil's General Counsel ("Global General Counsel") provided support to this process.

Plan Review and Approval Process

The initial Resolution Plan submission was reviewed by the Global CFO, the Global EVP, and the Global General Counsel. Recognized independent consulting and external legal counsel firms were engaged as part of the review process. Upon completion of the review process, the Resolution Plan was presented to the Executive Committee and the Board for review and approval. Following these approvals and in accordance with the Final Rule, the final approval of the Resolution Plan by Mercantil was completed by the same team acting pursuant to the Board's direction. Any changes or responses will be made in a similar process.

Nature, Extent, Frequency of Reporting of Matters Related to the Resolution Plan

To the extent Mercantil is required to file a resolution plan, beginning in 2017, the Global CFO and the Global EVP will review once a year all necessary changes to the Final Rule made under their supervision by staff of the finance function in Venezuela and the United States. To the extent considered appropriate as a result of changes in Mercantil's business and operations, the Global General Counsel will be consulted the potential impact of those changes to Mercantil's compliance with the Final Rule. Also once a year, revisions to the Final Rule will be presented to the Executive Committee and the Board for review and approval. It is expected that the extent of reporting will include the following minimum relevant aspects of the Resolution Plan:

- Changes in asset size affecting eligibility for a "tailored" resolution plan under the Final Rule and the application of the Final Rule;
- Changes in the Final Rule and other guidance from the Agencies with respect to compliance with the Final Rule; and
- Changes in the determination of "material entities" as a result of changes in business, operations, economic environment or individual entities and business contributions to total assets.

(g) Management Information Systems

Mercantil uses certain technological applications and management information systems in its accounting, financial and regulatory reporting, and risk management activities (collectively, “MIS”). These MIS are licensed by Mercantil Banco Universal and used by Mercantil under the terms of existing agreements. These agreements are reviewed periodically to ensure any changes to the systems and services used by Mercantil under licenses granted to Mercantil Banco Universal by third-party providers are up-to-date. Mercantil Banco Universal also provides technological assistance with respect to the integration of the various systems and applications covered by the agreements. In certain cases, Mercantil Banco Universal develops functionalities not already licensed from third parties, primarily to ensure the technological integration and operation of all databases and systems.

The Bank holds its own separate licenses on all the MIS used for its operations and provides for its own technology support for integration and development of functionalities not already licensed. The Bank maintains its own, separate technological infrastructure in support of its operations including customer and noncustomer data storage, financial reporting, risk management, compliance and contingency plans for business continuity purposes.

(h) Overview of Resolution Strategy

Since Mercantil has identified no material nonbanking U.S. entities for purposes of this Resolution Plan, consistent with the definition of rapid and orderly resolution in subparagraph 4(a)(3) of the Final Rule, Mercantil believes no additional advance resolution planning is required.

Covered Company

Mercantil may be a covered company that is incorporated in a jurisdiction other than the U.S. As such, in the event of its failure, Mercantil would be resolved in accordance with the law of its home country of Venezuela.

U.S. Holding Companies

The U.S. Holding Companies would be resolved under the U.S. the Bankruptcy Code through a Chapter 11 proceeding. As holding companies whose principal assets are cash and the equity in its subsidiaries offset by long-term liabilities associated with outstanding trust preferred securities, the U.S. Holding Companies would be reorganized initially under Chapter 11, and likely liquidated under Chapter 7 of the Bankruptcy Code, if the Bank is placed in FDIC receivership. At December 31, 2015, the U.S. Holding Companies had \$682.4 million in total consolidated capital.

Bank

As noted above, for the purposes of this Resolution Plan, Mercantil has no material entities, core business lines or critical operations. Mercantil would not have systemic effect on U.S. financial stability.

The Bank is an insured depository subsidiary of Mercantil. Therefore, this Resolution Plan assumes that the Bank would be placed into a receivership or conservatorship by the OCC, with the FDIC as receiver or conservator. The FDIC, as receiver, would transfer the Bank’s assets, including the stock held by the Bank in its subsidiaries, including the Trust Company and the Broker, and liabilities to a U.S. FDIC-insured depository institution.

At December 31, 2015, the Bank had \$747.8 million in total consolidated capital.

There would be no obstacles to the orderly resolution of the Bank, since there is no interconnection and interdependencies that would be expected to materially affect an orderly resolution of the Bank by the FDIC.

(i) Principal Officers

The following individuals have been appointed as responsible for serving as point of contact regarding this Resolution Plan:

Name	Title	Email	Phone	Physical Address
Alfonso Figueredo D.	Global Executive Vice President of Operations and Administration	afigueredo@bancomercantil.com	+58 (212) 503-1043/1044	Andres Bello Avenue, Mercantil Building, 25th Floor Caracas 1010, Venezuela
W. Millar Wilson	Executive Director of International Business	mwilson@mercantileb.com	+1 (305) 460-4025	220 Alhambra Circle, 12th Floor, Coral Gables, FL, 33134, USA

All correspondence with respect to this Resolution Plan should be marked “Confidential” and mailed to the attention of any of these two individuals at the following address: 220 Alhambra Circle, 12th Floor, Coral Gables, FL, 33134, USA.