

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION
(Include Holding Company Where Applicable)

Mercantile Capital Corp. (Mercantile Bank and Trust Company)

Point of Contact:	Charles P. Monaghan	RSSD: (For Bank Holding Companies)	1250763
UST Sequence Number:	517	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	3,500,000	FDIC Certificate Number: (For Depository Institutions)	27335
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	February 06, 2009	City:	Boston
Date Repaid ¹ :	N/A	State:	Massachusetts

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

Increase lending or reduce lending less than otherwise would have occurred.

Between 2005 - 2007, we grew loans by an average of 14.2%; by June of 2008, Tier I Capital was 6.66%, and growth was restricted, ending 2008 with a growth rate of 4.7%. Upon receipt of CPP funding, we resumed lending, with 16.6% net loan growth in 2009 and 10.3% net loan growth in 2010.

To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).

Principal growth was in small C&I loans, which grew 26.5% during 2009, and 10.7% during 2010, along with CREM loans, which grew 4.3% during 2009 and 7.0% during 2010.

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Increase securities purchased (ABS, MBS, etc.).

Empty response box for 'Increase securities purchased (ABS, MBS, etc.).'

Make other investments.

Empty response box for 'Make other investments.'

Increase reserves for non-performing assets.

Empty response box for 'Increase reserves for non-performing assets.'

Reduce borrowings.

Empty response box for 'Reduce borrowings.'

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Increase charge-offs.

Purchase another financial institution or purchase assets from another financial institution.

Held as non-leveraged increase to total capital.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

While our Tier I Capital level in mid-2008 was still satisfactory, it was not ample enough to provide support for continued growth or cushion against unanticipated losses as we faced then then dire economic conditions. Privately held, the bank had few alternatives to obtain additional capital. To maintain ample capital and liquidity, the only strategic options available to us were to restrict growth or consider a sale or merger. We were able to avoid such actions when CPP funds became available to us.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

Between 2005 - 2007, we grew loans by an average annual rate of 14.2%; by June of 2008, our Tier I Capital to Asset ratio was 6.66%, and we had to consciously restrict loan growth. As a result, loan growth in 2008 was reduced to an annual growth rate of 4.7%. Upon receipt of CPP funding, we resumed our emphasis upon local small business lending, and achieved 16.6% net loan growth in 2009 and 10.3% net loan growth in 2010. Such growth would not have been possible without the support of additional capital.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

A large, empty rectangular box with a black border, intended for the respondent to provide a detailed description of actions taken with the capital infusion of CPP/CDCI funds.