MERCANTIL BANK REPORTS NET PROFIT OF $19.0 MILLION FOR THE THIRD QUARTER OF 2017

For Immediate Release

CORAL GABLES, FL (October 30, 2017) – Mercantil Bank, N.A., the fifth largest bank headquartered in Florida and among the top 2% of banks in the nation ranked by asset size, today announced a net profit of $19.0 million and total assets of $8.5 billion for the quarter ended September 30, 2017.

During the third quarter, the Bank continued to demonstrate strong financial performance despite the effects of Hurricane Harvey and Hurricane Irma that impacted both of its core markets – Houston, TX and South Florida.

“Our heartfelt thoughts for a successful path to recovery go out to all of those who were impacted by Hurricanes Harvey and Irma. Our first priority before and after the storms was the safety of our employees, customers, and neighbors in our local communities” said Millar Wilson, Vice-Chairman and CEO of Mercantil Bank.

“While the two major storms posed operational challenges during Q3, our employees’ dedication to recovering our operations and serving the needs of customers was exceptional,” said Al Peraza, President and COO of Mercantil Bank.

Most of the banking centers in Houston and South Florida were operational shortly after the storms, continuing service to customers, individuals and businesses, in the affected areas. In addition, as part of the commitment to support both local employees and communities, the Bank launched initiatives in partnership with the American Red Cross to raise funds for recovery efforts.

“We are extremely proud of our employees’ teamwork and collaboration across the company. It is through their efforts that we continue to grow and support our communities,” added Peraza.

In August, the bank sold its New York building at 11 East 51 Street and will soon relocate its Commercial Real Estate Loan Production Office (LPO) to new space at 437 Madison Avenue. The LPO’s new offices are just two blocks from the Bank’s former location and will increase the size and efficiency of our New York operation. “We are fully supportive of our customers in New York, and our new Midtown facility will allow us to continue to seamlessly serve them,” said Millar Wilson.

Performance Highlights

- Net income rose 108.8% year-over-year and 58.3% since June 30, 2017
- Net interest income for the quarter was $56.9 million, 13.3% higher than the same quarter last year
- Operating profit for the quarter was $28.3 million, 124.6% higher than the same quarter last year
- Loan production and renewals of $737.0 million during the quarter
- Realized a pre-tax gain of $10.6 million from the sale of the New York property
- Reported an ROA and ROE of 0.89% and 9.41%, respectively
- Liquidity and Efficiency ratios of 21.50% and 63.58%, respectively
- Strong capital ratios above regulatory guidelines to be considered “well capitalized”
- Fitch affirmed the Bank’s long and short term outlook as “Stable” on September 15

Income and Performance Measures

Net income for the quarter ended September 30, 2017 increased to $19.0 million from $12.0 million for the quarter ended June 30, 2017, and from $9.1 million for the quarter ended September 30, 2016. Net interest income for the quarter ended September 30, 2017 increased by 6.8% to $56.9 million from $53.3 million for the quarter ended June 30, 2017. Net interest income was $160.4 million for the nine months ended September 30, 2017, compared to $148.7 million for the nine months ended September 30, 2016. The increase in net interest income was primarily attributable to an increase in the average balance of loans and related average yields.

The Bank's net interest margin was 2.84% for the quarter ended September 30, 2017, an increase of 17 basis points compared to 2.67% for the immediately preceding quarter ended June 30, 2017, and compared to 2.55% for the quarter ended September 30, 2016. Return on assets ("ROA") improved from 0.57% at June 30, 2017 to 0.89% at September 30, 2017. Return on equity ("ROE") improved from 6.10% at June 30, 2017 to 9.41% at September 30, 2017. The efficiency ratio improved from 70.14% at June 30, 2017 to 63.58% at September 30, 2017, and a 17.0% improvement compared to September 30, 2016.

Non-interest Income

Non-interest income totaled $24.1 million for the third quarter of 2017 compared to $17.8 million for the second quarter of 2017 and $18.4 million for the third quarter of 2016. The Bank's diversified fiduciary, investment advisory and brokerage services, provided by Mercantil Investment Services and Mercantil Trust Company, contribute a significant portion of non-interest income for the Bank. The primary components of non-interest income for the quarter were service fees on deposit accounts, bank-owned life insurance income, and investment brokerage and management fees. In addition, the Bank realized a onetime gain of $10.6 million related to the sale of its building in New York City.

Financial Position

Capital ratios continue to be strong and well in excess of regulatory requirements. The Bank's capital closed at $815.5 million and its capital ratios continue to significantly exceed the regulatory benchmarks to be considered "well capitalized." At September 30, 2017, the Bank's Total Risk Weighted Capital Ratio, Tier 1 Risk-Based Capital Ratio, and Tier 1 Leverage Ratio were 12.35%, 11.17%, and 9.45%, respectively. Liquidity ratio of 21.50% remains strong at September 30, 2017. Additionally, Fitch's recent rating released on September 15, 2017 affirmed the Bank's long and short term outlook as "Stable".

Loan Portfolio Composition and Asset Quality

During the quarter, the total loan portfolio, gross of the allowance for loan losses, increased to $6.12 billion compared to $6.08 billion as of June 30, 2017, and increased by 6.5% from $5.74 billion as of September 30, 2016.

The Bank's new loan production and renewals totaled $737.0 million for the three months ended September 30, 2017, a decrease of 35.8% from $1.1 billion as of June 30, 2017. The production and renewals during the quarter consisted of $503.9 million in Commercial and Industrial, $115.6 million in Financial Institutions, $99.6 million in Real Estate, and $17.9 million in Consumer and Other.

The provision for loan losses recorded for the third quarter of 2017 was $1.2 million, compared to $3.6 million recorded during the second quarter of 2017. Total allowance for loan losses was $84.6 million as of September 30, 2017. Total allowance to total loans ratio and the nonperforming loans to total loans ratio were 1.38% and 0.64%, respectively, as of September 30, 2017.

Deposits

At September 30, 2017, total deposits were $6.5 billion compared to $6.6 billion at June 30, 2017, a decrease of 1.5%. The average cost of funds was 0.76% for the quarter ended September 30, 2017, compared to 0.71% for the immediately preceding quarter ended June 30, 2017 and 0.55% for the quarter ended September 30, 2016. Increases in the yields on loans and investment securities more than offset increases in the cost of interest bearing liabilities.

Financial Highlights and Key Ratios

Mercantil Bank Consolidated Highlights					
Quarterly Results *($000,000, except ratios)*	September 2017	June 2017	September 2016	Δ September 2017 vs. June 2017 %	2017 vs September 2016 %
Consolidated Balance Sheet					
Total Assets	**8,491.5**	8,543.1	8,457.3	(0.6)	0.4
Securities, AFS and HTM	**1,754.0**	1,942.5	2,186.8	(9.7)	(19.8)
Loans, gross	**6,117.0**	6,077.4	5,742.9	0.7	6.5
Allowance for loans and lease losses (ALLL)	**84.6**	82.7	77.9	2.3	8.6
Loans, net	**6,032.3**	5,994.7	5,664.9	0.6	6.5
Total Deposits	**6,539.4**	6,641.6	6,587.5	(1.5)	(0.7)
Stockholder's equity	**815.5**	794.9	785.4	2.6	3.8
Consolidated Income Statement					
Net interest income	**56.9**	53.3	50.2	6.8	13.3
Provision for loan losses	**1.2**	3.6	5.2	(66.7)	(76.9)
Net interest income after provision for loan losses	**55.7**	49.7	45.0	12.1	23.8
Non Interest income	**24.1**	17.8	18.4	35.4	31.0
Non interest expense	**51.5**	50.3	50.8	2.4	1.4
Profit before taxes	**28.3**	17.2	12.6	64.5	124.6
Net Income	**19.0**	12.0	9.1	58.3	108.8
Key Ratios (Quarterly)					
Performance Measures					
Return on Assets (%)	**0.89**	0.57	0.45	56.1	97.8
Return on Equity (%)	**9.41**	6.10	4.65	54.3	102.4
Net Interest Income / Avg. Assets (%)	**2.69**	2.53	2.48	6.3	8.5
Net Interest Margin (%)	**2.84**	2.67	2.55	6.4	11.4
Efficiency Ratio (%)	**63.58**	70.14	76.63	(9.4)	(17.0)
Capital Adequacy Indicators					
Total Risk Based Capital Ratio (%)	**12.35**	12.09	12.42	2.2	(0.6)
Tier 1 Risk-Based Capital Ratio (%)	**11.17**	10.93	11.27	2.2	(0.9)
Leverage Ratio (%)	**9.45**	9.35	9.22	1.1	2.5
Liquidity Measures					
Liquidity Ratio (%)	**21.50**	22.80	20.60	(5.7)	4.4

ABOUT MERCANTIL BANK

Mercantil Bank, N.A. is one of the largest banks in the U.S. with $8.5 billion in assets and ranked among the top 150 banks and thrifts by the American Banker in terms of assets and deposits. The Bank offers a wide variety of domestic, international, personal and commercial banking services, including investment, trust, and estate planning through its subsidiaries, Mercantil Investment Services, Inc. and Mercantil Trust Company, N.A. Headquartered in Coral Gables, Florida for over 35 years, it operates 22 banking centers – 15 in South Florida and 7 in Houston – as well as a commercial real estate loan production office in Manhattan, New York. For more information, please visit www.mercantilbank.com.

CONTACT:
Kreps DeMaria Public Relations & Marketing
Israel Kreps, ikreps@krepspr.com
Cristy Planas Pardo, cpardo@krepspr.com
Cristina Bermudez, cbermudez@krepspr.com
305.663.3543

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