MERCANTIL BANK REPORTS NET PROFIT OF $11.6 MILLION FOR THE FOURTH QUARTER OF 2017

News Release

CORAL GABLES, FL (January 31, 2018) – Mercantil Bank, the fifth largest bank headquartered in Florida and among the top 2% of banks in the nation ranked by asset size, announced a net profit of $11.6 million for the quarter ended December 31, 2017. Total assets were $8.4 billion at year end 2017.

The Bank continued to demonstrate solid financial performance during the fourth quarter and closed the year in a strong position for growth.

“Overall, we are pleased with what we accomplished this quarter and throughout 2017, said Millar Wilson, Vice-Chairman and CEO of Mercantil Bank. “The continued focus on our strategies for loan growth and credit quality resulted in lower provisions and improved margins across our South Florida; Houston, Texas; and New York markets.”

“We are extremely proud of our employees’ teamwork and collaboration across the Bank. It is through their efforts that we continue to grow and display strong performance year after year,” added Wilson.

During the fourth quarter, Mercantil Bank, N.A.’s U.S. holding company, Mercantil Bank Holding Corporation (the Company), announced that the Company will become an independent organization. The shareholders of Mercantil Servicios Financieros (MSF), the Company’s Venezuela-based parent corporation, approved a Spin-off of its U.S. operations that is expected to be completed in the first half of 2018, subject to various actions, including receipt of any necessary actions by the Company’s and the Bank’s U.S. regulators, and the effectiveness of a registration statement to be filed by the Company with the U.S. Securities and Exchange Commission (SEC). The Company plans to list its shares for trading on a national securities exchange in connection with the Spin-off.

This press release is not an offer to sell nor the solicitation of an offer to purchase any securities.

Performance Highlights

- Net income for the quarter rose 43.5% year-over-year, and the full year was 63.5% in 2017 compared to 2016
- Net interest income for the quarter rose 12.6% year-over-year, and the full year was 9.1% in 2017 compared to 2016
- Corporate tax rate reduction from 35% to 21% in December 2017 led to write-off of net deferred tax asset of $9.6 million
- Operating profit was 148.2% higher year-over-year and 98.8% higher in 2017 compared to 2016
- Loan production and renewals of $1.22 billion during the quarter, up 41.9% from the third quarter
- Reversed approximately $13.0 million in loan loss provisions during the quarter
- Reported a quarterly annualized ROA and ROE of 0.55% and 5.66%, respectively
- Quarterly annualized Liquidity and Efficiency ratios of 23.6% and 56.8%, respectively
- Strong capital ratios above regulatory guidelines to be considered “well capitalized”
- Fitch affirmed the Bank’s long and short term outlook as “Stable”

Income and Performance Measures

Net income for the quarter ended December 31, 2017 was $21.2 million compared to $19.0 million for the quarter ended September 30, 2017 and $8.1 million for the quarter ended December 31, 2016, before the $9.6 million write-off of net deferred tax assets resulting from the reduction in federal corporate income tax rates under the tax reform approved on December 22, 2017. The tax reform reduced the federal corporate income tax rate to 21%, which will benefit us in 2018 and later years.

Net income for the year ended December 31, 2017 was $60.3 million before the tax write-off, compared to $31.0 million for the year ended December 31, 2016, an increase of 94.52%. This increase was primarily attributed to a strong year of net interest income due to an improved interest rate environment and improved credit quality across all major loan portfolios. Net interest income for the quarter ended December 31, 2017 remained in line with the quarter ended September 30, 2017 of $56.7 million and $56.9 million, respectively. Net interest income was $217.1 million for the twelve months ended December 31, 2017, compared to $199.0 million for the twelve months ended December 31, 2016. The increase in 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 2.81% for the quarter ended December 31, 2017 compared to 2.82% for the immediately preceding quarter ended September 30, 2017 and 2.58% for the quarter ended December 31, 2016. Return on assets ("ROA") decreased from 0.90% at September 30, 2017 to 0.55% December 31, 2017. Return on equity ("ROE") decreased from 9.43% at September 30, 2017 to 5.66% at December 31, 2017. The decreases are mainly attributed to the effect of the tax write-off in the fourth quarter, along with the onetime gain recorded in the third quarter from the sale of the Bank's building in New York City. Before the impact of the tax write-off, ROA and ROE were 1.01% and 10.31%, respectively, in the quarter. The efficiency ratio improved from 61.3% at September 30, 2017 to 56.8% at December 31, 2017, and a 14.11% improvement compared to December 31, 2016.

Non-interest Income

Non-interest income totaled $15.4 million for the fourth quarter of 2017 as compared to $24.1 million for the third quarter of 2017 (which included a onetime gain of $10.6 million related to the sale of the Bank's building in New York City) and $15.4 million for the fourth quarter of 2016. The Bank's diversified advisory and brokerage services contribute a significant portion of non-interest income for the Bank in the form of investment (Mercantil Investment Services) and fiduciary (Mercantil Trust Company) fee revenue. The primary components of noninterest income for the quarter were service fees on deposit accounts, bank-owned life insurance income, and Broker & Management fees of $6.2 million, $1.5 million, and $4.8 million, respectively.

Financial Position

Capital ratios continue to be strong and well in excess of minimum regulatory requirements to be "well capitalized." The Bank's capital closed at $822.0 million and its capital ratios continue to significantly exceed the regulatory benchmarks to be considered "well capitalized." At December 31, 2017, the Bank's Total Risk Weighted Capital Ratio, Tier 1 Risk-Based Capital Ratio, and Tier 1 Leverage Ratio were 12.7%, 11.7%, and 9.7%, respectively. The liquidity ratio of 23.6% remains strong at December 31, 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

The total loan portfolio, gross of the allowance for loan and lease losses, decreased to $6.07 billion as of December 31, 2017, compared to $6.12 billion as of September 30, 2017, but increased by 5.3% from $5.77 billion as of December 31, 2016. The net decrease of approximately $45.1 million during the quarter was a result of new loan production of approximately $1.22 billion, which was offset by loan pay downs and payoffs of approximately $1.27 billion. Loan production during the quarter increased 41.9% from $860.6 million as of September 30, 2017. Loan production during the quarter consisted of $651.8 million of Commercial and Industrial, $322.9 million of Financial Institutions, $232.0 million of Real Estate, and $14.6 million of Consumer and Other.

During the fourth quarter of 2017, the Bank released approximately $13.0 million of provision for loan losses due to a continued improvement in the loan portfolio, compared to $1.2 million provision expense recorded during the third quarter of 2017. As a result, the total allowance for loan and lease losses decreased by 14.9% to $72.0 million as of December 31, 2017. The total reserves to total loans ratio and the nonperforming loans to total loans ratio were 1.19% and 0.44%, respectively, as of December 31, 2017.

Deposits

At December 31, 2017, total deposits were $6.4 billion compared to $6.5 billion at September 30, 2017, a decrease of 2.7%. Core Deposits totaled $4.98 billion at December 31, 2017, compared to $5.18 billion at September 30, 2017, a decrease of 3.9%. The average cost of total deposits (“cost of funds”) was 0.82% for the quarter ended December 31, 2017, compared to 0.75% for the immediately preceding quarter ended September 30, 2017 and 0.58% for the quarter ended December 31, 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)***	**December 2017**	**September 2017**	**December 2016**	**∆ Quarter on Quarter %**	**∆ Year on Year %**
Consolidated Balance Sheet					
Total Assets	**8,425.7**	8,491.5	8,423.7	(0.8)	0.0
Securities, AFS and HTM	**1,777.0**	1,754.0	2,123.2	1.3	(16.3)
Loans, gross	**6,071.8**	6,117.0	5,764.8	(0.7)	5.3
Allowance for loans and lease losses (ALLL)	**72.0**	84.6	81.8	(14.9)	(11.9)
Loans, net	**5,999.8**	6,032.3	5,683.0	(0.5)	5.6
Total Deposits	**6,364.1**	6,539.4	6,619.1	(2.7)	(3.9)
Stockholder's equity	**822.0**	815.5	771.6	0.8	6.5
Quarterly Results					
Consolidated Income Statement					
Net interest income	**56.7**	56.9	50.3	(0.4)	12.6
Noninterest other income	**15.3**	25.9	17.7	(40.8)	(13.6)
Securities transactions net gains (losses)	**0.1**	(1.8)	(2.4)	(104.7)	(103.7)
Total noninterest income	**15.4**	24.1	15.4	(35.9)	0.2
(Reversal of) provision for loan losses	**(13.0)**	1.2	4.0	(1,227.7)	(423.9)
Noninterest expense	**53.8**	51.5	49.1	4.5	9.7
Profit before taxes	**31.3**	28.3	12.6	10.5	148.2
Net Income	**11.6**	19.0	8.1	(38.9)	43.5
Annual Results					
Consolidated Income Statement					
Net interest income	**217.1**	-	199.0	-	9.1
Noninterest other income	**73.0**	-	61.2	-	19.3
Securities transactions net gains (losses)	**(1.6)**	-	1.0	-	(255.8)
Total noninterest income	**71.4**	-	62.2	-	14.8
(Reversal of) provision for loan losses	**(3.5)**	-	20.3	-	(117.2)
Non interest expense	**203.2**	-	196.5	-	3.4
Profit before taxes	**88.8**	-	44.4	-	99.9
Net Income	**50.7**	-	31.0	-	63.5
Key Ratios (Annualized)					
Performance Measures					
Return on Assets (%)	**0.55**	0.90	0.39	(0.3)	0.2
Return on Equity (%)	**5.66**	9.43	4.16	(3.8)	1.5
Net Interest Income / Avg. Assets (%)	**2.70**	2.68	2.40	0.0	0.3
Net Interest Margin (%)	**2.81**	2.82	2.58	(0.0)	0.2
Efficiency Ratio (%)	**56.79**	61.34	70.92	(4.6)	(14.1)
Capital Adequacy Indicators					
Total Risk Based Capital Ratio (%)	**12.74**	12.35	12.42	0.4	0.3
Tier 1 Risk-Based Capital Ratio (%)	**11.69**	11.17	11.27	0.5	0.4
Leverage Ratio (%)	**9.69**	9.45	9.22	0.2	0.5
Liquidity Measures					
Liquidity Ratio (%)	**23.57**	23.61	23.93	(0.0)	(0.4)

ABOUT MERCANTIL BANK

Mercantil Bank, N.A. is one of the largest banks in the U.S. with $8.4 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.