modalmais

Earnings Conference Call

May 13, 2021 (Thursday)
09:00 am BRT | 08:00 am EST

Portuguese
https://vcasting.voitel.com.br/?transmissionId=9127

English

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Results 1Q21

Banco Modal S.A.
| modalmais

May 12, 2021

ri.modal.com.br/en

1Q21 EARNINGS RELEASE

Rio de Janeiro, May 12, 2021. Banco Modal S.A. (B3: MODL11), the investors' digital bank, today announces its financial results for the first quarter of 2021. The financial information is compliant to the consolidated financial statements in IFRS. Comparisons presented in this document refer to year-over-year comparisons, i.e. 1Q21 vs 1Q20, unless otherwise noted.

Total Assets Under Custody (AUC)
R$19.6 billion
+82.3%

Retail Assets Under Custody (AUC)
R$11.1 billion
+127.8%

Earnings Before Tax (EBT)
R$37.2 million
14.5X 1Q20

EBT Margin
29.9%
+26.2 p.p.

Enrolled Clients
~1.3 million
+45.8%

Active Clients
~400,000
+40.0%

Net Revenue
R$124.5 million
+79.8%

Annualized ROAE
16.0%
+12.2 p.p.

Net Income[1]
R$24.0 million
7.6X 1Q21

Net Margin[1]
19.3%
+14.7 p.p

ACQUISITIONS

- In January 2021, we announced the acquisition of **Proseek**, a school specialized in the training and development of financial market professionals. With this acquisition, we incorporate a complete and scalable solution to qualify internal and external financial advisors, allowing us to better serve our clients, while supporting the development of B2B partners, especially independent financial advisors (IFAs), investment advisors and family offices.

- In February 2021, we announced the acquisition of **Eleven Research,** one of Brazil's leading independent research providers, with a team of more than 30 analysts covering more than 160 companies (over 200 in watchlist), REITs and strong positioning in primary offerings and in the secondary debt market, in addition to funds allocation intelligence. This move will allow us to expand our Research as a Service approach, while leveraging our B2B strategy.

Net Income from Continued Operations, adjusted to expenses with the Phantom Stock Option plan.

OPERATIONAL AND FINANCIAL HIGHLIGHTS

1Q21 Highlights *(in R$ thousands, except when otherwise indicated)*	1Q21	1Q20	∆%
Gross Revenue(*)	**132,544**	**73,709**	**79.8%**
Net Revenue	**124,504**	**69,238**	**79.8%**
Gross Profit	**102,298**	**52,242**	**95.8%**
Gross Margin	*82.2%*	*75.5%*	*6.7 p.p.*
EBT	**37,228**	**2,574**	**1.346,3%**
EBT Margin	*29.9%*	*3.7%*	*26.2 p.p.*
Adjusted Net Income(1)	**24,033**	**3,159**	**660.8%**
Adjusted Net Margin	*19.3%*	*4.6%*	*14.7 p.p.*
Shareholders' Equity(2)	**611,411**	**379,263**	**61.2%**
Total Assets(3)	**5,611,054**	**3,494,258**	**60.6%**
Annualized ROAE(4)	**16.0%**	**3.8%**	**12.2 p.p.**
Capital Adequacy Ratio	**18.9%**	**11.0%**	**7.9 p.p.**
AUC	**19,565,155**	**10,732,363**	**82.3%**
Retail AUC	11,119,637	4,881,988	127.8%
Institutional AUC	8,445,518	5,850,375	44.4%
Active Clients	**398,645**	**284,664**	**40.0%**
Enrolled Clients	**1,266,866**	**868,933**	**45.8%**
Revenue Yield	**1.3%**	**1.3%**	-
Average Retail AUC (Cohort)	**43.5**	**23.3**	**86.8%**

(*) See conciliation at the end of the document.
(1) Net Income from Continued Operations, adjusted to expenses with the Phantom Stock Option plan.
(2) Adjusted Shareholders' Equity. See Glossary for definition.
(3) Total Assets, excluding the balance of non-current assets held for sale.
(4) Return on Average Adjusted Shareholders' Equity. See Glossary for definition.

SUBSEQUENT EVENTS

- Conclusion of the Initial Primary and Secondary Offering of units, raising approximately **R$1.2 billion**, of which R$783 million were injected into our cash for (i) investments in technology; (ii) investments in marketing; (iii) business expansion through strategic M&A; and (iv) expansion of our credit portfolio, accelerating our capital markets operations, including originate to sell.
- Acquisition of **Carteira Global**, a platform that manages and consolidates investment portfolios, with a focus on open finance, offering services both for investors (B2C) and independent financial advisors (IFAs) and investment advisors (B2B), with functionalities such as the monitoring of total equity, assets, and portfolios evolution and performance, analysis tools including key information and statistics related to government bonds, fixed income, *CRI - Certificado de Recebíveis Imobiliários* (Certificates of Real Estate Receivables), *CRA - Certificado de Recebíveis do Agronegócio* (Agribusiness Receivables Certificates), investment funds, REITs, equities, ETFs and BDRs.
- Acquisition of the startup **Refinaria de Dados**, which will allow us to apply the infrastructure and technology of data collection, preprocessing, analysis and visualization to better understand the needs of our clients and partners.

MESSAGE FROM MANAGEMENT

The IPO is just the beginning

To our shareholders

The current year began as an exciting and very busy period for us at modalmais. Our initial public offering (IPO) connected us to hundreds of new investors and analysts worldwide, resulting in a significant capital injection in order for us to sustain our acceleration. We posted the best quarter we ever had and we have also concluded key acquisitions that will help us grow modalmais into the largest and most efficient financial and banking services ecosystem in Brazil.

In turn, it is important to highlight the great quality of our team that will overdelivered on our strategy and showed the highest level of commitment. In the first quarter of the year, we reported ~R$125 million in Net Revenue, ~80% higher than in the same period last year, with meaningful gains of scale that resulted in Earnings Before Taxes (EBT) of R$37.2 million, up approximately 15 times year-on-year (YoY) and an EBT margin of nearly 30%. Net Income was R$ 24 million in 1Q21, soaring 660% from 1Q20, with a Net Margin of 19.3%. This reflects successful execution of our strategy combined with four announced acquisitions which fully complemented the modalmais' ecosystem.

Net new money of our retail in 1Q21 was R$2.9 billion, which led to a 128% increase in total Retail AUC compared to 1Q20. Furthermore, Capital Markets increased 1Q21 revenues by 3.5 times in 1Q21, bolstered by the acquisition of **Eleven Research** and the partnership with our shareholder **Credit Suisse**, which has allowed us to work vertically in origination, structuring and distribution of capital markets deals, benefitting from our broad ecosystem.

Recent acquisitions are in line with what we believe is strategic for us as we anticipate and prepare for the future of our industry: a focus on financial education, greater efficiency in investment advisory services, and a higher level of customized services through open finance. I will repeat a sentence you might have already heard from me on other occasions: We do not believe that a significant financial deepening in Brazil can take place without financial education and/or customized financial advisory services. We brought together **Investir Juntos** to educate clients in a customized manner, **Proseek** to accelerate the education of internal and external financial advisors, and **Eleven Research**, one of the most respected independent research houses in Brazil, to bring us closer to our clients and partners when giving investment recommendations and guidance. This additional offering will enable us to help our client base not only invest more, but much better informed. With **Carteira Global** and **Refinaria de Dados**, two *fintechs* recently acquired, we take relevant steps to anticipate the benefits of the open finance in Brazil.

> **"We do not believe that a significant financial deepening in Brazil can take place without financial education and/or customized financial advisory services is possible".**

The ability to efficiently understand our clients and their needs will allow us to deliver a more customized experience and take a more proactive approach in helping them invest better. This stance becomes even more important when we take into account an environment of structurally low real interest rates and a market still concentrated in five large retail banks, that provide a limited, inefficient and expensive customer experience due to a business model still based on bank branches. This will take time to change. We have a huge addressable market of nearly R$9 trillion in investment opportunities, of which 80% is concentrated in the largest banks. Among these, over R$1 trillion still deposited in these banks' savings accounts, bearing negative interest rates for years.

When we combine this increasingly broader ecosystem with a pioneering business model, innovative technology, and our partnership with Credit Suisse - our shareholder with over a century of experience and over US$1.7 trillion AUC - what you see is the solid evolution presented in our first quarter results.

But how can we efficiently combine all of this and still deliver consistent results? The answer is simple, and not a surprise for those who have known us for a long time: hard work, humbleness, and above all, ethics. We firmly believe that the financial markets can have a space for a platform focused on the wellness of investors and partners while promoting a fair competitive environment which helps drive market efficiency. We believe that, with the arrival of open finance, customers will have much more freedom to choose and will choose platforms who can understand and deliver to their needs instead of just assuming that they are a piece of the ecosystem.

We are deeply committed to ESG although our approach may be considered noise free and very low-key. We believe that the respect we have towards market practices, to all our stakeholders and even competitors, will gradually differentiate us over time. In the "**G**" of ESG, we have a fundamental cornerstone of what we want to determine as our brand towards this true market transformation. Respect and transparency are pillars of all our relations, from our partnership model, to how we compete and dedicate ourselves to market development, regardless of competition. This will strengthen our actions on the "**Social**" by taking care of all those who directly and indirectly are part of our history and our path forward. By the time of our inception, more than 25 years ago, we created Associação Vencer, a nonprofit organization aimed at transforming the life of teenagers through education, by supporting low-income students from the public school system. This initiative promotes opportunities for these talented young students to compete for admission to the best universities in Rio de Janeiro state and enter the job market. Our "**E**" starts with a portfolio of investments that have an effective commitment to sustainability, as well as the initiatives within our organization, which we will seek to increasingly materialize following the most relevant and updated environmental developments in the world. At modalmais, we don't treat ESG as a magic formula, but rather as a process, which demands commitment, mutual respect, discipline and processes that must be symbiotically linked to all relationships we have built throughout our history.

When I say this is just the beginning, it's because our ecosystem is still in its early stages of formation. We have already made relevant additions, but open finance will be a transformational opportunity. Our B2B is taking its first steps but is ready to differentiate us in a significant way. Recently, we partnered with an important and traditional IFA office with nearly R$3 billion in AUC, and we also reached long term commercial agreements with Multi Family Offices with initial AUC that we will manage together of more than R$5 billion. In May, we will debut the modal premium platform targeted to our High Net Worth clients. The new app will blend technology and modalmais' UX with Credit Suisse's brand, asset allocation intelligence and products exclusively added to our investment platform.

On the people development side, earlier this week we launched Vaivoa, a company 100% controlled by modalmais, aimed at training, qualifying and certifying programmers, not only to support us within our financial market scope but also to work for other tech companies in different business segments. While this is a strategic move to control the quality/quantity of people to support our needs, this is a more productive and efficient way to educate developers who will continue delivering the future of our platform. We have our own in-house innovation and development machine led by a team which has already succeeded on working for key local and international players.

In our opinion, having a good idea and designing a good strategy are not the most difficult tasks. The challenge lies on successfully executing on this strategy and making it a day-to-day reality. Executing and delivering the rare combination of growth and solid results. In addition to all our recent activities, we firmly believe that our long-term model of partnership will continue to be very important to mitigate the risk of execution. This model helps us attract and retain talent, and this will not change after the IPO. This partnership and ownership culture was directly originated from Banco Garantia and was put to work by our founder, Mr. Diniz Ferreira Baptista, since our inception in 1996. The hierarchy has always been flat, with an open environment, but always protected by strong governance standards, to ensure the sustainability of our ownership culture in a safe manner.

We have come this far mainly by ourselves, growing organically and self-funded by internally generated funds, without accessing any external capital until recently. Now, with additional funding and coupled with all the advances we have already made, and the key people we have hired, and with your support, we see no limits and I finish restating that the IPO is really just the beginning!

Thank you for your confidence

Cristiano Maron Ayres, CO-CEO

Complete digital bank for all investors profiles

Empowering the Brazilian investor

We are one of the pioneering and unique digital banks integrated into a full investment platform. Through such a disruptive model that adds our solid 25-year banking experience to a cutting-edge technological architecture with entrepreneurial and innovative features of a fintech, we built an ecosystem of banking and investments products and services, serving from retail investors to independent financial advisors (IFAs), investment consultants, family offices and high net worth individuals (HNWI).

Brazil's current economic scenario, with interest rates at low historical levels, contributes to migration from savings accounts and traditional fixed income to more sophisticated investments, such as equities (stocks and futures contracts), structured products, and private credit fixed income (CRIs, CRAs, and Debentures). Also, the Brazilian investor increasingly seeks more profitable investment alternatives to those traditionally offered by large financial institutions, within the scope of the financial deepening process. Within this context, the financial education plays a relevant role, so that investors are able to make conscious and assertive investment decisions.

Creating the best financial advisory services ecosystem

We see financial education as one of our cornerstones, capable of offering competitive advantage and scalability to our business. Thus, through our digital platform, **"Investir Juntos"**, we offer a complete and high-quality educational content (according to each individual's level of understanding and risk profile) to attract and retain clients, through a "gamified" educational journey, applying game mechanics and dynamics to engage clients and improve learning. This platform allows us to grow along with our clients: while several contents and models teach them how to invest smartly and consciously, we expand our database and learn about their objectives and needs, therefore achieving greater assertiveness in financial advisory and recommendation of products and services.

In line with our plans to create Brazil's best customized financial advisory services ecosystem, we have made two relevant acquisitions this quarter: in January, we announced the acquisition of **Proseek**, a school specialized in qualifying professionals to the financial market. In February 2021, we announced the acquisition of **Eleven Research**, one of Brazil's main independent research firms. Such movements reinforce our belief in financial education as a tool for investor empowerment, assisting them to analyze and invest more and better, since it offers analysis, tools, and recommendations prepared by a team of over 30 analysts, covering over 160 companies, REITs, and with a strong positioning in primary offerings and in the secondary debt market. **Eleven Research** also adds relevant synergies to our Capital Markets division, consolidating competitive advantages, which tend to accelerate "originate to sell" type of deals, in addition to ECM and M&A. As a result of its wide coverage and issuance analyses, the Institutional Desk will start working as a research broker, not only by potentially capturing new clients, but also by increasing current clients' flow (upsell strategy).

Following this same rationale, we recently acquired **Carteira Global**, a platform that manages and consolidates investment portfolios, with a focus on open finance, offering services for both investors (B2C) and independent financial advisors (IFAs), and investment advisors (B2B), and **Refinaria de Dados**, a startup focused on data collection, pre-processing, analysis, and visualization, which will allow us to better understand the needs of our clients and partners.

All these companies recently acquired have in common high quality and proven execution capacity. Also, the goal of these acquisitions was to complement and ramp up our ecosystem, keeping the focus and linearity of our strategy. An example of how these acquisitions can be complementary would be the use of **Carteira Global** portfolio by an IFA: revealing with a click the client's position and performance on a certain asset to then using **Eleven Research**'s reports to make more assertive investment recommendations on the referred asset or other similar assets with better performance. We believe that no other platform offers the same functionality.

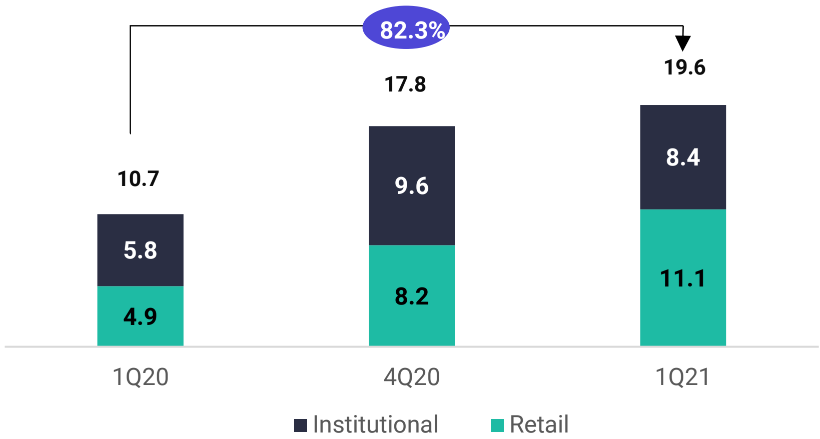
Likewise past acquisitions, we will continue attentively monitoring M&A opportunities that may complement and accelerate our ecosystem, particularly regarding the following aspects: (i) distribution channels; (ii) products and content; (iii) technology infrastructure; and/or (iv) consumer experience.

Our strategic partnership with **Credit Suisse** adds more competitive advantages to our ecosystem, granting to our clients access to several exclusive products, including investment funds, structured products, and research reports from one of the world's most renowned financial institutions. Also, Credit Suisse receives cutting-edge technology from our digital platform, as well as all the functionalities and investment possibilities that a complete digital bank like modalmais can more efficiently offer to serve its clients.

OPERATIONAL PERFORMANCE

Retail AUC more than doubled, fueled by investment products ecosystem and banking services, coupled with increasingly more customized financial advisory services

Assets Under Custody (AUC)
R$ billion



Assets Under Custody (AUC) totaled R$19.6 billion in 1Q21, up 82.3% from 1Q20, highlighting Retail AUC that increased 127.8%, from R$4.9 billion in 1Q20 to R$11.1 billion in 1Q21.

Despite a significant financial concentration in the Brazilian market, we firmly stick to our corporate purpose of democratizing the access to investments and disrupt this *status quo*, applying technology and innovation to transform our clients' experience, offering educational content and increasingly more specialized financial advisory services, so that investors can make their investment decisions, in consistent and assertive manners.

Retail AUC +127.8%

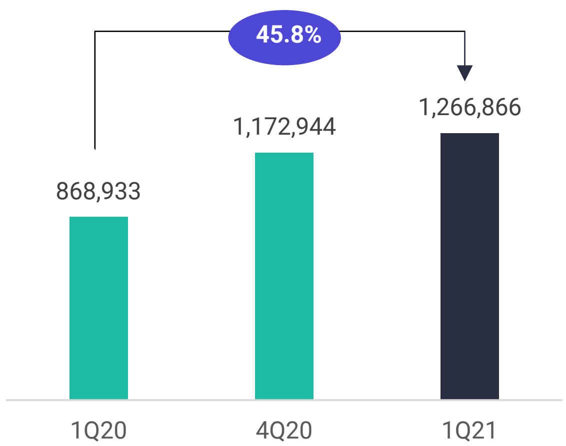
Institutional AUC +44.4%

Total AUC +82.3%

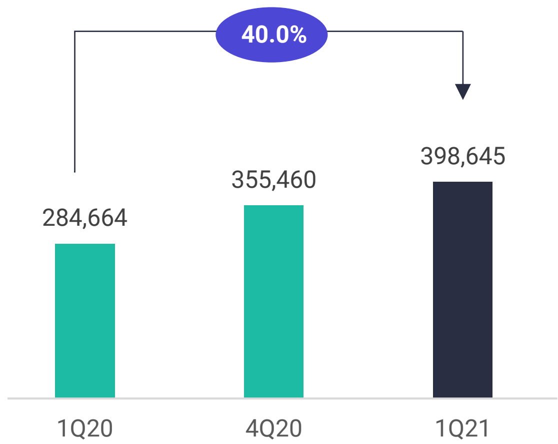
Client Base

Our client base has been expanding year over year, boosted by the macroeconomic environment in Brazil, with structurally low interest rates, which encourages investors to seek better investment opportunities (equitization process and financial deepening).

Enrolled Clients



Active Clients



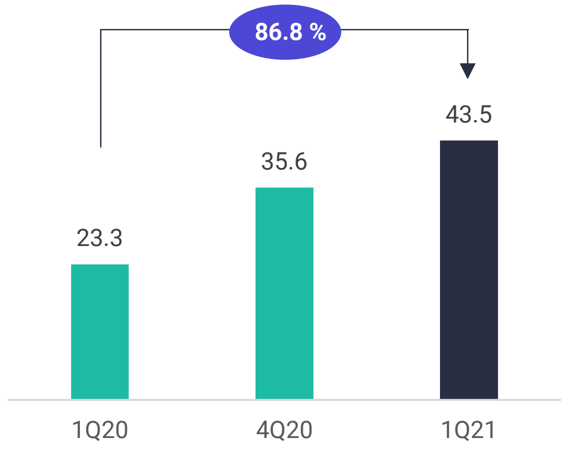
In 1Q21, we saw a 45.8% YoY increase to a total of ~1.3 million enrolled clients, while the active client base grew by 40.0% to ~400,000 clients, as a result of our continued strategy of client attraction and acquisition.

CAGR Client Base 2018-2020 +84%

Enrolled Clients Base 2018-2020 3.3x

Active Client Base 2018-2020 2.5x

Average Retail AUC (Cohort)
R$ thousand



In statistics, *cohort* is a set of people who have in common an event that occurred during the same period. Analyses take into account the season, while the common characteristic is clients who activated their accounts during the same period, thus, assisting us to identify effects and specific behavior.

The Average Retail AUC (Cohort) is an index of client portfolio evolution and potential revenue generation. 1Q21cohort ended at R$43,500, 86.8% higher than in 1Q20. This index attests the differentials of our ecosystem related to customized financial advisory product and services.

FINANCIAL PERFORMANCE

Solid growth in all key business units, with operational leverage and significant profitability expansion

Gross Revenue

Financial Highlights *(R$ million, except when otherwise indicated)*	1Q21	1Q20	∆%
Retail Portfolio	33,921	16,955	100.0%
Retail Flow	50,563	39,051	29.5%
Capital Markets	17,676	5,027	251.6%
Institutional Desk	24,762	5,455	353.9%
Digital Content	2,375	3,703	-35.9%
Other	3,247	3,518	-7,7%
Total	**132,544**	**73,709**	**79.8%**

Retail Portfolio +100.0%

Retail Flow +29.5%

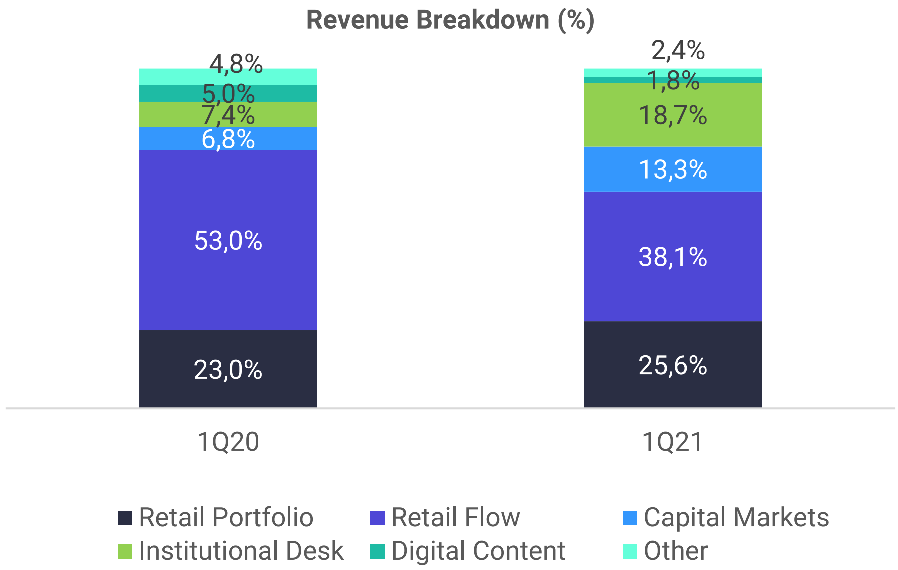
Institutional Desk +4.5X

Capital Markets +3.5X

Gross revenue totaled R$132.5 million in 1Q21, 79.8% higher than in 1Q20, due to a well-executed combination of (i) Retail AUC increase and revenue yield resilience; and (ii) relevant revenue contribution from all business units.

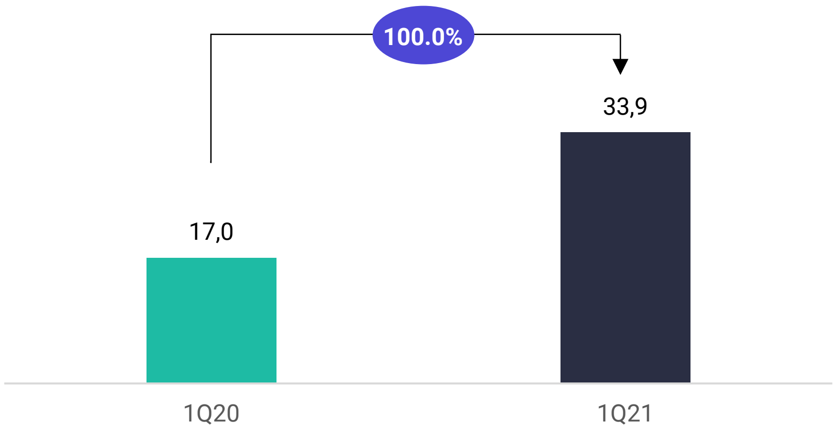
Revenue from Capital Markets came 3.5 times higher than in 1Q20, mainly due to the accelerated growth of DCM (Debt Capital Markets) transactions, in light of greater deal flow, as a result of our higher base of internal distribution. The Institutional Desk result was multiplied by 4.5 times YoY, especially due to the large volume of operations from institutional clients we attracted boosting the advantages of verticalization and the retail platform growth.

Among the institutional desk highlights, we have the private fixed income desk, FX and B3 futures market maker. Retail operations also saw robust growth, with Retail Portfolio doubling YoY, reaching R$33.9 million and Retail Flow totaling R$50.6 million, up 29.5% YoY.



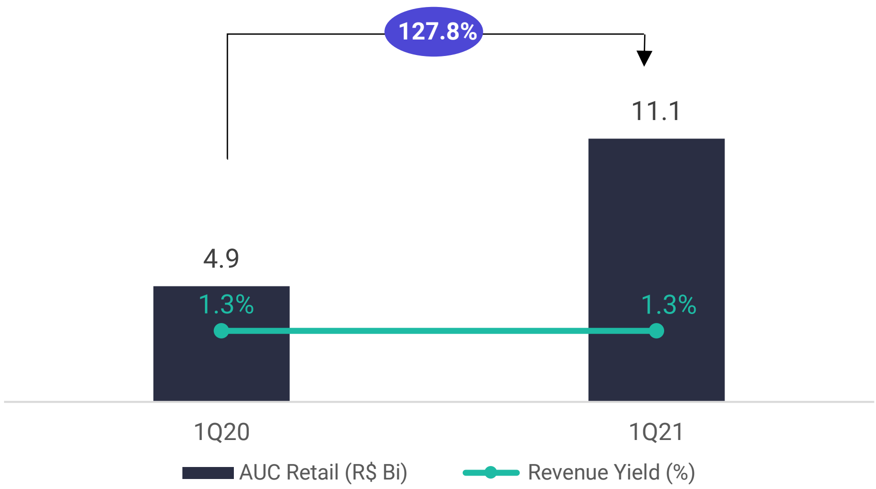
It is also worth noting the diversification of our businesses, since, in 1Q20, revenue from Retail Flow accounted for ~50% of our total gross revenue, over a base of R$73.7 million. In 1Q21, revenue from Retail Flow, even considering the growth of nearly 30% YoY, accounted for 38.1% of total gross revenue, over a base considerably higher of R$132.5 million. These are increasingly consolidated differentials derisking the strategy by materializing diversification of revenue streams.

Retail Portfolio
(R$ million)



Revenue from Retail Portfolio grew 100.0% to R$33.9 million in 1Q21, fueled by higher revenue from fixed income, management fees over investment funds and structured products, added to the growth of our assets under custody base.

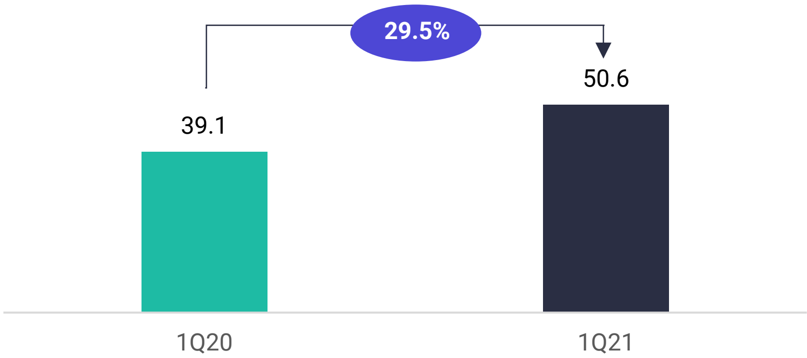
Revenue Yield
(%)



Revenue Yield measures revenue as a percentage of Average Retail AUC[1]. We calculate the Revenue Yield of Retail Portfolio considering the last 12 months revenue in relation to the Average Retail AUC. In 1Q21, Revenue Yield stood at 1.3%, in line with 1Q20, thus, evidencing the resilience and consistency of revenue deriving from Retail Portfolio, even considering the significant growth of Retail AUC.

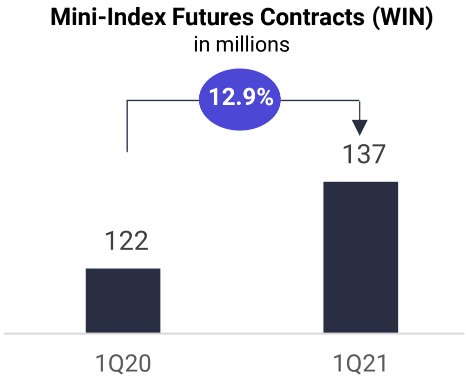
1 Average Retail AUC = (Sum of Retail AUC from the beginning of the period and of each end of quarter during a certain year, considering 5 data points in one year)/5

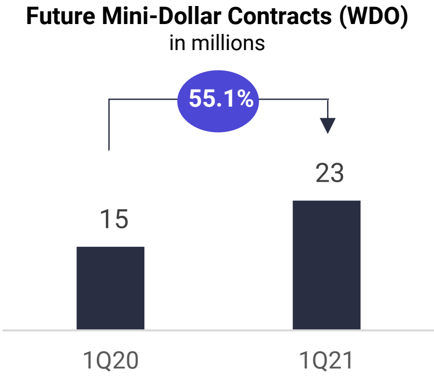
Retail Flow
(R$ million)

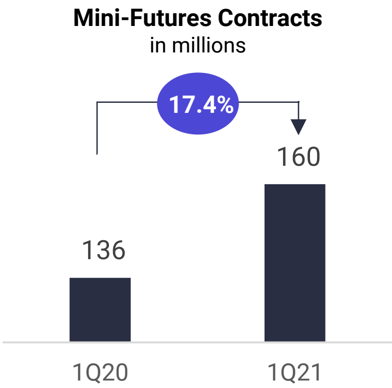


Retail Flow revenues grew 29.5% to R$50.6 million in 1Q21, YoY, mainly driven by a record volume of transactions in the futures contracts market of Mini-Index (WIN) and Mini-Dollar (WDO).

In 1Q21, again we were **one of the leading brokers in WIN and WDO trades**, with a total of 160 million contracts traded in the quarter, a 17.4% YoY growth. Through our platforms, our clients traded 137 million WIN contracts and 23 million WDO contracts, 12.9% and 55.1% above the volume of contracts traded in 1Q20, respectively.

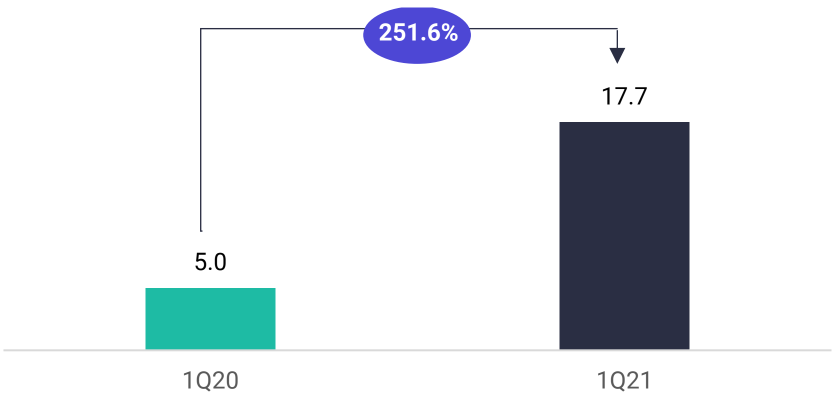






Source: B3

Capital Markets
(R$ million)

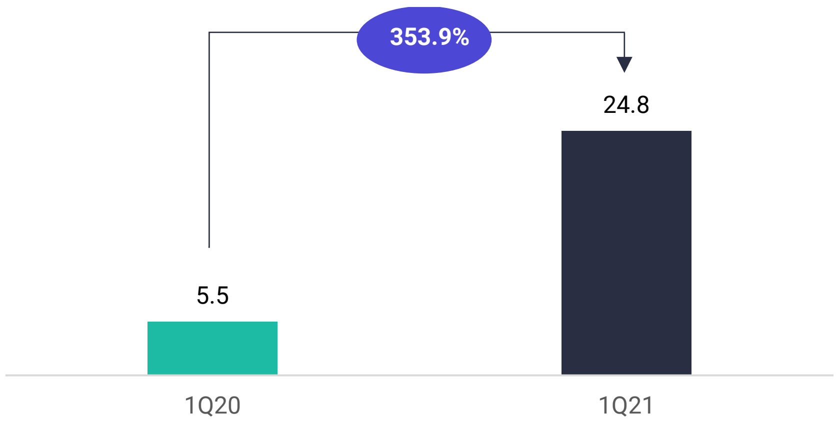


Through our Capital Markets division, we offer structuring and distribution services (primary and secondary markets, via our fixed income secondary trading desk), besides financial advisory services in mergers & acquisitions for companies, financial institutions, and investment funds.

In addition to being a vertical that broadens our scope of activity, we believe that the Capital Markets services are complementary to the Digital Bank since products originated and structured by our team are mainly distributed to our digital platform's clients and partners.

These revenues multiplied by 3.5 in the last 12 months, fueled by accelerated growth of DCM (*Debt Capital Markets*) transactions, especially due to our broad ecosystem, which allows us to operate vertically, in the Capital Markets origination, structuring, and distribution of operations.

Institutional Desk (R$ million)



Through our Institutional Desk, we offer operations in the equities, futures, and fixed income markets, besides FX, currencies derivatives, indexes and commodities, and market-making operations.

Revenue in the quarter corresponds to nearly 4.5 times revenue recorded by the division in 1Q20, totaling R$24.8 million, mainly driven by higher revenue from intermediation in the equities, futures, FX markets, and market-making, besides the expansion of our institutional client base.

Digital Content and Others

Revenue from Digital Content went down by 35.9% YoY to R$2.4 million, impacted by restrictions related to COVID-19, making it difficult to record classes and courses. Thus, various courses initially planned for 1Q21 were re-scheduled for the following months, including one to be hosted by Camila Farani, G2 Capital's CEO and one of Brazil's main private investors, and also the founder of women's innovation hub **Ela Vence ("*She Wins*")**. In February 2021, we nominated Mrs. Camila Farani as the non-executive Chairwoman of the ESG (Environmental, Social & Governance) Committee, a vertical with multiple initiatives under development, in another front of synergies between areas and acquirees, such as **Eleven Research**.

Other Revenues totaled R$3.2 million in 1Q21 versus R$3.5 million in 1Q20.

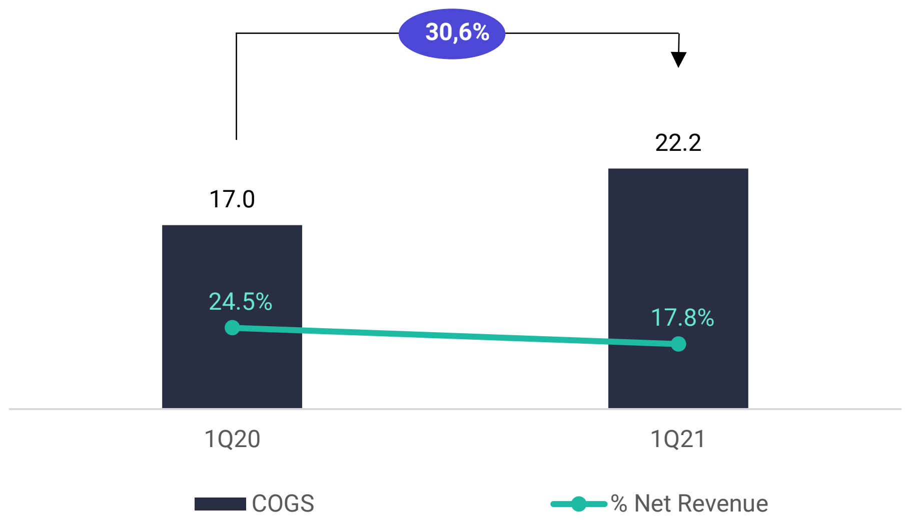
Gross Profit

Gross Profit (R$ thousands, except when otherwise indicated)	1Q21	1Q20	∆%
Net Revenue	**124,504**	**69,238**	**79.8%**
(-) COGS	(22,206)	(16,997)	30.6%
Gross Profit	**102,298**	**52,242**	**95.8%**
Gross Margin	***82.2%***	***75.5%***	***6.7 p.p.***

The Cost of Goods and Services, mainly composed of custody, transactions, and brokerage expenses with B3, besides IFA's commissions, increased 30.6% to R$22.2 million in 1Q21, YoY, directly associated with higher revenues from Retail Portfolio and Retail Flow.

As our revenue growth outpaces our COGS, Gross Profit expanded nearly 96% YoY, to R$102.3 million, with Gross Margin increasing 6.7 p.p. in 1Q21, reaching 82.2%.

COGS
(R$ million)



Selling, General, and Administrative Expenses

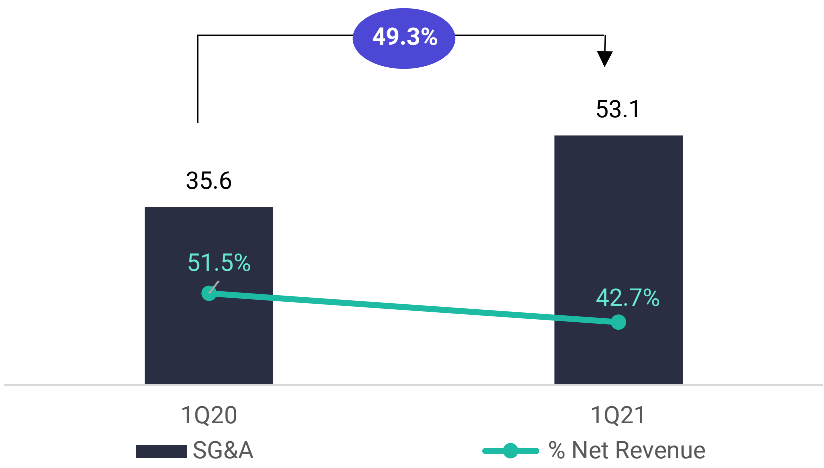
SG&A (R$ thousands, except when otherwise indicated)	1Q21	1Q20	∆%
Personnel	26,006	18,546	40.2%
Profit Sharing	4,532	62	n/a
Third Party Services	7,087	4,881	45.2%
Marketing Expenses	8,990	5,589	60.9%
Administrative Expenses	5,103	4,117	23.9%
Phantom Stock Options	141	-	n/a
Other	1,252	2,378	-47.4%
Total SG&A	**53,111**	**35,573**	**49.3%**
(% of Net Revenue)	***42,7%***	***51,5%***	**-8,7 p.p.**

Selling, general and administrative expenses went up 49.3% to R$53.1 million in 1Q21, YoY. It is worth mentioning that we were capable of diluting SG&A expenses, and in terms of net revenue percentage, total SG&A came at 42.7%, 8.7 p.p. lower than in 1Q20. This evidences our great capacity for operational leverage, as our revenue growth outpaces our operating costs and expenses.

Personnel expenses, which account for~50% of SG&A expenses, increased 40.2% YoY, in line with a 42.6% higher headcount increase, with 229 associates hired between 1Q20 and 1Q21.

Marketing expenses came to R$9.0 million, a 60.9% increase from 1Q20 directly related to higher investments in brand awareness, attraction, and acquisition of clients in the period, which has been positive for client attraction and activation.

SG&A Expenses (R$ million)

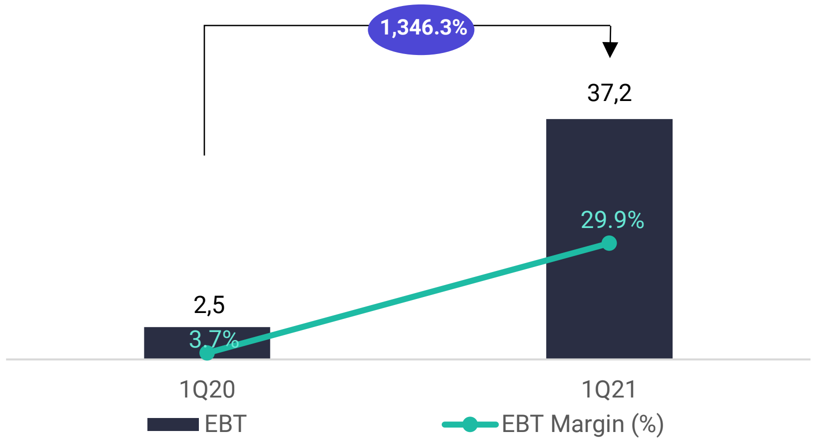


Earnings Before Taxes (EBT)

EBT *(R$ thousands, except when otherwise indicated)*	1Q21	1Q20	Δ%
Gross Profit	**102,298**	**52,242**	**95.8%**
(-) SG&A Expenses	(53,111)	(35,573)	49.3%
(+) Equity Method	801	769	4.2%
(-) Depreciation and Amortization	(5,122)	(4,444)	15.2%
EBIT	**44,867**	**12,993**	**245.3%**
EBIT Margin	36.0%	18.8%	17.2 p.p.
(-) Financial Expenses	**(7,639)**	**(10,419)**	**-26,7%**
EBT	37,228	2,574	1346.3%
EBT Margin	29.9%	3.7%	26.2 p.p.

A combination of high growth of nearly 96% of Gross Profit and lower SG&A Expenses proportionally to net revenue resulted in a significant increase of our profitability in 1Q21. Thus, Earnings Before Tax (EBT) totaled R$37.2 million in 1Q21, nearly 14 times higher than the amount recorded in 1Q20, with 29.9% of EBT margin, 26.2 p.p. above 1Q20.

EBT and EBT Margin
(R$ million and %)

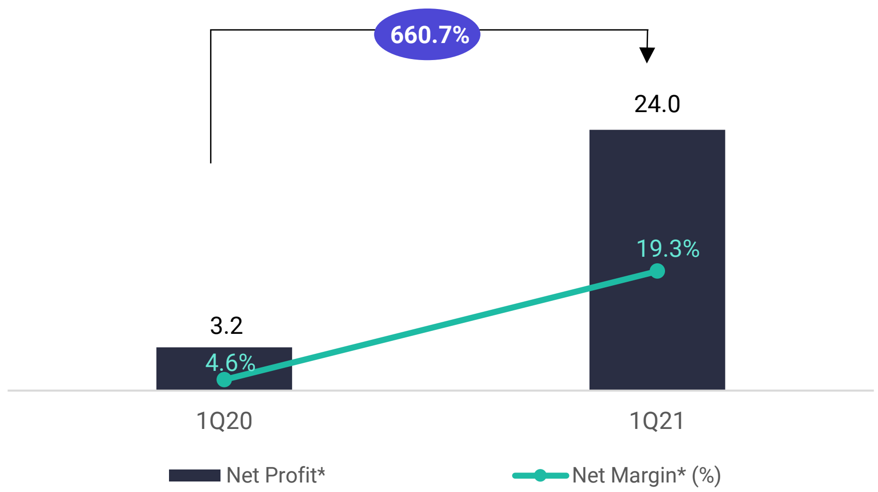


Net Income

Net Income (R$ thousands, except when otherwise indicated)	1Q21	1Q20	∆%
EBT	**37,228**	**2,574**	**1,346.3%**
(-) Income Tax and Social Contribution	(13,285)	585	657.9%
Net Income	**23,943**	**3,159**	**n.a.**
Phantom Stock Options after taxes	91	-	n.a.
Adjusted Net Income	**24,034**	**3,159**	**660,7%**
Adjusted Net Margin	*19.3%*	*4.6%*	14.7 p.p.

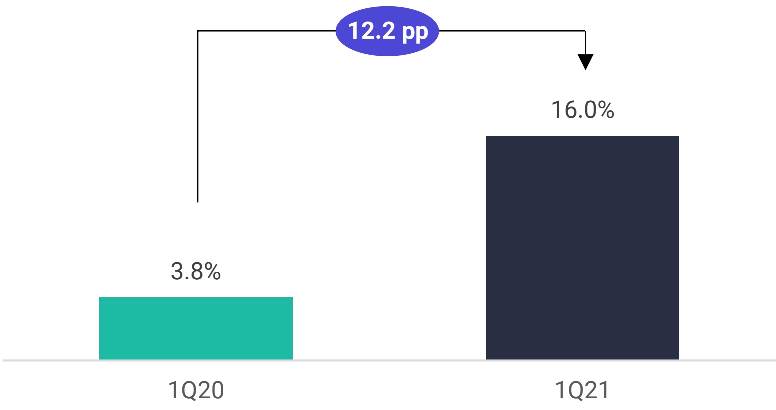
Adjusted Net Income totaled R$24.0 million in 1Q21, nearly 8 times higher than the amount recorded in 1Q20. Net Margin in 1Q21 was 19.3%, 14.7 p.p. higher than in 1Q20, evidencing solid and balanced growth among the main divisions, with a positive impact on bottom line.

Adjusted Net Income
(R$ million)



***Continued Operations**

Return on Adjusted Net Equity (ROAE) (%)



In 1Q21, annualized ROAE stood at 16.0%, 12.2 p.p. higher than in 1Q20, due to the profitability gains over the period, especially in light of our high level of operational leverage.

CAPITAL STRUCTURE AND CAPITAL ADEQUACY RATIO

We strictly control and monitor our capital structure, also diligently assessing capital needs to cope with investments and sustain growth and risks to which we are subject.

In this regard, we take all due care and precautions to ensure that our solvency ratio, i.e., the Capital Adequacy Ratio, is within the minimum capital requirements.

Pursuant to rules and instructions of the Brazilian Central Bank (BACEN), the financial institutions shall maintain a minimum shareholders' equity of 8% of their consolidated risk-weighted assets, plus percentage over credit risks, exposures over gold, assets, and liabilities referenced in foreign exchange variation and interest rate variation.

The Capital Adequacy Ratio is calculated by dividing the Reference Equity by the amount of risk-weighted assets (RWA). As shown below, our Capital Adequacy Ratio, even before the IPO, is robust at 18.9% at the end of 1Q21 leaving us ready to solidly execute on the Bank's development plan.

Capital Adequacy Ratio *(in R$ thousands, except when otherwise indicated)*	**1Q21**	**4Q20**
Principal Capital (Tier I)	465,149	202,028
Reference Equity	**465,149**	**202,028**
Credit Risk Weighted Assets (RWACPAD) (a)	1,549,968	1,154,462
Market Risk Weighted Assets (RWAMPAD) (b)	401,476	209,485
Operational Risk Weighted Assets (RWAOPAD) (c)	515,691	438,219
RWA (a) + (b) + (c)	**2,467,135**	**1,802,166**
Minimum Required Reference Equity	197,371	144,173
Gap to Minimum Required Reference Equity	267,778	57,855
Capital Adequacy Ratio (%)	**18.9%**	**11.0%**

RECONCILIATION OF GROSS AND NET REVENUE

Reconciliation of Gross and Net Revenue (IFRS - Managerial) *(R$ thousands, except when otherwise indicated)*	1Q21	1Q20
Gross Revenue	**132,544**	**73,709**
Result of financial intermediation and services [1]	120,313	60,117
(-) Funding expenses [2]	7,639	10,419
Other operating revenues [3]	4,592	3,173
(-) Income tax [4]	**(8,040)**	**(4,471)**
Contribution to the social integration program (PIS)	(769)	(427)
Contribution for social security financing (COFINS)	(4,649)	(2,525)
Tax on services (ISS)	(1,990)	(1,203)
Income tax withheld at source (IRRF)	(632)	(316)
Net revenue	**124,504**	**69,238**

(1) Considers the balance of the “Result of financial intermediation and services” account in accordance with the Income Statement.
(2) Considers the balance of “Expenses with Interest and Similar” as Funding Expenses in the Income Statement, excluding the balance of “Expenses with Committed Operations” (for more details, see the notes to the Audited Financial Statements).
(3) Considers the portion of “Other Operating Income”, included in the balance of “Other operating income (expenses)” in the Income Statement (for more details, see the notes to the Audited Financial Statements).
(4) Considers the balance of “Contribution to the social integration program”, “Contribution for the social security financing”, “Service taxes”, and “Income tax withheld at source” in “Tax Expenses” in the Income Statement (for additional details, see the notes to the Audited Financial Statements)

CONSOLIDATED BALANCE SHEET

Assets (in R$ thousands)	03/31/2021	12/31/2020
Cash and cash equivalents	**2,818,419**	**2,057,592**
Financial Assets	**2,200,205**	**1,768,530**
At Amortized Cost	**725,622**	**453,017**
Other financial assets	420,744	318,224
Decrease in Compulsory Deposits in the Brazilian Central Bank	16,385	14,978
Credit operations	291,534	127,821
(-) Provision for Expected Loss	(3,041)	(8,006)
At fair value through other comprehensive income	**901,218**	**892,544**
Marketable securities	901,218	892,544
At Fair Value through Profit or Loss	**573,365**	**422,969**
Marketable securities	260,207	335,712
Derivatives	313,158	87,257
Non-current assets held for sale	**329,329**	**332,828**
Investments in associates	**847**	**2,117**
Other assets	**29,702**	**17,225**
Tax Assets	**98,788**	**112,161**
Income tax recoverable	31,873	36,926
Deferred income tax and social contribution	66,915	75,235
Property and equipment	**27,341**	**21,755**
Right of use of leases	**12,248**	**12,124**
Intangible assets	**95,197**	**81,419**
Total Assets	**5,612,076**	**4,405,751**

Liabilities *(in R$ thousands)*	03/31/2021	12/31/2020
Financial liabilities	**4,930,501**	**3,745,436**
At amortized cost	**4,661,119**	**3,728,786**
Deposits	3,094,059	2,092,060
Funding in the open market	1,322,074	1,412,003
Other financial liabilities	244,986	224,723
At Fair Value through Profit or Loss	**269,017**	**16,650**
Derivatives	269,017	16,650
Provisions and Contingent Liabilities	**1,860**	**1,460**
Other liabilities	**34,263**	**36,437**
Liabilities associated to Non-current Assets held for sale	**9,257**	**11,839**
Tax liabilities	**24,195**	**24,326**
Current income tax and social contribution	21,268	23,620
Deferred income tax and social contribution	1,145	617
Other tax liabilities	1,782	89
Total liabilities	**4,999,711**	**3,819,498**
Shareholders' equity	**612,365**	**586,253**
Equity attributable to owners of the parent	**612,365**	**586,253**
Share capital	291,908	291,908
Capital reserves	228,974	228,974
Revenue reserves	67,339	71,385
Treasury shares	-	(6,349)
Other comprehensive income	521	335
Profit reserve to be paid in	23,623	-
Total Liabilities and Shareholders' Equity	**5,612,076**	**4,405,751**

INCOME STATEMENT

Income Statement (in R$ thousands)	1Q21	1Q20
Income from interest and similar earnings	**34,881**	**30,781**
At amortized cost and at fair value through other comprehensive income	34,881	30,781
Expenses with interest and similar	**(14,367)**	**(22,868)**
At amortized cost	(14,367)	(22,868)
Result of financial assets and liabilities at fair value through profit or loss	(94)	(18,714)
Service revenue	60,982	40,063
Foreign Exchange Result and Foreign Exchange Variation of Transactions Abroad	33,946	33,746
Result in the Sale of Credit Operations	-	6
Financial assets expected losses		
Credit operations	4,965	(2,897)
Result of financial intermediation and services	**120,313**	**60,117**
Personnel expenses	(30,538)	(18,608)
Tax	(8,152)	(5,539)
General and administrative expenses	(46,906)	(34,107)
Equity in results of investees	801	769
Other operating income (expenses)	2,185	(58)
Provisions and contingent liabilities	(475)	-
Result before taxation	**37,228**	**2,574**
Income tax		
Current	(4,703)	(3,117)
Deferred	(8,582)	3,702
Profit from continuing operations	**23,943**	**3,159**
Result with discontinued operations	(320)	(6,139)
Consolidated profit for the period	**23,623**	**(2,980)**
Attributed to controlling stockholders	23,623	(2,980)
Number of outstanding shares	488,179,962	60,184
Diluted and basic earnings per share (in R$)		
Common shares	0,05307	52,79903
Preferred shares	0,04154	52,79903

MANAGERIAL INCOME STATEMENT

Managerial Income Statement (in R$ thousands)	1Q21	1Q20
Gross Revenue		
Retail Portfolio	33,921	16,955
Retail Flow	50,563	39,051
Capital Markets	17,676	5,027
Institutional Desk	24,762	5,455
Digital Content	2,375	3,703
Other	3,247	35,185
Total Gross Revenue	**132,544**	**73,709**
Taxes and Deductions	(8,040)	(4,471)
Net Revenue	**124,504**	**69,238**
(-) COGS	(22,206)	(16,997)
Gross Profit	**102,298**	**52,242**
(-) SG&A	(53.111)	(35.573)
(+) Equity Accounting	801	769
(-) Depreciation and Amortization	(5,122)	(4,444)
EBIT	**44,867**	**12,993**
(-) Financial Expenses	(7,639)	(10,419)
EBT	**37,228**	**2,574**
(-) Income Tax and Social Contribution	(13,285)	585
Net Income	**23,943**	**3,159**
Phantom Stock Options after Tax	91	-
Adjusted Net Income	**24,034**	**3,159**

STATEMENT OF CASH FLOWS

Cash Flows *(in R$ thousands)*	1Q21	1Q20
Cash flows from operations		
Consolidated Profit for the period	**23,623**	**(2,980**
Provision for financial assets expected loss	(4,965)	2,897
Depreciation and amortization	5,825	4,594
Deferred income tax and social contribution	8,582	(3,702)
Provision for share-based payments	(141)	(28)
Provision for contingencies	475	-
Provision for profit sharing	4,532	62
Equity in results of investees	(801)	(787)
Appropriation of lease liability interest	(363)	(233)
Effect of the changes in the foreign exchange rates in cash and cash equivalents	(33,72	(28,44
Adjusted profit (loss)	**3,039**	**(28,62**
Variations in assets and liabilities		
(Increase) Decrease in compulsory deposits at the Brazilian Central Bank Bank	(1,407)	(1,546)
Increase (Decrease) in financial assets at amortized cost	(259,9	81,672
(Increase) decrease in financial assets at fair value through profit or loss	(150,3	(443,8
(Increase) Decrease in financial assets at fair value through other comprehensive income	(8,643)	316,11 1
(Increase) decrease in income tax to offset	5,053	5,419
Increase (decrease) in other assets	(12,05	(3,352)
Increase (decrease) in financial liabilities at amortized cost	927,80	742,44
Increase (decrease) in financial liabilities at fair value through profit or loss	252,36	117,56
Increase (decrease) in provisions	(75)	-
Increase (decrease) in current tax liabilities and other tax obligations	(659)	(3,867)
(Increase) decrease in other liabilities	(1,677)	3,744
Increase (decrease) in liabilities associated to non-current assets for sale	(2,582)	(2,016)
Income tax and social contribution paid	-	(1,417)
Increase (decrease) in non-current assets for sale - discontinued operations	3,499	(7,973)
Net cash provided by (used in) operating activities	**754,33**	**774,30**
Cash flows from investing activities		
Acquisition of property and equipment	(7,521)	(1,676)
Dividends received	2,063	1,265
Acquisition of intangible assets	(16,81	(9,845)
Addition (Disposal) of investments	8	-
Net cash provided by (used in) investing activities	**(21,99**	**(10,25**
Cash flow from financing activity		
Dividends paid	(3,996)	-
Leasing amortizations paid	(1,244)	(969)
Net cash provided by (used in) financing activities	**(5,240**	**(969)**
Increase (Decrease) in cash and cash equivalents	**727,09**	**763,08**
Cash and cash equivalents at the beginning of the period	2,057,	502,47
Effects of the changes in the foreign exchange rates in cash and cash equivalents	33,728	28,449
Cash and cash equivalents at the end of period	2,818,	1,294,
Complementary information		
Interest paid	7,258	174,70
Interest received	47,035	435,96

GLOSSARY

AuC	Assets Under Custody represent the total amount of all financial assets under custody of modalmais
CAC	Customer Acquisition Cost - marketing cost for the period divided by the number of clients who opened an account
Active Client	Client with a position above R$10.00 or to have operated over the last three months. This criterion is in accordance with our proposal to democratize investments
Adjusted Shareholders' Equity	Shareholders' Equity adjusted to non-recurring effects. For December 31, 2019, the shareholders' equity is adjusted to the net shareholders' equity of modalmais' discontinued operations, object of partial spin-off for the creation of MAF Distribuidora de Titulos e Valores Mobiliários S.A., with the consequent reduction in the share capital of modalmais
Phantom Stock Options	Banco Modal's stock option program in the "Phantom Shares" modality, which consists of compensation with cash payment, with no effective delivery of shares. These amounts are recorded as a provision payable, with a corresponding entry in the result for the year
Retail Flow	Business Unit through which we offer our customers financial products and services related to equity transactions, with or without leverage, as well as advanced homebroker platform subscriptions (plans and subscriptions)
Retail Portfolio	Business Unit through which we offer our retail investor clients, high net worth individuals and B2B partners a wide range of products and services, mostly distributed through our digital platform
Revenue Yield	It is calculated by dividing the Retail Portfolio business unit revenue for the last twelve months by the average AUC Retail. Average AuC Retail is calculated using the sum of AuC Retail at the beginning of the period and each quarter end in a given year, with 5 data points in a year, divided by 5
ROAE	Return on Average Shareholders' Equity - corresponds to the net profit (loss) of the fiscal year from continued operations attributed to the controlling shareholders, divided by the Adjusted Average Shareholders' Equity. For the quarter, ROAE considers the annualized net income (loss). Adjusted Average Shareholders' Equity is calculated by the simple average between Adjusted Shareholders' Equity at the beginning and end of the fiscal year
YoY	Year over Year

DISCLAIMER

Forward-looking statements

This document may contain estimates and forward-looking statements. These statements may appear throughout this document. These estimates and forward-looking statements are mainly based on the current expectations and estimates of future events and trends that affect or may affect the business, financial condition, and results of operations, cash flow, liquidity, prospects and the trading price of the units. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to many significant risks, uncertainties and assumptions and are made in light of information currently available to us. Forward-looking statements speak only as of the date they were made, and we do not undertake the obligation to update publicly or to revise any forward-looking statements after we distribute this document as a result of new information, future events or other factors. In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in this document might not occur and future results may differ materially from those expressed in or suggested by these forward-looking statements. Forward-looking statements involve risks and uncertainties and are not a guaranty of future results. As a result, you should not make any investment decision on the basis of the forward-looking statements contained herein.

Rounding

Certain percentages and other amounts included in this document have been rounded to facilitate their presentation. Accordingly, figures shown as totals in certain tables may not be an arithmetical aggregation of the figures that precede them and may differ from the financial statements.

Differences Between Audited Income Statement and Managerial (Non-Audited) Income Statement

The differences between Audited Income Statement and Managerial (Non-Audited) Income Statement are not exhaustive and should not be construed as a reconciliation of the Managerial Income Statement to the income statement or financial statements. The business units presented in the Managerial income statement should not be presumed to be operating segments under IFRS because our management does not solely rely on such information for decision making purposes. Accordingly, the Managerial Income Statement contains data about the business, operating and financial results that are not directly comparable to the income statement or the financial statements and should not be considered in isolation or as an alternative to such income statement or financial statements. In addition, although our management believes that the Managerial Income Statement is useful for evaluating our performance; the Managerial Income Statement is not based on Brazilian GAAP, IFRS, U.S. GAAP or any other generally recognized accounting principles.