

Leonardo Ferraz:

Good morning, everyone. It is a pleasure to welcome you to the Banco Mercantil earnings conference call regarding the results for the first quarter of 2026. My name is Leonardo Ferraz, and I am responsible for Investor Relations. On behalf of the entire team, I would like to thank each and every one of you joining us this morning for your presence and interest.

Joining me on this call are Gustavo Araújo, our CEO, and Paulino Rodrigues, Chief Financial Officer and Investor Relations Officer, who will share the main highlights for the quarter. They will lead the presentation, after which we will open the floor for a Q&A session.

I would also like to remind everyone that this conference call is being recorded, and both the presentation and its transcript, as well as the supporting materials used, will be available on our Investor Relations website. Throughout the presentation, you may submit your questions through the Q&A tab located at the bottom of the screen or via our WhatsApp channel, accessible through the QR code that will be displayed during the broadcast.

Once again, I would like to thank everyone for joining us. And now, to begin our presentation, I will turn the call over to Gustavo Araújo, CEO of Banco Mercantil. Gustavo.

Gustavo Araújo:

Good morning, everyone, and thank you for joining us for Banco Mercantil's first quarter 2026 earnings presentation. This marks our 14th consecutive quarter of record net income.

In other words, we have now delivered more than three consecutive years of record results through multiple interest rate cycles, reductions in payroll loan caps, regulatory changes, changes in loan-unlocking procedures, modifications to payroll loan registration flows, as well as geopolitical, political, and institutional crises - all while maintaining an ROAE above 40%.

This demonstrates execution discipline, adaptability and, more importantly, the strength of a structural and long-term strategy. Our purpose is to become the leading ecosystem and primary banking relationship for Brazil's 50+ population.

We believe we are strategically positioned at the center of Brazil's demographic aging thesis, serving a customer segment that continues to grow and increase its consumption profile, leveraging what we believe are unique competitive advantages in the market.

These advantages include a low-cost distribution model for collateralized assets through proprietary and digital channels, combined with strong customer primacy that enables cross-selling opportunities extending far beyond the cyclical dynamics of the payroll loan business alone.

We therefore view our clients holistically. Mercantil 50+ customers are not only borrowers; they are also a source of funding, consumers of services, and purchasers of products within the ecosystem we have built - in addition, naturally, to credit cards, payroll-deductible credit cards, payroll loans, and personal loans.

This quarter in particular highlights the resilience of our business model, as it was marked by challenges related to changes in INSS contracting flows and loan-unlocking procedures.

We also faced important operational challenges regarding private payroll loans. This created a mismatch in origination flows and, under our Resolution 4,966 models, resulted in upfront provisioning effects. Therefore, this 14th consecutive record quarter further reinforces the strength of our strategy, as Banco Mercantil once again delivered record quarterly net income.

This performance was driven by our key top-line growth levers, particularly our high-quality loan portfolio, which expanded 27% over the last twelve months to reach BRL 25.2 billion.

Our portfolio growth has consistently outpaced the market by approximately three times while maintaining strong asset quality. Compared with the Central Bank's free credit portfolio data for individuals, our loss levels tend to be roughly half the market average, supported by our high degree of collateralization.

In addition to the quality of the credit portfolio, growth was also driven by services - our complete ecosystem of subscription products under Meu+, insurance products, services, and solutions specifically designed for the 50+ demographic.

Combining these top-line drivers with disciplined expense management, we achieved net income growing at a 59% compound annual growth rate, reaching a new quarterly record of BRL 273 million.

On the services side, service revenues already account for 21% of total revenues at Banco Mercantil. This is particularly important because these revenues flow directly to the bottom line, do not require capital allocation, carry no credit risk, and are not subject to Basel capital requirements. In addition, they enhance customer engagement, strengthen customer value perception toward the bank, and support margin composition.

This becomes especially relevant in periods when payroll loans face operational challenges in loan registration procedures, as well as pressure on spreads resulting from future DI rates and interest rate caps, which are currently at historically low margin levels. Even in this environment, we continue to grow our ecosystem, which we believe is still in its early stages.

We have already reached BRL 372 million in service revenues, representing significant growth since the launch of our first assistance product back in 2022. Yet we still see substantial room for expansion.

When compared with our client base of more than 10 million customers, we believe there is significant untapped potential for customers to purchase products and services at lower costs than those offered by competitors, while benefiting from convenience specifically tailored to the 50+ audience across both our physical and digital channels.

Another important highlight is our news portal, Viva, which we believe has already become the largest news platform focused on Brazil's 50+ audience, with more than 6 million monthly page views during the quarter.

Through Viva, we provide content and information relevant to this audience across a broad range of topics of interest. Customers organically enter our ecosystem through the platform and ultimately become leads for ecosystem products, as well as payroll loans, cards, and the full range of financial products we offer.

Regarding credit distribution, another key highlight was once again our digital origination platform.

Even in a highly competitive collateralized lending market characterized by compressed spreads and intense competition among players, we continue to distribute most of our products digitally, where the marginal distribution cost is close to zero.

Without relying on human interaction, while offering greater convenience to customers through proprietary channels with lower distribution costs, we are able to sustain a margin structure that remains critical for profitable growth, even during more challenging periods for collateralized products.

A key highlight here is the aggregate volume originated through our app — specifically designed for the 50+ audience - as well as through WhatsApp, adapting our technology to the needs of a customer base that is highly familiar with conversational interfaces.

Another fundamental milestone this quarter was the successful completion of our BRL 498 million capital increase, as announced last quarter, which was approved by the Banco Central do Brasil on March 6.

As a result, shareholders' equity increased from BRL 2.3 billion to BRL 3 billion during the period, incorporating both the capital increase and the effects of earnings already provisioned through interest on capital distributions.

As previously anticipated, our Basel ratio returned to approximately 16%, while CET1 - our core Tier 1 capital ratio - reached 13.8%, returning to levels consistent with those prior to the issues that have now been resolved through the capital increase, bringing our reference equity to BRL 3.3 billion.

In other words, as communicated to the market, the bank is once again capitalized at the same magnitude as before and fully prepared to continue growing and investing in its structural thesis of becoming the leading ecosystem for Brazil's aging and expanding population.

Turning to our final highlights, quarterly net income reached BRL 273 million, up 14% year over year, supported by credit origination growth of 4.7%, despite a slight decline of 9% compared with the first quarter of last year.

It is important to remember that in the first quarter of last year we benefited from the extension of payroll loan tenors from 84 to 96 months, in addition to more favorable loan-unlocking and registration flows within payroll lending. Therefore, considering the current operating environment, origination performance remained very strong, driving a 33% expansion in the loan portfolio to BRL 25.2 billion - approximately 2.7 times market growth.

This performance was also supported by our payroll loan portfolio, which grew 51% during the period.

As an example, our INSS payroll loan portfolio alone expanded 27%, while total system balances declined 0.4% over the same period. In other words, despite all the operational challenges affecting the market, which effectively left the system stagnant, Mercantil continued to grow through profitable and high-quality portfolios.

As previously mentioned, service revenues increased 83% year over year, reaching BRL 372 million.

This translated into an ROAA of 3.2% - among the highest in the industry - which, when leveraged, resulted in an ROAE of 42%, alongside a very comfortable Basel ratio of approximately 16%, ensuring that we maintain the capital capacity required to continue investing in what we believe is still only the beginning of our 50+ ecosystem thesis.

To provide more detail behind these figures, I will now turn the call over to our CFO, Paulino Rodrigues. Good morning.

Paulino Rodrigues:

Good morning, Gustavo, and good morning to everyone joining us for Banco Mercantil's first quarter 2026 earnings presentation.

Overall, we delivered yet another quarter of disciplined execution and strong operating performance, despite several changes in the day-to-day execution dynamics of the bank, within an environment marked by significant geopolitical, regulatory and, naturally, macroeconomic volatility.

Fundamentally, however, we have continued to operate with the same disciplined approach, preserving the bank's ability to consistently deliver the levels of profitability it has sustained for quite some time.

Turning now to the numbers in greater detail, we begin with our loan portfolio, which closed the first quarter of 2026 at BRL 25.2 billion, representing 33% year-over-year growth, equivalent to approximately 2.7 times overall market growth.

Breaking down the portfolio in greater detail, starting with our flagship product, INSS payroll loans, the portfolio ended the quarter at BRL 15.4 billion, up 28% year over year. As Gustavo mentioned earlier, this significantly outperformed the overall market, which contracted 0.4% during the same period.

Looking at private payroll loans, a relatively new product that, to some extent, replaced FGTS birthday-withdrawal advances, the portfolio reached BRL 2.8 billion. Since we started from a very small base in the first quarter of last year - approximately BRL 9 million - we chose not to disclose the percentage growth. However, if we did, growth would be close to 31,000%, during a period in which the market expanded 142.4%.

Therefore, while percentage comparisons may not be entirely meaningful in this case, the bank's growth once again substantially exceeded market performance.

The FGTS birthday-withdrawal portfolio has remained relatively stable over the past few quarters due to the various regulatory changes affecting the product. It remains a product we like very much and continue to carry on our balance sheet, but in practice it has gradually been replaced by private payroll loans, although both products have materially different characteristics.

Another important highlight is our unsecured personal loan portfolio, which closed the quarter at BRL 3.4 billion, representing 32% growth, compared with 15% market growth over the same period.

Taken together, this marks yet another quarter in which the bank expanded at nearly three times the pace of the market, reinforcing a trend we have consistently observed for a considerable period.

Turning now to credit origination, some contextual considerations are important here. These quarters shown on the slide were all marked by significant market movements and operational changes. While it is true that we did not set another origination record this quarter, we still delivered a very healthy quarter in terms of origination volumes.

It is important, however, to analyze comparisons with prior quarters carefully.

To provide context, in the fourth quarter of 2025 we saw several market participants suspended from operating in the INSS payroll loan segment, which is our main portfolio. This contributed, to some extent, to the record origination volume of more than BRL 4.4 billion recorded in that quarter.

At this point, virtually all participants have returned to the market, meaning the sector's competitive dynamics have normalized and we no longer benefit from that same positive effect in the first quarter of 2026.

Likewise, in the first quarter of 2025, when origination exceeded BRL 5.1 billion, it is important to remember that the maximum tenor for INSS payroll loans was extended from 84 to 96 months, increasing borrowers' payroll margin availability and, consequently, origination capacity.

That quarter also represented the last period before biometric requirements became mandatory starting in the second quarter of 2025, which largely explains the exceptionally strong origination levels observed at that time.

Finally, during the first quarter of 2026, Dataprev implemented technological updates affecting the INSS systems, which left the market facing operational difficulties in loan registrations for approximately two weeks in January.

January, in fact, posted one of the historically lowest origination levels for this product line, totaling BRL 4.8 billion.

All of this context is intended to explain that, although we did not achieve another origination record, origination volumes remained very healthy, with the same quality standards we traditionally maintain. Variations relative to prior quarters are largely explained by exogenous factors specific to each period.

Our operation remains predominantly digital, with nearly 80% of origination conducted through Banco Mercantil's digital channels. It is also worth noting that the bank originates 100% of its INSS payroll loans exclusively through proprietary channels.

Payroll loan origination has posted average growth of 37% over the past three years. That summarizes the dynamics of our credit origination business.

Turning to asset quality, beginning with the chart on the left showing Over-90 delinquency, we observed a slight increase during the first quarter of 2026, something we had already anticipated during our last earnings presentation held in March, approximately two months ago.

The 0.2 percentage point increase in Over-90 delinquency was driven primarily by private payroll loans and INSS payroll loans, both of which experienced some deterioration on a sequential basis.

This was partially offset by unsecured personal loans, which performed better than initially expected and helped mitigate the impact from those two portfolios.

We also experienced a portfolio mix effect, with a greater share of the first two products in the overall portfolio, which naturally contributed to a somewhat higher Over-90 ratio.

Nevertheless - and the chart clearly illustrates this - the bank continues operating with delinquency levels at less than half the system average, while system-wide delinquency once again increased.

This has become an area of concern not only for us, but for society more broadly. In recent weeks, we have seen several government initiatives aimed at addressing high household indebtedness, income commitment levels, and rising delinquency indicators.

This concern has been central to our risk management approach for several quarters, which is why we continue to manage our loan portfolio very carefully in order to preserve performance not only in terms of margins, but also in terms of cost of risk and delinquency levels aligned with our expectations for the bank.

Regarding cost of risk, an important highlight relates to loan loss provisions and their percentage relative to the portfolio. We recorded a significant increase during the quarter, as shown in the chart on the left, where provisions rose from BRL 197 million in the fourth quarter of 2025 to BRL 377 million in the first quarter of 2026.

This increase was primarily driven by private payroll loans and reflects a trend we had already anticipated.

Since this remains a relatively new product, there may be some degree of conservatism embedded both in management assumptions and in our risk models. However, we believe it is prudent to maintain these provisioning levels given the portfolio's current performance, even though there is a clear divergence between the provisioning levels shown on this slide and the Over-90 delinquency metrics presented on the previous slide.

This may indicate a degree of conservatism, but we will be able to assess that more accurately as the product matures.

The product has effectively been in the market for only about one year and continues to face operational challenges that also affect us directly. We continue to monitor this portfolio very closely while maintaining the appropriate provisioning levels.

Turning now to service revenues, as Gustavo highlighted earlier, we once again reached a record level of BRL 372 million, with strong quality characteristics.

In other words, insurance and assistance products - primarily driven by Meu+ - are products to which customers assign significantly greater value and usage compared with traditional banking fees, for example.

Traditional banking fees have continued to decline, following a trend observed over several quarters, while being more than offset by the successful expansion of our Meu+ offer, which today accounts for nearly 90% of our total service revenues.

As we know, these revenues do not require capital allocation and flow almost directly to the bottom line, while also helping strengthen customer loyalty and sustain the profitability levels the bank has consistently delivered over many quarters.

Turning now to the liability side of the balance sheet, we have not faced any difficulties in meeting the bank's funding needs. In fact, we are currently operating with historically high cash levels.

What we have observed on the liability side is that most of the bank's funding continues to be distributed through proprietary channels - something we will discuss in more detail shortly.

Funding increased 36%, closing the quarter at BRL 32.3 billion, with a reduction in time deposits and an increase in financial bills and structured transactions.

This has allowed us to extend the maturity profile of our liabilities, improving the asset-liability matching structure, all without increasing the bank's overall funding cost, which has remained around 100% of CDI over recent quarters.

In other words, we have been able to achieve a longer and more appropriate funding profile without incurring higher costs, thereby strengthening the structural quality of the balance sheet.

As mentioned earlier - and as shown in the chart on the left - funding remains predominantly sourced through proprietary channels, which account for 85% of total funding.

We also saw a recent increase in debt market participation following a new structured transaction completed in the fourth quarter of last year, bringing debt market funding to 12%, while investment platforms account for only 3% of the bank's total funding.

On the right-hand side, I would also highlight our short-term liquidity position, measured by the Liquidity Coverage Ratio, or LCR, which reached a historical record of 4.5x.

We are currently operating with cash levels that are probably higher than strictly necessary. However, an important point is that cash growth alone does not fully explain the increase in LCR.

This increase also reflects the reduction in short-term liabilities due to the extension of the liability maturity profile.

Of course, cash balances did increase, and we ended the quarter with BRL 9.885 billion in cash - a historically high level - but the improved liability structure also materially contributed to the increase in LCR from 3.1x to 4.5x year over year.

When we look at total interest-earning assets, cash represented 26% during the first quarter of 2026, which is historically elevated.

The bank typically operates between 15% and 20%, generally closer to 20%, but 26% is clearly above historical levels. Therefore, we see room to improve our net interest margin through a more efficient allocation of excess liquidity.

And finally, long-term liquidity, measured by the Net Stable Funding Ratio, remained at levels comparable to S1 banks, consistently above 125% throughout all quarters presented.

Gustavo already discussed our Basel ratio, so what I would add is that we closed the quarter exactly as we indicated we would back in December, following the agreement reached with the Office of the Attorney General of the National Treasury.

In March, after the Banco Central do Brasil approved and formally ratified the capital increase - disclosed as a subsequent event in last year's financial statements - we now present first quarter 2026 financial statements showing shareholders' equity above BRL 3 billion, a Basel ratio of 16%, and Tier 1 capital of 13.8%.

Therefore, the bank remains very well capitalized to continue pursuing its growth and investment trajectory.

I would only highlight here the phase-in effect of another stage of Resolution 4,966 implementation, as well as additional capital requirements related to operational risk - the so-called RWAopad - which are illustrated in the reconciliation shown in the bar chart on the upper-right side, with a 0.5 percentage point impact on the Basel ratio.

Again, however, these impacts have already been fully absorbed by the capital increase recently approved by the Central Bank.

Turning now to the bank's growth dynamics, we particularly like this slide because it clearly illustrates how the bank has expanded over recent years.

The chart dates back to early 2023 and shows the bank's top line - the white line - growing significantly faster than expense lines, whether funding costs, represented by the darker line, or administrative, operational, and personnel expenses, represented by the light blue line.

This demonstrates the bank's ability to scale efficiently while capturing increasing profitability.

This quarter, we also introduced revenue per client, which illustrates our increasing customer loyalty and deeper client relationships, resulting in higher revenue generation per customer.

Turning now to margins, our NIM declined slightly during the quarter.

At this stage, we still do not yet see any material effect from the recent interest rate reductions initiated by the Central Bank, given that the average Selic Over rate during the first quarter remained at 14.8631%, only marginally below the 14.90% recorded in the previous two quarters.

Therefore, it would not yet be accurate to say that lower interest rates have materially impacted results.

The decline in NIM observed this quarter was mainly driven by lower average spreads across different business lines. Even so, NIM levels remain very strong, as reflected in the profitability indicators we continue to deliver.

Once again highlighting the BRL 372 million in service revenues, we also achieved another record quarterly profit, with the combined NII and service revenue line surpassing BRL 1.770 billion for the first time during the first quarter of 2026.

All of this resulted in an ROAA of 3.2%, as shown in the chart on the right-hand side, broadly in line with recent quarters.

The bank's leverage has remained relatively stable, once again resulting in an ROAE of 42.7% during the first quarter of 2026 - a level that, if not the highest, is certainly among the highest in the industry, consistently above 40%.

With that, I conclude the presentation of our first quarter 2026 results and hand the call back to Leonardo Ferraz, who will lead the Q&A session.

Leonardo, please go ahead.

Participant 1 (via webcast):

In your view, what could be the potential impacts on Banco Mercantil from the Desenrola 2.0 program, including measures such as longer payroll loan tenors, the possibility of grace periods before the first installment payment, changes to payroll deduction margins, and the gradual reduction of the maximum income commitment ratio?

Gustavo Araújo:

Regarding Desenrola, I would divide the answer into two parts.

The first relates to the expectation of renegotiation and recovery of loan portfolios, particularly provisioned assets and loans already written off, especially in products such as unsecured personal loans and private payroll loans, potentially with some support from the FGO guarantee structure.

So, the first aspect is this case-by-case analysis and targeted renegotiation opportunity involving delinquent clients within Banco Mercantil's portfolio, according to the rules established under the program.

That said, it is important to contextualize that this is already the second program of this nature, which naturally raises some discussion regarding moral hazard and the recurring expectation of debt relief programs. Ideally, these initiatives should remain more exceptional and temporary in nature. But putting that broader discussion aside, we do see an opportunity here in terms of portfolio management and debt renegotiation.

The second point relates specifically to the INSS payroll loan segment, where the program introduces some important changes.

Two of these measures are clearly designed to provide relief to borrowers: the extension of maximum loan tenor from 96 to 108 months and the possibility of up to 90 days of grace period before the first payment.

Here again, Banco Mercantil will evaluate each case individually in accordance with its credit policies. Grace periods, for example, were already used during the pandemic period.

As for the tenor extension, we will perform the same type of actuarial analysis we have always conducted, particularly regarding expected cash flow collection between months 96 and 108, in order to determine whether granting this additional tenor makes economic sense.

Therefore, we need to analyze this from both perspectives: on one hand, it provides customer relief through longer tenors; on the other hand, it increases risk exposure as we extend the loan duration by another year - now reaching nine years in total - particularly considering that the main risk factor in payroll lending is actuarial risk and life expectancy-related credit losses.

Another important point regarding payroll lending, beyond these customer relief measures, concerns the utilization of payroll deduction margins.

Today, the structure consists of 35% allocated to payroll loans, plus 5% for payroll-deductible credit cards and another 5% for benefit cards, resulting in a total margin of 40%. Those additional 5% linked to cards may become interchangeable between card products and traditional payroll loans, which are lower-cost credit products given that their interest rate caps are set below those applicable to credit cards.

At Banco Mercantil, credit cards are primarily used as payment instruments, which is how they were originally designed - meaning a low-cost payment tool available to clients.

As a result, we likely have lower utilization rates of these card limits compared with some peers that use card structures more aggressively as a way to effectively expand overall payroll lending exposure.

From that perspective, we may see an opportunity to generate additional credit volume from these 5% margins for customers who have not fully utilized their card limits, depending, of course, on how this interchangeable margin framework is ultimately implemented by Dataprev.

From a broader regulatory standpoint, however, it is important to remember that we are discussing a provisional measure, initially valid for 60 days and potentially extendable for another 60 days.

Within that context, I would also comment on the final point: the gradual annual reduction of the overall payroll lending limit by 2 percentage points.

A provisional measure, by definition, carries an urgent and temporary character. However, a long-term reduction process - especially one involving annual 2 percentage point reductions over several years until reaching 30% - seems to require a much broader political, technical, and congressional discussion.

Therefore, we believe there is still significant room for democratic debate and technical analysis before we can fully determine whether these provisions will ultimately become permanent law or undergo revisions.

The topic certainly deserves careful study and technical evaluation, and perhaps does not necessarily require the same degree of urgency, particularly since the proposed reductions would occur gradually over multiple years.

On one hand, we understand the objective of gradually reducing household indebtedness through lower payroll lending limits. On the other hand, this would also reduce the availability of one of the lowest-cost credit products in Brazil.

So there is still an important debate and analytical process ahead before we can conclude what direction these measures will ultimately take once the provisional measures either become permanent legislation or are revised.

Overall, while there are several moving parts, we believe that, in the short and medium term, Banco Mercantil remains very well positioned both to capture opportunities related to the renegotiation of written-off portfolios and potentially to better utilize these additional 5% margins.

At the same time, the program may provide clients with additional liquidity and financial relief through the Desenrola 2.0 framework.

Participant 2 (via webcast):

Your Liquidity Coverage Ratio, or LCR, increased from 3.1x to 4.5x year over year, even amid continued loan portfolio growth and funding expansion. Does this increase reflect a tactical decision to maintain higher liquidity levels given the current regulatory and macroeconomic environment, or is it a structural characteristic of the bank's funding model?

And how do you evaluate the trade-off between carrying elevated liquidity levels and preserving NIM?

Paulino Rodrigues:

I think I can take this one.

No, this was not the result of a deliberate decision to materially increase our cash position. It occurred organically.

Historically, we have always maintained a fairly significant liquidity buffer to ensure that Banco Mercantil can continue growing without disruption. But in this case, as I mentioned earlier, the increase happened naturally as part of the balance sheet dynamics.

That said, we ended the quarter with close to BRL 10 billion in cash. When we look at liquidity as a percentage of interest-earning assets, it reached a fairly elevated level, even by our own historical standards, at approximately 26%.

Historically, we typically operate closer to the 18% to 20% range. So naturally, at current levels, there is some inefficiency from a capital allocation perspective.

Addressing this will be part of our focus going forward, with the objective of gradually bringing liquidity back toward historical levels.

As a consequence, this should naturally have a positive effect on net interest margin, or NIM, as the relative weight of cash balances declines compared with other interest-earning assets.

Participant 3 (via webcast):

How does Banco Mercantil assess the operational and regulatory risks associated with the suspension of INSS payroll loan origination following the precautionary measure issued by the Tribunal de Contas da União?

And what is the bank's view regarding the concerns raised by the agency related to the lack of controls and safeguards within the e-consignado system, as well as the perceived weaknesses in INSS supervision and oversight?

Gustavo Araújo:

Fundamentally, as I mentioned earlier in the presentation, we believe Banco Mercantil should be viewed through a much broader lens than simply INSS payroll lending alone.

We look at the client holistically. Our 50+ customer base provides funding, purchases services, consumes products across our ecosystem and, naturally, payroll lending remains a very important business line within that broader relationship.

I say this because we have already gone through several adjustments and changes within the payroll lending industry over recent years and, despite that, we have now delivered 14 consecutive quarters of strong results.

Regarding the issue currently under discussion, it is clear that both Dataprev and the INSS will need to formally address the findings presented in the Tribunal de Contas da União report, which identified at least eight areas for improvement aimed at strengthening security and controls within payroll loan origination processes.

I believe the industry is always subject to continuous improvement. In our view, this is already a robust and mature industry, regulated since the early 2000s, and one that also benefits from an important layer of self-regulation, given that institutions themselves have incentives to maintain appropriate market standards and oversight.

Overall, we believe the system functions reasonably well in the vast majority of cases.

Last year alone, several additional biometric and security enhancements were implemented to further improve reliability and customer protection. Mercantil itself has been using biometric authentication since 2019, so we believe the industry has now reached a significantly more mature and secure stage for clients.

Therefore, we view these findings primarily as opportunities for improvement that should naturally be evaluated. Dataprev has already provided some preliminary estimates regarding the timeline for implementing these enhancements.

However, I believe the main issue we need to evaluate is the potential abrupt interruption of payroll loan operations.

This remains part of the ongoing political and institutional discussions, including negotiations involving the Advocacia-Geral da União regarding the precautionary suspension measure, with the objective of allowing these adjustments to be implemented in parallel with the continued operation of payroll lending activities.

An abrupt interruption, as currently being proposed, could have significant social impacts.

We are talking about a universe of approximately 41 million retirees, roughly half of whom utilize payroll loans at some point over their financial lives. Naturally, this also creates operational impacts.

If a customer goes to a Mercantil branch or accesses one of our digital channels and is suddenly unable to obtain a payroll loan, refinancing transaction, or portability operation, this creates disruption for the client, particularly because payroll lending remains one of the lowest-cost credit products available to this segment.

This becomes even more relevant in an environment where household indebtedness is near historical highs — approximately 79% — and Over-90 delinquency for unsecured consumer lending stands around 7%, as we highlighted earlier in the presentation.

So again, we believe there is still considerable room for discussion and calibration so that the INSS, through Dataprev, can implement the technical requirements identified by the Tribunal de Contas da União while preserving the continuity of operations.

There are also ongoing discussions regarding payroll-linked credit cards and additional opportunities for operational improvements.

Overall, we believe the industry has evolved significantly and has become highly mature, while continuing to provide an important social function.

This is an industry that originates approximately BRL 100 billion per year, on average, at regulated and capped interest rates, serving a population that benefits meaningfully from access to this type of credit.

We recognize all of these nuances, but we believe the various political and institutional stakeholders will ultimately approach the matter with common sense.

And as always, Banco Mercantil will continue adapting and capturing the best available opportunities, leveraging its proprietary distribution channels to offer Meu+ products, unsecured personal loans, and other diversification products we have been developing, such as private payroll loans and the remaining FGTS advance products.

Ultimately, this is about continuous adaptation and maintaining the flexibility required to navigate these changes while preserving the bank's strong execution capabilities.

So while there may be some short-term discussion and volatility, we do not believe this changes the bank's long-term outlook.

From a social perspective, these products continue to play an important role and, overall, have functioned effectively over the past two to three decades.

Participant 4 (via webcast):

Does Banco Mercantil still see meaningful operational efficiency opportunities ahead this year, or will future efficiency gains depend more on scale expansion and cross-selling initiatives rather than further cost control measures?

Paulino Rodrigues:

I think I can take this one as well.

No, we always need to continue pursuing efficiency gains. Banco Mercantil's efficiency ratio has improved quarter after quarter, driven both by top-line expansion — and we have a slide that illustrates this dynamic quite clearly — as well as by strict and effective expense management.

Naturally, we still see room for additional efficiency improvements on the cost side.

We understand that when a company is growing rapidly - as is the case with us — it is also necessary, as I usually say, to “trim the nails from time to time” in order to continue improving efficiency from an expense perspective as well.

So yes, there is still room for further optimization. Anyone who analyzes our financial statements carefully will see that there are still opportunities available, and we remain highly focused on capturing those efficiencies.

Participant 5 (via webcast):

Regarding the increase in cost of risk, how are you currently assessing the credit quality of the private payroll loan portfolio?

Were there any surprises in delinquency indicators? And should this level of provisioning continue over the coming quarters, or was this more of a one-off effect specific to this quarter?

Paulino Rodrigues:

I can address this one as well, Leo.

Private payroll lending is a product that is now completing roughly its first year under this new operating model through Dataprev.

Private payroll loans themselves have existed for a much longer time through bilateral arrangements between banks and corporations, typically involving institutions responsible for payroll processing services for companies. Since last year, however, we have seen the launch of this new private payroll framework — Crédito do Trabalhador — which is facilitated and operationalized through Dataprev.

The market as a whole has been facing some operational challenges within these processes, starting with the first stage, known as “escrituração,” which is when companies register loan transactions within their payroll systems so that installment collections can begin.

Failures within this registration process have negatively surprised the market as a whole, not just Banco Mercantil. We are part of this broader industry dynamic as well.

We have also observed difficulties when borrowers change employers, since the registration process then needs to be restarted, effectively reopening an additional 90-day period before payroll deductions can resume.

All of this, combined with the provisioning requirements under Resolution 4,966 and our expected loss models, results in higher provisioning needs.

Relative to some market participants, we may perhaps be taking a somewhat more conservative approach, but we have chosen - as we did this quarter - to maintain provisioning levels that appropriately reflect the operational challenges currently affecting the product.

Looking ahead, which is part of your question, we do expect these operational issues to eventually normalize. Once that happens, the natural expectation would be for our cost of risk to gradually return to levels closer to the historical ranges we have previously reported.

If that normalization does not occur - which at this point appears to be the more likely near-term scenario - then we should continue seeing cost of risk and provisioning levels during the second quarter more in line with what we observed in the first quarter of 2026.

We are already in May, so we are relatively close to the close of the second quarter, and at this stage we would expect provisioning trends to remain relatively consistent with the current quarter.

That said, we continue to believe this is a product with enormous long-term potential.

Even amid this operationally complex environment, the product has continued to deliver record origination volumes. I believe the most recent data released by the Banco Central do Brasil showed record origination levels in March, surpassing BRL 10 billion for the month, meaning the product is already originating significantly more volume than INSS payroll loans.

Therefore, we believe not only we, but the market as a whole, expect these operational issues to be resolved over time.

Once that occurs, there is meaningful upside potential in terms of the value this business line can deliver.

And finally, it is worth remembering that this product currently operates at interest rate levels that, to some extent, already reflect these operational complexities.

If we compare average market rates, they remain substantially higher than those of INSS payroll loans or even FGTS birthday-withdrawal advances, which previously served a similar customer base.

So while we are currently seeing some pressure on provisioning levels, this is partially offset by the stronger margins generated by the product, which ultimately helps maintain our profitability metrics - such as ROAA and ROAE - at relatively stable levels.

Participant 6 (via webcast):

Although the private payroll loan portfolio is still relatively small compared with the INSS payroll loan portfolio, it already appears to be an important new growth avenue for the bank. In your view, does the product remain attractive under the new framework for interest rate monitoring and the possibility of an implicit pricing cap?

The government has also begun restricting additional fees and monitoring what it considers excessive interest rates in payroll loans for formal private-sector employees. Does this change the economics of the private payroll lending business for Banco Mercantil?

Gustavo Araújo:

Regarding the first part of the question, about the relative size of this portfolio within our overall mix, I would say that Banco Mercantil has a very clear strategic purpose and focus around the 50+ segment and around becoming the leading ecosystem for this customer base.

That includes new products, proprietary channels, digital channels, customer convenience, correspondents and branches - all supported by a very strong core business that we believe is difficult to replicate.

These new collateralized lending products are highly adjacent to our core expertise: digital distribution, fraud prevention, management of Dataprev payroll registration flows and remittances, and credit modeling capabilities.

So within this strategic trade-off between remaining solely focused on our core business versus executing the core exceptionally well while also diversifying, we believe we have been able to successfully advance on both fronts.

And that diversification is important from both a management and portfolio allocation perspective.

Up to this point, the bank has already invested significantly in the product and currently carries approximately BRL 2.8 billion in private payroll loans. We view this as an important diversification opportunity, especially in this initial growth phase.

When we analyze distribution costs, CAC allocation and the product's economics - even considering the operational challenges inherent to the segment - we believe this has been a very sound strategic decision by management.

Regarding the regulatory changes, there have indeed been several developments recently, including another important update just last week.

The first major change is that the government has now established a cap not only on nominal interest rates, but also on the total cost of credit, or CET, while also restricting the inclusion of ancillary products such as insurance.

Now, only credit life insurance remains permitted, and even then, the spread between the contractual rate and total CET is limited to a maximum difference of 1%, including IOF taxes.

In addition, the government introduced the first explicit pricing cap for the product.

At this stage, however, the cap was established based on prevailing market average rates, meaning the market itself effectively defined the benchmark.

So initially, we still believe the product maintains attractive economics and allows us to continue operating within cost structures we consider appropriate. In fact, we see this as another step toward further professionalizing and rationalizing the market, which is part of the natural maturation process of the product.

As long as market averages remain the guiding benchmark — combined with our differentiated credit intelligence and asymmetric operational capabilities relative to peers — we believe we can continue generating superior returns relative to risk-adjusted capital allocation.

Now, regarding the broader precedent of introducing interest rate caps, that is something we view with somewhat more caution, given experiences already observed in other lending products.

The key question becomes whether the cap will continue reflecting market averages or whether this creates a precedent for potentially less rational pricing interventions in the future under different circumstances.

That is an important point for debate.

It is always preferable for the market itself to remain the primary pricing mechanism, as is effectively the case today since the cap was initially based on prevailing market rates.

But even more important than regulating rates themselves is properly addressing the underlying risk profile of the product.

Why was the market previously charging rates viewed by regulators as somewhat elevated? Because the product still carries important operational and credit risks, many of which Paulino already discussed earlier.

And among those risks, the most relevant from an economic standpoint is the FGTS guarantee structure, which was already established in legislation and is legally in force, but has not yet become fully operational.

In parallel with the new interest rate cap, however, Dataprev has now also published the technical operating procedures manual that should soon enable lenders to effectively use up to 10% of FGTS balances and 30% of severance penalties as systemic collateral mechanisms for loan amortization.

Once implemented, this could materially improve recovery rates and strengthen credit models, ultimately enabling lenders to offer more competitive pricing to customers.

It would also improve our still relatively young - and therefore conservative - Resolution 4,966 models, particularly with respect to loss-given-default assumptions.

Once default occurs, our expected recoverability rates would become materially stronger using these collateral mechanisms, which we believe are now approaching operational maturity.

This could potentially lead, for example, to provisioning reversals or recoveries within Stage 3 models, materially improving product economics across the industry.

From the lender's perspective, better control over Over-90 delinquency could even allow us, within our internal risk appetite framework, to gradually increase this product's participation within our portfolio mix, since the underlying risk profile would become more contained.

And from the customer's perspective, this should ultimately translate into more competitive rates without relying on artificial pricing caps, which are not the ideal long-term solution.

The ideal scenario is to have structurally sound risk management such that interest rates become a natural consequence of risk and market competition - rather than the result of

externally imposed caps, which, as we have seen in other products, can sometimes create important distortions.

So overall, we remain quite optimistic about the evolution of this business line.

Today, we still carry significant provisioning levels, but we are investing in a product that remains relatively young and that now appears to be approaching a more mature operational stage.

Additional process improvements - such as better handling of employer changes and payroll migration flows - should also materially reduce timing mismatches in remittances, which today can temporarily translate into delinquency indicators and additional provisioning requirements.

Leonardo Ferraz:

Thank you, Gustavo.

And with that, we will now move toward the conclusion of today's presentation.

I would like to remind everyone that any questions submitted today that were not addressed during the call will be answered directly by our Investor Relations team.

Should you have any additional questions, please feel free to contact us through the channels that will remain available on the screen.

I would also like to thank Gustavo and Paulino for today's presentation and wish everyone who joined us this morning a great day.