

BANCO
MERCANTIL

EARNINGS
RELEASE

2Q24 

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Message from the Board

We are delighted to present the results of the second quarter of 2024, affirming Banco Mercantil's role as a leader in the banking market for the 50+ audience. The first six months have been another landmark semester in our trajectory, emphasizing our unwavering commitment to excellence and the trust our clients place in us.

In the first semester of 2024, we reached a new record result. Net profit soared to BRL 181 million for the quarter, the highest in our more than 80-year history, culminating in a cumulative result of BRL 346 million for the first half. Moreover, our profitability remained expressive, with the Return on Equity (ROAE) reaching 37.6% over the past twelve months, ranking among the highest in the banking sector, which underscores our ability to generate profitability consistently.

The expansion of our credit portfolio was a further highlight of this period. Our focus remained on collateralized lines, such as Payroll Loans for INSS beneficiaries and Personal Loan FGTS, which accounted for 81% of our portfolio. This strategic emphasis enabled a 22% annual increase in the portfolio to BRL 15.5 billion, while maintaining over 90-day delinquency rates significantly below market levels at 2.0%. Despite our high profitability, our capital structure remains robust, forming a crucial part of our strategy. In 2Q24, the Basel III Index reached 17.5%, allowing us to continue delivering substantial profitability while ensuring operational stability and safety.

Our solid foundation is further recognized by leading rating agencies. This quarter, we achieved a notable double upgrade by S&P Global Ratings, from brA to brAA-, with a stable outlook. As we proceed into the second half of 2024, Banco Mercantil steadfastly pursues innovation and excellence. We are poised to tackle upcoming quarters with resolve, building a strong and positive legacy for our stakeholders.

Board of Directors



HIGHLIGHTS

Main Indicators	2024	1Q24	Δ	2023	Δ
Net Interest Income (BRL mn)	1,015	947	+7%	804	+26%
Service Revenue (BRL mn)	175	160	+9%	140	+24%
Net Profit (BRL mn)	181	165	+9%	100	+80%
Total Customers	8,533,382	8,244,191	+4%	7,213,564	+18%
Number of Employees and Interns	3,392	3,363	+1%	3,233	+5%
Credit Portfolio (BRL mn)	2024	1Q24	Δ	2023	Δ
Payroll Loan	9,298	8,573	+8%	7,040	+32%
Personal Loan FGTS	3,178	3,149	+1%	2,518	+26%
Personal Loan	1,958	2,097	-7%	1,904	+3%
AA-C Rated Portfolio	14,885	14,242	+5%	12,034	+24%
Top 10 Debtors (%)	2.7%	3.2%	-43 bps	3.1%	-40 bps
Top 50 Debtors (%)	4.8%	5.9%	-118 bps	6.8%	-202 bps
Top 100 Debtors (%)	5.1%	6.5%	-133 bps	7.5%	-236 bps
Total Portfolio	15,492	14,900	+4%	12,716	+22%
Credit Indicators	2024	1Q24	Δ	2023	Δ
NPL > 90	2.00%	2.53%	-53 bps	2.79%	-79 bps
Individuals NPL > 90	2.07%	2.53%	-46 bps	2.62%	-54 bps
Corporate NPL > 90	0.49%	2.44%	-195 bps	5.18%	-469 bps
NPL (15 - 90)	1.32%	1.77%	-45 bps	1.86%	-55 bps
NPL Provision (BRL mn)	421	461	-9%	436	-3%
NPL Provision/Credit Portfolio	2.72%	3.10%	-38 bps	3.43%	-71 bps
Profitability Indicators	2024	1Q24	Δ	2023	Δ
ROAE (LTM)	37.6%	34.7%	+290 bps	21.2%	+1,645 bps
ROAA (LTM)	3.1%	2.9%	+19 bps	1.7%	+133 bps
NIM (quarter annualized)	21.7%	22.0%	-30 bps	22.9%	-118 bps
Capital Indicators	2024	1Q24	Δ	2023	Δ
Basel III Index (%)	17.5%	17.1%	+39 bps	16.2%	+132 bps
Tier I Capital (%)	13.7%	13.1%	+54 bps	11.9%	+1 bps
Shareholder's Equity (BRL mn)	1,836	1,715	+7%	1,425	+29%
Funding (BRL mn)	18,641	17,395	+7%	14,161	+32%

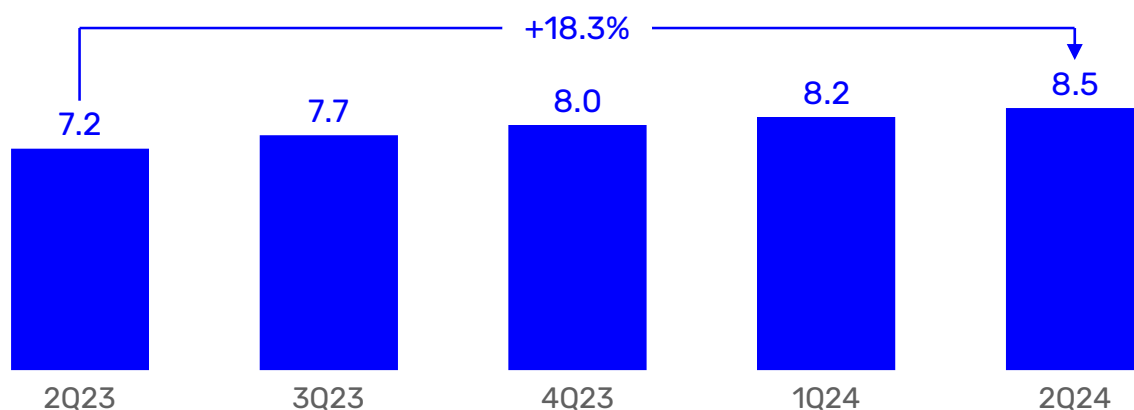
MANAGERIAL INCOME STATEMENT

BRL mn	2024	1Q24	Δ	2023	Δ
Managerial Financial Margin	1,089,037	990,384	+10%	851,484	+28%
Interest Income	1,477,160	1,365,109	+8%	1,173,781	+26%
Credit Operations Revenue	1,374,438	1,271,622	+8%	1,104,208	+24%
Income from Securities and Bond Transactions	99,505	90,202	+10%	71,579	+39%
Income from Derivative Financial Instruments (+ MTM)	2,644	2,761	-4%	(2,689)	+198%
Foreign Exchange Operations Income	69	16	+331%	(34)	+303%
Income from Compulsory Investments	504	508	-1%	717	-30%
Interest Expense	(449,830)	(428,634)	+5%	(403,417)	+12%
Funding Expense	(439,576)	(416,683)	+5%	(382,938)	+15%
Loan and Transfer Expenses	(52)	(30)	+73%	(300)	-83%
Expenses for Obligations Related to Transferred Operations	(10,202)	(11,921)	-14%	(20,179)	-49%
Other Non-Interest Income (Expenses) and Non-Interest Banking Expenses	61,707	53,909	+14%	81,120	-24%
Financial Asset Sale or Transfer Transactions	-	-	-	11,875	-100%
Income from Sale of Securities and Bonds	1,164	(1,830)	+164%	(1,146)	+202%
Service Revenue (Fees)	60,543	55,739	+9%	70,391	-14%
Cost of Credit	(99,127)	(92,295)	+7%	(96,798)	+2%
Provision for Loan Losses	(111,481)	(115,733)	-4%	(112,825)	-1%
Impairment	(277)	(264)	+5%	(232)	+19%
Discounts Granted	(11,802)	10,698	-210%	(6,790)	+74%
Recovery of Loans Written Off as Losses	24,433	13,004	+88%	23,049	+6%
Other Operating Income / Expenses	(728,773)	(654,617)	+11%	(616,273)	+18%
Service Revenue (Others)	114,048	103,982	+10%	69,860	+63%
Non-Interest Expenses	(771,357)	(693,612)	+11%	(637,828)	+21%
Tax Expenses for ISS, PIS, Cofins and Others Taxes	(71,464)	(64,987)	+10%	(48,305)	+48%
Income Before Taxes and Profit Sharing	261,137	243,472	+7%	138,413	+89%
Income Tax and Social Contribution	(79,797)	(77,623)	+3%	(37,945)	+110%
Minority Interest in Subsidiaries	(629)	(727)	-13%	(232)	+171%
Recurring Managerial Result	180,711	165,122	+9%	100,236	+80%

CLIENTS

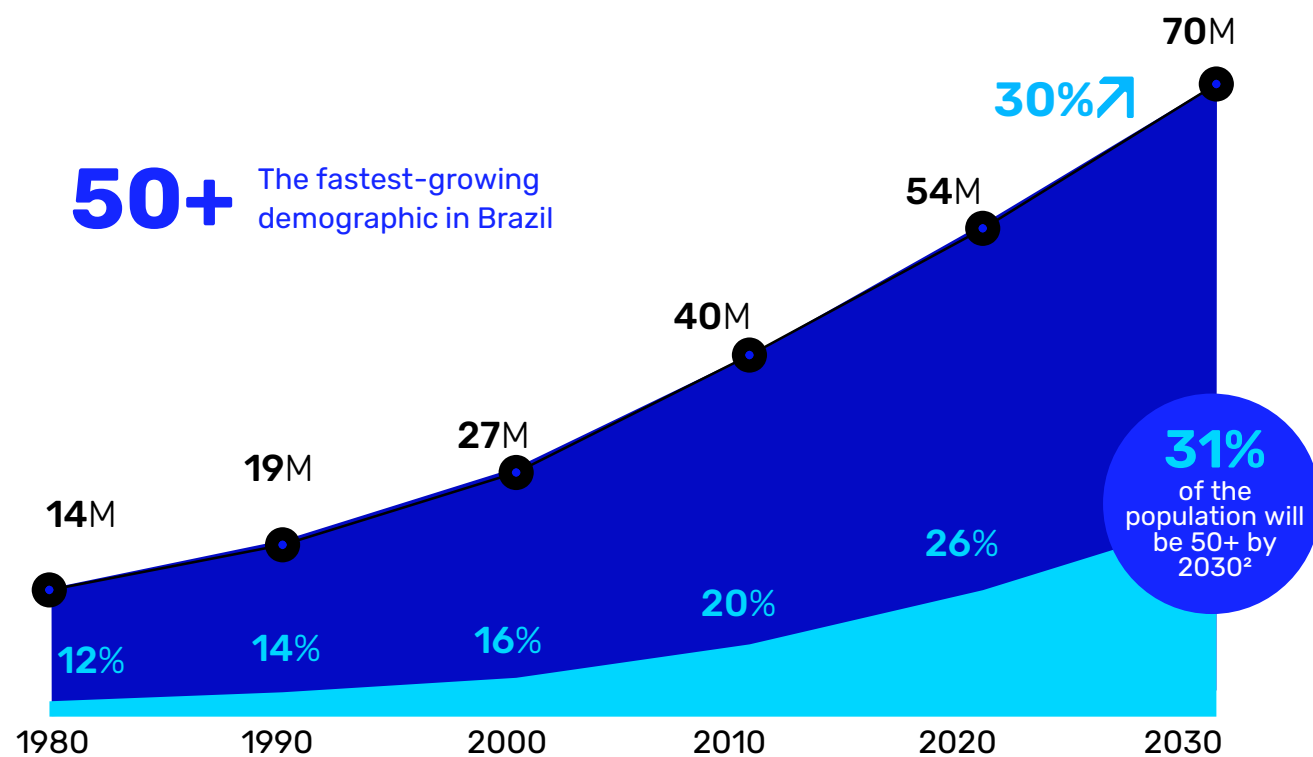
Clients

mn



Banco Mercantil's commitment to prioritizing its customers is grounded in a solid, transparent, and trustworthy relationship. At the end of the second quarter of 2024, we celebrated reaching 8.5 million customers, reflecting an 18% increase from the previous year and a 4% increase from the preceding quarter.

Banco Mercantil stands out as a comprehensive ecosystem for the 50+ segment, offering a variety of products and services specifically designed for this demographic. This group significantly contributes to the economy, generating about BRL 2 trillion annually in Brazil¹, and its importance continues to grow, driven by the advancing age structure of the Brazilian population.



Source: (1) Data8 (2) IBGE

CREDIT

Our credit portfolio showed robust growth, reaching BRL 15.5 billion at the end of the period, an increase of 22% compared to the same quarter last year and 4% compared to the first quarter of 2024. This movement was again driven by growth in Payroll Loans.

We maintained our focus on prudent and sustainable expansion, with an emphasis on operations with individuals. The types of Payroll Loans and Personal Loan FGTS continue to predominate, comprising 81% of our total portfolio. These collateralized products record significantly lower delinquency rates compared to other credit lines in the market.

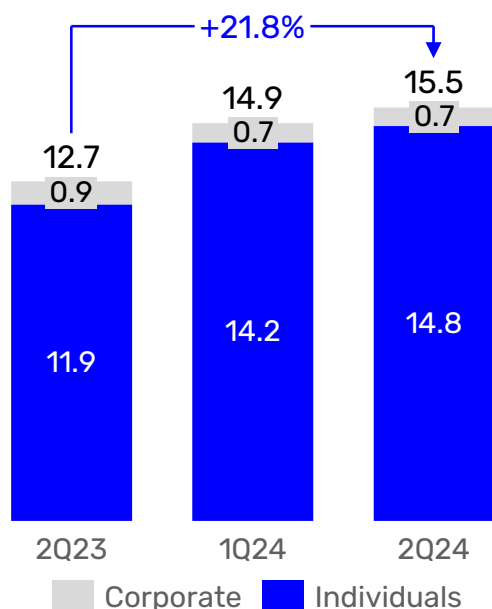
In the second quarter of 2024, the total credit origination reached BRL 3.2 billion, a growth of 55% over the same period last year. This result reflects our increasing commercial efficiency, a result of our expertise in this market. Breaking down by product, the origination of Payroll Loans was BRL 2.2 billion, Personal Credit totaled BRL 547 million, and Personal Loan FGTS reached BRL 247 million this quarter.

Credit Portfolio
BRL 15.5bn +22% ↗

Compared to the same quarter of the previous year

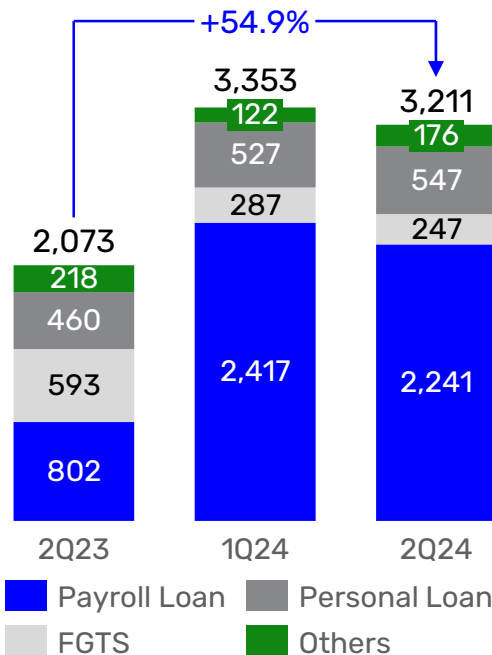
Credit Portfolio

BRL bn



Credit Origination

BRL mn



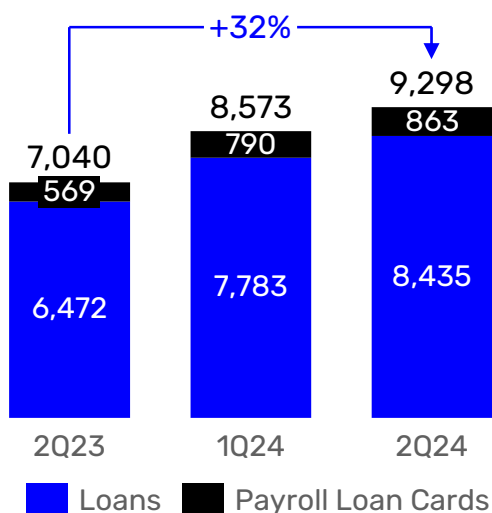
Payroll Loan Portfolio

Payroll Loans continue to be the main product in Banco Mercantil's credit portfolio, given our high degree of specialization and strong positioning in this market. Additionally, we are the fifth largest payer of benefits in Brazil, which places us in a privileged position in the payroll loan market for INSS beneficiaries, roughly 97% of our payroll loan portfolio.

At the end of 2Q24, the Payroll Loan line represented 60% of our credit portfolio, totaling BRL 9.3 billion, an increase of 32% compared to the second quarter of 2023.

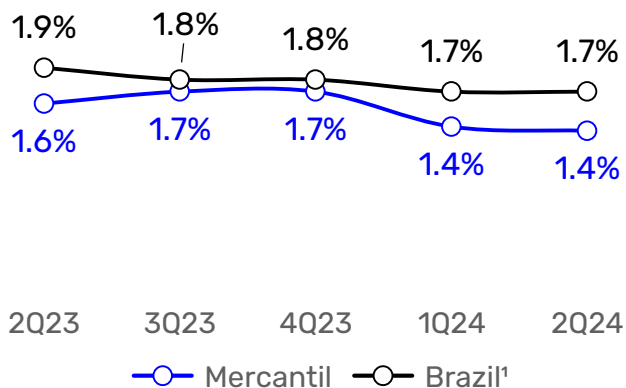
Payroll Loan Portfolio

BRL mn



NPL > 90 days (%)

Payroll Loan (INSS only)



Payroll Loans are also an important product for customer loyalty, helping to strengthen relationships and direct other products and services offered by Banco Mercantil.

In the second quarter of 2024, the origination of Payroll Loans was BRL 2.2 billion, marking a reduction of 7% from the previous quarter and an increase of 180% compared to the same period last year.

All operations during the quarter were carried out through our own channels, a strategy that has been significantly contributing to the maintenance of the bank's operational margins.

Origination Payroll Loan

100%

via own Network

9%

Share 2Q24¹

35%

App share in the 2024
Total Payroll Loan Origination

(1) Source: Central Bank of Brazil



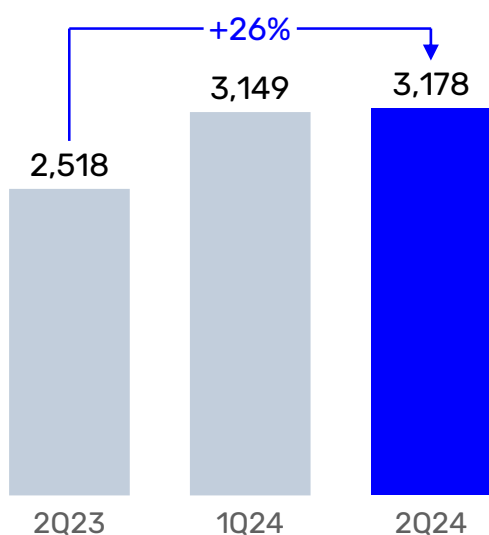
Personal Loan FGTS

The Personal Loan FGTS line remains significant for the company's credit portfolio, standing out for its safety, due to its collateralized profile and low delinquency rates.

In the second quarter of 2024, the FGTS portfolio reached BRL 3.2 billion, accounting for 21% of Banco Mercantil's total credit portfolio. This amount reflects an increase of 26% compared to the same period last year.

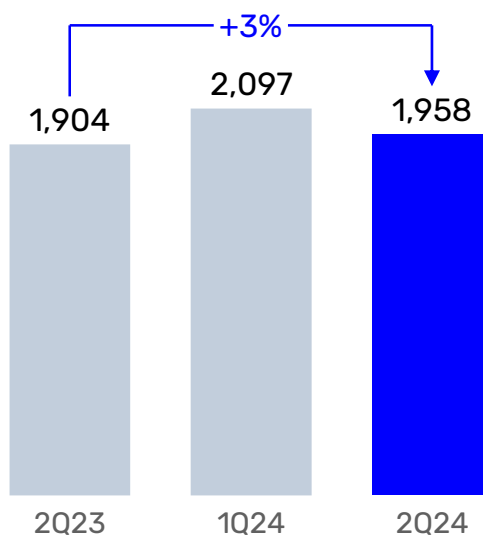
FGTS Portfolio

BRL mn



Personal Loan Portfolio

BRL mn



Personal Loan Portfolio

The Personal Credit line at Banco Mercantil plays an important role in complementing other credit lines, such as Payroll Loans. By offering this modality, the bank not only diversifies its credit options but also strengthens relationships with its customers, enhancing cross-selling. Moreover, as it is targeted at customers who already have a relationship with the bank, there is better risk management and analytics, reducing the delinquency rates of the product.

In the second quarter of 2024, the Personal Credit portfolio remained near BRL 2 billion, representing 13% of the total credit portfolio of the Bank. This value represents an increase of 3% compared to the same period last year, reflecting the moderate growth of this line.

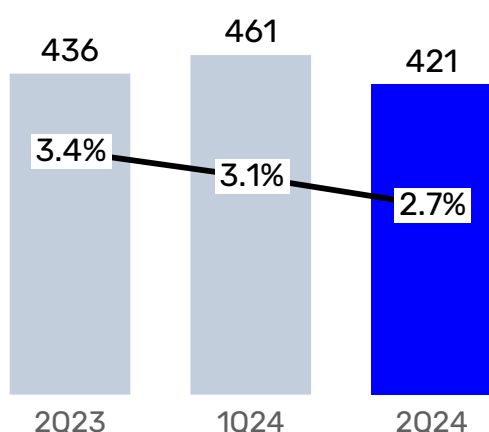
Credit Portfolio Quality

Banco Mercantil continues to demonstrate consistent improvement in the quality indicators of its credit portfolio, despite a complex macroeconomic environment. Operations classified in the lower-risk categories, from "AA" to "C", represented 96.1% of the total credit portfolio in 2Q24, an increase of 144 bps since the same period last year, and 50 bps above the previous quarter.

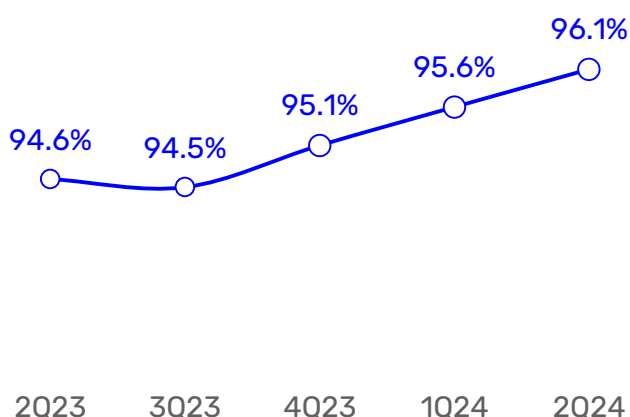
Credit risk provisions this quarter totaled 421 million, which corresponds to 2.7% of the total credit portfolio, marking a decrease of 71 bps compared to the same period last year.

NPL Provision and % Portfolio

BRL mn

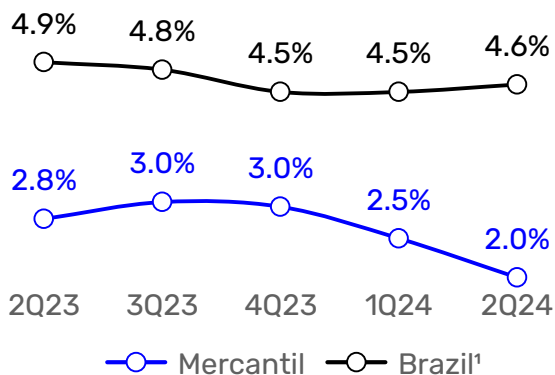


% AA - C / Portfolio

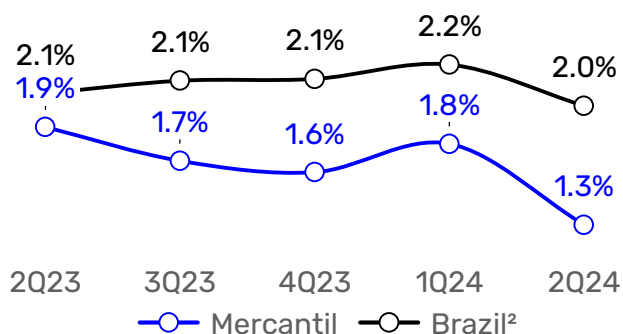


The quality of our portfolio continued on an upward trajectory in 2Q24. Delinquency over 90 days reached 2.0%, a decrease of 53 bps compared to 1Q24, while delinquency between 15 and 90 days fell to 1.3% in 2Q24, a drop of 45 bps compared to 2Q23, evidencing a continued improvement in credit origination quality.

NPL > 90 (%)



NPL 15 - 90 (%)



(1) Source: Central Bank of Brazil
 (2) Source: Depec - Banco Central

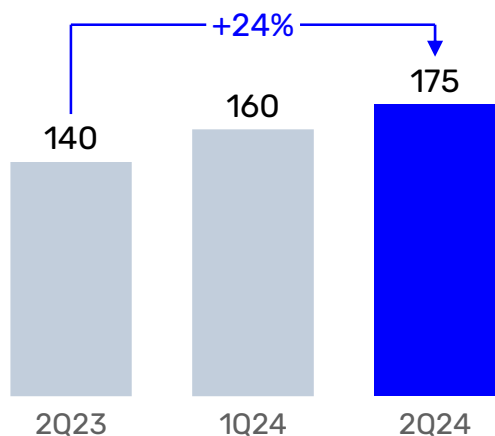
SERVICES

Banco Mercantil continues to expand its service portfolio, focusing on the needs of the 50+ demographic. This approach strengthens customer relationships and supports the company's long-term strategy to be the leading financial ecosystem for the 50+ audience.

By the end of 2Q24, the number of active clients in assistance services reached 394k, an increase of 101% compared to the previous year. Service Revenue for the period reached 175 million, reflecting a growth of 24% compared to the same period last year.

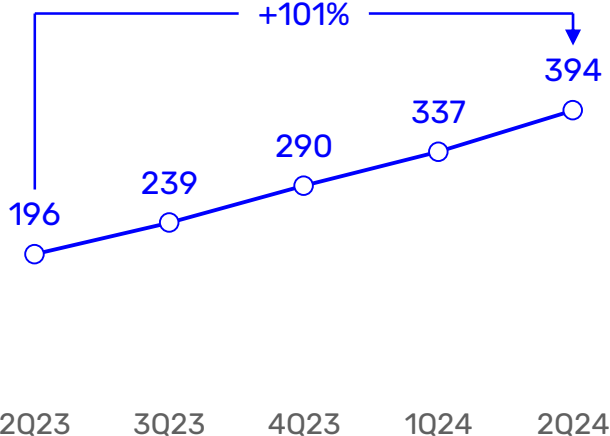
Service Revenue

BRL mn



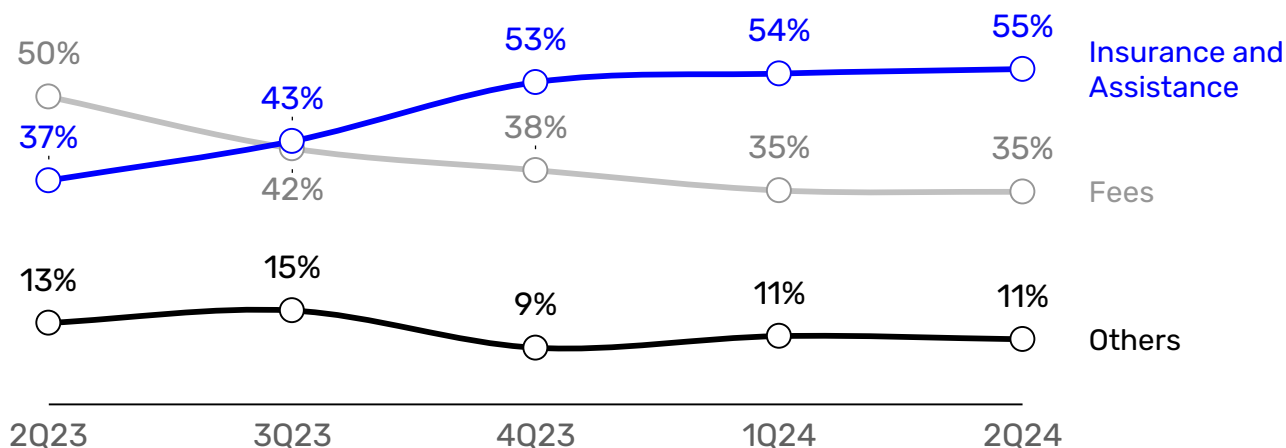
Active Customers with Assistance

thousand



Analyzing the composition of Banco Mercantil's Service Revenue, there is a strong trend toward a decrease in the participation of fees and an increase in revenues from insurance and assistance services, which now account for 55% of the total Service Revenue of the Bank. This shift marks an evolution in the revenue strategy, demonstrating the bank's ability to adjust its services to efficiently meet the needs of its primary customer group.

Segment Evolution – Service Revenue

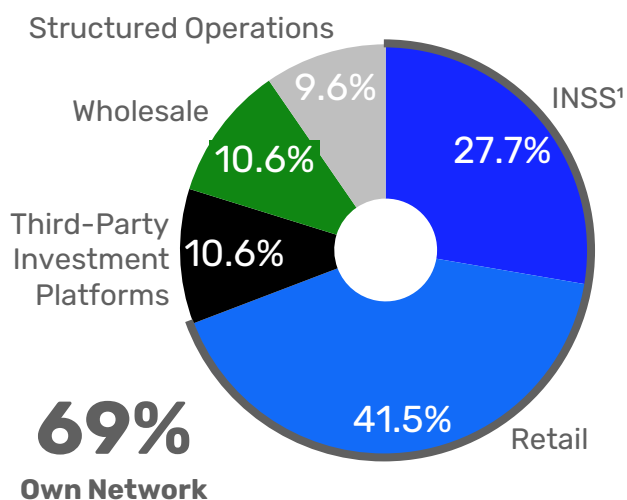


FUNDING

In 2Q24, Banco Mercantil's funding balance reached BRL 18.6 billion, an increase of 32% compared to the same period last year. Time deposits made a significant contribution to this amount, totaling BRL 14.8 billion and representing 79% of the total funding.

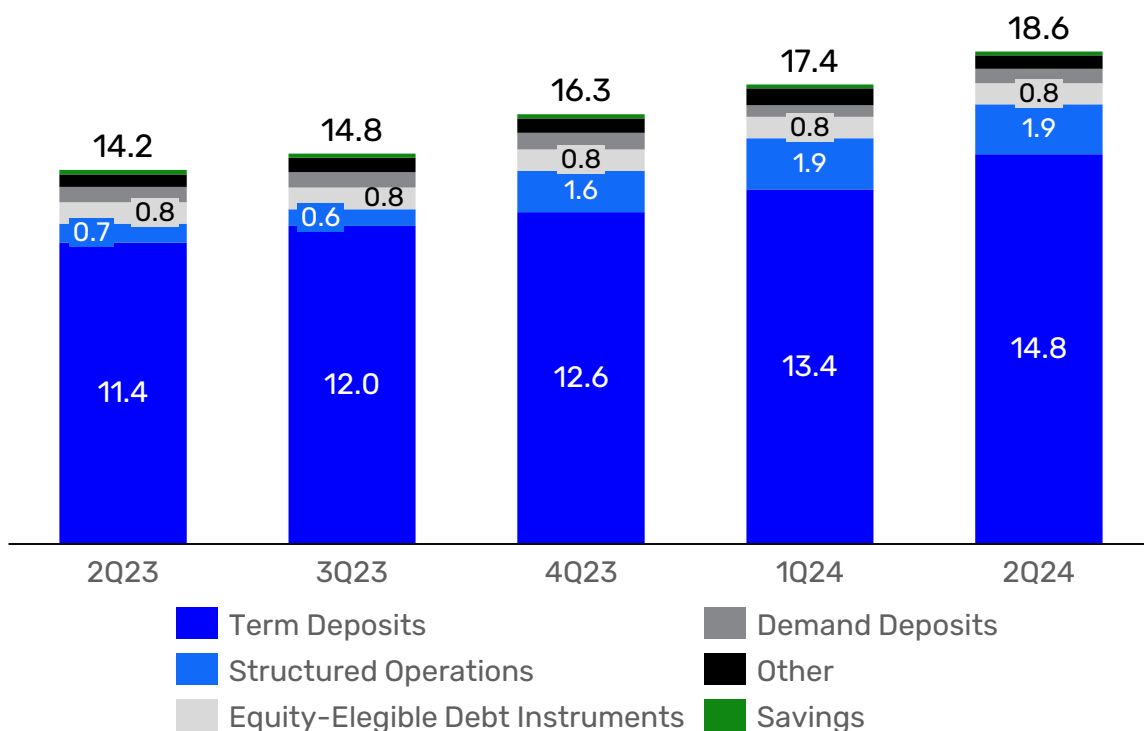
Banco Mercantil continues to stand out for the diversification of its funding sources, with 27.7% coming from INSS beneficiary clients and 41.5% from our Retail network clients (individuals and businesses). This funding strategy, focused on our own network, accounts for 69% of the total, playing a crucial role in maintaining a competitive funding cost, below the CDI benchmark rate.

At the end of 2Q24, the cost of funding was 97.1% of the CDI, an increase of 140 bps compared to the previous quarter. This adjustment reflects the macroeconomic dynamics of the market and changes in future interest rates, which influence the pricing of funding operations.



Funding Balance

BRL bn



(1) It refers to our customer base that receives their pensions and other benefits (INSS) at the bank, and that are simultaneously responsible for a significant part of our funding.

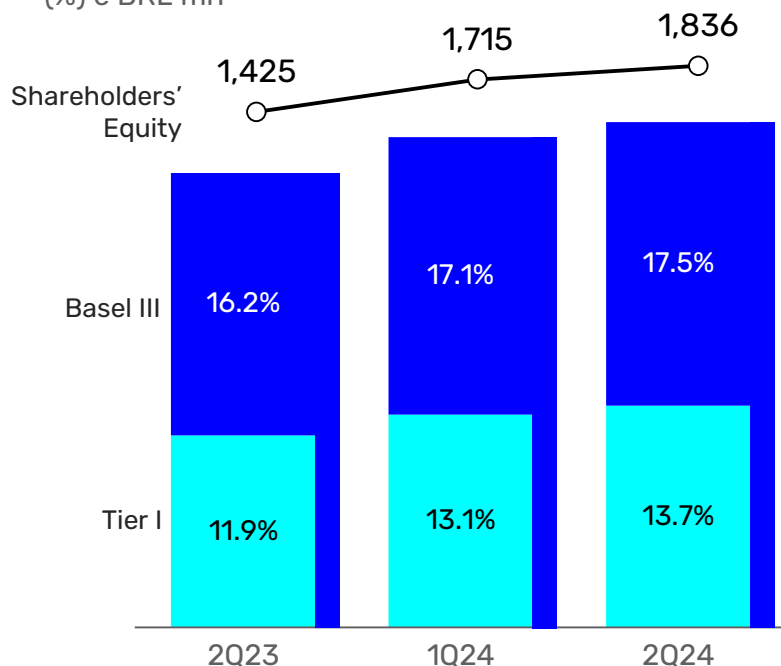
CAPITAL

Basel III Index (Capital Adequacy Ratio) and Shareholders' Equity

At the close of 2Q24, Banco Mercantil's Shareholders' Equity reached BRL 1.8 billion, an increase of 29% since the same period last year and 7% since the last quarter. This growth highlights the bank's financial robustness and its capacity to sustain continuous growth.

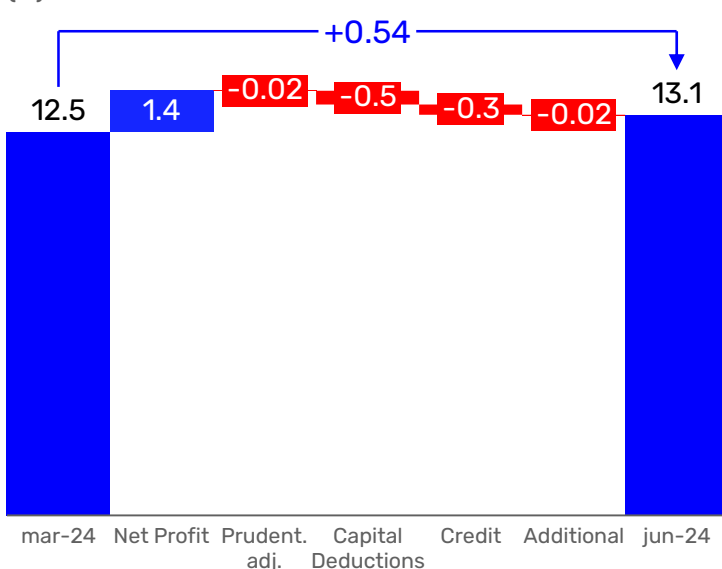
Capital Adequacy Ratio and Shareholders' Equity

(%) e BRL mn



The growth of 54 bps in Common Equity Tier 1 during the quarter, was mainly due to profit retention, ensuring a solid capital base to support the future growth of the company.

Changes in Common Equity Tier I (CET1)



The Basel III Index reached 17.5%, reflecting an increase of 132 bps from the previous year and 39 bps in the last quarter. This rise demonstrates the efficiency of the bank's risk management policies and the strengthening of its capital.

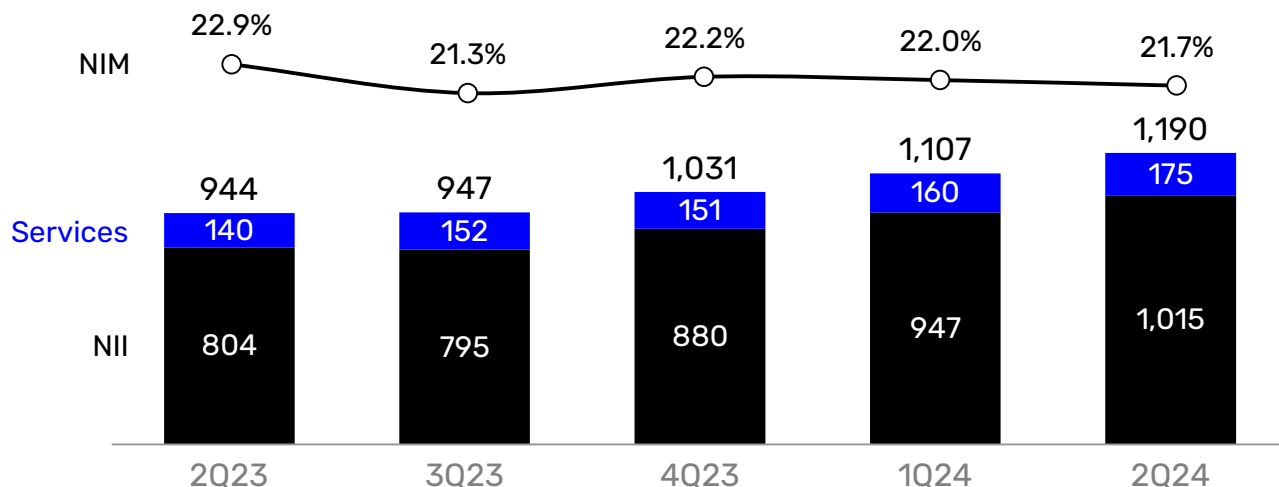
Moreover, the Tier 1 Capital Ratio and the Common Equity Tier 1 Ratio (CET1), crucial for assessing financial solidity, showed continuous improvement, reaching 13.7% and 13.1% respectively.

PROFITABILITY

In 2Q24, Banco Mercantil's Net Interest Income reached BRL 1 billion, reflecting a growth of 7% compared to the previous quarter and an increase of 26% compared to the same period last year. Concurrently, the Net Interest Margin showed a decrease of 118 bps year-over-year, reaching 21.7% for the quarter.

Total Revenue and Net Interest Margin

BRL mn



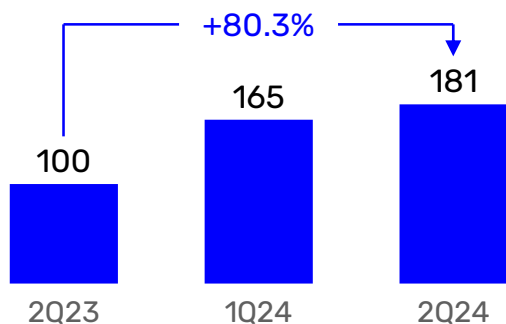
Net Profit reached BRL 181 million in 2Q24, marking another record quarter for the Bank. The result grew 80% compared to last year and 9.4% from the previous quarter.

ROAE reached 37.6% LTM this quarter, an increase of 1,640 bps compared to the same period last year and 290 bps compared to the previous quarter.

These results reaffirm our ongoing commitment to profitability and operational excellence, always maintaining *transparency* and *closeness* with our clients, which are fundamental pillars of our strategy and business model.

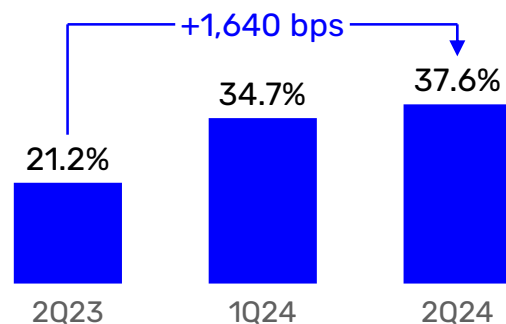
Net Profit

BRL mn



ROAE

LTM, % p.a.



ESG

For the fourth consecutive year, Banco Mercantil has published its Sustainability Report, reaffirming its commitment to transparency, ethical conduct, good governance practices, and the sustainability of the business.

Prepared in accordance with the 2021 version of the Global Reporting Initiative (GRI) standards, the report details Banco Mercantil's performance in economic, social, environmental, and governance areas. In 2023, we highlighted significant advances in our ESG initiatives:

Social Responsibility: Implementation of inclusion and diversity programs, as well as community support initiatives, such as increasing partnerships with social organizations and creating local development projects.

Environmental: Reduction of the carbon footprint through the adoption of operational eco-efficiency practices and the mapping of electronic waste management.

Governance: Strengthening of the corporate governance structure with the activity of the ESG Subcommittee, ensuring the integration of sustainable practices in all bank operations.

We are proud to announce a new way to follow our initiatives through our dedicated sustainability website, a crucial space for our investors to closely monitor our environmental, social, and governance (ESG) initiatives.

At <https://sustentabilidade.bancomercantil.com.br/> (portuguese only), investors will find detailed information about our projects and commitments, reflecting our commitment to promoting responsible and transparent practices. This portal not only discloses our progress towards sustainable goals but also highlights our role in building a more sustainable future for the coming generations.



70% of units powered by clean energy



BRL 1.1 million allocated to 26 cultural and social projects



Commitment to sustainable development initiatives



Female participation:
53% of customers
52% of employees

[Sustainability Report ↗](#)



Balance Sheet

BRL mn

Assets	2024	1Q24	Δ	2023	Δ
Total Assets	21,868	20,433	+7%	17,116	+28%
Credit Operations	14,902	14,327	+4%	12,147	+23%
Interbank Liquidity Investments	2,559	1,765	+45%	921	+178%
Securities and Bonds	1,281	1,102	+16%	964	+33%
NPL Provision	(421)	(461)	-9%	(436)	-3%
Tax Assets	694	691	+0.5%	702	-1%
Fixed Assets	145	153	-5%	160	-9%
Intangible Assets	124	118	+5%	101	+23%
Liabilities	2024	1Q24	Δ	2023	Δ
Total Liabilities	21,868	20,433	+7%	17,116	+28%
Fixed Term Deposits	14,756	13,417	+10%	11,410	+29%
Demand Deposits	545	446	+22%	584	-7%
Transactions Linked to Transfers	281	321	-13%	597	-53%
Equity-Eligible Debt Instruments	799	808	-1%	818	-2%
Provision	261	262	-0,5%	268	-3%
Shareholders' Equity	1,836	1,715	+7%	1,425	+29%
Share Capital	807	807	-	702	+15%
Capital Reserves	43	43	-	43	-
Retained Earnings Reserves	702	702	-	516	+36%

Income Statement

BRL mn

Revenue	2024	1Q24	Δ	2023	Δ
Financial Intermediation Revenue	1,465	1,376	+6%	1,207	+21%
Revenue from Credit Operations	1,305	1,262	+3%	1,173	+11%
Income from Securities and Bond Transactions	100	88	+14%	70	+43%
Financial Intermediation Expenses	(450)	(429)	+5%	(403)	+12%
Market Funding Operations	(440)	(417)	+5%	(383)	+15%
Operations for Sale or Transfer of Financial Assets	(10)	(12)	-14%	(20)	-49%
NPL Provision	(111)	(116)	-4%	(113)	-1%
Gross Income from Financial Intermediation	904	832	+9%	691	+31%
Operating Revenues and Expenses	(646)	(588)	+10%	(553)	+17%
Service Revenue	175	160	+9%	140	+24%
Personnel Expenses	(154)	(150)	+3%	(150)	+3%
Administrative Expenses	(271)	(244)	+11%	(235)	+16%
Tax Expenses	(71)	(65)	+10%	(48)	+48%
Other Operating Expenses	(303)	(278)	+9%	(231)	+31%
Earnings Before Taxation on Profit	260	243	+7%	138	+88%
Income Tax and Social Contribution	(79)	(78)	+2%	(38)	+108%
Net Profit	181	165	+9%	100	+80%

Shareholding Structure

As of June 30, 2024, the company's share capital was BRL 807,203 million. According to the most recent information disclosed to the market, **Mercantil's share capital consists of 65,155,744 common shares**, of which 33.28% are in circulation, **and 39,675,836 preferred shares**, of which 67.72% are in circulation. Therefore, out of the total of 104,831,580 company shares, 46.31% are in circulation

Ratings

	NOTE	PERSPECTIVE	DATE
S&P Global Ratings	brAA-	Stable	jun/24
Fitch Ratings	A- (bra)	Positive	aug/23
RiskBank ¹	BRMP 2	Stable	aug/23

Ombudsman

ouvidoria@mercantil.com.br
0800 70 70 384

Banco Mercantil has an Ombudsman's Office, whose purpose is to ensure strict compliance with legal and regulatory norms regarding consumer rights, as well as to act as a communication channel with customers and users, seeking solutions to any problems arising from the relationship with the bank, by registering complaints, reports, and suggestions.

¹Bank Risk Rating System

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MERCANTIL

Talk to IR

Investor Relations

Gustavo Araújo *CEO*
Paulino Rodrigues *CFO and IR*
Marina Magalhães *Investor
Relations*

Contact

ri.bancomercantil.com.br
ri@mercantil.com.br