

BANCO  
**MERCANTIL**

EARNINGS  
**RELEASE**

**3Q23** ↗

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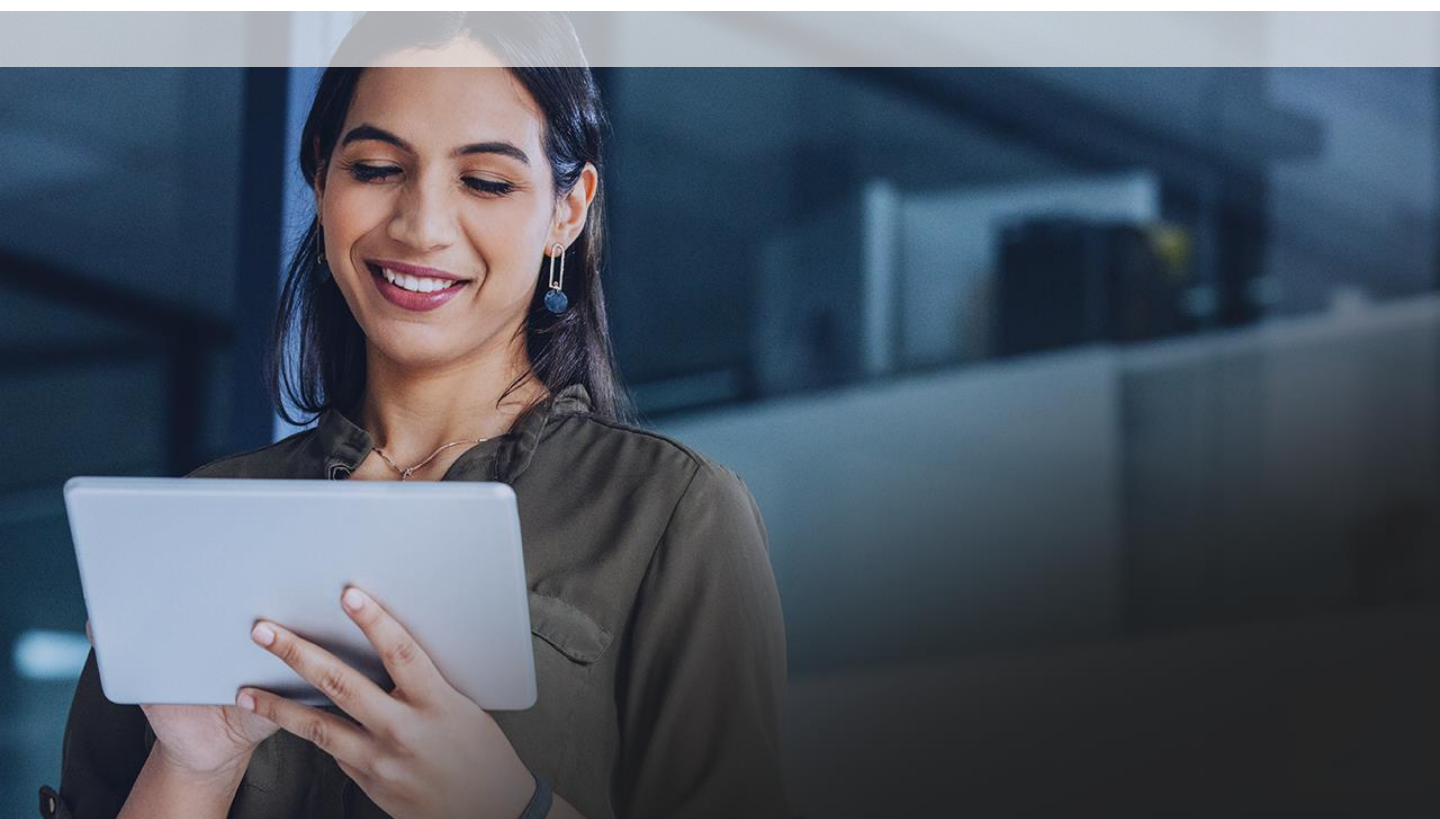
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Banco Mercantil's history has a history of solidity, resilience, capacity for renewal and ambition. Since 1943, the Bank has navigated different scenarios and socio-economic conditions in Brazil, always adapting, improving and growing.

We build a **transparent and long-lasting relationship** with our customers, which translates into high engagement and principality. We went from a total of 2 million customers in 2020 to **7.7 million in September 2023**. Our credit portfolio also kept pace with this growth, rising from BRL 5 billion to BRL 13.3 billion. Today, our customers have an average of three profitable products contracted with the bank, which has boosted service revenue to a compound annual growth rate of 28% over the last 2 years.

The spirit of growth and innovation is alive at Banco Mercantil and is the result of investments in people and technology, enabling us to play a leading role in creating the future of banking services. Today, 50+ people want to use **quick, safe and dynamic** services.

**By the end of 2023, we will have invested BRL 150 million in technology** – *Data, Cloud, App, WhatsApp* - an increase of 20% compared to 2022. With these investments, we have achieved a level of excellence in **data intelligence**, which enables a robust analysis of our customers' profiles, whether they are retired, not retired, investors or borrowers. While the country is facing an increase in NPL rates, we have managed to maintain the **quality of our portfolio, with NPL under control**, at a level well below the market average.

We have also reaped the results of our investments in the evolution **of digital business**: the bank has a complete and dynamic WhatsApp application and conversational system. Today, **36% of the total number of Payroll contracts** are made through our app, and **26% of the Bank's total number of loan contracts throughout 2023 were made through WhatsApp**.

Our customers have experienced the culture of innovation and agility in practice. **Every 37 days, on average**, we introduce a new feature, product or valuable form of interaction.

All this has provided us with the substrate to deliver record results quarter after quarter, and 3Q23 was no different: we achieved **102 million in net profit for the quarter and an ROAE of 25% (28.8% when annualized for 3Q23)**. Our credit portfolio grew by 29% to BRL 13.3 billion. We also had our **outlook changed from stable to positive** by S&P Global Ratings and Fitch Ratings.

**The result accelerates the purpose.** We continue to deliver results consistently, generating a positive impact on the lives of our customers, employees and shareholders.



# 80 YEARS

1943

Established at Curvelo, MG

1953

Acquisition by the Araújo family

1955 - 1974

Expansion and acquisitions

- Banco Industrial de Minas Gerais
- Banco Santa Cruz e Metrópole
- Banco Industrial de Campina Grande
- Banco Mercantil do Brasil do Rio de Janeiro

1977

IPO

1999

Redesign of visual identity



2009

First victory in the social security auction

2019

Start of cultural transformation actions

2021

Migration to Level 1 of B3

5<sup>th</sup> largest payer of benefits in the country

2023

New Headquarters and New Visual Identity

Change of name to **Banco Mercantil**



NEW  
**HEADQUARTERS**

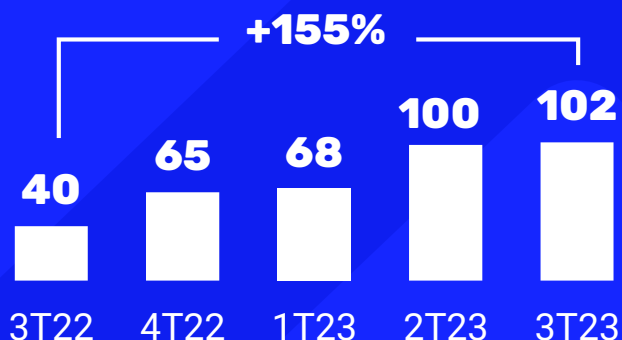
# RECORD RESULT

**ROAE**

**28.8%**

3Q23 Annualized

Quarterly Net Profit BRL Mi



## Highlights **3Q23**

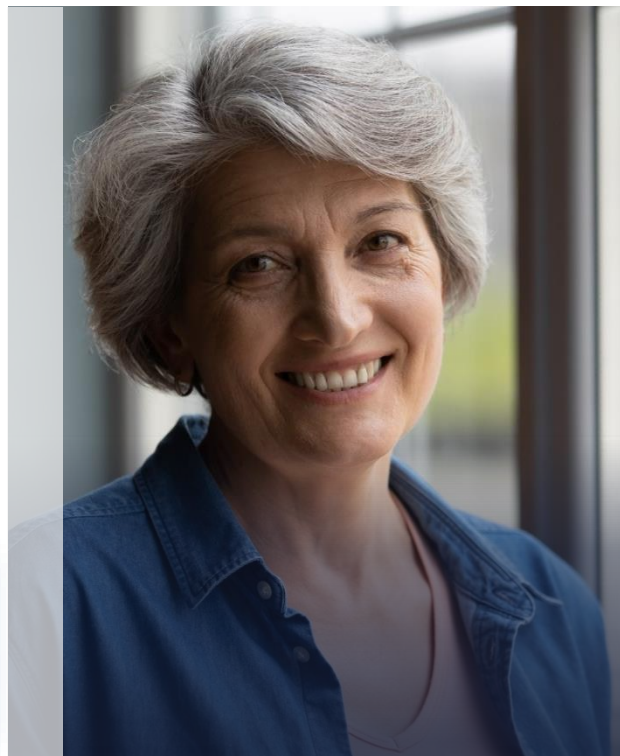
Δ Compared to the same quarter of the previous year

Credit portfolio BRL 13.3 bi +29% ↗	Payroll loans BRL 7.3 bi +22% ↗
Personal Loan FGTS BRL 2.9 bi +122% ↗	Financial Margin 21.3% 150 bps ↗
NPL > 90 3.0% -20 bps ↘	Annualized Quarterly ROAE 28.8% +1560 bps ↗
Quarterly Net Profit BRL 102 mi +155% ↗	Services Revenue BRL 152 mi +38% ↗
Customers 7.7 mi +34% ↗	Basel III Index 16.4% +140 bps ↗

# Our Customers

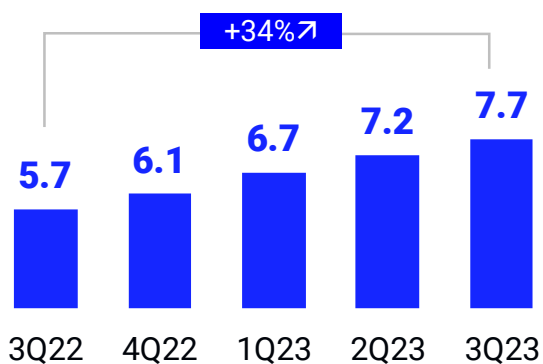
Banco Mercantil reached 7.7 million customers at the end of the third quarter of 2023, an increase of 34% over the year and 6% over the previous quarter.

We continue to have the impressive mark of 3 profitable products per customer and 51% of customers with a credit operation contracted, which reinforces the success of our customer engagement strategy with our products and services.

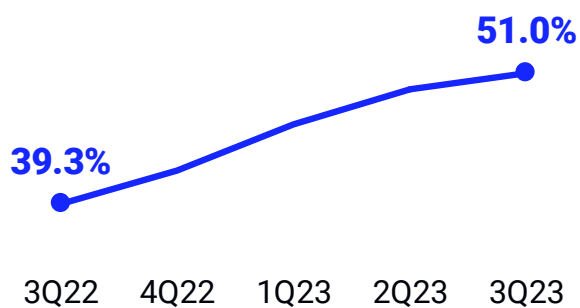


**5<sup>th</sup>** largest payer of benefits in the country

Number of customers  
mi



Customers with credit  
%



# Key Operating and Financial Metrics Consolidated

## Credit portfolio

The credit portfolio reached BRL 13.3 billion, up 29% compared to the same period last year and 5% compared to 2Q23.

We continue to pursue a strategy of sustainable growth, focusing our expansion on the individual segment, mainly in the Payroll Loan and Personal Loan FGTS lines, which account for 77% of our total portfolio. Both are collateralized products, with default levels well below other lines on the market.

Credit origination in 3Q23 reached BRL 2.7 billion, an increase of 25% compared to the same period last year and 28% quarter-on-quarter. This result is due to our strategy of sustainable portfolio growth, commercial efficiency and expertise in the segment, which have enabled growth in origination and an increase in our market share of credit.

## Credit portfolio

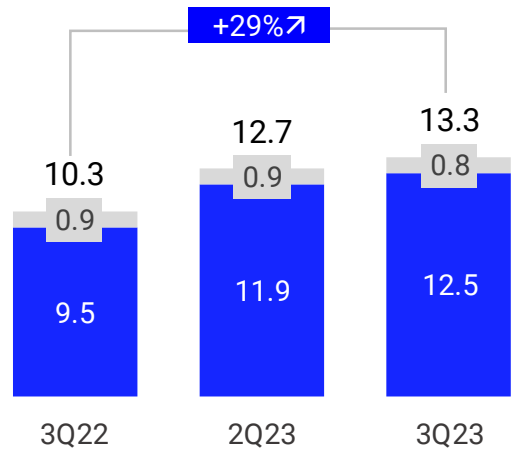
**BRL 13.3bi** +29% ↗

Compared to the same quarter of the previous year

## Credit portfolio

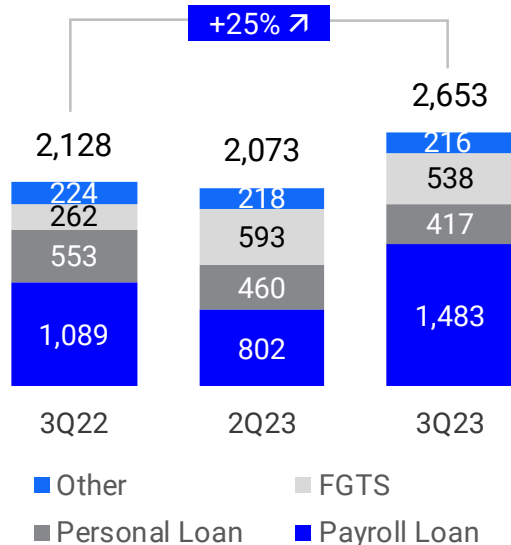
BRL bi

- Legal entity
- Individual



## Credit origination

BRL mi





### Payroll Loan Portfolio

Payroll loans continue to be the main product in the Bank's portfolio, which has strong expertise and a privileged position in this segment - we are currently the 5<sup>th</sup> largest payer of benefits in Brazil.

Payroll Loan is one of the safest lines of credit on the market. It represents 55% of the Bank's total credit portfolio, exceeding BRL 7 billion, which represents a growth of 22% compared to the third quarter of 2022.

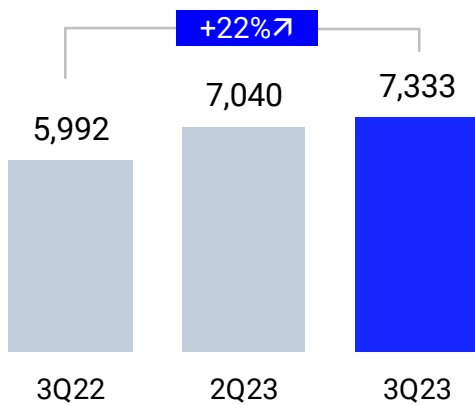
Furthermore, Payroll Loan is an important loyalty product, with a relevant role in building customer relationships and engaging them with Banco Mercantil's other products and services.

In 3Q23, the origination of payroll loans reached 1.5 billion reais, up 85% on the previous quarter and 36% on the same period last year. Operations were originated 100% through the Bank's own channels, such as branches, stores and digital channels.

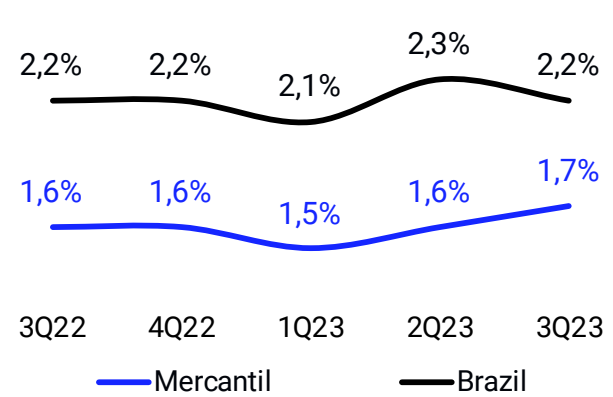
The Bank's origination strategy through its own channels has been a major differentiator, contributing significantly to maintaining the company's margins.

### Payroll Loans Portfolio

BRL mi



### NPL > 90 - Payroll Loans



**7% Share<sup>1</sup>**

Origination Payroll loans

**100%**

via own channels

Hiring and renewing Payroll loans

**36%**

via App in 2023



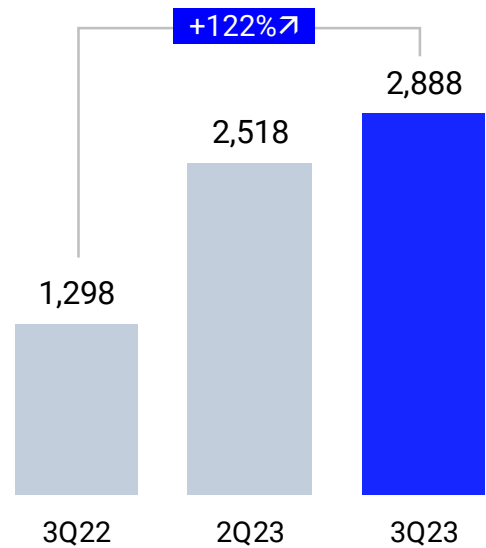
<sup>1</sup>Source: Central Bank

### Personal Loan FGTS

The Personal Loan FGTS portfolio continues to be a high-growth area for the company and, similarly to the Payroll Loan, is considered to be one of the safest lines of credit on the market, given its collateralized profile.

In 3Q23, the FGTS portfolio reached BRL 2.9 billion, representing 22% of the Bank's total credit portfolio, which reflects a growth of 122% compared to the same quarter of 2022.

### FGTS portfolio BRL mi

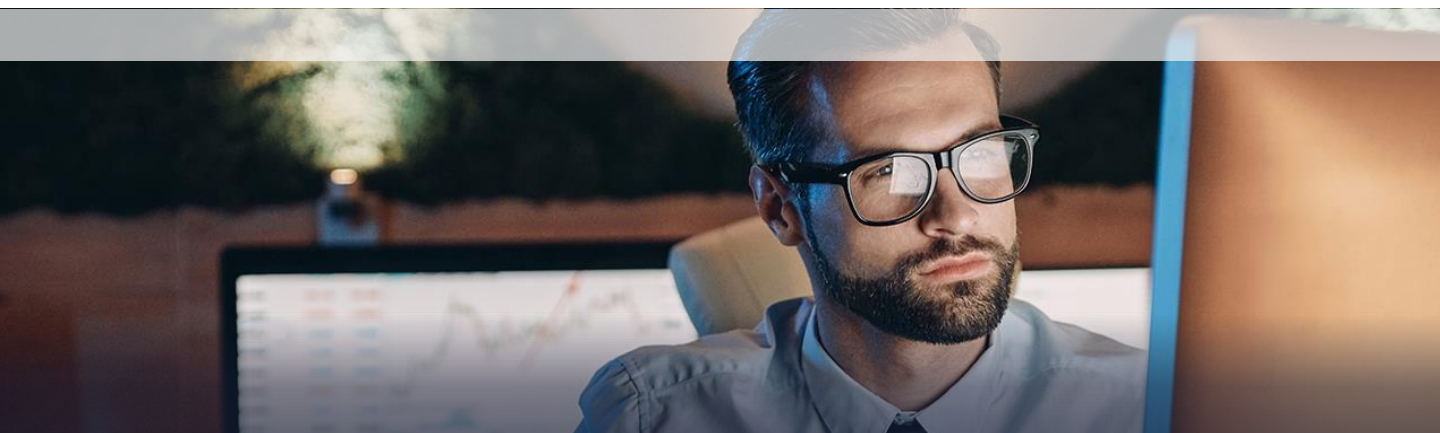
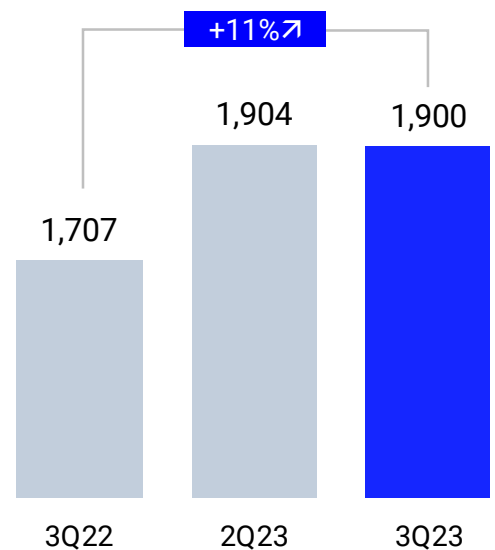


### Personal Loan Portfolio

Personal Credit is a product aimed at beneficiary customers who have already accessed payroll loans. The portfolio increased by 11% compared to the same quarter of 2022.

Faced with the current macroeconomic situation, the Bank has adopted a conservative approach to granting the product, using advanced data analysis and prioritizing customers who already have a relationship with the institution.

### Personal Loan Portfolio BRL mi



**Services Revenue**

We continue to engage our customer base through a close and transparent relationship, expanding the range of services offered to our base, as well as their value proposition.

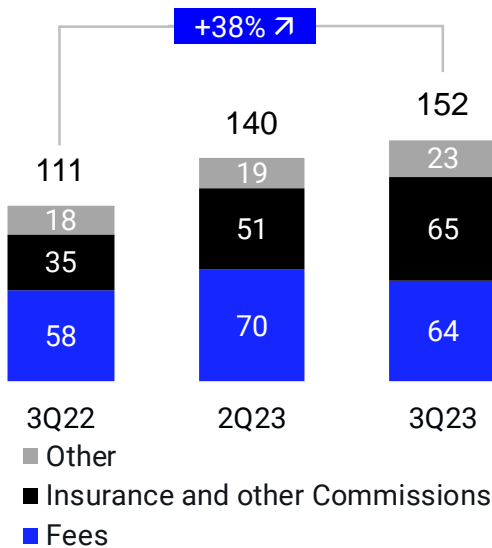
The number of active customers with Assistance reached 239,000 in 3Q23, while Services Revenue reached BRL 152 million in 3Q23, up 8% in the quarter and 38% year-on-year.

**Cards**

In the card segment we also operate with a strong focus on portfolio quality. We continued to have 1.7 million cards in use in 3Q23, an increase of 21% compared to the previous year and a reduction of 0.7% compared to the previous quarter. The volume processed totaled BRL 1.4 billion, an annual growth of 16%.

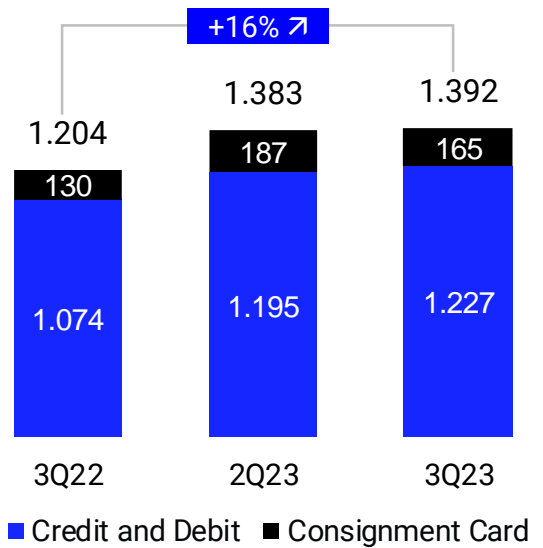
**Services Revenue**

BRL mi



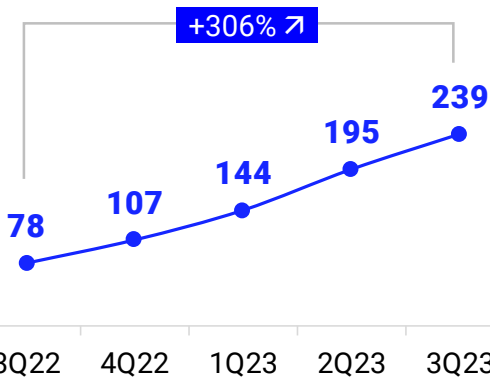
**Total Processed Volume - TPV**

BRL mi



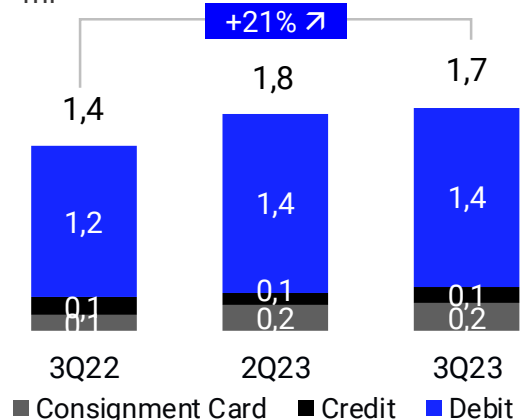
**Active Customers with Assistance**

thousand



**Cards in Use**

mi



### Credit Portfolio Quality

Banco Mercantil continues to show a positive trend in its credit portfolio quality indicators, even in the face of a challenging macroeconomic scenario.

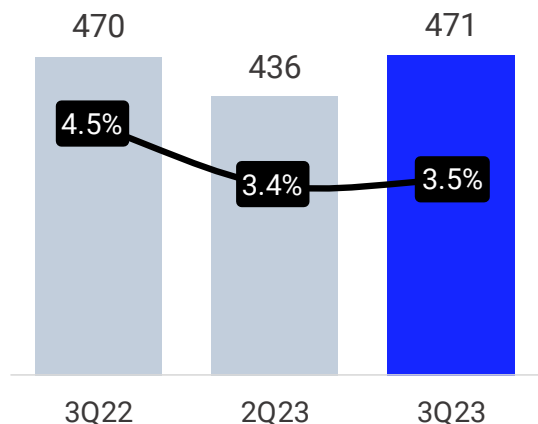
Operations classified in the lower credit risk bands, from "AA" to "C", represented 94.5% of the total credit portfolio in 3Q23, an increase of 130 bps compared to 3Q22, and a drop of 10 bps compared to the previous quarter.

Provisions for credit operations risk in the quarter amounted to BRL 471 million,

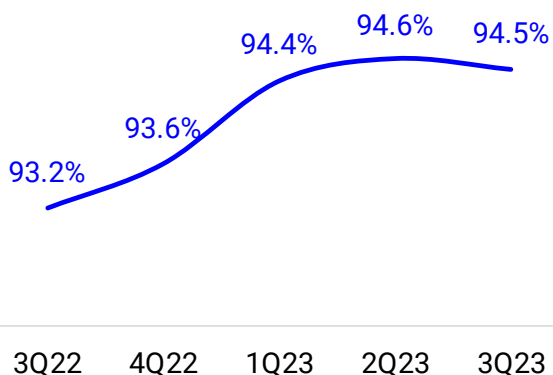
representing 3.5% of the total credit portfolio, a marginal increase of 10 bps compared to 2Q23 and a drop of 100 bps compared to the same period last year.

While the market has been facing recurring increases in NPL, our portfolio remains at a privileged level. NPL > 90 increased marginally to 3.0%, up 20 bps from 2Q23, while NPL 15-90 fell to 1.7% in 2Q23, down 20 bps from 2Q23.

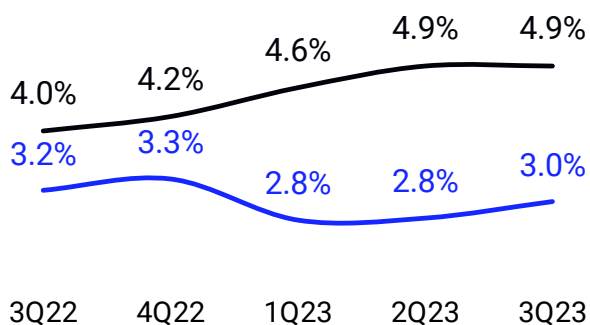
**Provision for credit losses and % Portfolio**  
BRL mi



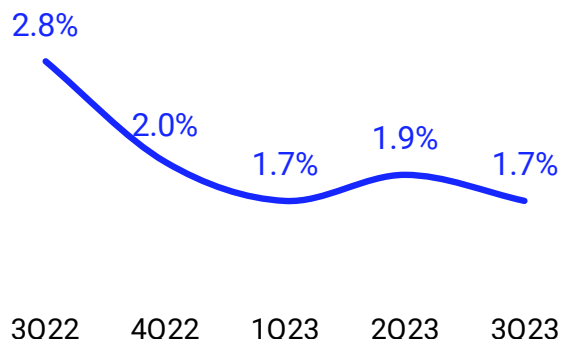
**% AA - C / Portfolio**



**NPL > 90 (%)**



**NPL 15 - 90 (%)**

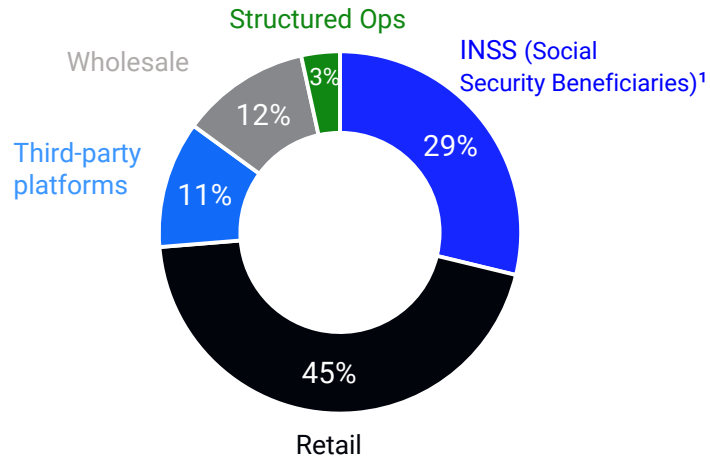


**Funding**

In 3Q23, the funding balance reached BRL 14.8 billion, an increase of 4% in the quarter and 25% compared to 3Q22. Fixed term deposits totaled BRL 12 billion, representing 81% of the total.

Banco Mercantil has diversified sources of funding, with 29% coming from the Bank's own INSS customers and 45% from Retail customers (Individuals and Corporates). Our own network accounts for 74% of total funding and helps keep our funding cost below the CDI rate. In 3Q23, the cost increased by 240 bps to 94.7% of the CDI.

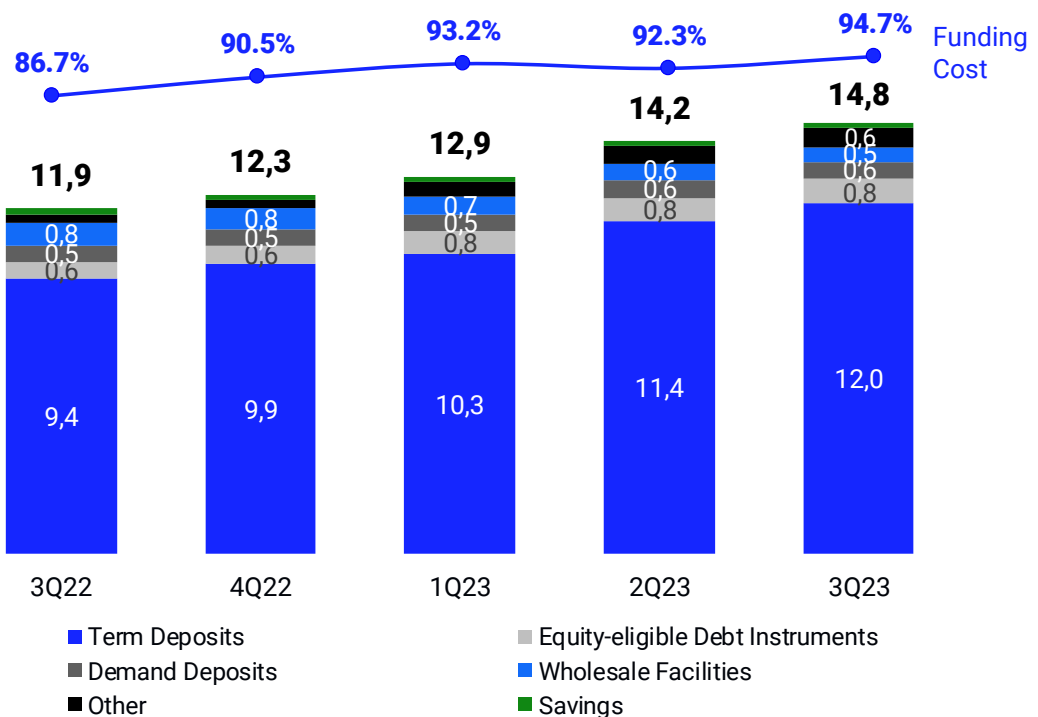
**Funding Sources**



<sup>1</sup>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.

**Funding Balance and Cost (%)**

BRL bi



### Capital Adequacy Ratio and Shareholders' Equity

Banco Mercantil's shareholders' equity continues to grow, reaching BRL 1.5 billion in 3Q23. The Capital Adequacy Ratio reached 16.4%, an increase of 140 bps compared to the same quarter of 2022 and 20 bbps compared to 2Q23.

### Earnings

In 3Q23, the Financial Intermediation Result was BRL 795 million, a marginal drop of 1% compared to the previous quarter and an increase of 31% compared to the same quarter of 2022.

Net interest margin increased by 150 bps year-on-year and fell by 160 bps in the quarter.

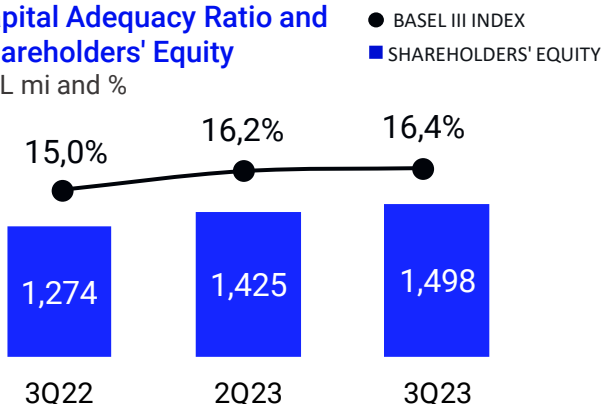
Net Profit reached BRL 102.2 million in the quarter, an increase of 155% compared to the same quarter of 2022 and 2% compared to the last quarter.

ROAE reached 25.0% in the quarter (LTM - last 12 months), or 28.8% (3Q23 annualized), an increase of 970 bps and 1,560 bps, respectively, compared to the same quarter of 2022.

We again achieved a record quarterly result, reinforcing our commitment to profitability for our shareholders.

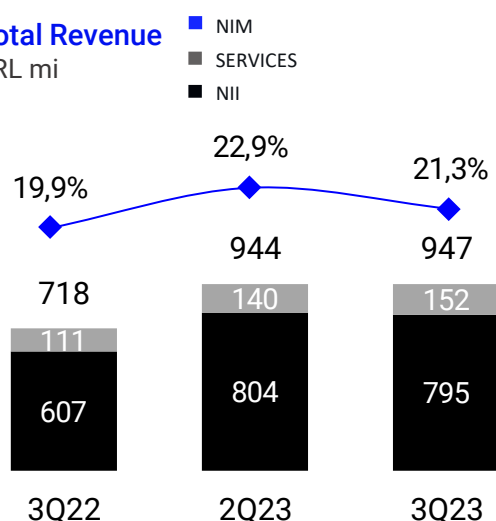
### Capital Adequacy Ratio and Shareholders' Equity

BRL mi and %



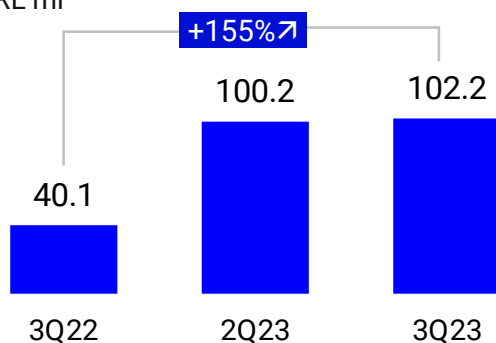
### Total Revenue

BRL mi



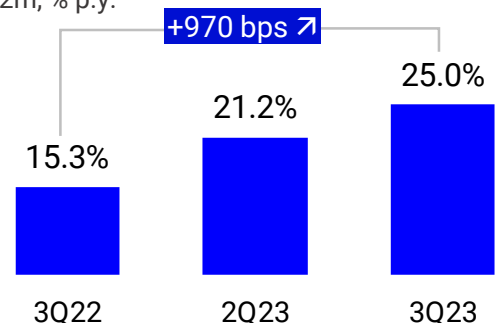
### Quarterly Net Profit

BRL mi



### ROAE<sup>1</sup>

12m, % p.y.





### Sustainability

For the third consecutive year, Banco Mercantil is releasing its Sustainability Report with the aim of reaffirming its commitment to transparency, ethical conduct, good governance practices and business continuity.

The document was prepared in accordance with the Global Reporting Initiative (GRI) standard in its most current version (2021). The chapters provide information on the Bank's performance in the economic, social, environmental and governance areas.

Sustainability Report [↗](#)

 <p>100% of units powered by clean energy</p>	 <p>19 cultural and social projects BRL 750 thousand allocated</p>
 <p>Adherence to sustainable development initiatives</p>	 <p>Female participation 53% of customers 50% of employees</p>



**BANCO**  
**MERCANTIL**

SUSTAINABILITY  
REPORT 2022

# Key Indicators



Income Statement (in BRL million)	3Q23	2Q23	Δ	3Q22	Δ
Net Profit	102	100	+2.0%	40	+155.0%
Operational Result	125	138	-9.2%	32	+287.9%
Revenue from Credit Operations	1,123	1,173	-4.3%	852	+31.8%
Services Revenue	152	140	+8.5%	111	+37.5%
Market Funding Expenses	(421)	(383)	+10.0%	(312)	+34.7%
Personnel Expenses	(140)	(150)	-6.7%	(129)	+8.3%
Administrative Expenses	(233)	(235)	-0.9%	(213)	+9.1%
Provision for credit losses + Discounts Granted	(149)	(113)	+31.8%	(95)	+56.1%





<b>Balance Sheet (in BRL million)</b>	<b>3Q23</b>	<b>2Q23</b>	<b>Δ</b>	<b>3Q22</b>	<b>Δ</b>
Total Assets	17,687	17,116	+3.3%	14,330	+23.3%
Current Assets	16,669	16,127	+3.4%	13,366	+24.7%
Credit portfolio	13,341	12,716	+4.9%	10,346	+29.0%
Provision for credit losses	(471)	(436)	+8.1%	(470)	+0.1%
<b>Funding</b>	<b>14,785</b>	<b>14,161</b>	<b>+4.4%</b>	<b>11,857</b>	<b>+24.7%</b>
Total Liabilities	17,687	17,116	+3.3%	14,330	+23.4%
Current Liabilities	15,930	15,423	+3.3%	12,788	+24.6%
Shareholders' Equity	1,498	1,425	+5.1%	1,274	+17.6%
<b>Performance indicators (%)</b>	<b>3Q23</b>	<b>2Q23</b>	<b>Δ</b>	<b>3Q22</b>	<b>Δ</b>
Annualized Return on Average Shareholders' Equity (ROAE) 12m	25.0%	21.2%	+38 bps	15,3%	+97 bps
Return on Average Assets (ROAA) 12m	2.1%	1.7%	+40 bps	1.4%	+70 bps
Consolidated Capital Adequacy Ratio (Basel III)	16.4%	16.2%	+20 bps	15.0%	+140 bps
Level I	12.0%	11.9%	+10 bps	11.6%	+40 bps
NPL 90	3.0%	2.8%	+20 bps	3.2%	-20 bps
Individuals NPL > 90	3.0%	2.6%	+40 bps	3.2%	-20 bps
Corporate NPL > 90	3.1%	5.2%	-210 bps	3.2%	-10 bps
Provision for credit losses   Credit Portfolio	3.5%	3.4%	+10 bps	4.5%	-100 bps
<b>Capital market (BRL)</b>	<b>3Q23</b>	<b>2Q23</b>	<b>Δ</b>	<b>3Q22</b>	<b>Δ</b>
Asset Value per Share	14.29	13.59	+5.1%	12.15	+17.6%
Last day's quote   ON	16.24	11.96	+35.8%	11.28	+44.0%
Last day's quote   PN	13.05	10.47	+24.6%	9.69	+34.7%
Earnings per share	0.98	0.96	+1.6%	0.38	+155.0%
Market value (thousand)	1,580,447	1,198,317	+31.9%	1,122,793	+40.8%
<b>Other information</b>	<b>3Q23</b>	<b>2Q23</b>	<b>Δ</b>	<b>1Q22</b>	<b>Δ</b>
Service points	298	298	-	298	-
Total Customers	7,650,998	7,213,564	+6.1%	5,727,979	+33.6%

**Credit portfolio**

BRL Mi

<b>% of Credit Portfolio</b>	<b>3Q23</b>	<b>% Total</b>	<b>2Q23</b>	<b>Δ</b>	<b>3Q22</b>	<b>Δ</b>
Payroll Loan	7,333	55.0%	55.4%	-40 bps	57.9%	-300 bps
FGTS	2,888	21.6%	19.8%	+180 bps	12.5%	+910 bps
Personal loan	1,900	14.2%	15.0%	-80 bps	16.5%	-230 bps
Other Credits Individuals	390	2.9%	3.1%	-20 bps	4.4%	-150 bps
<b>Sub-total Individuals</b>	<b>12,510</b>	<b>93.8%</b>	<b>93.2%</b>	<b>+60 bps</b>	<b>89.7%</b>	<b>+410 bps</b>
Working Capital	622	4.7%	4.9%	-20 bps	5.5%	-80 bps
Other Credits Legal Entities	210	1.6%	1.8%	-20 bps	3.2%	-160 bps
<b>Sub-total Legal Entities</b>	<b>832</b>	<b>6.2%</b>	<b>6.8%</b>	<b>-60 bps</b>	<b>8.7%</b>	<b>-240 bps</b>
<b>Total Portfolio</b>	<b>13,341</b>	<b>-</b>	<b>12,716</b>	<b>+4.9%</b>	<b>10,346</b>	<b>+29.0%</b>
% AA-C Rated Portfolio	12,612	94.5%	94.60%	-10 bps	93.2%	140 bps

**AA-C Rated Portfolio**

BRL Mi

<b>Total Segmented Volume</b>	<b>3Q23</b>	<b>% Total</b>	<b>2Q23</b>	<b>Δ</b>	<b>3Q22</b>	<b>Δ</b>
<b>Individual</b>						
Payroll loan	7,152	56.71%	6,863	+4.2%	5,845	+22.4%
Personal loan	1,671	13.25%	1,733	-3.6%	1,528	+9.3%
FGTS	2,887	22.89%	2,517	+14.7%	1,298	+122.5%
Other	300	2.38%	310	-3.2%	394	-23.9%
<b>Legal entity</b>						
Corporate portfolio	602	4.77%	611	-1.4%	573	+5.1%
<b>Total</b>	<b>12,612</b>		<b>12,034</b>	<b>+4.8%</b>	<b>9,638</b>	<b>+30.9%</b>

**Capital (in BRL thousand)**

	<b>sept/23</b>	<b>jun/23</b>	<b>sept/22</b>
Reference equity	1,720,170	1,634,149	1,282,124
RE   Level I	1,261,358	1,196,343	1,003,106
RE   Level II	458,811	437,806	279,018
Total RWA	10,517,010	10,086,257	8,551,900
RWA   Credit risk	9,201,558	8,882,139	7,436,985
RWA   Market risk	11,343	3,451	4,658
RWA   Operational risk	1,304,110	1,200,666	1,110,257
Basel III Index (%)	16.4	16.2	15.0
Level I (%)	12.0	11.9	11.7
Main Capital (%)	11.4	11.3	11.2



## Shareholding Structure

The value of the company's share capital, as of September 29, 2023, was BRL 702,372 thousand. According to the most recent information disclosed to the market, Mercantil's share capital is composed of 65,155,744 common shares, of which 33.40% are in circulation, and 39,675,836 preferred shares, of which 68.05% are in circulation. Thus, of the total of 104,483,080 shares of the company, 46.58% are in circulation

## Ratings

	NOTE	PERSPECTIVE	DATE
S&P Global Ratings	brA	Positive	Oct/23
Fitch Ratings	A- (bra)	Positive	Aug/23
RiskBank <sup>1</sup>	BRMP 2	Stable	Aug/23

## Ombudsman

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0800 70 70 384

Mercantil has an Ombudsman's Office, whose purpose is to ensure strict compliance with the legal and regulatory rules on 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, denunciations and suggestions.

1. Bank Risk Rating System



BANCO  
MERCANTIL

## Talk to IR

Investor Relations

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