

BANCO
MERCANTIL

EARNINGS
RESULTS

4Q23 

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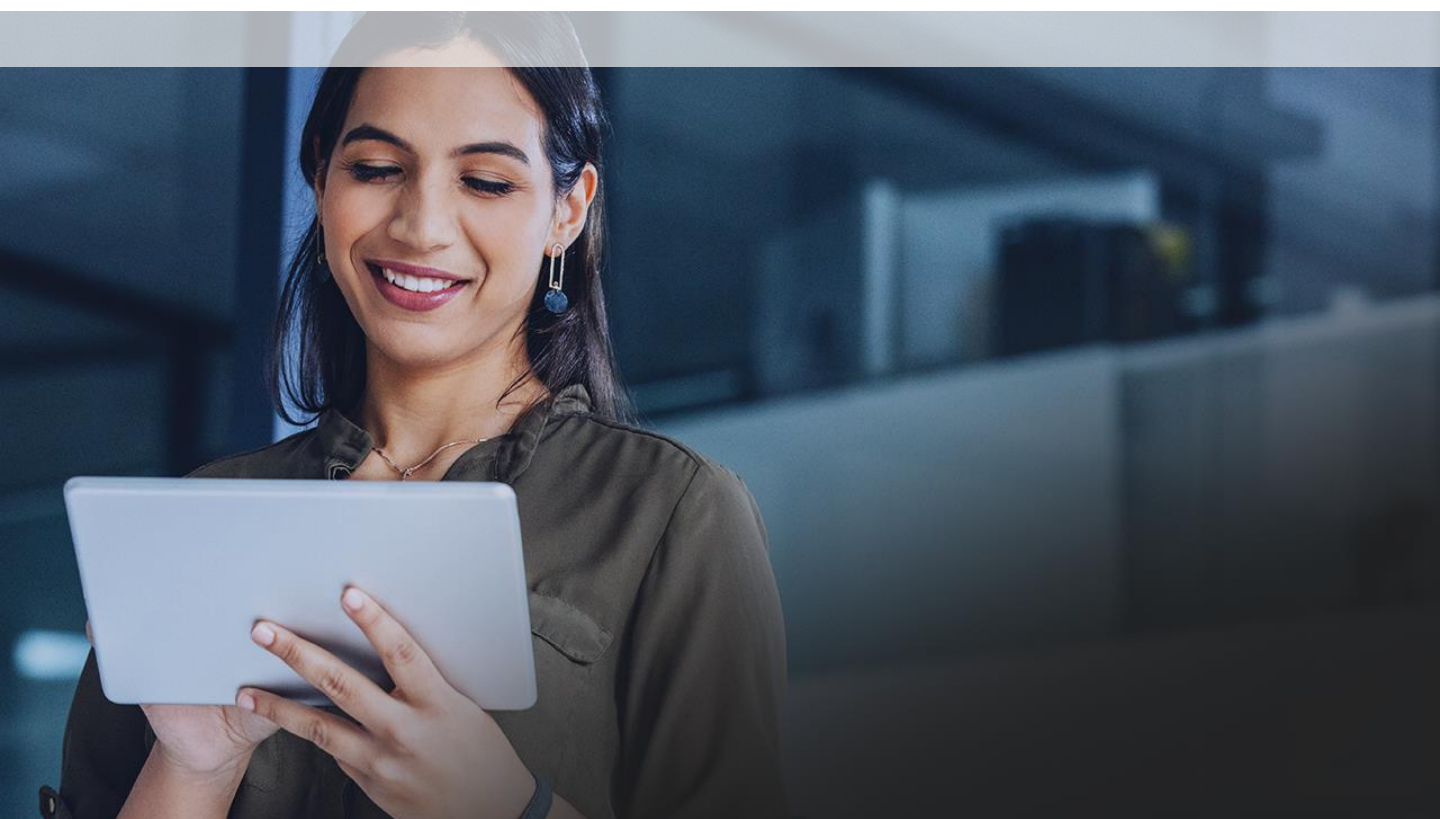
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Message from the Board

Gustavo Araújo, CFA
CEO

It is with great satisfaction that we present the best year in the history of Banco Mercantil to all clients, investors, employees, and stakeholders. This year, we have solidified our position in the market, achieving extraordinary milestones that reflect not only our economic success but also the steadfastness of our principles and our commitment to excellence. In 2023, we achieved a record annual profit of BRL 421 million, accompanied by an ROAE of 29.8%. These results are not mere numbers, they mirror the tireless efforts of the entire Banco Mercantil team, the trust bestowed upon us by our clients, and the strategic vision that guides us.

Our credit portfolio has soared to new heights, reaching BRL 14 billion. This remarkable growth is not just the outcome of a robust risk management approach but also significant investments in technology. Throughout the year, we invested BRL 150 million to enhance our digital platforms, solidifying our position as pioneers in shaping the future of banking services. We wholeheartedly embraced digital transformation, developing and enhancing a comprehensive, dynamic, and profitable app and conversational system via WhatsApp. In 2023, we reached over 3 million contracts originated through these channels. This evolution has empowered our customers to enjoy prompt, secure banking services tailored to their needs.

The ability to robustly analyze our client's profiles emerged as a key strategic tool. In a challenging macroeconomic scenario, with rising default rates, we maintained and enhanced the quality of our loan portfolio, keeping defaults under control and below the market average.

The trust placed in our work has been bolstered by the rating agencies. In 2023, we received upgrades to our outlook from S&P Global Ratings and Fitch Ratings, underscoring the strength of our fundamentals and our adeptness at confronting challenges with solidity.

These positive evaluations further strengthen our position in the market and confirm Banco Mercantil's commitment to excellence in all areas of operation.

As we celebrate our 80th anniversary, we look back with gratitude and forward with enthusiasm. We face challenges, adapt to different economic scenarios and always seek solidity and innovation as the fuel for progress. This celebration not only represents a retrospective look at our achievements, but also signals the start of a new phase: the next 80 years of Banco Mercantil. Our financial success is only part of the equation, our true value lies in our ability to positively impact people's lives.

Mercantil's next 80 years will be shaped by the same determination and strategic vision that have brought us this far. We will continue to innovate, adapt to market challenges and build lasting relationships based on transparency and trust. We thank everyone who has been part of this journey and invite you to join us in the next chapters to come. Banco Mercantil is committed to the future, and this is just the beginning of a story that will continue to be written with commitment, innovation and above all, excellence.



RECORD RESULT

ROAE

29.8%
2023

NET PROFIT

BRL million



80 YEARS

CELEBRATION OF LEGACY



REBRANDING

THE NEW BRAND THAT EMBODIES OUR CHANGE

NEW HEADQUARTERS

NEW, MODERN AND INTEGRATED SPACE



INVESTOR DAY

MERCANTIL + CAPITAL MARKET



Highlights 4Q23

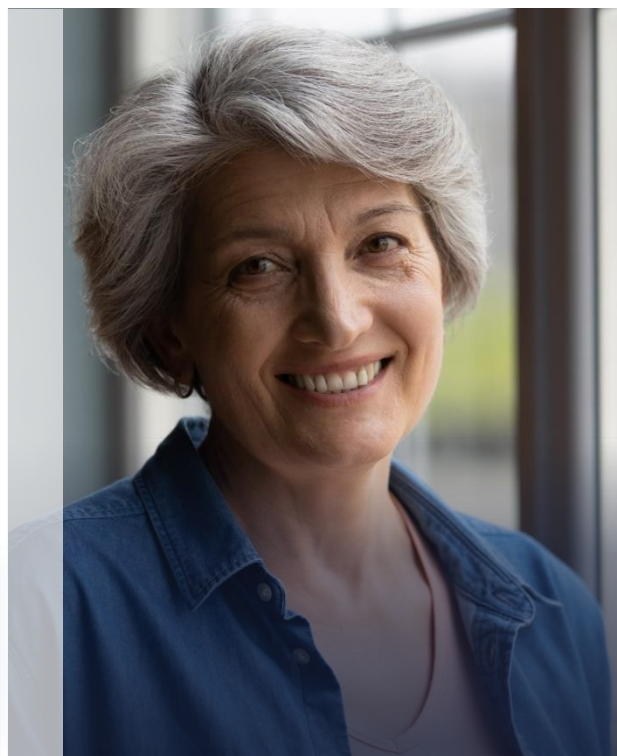
Δ Compared to the same quarter of the previous year

Credit portfolio	Payroll loans
BRL 14.0 bi +28% ↗	BRL 7.7 bi +22% ↗
Personal Loan FGTS	Net Interest Margin
BRL 3.1 bi +101% ↗	22.2% +150 bps ↗
NPL > 90 days	ROAE 2023
3.0% -40 bps ↘	29.8% +1,310 bps ↗
Annual Net Profit 2023 x 2022	Annual Services Revenue 2023 x 2022
BRL 421 mi +110% ↗	BRL 576 mi +32% ↗
Customers	Basel III Index
8.0 mi +30% ↗	17.0% 180 bps ↗

Our Customers

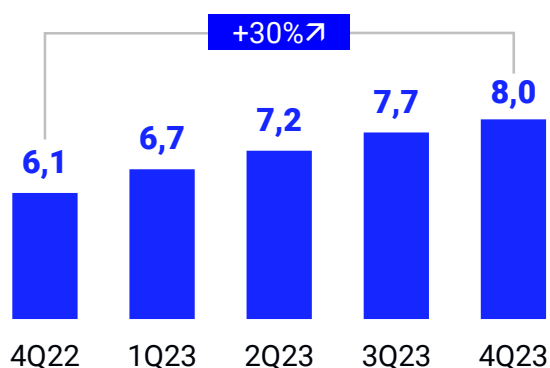
Banco Mercantil reached 8.0 million customers at the end of the fourth quarter of 2023, an increase of 30% over the year and 4% over the previous quarter.

We continued with the expressive mark of 51.1% of clients with a credit operation contracted, an increase of 880 bps compared to 4Q22, reinforcing the success of the strategy of engaging clients with our products and services.

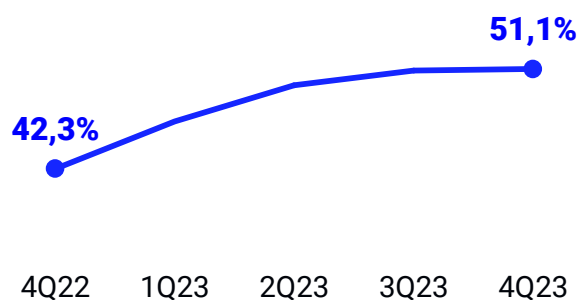


5th largest payer of benefits in the country

Number of customers
mi



Customers with credit
%



Key Operating and Financial Metrics Consolidated

Credit portfolio

The credit portfolio has reached BRL 14.0 billion, marking a 28% increase compared to the same period last year and a 5% rise compared to 3Q23.

We persist in our strategy of sustainable growth, focusing our expansion efforts on the individual segment, particularly in the Payroll Loan and Personal Loan FGTS lines, which collectively constitute 77% of our total portfolio. Both are secured products, boasting default levels significantly lower than other offerings in the market.

Credit origination in 4Q23 reached BRL 2.5 billion, showcasing a 24% surge over the corresponding period last year. This outcome is a testament to our strategy of sustainable portfolio growth, commercial efficiency, and expertise in the segment.

In the last quarter, the origination of Payroll Loans reached R\$ 1.6 billion, Personal Loans reached R\$ 503 million, and the FGTS Personal Loan reached R\$ 360 million in origination during the period.

Credit portfolio

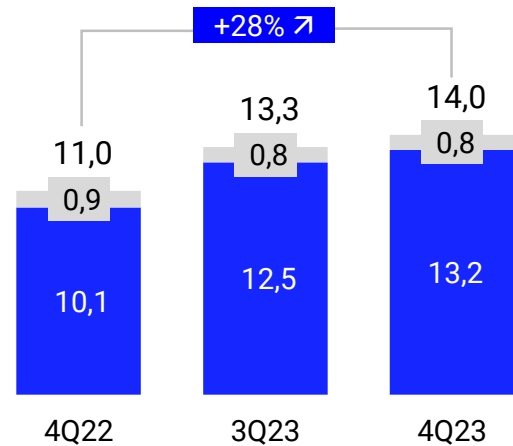
BRL 14.0bi +28% ↗

Compared to the same quarter of the previous year

Credit portfolio

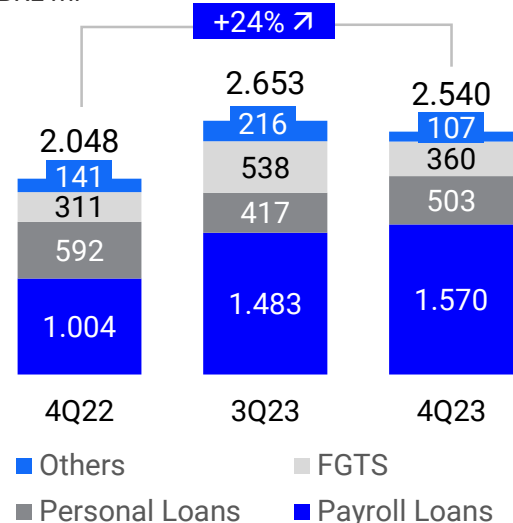
BRL bi

- Legal entity
- Individual



Credit origination

BRL mi



Payroll Loans Portfolio

Payroll loans remain the cornerstone of the Bank's portfolio, solidifying our expertise and strategic position in this segment – presently ranking as the 5th largest payer of benefits in Brazil.

The Payroll Loan stands out as one of the safest lines of credit available, constituting 55% of the Bank's total credit portfolio and surpassing BRL 7.7 billion. This marks a growth of 22% compared to the fourth quarter of 2022.

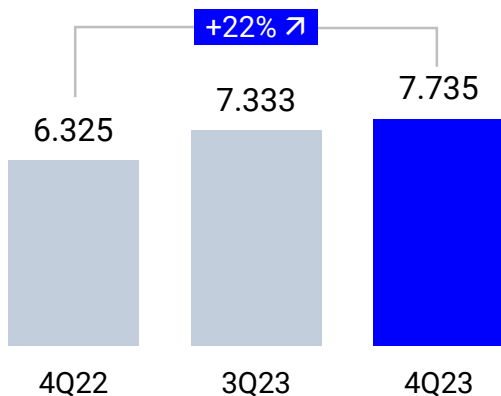
Furthermore, the Payroll Loan serves as a crucial loyalty product, playing a significant role in cultivating customer relationships and fostering engagement with Banco Mercantil's other products and services.

In 4Q23, the origination of payroll loans reached BRL 1.6 billion, reflecting a 6% increase compared to the previous quarter and an impressive 56% growth compared to the same period last year.

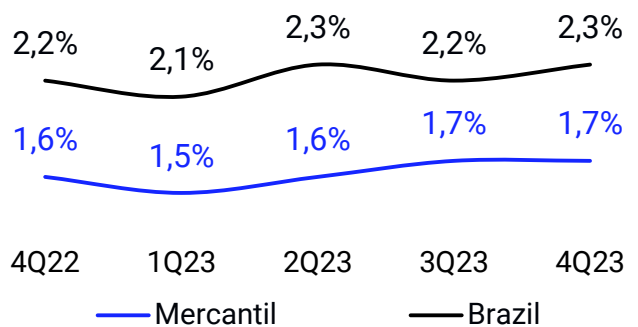
All operations were originated exclusively through the Bank's own channels, including branches and digital platforms. This underscores the Bank's effective origination strategy through proprietary channels, serving as a key differentiator and contributing significantly to the maintenance of the company's margins.

Payroll Loan Portfolio

BRL mi



NPL > 90 days - Payroll Loan (Own Network)



6% Share¹

Origination Payroll loan

100%

via Own Network

+ BRL 800 mi

in Payroll Loan originations via the App in the year 2023.



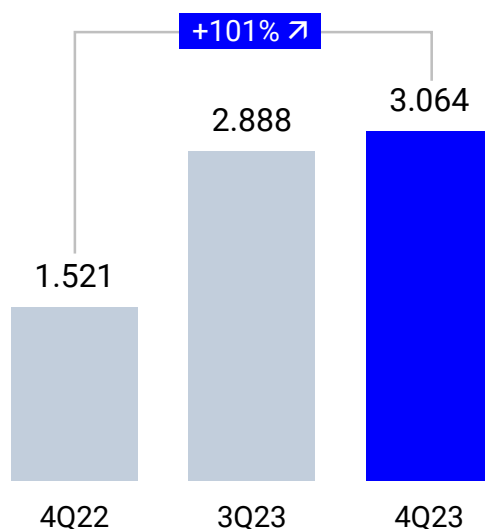
¹Source: Central Bank

Personal Loan FGTS

The Personal Loan FGTS portfolio remains a substantial growth area for the company and, akin to the Payroll Loan, is regarded as one of the safest lines in the market, attributed to its collateralized profile.

In 4Q23, the FGTS portfolio surpassed BRL 3.0 billion, constituting 22% of the Bank's total credit portfolio, and exhibiting an impressive growth of 101% compared to 4Q22.

FGTS portfolio
BRL mi

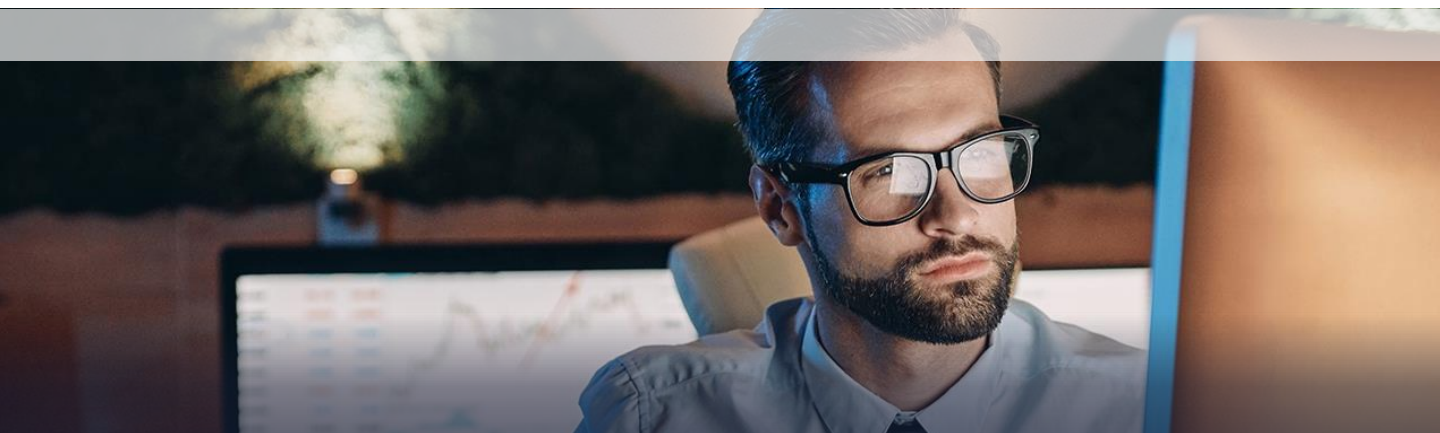
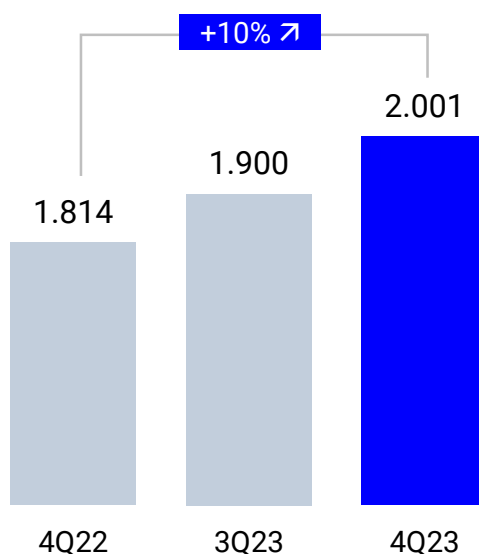


Personal Loan Portfolio

Personal Credit is a product designed for beneficiary customers who have previously accessed payroll loans. The portfolio has seen a 10% increase compared to 4Q22.

Given the uncertainties associated with the macroeconomic scenario, the Bank adopts a more conservative approach in granting this product. This involves utilizing advanced data analysis and prioritizing customers with an established history of relationships with the institution.

Personal Loan Portfolio
BRL mi



Services Revenue

We persist in fortifying the connection with our client base through a close and transparent relationship, concurrently expanding the array of services offered and enhancing their value proposition.

In 4Q23, the number of active customers with assistance reached 290K and Services Revenue reached BRL 151 million, reflecting a 21% year-on-year increase.

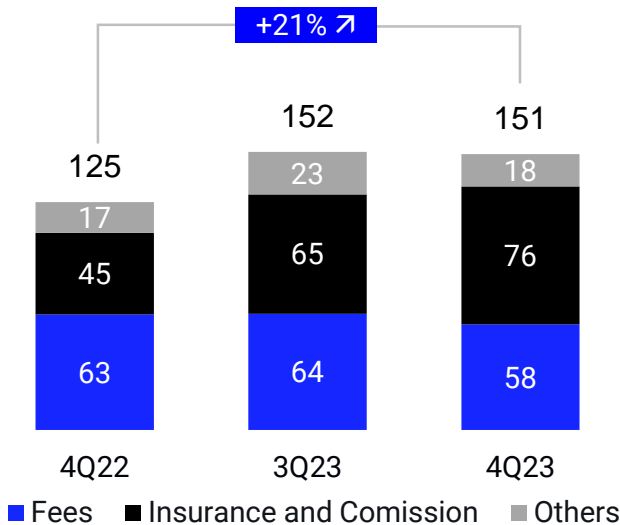
Cards

In the card segment, we achieved a milestone of 2.0 million cards in use in 4Q23, marking a remarkable 34% increase compared to the previous year and a substantial 13% growth compared to 3Q23. The processed volume reached BRL 1.4 billion, showcasing an annual growth of 10%.

Progress in this segment was seen mainly in the Payroll Card, a secure product with strong adherence.

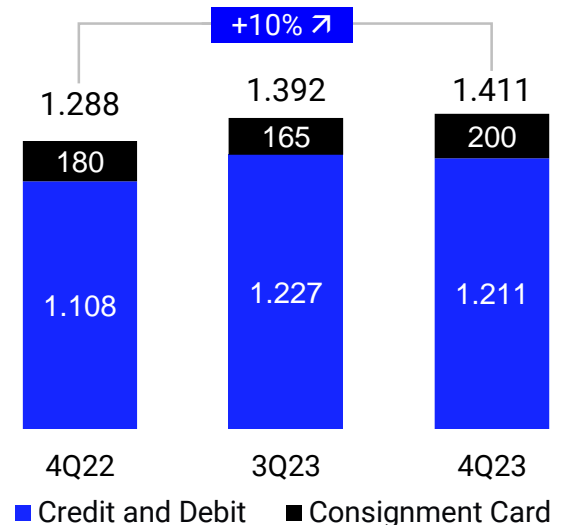
Services Revenue

BRL mi



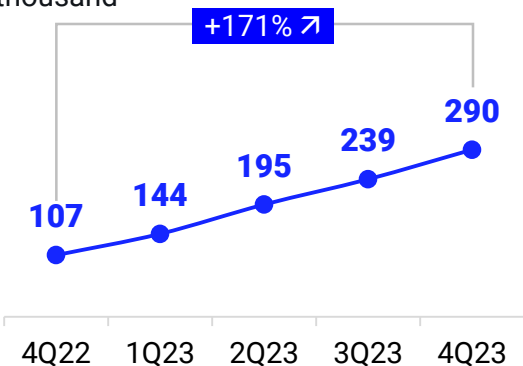
Total Processed Volume - TPV

BRL mi



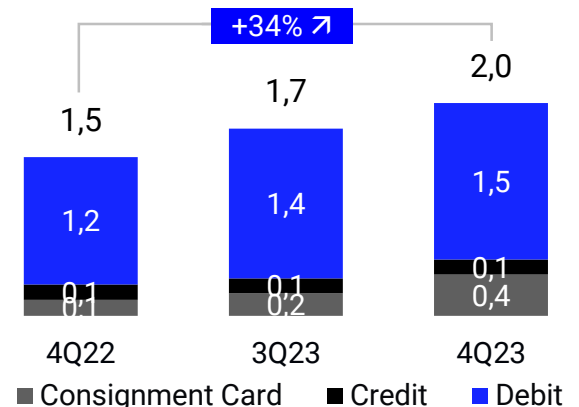
Active Customers with Assistance

thousand



Cards in Circulation

mi



Credit Portfolio Quality

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

Operations classified in the lower credit risk bands, from "AA" to "C", constituted 95.1% of the total credit portfolio in 4Q23, reflecting an increase of 150 bps compared to 4Q22 and a decrease of 50 bps compared to the previous quarter.

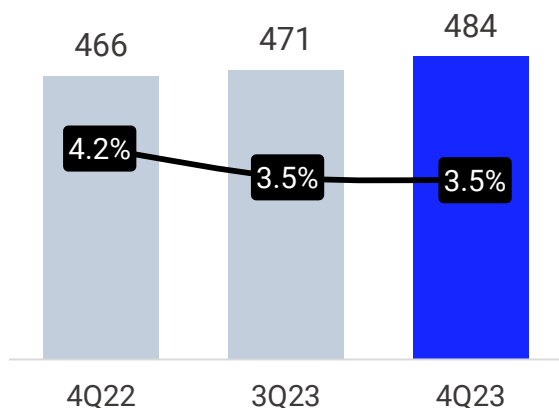
Provisions for credit operations risk in the quarter amounted to BRL 484 million,

representing 3.5% of the total credit portfolio, an 80 bps decline from the same period last year.

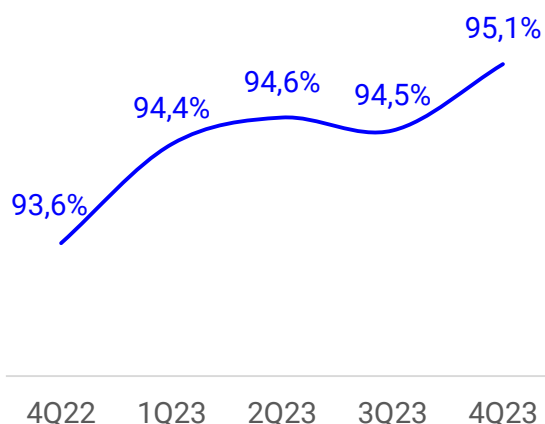
While the market, in general, grapples with challenges related to defaults, our portfolio maintains a privileged level. NPL > 90 remained at 3.0%, while NPL 15-90 decreased to 1.6% in 4Q23, marking a 40 bps reduction from 4Q22.

NPL Provision and % Portfolio

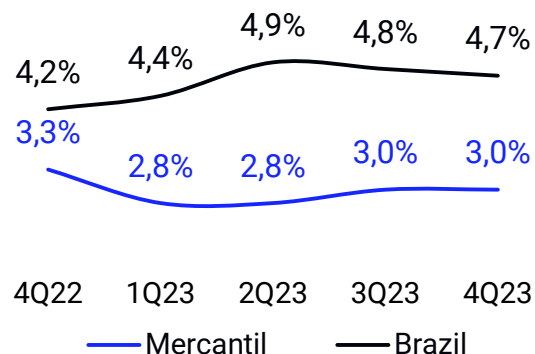
BRL mi



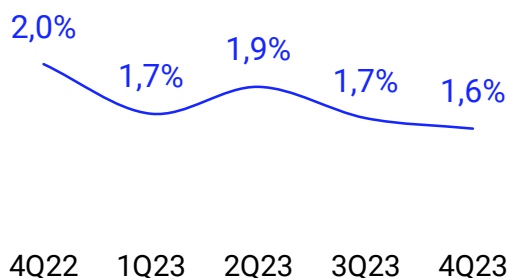
% AA - C / Portfolio



NPL > 90 (%)



NPL 15 - 90 (%)

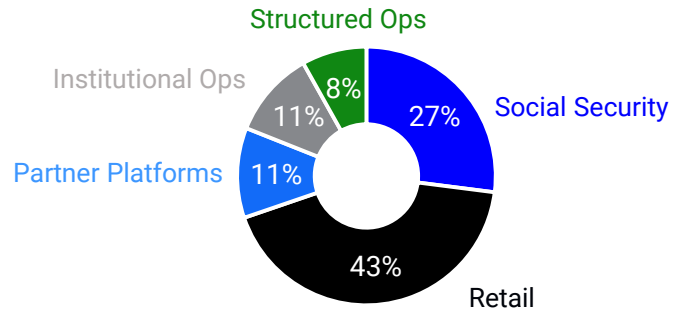


Funding

In 4Q23, the funding balance reached BRL 16.3 billion, marking a quarter-on-quarter increase of 10% and a significant 32% growth compared to 4Q22. Fixed-term deposits accounted for BRL 12.6 billion, constituting 77% of the total.

Banco Mercantil has diversified sources of funding, with 27% coming from the Bank's own INSS customers and 43% from Retail customers (Individuals and Corporates). Our own network accounts for 70% of total funding and helps keep our funding cost below the CDI rate. In 4Q23, the cost increased by 280 bps to 97.5% of the CDI.

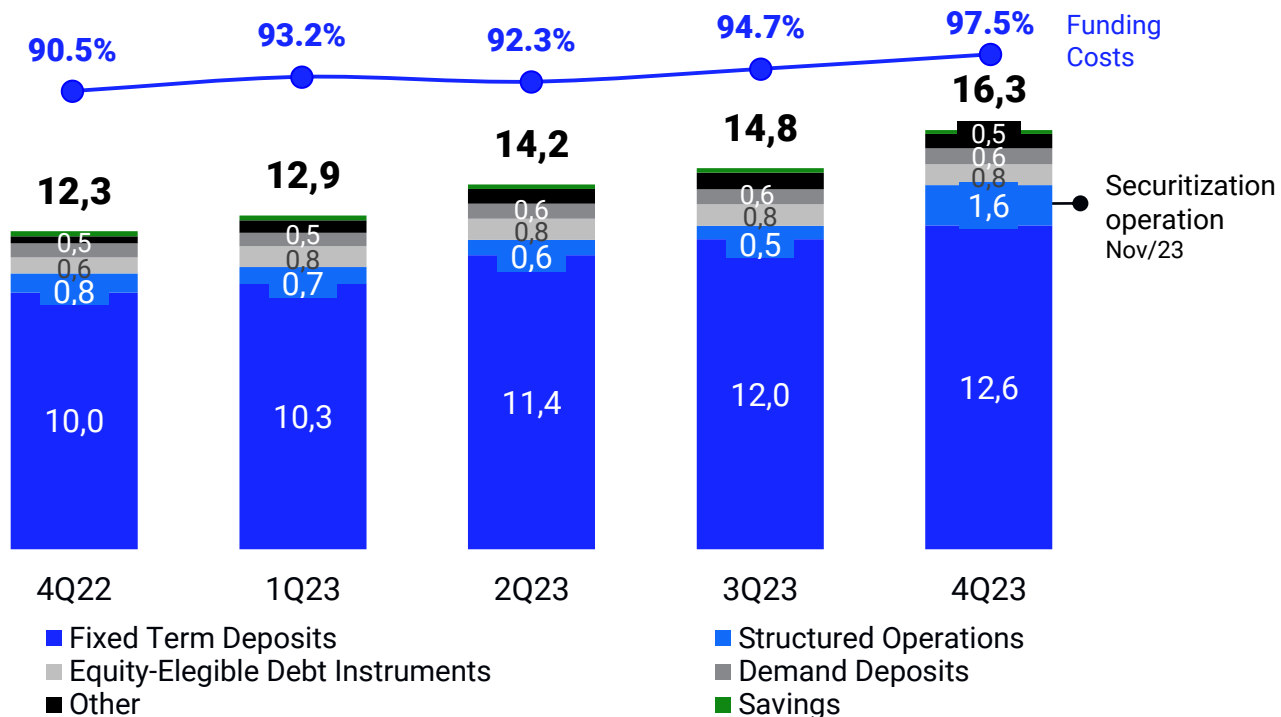
Funding Channels



In November 2023, the Bank conducted a securitization operation backed by receivables from the payroll loan portfolio, amounting to BRL 1.25 billion. The objective of this operation is to support the bank's growth and diversify its funding sources.

Funding Balance and Cost (%)

BRL bi



Basel III Index and Shareholders' Equity

Banco Mercantil's shareholder's equity continues its growth trajectory, reaching BRL 1.6 billion in 4Q23. The Basel Index stood at 17.0%, indicating an increase of 180 bps compared to the same period last year and a 60 bps rise from 3Q23.

Earnings

In 4Q23, the Financial Intermediation Result reached BRL 880 million for the quarter, reflecting an 11% increase compared to the previous quarter and a substantial 37% growth compared to the same period last year.

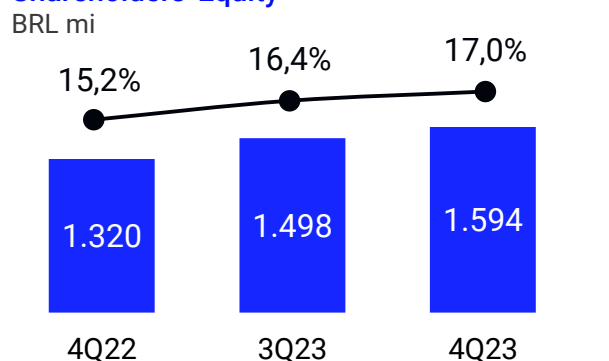
The Net Interest Margin saw a year-on-year increase of 150 bps and a quarter-on-quarter rise of 90 bps.

Net Profit surged to BRL 150.3 million in the quarter, marking an impressive 131% increase compared to the same period last year and a notable 47% growth compared to the preceding quarter. ROAE reached 29.8% in the quarter (LTM - last 12 months), signifying a remarkable increase of 1,310 bps compared to the same period last year and a significant 480 bps compared to the previous quarter.

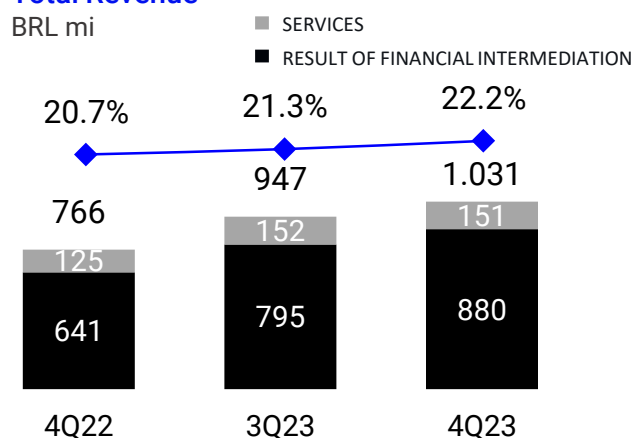
Once again, we achieved a record quarterly result, concluding 2023 with BRL 421 million in Net Income and a notable expansion in the Bank's primary business lines. This marks a year of consecutive records, reinforcing our commitment to growth combined with profitability for our shareholders.



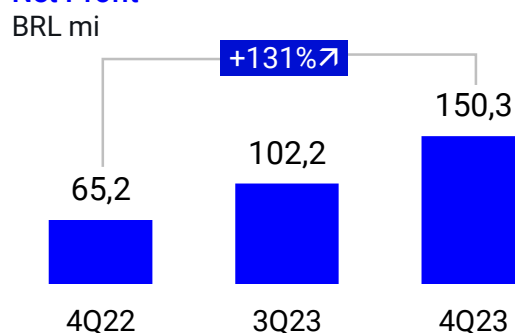
Basel III Index and Shareholders' Equity



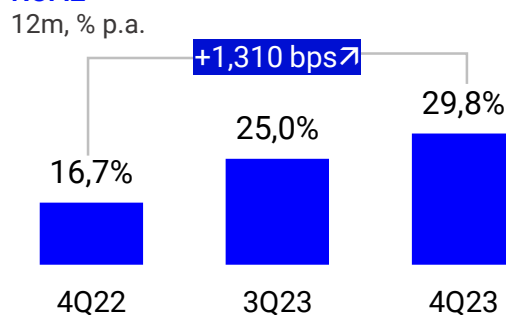
Total Revenue



Net Profit



ROAE¹




(1) LTM - last 12 months

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 ↗

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



BANCO
MERCANTIL

SUSTAINABILITY
REPORT 2022

Main Indicators



Income Statement (in BRL million)	4Q23	3Q23	Δ	4Q22	Δ
Net Profit	150	102	+47.0%	65	+130.6%
Operational Result	175	125	+39.6%	78	+124.7%
Revenue from Credit Operations	1,259	1,123	+12.1%	886	+42.0%
Services Revenue	151	152	-0.8%	125	+21.0%
Market Funding Expenses	(408)	(421)	-3.0%	(324)	+26.0%
Personnel Expenses	(137)	(140)	-1.8%	(134)	+2.6%
Administrative Expenses	(239)	(236)	+1.4%	(190)	+25.6%
Provision for credit losses + Discounts granted	(114)	(149)	-23.2%	(96)	+19.4%



Balance Sheet (in BRL million)	4Q23	3Q23	Δ	4Q22	Δ
Total Assets	19,283	17,687	+9.0%	14,848	+29.9%
Current Assets	18,280	16,669	+9.7%	13,887	+31.6%
Credit portfolio	13,997	13,341	+4.9%	10,974	+27.5%
NPL Provision	(484)	(471)	+2.7%	(466)	+3.9%
Funding	16,271	14,785	+10.1%	12,337	+31.9%
Total Liabilities	19,283	17,687	+9.0%	14,848	+29.9%
Current Liabilities	17,429	15,930	+9.4%	13,258	+31.5%
Shareholders' Equity	1,594	1,498	+6.4%	1,320	+20.8%
Performance indicators (%)	4Q23	3Q23	Δ	4Q22	Δ
Annualized Return on Average Shareholders' Equity (ROAE) 12m	29.8%	25.0%	+480 bps	16.7%	+1,310 bps
Return on Average Assets (ROAA) 12m	2.5%	2.1%	+40 bps	1.5%	+100 bps
Consolidated Basel III Index	17.0%	16.6%	+40 bps	15.2%	+180 bps
Level I	12.7%	12.0%	+70 bps	12.0%	+70 bps
NPL 90	3.0%	3.0%	-10 bps	3.3%	-40 bps
Individuals NPL > 90	3.0%	3.0%	-	3.2%	-20 bps
Corporate NPL > 90	2.3%	3.1%	-80 bps	4.8%	-250 bps
NPL Provision Credit Portfolio	3.5%	3.5%	-10 bps	4.2%	-80 bps
Capital market (BRL)	4Q23	3Q23	Δ	4Q22	Δ
Asset Value per Share	15.21	14.29	+6.4%	12.59	+20.8%
Last day's quote ON	20.47	16.24	+26.0%	10.00	+104.7%
Last day's quote PN	16.89	13.05	+29.4%	9.11	+85.4%
Earnings per share	1.43	0.98	+47.0%	0.62	+130.6%
Market value (thousand)	2,009,749	1,580,447	+27.2%	1,016,179	+97.8%
Other information	4Q23	3Q23	Δ	4Q22	Δ
Service points	297	298	-1	298	-1
Total Customers	7,981,641	7,650,998	+4.3%	6,145,190	+29.9%

Credit portfolio

BRL Mi

% of Credit Portfolio	4Q23	% Total	3Q23	Δ	4Q22	Δ
Payroll Loan	7,735	55.3%	55.0%	+30 bps	57.6%	-240 bps
FGTS	3,064	21.9%	21.6%	+20 bps	13.9%	+800 bps
Personal loan	2,001	14.3%	14.2%	+10 bps	16.5%	-200 bps
Other Credits Individuals	388	2.8%	2.9%	-20 bps	3.8%	-100 bps
Sub-total Individuals	13,187	94.2%	93.8%	+50 bps	91.8%	+240 bps
Working Capital	603	4.3%	4.7%	-40 bps	5.3%	-100 bps
Other Credits Legal Entities	206	1.5%	1.6%	-10 bps	2.9%	-150 bps
Sub-total Legal Entities	809	5.8%	6.2%	-50 bps	8.2%	-240 bps
Total Portfolio	13,997	-	13,341	+4.9%	10,974	+27.5%
% AA-C Rated Portfolio	13,308	95.1%	94.5%	+50 bps	93.6%	+150 bps

AA-C Rated Portfolio

BRL Mi

Total Segmented Volume	4Q23	% Total	3Q23	Δ	4Q22	Δ
Individual						
Payroll loan	7,565	56.8%	7,152	+5.8%	6,164	+22.7%
Personal loan	1,797	13.5%	1,671	+7.6%	1,649	+9.0%
FGTS	3,064	23.0%	2,887	+6.1%	1,521	+101.4%
Other	299	2.2%	300	-0.2%	350	-14.5%
Legal entity						
Corporate portfolio	583	4.4%	602	-3.2%	588	-0.9%
Total	13,308	-	12,612	+5.5%	10,272	+29.6%

Capital (in BRL thousand)

	dec/23	sept/23	dec/22
Reference equity	1,878,626	1,720,170	1,359,500
RE Level I	1,408,758	1,261,358	1,074,578
RE Level II	469,868	458,811	284,922
Total RWA	11,060,551	10,517,010	8,938,361
RWA Credit risk	9,751,330	9,201,558	7,822,444
RWA Market risk	5,111	11,343	5,660
RWA Operational risk	1,304,110	1,304,110	1,110,257
Basel III Index (%)	17.0	16.4	15.2
Level I (%)	12.7	12.0	12.0
Main Capital (%)	12.1	11.4	11.4



Shareholding Structure

The value of the company's share capital on December 31, 2023 was BRL 702,372 thousand. According to the most recent information released to the market, **Mercantil's share capital consists of 65,155,744 ordinary shares**, of which 33.33% are outstanding, **and 39,675,836 preferred shares**, of which 68.63% are outstanding. As a result, 46.69% of the company's 104,483,080 shares are in circulation.

Ratings

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

Ombudsman

ouvidoria@mercantil.com.br
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

Gustavo Araújo *CEO*

Paulino Rodrigues *CFO and DRI*

Marina Magalhães *Strategy and
IR Coordinator*

Contact

ri@mercantil.com.br

(31) 3057-5242