Leonardo Ferraz:

Good morning, everyone. Welcome to Banco Mercantil's earnings presentation for 2Q26. My name is Leonardo Ferraz, I am responsible for Investor Relations, and I would like to thank everyone joining us this morning.

In this presentation, we will share the main highlights of the quarter, present the evolution of our results and comment on the progress we have made in executing our strategy.

Joining me in this presentation are Gustavo Araújo, CEO of Banco Mercantil, and Paulino Rodrigues, Chief Financial and Investor Relations Officer.

Before we begin, I would like to remind you that this broadcast is being recorded and will be made available, together with its transcript and the supporting materials presented here today, on our Investor Relations website.

At the end of the presentation, we will hold a question-and-answer session. Questions may be submitted at any time through the Q&A tab at the bottom of the screen or through our WhatsApp channel, using the QR Code that will be made available during the presentation.

With that, to begin our presentation, I will turn the floor over to Gustavo Araújo, our CEO. Gustavo, the floor is yours.

Gustavo Araújo:

Good morning, everyone. It is with great satisfaction that we announce another quarterly record result for Banco Mercantil.

In 2Q26, the Bank's net income reached BRL 275 million, with ROAE of 41.4%. In a quarter in which expectations are marked by tougher earnings releases across the financial sector, in a credit environment that we consider quite adverse, with the highest delinquency indicator in the history of the Central Bank of Brazil's time series and also a historical peak in the individuals non-earmarked credit series, even in a scenario of strong fiscal stimulus which, on the other hand, prevents sharper cuts in the Selic policy rate, which should remain at very high levels and also pressures funding costs across the entire chain and the whole sector.

Therefore, even though the result was practically stable compared to the immediately preceding quarter, this net income demonstrates the quality of the Bank's balance sheet, execution discipline and the strength of our thesis, which has now delivered record results on the screen for almost four years, across 15 consecutive quarters, through several regulatory changes, crises and economic cycles. Throughout this period, we recorded average growth of 67% per year, moving from BRL 40 million to our current BRL 275 million, with, without question, one of the best ROAEs in the banking industry.

As the main highlights, I would point especially to our service fee income, driven by our Meu+ platform and ecosystem, growing 37% per year, and also to the loan portfolio, which is growing 25% per year, almost 3x the market, with a high-quality loan portfolio. These are the Bank's two main earnings drivers, growing at a pace well above the Bank's expenses, generating what we call scale gains and allowing results to grow on a recurring basis by 40% per year, once again reaching the record net income now reported.

However, the first half of the year was marked by several issues to which the Bank had to adapt, demonstrating adaptability, flexibility and consistency. We saw several changes, for example, in the consent flow for payroll loan contracting, the new cap for private-sector payroll loans, and the Selic remaining high for longer than expected. The new contracting flow for portability practically made this product modality unfeasible, which affects our ability to bring in new clients, one of the Bank's main offerings. We also had Desenrola 2.0, with a direct impact on payroll-deductible margin. Taken together, all of this required the Bank to readapt its flows, sales processes and prioritization.

In addition to all that, when we look, for example, at private-sector payroll loans, there is still significant room for operational improvement. Delinquency in private-sector payroll loans alone jumped 200 bps quarter over quarter, reaching 8.6%, even above individuals non-earmarked credit, which is at 7.6%, again a historical high.

During this period, we needed to adjust the Bank's credit origination, prioritizing transactions with higher returns relative to risk, recalibrating credit policies and pricing, slightly reducing the pace of growth and continuing to be very well prepared and comfortable in terms of liquidity and capital.

Just as an example, the Bank's Tier 1 Capital remains at 14.8%. Therefore, the Bank is highly capitalized and highly liquid for this moment in the credit market, both in relation to sector delinquency issues and to regulatory flow issues for the growth of collateralized products. In other words, the Bank is very well positioned and once again shows execution discipline in a very adverse market quarter.

As for the Bank itself, we remain very enthusiastic, believing in and investing in the thesis of Brazil's population aging, and believing that we are the largest and best bank, and the best positioned to serve this audience, with important competitive advantages, always seeking primacy through excellence in our service levels.

And we do this as we have always done: by placing our technology at the client's disposal. Banco Mercantil is already a reference in making the digital journey easier for the 50+ audience, with our well-known cases of everything we have done in the Bank's app and WhatsApp channel, how they are flagships in credit origination, how they help clients in their daily lives, reduce fraud volumes and enable a lower distribution cost than the competition. We have always had this DNA of adapting and applying the best available technology to the needs of our clients.

Also as a result of having invested so much over the past years in cloud migration, we believe that we can indeed be one of the leaders in the transformation of the banking industry through artificial intelligence. We are already very well positioned in this regard, accelerating several fronts within the Bank, from origination and fraud prevention to full legal analysis, with models and diagnostics, and near-real-time monitoring of client interactions.

We already have 10% of client payroll loan simulations in the app carried out solely by voice, which we call touchless. The client speaks only by voice to understand the conditions and simulations of that loan, without having to go through those clicking steps. So it is voice-only, a pilot that the Bank is already scaling and that is already bearing fruit.

Seventy-eight percent of Spec-Driven Development source code is already being done 100% by artificial intelligence, and more than 1 million interactions have been analyzed by AI so that we can test transcription, audit the sale and assess the quality of that sale, the quality of that audio and client satisfaction.

This is only the beginning of a broader transformation in which the Bank will certainly be one of the market leaders, continuing to transform the lives of the 50+ audience and bringing to this audience all the benefits of the investments that big techs are making and leading in terms of possible transformations, particularly in the banking industry, with artificial intelligence.

To conclude, even in the quite adverse scenario already mentioned, our net income grew 13% compared to the same period of the previous year. Credit origination, which is naturally seasonally lower in 2Q due to the recurring advance payment of the 13th salary and also to the end of the salary increase cycle, which naturally takes place in 1Q, declined 1%, even with the new INSS consent flows and even compared with a very significant market decline this quarter.

The loan portfolio, although it presented a marginal, minimal decline quarter over quarter, still shows 30% annual growth, driven by the payroll loan portfolio, which grew 47% in the period.

Once again, it is worth highlighting our service fee income, derived mainly from our 50+ ecosystem, of BRL 363 million, up 76% in one year. This is very high-quality revenue: it goes straight to the bottom line, does not allocate capital, carries no credit risk and performs very well through a more adverse credit cycle. Combined with delinquency of 3.1%, which is far below the 7.6% for individuals non-earmarked credit in the Central Bank series - the historical peak I mentioned earlier - this naturally reflects, above all, the Bank's high collateralization ratio of 83%. It is a very high-quality portfolio, a very defensive portfolio compared with the sector's average portfolio.

All of this leads to a very positively asymmetric ROAE of 41.4% and a capitalization ratio of 17.2%, which is very comfortable, especially in the period shown, with Tier 1 already at 14.8%. The Bank is very well capitalized to continue investing in its thesis of being the best bank for the 50+ audience, and this was another strong quarterly performance despite the market conditions presented.

I will now invite Paulino, our CFO, to the stage so that we can go into greater detail on each of the numbers presented here. Paulino, good morning.

Paulino Rodrigues:

Good morning, Gustavo. Thank you, and thank you to everyone joining us for Banco Mercantil's 2Q26 earnings release. We will now go into a bit more detail on the numbers, covering all the topics on the screen.

We begin with our loan portfolio, which ended 2Q at a total of BRL 25 billion. We will describe the dynamics product by product, but Gustavo largely anticipated them in his remarks, addressing a series of regulatory and operational events that have been unfolding for some time and that caused quite significant impacts, beginning with our main portfolio, the INSS payroll loan portfolio, whose market growth was zero in the annual comparison.

The portfolio remained basically stable, in the BRL 281 billion range, while Mercantil posted the 24% growth shown on the screen for the same period. So this is another quarter in which, generally speaking, and INSS payroll loans are no different, the Bank managed to grow more than the market.

Looking specifically at this number, as shown on the right-hand side of your screen, the Bank grew 2.6x the market growth, with the market understood here as the mass-market individuals non-earmarked credit market, based on the Central Bank series, with total growth of 30%.

Returning to INSS payroll loans, year-to-date growth in this portfolio is only 1.1%. So this portfolio has basically been moving sideways, with monthly origination levels among the lowest in history, around BRL 3 billion in May and BRL 4 billion in June, for a product that typically originates around BRL 10 billion to BRL 11 billion.

This has a series of reasons, which, as I mentioned, Gustavo referred to earlier, and naturally also affected us. Although our market share remained stable or even increased during 2Q, the fact is that all these events affected our ability to accelerate this portfolio's growth even further.

Turning now to private-sector payroll loans, this is also a portfolio in which we saw very strong growth, starting in 3Q25. We had already anticipated that we would need to tighten criteria also as a response to regulatory and operational changes, and that is what we did. This led the portfolio to grow more moderately in 2Q, as also happened in the market, although in the market it is still a portfolio with very significant growth.

The market's annual growth is 143%. In our case, we did not even include the percentage here, because as we started from a very low base in 2Q25, the percentage would be excessively high. Therefore, mathematically speaking, here too we grew more than the market, but we already see a smoother level of growth compared with the previous two or three quarters, as a reaction to all the changes we have been seeing in this market.

The FGTS birthday-withdrawal anticipation portfolio, which you see in the white segment, totaled BRL 2.3 billion. This is a portfolio that has been amortizing, with small origination levels, and we will discuss origination shortly. It has maintained a small level of origination, but not enough to sustain the balance of this portfolio. It therefore ended the quarter as a portfolio that we like a lot, with zero delinquency, no portability and built at a very attractive rate. We like holding this portfolio very much, but unfortunately it is a line that has been losing traction and, in some way, being replaced by private-sector payroll loans.

We then move to our unsecured personal loan portfolio, what we call CP, and here we need to make a few observations, because there is a typical 2Q seasonality that was quite pronounced in 2026, mainly related to the advance payment of the 13th salary to retirees and pensioners, who are the borrowers of this product, the client profile to which Mercantil grants unsecured personal loans, namely those clients who receive their social security benefit through the Bank.

So we had more than BRL 300 million in personal loan amortization resulting from the advance payment of the 13th salary. This is typical of second quarters; when we discuss origination, we will show this a little more. It is the main reason for the reduction you see at the margin, from BRL 3.4 billion to BRL 3.1 billion quarter over quarter, while the annual comparison still shows growth of 23%, as presented in the figures on the right side of the chart.

We will discuss this a bit more in the origination section. The other portfolios are less relevant, so I will not go into much detail here. What I would like to highlight, at a time when market participants in general are discussing asset quality, is the fact that the Bank has 83% of its assets collateralized. In other words, these are assets with high quality and low delinquency. Over-90 delinquency, already mentioned by Gustavo, stood at 3.1% this quarter, a small improvement compared to the previous quarter, and we will discuss this further later. We have also already discussed market growth rates, so our average growth over the past three years was 25% per year, therefore between 2.5x and 3x market growth.

We now move on to discuss credit origination dynamics in 2Q26. Here we see the effects of everything we discussed earlier materializing. Starting with our main portfolio, INSS payroll loans, market origination for INSS payroll loans was at one of the lowest levels in history. Quarter over quarter, market figures declined 27.7%; year over year, they declined 23.9%; and over the last 12 months, we are talking about a reduction of 31.4%.

As I mentioned, our market share remained relatively stable throughout this period, but when market origination falls in this way, it is natural that our origination also falls. If you have X% of a market that grows zero, your growth will be zero, regardless of what X is.

I am not saying here that market growth, or even our growth, was zero, but the fact is that there was a market slowdown, and this naturally impacts us as well. This meant that, in the annual comparison, our payroll loans as a whole - and here private-sector payroll loans also have some weight - also saw a market slowdown quarter over quarter of 6.7%. Although this still shows robust percentage growth in the annual comparisons and over the last 12 months, origination here has also been losing some momentum after reaching a peak in 1Q.

For payroll loans as a whole, therefore, with regard to origination, there was an annual decline of 11%. And note that this annual comparison is also very interesting for the following reason: you may recall that 2Q25 was when the INSS changed biometric requirements for INSS payroll loan origination. That caused an abrupt market decline then, after which the market corrected and adjusted. Now, in 2Q26, we had very important changes regarding the operational model for INSS payroll loan portability, and this was the main factor behind the decline I mentioned earlier, from a level that should be around BRL 10 billion to BRL 11 billion per month, to currently around BRL 3 billion to BRL 4 billion over the last two months. That is with regard to payroll loans.

As for FGTS, I had mentioned on the previous slide that we have been originating less than we would like. As I said, this product, to some extent, ended up shrinking after the regulatory changes and being replaced by private-sector payroll loans.

Another important highlight here is unsecured personal loan origination. Here too we saw very important growth, close to the BRL 1 billion level. This is due, to some extent, to substitution caused by the inability to meet demand through other lines, given the difficulties already mentioned, and it is also worth noting that there is some impact from Desenrola 2.0.

Desenrola did not produce material effects on the income statement, but we have indeed been working to renegotiate, and we have had a performance that so far seems reasonable and should materialize more concretely over the coming quarters, depending on the performance of this new portfolio generated from delinquent transactions.

But here I think it is somewhat premature to comment on this in advance. What is worth highlighting is that part of this increase in origination relates to new transactions originated through the renegotiation program.

So, with regard to origination, I believe we have covered the topic, and we now move on to discuss credit risk performance. In the chart on the left, we have the metric most used by the market, which is over 90. This over-90 ratio improved at the margin in the quarter, returning to the 3.1 level.

Here, we also have some effect on this over-90 ratio, given that the new transactions originated through Desenrola become current. So Desenrola also provides some marginal support here. Apart from that, all portfolios, payroll loans and personal loans, are running within the parameters we consider appropriate for these portfolios, and we have still been dealing with some difficulty in private-sector payroll loans, which also helps explain the corrective measures taken over the past few months.

Also note, in the chart on the right, the significant fluctuation in over-15 to 90-day delinquency, which is basically due to the performance of private-sector payroll loans, which, as I said, still requires attention.

We will discuss cost of risk on the next slide, but it is quite reasonable to say that we should still see a portfolio performance - moving already toward cost of risk, on the next slide, reaching 6.5% - and we should continue to see somewhat pressured portfolio performance over the next few quarters due to the effects I have just described.

When we look at the portfolio by stages, I would like to make an observation and return to the amortization of personal loans resulting from the advance payment of the 13th salary. We are talking about amortization that exceeded BRL 300 million. This was a Stage 1 portfolio, so the mix effect it causes makes the other stages increase relative to Stage 1.

If you look at the chart on the right, you will see that this same effect occurred in 2Q25, which relates to the seasonality issue I mentioned earlier. We can see that in 2Q25, Stage 3 went to 4.7%, then declined, and now, due to the amortization effect of a Stage 1 portfolio - these personal loans - it ended up creating this mix effect, which causes Stage 3 to increase. But here we do need to comment that we should still see cost of risk remain pressured over the next few quarters.

Turning now to product and service revenues, we continue at a very important pace. We posted another very significant number in 2Q, with service fee income reaching BRL 363 million. This was relatively stable compared to 1Q, when we had very strong growth: 90.3% came from insurance and assistance services within a growth process that has replaced fees, which increasingly occupy a smaller share of the service fee income mix, and this is something we have been observing for quite some time.

This stabilization is also largely due to the reduction in origination, as already mentioned, of private-sector payroll loans, which typically have associated insurance products. As we reduced origination of this product, there was naturally also a reduction in the commissions derived from these products.

Even so, it stabilized at a very high level. When we discuss NIM shortly, we will see that today service fee income represents 20% of the sum of NII plus service fee income, which is a very significant number, remembering that this revenue goes straight to the bottom line, does not allocate capital and, in practice, represents greater client loyalty.

Now turning to the liability side, there is not much news this quarter. We basically saw a continuation of what we observed in 1Q: organic, natural growth, with no major fluctuations in the mix. What is worth highlighting is that the Bank continues to have access to the most diverse funding sources available, starting with its own granular depositor base, which we have already discussed, and including other capital market instruments, such as financial bills and structured transactions, all at a very competitive cost for a midsized bank, around 100% of CDI, which we often highlight as one of the Bank's strengths.

Here, cash, which we will discuss shortly, is actually running at a very high level. We ended 2Q with cash close to BRL 11 billion, which caused the cash-to-interest-earning-assets metric to reach a record level of 31%, a very high level.

Naturally, everything fits together: we had a sharp reduction in the pace of origination, and this is also reflected in higher cash, with the LCR reaching 4.4x the regulatory minimum and the Net Stable Funding Ratio, or NSFR, reaching 144%, both at extremely comfortable levels and even producing an impact on NIM, which we will discuss shortly.

To conclude this topic, we continue to originate 86% of the Bank's funding through proprietary channels, including INSS beneficiaries, other individual and corporate clients, and bilateral treasury transactions. We also access capital markets when necessary through structured transactions, and we are present on the main investment platforms, but this is a smaller component of the Bank's funding.

Turning now to capital, we ended 2Q with a very comfortable Basel III Index of 17.2%, Tier 1 Capital of 14.9%, meaning shareholders' equity reached BRL 3.135 billion. This was achieved even with a payment, which I will comment on shortly, that was the subject of a Material Fact disclosed after market close yesterday, of interest on capital at a historical level for the Bank, close to BRL 190 million, producing the impact highlighted in red on the right-hand side, reducing Basel by 50 bps. Even so, our Basel III Index remains extremely comfortable, above 17%, basically due to the incorporation of earnings.

Of course, more moderate credit origination, as we reported throughout the presentation, led to lower capital allocation, so we see only a 0.1 effect in the reconciliation chart in the upper right-hand corner of your screen.

Here we have the earnings dynamics. We like this chart very much because it illustrates the Bank's long-term behavior. The slide shows a three-year period, demonstrating how the gap between revenues and expenses has widened within a process of capturing economies of scale that the Bank has demonstrated over the past several years, or quarters, as you prefer, with revenues growing much more sharply than operating, administrative and personnel expenses, enabling this scale-gain capture effect, which naturally materializes in margins and in the return levels that Banco Mercantil has presented.

But before we get to those, let's discuss NIM, NII and return to service fee income. As I have already mentioned, service fee income reached a level of 20% of the sum of NII and service fee income this quarter, in line with what we saw in the previous quarter, when it reached a record level of 21%, and we consider it quite healthy for service fee income to run around this 20% level, which we are beginning to consolidate.

Regarding NIM, the effect of excess cash is such that, if we normalized this NIM to the 1Q cash level, we would have had NIM increasing by 10 bps and ending at 17.6%. So, of course, we need to take measures, and we are taking measures to reduce cash levels to more efficient levels so that we can restore NIM.

So what is worth highlighting here is that we would have had stable NIM, even increasing by 10 bps at the margin, if not for the cash level close to BRL 11 billion that we had at the end of 2Q.

NII was once again a record, growing 27% year over year, while service fee income grew 76% on the same comparison basis.

All of this leads us, on the right-hand side, to return on assets of 3.1% this quarter. Of course, the effect I just mentioned on NIM also materializes in assets, but even so, both ROAA and ROE are at exceptional levels for the financial market and for the banking sector in general.

Therefore, even in a very complex and challenging scenario, as Gustavo and I have described so far and as everyone who follows the market knows, Banco Mercantil continues to deliver an exceptional level of return to its shareholders, with ROAA of 3.1% and ROAE of 41.4%, maintaining a constant leverage level, with extremely comfortable capitalization that even increased during the period, demonstrating the resilience of our balance sheet and our ability to adapt to scenarios that are not always those we would like to see.

I will close here, before turning the floor over to Léo, by highlighting the payment of more than BRL 189 million, almost BRL 190 million, in interest on capital, which was the subject of a Material Fact disclosed yesterday after market close. This payment will be made on August 19.

With that, I conclude the presentation and return the floor to Leonardo, who will lead our question-and-answer session. Léo, please.

Participant (via webcast):

Good morning. Two questions from my side. Could you provide more color on your view of the recent regulatory changes? When do you expect INSS payroll loan origination to normalize, and what should we expect for the private-sector payroll loan portfolio?

Regarding service revenues, is it possible to expect a return to more pronounced growth in the coming quarters, even with more pressured credit origination? Thank you.

Gustavo Araújo:

Regarding the normalization of INSS payroll loan production and origination, I think the main point we observe is the portability flow. The portability product is fundamental to Mercantil's thesis; it is one of the fundamental products for all players operating in INSS payroll loans, and it is a very strong value proposition for clients, where we make a better offer than the competitor and carry out the portability of that INSS payroll loan from institution A to institution B, in this case Banco Mercantil.

With the new consent flows, what we observed was a weakening of the portability guarantee in relation to the consent flow. What do I mean by that? In the flow as currently designed, the funds would go to the client before we are certain of the registration of the guarantee, of the collateralization. In other words, we send the money to the bank from which we are bringing the portability - which ultimately also reaches the client - and if the client completes the consent flow, with a journey break here, only then do we ensure the registration of that guarantee.

So this is a major change that, in the portability flow, makes us run unsecured credit risk for a period of time, because we may not obtain that consent and therefore may not have that guarantee. This change made the portability market practically go to zero during the period.

Regarding this change, and we believe in market forces, this is a very interesting product, especially for the client, and it should be reestablished very soon. INSS has already issued an official letter recognizing this issue in the current flow and stating that, together with Dataprev, the technology company that operates payroll deduction for INSS, it has already begun correcting this flow.

So this official letter has already been published. What we do not yet have is the regulatory instruction that will state exactly the date and how the new flow will work. Therefore, we are very confident that this flow, even due to market forces, should normalize quite soon.

There are two other important changes. One relates to the Desenrola 2 provisional measure. Previously, payroll-deductible margin was 35% for payroll loans and 5% for each of the cards, reaching 45%. Now, under Desenrola 2, the sum of this margin reaches 40%, and the client may choose whether to allocate 40% to pure payroll loans or to one of the cards.

First, what we need to observe is whether this provisional measure will actually become law, whether it will be approved, whether it will expire, and what will happen in the long term. In the short term, what we observe is a 5% reduction in the margin.

Because Mercantil has a much smaller presence in payroll cards than the competition, and we use cards only as a means of payment, as they should be used, in the long term what we should observe is a 5% increase in payroll loans, from 35% to 40%, even though this has brought short-term impacts.

So here we need to monitor the validation and approval of this provisional measure and, if it moves forward, we should see a net positive effect for Mercantil in the medium term.

The third point affecting origination with respect to INSS payroll loans is the consent flow. We have already had an even more significant change than the one currently on the screen, precisely in 2Q25, when biometric unblocking was introduced, including TSE biometrics, and Mercantil was able to show that it adapts very quickly, especially because it has a differentiated channel strategy, with branches, auction flows, WhatsApp and the app - in other words, a different channel strength - and we managed to adapt very quickly.

If we look at the origination chart from 2Q25 to 3Q25, even with the new flow, we were able to restore origination fairly quickly, and the market also recovered a little later. Here again, we are counting on market forces, where clients need to seek this cheaper line and ultimately learn whatever the new unblocking flow may be in order to access cheaper lines, instead of, for example, an unsecured personal loan.

So, looking at these three forces: first, the new portability process flow should be established very soon; second, we need to monitor the regulatory issues related to the provisional measure and its short-, medium- and long-term impacts; and third, there is an operational adaptation issue related to the new consent flow. We therefore believe that, very soon, and also due to market forces, normal payroll loan levels as a whole should be restored.

Regarding the second part of the question, on service fee income, Mercantil's number was quite strong, with 76% growth in the year, reaching BRL 363 million. The quality of this revenue is also very interesting because we see a decline in the share of banking fees, and within the 90% that comes from insurance and assistance services, there is an increasing predominance of subscription products, which are loyalty products.

The product became very interesting and very appealing; it has very good client demand, very low churn and very high engagement. We believe we got the design of this product right, and what we are seeing is a very progressive increase in penetration among our client base and also among new clients, of these subscription products, Meu+, which almost offset lower private-sector payroll loan origination in the period.

So this is a very good trade-off for the Bank, because it exchanges one-off origination revenue, in this case from private-sector payroll loans, from insurance products sold together with private-sector payroll loans, which have a short-term impact, for long-term subscription revenue. Therefore, this is a very positive dynamic for the Bank.

Of course, if we also see the normalization of private-sector payroll loan production, we should see both revenues growing together. But what is fundamental to our long-term view is to continue growing this subscription and engagement revenue, which is mainly Meu+, and of course, subject to market conditions, when the Bank's production is at higher levels, we should also have higher levels of commissions from insurance products, bringing us to that 20% or more of the Bank's total top-line composition.

So we are seeing very strong growth, very good quality and very significant room to grow. We believe it will still grow considerably within our client base. We are approaching 10.2 million clients, so we believe this is only the beginning.

And once again, with this adaptability, given that, for example, the portability flow is impaired, we have been able, both through our digital channels and our physical channels, to prioritize the offering and explanation of this product in which we have so much confidence, which we like so much, and where we still have room to add more assistance services, make more improvements and improve the journey.

We have also launched the app, including on the App Store and Play Store, a new app to improve engagement and bring all these journeys together in a single point for the client. So we believe there is significant room to keep growing, especially in this higher-quality revenue, during this more adverse market period for collateralized products.

That was a longer question, but I believe I have covered its two main parts.

Participant (via webcast):

We saw that the loan portfolio remained practically stable in the quarter, at BRL 25 billion, with over-90 delinquency improving at the margin, but 15-90 delinquency rising significantly, and an origination slowdown, which should involve some concern about portfolio quality. Taking all this together, what is your view on the trend for the loan portfolio and all its aspects over the coming quarters?

Paulino Rodrigues:

I think Gustavo has already addressed a large part of the answer with regard to origination. Clearly, the INSS payroll loan market, which is our main market, is currently at abnormal origination levels.

I even have some notes I took here, and I think I mentioned something during the presentation: the year-over-year balance growth of the INSS payroll loan portfolio in the market was zero. The portfolio was BRL 281 billion a year ago and in the June observation, which is the latest available. Year-to-date, compared to the evolution since the end of last year, growth is a very small 1%.

So clearly, the market, at the origination level I also referred to of BRL 3 billion to BRL 4 billion per month, when it should be running around BRL 10 billion to BRL 11 billion, is in an abnormal moment due to everything that has been discussed, and we expect this to return to normal, as Gustavo said.

So, on the origination side, INSS payroll loans, which are the main portfolio, should return to normal. In private-sector payroll loans, we restricted origination more because portfolio performance has fallen short of what we had expected earlier, so we needed to adjust somewhat. Here, we should see a gradual recovery as these operational processes, notably formal registration, converge toward what we believe the portfolio's performance should be, and personal loans are doing very well.

Therefore, our view is that portfolio origination should recover, while of course respecting market conditions. We know that the current point in the credit cycle in Brazil is quite difficult, with delinquency levels at record highs, and the same is true for household indebtedness.

So I believe we can expect, speaking more from a macro perspective, a tighter credit cycle from the end of this year through 2027. The delinquency levels we see today were not seen even during the pandemic, nor during the other most difficult moment in the Central Bank's historical series, which begins in 2011, around 2015 and 2016, near the impeachment of former president Dilma Rousseff. Even at that time, delinquency levels did not come close to what we see today.

So we do not want to downplay this moment, which is a difficult moment for the credit market. But because we work mainly with collateralized lines and know that these origination flows are being affected by factors other than the credit cycle itself, we understand that there is indeed capacity to resume, and to resume with adequate portfolio performance, although, as I mentioned in the presentation, cost of risk should remain pressured, given the portfolio we have in house, for the next quarter and perhaps the next two quarters, but then returning to more normal levels for the portfolio as these private-sector payroll loan issues are addressed.

Participant (via webcast):

The Bank had been treating private-sector payroll loans as an important opportunity for 2026. With the regulatory and cap changes, has there been any revision to expectations for origination, profitability or the pace of growth in this line?

Gustavo Araújo:

Regarding private-sector payroll loans, the Bank saw very interesting growth right at the beginning of the product's launch. In the first quarter in which the product was regulated, the Bank used it as a pilot to understand its flows and credit policies. Then, from the second quarter onward, there was an important acceleration, bringing the portfolio to around 10% of our mix, which is an interesting diversification.

This is a product in which, precisely because of the installed market demand, we achieved very interesting average pricing, as well as the placement of insurance products in the sale, which basically offset and continue to offset the acquisition cost, or CAC. So we had commissions from insurance products offsetting the CAC and a portfolio originated at an attractive average rate, including to absorb shocks from possible operational issues that we have indeed observed in the product. It is a portfolio priced at around 5%, which can absorb higher over-90 delinquency.

If we look quarter over quarter at the private-sector payroll loan product in the Central Bank series, the market moved from 6.6% to 8.6% over 90. In fact, private-sector payroll loans are showing higher losses than individuals non-earmarked credit overall. In other words, the operational arrangement for payment remittances has brought important credit issues to the market environment for private-sector payroll loans.

So what did Mercantil do? We continued originating with appropriate pricing. We adjusted our credit policies not only for the analysis we carry out regarding a person's payment capacity and the employee's employability, but also now regarding the probability of obtaining the registration, formal booking and payment remittance.

So we adjusted these flows for higher-quality origination. We believe this product will continue improving, because the market is pushing for it and it is necessary for the product to continue improving its payment remittance flows as it stabilizes and matures, and we also believe the new guarantee flows will improve the product.

We are already, through proprietary channels, operating with 50% FGTS guarantee in the event of dismissals, and 100% for digital employment card channels. So we believe these guarantees will increasingly be attached to the product flow as well, even though there is now a 1.99 cap when the transaction is originated with guarantees. At least the credit manual is already prepared; now it is a matter of adjusting price relative to quality. For some risks, I think it will be worthwhile to operate at this 1.99 level, but with a better guarantee.

At the end of the day, it is a very well-priced product in the Bank's case, and an important diversification. These are new clients with whom we can increase cross-sell, and in the short term, in our case, it has brought pressures, mainly on over-15 delinquency, with effects on over-90 and also on the overall cost of credit. Although the equation is worthwhile, in the short term it changes the dynamics of the Bank's balance sheet somewhat, especially if we remember that this product is replacing an FGTS line whose loss is close to zero and whose pricing is quite adequate, at around 2%.

So this is a trade-off that has affected the Bank's balance sheet dynamics, but we also believe in the product as a whole, in its recovery and improvement. We believe it is a product that is here to stay and has everything it needs to accelerate again. Origination declined quarter over quarter after peaking last quarter, but it is a product that we believe will be very important for the market and also for Mercantil's diversification thesis.

Fanny (via webcast):

How do you see the evolution of the share of time deposits versus financial bills and structured transactions?

Paulino Rodrigues:

We have seen over time - and this is clear in the presentation - that the Bank's client base, which provides a very granular base of demand deposits and time deposits, grows organically, but it does not keep pace with the growth of the Bank's loan portfolio or the Bank's assets as a whole. That did not happen this quarter because of the slowdown on the credit side.

But thinking more in the medium and long term, this is the trend, this is what has been happening, and the Bank has been taking advantage of this process. Looking at the chart evolution, you can see the evolution of the share of financial bills in our funding mix, which started at 12% in 2Q25 and ended at 22% in 2Q26, which we have just disclosed. So this is a natural trend that has been occurring over time, and we have also been able to take advantage of it to lengthen the profile of our liabilities.

In addition, for market reasons and also because of our cash position, we have been able to work on reducing rates. As a result, if you look at the Bank's total funding cost over the last few quarters, it has remained stable around 100% of CDI, slightly above or slightly below, despite this mix change. And, of course, the upgrades the Bank has been obtaining over time also help in this process.

So I think that, taken together, the funding issue is extremely well balanced. The Bank has a competitive cost and access to basically all possible sources. I think the only thing we do not currently have on the balance sheet is bonds. The Bank had them in the past, but does not have them at this moment, and we also do not need to do that now. But I believe we have been managing the different components of funding sources very well, maintaining a very competitive cost, particularly for a midsized bank.

Participant (via webcast):

Given the capital recomposition after the capital increase and the Basel III Index reaching 17.2%, is there any prospect of a change in payout in the short term, or does the priority remain retaining capital to support growth?

Paulino Rodrigues:

I mentioned that yesterday, after market close, we disclosed a Material Fact announcing the payment of interest on capital to be made now, on August 19, if I am not mistaken, in an amount of almost BRL 190 million, which I believe is the largest semiannual interest on capital payment the Bank has ever made.

And for those who do the math, you will see that, unlike what we have been doing quarter after quarter, where we distributed the regulatory and statutory minimum for the Bank, which is 25.3%, if I am not mistaken, to make the adjustment between common and preferred shares - but rounding, 25% - in 1H26 we have a slightly different payout, at 30%, seeking to benefit shareholders.

So we are already operating with a very high Basel III Index, at 17.2%, well above the regulatory minimum, and given the slowdown we had on the asset side, in the interest of benefiting shareholders and seeking to remunerate them in the best possible way, we increased payout to 30% in this particular quarter, which does not mean that we have changed our policy.

We made an adjustment for a quarter that had its particularities, seeking, as I said, to remunerate shareholders in the best possible way. But in terms of policy, the idea is to maintain the 25% and finance the Bank's growth in a very solid and sustainable way, as we have done over time, over the past years.

Leonardo Ferraz:

Thank you, Paulino. We are now moving toward the end of our presentation. I would like to remind you that the questions submitted and not answered here today will be answered directly to those who asked them, by the Investor Relations team. For any additional questions, please feel free to contact us through the channels that will be available on the screen.

I would like to thank Gustavo and Paulino for the presentation and wish everyone who joined us a great day.