

## **BANCO MERCANTIL DO BRASIL S.A. MANAGEMENT REPORT – YEAR 2019**

Dear Shareholders:

We submit to your appreciation the Financial Statements of Banco Mercantil do Brasil S.A., as well as the consolidated statements for the companies of the conglomerate.

### **ECONOMIC SCENARIO AND BRAZILIAN FINANCIAL SYSTEM**

There was a significant decrease in the pace of expansion for important economic blocks in the global scenario. In this context, China recorded a growth of 6.1% (6.6% in 2018), the American economy grew 2.3% (2.9% in 2018), while the Euro Zone recorded an expansion of 1.2% (1.8% in the previous year). The growth in the Japanese economy has been moderate.

In Brazil, the main performance indicators show the continuity of the gradual economy recovery. The first half was characterized by the drop in the expanded retail trade momentum and the retraction in industrial production. In the second half, the economic scenario was more positive, driven by measures to stimulate economic activity, specially the partial release of funds from PIS/Pasep and FGTS to workers.

On the other hand, there were major advances in the fundamentals of the economy, embodied in the control of inflation, adoption of measures for the balance of public accounts, the drop in the Selic rate, the gradual unemployment reduction and the good generation of trade surplus, thus fostering the optimism of economic agents and expectations of a GDP growth of 2.3% in 2020, compared to a growth of 1.1% in 2019.

Regarding inflation, the Extended National Consumer Price Index (IPCA) registered an annual variation of 4.31% (3.75% in 2018), impacted in November and December by an atypical increase in the prices of food and beverages, especially meat and meat products. Despite this irregular price behavior at the end of the year, recent projections indicate an IPCA of 3.4% in 2020. Following the fall in inflation in recent periods, the Selic rate suffered a gradual reduction, reaching 4.5% at the end of 2019, the lowest level in the historical series since 1997.

In the National Financial System, the growth in loans for the period was mainly conditioned to the expansion of operations contracted with individuals. Loans to legal entities remained stable compared to December 2018. The level of allowances for loan losses decreased until October, rising again gradually in November and December.

### **CORPORATE AND MARKET CONTEXT**

#### **• Corporate and Market Profile**

Mercantil do Brasil's journey in its 76 years of operation was once again marked by its outstanding success. The brand tradition and strength go hand in hand with a sound level of business management, which gives the Institution control over its business and a high capacity to adapt to the current scenario, based on its Strategic and Marketing Planning.

The institution is characterized by the medium-sized bank corporate profile, with 238 service units, operating in traditional retail banking, with geographic focus in the Southeast region of the Country. The Bank operates with individuals and corporate entities, assigning mass credit and funding

resources in a pulverized profile, distributing a wide portfolio of products and services in physical and digital channels.

Moreover, through strategic partnerships with banking correspondents, Mercantil do Brasil has developed competitive differentials in the origination of payroll-deductible loans, allowing the expansion of its operations beyond the Southeast region.

In addition to commercial efforts to increase the generation of mass businesses with individuals and small and medium-sized companies, the Institution has been making important investments to innovate and provide digital channels that are increasingly adjusted to the demands of its customers.

It is worth highlighting that Mercantil do Brasil's decision to consolidate its operations in banking retail and in capturing opportunities for efficiency gains with the technological evolution and with processes going digital has allowed the acceleration of the growth rate of the client base over the last years, the execution of the plan to review the geographical positioning, prioritization of investments in more profitable business, as well as to reduce operating costs.

In December 2019, Mercantil reached the mark of 2.3 million clients, a result of the training developed and specialization in customer service and relationship with the target public of INSS beneficiaries, launching new credit facilities and investment options, aligned to the profile and characteristics of the niche of these clients.

An unique experience is offered to the client, supported by a simple, fast and close service, on which the service effectiveness is the main guideline of the Institution, and all employees are truly committed to client satisfaction. In fact, the quality of service indicators reflect this corporate guideline and, in this sense, the Image and Customer Satisfaction Survey reveals historically high levels, reaching 91% in the last edition of 2018.

Also stands out the recognition from entities specialized in consumer and class relations, that rank the Bank among the best institutions in the national banking industry and best practices in customer relations, as well as the ISO9001 certification for the services provided to INSS beneficiaries of the Headquarters' office.

All of these achievements reflect investments in training of its 2,856 employees and in the organizational climate, which also allowed Mercantil do Brasil to remain in the 1st position as the Best Company to Work at in Minas Gerais in 2018 and 2019 in the segment of large companies. The Bank also reached the 24th position in the national ranking of large companies and the 4th place in the category of Financial Institutions/Banks.

We point out that the adoption of good corporate governance practices permeating all the processes of the Institution, ensuring the achievement of the strategic objectives of the Bank in accordance with standards in force, an efficient risk management and a safe controls system, which grant Mercantil do Brasil its notorious robustness in the financial market.

All of this shows the high commitment of Mercantil do Brasil in its obstinate search to maintain its historical trajectory of sustainable growth and the correctness of the strategies defined, the result of the efforts undertaken and investments made, highlighting the valuable partnership with human capital and clients.

- **Service Channels and Digital Transformation**

The service channels are the means made available by the Bank for customer relationship, focused in meeting demands, involving transactions and businesses. They contribute to reduce cost, increasing of efficiency and generating revenue.

Self Service is the main relationship channel of the client with the Bank, allowing interactivity, security, versatility and agility, in operating transactions of customers, in addition to offer ease in access to credit facilities. Currently, it is responsible for 35% of financial transactions operated through the service channels.

The Internet Banking channel responds for 4% of all transactions, with a broad portfolio of products and services.

The Call Center consolidated its service processes, for the purposes of leveraging customer demands resolutions in the first contact. In this sense, the Bank has continued to invest in training its employees, seeking to increase specialization and their ability to resolve issues. In fact, this channel centralizes the service of all digital channels (Alô Mercantil Client Service Hotline, Telephone Banking, Social Networks, Contact Us, Complain Channel and Consumidor.gov), including a unique view of client service, consolidating it as a client relationship channel with the Bank which achieved an index of 93% in problem-solving capacity at the 1st level and 100% of approval by an audit carried out by FEBRABAN.

Social Media service has reached a 14% growth relative to the last semester of 2018, reaching the mark of 269,510 fans.

Mercantil do Brasil has been maintaining constant technological evolution and making important advances in its digital transformation, providing clients with the best relationship experiences. In this context, the creation of the virtual assistant “MEL”, the expansion of the functionalities of the AppMB and the creation of the DOMO DIGITAL stand out.

“MEL” is Mercantil do Brasil’s virtual assistant, based on artificial intelligence, capable of interacting with clients and other stakeholders via chat, helping to provide information about products and services. Information on loans, credit cards, benefits, payroll-deductible loan, among others, is already available. “MEL” started operating in July 2019 and has been progressively undergoing improvements in its ability to interact with clients, having performed more than 10,000 interactions. To further improve the client experience with Mercantil do Brasil, “MEL” will also interact through the AppMB and WhatsApp in 2020.

As one of the channels prioritized in efforts and investments, the AppMB has been updated with new functionalities and new security mechanisms, further increasing its use and making Mobile Banking one of the main transactional channels on the short term. AppMB was already downloaded by approximately 22% of account holders; 35% of common transactions in all electronic means of customer relations were carried out on this channel in December 2019, and loan operations already account for more than 10% of the total contracted volume. These are indicators that fosters continuous investments in the AppMB, aiming to reach an increasing number of clients and increase their participation in the Institution’s results.

Another initiative in the direction of this transformation was the creation of DOMO DIGITAL. This is an innovation center designed to house all the development of digital solutions and integrate Mercantil do Brasil teams and systems into the world of startups. In this center, evaluations and tests

of new technological solutions that can be part of the Bank's digital ecosystem are carried out. DOMO is also the space where events to introduce agile methodologies take place, integrating these methods in the daily work routine of the areas.

Mercantil do Brasil also ensures investments in the continued updating of the entire service structure, whether in the field of process rationalization, providing more agility and cost reduction, or in the automation of the backoffice, reducing costs and ensuring safety and quality.

In this perspective, Mercantil do Brasil has the Branch Platform and the Digital Platform, which are important work tools for the service and sales teams.

Through the use of tables and innovative technology, the service process and account opening is 100% digital, totally intuitive and simple, with significant gains in speed and cost, in addition to comfort for customers.

It is in this context that investments were made in process improvements, new applications, digitization, telecommunications, equipment and specialist software in 2019. For 2020, the investment forecast is in the order of R\$ 80.0 million, focused on innovation and the constant evolution of technological solutions, always aiming to increase the level of quality and satisfaction in serving our clients.

Thus, MB has been advancing on its carefully planned trajectory of innovations and adaptations to new times, in which social transformations and changing client habits also demand new solutions and technologies in the forms of relationship.

- **Socioenvironmental Responsibility - Responsible Action**

The initiatives developed and supported by Mercantil do Brasil in the areas of culture, sports and citizenship aim to promote values that are important for human development and that stresses the performance of each citizen as an important agent in building a more conscious society.

Initiatives in progress are:

MB Financial Education - Launched in 2012, the program aims to contribute to the financial education process of society through the dissemination of useful information on social networks and on the Company's Financial Education website.

MB Environmental Awareness - Created in 2009, the MB Environmental Awareness is the environmental management program of the Bank, focused on the internal public, so as to contribute to environmental conservation. The pillars of the program are comprised by the environmental education, prevention and minimization of environmental effects from Mercantil's activities and responsible social actions linked to environmental management.

MB Blood Donation - Since 2013, the program covers actions of awareness to provide visibility to the cause, mainly with the internal public, promoting donations, and articulating and increasing the number of blood donors. To achieve all these objectives, Mercantil has a network of voluntary donors, formed by the Company's own employees, who form the Blood Donor Bank and operate in MB units throughout Brazil.

Furthermore, the Bank supported the realization of several initiatives approved in tax incentive mechanisms, on several cultural and social efforts, such as the following projects:

>> Cine Vida: workshops on movies for the formation of the young and adults.

>> Circo no Querubins: weekly workshops freely serving approximately 120 children and teenagers of one of the most needy communities of the capital of Minas Gerais.

>> Infinitude: a project targeting the 65+ public, which will promote a blitz encouraging the search for quality of life, whether through care with health, or through leisure (music, theater, gastronomy, etc).

>> Orquestra Jovem Sinfonia de Betânia: teaching of classical music to children and young people.

>> Philharmonic Orchestra of Minas Gerais: concert of the series “Clássicos na Praça”. Free outdoors presentation. Free outdoors presentation.

Information on the programs, projects and actions in the area of social and environmental responsibility carried out and sponsored by Mercantil do Brasil is available on the website [mercantildobrasil.com.br](http://mercantildobrasil.com.br).

- **Human Capital**

At Mercantil do Brasil, investments in Human Capital are a tradition to foster the development of its employees in line with the Institution's values, principles and strategic objectives. In this context, the Knowledge Station gave way to the Mercantil Academy in 2019. The latter is a complete and intuitive distance learning platform, with gamification resources, which brings together courses, videos, article and book recommendations, with content related to personal and professional growth, continuous improvement and learning within Mercantil do Brasil.

Training to develop managerial, essential and technical skills recorded 102,050 training hours both in person and remote, with the average participation of 34.3 training hours per employee,

In remote training, 20 courses were launched, 6 of which were training courses on the Mercantil do Brasil Service Model, focused on serving clients and users on screening, first contact, self-service room and service guardian, targeting all employees of the Institution's Points of Service. Seven training courses were also launched, focusing on behavioral and self-development matters, such as digital transformation, technological singularity and agile methods, scrum for productivity and the art of leading.

In the in-person training, we point out the program “Efficiency in Customer Service”, focused on the branch's tellers, for the purposes of training and developing knowledge on the products and processes of MB and also, enhancing services to the customer in the Self-Service channel. The “Management Tools” training was destined to Managers of INSS Beneficiaries, focused on improvement of knowledge of processes, products and manager of persons.

- **Capital Management and Operational Limits**

Mercantil do Brasil has a Capital Management Structure, which comprises the continuous process of capital monitoring and control maintained by the Institution, the evaluation of capital requirement to face the risks to which it is subject and the planning of capital targets and requirements, considering the strategic goals and regulations in force.

Operating limits are calculated on a consolidated manner and the equity adequacy rate to risk assets (Basel Agreement III) was set at 16.69%, in light of the 10.50% required minimum, already considering the principal capital addition. More detailed information can be obtained in Explanatory note No. 14.

- **Risk Management**

Business activities involve risks and Management of Credit, Operational, Market, Liquidity and Socioenvironmental Risks at Mercantil do Brasil are part of the organizational culture. More detailed information can be obtained in Explanatory note No. 22.

- **Money Laundering Prevention and Fighting**

Pursuant to the legal provisions in force, Mercantil do Brasil cooperates with regulatory agencies in preventing and fighting laundering or concealment of assets, rights and money, as well as for preventing the use of the financial system for the illicit acts mentioned by Law No. 9.613/1998.

In this context, the Bank has policies, procedures, internal controls and continued monitoring, destined to preventing and fighting the aforementioned illegalities, in accordance with Bacen Circular Letter No. 3.461/2009. Instructions for complying with the policies and procedures are available in an internal Regulatory Directive accessible to all employees.

## **FINANCIAL-ECONOMIC PERFORMANCE – CONSOLIDATED**

- **Assets and Liabilities**

### **>> Total Assets, Liquidity Investments and Loan Operations**

Total consolidated assets recorded R\$ 10.0 billion (R\$ 9.6 billion in December 2018). Current assets reached R\$ 6.1 billion (61.0% of the total assets, compared to 55.0% in December 2018) and short-term liabilities totaled R\$ 3.4 billion, representing 55.7% of the current assets.

Inter-financial liquidity investments and investments in securities and exchange reached R\$ 3.4 billion. Securities classified as held to maturity total R\$ 3.0 million (R\$ 6.3 million, consolidated), for which the Bank has both the intention and the financial capacity to hold through maturity, pursuant to Bacen Circular Letter No. 3.068/2001.

Loan operations stood at R\$ 4.9 billion. Operations classified in the lower credit risk ranges, from “AA” to “C”, represent 81.9% of the total credit portfolio (78.9% in December 2018). The allowance for loan operations risk stood at 11.3% (12.1% in December 2018). More detailed information can be obtained in Explanatory note No. 07.

## Funding of Resources

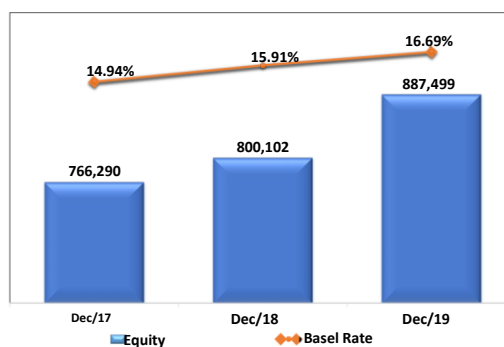
The existing resources were raised both in the domestic and in the external markets, totaling R\$ 8.1 billion, R\$ 6.1 billion of which originated from time deposits.

Regarding resources raised abroad, R\$ 567.7 million are registered as Subordinated Debt, maturing in July 2020. As of December 31, 2019, these funds had a maturity of less than one year, for which reason they are no longer used in the composition of the Level II Reference Assets for the purposes of capitalization, as allowed by CMN Resolution No. 4.192/2013.

Raising through Financial Letters reached R\$ 392.9 million. Of that total, R\$ 344.3 million, due in the period between 2023 and 2026, are recorded in the Liabilities title “Debt Instruments Eligible for Capital” mentioned by CMN Resolution No. 4.192/2013, of which R\$ 246.7 million are used in the composition of Reference Equity Level II; R\$ 31.0 million are perpetual debt bonds, eligible for complementary capital (Level I).

### • Shareholders’ Equity, Dividend and Results

Equity was set at R\$ 887.5 million. Managed Equity is of R\$ 931.8 million and Reference Equity is R\$ 934.9 million.



In 2019, dividends to shareholders were declared as Interest on Equity, in the amount of R\$ 33.9 million, corresponding to a net value of income tax of R\$ 28.8 million, common shares entitling to R\$ 0.530252 and preferred shares of R\$ 0.583277 per share, net of income tax.

The Financial Brokerage Revenues stood at R\$ 2.3 billion, a 2.3% decrease in relation to the previous year. The income from loan operations and sale or transfer of financial assets totaled R\$ 2.1 billion (a 1.0% decrease).

Financial Intermediation Expenses totaled R\$ 907.1 million (reduction of 20.2%), representing 39.4% of Financial Intermediation Revenues (48.3% of December 2018).

Expenses with Operations for Funding Capital in the Market reached R\$ 481.7 million (a 25.8% decrease). Expenses with Allowance for Loan Operations Risk stood at R\$ 413.9 million (a 24% reduction), representing 18.0% of Financial Brokerage Revenues (23.1% in December 2018).

The Gross Income from Financial Intermediation kept the growth trajectory, having reached R\$ 1.4 billion, an expressive growth of 14.4% compared to 2019, resulting in an important gain in gross margin.

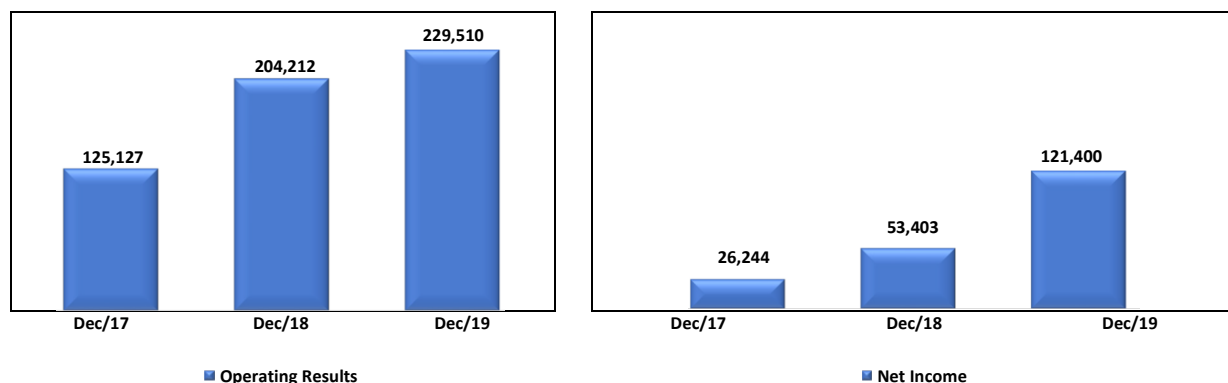
Rendering of Services Revenues totaled R\$ 272.2 million (R\$ 273.7 million in December 2018).

Personnel Expenses totaled R\$ 466.2 million (R\$ 403.6 million in December 2018), a nominal evolution of 15.5% in the last twelve months. Both items with the highest relevance, employee wages and social charges, recorded a 5.5% increase.

Administrative Expenses totaled R\$ 601.1 million (R\$ 549.1 million in December 2018), a nominal evolution of 9.5%.

The Operating Income reached an expressive increase of 12.4%.

Net Income recorded R\$ 121.4 million, presenting a 127.3% growth over the same period last year.



## FINANCIAL STATEMENTS UNDER THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Bank shall disclose in the regulatory term, on the Corporate website, the consolidated financial statements in accordance with IFRS, for the year ended December 31, 2019, comparative to December 31, 2018, in accordance with CMN Resolution No. 3.786/2009 and complementary standards. The adjustments are being measured and the consolidated financial statements under IFRS are being prepared. More detailed information may be obtained in note 21.

## INTEREST IN SUBSIDIARIES

Interests in subsidiaries are detailed in the specific table in the financial statements.

## RELATIONSHIP WITH THE INDEPENDENT AUDITORS

Complying with the provisions of CVM Directive No. 381/2003, Mercantil do Brasil and its subsidiaries hereby inform the services not related to external audit, when contracted, are based on the applicable regulations and in the international principles that preserve the independence and the objectivity of the independent auditor.

Mercantil do Brasil and its subsidiaries contracted services not related to external audit, with its independent auditors PricewaterhouseCoopers Auditores Independentes and related parties, in course, in the following terms: 1) in the period ended in June 2017, referring to the Review of the Governance Controls for Information Technology, with a term of two years, in the amount of R\$ 604.0 thousand, equivalent to 36.5% of the audit fees contracted that year; said services were concluded in the first half annual of 2019; 2) services performed as of 01/02/2019 and term within the same fiscal year: a) tax consulting, in the amount of R\$ 375.7 thousand; b) consulting in cyber



security addressed by CMN Resolution 4.658/2018, in the amount of R\$ 124.8 thousand; totaling R\$ 500.5 thousand, equivalent to 30.0% of audit fees contracted in 2019.

Furthermore, the Bank and its subsidiaries hereby conform PricewaterhouseCoopers Auditores Independentes has procedures, policies and controls in place for assuring its independence, which encompasses any services other than external audit. In these terms, professional services not related to external audit provided by the aforementioned Audit did not impact the independence and objectivity in conducting the external audit examinations made with this Bank and its subsidiaries.

## **FINAL CONSIDERATIONS**

Taking this chance, we thank the shareholders and clients for the trust and support you have placed on us, as well to our employees, who once again, showed unwavering commitment to the goals and objectives of Mercantil do Brasil.

Belo Horizonte, February 2020.

**Management**

**BANCO MERCANTIL DO BRASIL S.A.**  
**BALANCE SHEETS AS OF DECEMBER 31, 2019 AND 2018**

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ASSETS	MB Multiple Bank		MB Consolidated		LIABILITIES AND SHAREHOLDERS' EQUITY	MB Multiple Bank		MB Consolidated	
	2019	2018	2019	2018		2019	2018	2019	2018
<b>CURRENT ASSETS</b> .....	<b>5.945.087</b>	<b>5.046.547</b>	<b>6.139.548</b>	<b>5.260.645</b>	<b>CURRENT LIABILITIES</b> .....	<b>3.373.400</b>	<b>2.371.541</b>	<b>3.420.458</b>	<b>2.350.961</b>
<b>CASH AND CASH EQUIVALENTS</b> .....	<b>681.443</b>	<b>536.091</b>	<b>691.446</b>	<b>536.091</b>	<b>DEPOSITS (Note 11.1.)</b> .....	<b>1.743.689</b>	<b>1.584.457</b>	<b>1.843.382</b>	<b>1.591.291</b>
<b>INTERBANK FUNDS APPLIED (Note 4.)</b> .....	<b>2.123.889</b>	<b>1.114.846</b>	<b>2.123.889</b>	<b>1.095.550</b>	Demand deposits .....	314.425	277.651	312.972	274.246
Money market borrowings .....	2.090.000	1.065.003	2.090.000	1.065.003	Savings Deposits .....	200.773	194.471	200.773	194.471
Interbank deposits .....	33.889	49.843	33.889	30.547	Interbank deposits .....	54.936	28.060	54.936	28.060
					Time deposits .....	1.173.535	1.004.275	1.274.601	1.004.514
<b>SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (Note 5.)</b> .....	<b>284.825</b>	<b>34.472</b>	<b>357.636</b>	<b>52.254</b>	<b>MONEY MARKET BORROWINGS</b> .....	<b>319.169</b>	<b>124.487</b>	<b>236.529</b>	<b>75.228</b>
Own portfolio .....	205.577	8.705	271.688	26.487	Third-party portfolio (Note 4.) .....	319.169	124.487	236.529	75.228
Derivative financial instruments (Note 5.2.) .....	34.310	4.050	34.310	4.050					
Subject to guarantees provided .....	44.938	21.717	51.638	21.717					
<b>INTERBANK ACCOUNTS/RELATIONS</b> .....	<b>46.285</b>	<b>87.534</b>	<b>46.285</b>	<b>87.534</b>	<b>ACCEPTANCES AND ENDORSEMENTS (Note 11.2.)</b> .....	<b>163.049</b>	<b>207.744</b>	<b>164.102</b>	<b>216.780</b>
Payments and receivables to be settled .....	-	257	-	257	Funds from housing bonds, mortgage notes, letters of credit and alike .....	163.049	207.744	164.102	216.780
Credits held: .....									
Deposited with the Central Bank (Note 6.) .....	46.285	87.277	46.285	87.277					
<b>INTERBRANCH ACCOUNTS</b> .....	<b>6.965</b>	<b>6.525</b>	<b>6.965</b>	<b>6.525</b>	<b>INTERBANK ACCOUNTS/RELATIONS</b> .....	<b>2.019</b>	<b>5</b>	<b>2.019</b>	<b>5</b>
Internal funds transfer .....	6.965	6.525	6.965	6.525	Unsettled payables and receivables .....	10	5	10	5
					Corresponding .....	2.009	-	2.009	-
<b>LOAN OPERATIONS (Note 7.)</b> .....	<b>2.138.891</b>	<b>2.369.305</b>	<b>2.243.769</b>	<b>2.556.827</b>	<b>INTERBRANCH ACCOUNTS</b> .....	<b>28.627</b>	<b>23.086</b>	<b>28.627</b>	<b>23.086</b>
Loan operations: .....					Third-party funds in transit .....	28.627	23.086	28.627	23.086
Private sector .....	2.392.213	2.681.097	2.496.505	2.866.860					
Loan operations subject to assignment (Note 7.4.) .....	13.936	25.367	19.676	34.787					
(Allowance for doubtful accounts) (Note 7.2.) .....	(267.258)	(337.159)	(272.412)	(344.820)					
<b>OTHER RECEIVABLES</b> .....	<b>457.185</b>	<b>567.293</b>	<b>470.317</b>	<b>587.885</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b> .....	<b>-</b>	<b>233</b>	<b>-</b>	<b>233</b>
Foreign exchange portfolio: .....					Derivative financial instruments (Note 5.2.) .....	-	233	-	233
Purchased foreign exchange to be settled .....	69.580	67.082	69.580	67.082					
Receivables from foreign exchange sales .....	-	105	-	105					
(Advances received in domestic currency) .....	-	(105)	-	(105)	<b>OTHER LIABILITIES</b> .....	<b>1.116.867</b>	<b>511.529</b>	<b>1.145.899</b>	<b>534.338</b>
Income receivable from granted advances (Note 7.1.) .....	8.966	4.550	8.966	4.550	Collection and levy of taxes and alike (Note 12.1.) .....	2.222	3.268	2.223	3.314
Income receivable (Note 8.6.) .....	9.161	9.247	1.452	1.208	Foreign exchange portfolio: .....				
Securities clearing accounts .....	101	-	1.329	602	Sold foreign exchange to be settled .....	-	105	-	105
Sundry .....					Liabilities for foreign exchange purchases .....	55.583	55.777	55.583	55.777
Tax credits (Note 8.1.) .....	203.561	181.407	209.496	190.889	(Advances on foreign exchange contracts) (Note 7.1.) .....	(55.583)	(55.583)	(55.583)	(55.583)
Debtors in purchase of assets (Note 7.1.) .....	7.401	13.472	7.401	13.472	Social and statutory (Note 12.2.) .....	50.489	18.491	56.508	23.580
Taxes recoverable (Note 8.3.) .....	19.638	2.942	23.462	8.959	Tax and social security (Note 12.3.) .....	30.190	29.128	36.357	34.920
Payments to be Reimbursed (Note 8.4.) .....	796	772	796	772	Securities clearing accounts .....	400	-	4.757	1.382
Securities and credits receivable (Note 8.5.) .....	146.619	281.859	156.169	292.630	Sundry .....				
Advanced and prepaid salaries .....	849	1.160	913	1.196	Liabilities for official partnerships .....	230.571	191.446	230.571	191.446
Sundry Debtors (Note 8.7.) .....	35.285	39.170	35.557	39.668	Liabilities due to acquisitions of assets and rights .....	4.257	4.297	4.357	4.397
Other .....	3.585	2.961	3.553	4.186	Provision for unsettled payments .....	38.873	38.882	43.446	42.258
(Allowance for other doubtful accounts) (Note 7.2.) .....	(48.357)	(37.329)	(48.357)	(37.329)	Provision for financial guarantees provided (Note 7.2.) .....	2.564	2.298	2.564	2.298
					Obligations by transactions related to the assignment (Note 7.4.) .....	14.834	26.570	20.999	29.633
<b>OTHER ASSETS</b> .....	<b>295.604</b>	<b>339.481</b>	<b>299.241</b>	<b>337.979</b>	Subordinated Debtors (Note 11.3.) .....	567.739	26.757	567.739	26.757
Other assets (Note 9.1.) .....	288.075	368.971	288.081	371.016	Debt Instruments Eligible for Capital (Note 11.4.) .....	5.775	8.142	5.775	8.142
(Provisions for devaluations) .....	(114.235)	(64.249)	(114.238)	(64.255)	Sundry Creditors - Brazil (Note 12.5.) .....	166.732	160.420	168.494	164.387
Prepaid expenses (Note 9.2.) .....	31.764	25.759	35.398	31.218	Other .....	2.421	1.531	2.409	1.525

**BANCO MERCANTIL DO BRASIL S.A.**  
**BALANCE SHEETS AS OF DECEMBER 31, 2019 AND 2018**

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ASSETS	MB Multiple Bank		MB Consolidated		LIABILITIES AND SHAREHOLDERS' EQUITY	MB Multiple Bank		MB Consolidated	
	2019	2018	2019	2018		2019	2018	2019	2018
<b>NON-CURRENT ASSETS</b> .....	<b>3.908.561</b>	<b>4.312.249</b>	<b>3.833.551</b>	<b>4.297.373</b>	<b>NON-CURRENT LIABILITIES</b> .....	<b>5.592.749</b>	<b>6.187.153</b>	<b>5.620.807</b>	<b>6.362.089</b>
<b>LONG-TERM ASSETS</b> .....	<b>3.256.810</b>	<b>3.693.335</b>	<b>3.637.796</b>	<b>4.108.942</b>	<b>NON-CURRENT LIABILITIES</b> .....	<b>5.592.413</b>	<b>6.186.708</b>	<b>5.620.470</b>	<b>6.361.644</b>
<b>INTERBANK FUNDS APPLIED (Note 4.)</b> .....	<b>1.952</b>	<b>10.156</b>	<b>2.702</b>	<b>13.618</b>	<b>DEPOSITS (Note 11.1.)</b> .....	<b>4.894.551</b>	<b>5.078.547</b>	<b>4.865.265</b>	<b>5.196.244</b>
Interbank deposits .....	1.952	10.156	2.702	13.618	Interbank deposits .....	1.083	19.098	-	18.079
					Time deposits .....	4.893.468	5.059.449	4.865.265	5.168.165
<b>SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (Note 5.)</b> .....	<b>769.945</b>	<b>1.043.562</b>	<b>927.065</b>	<b>1.137.256</b>	<b>ACCEPTANCES AND ENDORSEMENTS (Note 11.2.)</b> .....	<b>833</b>	<b>20.458</b>	<b>833</b>	<b>21.435</b>
Own portfolio .....	370.158	691.697	463.495	749.352	Funds from housing bonds, mortgage notes, letters of credit and alike .....	833	20.458	833	21.435
Derivative financial instruments (Note 5.2.) .....	-	21.140	-	21.140					
Subject to guarantees provided .....	399.787	360.725	463.570	366.734	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b> .....	<b>-</b>	<b>27</b>	<b>-</b>	<b>27</b>
<b>LOAN OPERATIONS (Note 7.)</b> .....	<b>1.829.083</b>	<b>2.061.483</b>	<b>1.971.141</b>	<b>2.299.074</b>	Derivative financial instruments (Note 5.2.) .....	-	27	-	27
Loan operations: .....									
Private sector .....	2.049.981	2.335.084	2.197.325	2.576.362	<b>OTHER LIABILITIES</b> .....	<b>697.029</b>	<b>1.087.676</b>	<b>754.372</b>	<b>1.153.938</b>
Loan operations subject to assignment (Note 7.4.) .....	4.131	18.153	4.375	23.565	Tax and social security (Note 12.3.) .....	-	-	12	12
(Allowance for doubtful accounts) (Note 7.2.) .....	(225.029)	(291.754)	(230.559)	(300.853)	Sundry: .....				
<b>OTHER RECEIVABLES</b> .....	<b>597.288</b>	<b>543.934</b>	<b>672.890</b>	<b>619.851</b>	Provision for unsettled payments .....	17.652	3.938	28.194	13.391
Income receivable (Note 8.6.) .....	7.000	7.010	7.000	7.010	Provision for Other Liabilities (Note 12.4.a) .....	272.496	239.446	319.040	283.000
Sundry .....					Provision for financial guarantees provided (Note 7.2.) .....	82	812	82	812
Tax credits (Note 8.1.) .....	357.546	321.709	374.204	338.449	Obligations by transactions related to the assignment (Note 7.4.) .....	4.600	20.981	4.875	34.224
Debtors in purchase of assets (Note 7.1.) .....	5.227	5.100	5.227	5.100	Subordinated Debtors (Note 11.3.) .....	-	514.144	-	514.144
Taxes recoverable (Note 8.3.) .....	187.809	187.871	232.048	229.328	Debt Instruments Eligible for Capital (Note 11.4.) .....	369.546	281.900	369.546	281.900
Payments to be Reimbursed (Note 8.4.) .....	9.825	13.636	11.851	16.307	Other .....	32.653	28.455	32.653	28.455
Securities and credits receivable (Note 8.5.) .....	-	-	1.002	1.270	<b>DEFERRED INCOME</b> .....	<b>336</b>	<b>445</b>	<b>337</b>	<b>445</b>
Sundry Debtors (Note 8.7.) .....	39.591	17.788	52.565	32.254	Deferred income .....	336	445	337	445
(Allowance for other doubtful accounts) (Note 7.2.) .....	-	(8.980)	(11.017)	(10.286)					
<b>OTHER ASSETS</b> .....	<b>58.542</b>	<b>34.200</b>	<b>64.008</b>	<b>39.143</b>	<b>SHAREHOLDERS' EQUITY MANAGED BY THE PARENT COMPANY</b> .....	<b>887.499</b>	<b>800.102</b>	<b>931.834</b>	<b>844.968</b>
Prepaid expenses (Note 9.2.) .....	58.542	34.200	64.008	39.143	<b>MINORITY INTEREST IN SUBSIDIARIES</b> .....	<b>-</b>	<b>-</b>	<b>44.335</b>	<b>44.866</b>
<b>FIXED ASSETS</b> .....	<b>651.751</b>	<b>618.914</b>	<b>195.755</b>	<b>188.431</b>	<b>SHAREHOLDERS' EQUITY (Note 13.)</b> .....	<b>887.499</b>	<b>800.102</b>	<b>887.499</b>	<b>800.102</b>
<b>INVESTMENTS</b> .....	<b>468.325</b>	<b>441.901</b>	<b>1.365</b>	<b>1.036</b>	<b>CAPITAL (Note 13.1.)</b> .....	<b>492.708</b>	<b>492.708</b>	<b>492.708</b>	<b>492.708</b>
Interest in domestic associates and subsidiaries: .....					Domestic .....	492.708	492.708	492.708	492.708
Subsidiaries (Note 10.1.) .....	514.433	488.337	-	-	<b>CAPITAL RESERVES (Note 13.2.)</b> .....	<b>43.375</b>	<b>43.375</b>	<b>43.375</b>	<b>43.375</b>
Other investments .....	1.506	1.598	2.776	2.418	Share subscription goodwill reserves .....	43.375	43.375	43.375	43.375
(Provisions for losses) .....	(48.034)	(48.034)	(1.411)	(1.382)	<b>REVALUATION RESERVES (Note 13.3.)</b> .....	<b>126</b>	<b>134</b>	<b>126</b>	<b>134</b>
<b>FIXED ASSETS FOR USE (Note 10.2.)</b> .....	<b>126.830</b>	<b>129.573</b>	<b>137.749</b>	<b>139.894</b>	Associates and subsidiaries .....	126	134	126	134
Property for use .....	18.261	18.261	29.133	28.771	<b>PROFIT RESERVES (Note 13.2.)</b> .....	<b>365.958</b>	<b>278.485</b>	<b>365.958</b>	<b>278.485</b>
Other property for use .....	243.200	221.905	244.490	223.464	Legal reserve .....	70.911	64.841	70.911	64.841
(Accumulated depreciation) .....	(134.631)	(110.593)	(135.874)	(112.341)	Statutory reserves .....	295.047	213.644	295.047	213.644
<b>INTANGIBLE ASSETS (Note 10.3.)</b> .....	<b>56.596</b>	<b>47.440</b>	<b>56.641</b>	<b>47.501</b>	For payment of dividends .....	14.609	6.469	14.609	6.469
Intangible assets .....	139.925	123.747	140.274	124.096	For capital increase .....	280.438	207.175	280.438	207.175
(Accumulated amortization) .....	(83.329)	(76.307)	(83.633)	(76.595)	<b>EQUITY EVALUATION ADJUSTMENTS</b> .....	<b>(14.668)</b>	<b>(14.600)</b>	<b>(14.668)</b>	<b>(14.600)</b>
<b>TOTAL ASSETS</b> .....	<b>9.853.648</b>	<b>9.358.796</b>	<b>9.973.099</b>	<b>9.558.018</b>	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> .....	<b>9.853.648</b>	<b>9.358.796</b>	<b>9.973.099</b>	<b>9.558.018</b>

See the accompanying notes to the financial statements.

**BANCO MERCANTIL DO BRASIL S.A.**

RODRIGO ALEXANDER PIZZANI QUEROZ  
Executive Director

ANDERSON GUEDES INCENCO  
Accountant CRC MG 07029/G-7

	MB Multiple Bank			MB Consolidated		
	2nd Half	Years		2nd Half	Years	
	2019	2019	2018	2019	2019	2018
<b>INCOME FROM FINANCIAL INTERMEDIATION</b> .....	<b>1.110.782</b>	<b>2.187.458</b>	<b>2.185.770</b>	<b>1.155.326</b>	<b>2.299.304</b>	<b>2.353.669</b>
Loan Operations (Note 17.1.) .....	899.507	1.807.682	1.887.946	934.200	1.884.895	2.028.701
Securities income .....	99.210	166.614	153.356	106.882	179.004	146.540
Profit (loss) with Derivative financial instruments (Note 5.2.2.) .....	10.951	3.610	49.828	10.951	3.610	49.828
Foreign exchange operations .....	8.553	10.761	23.800	8.553	10.761	23.800
Income from compulsory deposits .....	2.905	5.459	10.502	2.905	5.459	11.671
Sale or transfer of financial assets (Note 7.4.) .....	89.656	193.332	60.338	91.835	215.575	93.129
<b>FINANCIAL INTERMEDIATION EXPENSES</b> .....	<b>(429.739)</b>	<b>(887.393)</b>	<b>(1.107.718)</b>	<b>(437.782)</b>	<b>(907.098)</b>	<b>(1.136.923)</b>
Money Market Funding Operations (Note 17.2.) .....	(247.320)	(477.566)	(559.083)	(248.882)	(481.671)	(565.211)
Loans, assignments and onlendings .....	(1.676)	(2.150)	(8.413)	(1.676)	(2.150)	(8.413)
Sale or transfer of financial assets (Note 7.4.) .....	(2.102)	(5.222)	(12.710)	(3.782)	(9.386)	(18.577)
Allowance for doubtful accounts (Note 7.2.) .....	(178.641)	(402.455)	(527.512)	(183.442)	(413.891)	(544.722)
<b>GROSS INCOME FROM FINANCIAL INTERMEDIATION</b> .....	<b>681.043</b>	<b>1.300.065</b>	<b>1.078.052</b>	<b>717.544</b>	<b>1.392.206</b>	<b>1.216.746</b>
<b>OTHER OPERATING INCOME / (EXPENSES)</b> .....	<b>(587.875)</b>	<b>(1.088.884)</b>	<b>(903.822)</b>	<b>(617.606)</b>	<b>(1.162.696)</b>	<b>(1.012.534)</b>
Service income (Note 18.1.) .....	<b>121.273</b>	<b>243.879</b>	<b>253.429</b>	<b>138.360</b>	<b>272.176</b>	<b>273.742</b>
Income from services rendered - Sundry .....	19.589	35.648	37.223	36.665	63.932	57.499
Income from bank fees .....	101.684	208.231	216.206	101.695	208.244	216.243
Personnel expenses (Note 18.2.) .....	(238.567)	(439.870)	(380.961)	(252.905)	(466.230)	(403.637)
Other administrative expenses (Note 18.3.) .....	(293.234)	(569.285)	(487.562)	(303.610)	(601.078)	(549.142)
Tax expenses (Note 18.4.) .....	(55.349)	(110.545)	(102.628)	(58.885)	(118.187)	(112.487)
Equity in income of Associated companies and Subsidiaries (Note 10.1.) .....	<b>15.509</b>	<b>31.419</b>	<b>33.552</b>	-	-	-
Equity in net income of subsidiaries .....	15.509	31.419	26.919	-	-	-
Interest on capital .....	-	-	6.633	-	-	-
Other operating income .....	<b>12.993</b>	<b>28.585</b>	<b>46.152</b>	<b>15.021</b>	<b>33.725</b>	<b>53.885</b>
Holding gain (Note 18.5.) .....	2.135	4.384	8.834	2.653	5.650	10.794
Recovery of charges and expenses .....	4.008	8.042	6.448	4.436	9.404	8.503
Reversal of provisions .....	908	1.905	8.112	1.042	2.088	8.974
Other Income (Note 18.6.) .....	5.942	14.254	22.758	6.890	16.583	25.614
Other operating expenses .....	<b>(150.500)</b>	<b>(273.067)</b>	<b>(265.804)</b>	<b>(155.587)</b>	<b>(283.102)</b>	<b>(274.895)</b>
Provisioning and equity adjustments .....	(2.701)	(3.213)	(1.631)	(3.267)	(4.262)	(1.646)
Discounts Granted (Note 18.7.) .....	(32.563)	(53.105)	(60.928)	(33.233)	(54.428)	(61.902)
Holding loss .....	(1.411)	(3.103)	(2.883)	(1.594)	(3.482)	(3.372)
Occasional-type of expenses (Note 18.8.) .....	(24.709)	(40.084)	(37.870)	(27.782)	(46.230)	(43.486)
Other Expenses (Note 18.9.) .....	(89.116)	(173.562)	(162.492)	(89.711)	(174.700)	(164.489)
<b>OPERATING INCOME</b> .....	<b>93.168</b>	<b>211.181</b>	<b>174.230</b>	<b>99.938</b>	<b>229.510</b>	<b>204.212</b>
<b>NON-OPERATING INCOME (LOSS) (Note 19.)</b> .....	<b>(82.335)</b>	<b>(114.034)</b>	<b>(64.618)</b>	<b>(81.564)</b>	<b>(112.813)</b>	<b>(64.656)</b>
Income .....	26.785	45.122	29.513	27.586	46.390	29.671
Expenses .....	(109.120)	(159.156)	(94.131)	(109.150)	(159.203)	(94.327)
<b>INCOME BEFORE TAX ON PROFIT AND INTEREST</b> .....	<b>10.833</b>	<b>97.147</b>	<b>109.612</b>	<b>18.374</b>	<b>116.697</b>	<b>139.556</b>
<b>INCOME TAX AND SOCIAL CONTRIBUTION (Note 20.)</b> .....	<b>76.015</b>	<b>51.733</b>	<b>(47.311)</b>	<b>72.348</b>	<b>38.386</b>	<b>(69.612)</b>
Provision for income tax .....	10.752	(1.677)	(2.492)	8.601	(8.326)	(11.443)
Provision for social contribution .....	7.149	(586)	(1.700)	6.391	(3.769)	(7.881)
Deferred tax assets (Note 8.1.b.) .....	58.114	53.996	(43.119)	57.356	50.481	(50.288)
<b>STATUTORY PROFIT SHARING</b> .....	<b>(17.519)</b>	<b>(27.480)</b>	<b>(8.898)</b>	<b>(20.281)</b>	<b>(30.936)</b>	<b>(11.998)</b>
Management members .....	(2.511)	(2.511)	-	(4.977)	(5.477)	(2.331)
Employees .....	(15.008)	(24.969)	(8.898)	(15.304)	(25.459)	(9.667)
<b>MINORITY INTEREST IN SUBSIDIARIES</b> .....	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1.112)</b>	<b>(2.747)</b>	<b>(4.543)</b>
<b>NET INCOME</b> .....	<b>69.329</b>	<b>121.400</b>	<b>53.403</b>	<b>69.329</b>	<b>121.400</b>	<b>53.403</b>
INTEREST ON CAPITAL .....	<b>33.935</b>	<b>33.935</b>	<b>14.929</b>			
Number of outstanding shares .....	52.415.790	52.415.790	52.415.790			
Net income per share .....	R\$ 1,32267	2,31610	1,01883			

See the accompanying notes to the financial statements.

**BANCO MERCANTIL DO BRASIL S.A.**RODRIGO ALEXANDER PIZZANI QUEIROZ  
Executive DirectorANDERSON GUEDES INOCENCIO  
Accountant CRC MG 077029/O-7

## BANCO MERCANTIL DO BRASIL S.A.

## STATEMENT OF CASH FLOWS - INDIRECT METHOD

For the second half of 2019 and for the years ended December 31, 2019 and 2018

In thousand of reais

	MB Multiple Bank			MB Consolidated		
	2nd Half	Years		2nd half	Years	
	2019	2019	2018	2019	2019	2018
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>						
Net income before income tax and social contribution.....	10.833	97.147	109.612	18.374	116.697	139.556
Adjustments to net income before taxes.....	374.474	695.773	719.477	398.996	746.761	776.143
Interest and Exchange-Rate Change on Subordinated Debts .....	52.623	70.270	140.947	52.623	70.270	140.947
Adjustment of Derivative Financial Instruments to Market Value and Hedge.....	(17.769)	(9.840)	(64.414)	(17.769)	(9.840)	(64.414)
Effects of Exchange Rate Fluctuation on Cash and Cash Equivalents.....	(1.778)	(1.866)	(9.073)	(1.778)	(1.866)	(9.073)
Expenses on Tax, Civil and Labor Provision.....	74.533	112.115	67.221	78.850	119.820	70.356
Provision/(Reversal) for financial guarantees provided.....	(688)	(464)	426	(688)	(464)	426
Allowance for doubtful accounts.....	178.641	402.455	527.512	183.442	413.891	544.722
Provision for Losses on Non-operating Assets and Investments.....	46.603	49.986	42.033	46.600	49.983	42.015
Depreciation and amortization.....	25.136	47.720	37.882	25.215	47.877	38.023
Monetary restatements assets.....	(2.135)	(4.384)	(8.834)	(2.653)	(5.650)	(10.794)
Equity in income of Associates and subsidiaries.....	(15.509)	(31.419)	(33.552)	-	-	-
Losses on Intangible Assets.....	49	496	70	49	496	108
Gain in the disposal of assets and investments.....	34.983	61.194	21.003	34.987	60.761	21.016
Income from minority interest in Subsidiaries.....	-	-	-	1.112	2.747	4.543
Capital (gain) in Subsidiary.....	(215)	(490)	(2.243)	(994)	(1.264)	(2.242)
Other.....	-	-	499	-	-	510
Adjusted net income before income tax and social contribution.....	385.307	792.920	829.089	417.370	863.458	915.699
Decrease (Increase) in interbank investments.....	23.050	(170.524)	537.390	58.489	(153.728)	181.328
Decrease (increase) in securities and derivative financial instruments.....	(28.256)	(50.783)	(8.232)	(53.069)	(166.515)	(89.445)
Decrease (Increase) in interbank accounts.....	(3.914)	43.263	5.640	(3.914)	43.263	5.640
Decrease (increase) in interbank investments.....	21.705	5.101	(1.742)	21.705	5.101	(1.742)
Decrease (increase) in loan operations.....	28.742	5.300	(637.182)	96.445	171.920	(351.748)
Decrease (increase) in other receivables.....	(18.523)	79.288	(108.644)	(14.298)	84.400	(65.736)
Decrease (Increase) in other assets.....	(38.163)	(30.577)	(26.891)	(35.982)	(29.274)	(7.975)
Increase (decrease) in deposits.....	184.996	55.216	217.555	160.304	21.012	259.473
Increase (decrease) in money market borrowings.....	(18.625)	194.682	(125.704)	(51.245)	161.301	(131.608)
Increase (decrease) in acceptances and endorsements.....	(23.233)	(64.320)	(287.758)	(35.315)	(73.280)	(298.809)
Increase (decrease) in liabilities from borrowings and onlendings.....	-	-	(1.861)	-	-	(1.861)
Increase (decrease) in other obligations.....	73.279	10.498	(80.515)	63.114	(5.106)	(130.204)
Increase (decrease) in deferred income.....	(89)	(109)	(81)	(88)	(108)	(81)
Cash generated / (Invested) in operations.....	586.276	869.955	311.064	623.516	922.444	282.931
Income tax and social contribution paid.....	(8.344)	(22.974)	(2.771)	(11.963)	(32.779)	(14.617)
Net cash from / (invested) in operating activities.....	577.932	846.981	308.293	611.553	889.665	268.314
<b>CASH FLOW FROM INVESTMENT ACTIVITIES:</b>						
Disposal of securities available for sale.....	33.082	97.755	537.364	33.082	97.755	537.364
Disposal of securities held to maturity.....	77.549	77.549	100.192	77.549	77.549	100.192
Decrease in interest in Subsidiary.....	-	-	14	-	-	14
Disposal of non-operating assets.....	34.652	75.115	52.075	34.703	77.708	52.781
Disposal of fixed assets for use.....	11	25	8.532	25	39	8.532
Acquisition of securities available for sale.....	(13.013)	(15.571)	(469.530)	(13.013)	(15.571)	(469.530)
Acquisition of securities held to maturity.....	(76.634)	(76.634)	(92.775)	(76.634)	(76.634)	(92.775)
Increase in interest in Subsidiary.....	(2.815)	(3.222)	(60.003)	(3.220)	(3.627)	(463)
Acquisition of fixed assets for use.....	(13.936)	(26.266)	(34.722)	(14.589)	(27.019)	(36.892)
Investments in Intangible Assets.....	(14.740)	(28.513)	(21.391)	(14.740)	(28.513)	(21.391)
Dividends and interest on capital received.....	-	8.402	11.183	-	-	-
Net cash from / (Invested in) Investment activities.....	24.156	108.640	30.939	23.163	101.687	77.832
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>						
Principal and Interest Paid on Funding Abroad .....	(24.304)	(48.354)	(133.297)	(24.304)	(48.354)	(133.297)
Income tax on subordinated debts.....	(3.502)	(6.938)	(8.012)	(3.502)	(6.938)	(8.012)
Hedge derivative financial instruments paid.....	(7)	(8.195)	(2.430)	(7)	(8.195)	(2.430)
Hedge derivative financial instruments received.....	11.648	13.441	48.157	11.648	13.441	48.157
Issuance of Debt Instruments Eligible for Capital.....	44.106	82.726	72.672	44.106	82.726	72.672
Dividends and interest on capital paid.....	(6)	(14.500)	(12.578)	(11)	(16.847)	(14.047)
Capital increase - Non-controlling shareholders.....	-	-	-	-	-	459
Net cash from / (Invested in) financing activities.....	27.935	18.180	(35.488)	27.930	15.833	(36.498)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS.....	630.023	973.801	303.744	662.646	1.007.185	309.648
Cash and cash equivalents at the beginning of the period.....	1.820.473	1.476.607	1.163.790	1.870.493	1.525.866	1.207.145
Effects of exchange rate variation on cash and cash equivalents.....	1.778	1.866	9.073	1.778	1.866	9.073
Cash and cash equivalents at the end of the period.....	2.452.274	2.452.274	1.476.607	2.534.917	2.534.917	1.525.866
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS.....	630.023	973.801	303.744	662.646	1.007.185	309.648

See the accompanying notes to the financial statements.

BANCO MERCANTIL DO BRASIL S.A.

RODRIGO ALEXANDER PIZZANI QUEIROZ  
Executive DirectorANDERSON GUEDES INOCENCIO  
Accountant CRC MG 077029/O-7

## BANCO MERCANTIL DO BRASIL S.A.

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the second half of 2019 and for the years ended December 31, 2019 and 2018

In thousand of reais

	CAPITAL		RESERVES		PROFIT RESERVES		EQUITY EVALUATION ADJUSTMENTS	RETAINED EARNINGS	-	TOTAL
	REALIZED	CAPITAL INCREASE	CAPITAL	REVALUATION - SUBSIDIARIES	LEGAL	STATUTORY				
<b>BALANCES AT 01/01/2018</b> .....	<b>433.340</b>	<b>59.368</b>	<b>43.375</b>	<b>142</b>	<b>62.171</b>	<b>177.832</b>	<b>(9.938)</b>	-		<b>766.290</b>
approved by Central Bank of Brazil on 08/17/2018 .....										
.....	59.368	(59.368)	-	-	-	-	-	-		-
EQUITY VALUATION ADJUSTMENTS .....	-	-	-	-	-	-	(4.662)	-		(4.662)
REALIZATION OF RESERVE .....	-	-	-	(8)	-	-	-	8		-
NET INCOME FOR THE YEAR .....	-	-	-	-	-	-	-	53.403		53.403
ALLOCATIONS:										
Reserves (Note 13.2.) .....	-	-	-	-	2.670	35.812	-	(38.482)		-
Interest on capital (Note 13.2.) .....	-	-	-	-	-	-	-	(14.929)		(14.929)
<b>BALANCES AT 12/31/2018</b> .....	<b>492.708</b>	-	<b>43.375</b>	<b>134</b>	<b>64.841</b>	<b>213.644</b>	<b>(14.600)</b>	-		<b>800.102</b>
CHANGES OF THE YEAR .....	59.368	(59.368)	-	(8)	2.670	35.812	(4.662)	-		33.812
<b>BALANCES AT 01/01/2019</b> .....	<b>492.708</b>	-	<b>43.375</b>	<b>134</b>	<b>64.841</b>	<b>213.644</b>	<b>(14.600)</b>	-		<b>800.102</b>
EQUITY VALUATION ADJUSTMENTS .....	-	-	-	-	-	-	(68)	-		(68)
REALIZATION OF RESERVE .....	-	-	-	(8)	-	-	-	8		-
NET INCOME FOR THE YEAR .....	-	-	-	-	-	-	-	121.400		121.400
ALLOCATIONS:										
Reserves (Note 13.2.) .....	-	-	-	-	6.070	81.403	-	(87.473)		-
Interest on capital (Note 13.2.) .....	-	-	-	-	-	-	-	(33.935)		(33.935)
<b>BALANCES AT 12/31/2019</b> .....	<b>492.708</b>	-	<b>43.375</b>	<b>126</b>	<b>70.911</b>	<b>295.047</b>	<b>(14.668)</b>	-		<b>887.499</b>
CHANGES OF THE YEAR .....	-	-	-	(8)	6.070	81.403	(68)	-		87.397
<b>BALANCES AT 07/01/2019</b> .....	<b>492.708</b>	-	<b>43.375</b>	<b>130</b>	<b>67.444</b>	<b>263.116</b>	<b>(16.520)</b>	-		<b>850.253</b>
EQUITY VALUATION ADJUSTMENTS .....	-	-	-	-	-	-	1.852	-		1.852
REALIZATION OF RESERVE .....	-	-	-	(4)	-	-	-	4		-
NET INCOME FOR THE SEMESTER .....	-	-	-	-	-	-	-	69.329		69.329
ALLOCATIONS:										
Reserves (Note 13.2.) .....	-	-	-	-	3.467	31.931	-	(35.398)		-
Interest on capital (Note 13.2.) .....	-	-	-	-	-	-	-	(33.935)		(33.935)
<b>BALANCES AT 12/31/2019</b> .....	<b>492.708</b>	-	<b>43.375</b>	<b>126</b>	<b>70.911</b>	<b>295.047</b>	<b>(14.668)</b>	-		<b>887.499</b>
CHANGES IN THE HALF ANNUAL .....	-	-	-	(4)	3.467	31.931	1.852	-		37.246

See the accompanying notes to the financial statements.

## BANCO MERCANTIL DO BRASIL S.A.

RODRIGO ALEXANDER PIZZANI QUEIROZ  
Executive DirectorANDERSON GUEDES INOCÊNCIO  
Accountant CRC MG 077029/O-7

**BANCO MERCANTIL DO BRASIL S.A.**  
**STATEMENT OF ADDED VALUE**

For the second half of 2019 and for the years ended December 31, 2019 and 2018

In thousand of reais

	MB Multiple Bank			MB Consolidated		
	2nd Half	Years		2nd Half	Years	
	2019	2019	2018	2019	2019	2018
<b>1 – INCOME.....</b>	<b>785.593</b>	<b>1.600.392</b>	<b>1.590.086</b>	<b>838.421</b>	<b>1.723.183</b>	<b>1.759.356</b>
Financial Intermediation.....	1.110.782	2.187.458	2.185.770	1.155.326	2.299.304	2.353.669
Rendering of services.....	121.273	243.879	253.429	138.360	272.176	273.742
Allowance for doubtful accounts .....	(178.641)	(402.455)	(527.512)	(183.442)	(413.891)	(544.722)
Other .....	(267.821)	(428.490)	(321.601)	(271.823)	(434.406)	(323.333)
<b>2 – FINANCIAL INTERMEDIATION EXPENSES .....</b>	<b>(251.098)</b>	<b>(484.938)</b>	<b>(580.206)</b>	<b>(254.340)</b>	<b>(493.207)</b>	<b>(592.201)</b>
<b>3 – INPUTS ACQUIRED FROM THIRD PARTIES .....</b>	<b>(229.858)</b>	<b>(445.798)</b>	<b>(377.578)</b>	<b>(240.137)</b>	<b>(477.484)</b>	<b>(439.128)</b>
Materials, energy, and other .....	(17.776)	(35.697)	(30.899)	(17.792)	(35.720)	(30.908)
Outsourced services .....	(122.382)	(237.134)	(195.047)	(128.234)	(259.432)	(246.028)
Other .....	<b>(89.700)</b>	<b>(172.967)</b>	<b>(151.632)</b>	<b>(94.111)</b>	<b>(182.332)</b>	<b>(162.192)</b>
Communications .....	(5.845)	(12.987)	(12.201)	(5.856)	(13.008)	(12.228)
Data processing .....	(36.347)	(69.505)	(63.012)	(38.364)	(73.723)	(68.783)
Advertising and publicity .....	(1.913)	(5.225)	(7.233)	(1.983)	(5.385)	(7.444)
Financial system services .....	(6.622)	(11.763)	(14.171)	(6.707)	(11.926)	(14.557)
Transportation .....	(16.080)	(29.365)	(23.699)	(16.087)	(29.412)	(23.756)
Other .....	(22.893)	(44.122)	(31.316)	(25.114)	(48.878)	(35.424)
<b>4 – GROSS ADDED VALUE (1-2-3) .....</b>	<b>304.637</b>	<b>669.656</b>	<b>632.302</b>	<b>343.944</b>	<b>752.492</b>	<b>728.027</b>
<b>5 – DEPRECIATION, AMORTIZATION AND DEPLETION .....</b>	<b>(25.136)</b>	<b>(47.720)</b>	<b>(37.882)</b>	<b>(25.215)</b>	<b>(47.877)</b>	<b>(38.023)</b>
Depreciation and amortization .....	(25.136)	(47.720)	(37.882)	(25.215)	(47.877)	(38.023)
<b>6 – NET ADDED VALUE PRODUCED BY THE ENTITY (4-5) .....</b>	<b>279.501</b>	<b>621.936</b>	<b>594.420</b>	<b>318.729</b>	<b>704.615</b>	<b>690.004</b>
<b>7 – ADDED VALUE RECEIVED AS TRANSFER .....</b>	<b>15.509</b>	<b>31.419</b>	<b>33.552</b>	-	-	-
Equity in income of Associates and subsidiaries .....	15.509	31.419	33.552	-	-	-
<b>8 – ADDED VALUE PAYABLE (6+7) .....</b>	<b>295.010</b>	<b>653.355</b>	<b>627.972</b>	<b>318.729</b>	<b>704.615</b>	<b>690.004</b>
<b>9 – DISTRIBUTION OF ADDED VALUE .....</b>	<b>295.010</b>	<b>653.355</b>	<b>627.972</b>	<b>318.729</b>	<b>704.615</b>	<b>690.004</b>
Personnel .....	<b>178.463</b>	<b>340.235</b>	<b>299.445</b>	<b>191.644</b>	<b>363.190</b>	<b>321.051</b>
Direct remuneration .....	126.930	240.110	210.790	139.281	261.416	230.758
Benefits .....	39.606	76.699	68.280	40.243	77.948	69.373
FGTS .....	11.927	23.426	20.375	12.120	23.826	20.920
Taxes, rates and contributions .....	<b>8.978</b>	<b>115.953</b>	<b>203.022</b>	<b>18.386</b>	<b>141.561</b>	<b>239.016</b>
Federal .....	(1.714)	95.011	184.356	6.862	119.216	218.985
State .....	63	125	216	67	138	242
Municipal .....	10.629	20.817	18.450	11.457	22.207	19.789
Third-party capital remuneration .....	<b>38.240</b>	<b>75.767</b>	<b>72.102</b>	<b>38.258</b>	<b>75.717</b>	<b>71.991</b>
Rents .....	33.687	66.797	62.364	33.705	66.747	62.253
Leases .....	4.553	8.970	9.738	4.553	8.970	9.738
Remuneration of own capital .....	<b>69.329</b>	<b>121.400</b>	<b>53.403</b>	<b>70.441</b>	<b>124.147</b>	<b>57.946</b>
Interest on capital .....	33.935	33.935	14.929	33.935	33.935	14.929
Retained earnings for the period.....	35.394	87.465	38.474	35.394	87.465	38.474
Interest of non-controlling shareholders in retained earnings .....	-	-	-	1.112	2.747	4.543

See the accompanying notes to the financial statements.

**BANCO MERCANTIL DO BRASIL S.A.**

RODRIGO ALEXANDER PIZZANI QUEIROZ  
Executive Director

ANDERSON GUEDES INOCENCIO  
Accountant CRC MG 077029/O-7

**BANCO MERCANTIL DO BRASIL S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2019 AND 2018**  
**(In thousands of reais, unless otherwise indicated)**

## **OPERATIONS**

Banco Mercantil do Brasil S.A. (MB Multiple or Bank) carries out its operating activities through the commercial, Mortgage Loans and foreign exchange portfolios, through its network made up of 152 branches and 86 service stations, one branch abroad, in the Grand Cayman Islands, and a staff of 2,856 employees. Operates in the other financial segments, in the areas of investments, consumer loans, placement and intermediation of securities. The Bank, through its subsidiary Mercantil do Brasil Corretora S.A. – Câmbio, Títulos e Valores Mobiliários, also operates in the management of investment funds.

## **PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS**

### **2.1. Presentation of financial statements**

The accounting information included in the financial statements for the year ended December 31, 2019 has been prepared in accordance with the accounting practices adopted in Brazil, which consider the guidelines of Law No. 6.404/76 and the subsequent amendments introduced by Laws No. 11.638/07 and 11.941/09 for the recording and disclosure of the operations, together with the standards of the Brazilian Securities Commission – CVM, Accounting Pronouncements Committee – CPC, when applicable, Brazilian Monetary Council - CMN and Central Bank of Brazil - BACEN, pursuant to the Accounting Chart for Institutions of the National Financial System - COSIF and evidence all significant information of the financial statements, which are in conformity with those used by the Management. The parent company financial statements include the book balances of the branch abroad described in Note 2.3.

In the preparation of the financial statements, it is necessary to use estimates to calculate certain assets, liabilities and transactions. The financial statements include, therefore, estimates referring to allowances for loan losses, reserves for labor, civil and tax contingencies, provisions for income tax and other similar items. The real figures may vary from these estimates.

The financial statements were concluded and approved by the Bank's Board of Directors on February 19, 2020.

### **2.2. Consolidated financial statements**

The consolidated financial statements for the year ended December 31, 2019 have been prepared in accordance with the consolidation rules of Law No. 6.404/76, together with the standards and instructions of the Central Bank of Brazil and Securities Commission (CVM).

Accordingly, intercompany investments, account balances and income and expenses have been eliminated, the minority interest in net income and shareholders' equity has been disclosed separately. The consolidated financial statements include the Bank and its subsidiaries, directly or indirectly, (MB Consolidated), listed below:

**Direct subsidiaries:**

Company	Activity	% – Interest	
		Dec 2019	Dec 2018
Banco Mercantil de Investimentos S.A.	Investment bank	91.53	91.52
Resolva Aqui Administradora e Corretora de Seguros, Previdência Privada e Correspondente Bancário S.A. <sup>(1)</sup>	Management, insurance brokerage in general and private pension and correspondent banking	100.00	100.00
Mercantil do Brasil Corretora S.A. – Câmbio, Títulos e Valores Mobiliários	Corretora de câmbio, títulos e valores mobiliários	99.99	99.99
Mercantil do Brasil Distribuidora S.A. – Títulos e Valores Mobiliários	Distribuidora de títulos e valores mobiliários	100.00	100.00
Mercantil do Brasil Empreendimentos Imobiliários S.A.	Real estate projects	100.00	100.00
Mercantil do Brasil Financeira S.A. – Crédito, Financiamento e Investimentos	Financial	85.95	85.61
Mercantil do Brasil Imobiliária e Agronegócio S.A.	Real estate and agribusiness	100.00	100.00

<sup>(1)</sup> Prior trade name: Mercantil do Brasil Administradora e Corretora de Seguros e Previdência Privada S.A., amended by Extraordinary Shareholders' Meeting on 10/24/2019.

**Indirect subsidiaries:**

Company	Activity	% – Interest	
		Dec 2019	Dec 2018
COSEFI – Companhia Securitizadora de Créditos Financeiros	Securitizadora de créditos financeiros	100.00	100.00
Mercantil Administração e Corretagem de Seguros S.A.	Insurance Brokerage	79.79	65.12
SANSA – Negócios Imobiliários S.A.	Real estate business	100.00	100.00

**2.3. Foreign branch**

The operations of the Bank's branch (full branch) in Grand Cayman started in December 2006, with the aim of developing and expanding new activities related to the domestic and international capital markets, providing for new inflows of funds and financial inventories, management of assets and structured operations in this segment, thus functioning, in essence, as an extension of the Bank's activities.

This branch's book balances are as follows:

Description	In thousand of reais		In thousand of US\$	
	Dec 2019	Dec 2018	Dec 2019	Dec 2018
<b>Current and non-current assets</b>	<b>62,078</b>	<b>58,135</b>	<b>15,401</b>	<b>15,003</b>
Cash and cash equivalents	19,856	733	4,926	189
Loan operations	42,203	57,383	10,470	14,809
Other assets	4	4	1	1
Fixed assets	15	15	4	4
<b>Current and non-current liabilities</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>
Other liabilities	1	1	-	-
<b>Equity</b>	<b>62,077</b>	<b>58,134</b>	<b>15,401</b>	<b>15,003</b>
<b>Net income for the years</b>	<b>3,943</b>	<b>9,564</b>	<b>981</b>	<b>2,480</b>



## 2.4. Significant accounting policies and critical estimates

The income and expenses are recorded according to the accrual basis.

Cash and cash equivalents basically include cash on hand, deposits with banks and other short-term highly liquid investments which are readily convertible into cash, are subject to immaterial risk of change in value and limits and have a maturity of three months or less on the acquisition date, which are used by the Bank to manage its short-term commitments.

Current and non-current assets and liabilities are recorded at their realizable amounts or at the amounts of the commitments assumed, including, when applicable, income earned or charges incurred through the balance sheet date. In operations with fixed income or charges, the installments not yet earned or incurred are presented as a deduction from the assets and liabilities to which they refer. The income and expenses of financial nature are recorded based on the pro-rata die basis, and calculated under the compound interest method, except those related to discounted trade notes or related to foreign transactions, which are calculated on the straight-line method.

Transactions with post-fixed rates or pegged to foreign currencies are restated up to the date of balance sheets.

The financial information of the overseas branch is adjusted to the accounting criteria in effect in Brazil and converted into reais, which is Bank's functional currency at the exchange date as of the balance sheet closing date.

The criterion for converting the asset and liability balances of operations in foreign currency consists of converting these amounts into the national currency (R\$) at the exchange rate effective on the closing date of the year. As of December 31, 2019, the applicable exchange rate was: US\$ 1.00 = R\$ 4.0301 (As of December 31, 2018: US\$ 1.00 = R\$ 3.8748).

In compliance with the CVM Resolution No. 639/10 and the CMN Resolution No. 3.566/08, which approved and made mandatory the technical pronouncement CPC 01 R1 – Impairment of Assets, based on the Management's analysis, if the recognized amount of assets or the group of non-financial assets, except other amounts and assets and deferred tax assets, exceed the recoverable amount, an impairment loss is recognized in profit or loss.

Interbank funds applied are recorded at cost, plus accrued income up to the balance sheet date.

Securities are classified according to trading intent, being divided into three categories, in compliance with BACEN Circular No. 3.068/01 and additional regulation:

- a) Trading securities - are those acquired for the purpose of being actively and frequently negotiated, adjusted to market value with the corresponding entry to the result.
- b) Held-to-maturity securities – these are the securities, except non-redeemable shares, in relation to which there is intent or requirement, and financial capacity of holding them in the portfolio through maturity, measured at cost of acquisition, plus income earned, as contra-entry to profit or loss.
- c) Available-for-sale securities – these are those that do not fit into the previous categories, adjusted to the market value, net of tax effects, as contra-entry to a separate account in shareholders' equity. The gains and losses, when realized, are recognized in profit or loss, on the trading date, as contra-entry to a specific account in shareholders' equity.

Derivative financial instruments are classified on the date of their acquisition according to the intention of Management for hedge purposes or not, as Bacen Circular Letter No. 3.082/02. The transactions that use financial instruments and do not meet the criteria of accounting hedge established by Bacen, mainly derivatives used to manage the global risk exposure, are recognized at market value, with gains or losses directly recognized in profit or loss. For the transactions contracted in trading associated with the funding or investment transaction, the gain or loss arising from adjustment to market value could be not taken into consideration, provided that it is not allowed its trading or settlement in separate of the transaction associated with which it is associated, which, in the events of early settlement of the associated transaction, it occurs at the contracted amount, and that is contracted for the same period and with the same counterparty of the associated transaction.

CMN Resolution No. 3.533/08 sets criteria to the accounting for loan operations with substantial retention of risks and benefits. These operations must remain in assets, with the recording of a financial liability arising from the obligation

assumed, and the income and expenses from these operations must be recognized in the income statement on a pro-rata basis (monthly) over the remaining term of the operations.

The allowance for doubtful accounts was calculated in compliance with CMN Resolution No. 2.682/99 and additional regulation by the Central Bank of Brazil, and is based on a system of risk assessment of clients and operations, including the counterparty's analysis of credit risk and sundry assumptions of internal and external factors, the counterparty's financial situation, default levels, portfolio guarantees and renegotiation policy; and it is formed at an amount considered sufficient by Management to cover any losses in realization of corresponding assets.

The securitized rural loan operations are backed by national treasury bonds and the risk assessment of principal and respective interests is in compliance with the rules of CMN Resolution No. 2,682/99.

The interests in subsidiaries are measured under the equity method.

The fixed assets for use, except real estate, which are reappraised, are stated at cost. Depreciation is calculated by the straight-line method based on the following annual rates: real estate - 4.00%, furniture and fixtures, equipment – 10.00% and communications, data processing and security system, and vehicles – 20.00%.

Intangible assets correspond to expenses on software acquisition and development. These are recorded at acquisition cost, with amortization at the rate of 20.00% per year, or according to the contractual period, as the case may be.

The control of asset and liability contingencies and provisions is performed according to the criteria set forth in CVM Resolution No. 594/09, in compliance with the CMN Resolution No. 3.823/09:

- a) Contingent assets - these are not recorded except when Management has full control over the situation or when there are secured guarantees or favorable sentences to which no appeals are applicable, characterizing a favorable judgment as practically certain. Contingent assets with probable chance of success are only disclosed in the financial statements.
- b) Contingent liabilities – these are disclosed whenever they are classified as possible losses, observing the opinion of external legal advisors, the nature of lawsuits, the similarity with previous cases, the complexity and the positioning of Courts.
- c) Provisions – originate from lawsuits related to labor, civil and other obligations, in compliance with opinions of external legal advisors, nature of lawsuits, similarity with prior lawsuits, complexity and Court position. These lawsuits are recognized when a probable disbursement of funds to settle the obligation is evidenced and when involved amounts are reliably measured.
- d) Legal obligations – provision for tax risks – these refer to the legally established tax obligations, which are disputed in court over their legality or constitutionality which, regardless of the likelihood of favorable outcomes of legal processes in progress, have their amounts fully recognized in the financial statements.

Social contributions related to PIS (Social Integration Program) and COFINS (Contribution to finance Social Security) are calculated based on Gross Revenues addressed by Article 12 of Decree-Law no. 1.598/77, in conformity with Law no. 12.973/14 and supplementary regulation, and are recognized at rates of 0.65% and 4.00%, respectively, at the cumulative system.

The provision for income tax is recorded on accrual basis of accounting and set up based on profit, adjusted by additions and exclusions of temporary and permanent nature, at the rate of 15.00%, plus an additional 10.00% on annual taxable profit in excess of R\$ 240. The social contribution was recorded at the rate of 15.00% on taxable income as of 2019. In the period from September 2015 to December 2018, a rate of 20.00% was established in accordance with Law No. 13,169/15. Deferred taxes arising from temporary differences, tax losses and social contribution loss, if any, are recognized based on the technical study of the future taxable profit estimate, according to the CVM Instruction No. 371/02, CMN Resolution No. 3.059/02, and additional regulation.

Interest on capital, paid and payable to shareholders, received and receivable from subsidiaries, are calculated according to Law No. 9.249/95 and up to 12/31/2018, were recorded in profit or loss, in the headings of financial income and expenses, respectively. As of January 1, 2019, in accordance with CMN Resolution No. 4.706/2018, they are presented in the financial statements, as follows:

- a) Interest on capital that represents an obligation present on the balance sheet date is recognized in liabilities, as the case may be, with a corresponding entry to the appropriate retained earnings account.
- b) Interest on capital received and receivable from subsidiaries is recognized in assets, when the institution obtains the right to receive it, measured according to the amount declared by the investee, as a contra entry to the corresponding investment.

The Bank has a Remuneration Plan specific to the management members that contemplates the guidelines on payment of fixed and variable payment aligned with the risk management policy of the Institution and the best market practices, in compliance with the CMN Resolution No. 3.921/10. The amount of fixed compensation is annually approved at the Shareholders' Meeting. The right to the Variable Compensation is conditional upon the fulfillment of the strategic goals of the Institution, the individual targets and the areas where the management members work.

## 2.5. Reclassification of comparative figures

The adjustments related to the reclassifications in December 2018 are in the Statement of Cash Flows as follows:

Description	MB – Multiple Bank			MB – Consolidated		
	Original	Reclassifications	Reclassified	Original	Reclassifications	Reclassified
Net Cash deriving from/(Invested) in operating activities	380,965	(72,672)	308,293	340,986	(72,672)	268,314
Net Cash deriving from/(Invested) in investment activities	30,939	-	30,939	77,832	-	77,832
Net Cash deriving from/(Invested) in financing activities	(108,160)	72,672	(35,488)	(109,170)	72,672	(36,498)
<b>Increase/(Decrease) in cash and cash equivalents</b>	<b>303,744</b>	<b>-</b>	<b>303,744</b>	<b>309,648</b>	<b>-</b>	<b>309,648</b>

## CASH AND CASH EQUIVALENTS

Description	MB – Multiple Bank		MB – Consolidated	
	Dec 2019	Dec 2018	Dec 2019	Dec 2018
Cash and cash equivalents	681,443	536,091	681,446	536,091
Interbank funds applied	1,770,831	940,516	1,853,471	989,775
<b>Total</b>	<b>2,452,274</b>	<b>1,476,607</b>	<b>2,534,917</b>	<b>1,525,866</b>

## INTERBANK FUNDS APPLIED

Description	MB – Multiple Bank		MB – Consolidated	
	Dec 2019	Dec 2018	Dec 2019	Dec 2018
<b>Money market repurchase commitments</b>				
<b>Own portfolio</b>	<b>1,770,831</b>	<b>940,516</b>	<b>1,853,471</b>	<b>989,775</b>
Financial Treasury Bills	314,996	197,012	314,996	197,012
National Treasury Bills	1,111,166	643,505	1,193,806	692,764
National Treasury Notes	344,669	99,999	344,669	99,999
<b>Financed operations</b>	<b>319,169</b>	<b>124,487</b>	<b>236,529</b>	<b>75,228</b>
Financial Treasury Bills	-	52,993	-	52,993
National Treasury Bills	319,169	71,494	236,529	22,235
<b>Subtotal</b>	<b>2,090,000</b>	<b>1,065,003</b>	<b>2,090,000</b>	<b>1,065,003</b>
<b>Interbank deposits</b>				
Interbank deposits	35,841	59,999	36,591	44,165
<b>Subtotal</b>	<b>35,841</b>	<b>59,999</b>	<b>36,591</b>	<b>44,165</b>
<b>Total</b>	<b>2,125,841</b>	<b>1,125,002</b>	<b>2,126,591</b>	<b>1,109,168</b>
Current	2,123,889	1,114,846	2,123,889	1,095,550
Non-current	1,952	10,156	2,702	13,618

The funded position has as contra-entry in liability “money market borrowings” which basically refers to repurchases to be settled of the third-party portfolio.

## SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

### 5.1. Securities

Description	MB – Multiple Bank				MB – Consolidated			
	Cost		Market		Cost		Market	
Securities/Maturities	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018
<b>Securities Available for Sale</b>								
<b>Shares</b>	-	2,250	-	-	-	2,250	-	-
Undetermined	-	2,250	-	-	-	2,250	-	-
<b>Total</b>	-	2,250	-	-	-	2,250	-	-
<b>Securities available for sale</b>								
<b>Investment Fund Quotas</b>	-	-	-	-	17,195	7,690	17,195	7,690
Undetermined	-	-	-	-	17,195	7,690	17,195	7,690
<b>Fund quotas in interest</b>	-	-	-	-	5,914	7,616	5,914	7,616
Undetermined	-	-	-	-	5,914	7,616	5,914	7,616
<b>Trading Participant Fund quotas and Clearing Member</b>	-	-	-	-	4,557	4,300	4,557	4,300
5–10 years	-	-	-	-	4,557	4,300	4,557	4,300
<b>Investment Fund Quotas</b>	-	-	-	-	34,751	-	34,751	-
5–10 years	-	-	-	-	34,751	-	34,751	-
<b>Certificates of Agribusiness Receivables</b>	-	-	-	-	501	9,460	501	9,365
181–365 days	-	-	-	-	131	1,856	131	1,837
1–2 years	-	-	-	-	-	7,604	-	7,528
2–3 years	-	-	-	-	370	-	370	-
<b>Real estate receivables certificates</b>	-	-	-	-	30,182	8,551	30,182	8,509
61–90 days	-	-	-	-	-	179	-	178
91–180 days	-	-	-	-	150	-	150	-
181–365 days	-	-	-	-	577	465	577	463
2–3 years	-	-	-	-	1,668	1,403	1,668	1,396
4–5 years	-	-	-	-	9,040	1,667	9,040	1,659
5–10 years	-	-	-	-	3,725	4,837	3,725	4,813
Over 10 years	-	-	-	-	15,022	-	15,022	-
<b>Financial Treasury Bills</b>	1,013,035	1,004,059	1,013,381	1,004,433	1,113,625	1,073,819	1,113,973	1,074,190
31–60 days	-	23,088	-	23,088	-	23,088	-	23,088
61–90 days	201,030	-	201,025	-	216,734	-	216,730	-
181–365 days	48,610	-	48,612	-	70,231	-	70,233	-
1–2 years	106,326	226,003	106,347	225,971	159,323	270,830	159,343	270,797
2–3 years	329,708	139,965	329,941	139,989	339,976	150,338	340,211	150,360
3–4 years	-	306,150	-	306,458	-	320,710	-	321,018
4–5 years	327,361	-	327,456	-	327,361	-	327,456	-
5–10 years	-	308,853	-	308,927	-	308,853	-	308,927
<b>Debentures</b>	4,084	40,262	4,084	38,499	37,014	40,262	37,014	38,499
61–90 days	-	707	-	685	-	707	-	685
91–180 days	6	-	6	-	2,373	-	2,373	-
181–365 days	372	6,851	372	6,646	9,523	6,851	9,523	6,646
2–3 years	1,018	24,381	1,018	23,582	21,176	24,381	21,176	23,582
3–4 years	2,688	1,351	2,688	1,311	3,942	1,351	3,942	1,311
4–5 years	-	6,972	-	6,275	-	6,972	-	6,275
<b>Total</b>	1,017,119	1,044,321	1,017,465	1,042,932	1,243,739	1,151,698	1,244,087	1,150,169
<b>Held to maturity</b>								
<b>Debentures</b>	2,995	9,912	2,995	9,912	2,995	9,912	2,995	9,912
181–365 days	499	-	499	-	499	-	499	-
1–2 years	2,496	-	2,496	-	2,496	-	2,496	-
2–3 years	-	9,912	-	9,912	-	9,912	-	9,912
<b>Credit Rights Investment Fund</b>	-	-	-	-	3,309	4,239	3,309	4,239
5–10 years	-	-	-	-	3,309	4,239	3,309	4,239
<b>Total</b>	2,995	9,912	2,995	9,912	6,304	14,151	6,304	14,151
<b>Grand total</b>	1,020,114	1,056,483	1,020,460	1,052,844	1,250,043	1,168,099	1,250,391	1,164,320
<b>Total account amount</b>	-	-	1,020,460	1,052,844	-	-	1,250,391	1,164,320
Current	-	-	250,515	30,422	-	-	323,326	48,204
Non-current	-	-	769,945	1,022,422	-	-	927,065	1,116,116

The securities, according to their specificities, are registered with the B3 S.A. – Brasil, Bolsa, Balcão (B3) and Special System for Settlement and Custody (SELIC).

The cost value is determined based on the acquisition value adjusted by the intrinsic interests of each transaction in view of the lapse of term.

The federal governmental bonds and private securities are marked to market under the discounted cash flow method using the respective discount rates released by the Brazilian Financial and Capital Markets Association (ANBIMA) and B3. The variable-return securities are recorded based on the average trading price, released by B3.

The investment fund quotas were recorded according to the price informed by management members.

The other Securities that do not have a market parameter for pricing purposes and with characteristics of loan operations, such as Debentures, Certificates of Real Estate Receivables (CRI) and Certificate of Agribusiness Receivables (CRA), must have their allowance for expected losses recorded in income accounts, in compliance with the policy applicable to loan operations, using a specific methodology. On December 31, 2019, these securities recorded a provision in the amount of R\$ 4,085 (R\$ 4,766 in consolidated).

Securities related to guarantees total R\$ 444,725 (R\$ 382,442 in December 2018) and in consolidated, R\$ 515,208 (R\$ 388,451 in December 2018), represented by National Treasury Financial Bills (see Note 8.3). (I)).

For purposes of publication, the securities classified into the category "Trading Securities" are presented in the current assets, regardless of the maturity term, in compliance with BACEN Circular No. 3,068/01.

## **5.2. Derivative financial instruments**

The use of derivative financial instruments as a way to minimize the market risks originated from the fluctuation in interest rates, exchange rates, asset prices, among others, is a fundamental tool in the financial management of institutions, in view of the evolution and diversification of the products used in the globalized financial market.

The derivative financial instruments traded by the Bank are basically swap transactions and futures contracts used as instruments aimed at hedging transactions in foreign currency in view of exchange variation risks and interest rates to hedge fixed positions.

The main risk factors of the derivative financial instruments of the Institution are related to the fluctuation in exchange rates, interest rate and the results achieved by those that adequately met the equity hedge goals.

The risk management is controlled and overseen separately from the area generating exposure to risk. Its assessment and measurement are daily performed based on statistical indices and data, using tools such as the non-parametric "V@R" and analysis of sensitivity to stress scenarios.

### 5.2.1. Breakdown of derivative financial instruments

The position of these financial instruments has their benchmark values recorded in off-balance sheet accounts.

In order to obtain the fair value of transactions, the cash flow of each of its parties is estimated discounted to present value, according to the rates released by B3, adjusted by risk spread, determined at the closing of the transaction.

Description	Off-balance sheet account				Equity amount			
	Reference value		Fair value		Receivables		Payable	
	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018
<b>Swap contract<sup>(i)</sup></b>								
<b>Asset position</b> Foreign currency - dollar	339,558	346,144	427,460	411,300	34,310	25,190	-	(260)
<b>Liability position</b> Interest Rate	339,558	346,144	393,149	386,370	34,310	25,190	-	(260)
<b>Future contract - Dollar<sup>(ii)</sup></b>								
<b>Asset position</b> Foreign currency	2,051	-	2,043	-	-	-	-	-
<b>Liability position</b> Foreign currency	13,194	8,727	13,274	8,727	-	-	-	-
<b>Future contract – Interbank Deposits (DI)<sup>(iii)</sup></b>								
<b>Liability position</b> Interest Rate	1,689,488	984,455	1,689,118	984,455	-	-	-	-
<b>Total</b>					<b>34,310</b>	<b>25,190</b>	<b>-</b>	<b>(260)</b>
Current					34,310	4,050	-	(233)
Non-current					-	21,140	-	(27)

<sup>(i)</sup> Swap transactions aim at hedging against exchange rates of a portion of the funding from Subordinated Debts (See Note 11.3.)

<sup>(ii)</sup> The transaction with Dollar Future Contract aims at hedging, on a supplementary manner, other foreign exchange exposures of the Bank calculated at daily market value and adjusted in B3.

<sup>(iii)</sup> The operation with DI Futures Contract has the purpose of partially protecting the prefixed exposure of the Bank.

Derivative financial instruments by maturity brackets are as follows:

Description	Registration Market	Maturity bracket			Reference value
		01–90 days	91–360 days	>360 days	
Swap contract	B3	11,926	327,632	-	339,558
Future contract - Dollar		15,245	-	-	15,245
Future contract - Interbank Deposits (DI)		1,188,094	-	501,394	1,689,488
<b>Total on 12/31/2019</b>		<b>1,215,265</b>	<b>327,632</b>	<b>501,394</b>	<b>2,044,291</b>
<b>Total on 12/31/2018</b>		<b>20,834</b>	<b>11,659</b>	<b>1,306,833</b>	<b>1,339,326</b>

### 5.2.2. Gains and losses

The derivative financial instruments generated gains and losses, directly recorded in profit or loss in the heading "Profit (loss) with Derivative financial instruments", which are presented as follows:

Description	Dec 2019			Dec 2018		
	Gain	Loss	Net income (loss)	Gain	Loss	Net income (loss)
Swap contract	31,572	(16,945)	<b>14,627</b>	87,969	(30,203)	<b>57,766</b>
Future contract - Dollar	11,996	(11,514)	<b>482</b>	1,306	(765)	<b>541</b>
Future contract - Interbank Deposits (DI)	35,631	(47,130)	<b>(11,499)</b>	1,787	(10,266)	<b>(8,479)</b>
<b>Total</b>	<b>79,199</b>	<b>(75,589)</b>	<b>3,610</b>	<b>91,062</b>	<b>(41,234)</b>	<b>49,828</b>

### 5.2.3. Hedge accounting

Mercantil do Brasil has a Hedge transaction classified as market risk hedge, as provided in Article 3, item I, of Bacen Circular No. 3.082/02.

For part of raising of resources abroad and for part of the Bank's Assets Portfolio, the Bank makes hedge accounting, seeking to eliminate the exposure to the risk of foreign exchange rate variation and of interest rates for protecting prefixed positions.

The effectiveness of hedge accounting operations (according to Bacen Circular Letter No. 3.082/02) are verified through the projection of both the subject liability and the derivative financial instruments classified as hedge accounting instruments, demonstrating the expected effectiveness of the maturity of the transactions. From the contracting, the managerial verification of e effectiveness is performed daily, then creating a history of evaluation of how the transaction behaves.

In this context, the effects of foreign exchange variation on hedge accounting transactions is equivalent to that generated by hedge transactions.

Object of hedge	Book value		Adjustment to fair value	
	Dec 2019	Dec 2018	Dec 2019	Dec 2018
Foreign Funding – Liabilities	424,228	407,817	421,924	400,726
Asset portfolio	1,409,556	937,054	1,410,712	941,332
<b>Total</b>	<b>1,833,784</b>	<b>1,344,871</b>	<b>1,832,636</b>	<b>1,342,058</b>

Hedge instrument	Reference value		Fair value	
	Dec 2019	Dec 2018	Dec 2019	Dec 2018
<b>Swap contract</b>				
<b>Asset position</b>				
Foreign currency	339,558	346,144	427,460	411,300
<b>Liability position</b>				
Interest Rate	339,558	346,144	393,149	386,370
<b>Future contract - Interbank Deposits (DI)</b>				
<b>Liability position</b>				
Interest Rate	1,410,710	941,333	1,410,710	941,333

There was no accounting reclassification as a result of hedge transactions no longer being classified.

### 5.3. Non-derivative hedge instrument

The Bank uses its asset positions represented by operations of advance on exchange contracts (ACC) and investments abroad (Shareholders' equity of Cayman Branch) as natural *hedge* of a portion of the foreign funding so as to ensure proper protection against exchange risk.

The use of the natural hedge permits a reduction of derivative positions and consequently the risks involved, operating and financial costs derived from the maintenance of these positions.

In this structure, the risks are annulled within the own equity structure of assets and liabilities.

Non-derivative Financial Instruments of Hedge – Natural Hedge				
Type	Nature	Description	Dec 2019	Dec 2018
Object of hedge	Liabilities	Foreign funding	136,238	130,968
<b>Total</b>			<b>136,238</b>	<b>130,968</b>
Natural Hedge	Assets	Foreign investment <sup>(1)</sup>	103,283	100,218
		Asset transactions - ACC	32,950	30,994
<b>Total</b>			<b>136,233</b>	<b>131,212</b>

<sup>(1)</sup> Already considering the tax effect of foreign investment hedge.



#### 5.4. Financial Instruments Positions and Sensitivity Analysis of Risks

In compliance with the CVM Instruction No. 475 of December 17, 2008, it was performed the Sensitivity Analysis involving all material financial instruments, assets and liabilities, measured at fair value by the Institution.

It was then considered the Derivatives, Foreign Funding (Subordinated Debt) and Securities (TVMs) classified into held-to-maturity and trading. In view of the high volatilities as to the performance of the exchange rates, the Institution opted for hedging the foreign currency mismatching through Future Market.

Mercantil do Brasil took a position in the interest rate futures market, for the purposes of partially hedging credit assets. In this case, the derivative was classified as Hedge Accounting that is an instrument used in the management and protection of financial risks through the application of specific account rules, allowing the reduction and, in some cases, even the elimination of the instability of the accounting results in the fiscal year.

It is worth noting that the derivative financial instruments existing in Mercantil do Brasil are aimed at hedging the risk exposure of the foreign funding, interest rate risk to hedge fixed positions and other positions that it deems necessary, not having any speculative character.

The sensitivity analysis, which assumption was to identify the risk types that could generate loss to the Institution, was carried out from the following scenarios:

**Scenario I:** It consists of a scenario considered probable, which data was obtained from external source (B3), such as: dollar price, securities' price and future interest rates. For example purposes, it was considered, for a term of one year, the dollar at R\$ 4.27 and interest rate at 4.42% per annum.

**Scenario II:** It consists of a situation with variation of 25% in prices and a parallel shock at the same percentage to the curves effective as of 12/31/2019 that, in view of the exposure of the Institution to risk factors, would cause loss. So, for example, for the term of one year, the considered price of dollar was R\$5.04 and the interest rate at 5.69% per annum.

**Scenario III:** It consists of a situation with variation of 50% in prices and a parallel shock at the same percentage to the curves effective as of 12/31/2019 that, in view of the exposure of the Institution to risk factors, would cause loss. So, for example, for the term of one year, the considered price of dollar was R\$6.05 and the interest rate at 6.82% per annum.

**Chart demonstrating the Sensitivity Analysis of the financial conglomerate:**

Effect on changes in fair value			Scenarios		
Operation	Risk factors	Components	I <sup>(1)</sup>	II	III
Foreign Funding with Hedge	Foreign currency (USD) <sup>(1)</sup>	Derivative (swap long position)	24,544	101,993	203,987
		Debt in USD	(25,413)	(105,606)	(211,212)
		Net effect	(869)	(3,613)	(7,225)
	Exchange Coupon <sup>(1)</sup>	Derivative (swap long position)	281	(1,335)	(2,663)
		Debt in USD	(189)	940	1,872
		Net effect	92	(395)	(791)
	Fixed interest rate	Derivative (swap short position)	48	(485)	(962)
Fixed interest rate (% of CDI)	Derivative (swap short position)	(113)	(1,175)	(2,369)	
Exchange exposure with hedge	Foreign currency (USD) <sup>(1)</sup>	Derivative (futures long position)	549	(3,275)	(6,549)
		Mismatch in USD	(549)	3,268	6,536
		Net effect	-	(7)	(13)
	Fixed interest rate	Derivative (futures short position)	(1)	(10)	(17)
Hedge Accounting	Fixed interest rate	Loan operations (long position)	1,185	7,322	14,709
		Derivative (futures short position)	(1,419)	(8,205)	(16,415)
		Net effect	(234)	(883)	(1,706)
Securities	Fixed income	Debentures	(1,170)	(9,254)	(18,508)
		CRI	(424)	(7,545)	(15,091)
		CRA	(15)	(125)	(251)
Total (no correlation)			-	(23,492)	(46,933)
Total with correlation			(2,686)	(20,249)	(40,159)
Total with correlation net of tax impacts			(1,612)	(12,149)	(24,095)

<sup>(1)</sup> The change in these risk factors is the one that provokes a negative net effect, once the reflection on derivative and debt are always opposite (profit/ loss or loss/profit).

The effects of scenario I, for this being based on market projections, already consider the correlation between the changes in risk factors.

The chart evidences the importance of the hedge of foreign funding, once the significant effects on profit or loss arising from changes, mainly dollar on scenarios II and III, on the amount of this debt is practically neutralized by the effects on opposite direction on the swap long position. This hedge failed to fully meet its purpose due to a natural distancing between the hedge and its object, thus not offering an ideal protection.

It is worth noting that this sensitivity analysis considers a situation in which the Institution's position would remain static, which should not necessarily occur. Mercantil do Brasil has an active management of its market risks (see Note 22), with the daily follow-up of the exposures to the several risk factors, as well as the potential effect that these exposures can cause on the fair value of its financial instruments, including the derivatives, which could indicate the change in position in order to mitigate these risks.

## INTERFINANCIAL RELATIONS – RESTRICTED CREDITS

Restricted credits, individual and consolidated, are as follows:

Compulsory payments	Dec 2019	Dec 2018
On savings deposits	40,662	82,420
Microcredit	5,623	4,857
<b>Total – Current</b>	<b>46,285</b>	<b>87,277</b>

## LOAN OPERATIONS

### 7.1. Breakdown of loan operations and other receivables:

Description	MB – Multiple Bank		MB – Consolidated	
	Dec 2019	Dec 2018	Dec 2019	Dec 2018
Loan operations	4,460,261	5,059,701	4,717,881	5,501,574
Debtors in purchase of assets	12,628	18,572	12,628	18,572
Earnings receivable from granted advances	8,966	4,550	8,966	4,550
Advances on exchange contracts	55,583	55,583	55,583	55,583
Securities and credits receivable (See Note 8.5.)	75,316	72,144	75,191	72,144
<b>Total</b>	<b>4,612,754</b>	<b>5,210,550</b>	<b>4,870,249</b>	<b>5,652,423</b>
Current	2,553,415	2,852,213	2,663,322	3,047,396
Non-current	2,059,339	2,358,337	2,206,927	2,605,027

### 7.2. The movement in the allowance for loan losses expenses and other receivables:

Description	MB – Multiple Bank		MB – Consolidated	
	Dec 2019	Dec 2018	Dec 2019	Dec 2018
<b>With credit assignment characteristics</b>				
<b>Balances at the beginning of the years</b>	<b>666,135</b>	<b>675,616</b>	<b>682,895</b>	<b>693,739</b>
Formation of provision	697,523	856,093	716,340	883,041
Reversal of provision	(294,383)	(329,210)	(301,764)	(338,948)
Write-off	(527,315)	(536,364)	(544,826)	(554,937)
<b>Balances at the end of the years</b>	<b>541,960</b>	<b>666,135</b>	<b>552,645</b>	<b>682,895</b>
<b>Without loan characteristics</b>				
<b>Balances at the beginning of the years</b>	<b>9,087</b>	<b>8,458</b>	<b>10,393</b>	<b>9,764</b>
Formation of provision	-	629	-	629
Reversal of provision	(685)	-	(685)	-
Write-off	(8)	-	(8)	-
<b>Balances at the end of the years</b>	<b>8,394</b>	<b>9,087</b>	<b>9,700</b>	<b>10,393</b>
<b>Effect in income</b>	<b>402,455</b>	<b>527,512</b>	<b>413,891</b>	<b>544,722</b>
<b>Total</b>	<b>550,354</b>	<b>675,222</b>	<b>562,345</b>	<b>693,288</b>
Current	315,615	374,488	320,769	382,149
Non-current	234,739	300,734	241,576	311,139

The provision for losses associated to the probability of future expenses related to financial guarantees provided in accordance with recognized models and practices of credit risk management under the terms of Resolution No. 4.512/16, in individual and consolidated is as follows:

Description	Dec 2019	Dec 2018
Linked to tenders, auctions, service rendering or execution of works	235	130
Linked to the supply of goods	48	47
Guarantee or surety in judicial and administrative proceedings of a fiscal nature	1,338	1,118
Other Bank guarantees	1,025	1,815
<b>Total</b>	<b>2,646</b>	<b>3,110</b>
Current	2,564	2,298
Non-current	82	812

### 7.3. Classification of the risk level of loan and lease operations and other receivables:

a) Portfolio composition by risk level as established in CMN Resolution No. 2.682/99

**MB** – Multiple Bank

Loans and other credits														
Level	Individuals			Companies							Total		ALLOWANCE FOR DOUBTFUL ACCOUNTS	
	In progress		Total	Industry		Commerce		Services		Total				
				In progress										
	Normal	Abnormal		Normal	Abnormal	Normal	Abnormal	Normal	Abnormal					
AA	190,581	-	190,581	320,643	-	-	-	32,211	-	352,854	543,435	731,017	-	-
A	2,735,607	-	2,735,607	12,342	-	9,307	-	66,555	-	88,204	2,823,811	2,902,317	14,112	14,504
B	92,663	49,816	142,479	24,185	1,340	15,655	-	49,732	678	91,590	234,069	264,696	2,340	2,647
C	4,928	24,841	29,769	52,089	107	10,377	6	39,934	12,111	114,624	144,393	141,653	4,332	4,250
D	17,407	25,082	42,489	28,164	5,011	8,618	1,799	76,858	7,150	127,600	170,089	291,203	17,009	29,120
E	3,284	28,608	31,892	30,412	2,015	6,071	382	43,168	27,255	109,303	141,195	215,671	42,359	64,700
F	7,870	20,871	28,741	30,083	2,494	271	56	34,807	581	68,292	97,033	175,451	48,517	87,725
G	9,788	22,359	32,147	90,935	4,739	62	26	18,672	4,878	119,312	151,459	84,510	106,021	59,157
H	30,212	142,258	172,470	83,935	21,900	5,460	8,164	8,106	7,235	134,800	307,270	404,032	307,270	404,032
Total	3,092,340	313,835	3,406,175	672,788	37,606	55,821	10,433	370,043	59,888	1,206,579	4,612,754	5,210,550	541,960	666,135

MB – Consolidated

Loans and other credits														
Level	Individuals			Companies							Total		ALLOWANCE FOR DOUBTFUL ACCOUNTS	
	In progress		Total	Industry		Commerce		Services		Total				
				In progress										
	Normal	Abnormal		Normal	Abnormal	Normal	Abnormal	Normal	Abnormal		Dec 2019	Dec 2018	Dec 2019	Dec 2018
AA	190,580	-	190,580	320,643	-	-	-	32,087	-	352,730	543,310	731,031	-	-
A	2,924,183	-	2,924,183	30,634	-	9,307	-	79,919	-	119,860	3,044,043	3,284,113	15,219	16,413
B	98,524	62,800	161,324	24,185	1,340	15,655	9	49,980	726	91,895	253,219	297,226	2,531	2,973
C	5,715	26,588	32,303	52,089	106	10,377	6	41,084	13,365	117,027	149,330	149,151	4,479	4,474
D	18,448	26,601	45,049	28,693	5,012	8,618	1,799	76,858	7,150	128,130	173,179	293,965	17,317	29,396
E	3,297	29,669	32,966	30,413	2,015	6,071	382	43,168	27,283	109,332	142,298	218,004	42,690	65,399
F	7,890	21,493	29,383	30,089	2,495	271	56	34,807	581	68,299	97,682	177,592	48,841	88,795
G	9,819	22,936	32,755	90,935	4,739	62	26	18,672	4,878	119,312	152,067	86,326	106,447	60,430
H	30,508	148,098	178,606	85,651	21,899	5,460	8,164	8,106	7,235	136,515	315,121	415,015	315,121	415,015
Total	3,288,964	338,185	3,627,149	693,332	37,606	55,821	10,442	384,681	61,218	1,243,100	4,870,249	5,652,423	552,645	682,895

Normal loan operations – loan operations falling due or up to 14 days past due.

Abnormal loan operations – loan operations 15 days or more past due.

b) Breakdown of loan portfolio by maturity

**MB – Multiple Bank**

Classification by maturity	AA	A	B	C	D	E	F	G	H	Total	%
<b>Normal course</b>											
<b>Installments falling due</b>	<b>543,430</b>	<b>2,820,673</b>	<b>182,066</b>	<b>106,603</b>	<b>129,852</b>	<b>82,213</b>	<b>72,897</b>	<b>119,421</b>	<b>127,589</b>	<b>4,184,744</b>	<b>90.71</b>
01–30 days	59,564	392,186	24,114	8,542	9,504	2,657	1,386	305	33,307	531,565	11.52
31–60 days	3,164	174,931	4,290	4,093	9,350	2,872	1,014	293	8,424	208,431	4.52
61–90 days	3,445	155,327	5,548	11,750	7,888	2,662	2,010	289	7,573	196,492	4.26
91–180 days	66,966	395,947	12,923	7,486	13,159	6,283	9,230	73,579	5,256	590,829	12.81
181–360 days	62,375	568,406	16,123	16,564	23,530	11,621	11,889	1,615	13,661	725,784	15.73
>360 days	347,916	1,133,876	119,068	58,168	66,421	56,118	47,368	43,340	59,368	1,931,643	41.87
<b>Overdue up to 14 days</b>	<b>5</b>	<b>3,138</b>	<b>169</b>	<b>725</b>	<b>1,195</b>	<b>722</b>	<b>134</b>	<b>36</b>	<b>124</b>	<b>6,248</b>	<b>0.14</b>
<b>Total on 12/31/2019</b>	<b>543,435</b>	<b>2,823,811</b>	<b>182,235</b>	<b>107,328</b>	<b>131,047</b>	<b>82,935</b>	<b>73,031</b>	<b>119,457</b>	<b>127,713</b>	<b>4,190,992</b>	<b>90.85</b>
<b>%</b>	<b>11.78</b>	<b>61.22</b>	<b>3.95</b>	<b>2.33</b>	<b>2.84</b>	<b>1.80</b>	<b>1.58</b>	<b>2.59</b>	<b>2.76</b>	<b>90.85</b>	<b>-</b>
<b>Total on 12/31/2018</b>	<b>731,017</b>	<b>2,902,317</b>	<b>207,731</b>	<b>103,575</b>	<b>229,120</b>	<b>134,081</b>	<b>115,567</b>	<b>56,594</b>	<b>121,011</b>	<b>4,601,013</b>	<b>88.29</b>
<b>%</b>	<b>14.03</b>	<b>55.70</b>	<b>3.99</b>	<b>1.99</b>	<b>4.40</b>	<b>2.57</b>	<b>2.22</b>	<b>1.08</b>	<b>2.31</b>	<b>88.29</b>	<b>-</b>
<b>Abnormal course</b>											
<b>Installments falling due</b>	<b>-</b>	<b>-</b>	<b>44,736</b>	<b>29,718</b>	<b>29,840</b>	<b>45,485</b>	<b>14,248</b>	<b>20,411</b>	<b>73,773</b>	<b>258,211</b>	<b>5.61</b>
01–30 days	-	-	3,824	1,982	2,286	2,063	1,017	1,171	5,135	17,478	0.38
31–60 days	-	-	3,527	1,839	1,925	1,860	844	959	4,646	15,600	0.34
61–90 days	-	-	3,283	1,712	1,799	1,752	825	970	4,257	14,598	0.32
91–180 days	-	-	8,228	4,464	4,769	4,723	2,067	2,454	10,978	37,683	0.82
181–360 days	-	-	11,468	6,687	6,840	7,161	2,934	3,762	16,349	55,201	1.20
>360 days	-	-	14,406	13,034	12,221	27,926	6,561	11,095	32,408	117,651	2.55
<b>Installments overdue</b>	<b>-</b>	<b>-</b>	<b>7,098</b>	<b>7,347</b>	<b>9,202</b>	<b>12,775</b>	<b>9,754</b>	<b>11,591</b>	<b>105,784</b>	<b>163,551</b>	<b>3.54</b>
01–14 days	-	-	1	337	647	354	40	54	602	2,035	0.04
15–30 days	-	-	6,935	2,473	2,480	2,519	1,419	1,605	7,569	25,000	0.54
31–60 days	-	-	162	4,198	2,479	2,343	1,515	1,459	10,681	22,837	0.50
61–90 days	-	-	-	238	3,131	3,219	1,592	1,705	9,711	19,596	0.42
91–180 days	-	-	-	101	465	4,163	4,676	5,985	37,276	52,666	1.14
181–360 days	-	-	-	-	-	177	512	783	38,896	40,368	0.88
>360 days	-	-	-	-	-	-	-	-	1,049	1,049	0.02
<b>Total on 12/31/2019</b>	<b>-</b>	<b>-</b>	<b>51,834</b>	<b>37,065</b>	<b>39,042</b>	<b>58,260</b>	<b>24,002</b>	<b>32,002</b>	<b>179,557</b>	<b>421,762</b>	<b>9.15</b>
<b>%</b>	<b>-</b>	<b>-</b>	<b>1.13</b>	<b>0.81</b>	<b>0.85</b>	<b>1.26</b>	<b>0.52</b>	<b>0.69</b>	<b>3.89</b>	<b>9.15</b>	<b>-</b>
<b>Total on 12/31/2018</b>	<b>-</b>	<b>-</b>	<b>56,965</b>	<b>38,078</b>	<b>62,083</b>	<b>81,590</b>	<b>59,884</b>	<b>27,916</b>	<b>283,021</b>	<b>609,537</b>	<b>11.71</b>
<b>%</b>	<b>-</b>	<b>-</b>	<b>1.09</b>	<b>0.73</b>	<b>1.19</b>	<b>1.57</b>	<b>1.15</b>	<b>0.54</b>	<b>5.44</b>	<b>11.71</b>	<b>-</b>
<b>Grand total</b>											
<b>Total on 12/31/2019</b>	<b>543,435</b>	<b>2,823,811</b>	<b>234,069</b>	<b>144,393</b>	<b>170,089</b>	<b>141,195</b>	<b>97,033</b>	<b>151,459</b>	<b>307,270</b>	<b>4,612,754</b>	<b>100.00</b>
<b>%</b>	<b>11.78</b>	<b>61.22</b>	<b>5.08</b>	<b>3.14</b>	<b>3.69</b>	<b>3.06</b>	<b>2.10</b>	<b>3.28</b>	<b>6.65</b>	<b>100.00</b>	<b>-</b>
<b>Total on 12/31/2018</b>	<b>731,017</b>	<b>2,902,317</b>	<b>264,696</b>	<b>141,653</b>	<b>291,203</b>	<b>215,671</b>	<b>175,451</b>	<b>84,510</b>	<b>404,032</b>	<b>5,210,550</b>	<b>100.00</b>
<b>%</b>	<b>14.03</b>	<b>55.70</b>	<b>5.08</b>	<b>2.72</b>	<b>5.59</b>	<b>4.14</b>	<b>3.37</b>	<b>1.62</b>	<b>7.75</b>	<b>100.00</b>	<b>-</b>

**MB – Consolidated**

Classification by maturity	AA	A	B	C	D	E	F	G	H	Total	%
<b>Normal course</b>											
<b>Installments falling due</b>	<b>543,305</b>	<b>3,040,368</b>	<b>188,175</b>	<b>108,540</b>	<b>131,417</b>	<b>82,227</b>	<b>72,923</b>	<b>119,452</b>	<b>129,601</b>	<b>4,416,008</b>	<b>90.67</b>
01–30 days	59,439	396,933	24,233	8,696	9,570	2,658	1,387	307	34,193	<b>537,416</b>	<b>11.03</b>
31–60 days	3,164	183,876	4,674	4,244	9,443	2,873	1,016	295	9,283	<b>218,868</b>	<b>4.49</b>
61–90 days	3,445	163,712	5,967	11,897	7,980	2,663	2,012	291	7,586	<b>205,553</b>	<b>4.22</b>
91–180 days	66,966	420,080	14,065	7,905	13,413	6,286	9,236	73,585	5,295	<b>616,831</b>	<b>12.67</b>
181–360 days	62,375	608,098	17,902	17,223	23,942	11,626	11,900	1,624	13,726	<b>768,416</b>	<b>15.78</b>
>360 days	347,916	1,267,669	121,334	58,575	67,069	56,121	47,372	43,350	59,518	<b>2,068,924</b>	<b>42.48</b>
<b>Overdue up to 14 days</b>	<b>5</b>	<b>3,675</b>	<b>169</b>	<b>725</b>	<b>1,200</b>	<b>722</b>	<b>134</b>	<b>36</b>	<b>124</b>	<b>6,790</b>	<b>0.14</b>
<b>Total on 12/31/2019</b>	<b>543,310</b>	<b>3,044,043</b>	<b>188,344</b>	<b>109,265</b>	<b>132,617</b>	<b>82,949</b>	<b>73,057</b>	<b>119,488</b>	<b>129,725</b>	<b>4,422,798</b>	<b>90.81</b>
<b>%</b>	<b>11.16</b>	<b>62.50</b>	<b>3.87</b>	<b>2.24</b>	<b>2.72</b>	<b>1.70</b>	<b>1.50</b>	<b>2.45</b>	<b>2.67</b>	<b>90.81</b>	<b>-</b>
<b>Total on 12/31/2018</b>	<b>731,031</b>	<b>3,284,113</b>	<b>227,964</b>	<b>109,056</b>	<b>229,893</b>	<b>134,250</b>	<b>115,708</b>	<b>56,751</b>	<b>121,533</b>	<b>5,010,299</b>	<b>88.64</b>
<b>%</b>	<b>12.93</b>	<b>58.10</b>	<b>4.03</b>	<b>1.93</b>	<b>4.07</b>	<b>2.38</b>	<b>2.05</b>	<b>1.00</b>	<b>2.15</b>	<b>88.64</b>	<b>-</b>
<b>Abnormal course</b>											
<b>Installments falling due</b>	<b>-</b>	<b>-</b>	<b>57,082</b>	<b>32,415</b>	<b>31,184</b>	<b>46,367</b>	<b>14,717</b>	<b>20,812</b>	<b>77,847</b>	<b>280,424</b>	<b>5.75</b>
01–30 days	-	-	4,473	2,165	2,347	2,099	1,035	1,190	5,315	<b>18,624</b>	<b>0.38</b>
31–60 days	-	-	4,163	2,021	1,989	1,898	865	979	4,822	<b>16,737</b>	<b>0.34</b>
61–90 days	-	-	3,902	1,889	1,861	1,789	846	990	4,427	<b>15,704</b>	<b>0.32</b>
91–180 days	-	-	9,999	4,967	4,943	4,828	2,124	2,505	11,459	<b>40,825</b>	<b>0.84</b>
181–360 days	-	-	14,567	7,488	7,133	7,339	3,035	3,842	17,167	<b>60,571</b>	<b>1.24</b>
>360 days	-	-	19,978	13,885	12,911	28,414	6,812	11,306	34,657	<b>127,963</b>	<b>2.63</b>
<b>Installments overdue</b>	<b>-</b>	<b>-</b>	<b>7,793</b>	<b>7,650</b>	<b>9,378</b>	<b>12,982</b>	<b>9,908</b>	<b>11,767</b>	<b>107,549</b>	<b>167,027</b>	<b>3.44</b>
01–14 days	-	-	1	337	647	354	40	54	606	<b>2,039</b>	<b>0.04</b>
15–30 days	-	-	7,595	2,670	2,541	2,561	1,442	1,627	7,768	<b>26,204</b>	<b>0.54</b>
31–60 days	-	-	197	4,268	2,517	2,378	1,537	1,480	10,873	<b>23,250</b>	<b>0.48</b>
61–90 days	-	-	-	261	3,163	3,243	1,608	1,720	9,839	<b>19,834</b>	<b>0.41</b>
91–180 days	-	-	-	114	510	4,246	4,735	6,052	37,745	<b>53,402</b>	<b>1.10</b>
181–360 days	-	-	-	-	-	200	546	834	39,535	<b>41,115</b>	<b>0.84</b>
>360 days	-	-	-	-	-	-	-	-	1,183	<b>1,183</b>	<b>0.03</b>
<b>Total on 12/31/2019</b>	<b>-</b>	<b>-</b>	<b>64,875</b>	<b>40,065</b>	<b>40,562</b>	<b>59,349</b>	<b>24,625</b>	<b>32,579</b>	<b>185,396</b>	<b>447,451</b>	<b>9.19</b>
<b>%</b>	<b>-</b>	<b>-</b>	<b>1.33</b>	<b>0.82</b>	<b>0.83</b>	<b>1.22</b>	<b>0.51</b>	<b>0.67</b>	<b>3.81</b>	<b>9.19</b>	<b>-</b>
<b>Total on 12/31/2018</b>	<b>-</b>	<b>-</b>	<b>69,262</b>	<b>40,095</b>	<b>64,072</b>	<b>83,754</b>	<b>61,884</b>	<b>29,575</b>	<b>293,482</b>	<b>642,124</b>	<b>11.36</b>
<b>%</b>	<b>-</b>	<b>-</b>	<b>1.23</b>	<b>0.71</b>	<b>1.13</b>	<b>1.48</b>	<b>1.09</b>	<b>0.52</b>	<b>5.20</b>	<b>11.36</b>	<b>-</b>
<b>Grand total</b>											
<b>Total on 12/31/2019</b>	<b>543,310</b>	<b>3,044,043</b>	<b>253,219</b>	<b>149,330</b>	<b>173,179</b>	<b>142,298</b>	<b>97,682</b>	<b>152,067</b>	<b>315,121</b>	<b>4,870,249</b>	<b>100.00</b>
<b>%</b>	<b>11.16</b>	<b>62.50</b>	<b>5.20</b>	<b>3.06</b>	<b>3.55</b>	<b>2.92</b>	<b>2.01</b>	<b>3.12</b>	<b>6.48</b>	<b>100.00</b>	<b>-</b>
<b>Total on 12/31/2018</b>	<b>731,031</b>	<b>3,284,113</b>	<b>297,226</b>	<b>149,151</b>	<b>293,965</b>	<b>218,004</b>	<b>177,592</b>	<b>86,326</b>	<b>415,015</b>	<b>5,652,423</b>	<b>100.00</b>
<b>%</b>	<b>12.93</b>	<b>58.10</b>	<b>5.26</b>	<b>2.64</b>	<b>5.20</b>	<b>3.86</b>	<b>3.14</b>	<b>1.52</b>	<b>7.35</b>	<b>100.00</b>	<b>-</b>

c) Breakdown of portfolio by segment

Description	MB-Multiple Bank				MB- Consolidated			
	Dec 2019	%	Dec 2018	%	Dec 2019	%	Dec 2018	%
<b>Individuals</b>	<b>3,406,175</b>	<b>73.84</b>	<b>3,581,740</b>	<b>68.74</b>	<b>3,627,149</b>	<b>74.49</b>	<b>3,945,552</b>	<b>69.80</b>
<b>Companies</b>	<b>1,206,579</b>	<b>26.16</b>	<b>1,628,810</b>	<b>31.26</b>	<b>1,243,100</b>	<b>25.51</b>	<b>1,706,871</b>	<b>30.20</b>
Civil construction	256,540	5.56	381,778	7.33	258,256	5.30	383,233	6.78
Passenger transportation, except for civil aviation	123,978	2.69	135,985	2.61	137,866	2.83	155,412	2.75
Biofuels and Sugar	116,580	2.53	151,111	2.90	116,580	2.39	151,111	2.67
Steel	83,596	1.81	93,104	1.79	83,596	1.72	93,104	1.65
Rendering of services	80,963	1.76	116,472	2.24	81,000	1.66	116,527	2.06
Construction materials	62,394	1.35	67,961	1.30	62,394	1.28	67,961	1.20
Cargo shipments and Logistics	35,781	0.78	50,726	0.97	36,187	0.74	51,658	0.91
Entertainment, sports and culture	32,125	0.70	24,587	0.47	32,125	0.66	24,587	0.43
Financial activities, insurance and related services	93,625	2.03	92,366	1.77	93,625	1.92	106,316	1.88
Soybean	50,692	1.10	46,765	0.90	50,692	1.04	46,765	0.83
Other	270,305	5.85	467,955	8.98	290,779	5.97	510,197	9.04
<b>Grand total</b>	<b>4,612,754</b>	<b>100.00</b>	<b>5,210,550</b>	<b>100.00</b>	<b>4,870,249</b>	<b>100.00</b>	<b>5,652,423</b>	<b>100.00</b>



d) Breakdown of portfolio by product

**MB** – Multiple Bank

Products	Dec 2019											Dec 2018	
	AA	A	B	C	D	E	F	G	H	Total	%	Total	%
INSS Personal Loan - Account debit	-	1,100,881	28,875	19,033	15,263	19,654	14,755	15,140	92,967	<b>1,306,568</b>	<b>28.33</b>	<b>1,259,075</b>	<b>24.16</b>
INSS Payroll-deductible Loans	45	1,034,613	24,780	3,518	3,677	2,091	1,343	1,438	17,068	<b>1,088,573</b>	<b>23.60</b>	<b>1,253,523</b>	<b>24.06</b>
Working capital	125,174	67,278	59,626	63,354	66,808	27,717	28,161	27,009	53,888	<b>519,015</b>	<b>11.25</b>	<b>659,883</b>	<b>12.66</b>
Rural Loans	210,895	1,827	1,033	43,369	-	-	3,219	8,266	8,511	<b>277,120</b>	<b>6.01</b>	<b>437,498</b>	<b>8.40</b>
Renegotiation	-	-	-	-	67,493	85,018	29,852	31,839	100,044	<b>314,246</b>	<b>6.81</b>	<b>465,936</b>	<b>8.94</b>
Payroll-Deductible Credit Card	-	253,483	564	458	320	422	405	438	4,181	<b>260,271</b>	<b>5.64</b>	<b>262,415</b>	<b>5.04</b>
Public Payroll-deductible Loans	-	224,781	10,040	1,551	3,899	878	451	821	1,979	<b>244,400</b>	<b>5.30</b>	<b>211,409</b>	<b>4.06</b>
Corporate check	-	2,539	17,055	1,108	2,583	166	62	-	7,443	<b>30,956</b>	<b>0.67</b>	<b>46,243</b>	<b>0.89</b>
Overdraft	82	38,734	2,407	1,476	1,408	1,349	1,546	1,620	11,897	<b>60,519</b>	<b>1.31</b>	<b>94,554</b>	<b>1.81</b>
Secured Account	8,411	14,425	5,836	7,682	5,855	1,114	306	-	65	<b>43,694</b>	<b>0.95</b>	<b>73,811</b>	<b>1.42</b>
Foreign exchange	18,656	-	-	-	-	-	-	64,549	-	<b>83,205</b>	<b>1.80</b>	<b>94,902</b>	<b>1.82</b>
Mortgage Loans	42,054	1,442	43,425	-	-	-	-	-	-	<b>86,921</b>	<b>1.88</b>	<b>109,705</b>	<b>2.11</b>
Credit card	1,328	58,677	2,766	820	757	288	268	285	2,075	<b>67,264</b>	<b>1.46</b>	<b>69,812</b>	<b>1.34</b>
Personal loans	133,996	14,141	29,686	1,424	1,354	2,363	60	52	3,214	<b>186,290</b>	<b>4.04</b>	<b>117,645</b>	<b>2.25</b>
Other	2,794	10,990	7,976	600	672	135	16,605	2	3,938	<b>43,712</b>	<b>0.95</b>	<b>54,139</b>	<b>1.04</b>
<b>Grand total</b>	<b>543,435</b>	<b>2,823,811</b>	<b>234,069</b>	<b>144,393</b>	<b>170,089</b>	<b>141,195</b>	<b>97,033</b>	<b>151,459</b>	<b>307,270</b>	<b>4,612,754</b>	<b>100.00</b>	<b>5,210,550</b>	<b>100.00</b>

**MB – Consolidated**

Products	Dec 2019											Dec 2018	
	AA	A	B	C	D	E	F	G	H	Total	%	Total	%
INSS Personal Loan - Account debit	-	1,100,881	28,875	19,033	15,263	19,654	14,755	15,140	92,967	1,306,568	26.83	1,511,902	26.75
INSS Payroll-deductible Loans	45	1,119,664	33,427	4,749	4,460	2,783	1,825	1,917	21,611	1,190,481	24.44	1,259,075	22.27
Working capital	125,172	98,761	59,626	63,354	67,339	27,717	28,161	27,009	53,888	551,027	11.31	730,965	12.93
Public Payroll-deductible Loans	-	325,674	19,041	2,110	5,566	1,258	600	924	3,355	358,528	7.36	309,019	5.47
Renegotiation	-	-	-	-	67,507	85,046	29,870	31,864	100,246	314,533	6.46	466,653	8.26
Rural Loans	210,895	1,827	1,033	43,369	-	-	3,219	8,266	8,511	277,120	5.69	437,498	7.74
Payroll-Deductible Credit Card	-	253,483	564	458	320	422	405	438	4,181	260,271	5.34	262,415	4.64
Corporate check	-	2,539	17,055	1,108	2,583	166	62	-	7,443	30,956	0.64	46,243	0.82
Overdraft	82	38,734	2,407	1,476	1,408	1,349	1,546	1,620	11,897	60,519	1.24	94,554	1.67
Secured Account	8,411	14,425	5,836	7,682	5,855	1,114	306	-	65	43,694	0.90	73,811	1.31
Foreign exchange	18,656	-	-	-	-	-	-	64,549	-	83,205	1.71	94,902	1.68
Mortgage Loans	42,054	1,442	43,425	-	-	-	-	-	-	86,921	1.78	109,705	1.94
Credit card	1,328	58,677	2,766	820	757	288	268	285	2,075	67,264	1.38	69,812	1.24
Personal loans	133,996	14,141	29,686	1,424	1,354	2,363	60	52	3,214	186,290	3.83	117,645	2.08
Vehicle financing - CDC	-	2,804	1,501	3,148	95	-	-	-	1,735	9,283	0.19	14,084	0.25
Other	2,671	10,991	7,977	599	672	138	16,605	3	3,933	43,589	0.90	54,140	0.95
<b>Grand total</b>	<b>543,310</b>	<b>3,044,043</b>	<b>253,219</b>	<b>149,330</b>	<b>173,179</b>	<b>142,298</b>	<b>97,682</b>	<b>152,067</b>	<b>315,121</b>	<b>4,870,249</b>	<b>100.00</b>	<b>5,652,423</b>	<b>100.00</b>

Rural loan is mainly comprised of securitized transactions, indexed to the IGP-M, which earn weighted average interest rates of 1.27%% per year and represent 4.44% of the total loan operation portfolio, (MB Consolidated 4.21%), the amount of principal being R\$ 204,678 and interest at R\$ 345, totaling R\$ 205,023 in December 2019. In December 2018, the amount of principal was R\$ 292,328 and interest at R\$ 929, totaling R\$ 293,257.

#### 7.4. Credit assignments

The CMN Resolution No. 3.533/08, with further amendments, establishes the procedures for classification, accounting record and disclosure of transactions of sale or transfer or financial assets.

The transactions of credit assignment in the form of retaining of risks and benefits are established by the provision of recourse to assignees. In this type, the assigned transactions remain recorded in the assets of the assignor institution and the received funds are recorded in assets as contra-entry to the financial liability arising from the assumed obligation. The income and expenses from these assignments are recorded in the income statement over the remaining term of the respective operations.

The Bank has a balance of loan operations granted in a modality with substantial retaining of risks and benefits (Assigned transactions with recourse) as follows: In these transactions, the Bank is exposed to credit, market and operational risk, which are adequately monitored and mitigated in compliance with the rules in effect (see Note 22.) and retains as economic benefits the income earned in transactions of assignment of receivables.

Description	MB – Multiple Bank		MB – Consolidated	
	Dec 2019	Dec 2018	Dec 2019	Dec 2018
<b>Balance of assigned transactions with recourse – At present value</b>	<b>18,067</b>	<b>43,520</b>	<b>24,051</b>	<b>58,352</b>
Current	13,936	25,367	19,676	34,787
Non-current	4,131	18,153	4,375	23,565
<b>Balance of the assumed obligations - at present value</b>	<b>19,234</b>	<b>47,551</b>	<b>25,574</b>	<b>63,857</b>
Current	14,634	26,570	20,699	29,633
Non-current	4,600	20,981	4,875	34,224

In the year, the Bank obtained revenues from loan sales or transfer operations, deriving from transactions granted without risk retention in the amount of R\$ 193,332 (R\$60,338 in December 2018) and in consolidated in the amount of R\$ 215,575 (R\$ 93,129 in December 2018), in conformity with CMN Resolution no. 3.533/08, in the amount granted of R\$660,048 (R\$ 261,918 in December 2018) and R\$ 745,360 (R\$443,818 in December 2018), in Consolidated, at present value.

In the year, the expenses with sale transactions or transfer of financial assets basically arise from the obligations assumed due to the remaining term of transactions assigned with risk retention, in compliance with the CMN Resolution No. 3.533/08, in the amount of R\$ 5,222 (R\$ 12,710 in December 2018) and in the consolidated in the amount of R\$ 9,386 (R\$ 18,577 in December 2018).

## OTHER RECEIVABLES

### 8.1. Tax credits

a) Breakdown of tax credits:

Description	MB – Multiple Bank		MB – Consolidated	
	Dec 2019	Dec 2018	Dec 2019	Dec 2018
<b>Income tax</b>				
<b>Calculation basis</b>	<b>1,241,429</b>	<b>1,240,619</b>	<b>1,293,883</b>	<b>1,303,233</b>
Tax loss	51,920	58,838	71,304	84,377
Temporary differences	1,189,509	1,181,781	1,222,579	1,218,856
<b>Total of the income tax (IR) effect</b>	<b>310,357</b>	<b>310,155</b>	<b>323,471</b>	<b>325,808</b>
<b>Social contribution</b>				
<b>Calculation basis</b>	<b>1,249,431</b>	<b>1,246,123</b>	<b>1,303,866</b>	<b>1,310,192</b>
Temporary differences at the rate of 9%	-	-	2,875	3,111
Differences at the rate of 15%	94,313	1,181,781	119,700	1,215,745
Differences at the rate of 20%	1,095,196	-	1,100,004	-
Negative basis at the rate of 15%	-	64,342	18,162	91,336
Negative basis at the rate of 20%	59,922	-	63,125	-
<b>Effect of CSL</b>	<b>245,171</b>	<b>186,918</b>	<b>253,564</b>	<b>196,342</b>
<b>Effect MP No. 1.807/99, current 2.158-35/01</b>	<b>5,579</b>	<b>6,043</b>	<b>6,665</b>	<b>7,188</b>
<b>Total effect of the social contribution on profit (CSL)</b>	<b>250,750</b>	<b>192,961</b>	<b>260,229</b>	<b>203,530</b>
<b>Total</b>	<b>561,107</b>	<b>503,116</b>	<b>583,700</b>	<b>529,338</b>
Current	203,561	181,407	209,496	190,889
Non-current	357,546	321,709	374,204	338,449

b) Movement in tax credits:

Tax credits	MB - Multiple Bank			MB – Consolidated		
	Temporary differences	Tax loss / Negative basis	MP 2.158-35/01 <sup>(1)</sup>	Temporary differences	Tax loss / Negative basis	MP 2.158-35/01 <sup>(1)</sup>
<b>Income tax</b>						
<b>Balances at 12/31/2018</b>	<b>295,445</b>	<b>14,710</b>	<b>-</b>	<b>304,712</b>	<b>21,096</b>	<b>-</b>
Formation	195,890	-	-	201,190	-	-
Realization	(195,759)	(1,730)	-	(202,026)	(3,268)	-
<b>Net effect on income</b>	<b>131</b>	<b>(1,730)</b>	<b>-</b>	<b>(836)</b>	<b>(3,268)</b>	<b>-</b>
Other	1,801	-	-	1,767	-	-
<b>Balances at 12/31/2019</b>	<b>297,377</b>	<b>12,980</b>	<b>-</b>	<b>305,643</b>	<b>17,828</b>	<b>-</b>
<b>Social contribution</b>						
<b>Balances at 12/31/2018</b>	<b>177,267</b>	<b>9,651</b>	<b>6,043</b>	<b>182,642</b>	<b>13,700</b>	<b>7,188</b>
Formation	170,575	2,996	-	174,026	4,064	-
Realization	(117,313)	(663)	(464)	(121,090)	(2,415)	(523)
<b>Net effect on income</b>	<b>53,262</b>	<b>2,333</b>	<b>-</b>	<b>52,936</b>	<b>1,649</b>	<b>-</b>
Other	2,658	-	-	2,637	-	-
<b>Balances at 12/31/2019</b>	<b>233,187</b>	<b>11,984</b>	<b>5,579</b>	<b>238,215</b>	<b>15,349</b>	<b>6,665</b>
<b>Total</b>	<b>561,107</b>			<b>583,700</b>		

<sup>(1)</sup> The implementation of MP # 2.158-35/01 does not impact, provided the income is taxes that can be offset, pursuant to article 8 of said MP.

c) Realization of tax credits:

The tax credits on temporary additions arising from legal contingencies, which realization depends on the settlement of tax questionings, amount to R\$ 102,244 (R\$ 89,736 in December 2018) and R\$ 109,039 in

consolidated balance (R\$ 95,791 in December 2018) and are recorded in assets with expected realization until 2024.

The tax credits to offset, set up and recorded according to MP No. 1.807/99, current 2.158-35, of August 24, 2001, arising from the application of the rate of 18.00% on the negative basis and temporary additions to net income for purposes of determination of the CSL, corresponding to calculation periods ended until December 31, 1998. These credits are not regulated by the CMN Resolution No. 3.059/02 and are recorded in assets with expected realization as in the chart below.

The deferred tax assets, the expected realization amounts and their respective present values, calculated based on the expected funding rates for corresponding years, as follows:

#### MB – Multiple Bank

Tax credit realization						
Years	Income tax	Social contribution			Total	
	Credit	Loan	MP 2158-35/01	Total		
					Dec 2019	Dec 2018
2019	-	-	-	-	-	182,814
2020	107,126	80,618	223	80,841	187,967	102,994
2021	48,676	40,909	5,356	46,265	94,941	64,217
2022	49,072	39,258	-	39,258	88,330	18,466
2023	425	340	-	340	765	134,625
2024–2026	105,058	84,046	-	84,046	189,104	-
Total	310,357	245,171	5,579	250,750	561,107	503,116
Present value	274,850	221,937			496,787	413,187

#### MB – Consolidated

Tax credit realization						
Years	Income tax	Social contribution			Total	
	Loan	Loan	MP 2158-35/01	Total		
					Dec 2019	Dec 2018
2019	-	-	-	-	-	191,794
2020	110,283	82,488	295	82,783	193,066	108,648
2021	50,645	42,221	5,675	47,896	98,541	68,200
2022	50,100	39,893	440	40,333	90,433	18,683
2023	1,472	923	114	1,037	2,509	142,013
2024–2026	110,971	88,039	141	88,180	199,151	-
Total	323,471	253,564	6,665	260,229	583,700	529,338
Present value	286,200	230,111			516,311	434,669

As previously mentioned, the tax credits on tax losses, negative basis and temporary differences are recorded according to the requirements provided for in CVM Instruction No. 371/02, CMN Resolution No. 3.059/02 and additional regulations. The realization of these tax credits shall depend on the effective materialization of the expected projections of future profits in the technical studies conducted by the Management in December 2019, reviewed in December 2015, and approved by the Board of Directors and Tax Council. Accordingly, these projections for realization of tax credits are estimates and are not directly related to expected accounting income.

#### Tax credit in assets

Provisional Amendment no. 103/2019, increased rate of Social Contribution on Net Income for Banking sector from 15% to 20% of taxable income as of March 2020. As a result, tax credits established on temporary additions



and negative basis that will become deductible as said increase rate will be valid in the amount of R\$ 56,179, MB consolidated R\$ 56,579 in conformity with paragraph 2 of Article 1 of Bacen Circular Letter no. 3.171/02 (see Note 20).

## 8.2. Debtors due to guarantee deposits

Description	MB – Multiple Bank		MB – Consolidated	
	Dec 2019	Dec 2018	Dec 2019	Dec 2018
Appeal-related deposits - Labor	22,793	27,772	26,527	30,425
Labor judicial deposits	76,424	76,422	77,956	77,894
Tax judicial deposits	65,990	63,905	102,492	99,154
Deposits of civil lawsuits	22,602	19,572	25,073	21,855
<b>Total – Non-current</b>	<b>187,809</b>	<b>187,671</b>	<b>232,048</b>	<b>229,328</b>

The legal obligations and occasional labor, civil and tax provisions corresponding to these cases are provisioned and classified into the headings “Provision for Other Liabilities” (see Note 12.4.a).

## 8.3. Recoverable taxes

Description	MB – Multiple Bank		MB – Consolidated	
	Dec 2019	Dec 2018	Dec 2019	Dec 2018
COFINS - Law 9718/98 <sup>(I)</sup>	7,759	7,571	7,759	7,571
Social contribution <sup>(II)</sup>	413	406	1,021	1,815
Corporate income tax <sup>(II)</sup>	-	-	4,066	5,245
Taxes and contributions withheld	2,473	3,408	2,954	3,909
PIS/COFINS <sup>(III)</sup>	-	-	-	1,349
Advances on IRPJ/CSSL	18,615	1,320	19,195	1,359
PERT <sup>(IV)</sup>	203	3,873	203	3,873
Other	-	-	115	145
<b>Total</b>	<b>29,463</b>	<b>16,578</b>	<b>35,313</b>	<b>25,266</b>
Current	19,638	2,942	23,462	8,959
Non-current	9,825	13,636	11,851	16,307

<sup>(I)</sup> The amount of COFINS arises from the legal lawsuit, with final and appealable decision in February 2010, to collect COFINS on the reduced tax basis, besides recovering the amount paid in excess on the difference between the extended basis by the Law No. 9.718/98 and the basis contemplating only service provision. In February 2010, the Bank started to collect COFINS based on service income, supported by the said legal final and unappealable decision and recognized the credit amounting to R\$ 192,094, MB Consolidated R\$ 204,770, net of taxes. The recorded asset was determined by the difference between the COFINS paid on gross revenue and the COFINS determined on service income. The Bank, from the year 2010, qualified said credit with the Federal Revenue Service and started to use it to offset the taxes administered by this body. With edition of Law no. 12.973/14, the Bank started to pay COFINS based on gross revenue addressed by Article 12 of Decree-Law no.

1.598/77.

In the same way, we point out that the PIS credit arising from final and unappealable decision, recognized in December 2005, in the amount of R\$ 14,726, MB Consolidated R\$ 15,950, net of taxes, which had as merits collecting this tax on the reduced tax basis and recover the amount paid in excess on the difference between the extended basis by the Law No. 9.718/98 and the basis contemplating only service revenue, was totally offset, in prior years, against the taxes administered by the Brazilian Federal Revenue Service.

Although there is a res judicata related to PIS and COFINS lawsuits, which characterize the credits as unquestionable right, the Brazilian Federal Revenue Service partially approved the respective offsets, challenging the scope of the favorable decisions of lawsuits. The administrative disputes in progress has risk considered as remote by external legal advisors, according to item 86 of CPC 25, approved by CVM Resolution No. 594/09 and CMN Resolution No. 3.823/09. Notwithstanding the risk rating of these proceedings as remote, the Bank has deemed it proper to contract surety insurance – guarantee for the eventual need to post a guarantee in court in the case of a lawsuit (See Notes 5.1 and 9.2. (I)).

<sup>(II)</sup> Refer basically to the credit balances determined in the DIPJ for prior years.

<sup>(III)</sup> Refer, basically, to the recovery of COFINS and PIS taxes of subsidiary Banco Mercantil de Investimentos S.A., paid in excess on revenues that do not meet the concept of gross income, provided by Article 12 of Law-Decree 1.598/77, with the text of Law # 12.973/14, fully offset in fiscal year 2019.



<sup>(IV)</sup> Refers to tax credits acquired from subsidiaries, to be used in the settlement of taxes, pursuant to the Special Tax Regularization Program (PERT) implemented by Law No. 13.496/2017.



#### 8.4. Payments to be reimbursed

Description	MB – Multiple Bank		MB – Consolidated	
	Dec 2019	Dec 2018	Dec 2019	Dec 2018
COFINS	-	-	1,002	980
FGTS	508	506	508	506
Other	288	266	288	556
<b>Total</b>	<b>796</b>	<b>772</b>	<b>1,798</b>	<b>2,042</b>
Current	796	772	796	772
Non-current	-	-	1,002	1,270

#### Recoverable credits in dispute in court

In November 2005, the Federal Supreme Court (STF) considered unconstitutional the first paragraph of article 3 of the Law No. 9,718/98, which introduced a new tax basis for purposes of calculating the COFINS, from February 1999, by extending the revenue concept. Accordingly, the COFINS calculation basis was reduced and gave rise to the creation of an unquestionable right of recovering what was overpaid.

The subsidiary financial institutions have individual lawsuits in progress and in the evaluation of their external legal advisors, the likelihood of a favorable outcome in these lawsuits is highly probable. So, in case the outcome of these lawsuits is favorable, the amount of credits to be recognized and recorded correspond to R\$ 20,025 (R\$ 19,508 in December 2018).

#### 8.5. Securities and credits receivable

Description	MB – Multiple Bank		MB – Consolidated	
	Dec 2019	Dec 2018	Dec 2019	Dec 2018
Credit card <sup>(I)</sup>	75,316	72,144	75,191	72,144
Credits receivable <sup>(II)</sup>	58,069	170,898	68,555	182,612
Court-ordered debt payments	8,626	16,096	16,873	24,743
Credit receivables	35,062	35,702	35,062	35,702
Special savings bonds	9,110	4,798	12,971	9,674
Other	27	9	82	9
<b>Total</b>	<b>186,210</b>	<b>299,647</b>	<b>208,734</b>	<b>324,884</b>
Current	146,619	281,859	156,169	292,630
Non-current	39,591	17,788	52,565	32,254

<sup>(I)</sup> Refer to values owed by clients referring to purchases made with credit cards. The respective amounts to be transferred to the card administrator are recorded in a liability account (see Note 12.5).

<sup>(II)</sup> Refer basically to values to be settled by assignee institution after transfer of granted transactions' bank domicile, referring to credit grants with no risk retention in the period.

#### 8.6. Income receivable

It basically refers to the recognition of credit receivable related to the clause on adjustment to sale price, contained in the contract for disposal of ownership interests in Cia de Seguros Minas Brasil, entered into in 2008, between the Bank and Zurich Participações e Representações Ltda. The adjustment refers to a favorable outcome, in 2013, in a lawsuit through which Cia de Seguros Minas Brasil disputed with the Federal Government its condition as non-taxpayer of Social Contribution on Net Income, decided previously in another lawsuit which decision was final and unappealable.

#### 8.7. Sundry receivables

Refer, basically, to installments of Payroll-deductible Loans Card already settled and awaiting transfer of the financial resources in INSS, in individual and consolidated, in the amount of R\$ 30,918 (R\$ 26,339 in December 2018).

## OTHER ASSETS

### 9.1. Other assets

Description	MB – Multiple Bank		MB – Consolidated	
	Dec 2019	Dec 2018	Dec 2019	Dec 2018
Real estate - payment in kind	286,030	366,890	286,030	368,890
Vehicles and related products	-	198	3	239
Inventories	2,045	1,816	2,045	1,816
Other non-operating assets	-	67	3	71
(-) Provision for depreciation <sup>(1)</sup> (see Note 19.)	(114,235)	(64,249)	(114,238)	(64,255)
<b>Total – Current</b>	<b>173,840</b>	<b>304,722</b>	<b>173,843</b>	<b>306,761</b>

<sup>(1)</sup> In the period, there was an improvement in the estimates for losses on non-operating assets, resulting in a complement of provision in the amount of R\$ 63,743.

### 9.2. Prepaid expenses

Description	MB – Multiple Bank		MB – Consolidated	
	Dec 2019	Dec 2018	Dec 2019	Dec 2018
Commission on origination of loan operations	200	1,687	1,130	5,920
Commission on origination of loan operations – Bacen Circular Letter No. 3.693/13	338	1,491	595	2,892
Cost of the service of preparation of documents and typing of the business proposal	65	274	68	281
Deferred costs - domestic and foreign funding	4	734	4	734
Surety insurance cost – guarantee <sup>(1)</sup>	85,075	53,586	92,948	58,277
Other prepaid expenses <sup>(11)</sup>	4,624	2,187	4,661	2,257
<b>Total</b>	<b>90,306</b>	<b>59,959</b>	<b>99,406</b>	<b>70,361</b>
Current	31,764	25,759	35,398	31,218
Non-current	58,542	34,200	64,008	39,143

<sup>(1)</sup> This refers to the cost of the surety – guarantee, in administrative and court proceedings whose appropriation of expenses are made on a monthly basis in accordance with the policy term.

<sup>(11)</sup> They basically refer to IPTU, rents, permit fee and license from branches, whose appropriation of expenses are performed monthly according to the contractual terms.

## PERMANENT ASSETS

### 10.1. Investments

#### a) Interest in subsidiaries

Description	Dec 2019							
	MBIA	MBF	BMI	MBC	MBD	RAACSPPCB	MBEI	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	
Capital stock	28,937	126,070	82,028	24,938	4,250	24,901	43,000	334,124
Shareholders' equity	32,195	242,784	123,076	22,922	4,290	58,310	74,683	558,260
<b>Total shares</b>	<b>34,044</b>	<b>15,480</b>	<b>4,417</b>	<b>166,902</b>	<b>25</b>	<b>14,648</b>	<b>43,000</b>	-
Common shares	34,044	9,673	4,032	141,341	25	14,648	43,000	-
Preferred shares	-	5,807	385	25,561	-	-	-	-
Interest %	100.00	85.95	91.53	99.99	100.00	100.00	100.00	-
Corporate profit/(Loss) for the year	(450)	17,991	2,227	(1,285)	(11)	15,924	(236)	34,160
Acquisitions of shares in the period	-	394	9	-	-	-	-	403
Equity valuation adjustment	-	-	2,491	-	-	-	-	2,491
Equity in income of Associates and subsidiaries	(451)	15,440	2,038	(1,285)	(12)	15,924	(235)	31,419
Equity in net income of subsidiaries	(451)	15,440	2,038	(1,285)	(12)	15,924	(235)	31,419
(-) Dividends/Interest on capital distributed	-	(4,066)	(539)	-	-	(4,101)	-	(8,706)
Capital gain	-	411	78	-	-	-	-	489
<b>Value of the investments</b>	<b>32,195</b>	<b>209,014</b>	<b>113,022</b>	<b>22,919</b>	<b>4,290</b>	<b>58,310</b>	<b>74,683</b>	<b>514,433</b>
Dec 2018								
Capital stock	28,937	126,070	82,028	24,938	4,250	20,507	43,000	329,730
Shareholders' equity	32,646	229,921	119,039	24,206	4,302	46,488	74,918	531,520
<b>Total shares</b>	<b>34,044</b>	<b>15,418</b>	<b>4,416</b>	<b>166,902</b>	<b>25</b>	<b>14,648</b>	<b>43,000</b>	-
Common shares	34,044	9,670	4,031	141,341	25	14,648	43,000	-
Preferred shares	-	5,748	385	25,561	-	-	-	-
Interest %	100.00	85.61	91.52	99.99	100.00	100.00	100.00	-
Corporate profit/(Loss) for the year	(692)	18,153	2,969	(1,355)	3	10,502	205	29,785
Acquisitions of shares in the period	-	5	59,557	-	-	-	-	59,562
Equity in income of Associates and subsidiaries	(692)	21,473	3,416	(1,355)	3	10,502	205	33,552
Equity in net income of subsidiaries	(692)	15,538	2,718	(1,355)	3	10,502	205	26,919
Interest on capital	-	5,935	698	-	-	-	-	6,633
(-) Dividends attributed to the Bank	-	(5,935)	(698)	-	-	(2,695)	(54)	(9,382)
Capital gain	-	18	2,225	1	-	-	-	2,244
<b>Value of the investments</b>	<b>32,646</b>	<b>196,835</b>	<b>108,944</b>	<b>24,204</b>	<b>4,302</b>	<b>46,488</b>	<b>74,918</b>	<b>488,337</b>
(1) Mercantil do Brasil Imobiliária e Agronegócio S.A.	(5) Mercantil do Brasil Distribuidora S.A.							
(2) Mercantil do Brasil Financeira S.A.	(6) Resolva Aqui Administradora e Corretora de Seguros, Previdência Privada e Correspondente Bancário S.A. (see note 2.2).							
(3) Banco Mercantil de Investimentos S.A.	(7) Mercantil do Brasil Empreendimentos Imobiliários S.A.							
(4) Mercantil do Brasil Corretora S.A.								

At the Annual Shareholders' Meeting of April 26, 2019, it was decided to increase the capital stock of Resolva Aqui Administradora e Corretora de Seguros, Previdência Privada e Correspondente Bancário S.A. from R\$ 20,507 to R\$ 24,901, with no change in the number of shares, by incorporation part of the "Statutory Reserves - for Capital Increase" in the amount of R\$ 4,394.

b) Allowance for loss in investments

Refers substantially to the constitution of an allowance for devaluation of the quotas of FII, - Real Estate Investment Fund owner by subsidiary MBEI, organized in 2015, in the amount of R\$ 47,352, without change for the period.

## 10.2. Fixed assets in use

The movement in items of fixed assets in use, net of depreciation:

**MB – Multiple Bank**

Description	Dec 2018	Additions	Transfers		Write-offs	Dec 2019
			Inputs	Outputs		
Fixed assets in inventory	5,433	10,451	-	(11,284)	-	4,600
Property for use	18,261	-	-	-	-	18,261
Facilities	80,731	5,459	-	-	(4,187)	82,003
Furniture and equipment in use	48,404	2,670	647	-	(572)	51,149
Communication system	5,328	189	55	-	(7)	5,565
Data processing system	75,682	6,842	10,444	-	(173)	92,795
Security system	6,290	657	138	-	(34)	7,051
Transportation system	37	-	-	-	-	37
(-) Depreciation	(110,593)	(28,860)	-	-	4,822	(134,631)
<b>Total</b>	<b>129,573</b>	<b>(2,592)</b>	<b>11,284</b>	<b>(11,284)</b>	<b>(151)</b>	<b>126,830</b>

**MB – Consolidated**

Description	Dec 2018	Additions	Transfers		Write-offs	Dec 2019
			Inputs	Outputs		
Fixed assets in inventory	5,437	10,451	-	(11,284)	-	4,604
Property for use	28,771	362	-	-	-	29,133
Facilities	80,731	5,877	-	-	(4,389)	82,219
Furniture and equipment in use	48,965	2,732	647	-	(804)	51,540
Communication system	5,451	189	55	-	(7)	5,688
Data processing system	76,452	6,858	10,444	-	(542)	93,212
Security system	6,290	657	138	-	(34)	7,051
Transportation system	138	140	-	-	(102)	176
(-) Depreciation	(112,341)	(29,001)	-	-	5,468	(135,874)
<b>Total</b>	<b>139,894</b>	<b>(1,735)</b>	<b>11,284</b>	<b>(11,284)</b>	<b>(410)</b>	<b>137,749</b>

The balance of fixed assets contemplates revaluation reserves that will be maintained until its effective realization, in the amount of R\$ 126 (R\$ 134 in December 2018) (see note 13.3.).

## 10.3. Intangible assets

Movement of intangible assets, net of amortization:

**MB – Multiple Bank**

Description	Dec 2018	Additions	Transfers		Write-offs	Dec 2019
			Inputs	Outputs		
<b>Software</b>	<b>123,747</b>	<b>28,513</b>	<b>11,181</b>	<b>(11,181)</b>	<b>(12,335)</b>	<b>139,925</b>

Intangible assets for use	<b>116,447</b>	14,224	9,439	(1,742)	(12,146)	<b>126,222</b>
Intangible assets under development	<b>7,300</b>	14,289	1,742	(9,439)	(189)	<b>13,703</b>
<b>(-) Amortization</b>	<b>(76,307)</b>	<b>(18,860)</b>	-	-	<b>11,838</b>	<b>(83,329)</b>
<b>Total</b>	<b>47,440</b>	<b>9,653</b>	<b>11,181</b>	<b>(11,181)</b>	<b>(497)</b>	<b>56,596</b>

**MB – Consolidated**

Description	Dec 2018	Additions	Transfers		Write-offs	Dec 2019
			Inputs	Outputs		
<b>Software</b>	<b>124,096</b>	<b>28,513</b>	<b>11,181</b>	<b>(11,181)</b>	<b>(12,335)</b>	<b>140,274</b>
Intangible assets for use	<b>116,749</b>	14,224	9,439	(1,742)	(12,146)	<b>126,524</b>
Intangible assets under development	<b>7,347</b>	14,289	1,742	(9,439)	(189)	<b>13,750</b>
<b>(-) Amortization</b>	<b>(76,595)</b>	<b>(18,876)</b>	-	-	<b>11,838</b>	<b>(83,633)</b>
<b>Total</b>	<b>47,501</b>	<b>9,637</b>	<b>11,181</b>	<b>(11,181)</b>	<b>(497)</b>	<b>56,641</b>

## FUNDING

### 11.1. Deposits

MB – Multiple Bank

Description	Deposits				Total	
	Demand	Savings accounts	Interbank	Time	Dec 2019	Dec 2018
Undetermined	314,425	200,773	-	1,188	516,386	473,266
Up to 30 days	-	-	-	68,689	68,689	31,113
31–60 days	-	-	-	111,040	111,040	63,779
61–90 days	-	-	-	80,476	80,476	44,036
91–180 days	-	-	-	284,645	284,645	296,271
181–360 days	-	-	54,936	627,497	682,433	595,992
>360 days	-	-	1,083	4,893,468	4,894,551	5,078,547
<b>Total</b>	<b>314,425</b>	<b>200,773</b>	<b>56,019</b>	<b>6,067,003</b>	<b>6,638,220</b>	<b>6,583,004</b>
Current	314,425	200,773	54,936	1,173,535	1,743,669	1,504,457
Non-current	-	-	1,083	4,893,468	4,894,551	5,078,547

MB – Consolidated

Description	Deposits				Total	
	Demand	Savings accounts	Interbank	Time	Dec 2019	Dec 2018
Undetermined	312,972	200,773	-	1,188	514,933	469,862
Up to 30 days	-	-	-	95,164	95,164	26,460
31–60 days	-	-	-	112,153	112,153	64,886
61–90 days	-	-	-	85,493	85,493	40,281
91–180 days	-	-	-	286,717	286,717	318,152
181–360 days	-	-	54,936	693,886	748,822	581,650
>360 days	-	-	-	4,865,265	4,865,265	5,186,244
<b>Total</b>	<b>312,972</b>	<b>200,773</b>	<b>54,936</b>	<b>6,139,866</b>	<b>6,708,547</b>	<b>6,687,535</b>
Current	312,972	200,773	54,936	1,274,601	1,843,282	1,501,291
Non-current	-	-	-	4,865,265	4,865,265	5,186,244

### 11.2. Acceptances and endorsements

Funds from agribusiness, real estate, credit letters and alike

MB – Multiple Bank

Description	Agribusiness credit bills	Real estate credit bills	Financial Bills	Total	
				Dec 2019	Dec 2018
Up to 30 days	-	-	276	276	5,820
31–60 days	12,987	286	-	13,273	19,468
61–90 days	6,438	274	1,541	8,253	11,411
91–180 days	47,553	136	2,401	50,090	114,182
181–360 days	75,163	3,471	12,523	91,157	56,863
>360 days	-	-	833	833	20,458
<b>Total</b>	<b>142,141</b>	<b>4,167</b>	<b>17,574</b>	<b>163,882</b>	<b>228,202</b>
Current	142,141	4,167	16,741	163,049	207,744
Non-current	-	-	833	833	20,458

MB – Consolidated

Description	Agribusiness credit bills	Real estate credit bills	Financial Bills	Total	
				Dec 2019	Dec 2018
Up to 30 days	84	-	276	360	5,820
31–60 days	12,987	424	-	13,411	19,751
61–90 days	6,438	274	1,541	8,253	11,411
91–180 days	47,553	513	2,401	50,467	122,080
181–360 days	75,163	3,925	12,523	91,611	57,718
>360 days	-	-	833	833	21,435
<b>Total</b>	<b>142,225</b>	<b>5,136</b>	<b>17,574</b>	<b>164,935</b>	<b>238,215</b>
Current	142,225	5,136	16,741	164,102	216,780
Non-current	-	-	833	833	21,435

### 11.3. Other liabilities - Subordinated debts

They are comprised as follow in individual and consolidated:

Share	Quarter/ Year		Amount of the operation	Compensation	Balances in US\$ thousand		Balances in thousand of reais	
	Issuance	Maturity			Dec 2019	Dec 2018	Dec 2019	Dec 2018
Subordinated debt	3rd 2010	3rd 2020	US\$ 250,000	9.63% p.a.	140,875	139,616	567,739	540,901
<b>Total</b>					<b>140,875</b>	<b>139,616</b>	<b>567,739</b>	<b>540,901</b>
Current					140,875	6,906	567,739	26,757
Non-current					-	132,710	-	514,144

In July 2010, the Bank issued the Tier II tranche, in the amount of US\$ 250,000, which approval as subordinated debt was given by Bacen in September 2010, making up the tier II of the Regulatory Capital, contemplated in the determination of the Basel index (see Note 14.). In 2015, the principal balance of securities abroad decreased from US\$ 250,000 to US\$ 155,383 due to repurchases made taking into consideration the existence of excess margin not used in said external issuance for the purpose of classifying operating limits, good liquidity in the international market, beneficial conditions for repurchase of securities and the Institution's strategic objectives.

In October 2018, after an authorization from the Central Bank of Brazil, the Bank made a new offer for partial repurchase of the aforementioned securities, in an amount up to US\$ 20,843 million, in accordance with the strategic objectives of the Institution and in accordance with the rules governing the matter. After the repurchase, the principal balance of securities abroad was reduced to US\$ 134,540 in November 2018. The aforementioned balance is the subject of hedge accounting, pursuant to Note # 5.2. More information available on the website CVM ([www.cvm.gov.br](http://www.cvm.gov.br)) and in the website of B3 S.A. - Brasil, Bolsa, Balcão ([www.b3.com.br/pt\\_br/](http://www.b3.com.br/pt_br/)).

Subordinated debt, maturing in the third quarter of 2020, has a maturity of less than one year and, therefore, ceased to be used in the II level composition of the Reference Equity, in accordance with CMN Resolution No. 4.192/2013.

#### 11.4. Other obligations - Debt Instruments eligible for capital

Share	Quarter/ Year		Amount of the operation	Dec 2019	Dec 2018
	Issuance	Maturity			
Subordinated Financial Letter - Level II <sup>(I)</sup>	3rd 2016	3rd 2023	30,293	30,817	30,935
	3rd 2016	4th 2023	7,258	7,363	7,388
	4th 2016	4th 2023	50,837	51,979	51,922
	1st 2017	1st 2024	16,883	18,288	19,630
	1st 2017	2nd 2024	300	304	305
	2nd 2017	2nd 2024	21,417	22,095	23,049
	2nd 2017	3rd 2024	2,100	2,260	2,353
	3rd 2017	3rd 2024	6,690	6,839	7,314
	3rd 2017	4th 2024	6,775	6,875	6,899
	4th 2017	4th 2024	61,447	64,417	64,780
	4th 2017	1st 2025	600	657	635
	1st 2018	1st 2025	12,522	13,646	13,130
	1st 2018	2nd 2025	800	910	847
	2nd 2018	2nd 2025	16,202	17,726	16,818
	2nd 2018	3rd 2025	2,980	3,286	3,102
	3rd 2018	3rd 2025	20,795	22,103	21,367
	4th 2018	4th 2025	15,073	16,214	15,242
	1st 2019	1st 2026	8,510	8,884	-
	2nd 2019	2nd 2026	17,329	17,852	-
	3rd 2019	3rd 2026	19,427	19,900	-
	4th 2019	4th 2026	11,810	11,915	-
Subordinated Financial Letter – Complementary Capital <sup>(II)</sup>	2nd 2018	Perpetua l	300	346	317
	4th 2018	Perpetua l	4,000	4,360	4,009
	1st 2019	Perpetua l	5,381	5,564	-
	2nd 2019	Perpetua l	400	424	-
	2nd 2019	Perpetua l	7,000	7,080	-
	3rd 2019	Perpetua l	1,253	1,278	-
	3rd 2019	Perpetua l	7,900	8,187	-
	4th 2019	Perpetua l	600	610	-



	4th 2019	Perpetua l	3,116	3,142	-
<b>Total</b>				<b>375,321</b>	<b>290,042</b>
Current				5,775	8,142
Non-current				369,546	281,900

(<sup>I</sup>) Subordinated Financial Bill - Tier II - have indexed issue between 120% and 130% of CDI rate.

(<sup>II</sup>) Subordinated Financial Bill - Complementary Capital - have indexed issue between 140% and 150% of CDI rate.

The total Subordinated Financial Letter - Tier II accredited in Tier II of the Regulatory Capital under CMN Resolution # 4.192/13 amounts to R\$ 311,581 (R\$ 283,206 in December 2018).

## OTHER LIABILITIES

### 12.1.Collection and levy of taxes and alike

Refers to federal, state and municipal taxes payable in the amount of R\$ 2,222 (R\$ 3,268 in December 2018) in the individual, and R\$ 2,223 (R\$ 3,314 in December 2018) in the consolidated.

### 12.2.Social and statutory

Refers basically to profit sharing payable to employees and managers and management members and interest on capital for the years of 2019 and 2018.

### 12.3. Tax and social security

Description	MB – Multiple Bank		MB – Consolidated	
	Dec 2019	Dec 2018	Dec 2019	Dec 2018
Taxes and contributions on income payable	-	-	116	2,744
Other taxes and contributions payable	29,409	25,939	33,232	28,987
Provision for deferred income tax	781	3,189	3,021	3,201
<b>Total</b>	<b>30,190</b>	<b>29,128</b>	<b>36,369</b>	<b>34,932</b>
Current	30,190	29,128	36,357	34,920
Non-current	-	-	12	12

### 12.4. Provision and contingent liabilities

#### a) Provision for other liabilities

Description	MB – Multiple Bank		MB – Consolidated	
	Dec 2019	Dec 2018	Dec 2019	Dec 2018
Provisions for tax risks	93,000	91,772	127,234	124,985
Provisions for labor lawsuits	149,832	119,551	153,975	122,670
Provisions for civil lawsuits	29,448	27,799	37,615	35,021
Other	216	324	216	324
<b>Total – Non-current</b>	<b>272,496</b>	<b>239,446</b>	<b>319,040</b>	<b>283,000</b>

The labor and civil provisions are recorded according to technical studies performed by external legal advisors, which adopted methodology results in a better evaluation of these contingencies. In short, said studies evaluate the percentage of loss in proceedings closed in the last two years for civil actions and three years for labor claims, which are applied to the ongoing cases. In addition, in the labor lawsuits with judicial deposits or in provisional execution, with relevance and approved calculations, the provision is the full amount of the respective deposits and approved amounts. It is worth noting that the labor lawsuits filed by the Union of Banking Employees are analyzed individually, not considering, therefore, the history of loss percentage. The provisions arising from labor and civil lawsuits are considered sufficient by Management to cover probable losses.

Regarding provisions for tax losses (legal obligations), the Bank is party to lawsuits in progress, in which it disputes the legality and constitutionality of some taxes. Such taxes are provisioned, despite the likelihood of favorable outcome, according to the opinion of external legal advisors

Management regularly follows up the progress of legal obligations related to labor, civil and tax lawsuits, including those classified into probable risk by external legal advisors. The outcome of these lawsuits may result in the reversal of the respective provisions for lawsuits in which the Bank obtains a favorable legal decision. These provisions are comprised as follows:

Description	MB – Multiple Bank		MB – Consolidated	
	Dec 2019	Dec 2018	Dec 2019	Dec 2018
COFINS <sup>(I)</sup>	8,959	8,732	23,845	22,963
CSL <sup>(II)</sup>	-	-	14,107	13,865
INSS <sup>(III)</sup>	59,213	60,676	63,020	64,390
PIS <sup>(IV)</sup>	7,403	7,299	8,600	8,472
ISS <sup>(V)</sup>	17,281	14,927	17,281	14,927
Other	144	138	381	368
<b>Total – Non-current</b>	<b>93,000</b>	<b>91,772</b>	<b>127,234</b>	<b>124,985</b>

<sup>(I)</sup> Refer to the questioning of the increase in the rate from 3.00% to 4.00%, and the increase in the calculation basis.

<sup>(II)</sup> It basically refers to questioning of CSL rate increase established by Law no. 8.114/90, LC no. 70/91, Constitutional Amendment no. 01/94 and 10/96 and Law no. 9.316/96. The amounts are deposited in court.

<sup>(iii)</sup> It refers to court questioning of increase in SAT rate (Decree no. 6.042/07), increase in SAT/RAT at FAP index, increase in social security contribution rate from 15% to 20% for autonomous workers, officers and managers (Law no. 9.876/99) and others.

<sup>(iv)</sup> It refers to the questioning of the increase in the PIS rate, introduced by the Constitutional Amendment No. 01/94, later substituted by the Constitutional Amendment No. 10/96, which continued to require the levy of PIS on gross operating income, making its collection retroactive to January 1996. The amounts are deposited in court.

<sup>(v)</sup> It basically refers to the questioning arising from assessment notices and lawsuits related to ISS. The matter disputed in court is mainly related to the municipal tax requirements that exceed the rule provisions of the Complementary Law No. 116/03, in relation to the taxation of revenue that are not related to service provision.

b) Movement in provision for other liabilities

Description	MB – Multiple Bank			MB – Consolidated		
	Tax risks	Labor	Civil	Tax risks	Labor	Civil
<b>Balances at 12/31/2018</b>	<b>91,772</b>	<b>119,551</b>	<b>27,799</b>	<b>124,985</b>	<b>122,670</b>	<b>35,021</b>
Formation/(Reversal) <sup>(i)</sup>	266	61,933	36,121	453	63,204	41,434
Monetary restatement	2,972	10,083	740	3,348	10,504	877
Settlements	(3,310)	(41,735)	(35,212)	(3,310)	(42,403)	(39,717)
Restatement of deposits	1,300	-	-	1,758	-	-
<b>Balances at 12/31/2019</b>	<b>93,000</b>	<b>149,832</b>	<b>29,448</b>	<b>127,234</b>	<b>153,975</b>	<b>37,615</b>
<b>Judicial deposits (See note 8.2.)</b>	<b>65,990</b>	<b>99,217</b>	<b>22,602</b>	<b>102,492</b>	<b>104,483</b>	<b>25,073</b>

<sup>(i)</sup> In the period, there was an improvement in the estimates for losses from labor lawsuits, resulting in a complement of provision in the amount of R\$ 37,187 (see note 12.4. a).

c) Contingent liabilities

Mercantil do Brasil has lawsuits of civil and tax nature involving loss risks classified by Management into possible, based on the evaluation of its external legal advisors, for which there are no provisions recorded, in compliance with the CMN Resolution No. 3.823/09 and CVM Resolution No. 594/09. The balance of civil lawsuits positioned R\$ 1,104 (R\$ 1,074 in December 2018), in individual and consolidated balances. Tax lawsuits totaled R\$ 6,251 (R\$ 6,038 in December 2018), MB Consolidated R\$ 11,187 (R\$ 10,698 in December 2018).

Besides the contingent lawsuits, of civil and tax natures, referred to above, the Bank was subject to the payment of possible indemnities set in the Contract for Corporate Disposal of Cia de Seguros Minas Brasil, current Zurich Participações e Representações Ltda, related to the reimbursement of claims occurred and pending payment at the time of the closing of business. To solve these issues, the Bank, in conformity with contract provisions and after forwarded notifications, decided to file an Arbitration Procedure with Brasil-Canada Trade Chamber. In the second half annual of 2015, the parties negotiated and reached an agreement in relation to the total amount of the dispute in the arbitration proceedings, whose provision was discontinued in the 3Q19 and amounted to R\$ 1,497 in December 2018.

12.5.Sundry creditors - Domestic

Description	MB – Multiple Bank		MB – Consolidated	
	Dec 2019	Dec 2018	Dec 2019	Dec 2018
Credit card system <sup>(i)</sup>	83,986	82,000	83,986	82,000
Provision for administrative expenses	45,783	46,272	45,973	46,558
Provision for commissions on placements of loan operation intermediation services	3,402	2,726	4,296	5,192
Other	33,561	29,422	34,239	30,637
<b>Total – Current</b>	<b>166,732</b>	<b>160,420</b>	<b>168,494</b>	<b>164,387</b>

<sup>(i)</sup> It refers to amounts payable to card operators, which are responsible for the payment to businesses for purchases made by clients of Mercantil do Brasil.

## EQUITY

### 13.1.Capital stock

Capital stock – of those domiciled in the country is divided in book-entry registered shares, as follows:

Shares	MB – Multiple Bank			
	Dec 2019		Dec 2018	
	Quantity	In thousand of reais	Quantity	In thousand of reais
Common	32,577,872	306,232	32,577,872	306,232
Preferred	19,837,918	186,476	19,837,918	186,476
<b>Total</b>	<b>52,415,790</b>	<b>492,708</b>	<b>52,415,790</b>	<b>492,708</b>
<b>Par value in reais</b>	<b>9.40</b>		<b>9.40</b>	

The bank's capital stock may be increased up to the limit of R\$ 1,000,000,000.00 (one billion reais), irrespective of changes in the By-laws, pursuant to article 168 of the Brazilian Corporate Law, as per deliberation of the Board of Directors. The Board of Directors is responsible for defining the price and term of subscription and payment, as well as the other conditions of the issuance of shares.

### 13.2.Capital and profit reserves

Capital and profit reserves, in individual and consolidated are as follow:

Description	Dec 2019	Dec 2018
Capital reserve <sup>(i)</sup>	43,375	43,375
Profit reserves	<b>365,958</b>	<b>278,485</b>
Legal reserve <sup>(ii)</sup>	70,911	64,841
Statutory reserves <sup>(iii)</sup>	295,047	213,644

<sup>(i)</sup> These are represented by reserve for premium on subscription of shares.

<sup>(ii)</sup> Recorded at the rate of 5% of the net income for the period, up to the limit of 20% of the capital stock.

<sup>(iii)</sup> Set up based on the remaining net income after all the allocations provided for in the by-laws, its balance remaining accumulated at the disposal of shareholders for future deliberation in Shareholders' Meeting.

According to the by-laws provision, it is ensured to shareholders the payment of mandatory dividend, at a percentage that could be uniform or variable each half annual, but that should make up at least 25% of the net income for each semester.

It is assured to the holders of preferred shares the right to receive dividend, per preferred share, 10% higher than that attributed to each common share or right to receive non-cumulative annual minimum dividends of 6% on the par value of the share, being effectively paid the dividend that, among these two alternatives, represents the highest amount.

According to the bylaws definition, up to 90% of net income is allocated, after dividend distribution and recording of legal reserve, to statutory reserve for capital increase, limited to 80% of capital stock. Remaining balance is directed to future dividends statutory reserves.

In 2019, dividends were declared to shareholders, as Interests on Capital, in an amount of R\$ 33,935 (R\$ 14,929 in December 2018), corresponding to a value net of income tax of R\$ 28,845 (R\$ 12,690 in December 2018), split into R\$ 0.530252 (R\$ 0.046076 in December 2018) and preferred shares, R\$ 0.530252 (R\$ 0.564000 in December 2018) per share, net of income tax. The tax benefit generated was R\$ 13,574 (R\$ 6,718 in December 2018).

The allocation of net income is as follows:

Description	MB – Multiple	
	Dec 2019	Dec 2018
Net income for the years	121,400	53,403
Realization of revaluation reserves	8	8
<b>Total to be allocated</b>	<b>121,408</b>	<b>53,411</b>
Legal reserve	6,070	2,670
Statutory reserves	<b>81,403</b>	<b>35,812</b>
For capital increase	73,263	32,231
For future dividends	8,140	3,581
Interest on capital recorded as dividend:	<b>33,935</b>	<b>14,929</b>
Net amount	28,845	12,690
Withholding income tax	5,090	2,239

### 13.3.Revaluation reserves

In compliance with provisions of Article 4, paragraph 2 of CVM Instruction no. 469/08, the Bank and its subsidiaries opted to maintain, up to its effective realization, balances of revaluation reserves established until Law no. 11.638/07 is effective, including reflex revaluations deriving from application of equity method. Currently, revaluation reserve balance deriving from revaluations refer to properties of subsidiary Mercantil do Brasil Empreendimentos Imobiliários S.A., which amount to R\$ 126 (R\$ 134 in December 2018).

### MANAGEMENT OF CAPITAL AND OPERATIONAL LIMITS

Mercantil do Brasil has a Capital Management Structure, in compliance with the CMN Resolution No. 3.988/11, which comprises the continuous process of capital monitoring and control kept by the institution, the evaluation of capital requirement to face the risks to which it is subject and the planning of capital targets and requirements, considering the strategic goals.

The Capital Management Structure of Mercantil do Brasil comprises all Institutions of the Prudential Conglomerate Institutions, according the Chart of Accounts for the Institutions of the National Financial System (COSIF), also considering the possible impacts arising from the risks associated with the other companies that make up the economic-financial consolidated. This structure is compatible with nature of its transactions, complexity of offered products and services, and dimension of its exposure to risks. It is established in a single unit centralized in the Strategy and Budget Management and subordinated to the Executive Committee of Mercantil do Brasil.

Aimed at ensuring the effectiveness of the Capital Management, the structural organization also contemplates an operation with joint responsibility and controls, in which everyone involved should follow-up the compliance of its processes, establishing and carrying out internal controls and action plans that minimize risks and correct deficiencies.

Capital management enables the Institution to perform a consistent evaluation of the Capital required to sustain a projected growth, besides the adoption of a prospective posture, anticipating Capital requirements arising from possible changes in market conditions.

In this context, Mercantil do Brasil aims at optimizing the capital allocated to business segments, focused on the efficient use of this capital and its profitability, meeting the minimum regulatory capital requirements.

New regulatory capital measurement rules were enacted, called “Basel III”, under the terms of the CMN Resolution 4.192/13, include in its measurement methodology, analysis and management method for credit risks and operating risks. Complementarily, in compliance with the CMN Resolution No. 4.193/13, it was established a minimum requirement of 8.625% of Regulatory Capital in relation to risk-weighted assets, until December 2018 and 8.0% as of January 2019. Minimum requirements of Tier I Capital of 6.0% were also established, as from January 2015;



and Principal Capital of 4.5% from October 2013. It was also established the requirement of additional principal capital of 2.5% in 2019 and 1.875% in 2018.

The chart below shows the consolidated calculation of the Basel index III.

Description	Dec 2019	Dec 2018
<b>a) Regulatory Capital - PR (a = b + c)</b>	<b>934,923</b>	<b>966,858</b>
<b>b) Level I Reference Equity</b>	<b>686,972</b>	<b>628,549</b>
b.1) Principal capital – short-term	655,049	627,227
b.2) Complementary Capital - CC	<b>31,923</b>	<b>1,322</b>
- Subordinated financial bills	30,990	317
- Adjustment of non-controlling interest - Level I	933	1,005
<b>c) Tier II Regulatory Capital</b>	<b>247,951</b>	<b>338,309</b>
c.1) Subordinated debts/Financial Bills	246,707	336,969
c.2) Adjustment in Non-controlling interests of Level II	1,244	1,340
<b>d) Risk-weighted assets (RWA)</b>	<b>5,601,800</b>	<b>6,077,526</b>
d.1) RWA for Credit Risk by Standardized Approach - $RWA_{cpad}$	4,461,193	4,922,712
d.2) RWA for Market Risk - $RWA_{mpad}$	10,559	7,833
d.3) RWA for Operational Risk by Standardized Approach - $RWA_{opad}$	1,130,048	1,146,981
<b>e) Minimum Required Regulatory Capital for RWA (e = dx 8.625% up to December 2018 and 8.000% beginning as of January 2019)</b>	<b>448,144</b>	<b>524,187</b>
f) Margin on Required Regulatory Capital (f = a - e)	486,779	442,671
<b>g) Minimum Required Regulatory Capital Tier I for RWA (g = d x 6.0% since January 2015)</b>	<b>336,108</b>	<b>364,652</b>
h) Margin on Required Tier I Regulatory Capital (h = b - g)	350,864	263,897
<b>i) Minimum Required Principal Capital for RWA (i = d x 4.5%)</b>	<b>252,081</b>	<b>273,489</b>
j) Margin on Required Principal Capital (j = b.1 - i)	402,968	353,738
<b>k) Amount corresponding to the <math>R_{ban}</math></b>	<b>57,771</b>	<b>30,229</b>
<b>l) Minimum Required Regulatory Capital for RWA and <math>R_{ban}</math> (l = e + k)</b>	<b>505,915</b>	<b>554,416</b>
m) Margin on PR considering $R_{ban}$ (m = a - l)	429,008	412,442
<b>n) Value required of additional principal capital (n = d x 1.875% in 2018 and 2.500% as of January 2019)</b>	<b>140,045</b>	<b>113,954</b>
<b>o) Basel Index (o = a/d x 100)</b>	<b>16.69</b>	<b>15.91</b>
<b>p) Tier I Capital (p = b/d x 100)</b>	<b>12.26</b>	<b>10.34</b>
<b>q) Principal Capital (q = b.1/d x 100)</b>	<b>11.69</b>	<b>10.32</b>

The funds invested in permanent assets, determined on consolidated basis, are limited to 50.00% of shareholders' equity adjusted according to the regulation in effect. The Bank opted for the determination of the fixed assets-to-equity capital ratio and consolidate risk ratio, comprising all financial institutions of the conglomerate, positioning the fixed assets-to-equity capital ratio at 24.49% (22.71% in December 2018).

## LEVERAGE RATIO

In compliance with Bacen Circular No. 3.748/15, the Bank assesses the Leverage Ratio (LR) of the equity structure. It is the relationship between the Tier I Regulatory Capital, addressed by CMN Resolution No. 4.192/13 and additional rules, and the Total Exposure assessed pursuant to article 2 of Bacen Circular No. 3.478/15.

More details on the Capital Management Policy and leverage ratio (LR) of its equity structure from both the quantitative and qualitative aspects are available on the website ([www.mercantildobrasil.com.br](http://www.mercantildobrasil.com.br)), in the Investor Relations (IR) area.

## RELATED PARTY TRANSACTIONS

### 15.1.Related party transactions

Operated with the terms, rates and conditions compatible with those practiced in the market in force, considering the lack of risk, and are detailed in the following terms:

Companies/Transactions	Assets/ (Liabilities)		Income/(expenses)	
	Dec 2019	Dec 2018	Dec 2019	Dec 2018
<b>Interbank funds applied</b>	-	20,027	747	15,321
Banco Mercantil de Investimentos S.A. <sup>(1)</sup>	-	-	279	9
Mercantil do Brasil Financeira S.A. <sup>(1)</sup>	-	20,027	468	15,312
<b>Securities and credits receivable</b>	3	-	-	-
Banco Mercantil de Investimentos S.A. <sup>(1)</sup>	2	-	-	-
Mercantil do Brasil Financeira S.A. <sup>(1)</sup>	1	-	-	-
<b>Receivable from associated companies</b>	485	565	5,827	6,455
Banco Mercantil de Investimentos S.A. <sup>(1)</sup>	129	155	1,468	1,213
Mercantil do Brasil Corretora S.A. <sup>(1)</sup>	10	13	159	179
Mercantil do Brasil Distribuidora S.A. <sup>(1)</sup>	2	3	31	33
Mercantil do Brasil Financeira S.A. <sup>(1)</sup>	273	336	3,410	4,240
COSEFI – Companhia Securitizadora de Créditos Financeiros <sup>(1)</sup>	10	10	120	121
Mercantil Administração e Corretagem de Seguros S.A. <sup>(1)</sup>	2	2	28	25
Resolva Aqui Administradora e Corretora de Seguros, Previdência Privada e Correspondente Bancário S.A. <sup>(1)</sup>	49	35	469	401
Mercantil do Brasil Empreendimentos Imobiliários S.A. <sup>(1)</sup>	2	3	34	35
Mercantil do Brasil Imobiliária e Agronegócio S.A. <sup>(1)</sup>	7	8	101	204
SANSA – Negócios Imobiliários S.A. <sup>(1)</sup>	1	-	7	4
<b>Deposits</b>	(139,381)	(133,481)	(6,700)	(7,773)
Banco Mercantil de Investimentos S.A. <sup>(1)</sup>	(1,476)	(1,828)	-	-
Mercantil do Brasil Corretora S.A. <sup>(1)</sup>	(85)	(655)	-	-
Mercantil do Brasil Distribuidora S.A. <sup>(1)</sup>	(30)	(530)	-	-
Mercantil do Brasil Financeira S.A. <sup>(1)</sup>	(889)	(1,279)	-	-
COSEFI – Companhia Securitizadora de Créditos Financeiros <sup>(1)</sup>	(22,970)	(22,567)	(1,319)	(1,375)
Mercantil Administração e Corretagem de Seguros S.A. <sup>(1)</sup>	(4,322)	(3,706)	(221)	(195)
Resolva Aqui Administradora e Corretora de Seguros, Previdência Privada e Correspondente Bancário S.A. <sup>(1)</sup>	(38,082)	(32,646)	(1,783)	(1,653)
Mercantil do Brasil Empreendimentos Imobiliários S.A. <sup>(1)</sup>	(4,088)	(4,059)	(234)	(250)
Mercantil do Brasil Imobiliária e Agronegócio S.A. <sup>(1)</sup>	(12,898)	(13,007)	(747)	(847)
SANSA – Negócios Imobiliários S.A. <sup>(1)</sup>	(1,186)	(411)	(58)	(29)
Other <sup>(II)</sup>	(53,355)	(52,793)	(2,338)	(3,424)
<b>Money market borrowings</b>	(82,641)	(49,258)	(3,380)	(2,761)
Banco Mercantil de Investimentos S.A. <sup>(1)</sup>	(13,000)	(32,999)	(1,121)	(996)
Mercantil do Brasil Corretora S.A. <sup>(1)</sup>	(14,847)	(9,446)	(678)	(712)
Mercantil do Brasil Distribuidora S.A. <sup>(1)</sup>	(4,420)	(3,918)	(256)	(271)
Mercantil do Brasil Financeira S.A. <sup>(1)</sup>	(50,374)	(2,895)	(1,325)	(782)
<b>Acceptances and endorsements</b>	(13,267)	(13,232)	(778)	(678)
Other <sup>(II)</sup>	(13,267)	(13,232)	(778)	(678)

<sup>(1)</sup> Related companies in Note 2.2.

<sup>(II)</sup> Controlling shareholders, key management personnel.



Companies/Transactions	Assets/(Liabilities)		Income/(expenses)	
	Dec 2019	Dec 2018	Dec 2019	Dec 2018
<b>Dividends/interest on capital payable</b>	<b>8,015</b>	<b>9,766</b>	-	-
Banco Mercantil de Investimentos S.A. <sup>(I)</sup>	458	594	-	-
Mercantil do Brasil Financeira S.A. <sup>(I)</sup>	3,456	5,044	-	-
Resolva Aqui Administradora e Corretora de Seguros, Previdência Privada e Correspondente Bancário S.A. <sup>(I)</sup>	4,101	2,695	-	-
Mercantil do Brasil Empreendimentos Imobiliários S.A. <sup>(I)</sup>	-	54	-	-
Other <sup>(II)</sup>	-	1,379	-	-
<b>Other liabilities</b>	<b>(1,111)</b>	<b>(323)</b>	<b>(187)</b>	<b>(153)</b>
Mercantil do Brasil Corretora S.A. <sup>(I)</sup>	-	-	(16)	(25)
Mercantil do Brasil Financeira S.A. <sup>(I)</sup>	(419)	-	-	-
Mercantil do Brasil Imobiliária e Agronegócio S.A. <sup>(I)</sup>	(5)	-	(60)	-
Mercantil do Brasil Empreendimentos Imobiliários S.A. <sup>(I)</sup>	(6)	(6)	(77)	(111)
Other <sup>(II)</sup>	(681)	(317)	(34)	(17)

<sup>(I)</sup> Related companies in Note 2.2.

<sup>(II)</sup> Controlling shareholders, key management personnel.

## 15.2. Remuneration of the Management and Post-employment benefits

The Bank implemented, from 2012, a Compensation Plan specific to the management members that contemplates the guidelines on payment of fixed and variable payment aligned with the risk management policy of the Institution and the best market practices, in compliance with the CMN Resolution No. 3,921/10.

Annually, at the Annual Shareholders' Meeting, a global compensation amount is set for the members of the Board of Directors and Board of Executive Officers of the Bank, as provided for in the By-laws. The right to the Variable Compensation is conditional upon the fulfillment of the strategic goals of the Institution, the individual targets and the areas where the management members work.

In 2019, the compensation of management members was approved at the Annual Shareholders' Meeting dated 04/15/2019, which set the limit for the year at R\$ 25,334.

The fixed compensation of management members is basically comprised of fees of the Board of Directors and Executive Board corresponds to R\$ 17,221 (R\$ 16,229 in December 2018) and in consolidated in the amount of R\$ 28,761 (R\$ 26,614 in December 2018).

Until December 31, 2019, no deliberation was made regarding the post-employment benefits.

- Short and long-term benefits to management members and share-based compensation**

Until December 31, 2019, no deliberation was made regarding the long-term and post-employment benefits and share-based compensation under the terms of CMN Resolution No. 3.989/11 to Management members.

- Benefits of employment contract rescission**

The termination of the employment relation does not entitle to any financial compensation.

## 15.3. Other information

Loans or advances are given to any subsidiary, members of the Board of Directors, of Executive Management, or their related spouses, partners, up to second-degree relatives and other people, if any, will be carried out in compliance with CMN Resolution No. 4.693/2018.



## EMPLOYEE BENEFITS

The Bank, together with other subsidiaries, is Sponsor of CAVA – Caixa de Assistência “Vicente de Araújo” of the Mercantil do Brasil Group, a not-for-profit closed pension funds, incorporated on May 3, 1958. Its purpose is the grant of complementary benefits or similar to those of social securities to its members admitted until June 25, 1980 (defined-benefit plan for limited participants) and service provision of social nature to participants and their beneficiaries. The Sponsors account for contributions at a percentage not lower than 30.00% of the total cost of benefit plan and services. Additional benefits granted to plan participants are: Retirement allowance; Birth assistance; Educational assistance; Sick pay; Lump-sum death benefit.

As of December 31, 2019, the sponsor group had 20 (23 in December 2018) active participants entitled to retirement supplement, and 542 (554 in December 2018) participants assisted with retirement benefit.

The contributions in the year corresponded to R\$ 1,866 (R\$ 1,231 in December 2018). MB Consolidated R\$1,872 (R\$1,237 in December 2018).

The Band adopted the following Biometric Assumptions as actuarial assumptions for the assessment of the Plan: General mortality table: AT-2000; Table of new disability benefit vested: IAPB-57; and Mortality table of individuals with permanent disability: IAPB-57. There are also the Financial Assumptions: Real discount rate for determination of actuarial obligation: 3.4662% p.a.; Estimated Future Annual Inflation: 3.73% p.a.; Nominal Discount Rate to Determine the Income (Cost) of the Plan: 1.9461% p.a.; and Salary growth rate: 2.00% p.a.

Actuarial results are disclosed according to the opinion of the Independent Actuary in December 2019, prepared based on financial statements up to November 2019, in the CVM Resolution No. 695/12, and the Adhesion Agreement signed between the Sponsors and CAVA, Banco Mercantil do Brasil S.A. – Leading Sponsor.

The table below presents the net amount of assets x liabilities and represents the deficit or surplus of the defined benefit plan.

Description	Dec 2019	Dec 2018
Defined benefit obligation	(46,782)	(41,012)
Fair value of plan asset	14,129	14,557
<b>Net deficit</b>	<b>(32,653)</b>	<b>(26,455)</b>

Actuarial gains and losses derived from remeasurements of the net value of defined-benefit assets/liabilities are now recognized in the account Equity Valuation Adjustments in Shareholders' Equity, pursuant to CMN Resolution No. 4.424/15 and balance amounts to R\$ 17,346 (R\$ 13,764 on December 31, 2018).

Reconciliation of fair value of the plan assets	
<b>Balance at 12/31/2018</b>	<b>14,557</b>
Interest on fair value of assets	1,263
Cash flows	(3,761)
Benefits paid by the plan	(3,636)
Administrative expense paid by plan asset	(125)
Restatement of plan asset fair value	2,070
Income from plan asset fair value	2,070
<b>Balance at 12/31/2019</b>	<b>14,129</b>

Reconciliation of defined benefit obligation	
<b>Balance at 12/31/2018</b>	<b>(41,012)</b>
Cost of service	(1)
Gross cost of current service	(1)
Cost of interest	<b>(3,559)</b>
Cash flows	<b>3,636</b>
Benefits paid net of contributions of assisted persons	3,636
Revaluation of the liability	<b>(5,846)</b>
Effect of changes in financial assumptions	(6,652)
Effect of the plan experience	806
<b>Balance at 12/31/2019</b>	<b>(46,782)</b>

The Sensitivity Analysis for each significant actuarial premise:

Real discount rate	
1. Real discount rate -1.0%	<b>50,776</b>
Assumption of analysis	1.74%
2. Real discount rate +1.0%	<b>43,316</b>
Assumption of analysis	3.74%
General Mortality Table	
1. Mortality table mitigated by 15%	<b>50,105</b>
Survival rate at the age of 60	25.62
2. Mortality table aggravated by 15%	<b>43,986</b>
Survival rate at the age of 60	22.89

Regarding the exposure to risks related to the Defined Benefit Plan, the main risks that the Bank is exposed to are: a) inflation - most of the benefits are linked to inflation rates, and an increase in inflation could lead to higher obligations; b) life expectancy - the plan provides benefits similar to Social Security to members admitted until June 25, 1980 (defined benefit plan for limited participants). Thus, any increase in life expectancy of plan beneficiaries could lead to an increase in the plan's liabilities; c) volatility of the plan assets – there may be an actuarial deficit, if there is a mismatch between the actual return of the plan's investments and expected return, given that the actuarial liability is calculated based on the discount rate defined based the performance of government bonds.

## INCOME FROM FINANCIAL INTERMEDIATION

### 17.1. Income from loan operations

Description	MB – Multiple Bank		MB – Consolidated	
	Dec 2019	Dec 2018	Dec 2019	Dec 2018
Income from loan operations and discounted notes	1,688,234	1,742,814	1,759,100	1,873,994
Income from financing	9,778	18,952	12,791	23,939
Income from rural financing	22,062	36,066	22,062	36,066
Recovery of loans written off as loss	87,608	90,114	90,942	94,702
<b>Total</b>	<b>1,807,682</b>	<b>1,887,946</b>	<b>1,884,895</b>	<b>2,028,701</b>

## 17.2. Expenses on funding from the market

Description	MB – Multiple Bank		MB – Consolidated	
	Dec 2019	Dec 2018	Dec 2019	Dec 2018
Deposits	339,462	355,816	345,909	362,672
Expenses from real estate, agribusiness and financial bills	34,647	40,285	35,156	41,269
Repurchase agreements	12,133	12,139	8,818	9,924
Subordinated debts <sup>(1)</sup>	82,572	141,164	82,572	141,164
Other	8,752	9,679	9,216	10,182
<b>Total</b>	<b>477,566</b>	<b>559,083</b>	<b>481,671</b>	<b>565,211</b>

<sup>(1)</sup> The variations of income / (expense) of subordinated debt arise basically from the exchange variation occurred in the period.

## OTHER OPERATING INCOME/(EXPENSES)

### 18.1. Service income

Description	MB – Multiple Bank		MB – Consolidated	
	Dec 2019	Dec 2018	Dec 2019	Dec 2018
Management of investment funds	-	-	1,980	1,426
Credit card	6,916	6,827	6,916	6,827
Collection	6,626	8,190	6,626	8,190
Custody	19	39	542	471
Guarantees provided	2,217	2,508	2,218	2,508
Other services	7,086	8,515	7,099	8,527
Income from services rendered to associated companies	5,825	6,362	-	-
Insurance commission	9	20	28,198	20,834
Collection services	2,678	2,103	2,679	2,103
Services rendered	4,272	2,659	7,674	6,613
Bank charges – checking account	208,231	216,206	208,244	216,243
<b>Total</b>	<b>243,879</b>	<b>253,429</b>	<b>272,176</b>	<b>273,742</b>

### 18.2. Personnel expenses

Description	MB – Multiple Bank		MB – Consolidated	
	Dec 2019	Dec 2018	Dec 2019	Dec 2018
Compensation of management and tax council members (see Note 15.2.)	20,182	16,821	32,222	27,467
Employees proceeds	192,448	185,071	198,258	191,293
Benefits	76,699	68,280	77,948	69,373
Social charges	78,510	72,017	83,899	76,267
Indemnities	41,166	23,224	41,401	23,293
Contingencies	30,865	15,548	32,502	15,944
<b>Total</b>	<b>439,870</b>	<b>380,961</b>	<b>466,230</b>	<b>403,637</b>

### 18.3. Other administrative expenses

Description	MB – Multiple Bank		MB – Consolidated	
	Dec 2019	Dec 2018	Dec 2019	Dec 2018
Water, energy and gas	11,950	9,815	11,964	9,818
Rents	66,797	62,364	66,747	62,253
Amortization and depreciation	47,720	37,882	47,877	38,023
Lease of assets	8,970	9,738	8,970	9,738
Communications	12,987	12,201	13,008	12,228
Material, maintenance and preservation of assets	23,747	21,084	23,756	21,090
Data processing	69,505	63,012	73,723	68,783
Advertising and publicity	5,225	7,233	5,385	7,444
Publications	1,030	1,079	2,108	2,228
Outsourced services	183,254	162,018	189,612	172,196
Fees and costs for preparing and typing a business proposal of loan operations	53,880	33,029	69,820	73,832
Financial system services	11,763	14,171	11,926	14,557
Transportation	29,365	23,699	29,412	23,756
Other	43,092	30,237	46,770	33,196
<b>Total</b>	<b>569,285</b>	<b>487,562</b>	<b>601,078</b>	<b>549,142</b>

### 18.4. Tax expenses

Description	MB – Multiple Bank		MB – Consolidated	
	Dec 2019	Dec 2018	Dec 2019	Dec 2018
ISSQN	13,089	12,793	14,120	13,710
COFINS	75,952	71,373	81,266	78,598
PIS	12,342	11,598	13,254	12,842
Other taxes	9,162	6,864	9,547	7,337
<b>Total</b>	<b>110,545</b>	<b>102,628</b>	<b>118,187</b>	<b>112,487</b>

### 18.5. Holding gain

Description	MB – Multiple Bank		MB – Consolidated	
	Dec 2019	Dec 2018	Dec 2019	Dec 2018
PIS/COFINS	188	205	569	683
Social Contribution/Income Tax	141	166	322	978
INSS	-	-	72	136
Court-ordered debt payments receivable	607	1,525	781	1,525
Adjustment of judicial deposits	3,407	6,858	3,734	7,262
Other	41	80	172	210
<b>Total</b>	<b>4,384</b>	<b>8,834</b>	<b>5,650</b>	<b>10,794</b>

### 18.6. Other income

Refer primarily to other income from credit grants, and compensation of portability costs arising from loan operations transferred to other financial institutions, additional remuneration for insurance distribution contract.

### 18.7. Discounts Granted

Basically refer to the discount granted in renegotiated loan operations and under court-ordered reorganization.

### 18.8. Occasional-type of expenses



They basically refer to agreements for settling civil lawsuits and loss on cancellation of payroll advance loan operations.

## 18.9. Other expenses

Refer, mainly, to expenses incurred, in the individual and consolidated, derived from the right to payment of social security benefits to retirees and pensioners in the amount of R\$ 149,051 (R\$ 125,086 in December 2018), compensatory expenses of transfers of funds for payments of INSS benefits in the amount of R\$ 8,928 (R\$ 7,270 in December 2018); any disallowances of receipt of payroll-deductible loan operations in the amount of R\$ 5,519 (R\$ 10,517 in December 2018) in the individual and R\$ 5,988 (R\$ 11,747 in December 2018) in the consolidated and portability expenses from loan operations received from other financial institutions in the amount of R\$ 1,876 (R\$ 7,723 in December 2018).

## NON-OPERATING INCOME

Description	MB – Multiple Bank		MB – Consolidated	
	Dec 2019	Dec 2018	Dec 2019	Dec 2018
Income/(Loss) on disposal of assets <sup>(1)</sup>	(61,194)	(21,003)	(60,749)	(21,016)
Depreciation of other assets (see Note 9.1.)	(49,986)	(42,033)	(49,984)	(42,015)
Other	(2,854)	(1,582)	(2,080)	(1,625)
<b>Total</b>	<b>(114,034)</b>	<b>(64,618)</b>	<b>(112,813)</b>	<b>(64,656)</b>

<sup>(1)</sup> Refers to assets received as payment in kind.

## INCOME TAX AND SOCIAL CONTRIBUTION

Description	MB – Multiple Bank		MB – Consolidated	
	Dec 2019	Dec 2018	Dec 2019	Dec 2018
<b>Income from taxes and statutory profit sharing</b>	<b>97,147</b>	<b>109,612</b>	<b>116,697</b>	<b>139,556</b>
(-) Exclusion of the company's profit taxed under the presumed profit	-	-	(12,821)	(13,486)
(-) Profit sharing of management members and employees	(27,480)	(8,898)	(30,936)	(11,998)
<b>Calculation basis</b>	<b>69,667</b>	<b>100,714</b>	<b>72,940</b>	<b>114,072</b>
Nominal rate	40%	45%	40%	45%
<b>Nominal Income/(Expenses)</b>	<b>(27,867)</b>	<b>(45,321)</b>	<b>(29,176)</b>	<b>(51,332)</b>
<b>Adjustments to the face value expense related to:</b>	<b>78,866</b>	<b>(2,510)</b>	<b>70,974</b>	<b>(15,998)</b>
Effect of deduction of interest on capital	13,574	6,718	16,024	10,446
Equity in income of Associates and subsidiaries	12,568	12,114	-	-
Non-deductible expenses	(3,170)	(1,778)	(3,349)	(2,427)
Other permanent (additions)/exclusions	(1,862)	1,148	1,622	1,849
Other temporary differences	-	-	-	(649)
Investment adjustment abroad	1,577	4,304	-	-
CSL tax effect – Law No. 13.169/2015	-	(25,016)	-	(25,217)
Tax effect on CSL - EC 103/2019 (see Note 8.1.)	56,179	-	56,579	-
(-) offsets of negative basis of CSL and Tax Loss	-	-	98	-
<b>Deductions of tax incentives<sup>(1)</sup></b>	<b>734</b>	<b>520</b>	<b>912</b>	<b>844</b>
<b>Taxes calculated on presumed profit</b>	<b>-</b>	<b>-</b>	<b>(4,324)</b>	<b>(3,126)</b>
<b>Income/(Expense) with IRPJ and CSL</b>	<b>51,733</b>	<b>(47,311)</b>	<b>38,386</b>	<b>(69,612)</b>

<sup>(1)</sup> Refer to tax benefits under the employee's meal program (PAT), program of citizen company and cultural and artistic activities deducted in the income tax due.

## OTHER INFORMATION

- a) Sureties and guarantees – the balance of endorsements and sureties provided by the Bank and its subsidiaries, in individual and consolidated totals R\$ 149,621 (R\$ 172,785 in December 2018).
- b) Investment funds – The management of investment funds is carried out by means of the subsidiary Mercantil do Brasil Corretora S.A. The sum of the shareholders' equity formed by own and third-party funds amount to R\$ 299,416 (R\$ 251,781 in December 2018).
- c) Contracted insurance - the Bank and its subsidiaries have insurance for its main assets at amounts considerate appropriate by Management to cover occasional losses with claims.
- d) Agreement for clearing and settling liabilities- Bank has an agreement for clearing and settling obligations under the National Financial System, in accordance with CMN Resolution 3.263/05, resulting in greater assurance in the settlement of its obligations with financial institutions which has this type of agreement.
- e) In compliance with the process of convergence into the international accounting standards, several standards, interpretation and guidance were issued by the Accounting Pronouncements Committee (CPC), which will be applicable to the financial institution only when approved by the regulating authority. Until this moment, CMN and BACEN approved the following pronouncements:

CMN Resolution No. 3.566/08 - CPC 01 (R1) – Impairment of Assets.  
CMN Resolution No. 3.604/08 - CPC 03 (R2) – Statement of Cash Flows.  
CMN Resolution No. 3.823/09 - CPC 25 - Provisions, contingent liabilities and assets.  
CMN Resolution No. 3.973/11 – CPC 24 – Subsequent Event.  
CMN Resolution No. 3.989/11 – CPC 10 (R1) – Share-based Payment.  
CMN Resolution No. 4.007/11 – CPC 23 – Accounting policies, changes in accounting estimates and errors.  
CMN Resolution No. 4.144/12 – Conceptual Framework for the Preparation and Presentation of the Financial Statements.  
CMN Resolution No. 4.424/15 – CPC 33 (R1)– Employee benefits.  
CMN Resolution No. 4636/18 – CPC 05 (R1) - Disclosure regarding related parties.

The following pronouncements were approved and are effective as of 2020:

BACEN Circular Letter No. 3.959/19 – CPC 41 – Earnings per share.  
CMN Resolution No. 4.748/19 – CPC 46 – Measurement of fair value.

There is no estimate of when CMN will approve the other accounting pronouncements of CPC nor their use will be in a prospective or retrospective manner.

CMN Resolution No. 3.786/09 and the BACEN Circular Letter No. 3.472/09 established that the financial institutions and other institutions authorized to operate by this body, incorporated as publicly-held company or that are required to establish an Audit Committee, must, annually, as from December 31, 2010, prepare and disclose in up to 90 days after the base date December 31 their consolidated financial statements, prepared in accordance with the International Financial Reporting Standards (IFRS), following the international pronouncements issued by the International Accounting Standards Board (IASB).

Additionally, CMN Resolution No. 3.853/10 and BACEN Circular Letter No. 3.447/10 were published, which provides for the disclosure of consolidated interim financial statements under IFRS and clarify that the requirement applies to financial institutions that publish interim financial statements according to such accounting standard.

Banco Mercantil do Brasil S.A. will make available on March 27, 2020 its financial statements under IFRS as of December 31, 2019 on the website ([www.mercantildobrasil.com.br](http://www.mercantildobrasil.com.br)) in the Investor Relations (IR) area and on CVM. In the Consolidated Financial Statements as of December 31, 2019, the reconciliations between income (loss) and shareholders' equity are consistent with those presented according to the same standards of the financial statements under IFRS as of December 31, 2018.





## **MANAGEMENT OF CREDIT, LIQUIDITY, MARKET, OPERATIONAL, SOCIAL AND ENVIRONMENTAL RISKS**

The risk management activity is an integral and fundamental part of the activities of Mercantil do Brasil, aiming at obtaining the best risk-return ratio compatible with the risk appetite of the prudential conglomerate. Risk management is carried out in an integrated way, enabling the identification, measurement, evaluation, monitoring, reporting, control and mitigation of adverse effects resulting from interactions between risks, aiming at more assertive decision making and optimization of capital.

In this context, Mercantil do Brasil manages its risks on a continuous basis, guided by the guidelines of the Board of Directors and the Board of Executive Officers expressed in the policies and institutional strategies and supported by different hierarchical levels, including the Risk Committee. The risk and capital management is concentrated and subordinated to Board of Executive Officers of Strategy, Compliance and Risk Management, comprising not only the multiple Bank data, but also those of other companies that comprise the prudential conglomerate, resulting in higher agility and assertiveness in decision-making.

Mercantil do Brasil, supported by good governance, invests in a structured way in the continuous improvement of its processes, control systems and risk management, focusing on business strategy and in compliance with the requirements of regulatory agencies. The tools and methodologies used are consistent with the best market practices and support the Institution's strategic decisions with agility and a high degree of reliability. The risk and capital management structure adopted is consistent with the nature of its operations and with the complexity of the products and services offered, in addition to being proportional to the extent of the exposure to assumed risks.

The Implementation Plan approved by the Board of Directors to comply with CMN Resolution No. 4.557/17, which provides for the risk and capital management structure, was completed in the first quarter of 2018. The main achievements include the approval of Mercantil do Brasil's Risk Appetite Declaration, which directs business strategies and contemplates the guidelines and limits of the institution's risk appetite. In addition, the Risk Committee was created, the officer responsible for risk management (CRO) was appointed and the risk and capital management policies were reviewed.

Based on good Corporate Governance and Market Discipline practices, Mercantil do Brasil seeks to establish a disclosure standard that allows the market to assess the essential information regarding risk exposures, capital adequacy and socially and environmentally responsible performance. This information, both quantitatively and qualitatively, is available on the website [www.mercantildobrasil.com.br](http://www.mercantildobrasil.com.br).

The following is a brief description of the activities related to the evaluation and management of the main risks in the Institution:

### **a) Credit risk management**

For credit risk, it is understood as the possibility of total or partial non-fulfillment, by certain counterparty, of obligations related to the settlement of transactions involving the negotiation of financial assets as well as disbursements to pay sureties and guarantees, recourses, loan commitments or other operations alike.

The segregation of activities is an important pillar and contemplates the origination, analysis, decision, formalization, follow-up, control, risk management, collection and recovery. The entire process is supported by modern technology systems, high integration, which makes available full managerial and constant validation process to everybody involved in this activity, making transparent and integrated the results of each cycle.

The analysis process aims at concluding about the credit risk of client adopting quantitative aspects based on the economic, financial and equity condition, and qualitative ones such as record and performance data. The analysis of credit operation besides having as basis the risk classification of the client, incorporate aspects of business structuring, including liquidity and sufficiency of the presented guarantees. Every process is centralized and decisions are taken jointly and within the authority of each level.

Particularly the retail mass credit grant is carried out on automated and standardized basis, through quantitative

models, developed by a technical team that has capacity and is under constant development, upon the use of tools that ensure higher quality to the granted credits.

The care with the quality of financial assets of the Bank is concomitant to the credit granting process and goes through the settlement of contracts. This activity is under the direct responsibility of the Board of Executive Officers of Credit and Credit Management, which have all of their guidelines supported by the Credit Policy of the Institution.

In this context, the credit risk management in Mercantil do Brasil contemplates internal factors such as the analysis of the portfolio development, its default levels, product profitability, portfolio quality and adequacy of allocated economic capital; besides the external factors like the following of the macroeconomic environment and economic sectors, interest rates, market default indicators, consumption conditioning factors, etc. So the changes in risk exposures that Mercantil do Brasil is subject to are followed up considering the business environment, the competition performance and the commitments to results that Mercantil do Brasil has with its clients, shareholders, employees and the society.

#### b) Liquidity risk management

Due to liquidity risk, it is understood that the possibility that the Institution may not be able to efficiently meet its expected and unexpected (current and future) obligations, including those arising from binding guarantees, without affecting its daily operations and incurring material losses.

In this context, the liquidity risk is managed by means of methodologies and models that aim at administering the payment capacity of the Institution, considering the financial planning, the limits of risks and the optimization of available funds, enabling to support strategic decisions with a great agility and confidence level.

The Institution has two models: "flow mismatching map" and "daily product movement". The first model enables the follow-up by product, currency, index and maturity, whereas the second provides inflow and outflow of asset and liability products.

Mercantil do Brasil also carries out, as one of the management instruments, the cash flow projection based on two historical series of movement in asset and liability products, advanced receipts, maturities and repurchase of time deposit operations, loan operations, credit assignments, savings accounts, bills, savings accounts, demand deposit and securities.

Concomitantly, stress scenarios are created that enable the identification of possible problems that may compromise the economic and financial balance of the Institution. Mercantil do Brasil also has a Contingency and Liquidity Plan containing responsibilities, strategies and procedures necessary for leading the Institution to the balance of its payment capacity, taking into account the potential problems identified in stress scenarios.

#### c) Market risk management

Due to market risk, it is understood as the possibility of losses arising from the change in the market value of instruments held by the institution.

The market risk management is carried out by methodologies and systems in line with the nature of their operations, with the complexity of its products and the dimension of its exposure, as well as the reality of the domestic and international market, enabling to support strategic decisions for the Institution with great agility and high confidence level. Calculations of market risk regulatory capital have as main aspects the classification of operations in the Trading and Banking portfolios

The market risk model also enables to follow-up the sensitivity of interest rates, comparing the recent market curve to the unfolded scenarios, which enables the simulation of how such rates may vary and affect the positions assumed by the Institution.

In addition to the daily monitoring of exposure to several risk factors, is performed the trading portfolio risk

through the standard Central Bank methodology and the banking portfolio risk, through standard EVE methodology (Economic Value of Equity), adopted by Mercantil do Brasil in the 1st half of 2019. Therefore, the additional market risk portion referring to the variation of interest rates in operations of the banking portfolio (Rban) passed to be calculated through this new calculation methodology, advancing the requirement of Central Bank Circular Letter 3.938/19, whose requirement shall come into force as of January 2020 for institutions of the S3 Segment, under which Mercantil is classified. EVE consists in estimating the variation between the present value of the repricing flows of financial instruments in a baseline scenario (current rate) and the present value of the repricing flows of these very same instruments in an interest rate shock scenarios (stress).

Additionally, stress tests are conducted of the fluctuation of the main macroeconomic variables, using historical or change in assumptions scenarios. For Investment Funds, the Historic Simulation VaR methodology is used, which allows for backtesting, consisting in the verification of a return sample of the occurrence of a number of losses superior to the V@R according to a confidence level of 95%. The values are calculated daily and must meet the stop-loss provide for in the Market Risk Institutional Policy.

For great price changes, Mercantil do Brasil uses the hedge instrument to hedge the financial transactions to which it is exposed. The hedge strategy is to offset to fully or partially offset the risks arising from exposure to changes in the market value or in the cash flow of any asset, liability, commitment or predicted future transaction.

#### d) Operational risk management

Due to operational risk, it is understood as the possibility of losses resulting from external or failure, weakness or inadequacy events of internal processes, people and systems.

Operational Risk Management in Mercantil do Brasil integrates with the strategies and business of the group companies, aligning existing and practiced processes with current policies. This way of operating allows the identification of critical processes to control and mitigate exposure to the Operational Risk to which the Institution is subject. The institution uses Operational Risk management tools seeking to maximize the efficiency of controls implemented and of the operational loss data for the purposes of redirecting actions for reducing losses.

The management structure provides for a shared performance for the Operational Risk, in which all employees are responsible for the compliance of their processes, stimulating commitment to results and participatory management.

The methodology adopted for managing the Operational Risk is comprised of two stages: qualitative and quantitative. The first stage contemplates the assessment of processes, the identification of risks, the assessment of controls, and the responses to inherent risk – whether by means of action plans for improvement or monitoring actions.

The quantitative stage, on the other hand, consists of the identification of operating losses and formation of a basis aiming at recording the information related to events arising from the exposure to the Operational Risk in Mercantil do Brasil. Based on data, it is possible to identify the reasons of the most representative losses and the root causes thereof, allowing the design of action plans for reducing future losses.

Operational Risk Management also includes the monitoring of key risk indicators (KRIs), that monitor the top reasons of losses to the Institution. Indicators have tolerance aligned to the risk appetite of Mercantil do Brasil and when this metric is exceeded, actions are generated for returning the risk to acceptable levels. Moreover, the most relevant incidents of Mercantil do Brasil, even those that do not create losses, are monitored and recorded in a specific base for making decisions to resolve the problem and prevent its recurrence.

Mercantil do Brasil also has procedures in place for Relevant Third-Party Management, internally disclosed and subject to monitoring. The entire management process is driven by the risk involved in the activity contemplating the segmentation through classification of third parties based on risk, contracting, monitoring, management and termination.

In Mercantil do Brasil, the calculation of the portion of RWAopad is the responsibility of the Financial Statements

Department, in the Board of Executive Management of Controllershship, and the adopted calculation methodology is the Simplified Alternative Standardized Approach. The entire calculation methodology of the approach adopted by Institution was set following criteria for consistency, susceptible of verification and is duly formalized.

The Business Continuity Management, which is also included in the Operational Risk Management level, aims at ensuring the continuity of business processes critical to the survival of the institution in case of crises that cause the stop of its most critical activities. It provides a safer environment to operations, clients and counterparties, as well as to its shareholders.

To ensure this resilience, Mercantil do Brasil adopts a methodology that enables it to devise contingency strategies, determining alternative procedures and action lines that shall maintain the critical operations in operation, even in the adverse events that cause the stop of activities. All of these specifications are formalized in Contingency Plans, which also contemplates the whole personnel and logistics structure available for the business continuity.

Periodically, the prepared Contingency Plans undergo tests, which reports, also sent to the Top Management, guide the update of these plans and aim at ensuring the effectiveness of the described procedures. This virtuous cycle enables Mercantil do Brasil to maintain its Business Continuity Management in a continuous improvement process.

e) Social and environmental risk management

Social and Environmental Risk Management in Mercantil do Brasil derived from the improvement of the tools for identifying, controlling and mitigating the relevant social and environmental impacts on the stakeholders related to the business.

Based on the Institutional Policy of Social and Environmental Responsibility (PRSA), the actions for control and reduction of impacts from the Institution's activity comprise the proper management of waste and the mapping and continuous study of opportunities that may contribute to efficiency in the consumption of power and natural resources of the company.

In this context, the management of the socioenvironmental risk of Mercantil do Brasil contemplates the monitoring of persons exposed in the media, politically exposed persons, companies from industries more prone to environmental damage, in addition to customers listed in undermining labor or environmental records. The monitoring of these customers is also performed in the scope of the quality of their credit operations, as well as their balance of liability operations.

Moreover, the capture of information concerning social and environmental risk was improved from the beginning of the relationship with customers, the criteria for credit concession and management was adjusted, as well as the relationship of Mercantil do Brasil with third parties is now supported by clauses and processes that require and promote a network of companies more socially and environmentally responsible.

**BANCO MERCANTIL DO BRASIL S.A.**

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