

RESULTS

2021

1st QUARTER

MERCANTIL
DO BRASIL

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ECONOMIC SCENARIO AND NATIONAL FINANCIAL SYSTEM

In the global economic scenario, recent indicators indicate a moderate performance in the first quarter. Preliminary data indicate a contraction in the eurozone economy and a slowdown in the Japanese economy, compared to the immediately previous quarter. On the other hand, there is a positive performance in the Chinese and American economies in the same period. Recent projections point to an annual growth in the Chinese and American economies at levels higher than in the pre-pandemic period. However, the level of uncertainty is still high.

In Brazil, the outlook was for economic activity to slow down in the quarter, as a result of efforts to control the recent wave of the coronavirus pandemic, which again involved intensifying social distancing measures and stopping non-essential activities.

In the first two months of the year, the economy showed a positive performance (latest market data), based on the economic activity index of the Central Bank (IBC-Br), considered a preview of GDP. However, expanded retail trade and industrial production recorded moderation in the economic activity pace in March, compromising performance in the quarter, compared to the immediately previous quarter.

Regarding the behavior of inflation and the Selic interest rate, IPCA registered an increase of 2.05% in the accumulated for the year up to March and recent projections point to annual inflation of 5.0%, compared to 4.52% in 2020. In the period, there was also an increase in the Selic interest rate of 2.0% per year, in effect until mid-March, to the current 3.5% per year, with prospects of positioning itself above the annual rate of inflation at the end of this year. As for the prospects, recent projections point to a GDP expansion of around 3.1%, although with a high level of uncertainties.

Credit in the National Financial System grew 2.1% in the accumulated until March. The individual segment showed greater vigor in the current year, with an increase of 2.4% in the quarter, compared to 1.6% in the same period of the previous year. Credit risk provisions are in decline.

CORPORATE AND MARKET SCENARIO

CORPORATE AND MARKET PROFILE

At Banco Mercantil, the goals are challenging and in the first quarter there was already a strong commitment from its team. In fact, Banco Mercantil has been advancing in a firm and determined work to become more and more a simple bank, close to and recognized by its customers as a technological bank. Moreover, it has a market positioning and strategic planning to ensure consistent and sustainable results.

With a focus on the 50+ public, the institution will continue to serve everyone, but making outstanding efforts to win over the customers who receive pensions through the INSS and people over 50 years old. In this respect, Banco Mercantil has been working vigorously to position itself as the best financial ecosystem for this audience.

In the quarter, Banco Mercantil has already achieved important results in the implementation of its strategic objectives, with an important growth in its credit portfolio, expansion in insurance placement revenue, creation of a company focused on Banco Mercantil's technological advancement, in addition to countless ongoing projects with maturation throughout the year.

TECHNOLOGY

The complex market demands, combined with the increasing level of competitive demands, make it necessary to make high and permanent investments in technology, with a focus on results. Every day, more advanced technologies are applied with more intensity, contributing decisively to transactional efficiency and commercial effectiveness.

In this regard, Banco Mercantil created Domo Digital to reach new levels in technology. It is also part of the planning to foster innovation, including turning the bank's app into the secondary transaction channel.

The evolution does not stop and, with each passing day, MEL, Banco Mercantil's virtual assistant, is more available on the digital network to increase the service relationship with the bank's customers. In the quarter, new features were developed and since the end of February, MEL has informed customers about the progress of requests, and even the description of the service via Web Chat. This functionality is also available in Chat - logged in area of the bank app - and in Whatsapp.



CREATION OF DOMO DIGITAL

In 2021, the company Domo Digital Tecnologia S.A. came into operation, within the scope of Banco Mercantil's strategic objective of becoming more and more a technological bank, in addition to advancing the bank's performance in the digital environment.

B3 CORPORATE GOVERNANCE LEVEL 1 AND SPECIAL CORPORATE GOVERNANCE EQUITY INDEX (IGC)

Advancing the continuous process of incorporating good corporate governance practices, Banco Mercantil is already part of B3's Corporate Governance Level 1. Through a formal commitment to comply with additional requirements for trading its shares in this special market segment, the bank aims to create more value and sustainability for the business.

This change demonstrates Banco Mercantil's commitment to the principles of corporate governance, which are directly linked to institutional values. Furthermore, with the entry into the special B3 Level I listing segment, Banco Mercantil also became eligible, and thus entered the Special Corporate Governance Equity Index (IGC), ratifying its commitment to corporate sustainability and high governance standards.

More information is available on the website: <https://mercantildobrasil.com.br>.

SUSTAINABLE DEVELOPMENT

Mercantil joined the Challenge 2030 Network, formed by prominent organizations from Minas Gerais that joined in order to expand the private sector's contribution to the fulfillment of UN's 2030 Agenda, guided by the 17 Sustainable Development Goals (SDGs).

The active search for Sustainable Development Goals benefits companies through innovations, business opportunities and development for the community. For this reason, the Network encourages its members to align long-term strategies with these objectives, directing efforts to simultaneously meet the demands of shareholders and society in general.

As a partner of the Global Compact, the Challenge 2030 Network supports projects, education initiatives and actions to promote corporate sustainability in Minas Gerais, thus seeking to position its companies as international references on the topic.

The agenda that the bank proposes to achieve the objectives of its guidelines is broad and seeks to favor the whole of society, already having action fronts aligned with these purposes.

HUMAN CAPITAL

In the quarter, Banco Mercantil continued training to develop managerial, essential and technical skills.

11,035 training participations were recorded, 10,823 of which by Academia Mercantil and 212 in in-person and online training, both internal and external, totaling 12,277.17 hours of training, with an average participation of around 4.01 hours of training per employee.

In the quarter, the “INSS Beneficiaries Managers Onboarding Program” was aimed at employees recently promoted to this leadership position. The Program aims to support and guide new managers on Mercantil do Brasil's people management tools and processes. Also noteworthy is the launch of a new online development trail for leaders. The “Jeito Mercantil de Liderar” trail consists of 12 videos, which aim to provoke reflection and exemplify with practical tools on the themes: Purpose and Role, Foundations of Leadership, Emotional Intelligence, Time Management, Forming a Team, Training People, Result Management, Feedback, Coach Leader, Autonomy and Delegation, Culture Promoter. Also noteworthy is the holding of monthly classes for the “Efficiency in Customer Service” training, focusing on branch clerks, with the objective of training and developing knowledge about Banco Mercantil's products and processes and also, the improvement of customer service to the client.

From the perspective of innovation and incentive to continuous development, the learning platform, Academia Mercantil, was upgraded. A version with a modern layout, new features, such as insertion of podcasts and learning gamification, which will enable greater interaction and engagement of employees in activities.

As for the coronavirus pandemic, Banco Mercantil continues to take great care of its employees. In the quarter, work continued in the work-from-home system, maintaining social distance, in the recent intensification of the coronavirus pandemic situation, of about 90% of employees not involved in essential face-to-face activities, especially in customer service at service network, without prejudice to normal activities. Moreover, Banco Mercantil is supporting its employees with the provision of individual protection items and guidance for the in-company work with publications of bulletins with guidelines about health care and cyber risks.

CAPITAL AND RISK MANAGEMENT

Banco Mercantil has a Capital Management Structure which comprises the continuous monitoring and control of the capital held by the entity, the assessment of capital requirement to cover inherent risks to the business and the planning of goals and capital requirement, considering its strategic objectives and standards in force.

It also has a Risk Management Structure of Credit, Operational, Market, interest rate variation, liquidity, socio-environmental and other relevant risks, in accordance with the standards in force.

The institution adopts a prospective stance regarding risk management and capital management.

OPERATING LIMITS


The operating limits are calculated on a consolidated basis and the equity adequacy index for risky assets (Basel III Agreement) stood at 16.77%, compared to the required minimum of 9.25%, already considering the additional principal capital.

MONEY LAUNDERING PREVENTION AND COMBAT

In line with the legal provisions in force, Banco Mercantil cooperates with regulatory bodies to prevent and combat the laundering or concealment of assets, rights and values, as well as to prevent the use of the financial system for illegal acts provided for in Law No. 9,613 / 1998.

In this context, the bank has policies, procedures, internal controls and continuous monitoring, aimed at preventing and combating such illicit acts, in accordance with Bacen Circular No. 3,461 / 2009. Guidelines for compliance with policies and procedures are available in an internal Regulatory Act accessible to all employees.

HIGHLIGHTS

Accumulated Profit of	Net	R\$51 MM 9% growth*
Accumulated Income of R\$ 90 MM	Operating	Quarterly ROAE: 22%
Equity: R\$ 1.0 billion		Total Assets of R\$10.7 billion
Loan Portfolio: R\$6.87 billion		Accumulated Assignment of Loan: R\$2.2 billion
Accounting Cash: R\$2.4 billion		Basel Ratio: 16.8%
Active Customers: 2.7 million		
 Pacto Global Rede Brasil		 Challenge Network 2030
NPS (Customer satisfaction) Excellence Zone 😊		 NÍVEL 1 BM&FBOVESPA

*comparative: 1Q20 vs 1Q21

KEY INDICATORS

		1Q21	4Q20	Δ	1Q20	Δ	2020
Statement of Profit or Loss (R\$ 000)	Profit for the Period	51,241	49,460	4%	46,932	9%	151,048
	Operating Profit	90,573	62,228	46%	69,960	29%	245,211
	Income from Loan Operations	490,461	516,950	-5%	459,417	7%	1,913,802
	Income from Services Rendered	79,982	79,357	1%	78,741	2%	318,399
	Funding Costs*	41,358	39,357	5%	-249,890	-83%	422,504
	Personnel Expenses	120,294	121,045	-1%	-106,348	13%	458,854
	Administrative Expenses	192,282	196,265	-2%	-157,063	22%	683,853
	Expense with Allowance for Loan Losses + Discounts Granted	57,795	91,500	-37%	-75,839	-24%	279,589

		1Q21	4Q20	Δ	1Q20	Δ
Statement of Financial Position (R\$ 000)	Total Assets	10,730,786	10,718,363	0%	10,087,527	6%
	Loan Operations	6,857,052	6,445,914	6%	5,114,848	34%
	- Individual	5,650,297	5,368,816	5%	3,923,367	44%
	- Legal Entities	1,206,755	1,077,098	12%	1,191,481	1%
	Allowance for Loan Losses(ALL)	445,336	463,853	-4%	541,461	-18%
	Funding	8,609,145	8,687,607	-1%	8,266,539	4%
	Equity	1,084,778	1,033,907	5%	979,575	11%

Performance indicators (%)	Annualized Return On Average Equity (ROAE)	21.90	22.24	-0.3 p.p	22.26	-0.4 p.p
	Return on Average Assets (ROAA)	1.9	1.1	0.7 p.p	1.88	0 p.p
	Consolidated Basel Ratio	16.8	16.6	0.2 p.p	17.54	-0.8 p.p
	Tier I	13.0	12.5	0.5 p.p	12.82	0.2 p.p
	Default Ratio (90 days)	3.8	4.5	-0.7 p.p	5.9	-2.1 p.p
	- Default Ratio - Individual (>90 days)	2.8	3.4	-0.6 p.p	5.8	-3 p.p
	- Default Ratio - Legal Entities (>90 days)	9.2	10.0	-0.8 p.p	6.3	2.9 p.p
	ALL / Loan Portfolio	6.5	7.2	-0.7 p.p	10.6	-4.1 p.p
	Credits AA-C / Loan Portfolio	90.0	88.9	1.1 p.p	83	7 p.p
Capital Market (R\$)	Equity Value per Share	20.70	19.73	5%	18.69	11%
	Price on the last day - registered common share	19.68	16.50	19%	12.00	64%
	Price on the last day - registered preferred share	17.32	16.25	7%	10.68	62%
	Earnings per Share	0.98	0.94	4%	0.90	9%
	Market Value (thousand)	984,752	859,902	15%	602,803	63%
Other information	Asset Light Store	281	278	1%	236	19%
	Customer Base	2,659,685	2,573,499	3%	2,391,945	11%

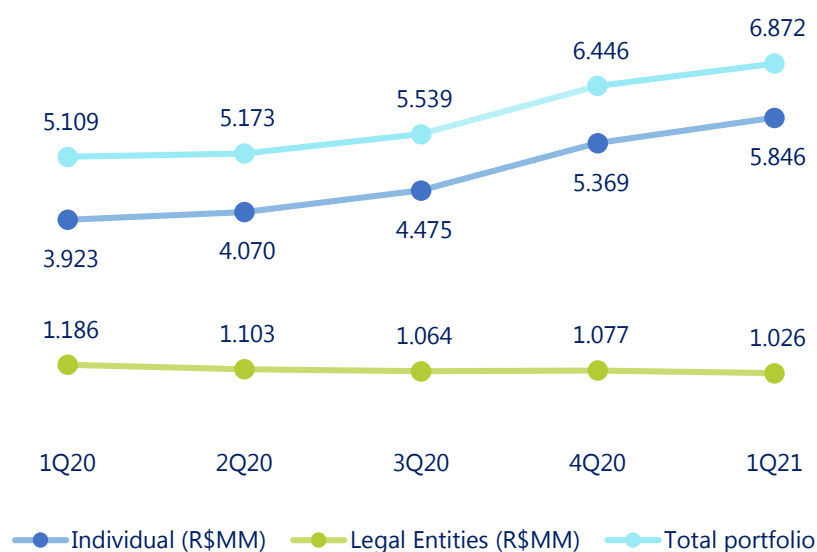
ECONOMIC AND FINANCIAL PERFORMANCE

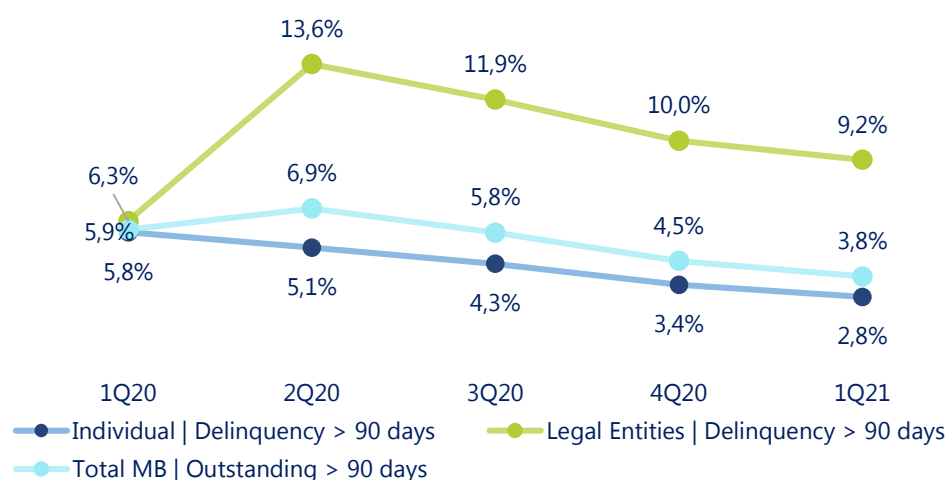
ASSETS, LIABILITIES AND RESULT STRUCTURE – CONSOLIDATED

Total consolidated assets stood at R\$ 10.7 billion. Current assets reached R\$ 5.3 billion (49.3% of total assets, stable at December 2020) and short-term liabilities totaled R\$ 2.9 billion, representing 55.7% of current assets.

Short-term interbank investments and marketable securities reached R\$ 1.8 billion. Securities classified as held to maturity amount to R\$ 2.6 million, for which the bank has the intention and financial capacity to hold to maturity, pursuant to Brazilian Central Bank Circular Letter 3,068/2001.

Loan operations stood at R\$ 6.9 billion, showing a relevant growth of 6.4% compared to December 2020, despite the adverse scenario in the period. Operations classified in the lowest credit risk ranges, from “AA” to “C”, represent 90.5% of the total loan portfolio (89.2% in December 2020). The provision for loan operations risk stood at 6.5% (7.2% in December 2020).





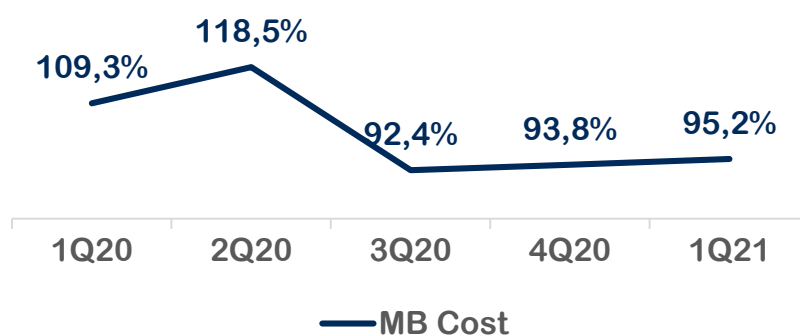
R\$ 000	Loan Portfolio			Provision		
Loan Portfolio Quality	1Q21	4Q20	1Q20	1Q21	4Q20	1Q20
AA	308.0	367.1	1,139.2	-	-	-
A	5,563.7	5,047.6	13,998.6	27.8	25.2	16.9
B	221.2	219.3	687.9	2.2	2.2	2.5
C	128.6	121.9	381.7	3.9	3.7	3.9
D	131.8	113.5	404.6	13.2	11.4	15.9
E	68.9	93.2	316.5	20.7	28.0	46.3
F	47.7	83.8	232.8	23.9	41.9	50.6
G	162.0	181.8	500.1	113.4	127.2	109.4
H	240.4	224.3	760.5	240.4	224.3	295.8
Grand total	6,872.2	6,452.5	18,422.0	445.3	463.9	1,450.6

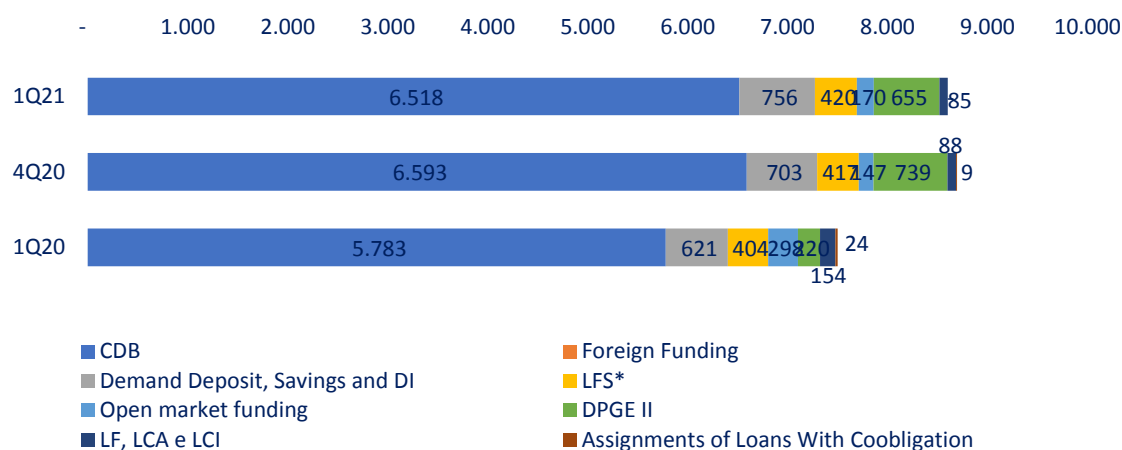
FUNDING

The existing funds were raised in the domestic market, totaling R\$ 8.7 billion, of which R\$ 7.2 billion came from time deposits.

Funding through Financial Bills reached R\$ 424.5 million. Of this total, R\$ 420.4 million is accounted for under Liabilities as “Debt Instruments Eligible to Capital” pursuant to CMN Resolution No. 4,192/2013, of which R\$ 243.7 million is being used in the composition of Reference Tier II; and R\$ 46.4 million consists of perpetual debt instruments, eligible for complementary capital (Level I).

R\$ 000	1Q21	4Q20	Δ%	1Q20	Δ%
Deposits					
Demand deposits	456,121	443,055	3%	322,715	41%
Savings deposits	231,896	232,987	0%	201,079	15%
Time deposits	7,172,921	7,332,208	-2%	6,002,514	19%
CDB	6,518,055	6,593,324	-1%	5,782,833	13%
DPGE II	654,866	738,884	-11%	219,681	198%
Interbank Deposits	67,840	26,753	154%	96,853	-30%
Total	7,933,861	8,035,003	-1%	6,674,461	19%
Open market funding					
Third-Party Portfolio	169,896	146,853	16%	297,751	-43%
Total	169,896	146,853	16%	297,751	-43%
Other obligations					
Subordinated debts	-	-	0%	-	0%
Total	-	-	0%	-	0%
Funds from Acceptance and Issuance of Securities					
Agribusiness Credit Bill - LCA	75,350	84,374	-11%	134,716	-44%
Conventional Financial Bill - LF	4,145	4,121	1%	16,118	-74%
Real Estate Credit Bill - LCI	5,487	-	0%	3,206	71%
Subordinated Financial Bill - LFS	420,406	417,256	1%	403,856	4%
Total	505,388	505,751	0%	557,896	-9%
Assignments of Loans					
Assignment with coobligation after CMN Resolution No. 3533/08	-	8,814	-100%	24,051	-100%
Total	-	8,814	-100%	24,051	-100%
Total Funding	8,609,145	8,696,421	-1%	7,554,159	14%





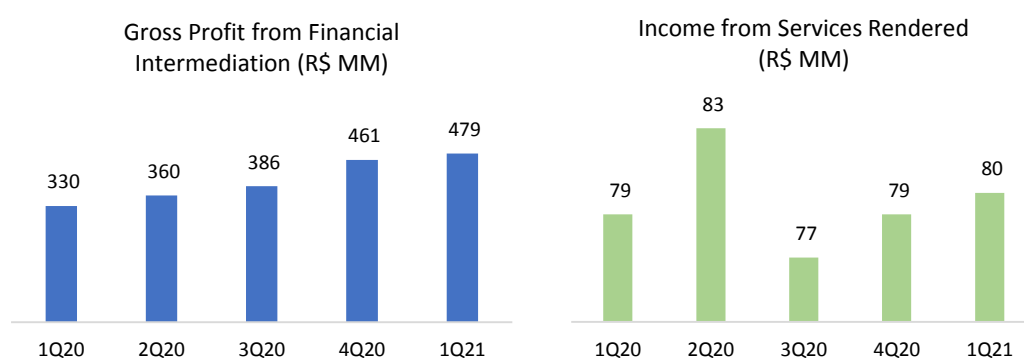
EQUITY AND RESULT

Banco Mercantil's equity presented new growth, reaching the historic mark of R\$1.0 billion.

Income from Financial Intermediation stood at R\$ 577.9 million (down 13.0%). Income from Loan Operations and Sale or Transfer of Financial Assets (credit assignment) totaled R\$ 540.8 million (R\$ 478.6 million in March 2020), up 13.0%.

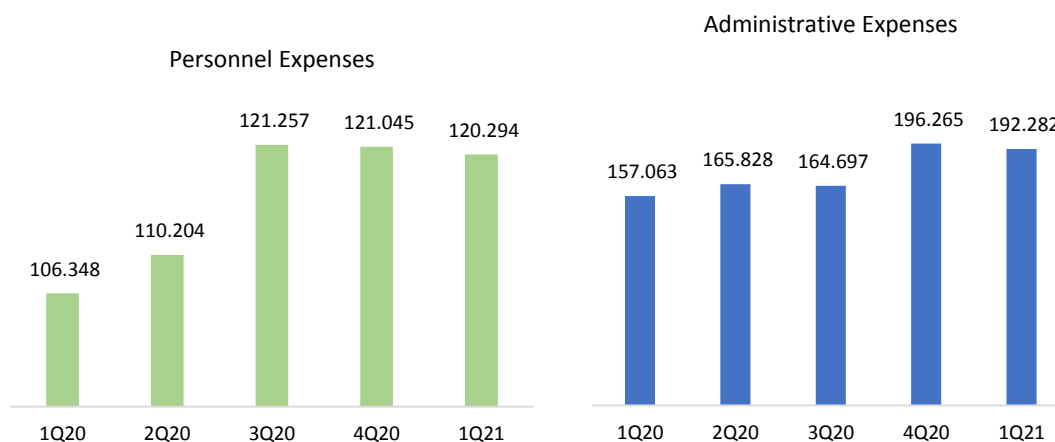
Gross Profit from Financial Intermediation, less Expenses with Allowance for Loan Losses, reached R\$ 478.5 million (R\$ 330.1 million in March 2020), up 45.0%.

Income from Services Rendered totaled R\$ 80.0 million (R\$ 78.7 million in March 2020), up 1.6%.



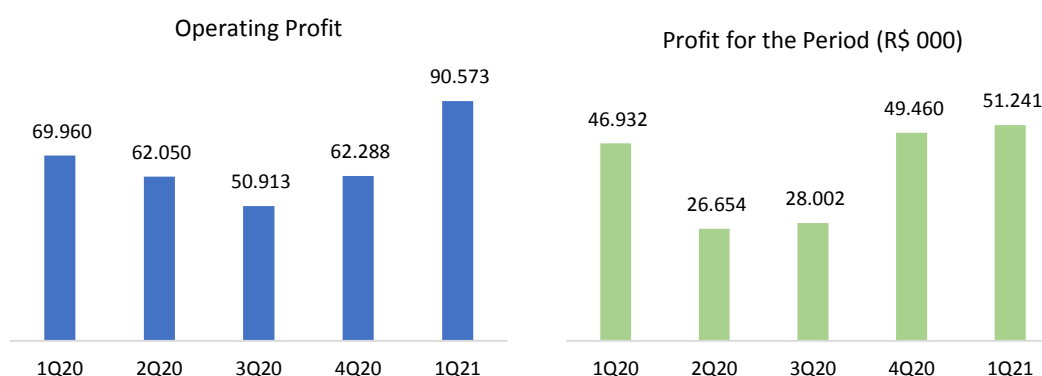
Personnel Expenses stood at R\$ 120.3 million (R\$ 106.3 million in March 2020), a nominal increase of 13.1% in the periods under comparison. The two most important items, i.e. employee pay and social charges, totaled R\$ 73.6 million, an increase of 8.0%.

Administrative Expenses totaled R\$ 192.3 million (R\$ 157.1 million in March 2020), a nominal evolution of 22.4%.



Operating Profit reached R\$ 90.6 million, up 29.5% in comparison with March 2020.

Profit for the Period stood at R\$ 51.2 million, up 9.2% in relation to the same period of the previous year, maintaining the growth trajectory noted since 2018, despite the period being significantly atypical.



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