

RESULTS

2020

4th quarter

MERCANTIL
DO BRASIL

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ECONOMIC SCENARIO AND NATIONAL FINANCIAL SYSTEM

The Covid-19 pandemic caused unexpected and very significant impacts on social life and consequently on global economic activity. In this unprecedented situation, a new situation was imposed, and the main economies registered an evidently negative annual performance, with the exception of the Chinese GDP, which grew by 2.3%. In Brazil, the recent performance of key activity indicators shows a scenario of a gradual recovery in economic activity, after a sharp drop in March and April last year. In fact, after then and until September, the IBC-Br, considered a preview of GDP, shows an acceleration of the economy. In October and November (latest market data), there was a moderate pace of expansion.

Industrial production and retail trade, which registered a positive evolution in the period from May to November (latest market data), contributed favorably to mitigate the extensive losses accumulated in March and April, a period of greater social distancing to combat the coronavirus pandemic.

Foreign trade and the agricultural harvest also favored economic activity. The trade balance reached a surplus of US\$ 51.0 billion, an increase of 6.2% versus the previous year. Exports totaled US\$ 209.9 billion versus imports of US\$ 158.9 billion. Regarding the agricultural harvest, the harvest of 254.1 million tons represents a record, with growth of 5.2% versus the 2019 harvest.

As for inflation, the IPCA stood at 0.1% in the first half, in line with the current economic downturn in that period. In the second half, inflationary pressures were noted, with the IPCA reaching 4.52% at the end of the year. The Selic interest rate, which started the year at 4.50%, was gradually adjusted until it stood at 2% per year in August, remaining at this level until the present day.

With regard to the economic prospects for the year 2021, it is noteworthy that the projections indicate the continuation of the economic recovery scenario, as previously mentioned, with an estimated GDP growth of 3.4%. The robust scenario of uncertainty caused mainly by the pandemic, however, remains. Credit in the National Financial System increased by 15.5%. The growth in demand for credit in the corporate segment is associated with the need to supply companies' cash flows in the face of the sharp drop in revenues. Credit risk provisions rose in the period from March to July, returning to a gradual downturn until they stood at 6.3%, slightly below that of December 2019.

CORPORATE AND MARKET SCENARIO

Banco Mercantil is characterized by a strategic performance aimed at the individual segment, with a specialization in the 50+ public, that is, especially customers aged 50 years or older. To this end, it has prioritized investments in technology for innovation and expansion of its different service channels, enabling customers to have the best experience in banking relationships, whether for carrying out financial transactions, taking out loans or supporting information, requests and complaints. Thus, Banco Mercantil reached the expressive mark of 2.6 million customers, served by modern and efficient channels.

In relation to such channels, the bank built specific facilities for face-to-face service, with 278 service points, as well as investing in its digital self-service channels. In addition, Banco Mercantil maintains partnerships with bank correspondents to originate payroll-deductible loans, with an ostensible focus on INSS beneficiaries.

Thus, whether in a bank branch or through a digital channel, the essence of the relationship is the same: ensuring that Banco Mercantil's customers have access to quality services, with agility and security.

Self-service - is one of the channels prioritized in efforts and investments, for the availability and improvement of the technological structure, through the modernization of the ATM complex and business solutions that enhance marketing strategies aimed at prospecting customers. With more than 37 million different transactions carried out since the beginning of 2020, self-service was responsible for 66% of the contracting of products and services. In 2020, Banco Mercantil implemented the customer's authentication feature via biometrics throughout the service network, providing greater interactivity, security, versatility and agility in carrying out transactions.

Internet Banking - Internet Banking offers the customer a complete branch, no matter where they are. More than 4.7 million transactions have been carried out since the beginning of 2020.

AppMB – the “AppMB” already accounts for 61% of all transactions carried out, offering a wide range of products and services. With more than 54 million transactions this year, it continues to grow and guarantees ease to its customers in their day-to-day banking operations. Through “AppMB”, customers can open their checking account and choose a 100% digital banking relationship. Of the total credit released, 22% was made by customers themselves. It is also worth mentioning the excellent rating of this application, rated 4.6 stars on the Apple Store and 4.0 on Google Play, as a result of the work of a multidisciplinary team, focused on delivering more value to customers.



“MEL” - Virtual Assistant - The evolution of Mel, which is the most recent channel launched by the Bank, was confirmed by the rate of more than 70% efficiency in customer service. In February 2020, MB implemented MEL on WhatsApp, enabling greater and better communication between the user and MB. Since then, 1.8 million interactions have been carried out, providing fast service, providing new services and problem solutions. In fact, Mel already assists Mercantil's customers in taking out loans, insurance, investments, resolves issues related to the steps to open an account via “AppMB”, in addition to clarifying a wide range of doubts of customers and account holders.

“HUGO” - is a virtual translator of the HandTalk app, which allows simultaneous translation of a text and voice into the Brazilian Sign Language while the customers who activate the resource navigate the Bank's website

“MAX” - in the evolution of digital transformation and in view of our historic commitment to people, we launched an internal chatbot called “MAX”. Using artificial intelligence, it interacts with Banco Mercantil employees as a research tool, adding innovation, agility and quality to the business.

The **Call Center** consolidated its service processes in order to leverage the rates for resolving customer requests at the first contact. In this sense, we continue to invest in employee training, aiming to increase specialization and problem-solving capacity. In fact, the channel centralizes the service of all digital channels (Hello Mercantil – Customer Service, Social Networks, Talk to Us, Complain Here and Chat), consolidating itself as a customer relationship channel with Banco Mercantil. Through the Call Center, reaching an index of 90% of resolvability at the first level and 100% of approval in audit by Febraban.

Asset Light Store – Respecting the diversity of the banking customer, we believe that virtual and face-to-face services are complementary. In this sense, we continued with our program of expansion and modernization of our physical points, reaching more than 270 face-to-face service points throughout Brazil, where highly qualified teams are available to meet all customer needs, through a complete product catalog, solutions and financial services.



DOMO DIGITAL is our innovation center, designed to house all the development of digital solutions and integrate Banco Mercantil's teams and systems into the world of startups. In the DOMO environment, evaluations and tests of new technological solutions that can participate in Banco Mercantil's digital ecosystem are carried out. DOMO is also the place where events to introduce agile methodologies take place, integrating these methods into the daily work routine of the areas

Due to the Coronavirus pandemic, there was a significant increase in contacts made through the Call Center, chat, Mel (virtual assistant) and social networks, with the capacity and efficiency of our service channels being proven.

In such a scenario, Banco Mercantil demonstrated, once again, its ability to overcome challenges, acting quickly and understanding the current scenario. Banco Mercantil reinvented itself and evolved with simplicity, security and ethics, qualifying for new challenges. This outstanding level of business management is the result of the high domain that the bank's managers have over the business and a well-trained staff, providing an organizational environment favorable to innovation and adaptability to the current scenario at all times.

A new corporate level was reached in terms of dealing with Banco Mercantil professionals, in which each employee, having a favorable organizational climate, adequate training programs and compensation plan, works with high motivation and cultivates a feeling of belonging, driving the achievement of consistent and sustainable results. It should also be noted that the customer has always been at the center of the corporate strategy, in which the relationship and the respective satisfaction is everyone's commitment.

It is in this context that Banco Mercantil's good results achieved are noticeable everywhere, from the adequacy of the look of service points to excellence in face-to-face or virtual service, the level of information and usability of the service channels to the adequacy of products and services available to customers. Everything leads to a single concept: appreciation and respect for the customer.

In 2020, Mercantil do Brasil also updated its management board, advanced in the modernization and dynamization of its internal flows and further developed its ESG projects (Environmental, Social and Corporate Governance). It has made significant investments in technological innovations, financial solutions and also in the expansion of service points, aiming at increasing business generation and providing the best customer relationship experience, offering the best solutions with simplicity, trust and proximity.

In this context, it is worth highlighting the success in implementing "Pix", which allows customers to make payments and bank transfers immediately, on any day and time. This was only possible because, in addition to being one of the best companies in service, Banco Mercantil is one of the best companies to work for in Brazil.

At Banco Mercantil, excellence in customer relations has always been the bank's competitive advantage in the market. The guidelines focus on efficiency to achieve the objective of being a simple, efficient and profitable bank.

With actions aimed at providing the best experience and projects for the best customer relationship practices, Banco Mercantil achieved important achievements in 2020.

It won the gold Modern Consumer Award for Excellence in Customer Services in the Medium-sized Banks category, which reinforces Banco Mercantil's commitment to people. All efforts are aimed at solving everyone's needs, with quality, cordiality and on time, also justifying investments in technological resources and people management.



As a result of continuous improvement actions aimed at providing the best relationship experience to customers and users, Banco Mercantil achieved the “Excellent” reputation in the Reclame Aqui Platform and the level of Excellence in the NPS (Net Promoter Score) survey, which provides information on customer loyalty and degree of satisfaction with products and services, ascertained continuously.

At Banco Mercantil, the internal culture is geared towards operational efficiency, which has generated important changes in terms of process simplification and modernization for the company. The projects that prove this move are many and among them is the Mobile Service Station. The “PA Móvel”, as it is known, was recognized in several Awards and categories in 2020, among them the Gold Smart Customer Award in the “Respect to the Customer” category.

Following the commitment to excellence and historical trajectory of sustainable growth, another outstanding project that ensured important achievements for Banco Mercantil in 2020 was the QMS - Quality Management System, which organizes and standardizes the service flows to customers and users.

The model already guaranteed ISO9001 Certification for the Bank's Head Office. In 2020 the certification was expanded to the entire service network for INSS beneficiaries, according to an audit carried out by ABNT.

Also in 2020, **SGQ** guaranteed other achievements to Banco Mercantil, such as Gold Best Performance Award in the “Innovation for customer/consumer service in the “new normal” category, among others.

In addition to awards focused on customer relationships, the bank also ranks among the best companies and financial institutions to work for, according to the Great Place to Work award. In the regional stage, this is the fourth consecutive time that MB has ranked among the top three companies in Minas Gerais. In 2020, specifically, Banco Mercantil ranked among the best companies to work for in the Great Place to Work (GPTW) ranking, in the “Mineiro”, “National” and “Financial Institutions” categories.

Also noteworthy is the holding of monthly classes for the "Efficiency in Customer Service" training focused on branch clerks, with the objective of training and developing knowledge about Banco Mercantil products and processes, as well as improving customer service and the Employee Integration Program, carried out to align the new employees of the Central Office with the institution's culture and strategy.



For managers at the managerial level, the highlights are the “Inspiring Leadership”, “Transformative Leadership” and the “Mentoring - Application Project” module, carried out in partnership with a specialized market company.

For the coordination level, “Café com MB” stands out, carried out in partnership with the company “Árvore”. The program had an online format, with weekly meetings, and was attended by the vice president of Banco Mercantil and executive directors.

Aware of the care that the coronavirus pandemic scenario requires, Banco Mercantil adhered to the guidelines of the authorities and promoted the social distancing of about 95% of employees not involved in essential face-to-face activities. The technological resources held by the bank made it possible to work on a work-from-home basis, without prejudice to normal activities, so that Banco Mercantil has been maintaining all routines and fully meeting all usual deadlines.

On the other hand, and always attentive to the specific needs of its 50+ public, which values and requires face-to-face service in the service network, Banco Mercantil sought to protect and train its service teams, which allowed the continuity of activities in practically all 278 service points, with the exception of those in locations that made their operation unfeasible, such as those installed inside shopping malls.

In addition, Banco Mercantil has been supporting its employees with the provision of personal protection equipment and guidance for face-to-face work and with daily newsletter publications for all employees with guidance on healthcare and cyber risks.

Banco Mercantil has always acted under the precepts of ethics, transparency, equity, good management practices and corporate responsibility throughout its more than 70 years in the market, ensuring the achievement of its strategic objectives in accordance with current regulations.

Advancing in the continuous process of constant incorporation of good corporate governance practices, the resolution of the bank's extraordinary general meeting held on October 21, 2020 authorized the process of migration of Banco Mercantil from the traditional segment to B3's Corporate Governance Tier 1, by assuming a formal commitment to comply with additional requirements for trading its shares in this special market segment, seeking to create more value and sustainability for the business. The migration was authorized by B # on xx / xx / xxxx. More information is available on the website <https://mercantildobrasil.com.br>.

Mercantil do Brasil adhered to the United Nations Global Pact, in July 2020, reinforcing the responsibility of contributing to the achievement of sustainable development

objectives, joining other prominent companies in the largest corporate sustainability initiative in the world.

Launched in 2000, the Global Compact is a call for companies to align their strategies and operations with universal principles in the areas of human rights, labor, the environment and anti-corruption and to develop actions that contribute to tackle society's challenges.



Banco Mercantil supports the development of initiatives at the culture, sport and citizenship level, with the objective of promoting values that are important for human development and that reinforce the performance of each citizen as an agent in the construction of a more conscious society. In addition, the bank supports the implementation of initiatives approved in tax incentive mechanisms - municipal, federal laws, Children's and the Elderly's Fund, among others - on various cultural and social fronts.

Banco Mercantil has a capital management structure that comprises the continuous process of monitoring and control of capital maintained by the institution, the assessment of capital needs to face the risks inherent to the business and the planning of goals and capital needs, considering the strategic objectives and rules in force. More information is available in note 18 to the bank's financial statements.

It also has a credit, operational, market, interest rate variation, liquidity, social and environmental risk management structure and other significant risks, in accordance with the rules in force.



HIGHLIGHTS

Accumulated Profit	R\$ 151 MM	growth of 19.5%*
Accumulated Result of R\$ 230 MM	Operating	Annualized ROAE: R\$ 15.7%
Equity: R\$ 1.0 billion		Total Assets of R\$ 10.7 billion
Loan Portfolio: R\$ 6.4 billion		Accumulated Assignment of Loan: R\$ 3.8 billion Growth of 38%*
Accounting Cash: R\$ 2.9 billion		Basel Ratio: 16.5%
Active Customers: 2.6 million		
 Pacto Global Rede Brasil		 2030
NPS (Customer Satisfaction) Excellence Zone 😊		 NÍVEL 1 BM&FBOVESPA

*Comparison: 2020 vs 2019

		4Q20	3Q20	Δ	4Q19	Δ	2020	2019	Δ
Statement of Profit or Loss (R\$ 000)	Profit for the Period	49,460	28,002	77%	41,245	20%	151,048	121,400	24%
	Operating Profit	62,228	50,913	22%	43,284	44%	245,211	229,510	7%
	Income from Loan Operations	516,950	464,980	11%	458,350	13%	1,913,802	1,884,895	2%
	Income from Services Rendered	79,357	76,934	3%	70,439	13%	318,399	272,176	17%
	Funding Costs*	39,357	37,313	5%	82,387	-52%	422,504	481,671	-12%
	Personnel Expenses	121,045	121,257	0%	145,575	-17%	458,854	466,230	-2%
	Administrative Expenses	196,265	164,697	19%	152,957	28%	683,853	601,078	14%
	Expense with Allowance for Loan Losses + Discounts Granted	91,500	98,900	-7%	110,000	-17%	279,589	358,385	-22%

		4Q20	3Q20	Δ	4Q19	Δ
Statement of Financial Position (R\$ 000)	Total Assets	10,718,363	10,158,015	6%	9,973,099	7%
	Loan Operations	6,445,914	5,539,957	16%	4,870,249	32%
	- Individual	5,368,816	4,475,362	20%	3,627,149	48%
	- Legal Entities	1,077,098	1,064,595	1%	1,243,100	-13%
	Allowance for Loan Losses (ALL)	463,853	465,290	0%	552,645	-16%
	Funding	8,687,607	8,190,004	6%	8,069,376	8%
	Equity	1,033,907	1,026,329	1%	931,834	11%

HIGHLIGHTS

4Q20

3Q20

Δ

4Q19

Δ

Performance Indicators (%)	Annualized Return On Average Equity (ROAE)	0.2	12.5	-12.4 p.p	14.3	-14.1 p.p
	Return On Average Assets (ROAA)	1.4	1.3	0.1 p.p	1.2	0.2 p.p
	Consolidated Basel Ratio	16.5	18.4	-1.8 p.p	17.2	-0.7 p.p
	Tier I	12.5	13.6	-1.1 p.p	12.7	-0.2 p.p
	Default Ratio (90 days)	4.5	5.8	-1.3 p.p	8.0	-3.5 p.p
	- Default Ratio - Individual (>90 days)	3.4	4.3	-0.9 p.p	6.3	-2.9 p.p
	- Default Ratio – Legal Entities (>90 days)	10.0	11.9	-1.9 p.p	12.9	-2.9 p.p
	ALL / Loan Portfolio	7.2	8.4	-1.2 p.p	11.5	-4.3 p.p
	Credits AA-C / Loan Portfolio	88.9	86.7	2.2 p.p	81.3	7.6 p.p
Capital Market (R\$)	Equity Value per Share	18.85	19.58	-4%	17.64	7%
	Price on the last day - registered common share	16.50	18.51	-11%	13.08	26%
	Price on the last day – registered preferred share	16.25	18.66	-13%	12.96	25%
	Earnings per Share	0.94	0.53	77%	0.78	21%
	Market Value (thousand)	859,902	973,192	-12%	622,714	38%
Other Information	Asset Light Store	278	267	4%	236	18%
	Customer Base	2,573,499	2,460,684	5%	2,402,258	7%

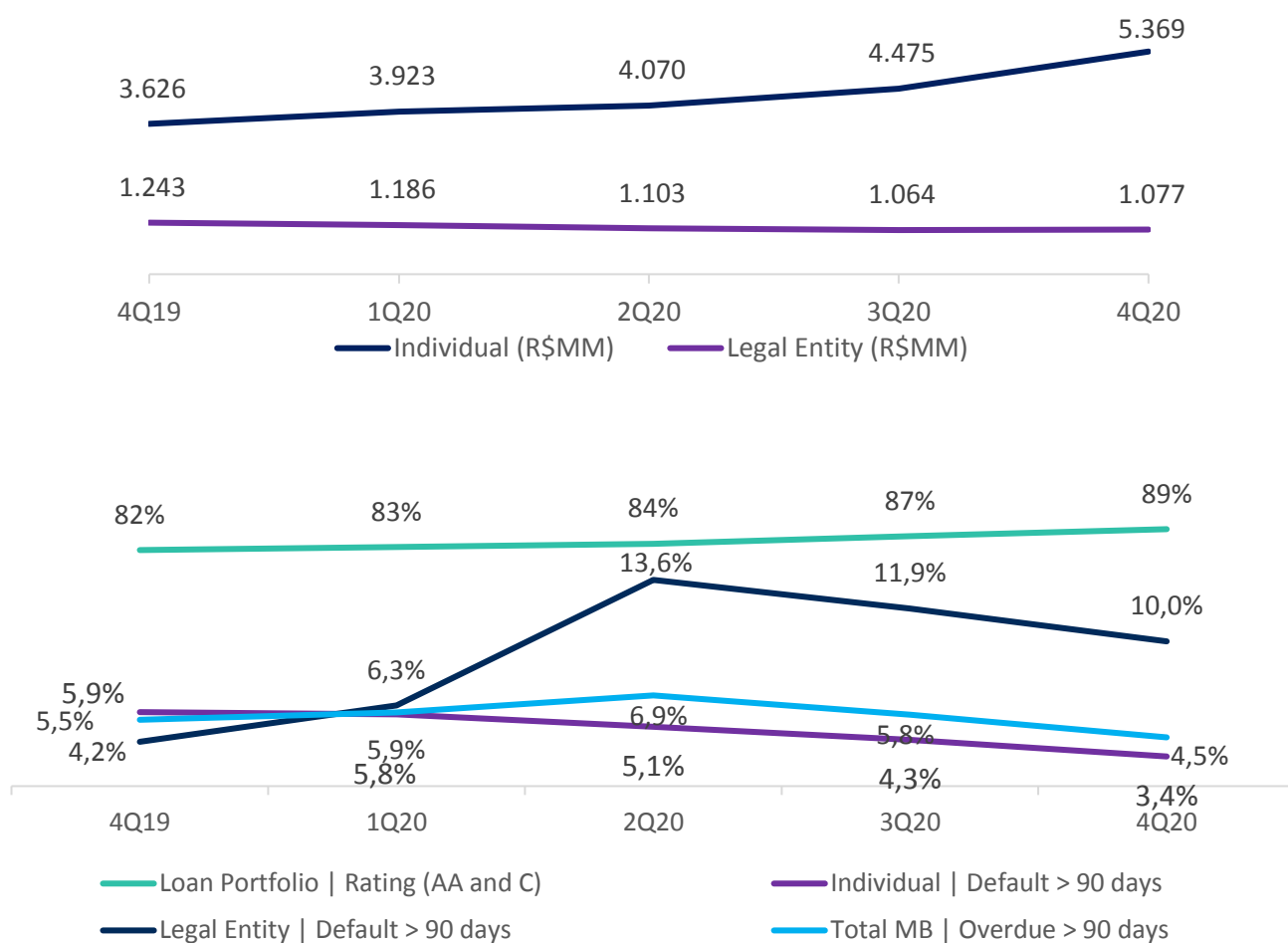
ECONOMIC AND FINANCIAL PERFORMANCE

Total consolidated assets stood at R\$ 10.7 billion. Current assets reached 49.4% of total assets, versus 59.5% in December 2019. Current liabilities stood at 57.0% of current assets, versus 57.7% in the previous year.

Short-term interbank investments and marketable securities reached R\$ 1.8 billion. Securities classified as held to maturity amount to R\$ 6.3 million, for which the bank and subsidiaries have the intention and financial capacity to hold to maturity, pursuant to Brazilian Central Bank Circular Letter 3068/2001.

Loan operations stood at R\$ 6.4 billion, with an expressive growth of 32.3% compared to December 2019 and also in relation to the market average. Operations classified in the lower credit risk ranges, from “AA” to “C”, represent 89.2% of total loan portfolio (81.9% at December 2019). The provision for loan operations risk stood at 7.2% (11.3% in December 2019).

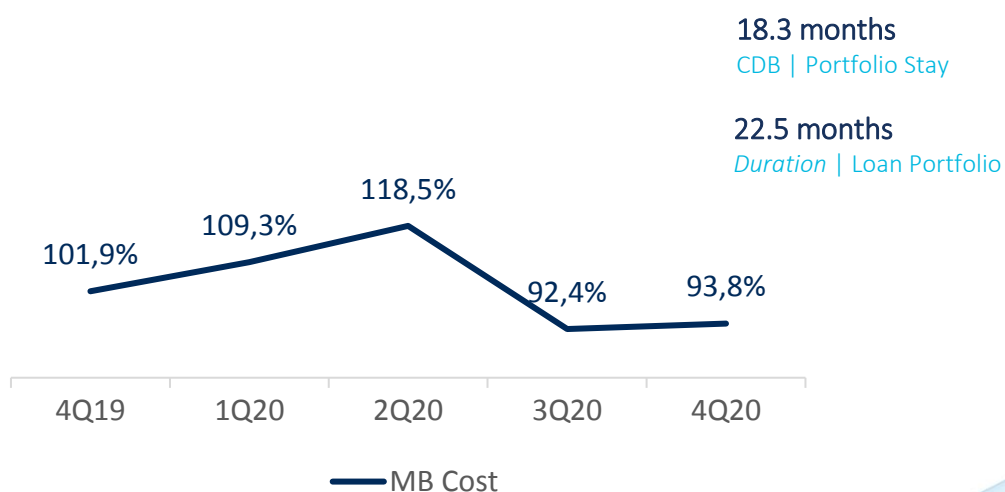
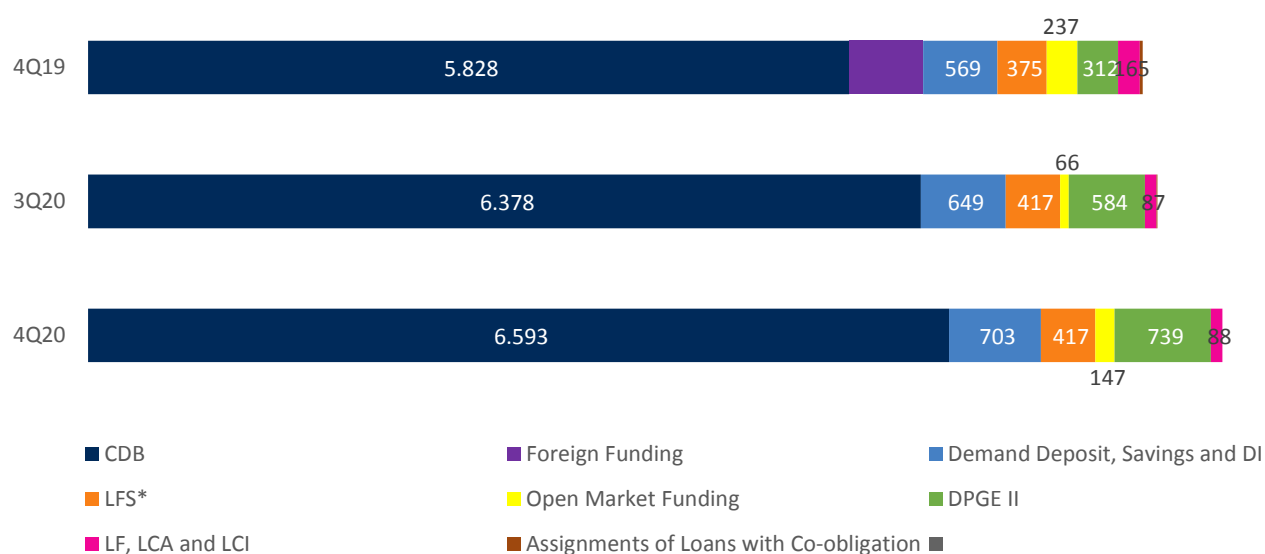
R\$ MM	4Q20		3Q20		4Q19		Variation	
Loan Portfolio Products	Total	%	Total	%	Total	%	Quarterly	Annual
Payroll Deductible Loan	3,329.9	52%	2,427.7	44%	1,549.0	28%	37%	115%
Personal Loan – Direct Debit	1,518.3	24%	1,547.4	28%	1,516.8	27%	-2%	0%
Other Products	1,586.7	25%	1,554.5	28%	1,803.4	33%	2%	-12%
Grand Total	6,434.9	100%	5,529.6	100%	4,869.2	100%	16%	32%



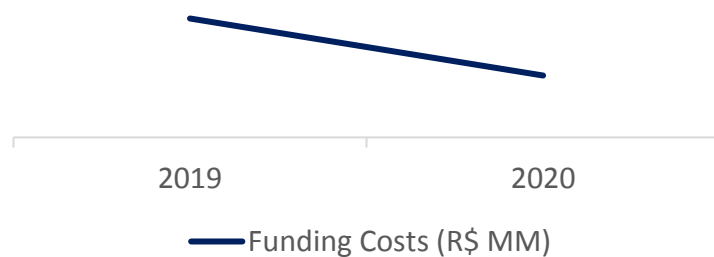
R\$ 000	Loan Portfolio			Provision		
Loan Portfolio Quality	4Q20	3Q20	4Q19	4Q20	3Q20	4Q19
AA	359.9	409.2	1,289.3	-	-	-
A	5,047.6	4,062.9	12,154.6	25.2	20.3	60.8
B	219.3	226.0	698.6	2.2	2.3	7.0
C	121.9	123.3	394.5	3.7	3.7	11.8
D	113.5	115.9	402.5	11.4	11.6	40.3
E	93.2	106.8	342.3	28.0	32.0	102.7
F	83.8	88.5	269.9	41.9	44.2	135.0
G	181.8	211.6	545.4	127.2	148.1	381.8
H	224.3	203.1	742.5	224.3	203.1	742.5
Grand Total	6,445.3	5,547.2	16,839.6	463.9	465.3	1,481.8

Regarding foreign funding, recorded as Subordinated Debt in the comparative financial statements of December 2019 (raised in 2010), it is worth noting that this funding was fully settled in July 2020.

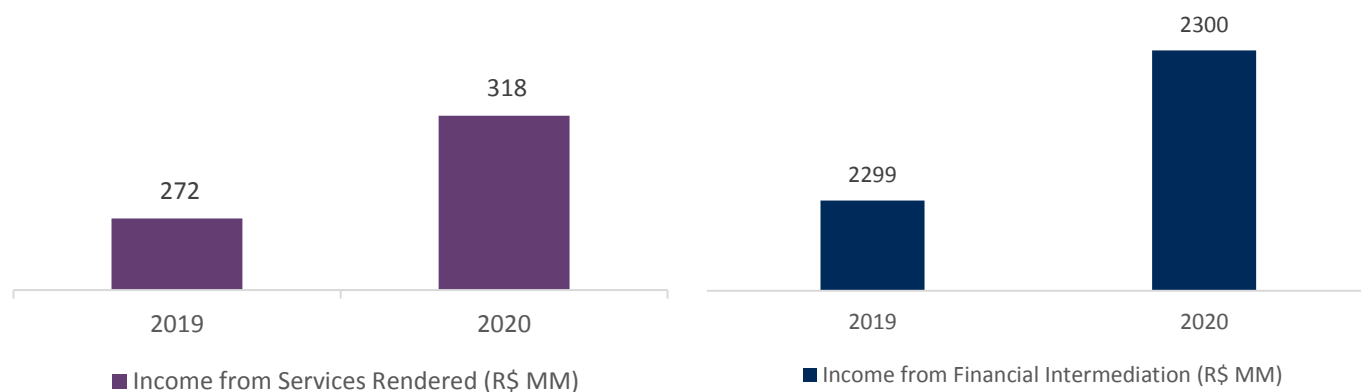
Funding through Financial Bills reached R\$ 421.4 million. Of this total, R\$ 417.3 million is accounted for under the Liabilities as “Debt Instruments Eligible to Capital”, pursuant to CMN Resolution No. 4192/2013, of which R\$ 251.5 million is being used in the composition of Reference Tier II, and R\$ 46.4 million consists of perpetual debt instruments, eligible for complementary capital (Tier I), used as Complementary Capital.



R\$ M	4Q20	3Q20	Δ%	4Q19	Δ%
Deposits					
Demand deposits	443.055	389.805	14%	312.972	42%
Savings deposits	232.987	233.045	0%	200.773	16%
Time deposits	7.332.208	6.962.277	5%	6.139.866	19%
CDB	6.593.324	6.378.388	3%	5.827.788	13%
DPGE II	738.884	583.887	27%	312.077	137%
Interbank deposits	26.753	26.474	1%	54.936	-51%
Total	8.035.003	7.611.601	6%	6.708.547	20%
Open Market Funding					
Third Party Portfolio	146.853	65.902	123%	236.529	-38%
Total	146.853	65.902	123%	236.529	-38%
Other Obligations					
Subordinated Debts	-	-	N,A,	567,739	N,A,
Total	-	-	N,A,	567,739	N,A,
Funds from Acceptance and Issuance of Securities					
Agribusiness Credit Bill - LCA	76,329	87,456	-13%	159,948	-52%
Conventional Financial Bill - LF	10,477	15,165	-31%	17,429	-40%
Real Estate Credit Bill - LCI	-	2,944	-100%	6,065	-100%
Subordinated Financial Bill - LFS	416,881	411,858	1%	361,857	15%
Total	503,687	517,423	-3%	545,299	-8%
Assignments of Loans					
Assignment with coobligation after CMN Resolution No. 3533/08	8,814	13,535	-35%	32,271	-73%
Total	8,814	13,535	-35%	32,271	-73%
Total Funding	8,190,004	8,782,106	-7%	8,090,486	1%

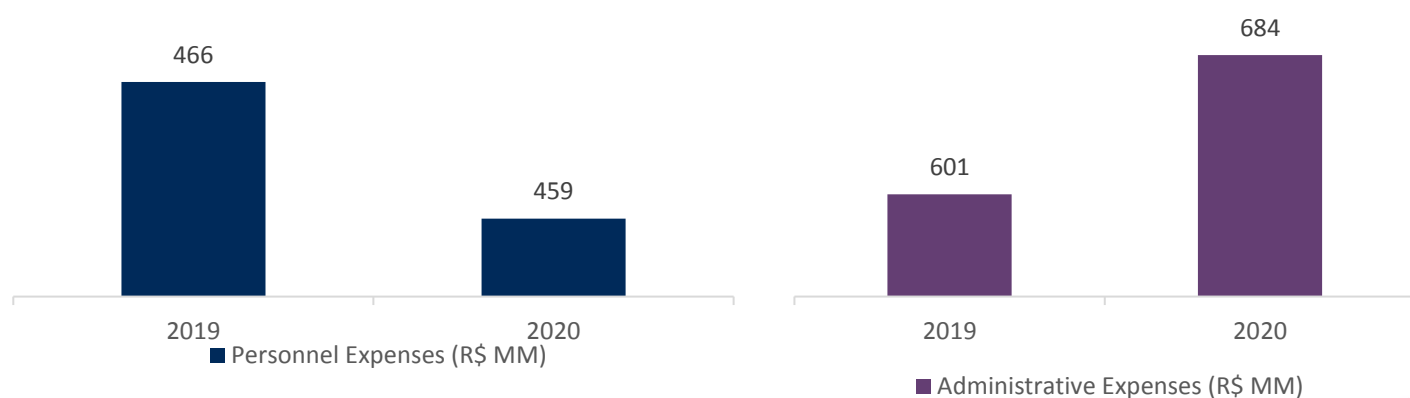


Income from Financial Intermediation stood at R\$ 2.3 billion, standing at the same level as the previous year. Income from Loan Operations reached R\$ 1.9 billion, representing a growth of 1.5%. Gross Profit from Financial Intermediation, less Expenses with Allowance for Loan Losses, reached R\$ 1.5 billion, an increase of 10.4%. Income from Services Rendered totaled R\$ 318.4 million, a growth of 17.0%.



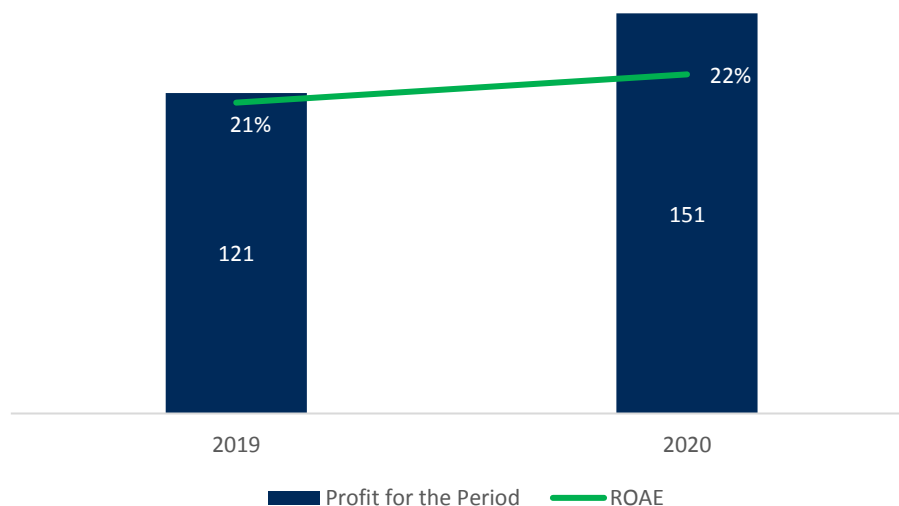
Personnel Expenses stood at R\$ 458.8 million (R\$ 466.2 million in December 2019). The two most important items, i.e. employee pay and social charges, totaled R\$ 298.4 million, an increase of 5.8% in the last twelve months, in line with the category readjustment indicators.

Administrative Expenses reached R\$ 683.8 million (R\$ 601.1 million in December 2019), a nominal evolution of 13.8%.

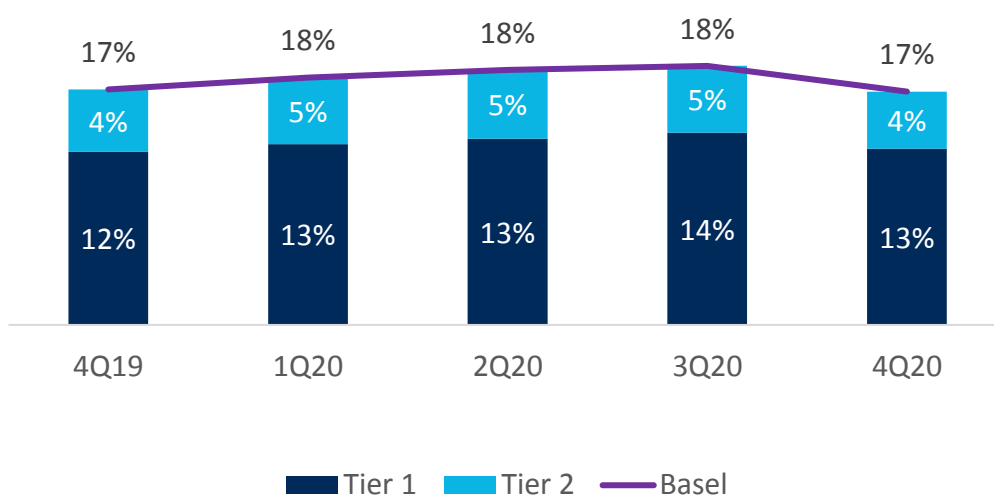


Operating Profit reached R\$ 245.2 million versus R\$ 229.5 million in December 2019, a growth of 6.8%.

Profit for the Period stood at R\$ 151.0 million, which is a remarkable increase by 24.4% versus the prior year, maintaining the growth trajectory noted since 2018, yet the period has been significantly atypical.



Capital Management	4Q20	3Q20	4Q19
Regulatory Capital (RC)	1,034,558	1,066,869	1,000,476
Tier I Regulatory Capital	781,972	791,534	738,515
Tier II Regulatory Capital	252,586	275,335	261,961
Risk-weighted Assets (RWA)	6,255,788	5,810,559	5,819,231
RWA for Loan Risk by Standardized Approach - RWAcpad	5,313,431	4,863,032	4,672,936
RWA for Market Risk - RWAm pad	2,721	7,891	16,247
RWA for Operating Risk by Standardized Approach - RWAopad	939,636	939,636	1,130,048
Basel Ratio	16.54%	18.36%	17.19%
Tier I Capital	12.50%	13.62%	12.69%
Core Capital	11.75%	12.80%	12.25%



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