Josias de Matos:

Good morning, everyone. Welcome to Banco Mercantil's earnings call for the first quarter of 2025. My name is Josias, I represent the Investor Relations team, and I'd like to thank everyone for joining us this morning.

Joining us today are Gustavo Araújo, CEO of the Bank, and Paulino Rodrigues, our CFO, who will share the main highlights and figures related to the first quarter.

Before we begin, I'd like to remind you that this call is being recorded and will be available on our Investor Relations website, along with the full transcript. The support materials used here today are also already available for download on our site. And at the end, we'll have a Q&A session.

You can submit your questions at any time, either via the Q&A tab at the bottom of the screen or through our WhatsApp using the QR Code that will also be displayed during the presentation.

So, to get us started, I'll hand it over to Gustavo Araújo, CEO of Banco Mercantil. Gustavo.

Gustavo Araújo:

Thank you, Josias. Good morning, everyone. Today we're announcing Banco Mercantil's results for the first quarter of 2025. Once again, solid and consistent results. We reached BRL241 million, achieving a ROAE of 46%, marking the tenth consecutive record quarterly result.

Our INSS origination was 78% higher than in the first quarter of the previous year, explained by our proprietary distribution strategy, serving clients through the channel most convenient for them. So, on the physical side, we expanded into 24 new cities and five states. And on the digital side, we continue working hard to provide more convenience and simplicity to these clients, wherever they may be.

This strong combination of physical and digital channels drove INSS payroll loan origination to BRL4.3 billion for the quarter, representing over 16% market share. All of this led our loan portfolio to reach BRL19 billion, a growth of 27% compared to the same period last year, with a CAGR of 25% over several years of observation—a CAGR well above the market average.

We've been growing, on average, at twice the market's pace and, when we look at our delinquency indicators, they're at half the market's level. So, for example, unsecured consumer loans are showing delinquencies around 4.4%, while our Over 90 delinquency rate is at 2.2%. So, we grow twice as much as the market, with half the loss.

That's the quality of Banco Mercantil's growth. And this quality portfolio, undoubtedly our main driver of results, boosted the Bank's profit, which jumped from BRL165 million to BRL241 million—a 46% increase for the period.

So, even with all the macroeconomic complexities of recent periods, we've recorded, at least over the last six observations, returns above 30%. That is, for us here, more than twice the Bank's cost of capital, now reaching 46.4% over the last 12 months.

Let's talk about how these results come together. Let's also try to explain them through our distribution channels. When we look at our physical presence, we expanded this quarter into 24 new cities, with 25 new service points in five new states, which is a major differentiator in Banco Mercantil's strategy—combining our brand with over 80 years of history in key cities with humanized service.

We managed to strategically select these cities to increase our presence and market share. But with a much more efficient footprint when compared to the competition, mainly due to the strength of our brand, but also to our digital strategy, fully designed to boost our physical strategy.

One of Banco Mercantil's key competitive advantages is that more than three - quarters of our contract origination happens through digital channels - end-to-end digital. Roughly half of that, about 39%, is through WhatsApp, and the other half, also 39%, through the Bank's app, designed specifically for the 50+ audience.

And what does this digital strategy and all this digital penetration mean? On the client side, more convenience. On the Bank's side, what we call zero marginal distribution cost.

So, in a market where margins are so tight, it's essential to have the lowest possible distribution cost in order to grow, and to grow profitably. And of course, we're able to grow, increase the client's lifetime value, and also grow the client base, which now exceeds 9 million clients.

So, summing it all up: Net income of BRL241 million for the period, a 46% growth. Driven by a loan portfolio that reached BRL19 billion, up 27%. Driven by a record quarterly origination of BRL5.2 billion, a growth of 54%.

Highlighting the payroll loan portfolio of BRL12.1 billion, which grew 42% in the period. And with great quality—delinquency at 2.2%, with a 0.4 p.p. decrease compared to the same period last year. As I said, the Bank has been growing quarter after quarter at twice the market's pace or more, while having losses at half or less than half of the market.

Another major highlight is our service fee income, which reached BRL203 million, growing 27% compared to the same period last year, which is proportional to the loan portfolio growth.

These are subscription-based, recurring products—a healthy revenue that requires no capital allocation, goes straight to the bottom line, and mainly, increases client loyalty by reducing churn. And all of this combined leads to that 46.4% ROAE, with very comfortable capitalization levels of 16.4%, with a slight decline here, also largely explained by the new methodology changes from Resolution 4.966, which we'll see next.

So, to break down each of these figures, I'll now invite our CFO, Paulino Rodrigues, to the stage. Good morning, Paulino.

Paulino Rodrigues:

Good morning, Gustavo. And good morning to everyone joining us for Banco Mercantil's 1Q25 earnings call. Let's now take a deeper dive into the numbers, in what was another quarter of excellent execution by the Bank. Starting with our loan portfolio, which reached a record BRL19 billion by the end of March, an increase of almost BRL2 billion compared to the previous quarter and a 27% growth compared to the same period last year. This growth is equivalent, as shown on the right side of your screen, to 2.4 times the market growth, which stood at 11.3%. Here, I'm referring to unsecured loans to individuals based on data from the National Financial System.

The main driver for this growth was the increase in our payroll loan portfolio, mostly consisting of INSS payroll loans, which reached BRL12.1 billion - a 42% growth in a period where market growth was 10.8%.

So, the Bank's growth was nearly four times the market growth, specifically in the INSS payroll loan portfolio, which, as Gustavo previously mentioned, is what drives the Bank's market share expansion in INSS payroll origination—a topic we'll discuss in more detail shortly.

The second important highlight was the origination of our unsecured personal loan portfolio, which reached a balance of BRL2.6 billion by the end of March. This is a portfolio that complements our clients' income. So, it meets the clients' needs and, at the same time, offers more attractive spreads for the Bank.

The other portfolios were basically flat over the period. These include our corporate loan portfolio, FGTS withdrawal anticipation, and other credit lines that we have.

So, how did this growth come about? Looking at origination, on the left side of your screen, we had a record origination for Banco Mercantil, surpassing BRL5 billion - almost BRL5.2 billion in this 1Q25, mainly driven by INSS payroll loans. It's worth noting that some events throughout this quarter contributed to this robust origination volume. Among them, the seasonal increase in the minimum wage. Why is this important? Because it raises the clients' consignable margin, allowing them to take new or additional loans based on this expanded limit.

In February, the maximum term for INSS payroll loans was increased from 84 to 96 months, and by increasing the term - keeping the rate constant - the principal amount clients can borrow also rises. This allowed for an acceleration in payroll loan origination.

Additionally, there were some factors that allowed us to broaden our offer, especially two increases in the interest rate ceiling. The first one - from 1.66% to 1.80% - occurred on January 9, allowing us to work with this portfolio under the new rate ceiling during the quarter. The second increase, to 1.85%, happened at the end of March, so it didn't affect 1Q25.

So, all these combined movements - of course, applicable to both Banco Mercantil and the market as a whole - allowed us to execute extremely well this period. The graph on the right illustrates this, showing the Bank's market share in origination reaching a record 16.2% of all payroll loans originated in Brazil during 1Q25. The total market origination was BRL26.7 billion, with Banco Mercantil accounting for BRL4.3 billion of that total.

In the other portfolios, I'd also like to highlight, as I did earlier, the personal loan portfolio, which also recorded a new high in 1Q25, reaching BRL678 million in origination. The other portfolios contributed marginally.

Just to remind you, as we show on the right side of your screen, 100% of Banco Mercantil's payroll loan origination is through proprietary channels, and as Gustavo mentioned earlier, digital is increasingly responsible for the Bank's origination, reaching 74.4% in payroll loans this quarter. Earlier, we mentioned 78% - that refers to total credit origination. This portfolio, as already mentioned, is a quality portfolio. The Bank has consistently demonstrated strong credit risk management, although we did observe some fluctuations in 1Q25, still within what we consider reasonable for our portfolio's profile.

It's important to note that, as you can see in the chart on the left side of your screen, there was a general worsening of market delinquency indicators. For example, personal loans' delinquency went from 5.9% at the end of last year to 6.7% by March - a significant 80 bps increase.

Payroll loans in the private sector also increased, from 7.9% to 9.1%, while INSS payroll loans, our main portfolio, remained stable, going from 1.6% to 1.5%. So, overall, the market context in 1Q was tougher in terms of delinquency.

We also saw, as you can see on the left - hand side graph, a slight increase in our Over 90 delinquency rate, but again, within acceptable levels for our portfolio profile. Additionally, we observed some fluctuation in our Over 15-90 delinquency - a leading indicator for Over 90 - rising from 1.4% to 1.7% quarter-on-quarter, and even showing a slight year-on-year decrease from 1.8% to 1.7%.

Also, it’s worth mentioning the impact of Resolution 4.966, which came into effect on January 1st of this year, requiring all financial institutions - including us - to make certain adjustments to preserve comparability.

As shown on the left-hand side graph, we’ve begun to monitor PDD (Provision for Doubtful Debts) results and how PDD represents a percentage of the portfolio. We also marked the start of Resolution 4.966’s implementation in that graph. So, in 1Q25, we recorded BRL108 million in provisions, representing, on an annualized basis, 2.3% of our credit portfolio.

Additionally, like other institutions, we now present—on the right-hand side graph—our credit portfolio broken down by the stages established by Resolution 4.966: Stages 1, 2, and 3, showing their composition for each of the three months of 1Q25.

An important highlight here: roughly 50% of the Bank’s Stage 3 portfolio is actually current.

This was a management decision: during this transitional phase, to be perhaps more conservative than strictly necessary, but we believe this was the most appropriate approach for this period of change. Of course, these models will be refined over time.

Now, shifting away from credit to service fee income—a fundamental component of the Bank’s results, not only for revenue purposes but also because it reflects greater engagement and satisfaction among our clients, reinforcing loyalty.

We had a very significant evolution this quarter in service fee income, reaching BRL203 million in accumulated revenue for the quarter—a 27% year-over-year increase.

This came with very high-quality revenue, with a growing share of insurance and assistance products—designed specifically for our 50+ client base—that are achieving increasingly significant penetration, now accounting for more than 71% of total service fee income.

On the flip side, we’ve been steadily seeing a decreasing reliance on banking fees, which now represent just 22.7%—the lowest level in the analyzed period, and very likely in the Bank’s history.

Service fee income is crucial—not only for the loyalty aspect already mentioned, but also because it’s revenue that doesn’t require capital allocation, helping improve the Bank’s profitability metrics, which we’ll look at next.

Now, turning to the other side of the balance sheet—the liability side: how the Bank funds itself. We saw a BRL1.7 billion increase in funding this quarter, compared to the previous one.

This growth was primarily driven by a market trend that started last year—worth recalling that the Bank received two double upgrades in August and September. Naturally, this put us more prominently on the radar.

Additionally, we observed a very strong flow of resources into private credit, starting in August and September last year, and intensifying in the last quarter. The Bank raised BRL1.7 billion in bilateral financial letters during that period, and once again, BRL1.3 billion in 1Q25.

This consistently lengthens our funding maturities, leaving the Bank's overall liability profile more appropriate. We'll discuss our cash position shortly, but the Bank closed the quarter with a very robust liquidity position—perhaps even stronger than strictly necessary—but we knew how to leverage this favorable market situation.

That's why, as shown in the graph, the blue bar—representing financial letters—shows the most significant growth in participation over recent quarters, especially in 4Q last year and 1Q this year.

It's also important to remember that one of the Bank's strengths is that 87% of its funding is sourced through proprietary channels, as illustrated in the left-hand side graph: the INSS client base accounts for 22%; other individual, corporate, and asset management clients represent 46%, also through our own commercial structure; and treasury operations with other financial institutions make up 20%. Altogether, investment platforms and structured capital market operations represent just 12% of the Bank's funding.

Regarding cash: the Bank ended last year with over BRL7.1 billion, resulting in a short-term liquidity indicator monitored by the Central Bank—the Liquidity Coverage Ratio—reaching a record 3.1x the minimum regulatory requirement.

So, the Bank closed 1Q25, and remains, with a very strong cash position, despite the record origination we've seen.

Now, a bit about capital. It's worth diving a bit deeper here, given that in 1Q25, Resolution 4.966 came into effect. The adjustments resulting from this directly impacted shareholders' equity, explaining the reduction observed in the line graph on the left, which ended March at BRL1.9 billion.

Consequently, the Basel ratio was also impacted. We reconcile the Basel ratio in the upper right-hand graph, showing that we closed 1Q25 at 16.4%, with Resolution 4.966 accounting for a 0.9 p.p. reduction.

However, this doesn't change the fact that the Bank remains extremely well-capitalized. A Basel ratio of 16.4% is well above the 10.5% minimum requirement. The Bank absorbed the effects of Resolution 4.966 and continues with a very robust capital position, supporting its sustained growth over recent quarters.

Looking at how the Bank has been evolving in terms of growth over the past three years, we're particularly proud of this graph, as it shows revenue growth far outpacing the growth of expenses—or even the cost of funding.

In a scenario of monetary tightening, funding costs have been under pressure, with successive increases in the Selic rate, which has driven that dark blue line at the bottom of the graph to rise continuously.

These are not cumulative figures—they are quarterly data. But we've been working to offset this primarily through greater operational efficiency, illustrated by the light blue line in the middle of the graph, which decreased compared to 4Q last year, reaching BRL762 million in 1Q25. That's very important as context for tracking the Bank's return targets.

But before that, let's talk a bit about net financial margin and its components: net financial margin reached BRL1.068 billion, and service fee income, as we just discussed, also contributed to the total revenue, which reached BRL1.271 billion this quarter.

Regarding net financial margin (NIM): as we've been saying for a few quarters now, NIM has been pressured by a complex macro scenario, especially monetary policy, along with historically low spreads in the Bank's main product—INSS payroll loans.

We've been striving—and successfully—to compensate for this NIM pressure through other measures, preserving return on assets and, with maintained leverage, return on capital, which has actually been on an upward trajectory.

However, as we've previously anticipated, the Bank expected a NIM reduction, which is due to three main factors:

A proportionally higher cash position, linked to the funding strategies I just mentioned. Slightly lower credit rates, also driven by a portfolio mix effect, as INSS payroll loans, with their regulated ceiling, take up an increasingly larger share of our portfolio. Higher funding costs, naturally tied to the rising CDI. For illustration: the average CDI Over in 4Q last year was 11.14%, and in 1Q this year, it rose to 12.95%. So, it's essentially these three combined factors that led to the NIM reduction we observed—still a healthy NIM, above 18% at 18.4%, but lower than before.

As I mentioned, operational gains—as we showed two slides ago—and strict, efficient credit risk management have allowed us to offset these NIM variations. As such, as you can see in the right-hand graph, ROAA even increased this quarter, by 10 bps, reaching 3.5%, one of the highest ROAAs in the Brazilian industry. This, multiplied by leverage, leads to the ROAE shown on the left-hand graph, which, as already presented, reached 46.4% in 1Q25.

However, it's important to note here that we had the impact of adjustments stemming from the implementation of Resolution 4,966. If we were to normalize for comparability across the last quarters shown on the slide, we'd be talking about a ROAE of 42.2%, effectively excluding the effects of Resolution 4,966.

So, in short, Banco Mercantil delivered yet another quarter of improved operational performance, as illustrated by the ROAA. The significant increase in ROAE—from 41.3% to 46.4%—is largely due to adjustments resulting from Resolution 4.966, but even without these effects, the Bank would still show a ROAE increase to 42.2%, another quarterly improvement, consistent with the trend we've maintained over the last quarters.

With that, I conclude my presentation and hand it back over to Josias so we can move on to our Q&A session. Thank you very much. Josias, please.

Participante 1 (via webcast):

Congratulations on the results. What's the Bank's approach regarding private payroll loans? Are you currently operating in this segment? Do you believe it can be a significant driver of portfolio growth in the coming quarters?

Gustavo Araújo:

Well, regarding private payroll loans, I think first of all, we should look at the market's potential size. Several studies—including internal ones—indicate this market could reach 20 million borrowers. The average ticket today is around BRL6,000.

It tends to increase as the risk of this product becomes better understood. So, we're talking about over BRL100 billion in potential opportunities here—a new, unexplored market that's opening up. We believe the addressable market is quite large.

From Mercantil's perspective, even though we have a stronger focus on the 50+ segment, many of the features we've developed for that audience serve as competitive advantages that also position us well to compete in this new private payroll loan market.

From margin assignment to the fact that this public tends to be more digital, we already have a robust anti-fraud strategy and digital channels with 78% penetration for our 50+ clients. We believe these strengths will allow us to be competitively significant in this new market.

It aligns well with the Bank's strategy—diversification, collateralization—and we believe we can secure a meaningful share of what we view as a huge market.

In terms of product readiness, we're exercising some caution. We're running several tests. The Bank is already fully prepared across all channels—digital channels—with risk analyses for both employers and individual borrowers, limits, and pricing.

We're preparing the Bank to be able to seize this opportunity. Just as context: when the FGTS advance product launched, we managed, precisely because of these same strengths, to capture nearly 15% of the market—BRL3 billion in portfolio—showing we can capitalize on such opportunities.

But at this point, we're holding back a bit, mainly waiting for some operational aspects to stabilize. For example: margin assignment is already working well. But when it comes to recording loan data, we still see some difficulty from employers.

We're also waiting for the repayment of the first installments from loans we disbursed during our pilot phase when the product launched. These repayments will start within 60 to 96 days after the first disbursements, according to the product's own schedule.

We're also awaiting the formalization of the FGTS guarantee, which is an important product feature.

When these elements are better established, we believe Mercantil will be fully positioned to assess the level of market share we want to pursue, confident that this is a product that's important for Brazil, for society, and also an opportunity for the Bank.

But always with our strong execution—measuring risk and return—and being ready to accelerate at the right time, continuing our sequence of strong results.

Participante 2 (via webcast):

The NIM dropped to 18.4% this quarter after staying above 20% for quite some time. What are the main drivers behind this decline? And how is the Bank managing its ALM and hedge strategy?

Paulino Rodrigues:

Good question—and yes, we touched on this during the presentation. The NIM did come down to 18.4% in 1Q, and I'll summarize again the key drivers we mentioned.

First, the monetary policy scenario—the Selic rate hike. This is something we had already anticipated and mentioned in previous earnings calls and meetings with analysts.

Our strategy has always been to anticipate those impacts, but also to offset them through other levers—like credit risk management, efficiency gains, and our hedge policy—so that we can maintain solid levels of profitability, as seen in our ROAA, and continue delivering returns on capital well above our cost of capital. Which we've managed to do.

Now, going back to the NIM specifically, the key factors are:

A larger cash position than usual. If we look at a metric I brought here today—cash as a percentage of interest-earning assets—it reached 24.2% in 1Q25. Just for comparison, in 1Q of the previous year, it was 17.5%.

This is a result of that funding strategy I mentioned earlier, where we took advantage of a high-liquidity market window to raise funding, extend maturities, and lock in better terms—especially through financial letters.

The second point is credit rates, which saw some downward movement—also due to the portfolio mix. As the INSS payroll loan grows as a percentage of the portfolio, and given it's a capped-rate product, the average yield on the portfolio declines slightly.

Lastly, the funding cost itself, due to higher CDI. To give you an idea, the average CDI Over in 4Q24 was 11.14%, and in 1Q25 it reached 12.95%. That clearly puts pressure on funding costs.

And yes, we do have hedge policies in place. We're active in DI futures to offset the structural mismatch in Brazilian retail—where funding is post-fixed and lending is pre-fixed.

However, even when applying a strict hedge policy, if you try to hedge today—let's say using DI futures for durations of our credit portfolio, around two to three years—you'll find the DI January 2027 contract is trading above 14%, and January 2028 just under 14%, around 13.80.

So, hedging costs more than it did one or two years ago due to the macro environment. When we say the payroll loan product is at its lowest historical spread, this is what we're referring to.

We don't issue formal guidance, but we did anticipate this NIM trend. We believe it should remain at these levels over the next few quarters, considering the segment and the macro outlook.

That said, it's important to emphasize: this should not prevent us from continuing to deliver above-industry returns for our shareholders.

Participante 3 (via webcast):

Origination growth this quarter really stood out, but there seem to have been several seasonal factors involved. What are the expectations for the next few quarters?

Gustavo Araújo:

Paulino touched on several of these factors earlier. One is seasonal—the minimum wage increase, which boosts the consignable margin and allows for greater borrowing. So, every 1Q, for banks active in the payroll loan segment, there's a natural uptick in origination.

But we also saw structural and regulatory factors this time around. For example, the increase in the maximum loan term—from 84 to 96 months. And just as important, the increase in the payroll loan rate ceiling, especially to 1.80%, which was the most relevant for this quarter. It's now at 1.85%, which will impact 2Q25. This ceiling increase allows for greater risk appetite when underwriting loans to riskier borrower segments.

When we talk about payroll loans, two key variables come into play: benefit cessation risk and actuarial mortality. With higher and more normalized ceilings - like 1.80% or 1.85% - we're finally able to serve more people, which translates into higher origination. Now, all of these - seasonal, structural, and regulatory factors - were available to every bank in the market.

So yes, we recognize those elements, but what's important is the relative performance: Banco Mercantil reached 16% market share in origination.

Given the same market conditions, what we saw here was very strong execution, which enabled us to achieve record origination this quarter.

Participante 4 (via webcast):

What is the strategy behind your network expansion, and how does it relate to your digital strategy?

Gustavo Araújo:

Fundamentally, if we compare Banco Mercantil's macro strategy with other players, we'll see that most banks segment customers primarily by income. So, a 20-year-old and an 80-year-old with the same income are usually served in the same customer segment.

Mercantil takes a different approach. As the bank for the 50+ population, we look at clients through another lens. Behavior patterns matter—and age is a very important factor here.

When we cluster these clients—and age plays a big role—we see that certain age groups still prefer human, in-person service.

That's crucial from a customer experience perspective. So, that's one reason why having physical branches is important—to be able to provide a complete strategy for the 50+ demographic.

The second reason is regulatory. Mercantil holds leading positions in various lots of the INSS benefit payment auctions. And to fulfill benefit disbursement rights, we must—per the bidding terms—ensure that clients have convenient access to withdraw funds at physical locations.

So it's also key that we have branches strategically placed to comply with these regulatory obligations tied to INSS benefit payments.

And finally, there's the matter of brand strength. With an 80-year history, our name carries weight in municipalities where we operate.

When we look at population numbers, the number of retirees per capita, local GDP, demographics—we know that arriving in a city with our brand creates strong community recognition, which in turn helps drive market share.

Now, a few years ago, we were mostly present in the Southeast. Today, we're the fifth largest INSS benefit payer. So the big challenge—and opportunity—was: how do we scale this strategy nationwide? To do that, we had two options. We could open thousands of new branches—or we could focus on efficiency. That's where digital comes in.

In places where it doesn't make economic sense to have a physical branch, we rely on our strong digital strategy. And even in places where we do have branches, digital enhances the performance of those locations. So, we combine the best of both worlds: physical presence where it makes sense—geographically, economically, or for regulatory reasons—and digital reach everywhere else.

Together, physical and digital allow us to originate at scale. With 78% digital origination and strategic physical expansion, we've hit numbers like 16% market share in payroll loan origination and the fifth-largest position in INSS benefit payments. And we want to go further.

Digital gives us greater scale and convenience for certain segments, with low marginal cost. Physical gives us local trust, regulatory compliance, and human touch when needed. That's how we plan to keep growing—by combining the two intelligently.

Participante 5 (via webcast):

Good morning, and congratulations on the results. Given the digitalization and operational leverage achieved in recent years, what ROAE level do you see as sustainable for the Bank in the medium term?

Paulino Rodrigues:

That's a great question—and I'll connect it back to the NIM discussion.

Given our niche—serving a specific demographic—we're not a universal bank. So, we believe our return levels should be higher than those of universal banks. And we've consistently delivered that, quarter after quarter.

That said, a ROAE in the 46% range—like we saw this quarter—or 42% when adjusted for Resolution 4.966, is not necessarily our long-term "steady state" ROAE.

Based on current assumptions, we see a sustainable long-term ROAE in the 25% to 30% range. That's what we use internally as our long-term normalized return metric.

Now, for this year specifically—we don't give formal guidance—but we do believe that what we saw in 1Q can continue. That means a NIM around 18%, maybe high 17s, and return levels similar to what we saw this quarter.

Further ahead—well, we'll have elections next year, and 2027 will be the first year of a new administration. So, we'll keep reassessing as things evolve. But again, our view is that a sustainable long-term ROAE is somewhere between 25% and 30%.

Participante 6 (via webcast):

Congrats on the results. How do you see the increased competitiveness in the INSS auctions affecting your position over the coming years?

Gustavo Araújo:

So, we had the latest INSS benefit payment auctions last October, in São Paulo. And yes, there were more players participating. But in the end, for Mercantil, what we observed was that the final price was much lower than what we had five years ago.

So, even though there was more competition, Mercantil secured prominent positions—and those positions will hold for the next five years. We have top-tier placements—first, second, or third—in most of the lots, and we were able to do that at a much better cost.

So, from our standpoint, the competition is already factored in. Maybe one or two players have similar standings, but overall, our position is strong for the next five years. On top of that, our client acquisition strategy outside the auction process is becoming increasingly effective.

Part of that comes from our physical expansion. But a big part also comes from our growing digital efforts—performance marketing, branding, client funnel strategies. And all of this is reinforced by our product strategy—ensuring that the client finds everything they need within our ecosystem.

That keeps them with us for longer, reduces churn, and drives stronger cross-sell. Ultimately, it increases lifetime value.

Participante 7 (via webcast):

Any debt issuance planned in the capital markets?

Paulino Rodrigues:

Yes. Even though, as we showed earlier, the vast majority of our funding comes through proprietary channels, we do like to maintain periodic access to the debt markets. We believe it's healthy to stay visible to the market and maintain relationships with analysts and investors.

So yes, we do expect to issue. I can't yet comment on the exact structure or volume—we're evaluating that now. But we do expect to go to market between the end of 2Q and early 3Q with a new structure.

Josias de Matos:

Great—so we're reaching the end of our earnings presentation. Once again, I'd like to thank Gustavo and Paulino for the presentations.

And I'd like to leave you with a special invitation. In early May, we published our 2024 Sustainability Report, which brings together the Bank's main initiatives across environmental, social, and governance areas.

That report is already available on our Investor Relations website. So, we invite everyone to take a look and explore that content. Thank you once again for joining us, and have a great day.