



Banco mg
1Q25 RESULTS CONFERENCE CALL
May 15, 2025

Danilo Herculano:

Good morning, everyone. Welcome to the 1Q25 earnings results conference of Banco Bmg. My name is Danilo Herculano. I am responsible for the areas of Investor Relations, M&A and Institutional Distribution. Today with us, we have Felix Cardamone, CEO; Flávio Neto; and João Consiglio, our Vice-Presidents; and Marcelo Picanço, CEO of Bmg Seguridade.

We inform you that this video conference is being recorded and will be made available in our IR website www.bancobmg.com.br/ir. All participants will only be watching the video conference during the presentation. After the presentation, we will hold a questions and answer session. Questions can be sent in writing at any time using the Q&A icon that appears on the bottom bar of the screen, providing your name and material. Remembering that the release material in English and Portuguese is already available for download on our website in the Results Center tab.

Before proceeding, we would like to clarify that any statements that may be made during this video conference regarding the Bank's business prospects should be treated as forward-looking statements. Investors should understand that general conditions, economic conditions, industry conditions and other operating factors could affect the Bank's future results and could lead to outcomes that differ materially from those expressed in such forward-looking statements.

I would now like to turn the floor over to Felix, who will start the presentation. You may proceed.

Felix Cardamone:

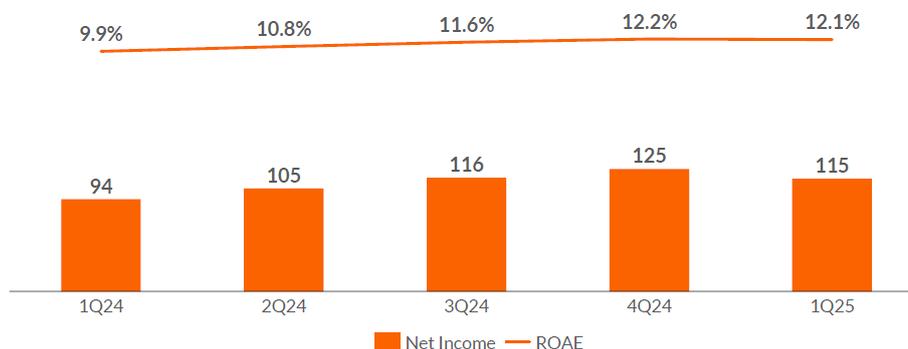
Good morning, everyone who's attending our conference. It's another day where I have the honor to discuss the results with you. To start on slide 2. I would like to draw your attention to the consistency of our results. In the 1Q25, we delivered a ROAE of 12.1% when compared to the 9.9% in the same period of the previous year. And our results, our net income grew by 22%, also when compared to the 1Q24.

Sustainable generation of results



Profitability

Recurring Result | R\$ million and % p.a.



2

On slide 3, our strategy is to be ever closer to our clients through a continuous evolution of understanding of the life cycle of our public target and to serve ever more our clients to do the development of our products and processes in an ever better way so that they can be ever more appropriate to our public.

We want to get ever closer to our clients. And on this slide, I would like to draw your attention to some points. First, the origination of our core products. Even in a market with restrictions of origination, we grew 2.9% in the comparison to the same period of last year.

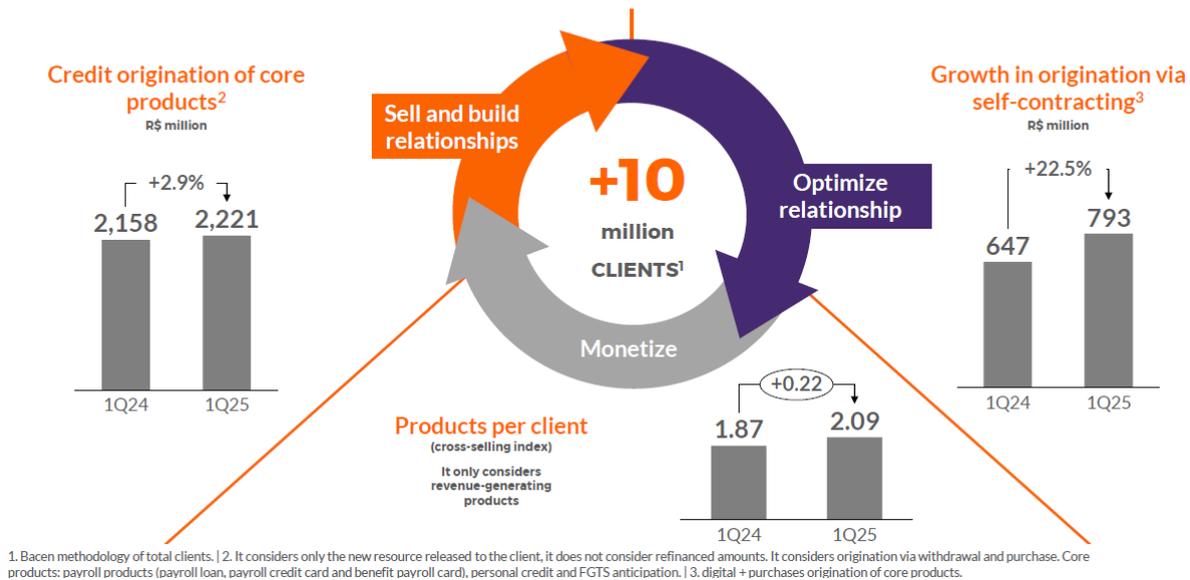
Second, the growth of our origination via self-contracting that grew by 22.5%, showing the process evolution in digitalization, and on our journey ever more fluid to our public.

And lastly, I would like to discuss our cross-sell increase. This is an indicator that we have been watching very closely, and it ensures that we are evolving from a transitional bank into a relationship bank with the public. And we understand that this selling, optimizing the relationship, of course, never forgetting the profitability, is fundamental to our strategy, not just the short-term strategy, but also in the medium and long term.

Evolution from a transactional to a relational bank



The lifecycle guides the sales and relationship strategy



Slide 4, I would like to show that our priority is profitability without any doubt. It's also efficiency by means of providing better sales quality, improving our products and providing better service in our constant search for customer satisfaction.

We can see some indicators that we follow internally, and we are now disclosing them with you. First one is the NPS service, which is in the zone of excellence, which is so good. We have reduced our costs. We have also had a self-service retention that has reached 88%, so, that shows that operational efficiency is very important, but clearly, without disregarding the quality. And this can also be demonstrated by the 2 other indicators, which are public indicators.

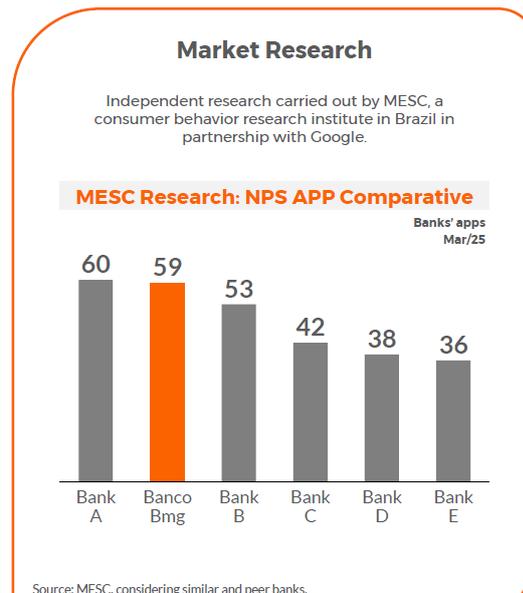
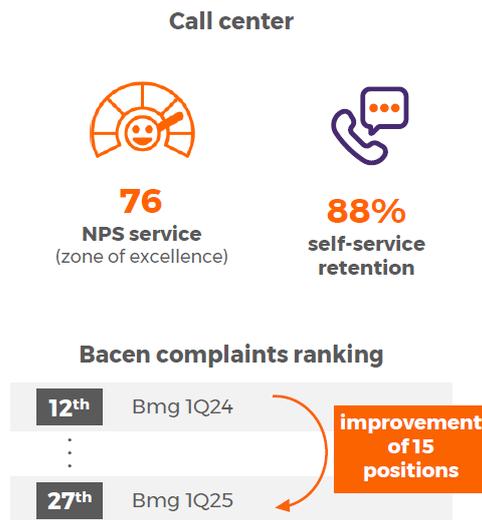
The ranking of complaints of the Brazilian Central Bank, we improved by 15 positions; the lowest, the better, those who are at the top received more complaints.

So, on the right of the slide, you can see the MESC research. It's a Google company, it is a public research and the main apps are evaluated. And we rank second, practically in a technical tie with the first in the ranking. It's a combination of profitability, focus on the client, efficiency and good service provided. All this has been bringing good results. So, one would not rule the other.

We are focused on the public, class C and D, 50+, and this is the niche we chose to operate with. It's a very broad public addressable market of almost 40 million pensioners, plus almost 15 million potential clients in public payroll loans, and with all potential clients that we have the private payroll product.

We focus on the 50+. We understand that this is our niche and all our team has the mission of developing journeys, products, services, sales that could be provided in a special way. So, we are specialists in the market for this public.

Ensuring quality of service



4

Moving on to the slide 5, I would also like to point out that one of our biggest strengths is the capacity that we have to leverage our physical channels and digital channels in a combined way. And this is a need that we understand that our target public has. And there are some points that I would like to draw your attention to.

First, our network is eligible to pay 87% of the INSS retirees. We have a very good position in relation to our addressable market. And another point is the growth of our help! stores. It's important to mention that we want to reach the number of 900 stores up to the end of the year (2025). Our distribution network is conducted by means of our partners, correspondent. I would like to highlight that we had a convention and nearly 450 people attended our event. And we enforce how the Banking correspondents are important to our business.

And, talking about all the investments that we have been making in the digital experience. In the previous slide, I showed the NPS of our app, that is very specialized and has been resulting in good outcomes. We have the credit shopping, which is the client can only use one click. Customers don't need to open an account, and if the client uses the CPF they can receive all the products we can offer, credit and insurance.

So, we have been investing continuously in this digital experience, combined with our physical strength. And of course, we are always working with a lot of transparency with a lot of clarity with our target public.

Strong customer relationship network



Branches

- 24 branches
- Eligible to pay benefits of 87% of INSS retirees and pensioners

Brazil-wide presence

Anytime, anywhere, any device

Wide distributors network

- Strengthening the relationship with the main bank correspondents
- Holding a convention with 450+ partners

help! stores

Number of stores:

Year	Number of stores	Change
2023	783	
2024	825	+42
1Q25	834	+9

- Planned expansion: about **900 stores by the end of 2025**

Digital

Launch of the credit shopping: bringing the physical channel experience to the online environment

Credit without opening an account

On the next 6, the Bank continues on its journey to evolve in its technological platform and adopting new tools so that efficiency can enhance so that we can grow in scale and increase customer satisfaction.

Something that I would like to draw your attention to is the use of cloud. Nearly 50% of our processing activities are already in the cloud mode. We intend to continue this evolution, and this brings a lot of speed to our processes, as well as our micro service architecture will help us speed up the implementation and development of new solutions.

Another point is the approval time for a payroll loan that now takes some minutes, and it used to take hours. And we have more than 30 internal initiatives related to artificial intelligence, always focused on security and efficiency. There are some highlights which are quite tangible related to our results.

I would like to point out in the legal level, we reduced 70% the defense preparation time and then reached a 73% reduction in the time of analysis and in providing responses and also our architectural agents, which will bring more simplicity and agility in the routine of our developers.

We are not using artificial intelligence in the front, to serve our customers, but we have been applying artificial intelligence on several fronts to promote this efficiency and understand how we can and must calibrate and use artificial intelligence during this evolution. So, it's a combination of a more modern architecture, cloud service, digitalizing processes and using new technologies. They all bring good insights either from the viewpoint of product development, service and also, all things connected to our operational efficiency.

Technological and operational efficiency

Scalable, flexible and stable

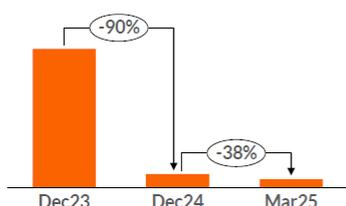


Key initiatives in progress



Velocity

Approval time for payroll loan



+30 AI initiatives focused on generating process efficiency and security

Highlights

Legal
70% reduction in defense preparation time in tested cases

Ombudsman
73% reduction in the time of analysis and preparation of responses

Architectural Agent
that joins standards and procedures, simplifying developers' routines

6

Now I would like to turn the floor over to Flávio.

Flávio Neto:

Thank you, Felix. Good morning, everyone. It's an honor to be here once again addressing you. I would like to start from slide 8. We are going to discuss our credit portfolio. Let's begin with our more relevant products, which are the payroll products, the payroll credit cards with a growth of 2% when compared to the last quarter, with a trend that has been maintained for some time of growth in this portfolio.

On the other hand, our highlight for this quarter was the payroll loan portfolio that grew about R\$ 700 million. And this growth was very much driven by a strategic decision that we made in this quarter associated with the pressure of margins.

So, we decided not to put aside the loan. We saw that the interest rates were very high. We made a decision to hold this loan portfolio for this time. And now with the curve of interest rates more stabilized, we are going to go back to how we will operate in the 2Q25.

Our retail individuals portfolio had a growth of 7.6%, and the main product in this portfolio is the FGTS, together with the personal credit for pensioners of INSS. Both portfolios had growth, but it was mainly by the second one related to personal credit and INSS pensioners. Our wholesale portfolio had a little drop, but this is not a trend anyway because we see a stabilization trend.

And when we look at U.S. payroll portfolio, we have a very strong strategy to reduce it. We saw that the portfolio has already dropped more than R\$ 600 million in this quarter alone.

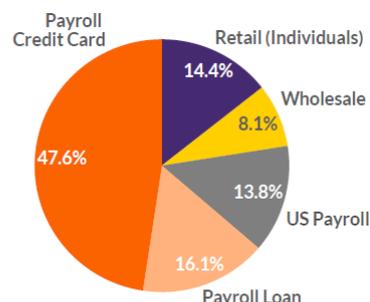
We are likely to see reduction trends along the year of 2025, and possibly even in 2026, until we can zero this portfolio. So, as a whole, our portfolio grew by 2%, and with the payroll of loans that was the major driving force.

Diversification of the credit portfolio



Secured loans (payroll + FGTS) represent **71% of the portfolio**

Credit Portfolio (R\$ million)	1Q25	4Q24	Δ%	1Q24	Δ%
Payroll products	17,076	16,164	5.6%	15,422	10.7%
Payroll Credit Cards	12,759	12,519	1.9%	12,051	5.9%
Payroll Loan	4,316	3,644	18.4%	3,371	28.1%
Retail (Individuals)	3,860	3,588	7.6%	4,450	-13.3%
Wholesale	2,176	2,251	-3.3%	2,089	4.1%
Companies	837	857	-2.3%	643	30.0%
Structured Operations ¹	1,339	1,394	-4.0%	1,446	-7.4%
Brazil Credit Portfolio	23,111	22,002	5.0%	21,962	5.2%
US Payroll ²	3,706	4,334	-14.5%	2,910	27.3%
Total Credit Portfolio	26,817	26,336	1.8%	24,872	7.8%



1. Refers to the anticipation of receivables from commissions paid by Bmg to banking agents and franchisees, and anticipation of TV broadcasting rights to soccer clubs. | 2. The balance of this portfolio fluctuates based on the portfolio's value in U.S. dollars and exchange rate variations during the period, however, the Bank does not bear foreign exchange exposure risk on this portfolio.

8

On slide number 9, we talk about the quality of our payroll portfolio. We start to adopt the Resolution 4,966 that came into force as of the beginning of this year. So, we disclosed our portfolio in the stages of 1, 2 and 3. The portfolio is in stage 3 at 6%, while stage 1 is reaching almost 91%. With this resolution, we increased our provision of about R\$ 1.2 billion, and our coverage ratio then moves from 108% and goes to 202%. And we feel very comfortable, well covered.

When I am doing this, we see that Over90 rate with a reduction. So, the increase of the provision is basically a result of the Resolution 4,966.

When we see the provisions net of recovery, that already had some impact from the resolution. And the portfolio grew very fast, and there was an increase of expenses as expected, reaching a level of 6.6%.

Quality of credit portfolio

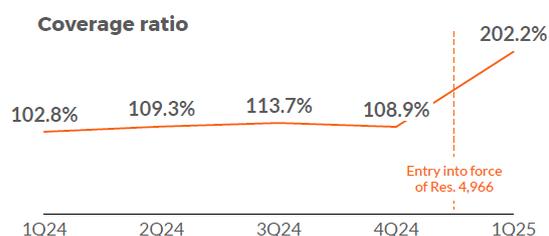


Entry into force of Res. 4,966

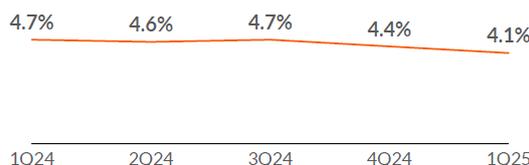
Increase in provision balance by R\$1.2 billion on 01/01/2025

Breakdown of the loan portfolio by stage:

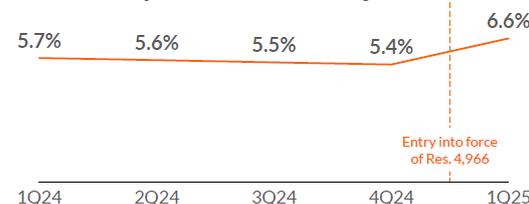
Stage 1	90.8%
Stage 2	3.2%
Stage 3	6.0%



NPL - Over90



Provision expenses net of recovery¹



1. Provision expenses net of credit recovery, divided by average portfolio and annualized via multiplication.

9

With this, I turn the floor to Marcelo Picanço, who will discuss more about our insurance operations.

Marcelo Picanço:

Thank you, Flávio. Good morning, everyone. I am very happy to be here with you discussing the evolution that we had in the business of insurance. Before talking about the figures of the insurance company, I would like to say that our focus is basically to work with inclusion. And there are 80% of Brazilians who do not have an insurance policy, in a strong synergy with the Bank, which also has this whole process of inclusion in credit in its history.

So, on slide 10, we had an evolution in the premiums that have been issued. We reached R\$ 118 premiums issued. And this is how we see the growth in the insurance company, with a return over capital of 98%.

And with this combined ratio of 78%, it was very important to acquire 100% – of course, there are some regulatory approvals to be made – of Bmg Seguradora, which is our retail insurance company, which has a potential to add 40 p.p. in the net income. And if we make a simulation for the year of 2024, it would represent more than R\$ 26 million in the results. And in the 1Q25, it would have an addition of R\$ 6.5 million. If we look at the Bmg share, that amounts to R\$ 10 million. So, the impact would be 10 bps is on Basel.

Retail Insurance: reaching those without protection

Growth, profitability and acquisition of strategic business



1. Conclusion pending regulatory approvals. | 2. Net Income of Bmg Seguradora and share for Bmg.

On slide 11, I would like to point out the evolution that we also had in the broker company, the Corretora, with a growth of 41% in the premiums that were commercialized. This is all the money that was provided with us, in a robust and continuous manner by the clients.

And spite of the number of policies almost reaching 10 million of businesses, of relationships as we usually refer to, we have 28% of the clients of the Bank who have insurance. We say that it's only 28%, so we see a great potential to increase this penetration in a public that has a very major opportunity to have their needs met in an adequate manner.

And we have diversified those premiums that go beyond the credit insurance. So, we have solutions of access to health that reached nearly 700,000 people with a very robust growth as well.

Retail Insurance: reaching those without protection

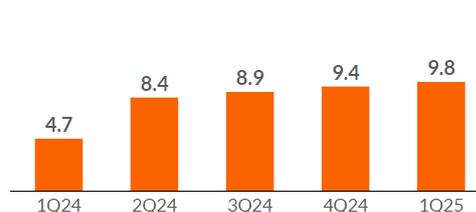
Bmg Corretora with vigorous growth of 41% in premiums sold



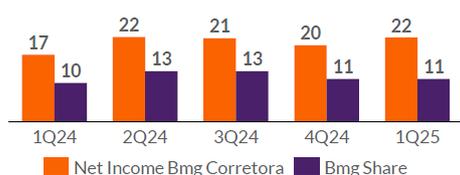
Premiums sold (R\$ million)



Number of insurance policies (million)



Net Income¹ (R\$ million)



- 28% of the Bank's clients with insurance products (+4 p.p. YoY)
- Bmg Med (telemedicine), reached 695 thousand policies (+36% QoQ)

1. Net Income of Bmg Corretora and equity equivalence for Bmg. In Nov/24, Bmg's shareholding was 51%.

At this time, I would like to turn the floor over to João. Thank you.

João Consiglio:

Thank you, Marcelo. It's a pleasure to be here with you. Good morning, everyone. I am going to discuss the product specifically. Going to slide 12, Flávio has already made some comments on the evolution of our payroll products, which was very robust in the 1Q25, because we were able to maintain the levels of origination when compared to the previous levels, despite all the difficulties that we faced in this 1Q25 related to the origination.

So, maintaining the levels was something very important, very positive, and the decision not to have any assignments considering the future aspects. The portfolio grew in a robust manner, and 95% of the portfolio is related to the INSS. Of course, we have been trying to go for profitability of our portfolio with a higher operational efficiency of the Bank, and we have been able to be maintained very competitive in this market.

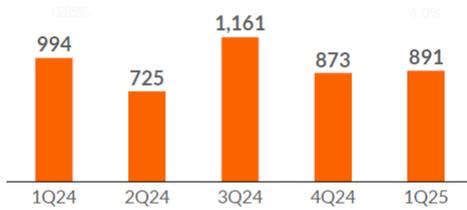
Only to add, I would say that we have a major opportunity here to increase our share, our other public areas in addition to INSS. So, that was still a small area for looking at our business, and we want to increase the participation of other agreements.

Payroll Products

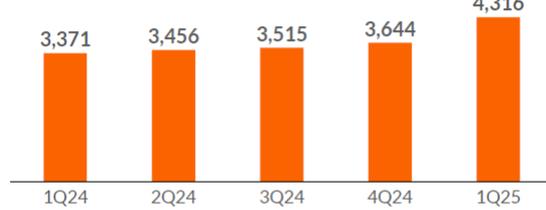
payroll loan



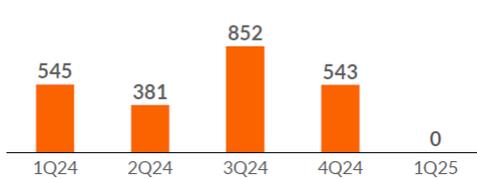
Origination: Quarterly released amount¹ (R\$ million)



Credit portfolio (R\$ million)



Quarterly assigned amount² (R\$ million)



Characteristics of the portfolio

Average interest rate: 1.7% p.m.	95% of the portfolio in INSS
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1. It considers only the new resource released to the client, it does not consider refinanced amounts. | 2. Credit assignment without retention of risks and benefits.

On page 13, we can see what's happening to our payroll credit card and our benefit payroll card portfolios. We have been able to grow the portfolios, and the value released has been increased as a result of the adherence by the clients to the card for purchase, not only to withdrawals. And this is something that has been very important so that we can facilitate the use of the cards and that increases the number of cards issued. And our portfolio has been growing in a recurrent manner, bringing the clients ever closer to the Bank.

The highlight is the growth of the benefit payroll cards. In this quarter, we have managed to increase our share. And since this is one of the main portfolios of the Bank, we see a lot of opportunities to continue growing in a very consistent manner.

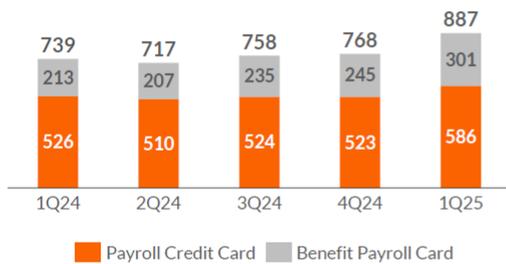
Here, An important opportunity that we have to increase in public agreements. In the case of cards, we have a larger share, which would be about 12% in our portfolio that is represented by others and we have been able to grow consistently, especially in the past 3 months.

Payroll Products

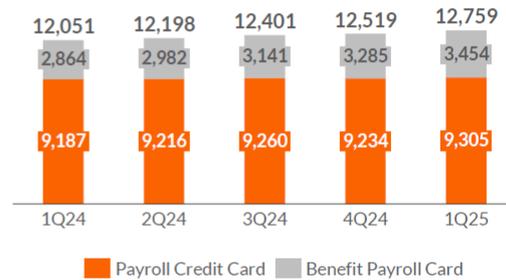
payroll credit card + benefit payroll card



Origination: Quarterly released amount¹ (R\$ million)



Credit portfolio² (R\$ million)



Characteristics of the portfolio

Average interest rate: 3.0% p.m.

Payroll credit cards: 4.9 million cards

88% of the portfolio in INSS

1. It considers only the new resource released to the client, it does not consider refinanced amounts. It considers origination via withdrawal and purchase. | 2. Includes balance of purchases to be invoiced.

13

Now moving on to page 14, I am going to discuss the retail individuals, and the main products are the anticipation of FGTS and personal credit for INSS pensioners. This portfolio is the portfolio on which we have been focusing, and we have also been growing consistently in the past quarters.

This is an undersized product in comparison to the size of the Bank. So, we see a great opportunity to work with our clients in this line and increase the number of products per client in the Bank.

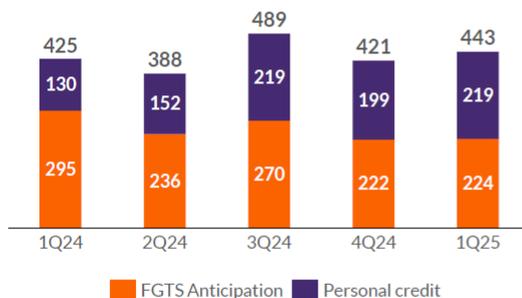
We are very happy that this portfolio has been growing consistently, with a lot of safety, with a lot of confidence knowing what we are doing in the portfolio of personal credit. FGTS anticipation, obviously, it's not something that has been growing in the market as a whole, but we maintain our share in the market.

Retail (Individuals)

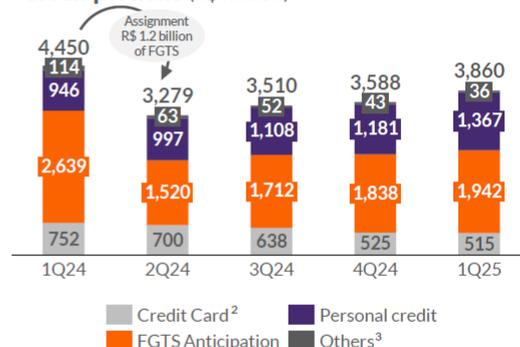
personal credit + FGTS anticipation + credit card



Origination: Quarterly released amount¹ (R\$ million)



Credit portfolio (R\$ million)



Characteristics of the portfolio

Average interest rate: 8.5% p.m.

94% of personal credit portfolio receives the benefit through Bmg

1. It considers only the new resource released to the client, it does not consider refinanced amounts. | 2. Includes purchases to be invoiced which represent 51% of the credit card portfolio in 1Q25. | 3. Other portfolios refer to PJ Varejo (Companies Retail), the portfolio linked to the Desenrola Brasil program, and run-off primarily referring to legacy payroll loans.

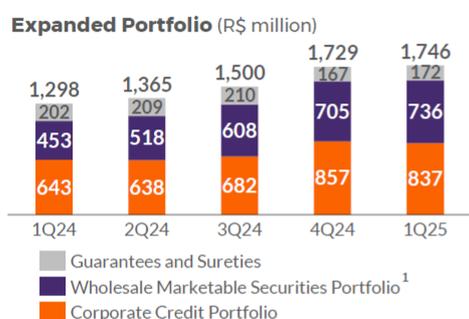
14

Moving on now to page 15, we are now going to discuss our wholesale business. As a reminder, our wholesale business has the support and it has an important strategy of synergy with Araujo Fontes for more structured activities in the capital market, bringing the ROAE for this portfolio.

In this presentation for this quarter, we are now going to include what is the expanded portfolio, and this is usually what represents our share in the wholesale businesses, including not only the credit portfolio, but also collaterals and securities that mostly are by high credit quality and net products where we do the origination, the structuring and the distribution of those bonds.

This is a portfolio that provides a lot of guarantees, a lot of collaterals. Nearly 90% of the portfolio has some sort of collaterals connected to it. So, it's important to stress that in this business, we have been able to have a noncredit revenue, which is very significant and that has been growing consistently along the time.

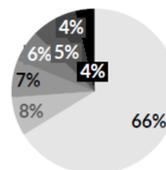
Finally, I would like to mention that we continue to take part in different offers, and we lead five offers as lead coordinator. It may not be so good when you compared to the portfolio of the Bank as a whole, but the performance has been very positive in the last quarters.



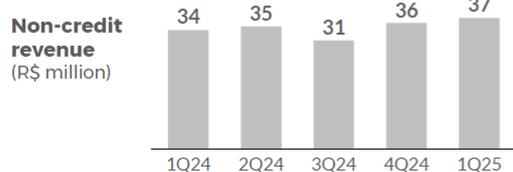
Guarantees

89%

of the loan portfolio covered by collateral



- Credit Rights
- Shares
- Products and Commodities
- Vehicles/ Equipments
- Real Estate
- Financial Investments
- Other



1Q25 | CAPITAL MARKET OPERATIONS

R\$ 100 million
total amount of offers

5
offers as lead coordinator

1. It includes Debentures, CRA, CRI, Commercial Notes and Funds that Bmg has invested with capital market strategy.

I would now like to turn the floor to Danilo.

Danilo Herculano:

Thank you, João. Moving on to slide 17, I would like to start discussing the financial margin that continues to grow, driven by the results of the core products, such as personal credit that has been growing and contributing to the generation of revenue, even within this challenging scenario.

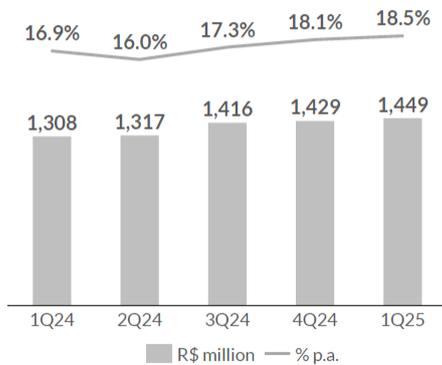
The margin had a reduction of the credit cost as expected. This was an increase due to the provision expenses and commission, and also the resolution that was mentioned. Different

from other quarters, we decided not to use the retention and risk of benefits, and this impacts the index.

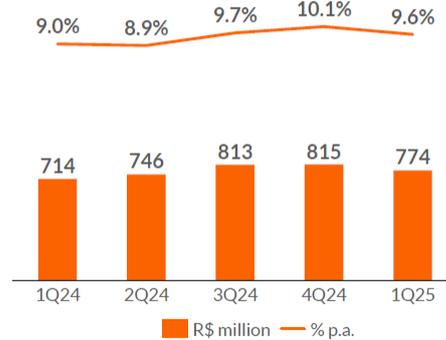
Financial Margin



Financial Margin (NIM)¹



NIM after the cost of credit (provision expenses and commission)²



1. Income from credit operations + income from marketable securities transactions + funding expenses and derivatives + income from services rendered + insurance operations / average profitable assets.
 2. Financial Margin + net provision expenses + commission expenses / average profitable assets.
 Based on Managerial Income Statement.

Moving on to slide 18, the Bank continues focusing on an efficient cost management based on the culture and strengthened with the operational technological efficiency gains that we had, as mentioned by Felix. Expenses have been dropping 4% in this quarter, with efficiency level improving by 3.5 p.p. when compared to the previous period, due to the improved revenue generation.

Operational provision has a seasonal effect in the 1Q of the year, of course, due to less lawsuits that were filed, but the important thing is that it has also been improving in terms of revenue. So, the comparison has been improved based on the results, so less representative when you consider the result as a whole.

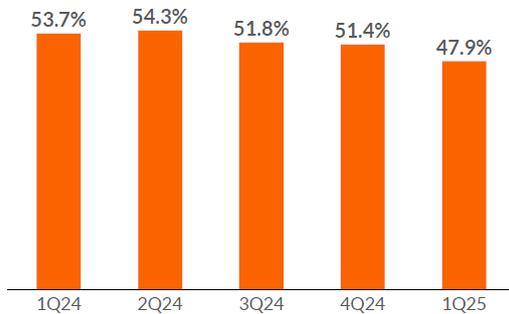
In terms of operational provisions, it's important to mention the work that has been done internally, the use of AI tool, as mentioned and increase of the success to finish the lawsuits. This quarter, we reached 75%. This is one of the highest level in the historical series that we are presenting now.

Operational Efficiency

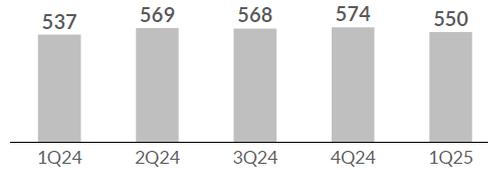


- 4% reduction in quarterly expenses, even with growth in operations
- Scale gains with a 3.5 p.p. improvement in the Efficiency Ratio in the quarter

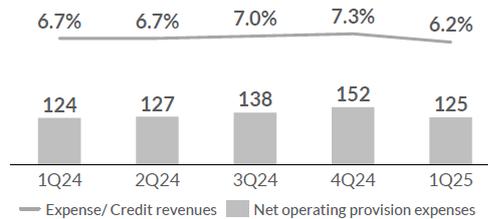
Efficiency ratio (%)



Personnel, administrative and operational expenses (R\$ million)



Net operating provision expenses (R\$ million)



18

Now moving on to slide 19, I would like to talk about the ALM management of the Bank. The Bank has been maintaining this liquidity level in a conservative manner, and this is the reason why we started to show this cash flow that it matches, especially in the short term, and we continue expanding and getting ever closer to the institutional public.

The Bank grew in the last 12 months by 67%, exceeding R\$ 10 billion and already represented 30% of the total capture. There was a reduction in the term deposits, and this quarter, we had a reference value that is used to calculate the additional contribution value. We had more than 70% in 2023, and in March, we reached 55% in this quarter alone.

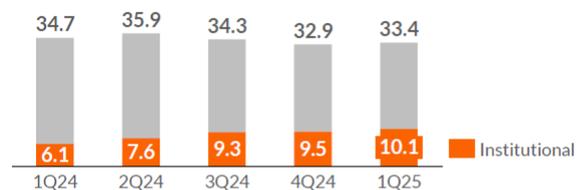
Diversification of funding and reduction of the risk premium



Conservative liquidity management



Funding (R\$ billion)

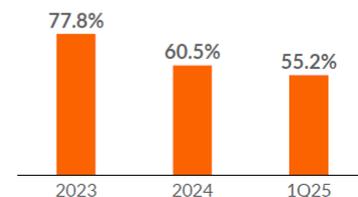


Institutional funding grew 67% YoY, accounting for 30% of the total

Reduction in the share of time deposits of 8.0 p.p.

Reduction in reference value subject to the FGC¹

Reference Value/Reference Funding FGC trigger > 75%



1. Fundo Garantidor de Crédito

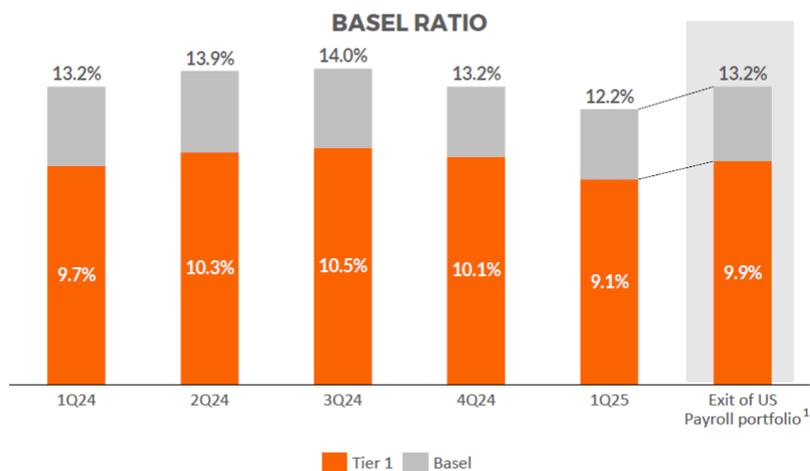
19

Moving on to slide 20, I would like to talk about the capital level of the Bank. The capital was impacted as we see as a result of the resolutions that were implemented, so there was an impact in this quarter, and 1/4 is related to the base ratio.

In addition to the resolution, we have 452 Resolution that impacts the RWA. But we understand that the Bank has an adequate level for the capital expected in our operations, and obviously, it has the internal capital generation and the tax credit that has positive results.

The trend is that the Basel will likely grow in the next quarters. And if we consider the U.S. portfolio exit, either due to the maturity or the risk related to the portfolio, our Basel would be at 13.2% if we do the simulation.

Adequate capital level for the growth of the operations



1. Basel simulation considering the exit of the payroll loan portfolio in the United States.

I would like to turn the floor back to Felix for his last pages.

Felix Cardamone:

Thank you, Danilo. Talking about strategic priorities and moving on to slide 22. I understand that this is very clear. Even in a market which is very challenging, we were able to grow our financial margin, and we controlled our costs very well.

So, we increased our gains of scale, our efficiency and as a consequence, the profitability of the Bank. With this, we continue evolving so that we can make Banco Bmg a better bank, a stronger bank, and also a more profitable bank.

Of course, this is a big challenge. The inflation is very high, but the cost control has always been one of our priorities. Our average ticket is very low, the spread is very low, as everybody knows, especially when related to payroll products. So, we have to focus what we can do in the Company. And this has been the big direction that we took.

We are going to do everything we can within the Bank because this is a cyclic market, and we are getting ready, and we are evolving in a market which is extremely tough. And when the market improves, we are going to be very well prepared, very well positioned to reach a level of ROAE and profitability very high, as everybody can see in the results that we share.

Sustained growth in profitability, reflecting improvements in operational efficiency



22

And moving on to the last slide of the presentation, slide 23, I would like to share with you a brief summary of our strategic priorities. To increase the addressable market and product offering, We have already mentioned this, Flávio, João and Marcelo also touched upon this point, we are going to leverage our channels. We are going to integrate and digitize our views and processes and to be ever more efficient.

There are some points I would like to focus on. The R\$ 2.2 billion in credit origination of core products in the 1Q25. Our public sector agreements, which are active. As mentioned, it's still very small, but the potential is very large. So, it's a portfolio of nearly R\$ 350 billion. There is room to grow. And we launched insurance and assistance, and we are gaining representation in this sense, which is always to focus on the need of our public.

Another point that I would like to stress is our level of efficiency, which is very competitive. It has evolved. It has grown a lot in the past few years and the percentage of 75% of success rate in our civil actions. So, this is a problem that the Bank has been facing for a while. And after a lot of hard work, we found a way, and these numbers are already beginning to drop.

I would like to mention that in terms of origination, we hold a video call with all our clients, and this has been very successful. We have 99% plus of success. And also, the apps connected to artificial intelligence to bring more efficiency.

As to the channels, there was a 23% increase in origination via self-contracting. So, we are ever closer to our clients and the constant growth in our network of franchisees and the launch of the credit shopping so that we can serve our clients better.

And lastly, the increase in the index of cross-sell and the 3.2 million of monthly users in WhatsApp. This relationship is the most fluid channel to our target public, and we are investing in this format of how we interact with our clients.

Evolution of strategic priorities for 2025

Sustainable generation of results: profitability, asset and capital quality



23

And to end, I would like to thank you, thank the team of Banco Bmg. All the team has been doing an excellent work. Everybody has made a lot in order to serve our clients and reach those results.

It's a hard journey and the market is presently very competitive, but our team makes a difference. I would like to thank each one of our employees, the board, the management, the support of all the board members who are always ready to help us, our franchisees who provide support. They are always engaged to serve our clients, and we are growing our network, and our Banking correspondents.

So, this mix is what makes all the strengths of the Bank. Everybody is very well engaged with the strategy, everyone very well engaged with this focus on the client. And without this team, our evolution would never be possible.

And to point out that we are at a moment where we have lots of challenges ahead of us. It's a tough market we are facing, but to have this repositioning of the Bank is an additional term because everything is cyclic. We understand that this is a solid market, a market that generates a lot of jobs. It's a market that offers to the final clients cheap credit, a credit for them to make their dreams come true. And the Bank is ever more prepared to face all those challenges. And when things get better, I am sure that the Bank is going to be in a position, and it will be the winning player in the cycle.

I would like to thank everyone for attending this call, and now we are going to open the Q&A session.

Danilo Herculano: Thank you, Felix. And now we initiate Q&A sessions. You can send your question through the "Q&A" icon. Just give us your name and de company.

Pedro Ávila, VAROS Research (via webcast):

During the 1Q25, we observed a relevant reduction in the credit classified in stage 3, and that made the relationship between provisions and credit increased from 36% to 54%. Could you tell us what drove that result and how it is related to the coverage ratio and default rate for the for the next quarters?

Flávio Neto:

Pedro, thank you very much for the question. There are two effects that I would like to mention. One, you are going to see that we wrote down many things for loss. So, this was a result of the improvement that we had in our portfolio. And the main effect is not this one. The main effect has to do with the resolution that came into force that I mentioned during the presentation.

What does the resolution do? Bmg, and nearly all average size banks, used to use a model of incurred loss. So, every portfolio had a provision. For retail, it would start with 0.5% of provision, and then it would go increase. And now, it already starts with the expected loss. In practice, the provision is already anticipated in some months.

Most of the effect is related to this. And when we look into the future, since this methodology is going to be applied, we are likely to go along those lines whenever we see a higher coverage ratio, and also an increase in the portfolio, different from what we saw in the past.

Olavo Arthuzo, UBS (via webcast):

Thank you very much for the question. First question, I would like to understand the evolution of the public payroll product. I understand this is an important catalyst of the ROAE of the Bank. I would like to understand how this portfolio stand in relation to the other share of the Bank, for me to understand how you do the calculation.

João Consiglio:

Thank you, Olavo. As I said before, I even mentioned this briefly, our benefit payroll and payroll credit would account for 12%. The origination, however, is coming above those levels, and it has been growing strong month after month.

So, we made a number of adjustments with technology filters and ways of operating with new public agreements. This is a market that we have been operating in, in a more intense manner, and the speed is less than what we would like to have. But anyway, Bmg is very traditional when dealing with this public, and we have been able to make advances in our share in the origination.

Olavo Arthuzo, UBS (via webcast):

Another question is related to expenses with operational provisions. According to the portfolio, it shows that this has been a significant result. Are we to expect the Bank are going to continue with this kind of thing along the year, or should we expect any change?

Flávio Neto:

Thank you for the question, Olavo. In terms of operating provisions, it has to do with the civil lawsuits. Yes, there is a seasonal effect into play. In general, in January up to February, every year, we have the reset of the judiciary branch. So it's a quarter when the lawsuits do not come in high numbers.

So, if you compare the numbers with the past numbers, as we observed in the past, we see when we make these comparisons, a positive trend, not in terms of lawsuits because this is something that has stabilized, but still at a high level. We are still trying to reduce this level.

We have been able to have favorable decisions as we show in our release. The level is ever higher in terms of successful cases. The cost per lawsuit is reduced. So, in the medium term, we are likely to see this number being dropped. With all the work that we have been doing, we have to understand that the result takes a while, we do not capture the results immediately. But this is an activity that we have been putting into practice for some years now. We are now starting to see the results.

Rafael Reis, Banco do Brasil (via webcast):

Good morning. Congratulations on the results. The impact of the resolution on the Basel activities, how is this impacting the growth of the portfolio with the need of preserving capital? Do you study changes in the mix or other strategies?

Flávio Neto:

Thank you very much, Rafael, for the question. In terms of capital, of course, it is a topic that is always on our radar. And here at our Bank, we understand that this is not likely to impact growth because we have different levers that we can use in order to bring more capital into the Bank.

I wanted to mention some on which we have been working. I can mention the lever related to reduction of the U.S. portfolio. This is something that is already underway. So, we have already seen the portfolio starting to drop, and it's likely to happen during the next quarters.

We have to remember that the main portfolios, be them payroll loan, FGTS, they are portfolios with a lot of liquidity, so I can originate and I can also assign to banks in such a way that I can deleverage my capital balance.

As I mentioned, we made a strategic decision not to have this assignment in the 1Q25 because of the market stress. Of course, the market is stressed in lower interest rates, and so we are going to do that in the 2Q25. And we also have the result generation that contributes to increase our results, our capital. And it has an enhanced effect due to the tax credit use.

So, these are the levers that we use. And at all times, we are looking at the pace of growth, and we need to understand whether we are going to use one or the other lever so that we can balance and reach the level of capital which is adequate.

Marcos Ferreira (via webcast):

Considering the macroeconomic scenario, which is challenging, Selic at a high level and the payroll rate, what's the expectation for 2025? What is the Bank doing in order to ensure the profitability?

Felix Cardamone:

The Bank understands that we have a number of levers to work with, as mentioned. We have the public payroll products, and we also have the insurance dimension that also helps us in this leverage. We have the private payroll products that we are just starting, but we are being very cautious because we are in the beginning and there are still some process gaps, and we have to be very careful and cautious.

Of course, this is a challenging market we are facing, and this is not something new. This is something that has been happening for a while now. The payroll product rate has been pressured, and our efficiency, our mix and our strategy, which is to be closer to the client, has shown to be the right path so that we can get good results.

I would like to stress once again, we believe that we have an addressable market, which has a lot of potential. We are a synonym of the category. We are very important in the market. So, this is a bank that has been in the market for nearly 100 years. We have gone through different cycles with difficulties. We are very well prepared to face those trouble times and reach ever better results. When this difficult cycle is completed, we will be ready for the market.

Frederico Penido, investor (via webcast):

Good morning. Nearly all banks that have already disclosed their results in the 1Q25 mentioned the private payroll products. Could you provide an update on how you plan to use this product at your Bank?

João Consiglio:

Thank you, Frederico. The private payroll product has a large market. It's very important to look at that. We have always been enthusiastic to look at this line in this dimension because it brings along an opportunity, so it's very important to offer credit at better rates because there's the guarantee of the flow and the way it's being proposed to a public that did not have access to this type of offering in the past.

Obviously, we are still verifying how to implement, and we are facing difficulties to implement, to operate, and we are still studying how the return of resources will take place. And from the viewpoint of execution, we are ready to evolve in this line, but we are doing this in a conservative manner so that we can prove that all the flows and all the operational dimensions and the means of payments and everything else would be working properly.

Lorenzo Lima, Evolve Capital (via webcast):

What's the strategy of portfolio assignment?

João Consiglio:

In terms of portfolio assignment, I think we mentioned, everybody touched upon the topic of portfolio assignment. What we have been doing is a consequence of our capacity of origination.

Our capacity of origination is much larger than what we have been materializing in our balance, and we have been taking advantage of this origination capacity. And as new opportunities come up to assign portfolios that would bring positive results to the Bank, we are going to do that assignment. And this would prevent us from decreasing our origination strength, or our activities in the market.

So, this is something that has been happening in a constant manner. And the proof that we look at the best opportunities and we do the assignments or not depending on the profitability that the assignment operation will bring to us is that in the 1Q, we did not do the assignment. And now that we look at and see new opportunities, this is something that is likely to happen in the future. And this is how we are going to operate forever.

João Vicente (via webcast):

You announced the increase of share in the insurance company. What is the strategy to grow in this segment?

Marcelo Picanço:

Thank you, João, for the interest and for the question. I think there are some elements for this growth. The first one is a strong synergy with the bancassurance to lever this channel, which has high capillarity and is very effectiveness in the sales to a public, which still needs protection.

We are talking about a very low penetration level, especially for low-income people. The penetration in Brazil of insurance is very low in general. In addition to the channels that we have with the synergy, we are expanding and improving our product portfolio. It can be an optimization so that they can become simpler, more accessible and it has to be affordable for low-income people so that people can protect it, but they can pay for it. And with that, we are diversifying the revenues and generating this growth.

An example would be to work on the need that those people to have medicine at a cheaper way in an efficient manner in telemedicine. We have a very important thing, which is the focus. Focus is only related to inclusion. This is a big challenge that insurance has, but this is also a great opportunity.

So, this is the focus of our strategy. It has to do with the channel, with the approach, with the language used. I would like to mention the importance of our partners in our channel because insurance, not only in Brazil, needs offerings. And we have channels that can provide this offering in a proactive manner, even for low-income people.

This strategy is based on the pillars that I mentioned, and we see a lot of growth opportunities still in addition to the growth that we have already posted.

Dante Sagula, LAUTEC (via webcast):

Thank you very much for taking my question. Is there an internal plan for the ROAE of 15%? Is it possible to project an ROAE at this level?

Felix Cardamone:

Thank you for the question. In spite of the very challenging scenario, we are not very happy yet with the ROAE that we are offering. Of course, we can and we must go after a better ROAE along the time.

I always say this internally, and I am going to repeat, the Bank has no shortcuts. It's a continuous improvement activities that we do, and I believe we are on the right path to deliver an ever better ROAE.

Of course, there are many challenges in the market. There are internal challenges along our evolution, but our aim is to continue evolving and growing our ROAE so that we can reach optimum market levels. So, we are going to continue working so that the index can be ever better. And the Bank has the potential to deliver a better ROAE, but clearly in a sustainable manner so that we can manage to reach the best market practices.

Dante Sagula (via webcast):

Are you going to maintain the distribution of interest on equity? If you could provide some information on this.

Flávio Neto:

Yes, our interest is to maintain our policy of maximizing the interest on equity. Because if I am not paying the interest on equity, as much as I possibly can, I am taking resources from the shareholders, and I'm putting more resources into a higher rate, paying tax. So, our intention is to maintain this policy.

Danilo Herculano:

With this, we end the Q&A session. I would like to thank you for joining us in another earnings conference call, and I would like to remind you that our IR team is at your service;

Have a good day, everyone.