

Transcription - Itaú Day 2024

Opening Remarks

Renato Lulia:

Good morning, and welcome to Itaú Day 2024. This year marks the 100th anniversary of Itaú Unibanco, with a new brand, a vision for the future and a desire to be even closer to our clients, employees and investors.

That's why we'll be broadcasting our event from various points in our Business Center this year. And it's a great pleasure for us to welcome you to our home, or to our homes, since in addition to the headquarters, we'll also have some takes at our office in Faria Lima. More than 10,000 people pass through our headquarters every day. And they are the ones who are building the Itaú Unibanco that we're going to detail during today's Itaú Day. This is a space that evolves over time and we are always thinking about the best ways to promote integration and our culture, including in the management of our physical spaces.

And right now, I'm here in the new auditorium of the new Jabaquara Tower, which is the latest of the six towers we recently inaugurated in the Itaú Unibanco Business Center.

We're constantly thinking about innovations and how to leverage the use of technology in our daily lives. Seeking the best experience for foreign investors, this year we will be using artificial intelligence to give our executives a voice in English.

And as in previous years, we'll also have the very special participation of Pedro and Roberto, Milton and all the members of our Executive Committee.

And I can't think of a better way to continue our Itaú Day than by handing over to Pedro and Roberto, who are just next door in the Olavo Setubal Tower. Good morning, Pedro. Good morning, Roberto. The floor is yours.

Chat between Pedro Moreira Salles and Roberto Setubal

Roberto Setubal:

Good morning, Renato. Good morning to everyone. Pedro and I are here for one more Itaú Day. Pedro, the bank is completing 100 years with many achievements. We've been through many different challenges in Brazil and its economy, and now we're looking ahead at new challenges. How do you see this moment for the bank?

Pedro Moreira Salles:

First of all, good morning, Renato, good morning everyone, good morning, Roberto. I see this as a very positive moment. There are always challenges. And I think we tend to think that the challenges we face are always worse than the ones that came before. And in fact, for a bank completing 100 years, we've seen it all.

We've seen major economic and political transformations. We've seen a lot of local competition, and then competition from large global conglomerates that didn't yet have a strong presence in Brazil. Then there were major technological changes. And we were able to understand this and adapt. I think the greatest quality of an organization is its ability to adapt. Without it, especially if the organization is very large, it ends up ossifying

and, consequently, it stops. And that's the biggest risk for an organization. I think we've always refused to stand still. And with that, I think we overcome these obstacles.

All companies, in one way or another, begin as startups. There are always founders and a core group of people around them who helped build the company, and it was no different with us. And today, a hundred years later, we are the largest financial group in Latin America. How did we get here? By always looking to the long term and creating a governance system, which has obviously changed over time, but which has always ensured a decision-making process that takes into account the bank's best interests. We have always valued the ability to attract and retain talent, and we understand that individual talent is what allows you to subsequently create the best team. Having individual talent is not enough, there needs to be a culture behind it that fosters everything we're talking about and, above all, refuses to be complacent.

I think that's what we are and what we've done. And when we look ahead, to the new threats and new challenges, I have no doubt that we will be able to adapt, and face them. Do you agree with this?

Roberto Setubal:

I absolutely agree, Pedro. I think that a characteristic that has always existed, both at Unibanco and Itaú, and that we have always been able to encourage, is to be open to the world. I think this is part of our culture. We look and see the transformation of the society, of the market, the change in competition, and we are always open to understanding, observing, and trying to adjust to these new situations that arise. I think it's super important that we continue to be open and willing to always learn, to look around to see what's happening in the world and not take the negative stance that "we're strong" or "we're doing very well".

I think we always need to be in this dynamic of changing, which is what has characterized us and enabled us to get this far. As you said, we've been through several moments and with different challenges in each of them, and I think that in order to face a challenge, you have to understand it and the moment you are in. A challenge occurs because of some change that happens. And it's important to be open to understand these changes, how they affect us and how we must react. And this moment is no different.

We're living in a world where technology has brought new possibilities for business models, and I think we're adapting to that. From the moment this began to emerge, we started to worry. I remember our conversations, observing the competition with new technologies and new proposals. Based on that, we began to stimulate and provoke our teams, saying "the world has changed and we need to change too. What do we have to do?". And in the beginning, we had some difficulties until we found our way, but I think that, as you said, we're on that path now. And we're well prepared to face this new stage and this new challenge, as well as others that will come. In fact, this is another of our characteristics: we have always been able to adapt to the new technologies that emerge.

And they have emerged over the years and new technologies will continue to appear that will create new challenges and perhaps new competition. But I agree with you, I also see our future with optimism, and I'm quite confident in what we've already managed to do and looking at the plans we have underway, I see that we're very well positioned.

Pedro Moreira Salles:

I don't think you get to complete 100 years without a culture of innovation. And when I say that we've been through all, I don't mean in any way to suggest that there are no risks. There are always risks. I think our strength is our ability to understand that the environment is changing and that the challenges are new. So,

considering this dynamic environment of intense transformation, what are the main risks and also the main opportunities in the coming years?

Roberto Setubal:

We're in a time of transition and change. Competition has arrived in a new manner and has new proposals. I think we're on a path that seems to me absolutely right and we'll be increasingly aligned to the new technologies, and I see this evolution very strongly in the bank. I don't think we're there yet and we still have a long way to go, which isn't simple. Because whenever we're looking for a change or looking for a new position, the world keeps on changing. We're always looking for something new and this new thing is also changing.

So, we have this challenge of closing gaps and I believe we are doing well and moving forward. This is a major challenge. Other challenges are related to culture and talents. We have this characteristic of being open and searching. Now I'm saying that we're doing well and moving forward, but that's also a danger, because perhaps we're not seeing some things that may be lurking.

So being alert and open is fundamental. And I think we're doing very well in terms of talent, and that we have a very strong team at all levels.

The competition often comes here to try to take our talents, but I think we've managed to retain them. And we retain them not just because of our compensation, but because we have a project for the future, where people are engaged, in an extremely ethical environment which many identify, and this makes us very strong. So, there are challenges ahead, but I feel prepared to face them. Do you agree or is there something different you perceive in the changes in the competitive landscape?

Pedro Moreira Salles:

I agree with you. Looking at the bank as a whole, one of the risks we have, obviously, is the risk of excess complexity. An organization that has been built up over ten decades, with the success it has and focused on its products, which was the right way to organize itself, obviously becomes a complex organization and this increases costs, whether operational costs or in terms of time-to-market. But we're trying to deal with that too. And we deal with it in a very disciplined and systematic way, in my opinion.

To give you an example, we ask: "How do we manage costs?", and I think we're looking for increasingly strong levels of efficiency. And we've had a project for about six or seven years which is addressing between two and three efficiency issues, and this isn't top-down, because we deal with both the numerator and the denominator, and everyone is involved in this. And we know that in the last three years we have improved efficiency by 10 points, which puts us at an international level of excellence. At the same time, we know that new competitors, especially in the retail segment, who have a different approach to cost structure and complexity, have a cost advantage that we must work on.

Again, we're very dedicated to this and we have plans in place. On the other hand, in the field of opportunities, I think that the bank's flexibility to be exposed to the world and to understand what is available gives us a competitive advantage. Speaking of technology, we've left the phase of simply trying to fix the legacy, which still has work to be done, but the truth is that 60% of our product and service areas, the business-facing segment, is now practically all in the cloud. As a result and returning to the issue of complexity, we have gained agility and responsiveness that we didn't have.

So, we're much better prepared and this could give us a competitive advantage since we have been doing this work for longer. As you mentioned, we've been worried about the competition for many years and I think we're on the way now. So, when we talk about Generative AI, the bank is a world leader in terms of the number

of projects it already has within the organization and even in terms of writing code using this technology. I think we're among the top 4 or 5 companies in the world.

This is just a demonstration of how we know we need to change, how we seek to bring the best in terms of technology and learning, and with this we gain competitiveness, both in relation to new competitors, or by closing gaps to those who approach this in a different way. Just to complementing what you said, but in the same direction.

Roberto Setubal:

It's interesting, because while you were talking I was remembering a few things.

Undoubtedly, the competition has technology that enables them to lower costs. I think we're on the way to achieving that. As you mentioned, we've made a lot of progress and our efficiency rate has never been better.

We're ahead of the traditional competition, as you said, but we're also trying, especially in the retail segment, to reach the benchmark that will be possible once our technology is well developed. We're on this path, and I think that the technology itself, with our development over the years, has made it possible to achieve the reduction you mentioned. Now I'd like to talk about another challenge we have, perhaps just as big as the challenge of technology, which is the challenge of growth.

Today we have a very strong market position. Itaú is fighting for leadership in all market segments. In some we are leaders, in others we are fighting for leadership with competitors. However, since our economy is growing at relatively low levels, we already have a relatively large market share in many segments, compared to the rest of the world.

And growth is important to us and we always want to be gaining market share in some way. In this context, how do you see the bank's growth challenges?

Pedro Moreira Salles:

I think growth is a major challenge, no doubt, because a bank can't stand outside the economic environment it operates. So, an economy that grows obviously allows the bank to grow too.

In fact, the bank is a promoter of growth as it provides funding to its clients. We've been growing more than our traditional competitors and, obviously, we've been behind those who came from a much smaller base than ours and who, consequently, have been able to show higher top-line growth than us. I think that each of our business areas is struggling.

I think that as we manage to consolidate everything and move away from the product view towards the client view, we'll better understand what are the best products and services for those clients who range from individuals to large corporations, and I think we'll be able to deliver growth, but always dependent on what Brazil offers us. Brazil is growing a little more than we have imagined and with that the bank also has a bit of an advantage, but we can't forget the topic of efficiency. Because we can work hard on growth, but it depends on external conditions.

On the other hand, I think that cost efficiency is an internal job that we are doing and will continue to do. I believe that the "game" is exactly when we pay attention to the "numerator and denominator" and open this relation so that the revenue line always grows a few points above the expense line. I think this is a challenge that everyone is clearly understanding.

Roberto Setubal:

I see Milton and the whole team are very attached to this. And as we've seen, there are some growth levers that are going to help us. And it's interesting that the growth levers we've seen are very much linked to technology.

We're talking about our Super App for Individuals, which will incorporate a few million clients into the operation of our banking platform. I think this has a great potential to increase revenue.

Pedro Moreira Salles:

It's almost another bank inside ours in terms of client base.

Roberto Setubal:

That's right. I think it will make it possible to accelerate revenue since we are bringing clients who already have a connection to the bank to our banking platform. These clients' relations are usually through products such as auto loans, mortgages and credit cards from partnerships we have. By bringing in these clients who today only use one product, we're able to offer our full range of products. I think this approach will enable great growth. The interesting thing is that this will happen over the next 12 months, by the end of the year we will have done a lot and I think that by the beginning of next year we will have finished bringing in these clients.

We are also developing a new APP for SMEs, especially for smaller companies, which will enable them to interact with the bank virtually.

And yet, there's AI that we're using in many projects at the bank. And once the data is in the cloud in a more organized way, I believe we have great potential to increase revenue by optimizing the search for clients and gaining a better understanding of their needs. I think this is a great possibility, don't you?

Pedro Moreira Salles:

I think so too. There are 250 artificial intelligence projects within the bank, with the majority focused on efficiency, but more and more we see projects being incorporated in some way into the revenue lines, whether in asset management or in other products. The AI either starts the interaction with the client or supports the human with the data available to the client.

And as you said about the Super App, I think one important thing we've done, and it has to do with the bank's governance in terms of this concern to keep up to date, is that today we have three people on the bank's board who are linked to this world of technology or the digital experience of the relationship with the client. And these three people are, together with you and me, setting up a committee coordinated by César Gon to try to understand if there are any opportunities and to challenge the management by answering the questions like: How do we improve UX? What can we do better and faster? How can we be simpler? How can we sometimes dare a little more?

And I think this is also very much linked to our transformation and our focus on revenue growth, which means that the more friendly, simple, logical and transparent the ability to relate to this huge client base that we have, the faster we make this transformation and get on this growth path. So, in 2024, I'm very excited about some of the steps we've taken to be able to address these challenges that have arisen.

Roberto Setubal:

Perfect, this change in our board is well mentioned. Today we have these three people who come from the technology area, some who are still very active in technology-based companies, and others who have founded IT companies that are very successful now. I think this will, without a doubt, add a lot.

I think that when we listen you say about revenue increases and costs reduction, I see great prospects for us to continue to be as profitable as we have been in recent years and with a solid growth. By the way, Pedro, with high profitability, we are usually asked about dividends. Investors like growth, but they also like dividends.

Obviously, when we have more growth opportunities, we allocate the capital we are generating to credit growth. And when we are not growing that much, we try to distribute the excess capital we have accumulated during the year as dividends so that we can keep our capital ratios within risk appetite. Holding excess capital is inefficient and a capital level below our target doesn't prepare the bank to face the challenges that may arise. What's your view on our dividend policy?

Pedro Moreira Salles:

I think this is an ongoing discussion. We have a capital ratio target, which we have reached and considering the rate of return that the bank can achieve. If we don't have a very high credit-demand growth, we do, in fact, have excess capital. And we have no doubt that perhaps the best use for this capital at some point is to return it to the shareholders.

It may be either through share buybacks or dividends. We've been disciplined, and I believe we've explained this process and the rationale behind it. And I believe that our shareholders can count on this to the extent that the bank continues to perform at current levels and has the necessary capital base for the expected growth. So, it won't be kept if it doesn't have an alternative use that would be better than distributing it to shareholders.

Roberto Setubal:

I think that's it, right, Pedro?

Pedro Moreira Salles:

I think so. As always, it's a pleasure talking to you. Now the members of the Executive Committee are going to talk to you, starting with Milton.

Roberto Setubal:

And they'll go deeper into the topics that we've discussed.

Pedro Moreira Salles:

From my side, I'd just like to thank everyone for joining us and I hope you have a great day at this new edition of Itaú Day. Thank you, Roberto.

Roberto Setubal:

Pedro, it's always a pleasure to be here talking to you, not just today, but on several other occasions throughout the year.

Pedro Moreira Salles:

Exactly.

Roberto Setubal:

And I'm very confident that we'll maintain profitability and be able to finance the bank's growth well. And, if there's no credit growth, as you mentioned, we'll distribute the excess capital as dividends.

Pedro, thanks again. Thanks to everyone. Nice to be here. Have a great day, everyone.

Pedro Moreira Salles:

Good morning to you all.

Renato Lulia:

Thank you very much, Pedro. Thank you very much, Roberto. It's a great privilege to have you for another edition of our Itaú Day. And to continue the event we're now going to our studio here in the Business Center, where Milton Maluhy, our CEO, is already set to welcome you and introduce you to the next panels that are going to take place. Milton, the floor is yours.

Message from Milton Maluhy Filho (CEO)

Thanks a lot, Renato. Thank you, Roberto and Pedro. Good morning, everyone! I am absolutely delighted to be here with you, at the fourth edition of Itaú Day, a special edition as we are celebrating our 100th anniversary. I could not think of a better time to share with you our strategic agenda evolution, our current challenges and how we are getting the bank ready for the next 100 years.

As mentioned by Pedro and Roberto, reaching our 100th anniversary, with such a strong presence, shows our ability to reinvent and transform ourselves. We are constantly moving, never accommodating ourselves, following up the macroeconomic scenarios, the innovations, and the competitive environment. As I always say, this stance makes us better. This is driven by our powerful culture, being constantly changing is part of our DNA and ingrained in all our employees.

We perceive the pillars of our culture in the attitude and engagement of all our teams, which guide all our actions. You will have the opportunity to observe today how culture is a fundamental part of our choices and communications at the panels with members of our executive committee representing all our employees, the "itubers" as we name ourselves.

Today's event reflects how we are organizing ourselves to build this bank of the future. We put the client first in everything we do. Our ambition is to increase our client's level of engagement and principality to the bank by providing the best solutions and products that suit their needs. We need a diverse team to achieve this goal. Just to illustrate the importance of this diversity and inclusion agenda, we have achieved our goals for 2025 already, by reaching the target of having 28.4% of black people and 35.5% of women in leadership positions in the organization in May 2024. Additionally, the inflow of women and black people hired continues to contribute to improving our diversity indicators.

I don't want to dwell on matters that will be addressed by my colleagues from the executive committee, but I would like to highlight a few points. As I have mentioned, we keep on going through many changes, which enable us to improve our services and products. The integration of the acquiring business into the bank operation, which we mentioned in the latest edition of Itaú Day, has been finally completed. This places us in a differentiated competitive position, as we are able to offer a unique client experience combining banking and acquiring.

We have also made headway in our proposal to offer a 100% digital platform for small companies, making their journey easier and improving client experience. André should provide more details on it.

When it comes to the individuals segment, we are focused on "One Itaú" project, to be later addressed by Vanzo and Zancani, which allows clients a full experience and access to the complete portfolio of solutions we offer.

I want to emphasize that, although we have many initiatives within the bank, we highlight these two as the main growth drivers in the medium term.

All these initiatives are designed for the long term. To this end, the use of data and technology is crucial to know if we are on the right pathway to better meet the client's needs. This is another topic that will be addressed at all panels.

We are doing all of this without losing sight of our efficiency agenda. We have recoded the best efficiency ratio ever in the historical series, something only possible thanks to the discipline of all areas in the constant pursuit of the best opportunities. As I always say: it is not a cost agenda, but rather an efficiency agenda. We will not stop investing in the bank and will do whatever we need to post sustainable results in the long term.

We want to evolve as a bank, while caring for the evolution of our clients and the society. That's why we have a very intense ESG agenda, to be addressed throughout the event, with our commitment to Net Zero as one of the highlights.

We can say we have reaped the fruits of all our efforts already. Over these 100 years we have consolidated our presence and are a benchmark in the different areas we operate.

All this evidence we are indeed on the right pathway.

Renato, I hand over to you now. Thank you, once again. I am leaving the studio to join you at the Jabaquara auditorium, where we will hold the Q&A session at the end of the event. See you.

Institutional Panel

Renato Lulia:

Thank you very much, Milton. And now, as Milton said, we're going to delve into each of the three panels with our Executive Committee.

On this first panel, I'm with Aleksandro Broedel, CFO, responsible for Itaú Unibanco's finance department; José Vita, who is in charge of the department that covers legal, ESG and corporate affairs; Matias Granata, Itaú Unibanco's CRO; and Sérgio Fajerman, responsible for the people, marketing and corporate communications departments.

Good morning to you all again. Welcome, Vita, Sergio, Matias and Broedel to start the first panel of the day. We've just heard Pedro, Roberto and Milton, introducing what we'll be detailing today. And now we're kicking off our first panel at Itaú Day 2024.

I'd like to start with you, Sergio, by asking the first question on the first panel. Our T-shirt brings the brand's new attribute: "Made of the Future." As you're in charge of our marketing department, please tell us about "Made of the future" and what it means. What does it mean for Itaú to be "Made of the Future"?

Sergio Fajerman:

Good morning to you all. I'm delighted to be here with you opening this Itaú Day's panel.

I think "Made of the Future" ended up being a very suitable phrase, one we really like, as it represents the link between the past and the future. This means a lot to us. We've been here for 100 years, and we'll be here for the next 100, 200 years... This represents some crucial attributes for us. So when we think about what has brought us here, we can highlight attributes such as ethics, solidity and the trust clients and society place in us. These are the attributes that are and will be present in the next 100, 200 years, and all the years yet to

come. Meanwhile, we're reinventing ourselves in a very intense way, bringing more agility and innovation, and always putting the client first.

I believe this is the essence of "Made of the Future." And we've already started this process. In the latest edition of Itaú Day, we shared how we were implementing our digital transformation which built up the whole foundation required to deliver the future. We've upgraded and migrated our services and business to the cloud, the cultural transformation is enabling a new work format, and we're always putting the client first.

This has been the purpose of these changes. Clients will start to perceive it more and more over this year and in the coming years, as we strongly accelerate our deliveries in the digital arena and simplify our journeys.

Our employees will also perceive it. Matias and I were talking some days ago about a project to streamline the bank's policies, for example. It's all about a more agile, simpler, more innovative future, without giving up everything that has brought us here: solidity, trust and ethics. This is the essence of "Made of the Future".

Renato Lulia:

Absolutely! Thank you, Sergio.

I'll delve deeper into this point with you, with each of you three. But first let's watch a video recorded last week with Tracanella, our CMO, and Clayton, responsible for the bank's brand design. Two great talents of the bank. They'll share with us the process of changing a solid brand like ours and the update of the brand attributes. Then we'll get back here.

Eduardo Tracanella:

Clayton, I'm delighted that we are participating in this edition of Itaú Day! I think it's so remarkable to talk about branding in such a meeting. To us, branding is and will always be a crucial strategic asset for our business.

Clayton Jesus:

I highlight that branding is the second most important factor when we price a company. It comes second only to financial projections, right?

Eduardo Tracanella:

When we talk about valuation, it's inevitable to remember that Itaú has been the most valuable brand in Brazil for over a decade and in Latin America for two years in a row. When it comes to a brand value, it's crucial to remember that it's made up not only of intangible assets, but also of a strong financial performance in the short term and in the long term.

Clayton Jesus:

A brand goes far beyond its logo. It represents the company, what it stands for, what it projects for its future. Basically, when it comes to the financial industry, a brand's main attribute is trust. People trust that they'll have the best experience, with meaningful products and services in their lives. At the end of the day, it's where they feel safe to have their money and assets.

Eduardo Tracanella:

I think a brand needs to convey security and solidity in today's relationship with clients, as well as in the long-term. In other words, the company with which I'm having a relationship today is expected to be here in 100 years.

I think our brand conveys this idea. In fact, its role is to convey trust and solidity.

Clayton Jesus:

Awesome, Tracanella. We're talking about the most valuable brand in Brazil, a brand worth more than BRL40 billion. We've just changed our logo and evolved our positioning. After all, why change a solid brand like ours?

Eduardo Tracanella:

Clayton, I believe it's possible for a company to change and not necessarily evolve its brand. What I do not believe in is a process where we change the brand but the company carries on as it has always been. Our brand evolution process is the natural result of the cultural change Itaú Unibanco has been going through.

All the changes in the way we are structured and operate our business, and all the cultural and technological transformation Itaú Unibanco has been going through, have enabled us to change this iconic brand and make it evolve in the same direction. In this way, it represents, both inside and out, all the changes we've been going through.

Clayton Jesus:

Amazing, Tracanella. In the end we're talking about perception, about how people see and perceive these moves. Since launching this new positioning, we've noticed a significant improvement in how our clients perceive us, that is, the impact on brand preference. Our share in the top of mind indexes is increasing, both among the general and young audiences, which is more crucial for us.

Eduardo Tracanella:

Clayton, your mentioning of the young audience reminds me of a key factor. We say Itaú is "made of the future", and that our brand needs to be increasingly made of the future. But what does that mean? It means that this brand needs to preserve its legacy, essence, and solidity, while at the same time bringing more elements to revamp it, enabling it to increasingly engage with the bank's new client generations.

Clayton Jesus:

This momentum the brand is experiencing reflects the company's momentum itself. We are client centric, and we work hard to offer of the best experience, the best value proposition and the security that Itaú Unibanco has built up over these 100 years.

Eduardo Tracanella:

Clayton, to wrap it up, we talk about the brand at an investor event like this because when you invest in a company, you are definitely investing in that company's brand as well. And you invest because you believe that, while this brand will create value in the short term, it has also the potential to create value in the future. I've always said that a strong brand is the one that has value for society, people, clients, stockholders, and investors.

A brand made of the future. A brand that is solid today and will remain solid over time. It's modern today and will be able to get up to date and move with the times.

Clayton Jesus:

This chat has been awesome, Tracanella.

Eduardo Tracanella:

Thanks a lot, Clayton.

Renato Lulia:

This chat with Tracanella and Clayton was awesome.

I'll continue with you now, Matias, our CRO, thus responsible for the risk department. Continuing Sergio's line of thought of gathering those attributes from our past that are fundamental in the present, and building up what we want to be as a bank in the future, how do you envisage the risk team's mission in this journey?

Matias Granata:

Thanks, Renato.

Sérgio has mentioned solidity and trust in the context of "Made of the Future." I myself understand "Made of the Future" as our ability to adapt so we keep on delivering solidity and trust in a way that works both for the bank and the client.

It's no use insisting on practices that were arguably successful in the past but today make no sense for clients. Sérgio, your talking about gaining the client's trust and strengthening it at all times has remind me of our security journey. From the pandemic, the use of our digital channels has really soared.

Today clients carry the bank in their mobiles. They want to make transactions primarily through their phones. The way we used to protect clients in the past, which worked well for us, has become completely ineffective today. All our controls to protect clients from fraud were for a more physical world, for example.

It has radically changed in the digital world, in the social engineering world of today. Our response has been to use data much more actively to be able to provide clients with a different type of security. Security that coexists with the digital world and is present whenever clients are making a transaction.

Just to illustrate, by adopting AI models, that is, the massive use of online data and communication in real time with clients when they are making transactions, we were able to reduce losses due to fraud by 50% in the last two years. Just last year, this reduction in fraud losses reached 20%. Today, when the client is making a transaction, we're able to confirm with them: "This transaction is different from those you've been doing lately. Are you sure this is a safe transaction?" Being present at such a moment has made a huge difference, because when they are making a transaction they are probably doing a lot of other things at the same time, and that's the moment scammers take advantage to mislead both the client and us.

This is mirrored at other levels at the bank. We've got here Mr. Aleksandro, my colleague who takes care of the bank's efficiency. Thinking about this process, lower losses due to fraud mean fewer calls to client service, less need to replace cards, less need to use the bank's day-to-day routine to handle issues that didn't mean to exist at all. Going back to the point made by Sergio, our ability to reinvent ourselves, adapt to continue to provide clients with security, solidity and trust, is what I understand by "Made of the Future." It's not about doing things in a different way, but rather adapting to provide such trust and solidity in a way that makes sense to clients in the future.

Sergio Fajerman:

Following this line of thought, Matias, I think that it is amazing that there are times all you need is one or two seconds or just one more click to ensure a higher level of security for clients. Of course we don't want to introduce more bureaucracy or too many more steps into the operation, but we must have a balance. At times when the operation is too agile or requires fewer clicks you are giving up on security. Finding this breakeven point, with solidity, security, agility and innovation, is what we've been seeking.

Matias Granata:

Do you know how you find this breakeven point? By listening to the client. When you do that, they understand and end up appreciating this "one more click." And it becomes valuable to them.

The problem is when we add too many clicks where it adds no value to the client. When you stop a transaction mid-way and show a screen asking if they are sure they want to do the transaction, because it's different from all the others they've done so far. This is valuable.

I believe we must focus on getting rid of all the clicks that bring no value to the client. We'd rather bring that additional click that the client will value in the end.

Sergio Fajerman

It's about listening to the client, while analyzing data at the same time.

Matias Granata:

Data give us a lot of what we need. We don't have to ask clients everything. We already know a lot about them.

But it's crucial to always validate some assumptions with the client, because, I emphasize, "we don't know everything," and we want to do it together with the client all the time.

Sergio Fajerman:

I'm thrilled to hear our CRO mentioning our culture so often, with attributes such as "use data intensively" and "we don't know everything". This shows this convergence I've mentioned earlier about "Made of the Future."

Renato Lulia:

No doubt, Sergio. We're going deeper into this point of culture with Alessandro and Vita as well. You also mentioned about efficiency, and I'd like to ask you a specific question about efficiency due to its relevance.

Matias Granata:

Everything is connected.

Renato Lulia:

No doubt, Matias, everything is connected. Alessandro, I'd like to touch base with you on our culture and how we are "Made of the Future". How is the bank's finance department engaged in this process of building this "Made of the Future" bank of ours?

Alessandro Broedel

Thanks for the question.

“Made of the Future” is a very suitable expression for finance, and I agree with what Sergio has just said. As I understand it, no dilemma is more significant, when it comes to finance, than the relationship between the short and long term. One of the bank’s features is to have always prioritized the long term, that is, the bank’s sustainability in its financial decision-making, stability and profitability in all our discussions. This stems from the bank’s governance and materializes in pricing, products offers and commercial teams.

I think that one thing that is unique at the bank and helps in the transition from such a successful past to the future, is the discipline we have in capital allocation and also profitability discipline. I believe “Made of the Future” is a key element, because it’s about sustainability. It’s about recording sustainable results.

I believe the financial sector, notably banks, has a difference in relation to other sectors. When you go to a store for a product, for example, you go there, buy that product, a pair of shoes, for instance, use them for some time and then your relationship with such retailer ends.

On the other hand, we’ve got some decade-long relationship with our clients. They trust the bank with their grandchildren’s finances. These are established relationships spanning decades. Therefore, sustainability and working in the present envisioning the long-term are at the core of our decision-making. Doing what’s right for sustainability and the future is not necessarily doing what’s right in the short term. I believe we’ve been building this governance and culture, over many years now, which makes us think a lot about the future.

It’s interesting that Matias has commented on client experience, and it is a classic example of thinking about the future. In the past our client did not have the experience they have today with digital media and streaming.

Our clients today are much more demanding. They compare their bank’s relationship not only with the experience they have with other financial institutions but also with the one they have when choosing a movie on TV. That’s another rationale. We need to have the ability to see this reality and accurately meet these demands. The antifraud journey Matias has just commented on is also an example of efficiency.

Many people talk about efficiency with an inaccurate vision of costs. We’ve never had such a vision. If we look at costs only, then we’re not looking at clients. We seek efficiency and we’ll talk about this ahead. In my opinion in the last 100 years we’ve balanced well the look to the future with the needs of the present.

Renato Lulia:

That’s spot on, Alessandro.

We’ll come back to the very important topic of efficiency, which I know is on the agenda of the investors watching us here on this Itaú Day. Vita, you’re up next. Matias has come up with topics such as the use of data, easing client journeys and the use of AI models to prevent fraud and automation. I know you’ve been working a lot on implementing the use of data and AI on your team activities, Vita, and your team has been engaged in several action related to these topics. Please tell us how the “Made of the future” and the client journey has impacted your team’s guidelines and initiatives.

José Vita:

I’m delighted to be here with you in this panel. Renato, we’ve been going through a massive change in the legal department, in terms of data and AI. I talked about it last year and we’ve evolved. We’re operating with language models, and GPT-4 is installed in our operation already. We’re machine-reading 100% of our entries

every month. In the Ombudsman and litigation departments, we've got nearly 30,000 entries per month. All these documents are read and interpreted with the use of these new technologies.

To illustrate the efficiency in operations, our onboarding lead time is being reduced to one minute from 12 minutes.

Mostly important is that today, with the use of AI, we're able to look at our entire data base, which totals about 12 million documents, and know exactly its content. From this content, we're able to map the client's effective pains. As Matias has exemplified, fraud and scams are effective pains. But we've got a key channel to diagnose and provide feedback to the fraud and scam-prevention departments.

We're also able to set apart real pain from malicious prosecution, which unfortunately happens in Brazil. That's when people or lawyers initiate some legal action against the bank not based on actual pain, but just trying to achieve some kind of financial benefit.

That's perhaps been the biggest gain we've ever implemented: being able to map 100% of our documents to set apart what is relevant to make a better defense where it matters, or to have a better solution for the client when we actually got things wrong.

Let me continue talking about "Made of the Future" and the attributes of solidity, ethics and trust, mentioned by Sergio, which have brought us to where we are today. We've accelerated the advocacy of topics that are set to change the reality of Brazil.

We know that we've got a lot of data and experience, as well as a great employee base. We're offering and contributing to work together with the different levels of the government, that is, the executive, legislative and judiciary branches, so that we're able to actually change the present situation.

We've been in talks with the National Council of Justice about malicious prosecution and how to bring more rationality to litigation. We've been talking to the Congress about major agenda items, whether economic or other important issues for us. We've been talking to representatives from the Executive Branch about the difficulties in doing business in Brazil and how we can help in its development.

We also connect these issues with our social initiatives. We made a massive contribution during the pandemic, and now we're helping in the relief efforts after the natural disaster in Rio Grande do Sul.

We're supporting Rio Grande do Sul with resources and intelligence and thinking about how we can get through this very sad first phase of deep pain. We're already looking ahead for ways to support the recovery of this state and the return of its population to normal life.

That's how "Made of the Future" runs in the legal and corporate affairs departments.

Looking ahead, I think we're on the right track. That means to look at the sustainability of the future like Alessandro has mentioned and try to contribute not only to the progress of our company, but also to the progress of Brazil.

Matias Granata:

Renato, to me a fundamental issue Vita has come up with is the accelerated use of data that is taking place at the bank.

Going back in time, only the credit department or those departments related to the financial market operated with data and models during a good part of the day-to-day activities in the last few years.

Today a real revolution is taking place at the bank, as many departments are now using data and models to address issues, something they didn't used to do in the past. Vita brought the example of the legal department and Sérgio contributed to a number of cases from the HR and marketing departments, and there's also the finance and risks departments that weren't used to adopt models in the past and today its part of their activities. Today we think in terms of "data first" and, in some cases, in terms of "AI first", which means bringing first an AI model to sort out an issue. That's quite revolutionary at the bank.

José Vita:

Just another example, Matias: we have 70 data scientists in the legal department working with every data to improve our models.

Matias Granata:

That's amazing! I think there's much more potential, as we're just beginning to use the new technology. What's our challenge in the risk department? These models need to be validated and understood so that we're able to achieve results and mitigate risks.

At the end of last year, we were looking at the registration of models adopted in the bank and were already seeing exponential growth in their use in all departments, including in those that typically would not use them.

How to do it in the risk department if we don't have the operational capacity to validate all these models? "AI first" and "data first" are the solution.

Renato Lulia:

Then the solution would be to use machines to validate models, right?

Matias Granata:

Definitely.

Now we have the "AI model" validating the models. When you combine this machine validation with a human analysis for large and complex models, this analyst will become from three to four times more productive, which is a major efficiency gain.

For simpler models, the analyst's productivity increases 15 times.

Renato Lulia:

Is this the "Copilot" concept, Matias?

Matias Granata:

It's the same concept as the Copilot, but applied to a specific, rather than a generic activity. Before there was a model validation analyst and a quantitative analyst, who collected data.

Today data collection is made by an AI process, and the analyst validates whether the model actually does what was planned. For simpler models, in the time it took the analyst to validate one model, they are now able to validate 15.

This will increase exponentially: there's no going back. We must be aware that we cannot become operational bottlenecks. This way, Vita, Sergio, Alessandro and everyone at the bank will be able to create increasingly more models and safely reach their full potential.

Alessandro Broedel:

Renato, you attended our latest weekly meeting. If we had recorded that meeting and went back in time, two or three years ago, and showed you this recording saying that it'd be our weekly meeting in two or three years, would you have believed it? I'd say you wouldn't. Because we didn't discuss any financial indicator in this meeting, but rather the best application for a certain type of model, whether the model would work, whether it was analyzing the data well or operating well. Today our meeting is completely different from those of two or three years ago.

Matias Granata:

Absolutely, Broedel. I believe the most important thing is the improvement in the quality of the decision-making process. At times I wonder what a good risk management is, and I believe it is making increasingly better decisions. It's much easier to make a decision when you're supported by data. We want to make decisions based on data rather than on opinions.

Sergio Fajerman:

Definitely, Matias. We test assumptions. Sharing another example: last week we carried out the first generative AI hackathon at the HR department. The event was amazing, with the presentation of seven projects, lots of novelties and great potential for the personnel management and middle management development.

How can you scale up high-quality training for 15,000 people? Generative AI can do it. Many interesting projects are being tested in this area, and we saw it at last week's hackathon. I think that's another major attribute of Itaú.

Matias Granata:

I've seen how you in the HR department are using data to propose the new working model, and how conscious you have been when making decisions about the next steps of this working model using data to understand our goal and the issue we want to address.

Sergio Fajerman:

This is the new normal.

Renato Lulia:

I'd like to keep on with you, Sergio. You've commented on culture, which is obviously key.

Alessandro has commented on a recent lunch meeting where people with completely different backgrounds, both in terms of academic education and banking careers, had some knowledge in the use of data and AI, and we managed to have an educated discussion on this and other topics. This has to do with two things: educational background and culture.

How are we feeding it back into the bank's culture? We have an updated culture but it's always evolving... and you mentioned about culture in the beginning of this panel. How do we perform in an ever-changing culture?

Sergio Fajerman:

I can't deny or hide that I'm overjoyed with the evolution of the bank.

I was thinking about answering it was a happy coincidence, but the truth is it was no coincidence: it was a very well-thought-out convergence. Three years ago, we looked at the entire bank activity, the need to update platforms, the need to put the client first, and the conclusion was that only these things wouldn't be enough. We had to change our way of working as a group, a team, and also individually.

Therefore, the cultural transformation proved to be very necessary. From then on, we've created the embryo of everything we're talking about now, the use of data, the "We don't know everything" corporate value, trying, making mistakes, learning and improving. Each employee has their own way and is comfortable to state their positions, wow the client, and innovate based on the client's needs. There's no quick, easy solution here, Renato.

Firstly we need to have a very active communication, as we did in the beginning. Then, we make a huge time investment in the senior management, as this is a crucial pillar for cultural transformation, which is to lead by example. It's no use talking and writing if people look at the bank's leaders and don't see they are practicing this cultural transformation.

We've invested a great deal in our senior management in these first two years, and now the next step this year is a massive investment in our middle management. We're talking about 12,000 people who will undergo a highly intense development program so that we're able to take the cultural transformation to the next level. I'd like to remind you that this whole process has a final goal, which is the client.

This whole process has been thought through in a fully coordinated way. I'm sure clients will realize the changes in their day-to-day already this year. That's why we're nearing the point of maturity of the culture, digital transformation and client centricity. We'll really have some novelties, and our retail teams, led by Vanzo, Zancani, and André, will be able to delve into these topics in their panels.

We'll really be able to make a headway, which will be noticed by people in their journey with the bank. All of this has been the result of this architecture created and accelerated in the last two or three years with the cultural transformation at the bank.

Renato Lulia:

Awesome!

I'll come back to you, Alessandro, to continue addressing efficiency. I want to take this angle you've mentioned and which Matias had also brought up; that is, the investment we need to make to have the bank of the future while needing to have the bank as efficient as possible to be able to price operations well, and thus be able to provide clients with the best conditions.

Alessandro, you mentioned it in your first answer, but what are our thoughts on whether running the bank seeking efficiency or investing? How can we ensure that we're not failing to invest to create this entire structure that Matias mentioned? How is the bank's position in terms of cost and investment discipline?

Alessandro Broedel:

We've been talking a great deal with investors and other stakeholders about efficiency. We've already had an efficiency program in progress for a few years and some reflections can now begin to be made.

The first one is connected to what Sergio has mentioned. We'd never be carrying out the program this way today with the former culture. Why do I say so? Because a cost reduction program is usually self-centered, almost dictatorial in nature. It has guidelines such as: all the bank's departments must reduce costs by 10% or everyone must have a certain attitude.

We've fully left this concept behind and made our way towards a concept of efficiency, which is not a cost-reduction concept. People ask me that over and over what I mean with it.

I'll illustrate this with a process that has been automated. The commercial officers no longer have to spend time searching for and stapling a collateral form to the contract. In the cost-reduction program we have automated and reduced the amount of resources needed.

In our efficiency program, we reflect on whether these resources that remained idle can generate more revenue for the bank, whether we're below our fair market share for this specific product or whether we can seek more revenue. In this specific case, the cost did not fall nominally, but the bank's efficiency ratio improved.

But why couldn't we do this in the former culture? Because now we need a level of cooperation between the departments and a complete bank vision that is very different from what was done in the past.

There is another very common question on efficiency, which is where the client comes into this discussion. Efficiency is a ratio between costs, which is an internal discussion, and revenues, that, in the end of the day, are clients.

I can't have a good efficiency ratio if I don't serve the client well, if I don't generate results with products or journeys that are interesting to the client. I think there's a very interesting combination of this vision.

Another important aspect is that we no longer have top-down initiatives. What does that mean? The executive committee doesn't meet and decide to cut off on something. Of course ambitions are discussed, but initiatives are brought by the departments. For example, Matias proposes numerous initiatives on risks, which is a superb change in terms of efficiency, and it's obvious that he's capable of coming up with the best initiatives. We can ask, but he's the one who proposes the alternatives.

Sergio has done a fantastic job, efficiency-wise, as he has a vision of people that we don't, for sure. The same goes in the legal department, and we just have heard Vita talking about AI and efficiency to note this.

And this is pervading the organization. That's what is important. I take part in a number of forums and I'm most satisfied when I don't have to speak out in a discussion about efficiency.

Renato Lulia

That's about mindset, about culture.

Alexsandro Broedel

Definitely. That's about mindset, but it can't be top down, as we have to seek for efficiency and not only for cost reduction. Because we need to invest. This bank of the future we're talking about is a bank that will exist only if we make massive investments.

By the way, we disclose it to the market and we are one of the few organizations in the world that make it clear. As Milton says, we're not jeopardizing the future. What is the easiest way to generate efficiency? Cutting off on investments.

Thinking about it, I tend to agree with Sergio. I think the bank's cultural transformation is expressed in things that perhaps weren't in the original purpose, and this is an example of the new culture expressing itself.

This is a huge challenge, but I think we're managing to do the most important thing, which is to bring it to the culture. As Vita has mentioned, it is much more efficient to change the entire culture than establish control mechanisms.

In other words, it is better for people to do something, not because they are being watched, but because they understand that it makes sense and it will be better for the client.

Renato Lulia:

This is not about a project or a program, but rather a shift in attitude.

Alexsandro Broedel

Another question from the market is: why are you focusing on efficiency if the bank's results are so good? One thing has absolutely nothing to do with the other.

We'll ramp up efforts to make the bank as efficient as possible, regardless of our profitability level. And when is this process over? This search for efficiency never ends.

Matias Granata:

Alexsandro used the term "mindset" in English, and you used the word Portuguese.

Renato Lulia:

Alexsandro is fancier than I am!

Matias Granata:

For example, when we think about how we release funds for these investments. This is a matter of attitude. Having the courage to do things differently.

It's not about doing better, but about doing things differently. When you do better, you release funds, but when you do things differently, you release much more funds.

It's this attitude that drives the momentum to invest, so that we have a better solution and better offers for the client. This makes a lot of sense with what Alexsandro has talked about efficiency.

Alexsandro Broedel:

Absolutely! I think that a crucial thing about the recognized bank's financial discipline is that it gives us the peace of mind to avoid hasty decisions.

Therefore, it's important to look at efficiency at those moments when you have higher profitability levels, as it enables you to make decisions that are critical for the future without just looking at the earnings for the quarter.

We have built an institution where we can look at these long horizons without fuss because we know what the profitability level entails. There's no easy path or shortcut. There's no silver bullet.

Every complex issue has a simple and usually wrong answer, and this is a classic case.

Renato Lulia:

Thank you, guys! Before moving on to the next panel, I'd like to share an institutional video while we get things ready to host the group of executives.

Institutional Video

We first appeared many years ago. Since then, we've been shaped by time. We've become stronger, without ever losing our ability to transform, evolve and adapt.

Always on the move. Going further and further. Keeping our solidity intact.

Because what is most valuable to us has never changed. Nor will it ever change. Our essence is written in stone.

Itaú. Made of future.

Individuals Panel

Renato Lulia:

And joining me for this panel are Alexandre Zancani, who leads the Retail Banking Products and Digital Business; Carlos Constantini, responsible for Itaú Unibanco's Wealth Management & Services; Carlos Vanzo, responsible for Retail Banking and Insurance; and Ricardo Guerra, who is in charge of Itaú Unibanco's Technology department.

Welcome again everyone. It's nice to have you here today, Zancani, Vanzo, Guerra and Constantini. We are now starting our second panel.

As you've seen in our previous panel and the message shared by Milton, Pedro and Roberto, the theme of this Itaú Day is transformation. Transformation for real, but keeping what's important to us, what has brought us here and is well connected with the motto "Made of the Future".

I'd like to start our conversation talking about how transformation is happening in our business for the individual segment. We have been talking about several projects throughout the latest Itaú Day events and earnings calls. I'd like to start with you, Vanzo, commenting on this transformation that is already in progress, with the background of "future is now" for the Bank's individuals segment.

Carlos Vanzo:

Great! Renato, Constantini, Guerra and Zancani, I think this topic is awesome. To start, as you said, this transformation in retail for our individual clients didn't start today, but it has been taking place for a few years now.

We began this transformation journey during the pandemic. It was important because the changes were key structural changes in client experience and satisfaction and in sustainable results over time. When we analyzed what was happening in 2022 and all the market changes, we realized our moves were not enough. Based on that mindset, we reviewed this transformation we were undergoing.

This is a never-ending game. Markets change very quickly and we always need to stay ahead of these changes. In 2023, we defined a new strategic agenda, and I think this is the best way to describe it.

This strategic agenda gave rise to the new operational model, which in the end is a way of materializing our “One Itaú” project.

Renato Lulia:

This new operational model is also known as NMO, right?

Carlos Vanzo:

Precisely.

The “One Itaú” project is a quite big change for the individuals segment and this new operational model was needed to organize the way we operated, the dynamics with which we faced our challenges and served our clients. This first change was fundamental, as within One Itaú we have some strategic pillars. All of them have one great goal, which we talked about last year and I repeat this year as well, which is client centricity.

As the change is cultural and strategic, the first thing to consider is our client base and how to grow it with resilient clients. And by resilient client I mean high, medium and low-income clients.

We have the ability to serve all segments when it comes to the client profile we want to serve. Credit is very important to clients, and we have settled a dynamic to offer credit to resilient clients, which brings us consistent results over time.

We have been working on initiatives to support this dynamic, including the improvement of the service model, which is one of the five strategic pillars within the project called “One Itaú”. Our service model is well positioned for the high and middle-income segments but we’re working hard to improve our service model for the low-income segment.

Last year we launched a new service model for the high-income segment we call “Itaú Personalité,” and we are recording value creation and double digits NPS improvement with this initiative. In other words, we are already achieving significant results. In October 2023 we revamped the segment “Itaú Uniclass”, and we recorded similar results with double-digit NPS increase and a growing bottom line. The low-income segment is experiencing a time of key strategic discussions, as I’ve just said.

The service model for the high and middle-income segments is “phygital” which means that it counts with physical and digital services. However, for the low-income segment it needs to be digital so we would be able to scale it while having a suitable cost to serve.

By summing up all these points, we have a fifth key element, which is principality or client engagement. Before handing over to Guerra, I’d like to comment a bit on this topic. All these elements are important for us to win over client principality. To this end, a change of journeys is essential, a topic to be explored later by Zancani, who will explain about credit.

This segment restructuring will enable us to improve user experience. We are making use of technology and data to understand our client behavior better and make a suitable offer based on all the information we have. This approach creates value over time.

Our main goal is to ensure client satisfaction. We know that client satisfaction is key to sustainable value creation over time.

Now I’ll hand over to Guerra, who will talk about a field he is a master of: data and technology.

Ricardo Guerra:

Awesome, Vanzo! Thanks. Good morning to you all, I'm delighted to be here today.

We've been investing massively in technology for over eight years.

In recent years, Lulia, we've talked a lot about systems upgrades and migration to cloud, which have already been implemented and became part of our reality and daily tasks. I think we have reached such an interesting level because, as Vanzo said, our goal is for client-centricity. This only happens if we understand the needs and what can engage our clients on scale.

This is possible with digital methodologies, which is nothing more than having agile and prepared technology to create and test solutions. Therefore, it is about having design solutions to enable clients to understand and make good use of the bank, the ability to create interesting products that solve problems and generate value to clients. All of this must be done on a scale, something not so simple to do with the many products and services offered by Itaú.

In my opinion, we have achieved this level already. Today I'm not talking about where we are on this journey because it's already accomplished.

In fact, today we're able to deliver, in all business areas, speed of understanding, experimentation and product creation to meet the deadlines of the client. This is very consistent with our client's expectations. So, when it comes to our technological platform, we've talked about legacy for many years, about being a big bank and slowness. Today we have parameters to live up to the world's top tech companies. I emphasize that we can deliver this experience according to our client's expectations.

To do so, we've built up a very strong agenda of data to understand, at scale, our clients' needs. This agenda is linked to technology update, as obtaining information has to do with being connected onto the platform. Such speed allows us to be aligned with all the increasingly faster innovation in the world.

Take the GenAI, for example, which began many years ago, but gained notoriety with the ChatGPT in early 2023. We have quickly started to adopt large experiments at the bank and today we are one of the companies to lead the race in AI implementation in the world.

We deploy GenAI in software-development technology and are one of the world's largest institutions when it comes to adopting GenAI for software development, with over one million lines of code.

Renato Lulia:

We are talking about all sectors, right, Guerra? Not only in relation to the banking sector.

Ricardo Guerra:

Absolutely. We mean globally, we stand out in relation to all sectors. I highlight again that we have more than one million lines of code written in GenAI and over 8,000 engineers adopting this solution. They use it at scale, and enjoy the benefits from this solution.

Meanwhile, we're studying how we can create value to clients by implementing this technology. The entire foundation on which we have invested over the last few years has enabled us to adopt cutting-edge technologies quickly to generate competitive edge for the bank and create value to our clients at the same time as any other global large company or startup. In other words, our implementation of this technology today leaves nothing to be desired when compared to any other company adopting cutting-edge technology across the globe.

Renato Lulia:

From what you said, the percentage of cloud migration is no longer relevant. Now what matters is the impact of everything we have done over the years on the client's life. These are our KPIs now, right?

Ricardo Guerra:

Definitely. We continue to evolve the technology, Renato. This is an ongoing transformation and integral part of our management model from now on, because technology continues to evolve. It is not just a project to phase out the legacy systems and migrate them to the cloud, but also a project to achieve greater speed and adopt tools that create value for both the client and the bank.

Therefore, this transformation will continue and accelerate. What matters is that we created a platform, a culture and a work process that adopt this type of transformation on a frequent basis.

Before, we brought the cloud migration percentage and stated that by reaching close to 60%, we would be generating competitive advantage already, as it was the minimum percentage to make a difference in terms of client experience and value creation for clients. Now we have already surpassed this percentage and this idea. We have the technology management model, which continues to evolve and be constantly enhanced, as we consider the experience from the client's perspective, which is what in fact creates value.

That's why the connection with the business areas is crucial. We need to work in an integrated way. We do not work with a model in which, for example, Constantini asks me for a technology project separate from his operation. That's because today we have technology engineering teams working in an integrated manner with their teams to create experiments. Another example: if anything new comes up in AI that the Wealth Management team wants to test, an engineering team is incorporated in the business area and ready to support them in this experiment.

Our new processes enable us to experiment with these new solutions in a very fast manner.

Renato Lulia:

If you allow me, Zancani, I think this is a good moment to watch the video we have recorded with Andrea Carpes, our Customer Service Officer, and Thiago Charnet, who runs the retail banking technology department and is a member of Guerra's team.

They address the adoption of technologies in client service. Let's watch it, shall we?

Everyone:

Yeah, let's do it!

Thiago Charnet:

Hi, Andrea. It's great that we're at Itaú Day to talk about customer experience and artificial intelligence. I'll start by asking you a question: What's your view on the evolution of customer interaction and also the possibilities generated by artificial intelligence?

Andrea Carpes:

Thiago, it's great that you asked this question, because we have indeed evolved our interaction with our customers, not only through new channels, but we have also changed our customer-service journeys and

products. And the use of technology and data has made these projects much easier. Our goal is to always deliver simpler services to our customers, with guaranteed levels of security.

And just to give you some numbers, last year there were more than 800 million proactive interactions with the customer, meaning we contacted them before they contacted us.

Thiago Charnet:

All this using data and artificial intelligence?

Andrea Carpes:

Exactly, all of this using data and artificial intelligence, thus taking advantage of the best channel for the customer. And, of course, this increases satisfaction: we've seen that in recent years our NPS has gone up more than 10 points, but we also know that the journey of improving our customer satisfaction is a continuous one.

And, no doubt, the use of data and artificial intelligence has been one of the main levers of this ongoing transformation. Our customer-service platform has already been modernized, and we receive more than 12 million contacts a month that are made entirely digitally and more than half of them are addressed by AI.

Artificial intelligence is not new for us. We've been using it for a long time and even to answer questions that come in via WhatsApp or chat. Being where the customer wants us to be is also a service mission.

So, through WhatsApp, for example, which is already served entirely by artificial intelligence, we have more than 100 services available to customers, 24x7, from simple services, such as requesting a statement, an invoice or an increase in limit, to more complex services, such as getting a payroll loan or even opening a current account with us. And, of course, in addition to these, we have several other examples of the use of artificial intelligence, which can even be genAI, such as analyzing the sentiment in each contact, being able to read documents, predicting the reason why that customer is contacting us so that we can direct that contact to the team that will be best able to serve them.

So the use of artificial intelligence is not part of it only now, but it will become more and more so.

Andrea Carpes:

From a technological point of view, we've made significant investments to modernize our platforms, so that we have more and more scale and speed. Tell us about it.

Thiago Charnet:

Andrea, we really have done a lot over a period of many years now. Not just the evolution of our platform, which I'll get to in a moment, but our evolution as a bank, whether it's our culture or our method of working in tribes in which technology, product and design areas work together as a team. All of this is part of being able to update according to what our clients need.

Our challenge was not only to migrate these platforms to the cloud, but we had to rewrite them according to what is expected today. Thinking about how we actually become better for our customers, how we can experiment more and have more speed and quality on these platforms. So this rewriting was perhaps our biggest challenge: to look at the logic of these codes that have been written for dozens of years and have brought us so far, but to be able to rewrite them together, in this triad of communities, and then migrate these platforms to the cloud.

Andrea Carpes:

Shall we talk more about GenAI?

Thiago Charnet:

Sure, Andrea. And it's nice to say that in addition to the initiatives you mentioned, which make up the 250 we already have mapped out, it's also worth mentioning how our culture is. Today, all areas are quickly mobilizing to see how generative artificial intelligence can improve our services and the lives of our customers. In technology, we've done a lot, not only to support the whole bank in this new technology, but also how we've instrumented our development process.

For example, we've done a lot of coding using generative artificial intelligence. In fact, we've been making intense use of GitHub Copilot, and we're currently one of the largest user of this technology in the world, according to Microsoft. We have created internal solutions at Itaú Unibanco to instrumentalize our technology operation, such as StackSpot AI, a solution we are setting up within Itaú, and several others.

So this has also made a difference in the quality and speed with which we have created code for Customer Service and the other areas of the bank to serve our clients.

Andrea Carpes:

Very nice, Thiago. And it's wonderful for us to being able to do more for our customers.

Thiago Charnet:

Pretty cool, huh? And it will certainly make a difference to our customers.

Andrea, to wrap-up, what`s your view on the evolution of customer experience after everything we've talked about and with all the new technologies we've implemented?

Andrea Carpes:

Thiago, the future is already here and it's going to be increasingly hyper-personalized, with more use of data and artificial intelligence so that we can become a more consultative and agile bank for our customers, so that they can better manage their financial lives here with us. We have initiatives for both individual and corporate clients, who will also be seen in a more holistic way.

It's common to have an Individual client who is often also a Corporate client, so we can deliver products that are financial solutions or even Beyond Banking solutions, so that the client can use Itaú to solve their entire financial life.

Thiago Charnet:

Very good!

Andrea Carpes:

We have already managed to implement important security solutions for clients, which has been and will continue to be a priority for us. The latest one we've implemented is that we can recognize when a number impersonating Itaú tries to access a client of ours, so we recognize the possibility of fraud and don't let that call reach our client's cell phone. We also have voice biometrics, which have been around for a few years, whereby we recognize the same voice trying to access our call centers to talk about more than one account. And, without a doubt, the use of artificial intelligence will help us even more.

And as you said, artificial intelligence here at Itaú is not new. Our virtual assistants, which have been around for a few years, have evolved even more with genAI, so that we can deliver more context and so that the virtual assistant's conversation is more like a human conversation, bringing ideas together, making the conversation more fluid and more contextualized.

Thiago Charnet:

And everything is much more personalized for the customer.

Andrea Carpes:

Much more personalized and with the client really recognizing themselves in the conversation. We've already started testing it with some employees, our "Itubers", and will soon be releasing it to our clients.

Thiago Charnet:

I'm already testing it.

Andrea Carpes:

I believe that we can look forward to a future with increasingly humanized digital experiences and human experiences increasingly helped by the digitalization capacity we have. All this to provide our customers with ever faster and ever more resolute service on the channel they choose to be served.

Thiago Charnet:

And it's an incredible experience.

Andrea Carpes:

An incredible experience, because we are "Phygital". The customer chooses the best channel for them, either online or in a branch.

Renato Lulia:

Sorry, Zancani, you were going to say something, but I cut you off because I thought it was a great moment for the video. Now I give the floor to you.

Alexandre Zancani:

The video was great and I want to follow up on what Guerra was saying, because I share a lot of this enthusiasm of thinking that we are actually advancing on this journey of transformation.

We have recently been talking about the journey of transformation. There are some paths with no shortcuts, across which we have to face long journeys. We were a bank of legacy, with its challenges but also its merits, and driven by our achievements. I can see clearly how important it has been to have advanced technology and platform upgrades on our ability to deliver value to our clients faster.

It is very interesting to note that, just as there's no shortcut in technology upgrade, there are no shortcuts either when it comes to some business challenges in how we previously organized ourselves. Vanzo has commented on how important our strategic decision to be "One Itaú" was for the Individuals segment. This format was not a reality at the beginning: historically we had been organized by different franchises or different brands, at times, with different technology platforms and ways to build relationship with clients, either physically or digitally. We have chosen to overcome this barrier.

There was no shortcut, and it has taken a lot of work. As this is an uncomfortable process, at times we wanted to speed up the process. However, I have a feeling these changes occur “slowly, then suddenly”, like in many disruptions in technology. It means that the transformation journey can feel hard and slow, but suddenly it accelerates and gives rise to important changes.

Now we clearly realize the speed we are gaining and how impressive the ability to unlock value for the bank and clients is, with these processes happening while we are talking. A clear example is the “One Itaú” platform, which we have commented on at several earnings release events and which have been widely reported in the media.

Most of our clients used to have their relationship with Itaú through apps or other platforms with access to only the Itaú solution they were clients of. There was a mentality that we needed to sell a current account product to win the clients, as if they were not a bank’s client yet. As I’ve said before, there’s no shortcut. Today we are testing a solution with several clients expected to be launched in the second or third quarter. We’ve already had plenty of feedback from our clients on how this solution has made their lives easier.

It's extraordinary to have feedback from clients who used to have a relationship with the bank only through the credit card product, for example, and now they enjoy multiple features in the same platform, such as access to PIX, a way of making deposits, and use it to guarantee an increase in their credit limit, which ends up improving their relationship with the bank. This happens naturally, without our need to allocate a great deal of time to sell products to the client, because the client has their needs met and can take advantage of 100% of Itaú's products and services. We talked a lot about delivering 100% of Itaú to 100% of our clients last year. Now we're finally crossing that bridge, with no shortcuts. It has taken us much work and effort, but now clients are noticing this evolution and enjoying and benefiting greatly from these advances.

Renato Lulia:

That’s extraordinary, Zancani. We’ll come back to you later, as we are very curious about the initiatives implemented at the Individuals segment.

Ricardo Guerra:

Renato, sorry to interrupt you, but I want to comment on what Zancani has just said. There are some things we have learned from this transformation: the need to have management discipline and resilience to believe in projects that will generate results in five years, for example, and stick to them, and understand the metrics evolve towards our goals and enables us to achieve them. This understanding was essential for our transformations.

Renato Lulia:

Our former CEO, Cândido Bracher, commented on the expression “burying pipes”, meaning there was important work behind the scenes that had no visibility, but without which delivering projects and achieving our goals would be impossible.

Ricardo Guerra:

Definitely. Then we had to persevere. One of the highlights of working on this journey of transformation within Itaú Unibanco was the belief that we were on the right path, which needed to be faced and would take time. All of this would help us achieve our goals. Therefore, management discipline and our resilience were key characteristics in getting us where we are today. It’s easy to give up midway.

It is easy to give up on a project in which we've already made investments for three years, for example, with no tangible results. We've always believed in the potential of change, and today we are pleased to look back at our journey of persistence and resilience, which were two crucial characteristics on this journey.

Renato Lulia:

I'll hand over to you now, Constantini, as the Asset Management industry has undergone a huge change in the last few years. There can be no doubt growing and managing assets is a fundamental need for our clients. Tell us, from your perspective, how the bank's Asset Management transformation journey was and how it has been.

Carlos Constantini:

No doubt, we have gone through many transformations. Speaking after Vanzo, Zancani and Guerra is simpler, as I can use their arguments as a basis for my talk. I really liked that Guerra said the agenda has changed, and now we can bring more mature indicators and perceptions of these changes, rather than just the inputs driving these changes, such as our model of working in tribes, for example. Perhaps there is no transformation more important than our management model based on clients rather than products as it was in the past, as Vanzo mentioned. We had the "One Itaú" project, as Zancani had stated.

The asset management industry has been changing and we've had a leading role in changing the management model from a product vision towards a vision of a full investment journey from the client's perspective, which is a vision that speaks to their need to multiply assets.

For this investment journey to be successful, from the client's perspective, we need to develop and consolidate a full offer of products and services. This offer has to provide not only a complete portfolio of products and services, as we have been offering for a long time, but also a universal shelf, with investments available starting at 1 BRL, and a full-service brokerage unit, which has been modernized and doubled in size. This process had Ricardo Guerra as a technology partner. This partnership brought quality improvement, got rid of latency periods, increased the product portfolio, including zero-fee options, and enabled us to grow with a very high potential to continue growing.

This also involved consolidating a service model through 2023, which we talked about in other editions of Itaú Day. We introduced the "ion" advisors model as the result of a joint work with Vanzo, as we share management of the ion segment.

It's worth mentioning that we conducted an assessment in the Private Banking segment of how we could become closer to clients regionally and in specific niches while bringing global services. We also evaluated how we could have a global offer and, as a result, we added Avenue as part of our ecosystem. We did all of this through an intuitive digital experience.

We provide all these solutions through the "One Itaú" platform, the Super App, which helps and makes life easier for investors. We recognize that we have a lot to evolve in this aspect and that's a continuous learning process. As Vanzo has mentioned, it is an infinite game. Meanwhile, for a small group of investors who want a more immersive experience and not necessarily a product, we offer "ion", which provides investment solutions and contact with experts through the app. Over the past few years, we have completely revamped the way we communicate our investment solutions. We have brought content to clients, financial intelligence, and a new specialized and specific platform to offer these services. The way we communicate about investments is based on the client's time and tone of voice.

At last, I couldn't help but mention that we have made massive investments in technology and GenAI. In previous years, we mentioned the use of simulation algorithms to make up a portfolio. The advisory department delivers, perhaps, the most tangible value for investors who want to multiply their assets. Any KPI here is important, but none matters more than the performance. If you want to multiply your assets, the multiplier is what will do it. Accordingly, we make massive investments in technology with a focus on multiplying the client's assets.

I believe that the advisory department is the one we are most proud of, as it has actually evolved over time, notably in terms of portfolio contextualization, profitability simulation and simulation for better asset allocation, and portfolio scoring. In other words, we've got many tools that experts can use when serving a client or for clients themselves to use on the Super App or "ion". Of course, if you have a GenAI orchestrator to analyze all these functionalities together with the knowledge on clients profile, you'll be able to generate a very powerful solution offering AI-developed financial advice. We are working towards this goal and the first results have been very encouraging.

Renato Lulia:

Awesome! You have seen that Constantini is a GenAI enthusiast, and I would like to quickly share with you something that happened while we were preparing for Itaú Day. Constantini included the transcription of the last two events in the ChatGPT and requested the program to identify the promises made by him in the last editions of Itaú Day. The program then accurately listed the promises. This has allowed you to come here today and remember and update those promises made in the past. It's great that we were able to successfully fulfill all the promises made.

Carlos Constantini:

With the GenAI solution there is no more room to cheat.

Renato Lulia:

I just gave the audience an idea, didn't I? They'll do it later.

Taking advantage of the discussion, I'd like to talk more about "Made of the Future".

I'd like to address the next question with you, Vanzo. Thinking about the development of all the fronts you mentioned earlier in the panel, could you share with us the new initiatives and levers you have focused on? What topic would you like to delve deeper into when you think about the future?

Carlos Vanzo:

This "One Itaú" program, as we mentioned previously, is complex and large, and it is extremely relevant for us to continue evolving in the individual segment. I'll give you some examples for a better understanding.

When we look at the high-income segment, we conduct a large review of the value proposition, the service model, the specialization for serving investments and insurance. In the recent relaunch of Personnalité, we repositioned the entire brand, with the opening of six Investment Centers and two more that will be opened in the second half of the year. These things are already happening in the high-income segment and will continue until the end of the year.

The middle-income segment is also undergoing a specialization model. We surely need to balance the cost to serve within this model. We need to remember that clients have different needs and they go beyond the need

for basic products. We need to evaluate how to better reach out to the client in terms of investments, insurance, consortium, mortgage, which are products managed by Zancani, who is here beside me.

GenAI and data are fundamental so we can have the best offering to our clients and gain principality. All of this brings us a more refined knowledge of the client profile; it provides a much more contextualized offer and enables us to better serve the client, not by selling a product, but understanding their needs.

This has been happening, I said it last year and I repeat it now. This has been confirmed with client vintage statistics, which is crucial. As we serve the client with an adequate and suitable offer, we observe an increase in NPS. Both Uniclass and Personnalité recorded double-digit increases in NPS. We also have improved results, increased client satisfaction and reduced churn. Therefore, this is very relevant. We currently have more than half of clients without a full bank offering, as mentioned by Zancani.

We can get much better results with this platform working at full capacity, without any type of friction with the client, with this client having access to a full-bank offering and with the ability to scale within the correct segment. This is what is happening as we're piloting the project. This entire flow goes through the understanding of meeting the client's needs, which generates more satisfaction, and the financial result will be the outcome of this process.

It was no different in the Uniclass segment. I have mentioned the topic of specialization, but we also have a new app that can provide a much closer relationship with the client, serving these middle-income profile clients who, at least some of them, will surely be part of the high-income segment in the future. Therefore, this can also be a transition segment that is crucial and has great potential growth. We have several profiles within this segment with different features.

Without data, GenAI or technology, we are not able to distinguish clients. Without making use of these solutions, we would be serving all those different clients in the middle-income segment in the same way. As today we understand this difference, we are able to customize at scale.

This customization at scale brings a level of efficiency much better than the one we had before. You can just imagine our ability to scale the model with all these elements by applying this approach to the medium and high-income segments and also in the discussion about the low-income segment.

Therefore, after re-launching these two segments, our expectation is to re-launch the low-income segment within this context.

Clients no longer pay fees to open our accounts online. This friction with new clients no longer exists.

Within this value proposition for all clients, particularly in the middle- and high-income segments, we have a relationship program in which the more the client engages with the bank, that is, the greater their principality, the less friction they have. Quite the opposite, they now benefit from having this kind of relationship with the bank. Today no other bank in the market has this kind of offers or relationship.

We believe that clients realized this value in the medium and long term, and this brings an engagement level much more different from the one in the past.

Alexandre Zancani:

Lulia, it is possible to see that we believe in the infinite game, and we are in a very interesting spot, aren't we?

I think this level of excitement we are experiencing is driven by our actual ability to unlock value and deliver quite interesting things, be it what we are already delivering or what is yet to be launched. I like to say that we moved from being a product-focused bank to a bank more focused on meeting the client's needs. Nothing is more innovative than solving the client's pains.

We are not in a competition to launch products and features wildly, and our teams know that. The mission and purpose of this group of employees is just one: to solve the client's pains. We know we are solving the client's pain when we see the adoption of solutions and behavior change.

It's impressive some of the changes in behavior we're seeing. This logic of organizing ourselves to meet the client's needs rather than thinking about distributing or selling products is incredibly powerful, with valuable results confirmed after testing.

As I believe the investing industry has many examples, I'll share some of them. We see this entire logic and revolution in the world of payments, which is something crucial. We see the usual day-to-day of clients and their needs to buy, pay and receive, and at the same time we have many clients who need help to finance these needs.

We have historically created silos. For example, we had products like overdrafts, which later evolved to a current account limit, or credit card solution or an installment-payment plan. We observe that solutions to sort out situations experienced by the client in their transaction journey and financing alternatives already available, even without a product name or label, but rather that best meets the client's needs at the moment, unlocks value and generates opportunities.

We are seeing again that many clients are rolling out the new card hub experience. In the past we would have invested in a card app, but now we have evolved the card store within the bank app to improve the experience. These changes are not being labeled with a new app or product name. We are talking about an app with Itaú's design language, organized in a way to address the pain and find the solution the clients need most.

We have a 30% reduction in the lead time for some needs. With the new hub, products acquisition has increased to more than 20% from 5%.

This is driven not simply by the product, but by a solution in an easy place for the client to find and at the time they need it most. Therefore, when I say that we are not in a wildly competition to launch products is because we're looking for solutions for the client's pain. That's what innovation is for us. It's about solving the client's pain and realizing that we are on the right path through the clients' adoption of the solutions offered.

We are noticing some positive signs that we are on the right path.

Renato Lulia:

Do you want to keep talking about this topic, Constantini?

Carlos Constantini:

I quite agree with what Zancani and Vanzo are saying.

In almost every meeting we have about products, we start by trying to identify if its purpose is to solve a client's pain, which is something that, looking at the past, we did not do. I think this mindset is fully ingrained in the bank, as we really try to identify the pains and solve them.

I think we still have a long way to go, with room for improvement. For example, we can further include the use of UX, have more intuitive experiences and improve the client journey along the way. But I believe we have been able to achieve a shift in mindset and the internalization of cultural change, which are fundamental.

Vanzo has commented on something I find essential. If we ask what will bring sustainable growth in investments, I'd say that we have a very well structured offer for investors and clients who want to multiply their assets, and that we are able to build customized recommendations. Therefore, for sustainable growth we need to have scalable delivery at a fair cost.

That's why we discuss a great deal about models, and, in my opinion, the use of GenAI will be crucial. As an example of this scalability that Vanzo has mentioned, specifically in the asset management department, we have expectations to at least double the account load of specialists by using GenAI. I can easily imagine investment advisors in some of our projects handling an account load of 1,000 clients.

I think it's an innovative business for anyone who has access to GenAI tools and something like this was unthinkable before the adoption of such technologies.

To wrap up with a very important topic, it's great to talk about new technologies, but we still have many business opportunities to consolidate our presence and leadership. We rank fourth or fifth in some brokerage business and thus still have room to grow. We also have great opportunities in private credit and are working on it with technology support.

We are going to double the size of our brokerage unit again, not this year, since we are in a consolidation period after doubling it for two years, but we have many opportunities, as Vanzo said.

We also have many opportunities to consolidate our asset management department on its three pillars. The multi-desk asset, which is well positioned despite the difficult times the industry is going through. Our Asset Management department is strongly performing in fixed income, and I believe this is a trend. Finally, "Solutions" is the future for us. We set up an asset to operate in this direction and consolidated this pillar by working together with Kinea and on Investment Services.

I could talk for hours, but I know time is short, so I would like to leave the message that, there are many opportunities for sustainable growth in our business as usual activities.

Renato Lulia:

Awesome! It's hard not to be thrilled to bits at the bank's initiatives and everything we are doing and the energy we see in all teams and departments, and with all the bank's initiatives.

Guerra, I'd like to come back with you to wrap up our panel. Our time is short, but technology was the topic pervading all our talk and I have no doubt it will also be a topic for the next panel. Therefore, what do you see as interesting in the build-up of this bank of the future? Please share with us some of the things being developed, technology-wise.

Ricardo Guerra:

Renato, I've been working in technology for almost a decade and I've never experienced a moment where I see so much sparkle in the eyes of these heads of business.

Today, we have a truly differentiated agenda of products and services, at both individuals and companies, at WMS and Itaú BBA, that will be introduced over the upcoming releases, which are development periods that last three months. I am sure the client will realize it over time.

From an infrastructure point of view, and thinking about the technology programming side, which is what enables all of this, we have invested and continue to make huge investments in cloud, availability, and scale tools, precisely to allow this type of experimentation.

AI is a topic that cannot be ignored and one everyone talks about, and today we already have over 250 cases of GenAI implemented at Itaú Unibanco.

Renato Lulia:

250 Generative AI cases alone?

Ricardo Guerra:

Precisely. We have cases of efficiency and cases of experimentation with clients, like the ones Constantini has told us about.

We are experiencing a thrilling time in terms of adopting and experimenting with new technologies. We've ended up entering a virtuous circle, where we become a technological showcase and begin to attract talents. Today we have a number of talents at the bank who generate these results and, with more results, we attract more talents. We ended up being able to accelerate our technological upgrade and, in fact, as I said earlier, we have cutting-edge solutions to deliver to our clients.

Renato Lulia:

Awesome! Amazing!

We are coming to the end of this panel. I think this panel has been exceptional by bringing several remarkable, essential insights to our listeners, both investors and employees who we call "Itubers" and are with us today. Thank you very much for your time. We will be back soon with the next panel. Thank you.

Everyone:

Thank you.

Corporate and LatAm Panel

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I am made of future

Renato Lulia:

We've reached our last panel of the day.

And for this last panel, we have invited André Rodrigues, responsible for the small and medium-sized enterprises; Flávio Souza, CEO of Itaú BBA; Marina Bellini, who is in charge of Operations; and Pedro Lorenzini, responsible for Global Markets, Treasury and our Latin American operations.

Good, let's kick off today's last panel. It's the last but not least. In this panel we'll address our corporate segment.

André, Pedro, Marina and Flávio are joining with me in this panel. Good morning, everyone. Thank you for attending our event.

Everyone:

Good morning.

Renato Lulia:

You have followed the other panels today, so I am going to take advantage of a talk we had in the first panel this morning with Sergio, Matias, Alessandro and Vita, when we explored the topic of "Made of the Future".

I'd like to dive into what "Made of the Future" means for our Corporate segment. "Made of the Future" appreciates and even improves those qualities and features that are significant for us and to build upon them.

I would like to start this chat by discussing how we have built our Corporate operation at the bank over these 100 years, which is, without any doubt, a benchmark in all segments of the Brazilian market. Flavio, can I start with you telling us Itaú BBA's journey in the last years?

Flavio Souza:

I think you are spot on. "Made of the Future" is an ongoing transformation process.

As the bank is celebrating its 100th anniversary, we remember everything we have been through over this time in Brazil, in the world, in the economy and I believe it is clear that change is a feature of our business. It's no different at Itaú BBA.

If we stop to consider Itaú BBA's journey, a movie comes to mind. Looking at this century, Itaú BBA, which is the result of a merger between Itaú and BBA in 2003, has gone through a series of changes and we can mention a few of them. Back then, in the early 2000s, we had no investment banking business, which was set up later in the mid-2000s. Over time, we have become the leaders in this business segment.

Looking at a more recent past, I remember the first edition of our Itaú Day in 2021, when I shared with you our ambition at Itaú BBA and our strategic agenda initiatives. Our ambition was to achieve leadership in wholesale business and be recognized by the market and clients, that is, from the outside in. We wanted to be recognized for our market share, and so we have implemented a series of customer-satisfaction initiatives. We wanted to be recognized for our leadership in agribusiness among private banks, in the middle market, in investment banking and in cash management operations as well. After these three years, and the video of this event is public for all to see, we have made so much headway.

Back then, we talked about customer satisfaction with an NPS of 75 points. Today we operate with NPS above 80 points in all segments.

When we disclosed the ambition of leadership in agribusiness among private banks, we were fourth or fifth in the ranking, and then we reached leadership last year. Leadership in the middle market has been built over

the years. Last year we outranked our competitors in the investment banking segment with the largest gap according to public data.

We also made a huge headway in the cash management segment, with an amazing volumetry. All these results follow a very driven agenda aimed at sustainable growth and profitability. This is a process in which we must be changing ourselves and adapting all the time to reach such an operational level.

Looking at our recent track record, Renato, we have an operation that is transforming all the time, with a clear vision of what we want and with important advances towards that direction.

Renato Lulia:

Thank you, Flávio. I'll come back to you later to address the ESG agenda of Itaú BBA, a topic that can be further explored.

Let's talk a bit about the future, later as well. However, before that, André, can I hand over to you to tell us the journey of the SMEs segment?

André Rodrigues:

No doubt, Renato. I'm going to add some more data to this track record mentioned by Flávio.

It's just a bit longer than 20 years since the beginning of Itaú BBA story. Among the chapters of this history, I think it is interesting to point out the part played by the SMEs segment, which started about 10 years ago, in 2014.

I had the opportunity to get involved in this project from the beginning. This transformation process arrived here at the retail segment. Therefore, in the last four or five years, we have had a continuous transformation process in the retail corporate segment. I'll go straight to the figures, as this is an operation that in the last four or five years has quadrupled in size. Our result has more than doubled, showing that the bottom line had a massive growth, while keeping a steady profitability level, which is something unusual in today's scenario, in my opinion.

This is a quite virtuous combination of a business that is significant, large, growing, profitable and, very importantly, is recognized by its clients. Our customer satisfaction rate over the last 4 or 5 years has increased by more than 30 NPS points. This combination is quite awesome and comes in the wake of this extensive corporate segment. We do not usually consolidate SMEs with Corporate operations, but today we'll have the chance to explore this relationship along our talks.

Flavio Souza:

Taking advantage of André's talk, we increasingly look at Itaú's operation as a conglomerate to serve the pool of corporations, with their different segments, sizes, and needs. This combined operation has achieved important milestones over time. I'll share two of them: we are the leaders of the corporate market loan portfolio, when we have these two businesses combined; and we are the leaders when we combine both corporate segments (SMEs and Itaú BBA), with an operation running at a high sustainable profitability level, above 30%. This figure has remained steady and improved over the years.

André Rodrigues:

This is no different to transaction figures.

In addition to the figures of the portfolio, profitability, and results that we were able to extract from our corporate segment, the transactional figures at Itaú are extraordinary. To put it into perspective, today the bank transacts, among cash-in, cash-out, payments and receipts, approximately R\$40 trillion per year. This is about four times Brazil's GDP. Every second, about 500 transactions are made through our corporate banking operation. This gives us visibility and a reading of approximately 90% of all companies in Brazil.

The use of data enables us to deeply understand the client, so we are able to customize offers according to the proper context, which is extraordinary. At the end of the day, we can create hyper-personalization to reach out to our clients and offer them what they really need in a very accurate way.

Renato Lulia:

I want to get back to this point when we address the future, André, as I believe these are crucial points: the use of data, AI, hyper-personalization, and product shelf completeness. I'm going to stop now to bring these topics later, as I believe it will be very interesting for our audience. Now, Pedro, I want to talk to you about how the Global Markets and Treasury department has been working in this process of growth and consolidation of our corporate segment at Itaú Unibanco.

Pedro Lorenzini:

Awesome, Renato. In the world of Global Markets, we have two aspects: risk management and product offering. I'm going to focus now on products and how we connect to the corporate world.

In our strategic discussions, everything is combined and coupled. Therefore, our mission is to develop products thinking about the future. It is more appropriate to use the word "modernization" to be able to serve our entire client base already in place and that yet to come. For example, for SME clients, who are in the segment led by André, there is a base to be explored with Global Markets products, such as FX, derivatives, and investments. All these products are to be offered within a proper scope.

Of course, in the wholesale segment, where we have large, agribusiness and middle-market companies, the Global Markets department plays a key role for all these clients. It works crosswise and even reaches out to the individuals segment.

When it comes to corporates, our mission is to offer modern products through which the client can self-serve, with competitive prices and online offers, which will join the client's processes to make their lives easier.

We imagine the future will be like this, with the world of Global Markets being part of the modernization, or electronification, which translates into having the appropriate timeliness for what the client needs, so that we can scale up and bring in a countless number of clients who will have the same service, with the same quality, as if we were providing service with human intervention.

We need to make this transition, or modernization, to be able to scale up our products further and better. This involves data, AI, platform upgrades and algorithms. All of this completes our product offering to better serve our wholesale clients. We are performing well in our rankings: we have ranked first in derivatives for a long time and are competing for first place against another competitor.

Our pathway within Global Markets is towards increasing growth. This is our purpose in the corporate and individuals segments, with the "One Itaú" strategy.

I will be getting back to risk management later and how we manage our treasury department. I will stop here so we can continue our chat.

Renato Lulia

Can I stay with you for a minute longer? I would appreciate if you could address the bank's operations outside Brazil, in Latin America, which are also under your management. I think it's important to talk about Latam operations in this context discussed today, about where we are and our ambitions.

Pedro Lorenzini

Renato, the challenges we face in Latin America are no different from the ones in Brazil. They involve principality, culture, efficiency, and modernization. Of course, each country has greater or smaller challenges, due to their own local business environment because of different regulation in each country. Our strategy is to use the same pathway, simplify this process using the lessons we have already learned in Brazil to accelerate the development in other markets and bring more clients into our base.

For example, in Chile, our ROE now is at 16% already, which is the level we wanted to reach. Of course, results fluctuate, but we have already achieved the level we wanted.

Our operations in Uruguay and Paraguay are performing at an even higher profitability level. Uruguay has an ROE of 38% and Paraguay's ROE is 30%. Our position is very significant in each of these three markets. We are market leaders in some segments in Uruguay and Paraguay. We rank second or third according to the market segment. As I've mentioned before, everything depends on the aspect addressed and with whom we are comparing ourselves.

We have a lot still to do when it comes to digitization and modernization, for example. We are working based on what is happening in Brazil and the lessons we have learned here. It's clear that we still have a long way to go. Our greatest challenge is in Colombia. Colombia is experiencing hard times from a macroeconomic standpoint, thus making it difficult for us to have a larger, more efficient and scalable operation. However, we have highly qualified professionals allocated in that country who will make a successful transition to take us to the level of other foreign units.

In general, we are doing great, as last year was a great year, and we had a very good first quarter, which is reflected in our figures.

We expect to have a very consistent performance in the countries where we operate. To make a long story short, I think this is what is taking place at our units.

Renato Lulia

Thank you, Pedro. Our purpose is to maximize and achieve the best possible level of performance in the operations we already have, in the countries where we are present.

Pedro Lorenzini

Precisely. I find quite interesting when you go to the countries where the units are located and see that we are leading the development of those markets and truly helping the country in question.

We are bringing experiences we've already had in Brazil but had not taken into account or implemented in other markets. Therefore, we help local regulators make a better and bigger market so that we continue to grow in these countries. Having this presence in these countries is quite interesting and I think our clients perceive it. Regulators and governments perceive it as well.

We have carried out many bond issues, for example, in Uruguay and Paraguay, both in local and foreign currencies, which make a difference for the country. We are well positioned to really help the community where we operate.

Renato Lulia:

I think that this must be the role of the largest bank in Latin America: this role of corporate citizen. It is great that we are able to accomplish it both here and outside of Brazil.

Marina, I'd like to hand over to you now. It's crystal clear that we have to deliver what we promise. It's not just about selling, but also delivering. And not only delivering, but also helping clients in their journey of interaction with the bank. You, leading the Operations and Service departments, have an essential role in customer satisfaction. Therefore, could you share with us what this journey has been like in your department, against the background mentioned here by Flávio, André and Pedro?

Marina Bellini:

Amazing! It fills me with a lot of energy to listen to Pedro, André and Flávio talking about how our businesses are evolving to help our client's business growth more and more. Operations and Service have over 1.4 million clients. Who are these clients? They are the business owners, leaders, and employees of the companies who are on our app or the bankline, making billions of recurring transactions with Itaú.

It is our duty to consider the specific moment each business is experiencing. We need to assess whether the company is at its inception, its day zero, or in its day-to-day operations, serving its clients. Or even whether it is going through a major change, on its D-day. Here in our Operations and Service department, we always consider their priority journeys, as we want them to be seamless for our clients, so in the end they spend more time with their own customers and not with us. We always say that the future is already here and that we have a lot to do ahead of us.

In the segment of corporate accounts, both in the simplest and most complex processes, 70% of them are carried out 100% digitally. This is very significant for our clients.

For example, 85% of transactions to raise working capital, an essential operational journey in our clients' day-to-day, are fully carried out through the digital channel.

Pedro has commented on FX, another crucial product to most of our clients. We have 70% of these transactions with our corporate clients fully carried out through the digital channel. Flávio has addressed agribusiness, a segment going through a massive growth, where we doubled the volume of credit granted, taking us half of the time it used to take us before. Last year André addressed the integration of Rede into the corporate segment. We also integrated this service.

Banking, cards and Rede have been integrated into a single service. Of course, there is just one client on the other side and we had different services. Fully understanding the moment that the client is experiencing is fundamental for the seamless performance of Itaú's financial services.

One promise we made last year, which is also a joint effort with Flávio's team, was to start offering to some of Itaú BBA's clients our procurement, decommissioning and asset services, which are also provided to the entire Itaú organization. We believe every client can avail these services. In this first year, we negotiated nearly R\$1 billion in our IBBA clients' expenses, delivering 10% efficiency in their P&L.

Only Itaú can offer this comprehensive list of financial products, which is being increasingly added with beyond-banking products. We are the only ones to have such a scale, this complete portfolio and this

intersection of segments leveraged by data, analytics and AI. We can talk more about the future of generative AI and reuse, as we are not creating digitization from scratch, but quite the contrary, we are using these levers as a continuous development. We want a better client experience with greater efficiency for the bank. I think this is the best combination that has inspired us to think, again, about day zero, the “day-to-day” until D-day. It’s about how our clients' lives become easier so they can continue to grow their businesses, and we grow ours as well.

Flávio Souza:

Marina has incorporated this idea of “Day-to-day” into “D Day”, so that’s it.

André Rodrigues:

I’ll take advantage of the fact that Marina has commented on the integration of Rede into our banking operation. That was something explored at length last year. The good news, Renato and everyone, is that it is completed.

Our operation is fully integrated, with a banking offer completed by payment, receiving and financial management journeys. That's a unique service model, much easier for the client, with the consolidated performance of Rede and the security provided by Itaú. It's always good to bring figures, when we look at 2023 and compare it with 2022, our results improved four times, the profitability of Rede's operation tripled, and we keep on with the same trends in 2024 for the margin.

We have managed to successfully complete this operation. I believe we are pioneering a way to operate acquiring and banking in the market, with great results, both in terms of the client's perception of the use of the bank and, above all, for our stockholders and all of us.

We are the leaders in the market share in wholesale and retail business. This leadership is a consequence, rather than an assumption, as we are continuing to deliver a profitable operation.

Marina Bellini:

The idea is to always think from the client's perspective. The whole journey, from beginning to end, must be seamless for the client, as products may be different, but the client is unique.

Pedro Lorenzini:

This is a mindset shift brought by our culture. If we do this well, leadership will be just a consequence. Leadership is the result of good experience, good price, time-to-market and possibly the most complete package of solutions offered to clients. We adopt this mindset at the bank.

Renato Lulia:

Rede’s success has brought a challenge for the Investor Relations department, André. Reporting Rede's performance to the market goes beyond reporting the results from the acquiring segment separately, as we must consider the results from a consolidated offer, with the banking segment included. We must rethink how we report these results.

André Rodrigues:

Itaú’s ecosystem is unique. We commented that we have already multiplied our business by four and our bottom line has doubled in recent years. I believe this will happen again in the future.

Our expectation is to double our operation of companies in retail again. It's not just an ambition, as we have a plan, a strategy and some initiatives. This is about appropriating a value that perhaps only Itaú can offer, which is an ecosystem where we have roughly 4 million clients in the target market, of which 50% are clients of Itaú Unibanco, Personalité, Uniclass and Rede.

We focus on expanding products and services to a known and qualified client base, in which we grow faster, grant credit, with a level of engagement and activation much higher than in a client prospecting operation.

This gives us the ability to grow our business constantly and do it with great sustainability.

Our sustainable growth with quality is a unique pillar, allowing us to record double digits in top-line, bottom-line and portfolio indicators in our operations.

Renato Lulia:

That's stunning, André. You've mentioned sustainability. I'd like to talk about it with you, Flávio.

Analyzing sustainability from two viewpoints. Firstly, in relation to the profitability of the wholesale business segment, which has been subject to much discussion in the market, given the high profitability levels we have achieved in the last few years.

Secondly, in relation to ESG. Flávio, you are responsible, together with your team, for energy transition initiatives, for example. How do you see the issue of sustainable results, from both the "future-looking" and ESG viewpoints?

Flávio Souza:

It's very important, Renato, to have consistency in results.

When we defined the strategic agenda, our ambition was to reach an efficiency level equal to or less than 25% and a profitability level equal to or greater than 25% by 2025. We used to say they were the "3x25". As we reached the target before 2025, this has raised some questions about how we managed to sustain such profitability.

We feel very optimistic about this sustainable and resilient level.

Why? Because Itaú BBA's operations have its origins in the provision of services to large companies, and over time we have expanded the target markets. This expansion began some time ago, with André leading the team and a value proposition for middle-market companies.

This business has been growing consistently over the years and has already multiplied several times from its beginning, such as our engagement in agribusiness.

If we look at Itaú BBA operation in recent years, from a result perspective, we have created a "new" Itaú BBA.

Today, middle-market and agribusiness companies account for half of the operations, and service to large companies continued to grow at a powerful pace. So, this is the sustainability side.

The other side, in line with Marina's comment on the client's "day-to-day to D day", is about the difference of having the ambition of having a comprehensive offer and having an actual competitive offer throughout the client's journey. From whatever side we look at the product, whether cash management, foreign exchange, derivatives, loan portfolio or investment banking, we pretty much lead on all these lines. This allows us to have strong resilience in market moves that are at times favorable for a specific sector, segment or product.

We have diverse segments, scope and competitive products. The most important thing is that everything is always client-oriented. At the end of the day, anything we do will always be linked to the client's needs. Our ability to keep this sustainability is supported by this approach. We are doing it for the client, looking at the client and putting the client first.

With the lessons we have learned over the years, I think a distinguishing factor of our operation has been our ability to manage credit. Our performance over the cycles has driven the sustainability of our operation. Add this to the fact that for us People are an essential and fundamental topic in Itaú BBA's operation.

When we look at that operation, we currently have 3,000 people, compared to a bank that previously had something between 600 to 800 people. We have a huge attraction capacity in this operation, and have expanded it massively in recent years, with a strong retention and development capacity. This is a crucial element in this operation.

So, we are certain that the pillars that build up Itaú BBA's operation with such sustainable profitability level are real and feasible. It's clear that, due to our size, importance and scope, we are exposed to the market and these events certainly have an impact, but I believe we have an operation that is constantly developing its resilience to be able to perform with profitability regardless of the macro scenario.

André Rodrigues:

Flávio, If you allow me to bring back the companies segment, I'll link it to the sustainability of the Itaú BBA business.

Last year we talked a lot about the Atlas Project.

This project has a lot to do with what we are talking here. When we put ourselves in the client's shoes, we are able to look at a small client, for example, a recently established company that potentially needs a full digital service model, which is the initial proposal of Itaú EMPs ("Atlas Project"). As this small company grows and gains complexity and needs more expertise, this will go well beyond the provision of a best-in-class digital offer. The company will be able to have its growth monitored according to our structure.

Therefore, it is extraordinary to see a client of ours in the Itaú EMPs segment migrate to Itaú BBA. The Atlas Project has become Itaú EMPS and today we have more than 2,000 corporate clients using our full digital proposal. So, Itaú EMPs is already a reality that is escalating very quickly. As this client grows, and our data show that our typically more resilient clients grow very quickly, they end up becoming Flavio's client at Itaú BBA very soon. We can follow up this client's growth with a model that is digital, but also human, in the sense that we add expertise according to the client's own development.

Something unique to our offer is that we can follow a digital company from the start to its IPO, which will one day, potentially, be carried out by Itaú BBA's structure. This greatly reflects our way of serving our company segment clients.

Flávio Souza:

This project is essential and it's great to be able to follow up the client's life cycle. At this point, we need to consider sustainability on the climate agenda, another topic definitely related to our transformation agenda and "Made of the Future".

A few years ago, this was a relatively little discussed topic and was not on companies' agendas. The fact that today this topic is integrated into Itaú BBA's structure is a recognition that this ESG and sustainability agenda, which we can call corporate citizenship, has become a business agenda. Today, sustainability is an item on the

board of directors' agenda, and the agenda of CEOs who want to know how they can effectively develop their operations considering all social, climate and governance aspects.

Here we have some great news, Renato, to share with you all. We have been talking throughout the latest editions of Itaú Day about that ambition of reaching BRL 400 billion in funds allocated to finance activities with positive climate and social impacts.

Our ambition was to reach this mark by the end of 2025, and the great news I want to share is that we'll reach this target 18 months in advance.

So, we've already completed 95% of this pathway. I think that in a few more weeks—our estimate is for mid-July—we will be able to achieve this goal. From then on, we will start discussing a new ambition.

This agenda, Renato, is so important that we have more people here to talk about it.

Renato Lulia:

To seize this moment, last week we recorded a talk about ESG at Itaú BBA, at Faria Lima. To bring in this point, we now invite Pedro Fernandes, our Chief Agribusiness Officer, and Luciana Nicola, Chief ESG officer at Itaú Unibanco.

Let's watch the video, shall we?

Pedro Fernandes:

Luciana, what's your view on the bank's role in ESG issues?

Luciana Nicola:

Pedro, we want to be the transition bank for our clients. This means that we need to engage our clients, so they notice changes in the economy, both environmentally and climate-wise. To this end, it's essential that they understand how their businesses will be impacted, mainly because when we analyze the risk involved, clients need to have more resilient plans for their businesses' development.

Pedro Fernandes:

This is definitely very important. Can you share with us the Itaú Net Zero strategy?

Luciana Nicola:

We've set the target to achieve zero carbon emissions by 2050. Therefore, we need to help our clients on this decarbonization journey, as the current loan portfolio accounts for the largest emissions. How can we help our clients? By our proposal at "Cubo ESG" to bring knowledge, innovation and technology to our clients, but mainly by providing advisory services to them.

Pedro Fernandes:

ESG is very important to agribusiness. We note a disproportionate volume of emissions from Brazilian agribusiness compared to other countries. That's why we have been supporting our clients to adapt to climate change, to reduce carbon intensity and to continue producing food to feed the world.

Luciana Nicola:

Pedro, we've been increasing the agribusiness green products portfolio, right?

Pedro Fernandes:

Absolutely, Luciana. We created a platform in 2023 combining our institutional goal of having a lower carbon footprint from our clients with the adoption of the best practices in agriculture. We thus launched the green

products portfolio that encourages best practices and recognizes those clients who have already adopted such practices.

We offer credit for bioinputs, solar energy and for clients who hold certifications. By doing so, we combine our institutional goal with our direct actions with clients. And we do have some additional ESG compliance obligations for those clients who contract such funds.

For example, clients willing to raise ESG loans from us are required to commit to refraining from engaging in deforestation, even if it concerns legal deforestation, in all their areas.

Luciana Nicola:

Pedro, tell us about the *Reverte* Program, will you?

Pedro Fernandes:

It is experiencing a very special moment. We are very proud of this program, as it tackles one of the major factors in greenhouse gas emissions in Brazil, which is land-use change.

Under this program we select degraded areas and transform them into crop areas. This program is spearheaded by Syngenta and our role is to financially support farmers in this transformation journey. We've already reached 200,000 hectares of land converted from degraded, highly emitting areas, into crop areas. We are absolutely delighted with these 200,000 hectares and with over BRL1.4 billion in loans we are willing to allocate to finance one million hectares for the recovery of degraded areas by 2030.

I'll tell you this: the size of this area is a bit larger than the annual deforested area in the Amazon rainforest. This shows our commitment to the cause and how we've been doing business aimed at climate transition.

Luciana Nicola:

Such great news, Pedro. I think the *Reverte* Program is a great example of how financing can contribute to a more sustainable economy.

Renato Lulia:

Awesome video, isn't it?

Everyone:

Amazing, brilliant.

Renato Lulia:

Well, sticking to sustainability, Pedro, let's go back to risk management, a topic you've mentioned earlier. Of course this has a direct impact on the bank's sustainability. The Treasury department manages a large part of the bank's financial and market risks. Tell us, Pedro, how you see the bank's performance in these segments over the last years.

Pedro Lorenzini:

Renato, I think the numbers have spoken for themselves when we look at our margin with the market, the consistency we have in managing the bank's balance sheet and risks. I want to add something I think is fundamental in our business, which is our focus on helping clients manage their own risks.

There are several risks associated with interest rates, currencies and commodities, which are not necessarily linked to our clients' core activities. Therefore, we have focused on bringing these risks into our management,

as we have well-prepared experts at all desks. We want to take the risk away from our clients and help them manage their businesses. We use this issue as raw material to do our management, our risk-taking within the treasury department.

With this approach and our quality team, we've been able to deliver consistent results in the many markets we operate, both in Brazil and Latin America and even in other global markets. These results are recorded in our balance sheets.

We are not just looking at risk management from our risk standpoint, but also rather considering how we can help clients reduce and mitigate their balance sheet risks, which perhaps should not be there, as we have more expertise to do such management. I like to always emphasize that we are here to help our clients manage risks. So, we address these risks to manage them on a consistent basis.

Renato Lulia:

Absolutely. Thus, clients are able to focus on their own business.

Pedro Lorenzini:

Definitely.

Renato Lulia:

Amazing.

Marina, now about the future. I know there is a lot you are doing in Operations and Service, not only for corporate clients, but also in the individuals segment. We have a great deal of digitization data, but of course a lot is going on behind it. Which are the tools, leverages and initiatives you are working on in terms of Operations and Service?

Marina Bellini:

Cool. It is not possible to talk about generative AI with a focus on client service and operations, and not mention conversational generative AI. This is linked to what André talked about our 100% digital corporate client and its growth and evolution towards more complete transactions. We use conversational generative AI to help the human operator who is dealing with that client.

We are building and testing pieces, several of which are already in production, and I think we have a lot to dream of and make happen in the future, as we increasingly understand the client's habits, preferences, timing and context, so that in the future we respond faster or, better yet, respond to a question that wasn't even asked.

This year we have 33% more proactive talks with clients compared to last year, and this will surely improve. We don't have to wait for the client to come and ask something to respond to them. Rather, we bring forward the context they are inserted and show we know them. We must be able to make this link and understand the client in their entirety; for example, a corporate client who is an integral part of the value chain of an IBBA client.

These engagements with clients are increasingly enhanced with conversational technology behind the digital interaction or conversational technology empowering the human operator who is making a difference to the client: empowering the client and empowering the ituber.

This is our big dream. Whether for the corporate business unit, the IBBA, and individuals in the low, middle, high and upper-high income segments. We must be able to think, at all times, about the journey from the client's perspective and fascinate them.

We will be able to fascinate the client as we have the knowledge that only Itaú can, as we have mentioned so many times. Only we have this comprehensive list of products and segments, as our purpose is to bring them all on an increasingly structured format, so that the client experience is "WOW" and their business gets better. This is our big dream. Again, this is a future already happening now and we just want to speed it up.

André Rodrigues:

Being a spoiler, as we are talking about generative AI, at Itaú EMPs we're already testing our first digital advisory initiative Customer Facing by using the generative AI engine. It's also about innovation, from the launch of the Atlas Project to its implementation, as Itaú EMPs was a six-month process, with many updated parts and huge reuse.

Renato Lulia:

It took six months from beginning to the end?

André Rodrigues:

After six months, we reused 70% of all updated parts of the bank and we officially launched Atlas to be used by our clients. Among its pillars, being able to carry out digital advisory stands out. To this end, the generative AI tool is essential.

I emphasize again that we are already testing, and clients are already using and feeling the first effects of the insights generated.

I believe it is a future that's getting closer.

Marina Bellini:

Reuse is a topic that seems boring at first, but it's very important. It is something that applies to foreign units, to all different segments, and that has greatly accelerated our journey and acted as drivers. In this case, we are learning from the EMPs. Tomorrow, reuse will be accessible to other segment clients.

Renato Lulia:

Guys, this panel was brilliant. I loved this talk, and I'm sure everyone who is watching us must have loved it too.

We've brought a lot of awesome news, new data, we have met our target, renamed the Atlas project to Itaú EMPs project, explored the use of technology and risk-management. That's why I believe it was amazing. But they are already warning me that our time is up.

Everyone, thank you for your presence.

Everyone:

It was a pleasure.

Thank you.

APIMEC

Renato Lulia:

Very well, continuing our agenda, it's a great privilege and honor to have Ricardo Martins, CEO of APIMEC Brasil, here at our Itaú Day. Ricardo, welcome and thank you very much for coming.

Ricardo Martins:

It's our pleasure, Renato. Thank you once again for the opportunity to present you with the APIMEC Brazil 2024 attendance seal. It's been 29 years of relationship and for us it's very important in the sense that Itaú has fulfilled its 29 years of responsibility for information, which is what matters to analysts and the market. It has always been a great partnership, and we have always enjoyed working with you.

Thank you very much, congratulations.

Renato Lulia:

Thank you very much, Ricardo, and the feeling is mutual. For us it's a great source of pride to be able to count on this partnership. Thank you again for coming to our Itaú Day.

Ricardo Martins:

Thank you very much, we appreciate it.

Renato Lulia:

It's an honor to be recognized by APIMEC. It has been 29 years, and we must have a 30th anniversary party next year. It's our commitment to always bring the best information to you, investors and analysts, so that you can understand the bank in the best possible way. Thank you very much.

Well, before Milton steps up, let me hand this award to the production team, to keep it safe, and I'll be back to welcome Milton for the Q&A session.

Q&A with Milton Maluhy Filho

Renato Lulia:

Milton, welcome to the Jabaquara Tower auditorium. We'll continue our event with the Q&A session, which is one of the most eagerly awaited parts of our events both for the earnings release and the Itaú Day. Milton, welcome again.

Milton Maluhy:

Thank you. Good morning, everyone. Good to see you again and now let's move on to our Q&A session. Thanks again for your time.

Renato Lulia:

We've received literally hundreds of questions, and we can't answer them all now, so we're going to answer them all through our Investor Relations channel. I've consolidated the most asked questions by individual investors, sell side analysts and institutional investors, Milton, into three themes. I think these are the major

topics that, in a way, wrap-up everything we've discussed during today's event and that answers most of the questions we've received.

I'll kick-off asking about competition.

Considering the consolidation of the incumbents and the growth of digital banks, which have been increasing the number of customers and products, and also our own digitalization, transformation and service model, tell us about your view on competition and what we're doing to be always ready for this competition.

Milton Maluhy:

Thank you, Renato. Thank you all for joining us today.

You've had the opportunity to hear it from the other Executive Committee members and from Pedro and Roberto right at the start of our event this morning. And speaking of competition, Renato, this is a topic that we could talk about for hours, but I'll provide a quick summary. Firstly, there is no business or entrepreneurial initiative in the world, be it public or private, that doesn't have to deal with competition.

It's part of any business. Completing 100 years old means we've known how to compete and remain very strong.

We've reinvented ourselves, we looked forward, and our "Made of the Future" motto reflects this.

During this morning, we shared what has been done so far. Because it's important not only to plan, but also to execute. Just as important as having a good idea is knowing how to execute it.

Clients drive the organization: where the customer is going and what their expectations are, what the customers' pain we are solving every day and how we support our customers to prosper, whether they are individuals, retail companies, large or medium-sized corporations.

We have different profiles of clients, and the bank is very large and very complete. And we tend to simplify the bank's competition and say it's either incumbent or digital. I don't think that's necessarily the best way to talk about competition.

We are present in 18 countries, and we have significant market share in several South American countries. We have a complete portfolio of financial products and services to compete in wholesale and retail segments.

And here, in Brazil, I think we have excellent players in both segments. Some players have been in this arena for a long time, there are newcomers and there will be other competitors to come who we don't even know yet, and that's part of our journey.

I think the most important thing is to be prepared to compete, and I don't think we've ever been better positioned to do that. When you go into a competition, you must be strong, you must be trained, you must have planned, and you must have a strategy. And we've tried to do that over the years.

We prepare for what may lie ahead, both for what we know and for what's unknown. One of the attributes in our culture says "we don't know everything" and it is very important to realize that so you don't have blind spots.

And the bank has managed to compete in all markets. We always compete for leadership: investment banking, wholesale banking, cash management, foreign exchange, derivatives, treasury, corporate and individual segments, and each of these markets has its competition and I think the bank is ready.

We have been able to compete on equal terms. But humbleness is key: recognizing that there are people doing very good things in the market and that we must be aware. We try to reinvent ourselves every day and to find different alternatives and solutions, seeking to delight our customers daily and to strengthen our franchise.

I think the bank is very well positioned and data prove it: just look at market share and ranking data and our profitability—these are all public information. But that doesn't make us comfortable: quite the opposite. We may be leaders in several markets at the moment, but it doesn't mean that's unchangeable.

So, what we need is these capacities that you saw today: we need to have a strong group, a very united executive committee with a clear strategy, executing with impeccable delivery capacity and taking care of our clients and our environment, always innovating and modernizing the bank. And that's what we've been doing.

So, again, I think the bank is very well positioned and we have managed to compete in all business segments, with a lot of emphasis on quality and creating value for the shareholders. Because this mantra of creating value has been with us for many years. I think this is a relevant element that sets us apart from the competition today, having this discipline in capital allocation and a long-term strategy.

Renato Lulia:

And the market feedback confirms that it puts us on another level, right, Milton? And I think it's a perfect hook for the second question, which is about growth.

Itaú Unibanco is a universal bank, as you said, and we compete in all segments. How does this competitive environment that you've just explained and the Brazilian macro environment impact growth? How competition and growth impact the bank in the near future?

Milton Maluhy:

I understand that you can't talk about growth expectation without considering the macro-outlook. Especially because we grow when our clients and the country grow more. So, credit portfolios have a direct correlation with nominal GDP. When we add inflation to real GDP, we'll notice the elasticity of the loan portfolios in the various segments. Our capital allocation mantra, which reflects what I was saying just now, is to ensure that we have sustainable growth. It's not only about growing the portfolio: if revenue grows but the cost of credit grows higher, then we would be misallocating capital. We don't consider a specific product in isolation, but we consider the whole relationship with the client instead and how to grow in a sustainable way.

Sometimes I say that not giving credit is the best decision for some segments, especially for those families or groups that have a very high level of indebtedness—probably due to a lack of financial education—and need support to get through the moment, and not necessarily more credit. So, it depends a lot on the segment we're in.

The watchword is growth, but high-quality growth. We don't want to have short-term cycles in which we show dizzying growth, but then we spend two or three years explaining the impacts of this growth on the cost of credit and in the NIM.

That's not the way we want to work. This means that we grow when there are opportunities, both in the consolidated markets to us and in the markets where we have great growth opportunities. We have grown in new businesses and in new niches, as you heard just now from the Executive Committee, when we talked about the Agribusiness and other markets where we had smaller share. And we have found opportunities to high-quality grow in all segments.

The bank's portfolio is very large. So, the consolidated numbers may be impacted by specific events. An example on this front is the de-risking in the individual loan book I explained about in the 1Q24 earnings call. The risk reduction we did in the individuals portfolio is part of risk management, which is one of the pillars of the bank's management and culture. Our role as a bank is to manage risk, to provide security for the investors, the clients, and the regulator. And I believe we do this very well. We are always learning and updating our models.

But again the watchword is growth. I believe there's a lot of growth opportunities and we already have an important pipeline. The capital market was much stronger in the first quarter but if it cools down, we have a very solid capital structure, which gives us room for high-quality growth.

So, as I say, the bank is well positioned and wants to keep on growing. We'll grow at the right pace always prioritizing the long-term. We don't want to grow in just a few quarters: we seek sustainable growth, so we have a long-term view. And considering what I said in the 1Q24 earnings call, we are confident we will deliver the Guidance for 2024 results, even though the annualized first quarter didn't meet the Guidance. We continue to believe that the credit portfolio growth for 2024 will be within the range of the guidance, which is quite robust growth, given the size of the opportunity and the macro challenges that exist, especially with the cost of credit falling nominally, which brings growth in the NIM as well. So we continue positive with the growth opportunities, and we continue managing the portfolio very well, both in retail and wholesale segments, and in the bank as a whole.

Renato Lulia:

Perfect. And the mid-point of the guidance for credit loan growth in 2024 is...

Milton Maluhy:

8 or 8.3% is the mid-point of the guidance for credit loan growth this year.

Renato Lulia:

It implies double-digit growth in the bottom-line, according to sell side analysts net income projections. And this shows the strength of having a diversified business.

Milton Maluhy:

And the long-term vision, Renato. I'm always going to emphasize this point, because we're not here exclusively to deliver next quarter's results. Of course it's important, and of course we look at that, but we really won't give up having this long-term vision, thinking big, thinking far ahead, and thinking about the perpetuity of our business, and the quality and strength of the franchise. We'll always seek sustainable growth.

Renato Lulia:

Perfect. Let's move on to the last question and I bet you already know what it is about.

Milton Maluhy:

Dividends.

Renato Lulia:

Exactly, Milton. And combining what we discussed about the competitive landscape and growth expectations... Well, we already have a consolidated ROE close to 22% and the credit portfolio is expected to

grow 8% in 2024 considering the mid-point of the guidance, so we should post robust capital generation, which is a good problem to have. What's expected for capital allocation? What can we expect in terms of dividends for 2024?

Milton Maluhy:

Something I have always said and I will say again is that our goal is to create value for shareholders within the capital parameters defined by the Board of Directors.

Therefore, in order to manage a bank the size of Itaú Unibanco, with more than 2 trillion Reais in assets and a 1.2 trillion Reais loan portfolio, we need to operate with an adequate level of capital so that we can not only grow our business, but are also prepared for tail-winds, which we know happen, not only in Brazil, but all over the world.

We use our dividend policy for decision making. The Board of Directors sets the risk appetite at 11.5% of common equity tier 1 capital, and the executive committee works with a buffer of 50 basis points, so we should distribute the excess capital above 12% of CET1 capital.

When we do this exercise, the 12% target is not on a specific date, but rather at a reasonable horizon of at least 12 months ahead. In other words, we consider how much capital generation we are going to have over the next 12 months, and whether we will continue to deliver the results we have been delivering, and how much of this capital will finance the growth of our credit portfolio. The worst thing is not having capital when you need to grow.

This way we want to have a solid and strong base to grow from when we really need to speed-up our operation. We must consider inorganic opportunities that may arise, regulatory changes, and everything else that may impact capital.

When we announced that extraordinary dividend payment at the beginning of this year, we considered the possible capital needs that lay ahead. And we considered some regulatory changes that will be implemented next year such as the operational credit risk weights, Basel risk weights, tax credits and other elements. Based on this assessment, we plan our capital.

Analyzing the information we currently have, it indicates that we will probably make another extraordinary payment. We will only know more details about it after all the necessary data have been compiled and as we become more confident in our earnings results figures.

But our goal is certainly not to retain capital above a certain level. Our goal is to allocate the capital properly, and in the event of a surplus, we may distribute it. Each shareholder decides what to do with their remuneration.

That's the rationale. I prefer to have extraordinary dividend payments, to make them on a recurring basis, but to disclose them as we are more confident on the results. I prefer it this way: instead of defining a higher payout, which would put unnecessary pressure on us, we will always distribute the excess capital.

We always consider the payout matrix that we published in the past, but we also consider what lies ahead.

The more uncertainty, the lower the extraordinary dividend. The more certainty, the higher the extraordinary dividend.

This is how we manage capital, and as we have more data and more information, we will disclose it and update the market. But it won't be a payout lower than 30%, I can say that without a shadow of a doubt. I'm actually

referring to a possible payout above 30%, which I see with a high degree of conviction that it should happen and that we should announce it by the end of the year.

Renato Lulia:

Perfect. With that we end our Q&A session, and Itaú Day 2024. I think the message was positive and it should be well received by both institutional and individual investors, and by all the other stakeholders who follow us.

I hope everyone found this meeting useful and was able to understand our strategy better and what lies behind Itaú Unibanco's figures. Milton, the floor is yours for the final remarks.

Milton Maluhy:

First, it's an honor for me to be able to share our history with you and talk about our plans and the future. I was very happy to see the Executive Committee panels today. I think it's worth noting the fluency and connection between the teams, in addition to the messages that were shared.

It means a lot to me because that's our culture. We have a cohesive team that works with a clear purpose and a single vision, but which also has debates and disagreements, often with different worldviews, and this is what complements us. This is what diversity is all about, not just gender diversity, not just sexual orientation diversity, which is also very important, but diversity of ideas.

I think you can see that we have a very heterogeneous group in this sense, with very talented people, and a group that is with me every day on this journey.

We have very competent human capital that really honors Itaú, and that shows it every day. Our coordination is impeccable with the Board of Directors, which was represented today by co-chairmen Pedro and Roberto. What defines us is this symbiosis, the trust-based relationship, the cohesion, the vision of the world and the looking ahead, the provocations we make, and the awareness that "we don't know everything" but the execution of what we set out to do and thus delivering value to our clients.

So we are very proud to be completing 100 years of history, honoring and thanking everyone who has come through here to build today's bank, but also already working and thinking about what this event would be like in 100 years from now, and who would be sitting here to tell the story, as well its format. You can think of many creative ways, but I'll stop here.

So I'd like to thank you very much. It's very nice and very important to have you here today, not just investors, but also our employees, the itubers. I'd like to congratulate you on the work you've been doing and say that I'm very proud to lead you. Our competitors are also always welcome. Competition is part of the game, and we have great respect for you. And, as we always say, it's our competitors who make us better every day. And I have no doubt that we also try to push and raise the bar so that you are better every day as well. And it's a very healthy process.

This is it, Renato. Thank you and everyone involved to run this event. See you at the next live session to discuss 2Q24 results. Until then, a big hug and thanks again.