Janaina Storti

Good morning, everyone. I'm Janaina Storti, Head of Investor Relations at Banco do Brasil. Thank you for participating in another earnings call. Our event will be conducted in Portuguese, with simultaneous translation into English. You can choose between three audio options: original, Portuguese or English. And to talk about the numbers from this first quarter, joining me today are our CEO, Tarciana Medeiros, our CFO, Geovanne Tobias, and our CRO, Felipe Prince. Now, to begin, I'm going to hand the floor over to Tarci to make the introductions.

Tarciana Medeiros

Good morning. Good morning, everyone. Thank you for joining us for another earnings release event. I've just landed from an official mission to China, where I had an intense institutional and business prospecting agenda. Right now, I'm speaking from our New York branch, where we'll also be holding important meetings with clients and partners. Over the last two years, we have built up a very close relationship with the market and I wanted to be here with you today. In this quarter, it's even more important to provide a diagnosis of the bank's results and strategic direction, and I'm going to address all the issues that have impacted this beginning of this year and what we're doing to get through this moment. Since the beginning of our administration, just over two years ago, we have delivered an adjusted profit of R$73.5 billion to our shareholders and added R$171 billion for the whole of Brazilian society through the DVA (Demonstração do Valor Adicionado - Statement of Added Value), which is an important sustainability concept that goes beyond profit. The return was above 20% in every quarter of our management, based on the disciplined execution of our corporate strategy, as I always tell you. Throughout the first quarter of 2025, we continued to deliver on key initiatives that we believe represent the right direction for managing this trillion-dollar business, growing the loan portfolio at an appropriate pace, even in a cautious scenario, with our service revenue dynamics moving in a good direction, especially for the conglomerate's businesses, and without neglecting to control expenses, which is a constant efoort we have here. I am proud to see all the strategic fronts we presented to you in February moving forward. And of course, I could not fail to mention something that we have been working on hard over the last few months, a significant and historic achievement this quarter. A new point, a product that changes the conditions and the way the Brazilian population accesses credit. The “Crédito do Trabalhador” (Worker’s Credit) was a major turning point. We combined our more than 20 years of expertise in payroll loans with the best in CRM, artificial intelligence, and credit analysis. Both for individuals and companies, to reaffirm our leadership position. Until the launch of this solution, we had just over 20,000 agreements with companies to make consignments out of a portfolio of R$1.5 billion, which took us more than a decade to achieve. We won in just over two months. In this short period, disbursements exceeded R$3 billion, with employees from 68,000 companies, and there's still portability to come. When we talk about net profit itself, we delivered R$7.4 billion in the quarter, with a return of around 16.70, which I believe is below the true size and potential of Banco do

Brasil. We had already said that the first quarter would be a period of transition. Especially because of the new accounting regulations. What we saw was an increase in delinquency in the Agrobusiness segment, which was more aggravated than we had projected, despite all the measures we have adopted. This factor, combined with the implementation of Resolution 4,966, which changes how expected losses and interest accruals are accounted for, has had a greater impact on this portfolio at the moment. The combination of these factors meant that we had to revise these two lines of our guidance and, consequently, the profit line. It wasn't an easy decision, but I believe it was the most prudent one and reinforces the commitment to honesty and transparency with the market that I've been honoring since the beginning of my tenure. With greater visibility of the scenario, the end of the 24-25 Harvest Plan cycle and the strategic fronts we are conducting, we will bring you a new predictability of projections for the coming periods. When I look at the results of the first quarter, I can say that none of the events surprised us in their direction, but rather in the magnitude of their combined impact. I met with some analysts less than a month ago and we talked about the dynamics we would see given the structural issues, performance by segment and seasonality of the first quarter. I'm going to take this opportunity to discuss fundamental factors for understanding our current moment and then present the direction of our strategy, trusting in our ability to generate results. The first factor is related to the effect that the interest rate environment has on the balance sheet, especially regarding the rise in the Selic rate, in intense and accelerated cycles, such as the one we saw between December and March of this year, when the Selic rate had three consecutive rises of 100 basis points. This immediately impacts around half of our commercial and institutional funding, both of which are postfixed. They are remunerated immediately at the new rates. The increase in the TR (Reference Rate) during the same period, which practically doubled, affects the other half of commercial funding, such as savings and judicial deposits. Additionally, liquidity is seasonally lower in the first quarter of the year, which is why it wasn't possible to offset the increase in funding costs with the treasury result. We're working on new disbursements and the turnover of the loan portfolio. However, in the short term, the impact of the Selic rate is greater on funding expenses, with an influence on the Net Interest Income. We have a strong balance sheet to cushion the variations over the quarters. So, on an annual basis, this tends to be smoothed out. Second factor: The second factor is of a regulatory nature. I'm talking about the entry into force of Resolution 4,966. I want to bring a perspective to the changes that this resolution brings to Banco do Brasil's business. This transition has required a recalibration, not only of risk modeling, but also of commercial flows and practices to a context focused on expected loss, for the flow of interest received. Here at BB, we continue to improve our practices in the face of the new resolution, which brings new information, internal intelligence and statistics and modeling to our businesses. In this first quarter, we chose to maintain a conservative analysis of risk and provisioning. I've had some interesting discussions on various aspects of our origination strategy and business conduct. The main influence of this change is on Agribusiness, which has its own particularities and is very specific in terms of annual flows of receivables and guarantees, and in its planting, harvesting, and marketing cycles. And of course, as this influences the entire agribusiness chain, it also impacts the portfolios of individuals and companies. With Resolution 4,966, the provisioning flow tends to be anticipated, compared to the previous rules of Resolution 2,682. The interest accrual shifts from an accrual basis to a cash basis for assets considered problematic, even if they are in default. During the cure period, this was R$ 1 billion of credit income that no longer impacted the NII in the quarter. And around R$ 400 million in credit service revenues, now also deferred in the NII. The third factor I'd like to highlight is the unfavorable timing of the Agribusiness segment's credit quality, while we were going through this change in accounting rules. The timing of this transition was negative for BB, insofar as Agribusiness, which accounts for more than R$ 400 billion in the portfolio, is going through a cycle of pressure on delinquency above the historical average. This has pushed the provision for the segment, which was already at high levels, to more than R$ 5 billion in just one quarter.

In addition, this context is aggravated by the judicial recoveries of rural producers, which we've been discussing with you for a few quarters now. Assets under judicial recoveries are immediately considered problematic and, as such, have their expected loss dynamics accelerated. I would like to point out that the efforts to sit down and negotiate have had an effect, with a reduction in the pace of new judicial recoveries entries. In view of this, Banco do Brasil, which has a historic and strategic presence in the sector, is naturally affected in a different way to other institutions, not least because there is an intersection of this portfolio with individual and corporate clients. None of these factors alone would bring the result to the level we delivered, given the bank's business diversification. However, the combined effect of the accelerated increase in the Selic rate and the still deteriorating quality of credit in the agricultural segment, during the Resolution 4,966, impacted our results. Well, understood the challenges we face in the short term, I want to draw your attention now to the drivers, which are the basis of our commitment to generating sustainable value, looking beyond this quarter. I've been telling you that our relationship with more than 86 million customers is a competitive differentiator. The great wealth of our relationship is the closeness and human connection we build. We are the only omnichannel bank in practice. I say this with the confidence of knowing our CRM 360 interaction platform in depth and seeing what it is capable of. It has recently been integrated with WhatsApp and our entire channel architecture, which is unprecedented in the market. This solution was developed by Banco do Brasil and has become a worldwide case. Given its success, I have no doubt that it will soon be sold to other companies. Since we connected the CRM components, we've seen the average number of contacts and interactions via text message grow by 417% in March. That's valuable, powerful, and promising. Each of these records helps us to get to know our customers more deeply. And with the application of AI, we use the rich information from each contact to generate ever more precise insights, personalizing interactions, our offers and truly integrating a bank for each of our customers. Currently, more than 17,300 colleagues have access to the CRM 360 platform, and we should reach our entire managed service structure by the end of the year. The new platform allows for the evolution of relationship and service models with the best combination of digital and human, as well as more efficient allocation of our professionals, providing the best interaction with the client, on the ideal channel and at the most appropriate time, in a scalable way and with a high potential for capturing results. We also continued to redefine the concept of the bank branch with "Ponto BB", which we celebrated one year at the beginning of April. The new model integrates spaces, explores strategies beyond banking and proposes new service journeys in a more welcoming environment and with the physical presence of market partners. This new model is part of the changes we are promoting in our structure, making them more consultative and efficient, offering the best of both physical and digital. We're not stopping here; the process of optimizing our structure is constant. We are pioneers in technological solutions in our industry. In the first quarter alone, we invested 30% more in technology compared to last year, in search of the best experience, convenience and level of security for customers. Over the last two years, these figures have exceeded R$ 18 billion. These investments have also allowed what was once our Digital Acceleration Project to now become BB's new operating model, the new way of working, where the culture of innovation and continuous delivery with greater integration between teams and speed in delivering solutions, is BB's newest reality. Of the more than 1,000 new professionals I had said I would hire in 2025 to work in the areas of technology and cybersecurity, we swore in 359 this week. They are in addition to more than 2,000 that we have hired in recent years. When I look at this great conglomerate that is Banco do Brasil, I see and feel all the commercial power of my team, with business growing at the pace and in the direction we had planned. We have evolved consistently in the solutions we make available to investors. This includes a special focus on the journey and experience of these clients. Our investment app reached its best rating in app stores, while we continue to make progress in our active specialist advisory structure, which has added another 50,000 new clients to the model and should total 150,000 by August. I see the group's companies adding new solutions, with growth and innovation. With the new dynamics of service revenues, the group's companies are playing an even more key role in BB's results. We reached more than R$ 1.7 trillion in assets under management by BB Asset, with net funding of R$ 29 billion in just one quarter. In consortia, we reached an all-time record of R$ 818 million in revenues, with 120,000 quotas sold in three months. Our investment banks took part in 36 capital market operations, reaching deals more than R$ 121 billion, even in a seasonally weaker quarter. At Cielo, we made progress with new products and improved customer relations, based on a holistic view of companies. As a result, we increased BB's importance in the cash flow of Small and Micro Enterprises (SMEs), increasing the revenue captured from new business by 66% and the number of new accreditations by 25%. We've strengthened the fronts on which we win over companies' cash flow, improving the experience of receivables anticipation solutions and supporting businesses in their daily financial management. I've been telling you consistently that we would be protagonists in all the payroll loan verticals. In this quarter, we grew more than the market in all lines. With INSS pensioners, the portfolio has expanded by almost 40% in two years, and we are very close to reaching a historic mark of 10% market share in this product.

In companies, I had stated in February my ambition to grow safely and with quality, using guarantee funds, supporting SME clients to face the current scenario. Our Pronampe and PEAC-FGI portfolio for these clients reached R$ 30 billion, gaining relevance. In wholesale, we increased the number of clients with credit operations by 46%. In this quarter, we reached a balance of R$ 261.5 billion in the Large Companies segment. I'd also like to highlight the value chain, the mechanism where large companies influence a whole network of suppliers and small businesses, which has improved our systemic view of credit and minimized risks. We are the Brazilian Agribusiness Bank, committed to strengthening the base that sustains and fosters the country's growth and development. At the agribusiness fairs, we have already reached the mark of R$ 12.5 billion in receiving proposals, serving more than 20,000 clients from different regions of Brazil. And we're still on the move: by the end of the year, we'll have covered 250,000 km, in more than 200 municipalities, with the "Carretas BB" (BB Trucks), bringing innovation, credit, advice on settling debts and opportunities for those who make agribusiness grow. At the same time as we have never stopped being close to our customers, we have expanded the use of data for collection, which is being done with preventive solutions. We have gained efficiency in our processes and 55% of delinquencies have already been resolved. I can guarantee that we will do everything possible to recover our assets. Here I would like to draw attention to the great annual cycle of working with agribusiness. At the same time as Brazilian producers are harvesting and selling the 24/25 harvest, we are already building a new 25/26 Harvest Plan. This dynamic is a gear that must turn perfectly and generate results for all parties: producers, suppliers and financial institutions and, more broadly, for the country. Agribusiness does not stop and it won't stop. I couldn't fail to highlight our ESG businesses, which continue to grow. For the 6th year, we have been recognized as the most sustainable bank on the planet, and as the one that generates the most revenue from sustainable assets. This reinforces that it is possible to generate value for society and shareholders at the same time. We have short-, medium- and long-term commitments to sustainability and diversity, including a growth guidance for this portfolio, and we are confident that this is the way forward. We recognize that we are facing a time of transition where macroeconomic, regulatory, and business segment issues have impacted results at the start of the year. I never tire of repeating that we remain focused on our fundamental commitment to deliver results in line with Banco do Brasil's size. I'm closely monitoring all the work fronts to accelerate initiatives that boost this result, whether on the revenue, efficiency, or innovation side. I would point out that we were able to recompose capital and reach 11%, already covering the first installment of the provisioning we made under the new resolution. This shows that we have the strength to face the short, medium, and long term cycles, even though this journey is not linear. We have faced other tough times, and we have always come out stronger, more resilient, and more united. I trust in my team's ability to do responsible business, to be close to our customers in this and the coming years. It is the expanded vision of purpose that will mark the trajectory of Banco do Brasil. Thank you and I'll now hand it back to Jana to begin the Q&A session.

Janaina Storti

Thank you, Tarci. Let's now begin the Q&A session. Questions can be asked in Portuguese or English and will be answered in the language of the question. I ask that each analyst ask only one question. I've already got a queue here, there are a lot of people, so in order for everyone to be able to take part, we're going to try to modulate it here. Our first question comes from Gustavo Schroden, from Citi. Hi, Schroden!

Gustavo Schroden

Hi, good morning, Jana. Good morning, Tarci, Geovanne, Prince. Thank you for the opportunity. I'd like, I think the CEO said a lot of interesting things in her speech, but I'd like to understand a bit that if we exclude even the fact of Rural loans, which I think is a line that we've been following for some time, we've seen a worsening in delinquency indicators in practically all lines, from Corporate to Individuals and even Rural loans. So, I wanted to hear from you here, what has led to this worsening in the other lines as well. I'm asking why perhaps the Rural sector, perhaps the magnitude of the impact was greater, but we already expected the Rural sector to come with a delinquency problem that wouldn't be new, but this time we saw a worsening, sort of across the board. I would like to understand from you what has led to this worsening in the other lines, and if, of course, we should, in your capacity to pass on information to us at this time of transition, if the level of provisioning that we should expect, at least in the next two quarters, is still at the high level that we saw now in the first quarter. Thank you.

Felipe Prince

Schroden, good morning! Thank you for your question and your participation, it's a pleasure to have you here. I think we can divide it in two, between the portfolios and the extended portfolio. Firstly, regarding the Individual portfolio, we manage all the portfolios here. We are very careful here, focusing on net margin. And the individual portfolio, the transition to the Resolution 4,966 models, is what explains this slight rise in delinquency. So, in practice, as the operations have to run for a longer time on our balance sheet until they are sent for write-off, naturally, we already expected, this was within the plan, in the migration, that the delinquency of Individuals would be a little higher. So, it's simply the effect of a change in the way we've been rationing write-offs. In the Corporate segment, here, yes, we have a worsening in the performance of Small and Micro Enterprises. The positive point is that we have already worked here to improve not only origination, but also the entire collection and collection process for this portfolio. So, there has been an increase in SMEs' delinquency, but the actions that Tarci mentioned in her speech have been implemented and we have already seen an improvement in the most recent harvests. Also considering that part of this portfolio is backed by government funds, so we have the honor cycles of Pronampe, so there is a certain mismatch, and we have also been dealing with the issue of receivables, you know that Cielo went public. One of the motivations is precisely so that we can have a verticalized offer of products, of receivables, and with that we can have a better qualification of this portfolio, which would obviously deliver lower delinquency in the end. In addition, we must consider that there is a specific situation of a Wholesale client that contributed to the rise in delinquency in this particular portfolio. When we move on to Agribusiness, it's a bit of what we've been discussing here with you. Obviously, in all these portfolios you also have an increase brought about by the longer course of operations within the balance sheet. I think we also have to point out here that we didn't use active portfolio sales this quarter, but it's a process that we've been studying in depth here, and just as the whole market uses it, it's likely that we'll be able to do it from now on. So, we have a very resilient Individual portfolio, I think we even had, seasonally, Individual delinquency, which are a little higher in this first quarter, due to all the expenses we all have at the beginning of the year. I think the news is good because we didn't feel any pressure from delinquency as a result. The pressure, not pressure, the slight increase, is correlated with the longer course of delinquent operations on our balance sheet. Corporate and SMEs, as I said, and Agribusiness is the real challenge we have, despite a record harvest, record productivity in the countryside, there is still a difficulty in generating margins for our clients and, obviously, this leads to late payments.

Geovanne Tobias

Any questions?

Felipe Prince

Well, you asked about the provision. What can we expect? Naturally, and that's why we put the guidance under review, we have a flow of Agribusiness operations coming due that is very concentrated now in the months of April, May and June, because of the end of the harvest. And these are operations that, unlike the other portfolios, have payments at the end of the period, because you finance the cost of production, so that the farmer can carry out his activity and at the end of the harvest he can come and replenish the credit. So, what have we seen? There is a process of delay in these payments, which can already be seen in the short delinquency rates, but on the other hand you have a new Harvest Plan that is also being launched now. And this launch of the Harvest Plan ends up attracting these clients to regularize their payments, since if this operation isn't regularized, they won't have access to credit for the next harvests. So, allied to this, we are out in the field very strongly seeking to regularize these operations with our farmer clients. It's an issue concentrated in crops and regions, in other words, soybeans and a little corn, and in the Midwest. We are convinced that, due to this record harvest and productivity, we will be successful in reversing a large part of these defaults, but what we have observed is that it has taken a little longer for us to be able to collect these regularizations. And that's when it takes a little longer, which obviously calls for more provisioning, and that's why we've been monitoring this entire process and have put the guidance under review. So, being very pragmatic, we should still see a pressured provision in this quarter, so that we can start to see a more relaxed scenario from the second semester onwards, due to the Harvest Plan, as I mentioned to you.

Janaina Storti

Thank you, Schroden. Well, everyone, I'm going to move on to the next question. Renato Meloni, from Autonomous. Hi, Renato, good morning. We can't hear you.

Renato Meloni

Hi, good morning, everyone.

Janaina Storti

Now we can hear you.

Renato Meloni

Good morning, thanks for the opportunity to ask a question. I'd like to talk a bit about capital and dividends. Thinking about the uncertainty that has now been inserted with the deterioration of Agribusiness and also by Resolution 4,966, which caused you to remove the guidance, how are you balancing the issue growth, lack of capital generation and dividends? Does it make sense for us to still think about the 40% payout for this year? What is the expectation here? Thank you.

Geovanne Tobias

Thank you, Meloni, for your question. Without a doubt, we are maintaining our 40% payout. We're closely monitoring the evolution of delinquency, especially in the Rural portfolio, and here I'll even bring you some data: of the R$ 10 billion in expenses that we put aside for expected losses in the first quarter, almost R$ 6 billion came from the Rural portfolio, whereas this same volume in the fourth quarter had been R$ 3 billion. We managed to improve, even generate a little more growth, especially in my Principal Capital. We ended with 10.97%. We've been saying that our target area in terms of Principal Capital is around 11%. So, we believe that we can sustain growth in the portfolio, as long as we also manage to control delinquency. So, in this first moment, we've contained, we haven't revised, quite the opposite, our payout, and we believe that, depending on all the measures we're putting in place, we'll be able, when we release the second quarter results, to confirm this maintenance, there's no prospect of reducing it, and we don't see any difficulty in growing our assets with the organic generation of results. Although we failed to meet expectations in terms of net profit, we posted the third highest net profit in the Brazilian market, R$ 7.5 billion, and this incorporated and helped the growth of our Principal Capital by 29 bps. And that's what we're aiming for, okay?

Tarciana Medeiros

Prince, would you like to complement me?

Felipe Prince

Just to add, Meloni, I think this is good news for us to see. The resilience of our capital, even in this difficult scenario we've been going through, mainly related to delinquency in Agribusiness. So, even so, we managed to build up capital organically. It's important to emphasize that the balance sheet is very robust and prepared. What we have to do now is, as a result of our activity here, roll up our sleeves and deliver an improvement in this delinquency scenario, naturally this will flow into results, will feed capital and will sustain our capacity, both to expand our activity and to adequately remunerate our shareholders.

Renato Meloni

If you'll allow me to follow up, if the condition of Agribusiness continues to deteriorate, what would be the priority here? Continuing to grow or dividends? And what would perhaps be the minimum capital level that you would accept reaching this year?

Geovanne Tobias

Our estimate is for recovery. It's going to be a record harvest, the biggest harvest in history. Conab's estimate came out yesterday. It's just a question of adjusting these variables because we were caught on the hop with the implementation of the Resolution 4,966 at the peak of delinquency in Agribusiness. It's a delinquency rate totally out of line with historical levels. So, we don't work with this hypothesis, and we have numerous alternatives. We believe that 11% is the ideal structure for us. I'm talking about Principal Capital. So, in a way, as the CEO said in her opening remarks, we already knew that there would be impacts from the implementation of the rule. And that's why we adjusted our payout, which was at 45%, we pulled it back and worked with the 40 to 45 band. Of course, as we began to see this worsening, why did we put it under review? Because April data also shows a certain resilience in delinquency. Instead of it giving way, we had already said that the first quarter would be dirtier, in quotes, a transition balance sheet, a worsening of the risk. And from the second quarter onwards we would see a stabilization. And then it's better from the second half of this year. We still believe that this will happen. We're just a little worried because the initial data for April still shows a certain difficulty on the part of some clients, it's important to say that. I have 96% of my portfolio paid off. I'm talking here about a delinquency rate of around 3 and something, close to 4. So, we believe that the measures we're adopting in terms of judicialization, protests, collections, and everything, we'll be able to bring together with greater income generation in the countryside, we'll be able to control this and get back on this normal growth path. And, of course, growth in these more profitable lines, such as private payroll loans, for example, will offset the impact on the head that we suffered in the course of funding, in the margin. And this will also help to improve our profitability. But, for now, we prefer to observe the second quarter so that, from there, we can tell you what we expect in the second half of this year.

Janaina Storti

Thanks, Renato! I'm going to switch to English so we can get Tito's question from Goldman Sachs. Tito Labarta, can you ask your question, please?

Tito Labarta

Okay. Thanks, Janaína. Good morning, everyone. Thanks for the call and for taking my question. I guess my question is about the guidance. I understand that it's under review and some of the uncertainties that are happening, but in relation to the provision guidance, you said that it could get worse, given some of the comments made, and you're down on NII, but you maintained the long-term growth guidance, which I found interesting. My question has two parts: Have you considered some of the changes that have been made and the impact that this will have on the guidance, or has the magnitude of the impact surprised you in any way? And secondly, is this due to higher interest rates, impacting funding costs, is there any risk? I think the underlying question is this, the issue of asset quality, which you are facing now, and whether this could further impact what you are seeing. I wanted to understand a bit about the uncertainty in the NII going forward. Thank you.

Geovanne Tobias

Thank you, Tito, for your question. Geovanne here. Well, the uncertainty is mainly due to the new provisions that have been formed as a result of this Central Bank resolution. The impact on the NII was already expected, it was already considered. The magnitude in terms of provisions and also the stop accrual of these loans, it's important to mention that we have R$ 86, R$ 87 billion of Stage III problem assets, that is, problem assets. 38% of these loans, which are considered to be problem assets, are being repaid on time. However, they are considered problem assets, and I can no longer recognize the interest on these loans on an account basis, which is why our overall spread has been compressed, due to the absence of earnings on these credits. Okay? So, looking to the future, why did we decide to put it under review? We have to understand how this flow will continue in terms of loans that are moving to Stage III, and those that are moving back to Stage II and I, according to the new resolution, once the loan is in Stage III, I can no longer recognize the interest attached to that loan. However, in order to move them to Stage I, i.e., when the client starts paying back the loan, I have to keep it there for a period of four to six months. So, this is something we're still trying to understand and work out how our loan portfolio will behave. And every Agro-credit portfolio, especially for working capital, that we grant, the interest is paid at the end of the period. I normally accounted for the accrual of this interest on a monthly basis, but not now. I'll only be able to account for it when the loan has actually been paid off. Okay? And these new accounting rules are putting pressure on our NIM. In addition, we used to write-off loans in 360 days, and now with the new resolution, it takes longer to write-off these loans, which is why we see the total volume of loans that are more than 90 days delinquent increasing, it doesn't mean that the entire loan portfolio is deteriorating, it's not that. It's just a question of these accounting rules. However, on the operational side, I think the good news is that we have been growing our loan portfolio, in line with our guidance, so as long as we maintain the growth of loans focused on loans to individuals, payroll loans, and now private payroll loans, we will be able to balance out the impact of the 300 bps increase over the course of the year. It is also important to remind everyone that, according to our assessment, every 100 bps increase in the benchmark rate would represent a reduction of approximately R$100 million, on an annual basis, in our NIM. With this 300 bps, this would imply an impact of R$ 300 million, considering the full fiscal year. Because every semester, I grant new loans at a rate of 25%. So, as long as I keep growing the loan portfolio, I will replace the new loans with higher rates, with higher spreads, which will offset the impact of the increase in the benchmark rate. The main focus will be on reducing delinquency in the Agro-credit portfolio, reducing provisions and, at the same time, increasing loans. And that's why we've maintained our targets. And according to what we've seen so far, even in April, credit growth has been keeping pace, it's been growing at the expected rate. So the impact was expected in terms of new regulation, but the magnitude, as our CEO mentioned, was greater than what we were expecting and that's why we decided to review it and see what happens in the second quarter and compare the first with the second, because then we'll have a basis for comparison, and then we'll be able to bring in new figures when we report the second quarter result.

Tito Labarta

That's great. Thanks, Geovanne. That's useful. So, it seems that the magnitude of the change in accounting was greater than you anticipated. But the operational trends were more or less in line. So, you're comfortable with the credit growth guidance, so, the second question: we haven't seen this in your peers, maybe this is no longer related to your Rural credit portfolio, why were you impacted more than your peers?

Geovanne Tobias

It was certainly Rural loans, Rural credit. They don't have the size of Rural loans that we have, so unless we consider that Brazil's producers are going to stop financing their crops, there's no way not to get the Agro-credit guidance wrong. That's why we've been so vocal in saying that 96% of our Rural credit clients are paying back their loans. But in the meantime, the remaining 4% are carrying a burden in terms of provisions and lack of interest accrual on these loans, due to this new regulation. If we look at the provisions of R$ 10 billion in 1Q25, almost R$ 6 billion came from the Agribusiness portfolio. And when we compare it with what we had in provisions in the rural portfolio in the fourth quarter, we had R$ 3 billion, so we doubled those provisions, and that is what has been draining, or shall we say, increasing our provisions due to this new expected loss.

Janaina Storti

Thanks Tito. Our next question comes from Bernardo Guttmann at XP. Hi, Bernardo!

Bernardo Guttmann

Hello, good morning, everyone. Thanks for the opportunity. I have a question about the behavior of the Margin with the Market in this monetary tightening cycle. In past quarters, BB benefited from its more pegged liabilities, the pre-fixed rate, while now it seems to have suffered more than its peers from the rise in the Selic rate. What has changed in the liability structure or balance sheet that could explain this more sensitive behavior this time?

Geovanne Tobias

First of all, thank you, Guttmann. There was no change in my asset and liability structure. We've always had a post-liability mismatch, there's around R$ 380 billion of mismatch, and I have a premismatch in my assets. When you look at the Margin with the Market, and then when you compare, for example, with the first quarter of 2024, don't forget that there you had a positive effect above what would be normal from Banco Patagonia, in the first quarter. And in the last quarter, you had a lot of volatility, and we had the opportunity to make an adjustment there, to try to, let's say, protect these mismatches. So, when you look at the Margin with the Market there in the fourth quarter, it also had a value there coming mainly from some pre-positions that I held with the CDI. So, in reality, what's happening now in this matter, even though it was practically an overshooting of the Selic, in just one quarter, 300 basis points, a 3 percentage point increase. So, this really takes time, and that's why it's important for us to keep growing volumes, especially in individual credit, which brings more margin in the risk-adjusted equation, it's the best portfolio for us to be growing, to cope with this increase in the cost of funding. But if you look at the reality, what happened? I even, on average, reduced my cost of funding. I managed to improve the cost of my funding, but there's a higher Selic rate. So, this brings short-term pressure, but over the year, we'll be able to normalize. And then that estimate still prevails. For every 100 bps, there would be a R$ 100 million reductions in my NII. So, if it's 300 bps, we're talking about a reduction of R$ 300 million, even if we reprice my portfolio, because it's not immediate either. It's 25% of the portfolio repriced every semester. So, we believe that as long as we keep growing, of course, we can't lose control of this delinquency. But so, on the margin, we continue, we have no exposure to currencies, quite the opposite, we are super locked in, and our exposure is basically this. And it's a fact, both the Selic and the TR (Reference Rate), the return on savings have also grown significantly. So, the best way to deal with this will be to rotate my pre portfolio.

Bernardo Guttmann

Thank you, Geovanne.

Janaina Storti

Thank you, Bernardo. Well, I'm going to move on to the next question from Mario Pierry, at Bank of America. Hi, Mario.

Mario Pierry

Good morning, everyone. Geovanne, I'd still like to focus on Rural areas, on delinquency. As you said, April is still a little worse, you're not seeing a normalization yet. Can you explain to us what the regions are, if there are any specific regions, any specific products that we should be monitoring better so that we have an idea of how things are evolving? And so, the question also related to this is that you had, you show here that you had an impact on your Capital of 27 bps because of Resolution 4,966. These were provisions you made to comply with Resolution 4,966 through equity, which I think amounted to R$ 16 billion. So, I wanted to understand why part of these provisions went through the Income Statement or if the R$ 16 billion should have been a higher figure. Understanding why we saw such a large number in the Income Statement, even with a large impact on the balance sheet?

Geovanne Tobias

For the question, Mario, let's break it into two parts. I'll start here and then hand it over to Prince, who is in New York, and the CEO. It's important for you to bear in mind that when you look at delinquency in the Rural portfolio today, there's a phenomenon that we didn't have until last year, which is judicial recovery. And when a client chooses to go to court for judicial recovery, without sitting down to negotiate with the bank first, this operation immediately becomes a problem asset. So that's going to require more provisions and I'm going to have to stop accruing for that operation. So, it's a double effect that happens, which is detrimental to my result. So, on the one hand, I increase the provision for that operation, which was even being, and I stop accruing interest. So, I have an effect on my NII and my Credit Risk. So, this is a factor that has undoubtedly increased this, shall we say, deterioration. Because it's a contradiction in terms, isn't it, Mario? In Brazil's ever-record harvest, you see a question of delinquency in the sector. You could even argue that the margin fell because the price of the commodity fell, but the exchange rate went up. So, on average, it's the main engine, so to speak, of our Brazilian trade balance and you have a lot of wealth in agriculture, and you would only have to have specific issues. And then, when we really look, we see a lot of this judicial recovery movement concentrated in Mato Grosso do Sul, a part of Goiás and Mato Grosso, basically soybean producers. I don't know if Tarci would also like to bring some insight here on this issue, but this is a point that we do need to act on and we have been acting on it, we know that there is predatory litigation, many lawyers selling false promises to medium-sized producers and saying that it will be the solution to their problems. And it's not, because to the extent that these producers opt for judicial recovery, they are sterilized, they will no longer have access to credit in the financial sector, they will no longer have access to subsidized credit from the government. So, this is a big fallacy that is being created, and which is currently impacting our results, but we have a robust balance sheet structure, capable of absorbing these impacts. Of course, it frustrates us a little because it takes a toll on our profitability. We would like to be offering you a 20% return, but we still have a good return, close to 17%, a profit of R$ 7.5 billion, but we do need to combat this kind of fallacy that is being created in the Agribusiness sector. So, we don't see it as widespread, you know? We see it very much focused on these regions. Regarding the issue of risk too, perhaps, Prince and Tarci, if you want to take a look at this issue of the Rural portfolio.

Felipe Prince

Well, Mario, first of all, I think Geovanne covered the regional issue well. So, soybean crops, Goiás, Mato Grosso, Mato Grosso do Sul, concentrated in medium and large farmers. There's also some of this delinquency that comes from the recovery process in Rio Grande do Sul. You'll remember that we had a drought there and the biggest flood in history. This delinquency was even lower than we expected, but obviously this helps to put a bit of pressure on the index. However, the situation there has been resolved. And our focus is on these three states in the Midwest. And then you asked me if it wouldn't have been the case that we had made the provision, taken advantage of it, when we made the starting balance sheet in IFRS 9, Resolution 4,966. The expected loss models take into account the best scenario assessment we have for that moment. So, all the modeling was done, of course, taking into account all the historical data on agricultural activity, which we have collected here since the 60s. We have a data lake with data stored since 1960 to model Agribusiness risk. Obviously, we combine this with price scenarios, with productivity scenarios, with production scenarios, with future rural income scenarios, which back in December, when we did this modeling, was not as aggravated as we are seeing now, between March, April and May. And why are we seeing it now? Because now that it's the end of the harvest, and that's when there's a crop, there's product, but the financial expense isn't fitting into the producer's total income. And then, obviously, they have to choose where to pay. And that's where we're working. First, by arriving in advance to receive these funds. Producers know that Banco do Brasil, due to its capillarity and presence, is one of the few players that is able to provide this credit for the cultivation of the new crop. So, when we look at the market, our delinquency rate in Agribusiness is high, but if we compare it mainly with other players who work with barter, etc., the delinquency rate is much lower when correlated with this type of activity. So, it's all hands on deck for us to be able to receive these funds back and, obviously, finance the next production. And an interesting fact: 80% of this delinquency comes from producers who have never been in default with us. So, you can see that there's a specific issue that we're looking at very carefully, but that we know that, looking at the future scenario, we're fully capable of reversing. And then, as the scenario unfolds, this is also an advantage of the new models, with all the technology on board, we can model here in a week, in 10 days, a new model is ready to be used by our negotiators. And that's what we've been doing. So the fact is that we had a scenario in the starting balance sheet, obviously the expected losses resulting from this scenario were incorporated into those 16 billion in the transition, but since then, as Geovanne mentioned, especially in Agribusiness, we've had a bigger worsening than the one we had modeled. And so, in order for us to be responsive and keep our balance sheet strengthened to face this type of problem, we make adjustments to the modeling, obviously the more deteriorated scenario calls for more provisions, and this led to the volume of provisions we had in the first quarter, and some of what we've been seeing here for the second quarter. That's why we've been very honest with all of you here and we're back at the drawing board to deliver a provision guidance as soon as we have a better assessment of the scenario.

Tarciana Medeiros

Prince, I think it's worth bringing up a few points to reinforce this. First, the bank has worked intensively to combat predatory advocacy. I don't think we've mentioned it here, but it's important, including halting some judicial recovery processes, already successfully halting and blocking some judicial recovery processes. The second point is a complete overhaul of the network's collection and recovery process – we have specialists in permanent contact with these clients. And the third point, with artificial intelligence and embedded analytical intelligence models, understanding the entire process of this customer's financial flow. That's when Felipe Prince says that, in some cases, we've been monitoring who this producer is going to pay first, we're also monitoring where this credit from the sale of production comes in first. So, the bank is well-prepared to seek this credit from the producer, to renegotiate this debt when necessary. And the fact is that, at this first moment, we see this worsening of delinquency, but unlike other types, other segments, the behavior of another customer segment, the Agribusiness segment, it plants, harvests, sells and plants again. We are now in the harvest and sales period. So, we need to understand how this second quarter is going to work, how it's going to unfold, so that we can have more clarity and bring these figures of what's under review to this second quarter, after this second quarter. But the fact is that only at the end of this cycle of the 24-25 Harvest Plan will we be able to clearly understand this movement, which once again we stress is unprecedented, we have never had a behavior of this magnitude in the profile of the Agrobusiness portfolio, due to various factors, but at the end of this cycle we will be able to understand how this cycle ends and how the next one begins. But the fact is that producers need to plant again and will either seek credit from the bank or renegotiate their debt in order to be able to plant again. I think it's important to emphasize these points.

Mario Pierry

Thank you.

Geovanne Tobias

Thank you, Mario.

Janaina Storti

Thank you, Mario. Our next question comes from Henrique Navarro, at Santander. Hi, Navarro.

Geovanne Tobias

Good morning, Navarro.

Henrique Navarro

Good morning, everyone. Tarciana, Prince, Geovanne, Jana. Thank you for the opportunity. First of all, congratulations on the video you published. It was very good. It was very technical. You got straight to the points we wanted to discuss. It really helped us to do our work last night. So, very good indeed.

My question is about the guidance. I understand that you published the first quarter, which was a transition quarter. So that's where a large part of the Resolution 4,966 adjustments came from. According to your message, there was resilience, a maintenance of delinquency in April. In other words, we can imagine that the second quarter should not be as negative as the first, but it is not yet the quarter in which Banco do Brasil returns to its cruising level of bottom line profitability. If I take everything I've just said and translate it into numbers, it's practically impossible to reach the bottom of the previous guidance. So, my question is actually this: if this scenario I'm describing materializes, imagine that we get to the second quarter, this scenario materializes, and then, in fact, instead of under review, you put out guidance with a slightly smaller range. The comfort you have today in maintaining the

40% payout, at some point in the future when you actually have to publish guidance with a lower index, won't that 40% be at risk and maybe we'll have to deal with 35% something like that? Thank you.

Geovanne Tobias

Navarro, thank you for your question. You're already doing the math. There's no doubt that the CEO commented, and we really debated a lot about whether or not to put it under review. Because if you look at the cold numbers and do what we call a "back-of-the-envelope" calculation, in terms of provisions, R$ 10 billion, you multiply that by 4 and you'd have R$ 40 billion, which was within the range we had signaled. We already knew that the NII would be compressed in the short term, in the first quarter, due to the increase in interest rates, but we didn't expect the stop accrual to be so large. I stopped accounting for R$ 1 billion in revenue there, which further compresses my NII, which, over the course of the year, would adjust with the turnover of my portfolio, even so, if you also do this calculation, you get close, so I would probably be very close to R$ 37 billion. And if I do a cold analysis the way you're doing it, maybe you'll even put it like this, well maybe they'll have to revise it in the future until we don't put payout guidance, but that's a decision that falls to the board of directors, first of all. Secondly, we're adopting a lot of short-term, medium-term, and long-term measures, so that we can re-establish, let's put it this way, what you called cruising. So at the moment we prefer to remain faithful to our remuneration to shareholders, we are delivering a profit, we are not talking here about Banco do Brasil generating a loss, quite the contrary, it's a good profit, a 17% return, and we have even managed to see an improvement in our Principal Capital Ratio, which is what we are effectively targeting when we talk about establishing our payout. So, at the moment, what we're seeing wouldn't motivate us to think about adjusting the payout and eventually reducing it to 35%. We're going to maintain that low band for the time being and we're going to work to bring in, to recover these credits and normalize this generation of Banco do Brasil's results with growth. Because we're growing across all our business lines, Navarro. And then we ask ourselves, well, if I'm doing so well operationally, why isn't this being reflected in the numbers? And that's what we're diving into and how we can bring about this improvement to actually see it in the figures. So, in this first moment, Navarro, I think you can continue working with 40% payout. And we're careful because I don't have the facility to call capital on the market whenever I want. So, I really have to reinforce my Principal Capital through profit generation. And we also don't work with the prospect of Banco do Brasil not being profitable.

Janaina Storti

Great, Navarro. Thank you, Navarro. Well, everyone, our next question comes from Yuri Fernandes, at JP Morgan.

Yuri Fernandes

Thank you, Janaína, and good morning, everyone. Thank you for the opportunity to ask a question. I guess a little along the lines of Renato Meloni and Navarro now, I wanted to understand what your sustainable ROE level is, the 17% ROE for this quarter, because we saw some moving parts. Taxes were low. I know there's a lot of IOC here explaining this, but there's also FCO and some other things. So, my question is whether the 5% effective tax rate ends up being sustainable? And even the level of provision, which was high, when we look at it against the New NPL Formation, and you can argue here that Resolution 4,966, looking at the New NPL Formation, is already more difficult, but the level of provision was also lower than the New NPL Formation. And finally, there's the Economic Plans, which I know will disappear at some point. But that pushes your ROE more towards low-teams, right? Rather than 17%. And obviously, there's also accounting, you've got the NII, it's going to improve some revenue things. But when I put all this together, I have a tough time seeing what your ROE level is. If it's going to stay at 17%, if in fact it's closer to 14, 15, 16%. And with all that, how do you maintain it? Which comes back to Navarro's question. How do you keep the 40% payout? Because if you increase the taxes, if you make a little more provision on the formation, it's hard to keep the portfolio growing 13% with the ROE a little lower. So, I'd like to understand the moving parts a bit, what I'm missing here. Maybe the NII issue will improve, but I find it a little harder to see the sustainability of the payout, given that the ROE of 17% was helped a little by some other factors. Thank you, everyone.

Geovanne Tobias

Thank you, Yuri. Without a doubt, I'm not in a position to help you with these moving parts, because we have a transition balance sheet that is not at all comparable to the previous one. No bank has adjusted the historical series. So, it's even difficult for me to try to show you what the trend is going to be.

Even in the process, for example, of low losses, the other banks are working with 360 days. We're working with more than 500 days to write-off losses. And that also sustains a NPL+90d for longer. It's still too early to predict. We believe that our capacity to generate results is the size of Banco do Brasil. I don't believe that Banco do Brasil will generate an ROE below its cost of capital. It doesn't exist. And our outlook for growth is precisely to grow in the most profitable lines. Private payroll loans, which we started with more than 30% of the market, we are now at 20 and a few, we have R$ 3 billion. And that's from March 21st onwards. So, we're in a position to bring in a lot of positive risk-adjusted margin to help sustain this. And what is effectively dragging down our result today is the expected loss, the provision for expected loss, especially in the Rural portfolio. So, I reinforce here. I booked R$ 3 billion in the fourth quarter for the Rural portfolio and this quarter I booked R$ 5.9 billion. This is unacceptable. We can't accept that. For a sector that is delivering the biggest harvest ever. Understand? So, this doesn't close the account. Of course, if you take this picture here and try to manipulate all of this, and being very honest with you, Yuri, if we eventually realize that it puts our optimal level of capital at risk in order to sustain growth, we'll be the first to propose reducing it. Now, even before I reduce it, I have other alternatives to reinforce my capital, apart, of course, from the capital markets, which I can't call capital, so that I can reinforce my base. Understand? Because it's also important for us to guarantee an adequate return for our shareholders. Understand? So, we aim for the high-teams, you know? The ideal, which is the cruising flight that Navarro mentioned, is 20% ROE. We're going through a period of accommodation at the moment. We're probably going to have an ROE of around 17%, 18%, as long as we don't iron out this provision issue and then resume. But we don't see Banco do Brasil, given its business structure, going back to an ROE of 12%, 13%, as it was in the past. The Banco do Brasil of today is completely different from the Banco do Brasil of yesteryear. Understand? I don't know if Tarci and Prince would like to add any information.

Felipe Prince

I can add to that, Geovanne. I think, Yuri, if you think that we're at the highest delinquency rate in the history of Agribusiness, a portfolio that accounts for a third of our portfolio, and yet we're still delivering 17% ROE. So, I think that if you calibrate the fundamentals a little, you can see that there is a huge opportunity in Individual loans, which we have already started to explore, related to private payroll loans. A line that gives a fantastic risk-adjusted return and which we didn't operate. The entire process here that we've been bringing about is stabilizing the performance of Individuals. And then, if you have a normalization of Agribusiness, we are able to bring this credit risk to seven. Not to mention the beneficial effects this has on the margin of operations with a higher level of regularity. So, I think you can see that if we are successful in this execution, even if we take into account the issue of tax normalization, we can very easily aim for 20%, as Geovanne said, this is structural.

Geovanne Tobias

By the way, Prince, we're also at the peak of the Brazilian Selic rate, right? To the extent that our economist has already signaled that it's already in the band, the market is still divided, but it's in the band that 14.75 has stopped there, and from here it'll hold and then fall again, reduce again. And this will also be positive for the bank's margin. So, I think we really are. Trying to make these moving parts, at this point, you'll end up going to the tail end, in this case.

Janaina Storti

Well, thank you, Yuri. Let's move on to our next question, Daniel Vaz, at Safra. Hi, Daniel.

Daniel Vaz

Good morning, Jana. Good morning, everyone. CEO Tarciana, Geovanne, Prince. I'd like to go back a bit to the flow of Agribusiness payments in Q2. So, we heard that April didn't show a significant improvement. And that this producer has also changed his behavior a little. So, there's judicial recovery affecting it, problem assets, provisions. But also access to alternative lines of financing through cooperatives and barter. So, I have the impression that this producer, who was hurt in past harvests, may have part of his cash generation compromised. So, whether it's due to judicial protection, which they sometimes seek from judicial recovery, as you said, from predatory or predatory practices by lawyers, or due to compromised future production for delivery to the barter. And then, according to what Prince said, the bank is moving to anticipate payments and renegotiate. So, putting all this together, I'd like to ask you if you don't think that, in reality, this is a slightly longer-term scenario for the recovery of profitability in Agribusiness. I ask this because we're getting quite attached to the second quarter, but perhaps with this more compromised cash generation, or in quotes, a loss of seniority in the receipt of payments, costing, it could take a little more time. I'd like to hear what you think of this statement. Thank you.

Felipe Prince

Your question is very good, and it's exactly what still brings a little doubt to the definition of our scenario. The fact is that, strategically, tactically, and operationally, how are we positioned? Exactly to exercise this seniority in this payment flow. The commodity is there, it will be transformed into resources. And the challenge is to channel these resources primarily to the bank. What do we have in our favor? We have the capacity to manage this risk with greater solidity than even the other players you mentioned, who at the moment are competing with us. Why do we have this capacity? Because there is a new Harvest Plan coming up. And Banco do Brasil, of course, is the resource provider that can manage this risk in order to renew the harvest more smoothly. But obviously, we're not just counting on that. We have cases of setbacks here, as Tarci and Geovanne mentioned. So, what have we changed in our structure? We're more aggressive in the collection process. If there's even a short delay, we already protest. What a nuisance protests are. Protests even inhibit local credit. Because in traditional denial systems, you're basically interfering in the financial market. When you have a short protest, you start to bother local retailers. You start bothering that supplier in the center of town where the farmer lives. Also, enforcement proceedings. 90% of these debts are collateralized. So, the moment we identify that this is a more prolonged behavior, we are, obviously, all of this precedes a process of exhaustive negotiation with our clients. But when the input is given that the negotiation has been exhausted, we have created a much more agile and rapid process to be able to recover these resources, whether through extra channels or even through the courts. That said, we will continue to have a tail of risk, but this is mainly concentrated in producers who are tenants and who have invested in expanding their area in recent periods. Why? Because the area was leased for a certain amount and the volume of production to pay that amount has increased a lot due to the fall in commodity prices. So, there's this part of the portfolio that we're already dealing with in a different way. So, it's exactly our question of whether or not to bring you the best projection assessment here. Because there will still be a tail, and the landing won't be abrupt. We're going to lower it gradually and we hope to have this process completed by the end of the year.

Janaina Storti

Thank you.

Daniel Vaz

Thank you for the answer. If I may, a second one for Geovanne. The videocast was excellent, I agree with Navarro. I think in this videocast you mentioned about funding being affected by the variation in the Selic rate, I think it was 300 bps in the quarter, and the average Selic rate was a bit lower, and then you also have a carryover effect for the second quarter, of the variation in the average Selic rate being around 180, 140 sequentially. What was more important in reducing your margin in the first quarter? The average Selic rate or precisely the lower liquidity you see in Q1. Because then I'd like to try to understand what the effects are here.

Geovanne Tobias

In terms of margin, you have to look at the cost of funding. Expenses did increase as a result of the overshoot I mentioned. But at the same time, I also managed to reduce my cost of funding, in proportion to the Selic rate. But then you had two fewer working days in the first quarter and lower liquidity. I had approximately R$ 100 billion less liquidity in the first quarter. And this is seasonal, it's normal. First quarter, everyone is traveling, spending money, paying taxes, school supplies, etc. So, it's very normal, coming after the holidays, to have this reduction in liquidity. So, in the second quarter, we will have a larger liquidity cushion, which will be remunerated, which helps to cushion it. But what I really like to look at in this NIM issue, and which was really the magnitude that impressed us, was the lack of accrual. Understand? So, the lack of accrual, mainly from operations that used to accrue and no longer do so, because now I'm going to have to do it on a cash basis. So, I have cases of clients here that I used to accrue, for example, R$ 30 million a month, you know? And he paid R$ 1 million, for example, but the debt was there, it was up to date, it had been renegotiated and so on. So now that's stopped and I'm only going to recognize a million, just to give you an idea of what happened. And I have these large restructured portfolios. So, all of this ended up really having an impact, apart from the issue of, but it's no longer in the NIM, it's there in the results. I had R$ 400 million in credit operations, in operation fees for each operation, and I stopped that, and it migrated to NIM, but I couldn't migrate R$ 400 million, because now I must amortize it over the course of the operation. The R$ 400 million became R$ 40 million. Understand? So, in the second quarter, we believe that NIM will be more stabilized, despite the fact that there has also been an increase in the Selic rate. But I am in an environment of better, how do you say, interest rates, better liquidity, pardon me. And I will also have better comparability compared to the first quarter. I think there must be a certain stability there. If you take, for example, my treasury result, which was 11 and went down to 7. I took out the entire TVM result, which I now have to add to the credit operation. So, if you adjust downwards, you will see the effect on NIM coming from revenue from credit operations, basically, and not from treasury.

Daniel Vaz

Thanks a lot, guys.

Janaina Storti

Thank you, Daniel. Our next question comes from Eduardo Nishio, at Genial.

Geovanne Tobias

Good morning, Nishio.

Eduardo Nishio

Good morning, are you listening to me? Yes. Good morning, thank you for the opportunity. I'd like to follow up on Daniel's question now, in relation to the payment flow, maybe add a little to the size of the portfolio in judicial recovery and put it into perspective a little and try to understand what happened to these people who have a Stage III problem. This soybean problem in the Midwest is an old one, you've been discussing it since 2003, we've been talking about it, it started with the price falling, people stocking up, and then you had several points of debt renegotiation with these people, I think, conjecturing a bit here. I'd like to understand a little if this is the same customer who is joining judicial recovery now. And why did you have so many interactions with them? Because the loans are short, and you haven't managed to resolve this client yet. The size of this portfolio in judicial recovery, the possibility of this spilling over to more clients, whether or not this number of judicial recovery is increasing at the moment, and to understand if in Stage III, how many of these clients are paying, or waiting to pay now, because if it's bullet, we don't know if they're going to pay or not, that they could really be paying now and have healthy credit. Because I believe they got into renegotiation, right? In this entire process. Thank you.

Janaina Storti

Prince, would you like to start?

Felipe Prince

Of course, thank you, Jana. Good morning, Nishio, nice to see you again. Good question. First of all, they're not the same producers. Those producers are contained here as long as they have had their debt renegotiated. But you can see that part of this debt has flowed into our balance sheet, which has even been written off. You have an increase in write-off volumes in agribusiness, which is not necessarily such bad news, because the recoverability in write-off of Agribusiness operations is much higher than the rest of our portfolio.

And that's why we even created a specialized team to accelerate this process of recovering Agribusiness operations. As I said earlier when talking to Daniel, we have a large volume of delinquency concentrated in new defaults. These are producers who have accumulated the problems you mentioned, but who have now defaulted. So, they hadn't taken any additional measures other than those we naturally offer them. And it’s this producer that we're focused on solving now with the advent of the harvest. As you said, the price issue is still under pressure, but, on the other hand, you have the support of production and productivity. So, even though the margin is still not enough to meet all the commitments, there is a surplus margin to start paying for these operations and reduce the risk of the activity as a whole. And what we've tried to do here is make sure that we're at the top of the list of those who will receive the first payment. And then, talking specifically about Stage III, we have a contingent of almost 80% in default in Stage III. And we're not talking about grace periods. We're talking about producers who, at the very least, are paying their financial costs. So, it all adds up. The challenge is the same: to convert the harvest into resources and for these resources to be channeled into paying for operations here at the bank. What's additional and counts in our favor is the new Harvest Plan and the possibility that we, knowing the history of these producers, will be able to finance the next harvest and then stabilize this issue and we'll be able to get this portfolio back to that historical level of 1.5 defaults, 1.5 to 2. And then you can do the math, and we'll make a lot of money again.

Tarciana Medeiros

Well, Prince, I think there's a point we can add, which is relevant, and that is this. We're talking about a specific crop in a specific region. We're talking about soybeans in the Midwest, in a very specific region. And there's something we mustn't forget. When we talk about the possibility now of the client settling this debt, and that's why we need this second quarter, we have to remember that today those who plant soybeans plant corn. Soybeans are harvested between January and May and then there is this period, there was this more resistant delinquency, now in the month of, at the end of, in this first quarter and April, so we already understand that this client didn't use the soybean harvest to pay the bank, but he is already harvesting corn. So, he's harvesting the corn, he's going to sell this corn crop now, and we hope that in this second quarter, this resource from the sale of the corn will return to the bank, settling the operations, so that we can do the new financing for him for the Harvest Plan. So, I think it's important for us to remember that there has been a huge evolution in the way producers use their properties. They are no longer monoproducts, monocultures. We're working with soybeans; there's a second crop of corn and this year there's also a forecast for a record corn harvest. So, there's this period of another 90 days ahead of this producer receiving another flow, a new flow of income, the result of the second production, which hasn't happened yet, which we haven't started to see yet. So now, from April onwards, we're beginning to really understand this process of this second crop.

Geovanne Tobias

And Nishio, just to give you a sense of scale, we started talking, when we started talking last year about the judicial recoveries, it was slow going, we started to see a movement, it was 50, 100. Today, as of March, they are medium and large clients, okay? There are more than 600 clients and a total portfolio of more than R$ 4 billion, which is roughly the size of that. So, this makes it really difficult, because immediately you put it as a problem asset, it stops accruing interest and you already must make a provision. The average provision we have for the problem asset portfolio is in the 70-something percent range. Understand? So, you end up having to reinforce it a lot.

Janaina Storti

Thank you, Nishio. Our next question comes from Eduardo Rosman, at BTG.

Eduardo Rosman

Good morning, Geovanne. Good morning, everyone. Thank you for the opportunity. Still on the Agribusiness topic, I'm trying to understand Resolution 4,966 a little, because I think Agribusiness is actually more relevant in Brazil than in other countries, and I think it's also much more relevant for BB than for other banks. I'm trying to understand a bit here if there isn't some kind of conversation with the regulator to give it a bit more time, because there's obviously a worsening of the economy, higher delinquency, but there's been a very drastic change in the way you have to deal with day-to-day operations. There's a lot of bullet operations, there's a lot of renegotiations, which is normal in the sector, and perhaps the regulation itself, the way it was conceived and built, didn't consider this Brazilian specificity. I'm giving an example here, for example, of tax credit, of the time difference, which in Brazil is quite different from abroad. So, here in Brazil, there was a new rule, for example, to allow the DTAs for time differences to remain in the main capital. Anyway, I'm just wondering here if there isn't some kind of conversation with the regulator to, in a way, suddenly make the transition a little smoother.

Geovanne Tobias

Regarding what you're bringing here, Tarci, would you like to make any comments?

Tarciana Medeiros

Look, yes, there is.

What we've been talking about, it's important to emphasize that the door for dialogue with the regulator is always open. What did need to happen? There were doubts, many doubts, as to how this behavior of the Agribusiness portfolio would occur in practice once the models had been implemented and then combined with the bank's risk models. Now, we are certain of how the Agro portfolio will behave. It's a portfolio that has a very specific behavior and it's also something specific to Banco do Brasil. We already had this impact anticipated, so it was no surprise to us. What was a surprise? The worsening of delinquency in the first quarter of Agribusiness, which made the situation worse than expected. So, now that we have all this information, we're starting a conversation with the regulator to come up with proposals for a different treatment for the Agribusiness portfolio. And then, because of everything you've already said in your question, these are operations that have a different payment and receipt flow from the others, they are operations that pose a challenge for us in terms of their cure period, I do a renegotiation. And then I need to understand how I change the stage of this operation during the cure period. But the cure period will only happen when it starts earning revenues. So, there are a number of very specific issues in the Agro portfolio that we are taking to the regulator to discuss. But you're absolutely right, it makes perfect sense, and we need to work along these lines. So, this is also one of the reasons why we have kept this guidance under review. Because everything also depends on a possible adjustment, you know, in this possible view of the Agro portfolio within the worsening and within the stages, the progress there, the profile of the operation at each stage.

Felipe Prince

Tarci, Rosman, nice to see you again. Complementing and giving a deep dive, what did the Central Bank end up doing? The implementation here in Brazil had some "jaboticabas" (unique local features) and one of them was the establishment of minimum floors. We have a lot of confidence in our modeling process and we believe that we have been managing our credit provisioning in a very interesting way. The models have proved to be very assertive in the decisions that are made with the scenario that we have coming up. The point is that, when the model talks to the minimum floors that the Central Bank has established, which we have adopted here at BB, you have provisioning steps that end up making expenses much more sudden than they used to be. So, we even have a joke here. The minimum floors make the provision go up by elevator and the cure process makes the provision go down by stairs. So, technically, this is one of the points we've been discussing with the regulator, who, as Tarci said, has been very open and receptive, not least because at the end of the day this could lead to a restriction on funding for agricultural activity, in short, an engine of the country's economy that nobody has any interest in being penalized for. So, conversations are being held, but they are being held so that technical understanding prevails over these issues that end up being punitive. Perhaps they make sense when you don't have a developed and accurate modeling process. From the moment your modeling process, ours admittedly is, is accurate, we should move towards the way regulation is in the rest of the world, where the expected loss is established by the best evaluation of the assets and not by obeying minimum levels, which was kind of a criterion of Resolution 2,682, which ended up being IFRS 9, but we are receptive, we have a technical argument, and the debate will continue there with our regulator, who is also attentive to these issues.

Tarciana Medeiros

And that's why, Prince, it was a difficult decision to put the guidance under review, but looking at the conservatism of our risk models, combined with the profiles already established in Resolution 4,966, we may have had a conservative model. So, we'd rather keep it and discuss it with the regulator than put it out here in a non-transparent way right now.

Janaina Storti

Thanks, Rosman. Guys, we're reaching a hard stop on time. I still have three analysts with me, okay? We'll get in touch with you to answer any questions, okay? Me, the team here, Carlos at HSBC, Mizrahi at Bradesco and Natália at JP Morgan, because we really can't finish here and stay any longer. I'd like to thank everyone for taking part in our results live. Finally, we'll see you again next quarter. Thank you.

Geovanne Tobias

Thanks, everyone. See you next time.

Tarciana Medeiros

Until next time. Thank you very much.

Felipe Prince

Thank you very much.

Janaina Storti

Bye, bye.