



**BANCO ABC BRASIL EARNINGS CALL**  
**2<sup>nd</sup> QUARTER OF 2025**  
**August 13, 2025**

**Mr. Ricardo Moura:** Good morning, everyone. Welcome to Banco ABC Brasil's second quarter 2025 earnings conference call. I am Ricardo Moura, Director of Investor Relations, Proprietary M&A and Strategy. As always, we will begin our presentation of the period's results with our CEO, Sérgio Lulia.

After the presentation, we will have our traditional Q&A session.

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To continue the presentation, I now give the floor to our CEO, Sérgio Lulia. Thank you.

**Mr. Sérgio Lulia:** Thank you, Moura. Good morning, everyone! It is a pleasure to be here with you with the release of the results for the second quarter of 2025. As always, we will start with our highlights. First, profitability. Net income was R\$244 million, with a ROAE of 15% for the quarter. This represents a recovery from the 14.1% recorded in the previous quarter.

The portfolio reached R\$52 billion, a 7.9% increase compared to the second quarter of 2024. From a portfolio quality standpoint, it performed well across all indicators, including the coverage ratio, which we highlighted. The coverage ratio reached 307% in terms of expected credit loss divided by overdue more than 90 days, and 93% when we consider total expected credit loss divided by Stage 3 operations. Expenses were also a major highlight, with nominal growth of 1.2% in the second quarter of 2025 compared to the second quarter of 2024, bringing the efficiency ratio to 38.4%.

Here are a few more details on portfolio growth. In the quarter, the portfolio grew by around 1.8%. The highlight of the quarter was the C&IB segment, which grew by 5.3%. The Corporate segment remained unchanged, while Middle grew by around 3.7%. In annual terms, growth was 7.9%, considering exchange rate variations. If we remove the effect of exchange rate variations, this growth would have been around 8.3%. In terms of annual growth, C&IB remained flat, with a nominal decline of 1%. The Corporate segment grew by 13.5% and the Middle segment by 7.8%.

From a sector exposure perspective, this is a chart that we have been showing you in recent quarters. It changes little from one quarter to the next. In this quarter,



specifically, there was an increase in the energy sector of approximately 1% and in the services sector of also around 1%. The rest remained constant. The portfolio remains highly diversified, with greater exposure to segments that we consider less cyclical and more defensive. The bank is present in virtually all important sectors of Brazilian business activity.

Revenues with clients recovered in the quarter, showing very good momentum compared to the first quarter of 2025. Total revenues with clients rose from R\$443 million to R\$486 million. And again, with low capital consumption revenues accounting for around 46%, this is a level that has become consolidated at the bank. It is a very healthy level that demonstrates not only the bank's greater presence among its clients, but also greater product diversity, which means that revenues with clients are less volatile over the cycles.

The net interest margin also recovered compared to the first quarter, when it was R\$567 million. It now stands at R\$604 million, with a notable increase in the margin with clients, which we just mentioned, from R\$341 million to R\$373 million. Here, in the margin with clients, the two main effects are, first, the spreads, which are higher. Spreads rose by approximately 30 basis points in the quarter. This is something we have been telling you in previous quarters, that after a period of very low spreads practiced by the market, not only by ABC Brasil, in the second half of 2024 and in 2025, the spreads from originated transactions begin to recover. It takes time for this to be reflected in the accrual of the bank's total portfolio. In this quarter, this effect began to appear. We expect this to continue in the second half of the year, but there is also a product mix effect here, with products that have better margins and perform better in the second quarter. Considering that the first quarter is seasonally weaker.

Financial margin with market fell from R\$83 million to R\$71 million. This performance is below the historical average for margin with market. This slightly worse performance is mainly explained by two factors: first, a lower appetite for market risk itself, given the volatility that has been present, mainly in the interest rate market, but also in the currency market, which makes us more cautious when setting up positions. And the second effect is the greater liquidity that the bank experienced during this period, liquidity always has a cost. We believe it is a reasonable cost, but in any case, there is a prospect of a relative improvement in these revenues during the second half of the year. Finally, shareholders' equity remunerated at CDI performed well, with CDI rising during the period, and this income should remain constant during the second half of the year.

This revenue performance was reflected in a higher NIM. The NIM now stands at 4.1%, recovering from the decline seen in the first quarter. We also expect this NIM to remain above 4% at least in the quarters that we can currently see, in the second half of the year.



Service revenue accounted for 23% of total revenues earned from clients, with a very good dynamic in guarantees issued, generating revenues of R\$45.7 million. As we always tell you, this is the most stable component of all, both because it is a portfolio of a certain duration and because these are clients who have been using this product for some time. In any case, if we look at the last few quarters, its performance has been gradually improving. The investment banking performance was very similar to that of the first quarter, which was R\$32.9 million, now R\$34 million, but lower than in the same period last year, when this revenue was R\$43.9 million. This is a trend that we have seen across virtually the entire market. We have a concentration of revenues from fixed income operations. The fixed income market remains very dynamic in terms of transaction volume, borrower diversification, and product diversification. From FGC, CRIs, CRAs, debentures, commercial notes, and so on. But in fact, the market is more competitive, and the commissions charged for structuring these deals are lower today than they were a year ago. This is reflected in slightly lower revenues. From the point of view of market share ranking, we continue to perform very well, with a slight increase compared to last year. Insurance brokerage fees and commercial banking revenues had another good quarter. There was also a recovery compared to the first quarter, reaching R\$33 million.

When we look at semester by semester, the picture is very similar. You have made an improvement in revenues from guarantees issued. You have a decline in investment banking for the reasons already explained and a certain stability in revenues from insurance brokerage fees and commercial banking.

The quality of the credit portfolio continues to be a highlight for the bank. The level of provisions made in the quarter was R\$79 million, an increase from R\$63 million in the previous quarter, but still below our historical average, with a provision of 0.6% of the portfolio in this quarter, compared to 0.5% in the previous quarter. It is also worth noting that in the previous quarter, the level of gross provisions was very similar to that of this quarter. This is because in the previous quarter there were more credit recoveries than in this one, thus reducing the final number of net provisions from their recoveries.

Expected credit loss remains constant. They were around 2.1% of the portfolio. They now rise to 2.2%. From a segment perspective, provisions in Middle increased from 6.4% to 6.7%, in Corporate from 1.6% to 1.7%, and in C&IB remained constant at 0.8%.

Overdue more than 90 days performed very well in the quarter. At the end of the first quarter, there were R\$485 million in transactions past due over 90 days. This volume has now fallen to R\$382 million, which has reduced the total percentage of the portfolio from 0.9% to 0.7% of the portfolio. Here you have the breakdown by segment: 3.8% is in Middle, 0.6% in Corporate, and in C&IB, the overdue are at zero.

Moving on to the next slide. Well, we just talked about the overdue. It is important to note here that the Stage 3 balance operations remains constant, at around 2.4%, which



is another sign of the quality of the portfolio. When we compare it, even with the competition. And here in the coverage ratio section, there has been a significant improvement in the coverage ratio, which was already comfortable at 227%, rising to 307%, both due to the increase in provisions that were made and the reduction in overdue more than 90 days. The other indicator that is now being disclosed, which is the total provisions divided by the total Stage 3 portfolio, remains very good and has even risen from 90% to 93%.

Expenses, as already mentioned in the highlights, are a very important area where we have been working hard to contain costs. There was a nominal reduction of 2.4% in the quarter compared to the first quarter of 2025. The annual comparison shows a reduction of 1.2%. And if we take the entire first half of the year and compare it to the entire first half of 2024, we see a growth of 5%. On the revenue side, which had been performing much more modestly due to the factors already explained regarding the reduction in spreads on operations contracted last year, due to slightly lower market revenues, there has been a recovery in the quarter. So, when we look at the first quarter compared to the second, growth was 6.8%. These two factors combined led to an improvement in our efficiency ratio, which, after rising to 42.1% in the first quarter, is now back in the 38% range.

Funding remains very comfortable, it is diversified, it has very suitable deadlines, always longer than the deadline for active operations, and it is at very competitive rates. We have been repeating this since we created our API in 2007. It is important to repeat this, as it is one of our institution's strengths.

From a capital standpoint, the Basel Ratio closed at 17.3% from 17.2% previously, considering that dividends exceeding 50% of the profits generated during the first half of the year were paid and a dividend yield of approximately 10% per year.

Tier I capital rose from 14.7% to 14.8%, while core equity Tier I rose from 11.7% to 11.8%. These figures do not yet include the partial redemption of perpetual notes that took place in July, which should reduce this figure from 3% to around 2.5%. In any case, it is a comfortable capital position. It is quality capital, and it is capital that allows us to accelerate our growth as soon as we believe the scenario is right for it.

Here is a comparison of recurring net income for the first quarter with the second quarter, so from net income in the first quarter of R\$225.6 million with a ROAE of 14.1% to net income of R\$244 million with a ROAE of 15%, with positive contributions from the margin with clients, a smaller contribution from the margin with market, and a larger contribution from PL to CDI, the other lines, less significant lines, one offsetting the other. This represents an 8.2% growth in profit from one quarter to the next.



And we conclude the presentation by reminding you of our guidance, which remains unchanged. In terms of expanded credit portfolio growth guidance, we have seen 7.8% growth over the last 12 months, as stated in the guidance. The second half of the year is usually the most dynamic in terms of portfolio growth. We expect this to be the case again, although this year the institution is more cautious due to the macroeconomic risks that are present. In any case, from today's perspective, we expect this growth to be closer to the lower end of this range.

On the expense side, given the performance that has been occurring and the control of costs, the guidance of 6% to 11% is maintained, and the expectation is that it will be closer to the lower end of this guidance, which means a very good performance.

And the efficiency ratio will depend somewhat on revenue performance. There is a positive cyclical of revenues in the second half of the year. We expect this to continue. From today's perspective, it is more likely to remain at the upper end of the range.

Well, that's all I had to say to you today in our presentation. So, I now hand back to Moura so we can continue with our presentation of results.

Thank you very much.

**Mr. Ricardo Moura:** Thank you, Sergio, for providing an overview of the Bank's results for this quarter of 2025. I would also like to thank everyone who is following the broadcast.

We now invite you to participate in our question-and-answer session.

### **Q&A Session**

**Mr. Ricardo Moura:** And now, to join us for the question-and-answer session, we also have Sergio Borejo, our CFO. Welcome, Borejo.

**Mr. Sergio Borejo:** Thank you, Ricardo. Good morning! Good morning, Sergio. Good morning to everyone watching us here. Once again, it's a great pleasure to be here with you.

**Mr. Ricardo Moura:** Wonderful, Borejo. To everyone who is watching us, feel free to ask questions. To participate, just click on the raise hand icon at the bottom of Zoom. And now we will begin our question-and-answer session. The first question we have is from Ricardo Buchpiguel from BTG Pactual. Ricardo, thank you for participating. Please feel free to ask your question. Microphones are open.

**Mr. Ricardo Buchpiguel:** Good morning, everyone! I have two questions here. Looking at Anbima's indicators, we can see an increase in the average spread from DCM in relation to CDI at the beginning of the year, but it has practically returned to the tighter



levels of the second half of last year. With that in mind, it makes sense to expect this reduction in the market to affect the NIM of the bank's clients, either at the end of this year or possibly next year, as we saw happen last year in the first quarter. And for my second question, Banco ABC Brasil has always been a bank whose ROAE closely followed changes in interest rates. But in recent years, the bank has made a series of investments and new initiatives with the aim of raising this ROAE, even on a scenario of lower interest rates. With that in mind, if we move towards a scenario of falling interest rates, perhaps by next year, it makes sense to expect the bank to maintain its profitability levels. And what should be the triggers that allow this? Perhaps an acceleration in the growth of the Middle portfolio, more C&IB revenues from other investment banking lines that you have invested in recent years, or even a spread opening within the main segment, which is Corporate and C&IB. What should be most relevant for us to consider at this turning point that we may see in 2026 or 2027 with the fall in interest rates? Thank you.

**Mr. Sérgio Lulia:** Good morning, Ricardo. Thank you for your questions. Good questions. Regarding the first one, on spreads and their impact on NIM now in the second half of the year. In fact, there is a constant struggle in our daily lives between volume and spread. So, if you take our volume, as we said, in the last 12 months, the total portfolio volume rose by approximately 8%. And this year, specifically, if we compare it with December, growth is practically zero. This is because we have been very persistent on the issue of spreads. If we were a little more relaxed in this requirement, the portfolio would probably have grown much more. And this struggle will continue in the second half of the year. We realize that the situation of companies is also a little better, for a good number of them. This is also reflected in ratings, the issue of spreads is always focused, of course, on a risk-return relationship. So, if there is an improvement in the rating, you can have a slightly lower spread, because the capital allocation itself is lower. So, that is what we are monitoring for now, production has remained at the same level of spread that we saw in the first half of the year. We will have to monitor the market and see how it goes. But at least from today's perspective, we do not expect a very large drop. What is concerning is the issue of volume. That is, how much can you grow in volume while maintaining spreads at a slightly higher level? Regarding the other issue, which is a more structural issue of ROAE, I think that in your question itself, you demonstrated a good understanding of the organization. Today, we have an organization with much more diversified sources of revenue and products that perform better in a scenario of higher interest rates and others that perform better in a scenario of lower interest rates. Mainly, I think, if you take the Project Finance part, it is an area that is greatly affected by higher interest rates because projects end up being shelved when that happens. The variable income part itself, as you mentioned in investment banking, to take the other part of investment banking, also suffers from this problem of retracting when interest rates are very high. The M&A side too, and the M&As we focus on, which are mainly M&As of medium-sized companies. Valuations also suffer, and activity suffers



when interest rates are higher. On the other hand, cash management, for example, benefits from higher interest rates. From a segment perspective, we have been preparing for quite some time, and we have been improving credit rules, monitoring processes, and Middle Market collection. We have not accelerated yet because we believe that this segment suffers more when interest rates are higher. So, we are more conservative, but when interest rates fall, you can certainly expect the Middle Market to expand at a faster pace. So, with all that, I see our ROAE as very resilient, and our management is even dissatisfied with the ROAE we are showing now. We are confident that we will be able to print a higher ROAE than this in the future.

**Mr. Ricardo Buchpiguel:** Great. Thank you.

**Mr. Ricardo Moura:** Thank you, Ricardo, for your participation. Next question comes from Olavo Arthuzo, from UBS. Olavo, please, feel free to ask your question.

**Mr. Olavo Arthuzo:** Good morning, Sergio, Ricardo, Borejo, thank you for your questions. I have two of them, and I would like to explore this margin first with clients and then with the market. On the first topic, I understand the entire repricing of the portfolio, these higher spreads, and then I make the comparison with the window we saw in the second half of last year and from what we could see from the Central Bank data and what you reported now in the second quarter, the month of June, it came in very strong. It represented a little over 40% of the bank's total results. So, in this first part, to understand a little about the margin with clients, I just wanted to understand what the expectation is for the second half of the year and contrast that with what we saw in the Anbima data, showing a certain flatness over the last few months. So, what I wanted to understand is basically the following: we still have roughly half of the portfolio that should be repriced to this new level that we have seen since the beginning of the year. So, given that, my point is that we could expect the margin with clients to grow above what you are projecting, from the expanded credit portfolio, which I imagine will remain at around 7% or 8%. So, we could say that we can expect a margin with clients expanding perhaps 9%, 10%. Would that make sense? And then I'll move on to my second question. Thank you.

**Mr. Sérgio Lulia:** Well, Olavo, good morning, thank you for your question. I will give a more qualitative answer, then I will pass it on to Ricardo to do the more quantitative part. In fact, as I said earlier in Ricardo's question, we are placing a lot of emphasis on spreads, always taking them into account, of course. The expected loss is a risk/return calculation, as it has always been. There are times when we see that even with higher spreads, if the risk has proportionally increased even more, it is still not worth it. Today we have a situation, I think, of adequate risk-return for the portfolio we are seeking, but we have not been able to expand the portfolio much at a faster pace. Maintaining this adequate risk-return ratio is, in principle, what I see for the second half of the year, that



is, the biggest challenge from a volume standpoint, and that is why, as I indicated during the presentation, we are seeing the floor of the guidance as something more feasible, but maintaining higher spreads, and these higher spreads, as you yourself pointed out, have a cumulative effect, because as old operations mature and new operations are contracted, you have a greater impact on accrual from the point of view of the margin with clients. Do you have anything to add, Ricardo?

**Mr. Ricardo Moura:** No. I think it's very well put. The only point I would add is that it's interesting to note the data you get from banks in general, data from the Central Bank and reported by other banks from the end of last year to the first half of 2025, there was a disconnect between this data and what we saw in capital market spreads. So, this doesn't always happen. But the impression it gives us is that the banking market was a little more disciplined in terms of how it priced operations and in the Central Bank data. There was a slight increase, but there was an increase in the spread. Meanwhile, this did not happen for the capital market. Looking at the second half of the year, it is very much what Sérgio said. We should continue to see this trend and the banking market with a little more discipline in pricing operations. The result is somewhat of a credit environment that demands a little more caution. Thank you for participating.

**Mr. Sérgio Lulia:** I think he had another question.

**Mr. Ricardo Moura:** Oh, sorry. Please ask your question.

**Mr. Olavo Arthuzo:** No problem. Well, thank you. But just to be clear, can I assume that we will continue to see the margin with clients still growing above the expanded credit portfolio? Just to follow up.

**Mr. Ricardo Moura:** That is our expectation. Given the information we have today, there is indeed an upward trend. Obviously, it is slow and gradual, as we manage to reprice the portfolio.

**Mr. Sérgio Lulia:** There is also the matter of product mix, which always comes into play. You have products that offer higher margins than others, so taking that into account, I think the answer is yes.

**Mr. Olavo Arthuzo:** Wonderful. Thank you, everyone. And quickly on to my second question, regarding margin with market. I heard you mention risk appetite, Sergio, as well as liquidity. I understand that here you also pass on a little bit of the energy desk, a revenue from the energy desk. So, if I could just elaborate a little bit on what caused this contraction that we saw in the quarter, which I think was quite strong, and if you could also include in your answer how the energy desk contributed to this line? Thank you.



**Mr. Sérgio Lulia:** Well. I'll start at the end, okay? We have an energy trading company that started three years ago and is doing very well, because it allows us to offer solutions in terms of energy efficiency and energy consumption to our large clients, which we couldn't do before. Now, a good part of this is in the margin with clients, because these are not trading operations, they are operations in which you buy or sell energy from clients and to clients, assuming the risk of these clients. That's why it comes more into the margin with clients than into the margin with market. In the margin with market, we have an energy trading activity that is necessary for you to have liquidity, so you can offer good things to clients, but it is very small, it is something that does not affect market earnings in any way. What happened was a market issue, there was stress in the markets in November and December, very focused on the country's fiscal situation and other issues. And throughout the first half of the year, there was an improvement in sentiment, but in a way, we did not see it as an improvement supported by macroeconomic data, as the macroeconomic data remains very similar. This caused us to be more cautious, even with the markets. And from a liquidity standpoint, our liquidity was already high. However, rates were being compressed. We have a funding policy that we always like to be present with our clients at times, even if we don't need the cash so much. This ended up increasing our cash flow, and at various times we had liquidity of R\$14 billion to R\$15 billion for a bank with R\$6,5 billion in equity. So, it is an excessively high level of liquidity that we are now adjusting downwards a little, and at the same time, looking ahead, I think the markets have kind of stabilized. We can start building up some kind of position again, not trading positions, but normally banking book positions, which are made with a slightly longer duration and can recover a little more. But it was a reduction, in a way, due to a disagreement when we made the market dynamics available in relation to the prospective risk we see.

**Mr. Ricardo Moura:** Thank you, Olavo. Our next question is from Brian Flores, from Citi. Brian, thank you for your participation. Please, feel free to ask your question.

**Mr. Brian Flores:** Hello, everyone, good morning! Thank you for the opportunity. I wanted to ask about capital allocation. I know you have been talking about Tier I appetite close to 11% in the last quarter. I think you are a little more solid now. I also know that you made some moves with the perpetuals you mentioned in July, but I just wanted to ask, with the growth dynamics you just mentioned, perhaps at the lower end of the range, what should we expect in terms of capital distribution, because it seems that there is still a cushion, some breathing room to distribute to shareholders. And then I'll ask a second question. Thank you.

**Mr. Sérgio Lulia:** Well, Brian, thank you for participating and for your question. Our dividend distribution policy will continue to be full distribution of what the IOC allows us. What happened this year was that the TJLP rose, and with the TJLP rising, interest in equity also increased, which ended up giving us the dividend yield of approximately 10%



that I mentioned during the presentation. For the second half of the year, we should expect the same policy. And remember that in previous years we have always maintained this policy, and at times when the bank sees prospects for more accelerated portfolio growth, we propose to the Board, and the Board has approved the recapitalization of these distributed dividends, and then each shareholder decides whether to recapitalize or not. At this point, as in the first half, we paid the dividends and did not recapitalize because we see that the capital level is more than adequate to allow for the growth we are achieving. If further ahead, at the beginning of next year, this outlook changes, we may return to the mechanism we have used in the past.

**Mr. Brian Flores:** Perfect. And I wanted to ask about the additional provisioning you made, I think around 190 million. I just wanted to ask why, because I understand that you have some discretion there, right? Perhaps because of the model, I just wanted to understand what happened, what made you make that additional provisioning, and whether we should think about whether it was a macroeconomic issue, whether that should happen, perhaps in the second half of next year. Just to understand a little bit about the recurrence of this item. Thank you.

**Mr. Sérgio Lulia:** We always have that view of credit provisions, given the current situation of clients, and we have a prospective credit view, right? With the introduction of Resolution 4966, the bank's calculation methodology, given mainly macroeconomic factors, led us to make a provision that we call a prospective provision, which is a provision that is, in a certain way, countercyclical, which will protect the bank in times of higher default rates. For now, and as you saw in the numbers, the portfolio is of very good quality. We were concerned at the beginning of the year that with interest rates at 15%, the economy would experience higher levels of default. For now, at least in our portfolio, this has not been the case. The portfolio is very healthy, but I know that when this happens and we think it is something that deviates from normal standards, then this prospective provision could be used. As with last time, for example, we always had some level of provision of this type. We used it in the case of that retailer, when it was an unexpected loss that we thought was outside the bank's natural standards. From today's perspective, given the macroeconomic scenario, given the portfolio's growth rate and given the quality of the portfolio, we believe that this amount is adequate, and we do not intend to make any other moves of this kind, at least soon.

**Mr. Brian Flores:** No, perfect. And just to keep us on track, there could be some reversal in the case, as you said, if the quality remains as it is. We could see a reversal of this additional provisioning?

**Mr. Sérgio Lulia:** At some point, yes. But that will always depend on the bank's vision and the methodology that has been implemented for prospective risks, which mainly involve, as I said, macroeconomic data. For now, what you can expect for the near future is stability, neither the creation of new provisions nor the reversal of existing ones. But



that is the best understanding I have today. The changing scenario can always change everything at once.

**Mr. Brian Flores:** Very clear. Perfect. Thank you.

**Mr. Ricardo Moura:** Thank you, Brian. Now for our next question, Pedro Leduc, from Itaú. Pedro, thank you for your participation. Please, feel free to ask your question.

**Mr. Pedro Leduc:** Thank you for the call and for the question, two, please. First, in the agribusiness portfolio, 22% of the total portfolio. If you could give us a lesson there, how you have managed this so that we have not seen the default problems that we are seeing in some other players. And then, if you could also talk about everything from guarantees to terms and clients profiles. And the second part of the question is about credits with fund guarantees, FGIs, etc., which I understand has been a relevant part of the growth in the Middle portfolio. How do you see the available stock in these guarantees continuing to grow in the second half of the year? Thank you.

**Mr. Sérgio Lulia:** Pedro, good morning! Thank you for your questions. In the agribusiness sector, we currently have 22%, almost 23% of our portfolio, in the sector. There is a subdivision within that. If you take a look, there is a part that is the grain chain, there is a part that is the livestock and meatpacking chain, you have the large cooperatives, you have the entire fertilizer, input, seed sector, and so on. So, it is a portfolio that is diversified from a product standpoint, in terms of crop type, with sugar and alcohol, among others. It is a geographically diversified portfolio, as we are present in practically all of Brazil, in the South, Southeast, and Midwest, and so on. It is a diversified portfolio from a client standpoint. There are always credit problems in this portfolio, just like in any other, but today we do not have a higher percentage of losses in agribusiness than we are seeing in other segments. And I think it has a lot to do with cherry picking. We are a bank that historically participated more in industry, so, for example, the sugar and alcohol sector has always been very relevant to the bank. Recently, its representation in the portfolio has fallen a little, but it is a segment in which we have a strong presence, and it is a sector that is doing well, regardless of last year's frosts. Productivity has fallen a little this year, but the solvency of companies remains very good. We have a very important presence in cooperatives in the South, cooperatives in the states of Paraná and Santa Catarina, and to a lesser extent in Rio Grande do Sul. These are very strong cooperatives that over the last 10 to 15 years have impressively increased their level of governance, diversified their activities, many of them vertically integrating, and today they have very important industrial divisions and are doing very well, which we like a lot. And then there is the grain sector. I think that it is mainly grains in the Midwest where the market has seen the biggest problems. In this part of agribusiness, we have historically been involved with large producers. We had around 20 names, 25 names at most in this sector, and we started last year. What we call the agri initiative, which is an initiative to enter medium-sized producers, medium-sized, we



are talking about those producers who have 10 to 20,000 hectares or so of planted land, we were previously only with producers who had more than 20,000 hectares. And I think we were a little lucky in that sense, entering this segment at a time when some producers in the sector were already struggling. So, it's not that we already had exposure and the deterioration happened and we had a presence? No. We already had the conditions to enter with an adequate price and guarantee, and those producers that we saw as being more capitalized, with a good level of liquidity and productivity, so that I, personally, see, let's say, this hiccup that the segment is experiencing as a great opportunity for us to increase our presence, because we have a clean portfolio, we hired a quality team, not only in the commercial area, but also in the credit, modeling, and everything else. We have a very well-established guaranteed system, and this is a sector that, regardless of the momentary hiccup, is one in which Brazil is very competitive, right? So, with two or three good harvests, the segment will prosper again. It is the segment we want to be present in and that we view with very good expectations. Could you repeat the second question, please?

**Mr. Ricardo Moura:** Pedro, please.

**Mr. Pedro Leduc:** Regarding credit lines with some type of government guarantee, such as FGIs, I understand that they have been relevant to recent growth. I understand that their stock, I wanted to understand how you see the potential pace for continuing to grow this portfolio in the second half of the year.

**Mr. Sérgio Lulia:** Perfect! These PEAC lines were very important to us in the post-pandemic period, during 2021 and 2022. From then on, we kind of reduced their relevance. The program conditions changed and the price for taking out insurance also increased. The truth is that we lost ground with this product, especially compared to the big banks. And we saw this happening in 2024. We prepared ourselves again and, in fact, we are now accelerating the use of these products and our exposure. I don't have the figures off the top of my head, I don't know if Ricardo does, but our exposure to these government programs has significantly reduced. And my expectation, given the limits we have available and the way we reformatted the product here at the bank starting in April, May of this year, is that over the second half of the year it will become more relevant to us than it was in 2024. Perhaps they will not reach the peak it had in 2021 and 2022. But in any case, recovering some of the ground we lost.

**Mr. Pedro Leduc:** Excellent, thank you very much. Good luck.

**Mr. Ricardo Moura:** Thank you, Pedro. Our next question from Antônio Ruelle, from Bank of America. Antônio, thank you for your participation. Feel free to ask your question.



**Mr. Antônio Ruelle:** Good morning, everyone! Thank you very much for taking the time to answer questions. My question is about expenses. You did a good job with expenses in the quarter. We can already see that you are below the guidance for the semester. I would like to explore this topic a little further. What did you do in the first semester, and can it be replicated in the second semester in terms of operating expenses? Thank you very much.

**Mr. Sérgio Lulia:** Thank you, Antônio. I'm going to ask Borejo to help me answer this question.

**Mr. Sergio Borejo:** Thank you, Sergiãõ. Good morning, Antônio. Thank you for your question. This expense work is something that is only being done now. We increased the bank's expenses in 21 and 22. Then we slowed down that growth rate in 23 and 24 through operating gains, which is what we envisioned when we made that series of investments in the early 20s, in 21, 22, so what we are seeing now is simply the result of all those years, all those investments, and the benefit of high operating gains. Today, we are doing much more business than we used to, cash management derivatives that Sergio mentioned, guarantees, the collection of guarantees itself, the bank is equipped to have a much higher level of operation, but with the use of technologies that we have been investing in over the years. So, the answer is to maintain the idea, to maintain the level we are working at to stay at the level we are at here and eventually, if possible, even a little better.

**Mr. Antônio Ruelle:** So, as I understand it, the bulk of the investments and renovations to prepare for a much larger bank operation, as you mentioned, have already been made. So going forward, it's a matter of operating expenses growing much more in line with inflation and you capturing gains in operating leverage from revenue growth.

**Mr. Sergio Borejo:** Yes, we are ready to grow with the structure that we have today.

**Mr. Antônio Ruelle:** Great.

**Mr. Sérgio Lulia:** That's exactly right, Antônio. I mean, when we look ahead, returning to the question of structural ROAE, right? We see this great opportunity to capture higher operating leverage, coming from a greater increase in marginal revenues than marginal expenses, what we call jaws.

**Mr. Antônio Ruelle:** Perfect. Thank you very much.

**Mr. Ricardo Moura:** Thank you, Antônio. Our next question is from Carlos Gomez-Lopez, from HSBC. Carlos, thank you for participating. Please, feel free to ask your question.



**Mr. Carlos Gomez-Lopez:** Thank you. The question is about the outlook for the second half of the year. You are saying that seasonally, things tend to be better, that clients are doing better, and clearly you are more optimistic than you were at the end of the first quarter, but at the same time, when we talk to other banks, they say that there has been a slowdown in economic activity, so I am not sure if you are seeing a recovery or if you are expecting a recovery that is only seasonal, but not permanent.

**Mr. Sérgio Lulia:** Good morning, Carlos. Thank you for your question. This is an issue that we have been facing. We are seeing a slowdown in the economy, but this slowdown was expected and is a result of the cycle of high interest rates. Now, it's all a matter of reality versus expectations. Although there is a slowdown, in our opinion, it is milder than we expected. We are talking about an economy that will still grow more than 2% this year. At the beginning of the year, we thought it might be closer to 1%. We still see employment dynamics and other economic indicators that are also performing better than we expected. Now, we do not underestimate and cannot underestimate the impact that a real interest rate of 10% per year is having on companies. So, this still leads us to be conservative in terms of the volume of loans given to clients. In other words, credit committees remain more restrictive and continue to be very attentive to the impact that this interest rate and the cooling of the economy are having on clients. Now, all of this is constant. The second half of the year is always better, and it may be that recent figures have raised expectations of interest rate cuts going forward, which always brings greater optimism to the business community and greater dynamism to the economy. So, we are cautiously optimistic because of, let's say, the positive seasonality that the second half of the year always presents and because the slowdown we are seeing is milder than we expected at this point.

**Mr. Carlos Gomez-Lopez:** Thank you. One more thing, about the agribusiness sector. You are now entering the segment with the advantage that the problems that have occurred and there are some legal issues because you are working with clients who may currently have debts with other banks that are not paying for judicial recovery. This is the factor for expanding, especially in the grain sector.

**Mr. Sérgio Lulia:** So, this issue of judicial recovery for rural producers, individuals, is indeed a problem. We understand that this instrument is being overused, but I personally believe that it will be a learning experience for everyone. Because if you work with rural producers and have good guarantees, and we understand that in this segment, a good guarantee is the fiduciary alienation of farms, this is a type of guarantee that works well in Brazil. So, the rural producer requests judicial reorganization. You get a suspension period during which the guarantees cannot be enforced. But once that period is over, which is usually 180 days, it can then reach a year. The properties will be foreclosed, and they will lose their properties. So, I think this industry is promising, this judicial reorganization industry, I mean lawyers, who are encouraging producers to do this. They



are promising benefits to producers that producers will not have and not having them will serve as a lesson to everyone else who is watching, who will see those producers lose their properties. We have very little exposure, as I said, we started in the segment last year, so we have one or two localized cases, but no more than that. But we obviously follow the exposure that other banks have and what the outcome of that is. And I think it will be a learning experience for everyone.

**Mr. Carlos Gomez-Lopez:** Thank you very much.

**Mr. Ricardo Moura:** Thank you, Carlos. So, now we conclude our question-and-answer session. We would like to thank everyone for participating in this earnings call for the second quarter of 2025. I now give the floor to Borejo and Lulia for their closing remarks.

**Mr. Sergio Borejo:** Thank you, Ricardo. Once again, thank you for the opportunity to participate here. I hope to see you all soon. Thank you.

**Mr. Sérgio Lulia:** Likewise, thank you all for participating. We will meet again in three months. Best regards to all.

**Mr. Ricardo Moura:** Thank you, Lulia and Borejo. I would also like to thank everyone who attended our conference. The presentation is now available on our investor relations website. The video of the broadcast will be on our YouTube channel, and if you would like to listen to the broadcast again in audio format, it will be available on ABC Brasil's Spotify channels. If you have any further questions, the IR team is available to assist you. I would like to thank you once again and see you at the next earnings call. Thank you very much!