Camila Stolf: Good morning everyone. Thank you for joining us for our second quarter 2024 earnings videoconference. We are live here from our headquarters in São Paulo and will divide our event into three parts.

First, our CEO, Mario Leão, will discuss the key highlights of the period and the strategies through which we will continue to drive our results in the quarters ahead. Then, our CFO, Gustavo Alejo, will provide a detailed analysis of our performance. And finally, we will have the Q&A session.

I will now provide some instructions. We have three audio options on the screen: all content in Portuguese, all content in English, or original audio. To select your option, simply click on the button located at the bottom center of your screen. To ask a question, just click on the hand icon at the bottom of the screen. The presentation we are about to deliver is already available for download on our Investor Relations website.

And now, I hand it over to Mario Leão to begin the presentation.

Mario Leão: Hello, good morning everyone. We are starting live, exactly at 10:00 a.m. It's a pleasure to welcome you here for our second quarter presentation, my tenth. And I would like to begin by showing you the highlights.

I will start with the middle column here, focusing on the numbers. You have already seen them by now. We have another quarter, as I like to say, quite clean. No one-off events recognized in the results. I'll get to that. We are delivering a 10% quarter-over-quarter growth. It reaches a little over BRL 3.3 billion. So, we hit the BRL 3 billion mark again in the last quarter. And showing that we are focused on building a consistent business portfolio and delivering results.

We take an additional step in the following quarter. A step with even greater growth proportionally in profitability, which makes us quite pleased. We achieve an annualized profitability of 15.5%, which is an improvement compared to the 14.1% of the previous quarter, where we already demonstrated an ROAE above our cost of capital. Thus, in terms of growth in results and profitability, a good progression. And, of course, proof that our operation is, as I like to say, aligned and moving in the right direction.

To the left, I highlight some points regarding what we show on a year-over-year view of the entire composition of this result. Once again, we show a double-digit year-over-year growth in net interest income. We will provide much more details and will be, of course, ready in the Q&A to elaborate further on the evolution, whether of client or market NII.

We experienced a very strong evolution in fees, which makes us quite happy because it is exactly in line with the portfolio diversification we have been discussing with you. Since 2022, we have emphasized the need to diversify, to diversify the bank's macro business portfolios, to have a different credit dependency, more balanced across different income levels, with more collateralized products. We have been doing this. And much more funding, which we will talk about next. And fees. Thus, the fact that our fees are growing at a significantly faster rate than our net interest income is a great sign.

In funding, we are also growing by double digits, which is also the result of very continuous work. I say it's an ultramarathon, an effort not of years, but of decades. And we will do this consistently. We will provide some data for you later.

We have a recurring Allowance for Loan Losses that decreases year over year, despite the portfolio growing by 8%, which is also an unequivocal sign that we are building an increasingly healthier portfolio and thus diluting what we call older vintages, which are portfolios we had to manage extensively during 2022, 2023, and part of this year, in our de-risking efforts.

To the right, just to reinforce the strategy messages. We keep talking, of course, essentially about an obsessive pursuit of primacy, a term we use here throughout the presentation. What does this mean in practice? We want to be the main bank, the most present bank in our customers' lives. So, we want to truly be in the customer's journey all the time, in a continuous conversation, in a multichannel conversation. And that's what, in essence, sums up our strategy.

We have in the free offering that important launch we made just before our last earnings release. The free offering is a crucial part of our strategy. Keep in mind, free is an offer, a very important one that gets us back in the game in the low income or mass income segment. This quarter, we will put a further spotlight on the consumer finance business, which is expanding rapidly and undergoing considerable transformation.

We are also placing more emphasis, a double click, on our small and medium-sized business segment, which has been growing. We are undertaking a major overhaul of our service model, which I briefly touched on last quarter. We will highlight this further here.

And lastly – you may have already seen it – a few weeks ago, at the end of June, we finally completed the effective merger of our meal and food benefits operations, which is Ben. We merged with the Brazilian operations of Pluxee, formerly Sodexo. In this merger, our business was valued much higher than what we had invested, the exact figure being BRL 1.930 billion. This surplus value, this recognition of results, could be included in our income, but we preferred, out of pure prudence – because we could and not because we needed to – to reinforce the balance sheet.

Thus, we do have an extraordinary item this quarter. But we exercised the right to preserve it and keep the result to reinforce the balance sheet, which is obviously a positive sign from a management perspective.

Moving on to the next slide, we discuss customer centricity. I always start with this page because it fundamentally reinforces the essence of our strategy. So, the first major point I want to highlight here is that we are now talking about primacy instead of loyalty. Thus, we are evolving. You will recall that we started introducing the element of primacy in recent quarters. And this time, we are no longer talking about loyal customers. Of course, loyal customers are important, but the broader sense we want to measure is the sense of primacy.

Primacy is ultimately defined for us as three major blocks: transactionality, which is the customer's day-to-day activities. It's what they consume, what they transfer, the card, the account, increasingly merged into an integrated payment experience. It's the credit side, of course, whether it's day-to-day credit, which converges a lot with transactionality, or more structured credit, such as a mortgage and other types. And third, investments.

Therefore, within these blocks that we refer to as the three main blocks of primacy, we define we are the primary bank if we have two of them, we are the secondary bank if we have one of them and, obviously, if we have none of them, we have everything to accomplish. We show, not just conceptually but also numerically, that we have advanced 6% in the quarter in our primacy metric. And we have also advanced, year over year, by double digits.

So now we have not only a statement that we will increasingly talk about primacy, but we are now making a commitment here to everyone that we will start disclosing this continuously.

We also talk a lot about NPS. We have presented it every quarter. And, obviously, my commitment is to show the NPS, whether it is increasing or decreasing. But fortunately, our NPS continues to grow consistently, both overall and relationally. We are seeing growth in both the business and individual customer segments. The levels you are seeing here are the highest we have ever achieved, which does not mean we are satisfied. We want more. We strive for an individual segment that grows well beyond 60, 61, and a business segment that, over time, converges towards the individual segment.

But these levels are historical levels, they are quite positive, and they are also reflected in each of the channels. When we look at the digital channel, when we look at the remote channel, which, obviously, are increasingly integrated into the chat experience, and when we look at the stores, I would say even more surprisingly in the stores, we have a very significant evolution in the stores, which coincides, you will remember, with the new service model that we also launched a few months ago, in this very large and ambitious redesign we did of retail, where the stores cease to own the customers and become a fundamental element of the offering, in this multichannel offering, as a convenience element.

So now the stores explicitly serve all the bank's customers. The incentive models are all directed towards this. Thus, with a store highly dedicated to customer flow and no longer to inventory management, we have a material growth in our NPS. Additionally, we have profitability by vintages also growing on a macro level. We have been showing this data in recent quarters. The vintages of 2021 versus 2022 versus 2023 have shown substantial evolution. So, obviously, this shows that we are moving exactly in the direction we wanted. It's a matter of accelerating more, but the path is absolutely set.

Here we discuss "free," with strategic data. We recap the strategy we launched literally a day before the last earnings announcement. You will remember, I even launched the video here for you. We are talking about a strategy for a complete redesign of how we deal with mass income, through the segment we refer to as "special" here in-house. We are talking about a new digital experience that is completely redesigned, much more streamlined, much simpler, and much more grounded in a digital and human experience through the app.

We are also talking about a continuous conversation. I often say here that we don't want the customer to have to repeat their story ever again. So, they had a conversation with us, that conversation has to continue, and the customer shouldn't have to tell their story more than once, ideally even with data capture, with the tremendous evolution we are making in CRM. We want the customer not to even need to tell their story, because we will already be able to read that story before they even tell us. And with that, as I mentioned, we want to be the most present bank in our customers' day-to-day activities, in their lives, and for them to feel that. Not just because of our statement, our will, our ambition, but we want this to come from customers and the NPS evolution has shown this.

What has been happening with the free offering over these three months? We are quite pleased with the progress, the initial indicators are positive, and we are reactivating more current account holders who were inactive. You will recall that part of the strategy I mentioned to you during the announcement and in subsequent conferences is heavily related to the inactive base. We have a total base of over 60 million customers, with approximately half being entirely inactive customers. Therefore, we have a huge opportunity to reactivate customers who have recently become inactive, one year ago, two years ago. What was missing was a truly powerful offering, and now we have it.

We also have the ability to convert active single-product customers, those who have only one product with us, for example, auto loans, mortgage loans, or savings. So, we now have the opportunity to bring these customers to a broader offering through free. And we are managing to do this with a selected audience.

Thus, free does not mean we are changing our risk appetite, it does not mean we are lowering the bar in lending, whether in the open market or among the bank's own customers. We are bringing in new customers with quality, proportionally more than before, and we are also activating the customers we want.

Now, here we take a closer look at Select. I have been discussing Select with you consistently for at least two years, since we relaunched Select, noting that Select is our high-income segment that celebrated its 10th anniversary last year. Two years ago, when I started talking about Select with you, we had approximately 600,000 customers. And we hit 1 million at the end of last year, which was a public goal I had with you, and we achieved it a bit before the year's end. And I said, the countdown to 2 million had started. And I am very pleased to say, nine months later, that we are already halfway through this journey, from 1 to 2 million, we already have 1.5 million customers.

And it's not just about the customer base. Of course, the number of customers is very important, but we grow with an NPS that reaches 70, which is also around the highest level we've ever had, and in public surveys conducted by third parties, the NPS is among the first and second best in high income in Brazil, which makes us quite pleased. We are accomplishing this with loan portfolio growth, and we are achieving this with investment growth.

So, we are bringing increasingly higher primacy from high-income customers, and if there's any doubt, as we are not satisfied, we launched a few weeks ago a new positioning that we call a derivation of “Começa Agora”, which is the broad brand positioning, we derive this for high-income customers through “Começa em você”, to show that on Select we want to have something very close, very personal, and absolutely human.

Naturally, the digital aspect continues to play a crucial role in the daily interaction with this customer as well, but we want the customer to feel absolutely supported by people available 24/7, familiar faces, specialists, investment experts, our AAA, and so forth. Therefore, we revamp the offering to seek even more and to emphasize what we already excel at, such as cards, international account offerings, impeccable advisory services, which I will elaborate on shortly. And this personalized offering, whether in our dedicated stores, which remain spread throughout Brazil, or in the remote and digital offering.

Here, as I have been doing since September 2022, we selected some of what we call strategic businesses and detailed for you how they have performed. So, starting on the left with our card business. The card business, if you recall, we had an operation decreasing for almost two years. It was a conscious decision, not pleasant to see, but it was part of the revamp of our portfolio. We knew we needed not only to slow down but also to manage a portfolio that we had grown significantly in 2021. Thus, in 2022 and 2023, we had a decline in the customer base, again conscious but necessary, and we resumed growth in the last quarter and doubled the growth speed this quarter.

So we are quite pleased with how our card business is evolving. We are growing the number of customers, and we are especially increasing the turnover. You will see the result of this turnover growth in our fees line. Gustavo will present shortly. We have an overall good evolution in fees and in cards, in particular. We are selling a level of cards that is approximately two-thirds of what we sold at the peak, perhaps of our sales speed in 2021, but obviously, we are selling at a level of depth, customer knowledge, management, who enters, who we increase limits for, etc., much more precise and much deeper than we were able to do three years ago.

Thus, there has been a significant evolution in terms of data management and risk management capabilities here. We are quite pleased with the level we are achieving. And, obviously, this has been compounded and capitalized over several quarters. I would say it has been about a year since we resumed growth in cards. This already has significant potential for this year and especially when we look at the coming years. And all of this is being done with a very good NPS. So, it is a business where we are choosing to grow again, grow again with quality, and we are delivering this with very happy customers.

On the right, we address payroll loans again, a business I have been talking about for several years. We have consistently grown in each of the payroll loan portfolios. We have grown in the private segment, in governments, and in the “INSS”, despite all the challenges in growing the “INSS” segment, with rate limitations, etc. It is a product that I consider one of the most competitive and dynamic we have, perhaps the most, in the entire portfolio. And even so, we have grown with, once again, a satisfied customer, a rising NPS, and we have grown with loan quality better than the market average according to Central Bank data.

Therefore, payroll loans remain a cornerstone of our offering. It is the kind of loan we aim to expand with our customers and in doing so generate, obviously, not only primacy, but also the loan quality we strive to deliver in our portfolio.

Here, in this slide, we give a full-page highlight to our consumer finance business. I was just telling employees that our consumer finance unit is older than the bank in Brazil. The bank in Brazil will be 42 years old this year, and the consumer finance business turned 60 last year. Therefore, consumer finance has been in Brazil longer than the bank, and still, it is one of the branches, technologically speaking, where we are experiencing the biggest transformation.

Thus, we have evolved significantly in the technological transformation of the consumer finance business. We made a major leap between 2015 and 2016, and now, between 2023 and 2024, we are taking another significant step because we are not satisfied with merely being ahead. Obviously, this is temporary. We are not sitting back comfortably, and we are challenging ourselves to keep evolving.

Thus, we are the country's leading consumer finance business. We continue to hold a 21-22% market share, which is noteworthy. Beyond the share, we have been performing increasingly better. We originate nearly 90% of all used auto loans in Brazil. We choose to handle a portion of this, naturally, but we have the ability to view the market very broadly, which obviously brings a wealth of data.

We have made significant technological advancements in the financing experience. Nowadays, we can arrange vehicle financing with just two pieces of information, the personal taxpayer ID ("CPF") and the vehicle's license plate, and only four clicks. Therefore, the experience we provide to the dealer, to the dealership, is impeccable. In practice, the dealer will generally prefer to work with Santander because we offer a technologically rich experience that is, by the way, highly reinforced from a technological standpoint, with facial biometrics and all the security required in an increasingly complex world from a security perspective.

We offer super personalized services. As I said before, it's CPF and license plate, so we can price the customer, both in terms of risk and operational price. We achieve this through extensive use of advanced analytics. Thus, once again, technology is embedded to enhance the customer experience and also to increase our ability to deliver quickly and accurately, in terms of price, volume, and appetite.

We have partnerships with six of the ten largest automakers, either through actual joint ventures, as we have some banks in partnership, or through operational partnerships that effectively work the same, where we are leveraging new and sometimes used car sales together with these major automakers.

We have a very long-standing partnership with WebMotors. You will recall that last year we sold control of WebMotors to our Australian partners, CarSales. In practice, nothing has changed in the operation. We remain fully integrated. WebMotors is by far the largest portal in Brazil, and one of the largest in the world, for autos, and our partnership couldn't be better.

Moreover, we have a green consumer finance unit. We are increasingly embracing initiatives related to electric and flex-fuel vehicles, partnerships with BYD and other players. Hence, we are growing with quality and incorporating ESG more into the consumer finance agenda.

Speaking of data, we have a portfolio that is growing like never before. We are, once again, setting origination records. So, we have record origination in the quarter, and if we look at it month by month as well, but if we look at the quarter, we have record origination during the quarter. Our portfolio is expanding nearly 20% in two years and our origination is growing, if we look at the actual disbursed volume, by more than 60%.

We are accomplishing this with a very high NPS and also with a loan quality that is better than the industry average. In fact, the industry has a slightly rising NPL, whereas we have an NPL decreasing by 0.4 percentage points over the time horizon. Thus, we deliver in terms of NPS and, at the same time, we achieve loan quality with a significantly growing volume.

Here, we also take a closer look at our small and medium-sized business operations. You might recall that last quarter, I mentioned the launch of a new service model for small businesses. In practice, to recap, what do we do? We remove the small business specialist from the stores. Thus, this specialist, the manager, is no longer almost confined to the store, attending to a flow that was not necessarily the flow of small businesses.

And we disconnect these specialists and put them on the street, in a good sense, to cover a much closer micro-region. We used to have a radius of dozens of kilometers. In some cases, we had a radius of 40, 50 kilometers, which, obviously, is an impossible radius to cover proactively. We now have a radius of a few kilometers. So, the model now is: specialists outside the store. They actually spend the day with an iPad under their arm, visiting customers all the time. Therefore, we now have many more visits. We have already increased the number of visits fourfold in just a few months. Of course, the NPS rises significantly because proximity multiplies. And with this, we do better risk management, which is an important topic. This customer base is, on average, more complex. So, being able to be close to the customer is crucial.

We cover more customers, much more closely. And, so there is no doubt, we are increasing the number of specialists by 25%. Thus, we believe strongly in the model. We are investing in people. This is a people matter. And we are adding 25% more. And with that, we will have a few thousand specialists spread across Brazil, making our coverage of small businesses increasingly powerful.

And, on the right, we present some data. Data, once more, rooted in technology. You will notice that we do not have a technology slide here. And that is by design. Because technology is ingrained in everything we do. Technology is ingrained in the transformation of Select. It is undoubtedly ingrained in free. It is ingrained in investments. We will discuss it shortly. And, without a doubt, it is ingrained in the transformation of our offering and delivery of the experience to small and medium-sized enterprises. And I would say for business customers as a whole.

Here we discuss some examples. We mention automation and digitization. We mention guarantees, signatures, and powers of attorney. We mention that almost 100% of our customers are digitized. It stands at 94%, which is a good rate. And we mention, ultimately, delivery time. It's a lead time that is materially decreasing in some products we selected here. But this would apply to many others. All of this with an NPS that is growing. I don't love the 41 NPS, but obviously, it is much better than the 20-something we had a few years ago, which shows that we are moving in the right direction. And all of this with increasingly profitable vintages and the customer transacting more here and, therefore, more engaged.

Here we discuss investments. Investments are one of the key pillars of the strategy. I have mentioned this to you since my first earnings announcement, that we needed to diversify towards investments. We did not necessarily have a Santander Brasil that focused on investments as a core part of its strategy, particularly in retail. We do want to shift the bank's funding mix from being wholesale-focused to retail-focused. This process takes years, but we are clearly heading in that direction. We will later present some data. And we are quite pleased with the results.

So, starting from the bottom, we have made material progress in retail. We have a retail segment that captures more than it ever has. Of course, we want much more. We will pursue much more. But a fivefold growth in two years is substantial. And even if we look at last year, when we already had a somewhat more consolidated franchise, we achieved significant growth here. Of course, the bar keeps rising. I hope to continue bringing good news here. But this, again, is a multi-year exercise, which is achievable if we focus without distraction. And we will not get distracted here.

A zoom into retail is AAA. AAA is our advisory service. You remember that our initial goal was to reach 1,200 advisors. We have achieved that. We are now aiming for a goal of 2,000. But it's not just a goal for the sake of having a goal. We know that with 2,000 advisors we will be able to provide the unique service that we offer through our AAA. Why is it unique? Because it has a correct and comprehensive product base. Because it has a technological base that is on par with all the best experiences in the market. And because it has a level of closeness that no one else has.

I say this with great confidence, without arrogance. We have the level of coverage in AAA that is the closest to customers in the whole market. We have a setup where AAA has 100 customers. And with the organic acquisition of customers, it can reach 150, 160, no more than that. This provides a much greater ability to cover the customer. So, naturally, we will be communicating more and performing the service well. And we are doing it. We will bring in net inflow and, of course, keep the money that is here always with the customer in mind.

Here, the goals are perfectly aligned with the customer vision. All standards of rigor, compliance, and proper sales are adhered to. We are growing the business materially. We are pleased to have exceeded BRL 6 billion in a quarter for the first time. Obviously, the bar keeps rising here too. But we reached BRL 6.5 billion, which is good growth compared to the previous quarter. And a per-advisor figure, I would say, material of BRL 4.2 million in the quarter, which is a number that compares quite well with what the market does.

And along with this, we are providing all investor clients, including private ones, every individual, starting in June, with a greatly renewed digital experience. I would say it is almost a new portal that we are launching, with a profitability experience, a menu usability experience, and overall usability on another level. So, we are very pleased with this evolution as well.

On that note, I invite Gustavo to talk about the results, and I will be back soon for the closing remarks and Q&A. Thank you, everyone.

Gustavo Alejo: Thank you, Mario. Good morning, everyone. Let's talk about our results. Net interest income keeps expanding annually, with an 11% growth, reflecting the evolution of our strategy on both the client and market sides.

During the quarter, client NII benefited from a volume increase that counterbalanced the Selic rate's effect on funding from one quarter to the next. The spread fluctuation for the quarter is primarily explained by the Selic rate and mix, highlighting the non-financed card portfolio, which grew by 4%.

And in the market NII, ALM operations progressed as planned and maintained the positive trend we have been mentioning in the past few quarters. The reduction in the quarter in markets is reflected in the lower results from treasury operations, which is partly due to the market volatility observed this quarter. We aim for sustainable long-term growth, with active risk management, price discipline, and technical rigor in decision-making for resource allocation.

On the next slide, our loan portfolio, as mentioned, achieved an 8% growth year-over-year, with positive evolution across all segments. For individual loans, the portfolio saw a 1% increase with a balance between higher and lower risk products, notably the card portfolio, which grew by 4%

in the quarter and payroll loans by 2%. Moreover, in cards, as Mario mentioned, we are increasing activation and gradually expanding our customer base.

In payroll loans, we are increasingly originating through our own channels, with a 21% share growth over 2 years, which brings us higher profitability. As for auto loans, the market still shows good dynamics and we are keeping up with this trend. We grew 4.5% in the quarter and, as previously noted, with well-structured portfolios and loan quality.

In SMEs, we had a significant portfolio growth of 3% in the quarter, a segment we are prepared to expand, as we saw earlier, both through the team and with technology. The corporate portfolios benefited from the exchange rate in the quarter, and we continue to maintain our profitability discipline.

Next slide, I will show the performance of our funding. Our funding plan keeps moving at a good pace, aiming to improve the mix of customer segments and funding instruments. We registered a 3% growth in the quarter and 10% compared to the previous year. I underscore here the 4.5% growth in the quarter in demand deposits, in addition to the good performance in term deposits, savings, and credit notes.

Our strategy to increase retail exposure in our mix is making progress, and as a result, we have seen a 2 percentage point increase in the share of individual customers over the past two years. As previously mentioned, this is a structural and gradual change, and we are pleased with the evolution of our strategy. To conclude this slide, the loan-to-deposit ratio remains at the best level in its history, that is, 93%.

I will now discuss the performance of fees. We achieved the highest historical levels this quarter, as a result of our revenue diversification strategy. Our quarterly growth was 6% and annual growth was almost 18%. I highlight the 7.2% growth in cards for the quarter and 13% for the year, demonstrating this resumption. Insurance, current accounts, and demand deposits management all showed increases above 4% for the quarter and significant annual growth. Another important point is that the brokerage and securities placement line continues to grow, driven by debt issuances with a 12% growth in the quarter.

In the others line, the most significant quarterly growth comes from the capitalization product. Regarding the quality of our assets, we continued to maintain Allowance for Loan Losses under control, with a slight decline in the quarter, which, combined with the portfolio growth, resulted in a cost of credit of 3.7%, accumulating a reduction of 8 basis points over 12 months. NPL Formation had a positive performance, reflecting the improved quality of our origination, standing at 1.2%. To conclude, given the quality of the vintages, the renegotiated portfolio is now more than BRL 5 billion lower compared to the second quarter of 2023. We experienced a reduction of 150 basis points relative to the total portfolio over the last year.

Moving on to the next slide, we provide details on the evolution of our NPL indicators. Our lending remains well-balanced and the portfolios are properly structured. The short-term indicator improved in all segments. In terms of the long-term indicator, we observed overall stability, with an improvement in individuals and the opposite behavior in companies. The increase in SMEs is specifically concentrated in what we call E1, which includes businesses with revenues of up to BRL 3 million. This behavior is partly explained by the renegotiated portfolio, as already mentioned in the previous quarter. However, it is important to note that the short-term indicators of this portfolio are adjusted, suggesting a positive trend ahead.

Next, I present the details about our expenses. We are making progress in our pursuit of efficiency. We focus on controlling costs. During the quarter, total expenses remained stable. In administrative expenses, the increase in costs was due to the higher volume of data processing, driven by the expansion of our business, which was offset by a reduction in personnel expenses.

On the annual comparison, the increase in expenses was lower than the increase in revenues, contributing to better operating leverage. As a result of our effective management, we observed a sequential improvement in the efficiency ratio, which showed a 4 percentage point drop over the year.

To wrap up the results section, I will present our Income Statement. We saw a 12% rise in total revenues compared to the previous year, fueled by both NII and the positive evolution of fees. In terms of provisions, we had a decline in both quarterly and annual comparisons, and we kept our strict control over expenses, resulting in a profit of BRL 3.3 billion. This represents a 44% increase over 12 months. We ended the quarter with improved profitability, with a ROAE of 15.5% and a CET1 of 11.2%.

I would like to stress that we remain focused on the gradual resumption of our results, which have evolved in line with our expectations. Our objective is long-term sustainability, with solid and consistent results. With that, I conclude my part and turn it over to Mario for the closing remarks. Thank you.

Mario Leão: Thank you, Gustavo. Just to wrap up quickly, so we can move on to the Q&A, as there are surely many things you want more details on.

Five key takeaways, as I always like to do. Here connecting with everything I went over, everything we have been discussing. There are no major new elements in the strategy. This is good because we are being consistent with what we planned. I say that we dedicated 2022 and 2023 to carefully designing the direction we want to take, the bank we want to have in five-plus years. And this is summarized here in these major levers.

We aim to be the most present bank in our customers' lives. This is the main theme, the big strategic line that cascades into everything else. We want to achieve this primacy through the embedded use of technology. So you will see us increasingly talking about technology as the great enabler for this pursuit of primacy, being the most present bank through journeys, through experiences, through an increasingly powerful connection between channels.

We view the free offering as a major, decisive response that is being built over time for our operations in the mass income segment. This will lead to more conversion, more activation, and everything that comes with it, more fees, more funding margin, the correct asset margin, and not that short-term margin from clean personal loans that we will rely on less and less, and increasingly rely on collateralized products and, of course, with the card also balanced in the offering, since the card represents much of the primacy and daily usability of the customer with the bank.

We will keep moving forward in our strategic businesses, each one of them. We discuss some of them in each earnings announcement and we will continue to consistently seek non-linear growth, as our market is not linear, but consistent, solid growth, with diversification and quality, which translates into a medium and long-term profitability vision, one or two steps at a time in the right direction, aiming for a fit that we already have in the operation and an increase in speed where we believe we can grow and will grow to deliver solid results, as Gustavo said.

With that, I invite you to the Q&A session. Camila, over to you. Thank you.

Camila Stolf: Thank you, Mario. Thank you, Gustavo. We are now going to start the Q&A session. From now on, all analysts will have the opportunity to address their queries. If you want to ask a question, just click on the hand icon that appears at the bottom of your screen. We will answer the questions in the language in which they are asked. We request that each analyst ask only one question so that everyone can participate.

We already have a series of questions here. The first one comes from Brian Flores from Citibank. Hello, Brian. Good morning.

Brian Flores: Hello, Camila and team. Thank you for the opportunity. Congratulations on the results. I have a question regarding SMEs. You mentioned the changes in the model. I believe it's quite clear what you are doing. I wanted to understand why we saw an increase in NPL this quarter? Because you also said it might improve in the future. So, if you could explain this point, I think it would be very helpful. And also, if you could discuss the sector dynamics you are observing, it would be very useful for us. Thank you.

Mario Leão: Great, Brian. I'll begin and then hand it over to Gustavo. From the perspective... I'll first discuss the strategy and how it ties into risk management, which we've been doing for over a year now and, finally, of course, the numbers themselves. Our strategy, as we've been talking about here for some time, Brian, is to double our small and medium-sized business operations in a few years. We won't specify the exact date here, but obviously, it can't be in 10.

Therefore, in a few years, we aim to double our business. We believe there is room for that. And we will do it again, not in a linear fashion, it is not a mathematical equation, but our mission is to have a business that is twice what it is today. Keep in mind that in December 2023 we had already doubled compared to what we had in December 2021. So, we have already doubled it once and then we want to double it again.

But we will do this, indeed, naturally, in the correct manner. This is true for all small business segments, but obviously, there are different clusters: "small small," "small medium," and "small large," if I may call them that. We refer to them internally as companies 1, 2, and 3. In the small business segment, small small, the E1, we genuinely needed a revamped service model. And I emphasized this a little while ago and conveyed the messages clearly, and it's good that you acknowledge it.

We believe that today we have something much more powerful and over time, this is clearly the compound effect of doing things well for a long time, we will have an E1, a business of "small small" companies that will grow solidly, consistently, and obviously much more broadly. How does this connect with risk management? Well, the fact that I have a few thousand specialists, as I mentioned, spread across Brazil and on the street, in the customer's store, I say in the customer's home, this will naturally lead us to manage risks much better.

It will also enable us to manage our inventory much more effectively. How have we been managing this, this small business, and how have we been managing individuals over the past 12, 13 months? Since the second quarter of last year, we have revised our renegotiation policies. And we have discussed this. We have been much less willing to make agreements without any cash component. Thus, we have been much more restrictive in how we allow an agreement to be rolled over.

And you are seeing the data, right? The portfolio that drops BRL 5 billion, as Gustavo mentioned, is a reflection of a more restrictive policy on agreements, which is great. It is great for the health of the portfolio, it is great because we are, with this, accelerating the de-risking of the portfolio. And the cost of this is that we have some affected indices because we stop rolling over. So, I'll hand it over to Gustavo, but this connects, essentially, with the brief explanation he provided.

This, Brian, stems from a more stringent management, in a good sense, of our more legacy portfolio. There is this legacy portfolio, of course, predominantly in individuals, but it also exists, particularly in small businesses. And the fact that we raise the bar in how we manage this portfolio causes some indices to be impacted. However, this has much less to do with the new generation of the "small small" business portfolio, and much more to do with this inventory. Gustavo, would you like to add?

Gustavo Alejo: Exactly that, Brian. And then you can verify that in the 15 to 90, as I mentioned, the 15 to 90 of this segment is under control. So, it is performing well. Thus, the issue of older portfolios, and Mario's comments are relevant here, as a renegotiation strategy, so this flows into the over 90. We know what it is. It's very clear. And in the 15 to 90, in the new vintages, we are witnessing a good performance. Hence, it is specific and it derives from what Mario mentioned. And then I verify the 15 to 90, the 15 to 90 is performing well.

Mario Leão: In other words, in summary, it is more related to de-risking the portfolio than to the marginal origination we are doing. I would say that the marginal origination tends to have increasingly better quality, not only due to the policies and everything we have fine-tuned in terms of appetite, particularly in 2022 and onwards. And the new model will help, in fact, because it will bring a level of proximity with the customer that we have never experienced before.

Therefore, we will have an adequate policy along with a proximity that we have never had before, considering the number of visits, which has already increased fourfold, and I assure you that we want more than that. But I want more than just the number of visits, I want quality visits, dense visits. I want, in fact, my specialist to be stationed, in a good sense, at the customer's home. This will bring better performance, not only in terms of volume but also in terms of results. I hope I have answered. Thank you.

Brian Flores: Thank you, Mario.

Camila Stolf: Now we move on to the next analyst, Daniel Vaz from Banco Safra. Good morning, Daniel.

Daniel Vaz: Good morning, Camila. Good morning, Mario. Good morning, Gustavo. Thank you for allowing me to participate and congratulations on the results. I wanted to explore the topic of spreads a bit. So, I would divide the question into two parts. One, the mix of your portfolio now entering more back... Actually, that's wrong, right? Accelerating the mass income segment, as you have called it. And then, also, prioritizing high income. How do you think your spread should behave, considering, first, the customer mix and, second, the rates you observe in the competition today, some tighter rates in the payroll loan segment? So, I would like to combine these two aspects to understand how your spread will evolve going forward, if you could guide us. Thank you.

Mario Leão: Sure. No, thank you. We have been examining... Of course, we look at the spread, we look at the gross profitability of the portfolio. But we have been examining, I would say, with an ever-increasing level of depth and breadth in management for the profitability of this portfolio that I am generating. So, it's not to say that I'm not interested in the spread. Obviously, the spread is an important component. But I mentioned personal loans at the end of my speech. This is not to demonize personal loans, but clean personal loans must become an increasingly smaller component in terms of relevance in our portfolio, despite its spread being several dozen percentage points.

It can be 40%, 50%-plus, Daniel. However, I want to rely less on it, because the spread of personal loans net of provisions is not a good spread. And many times it is a negative spread. So, obviously, we will have some personal loans, but we will have a personal loan that is highly connected with the payment journey. So, the isolated personal loan, that personal loan which is disconnected from the primacy, the card journey, the Pix transaction journey, etc., which increasingly is becoming one thing. We call this the payment and consumption journey. I want to have personal loans connected to this.

Therefore, I will potentially have, as a medium-term portfolio vision, a portfolio with reduced risk in terms of mix. I want to have the card as a major clean element of my portfolio. Why? Because it is crucial to have the card as a clean element, which does not mean I will open it to everyone with a limit of BRL 100,000 per customer. Of course, I will have the appropriate limit per customer. I will even accept having lower limits per customer than I historically did. And I can only do this if my unit cost to serve is also decreasing rapidly, because then the equation with a lower limit still holds. And this is an important evolution. We will discuss this further later.

But the card must be the clean element of the offer, Daniel, because it is the element that translates the customer's connection with the bank on a daily basis. The card's surroundings must be predominantly based on secured instruments. Payroll loans already have a significant role in our portfolio and will have an even greater role. We want to have derivations of this for more structured financing, such as mortgages and home equity, which we call UseCasa here. We are already the leader in home equity origination in Brazil at around 25%. I think that's not enough; I believe we need to aim for more. The portfolio is still not that significant. But we can do much more in these structured financings, but again with a central piece which is the card. So the mix should shift to less risk, and if the price for that is a nominal spread that falls, it's not something I will suffer from, because the spread of net of Allowance for Loan Losses or net margin, as we call it here, will be a margin with much higher quality.

Obviously, this will reflect in the bank's profitability. So, since our model is one of growth and profitability in an inseparable duet, I will not forgo growing with profitability and will, therefore, pursue the net spread equation. On the funding side, there is also a significant mix element. Net interest income, obviously, involves both the left and right sides of the balance sheet. And we are managing, at the margin, to fund the bank more cheaply. Is it an exercise where I will have made a triple jump in one quarter? Of course not. But over a few years, we will see percentage points being gained in individual customers versus business customers and in retail versus wholesale.

Therefore, this retail funding is, obviously, cheaper for the whole segment compared to the average wholesale funding. Several percentage points cheaper than the interbank rate ("CDI"). And with this funding mix, we gain a little each quarter. And we will do this consistently, I assure you. We will also have a growing margin on the funding side, even if the mix includes bank deposit certificates ("CDBs"), notes, and so on, which have a narrower spread.

However, with the rise in transactionality, we will also see more demand deposits, as we demonstrate. And we will then have low-cost funding from demand deposits, from the money that stays in the account, especially from mass income, creating an ever-improving funding mix. Gustavo, would you like to add anything?

Gustavo Alejo: No, precisely that. A point to reinforce is that we make decisions with the portfolio's performance in mind. So, it's not just about the spread per se, but how the performance will behave from a profitability standpoint. Thus, the decisions we make, both from a customer perspective and a product perspective, and combined, are to observe the evolution we see in the portfolio, always from a profitability standpoint.

Daniel Vaz: Great. If I could follow up, you said that the central element there should be the card. We see one of your digital competitors integrating Pix Finance as a product within the card. How do you see this product and does it play a role in your strategy for the mass income segment?

Mario Leão: Nice, Daniel. Great. I appreciate you raising this point. This is a point... When I mention having more of a journey vision rather than a product vision, this is exactly what we are discussing. So, it is crucial. This is not to praise A or B, but the understanding that the customer no longer wants a product relationship with banks is a definitive realization. It has already taken place and it is final. There is no going back. The customer wants a journey relationship.

The main journey that the individual customer wants to have, and in the business segment, it's actually not that different, but speaking of individual customers, which is your question, the main journey the customer wants to have with us is the transactionality journey. And in transactionality, you no longer separate what is the card, what is the overdraft, in other words, what is the account, the limit has to be an integrated limit. And the vision that the customer must have is a vision that, for any form of daily consumption, consumption defined as the supermarket, consumption defined as the bill payment, consumption defined as the Pix transfer, mainly, all of this, in the end, is consumption, it is transactionality.

And this definitely needs to be integrated. We have a very clear design for the payment journey. We are working to have the best journey in the market within a few months, or a few quarters, and we will deliver this. So, without a doubt, the vision is not even medium-term, it is short-term, to have a unique journey, which, along with a Pix journey, which today we have, I would say, the simplest, fastest, and most streamlined journey in the market, we will have the payment journey as a whole, integrated with the card.

Daniel Vaz: Perfect. Thanks again.

Camila Stolf: We will now switch to English with Jorge Kuri at Morgan Stanley. Hello, Jorge. Good morning.

Jorge Kuri: Hi, everyone. Good morning. Thanks for taking the time to answer questions and thanks for the presentation. I wanted to ask about the market NII. You did BRL 258 million this quarter, which was down sequentially. To what extent is this number going forward a result of market volatility and to what extent is it a result of the absolute level of rates?

There's evidently been a big shift in the way the market thinks about Selic rates going forward. If, indeed, the consensus is right and Selic stays at 10.50% throughout this year and next year, how much of a recovery can we see from the BRL 258 million that you did in the quarter? Thank you.

Mario Leão: Thanks, Jorge. Pleasure to speak to you. Although we don't provide formal guidance, in terms of how we think about the numbers, this number has two components, like Gustavo mentioned, and you know well. The first number is our ALCO portfolio, our ALM. In that portfolio, we have been repricing our funding of the retail business for a few years already. That's the piece of the portfolio which, with the higher rates very rapidly in Brazil between late 2022 and 2023, that piece of the portfolio suffered. You know well. We explained it every quarter.

That repricing of the retail funding of the portfolio, the marginal, the front book, as we call it, has been undertaken, basically, and we are going to keep progressing on the results. We don't have any cost to be paid on that repricing. The repricing is fully implemented. It took us 18 months, give or take, which is normally the speed. That's the piece which Gustavo mentioned that we should keep progressing through the next few quarters and obviously as we enter into 2025.

Yes, the dynamics change with the Selic rate now at 10.50% probably throughout late this year and most of next year, who knows? But that impacts mostly the funding of our back book, which is how we basically invest our capital. So the funding of our capital is going to be made at a higher rate than we felt before. So that margin is lower than what we expected. But overall, the juncture of how we price our front book and how we fund our back book, we view positively in the next few quarters.

So it's not guidance, but the outlook should be constructive as we see that piece, which is a big piece, progressing over the next few quarters. The second element is market making, as we call it, which is the way we handle and square the risks arising from our markets or sales and trading business. And that's where we captured the volatility we saw in the second quarter.

It was, I would say, tremendous volatility globally, but in Brazil particularly, with nominal rates going more than 100 basis points up, nominal rates going maybe 50 basis points up, effects, etc. And that obviously caught us partially. We still made money in that business, but less so than in the first quarter, where we had actually a stellar production. It's harder to predict a business which is on the squaring of businesses from customers. And that depends more on market volatility and how we capture that.

We view that business positively. It has been a strong component of our P&L delivery, Jorge. But it's hard to predict the direction. It's obviously not linear. But we feel positive as to the way we run our VARs, the way we have our franchise established. We are the number one franchise for FX in Brazil, number one in rates. So we do have a lot of flows to capture, and that should allow us to trade that, to square those positions well.

So we view that positively. But again, it's a business which is harder to predict. In our ALCO business, it's easier, quote-unquote, to predict. And we view that constructively, like I said. I would say overall, we feel good about our market NII through the next few quarters. But again, there's an element which is market dependent, which us and no one else can precisely predict. But we feel positively about the overall line.

Jorge Kuri: Thank you, Mario. That was great. Thanks a lot.

Camila Stolf: We will now switch back to Portuguese with Mario Pierry from Bank of America. Hello, Mario.

Mario Pierry: Good morning, everyone. Congratulations on the results. There are many positive trends here, operationally, but I wanted to focus a bit more on fees. We have seen fees over the last four years without growth, and this quarter we saw very significant growth, especially in the area of current accounts, checking accounts. I wanted to understand how you see the dynamics of this line going forward, mainly, if the growth will come more from volume or price, how you see the competition holding prices, if there is room to increase prices, if we have already reached a price level that competition has brought down a lot and, from now on, there is no more room to fall. Thank you.

Mario Leão: Thank you, Mario. I'll begin here, and Gustavo will add on. We are, naturally, happy with the performance of fees. It's true that we have seen modest growth in fees for quite a while. We built a successful business during the 2015-2021 cycle, largely driven by loan growth. Of course, we also grew other lines, but loans were the main factor. It has become very clear to us in recent years that we must continue to rely on loans, of course. Smarter, more diversified loans, but definitely on fees.

Therefore, what we are observing this quarter, I am not implying here that we will grow 6% quarter-over-quarter, every quarter. Clearly, we are progressing, we aim to keep growing on average every quarter. However, the fact that we have grown more significantly this time is due to a combination of several factors that we have been working on for a long time. There is no major on-off element. Perhaps the capital market is the one that is more specific, more circumstantial, even though we have a franchise to capture this. It also showed good progress, as Gustavo mentioned.

The most transactional aspect, which for me is the most recurring and replicable element, is when we consider the lifetime value of the account. We mentioned cards. I know you asked about accounts, and I'll get to that. But cards are a very important element for me because there you have a progressive increase in the customer base, which I mentioned, we grow 6% year-over-year. It's not a huge number yet, but the 6% growth, along with the growth in spending per customer, turnover per customer, the combination of these two is very powerful.

And a third element that we haven't discussed, but is relevant, we are managing, we often talk about expense management, more specifically about cost management, but there is also an important management of what we call cost reducers, which are operational expenses, those expenses directly associated with sales, and which we often recognize, including, as a reducer in fee lines, margin lines, as the market does. We are also doing significant management work here.

Regarding the account, which is an important question you asked, we are growing in accounts in a market where supposedly there should no longer be current account fees. So, the challenge is: how are you growing in a business that clearly should have an asymptote to zero? I do not believe that we will continuously grow in account fee lines for the next 5, 10 years. It is very positive that we are managing to do this, it was not by chance, we are doing this through a combination of two factors.

We are acquiring new customers and we are acquiring these new customers in packages where the customer agrees to pay account fees and we are also maintaining a repricing discipline, which you asked about, particularly for business customers. So, three elements. We acquire new customers in both the individual and business customer segments. Especially in the business segment, we manage to bring these customers in combo components that include an account fee factor, which we have correctly adjusted, with inflation or otherwise, but between inflation adjustment and more customers who agree to be in account packages, this obviously enhances the account fee results.

Thus, that growth you see is positive, we are pleased with it. It is primarily in the business customer segment rather than among individuals. In my very long-term perspective, we should see this line together with other transactionality lines. The card line itself, the cash line in the business segment, collections and payments as a whole, and even, why not, acquiring, which is an absolutely key product, the prepayment.

So, I spoke a lot about the journey vision in individuals. Among business customers, the journey vision also involves transactionality, cash, collection, payment, prepayment, and Getnet in our case. All of this is becoming more integrated, so we will also move towards an increasingly powerful combo vision, where we will price even more from a customer perspective and we will play between the lines, Mario, in a way that we win as a whole and gain in volume and therefore in results. And the account is an important element, but I will focus less on winning in this line and more on winning overall, whether in fees or profitability per customer. But yes, the movement in the quarter is positive.

Mario Pierry: Quite clear. Thank you very much.

Camila Stolf: We will now go to Matheus Guimarães from XP. Matheus, you may begin.

Matheus Guimarães: Good morning, Camila. Good morning, Mario, Gustavo. Thank you for the opportunity to ask a question and congratulations on the results. Following up on Vaz's question at the beginning, I wanted to delve into the personal loans issue. You mentioned that the spread or margin after provisions is not as healthy or is less healthy than it appears, even though it has a higher spread. Is this related to the cost to serve? How do you compare this in the current environment where more fintechs and competitors are investing in this area? The idea is to get a clearer view, particularly on personal loans.

Mario Leão: Great. When I mentioned personal loans, we handle personal loans as... personal loans have four main portfolios. There is the clean personal loan, which is the one I focused on a bit more in Vaz's question. This is a portfolio where our growth ambition is moderate, as I believe the purpose of this product should be to drive customer loyalty, the primacy.

The isolated personal loan product, in our history at least, has been a product that doesn't necessarily add primacy and doesn't necessarily add results. So, when I mentioned it, I was referring to this. Of course, I'm talking about the average, I'm not saying that no personal loan makes sense. We still have a portfolio of a few billion in personal loans, but it's a product where, relatively, we have a smaller share and we're not concerned about that.

Therefore, my leadership sessions, my calls, my discussions with the team, are not about how I grow and double my share in personal loans. When talking about collateralized personal loans, FGTS personal loans, and investor personal loans, that is where our major focus lies. We often discuss payroll loans, which is a large portfolio, but I also aim for disproportionate growth in FGTS personal loans and investor personal loans. And we are also seeing substantial growth in these two areas.

And there is a fourth personal loan, which indeed I want to reduce, which is the personal loan of renegotiations, the reorg-personal loan, the personal loan of reorganization. This personal loan is the one where we gather portfolios, mainly of credit cards, overdrafts, sometimes more structured financing, and we put everything there, create a personal loan to repackage that already overdue, already restructured debt, often with a haircut, etc. And this personal loan has been declining. And part of the margin equation, which was asked here by Mario and others, part of this margin equation has to do with a reorg-personal loan that decreases. And this is very positive.

Thus, I have a reorg-personal loan that falls, it signals that the portfolio is becoming healthier over time. So, I can't comment, of course, on how digital competitors perceive the personal loan product. We view personal loans as a complement to overall financing, in this payment journey. And the clean personal loan, specifically, we see as a limitation. And I say this quite calmly. Gustavo, I don't know if you want to add anything.

Gustavo Alejo: The clean personal loan is part of a portfolio. The clean personal loan is not a product that we will expand. It is part of a balanced portfolio composition. And with a balanced portfolio composition, you adjust it and limit it. Thus, you have compositions of personal loans and the personal loan is part of the portfolio composition. So, this is very important. It is not a standalone product; it is a product that is part of a very clear vision of medium and long-term portfolio profitability and sustainable growth. This is what we are working on. So, we are less concerned with the clean personal loan and its evolution, but rather how it fits into a risk portfolio and how we balance this portfolio with risk, to achieve the best possible performance, serving the customer obviously.

Matheus Guimarães: Quite clear, everyone. Thanks.

Mario Leão: Thank you. Thanks again.

Camila Stolf: We will now turn to Thiago Batista from UBS. Good morning, Thiago.

Thiago Batista: Good morning. Can you hear me? Good morning, Camila, Mario, and Gustavo. My question is about net interest income. I know we've already talked a bit about the net interest income dynamics here, but when we looked at the first quarter, the NII was a major positive surprise. In this second quarter, I think it was the only line that disappointed a bit due to the growth in NII. During the call in Spain, it was indicated that the net interest income in Brazil should grow by mid-teens this year, whereas before the indication was high-teens.

I am attempting to piece everything together, trying to grasp what the net interest income dynamics will be like from now on. To achieve mid-teens, I know that under Brazilian GAAP, different from IFRS, we need to observe a reasonable growth in NII in the second half. Therefore, I am trying to understand what NII dynamics we can anticipate, whether we should see the margin gaining more strength as it did in the first quarter, or not, or if it will be a more stable NII, as it was in the second quarter.

Mario Leão: Great question, Thiago. Without providing guidance, of course, breaking down the NII into the liabilities and assets components, I'll begin with the liabilities. This quarter, as Gustavo said, but it's good to reinforce, naturally, we prefer to have a client NII, in particular, that has grown more, undoubtedly, and an overall NII that has increased. We are aiming for this and are working on it, and I believe we will achieve it.

But, starting with client NII from liabilities, the main detractor this quarter was essentially the proportional decrease in the average CDI from the second quarter compared to the first quarter. We offset part of this with volume, as demonstrated in the volume evolution, and I would say that the mix also evolved positively. Thus, our evolution in what I like to call the average spread measured as a percentage of the CDI, to keep the CDI constant, our average spread is moving in the right direction and our volume is also evolving well, and this partially compensates for the drop in the CDI itself.

So, frankly speaking, if the CDI remains unchanged from now until the end of the year, which is the base case for the entire market, including ours, we believe that, from this standpoint, we will not have the detracting element of the CDI, and I assure you that we will continue to work hard to grow in volume and grow in the right mix, bringing in more customers, bringing in more demand deposits, bringing in more term deposits, with the price mix increasingly focused on retail rather than wholesale, increasingly focused on individuals rather than businesses.

Therefore, we should see a positive evolution in client NII from liabilities. The client NII from assets had a second detractor and was the only one for the quarter, which stemmed from the declining results in the renegotiated portfolios. As I said, the good part is that the reorg-personal loan falls, and thus, we no longer have this NII element, but this is an NII element that I honestly prefer not to have.

Therefore, we will keep having this positive evolution in the reorganized portfolio, which is good, and we will seek to offset this with portfolio growth that targets the top line, targets the gross spread, but as I mentioned a few moments ago in a question, we want to do this in a way that, after provisions, we are growing in the right manner.

In summary, we are also aiming for a positive evolution in client NII from loans over the coming quarters, which, when combined with a positive evolution in liabilities, should definitely lead to sequential growth in client NII going forward. It won't be linear, and it shouldn't be, but we will aim for sequential growth with a medium- and long-term bias, rather than focusing on "delivering the next quarter."

We strive to deliver good quarterly results, without a doubt, but our goal is to build a solid, consistent bank with an increasingly diversified portfolio, which undoubtedly entails a client NII that grows.

Thiago Batista: Perfect, thank you, Mario.

Camila Stolf: The next question comes from Pedro Leduc from Itaú BBA. Hello, Pedro.

Pedro Leduc: Good morning, everyone, thanks for the question. Mario and team, congratulations on the result. We have discussed the revenue lines extensively here, I would like to ask a bit about the cost of credit. The Allowance for Loan Losses level this quarter is slightly below the last one, despite the larger portfolio, with good NPL Formation, good NPL for individuals, maybe not so much for SMEs. After all, the Allowance for Loan Losses level has been quite stable at around BRL 6 billion for a few quarters, and the cost of credit is decreasing relative to the portfolio.

So, having said all that, I wanted to get a bit of your perspective for the second half of the year, 12 months, in terms of what you are seeing, whether it's NPL, level of loan loss provisions, mainly, the acceleration of the portfolio, SME, these are points of attention. And as a second part of it, but also included in it, we saw that the gain from the JV was allocated there as a reinforcement for loan loss provisions, if it's something we already wanted to do anyway, it was just a good place to allocate, so how to think about the coverage evolving. Thank you.

Mario Leão: I'll begin with the second part, Pedro. Thanks, thanks for asking. I'll begin with the second, and then I'll hand it over to Gustavo, and of course I'll add my input.

So, beginning with, which is very important for us to highlight, the fact that we had this surplus value, this gain of BRL 1.930 billion from our meal and food voucher operation, it is circumstantial, obviously, it is part of a vision, Pedro, in which we want to truly extract value where it is, in a good sense, hidden in the very pricing of the share and in your view, that is, in some cases, non-core, or because they are smaller elements of the franchise in generating results.

Therefore, when we execute the Ben operation, in a way, as we did with WebMotors last year, we are looking to unlock value. With WebMotors, we ended up, in one way or another, incorporating that into the results. We were in a perhaps more acute phase of portfolio cleanup, and now, here, we are in a more mature phase of managing the old portfolio, this de-risking, and we indeed concluded that we didn't need to incorporate it into the results, I already mentioned this.

Why are we making this provision, this balance sheet reinforcement, this war chest? Because we could do it. We wouldn't have done it if it weren't for the materialization of the deal between Ben and Pluxee. So, to directly answer your question, we didn't feel it was necessary, we weren't concerned, neither in the short nor medium term, about the coverage ratio of the portfolio as a whole. The very evolution of the indices you mentioned, in a way, corroborates this.

However, we felt that, since we had a clean result to deliver, a clean result in terms of being recurring, diversified, heading in the right direction, with the growth we aimed to deliver quarter-over-quarter, year-over-year, we didn't need to incorporate this into the result. Hence, we chose to be cautious and make a reinforcement that wasn't necessary, but, as we can afford to, if I may use the expression, we chose to do it. In very simple terms, that's it.

I will ask Gustavo to comment on the performance and I will add anything if needed.

Gustavo Alejo: Pedro, how are you? As you pointed out, all our metrics, the 15 to 90 days are good, the NPL Formation is at a good level, the vintages are performing well, and we are expanding the portfolios where we want to grow. So, once again, we haven't changed our risk appetite, and we are growing at a good speed in portfolios that we have been expanding in recent quarters. Thus, the trend for Allowance for Loan Losses is positive in this regard, meaning we have no surprises, what we knew is already in the over-90 NPL. So, 15 to 90 days, for example, as you mentioned about SMEs, is aligned.

Thus, looking ahead, we will keep expanding the portfolio with the loan quality we have. There is a change that we have already discussed, but it is already reflected in the Allowance for Loan Losses, our change in the recovery dynamics, so it is already set, there will be no surprises, because this is already set and already in motion. So, the Allowance for Loan Losses is very accurate in every sense.

Therefore, the trend is this, we will expand the portfolio, the performance is fine and where there is any issue we make the necessary adjustments very quickly. We didn't see anything different this quarter, so the trend is exactly this, but, again, the volume of Allowance for Loan Losses will also be a result of the volume of the portfolio we are expanding and how it is composed in terms of each business and product segment.

So, once more, we see all indices clearly and we are comfortable with the growth in the SME portfolio that we achieved this quarter, because it is aligned, otherwise we wouldn't have grown by 3%. Thus, the trend line in the Allowance for Loan Losses is this and the cost of credit will evolve positively.

Mario Leão: Pedro, there is a data point here that deserves to be underscored. Gustavo covered it briefly, but taking the opportunity, during the presentation I connected much of what we are doing in terms of technology. So, allow me a quick digression here to reinforce a point.

Today, we have the ability to react, whether to adjust upwards the audiences we want to work with or, I wouldn't say appetite, because we are not changing the appetite, but marginal evolutions also for lending, but mainly for stepping on the break. And we are, out of discipline, constantly monitoring what we call the border, which is the lending limit for each product, in each segment, we are looking at this every day, every week.

What has changed in the last two or three years, Pedro? When we made a sharp slowdown from the end of 2021 to 2022, we have been following this since then, it took us months back then to implement. Today, it takes us a couple of weeks to implement. It may seem like a lot, a couple of weeks, but I assure you it is quite agile. So, you, obviously, as a very diligent analyst, you know this. So, our ability to move this big bank, this ocean liner, in policy decisions and even in models, which are even more structured, in a very agile way, has evolved a lot in 3 years. This brings us the ability to test borders more dynamically, because we know that where we make mistakes, and it's part of making mistakes, we can correct them very quickly.

And when we detect deteriorations, such as the personal loans I mentioned here, when we realize that there is a segment we shouldn't be targeting, we are very swift in implementing changes, so it costs us very little. This evolution, which is closely tied to technology, in how we manage our lending policies and models, is an asset we have today that we didn't have two or three years ago. This aids in the recovery policy and also in the ability to finely manage the cost of credit.

Pedro Leduc: Thank you, excellent answers.

Mario Leão: Thank you, Pedro.

Camila Stolf: We will now proceed with Yuri Fernandes from JP Morgan. Hi, Yuri.

Yuri Fernandes: Thank you, Camila. Good morning, Mario, Gustavo. I wanted to ask, it's somewhat similar to Leduc's question about the credit cycle in Brazil. I think more than you, I think you are in a slightly different moment, you braked earlier. We see at the system level some NPL discussions, it's a bit more flat, some slight worsening in SMEs, but I think it's very clear from Gustavo's message that for you the NPL is under control, the cost of risk should continue to improve. But I wanted to understand a little about the system, how you see it, and not just from the NPL side, I think from the growth side as well, I think there's a lot of discussion. We see Febraban's surveys, people have revised Brazil's growth a bit upwards, but then you have higher interest rates, so I wanted to understand how you are seeing the cycle at the country level and if you could share a bit, how Santander is going to ride this cycle, because again, as I said, I think you are a bit different from the average, given the earlier brake. Thank you, everyone.

Mario Leão: Great, Yuri. I'll start and then hand it over to Gustavo. Thank you for the question. When we discuss strategic businesses, I always select a few for the quarter to talk about with you, most of them are related to credit, but we obviously have strategic businesses that are derived from credit, like the fee, funding businesses, etc., and I end up showing you where we are making progress, where we are gaining market share, but yes, Yuri, it's a very important point.

It's nice to gain market share, of course, we prefer gaining share over losing it. We are gaining share in consumer finance, in cards, in payroll loans, just to name a few, but we don't wake up thinking, I need to gain 0.1, 0.2, 0.3 share per quarter, otherwise the team's evaluation is going to be poor. We want to grow with profitability, we want to grow with the right mix, and we want to grow, therefore, sustainably. So, we don't set in our year-end senior management evaluation model that we must have grown one point higher than what Febraban calculates in its pulse, by the way, this pulse changes, as you mentioned, now it is closer to 10.

So, here again, without providing guidance, we aim to grow on a macro level, in line with the market, and we don't want to make a move where I am content with growing at half the market's pace. Obviously, that's not the case. But in line with the market, we want, in the products we have chosen to grow, and I have referred to these as strategic businesses, we want to achieve growth that surpasses the market, not because gaining market share is what defines our success. It's because in our strategic vision of the mix, of how we want to grow and have the bank, I always say, the bank five years from now is the bank we are designing. We deliver it every quarter. But I am designing the bank that in 2028 I will be talking to you about, hopefully, in calls like this.

Therefore, this bank needs to have a different loan mix. This different loan mix means having more of some and less of others. I mentioned here the clean personal loan, as a product that will lose relevance over time. It is no longer the most relevant and will lose relevance at the margin, and I am not doing a bad job because of that, and payroll loans, secured personal loans, and some others, mortgage itself, home equity. Home equity can multiply in size by 10 times. We already have the largest origination again, but we have a portfolio of less than BRL 6 billion. This portfolio can jump to BRL 10 billion very quickly. It can be, why not, in the future, a portfolio of BRL 50 billion-plus, like what we have in mortgages, where we have even more than 60.

So, with this mix perspective, we aim to outpace the market in some products and on average I would say it will be reasonably in line. The reasonably in line is, perhaps, one percentage point higher or lower. We have a side of public banks that we have observed. Speaking of the industry, I will not name names, but we have seen public banks with a slightly higher appetite, which is natural, we have seen this since last year.

These are cycles, and I believe public banks play a very important role, operating in some subsectors, some of which are very large, such as housing and agribusiness, which are sectors of interest to us. We compete less in housing, but in agribusiness, it is a sector where we compete and want to keep growing. However, this year, for instance, in agribusiness, Yuri, we will grow with less ambition than we did in previous years.

You will recall that we almost doubled our portfolio growth by 98% from December 2021 to December 2023, reaching BRL 53 billion, where we closed last year, and we are now growing, but I would say, perhaps more through accrual than significant portfolio growth, because this year is a more challenging year for agribusiness. And there's nothing wrong with that. Agribusiness is cyclical, and we will follow these cycles. No one here is alarmed, but we are not going to grow by 20-30% as we did in recent years, and that's fine.

Therefore, if I eventually lose share in agribusiness by the end of the year, it will be due to a correct portfolio management decision, but we will compensate in other areas. So, I hope I have provided a macro overview here. Gustavo, if you want to add anything.

Gustavo Alejo: That's exactly right, Yuri. Obviously, we observe the market, but we have our own portfolio composition, which is the ideal portfolio composition, and the ideal portfolio composition is dynamic. Thus, we measure the performance of all portfolios, both from a product perspective and a customer perspective, so it will be dynamic.

We aim for profitability, the composition might be different, we might grow in line with the market, but with a different composition than the market, as Mario mentioned. So, this is all about active and dynamic portfolio management, and daily performance measurement of all of them.

Hence, this is dynamic and we are not focused on being more or less. We are focused on doing the right thing, the composition that yields the best possible result for the business environment and the macro environment, breaking it down between individual customers and business customers. And then consolidating the entire portfolio. So, this is our vision.

Mario Leão: And I believe just to wrap up, with the CDI stopping its drop, as it appears will be the case for quite some time, it obviously doesn't help, particularly for business customers. It's not good. Marginally, the CDI at 10.5% remains a high level, because 10.5% is not what companies pay, nor do we pay 10.5%. There is always CDI plus market funding.

Thus, the business segment, at the margin, does not benefit from an interest rate that does not decrease. Among individuals, and I have mentioned this during some earnings announcements, the risk appetite in the individual segment, in my view, does not return to the level seen in 2020-2021, because there was indeed an oversupply of credit, derived from the perception that Covid in practice had not generated effect on disposable income, and we as an industry were wrong on average.

And also the notion that several new competitors provided credit to the same customers. All of this has evolved, I talked about our models a little while ago, in Pedro's question, but we have evolved as an industry in knowing not to allow an oversupply to the customer, particularly low-income.

Therefore, I don't think there will be a rebound in individuals as fast as some research might suggest, because I believe everyone will be more prudent in lending. We are undoubtedly being cautious, but we are still growing, although with a much smaller audience and a very different product mix, as we discussed before.

Yuri Fernandes: That's clear. Thank you, everyone.

Mario Leão: Thank you, Yuri.

Camila Stolf: We will now proceed to our last question with Eduardo Nishio from Genial. Hi, Eduardo.

Nishio, we are not hearing you. Still can't hear you. Well, I think we weren't able to connect with Nishio here. We'll follow-up with him later, of course. I would like to thank everyone. Let's see, I think it's back now.

Eduardo Nishio: Sorry, everyone.

Camila Stolf: No problem. Let's go.

Eduardo Nishio: Good morning, everyone. Good morning Mario, Gustavo, Camila. I have a question related to the last one you had. It is somewhat more related to the journey you have been on to improve profitability, diversification, and sustainability since you took over, Mario, in 2022, if I am not mistaken. ROAE hit the bottom at the end of 2022, and you have been on a profitability recovery since then. One quarter or another saw a quarterly decline, but overall this profitability has been improving, and it has been improving more rapidly this year, in these last two quarters.

I wanted to ask you, where are you at this point of the journey? Bearing in mind that this is probably an endless journey, but in these goals that you have set during your mandate, Mario, where do you think you are on this journey? Where do you think there is more catching up to do? Which segments do you think you can significantly improve profitability? Mass income, cards, etc.? And if you could put it in perspective, the incumbent banks that are operating with higher ROAE, when do you expect to catch up with these banks? I think it would be interesting to get this perspective. Thank you.

Mario Leão: I will answer without providing guidance, alright? But thank you, the question is very good. When we talk about profitability, obviously it is a key point of... the strategy is not profitability, right? Profitability must be a result of a strategy that I have repeated here today several times, portfolio diversification, a much more balanced and recurring loan portfolio, much more fees, much more funding, and all of this tied into a customer strategy that I honestly have not seen us have with such strength in the nine years that I have been here at the bank.

In practice, we view profitability as levels, Eduardo, obviously. So, I said a few quarters ago when you and others asked me, "oh, but you are in the low-teens." Obviously, low-teens did not reflect. We were generating what we call here an economic loss, right? I am generating profitability below the cost of capital and that is not sustainable. It was part of a cycle, and we had to go through it.

Thus, without great pride, but we undoubtedly go through this with the vision that we are doing the right homework to get back to the profitability level, first to exceed the cost of capital, which we already achieved in the last quarter, even before some of you had anticipated, and I say this with all due respect.

However, we managed to show a small economic profit in the first quarter, but it is obviously much less than what this franchise should be worth. We are taking a more significant step this quarter; it’s not that we should expect a linear 1.4% gain in percentage points every quarter. It’s not linear; our business doesn’t work that way.

But we definitely want to have a well-aligned bank, as I told you. I think we have a well-aligned bank, with the right levers. And we will measure the level of acceleration in each micro or macro portfolio to seek profitability and growth, I would say in that order. We want both, but we will not sacrifice profitability just to achieve growth because that is short-term thinking and despite our desire to always deliver good quarters, we will not relinquish one to achieve the other.

So, how do we see it? We achieve a mid-teens level, if you allow me the term in English. We obviously want to consolidate this level and from now on, what is the next level? The mid-to-high teens, so we will aim over the next quarters to direct our operations towards this.

I won't specify the number of quarters, but certainly, as I like to say, it's quarters and not years. If it takes us years to reach mid-to-high teens, we are facing bigger challenges and/or making bad portfolio decisions.

Therefore, we will seek a mid-to-high teens level to be measured over a few quarters, and then we will determine what the next level would be, which would indeed be the level that rounds up to 20%. Is it a goal? It is a goal, temporally speaking, of course, or directionally speaking. I won't tell you whether it will happen in X years, obviously it won't happen over quarters, but it can happen and we will work for it to happen in a short to medium-term horizon and we won't pinpoint here when it will happen.

But the most important thing, Eduardo, really, is how we are going to get there. Me telling you here wide open, let's hit 20%, is nice and it's kind of what you want to hear, and me too, but we need to do this with a portfolio construction different from how we reached 21%-plus in 2021 in some quarters.

We don't find it bad to have achieved 21%-plus, but the 21%-plus that cost us a low teens recurring ROAE for some quarters is not the 21%-plus I want to achieve. Thus, we will pursue it at a different speed, but we will aim for it with a lot of consistency and with a mix that I assure you will be quite distinct.

There will still be challenges. There will still be non-linearity. Our business is complex, dynamic, with exceptional competitors, both incumbents and digital banks, a regulator who is attentive and pushes us to innovate more and more, and a customer, who is the most important element, who is also always challenging us.

Therefore, we face challenges from all directions, which is why this is such a rich industry in terms of intellectual and human challenges, and we find that very exciting. We always discuss with the Santander Group that Brazil, in a way, is a leading indicator for the entire world and I don't think it's an exaggeration, but we are indeed aiming for a mid-to-high teens level and then a 20%, 20s level in the short to medium term and over time we will progress and update you on how we are getting there.

Eduardo Nishio: Thank you.

Mario Leão: Thank you.

Camila Stolf: Very well. Now, I would like to thank you all for joining us this morning. Following this videoconference, myself and the entire Investor Relations team at Santander Brasil will be available to address any remaining questions.

Thank you very much, have a great day and see you next time.

Mario Leão: Thank you.