Camila Stolf: Good morning, everyone! Thank you for joining us for our third quarter 2025 earnings videoconference. We are live here from our headquarters in São Paulo, in our new studio, and will split this event into three parts.

First, our CEO, Mario Leão, will discuss the key highlights of the quarter and the directions for our growth in the upcoming periods. Then, Gustavo Alejo will provide a detailed analysis of our performance. And finally, we will have our Q&A session.

At the time of questions, you will see three audio options on the screen: in Portuguese, in English, or the original audio. To select your option, you need to click the button located at the bottom center of your screen.

The presentation we are about to deliver is already available for download on our Investor Relations website. And with that, I hand it over to Mario to begin the presentation.

Mario Leão: Thank you, Camila. Good morning everyone. I apologize for the few minutes at the start. I would like to begin by highlighting the key figures for you, which you have certainly already seen in what we published.

Beginning with the profit figure itself, we reach a level of R$ 4 billion in the quarter – and I need to note that, after three years and three months, we return to this level. Obviously, it is not a destination in itself, but it is an important level for us to regain. And we regain this level of profit with a result that I would say is quite organic, which we will have the chance to discuss with you shortly.

So, it is an evolution of almost 10% quarter over quarter, year over year, bringing our profitability back to 17.5%. Obviously, it is not the final destination, as I mentioned regarding profit, but it is a significant step we are taking in the right direction with a result composition that I would say is quite healthy.

Starting with some highlights, which we will detail further later. Net interest income as a whole declined quarter over quarter, as you have already had the chance to see. It fell mainly due to the market NII results – we will have the opportunity to elaborate a bit more on this. However, the strength of the franchise is measured much more, of course, by the client NII, by the client business as a whole, between net interest income and fees, and in both cases, we had a quite positive evolution this quarter.

The client NII rose by 2.7%, and on an annual basis, above 10%, at 11.1%. And taking the opportunity to comment on fees, we had a very strong growth in fees for the quarter, at a level of 6.7% on a quarterly basis, and as we will see shortly, with a very good diversification among the different fee lines, there were no major outliers.

Our cost of risk has remained flat, even though we are demonstrating stronger portfolio growth this quarter than in previous ones, with growth aligned with the direction and segments we aimed to grow, and we will elaborate on this as well.

We had very efficient expense management once again in the quarter. Expenses grew by 1.2%, basically flat, and on a year-over-year basis from the third quarter, we see a decline. So after two quarters of decline, we had a slight increase, I would say virtually zero, reinforcing our very strong OPEX agenda, which we will discuss further in the Q&A.

Our efficiency rose a bit primarily because of the margin composition against expenses, still at a better level than last year, 140 basis points, and obviously, we are focused on continuing to improve in efficiency.

As major strategic drivers, reinforcing what we have been saying every quarter, with strong discipline in building an increasingly solid and resilient operation. We are therefore seeking a more diversified Santander Brasil, with greater stability, predictability of results, and an ever more powerful customer franchise, with a diversification of revenues and inflows, to compose a result that aims for a profitability much higher than we have today, and we believe we are absolutely on this path.

We are continuing with our obsession with the transformation of journeys, the transformation of the digital journey – I will soon comment a bit more on our new app – and with that, obviously, progressing well in our agenda of customer principality.

And speaking of customers, as we like to start, some quick data: we continue to grow our customer base significantly. Our total number of customers now, as of October, exceeds 73 million. We have a significant year-over-year growth of 7%. We continue to grow our active customer base, those who actually transact with us on a nearly daily basis, also growing the principality agenda, with a very positive NPS.

In the individual segment, we are practically at our record level of 61 points, and in the business segment, we have reached a level that is a record in our historical series. This is the internal NPS that we measure, with hundreds of thousands of interactions every day, and we have an NPS of 52 in the business segment for the first time.

Two quick points here, I won't elaborate too much in detail to allow time for the Q&A. We have been increasingly emphasizing the hyper-personalization agenda. Here we present some data to illustrate how this is becoming ever more relevant in our agenda with our clients.

We are increasing our capacity to have hyper-personalized interactions in a quite significant way. Here, in a comparison from the end of 2023, or even from the end of 2024 to today, we have more than half of our digital interactions with customers being hyper-personalized. This is bringing a much broader top of the funnel and a much larger base of the funnel.

Some examples we mention here: in customer acquisitions, we have twice the interest compared to what we had in the old CRM interaction format, with a 30% higher conversion rate in accounts. In cards, the figures are even more powerful: four times more interest, three times more conversion. And in portability, salary portability, which is a super relevant point for transactionality, we also see a twofold increase.

On the AI side, the AI agenda, as of course for the financial industry as a whole, will be no different for Santander. We embrace AI with great strength, increasingly so. We are looking to transform our customer journeys, our journeys, and internal processes with an AI First mindset.

We have two data points to share, so as not to take too much time: we have evolved greatly in our loyalty agenda, in fidelity through Espera with AI-driven journeys, and as a result, we achieve improved productivity of points and better experiences. We consider this a key lever for the principality agenda.

In our renegotiation and recovery agenda, such as for vehicles, we have implemented AI in the renegotiation and repossession pipeline, leading to an improved experience and, naturally, better recovery outcomes for the bank.

This quarter, I am finally discussing a bit more about our app. I have been telling you over the past few quarters that we were making progress on our One App agenda, as we call it. One App because it will be the app that will channel all digital interactions with our individual clients, and at some point, we will also introduce the business version, which we are putting a lot of effort into.

Speaking of One App, it is very important to highlight that we built this application over the past few years with a lot of interaction with the customer. We have never undertaken a development so grounded in listening to the customer. I would say that the customers developed the app together with us, and we like to say that this is no longer Santander's app; it is the customer's app, which is based, of course, on Santander.

We listened to more than 50,000 clients in over 90 surveys. In this rollout journey, or deployment, we already have very strong feedback. Typically, when you switch the app – this is not just a new version, it's a completely new app – the client is used to the old version, familiar with the journeys, even if we have something significantly better, usually there is friction, and we are seeing that the results are much better than expected, with nearly 80% of clients rating the app as excellent and 3/4 already preferring the new app that has been operating with the client base for just a few months, which leaves us quite excited about what is to come.

This application was designed with a multi-bank approach, meaning it is entirely embedded, with Open Finance integrated into it, so the customer experience concerning the Santander account and accounts in other banks or financial platforms is precisely the same, allowing us to centralize the customer's entire banking relationship within the Santander app.

And, for the first time as well, we are doing this together with the Santander Group. This is a topic I will elaborate on a little more shortly, which is the fact that Santander Brasil is starting to benefit from being part of a Group in a more significant way.

We developed this One App collaboratively between our team here in Brazil, from our technology and channels team, with people, for example, from Spain. This application that Brazil is launching will be the app used around the world, with minor tweaks in each geography, but the core of the app will be exactly the same.

So, now Santander will have platforms developed once for the entire Group, and with that, we gain agility and save significantly on costs.

Here are some relevant data points: we ran a beta version with over 100,000 clients, I participated and it was great to interact and see the evolution over the past few months. We now have 2.3 million clients using the new app.

We now have, from October to November, our customers, whom we call single-product card users, also coming to this app. By the end of the year, we expect to have virtually our entire customer base migrated, which is obviously a quite powerful number.

Here, in a very concise manner, we are organizing our strategic agenda in the same way that the Santander Group communicates it to the market. I am bringing this here to Brazil. Basically, the same management compass messages that we have been discussing with you for several quarters.

So, the three main pillars that the Santander Group and Santander Brasil are continuously focusing on: Think Value, Think Customer, and Think Global.

Think Value, of course, is about generating value through disciplined capital management, our credit balance sheet, diversification of revenue topics, resilience, predictability, and, of course, an agenda focused on efficiency and modernization of operations that we are showing in the numbers in practice.

Think Customer is all about the customer-focused agenda. Last week, we held a livestream session with the whole organization, 40,000 people talking about this, Think Customer. It includes our entire hyper-personalization agenda, which is increasingly directed towards AI, a simplification of offerings, suitable, simple, and digital journeys, and, whenever possible, embedded with AI.

And under Think Global, this agenda I mentioned, One App represents very well, is for us to start developing things together with the Group, increasingly bringing technologies that may exist in other geographies and not yet in Brazil, and making this investment in a shared manner, with Brazil being one of the major hubs of the Group, given the talent we have here, given the innovation that happens in Brazil. So, Brazil will also be an exporting source, I would say, of innovation, of technology, for the Group as a whole.

And reinforcing the message that everyone knows, but it's worth reiterating, that we are the global bank with the largest presence in Brazil, we are part of the largest Group by market value in continental Europe, which is also showing a growing performance over the years, and Brazil, of course, is a fundamental part of this, and we want to extract more and more value from being part of a global franchise.

And here, to wrap up my introduction, three businesses. We always highlight a few of our key strategic businesses: we are underscoring, once more, the consumer finance unit, which has been featured repeatedly in our disclosures because it is a source of pride in our portfolio.

Our consumer finance unit continues to grow strongly on an annual basis, in double digits, surpassing the growth of the portfolio itself. We are bringing a lot of clients to the bank from our consumer finance business, particularly from auto financing, but also from consumer financing.

We bring here the data that, in two years, we have acquired one million new customers who were not previously associated with Santander and who became clients through the consumer finance unit. This comes with a significant increase in fee generation.

Individually, the consumer finance unit is one of the biggest fee generators, mainly from insurance, that we have here at the bank. And here is the growth of 43% year-over-year, which is quite significant. And all of this with a very high NPS. The NPS of 90, which is among the highest we have across all our businesses.

In the upper right corner, I comment on our small and medium-sized business segment, which has been a recurring focus of our market narrative and our management. We have been growing revenues, diversifying our income, and increasing the number of visits, which, of course, comes along with our new business model, just to remind you, where we no longer have managers or specialists, as we prefer to call them, inside the store, waiting for the customer to arrive and making, on average, one visit per day.

We currently have these specialists all out in the field, operating in micro-regions. By the way, we are increasing the number of these specialists by nearly 30%. Therefore, we have several thousand people in all the most dynamic micro-regions of Brazil, providing clients with much closer service and, as a result, improving credit management and the management of the primary relationship.

At the bottom left, just to reinforce our agenda of payments and transactionality. Obviously, the entire agenda of having customers choose Santander is tied to a payments agenda. Thus, this is crucial.

I don't have specific data here, but the message is that we have evolved over the last 12,18 months to create a PIX journey that is impeccable and one of the simplest in the market.

We have the "Bring Money" concept, which, under the Open Finance framework, enables us to centralize the management of clients' cash here in an extremely straightforward journey, covering both individual and business clients.

We are bringing PIX to our card journey. This is something we have been developing, and we are launching it strongly this quarter. The initial performance is already quite positive, so we are very excited about how we can combine the two journeys, the PIX journey and the limits we have on the card. In addition to automatic PIX, there is also proximity PIX.

To the right, I present a very relevant piece of data from our low-income agenda, from the mass market client. We have been conducting a very detailed management of the portfolio, as we have been discussing for a few years now.

We have been selecting within this low-income portfolio the subportfolio, subclusters, in which we want to work. As a result, we have seen a decline in the portfolio of this subsegment on a base of 100; a year ago, we were at 94, meaning we are making a significant reduction, which obviously presents a growth challenge for the individual portfolio, but we are not concerned with overall growth; we are focused on growing and managing the subsegments appropriately.

But even with a 6% reduction in the loan portfolio, we are able to grow the transactional deposits of the same mass income client by 14%. Therefore, we are making a very precise and positive selection of the clients we want to have here, driving more transactionality from these clients and enhancing the quality of portfolio management, with fewer clean products and more collateralized products.

Well, with that introduction, I now invite Gustavo to discuss the figures with you in more detail, and I will be back shortly for the Q&A. Thank you.

Gustavo Alejo: Thank you, Mario. Good morning, everyone.

Let's talk first about the portfolio. We have made satisfactory progress across all lines and businesses according to our dynamic portfolio management, and the effort to increase profitability is always weighed against the risk of all our operations.

We have been selective in lending, as Mario mentioned, which translates into disproportionate growth in some lines compared to others, always prioritizing transactionality as well.

It is important to highlight the positive evolution of cards year over year, with a growth of 14.5%, consumer finance at 12.6%, and small and medium-sized enterprises at 12.4%, which represents a good progress year over year, and we are heading in the right direction.

In the individual retail segment, the portfolio remained stable and exhibited a significant change in the product mix composition along with a decrease in exposure to higher risk profiles.

We made positive progress in the corporate segment during the third quarter, which had not been the case in earlier quarters, while keeping price discipline and experiencing more significant growth in drawee risk operations and foreign trade, for example.

Looking here on the right side, concerning funding, the composition is aligned with our plans to increase the share of retail in funding, promoting greater loyalty and consequently greater transactionality with all our clients.

In term deposits among individuals, we experienced a highly favorable performance, exhibiting growth at a quicker pace than other segments, which reflects the evolution of principality as well.

Regarding demand deposits, we noticed an effect of migration of some resources to term deposits.

Client NII recorded growth of 2.7% in the quarter. Most of this growth is a result of funding, benefited by a greater number of business days, in addition to the increase in the average CDI, which also produced positive effects, but of a smaller magnitude.

The credit NII evolved, despite not capturing all the benefits of the portfolio growth, which occurred mostly in September. Thus, there was an evolution in portfolio growth.

Compared to the previous year, the margin growth was significantly higher than the credit volume growth and showcased our pricing discipline and portfolio optimization that we have been discussing.

Due to the better mix of assets and liabilities and the rise in the CDI, the spread saw an increase of 100 basis points in 12 months, which is very positive.

As for the market NII, we noted in the quarter, besides a higher average Selic, which was expected and already mentioned, that the increased number of business days also affected the ALM results. Both developments were anticipated and aligned with our planning.

In market making, the quarterly result was slightly higher than the previous quarter. And in fees, there was a more positive dynamic during the period, with growth in almost all lines, including better performance in credit-related lines.

In cards, we had another positive quarter, driven by increased customer transactionality, which in turn had a positive effect on the checking account line, as clients, both individuals and businesses, received greater benefits from exemptions by engaging more with us, which is quite positive.

In insurance, I underscore a stronger performance this quarter, propelled by new products and a strong focus from our sales force.

In brokerage, securities placement experienced substantial growth in the quarter, driven by an improved performance in debt issuance. Thus, we have a quarter marked by important growth across nearly all fee lines.

In provisions, we performed better than in the previous quarter, due to the improved performance of loan vintages and also the one-off effects that impacted the 2Q, remembering the early loss write-off that was discussed at that time. We have seen better vintages performance in nearly all portfolios, except for smaller companies, where there is a bit more pressure.

Due to the performance of the vintages, the percentage of the NPL portfolio from 15 to 90 days decreased to 3.9% compared to 4% in the second quarter. We observed that part of the short-term deterioration recorded in the first half reflected in the 90-day delinquency, resulting in an NPL percentage of 3.4% at the end of the third quarter. This increase was also impacted by the individual customer segments, where there is a higher concentration of renegotiation lines, and due to our more restrictive stance in negotiations and also in cases from the agro segment and companies.

On the next slide, I briefly present our expense evolution. This quarter, we observed the partial impact of the collective bargaining agreement of 5.7%, and in yet another quarter, we demonstrated the results of our effective expense management, with growth below inflation. This includes the growth of business expansion expenses and recurring expenses decreasing, which is quite important. The result is a better performance in the efficiency ratio compared to the previous year, by about 140 basis points, finishing at 37.5% for the period.

To conclude, I would like to share our income statement. We closed the third quarter with a profit of R$ 4 billion, representing a 10% increase from the previous quarter and a growth of 120 basis points in ROAE, with CET1 at 11.7%. Our portfolio shows an improved risk-return ratio, with advancements in the client mix, backed by funding that combines instruments, clients, and pricing in an effective and balanced manner.

This performance in light of the current macroeconomic scenario shows that the discipline with which we have been managing our balance sheet over the past few years leaves us better prepared to face short-term volatility, confirming our trajectory towards increasingly solid and sustainable profitability.

Thank you very much, I turn it over to Mario for the closing remarks.

Mario Leão: Thank you, Gustavo.

Here, just to wrap up and quickly move on to the Q&A, messages I would like to reinforce to solidify with everyone. Starting with the customer, we continue – this word is quite strong, but it reflects how we work with a customer-centric approach here – an obsession with elevating our customers' satisfaction to an even higher level. We see the NPS evolving, and we truly want to strengthen the primary relationship. We will continue to have extraordinary competitors, incumbents, and newcomers, and we need to continuously raise our standards to earn this primary relationship.

Hyper-personalization and AI are two major levers for this, along with all the technology that we will increasingly leverage with the Santander Group supporting us and us supporting the Group as a major innovation hub for our business model. Technology plays a significant role in our transformation of costs and expenses. We are seeking, as I have mentioned for several quarters now, not only to outpace inflation but to achieve material gains and pursue a bank that has virtually zero nominal spending growth, which we can accomplish through technology in an increasingly impactful manner.

It's not only about technology, but technology serves as a significant vector to enable us to have a more efficient Santander Brasil, even in a country facing inflation, currency fluctuations, and other spending challenges. And, of course, all of this is aimed at focusing our operation on becoming increasingly profitable, with active portfolio management and reaching the ROAE level that is getting closer each quarter, striving for 20%-plus profitability again and not stopping there.

We are entirely confident that we have an operation that can continue to evolve, that will continue to evolve over the quarters ahead, in the right direction of profitability and, alongside profitability, in that order, growth as well. With that, I hand it over to Camila, and we will soon start the Q&A. Thank you.

Camila Stolf: We are now going to move on to the Q&A session where you will be able to interact directly with us. See you soon.

Alright, everyone, we have completed the presentation by Mario and Gustavo. I apologize because we are experiencing a problem with the videoconferencing platform, so we won't be able to connect the analysts to ask their questions. We have the questions; I already have them here, they have been submitted, and we will answer them, but I apologize for you not being able to show up here due to a technical issue.

The first question is from Thiago Batista, from UBS, asking us what the expected effects are with the implementation of One App here at the bank, whether we can foresee if the biggest impact is cost reduction, consumer experience, or cross-selling. He also asks if we could discuss the expected impacts of recent regulatory changes, such as the change in funding for real estate credit and the change in FGTS anticipation regulation.

Mario Leão: Thank you, Camila. Well, continuing here with the Q&A, I want to stress that I'm very sorry about the platform, but these are things we cannot control. Thiago, I will start with the answer regarding One App, then I will cover the regulatory aspect, and of course, Gustavo will help me by adding any insights.

We believe that One App is a significant leap in our obsession with the customer, in our Think Customer that I mentioned a little while ago. So the main drive, without a doubt, is to improve the customer experience and allow the customer – that's why I say it's not just a new version of the app, but actually a completely redesigned application. It has little to do with the app we had before.

So we are indeed seeking a much more seamless, much more personalized experience. I mentioned that we like to say that the app is the customer's app, so it's Mario's app, it's Gustavo's app, it's Camila's app, it's the app of all our millions of customers, and no longer the Santander app, as something monolithic and the same for everyone.

What we will achieve with these much better journeys, in addition to the hyper-personalization of the app's appearance, is that we will have conversations with this customer in a much smoother way. So it is an app anchored, Thiago, in the concept of the continuous conversation that we aim to have with our customers, featuring an obviously personalized interaction, because if I want to talk to each customer, I have to do it in a specific, contextualized, and personalized manner.

Thus, without a doubt, the drive is UX, CX, and, through this, having many more conversations with the customer, increasing the transactionality of each customer and, of course, attracting those customers who are currently referred to as single-product users – cardholders, mortgage clients, consumer finance customers, and so forth – so that all these customers, who are many millions, can also become customers of Santander as a whole, within a single app that will cater to this customer in a specific, unique manner and with much more conversational engagement.

Will we reduce costs with One App? Virtually yes, because in practice, with an increasingly digital and seamless experience, I will be able to have more digital interactions, based on AI, with the customer, and this will, over time, lessen our need for other service points, like stores and even our remote channel service, at least over the phone, moving towards having many more interactions via chat.

You talked about regulatory matters, and I will keep it short. The evolution of the real estate segment, this new initiative to utilize part of compulsory reserves to support subsectors of real estate, is something we see positively. Real estate has been a standout point in our performance last quarter, and I believe it will remain so in the next ones.

We know how to do it, and we believe we have one of the best, if not the best, home loan application journeys in the market, and it is a product that has also helped us to make relevant cross-sells, with a cost of risk that is obviously quite low.

We are leaders, for instance, in the home equity market, which we call UseCasa, a product that allows you to leverage, whether as an individual or a business, already owning a property. We hold a market share of nearly 30%, and we continue to grow with a strong appetite in home equity.

Therefore, regarding the real estate segment, we see the measures positively; it is a core product, and we believe it will keep growing disproportionately here.

The FGTS subject, the evolution, or perhaps the involution, of the CP-FGTS borrowing capacity, is something we obviously respect; it is a government decision, a matter of overall policy, which will materially reduce the granting of CP-FGTS loans, both from Santander and the entire market. The magnitude is quite substantial, so in practice, we will need to redirect our appetite and credit practices with many of these clients to other products, such as worker payroll loans, which is a product that has definitely come to stay, receiving our support and that of the industry as a whole, and in which Santander has been growing more significantly in this third quarter, as we are witnessing an improvement in operational performance on the corporate side, of the system overall, although some issues still need to be finalized and implemented, but we believe in the product and will continue to grow there significantly in the coming quarters.

Camila Stolf: We now have a question from Pedro Leduc. I believe we have been able to connect with Pedro. Pedro, good morning.

Pedro Leduc: How's it going? Thank you all for the call and the question. Concerning the cost of risk here, the write-off of about R$ 5 billion fell quite a bit compared to the previous quarter, which had that early write-off, as you had mentioned. I wanted to ask if there were any other changes in terms during this third quarter, so that there wasn't as much acceleration, or if it was just a one-off from the last quarter. What can we expect moving forward? And also on the loan quality side, the second question: when we look at the coverage, stages 2 and 3, it has decreased a bit. If you could help us understand what is driving this, whether it is more about the mix or an actual perception of expected loss. Those would be my two questions. Thank you.

Gustavo Alejo: Good morning, Pedro. Regarding the first part of the question, I'll begin with the end: we have not had any change in, and this applies to both questions, we have not had any change in policy or management. Thus, we have not modified anything in what we have been doing. Indeed, we had an early write-off in the second quarter, and this lack of change in policies and criteria, the resulting coverage is simply a result of the mix we are originating. Therefore, there is nothing we have done to alter this. It is largely a reflection of the originations, the mix we are originating, and the performance. Hence, there is no change in criteria, no change in policy, for both question 1 and question 2. Thus, there is no alteration in our daily operations regarding expected loss, what we provision, and what we write-off.

Mario Leão: If I may just add here, Pedro, welcome. I will be a bit redundant because this is a very important point you are asking about. Since last year, we have obviously been evolving our agenda on how we deal with recoveries and agreements, which is part of the business-as-usual of our operations. But last year, we definitively raised the bar on how we accept renegotiations. From that moment on, we have been practicing this for a good full year and a bit more. We only conduct renegotiations with some cash component, without exception. So, if we cannot have a cash component in that renegotiation with individuals or businesses, we anticipate it, write it off as a loss, and we obviously then work on the recovery, but already from a base of 100% provisioned.

And when we manage to have the cash component, of course, we allow for terms, but we have also been renegotiating with shorter terms than in the past. Thus, the quality of our renegotiation is improving continuously, and the discipline to recognize losses sooner rather than later is also in place. So, in practice, and obviously when we identify opportunities to anticipate larger losses, as we did in the second quarter, you pointed that out correctly, we will keep doing that. Therefore, it is possible that we will make more of these moves because we are very keen on cleaning up the portfolio, executing this de-risking as quickly as possible, and focusing on the new vintages that, as Gustavo mentioned in his presentation, have generally performed well in line with our expectations.

In other words, we are quite confident that we are originating new credit, a clean water, let's call it that, in the portfolio. We need to continue in a very disciplined and swift manner, removing this part of the less clean water, which is more related to past portfolios. We must keep writing-off as soon as possible, and we will do so.

Pedro Leduc: Thank you, Mario.

Mario Leão: Thank you, Pedro.

Camila Stolf: We are now turning to Mario Pierry from Bank of America. Good morning, Mario.

Mario Pierry: Good morning, everyone, congratulations on the results. Mario, I wanted to ask a question about credit appetite. You showed that the performance of new vintages is coming in better than expected, you have a very high capital ratio, there is a prospect of interest rate cuts in Brazil in the next six months, which would lead the bank to have a slightly more aggressive position in credit? Is it still political uncertainty, is it the election next year? So, I just want to understand, because the portfolio growth remains very low. When we look at it, there is no real growth in the portfolio. So, I wanted to understand the outlook for the next 12 months. Thank you.

Mario Leão: Alright, Mario. Thank you for the question. We will continue to seek disproportionate growth in those subsegments and products where we perceive that at the margin we can bring in vintages with high profitability, as we mentioned. Obviously, our profitability threshold for new vintages is well above our cost of capital, I would say above 20%, in fact. So, we have been looking to originate credits, whether through credit rollovers or credit expansion, in the portfolios and with the clients where we can achieve this level of sustainable profitability, obviously from a client perspective, not just from a credit perspective.

Thus, we have focused our appetite on products that bring customer transactionality. It is true that we have grown well in mortgage loans, which is not so obvious, as these are much longer credit relationships, but between cards and accounts, we have grown significantly with the customers we want to grow and have gained in fees, as well as in transactional deposits, as we mentioned.

So, how would I summarize our appetite for the next, well, 12, 18 months? We will continue to have a very disciplined and technical focus on the marginal profitability of the portfolios. We will keep doing this reshuffling, this reallocation of risk-weighted assets from portfolios that have, in some cases, even higher gross margins, but lower net margins. And the low-income segment certainly represents this well.

We will keep taking the risk-weighted assets out of these sub-portfolios and putting them into portfolios where we can, even sacrificing some gross revenue, but we can achieve much healthier and more sustainable net revenues. Therefore, we have no bias against growing the portfolio; we obviously want to grow, but we want to first focus on profitability, on the base 100 that we have today, and then make that 100 turn into 102, 104, 106, 110 over time.

So, this quarter, I would say it is a quarter where we managed, with this highly disciplined management of marginal reduction, to achieve growth. It may not have been as vigorous in the sell-side perspective, but we are experiencing growth that, when annualized, approaches double digits and in the exact manner we aimed for, with flat growth in individuals, which is point 2, but essentially flat, reflecting a decline in mass income, an increase in high-income segments, which is precisely what we want to achieve, significant growth in small and medium-sized enterprises, slightly less in consumer finance, but also after several quarters of substantial growth there, and once again, growth in wholesale, which we hadn't demonstrated for some time, as we maintained the same discipline in managing marginal profitability, but we were able to execute good operations, particularly in September, as Gustavo pointed out.

So, the carry effect for the fourth quarter will be greater than what we managed to achieve in the third, but with quite good growth in wholesale. Therefore, the way we grew is exactly how we want to grow, and as we continue to see opportunities, we will certainly seek to grow continuously over the next few quarters, despite the macro situation; you mentioned the reduction in interest rates, the macro will remain challenging, even with rates falling, going to 13% or 12% by the end of next year.

The Selic will still be at a fairly high level, continuing to put pressure on businesses that finance themselves basically at the floating rate. Therefore, the cautious perspective, let's put it this way, regarding the macro will persist. I don't believe we will necessarily see a macro improvement; the interest rate might drop, but the overall macro situation, the impact of this macro on the portfolios, it's not so clear that 2026 will be significantly better than 2025. We must stay vigilant and will maintain discipline in this capital allocation.

Mario Pierry: Thank you.

Mario Leão: Thank you, Mario.

Camila Stolf: The next analyst is Gustavo Schroden from Citi. Good morning, Schroden.

Gustavo Schroden: Good morning, everyone. Thank you for the opportunity. I wanted to discuss a bit about installment PIX with you. I think the Central Bank should come out with new regulations. We have been reading in press releases and articles that there might be a change to separate credit cards from this and have it as a distinct line from credit cards. I would like to first hear your strategy on installment PIX, what you think might come, if you believe there will indeed be this disconnection from credit cards, and what your reading is if that happens. And another quick one here: I was just reading a note about Santander Spain's results, and there, correct me if I'm wrong, but it seems to me that when it was mentioned about Brazil, we saw a part that a policy could be implemented to reduce the NII sensitivity to interest rates. So, I wanted to take the opportunity to explore if the bank is indeed thinking about some kind of hedge policy to reduce NII sensitivity. Thank you.

Mario Leão: Alright, great. Well, I will start with the second question, Gustavo. In fact, we have been talking to the market, the Group may have highlighted this more in this disclosure, but we have been communicating with the market for basically a year as we evolve our hedge or non-hedge policy for the marginal origination of the loan portfolio.

You will remember that since the third quarter of last year, we started talking about this, actually since September of last year, so it's been a little over a year, that we began hedging the marginal origination of the prefixed portfolio, which is basically the individuals portfolio, with some from business clients. So, it's not that we do 100% every day; we have a dynamic management, of course, depending on how the market is fluctuating, and we have a market that fluctuates quite a bit, but we have virtually originated much more hedge for the loan portfolio than we had in the past.

There is still an inventory, and obviously, in September of last year, we did not take pre to hedge the entire inventory, as it would have obviously impacted the market, but at the margin, I would say we have hedged between 50% and 100%, depending on the day, of this marginal origination. Thus, in practice, the Group refers to this, not to a new policy; it is something we implemented more than a year ago, but we are starting to feel its effects, I would say from now on, a little further ahead. We would have had a greater sensitivity to the increase in the Selic rate, which was quite significant this year, if we had not made this move.

So, going forward, we will have sensitivity to the interest rate curve, of course. Every bank has it because every bank carries a portfolio of prefixed securities, a portfolio of inflation-linked securities, which are typically funded by the current interest rate. Therefore, in practice, we will continue to have some sensitivity, but it will be diminished.

And then, regarding the installment PIX, you asked, so here there is both a journey discussion and a regulatory discussion. I will start with what we have implemented. I mentioned earlier that we now have, I would say, the complete offering of payment transactionality with PIX using the card, and the initial results have not yet moved the needle for the September results, but obviously, over the quarters, we expect to build a relevant portfolio here.

And we are, essentially, granting, Gustavo, more credit to people who were not taking personal loans with us; obviously, I need to have an appetite for that person, but these are limits, let's say, that were unused, and I am managing to extend credit from zero to, often, the maximum limit I had with that person. So, we are managing to engage many more non-borrowers to take credit with us through PIX via the card, which is super positive.

The journey we have set up is obviously very fluid, as some of our competitors already had it, so here we have some catch-up, another catch-up that is working quite well. And your question on the regulatory aspect is: but what if this has to be on a different path from the card path? The Central Bank is focused on this. My answer is: we believe that the journey should truly be defined by the banks, by the players here, both digital and incumbent, all seeking the best journey to have that customer engaging in credit with us and not with a competitor.

So, we have argued with the Central Bank that the installment PIX, the PIX via the card, should not necessarily be separate paths and separate journeys with separate limits, which, potentially, is even debated; in fact, there should be a credit appetite with that customer, him or her, and apply that credit limit in the account, on the card, in the installment of a purchase or a transfer, in the smoothest journey possible.

And, with that, the convergence with the card seems, I would say, seems to us, as an industry, quite clear. Thus, we have been in conversation with the regulator to propose that, at its core, the journey can be designed by each bank and that we do not need to have this distinction between the trach and the path and the appetite for the card, the path and the appetite for the installment PIX.

Thus, we believe in what has been done by the industry and by us as well now, and not in something that will start to differentiate the journey by product, because the customer, ultimately, is not interested in having different journeys per se, but in having a seamless journey and a limit that they can understand and engage with and discuss with the bank about.

Gustavo Schroden: Perfect, thanks everyone.

Mario Leão: Thank you, Gustavo.

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

Daniel Vaz: Good morning, Camila. Good morning, Mario, and Gustavo. Thank you for the questions. I wanted to revisit the point about 2026, to slightly sensitize the bank's view. We know that you have been a bit more selective for some time regarding portfolio origination, and the carry that Mario mentioned in the previous question, which is starting to improve, should not be a very significant improvement due to spreads and mix; I think it should be more about a carry improving through slightly better portfolio origination. So, I believe the bank starts from a level today of almost 0% at the total NII end to avoid entering deposits to help the client, with interest impacting the market. If we work with this scenario of more conservative origination and revenue gradually accelerating, with costs well controlled, as we have seen, I think the profit surprise for 2026 is at the provisioning level. So, I wanted to try to understand with you how you are projecting provisioning, asset quality; are you working with NPL decreasing for next year, with the cost of risk decreasing for next year, how should we approach this scenario of cost of risk and asset quality for 2026 to understand the bank's view? Thank you.

Mario Leão: Thank you, Daniel. I will start here, and I ask Gustavo to add his inputs. The way I, as a sell-side analyst, which I am not, but if I may, how would I think about Santander Brasil over the next few quarters and years, including 2026, what are we seeking as management?

We are looking to build positive jaws. By positive jaws I mean to take advantage of the operational leverage we have, with revenues significantly higher than provisions, expenses, and contingencies, and we need to work on these lines that are already naturally leveraged; every bank is like this, working all lines in a positive direction.

So, we will work to grow revenues or "ingressos", as we say in Spanish. We will seek for revenues to grow. Could the composition be a little different from this year's composition? It might, but it will not be materially different in the sense that I will stop growing client NII, I will stop growing fees.

Obviously, market NII will have its specific evolution; it is a part of the result, but it is less relevant for the franchise as a whole. If we look at the materiality, it obviously makes sense to discuss market NII, but we want the materiality of market NII to be increasingly less significant relative to the whole.

Therefore, there is a message that we will strive to increase revenues, but I will not jeopardize the overall results and sustainable profitability by growing revenues disproportionately in subsegments or in products that will not yield the enduring profitability I seek.

So, I will be more interested in this net revenue, which is obviously the composition of revenue with loan loss allowance, as you mentioned, rather than simply growing revenue for the sake of it. We will indeed seek to grow revenues; we are not designing a portfolio that remains stagnant in terms of revenue growth. Obviously, fees are an important part of this, but we do not want to rely solely on fees to grow the top line next year.

And then there is a very meticulous and disciplined management of the other lines, which I call the middle lines. You mentioned provisions, and I will provide you with a directional take that we are working very intently on the new vintages, as we discussed quite a bit earlier in Pedro's question.

We are concentrating on reducing the legacy portfolio, let's call it that way, more and more rapidly; it still exists and has its importance, but it now represents perhaps a single-digit portion of the overall portfolio and should drop to half single digits in about a year, a year and a half at most.

Therefore, we want this legacy portfolio, which we have been calling the runoff portfolio up to this point, to actually be "runoffed," to be reduced in an accelerated manner, as we have managed to accomplish this year and intend to continue doing next year.

This incurs a cost, of course, in the cost of risk, but it is a cost that is almost necessary and that we prefer to remove as soon as possible. However, we aim to evolve positively in the overall cost of risk next year, positively meaning that the cost of risk falls, not rises, and the level of provisions will, in part, align with the growth of the portfolio, which we plan on keep growing, and part of this is the nearly final stage of our de-risking.

But we expect that, again, revenues will grow, that allowance for loan losses will reduce the cost of credit, and ideally, directionally, be more pre-stable, which means that the stage 1 allowance for loan losses from portfolio growth will come in, but it is a "healthy" allowance for loan losses, and the stage 2 and 3 allowance for loan losses, which are the more costly ones, we will increasingly reduce proportionally.

And a very strict and obsessive spending agenda as well, we have shown great consistency here, it is not a short-term effort, we are not focused on delivering and getting market kudos for the quarter, we want to have something directionally powerful in expense management, we believe we can do this, we manage this line more than proportionally to how we manage any of the others and we believe we can do continuous work on expenses so that, as I said, directionally – I am not providing guidance here – that directionally we have a management of nominal expenses that does not grow year over year, directionally and conceptually.

We believe that we can, while disproportionately investing where we need to invest, in cloud, in AI, in new platforms, etc., in modernizing the bank's outdated systems, but we fund this through the bank – let's call it the legacy bank, the traditional bank – becoming increasingly streamlined, so that we achieve self-funding for our growth, as we demonstrated this quarter, with virtually zero growth in expenses.

Therefore, in summary, our 2026 should be a year in which we work on the jaws in a disciplined and consistent manner, growing revenues and keeping expenses and provisions at a level virtually close to the current one, allowing us to achieve profitability before tax and then, with good fiscal management, also profit after tax as well.

So, conceptually, I would envision the bank like this, not only for 2026 but for the next few years. It is from this point that we can gain clearer visibility of returning, but in a much better manner, to the level of 20%-plus profitability, which I have already discussed with you multiple times.

Daniel Vaz: Very clear, thank you.

Camila Stolf: Great! We will now proceed with Yuri Fernandes from JP Morgan. Good morning, Yuri.

Yuri Fernandes: Good morning, Camila. Good morning, Mario. Good morning, Gustavo. I wanted to ask about the market NII, which was weaker. I think you have already mentioned that it was due to the number of business days and high interest rates in Brazil. We know that this line is very sensitive to interest rates. If you could provide some color on why it nearly doubled in the quarter, what we should expect in the short term, and a bit of sensitivity for the medium term. So, I think there is an improvement that is somewhat, hopefully, secured for next year, so if you could comment a bit on market NII, I appreciate it. And just on this point, which I think is the main focus of the call, Mario, regarding efficiency and spending, your message about nominal spending being close to zero, is there any soft guidance, any impression of efficiency? Because I was quickly looking at the revenue figures, everything you grow for revenue, 6, 7, 8, and it could even be more than that, depending on the year, with expenses growing at zero, your efficiency should improve by about 200 bps per year. So, I wanted to understand what the low end of this is, if we can see 37% going to 30%, is there any number we can consider regarding where efficiency might plateau. Thank you.

Mario Leão: Without providing guidance, but you are asking for soft guidance, I will begin with the second, Yuri, and welcome. I will again speak directionally, I won't specify the timing of when this will happen, just as I am not specifying for you when we will hit 20%, but obviously, each quarter we are getting closer to that.

I believe it is entirely feasible for us to have, in the way we calculate, there is a slight difference in how banks calculate efficiency, but in our format and our baseline, we are fully capable of reaching an efficiency ratio of 30%, I would say, over the next few years.

It's a consequence of managing that jaw that I was addressing in response to Vaz's question, but we certainly think it is feasible and will be yet another way, another route that you challenge us with. But how do you get to 20%, 21%, 22%? Without a doubt, it is through the management of the two lines, but a management that is quite focused on the delta between the two lines or the factor between the two lines.

So, without a doubt, an efficiency level of 30% is achievable and is our goal to reach when we think about the bank a bit beyond 2026, considering the next three years.

We are undoubtedly thinking about a composite jaw, because if everything here is a compounded effect over three years, we believe we can reach a level many percentage points below where we are today.

I'll leave the market NII question for Gustavo to comment on.

Gustavo Alejo: Hi, Yuri, how are you? Well, we talked a bit about NII, I mentioned it in the presentation, Mario commented on some questions, so effectively the third quarter was influenced by the number of days and the higher Selic.

We anticipated the higher Selic, and the number of days was established, so it didn't change what we had planned. In fact, as was noted in another question, our negative sensitivity has been lessened, thus our risk profile for the entire portfolio or all our interest exposure at the bank has reduced.

And you probably remember that when we discussed, when we made the disclosure in the third quarter and talked about the policy change, we stated it was an 18-month process, so we are two-thirds into this process. It is two-thirds of this process; we knew there was a plan, this plan could involve a higher or lower Selic, the Selic was higher, but we anticipated this, so under the logic of what we had planned, everything is okay, there were no deviations.

So, as it is a roadmap, in the 18th month we already have a significant change, the 18th month falls next year, so the outlook for next year will be different under this logic compared to 2025. In the third quarter, it is also important that the Selic impacts the market NII, but it benefits the client NII.

So, there is a part of the client NII that benefits from the Selic rate, while another part does not benefit and is simply higher in the quarter due to the carry of the long-term positions that we have at the bank.

This carry exists with a higher Selic rate; any entity that has long-term securities, given that the curve is inverted, will have precisely this negative carry. This negative carry is greater for all who have any long-term position. So, the message is: we continue with our planning, it is an important change in the portfolio, it takes 18 months, we have a much better risk profile and less exposure to interest rates today.

And starting from the end of this process, we will have a long-term market NII that is much more stable. What will it include? It will still have long positions in our proprietary portfolio, which may have varying degrees of positive or negative carry, but they will exist because we maintain long positions.

Therefore, in general, we have 2026 already with this process finalized, which is all this process we mentioned, but in 2025 we knew that the second half would be different from the first, with higher average interest rates and with the vertex of the third quarter having more days. So, this was all clear and was part of our planning.

Thus, what changes is starting from the vertex, when we get to month 18, we are indeed at a different level in this line, with all the stability we have talked about with you and with significantly less risk in the interest-sensitive portfolio.

Yuri Fernandes: Thank you, everyone.

Mario Leão: Thank you, Yuri.

Camila Stolf: We now have a question from Eduardo Nishio from Genial. Hi, Nishio.

Eduardo Nishio: Hi, good morning. Good morning, Camila. Good morning, Mario and Gustavo. Congratulations on the results. I have two questions. The first is regarding expenses, which you have been evolving very well. The goal of zero nominal cost has already been achieved. I wanted to know if you can anticipate a bit on this... Because zero nominal cost has already been discussed and theoretically it would take a few quarters. So, you have already achieved this and you have been evolving very well in this regard. I wanted to know your next steps, if we can see from you in terms of the number of branches, the final footprint, at what stage of this whole process you are, and if you still have more reduction in footprint, mainly. And my second question is regarding... It's actually a follow-up regarding market NII. If we can see at some point next year a positive result. We talked a bit about the process, but in absolute figures, I wanted to know if we can already see in some quarter of next year a positive result in market NII. Thank you very much.

Mario Leão: Sure, Nishio. I will take the expenses question and complement a bit on what we just talked about in the recent question. So, again, what I mentioned about this mindset of zero nominal expenses is more of a direction than a guidance. So, don't hold us accountable for having zero expenses every quarter, because there are seasonalities. For example, now in the fourth quarter, we have the full effect of the collective bargaining agreement, etc. Typically, the fourth quarter has growth in marketing investment and other more seasonal terms. I'm not providing guidance for the fourth quarter either, but when I speak directionally, it means that we will seek in the horizon that is not this quarterly one we are discussing more, but rather in the horizon of the year and upcoming years. But the mindset is undoubtedly this.

You asked about, since we have shown this in the last three quarters and it is true, our year-over-year for the third quarter is negative, comparing the third quarter to the third quarter. We will seek to bring forward everything we can, Nishio, in this expense management, without hindering the growth of the operation. Thus, the agenda remains focused on growth. Do you notice how I described the jaw to Vaz? We will aim to grow revenues and, at the same time, keep the other lines directionally stable.

So, it is a growth agenda, in terms of results and, obviously, profitability. We focus first on profitability and then on results, as you know. Thus, whatever we can do to bring forward, we will do it.

We have several initiatives running simultaneously, all with a significant scale. You can imagine the magnitude of the general expenses that a company like this incurs. We believe that despite the management over the last few quarters and years, there is room to seek more funding for our growth, with results that, even with currency fluctuations, even with the collective bargaining agreement, which will continue to happen, and even with growth, where we need to grow, we can achieve self-funding in a way that aligns with this vision, this mindset of zero nominal expenses.

So, we will bring forward whatever we can, but never at the expense of this organization's growth agenda, because the medium and long term depend on our ability to invest, to invest well, to invest disproportionately in the segments, journeys, and products that we need to invest in. And then I will leave it to Gustavo to comment on this vision, without providing guidance, but anyway, you keep challenging us on how we can think about NII.

Gustavo Alejo: So, our market NII line has three components. The first one is market making, the second is what we call the banking book, and the third are the long-term positions we have, which is the ALCO. Therefore, the most accurate response to your question depends on a few factors. It depends on the average Selic level in 2026 and also on the future interest rate curves.

So, if we have a scenario where future interest rate curves fall to a good level, you have the possibility of generating results from the positions we have. Similarly, if the Selic is reduced more rapidly than the market expects in 2026, you can accelerate the process. However, we are not relying on this acceleration.

Thus, in this way, the combination of these three factors will determine whether the market NII line will be positive, neutral, or negative. The fact is that, under the logic of ALM, which combines the banking book and our proprietary positions, it will be, based on everything we have done and what we have stated, and this finalization of the process, it will definitely be better than 2025.

Now, the remaining factors are some exogenous and some endogenous. Therefore, if the market making operation performs exceptionally well, it can outperform other negative aspects we have from the carry on the proprietary balance sheet. So, it's a very good question, but it's complex for me to specify exactly, especially because we do not anticipate, but these are the variables you should consider when studying and modeling what we have in our market NII.

Mario Leão: And this topic, Nishio, Gustavo was quite clear in explaining the three blocks that fall under this market NII line, and we commit to being transparent with you throughout the quarters regarding the evolution of each one. There are no state secrets involved; everything is quantifiable. I understand that this line is more difficult, perhaps alongside others, for you to project. We want to assist you in projecting and narrating Santander Brasil effectively, so we also commit to being more educational, as we are here, but with numbers eventually, in these major blocks, allowing you to visualize the secure evolution we will have from 2026 compared to 2025 in the overall line, while also enabling you to see each of these blocks performing over the quarters.

Once again, I am even more interested in the client franchise, so it's not to downplay the market NII; it's a component, it's a current drag on the account and possibly contrary to what you expected. That's where we experienced underperformance, okay, I accept that. However, this should be less relevant over time, as we know how to grow the client franchise well and ensure that this line, which is relevant, becomes increasingly stable, okay? Thank you for the question.

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

Jorge Kuri: Hi, everyone. Good morning. Thanks for the questions. I wanted to ask about your tax rate. It was 4% this quarter, which is evidently very low in absolute terms. Your net income grew 10% sequentially, 9% year-on-year, but it was all taxes. At the pre-tax level, you were basically flat on a quarter-on-quarter, year-on-year basis. Your effective tax rate for the first nine months of the year is 11%, which again is very low relative to the statutory tax rate. Can you explain what's behind this very low level of taxes? How sustainable that is? What is the right expectation for the effective tax rate going forward? And I guess the second question is, if I tax your pre-tax profits at the average of the private sector peers, which is around 25%, your ROE so far this year is 13.5%, which is lower than Selic, I'm guessing lower than your cost of capital. So how do you think about that underlying profitability and what do you need to do? What does it need to happen on the macro side in order for you to move that underlying profitability to better, higher levels? Thank you.

Mario Leão: Thanks, Jorge. I'll kick off and I'll split here with Gustavo. It's obviously a low tax rate, no dispute about that. We get there via, I would say, a combination of the interest on own capital, JCP, as we say, which proportionally, given the higher rates, given our capital base, it had a proportionally higher impact this quarter than in previous quarters. That obviously will continue, provided that interest on own capital continues, which we hope is the case, not for our own P&L, but for all companies that have larger capital bases, such as banks.

Interest on own capital was a big contributor to this lower tax rate. The other aspects were, and I'll let Gustavo complement, of course, tax, the legitimate tax planning, as all companies do, some tax-exempt bonds, et cetera, which allowed us to manage our tax line even better this quarter than we had already in the first semester or previous years.

And as we think this line going forward, again, without giving guidance, but not necessarily, we're not counting on such a low tax rate for the coming quarters to continue to produce the increasing profitability we delivered this quarter. So we're not relying on paying effectively 4%, 5%, even 10% tax rate going forward on average.

So we are very focused, like I said in the other questions, we are very focused on producing a sustainable and diversified, therefore consistent profit before taxes so that we generate a higher taxable base, eventually pay more taxes, obviously, and have, even with higher taxes, higher net profit and higher profitability without counting on such a low tax rate.

So directionally speaking, we obviously agree we've got to grow our profit before taxes. I shared some thoughts as to how we're going to do it, the jaws idea, growing revenues, maintaining costs stable, maintaining provisions stable. We didn't talk much about the others, but obviously working on the others so that the others become less and less relevant. All those lines combined have a very powerful compounding effect, Jorge, which we believe directionally will bring us higher and considerably higher profit before tax.

We're gonna pay more taxes and we're gonna still have higher profit after tax and profitability. Conceptually speaking, those are my main lines, but Gustavo, please if you want to add.

Gustavo Alejo: That's it, that's why we're talking about the portfolio. Spreads, how the markets NII will progress, Costs and asset quality and provisions going forward. So it will be a combination. The combination will bring more PBT and consequently we'll have a higher tax rate.

So it will be a consequence of everything that we are doing, but it's a process. It's a process to rebuilding our profitability.

Jorge Kuri: All right, thank you very much, guys.

Mario Leão: Thank you, Jorge.

Gustavo Alejo: Thank you.

Camila Stolf: We will now switch back to Portuguese with Marcelo Mizrahi from Bradesco BBI. Hi, Mizrahi, good morning.

Marcelo Mizrahi: Hello, everyone. Thank you for the opportunity, and congratulations on the results. I think there are a few points, most of which have already been addressed, but I have some points for clarification. The dynamics of expenses, for instance, was a very positive surprise. We saw growth, even when combined with other operational expenses, which was quite positive. I wanted to understand, you mentioned that out of the total reduction of 2,000 employees, 1,300 were a migration to a company, SSD, which is a platform. I would like to know more about this. When Mario mentioned at the beginning about leveraging the bank's global platform, I thought about this. Is this a global back-office platform of the bank, something along those lines, to explain this further? And if there was no impact on expenses, severance costs, none of that, was it just a migration? And looking ahead, are there still more adjustments to be made in this structure that could further enhance this reduction in expenses? Another point I wanted to clarify is regarding provisions. I understood the movement, especially of the NPL ratio, from last quarter to this one, but looking forward, we have started to see some corporate cases that raise concerns for the dynamics of companies, particularly large corporates. I wanted to know how you view this. Do you think this shouldn't lead to significant impacts on the cost of risk level at Santander? Along this line, we observed the large corporate and SME portfolio accelerating quite a bit in the quarter, which might explain the question about any changes in appetite. So, I wanted to understand a bit about provisions and the expenses, the adjustments from the employee migration. Thank you, everyone.

Mario Leão: Alright. Thank you, Marcelo. I will first comment on the first question, then I will let Gustavo talk a bit about the topic of provisions, appetite, etc. It is true that we had this migration and we wanted to be transparent, of course, with the market, that part of the reduction in the number of people is related to this. Even so, we have a reduction of some materiality and that's business-as-usual. Anyway, don't just think about store reduction. I ended up not specifically mentioning in the question, if I'm not mistaken, from Nishio. We continue to seek to optimize our store network, but it is not a spending agenda. The spending is really a consequence of this management.

What we are doing is converging our service model to what the customer asks from us, and increasingly, since we are succeeding in digitalization and now with the new app, we will make another significant leap. We are bringing Santander's consumption to a much more digital agenda, much more chat-oriented and less reliant on phone calls.

So, our classic customer service model, which has almost 10,000 people, almost all in-house, our headcount base for the remote channel, as we call it, is entirely in-house, virtually. Therefore, we are reshaping that service model to increasingly focus on chat, and eventually, over time, we will need fewer stores and fewer headcounts in this remote channel base because we are managing to serve customers much better through digital channels.

So, the spending agenda has several pillars; there is no silver bullet, and there is also no easy button to push. When I talk about the structural agenda we are implementing through various initiatives, all of them take time for us to delve deep into, question ourselves technically and precisely, and move on to execution, but we are doing that. Also, returning to the question of how much we can accelerate, we are doing this as quickly as possible.

Speaking specifically about this migration, what is it? It is the migration of all our technology employees who still manage the infrastructure, mainframe, cloud, telecom management, etc. It is a team of approximately 1,200, 1,300 people that we are migrating to this sister company of the bank. So, they are effectively leaving the bank; there is no cost, as you mentioned, in terms of labor, because indeed a migration is a carve-out, it is the same team.

Why is this beneficial for the bank? Because when the Santander Group establishes this unit and does so from Brazil, the same individuals who used to work solely for Brazil will now work, and this is a specific case, for Mexico, for Chile, for Argentina, for Uruguay. Therefore, the cost associated with them drops by a percentage that I would consider quite substantial.

So, we have a reduction in headcount that you could say is neutral in terms of expenses, but not really, because the Group is seeking, in these verticals it is building, to bring efficiency to each of the operations, also bringing efficiency to Uruguay, Chile, Argentina, but undoubtedly to Brazil.

Hence, in terms of expenses, we will see a shift in lines, perhaps, but an absolute reduction each quarter from here on, due to this type of movement. This is indeed related to the idea of us being, as Brazil, a source of talent and technology for the entire Group.

In this case, apart from the bank, there will be other instances where the bank will be developing things for which other units of the Group will be paying royalties to Brazil, for example. So, this global technology agenda, starting from Brazil, is an important agenda. And the topic of appetite...

Gustavo Alejo: No, we have already talked about the appetite issue, I mean the appetite has not changed. You mentioned large corporate cases. So, the cases of large corporates are known, each has its own process, some with greater potential and recoverable assets, others with less. Thus, we will continue, wherever we are, to follow the discussion processes.

We do not see new cases, aside from those we have already mapped, and some of the ones we mapped ex-ante we have already exited. Thus, this is "business-as-usual" management. Furthermore, for any performance deviations we have noticed, we have made adjustments. There are a few smaller portfolios, and as I mentioned in the release, we have made adjustments for some small businesses, which we call E1, our smallest companies. We have made adjustments, and we have also made some adjustments in other individual portfolios, but overall, we have not observed any movement that would lead us to reduce our credit appetite, nor to increase it.

And the large corporate cases, again, are well-known cases, each will have its own discussion, its story, and its recovery potential. Therefore, under the logic of what we are doing, there is nothing that stands out, and in general, we are satisfied with the performance of all portfolios.

We assess performance, perform backtesting on all, not just from the perspective of credit performance, but also on profitability performance. Therefore, it’s not only about the client performing well, but the ARPAC also needs to be evolving and consistent.

Thus, for now, we have not seen any motivation to make a contraction adjustment, but also, on the other hand, nothing to increase the credit appetite. And the portfolios we set out to advance, we have managed to move forward, I believe, in the right way and without increasing risk.

Marcelo Mizrahi: Do you have any insights on this acceleration that we observed? Was it due to an improved economy? Why do you think the growth of the portfolio in the third quarter accelerated so much compared to the second, both in SMEs and large corporate?

Gustavo Alejo: Well, I think SMEs showed good progress; I believe it reflects market evolution. The FGI and Pronampe products ended up gaining materiality in the portfolios. They started, but now they are integral to the daily operations of companies, so we have made significant progress there. Thus, it is a product with good collateral, so that is good.

In other instances, regarding large corporates, we evaluated that we could have greater exposure to high-quality clients. Therefore, we set ourselves the challenge of identifying where we could increase our share of risk with clients that perform well in any situation, and this is how we evolved the portfolio.

Hence, it was a combination of themes; it wasn't a directive of "let's grow the portfolio." After extensive analysis of several portfolios, subportfolios, and products with different levels of collateral, we were able to grow. The objective was not to grow just for the sake of it, but to find paths to grow in a healthy manner, and we achieved that in the third quarter.

Camila Stolf: And there was also some recovery, Gustavo, from the impact of the drawee risk in large companies in the second quarter.

Mario Leão: This also happened.

Gustavo Alejo: There was the evolution of drawee risk, which was on hold due to the IOF events, that's true.

Mario Leão: Thank you, Marcelo.

Marcelo Mizrahi: Thank you, everyone.

Camila Stolf: We will turn back to English with Carlos Gomez from HSBC. Hello, Carlos. Good morning.

Carlos Gomez: Hello, good morning, and as always, thank you for taking the time to answer all our questions. So, I have two. One is specifically about two portfolios: the payroll portfolio, which continues to decline in double digits, and the agricultural portfolio, which is not large for you, but we wanted to see your view about that one. And second, we understand that the government intends to be tougher in the use of deferred tax assets. Is that something that you believe will affect you, and you believe the banking industry in particular? Thank you.

Mario Leão: Well, I'll begin, Carlos, and Gustavo can complement. So, as we've been talking consistently over the last, at least, year, year and a half, using the same mindset of discipline, capital location, capital rotation among the portfolios and subsegments, yes, we've been decreasing from a, I would say, accelerated growth between 2023 and 2024 towards the payroll loan portfolio.

Last year, we already started decreasing our new origination due to macro and or, let's say, government-related topics. So, INSS, which is the retirees portfolio, which used to be a very healthy portfolio, and we grew a lot over the years up until sometime third quarter last year. But with the caps on interest rates imposed by the government compared to the medium-term rates that had raised a lot last semester, second half of last year, and they kept high throughout this year, although with some moderation, the net, the gross spread, the net spread post-provisions didn't make much sense.

So, on the INSS portfolio, it's as simple as that. When you add the Corban, the bank correspondent layer, it made even less sense. So, we've decreased more than 90% our origination in the Corban channel, correspondent bank channel. We keep doing some origination in the bank-owned channels, which are more profitable on a relative basis. But these are not the portfolios. And then the public, somewhat the same, some have caps, some have not, but somewhat the same construct.

And then the private payroll loans, where, as you know, we were one of the incumbents. We had 30% market share up until the new model. But with the new implementation, which, again, we supported, we believe it makes total sense, directionally speaking, but there was a, let's say, learning phase, learning curve for all the players, and we took a more cautious tone towards that in the first few months.

But like I said, we've been growing, if you look at month by month, during the third quarter, which we didn't release that way, but if you look at it, you see a clear acceleration between June-July, July-August, August-September. And we continue to believe this product will succeed. But we will be niche players. We're not going to be broadly granting to all CLT customers, all clients with a payroll, under any jobs with any companies as payroll providers. So we're going to be selective like we've been. But the pie is bigger now, so we're going to be selective with a bigger pie.

So directionally speaking, this is not a portfolio where we believe on aggregate we're going to be growing. I believe we're going to be growing in the private payroll loans for sure. And then on INSS and public, it's going to depend on whether the caps are, whether the caps grow again, or medium-term rates, they decrease much more than they already are in the inverted curve we have, so that the marginal spread makes sense. Otherwise, we're going to be allocating our risk appetite towards the clients in more transactional products, such as cards, accounts, now PIX in the credit card, than in products that do not give me that much cross-sell and the margins are small.

And the DTAs. So next year, the whole system starts to amortize, flow through the P&L, the legacy DTAs, the legacy credit DTAs, which for all banks is relevant, and for us, obviously, it's relevant as well. So there's a challenge. And by the way, this year, we are already flowing through the P&L the marginal provisions, differently from what we did up until last year. So we are already flowing the marginal net credit losses, and we're going to be flowing a percentage throughout 10 years in practice, in our case, of the historical DTAs we have.

So there's going to be a double challenge in our pre-tax profits on a fiscal basis, which is the marginal NPL, which is already happening, and this amortization. Although through 10 years, it's a large sum and it's a public number, and we're going to be flowing that obviously through the P&L as well. So our management is – well, we know that. So our management is anticipating that flow and that movement, Carlos, so that we manage that amortization of the historic DTAs the best possible way so that we manage the P&L and the taxable base and the taxable income so that we can absorb those DTAs.

And that's a work in progress, but it's a clear focus of all management, including the two of us and some others. And we're looking at it on a very prospective and proactive way so that we can manage as efficiently as we can throughout time, not only 2026, but beyond. But it's an important topic for sure, and we're going to be talking more about it in the coming quarters.

Carlos Gomez: If I may ask, I mean, that would mean that next year you will be using more DTAs, not less, which seems to be the intention of the authorities. There seems to be a conflict there between the industry and what the public policy goal is, right?

Mario Leão: Well, given that we all have to begin to amortize those legacy DTAs, as I'm calling it, the taxable income of Santander and all our competitors, which have obviously their own taxable incomes, will be affected by these additional DTAs on top of the marginal, the flow DTAs or the flow net credit losses, which we're already bringing to the taxable income. So, yes, there's going to be more pressure on the taxable income of all the system, which will probably cause the effective tax paid to be challenged by that for sure. It's a mathematical question. So you're right on that.

Carlos Gomez: Thank you so much.

Mario Leão: Thank you.

Camila Stolf: Thank you, Carlos. We will go to the last question with Tito Labarta from Goldman Sachs. Hello, Tito. Welcome.

Tito Labarta: Hi, Camila. Thank you for fitting in my question. Hi, Mario and Gustavo. Thank you for the call and also taking my question. Two questions also, if I may. Just on your funding on the deposit base, right, we saw deposits fall about 12 percent this quarter, a slight pickup in time deposits, although over the last year, deposits have been kind of flattish and we see savings deposits continue to decline, where most of the funding is coming from the LCAs, LCIs and the financial bills. So I just want to think, you know, what's impacting the deposit growth there? How do you see this evolution going forward and how would that impact your funding costs? And then second question, and I don't know if you'll have a good answer for this one, but we often get this from investors about whether Santander would buy out the remaining stake. Even if you knew, you probably couldn't tell us. But just in your conversations with the holding in Spain, how do you, you know, any comments you can give about how they view the holding in Brazil, maintaining sort of the stub piece that's publicly traded in Brazil, just any comments on the relationship with Spain and how that could evolve? Thank you.

Mario Leão: Well, thanks, Tito. I'll kick off on the funding and I'll hand it to Gustavo. But my main takeaway, my main headline here would be we're evolving our deposits, our liabilities mix, product mix, segment mix, exactly the way we want it. We incentivize you and the other sell side not to look at the, you know, cold number, which is the quarter on quarter. By the way, we grew quarter on quarter, but we are much more focused on the quality of our liabilities vis-a-vis the volume.

We could be growing 10% per quarter throughout, you know, X number of years. We have the franchise to bring much more deposits than we currently have. So we've been very disciplined over the last, I would say, at least two years in executing this strategy, which we already shared with you. It's one of the main aspects of our golden rules, which is changing the mix from a wholesale based or wholesale dependent mix, 60-40 versus retail, towards exactly the opposite.

We're basically, we're almost halfway through that movement. So it's not insignificant what we did over the years. Obviously, we need to keep pressing. This is not a, this is not a sprint. It's a, it's a more like a ultra marathon, but we're very, very disciplined, not on the overall size, but how the mix behaves.

We are bringing, this quarter alone, much more deposits from retail than wholesale. We're actually decreasing wholesale deposits while we increase retail. I would say we are funding our loan growth via our retail deposits, and particularly, more and more, our transactional deposits, which are almost non-interest bearing. That's DDA and our, you know, Contamax product, which is essentially a very low interest bearing deposit. So more and more, we're gaining those transactional deposits from individuals and SMEs.

Obviously, they are welcome as well in the wholesale piece of the portfolio, but the quality is much more important than the number. And when we're issuing Letras Financeiras, the financial letters, those are very tactical issuances because we had very low volumes historically, and the market earlier this year was extremely pro-issuers, and we managed to issue at very, very tight spreads over CDI.

And with that funding, we decrease even further our wholesale volume and cost, and therefore, the evolution of our overall liability cost is very positive and shall continue to be, independently of the CDI level. I don't know, Gustavo, if you want to comment.

Gustavo Alejo: Our plan is to change the funding mix, so our medium-term plan is to change the funding mix. And in changing the funding mix, our overall cost of funding will be lower. We are focusing on quality, as Mario said. So our liquidity levels are in good levels. In order to give room to manage the liability side in a better way.

So that's why we are reducing the overall cost in terms of the time deposits. We are increasing the transactional deposits in publics like the mass market, as we've shown in our presentation. So the mass market, we are reducing the loan portfolio and increasing the transactional deposits, so it's a very good movement. So the loan-to-deposits is better, even in the mass market, which is very good.

So it's everything according to the plan. We are not concerned in short-term variances of “depósito à vista”, for instance, because they have some volatility because it depends on the liquidity of clients. So we are really concerned in being stick to the plan and delivering what we presented to the market for the last quarters. So we are in a good pace and we'll get there in the medium term.

So this will change dramatically our balance sheet composition and obviously it will bring some points of ROAE very stable and some very good points of ROAE in the near future.

Mario Leão: And to your second question, Tito, obviously we can't share any guidance here. Even if there was a discussion, we wouldn't be able to talk about it. The way I suggest to answer your question is, one, the Group already has close to 90% of Santander Brasil. So all our focus is justifying the 90% they own of Santander Brasil so that it becomes a bigger 90% that the dividends interest on own capital distributed get larger over the years and we're obviously very focused on that, which is extremely aligned with all minority shareholders that buy our stock.

Obviously our ratios are very low and frankly I'm not negotiating here, but the levels we are trading I believe are quite low compared to the ROTE we're already delivering and the prospective ROTE we've been telling the market we're going to get. But obviously it's a matter of time that our stock converges. We're obviously not pitching the stock here, but we believe that there's a lot of upside given the execution we're delivering to the market. The Group sees that obviously as well.

So at some point they may have a debate on that. Conceptually, yes, they can have a debate on that, but that's not something we're going to be talking more about here because obviously we can't and the discussions are Group level and not Brazil level.

So our role is to deliver the best Santander Brasil we've ever had and I'm extremely confident we're one quarter ahead and we're taking all the steps in that direction and we will deliver. It's a matter of time. So our role is to deliver the best Santander Brasil and we're working on that steadily and aggressively.

And again, we're going to have the chance to follow-up with you and the others over the quarters and take the challenges you pose to us every time. So thank you very much.

Tito Labarta: Great. Thank you, Mario. Thank you, Gustavo, Camila.

Camila Stolf: Thank you. That concludes the Q&A. I would like to thank everyone for joining us this morning, and following this videoconference, myself and the entire Investor Relations team at Santander will be available to clarify any remaining questions.

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

Mario Leão: Thanks, everyone.