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

First, our CEO, Mario Leão, will discuss the key highlights of the period and the directions for driving growth in the coming quarters. 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 the 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, which is also at the bottom of your 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 to begin the presentation.

Mario Leão: Hello, good morning everyone. It's a pleasure to be here with you. It's ten and almost five now.

I will begin, as usual, with a summary of the quarter: the figures, the main messages, and then I will briefly touch on some aspects that led us here and, obviously, strategic topics that we will be able to concentrate on.

To start, here on the left, we show, beginning with the number, we have a quarterly profit of BRL 3.6 billion, rounding to BRL 3.7 billion, which is again a double-digit growth, quarter over quarter. We had achieved a 10% quarter-over-quarter growth from BRL 3 billion in the first quarter to the second. We again achieve a double-digit quarterly growth and, furthermore, a significant growth on a year-over-year basis.

Equally or even more important than the number itself — obviously, we appreciate the number — but we are pleased to take another step towards profitability. You will hear me and Gustavo discuss profitability quite a bit. We remain very focused on having an operation that grows quickly in profitability and returns to levels we have historically had, but with a much more diversified and sustainable mix, like the one we have been building over the past few years.

Thus, we achieve a ROAE of 17%, which is a significant growth. On a quarter-over-quarter basis, it's 1.5%, and on an annual basis, it's even higher. Some highlights from our major lines. Now, on a year-over-year comparative basis for the third quarter, we have a net interest income that grows by 16%, driven by the performance in almost all lines, with distinct volumes, but we grow credit NII, funding NII, we grow market NII and client NII. 16% compared to a portfolio growth of only, quote unquote, 6%, meaning we are essentially originating more on a credit base, a base of RWAs that is growing, but in the mid-single digits. We managed to grow net interest income much more than that, which aligns with our strategy to derive more value from our capital base, which will continue to expand, obviously, but we want to increasingly extract value and thereby accelerate the profitability agenda.

In fees, we also have a very positive year-on-year growth of 13%. It is possibly one of the best year-on-year percentages we have ever had. We will soon see with Gustavo that also on a quarterly basis we have a growth of nearly 3%, with very positive performance across several of our lines, which reinforces what I have been discussing with you for a few years now, our highly focused strategy on diversifying the revenue line and diversifying the macro business portfolios.

We also have a positive performance in funding: a 5% year-on-year increase may seem a modest figure, but the quality with which we are achieving this number – we will detail it for you shortly – is what matters most to me. We could easily be growing at double-digit rates in funding, but we are making a concerted effort to change the bank's funding mix, shifting much more towards retail and individual customers, and in terms of what we pay for funding in deposits and others instruments, we are materially and rapidly reducing our funding costs. Therefore, our growth in net interest income is also closely related to how we allocate capital from the asset side and how we manage our funding balance.

And to wrap up the middle column, from the perspective of cost of risk and provisioning, we have a provisioning that rises 5% year-over-year, which is again below the portfolio growth, showing that we are managing it quite well both annually and quarterly.

Just quickly moving to the right here, we discuss how major strategic pillars are themes we have been talking about and will detail each of them a little more. The first could not be different; we continue with the agenda, which is an agenda I mention to you externally, but obviously, it is our daily agenda here at Santander. We refer to it as an obsession with primacy, which we fundamentally explain to customers themselves: "we want to be the most present bank in your life, in the lives of our customers," and we will elaborate on that a bit more. Transactionality is increasingly key to diversifying our business. We do not want to demonize credit. Obviously, credit is an important element of our results, but we want to have diversified credit itself. We have had credit very concentrated in the lower income segments over the years.

We aim to have diversified credit, but we also want to significantly increase our fees, we want to have much more funding and other results. We want to grow in credit with a focus on return on capital, so this agenda is also quite obsessive about how I allocate my capital resources, which, like every bank, has limited capital resources, where we can allocate this capital to achieve greater returns not just in credit itself, but in the overall relationship with our customer.

We will discuss Investments shortly, which has been a key pillar for us in recent years and remains so. I will present some data that clearly indicates we are moving in the right direction, and we are indeed introducing a new element, which is our new positioning with small and medium-sized businesses, a new major campaign, a new tagline, and a brand relaunch that I will elaborate on shortly.

Moving here to – this is a new slide we are presenting, I will go through it quickly – but it is just to provide a sort of overview, a wrap-up, of what the agenda has been over the past four years. These last three years, especially, have been an agenda in which we bring a new strategic definition focused on diversification. I have already mentioned this.

We focus on some major pillars and from these pillars we design where we need to invest more. So clearly we needed to invest more in the Investments pillar. We've made a series of investments, created an advisory area called AAA, revamped our high-income segment which is Select, invested heavily in technology, and now we have an investment portal that we never had before, so this is one of the examples.

Regarding fees, we are concentrating on several initiatives, some of which are already starting to bear fruit. You can see how our insurance account has evolved significantly, but we are also making great strides in "consórcios", and of course, in the wholesale agenda, despite the challenging year in some aspects. We are also building an investment bank that we have never had. So we focus on major pillars and begin to invest in these pillars, and we will comment on some of them shortly.

We anchor this portfolio redesign with the vision of recovering profitability. Thus, you will hear me talk several times about capital allocation discipline, about focusing on returns. We do want to grow, but we first want to be more profitable than to be bigger, or "mas grande," as they say in Spanish. We will achieve both, but in that order, we want to be more profitable, and with that, build a much healthier growth agenda.

We accomplish all of this with extensive use of technology. Of course, technology and banking cannot be dissociated. You will notice technology referenced here across several pages, and I preferred to do it this way rather than having a separate technology page as if it were a separate topic. Technology is embedded in everything, and indeed, over these past three years, we have worked on risk reduction and portfolio reconfiguration.

Moving forward, we will, of course, continue to evolve and extract value from the four blocks I mentioned, but we will delve deeper into three messages that I wanted to share here and that we will develop with you over the next few quarters. The first is that indeed the focus, if I could summarize, the focus of what we want with customers is value creation. We want each customer to feel valued and not in a homogeneous way. I want each customer to genuinely feel they have a unique and exclusive relationship with Santander, whether they are a mass income market customer, a Private customer, a corporate customer, or a small micro-entrepreneur.

We are going to do this, of course, backed by a lot of technology; otherwise, it is impossible to cover our mass income customer in a hyper-personalized way, as we say here. We want to hyper-personalize our relationship with all individual and companies customers we have. We have over 65 million customers, so this can only be done with a lot of technology. Technology, of course, helps the customer experience, the UX we discuss here, and also reduces the cost to serve. We are strongly pursuing this agenda, and we are achieving significant year-over-year reductions in the mass income segment – I will comment on that shortly – but we must do a lot more.

And once again, discipline in capital allocation with a focus on ROAE recovery. To the right, our pillars that you are already familiar with, so it's worth a quick recap. Customer centricity – these are the five strategic pillars of Santander in Brazil, and you will hear us repeating this; strategy cannot change every quarter, so we are constantly in pursuit of these five pillars – customer centricity could not be any different.

We have an asset that few banks in Brazil possess, which is an enormous scale already. We have all the products we need. We have many of the customers we need, and we obviously want to continue growing and are growing. Our portfolio is becoming increasingly diversified. We already have a positive legacy in credit experience, efficiency experience, and we need to take it to the next level, and we, of course, have the elements of people and technology as the cornerstone of our strategy.

Speaking a bit about the theme of customer centricity, to the left are just the images of these three major campaigns we ran this year. This year, Santander is adopting a different tagline, it is now signing "Começa Agora" so the tagline we used for 7, 8 years, well, it served its purpose, and we are now signing in a different way, in a much closer, much more human manner, and "Começa Agora" the campaign we launched exactly six months, six months and one day to be exact, which derives to Santander Select to "Começa em Você" which is what is here in the middle, and now, weeks ago, we launched our new positioning for small and medium-sized businesses, which I will discuss further shortly, which is the message of "Começa Todos os Dias".

Ultimately, "Começa" is the overarching motto, the main message we wish to convey to customers moving forward, which is "I want to be with you every day, I want to be with you starting." Here, we discuss some of these strategic pillars of this integrated customer vision. To reinforce, we do appreciate customers who only consume one Santander product, but we truly want to have a complete relationship with these customers. Therefore, we increasingly want to convert the customers we call single-product customers, those who have a single consumption, into current account holders of the bank, who have a transactional relationship with us.

So I will increasingly convert the customer who is solely focused on mortgage into a card customer, the customer who is purely a card user into an account holding customer, the customer who does not make Pix transfers with us, despite using the card, and so on. To achieve this, we are evolving quite rapidly in technology. The entire industry is doing this, and we are seeking to differentiate ourselves.

And here the most important message I wanted to convey is this: credit continues to be key, of course, but credit is a means to reach the customer, a means to get to the transactional relationship and the customer primacy. So I want credit to be well priced, and it is being increasingly well priced – you will see in the evolution of our volumes, spreads, that we are positively evolving our pricing – but I want credit to be a means to achieve the end, which is customer primacy.

We have evolved in NPS. Here I mention the individual segment, improving by 11 points in 2 years – that is not a small feat. Due to the significant slowdown we implemented in 2022, we saw a decline in NPS, as measured internally and in comparison to competitors, and we are recovering a lot of that in these years, with an appetite that I would say has not materially changed, but with a much improved customer experience. This is the best NPS level for individuals we have ever achieved, and obviously, we aim for much more.

To the right, I provide some examples. We have made significant progress in the digital journey year over year, and we have also evolved in the assisted channels, as we call them, in the accompanied journey. The NPS of the stores is what I wanted to point out to you, located well below to the right. We have an NPS of 80 at the stores. This is the service NPS and measures how our new store model serves all customers, eliminating the notion of the store owning the customer base. Customers now belong to the bank, to the individual segment, and to the business segment. Ultimately, we are serving much better and better than we have ever served.

Here we take a closer look at transactionality. There are major messages here, and I will concentrate on some of them. Clearly, transactionality, which means us being present in what the customer consumes, in what the customer transacts on a daily basis, is possibly the main definition of primacy.

We have three major primacy blocks here at Santander. We call transactionality the first one that applies to everyone. There is the credit pillar for those who take out credit, more structured credit, medium and long-term, such as payroll loans, mortgages, and consumer finance. And we have a third block that applies to some, which is the investment block.

However, transactionality is the most common block. It primarily measures the close relationship we have, being the most present bank in our customers' lives. The card illustrates this better than any other product, and we have quite positive data to discuss regarding cards. We see spending growing by 10%, with average spending increasing by 10% year on year, and I believe we are just getting started.

We still have much more to capture, as we have been expanding our base of active cardholders, as we call them. We are maintaining a good sales pace, a pace with customers much more than non-customers. We have 87% of account holders, which is a growth of 3 percentage points year over year. We are seeing an increase in the activation rate, so we are not only selling more cards, but we are also activating more in M3, as we refer to it in our jargon, meaning that 3 months after the sale, I activate 5 percentage points more – that is not a small feat.

We have an NPS of 86 here in cards, which is quite positive. We are working on a new platform, meaning new card systems together with the Group. One of the benefits of being part of a large

Group is this: we can develop things together, and the new card system, which we are already applying to debit cards, and next year we will enter credit, is entirely designed in the cloud. It will bring enormous gains in efficiency, flexibility, agility, and cost.

So I wanted to mention this because it's a nice example of what we are doing together with the Group. We have our Select Global, which is our international account platform. And here, speaking a bit about transactionality, we have been increasingly strengthening the cross-selling dimension among individual customers. Here is a data point worth mentioning: from a base of 100, we increased to 107 the proportion of fees in total revenue, meaning we are growing 7 points more in fees compared to the rest, indicating that we are truly advancing in this diversification.

We have, as I mentioned before, technology once again present and it is fully embedded in the customers' journey. In the Pix journey – Pix is the most basic and standard product in the entire industry, yes – but we improved our Pix NPS by 16 points year over year. It's not that it was bad; it was in the high 60s, but now it is at 83, so obviously a clear evolution. We now have a Pix with two stages in the journey, so I just want to point out to you that even in areas that were already working well, we continue to invest heavily and we aim to provide the best experience in the market.

Talking about credit very quickly, we are here connecting some messages. I will start with the one at the bottom right, focusing on the consumer finance unit. Everyone is keeping a close eye, we have the largest consumer finance business and continue to lead in vehicle financing in Brazil. We have achieved a 20% year-over-year growth in our portfolio. We have this alongside a reduction in over 90 days NPL. Our net revenues are increasing by 33% year-over-year while costs remain flat. Growing the portfolio by 20% year-over-year with flat costs is not easy, as there are many variable costs. This also illustrates our efficiency journey, always striving to do more with less or at most more with the same.

So consumer finance continues to perform quite well, with an NPS of 91, which makes us very proud. We have partnerships with nearly all the major automakers in Brazil, 6 out of 10. And we have a cross-sell with the bank that grows by almost 100% year over year. To give you a number, our consumer finance alone will bring in more than 500,000 customers this year, who would be single-product customers in the consumer finance unit and have become active customers at the bank. Therefore, our customer activation journey, our customer acquisition, largely involves the consumer finance business.

In the upper right corner, I will briefly discuss the mass income segment. Net revenue for the mass income segment, which is gross revenue minus cost of risk, has increased by 113% over the past year, rising from a base of 100 to 213, which means that we are indeed de-risking with a portfolio that is becoming increasingly healthier, and the cost base has also fallen by 12 points over the year. Therefore, we are opening a quite positive jaw for how we handle the mass income segment.

And here is a quick comment on Select. Select continues to grow its share in the individual segment, and obviously, the profitability of Select customers is much higher. Again, credit, to conclude, is a super important element of the portfolio, but increasingly the message here is that it is a complementary element of the overall offering. Credit is important; it needs to be well-priced, and it must be well-targeted in terms of customer quality, term, and volume. But obviously, it has to be a means to an end, which is the broader transactional relationship I aim to have with our customers, and we will keep growing credit focused on return on capital.

In closing, I want to share a few messages regarding the topic of hyper-personalization. We will discuss this more over time, but it's mainly to convey that through real-time customized offers, data-driven prospecting, adaptive journeys, and intelligent approaches, we are increasingly focusing on micro-pricing for each customer, providing terms for each customer, and offering volume for each customer, covering everything from the mass income market to the most sophisticated customers in our Corporate Investment Banking.

Investments quickly, here on the right. Here is our bull, now in red, our bull from Toro, our digital brokerage. We completed the rebranding of Toro this quarter, and we are increasingly presenting Toro as part of a comprehensive and integrated offering between Toro and Santander. Santander brings the close and specialized human channel, represented by AAA, by our own advisory office, as well as our high-income segment, our Private banking, and our business area. Toro, on the other hand, provides the best digital experience, being the top digital brokerage in the market. The two offerings are becoming more interconnected, and we are now selling Toro through Santander's channels, which is already leading to an even greater increase in the volume of what we were already successfully doing at Toro, in a more independent manner.

The retail segment has captured BRL 23 billion in the year to date, which is a growth of almost 30% year-on-year. I am sure there is still much more for us to do ahead, and we will do it. We are increasing the individual investment clients base by 10% year-on-year, which is not a small feat, meaning that the investment agenda is truly ingrained here within the bank. AAA during the quarter brought in BRL 6.3 billion, which is compatible with the second quarter, and obviously a year-on-year growth above 100%, with a net inflow per advisor of almost BRL 4 million in the quarter, which is, compared to market players, a quite robust inflow. All of this is accompanied by a high NPS, and all of this is directed towards this major pillar, which I want to be, and is increasingly becoming, Investments here at the bank.

Here’s a quick glimpse at our new positioning in small and medium-sized businesses. You might remember that at the beginning of the year, we launched a new service model, where we now have small business specialists, whom we call “Empresas 1”. These specialists are no longer inside the stores. We removed the specialist from the stores and started placing them where? Where it matters most, which is at the customer's home.

So, our specialists, who are now responsible for micro-regions, are thousands spread across Brazil, and we continue to expand this team. These specialists now not only cover the customer at their home, which results in a level of visits that is often much higher than we could achieve before. Now they have a new value proposition, which is the offer we materialized a few weeks ago, in which we seek to engage business customers, small and medium-sized businesses, in a much more powerful way than we have ever done, with a complete solution, a rewards journey, alongside the human and close service that we had already launched at the beginning of the year, and with the revival of a project, a program that we have had here for 10 years, called the “Avançar” program, which fundamentally provides content, whether online or in-person, about entrepreneurship, business, and the market for these business customers.

With this, we intend to take an even stronger turn towards doubling our size in small and medium-sized businesses, in the business customers of our retail. We have been progressing well in this segment. It is not linear, as I always say, but we have an ambition to, in a few years, have a business that is twice what it is today, and this step of a new value proposition is a crucial step in that direction.

With that, I now invite Gustavo to go over the numbers, and I will be back for the Q&A. Thank you.

Gustavo Alejo: Thank you, Mario. Good morning, everyone. Now let's talk about the results. Net interest income continues to expand, both quarterly and annually. We grew by almost 16%, reflecting the evolution of our strategy in clients and markets. In the quarter, client NII performed well, prioritizing more profitable lines and segments, which also resulted in an increase in the spread during the period. In market NII, we observed a better performance due to higher results from treasury operations. We are committed to sustainable long-term expansion, adopting active risk management, pricing discipline, and technical rigor in resource allocation.

On the next slide, we will focus on the loan portfolio, which showed a slight decline this quarter, resulting from our disciplined pursuit of higher profitability. We observed growth of almost 11% in retail, while in the corporate segment we continue to focus on profitability, an approach that has been in place since the second quarter of 2023.

Regarding the individual portfolio, we saw a growth of 0.8%, highlighted by higher transactionality products, such as cards, which grew by 2.5% in the quarter. Still in cards, we have shown quality growth, noting a greater concentration in the middle and high-income segments. Spending, as discussed, has increased due to the expansion and penetration of the customer base.

In payroll loans, we made adjustments to origination in response to profitability pressure caused by the opening of the interest rate curve and rate caps. On the other hand, the vehicle financing market still shows good dynamics, and we grew approximately 5% in the quarter, and as mentioned earlier, our portfolio is well positioned in terms of loan quality. In small and medium-sized businesses, we achieved an important portfolio evolution of 2% in the quarter, with a special focus on small and medium-sized businesses. In this sense, it is worth highlighting that we are prepared to advance in this segment with quality and at a suitable pace.

Moving on to the next slide, we show the performance of our funding, as previously discussed. We recorded stability in the quarter, as expected, with dynamic liquidity management and pricing discipline in funding. We continued to advance in improving the segment mix, with individual customers growing by 2 percentage points over the last 12 months.

We have also optimized the mix of funding instruments and costs through the issuance of subordinated financial bills, while announcing the Tier 1 call with settlement scheduled for November. In closing this slide, the loan-to-deposit ratio continues at its lowest historical levels, reaching 93%.

Next, I will show the performance of our fees. In this quarter, we again recorded the highest historical levels, resulting from our revenue diversification strategy, which has been progressing very well. We registered growth of 3% for the quarter and 13% for the year, with good performance across almost all lines.

I want to highlight the growth in cards of 3.2% for the quarter and 14.4% for the year. Insurance, current accounts, and asset management showed increases for the quarter, along with significant progress compared to the previous year. An important point is that the securities brokerage and placement line, despite a decline, shows a cumulative growth of 5% year over year. Within the Others line, which you can see here, the largest improvement for the quarter is attributed to the good performance of capitalization.

On the next slide, we will address the quality of our assets, where we maintained Allowance for Loan Losses stable in the quarter, resulting in a cost of risk of 3.7%, with a reduction of 60 basis points over 12 months. The performance of NPL Formation was positive, underscoring the improved quality of our origination, reaching 1.1%.

Due to the better quality of the vintages, the renegotiated portfolio already shows a reduction of nearly BRL 5 billion compared to the third quarter of 2023, with a decrease of 130 basis points relative to the total portfolio from last year.

On the next slide, we will provide a detailed view of the evolution of our NPL indicators. Our lending remains well-balanced and the portfolios are completely aligned, as I said. Both the short-term and long-term indicators remain virtually stable.

The increase in NPL among SMEs is partly due to the renegotiated portfolio I mentioned in the previous quarter, especially in the segment that includes companies with revenues of up to BRL 3 million, and due to additional pressure in the corporate segment stemming from the Chapter 11 cases you have been seeing in the media.

The provisions and NPL ratios under control enable the absorption of these events without any major impacts, and I underscore that the short-term indicators are adjusted, suggesting a more favorable trend ahead.

On the next slide, I will detail our expenses. We are making progress in our pursuit of efficiency, focusing on controlling costs. During this quarter, we recorded the partial effect of the new collective bargaining agreement, which had a 4.6% adjustment and impacted personnel expenses.

In administrative expenses, the increase is related to the expansion of our business, which is good, and the growth in expenses was below revenues, contributing to a better operating leverage. We saw a sequential improvement in the efficiency ratio, which showed a 3.6 percentage point drop over the year.

To conclude the results section, I will talk about our Income Statement. We observed a 15% increase in total revenues compared to the previous year, driven by both NII as well as the positive evolution of fees. In terms of provisions, we experienced stability in the quarterly comparison and a slight increase in the annual comparison, and we maintained strict control over our expenses, resulting in a profit of BRL 3.7 billion.

This result corresponds to a 10% increase in the quarter. We concluded the third quarter of 2024 with an increase in profitability, presenting a ROAE of 17% and a CET1 of 11%.

In conclusion, I want to highlight that we remain focused on the gradual resumption of our results, which have evolved in line with our expectations, and our objective is long-term sustainability, with solid and consistent results.

With that, I end my part of the presentation and turn it over to Mario for the closing remarks.

Mario Leão: Thank you, Gustavo. Here just to reinforce, so we can jump right into the Q&A, emphasizing four or five main ideas that I wanted to highlight, which we discussed during the presentation.

First: again, primacy means being the most present bank in our customers' lives. So, this message that, when I am traveling around Brazil, seeking to talk to customers, listening to customers and non-customers, the message has to be this: "I need to be the most present bank in your life," and everything, at its core, leads to that. It starts with the customer, and we design the strategy backward.

The second major point: this primacy agenda – again in our internal jargon – this agenda only happens if we are absolutely embracing technology. I spoke this morning with the bank's employees during our internal broadcast, technology does not deserve a page or two, technology is absolutely key, it is business, it is customer, and if a large bank like Santander, digital, multichannel, does not understand this, we will not be able to achieve the growth agenda we aspire to. And we will get there.

Third: we want to deliver value to customers through technology and a complementary human experience. We want to deliver value to customers, with the customer's perception, rather than the bank's, becoming increasingly clearer. This applies to investments, card usage, and our support in non-financial matters, which are increasingly important in our offerings. And undoubtedly, in a hyper-personalized experience that is growing more powerful, where the customer feels unique in a one-of-a-kind conversation with us, where they only need to share their needs once, and frequently, I can anticipate their requests through data and provide solutions even before they face the problem.

We want to grow by prioritizing the relationship as a whole. So we want to increasingly migrate through offerings, simplification, and also through technology. We want to migrate our relationships to complete relationships with customers, and that is where we will allocate, of course, our capital in an increasingly selective and clinical manner, aiming to grow, but also aiming to accelerate our growth and profitability agenda as a major focus, as we have shown and are working to keep demonstrating throughout the upcoming quarters, until we reach a level significantly above where we are now and, undoubtedly, at that point, continue working for more.

To conclude, and to open the Q&A here, this is a quarter that we are pleased to report. It is undoubtedly a concrete step in the right direction, with quarter-over-quarter growth, year-over-year growth, a quarter without extraordinary items, a quarter, as I usually say, quite clean, and we are very happy with the progress and what lies ahead, undoubtedly even more.

On that note, I pause and invite Gustavo to join us for the Q&A. Camila, over to you.

Camila Stolf: Thank you, Mario. Thank you, Gustavo, for the presentation as well. We are now going to start the Q&A session. From this point forward, you will have the opportunity to address your queries with us. To do so, just click on the hand icon at the bottom of your screen. We will answer these questions in the language in which they are asked. And once again, I kindly request that each analyst ask only one question so that everyone can participate.

We will now start with XP Investimentos, with Matheus Guimarães. Matheus, good morning, welcome. Matheus, we still can't hear you. Not yet. Not yet.

Matheus Guimarães: Can you hear me better now?

Camila Stolf: Now, yes. Perfect.

Matheus Guimarães: Ah, well. Sorry. Thank you. Congratulations on the results and thank you for the opportunity to ask. I believe the third quarter is a materialization of many of the things you have been signaling in recent quarters, right? Looking forward, and in line with this somewhat uncertain macro environment, what can we expect in terms of growth, particularly in the loan portfolio? I think it would be great to get some perspective and hear a bit from you.

Mario Leão: Of course. Thank you for the question. I'll start here, and Gustavo may add his input.

What we accomplished this quarter was a sideways movement, in a way, of the portfolio, a slight decrease, but you can see the dynamics from portfolio to portfolio, where we speed up in areas we believe there is marginal profitability and where there is marginal cross-sell for us to achieve, and in some portfolios, there are one-off effects, of course, in the corporate segment, as Gustavo mentioned, there is the case, well, of a specific name in wholesale, already an old case, there is the exchange rate theme, but still, we would have seen a decline in the corporate portfolio.

So, what was this quarter about? I think it was quite clear: it was a balancing of our capital, which is still growing, towards the portfolios where we see the potential for marginal profitability, whether in the credit operation itself or in cross-selling.

What are we going to do from here on out? Precisely that, in an increasingly clinical and meticulous way. I will give some examples here to illustrate. We have grown a lot over the years and gained a significant market share in payroll loans. We still really like payroll loans, of course, but payroll loans have different portfolios within them. We are quite large in the private segment, and perhaps the largest in the market, and we have everything to grow there, and it continues to perform very well in terms of profitability.

But for part of the audience, predominantly in the “INSS”, payroll loans, at the margin, do not have the level of profitability that we deem compatible with what we want for our portfolio. So the brief answer to your great question is this: we will seek to continue growing overall, but some portfolios may potentially lean more towards flattening or declining, and perhaps the “INSS” payroll loan is one of those cases, because profitability, the way it has compressed between the funding cost, medium-term rate, the cost of origination through external channels, at least in part, and the cap rate, which only fell with the Selic, but now that the Selic has risen, the rate has not increased.

In practice, the net spread of an “INSS” payroll loan, especially one made through an external channel, no longer justifies my marginal capital allocation. Therefore, the marginal cross-sell of an “INSS” customer, when looking at the second derivative, is also not the best cross-sell available.

So I can reinvest this capital much more effectively in consumer finance, which is growing, as you saw, by 20% year over year, and I have no desire to slow down the consumer finance business.

Small and medium-sized businesses have many sub-portfolios, but directionally I still want to focus on growing in small and medium-sized businesses. I've talked about the ambition to double it in a few years; doubling doesn't mean just doubling the portfolio itself, but rather that the entire business grows, and it is a business that is highly cross-sellable, if I may use that term, where I can generate a lot of fees and funding as well.

So, what about the corporate segment? That's a good question. We will be selective. The good news is that, as we have been quite rigorous in marginal profitability over the past year and a half, I would say, in the corporate segment, our portfolio has almost constantly declined at the margin among corporate customers. First, we have not lost revenue, so we have been increasingly better at cross-selling to corporate customers.

I am originating more with the same RWA base; I would say that in the corporate segment, I am originating more with less RWA, and this is a positive agenda. Of course, where I have the opportunity, when the capital market tightens a bit, when the competition as a whole in the corporate segment becomes a bit healthier from a pricing perspective, I will be much lighter and leaner to expand again.

It is not a matter of credit appetite, much less a matter of capital; it is a matter of opportunity and disciplined allocation of RWAs. I hope I have answered the question here.

Matheus Guimarães: No, that's quite clear. Thank you very much, Mario.

Mario Leão: Thank you.

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

Yuri Fernandes: Camila, good morning. Mario, Gustavo, congratulations on your journey of improving ROAE. I wanted to focus a bit more on your equity in the balance sheet. This quarter we saw an impact, I believe of BRL 1.3 billion already net of tax, from some quite old cases. I'm referring to Banespa, I think there's a dispute regarding profit-sharing for retirees here. I wanted to understand if this is what is leading your CET1 to experience this slight decline of 20 bps, that's my first question. And if you could give some context on what this is, if we should expect other old cases to affect the equity, I can only recall perhaps PIS and COFINS, which was more recent, but just to understand if we should anticipate these surprises in equity, because aside from that, I think everything in the P&L was very good. It's just this book issue that drew my attention a bit more. Thank you.

Mario Leão: Thank you, Yuri. Thank you for always looking into and commenting on the capital. It's a level of diligence that we really appreciate, so thank you for the challenge.

The question is great, so in this instance, to put a name on it, this is a case involving Santander and Banesprev, which is our employee pension fund, as the name indicates, from the time of

Banespa, along with an association called Afabesp. This case dates back to 1996, Yuri, so some of you, I entered the market that year, meaning many of you likely weren't even in the market yet. It's a case that spans 28 years.

And we could here, Yuri – the judicial system obviously has its own timing – we have been handling this as we go, but over the past two years the cases began to be ratified, on a still small scale, and we could have simply proceeded with the provisioning resulting from the ratifications.

But we took an action that, again, is allowed by a bank that has an organic result that can accommodate, an organic capital that can accommodate, in this case, and we preferred to make, in the middle of this year, from the second to the third quarter, an agreement. We design the agreement in the second and execute it in the third quarter, which is an agreement with this association and its lawyers, through which we offer a material financial settlement for each of them, totaling a gross amount of BRL 2.7 billion.

We put a lot of effort into this agreement. Then, once the agreement is aligned, they work within the association and with the lawyers to secure enrollments, because the agreement is not mandatory; it is based on voluntary enrollment. We achieve 90% enrollment, which is quite high, considering we are dealing with older individuals, who are not always so accessible, and this enrollment level results in a total agreement, these BRL 2.7 billion turn into approximately BRL 2.4 billion – I am using round figures – which, net, generates a capital allocation of BRL 1.3 billion, as you correctly noted.

Therefore, in summary, this is quite an old case, and we decided to address it now rather than let it accrue over the coming years. We also eliminate, Yuri, an important risk that future ratified cases might involve larger amounts, thus we contain and limit, if I may use the expression, limit the cost, limit the loss to an acceptable amount.

We closely monitored this through our legal department, and we chose to take this step to settle and recognize it now in the third quarter, which is when the actual enrollments occur. The payment happened to be made in October, and we are capturing most of this in our Select, on AAA, so the funds are returning to us as investments.

The accounting in capital is for a technical reason, Gustavo can elaborate on this a bit more, but we can follow-up offline. Essentially, since this pertains to a post-employment benefit, there is a specific accounting item for this type of situation that allows it to be recognized directly in OCI, which is the equivalent of Brazilian OCI – this has obviously been discussed extensively and confirmed with the internal, external, global auditor, etc., and we are quite comfortable with it, as is the regulator, obviously.

So the accounting is accurate, it relates to, I would say, the resolution, comprehensively speaking, the enrollments were 100%, so you might ask: "oh, and the 10%?" The 10% will remain in accrual, but there is a much smaller materiality and, obviously, we have a provision for that. This will show up over time.

Thus, we do not expect anything in this case to be material, and we do not have other materiality cases, Yuri, which was the second part of your question, that should emerge and decisions we need to make in the coming quarters. This was a major old case that could have been worth many more billions, and we are here cutting it to an acceptable level and placing it in the result on the balance sheet, in this case, because we could, we could do it and preferred to do it now.

Yuri Fernandes: Very clear, Mario. Thank you for the technical response.

Mario Leão: Thank you.

Camila Stolf: Now we will move on to a question from Banco Safra with Daniel Vaz. Hi, Vaz, good morning.

Daniel Vaz: Good morning, Camila. Good morning, Mario, Gustavo. Thank you for the opportunity to ask questions and congratulations on your results. Looking at your portfolio, particularly the trajectory part, consumer finance is becoming increasingly relevant overall. Thus, consumer finance gains part of this, and allied to this trajectory, we have Resolution No. 4,966, the regulation that is expected to come into effect in January, which should create a greater need for provisioning in the origination of these vehicle loans, so you have a loss-given default that is heightened due to a recovery asset that you bring to present value. How have you been addressing this impact? I would like to understand the effect on your recurring provisioning level and whether your CET1, which is currently slightly below peers at 11%, has any implications that we should consider for the start of next year. Thank you.

Mario Leão: I'll start here, and then turn it over to Gustavo, Daniel. Thank you for the question as well, a great topic for us to cover. We are not yet anticipating the magnitude for the market.

Obviously, we have been working for quite some time, for many months, and it is not just a technical job of our accounting team and provisioning models. Gustavo, I, and several others are involved. To claim that there is no impact would obviously downplay the evolution of the regulation, so there is certainly some impact.

We do not foresee this impact being significant to the extent that, looking at the full year 2025, we do not believe it will materially affect CET1 and our payout capacity.

So, anticipating an implicit question in what you are asking, we are not dividing the materiality. There is indeed an impact, but we do not expect this CET1 adjustment to be material enough to affect our ability to distribute dividends over the next year. This is a given.

I will ask Gustavo to comment a bit more on the consumer finance theme, whether it's me or others, but undoubtedly this is an important subject for the entire industry and we are monitoring it very closely. And again, on a macro level, we will do what needs to be done, we will evolve the models, but think of this as something that throughout 2025 is absorbable and will be absorbed over the year. Isn't that right, Gustavo?

Gustavo Alejo: Regarding the portfolio logic – it applies to the consumer finance one, but to all portfolios – we have been operating for many years under the IFRS 9 regulations of the Group. Now we will apply Resolution No. 4,966, so our decision-making process for lending decisions is based on all aspects of the standards we operate under.

So we have no surprises. I don't know if that was perhaps the angle of your question, but we wouldn't have surprises in what we are originating at the consumer finance unit applying Resolution No. 4,966. Since we use IFRS, we essentially know what the impact of Resolution No. 4,966 is today, in the decision-making for marginal portfolio for all the portfolios we manage, we do this for all portfolios, vision, product, portfolio, customer, we apply the measurement of what we expect in terms of performance based on the regulations we know and we also draw significantly from our experience with IFRS 9.

Thus, I think that was a bit of the angle of your question. Obviously, we are already applying this in decision-making, and regarding this technical rigor and improved capital allocation, this is a variable we have been using for a few quarters, so it does not change our modus operandi. Therefore, we do not need to adapt; we are already adapted. So generally speaking, for all portfolios, that's it.

And then what Mario mentioned as well, it is a new regulation, Resolution No. 4,966 differs from Resolution No. 2,682, and naturally this difference already brings more provisioning. Hence, Resolution No. 4,966 has more provisioning than Resolution No. 2,682, so we may potentially have an adjustment in equity.

Daniel Vaz: Got it. Thank you for the response.

Mario Leão: Thank you.

Camila Stolf: The next participant is Mario Pierry from Bank of America. Mario, you may proceed.

Mario Pierry: Good morning, everyone. Thank you for the opportunity to ask this question. Mario, I wanted to understand a bit about the macro scenario in Brazil in recent months, which has worsened. We are seeing that the futures yield curve continues to rise, and there is more uncertainty. I wanted to understand how you see two segments in particular, the small and medium-sized businesses and the low-income segment. I think you talked very little about low income. In the past, it was a topic you discussed as a potential opportunity, and now I haven't heard much about low income. I wanted to understand if the strategy there is changing and in small and medium-sized businesses, how do you see the competition and your credit appetite for the segment? Thank you.

Mario Leão: Thank you, Mario. Great question.

We spoke less about the mass income market or low-income segment simply by choosing the topics to address in each presentation, but it obviously remains a major focus. We are neither exiting nor materially reducing our low-income segment. What we are doing is a continuous de-risking effort in this portfolio, in all of them, but particularly in this portfolio, Mario.

And I would say that today we are distinguishing between the old vintages where we perform de-risking and the newer vintages, especially in the last two years, and I would say that we are aligned with the low-income customer base we aim for. We are still, of course, expanding the franchise, continuously attracting new customers with more data and greater use of technology. Thus, our acquisition of new customers is becoming more targeted, and without a doubt, our growth involves low income.

Now, when I talk about being very discerning in how I allocate capital – connecting it to the previous question – the “INSS”, the “INSS” payroll loan has a lot of low income there. If I realize that my marginal profitability from that “INSS” payroll loan for low-income customers is inadequate and my ability to cross-sell is also quite limited, because the available income limit of that customer is low, I will engage in less of that in the near future. It's less about credit appetite, Mario, and more about capital discipline.

So, I would say that our focus on mass income or low income and our focus on small and medium-sized businesses will be calibrated by an overlay of credit appetite, which we have not materially changed over these years. It has been two years and a few months since we implemented all the main adjustments we wanted to make regarding credit appetite. Since then, it has been standard calibration of the borders and continuously testing and adjusting, which is typical bank management. But we haven't made any material adjustments.

Thus, we have an appetite at a level consistent with the last few years, meaning it leans more towards the conservative side, I would say, rather than being ambitious or aggressive. We do not intend to alter this appetite, and the next question is: where do I best capitalize on the capital I have? So, am I still focused on growing in the mass income market? Yes, I am. Less with products that yield low returns and generate little cross-sell, and more within the credit appetite I have, with products that bring me more transactional relationships and, consequently, more primacy, and along with that, fees, along with that, inexpensive funding, cheap deposits.

Therefore, in mass income, the main agenda is the duet of cards and checks. "Oh, but this has a potential, a higher cost of risk than payroll loans or mortgages." That's true. However, when adjusted for how much spread I can generate in these portfolios, how much transactionality I bring, thus the spread, let's say, expanded against the cost of risk within the appetite I have, we are quite confident that focusing on products that foster transactional relationships is the right path, even in the mass income market. Again, within a risk appetite that I have not changed.

The same applies, in a way, to small and medium-sized businesses, especially medium-sized ones. We are seeing a significant increase in Chapter 11 filings this year. Possibly, it is a record year for Chapter 11 filings, and in our high SMEs here, we are witnessing more Chapter 11 filings than we have had before. This brings an element of delta, and we have observed this in the over 90 NPL. It is not something that concerns us overall, but we will pay close attention to it.

Portfolio management for small businesses is performing well, and regarding name-by-name approvals, Mario, we will keep a careful eye on the sector and the company's leverage. We are indeed concerned about more leveraged companies, of course, as with a benchmark interest rate of 11%, nearly reaching 12%, possibly 13%, plus the spread, the marginal financing cost for these companies is quite high and will remain so for an extended period.

Hence, there is indeed a point of attention, yes, regarding companies in general and less so in this sense with individuals, because individuals already pay a high interest rate anyway, and it won't be the increase in the Selic rate that will materially raise the all-in cost for individuals in this regard. I hope I have addressed your points here.

Mario Pierry: Thank you.

Camila Stolf: The question now comes from Pedro Leduc from Itaú BBA. Hello Pedro, good morning.

Pedro Leduc: Good morning, everyone. Thank you for the question. Congratulations on the results as well, Mario. Two quick questions: first, services. I also asked this in the last call, and it was expected to cool down, but it remains very strong, double digits year on year. If you could elaborate a bit more on this and what we can expect for next year. And then, returning to the rationale of growing efficiently in capital, optimal RWA allocation. This was very clear in corporate, right? And I wanted to extend this a bit to consumer finance, where 4-5% portfolio growth is very strong. If you are also seeing more opportunities to continue growing at this pace in the coming quarters. Thank you.

Mario Leão: Cool, Pedro. Thank you. Great questions.

Speaking quickly here about fees, or service in general. For some time now, I would say for a few years, I have been talking to you about our focus on diversifying the macro business portfolio. This is indeed about creating diversification in credit, but it is also about building a much stronger fee business relative to the RWA base we have always had.

Compared to some of our major peers, like the one you represent, Pedro, we have historically had a lower fee-to-RWA ratio. This is obviously an easy diagnosis to make, but not so easy to fix, and it requires consistent focus, direction, and incentives. However, it cannot just be the kind of sprint incentive from the sales network, where you run a campaign for a trip and then it fades away. It has to be something truly structural within the organization, right? And there are many answers.

So, I appreciate more than just the growth itself, seeing that it is quite diversified across various lines. Of course, there are always some that stand out more. This quarter experienced a negative capital market, but we obviously have a powerful franchise. We had, perhaps, fewer capital market transactions in some instances, due to, once again, strict capital discipline and not wanting to engage in those that were too tight.

Thus, for me, the point about fees, Pedro, is to have several lines of fees that exceed BRL 1 billion/year. We already have seven, and the accounts of a few billion/year, cards and insurance, for example, need to grow. So, did we have good "consórcio" growth during the quarter? Yes, annualized double digits. Am I happy? No, I'm not, because we need to think about a "consórcio" business that, in a few years, will double in size. And when I say double, I mean double the actual figures, double the material results.

Therefore, we have a BRL 1 billion "consórcio" business, and if it doesn't turn, in a few years, and it can't be 10, into a BRL 2 billion business, not at the final level, but at the next stage, I will certainly not be satisfied. So, you can hold me accountable for the "consórcio", for instance.

Fundamentally, it's about taking these large fee lines and growing them in a way that each one becomes more significant, but the agenda behind this is our disciplined focus on measuring, and I explicitly say this, measuring fees-to-RWA, as one of the key KPIs of the bank. Hence, we need, we systematize this over the course of this year, and from this point forward, we will continue in an even more clinical manner, I would say, focusing on this KPI and striving to converge with the best practices found in the market and also outside Brazil.

The consumer finance theme. I bring up the point and Gustavo complements it, as it is a business that is, in fact, under his management. We look at consumer finance, even though it is the typical single-product business, so to speak, it is actually a separate entity of ours, Aymoré Veículos, and it is indeed operated in a very integrated but quite independent manner.

We have impeccable leadership there. However, what we have done well in recent years is also consider the consumer finance unit beyond, Pedro, what the business itself offers. The business itself, as Gustavo will discuss, is very solid. I could be doing no cross-selling with the bank, I could not be bringing in 500-plus, and it will be nearly 600,000 customers this year, as active bank account holders.

The business is quite profitable, within the risk appetite that we established back then, and given our penetration, we are in thousands of dealers across Brazil, originating between 80% and 90% of all vehicle financing seen in the market, choosing to operate 21% to 22% within our appetite, but Gustavo, please elaborate a bit more.

Gustavo Alejo: That is precisely the angle, Pedro.

Thus, we choose to operate 21%, 22%. So at the consumer finance unit, we assess each contract individually. Hence, we make decisions based on each contract, tracking their performances with the best metrics, going back to the earlier question, and also utilizing the provision metrics across both GAAPs.

So, the performance continues to be good. Regarding the margin, we are able to project, and what we are projecting is being confirmed. We will expand to the extent that this performance is upheld. We would prefer not to lower the performance from a profitability standpoint at the outset and then reassess.

Therefore, we believe there is room, but we will grow according to the demand for this risk profile and with the characteristics we are working on. Is there a possibility to expand more? Yes, but I will go to a level of profitability, of performance, which includes credit performance, that today makes less sense for us.

But there is significant demand in the auto market, and we are operating where we feel comfortable, targeting for a profitability that is quite interesting.

Mario Leão: I would say that to conclude, Pedro, the marginal profitability we are experiencing – not that we are seeking to have – that we are having at the consumer finance business, at the margin, without any cross-sell, is already aligned with the significant level of ROAE we want to achieve for the bank as a whole. So, the consumer finance unit is pulling us upwards, not pushing us sideways or downwards.

So, just to convey this message that we have the discipline on a contract-by-contract basis that Gustavo mentioned and, in a way, it serves as the benchmark for what I want and am doing for all the other bank portfolios.

Pedro Leduc: That's clear. Thank you very much.

Mario Leão: Thank you, Pedro.

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

Thiago Batista: Good morning, Camila. Good morning, everyone. Can you hear me? Let's go. My question, Mario, you and Gustavo have already commented throughout the call on the importance of the bank's profitability. In the past, you indicated, I think it was in the last quarter, a newspaper article recently came out indicating that ROAE could return to the level of 20% over the medium term. My question here is what are the most important levers for this return to move from the 16%, 17% that we have today, and reach this ambition around 20%? And if, in some way, the Selic at this new level, I don't know if it's 12%, 13%, whatever it will be, if that hinders this process of bringing the bank's ROAE to around 20%?

Mario Leão: No, Thiago, great question.

I will begin with the second part, as it helps to address the first. Does a higher Selic rate help or hinder? It hinders. To be practical here, we have, historically – you have been following the bank for a long time – we have a negative margin sensitivity to interest rate increases, due to the cost of carrying our ALCO portfolio and, especially, the fact that, historically, we have conducted all our origination for individual clients, which is prefixed, on an unhedged funding basis.

Therefore, this is how we have operated for years or decades. In practice, when interest rates rise, you have a higher carrying cost, which is reflected in the market NII, and when it rises very quickly, as it did between 2021 and 2022, we saw what happened. At the margin, there is a delta carrying cost, in practice of the back book, as we call it, from the historical origination and the ALCO portfolio.

Going forward, we have been striving and will keep striving to neutralize this movement more and more, because we want to have – and I have mentioned this in previous situations – we want to bring more predictability and less volatility to our results. One of the, perhaps, historical volatilities or unpredictabilities we experienced was associated with this long position in interest rates, quite structural, that we have always had.

So, we will, in terms of margin, Thiago, seek to better manage this balance of liabilities and assets and, with that, aim to neutralize over time, which will reduce the effect of interest rates, whether up or down, over time with this result, which I hope will make it easier for analysts and investors to read, understand, and project what Santander is and where we are headed in the coming years.

Bringing this to the profitability question, then, I would have a detractor of my recovery improvement, my profitability recovery due to the Selic, which I will seek to neutralize as much as possible, which is the argument I just made, but what are the key levers? In a sense, it's a wrap-up of what we talked about, whether in the presentation or during the Q&A: maintaining a disciplined focus on this straightforward ratio of fees over RWA, which I referred to in Pedro's question.

And another key ratio, funding and, in a way, floating funding, the demand deposit and our, which we call the “contamax”, our money that stays invested at low rates. This floating, this transactional deposit, also the ratio of this deposit to RWA, which reinforces my argument that credit does have its importance. It needs to be well priced, it needs to be worthwhile, but it is worthwhile even when I can bring in more fees and cheaper funding for the bank in a simplified manner.

So, the main levers are fees, funding, and an increasingly clinical pricing of credit. Therefore, credit has its role. We have an expanded portfolio of BRL 660 billion, so obviously, this portfolio must continue to grow, but my ability to better price it as I manage this portfolio, which is relatively short, means that every 0.10 is very valuable, and every 0.15 is even more so.

These three factors combined – I would say capitalized – will enable us to reach a higher ROAE level. I am referring to the top line. Alongside this, we have highly efficient expense management. We have been doing this and will aim to do even more. I believe we are at a point where we can strive for even greater efficiency, given the current state of the franchise, the technology we have already incorporated, and the technology we will be incorporating in the next one to two years.

So, we will seek to be even more efficient in terms of expenses, and obviously, the control of credit provisioning with the better vintages that we are originating is showing this; we need to continue doing so.

And then, with that, opening up increasingly powerful jaws between what I earn on top, with quality, and what I pay, in a way, as expenses, as provisions, and as others here, this very powerful lever will make us move in the coming years towards a level of profitability, as I mentioned in that interview you referred to. Thank you.

Camila Stolf: The next participant is Brian Flores, analyst from Citibank. Hello, Brian.

Brian Flores: Hello, Camila. Mario, Gustavo, thank you for the opportunity. I just wanted to follow up on this question, as I found it quite interesting, I think it's great. At some point, it seemed that a structural improvement in ROAE would also come from a return to risk in the segments, perhaps, individuals, some lines that are a bit riskier. I feel the message is becoming, perhaps, a bit more, let's say, conservative, very focused on discipline regarding, as you said, capital allocation. So, I just wanted to confirm if what we should see moving forward is perhaps a slightly lower growth in the expanded portfolio with, as you mentioned, those levers becoming a bit more significant from now on, like pricing, fees, etc., rather than efficiency.

Mario Leão: No, Brian, it's great.

Well, even though we are not formally providing guidance here. You know that we do not give guidance in Brazil, the Group does that for everyone. But yes, I think that directionally, you and all the analysts and investors here, listening to us, could expect that, given this management, which I have referred to as clinical, very disciplined, in how I allocate capital, we already have a fairly large capital base, an expanded portfolio, as I mentioned, of almost BRL 700 billion.

So, we have a lot, we have a lot of raw material to work with and to extract more fees, deposits, and better prices in pure and simple credit NII. Are we still looking to grow the portfolio? Yes. But how am I going to grow the portfolio and grow well, double digits, etc., in some portfolios and others, I will potentially decrease, and I mentioned "INSS" payroll loans. It is quite, almost a given that, at least, in the next few quarters, I will reduce "INSS" payroll loans, and that's fine.

In practice, I will potentially have portfolio growth in the coming quarters, at least at a level more akin to mid-single digits, rather than high-single digits, as the market might grow. But again, this is derived from a very strict capital discipline, with a customer-focused vision, of course, with credit, as a means for me to capture this primary and transactional relationship with the client.

So, wherever I can capture, I will do it. And without an expansion of appetite, Brian, your point is very important, without an expansion of appetite, given that we are reading the same news and seeing, I mean, the market is not exactly easy, it has deteriorated. The economy is doing well, but the market is anticipating a deterioration, whether in inflation or interest rates, and consequently, everything that comes with it.

So, we are not making a big statement here by saying, look, we are going to open up and, with that, we will recover the ROAE. I could even grow the ROAE faster if I did that, but I don't believe in a sprint-mode growth; I prefer to grow more in a marathon mode here and get there.

Not that it will take 40 years for us to accomplish this, obviously, we will do it much sooner. But I would rather grow consistently and recurrently, which may take a few additional quarters, but not much more than that. Thank you.

Brian Flores: Thank you.

Camila Stolf: We now have a question from Eduardo Rosman, analyst at BTG Pactual. Good morning, Rosman.

Eduardo Rosman: Hi, good morning everyone. Congratulations on the results. I wanted to follow up on the topic of primacy. I think Mario talked a lot about this obsession and said that credit is not the end. You spoke a lot about fees, funding, and also pricing credit well. But how can we, from the outside as analysts, track which bank is doing a better job in terms of primacy? Because today everyone has been talking about this, and it becomes very difficult for us to keep up. What would you suggest we look at and, well, in the future, hold you accountable for? Thank you.

Mario Leão: Great, Rosman. I appreciate it.

In some way, I tried to touch on how we are internally holding ourselves accountable, and without a doubt, you should hold us accountable in a reasonably convergent manner so that we can speak in the same way. However, when I refer to the ratios I mentioned here, the fees to RWA or low-cost deposits or floating to RWA, when I talk about reducing the bank's structural funding cost as well, Rosman, this is also a primacy metric.

Because there is a part of the funding cost related to wholesale, let's put it that way, where I am consistently paying less for my time deposits. We have made issuances of bills recently at historically very low levels as well. So there is this part that has less to do with primacy, but the reduction in funding cost means that I bring in floating in a much more substantial way from clients who transact with me, whether they are corporate clients, which also leave money idle in the account, small and medium-sized businesses, and undoubtedly, individual customers, and even Private clients. Every Private client also leaves their balance in the account, but only with those clients who are transacting.

Therefore, it's important to look at fees together with floating, and how my funding mix is evolving. My funding, my total funding hasn't changed much from one quarter to the next, but the quality has changed. When you look within, the details of how it has evolved, and we expect to show this over the coming quarters, you will notice an increasingly better quality.

So, how do you measure if we are advancing the primacy agenda? By the evolution of the jaws between how much I grow capital, RWA, versus how much I grow the other lines. Obviously, it must be at an adequate cost of risk, so you have to measure how my credit NII evolves versus how my loan loss provision evolves. You have to look at how my net interest income evolves as a whole, including fees, versus how my loan loss provision evolves, because that’s the cross-sell I do with the client.

And, obviously, my indicators, which we will share more with you, about how my number of primacy clients is evolving, how this agenda, in the way I measure it, and each bank will measure it, of course, in its own way, but we will provide you with details on the methodology we use to measure. If it is of general interest, we can even present a pocket version in a disclosure, but there is a science that we began to develop, Rosman, a year ago, regarding how we measure it.

We used to talk about loyalty, but loyalty is a product-centric view, "oh, X products." This is not a customer-centric view. Thus, the main derivative is how the customer perceives their primary relationship, and we infer this through data, and I can provide more details.

Thus, whether through measuring primacy or through the jaws we will be building in the income statement, you will help us assess whether we are succeeding or not. But on our side, we will be extremely disciplined in monitoring each of these data points, and I have touched on some of them here for you today. Thank you for the question.

Eduardo Rosman: I appreciate it. Thank you.

Camila Stolf: We will now turn to English with Tito Labarta from Goldman Sachs. Good morning, Tito.

Tito Labarta: Thank you, Camila. Good morning, Mario, Gustavo. Thank you for the call and taking my question. I would like to ask about the net interest income growth. I guess, particularly, maybe in client NII, because thinking to your prior response on improving profitability, I believe client NII is growing around high single digits on a year-over-year basis. You know, the market NII benefited a little bit as rates came down, but maybe there's a bit of a headwind there with rates going up or staying higher for longer. So how do you think about your ability to potentially accelerate the growth in client NII, particularly in maybe a more challenging macro scenario and slightly more cautious tone that you have? Can you accelerate from here or how do you think about the client NII growth in the current environment? Thank you.

Mario Leão: Sure, Tito. Thanks. Thanks for the question.

So focusing on client NII, two variables, right? Volume and spread. So on the volume side, I already mentioned we are going to be focused on my marginal allocation of RWAs, focused on the marginal returns on that credit and the capacity to cross-sell overall on my overall broader client relationship. So that's already set. But I'm also going to focus on looking at the RWA density so that I can produce more portfolio with the same RWA. I didn't mention this before, so I'm going to be focused on all the angles: the marginal return, the cross-sellable return and the RWA density. So that's on the volume side.

But the most important part of the answer is really spread and pricing discipline. Not that we haven't done it in the past. Obviously, we've been disciplined like the whole market, but we've been much more clinical over the past few quarters, particularly this one. As we look into the fifth derivative of every portfolio we have, I mentioned the "INSS" portfolio, the payroll loan portfolio. But that's the same as we've done in many other portfolios.

We look at the credit cards portfolio, which is part of our growing agenda. And we found out that some cuts of our even higher income credit cards, they were more costly on the benefits I was giving to the client than the potential interchange and financing, which for these high-income clients is a very limited sum.

So my clinical analysis that I mentioned before has to do with all my marginal production, even in credit cards where I want to grow, at the consumer finance, the auto finance business, which Gustavo covered, and obviously on all other credit portfolios within individuals and SMEs.

So the answer has to be on a very strict pricing discipline, which we believe we're having more and more. There's more to do, by the way. I don't think we're at the optimum stage, but we are gradually and rapidly, actually, growing into that direction.

The combination of a volume that will keep growing, but not as steadily as in some businesses we have, but with a very strict pricing discipline, I believe we can continue to expand our clients NII. I won't give you the percentage guidance type, but we should keep progressing on the credit side for sure.

On the liability side, well, with rates going up on the client margin, we will make more money obviously on deposits by definition. But when we look particularly at the credit side, the combination of better spreads, which we hope to continue on and on for the next quarters and hopefully years, and with some volume increase, the combination of those should be a positive just coming from client NII as well, credit client NII particularly.

Tito Labarta: Great, perfect. Thank you, Mario.

Mario Leão: Thanks.

Camila Stolf: And with that, we conclude our Q&A session. I would like to thank you all for being with 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, everyone. See you.