Camila Stolf: Good morning, everyone. Thank you for joining us again for our first quarter 2025 earnings videoconference. We are live from our headquarters in São Paulo 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 driving growth in the coming periods. Then, our CFO, Gustavo Alejo, will provide a detailed analysis of our performance. And finally, we will have our 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 the button located at the bottom center of your screen. To ask a question, 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 with that, I hand it over to Mario to begin the presentation.

Mario Leão: Thank you, Camila. Good morning, everyone. It's a pleasure to be here, just after 10:00 a.m., live streaming our first quarter of 2025 to you. It's always nice to talk about the first quarter, the start of a year, but it's the continuation of a journey. Here, presenting the key highlights to you, which you have surely already seen.

Beginning on the left, in a consolidated manner, we are delivering a net profit of around BRL 3.9 billion, to be precise, BRL 3,861 billion. This profit is practically the same as that of the fourth quarter of last year, slightly higher. An important year-over-year evolution, which we are pleased to deliver, as it consolidates an improvement we made over the past year, executing our strategy with a strong focus.

Our profitability is slightly below, at the same level as we had in the fourth quarter of last year, 17.4%, also with a significant year-over-year evolution of over 300 basis points. We will elaborate extensively today on the path we have taken to achieve this result, which is quite important. There are, obviously, relevant accounting developments from CMN Resolution No. 4,966. Being the first listed bank to report earnings, it always brings the challenge of explaining how this affects us. There are multiple lines impacted, and we will aim to be as clear and educational as possible here.

To highlight how we arrive at this result, we see an evolution in net interest income of 0.4%. The net interest income, obviously, has two components: market NII, which you may have already noticed, shows a reduction that was largely anticipated, but still a positive figure, and we have a positive evolution in client NII, composed of liabilities and assets as well. The impact in this first quarter is quite relevant. We don't always mention the topic of business days, but in this quarter, it had a notable impact, leading to a reduction in net interest income figures by several hundred million. Thus, there is a relevant impact, but net interest income is trending more towards being flat, with dynamics that we will clarify further, and there are several positive dynamics at play.

Regarding fees, we experience the natural seasonality of first quarters against fourth quarters. We will present the dynamics here. Undoubtedly, there are positive dynamics on one side, and there are dynamics that we will seek to grow again over the year. We still have a year-over-year with some relevance, but undoubtedly here in fees we have more to do, and the entire strategic agenda is directed toward transactionality, to generate volume with customers, fees, and, alongside that, even low-cost deposits.

We have a 0.3-point evolution in cost of risk, but again, the comparative base is not the same. We will provide a lot of detail on the dynamics; the number itself has a comparison based on different criteria, and from here, we will obviously build a new baseline to monitor closely and keep you updated. We continue to have a very focused spending agenda. Additionally, seasonally, the first quarter tends to see a reduction compared to the fourth quarter. We will keep working to achieve year-over-year expenses, like here at 4.4%. We will strive to maintain expenses always lower than inflation year-over-year. We will strive for a larger gap against inflation this year than we had in previous years, but this remains a highly disciplined management agenda.

As for the strategic drivers, which I will detail later, they are few pages. We are still quite focused, as I comment here, on building a solid, resilient, and increasingly diversified operation. You have heard me discuss this here, I would say, for a few years, and we have been showing more and more the effects of this strategic diversification agenda.

We remain focused on clear strategic agendas and, this time, we present to you a piece of information that serves as our management compass, which we refer to as Golden Rules. I will take a few minutes to comment on it with you. And we undoubtedly could not be any different with an obsessive focus on the agenda of transforming our customer experience, which, ultimately, is what drives this entire franchise.

Talking specifically about customers, we bring some data that I am pleased to share. We have surpassed 70 million customers in our total base. We have also made significant progress in our active customer base, those who transact with us almost every day, totaling 33 million. Even more satisfying is the growth of what we call principality clients, so our agenda of principality, which is the term used across the market, we have referred to internally as the agenda of principality clients. I want the customer to truly feel like a principality client of Santander, and this figure has increased by 17% year over year, which is quite relevant and, obviously, here lies the fundamental pillar of our customer strategy.

Our NPS has also reached the highest levels in history. In the past 2 years, we have improved by over 10 points among individuals and more than 20 points in the business client segment. There are levels we want to strive for even more, without a doubt, but it demonstrates that we are advancing in journeys, experiences, and increasingly better offerings. But we won't stop here; we remain focused on developing an ever more powerful agenda with our clients. Here, we mention two examples. The first example, I am very pleased to share. We briefly touched on it in the last earnings disclosure, but it has now become a reality.

We are set to launch our One App in a few weeks. This is not an updated version, the 13.5.1 version of our current app. We are truly launching a new application and, along with it, a new, significantly different experience for our customers. Obviously, it will be an app that converges our single-product experiences over time. Thus, it will bring together all our applications, but undoubtedly, we want One App to be the new way for customers to engage with Santander daily, in a much more personalized way, in a much more contextualized manner, and with a continuous conversation.

So, One App, which will roll out in the coming months, will begin in a more immaterial way in the next few weeks and will increase between May and September. The idea, therefore, is that before the fourth quarter, we will have our entire customer base covered by the new app. The second point I want to quickly highlight here is our progress in the payment journey. There is a huge agenda here; I could fill an entire page discussing this, but just to note that the payment journey has been a major focus for Santander.

Last year, we evolved and gained more than 10, 11 points in NPS because of this. We materially improved our PIX journey. Nowadays, we have a single field for any type of PIX key. Our PIX journey is much simpler and more intuitive now. We will soon have PIX credit, we have proximity PIX, and we have Click to Pay. We are ready to implement automatic PIX, which will be available to the entire market by mid-year, with some major anchors already secured with Santander to operate automatic PIX for them.

Therefore, the payment journey, which we will detail further throughout the year, is a major strategic pillar along with cards. These are the two products or types of journeys that customers use the most, and we want to be at the forefront of the transformation here. We continue to be number one in stability, it’s worth reiterating, so the agenda on stability remains a major pillar.

Speaking about our strategic businesses, I will mention four here. We always highlight some of the businesses. The consumer finance unit we have, as you know, is quite large; it grew something in the quarter, but less than last year. Last year we grew by more than 20%. This year, the market as a whole is growing less, and we have been more cautious in our growth this first quarter, given the lower demand and the higher interest rates. However, it obviously remains a relevant growth agenda. In addition to being the largest consumer finance business, we are also the most digital, with the best customer journeys. We have a total market share of approximately 21%, but a share in electric vehicles, which are becoming increasingly relevant, of 50%. So, out of every 100 electric cars sold and financed in Brazil, we handle half, with some brands reaching 70% or more.

In small and medium-sized businesses, we are continuing to materially renew our franchise. We implemented a new service model launched over the past year, a new value proposition, with coverage across Brazil. We are significantly evolving in the number of visits, thus improving our

NPS, which in turn is leading to an increase in active clients, and of course, the results are coming along. We have seen a nearly 20% increase in profit, and this is net profit, on a two-year basis. And obviously, we want to push this curve even further.

We continue to have a major lever in cards, as I just pointed out. Our base is becoming increasingly high-income oriented, with improving average spending. There is still much to accomplish here, but our progress in cards is here to stay. We are very focused on this product, along with the account, the PIX, and fundamentally, the vision of a payment journey, enabling a robust integration between the various products, including how we organize ourselves within our business domains, our agile model.

We launched Santander Shopping now in March, which we will discuss more throughout the year. It is a new way for our customers to shop through our app, with the entire framework of Esfera, our relationship program, supporting it. And to conclude, I want to reinforce our agenda of retail banking for individuals. We made a significant simplification.

We know that not all players in the market have been streamlining segments. We respect that, but at Santander, the decision was: we need to simplify how we position ourselves to customers, the brands we use, and the value proposition we want to deliver. We have been doing this in individuals with the Santander brand for low and middle-low income and with the Select brand for middle-high and high income. The early results are quite positive. Over the year, we will be able to share more with you.

And just to wrap up, in investments, we are launching the first major pillar of generative artificial intelligence, GenAI, with Pitchmaker. Essentially, all of our AAA investment advisors, and soon all our advisors in general, specialists, will have, though AAA advisors already have it, a tool where the pitch, meaning the recommendations, are 100% generated by generative artificial intelligence. And with this, they can, of course, review and share it with clients via any channel: email, WhatsApp, or live conversations.

Here, to conclude my part, for the first time I am sharing with you something that has been guiding management, not only mine but also that of the executive committee and the entire leadership of the bank for over a year, a year and a half. I refer to this as our great compass, our Golden Rules. In practice, you will see that it is all quite straightforward, as it should be, and everything is connected to what we have discussed up to this point. I will go through it relatively quickly, but I wanted to share this with the market to, in a sense, cement everything we have talked about with you throughout these years.

What is the Santander we are building? We are building a Santander with six principles, not 15, nor two. The first: we want to have a loan portfolio that is increasingly balanced. You have heard me mention this here numerous times. I do want to keep extending credit. Credit is essential, increasingly as a means to enhance the transactional relationship with the customer and, consequently, the fees and deposits. Obviously, credit itself must be well-selected and well-priced, and we have been able, despite the more difficult macro environment, to maintain spreads and slightly increase spreads. You will see us over time very focused on the spread agenda, because pricing is crucial.

A balanced loan portfolio means less concentration in low income, more in high income, disproportionately greater growth in small and medium-sized enterprises, and also balanced with our agenda for wholesale and for the consumer finance unit itself. The second major pillar: reducing the bank's funding cost. We have been doing this consistently. This is not a button we just push, as I usually say. This is a strategic agenda that needs to be disseminated across various channels. It primarily relates to retail, making our large retail machine to also engage in funding.

And here, both the paid funding, those deposits and financial bills, and the funding derived from the transactional agenda with customers. The one you do not sell, as you do not sell a deposit in an account; you earn the right to have a deposit in an account by having a transactional relationship with the customer. We have been obsessively focused on this. Third agenda: revenue diversification, particularly the fees agenda. In the fees pillar, you saw how we progressed last year. We aim to evolve materially again this year, and we will. The agenda of diversifying revenue lines is extremely important, with fees playing a key role.

The fourth: cost efficiency. I would say we have been doing this well. This homework continues to be well executed, but we want more. We want to be even more efficient. We want to reach a level of efficiency that we have never had and, with that, of course, take the operation to a level of profitability, which is the next pillar, even higher. Profitability does not happen just from expenses; it happens from the composition of all lines and how we organize the use of capital, in which we have been increasingly disciplined.

Profitability, without a doubt, is a major pillar. It wraps everything up, and we continue with the ambition, which will be achieved, to reach a minimum profitability of 20% in the coming years in a sustainable manner, which is the sixth pillar. Everything we are doing is with a long-term vision. We do not want to have sprints. We want to minimize, over time, the effects of macro scenarios, interest rate curves, and therefore volatility in our results. Based on these Golden Rules, we have been running the bank. Everything we have discussed with you at conferences, events, and disclosures ties back to this. I thought it would be nice to share with everyone so you can have the vision that, at its core, is quite simple regarding how we have been managing the business.

With that, I hand it over to Gustavo for the numbers, and I will be back later. Thank you.

Gustavo Alejo: Thank you, Mario. Good morning, everyone. I will begin the presentation by discussing the performance of our loan portfolio. The evolution over the year, as well as in the quarter, reflects continued discipline of growing with quality and consistent profitability. Cards, which play a key role in loyalty and transactionality, continue to stand out. We had an annual growth of 18% and we are better leveraging our own base of middle and high-income clients, as we discussed in the previous quarter.

The consumer finance unit has maintained the positive dynamics of previous quarters. Originations are still focused on clients with the highest ratings, who account for 80% of our total portfolio balance, while maintaining strict pricing discipline. In small and medium-sized enterprises, growth in the quarter was primarily in government lines, with a 1.8% increase. In corporate clients, part of the portfolio evolution is due to the guarantees, sureties, and private securities portfolio, which expanded by 2.1% in the quarter. In this segment, disregarding the currency fluctuation, the loan portfolio would have grown by 0.6%, versus the -2.2% you see here.

The payroll loan portfolio saw a decline of 3.4% in the quarter compared to the previous quarter, reflecting our stated focus on profitability, influenced by lower origination of INSS payroll loans. However, the private payroll loan portfolio grew by approximately 5% in the quarter. On the right side of the slide, we present the results of our funding. We made significant progress in demand deposits, which reflects principality across all our clients, both in wholesale and retail.

Furthermore, we continued to optimize our funding instruments, which adjusts costs and improves expenses. For example, in this specific quarter, we are still increasing financial bills, considering the favorable market price levels and the high demand for our securities. Thus, this is the result and reflection of our disciplined approach to managing funding pricing, which helps lower the average cost across our entire funding inventory and aligns with our stated goal of increasing the proportion of individual clients versus corporate clients

On the next slide, I provide details on revenues, which reached a growth of 7% compared to the first quarter of 2024. In the quarter, client NII experienced a slight increase. Here, the comparability is influenced by the lower number of working and calendar days, quarter over quarter. Disregarding this effect, net interest income would have increased by 1.5%. Another effect is related to the adoption of CMN Resolution No. 4,966, which leads to some adjustments in origination costs and problematic assets in client NII, also affecting the comparison between quarters. However, overall, we observe a good revenue composition in the quarter.

In the funding NII, aligned with the asset pricing discipline, we are making good progress towards our strategic objectives. The LCR level for the quarter stood at 157% with a very positive evolution in loans-to-deposits. As a result of these effects, the spread for the quarter evolved by a few basis points, with increases in both asset and funding spreads. This is based on what we have been discussing: a constant pricing discipline and a balanced portfolio, always focused on optimizing risk-weighted returns – this is extremely important.

In the market NII, we observed a performance lower than that of the previous quarter, as we had already discussed, due to the negative sensitivity to interest rates. So, the increases in the Selic rate led to this. It is offset by a better result in treasury operations for the quarter. On the right side, fees continued to perform well in the year-over-year comparison, despite the accounting effects of the new resolution. Therefore, the resolution had an impact on the loan operations line that is here, related to lending, which were migrated to net interest income. This is the specific impact on the line.

In the year-over-year comparison, overall, we are continuing to make progress in the main fee accounts. in a more accelerated manner, for instance, with a 14% increase in consórcios and 4% for the quarter in this product, despite seasonality. The 'others' line has been primarily boosted by capitalization revenues.

I will now move on to talk a little about the quality of our assets. Allowance for loan losses, as you are aware, is now assessed using the new expected loss methodology, and it showed a higher level than in previous quarters due to the new criteria, demanding greater provisioning levels for operations. Additionally, we noted a reduced level of recoveries because of our stricter stance on renegotiations, which we have been announcing for several quarters, as we aim to enhance the quality of the operations recorded on our books.

Regarding NPL, the long-term indicator remained virtually stable, with a slight increase of 10 basis points. Short-term NPL reflects seasonality during the period, given the lower liquidity of households. Part of this increase should be addressed over the second quarter and is not expected to flow into long-term NPL. More specifically, for the 15-to-90-day ratio among individuals, the change of 80 basis points this quarter is roughly half related to mortgages, which seasonally adjusts in the next quarter. Therefore, this is not a point of concern. The remaining is in payroll loans. The latter is impacted by the decrease in portfolio volume; we have a lower volume of payroll loans.

Although we have a more challenging macro scenario ahead, we are confident in the quality of our portfolios. We are focused on sustainable long-term expansion, actively managing risks, maintaining pricing discipline, and applying technical rigor in resource allocation.

Now, let's talk about expenses. We are advancing in our quest for efficiency, with a focus on controlling costs. Over the year, the growth of expenses was below inflation. We saw a reduction in personnel expenses due to a one-off increase in variable compensation in the previous quarter. Regarding administrative expenses, in this first quarter, we had a more normalized level, free from the seasonal effects of the year-end. Once again, the growth of expenses stayed below revenues in the year-over-year comparison, which contributes to the continuous evolution of our operational leverage. We experienced a sequential improvement in the efficiency ratio, with a drop of 250 basis points for the year.

To wrap up the results section, I will present a summary for the quarter. We ended with a profit of BRL 3.9 billion, representing a 28% growth year over year and higher profitability, with a ROAE of 17.4%. We evolved in the composition of our results, with revenues exceeding expenses, an increase in transactionality, and a stronger focus on funding. In conclusion, I would like to emphasize that our efforts, as we saw in the Golden Rules, are focused on the medium and long term, aiming for sustainability and striving to ensure the strength and consistency of our results.

Thank you all, and now I turn it over to Mario for the closing remarks.

Mario Leão: Hello again. Well, just quickly here so we can move on the Q&A. I'm sure there are great questions, as always, always challenging us, so let's dedicate some time to that.

Five key messages, just to tie together everything we have been discussing over the years, the last few quarters, and what we are doing this year and in the coming years. First, as it could not be any different, an obsessive focus, with emphasis on the "obsessive," an obsessive focus on the primary relationship and customer satisfaction. How? By building unified, multichannel journeys featuring increasingly personalized offerings.

We strongly believe in the power of a multichannel approach; we believe in how to use a network that, indeed, over time is becoming gradually smaller, the physical network, but we are surgically distributing this network in the locations where we want to be, in franchise stores, in work cafés, to serve customers there as well and, obviously, in the complete ecosystem, with an increasingly digital experience and, I would say, an increasingly mobile experience at the forefront of our relationship with customers.

Third message: we continue to evolve the business with a strong discipline in how we allocate our capital, and we have demonstrated this with concrete examples over the quarters. Technology remains the major lever transforming our operation, our efficiency, and our journey with customers. Thus, obviously, we continue to embrace technology as a core element of our strategic vision. And this year, like last year, is again a year focused on execution, with little strategic debate; we are quite clear about where we want to take the bank, we have a clear vision of what Santander will look like in 2030, as I say here internally, which we want to design and deliver. And obviously, we will use the Golden Rules, our compass that I shared with you today, as our main guide.

With that, we can start the Q&A session.

Camila Stolf: Thank you, Mario, Gustavo.

We are now going to start our Q&A session. To participate, just click on the hand icon that appears at the bottom of your screen. We will answer questions in the language in which they are asked. We kindly request that each analyst ask only one question so that everyone has the opportunity to participate.

The first question comes from Daniel Vaz from Banco Safra. Good morning, Daniel.

Daniel Vaz: Good morning, Camila. Good morning, Mario. Good morning, Gustavo. Congratulations on the results and thank you for the opportunity to ask a question. I wanted to revisit Mario's comment about automatic PIX in the second half, that you already have some interesting agreements. It's a product that, as far as I understand, was 1 to N, meaning you had to be enabled in multiple banks. Nowadays, in the next update of automatic PIX, you should only need one bank to register the company or utility company to serve retail in various ways. So, do you think this agreement is beneficial for you, at the end of the day? Didn't you have revenue coming from there? Do you think it's a bit more punitive for the system as a whole? I wanted to try to understand what the net impact of this is for the sector with automatic PIX. It seems to me a significant revolution in payment methods, particularly for utility services. Thank you.

Mario Leão: Thank you, Daniel, always a pleasure. Great question, and it gives us the opportunity to talk more about something that is a significant regulatory change, as you pointed out. It begins in a few months. Of course, we cannot wait for the formal start from a regulatory standpoint to prepare. Thus, we have been working for a good part of last year to be technologically prepared to, alongside being ready technologically, do it in an API-friendly manner, so that we can pursue, in parallel, a commercial agenda with these major anchors to, together with our development or the recent completion of our development, be able to market this to major anchors even before we actually start the operationalization.

So today we can already operate automatic PIX with the base from these anchors we have signed agreements with and our clients because, on a one-to-one basis, we can already do that, obviously. It's even a way for us to pilot the journey. However, the broader journey that will take place starting in the third quarter, we will be able to do it with these anchors that are signed. We still can't speak publicly, but we already have some large clients that many of us use in our daily lives, which will be important pillars of our franchise from here on. It is indeed a revolution, Daniel, because in practice it significantly changes the way, in fact, it reverses the order in which recurring payments are made.

Today, you actually need to have registered in your relationship, you as an individual must have registered, the agreements need to be registered between the business and various banks, and the bank customers determine which debits they wish to make through each bank. Therefore, it is a 1 to N relationship, as you mentioned, B2B and then B2C, based on the relationships between banks and their customers. Hence, it is a more captive journey or process, so to speak.

What the automatic PIX allows, and it will obviously benefit those who can secure large agreements, and it may not be good or could be bad for those who cannot secure these agreements, is that it enables us to have a one-to-one relationship in B2B, and from B2B, I can manage the collections of clients who are with Santander, which I am already doing today, but also from all other banks in the system, regardless of the format: traditional banks with branches, digital banks, and other types of banks or near-bank formats that are out there.

Therefore, in practice, we will have a bilateral relationship from this point with these large business clients from the agreements and will have the right to manage the collections from numerous non-customers, which will generate an extremely rich amount of data, will also create an extremely rich flow, and the ability to communicate with a privileged base of non-customers, as I will be engaging based on a recurring, well-known, and solid flow from this agreement with the XPTO business client.

So, it is indeed an important revolution. At the margin, we believe we can gain a lot from this. The market will be reordered, so it's difficult to discuss the pie, whether the pie is larger or smaller, but Santander is clearly positioning itself to take a bigger slice of this pie. I think the pie will also grow because by organizing payments, you will have more agreements in the end, making it more efficient to have those agreements, and of course, being one of the major banks in collections and payments, we will need to have a leading role here. Based on the initial agreements we are closing, we are quite excited about what lies ahead.

Thank you, Daniel.

Daniel Vaz: Great, thank you.

Camila Stolf: We now have a question from Yuri Fernandes from JP Morgan. Hi, Yuri, welcome.

Yuri Fernandes: Thank you, Camila. Good morning, Mario, Gustavo. I think congratulations are in order; it seems like another good quarter for the top line, with operational leverage. I will ask here, perhaps the only point that stood out to us as a bit more negative was the 15 to 90, your short-term NPL. We know it's seasonal, but looking at the historical data, particularly in individuals, it seems there was a more significant worsening than expected seasonally. This quarter has a lot of accounting changes, so I'd like to ask you what happened. Santander was the bank that perhaps slowed down first, ahead of competitors, so I didn't anticipate this deterioration in the 15 to 90 NPL. If you could clarify which products were affected, and if there was any accounting impact, it would help us understand your asset quality dynamics a bit better. Thank you.

Mario Leão: Perfect, Yuri. I will turn this one over to Gustavo and then I'll add my input. I'll do it the other way around. Gustavo, please.

Gustavo Alejo: Yuri, good morning, it's nice to talk to you. So, as I briefly mentioned in the presentation, the 15 to 90 NPL for individuals that you are asking about had an increase of 80 basis points. Half of this increase comes from mortgages. Mortgages seasonally have this effect on the 15 to 90 NPL and it usually corrects itself in the following month. It's natural and happens at the beginning of every quarter. This quarter, the volume was somewhat higher, but it is adjusting at the same pace, so it's not a concern.

Another effect that we have been discussing, which we have mentioned for a few quarters, is our renegotiation policy. For a few quarters now, we have been more restrictive in renegotiations. I even noted that we will not change our renegotiation policy, which is more restrictive, for just one quarter, so we will stick with it. We are not concerned about having a few more rollovers, and some of them will adjust while others will flow into the results. We are less concerned; we are quite focused on keeping the portfolio as clean as possible.

So, we have in this other part, aside from mortgages, the renegotiated loans. We have a portion of cards that is not a concern and some payroll loans, but basically this second block is about those. But predominantly, it is about how we are handling the renegotiations, but there is nothing that stands out or that we believe will go to the over-90 NPL. As we have discussed in previous quarters, we have been adjusting the portfolios when their performance does not align with our beliefs, and we are also letting flow those portfolios that we think should flow as well. Thus, this quarter and this movement are not a concern.

Mario Leão: I think that's it. Just to reinforce, the topic of renegotiation policies is quite relevant, Yuri, and we have been talking about this with you and everyone. Since 2023, we have tightened our recovery policies, increasingly incorporating the cash component. Today, there is no renegotiation we carry out in individuals, particularly, but it also applies to business clients, without having a down payment to foster engagement. First, to assess the payment ability of that client; second, to create engagement that "well, there was a down payment, let me keep paying this one at Santander," potentially to the detriment of others. Nothing against the others, but we obviously want to secure our share.

Therefore, we have been more sensitive. We are not loosening this policy because the macro is somewhat worse at the margin. Of course, the macro environment is somewhat worse at the margin, but we will not turn back. This is important because we are still actively de-risking in practice. The de-risking of these older vintages, this legacy, let’s put it in quotation marks here, continues and we will see this reflected throughout this year. So, this trend of reducing the portfolio of agreements and, with that, the de-risking of the portfolio will continue.

And the other part, which Gustavo explained well, is a seasonality that is always there. This year it was somewhat greater, but having observed the four weeks since then, considering that it is highly concentrated in a portfolio, which is a portfolio where we indeed have very minimal losses, a large portfolio, but with great performance, we are, in short, not concerned.

Yuri Fernandes: Very clear. Thank you, everyone.

Camila Stolf: We will now have Gustavo Schroden from Citibank. Hi, Schroden, good morning.

Gustavo Schroden: Good morning, Cami. Thank you. Good morning, Mario, Gustavo. Thank you for the opportunity and the time. If I may, just a follow-up on Yuri's question, before I move on to mine, because I think it's important. I actually thought he would ask, but he didn't. Was there any change in the write-off policy, based on what was from CMN Resolution No. 4,966? Just to help us understand these NPL dynamics too.

My question is about client NII, the margin with clients. From what we have been able to gather here, there were many moving parts, right? So, from what we have gathered, it resulted in a good figure. However, I wanted to understand, if we were to clean it up, the only thing that is clear to us that was favored, which you wrote and has already been discussed, is the funding remuneration. High interest rates help you with the remuneration of funding and so on. I wanted to understand how it is... And Mario just mentioned the de-risking, which in theory should negatively impact this spread, the NIM. But, in our view, it was a good number, even considering the de-risking. If you could share with us how the dynamics of interest rates and funding costs are, if there is indeed repricing occurring here, if you are managing to achieve a gain here between the interest rate and the funding cost, or if a significant part of this good result is essentially the remuneration of funding? Thank you.

Mario Leão: Thanks, Gustavo. I'll begin here, and then Gustavo will address whatever still remains from the write-off topic. It's very important to highlight the topic of client NII. We can discuss market NII afterwards, of course. Client NII actually has these two main components. I'll break it down here, and then Gustavo will provide additional insights.

Starting with funding, undoubtedly, there is an expansion that was already expected. We have been talking about this in recent quarters, with the interbank rate ("CDI") rising, for a growing franchise in funding like ours, this is extremely important. It's good that we began to focus on funding back in 2021, 2022, and have grown both on and off. The off is more related to fees, but the strategic funding agenda benefits at a time when the CDI is at around 14%.

There are two types of funding, Gustavo. There is a funding that I actually sell to clients, which consists of bank deposit certificates ("CDBs") and bills, these are the contracted funding, so to speak. And here, we have implemented, and it is indeed under Gustavo's management, as the CFO, a strong discipline to keep lowering this price. How do you do that? It's not just by paying less. You do it by shifting, changing the funding mix increasingly towards retail. We can't simply negotiate downwards while continuing to attract money from large companies and big funds. In that case, you might have some pricing discipline, but it will be very marginal.

Therefore, we have been consistently doing, I would say, over the last 12 to 18 months, a... I refer to it as... the marginal funding for the bank's balance sheet growth is coming more from retail than from wholesale. This causes the wholesale funding to be diluted relative to retail, and we also took advantage, at the beginning of the year, of the period when credit spreads were very, very low and started issuing financial bills with greater intensity.

So, we didn't issue financial bills because we had no alternative, certainly not, and I know you don't expect that, but we made a quite tactical move to capture financial bills at very low prices relative to the CDI, without the need for compulsory reserves, without the Credit Guarantee Fund ("FGC"), while obviously providing a very powerful coverage for LCR purposes. Hence, we have been obtaining more funding from retail than from wholesale, and we have also reduced wholesale through the issuance of financial bills. It was a tactical move, but quite relevant. This means that the paid portion of the deposits, the part that I negotiate, has reduced and brought more margin, and with a larger volume, obviously, we earn more money.

The second block is what I earn without selling. I do not sell the demand deposit, I do not sell the interest-bearing account with the higher spread. These I earn from the transactional relationship with customers. Therefore, the fact that I have set the organization to focus on transactionality as a key element, including the use of capital and credit, is what I have been referring to regarding credit as a means to earn the daily interactions with the customer, to earn fees, yes, but also to earn the low-cost deposit. This low-cost deposit account has improved quite a bit. We have seen significant growth in demand deposits, quarter over quarter, year over year. Ours, which we call the max account, our interest-bearing account is alongside the term deposit, because it is formally so, thus it ends up mixing there, but we also have good progress, both in demand deposits and this term deposit with low pricing.

Thus, undoubtedly, there is an expansion here. It results from a funding agenda that is not quarterly; it is a multi-year agenda, and we should certainly continue to see this line grow. What is happening on the asset side, which might be the most interesting, right? How do we coordinate the de-risking that we are still doing with a credit NII that we will work on to keep expanding?

So, the first premise, Gustavo, very important, is: we are being very disciplined in pricing. When we look at each product, it is obvious that we need to be sensitive to how the market is responding, but we have been able to pass on, on average, to the portfolios that are pre-fixed, consumer finance, payroll, etc., except for those that have a cap, of course, we have been able to pass on the increase in the funding cost quite effectively over time. Of course, in the last quarter, this effect was the opposite, as there was a significant easing in the medium-term curve, thankfully, because it had been excessively high in December, but we have managed to maintain good discipline in how we obtain funding and how we pass it on.

And by the way, we have been hedging origination at the margin, as you know. So, we are also becoming increasingly balanced from the market NII perspective, which will lead to less volatility. We have been disciplined in spreads, but since we are engaging in de-risking, we sometimes swap portfolios or mixes that have lower top line but also have lower loan loss provisions, and we are pursuing this evolution. Thus, we have no doubt when we need to switch from riskier portfolios, which tend to be more volatile and have excessively high cost of risk, to less volatile ones, despite the top line being smaller and the loan loss provision benefits taking time to materialize. We make these swaps comfortably because it is the right approach, it aligns with the long-term vision I referred to when talking about the Golden Rules, and we have managed to keep things balanced thus far.

So, to summarize, we will have an expansion in funding that should continue, as it is a strategic agenda that did not come in a sprint, and obviously, the CDI will continue to help us for a good while. We expect interest rates to drop sooner rather than later, but while they remain higher, this obviously benefits us. And on the asset side, there is price discipline on what we are originating, and since we are not pursuing an expansionist agenda for balance sheet growth, we are being more disciplined; also, in choosing where I grow, I can make better pricing choices. This is particularly relevant for wholesale.

In wholesale, I am growing a little. Well, considering the currency fluctuation, I actually saw a drop, but without currency fluctuation, I grew a bit this quarter. However, I am maintaining discipline; I am practicing very good discipline in managing my disbursements in wholesale because I am indeed selecting the loans where I can achieve the best possible ROTE in credit and cross-sell. My wholesale business has a ROTE well above 20%, so I can target even better ROTEs that I can apply to my wholesale business. Gustavo, if you want to add to that and cover the topic of write-off.

Gustavo Alejo: Exactly, this is the asset part, Gustavo, and with a lot of discipline. Therefore, we are not concerned about growing some portfolios if we do not find the optimal price versus expected return point. Some portfolios may grow more or less, but it is primarily due to discipline. As for the other question, it is what I have been saying: we have not changed anything, we have not changed the policy, we have not changed the concepts. We are simply executing what we predefined, and when we execute what we predefined, some portfolios will flow, we will see some rollovers, we will have the loan loss provisions that are affected by this, but our aim is to have an increasingly cleaner portfolio, meaning what we believe is a portfolio that we need to pass through the results, to build a more solid portfolio with better performance, that is what we are doing.

There haven't been any major changes. Now, we have the change in regulation from CMN Resolution No. 4,966, but since we were already operating under IFRS 9, there aren't any substantial changes overall, neither in how we operate nor in our accounting practices.

Mario Leão: This is a good point to keep in mind. We mentioned it one or two quarters ago. We were already operating, considering the Santander Group, of course, our day-to-day decisions have been based on IFRS 9 since 2018. So, obviously, there are some minor differences, some not so minor, but they do not change the lending process, the way we grant loans, the way we manage, and the way we ultimately recognize losses. Therefore, the short answer is no, there has been no change. In fact, management actually felt little to no impact from the evolution to CMN Resolution No. 4,966, given that we were operating under a fairly similar standard, which is the global IFRS 9 standard.

Thank you, Gustavo.

Camila Stolf: Just to add, Gustavo, we have the 360-day write-off, which is what we already had, except for real estate, which is 450.

Gustavo Schroden: Ah, okay. That's great, folks. Thank you very much.

Mario Leão: Thank you, Gustavo.

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

Pedro Leduc: Camila, hi everyone, thank you for the question. It relates to CMN Resolution No. 4,966. I know there are several components here, but we can get a better understanding of the underlying business, right? You mentioned some aspects during the presentation, including the NII discussion. I wanted to try to summarize everything. I know that in the next quarter, the quarter-over-quarter comparison will be more normalized, making it irrelevant, but between a potentially lower NII due to stage 3 and 60-90 accrual, the different loan loss provision, and the different services, can we estimate how much this impacts the Income Statement? This is the first one; I'm estimating something between BRL 200 and 300 million negative. Furthermore, also regarding CMN Resolution No. 4,966, we noticed that the provision made for the transition in the loan loss provision was slightly higher than initially estimated. I understand it was challenging to estimate back then, so it was natural for something to change, but we saw it here that it came to BRL 5.6 billion, from BRL 4.4 billion previously. I would like to understand what caused this increase in the loan loss provision relating to the transition, whether something in the expected loss worsened or if there was a new understanding of the criteria. Thank you.

Mario Leão: Nice, Pedro, it's great to speak with you. I'll start with the second point, and then Gustavo can add his inputs. In fact, the evolution, yes, you are right, and it's great that you brought this up because we also want to address this with everyone watching. The evolution, with some materiality, yes, from the initial provision for CMN Resolution No. 4,966, is not connected to the deterioration of the scenario. So, it wasn't "oh, since it's a bit worse, let me take advantage." It wasn't exactly as you said, but we didn't do anything related to deteriorations or performances, whether rollovers or recoveries. It was indeed a deeper understanding of how the inventory should be, so to speak, affected, given the new accounting standard.

Therefore, we made progress, we continued the analyses. You were kind to say that it was a lot to assess up to that point. We kept evaluating, of course, after the preview we provided in the fourth quarter disclosure, and, in fact, within one month or so, we concluded that we had this more refined perimeter, and obviously, everything was aligned with the Central Bank, with external and internal audits. We chose to do it because, fundamentally, it is the correct approach. Therefore, there is nothing related to, well, to put it simply, protecting results or stemming from macro deterioration. It was indeed using the same criteria we had before, with some additional adjustments in terms of perimeter and portfolio. With that, I believe I answered the second question. The first, concerning CMN Resolution No. 4,966.

Gustavo Alejo: CMN Resolution No. 4,966, as you mentioned, Pedro, so obviously the starting point is the first quarter. Now, how this evolves largely depends on how we originate, where we originate, and the combination of all these factors. Therefore, indeed, the accrual of the renegotiated portfolio, so to speak, does have an impact on it, but as we decrease the renegotiated portfolio, it has less impact from quarter to quarter. Another point is that it will depend significantly on which products we originate, where we have fees that imply a negative impact on the net interest income line. Thus, there are several factors that depend somewhat on how we originate and how our portfolio will evolve over the quarters.

Therefore, indeed, there are several movements. This quarter, in addition to all the movements mentioned from CMN Resolution No. 4,966, we also have the number of days, so we lose a bit of direction, and we will evolve in this regard. So, it's hard to pinpoint because we haven't determined everything we will originate, how we will originate it, and how it will perform over the coming quarters, but we clearly work well aware of the impacts on our lines. Thus, it depends a lot on how we will position the bank and perform.

If we continue to originate less payroll loans in the quarter, as we did in the current quarter, that is one thing. If we originate more, that is another. We grew 0.6% in the auto loan portfolio. If we grow 4% in the next quarter, or decrease by 2% in the following one, that is a different scenario. So, you will have variables that we, together, and you will need to monitor and understand, because they will have direct impacts on the client NII.

Mario Leão: And here, Pedro, acknowledging that your work and, obviously, that of the buy side as well, is already challenging, of course, but it becomes even more so with the new accounting standard. We will seek, as we always have, to be as transparent as possible. Obviously, here on the call, there is a time constraint on how much we can cover, but we will seek to clarify any questions. We will be together soon, and I hope to have the opportunity to clarify things for investors, for you, and other analysts we will meet.

Therefore, with total transparency, we will aim to bring more each quarter, but, obviously, there is still a long way to go until the next quarter. So, whatever we can clarify from now until then, be my guest, we will do it with great pleasure. But yes, there are several effects, and the ex-CMN Resolution No. 4,966 also has some relevance in this quarter, such as the topic of working days, which is not insignificant in this case, and that's why we mentioned it. But, anyway, we try to build the "from - to" with you with great pleasure. Thank you for the question.

Camila Stolf: I will now bring in Marcelo Mizrahi from Bradesco BBI. Good morning, Mizrahi.

Marcelo Mizrahi: Hi, everyone, good morning. First, it's a pleasure to be here for the first time. Regarding the results, I think one question we have here is about the market NII. The market NII was a positive surprise compared to our expectations and perhaps the market's expectations, considering the dynamics it usually has and its sensitivity to interest rates. I would like you to talk a bit about it, as Mario mentioned the start of the hedge, which began mainly last year and how it should reduce the volatility of this line.

So, ultimately, what I wanted to grasp is what part of this market NII result was related to trading, what derived from ALM, if this can be mentioned, and looking ahead, how should we think about this line?

Mario Leão: Great. Thank you and welcome, Marcelo. It's great to have you here. I'll start, and Gustavo, who is the one handling this, will be able to elaborate with even more insight.

This line has two main components. The first component is what we call market making, the result of our treasury for non-customers, which is essentially the treasury segment that offsets client positions. It plays a fundamental role in managing positions, as we have one of the largest treasuries in Brazil, if not the largest, thus we have a significant flow that needs to be offset, from foreign and local entities, individuals, and businesses. This market making area also takes some directional positions. We do not have a large proprietary book at Santander; we do not operate our treasury as a large fund, nothing against that, but we actually run it as a treasury focused on clients. However, to offset client positions, we sometimes take positions, and in summary, as Gustavo pointed out in his section here, we had a very good first quarter in market making, which is obviously a merit of the franchise. It is non-recurring, so to speak, because we cannot expect in trading and in offsetting client positions that we have equivalent performance from one week to another, but we did have a very good performance, which obviously benefits this account.

In the ALM account, let's call it that way, the account that is more focused on managing both our loan book and how we fund the loan books, which is where the hedge aspect comes in, as well as managing our securities, which we carry, just like every large bank does. This year is, by definition, more difficult than last year. You know this by heart, considering the average Selic or the average CDI this year compared to last year. The average CDI for the first quarter was more expensive than the average CDI for the fourth quarter, or even more so from a year ago. Therefore, there is a quarter-to-quarter, year-to-year effect that can only be negative, and we should see this throughout the entire year, until the point where, of course, the quarter-to-quarter starts to decrease. We expect this to happen still this year and, obviously, over 2026 as a whole.

So, the market making segment performed quite well and contributed to this positive result, when the market, you, and the entire market were anticipating a negative figure, I would even say correctly. The ALM side and the management of our ALCO books, let's call it that way, naturally had a negative result, as expected. This is the performance that is anticipated to occur throughout the year, and with a Selic rate that is still expected to rise a bit more, hopefully just a little more, there will still be some quarter-over-quarter effect. At some point, this will reach a peak of negativity and from there it will start to improve. We believe that this peak and the beginning of improvement will take place over 2025, and that we can end the year, let's say, in a better position and already have a much better outlook for 2026.

The issue of the hedge, how does it impact? We began, to be precise, at the end of the third quarter of last year, we started hedging, in September, a significant portion of the origination, which over time, and this over time should be assessed in a timeframe of about 18 months, should result in a material de-risking of our volatility, as you pointed out, in the market NII line, because we now have this piece of the book, which is how I financed my prefixed portfolio and how I funded myself in the market, locked in. This has obviously already provided benefits of lower volatility this quarter and will continue to do so over time.

Therefore, of course, when interest rates fall, when they start to decline, this portion will stop benefiting, but for a good reason, because we are working locked in, and obviously, we will benefit from the ALCO portfolio in any case, as we are locking in pre-fixed and post-fixed securities, nominal and real, at much higher levels than we had before. Hence, we will benefit, in one way or another, from the decrease in interest rates and curves, in fact, over time.

So, we have a potential upside here to be built over the next few quarters, given the level of bonds we have been buying and the duration of these bonds we have been purchasing. Gustavo.

Gustavo Alejo: That's exactly it. So, it's important: the roadmap regarding negative sensitivity remains the same. So, what happens now? We are executing the hedges, and then the average of the Selic rate averages over the year will determine where we will be in the unhedged portion, but this is precisely as we designed and is in the roadmap.

In the first quarter, we had a very good performance in market making. Therefore, what is behind this figure is that there has been no material deterioration in our expectations regarding negative sensitivity. It is exactly as we had envisioned in the roadmap, and we might see some improvements depending on what happens in May, with the Copom and how monetary policy will be in the upcoming months. For the time being, it aligns perfectly with our roadmap for 2025, and there is a very positive event in the first quarter, but we regard it as extraordinary, and it does not alter our ALM management in any way; these are completely independent factors.

Mario Leão: However, this point I made here, Marcelo, just to clarify, since I provided a very broad answer, is that we are building a portfolio over the last two or three quarters, with levels significantly higher than we had before, which is an important piece of information. Do not expect this to result in a materially different second quarter just yet, but it does create a capacity for accrual or something more significant in the future when interest rates begin to decline. You will start to see a quite positive gap at some point between the level of securities in this newer portfolio and the Selic, which means a better accrual down the line and/or when the curves soften, as they typically do before the Selic, we will have the ability to generate some gains further down the road.

Therefore, the outlook, I mean, the short term is exactly what we expected. I would say that this better market scenario we are experiencing, relatively, brings some positive insights further down the line regarding how the NII line in markets might look, okay? Thank you again for your participation.

Marcelo Mizrahi: Thank you, everyone.

Camila Stolf: The next question comes from Thiago Batista from UBS. Hello, Thiago.

Thiago Batista: How are you, Camila? How are you, Mario and Gustavo? My question is about mass retail. I remember that, I think it was in 2022 or 2023, Mario gave an interview and said that mass retail at that time was in deficit and needed many cost adjustments. I'm not sure if those were the exact words, okay? But, after some time, you have already closed several branches, service points, and there has been a significant reduction… this quarter, basically, 7%. Can we say that mass retail has already turned around and is profitable again? And if the additional increase in ROAE that you mentioned, aiming to reach 20% in the medium term, you also mentioned that for wholesale the ROTE is above 20%. So, can we say that, one, mass retail has returned to profitability and, two, if this additional return gain would come from an even greater improvement in mass retail?

Mario Leão: Great, Thiago. Without a doubt, the improvement, starting from the end, the improvement we expect to have is at least 300 points plus, with an emphasis on the plus. We do not want to settle for 20%. This improvement of 300-plus that we aim for in ROTE in the, well, medium term that is increasingly approaching, we certainly count on mass retail with significantly better profitability. Therefore, it's not just because of mass retail – it's important to underscore that – we anticipate a continuous improvement in our consumer finance portfolio as well. For a long time now, we have been originating at the consumer finance unit with ROTE above 20%, but we still have some inventory in that de-risking process we have discussed. There is a portion, it's smaller, but there is also a portion in consumer finance that still needs to be fully de-risked, but the consumer finance portfolio in more, maybe a year, give or take, will already be a portfolio as a whole above 20%.

So, alongside the category of portfolios above 20% at Santander Brasil, where are we already above or well above or very, very far above 20%? In the small business segment. The SME business is highly profitable, operating well above 20%. Our high-income segment operates significantly above 20%. In our wholesale division overall, we operate, as I mentioned, at 20% and then some. We report them individually, but with a good margin relative to this 20% target. And the consumer finance unit is making significant progress towards 20%, given the marginal origination for quite some time, which I just noted.

Mass retail, of course, is what is still pushing this average to the 17.4% that we reported in the quarter. Is mass retail as a whole already profitable? No, not yet. We have, in the new vintages of mass retail, a prospective ROTE already above 20%, obviously, as with everything I mention about origination, Thiago, we need to check this, of course, vintage by vintage. And we maintain strict discipline, as every bank does, to compare all the ex-ante assumptions with what we observe ex-post. But we are seeing, in the segments where we decided to stay in mass retail, a quite positive performance, aligned with this 20%-plus ROTE in marginal origination.

The challenge we face is that we still have a portfolio that, not too long ago, was almost BRL 100 billion, in this broad mass retail market perspective, which we will keep reducing. Therefore, I won't give guidance here, but you should expect that this mass retail will decrease with some materiality and consistency through the end of 2025 and possibly into 2026, a bit more.

However, again, with a new portfolio, quite healthy, and an old portfolio, with the renegotiation policies that Gustavo mentioned earlier, intact, for us to either continue making agreements with those who are paying or to recognize losses as soon as possible to speed up the de-risking of the portfolio.

So, the mass retail market continues to be a challenge. We are at the best stage we have been in the last three years, which does not imply that it is good. Therefore, at the margin, we are managing to ensure the most impeccable origination possible and working on the inventory to reduce it, reducing it quickly, so that what is left, in a positive sense, is the good, healthy part, which certainly includes a portion of the mass retail market that can be operated with adequate profitability, and that is our focus. With this healthy mass retail market, and the rest maintaining the profitability standards we have, which doesn't need to change much, we will have a blend that, mathematically, is easy to see will exceed 20% ROTE at some point in the medium term, not too far off, I hope.

Thiago Batista: Perfect.

Mario Leão: Thank you.

Camila Stolf: We will now turn to Eduardo Rosman from BTG Pactual. Good morning, Rosman.

Eduardo Rosman: Hey, good morning, everyone. I have a question for Mario. I wanted to explore more about this obsessive focus on the primary relationship. In fact, you wrote in the press release that you would like your customers to feel like they are the primary customer of Santander. I think all banks have been talking about the importance of being the primary bank. I would like you to tell us what you think sets Santander apart and which KPIs we should track to determine who is winning this battle? Thank you.

Mario Leão: This one, Rosman, is the billion-dollar question. We are undoubtedly sharing with you the same narrative that nearly all banks with a broader customer base are sharing. Thus, we recognize that the challenge is to convince you, the market, and especially to convince customers that we are the right bank for them to operate with. What have we been doing to win the game at the margin? First, we start from a base, Rosman, a customer base that is quite relevant. We are not starting now. We have 70.7 million customers, a gross base. Many of them are inactive, so we acknowledge a task here of 37 million potential inactive customers to activate. Of course, some have been inactive for a longer time, which is more difficult, but reactivating inactive customers has been a very important agenda for us.

I will use the same term I used when I was speaking with the employees today. We had a journey before, Rosman, that practically discouraged the customer from reactivating their account with us. I say this with a bit of embarrassment, but we must be transparent. Since the middle of last year, we have had a reactivation journey as impeccable as any digital bank, fintech, etc. And I invite you to challenge me if you think there is any that is simpler than ours. So, we not only welcome back customers with open arms, but we also have a conversational and activation agenda, not just the activation of switching the account key, and we begin to engage with a customer base. Last year, we reactivated more customers than perhaps in the entire history of Santander in Brazil.

Activation alone is not enough. We are discussing principality. So, from the active customer, how do I transition to the primary customer? We have been using this term. The customer needs to feel like the primary customer, rather than the bank being the primary bank. How do we achieve this? There is no magic formula, but it truly requires strict discipline. I will outline some pillars for you, and we can expand on them over time. First, we must be very simple. Much more so than we, Santander Brasil, have historically been. And, if I may extend this, more than traditional, incumbent banks have historically been. Being simple means having fewer offerings, not more. It means knowing how to contextualize the offerings at the moment when the customer is willing to talk about it, or because they are demanding it, or because in the journey of the customer's life, not just their financial life, it is appropriate to talk about it.

This second point might seem smaller, but it is crucial. If we can have a CRM and a CRM usage that genuinely enables a conversation, which I refer to as a continuous conversation, but it’s not just Mario talking to Rosman all the time, because that would obviously annoy you, as the Spaniards say. It’s about having a continuous conversation where you feel that you are connected to me all the time, where I will engage you in a good way, provoking you in a surgical manner and not sending that push, whether through WhatsApp, SMS, email, it doesn’t matter, that I sent to everyone else. I need you to see that I am talking to Eduardo Rosman, sell-side analyst, financial segment of BTG, who spends the weekend in such a place, etc. You need to feel that I am communicating with the individual Eduardo Rosman, understanding Eduardo Rosman’s context, and that this yields insights of context, financial experience, life experience, family experience, that make you different from everyone else.

That's why I like to use the term "primary customer". Ultimately, we talk about the bank because we love to speak about the industry in the first person, but what matters is that the customer feels like the primary customer in the relationship. Of course, every customer is aware that there are other tens of millions, but they need to know they are being treated individually. And then, this second pillar, once again, of contextualization, hyper-personalization, and a well-balanced continuous conversation, is vital. Along with that, impeccable journeys. It’s pointless to have everything I mentioned and then have, you know, an app that doesn't work well, with too many clicks, too many menus.

Once again, banks tend to want to sell everything they have. Banks have a significant advantage over fintechs, which is the wide range of offerings. I would say it's complete. In our case, the offering is complete. There is nothing missing. However, if I try to sell all of this at once, I disengage the customer right away. Therefore, it is much better to sell one or two items, sometimes not sell anything, and just engage in conversation with the customer, and then start to respond to the demand and sometimes provoke with things that I have. Having a complete offering is an advantage because I can cater to everything the customer needs. But I must be very disciplined about what I offer to whom, when, and where. So, and obviously, all of this is combined with a service model, which is how we actually serve.

I already have nearly two-thirds, Rosman, of my sales being made through digital channels. Our ambition is to reach and consolidate in this range of 60% to 70%. That's quite a lot, given that I come from a background where everything was sold through the branch network just a few years ago. But it's extremely important for us to have a service model that is also suitable for the different types of customers.

I am putting a lot of emphasis on digital, which is central for MEI, right up to private banking clients, or the bakery, and even large corporations listed in New York. However, there is also a crucial theme of service. Therefore, how we operate human service, in a good sense, the human service distributed across Brazil, in the case of businesses, must be next to the customer. I say, we close deals at the customer's home, not ours. So, let's cover the customers out on the street, let's go pay them a visit.

That's why we have a completely new model for SMEs, which I want to believe the market has not yet adopted, except for, obviously, some acquiring companies. Nevertheless, we have a model that is entirely out on the streets, equipped with GPS, visit maps, check-in, and check-out. This is how business is done. Thus, it's also a service model focused on being at the client's home, in the case of business customers, and for individuals, particularly in high income, with a great deal of proximity and an increasingly optimized ability to discuss investments and full banking, but once more, in a very straightforward manner.

I made a big detour here, but it's not a simple answer to give you, and I hope I have addressed some points here that we can, later on, further elaborate with pleasure.

Eduardo Rosman: No, that was great. Thank you very much, Mario.

Mario Leão: Thank you, Rosman.

Camila Stolf: To wrap it up, we have the final question now from Antônio Ruette from Bank of America. Hi, Antônio. Good morning.

Antônio Ruette: Good morning, everyone. Camila, Mario, Gustavo, thank you very much for your time. I would like to take a step back here to comment a bit on the credit appetite because in the quarter, we still see a quite conservative approach. We see the portfolio growing below the nominal GDP, and you are still mentioning a lot about de-risking. How has your expectation changed since the beginning of the year, in these last three months? I know you do not provide guidance for portfolio growth, but how would you say your expectation and appetite have evolved, and how has your appetite relative to asset quality changed for the year?

Mario Leão: Alright, Antônio. Thank you. It's a great question, and I will begin here, with Gustavo providing additional insights. Since we reported the third quarter, you may recall, we set a tone, even though it was a positive quarter in several lines, we had indicated a more cautious tone at the end of October regarding portfolio growth. And this was even a point that was discussed. Then the fourth quarter appeared to be an even more suitable call for us to be less ambitious for the fourth quarter at the start of this year. We are maintaining exactly the same rhythm.

So, we don't know more than the market; we read the same market that everyone else is reading, but we noticed signs in the last few months of last year indicating that the macro – of course, we didn't know that December would turn out as it did – but we already could see that the macro shown some signs, given the rise in interest rates, which was already occurring, the rise in inflation, which was also already happening, and the PxQ, in a sense, would be some deterioration in portfolios as an almost immediate consequence of it. We are seeing this reflected in the figures for the first quarter, just as we saw in part of the fourth quarter that we reported a few months ago.

Does this make us change our risk appetite in relation to what we have been operating? Not substantially. What we have been doing, and we do this regardless of whether the Selic is going up or down, regardless of the performance of rollovers increasing or decreasing, we maintain a strict discipline, and this is not on a monthly basis. Every week, we are reviewing the segments we are lending to, those closest to the appetite limit, which we refer to as "border", how is the performance of these segments? We examine all of them, but especially the border segments, we scrutinize them very closely, and we look for the first very concrete signs. We do not wait six months, twelve months; we look for the first concrete signs of potential deterioration and adjust those border segments quite promptly.

One area where we have evolved significantly in recent years is our ability to react to data. Today, we implement policy decisions within days. Of course, the larger models still take a couple of months, but previously they took almost six. But for the policies, which involve these fine-tuning adjustments in lending, we now analyze very quickly, make decisions, and implement them in just over a couple of days. So, we keep doing this. Did you make any additional cuts in this marginal concept last quarter? Yes, we did.

In March, we made some marginal cuts in specific low-income segments because these segments were not performing, as I just answered to Thiago, in an ex-post ROTE performance consistent with the 20%-plus that I also wanted to achieve in the low-income segment. However, these are marginal cuts that do not affect the portfolio as a whole. There is a cost in terms of revenues, of course, because by cutting groups you have a higher spread, slightly decreasing the top line, the net interest income, but it is at an acceptable price, quite acceptable, which are the lower loan loss provisions.

Thus, the overall appetite has not changed; we have been making marginal adjustments, as we always do, and the good news is that we are implementing these marginal adjustments with a speed we have never had before. This brings significant dynamism for us, both up and down. Gustavo, if you would like to add anything.

Gustavo Alejo: Exactly that, there are no changes in the strategic definition we have. We are very clear about the portfolio we want to maintain, by major businesses, the businesses that are included and the segments within those businesses. So, this is defined, it is clear, thus there is no structural change. The macro conditions will not cause us to change our strategy. What we are doing is exactly that, we have a portfolio setting that we envision, that we believe is healthy, and now we are testing performance.

So, the performance tests lead us to make some adjustments, but they are marginal, nothing material, because we have a very clear strategy of where we want to go. And, obviously, there are portfolios that we would like to grow even further, so it's a matter of demand. If there is demand, we will grow. Thus, the setting is in place, the measurement is clear, and nothing has changed from what we have been saying over the last few quarters, alright?

Antônio Ruette: That's great, everyone, thank you very much for your time.

Mario Leão: Thank you.

Camila Stolf: With that, I would like to thank everyone for being with us this morning. Following this videoconference, myself and the entire Investor Relations team at Santander Brasil will be available to clarify any remaining questions. Thank you very much, have a great day, and see you next time.

Mario Leão: Thank you and see you next time. Have a good day, everyone.