Gustavo Sechin: Hello everyone, and good morning! I'm Gustavo Sechin, head of investor relations at Santander Brasil. I would like to welcome and thank you for joining us for our 3Q22 conference call, which is now being presented in an interactive format.

This event is being streamed live from our studio at our corporate headquarters in São Paulo and will be divided into three segments. In the first one, our CEO, Mario Leão, will discuss the strategic pillars that drive our growth, as well as the key points of our current moment. In the second part, Angel Santodomingo, our CFO, will present the results. Finally, in the last moment, we will host a Q&A session, where analysts will have the opportunity to interact directly with our leadership.

I would like to give you a few instructions and to make the most of today's meeting. This event features simultaneous translation; simply select your preferred language to ask a question during the Q&A session, just click the hand icon in the bottom of your screen.

With that, I would like to turn it over to Mario, who will begin the presentation addressing our current context. Mario, you may proceed.

Mario Leão: Thank you Gustavo, good morning to all, and thank you for joining us in our first ever-quarterly presentation by video. I'll begin our session by highlighting some of my key beliefs concerning our performance, the way we look at our numbers, and my view of our expected path ahead.

First and foremost, we continue to believe in our capacity to anticipate economic cycles successfully. We've done it in the past, and we believe we are in another cycle where our predictability was the key to where we are today. Yes, results on individuals are currently under pressure, we'll comment that further, but they´re an almost natural part of a growth cycle which led us to a record over record years for the past 7 years.

With that, another key message – we believe we have one of the most powerful platforms for individuals. Yes, we've reduced our risk appetite in 4Q21, but we're ready to accelerate as soon as we feel confident.

Also, with Selic declining, and consumer spending recovering, sometime in 2023, our consumer finance platform – which is the largest in Brazil – will also see accelerated growth again.

Another key message – the quality of our balance sheet keeps improving, with business diversification, more customer loyalty, more cross-selling than ever.

Our Corporates business will deliver its best year ever – across all segments, from individual SMEs to large global clients. And we'll keep investing, in order to become the leading platform in Brazil.

Finally, we'll do all that while remaining the industry's benchmark on efficiency – and with that, an obsession on continuously reducing our cost to serve.

In summary, results are below where we would like them to be for sure, but for a reason we understand and control. We have several growth opportunities ahead, and we'll explore some of them with you today.

On slide 5 we provide a summary of where we are on 3Q22. As expected, a more selective approach toward higher rated customers, together with our negative rates sensitivity on the ALCO portfolio, keep generating pressure on revenues and net profit, and, results-wise, we believe we are in the most challenging part of the cycle – with lower or marginally negative customer NII growth, a negative market NII, and a cost of credit still at higher levels.

As you will see further, our customer NII still expands substantially YoY, although reduces slightly QoQ; our market NII remains a detractor on margins, which should remain with us through late 2023; on commissions, we have a modest growth YoY, which happens due to our diversification – credit related commissions themselves have fallen much more.

Overall, our net earnings reached R$ 3.12 billion for the quarter, with an YTD ROE at 19% and a quarter ROE at 15.6%.

On slide 6 on the other hand, our ability to anticipate trends is leading to much improved loan vintages, which means we will begin 2023 with an improved balance sheet, provisions and asset quality under control, and better prepared to resume credit expansion.

We present these results on this page and the next. The decline in asset quality is consistent with our projections, and older vintages are losing relevance within the portfolio.

The more recent vintages currently account for 51% of the overall portfolio and are healthier than the previous ones, with 85% being AAA-B rated clients.

Delinquency ratios remained fundamentally stable on a quarterly basis, with total delinquency at 3.0%, aligned to pre-pandemic levels.

Then on slide 7 we share a few metrics that confirm we are on the right track, delivering a healthy growth throughout the cycle.

We are currently growing in loan origination, which is increasing by 21% QoQ among customers with higher ratings.

The delinquency ratio of newer vintages is considerably lower than that of older ones, and, when we examine the early arrears of certain products, we see substantial improvements: -230 bps in personal loans and -180 bps in auto loans, YoY. Looking at our loss absorptions in some of our key portfolios, we see the same kind of results.

Finally, we keep having a more predictable cost of credit than our peers through the years, as a result of the constant improvement we keep performing in our risk models.

As a result of the risk measures adopted in late 2021, and given our strategic priorities, we see good growth prospects ahead, and will now concentrate on the next few pages on the interconnected pillars highlighted on slide 8: (i) Customer acquisition and loyalty; and (ii) Revenues and business expansion.

In the following slides, I will describe the evolution of each of these pillars. One of the key factors in achieving consistent results is to continue to develop closer and stronger bonds with customers. We are after all a consumer-oriented company, and we're moving our culture and priorities more and more towards a true customer advocacy vision.

In this slide number 9 we show that our most loyal customers keep growing at a more accelerated pace than our overall customer base, expanding 1.3x faster and representing 27% of the active client base. Also, loyal customers generate 5x more revenue than non-loyal customers, which means we'll keep pushing harder in making more of our total clients active, and more of our active clients loyal. There's great opportunities inside our customer base.

Customer satisfaction and NPS remains a key part of our daily management. The NPS for key loyalty products such as credit cards, are all within 70 to 90 points.

On slide 10, we highlight our broad platform, which affords cross-selling opportunities due to the multiple touch points with clients and prospective clients via different channels. Just two important examples to share the highlight of our ecosystem: we opened nearly 200K current accounts during the quarter, only taking Consumer Finance and Prospera which is our micro finance platform. Just two products cross-selling one quarter 220K accounts.

Open finance is slowly becoming a reality. We've done already 2.4 inbound permissions, which is twice the number of outbound requests. With time, we will extract a lot of value from our open finance as well.

Then in slides 11 and 12, I'll share some business highlights during the period, and also a good sample of where we believe our growth will come from.

As I've mentioned initially, we're delivering the best year ever in Corporates. In SMEs, we recently introduced SX Integra, enabling clients to digitally discount their receivables, which increased by 50% in the third quarter, in addition to expanding our range of solutions for micro entrepreneurs.

In wholesale, we have managed to maintain our FX #1 position and are currently the leader in commodities hedging and carbon credits trading, with 54% market share.

In the investment business, I wanted to highlight two fronts: the new AAA model for advisory, and TORO the digital open sea broker dealer we developed. We have big ambitions in investments in general and we'll comment more throughout the course.

In the insurance business, premiums increased by 33% in two years, and we have set a target of R$ 15 billion in premiums for 2023 – and we already have a 13% share in individuals and a 64% penetration rate in our client base.

Moving on to slide 12, we have recently innovated in Select by eliminating the minimum income for clients joining our specialized segment named Select. We established a target of 1 million clients here by 2023 – and these are by far the most profitable individual clients by a large difference.

The "Consórcio" business has been one of our top performers in fees in 2022, with a 37% rise in total origination. The enhancements made to customer experience and after-sales will drive even further growth.

In Payroll loans, we also improved customer experience a lot expanding digitalization and have been producing at the fastest pace in many years. We set even further ambitions in 2023 for both “Consórcio" and Payroll Deductible Loans.

In Agribusiness, we started with a 2% market share a few years ago, we are already at 6% and we will reach a R$ 50 billion portfolio by 2023.

Finally, in the Auto segment, we are already in a leading position thanks to our comprehensive offering through Consumer Finance, Webmotors, and our alliance with automakers, and we will take our 23% market share in vehicles to 25% by 2023.

With that I would like to turn it over to Angel Santodomingo our CFO for our highlights of the 3Q22. Thank you.

Angel Santodomingo: Thank you Mario, good morning everybody, it is a pleasure being here again with all of you. Let me start with numbers on slide 14 where we detail our P&L.

Our net profit as has already been mentioned amounted to R$ 3.1 billion. Also as already mentioned, our NII is still affected by credit measures and P&L provisions that have also been pressured from old vintages.

With that in mind, let me go over a few of our key figures for the period. On the revenue front: (i) Total NII decreased by 5.2% in 9M, with client NII growing strongly but more than offset by market NII given our well-known negative sensitivity to interest rates; (ii) In Fees, the expansion of our customer base and transactionality translated into an increase of 2.4% over a little bit more than 2% over the period, despite the pressure from credit-related commissions, as was mentioned at the beginning of this presentation.

And on the expense side: (i) Provisions growth QoQ is much lower than the 9M, so we are improving on a QoQ basis showing that cost of credit is going in the right direction. This is consistent with what I have been stating with you since our, 3Q earnings call…3Q sorry, 3Q21 obviously. Also, you can see that our delinquency ratios and balance sheet remained flat in the quarter, it's already three quarters that they have remained stable. (ii) General expenses increased by almost 7%, 6.8% annually well below the average inflation for the period. Pressure is coming from salaries agreement and obviously general inflation, but in any case efficiency continues to be our focus as you may see, with a ratio of almost 36, 35.7% in 9M, which also derives in a RoE that has already been mentioned of 19%.

In next slide, slide 15 it shows our NII progress with a heavy emphasis on the customer side. Over the first nine months of the year, customer NII expanded at a rate of 26% compared to the same period in 2021, which is a direct reflection of what we have been mentioning regarding customer growth, customer loyalty, etc.

Comparing 2022 third quarter with the second quarter, of this year, the same year, product NII decreased by 2% due to the precautionary measures taken thus far. However, year-on-year, we continued to benefit from positive volume dynamics, a better mix, and improved funding performance. With that, spreads were 70 bps higher than one year ago, despite a quarterly drop provoked mainly by mix, which we can clearly discuss afterwards on the Q&A session.

On the other hand, as I have been sharing with you for quite some time now, market NII reflects our negative sensitivity to yield curve upward movements, a trend that will also persist, and this is not new, in 2023; this item is and will continue to be partially offset by our Treasury results in this line of the P&L.

On the next slide, slide 16, our loan origination and mix have been impacted by the adoption of a more selective lending approach, reflecting an anticipation to the cycle. Even with all of this, during the third quarter we were able to expand our book with controlled levels of risk. Consequently, our portfolio grew by 3.4% quarter-over-quarter reaching R$ 484 billion.

The SME segment grew the most during the quarter in between other reasons, thanks to the federal government programs "Pronampe" and "FGI", and our commercial approach. Among individuals, secured credit lines, such as Mortgages and Payroll loans, drove the expansion of our portfolio. It's important again to underline that 64% of the individuals loan book is collateralized. And on the corporate lending front, loans grew by 5% this quarter, obviously excluding FX impact, so like for like given a weaker capital markets activity that provoked more activity with us, with banks.

On the liability side, our funding performed well during the period again, allowing us to maintain a strong liquidity position.

And finally, at the end of the quarter, our core capital stood at a healthy level within our objectives: CET1 reached 11.3%.

Moving to next slide, moving to Fees, the new “Consórcio” rule enacted by the Brazilian Central Bank influenced our figures that were adjusted by this accounted effect, by this negative accounting effect, that is just an accounting effect. This explains half of the drop of total fees. The rest is explained by loan origination as already explained.

Our insurance business continued to have a good performance, particularly credit life insurance, due to its close connection with the payroll portfolio. Additionally, open insurance premiums also delivered a solid quarter in open market.

We expect a continued expansion of our customer base both active and loyal to keep growing our fee revenues going forward.

Regarding expenses, we once again demonstrated our commitment to keeping this part of the P&L under control by growing at a slower rate than the period's average inflation. It is important to remember that we have, we had the salaries agreement last month, just last month in September, which added pressure to our expenses.

Slide 18, the next slide, we can observe how our asset quality has evolved.

NPL ratios, on your left-hand side, and this is important to note, both 15-to-90 early arrears and over 90 arrears, remained stable for the third consecutive quarter, as expected, so three quarters flat.

New vintages, this is a good kind of leading indicator obviously looking forward. New vintages have already shown a more positive performance relative to older ones, as Mario mentioned, and as they gain greater relevance on our loan portfolio, we should see healthier asset quality in the coming future.

Finally, on the right-hand side and the P&L cost of risk reached 3.8% in twelve months — which is the consequence of what has been previously said, today and in previous quarters about the impact older vintages.

Furthermore, our provisioning pace and speed not only has covered prior vintages, but also helped us increase the coverage ratio, which reached 226% in this quarter, a higher level, of both last quarter, which was 224 but also higher than pre-pandemic levels.

Credit recovery once again performed well in the quarter, continuing to be one of our key focuses.

So having said all that, all the numbers, let me now hand to you, to Mario for your closing remarks.

Mario Leão: Thank you, Angel. So very briefly…

As I mentioned at the beginning, the measures we've consciously taken in late 2021 led us to a more selective approach towards higher rated clients – we knew that, which, together with our negative rates sensitivity in markets, are bringing top line pressure to our results.

But our ability to anticipate this exact credit cycle have led us to much improved loan vintages, which means we begin 2023 with a healthier balance sheet, cost of risk and delinquency ratios, therefore better prepared to resume growth.

So, our growth prospects will concentrate on: (i) Growing our customer base even more so, focusing on making them more active and more loyal; (ii) Improving the connections within our ecosystem to extract more value through cross selling, while keeping expanding all business lines which we've been investing on; (iii) And while doing so, maintaining control over cost of credit and general expenses, therefore building a more positive jaws effect going forward.

With that, let me now hand it over to Gustavo for the Q&A session. Thank you very much.

Gustavo Sechin: Mario and Angel, thank you. We will now start the Q&A session. All analysts will have the chance to ask questions during the Q&A, which will last for about 30 minutes. Again, if you would like to ask a question, just click the hand icon at the bottom of your screen. So, our first question comes from Pedro Leduc from Itaú BBA. Hi, Pedro. Good morning.

Pedro Leduc: Hi. Good morning, guys. Thank you so much for taking the question, and I like the new format; live, very good for the Q&A. It would center around NII and probably directed for Angel here on two components please. First, you already mentioned that market NII should remain a negative for some time due to the way interest rates have behaved. So, you mentioned 2023, Angel, in your prepared remarks. Could you help us get a sense of the magnitude, given that if Selic stays where it is, we should be seeing a similar BRL1 billion to BRL1.5 billion loss in market NII throughout 2023 as well. That's how we should think about it, and really target to the rate level and maybe watch for the current movements? Thank you.

Angel Santodomingo: Thank you, Pedro. As I have been -- let me put everything in context, we have been debating and saying to you that our sensitivity to the increase of interest rates is negative. What does that mean? It means that we have a liability side that replaces quickly, while the asset side takes time. It takes time, takes one year and a half approximately which is the duration of our asset side, which is also the timing which we reprice towards the yield curve.

What does that mean? It means that interest rates, as you know, stopped their movements, theoretically. We are having today the couple of meeting, but theoretically around August, which makes us go into '23 with that negative impact is still there. Obviously, that impact will go from more to less as the year goes by. So, this is an obvious thing, because I mean things get closer and then up by the end of that year.

Now, to your question, it depends on how the yield curve moves, how the yield curve slopes, what are the expectations compared to the reality during 2023? The current levels of negativeness, let me call it like that, on the NII from the market is something that approximately we could think of in 2023, but again going from higher levels to lower levels. But as I have said and I think I have said this for at least three or four quarters, if I remember well, this is a negative impact that will stay with us.

Now, if you look the long-term, on the long-term, this policy pays off enormously, okay? So again, as with the credit decisions, we know we are going across the cycle. We know we have between one year to two years of this negativeness because then we will have the positive coming in during the next four years, five years, six years, okay? Thank you.

Gustavo Sechin: Thank you Angel. Our next question is coming from Flavio Yoshida from Bank of America. Hi, Flavio. Good to see you again.

Flavio Yoshida: Hi, guys, thank you for the opportunity. Just like Pedro, I also like this new format of the call a lot as well, so congratulations for changing it. So, my question is regarding asset quality. So, on NPL over 90 days, what caught my attention was the individuals NPL levels. So, it has been deteriorating for, if I'm not wrong, five consecutive quarters, even considering very high-rate renegotiation levels. And also, the short term NPL that despite the more conservative risk approach that you guys just mentioned with focus on better-rated clients and also secured loans, even considering this, the short-term NPL continued deteriorating. So, I was wondering if you could share some additional colour on it. Was it any specific issue with any specific loan, was the deterioration across the board? And what we could expect going forward?

Angel Santodomingo: Thank you, Flavio. Good to see you again. Flavio is an ex-Santander so that's why I'm saying that. Let me elaborate a little bit here. I mean, we have been saying with you a lot of numbers and let me try to summarize things. First of all, we did start to take such measures, as you know, starting in fourth Q last year. What does that mean? It means that we still have vintages coming from there, which are putting pressure on the P&L, et cetera. You show the numbers. Only 29% today of the provision is coming from the old vintages, that used to be 82%. So, we have clearly improved. The NPL, the 90 days NPL on the new vintages is 1.5% compared to 4% in the older one. So, the amount of improvement that we are seeing is enormous. We are seeing cost of risk dropping by 40%, 50%, 30% comparing vintages. So, you have to play with the different waves. The wave coming backwards and going -- and the wave coming forward.

On the NPL on the balance sheet, what is happening is again that stabilization of the ratio, but on the individual side, we do have that pressure coming again from those old vintages. Remember that we have been moving to better credit score clients, which explains the spread, explains other things in the P&L. But still, there is the pressure of a book that has a duration of 1.5 years, okay? So, and the deterioration, and I have commented this with you several times, the deterioration is coming from the mass market and from the very small SMEs, those are the two points of focuses where it is coming from. So, all the picture I have tried to share with you, is what it is explaining the P&L ratios and the balance sheet ratios. I hope I answered your question.

Gustavo Sechin: Thank you again, Angel. So just a reminder, if you'd like to ask a question, just click in the hand in the bottom of your screen. So, our next question comes from Thiago Batista from UBS. Hi, Thiago, how are you?

Thiago Batista: Hi, guys. A message for the new format. I have one question focused on the credit card business. We saw this quarter a decline of 1% QoQ, TPV, or an extension 5% year- over-year. It was expanded 17% in your previous quarter. If I look for the credit card loans, we also saw, could say, a weak figure, so a flattish QoQ for the second quarter in a row. So, can you give you -- give us a colour about the dynamics of the credit card business? If you're really changing the business model, or it was, let's say, a more restricted credit approach or it was the deflation? So how do you explain this slowdown in your credit card business?

Mario Leão: Hi, Thiago. This is Mario. So, thank you for the feedback to you and Flavio and Pedro, by the way, we're very happy with the format as well. I'm glad you enjoyed. So let me take the first part of the part of the answer here now, and I'll ask Angel to complement.

So, Thiago, in summary, this is all interconnected. You mentioned a few potential reasons for these, I'd say, modest performance, to say the least, in credit cards. It is all interconnected to our adjustments in risk models taken mostly by the end of last quarter of last year, and some final tweaks were made throughout, I'd say, the first four months of this year.

All those model risk adjustments caused in individuals a reduced appetite for some parts of the pyramid, and obviously we started to focus more on what we call the ratings 8 to 10, which is typically the higher B to AA on a Central Bank basis. So that caused less appetite for everything from consumer finance, payroll deductible loans, the “crédito puro”, the straight credit lines unsecured, and also for credit cards.

So yes, we see a reduction in TPV derived from lower risk appetite, because most of these customers, they expand -- they spend with their credit cards and get financing through those spending. So that is all interconnected, we believe a lot in this business. We want to grow actually not only market share but TPV and profitability. We're actually having the best year ever in our credit cards business this year overall, but we're doing so with the consciousness regarding our risk appetite, and therefore our credit measures, which is connected with all other portfolios. Thank you.

Gustavo Sechin: Thank you, Mario. Thank you, Angel. So, our next question is coming from Tito Labarta from Goldman Sachs. Hi, Tito, good morning.

Tito Labarta: Hi, I just want to, I guess, on NPLs but more on the cost of risk side, right? You've highlighted last 12 months, your cost of risk has been around 3.6% or so, but last two quarters has been higher. And just thinking that you get through the credit cycle, should we expect it to remain around this 5% level? When do you think that should begin to normalize in terms of getting back to more the historical cost of risk that you've had in the past? Thank you.

Angel Santodomingo: Yeah, Thank you, Tito. I mean, you're right. As I said, you have on the P&L still pressure, because we still have all those vintages that I already mentioned, putting pressure on the provisioning part of the P&L, but on the balance sheet unstable. So, what does that mean?

It means that the balance sheet is giving you some instability that is future looking or forward-looking, while the P&L, we still have the old vintages going into arrears and such needing prohibition. Obviously, we also have the renegotiation process, we have different processing -- processes in which we need to keep on provision, which is fair.

Again, I think that across almost all questions that you are making, the idea which we tend to share with you is the through the cycle view, okay? So, we are enormously, we think, strong in anticipating those cycles and that means that we have seen these 12 months ago. So, we have been taking measures 12 months ago or in the last 12 months, okay? So that is the consequence that you are seeing today is, what has been happening and what we were expecting for. So, no new news here.

In terms of peak or no peak of the cost of risk, obviously it's difficult to say, Tito. I don't want to compromise the message because if next quarter it goes up a little bit and then it goes down, because it's going to be a continuous fine-tuning during the next probably third Q and fourth Q, and then going into 2023, some kind of improvement. But still to be seen, okay?

But we are there; we are seeing an explosion, we are not worried. We are not taking stronger measures, the other way around. When we have seen that the loss absorption ratio, that the NPL, that the behaviour of the next or the new vintages is clearly improving, we are starting to produce. And this is the 4% I showed to you QoQ, this is 16% on an annualized basis or 17% on an annual basis. We are back on growth, because now, we see that those vintages are on the right direction, okay?

Gustavo Sechin: Thank you, Angel. So, moving forward, our next question comes from Carlos Gomez from HSBC. Hi, Carlos. Good to see you.

Carlos Gomez: Hi. Good morning. Sorry for not having the camera on. So -- and yes, I like the format too, and I like the macros. Two questions. One is you mentioned that you have been able to anticipate the cycle and that you started taking measures 12 month ago. What do you see going forward? When do you think, you will start opening the spigot again and being able to give credit? Are you already having confidence, do you expect that by the end of this year, beginning of next year, when do things turn for the better? And second, how do you expect in general 2023 as a year? We expect an economic slowdown that is the consensus. Is that also what you think and would that make you more cautious? Thank you so much.

Mario Leão: Hi, Carlos. Thank you for the question. So, I'll take it off and then Angel can compliment. Firstly, so starting with the second one, we are not seeing a 2023, which is dramatically better than this year. We believe like many others that the economy will have a flattish type of growth, and therefore that together with, yes, declining inflation but still high interest rates, we believe we're going to be living an economic backdrop which is at least something for us to be very, very conscious about.

We believe with time, throughout the year, that with Selic declining and more consumer spending and the compounding effect of lower inflation levels which we are already seeing, yes, but the compounding effect through the next 9 months, 12 months; we believe consumer spending will resume, together with the Selic rate declining as well. So, financing will become more affordable, and in general, our portfolios will begin expanding at a faster pace, which does not which does not mean we're going to wait for that to accelerate our portfolio, which goes of the first part of your question.

We are already resuming growth in selective portfolios. We are growing a lot in payroll-deductible loans. We had the best production ever last month, and we finished the quarter on a strong footing in actually most of our portfolios like Angel just mentioned.

So, for everything that we're comfortable with, we're doing credit like we've never done before, which doesn't mean we're doing credit for all the customer base we have. We're selecting the clients, so that we generate vintages, which are healthy. And the good news, which we've been trying to share today is that we are very happy with the way we built the new vintages starting this year. They are behaving exactly like we planned, they're becoming more and more relevant in our portfolio.

So, through the quarters, through the cycle, as Angel mentioned, we will have better and better portfolio and therefore results. So, where we have the right risk appetite, we are expanding, we're accelerating and that means products and also customer bases. And with that, we hope to continue expanding those portfolios in the fourth quarter and enter 2023 with that mindset. Changing the risk appetite more broadly will mean a better economic backdrop, of course, which we believe will happen sometime through the second half of next year.

Angel Santodomingo: To add to Mario's words on 2023, Carlos, remember what happened this year. I mean, in 2022, we started the year being conservative, all of us, this is not something specific. And we have ended the year, growing less in the second semester, etc, but a year that is going to be close to 3% GDP which is a good year in terms of growth.

Estimations for 2023 have been moving from the negative side, they are already in the positive side. It's still sluggish. I mean, we're speaking of 0.5% to 1%, but they have been moving there. We may see adhering which after the elections and the political stability and growth in confidence and growth in consumer. And as Mario said, that may happen as we go throughout the year. So, we see a year from less to more, I mean, getting stronger as we move throughout it, okay? Thank you, Carlos.

Gustavo Sechin: Thank you, Angel. Thank you, Mario. Again, just a reminder. If you'd like to ask a question, just click in the bottom of your screen. Our next question comes from Gustavo Schroden from Bradesco BBI. Hi, Gustavo. Good to see you again.

Gustavo Schroden: Hi, Gustavo. Good to see you again. Good morning, Angel. Good morning, Mario. Thanks for the opportunity. I have two questions. The first one is more -- is related to your tax rate. We saw an effective tax rate well below the historical average and also well below the last quarter. Can you give us a colour or not on what is behind this low, what could explain this lower effective tax rate and what should we expect for the next quarter?

And my second question is about the renegotiations, right? We've been seeing a constant increase in renegotiations. This is another significant increase quarter-on-quarter in the balance of renegotiations. Could you give us a colour on what is behind this strategy? Is it because you've seen an asset quality deteriorating faster than you were expecting, it is part of this strategy? And also, if it is more related to individuals or consumer loans, or it is also related to corporate and SMEs. Thank you.

Angel Santodomingo: Okay, on the tax rate, yes, we have had a lower tax rate and this is basically because we have paid you know the interest on capital, the dividend that goes through a kind of way that you save taxes. I think we paid close to R$ 800 million in the quarter in terms of interest on capital R$ 782 million, if I remember well.

So that explains it, we have been doing this every single year. We optimize the amount that we pay through that type of dividend so that the tax rate is optimized. But that has -- that happens in a moment, and then we but go back to the normal tax rate.

On the renegotiations, yes, we have increased renegotiations. I have -- I think we have commented this in past quarters, significantly. We want and we think that we have to proactively use that tool, first, to help our clients, and second, to avoid financial problems in the future without making silly things but using that way of helping our clients. If you remember and we have commented this in the last two quarters, in January, we did it uniquely because there was nobody doing that at that time. The famous “Desindivida”, which is we went to the clients, we said, do you -- would you have a problem in the future, or you think you may have a financial problem in the future? Let me help you.

And this has done has been done in several moments throughout the year. The portfolio is well covered, is being paid by clients, is basically, you ask, is basically individuals. It's like, I don't know, 80% individuals. So, it comes from the retail side on the individual side, and we are quite normal, quite sympathetic, with what we have done. We think it is what we had and we have to do. I don't know, Mario, if you want to...?

Mario Leão: Yeah. I just want to -- Gustavo, thank you for raising the question. It's a very important one and allows us to explain better how we think of renegotiated portfolios. This is not a passive portfolio for us. Obviously, there are cases where customers do default and they enter the regotiation portfolio, but our approach is mostly a full swing which is the credit string, which starts from the credit origination, obviously the installments, and when we believe, people are coming to the situation where they need to restructure, we proactively talk to them.

We do that broadly, we do that through our retail channel, the stores, like I call them. We do that through the digital channels. We do that through the remote channel, which is our call center, the SX Negocios business. So, our multi-channel approach throughout the credit cycle, Gustavo, is one of our key beliefs.

When I stated in the beginning that we are part of our individuals credit franchise, that encompasses the recovery process, which obviously, in a credit cycle like the one we're facing, it's not only Santander, it's the whole market. It's particularly important to have the recovery process, and we believe we have a very strong one, and we will keep being very proactive with dealing with customers, doing customized renegotiations with them, and following them through the cycle. We believe with that not only we protect our P&L better, but also we get more loyal clients. When they recover, they will look at us with a much better way. So that's our mentality.

Angel Santodomingo: And by the way, we do provision part of what we do renegotiate, okay? So, it's not for free, so we are being conservative on that side.

Gustavo Sechin: Thank you, Mario. Thank you, Angel. I think that Pedro from Itaú has a second question. Pedro, please.

Pedro Leduc: Thank you for the follow-up, guys. Back to NII and now on the client portion, okay? Understand there was a spreads decline QoQ. You explained the mix of products, selectiveness of client and I see a little bit on the funding side and mix as well. Now, if I take a step back, we like to look at your NII on a consolidated basis. The market NII fixes and removes risk from the commercial areas, so that they can price accordingly. So, honestly, didn't expect client NII to drop as it did, okay? Help us look forward on this line. Is it both should continue talking to each other, eventually market NII drops -- improves, or this client drops, or we can have both improving as 2023 progresses? Thank you.

Angel Santodomingo: Thank you, Pedro. Client NII, we have to understand it not only on the very top line of the P&L, but also related with credit risk, I mean as we said and we have -- you mentioned it in your question, we have been producing in higher risk profile, better risk profile price. That means lower spreads on the asset side, but it also means future relative lower cost of risk. So, the NII net of risk in the future should go, should improve.

So, if you compare, I think it was 10.7% or something like that in the spread we produced in this Q, this compares just one year ago, if you go to 2021, the spread was in between 9.8%, 9.9%, 10%, 10.1%. So, we are like 80 to 100 basis points above where it used to be just 12 months ago. So, we are improving the NII on the client side.

The kind of game in between the NII on the market side and on the client side, I think I already elaborated. I mean, the NII in the market, the evolution I mention it, I think it was in the first question. So -- and we keep on producing more, but also stabilizing or even increasing the spreads. If you see our spreads in each of our credit profiles, the spreads are either stable or improving, okay? The thing is that we have levelled up and selected more the production on the asset side.

So going forward, this is going to continue, and we will see this until we start to test other lines of credit profile, and it works and we go forward. This is how it has worked and will work in the future.

Mario Leão: Pedro, just complementing what Angel said, and your question is very fair, and we are obviously looking to expand growth and then do so in a rapid pace on clients' NII. The other rational I wanted to share, just to help your analysis is the volume growth we mentioned, which we are proud of as we took the picture on September 30th growing more than 4% QoQ, that doesn't mean we extracted the NII from that volume growth through the quarter. That growth obviously happened through the three months, I'd say, mostly in September. So, we didn't materialize that in P&L, although we already grew volume.

So, the volumetric growth we're seeing in this quarter is bigger than that the entirety of the year as we've mentioned before. We almost had a flattish portfolio in retail overall, over the first six, seven months of this year, given our credit decision. So, it's all-conscious, but it didn't help us grow the portfolio. This quarter we did and we're going to see clients' NII expanding with that volume growth. And obviously, with the volume growth, we will keep pursuing this quarter that we're leaving now and as we enter 2023. Hopefully, that helps as well.

Gustavo Sechin: Thank you, Mario, Thank you, Angel. We are reaching the end of our live broadcast. I would like to thank you, everyone, for joining us this morning. Following this videoconference, myself and our entire Investor Relations team will be available to address any further questions you may have. Thank you. Thank you again very much and hope to see you again soon.