

Operator:

Good morning, ladies and gentlemen, and welcome to the Porto Seguro's 3Q25 earnings call.

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After the end of the presentation, we will start the Q&A session. Please send your name and company name through the Q&A icon at the bottom of your screen. Your name will be announced, and you will be able to ask your question live. You will get a prompt to turn on your microphone on the screen. If you do not want to turn on your microphone, please write 'no microphone' at the end of the question, so it can be read-out by the operator.

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Now I would like to turn over to the Porto executives who will begin the presentation.

Paulo Kakinoff:

Good morning. My name is Paulo Kakinoff, and it's a pleasure to be here to present the 3Q results for Porto Seguro. We have Celso Damadi, our CFO; Domingos Falavina, Investor Relations Officer; CEOs of our business verticals and the Head of Porto asset.

This quarter, we have continued to advance in essential pillars in our strategy. We sustained high NPS and ratified our focus to provide a better experience for our clients. So we advanced across our 4 verticals in the Porto ecosystem, which can be seen by the expansion of 4 p.p. in combined operations for health, banking and services, both for income and revenue. They now represent 43% of the total. And we also reached consistent financial results, expanding the number of quarters in which we had double-digit growth, and that is consolidated as we will see soon.

Here, we see a comparison between the results for this quarter and the 9M25. Total revenue was R\$10.5 billion, up 11% versus the 3Q24, and Porto is reaching the second quarter in a row with a revenue above R\$10 billion. In net income, this is the 3Q in a row with results above R\$800 million, up 13%, and a ROAE of 23%.

All of the figures for the 9M25 are at the highest historical level for the Company, total revenue, net income and ROAE. So we have reached R\$30.5 billion in total revenue, net income is close to the total amount we had last year, R\$2.5 billion and ROAE was 23.4%.

The Company is in its fifth quarter in a row with ROAEs above 20%. There are several factors behind this performance. And I would like to highlight two. The Company's capacity through its reorganization across 4 verticals to continuously capture the huge potential that the brand has across its 4 business segments, and that will be a long road that we can continue trailing.

And especially cross sales for products across our 4 verticals to our ecosystem of over 18 million clients. We are currently reaching 32 million businesses distributed across these 4 verticals.

At Porto Seguro, we have 16.7 million items, up 6% versus last year. And at the same time, we have had a very well-behaved loss ratio, with a slight increase of 0.8 p.p. versus last year.

In Porto Saúde, we added 335,000 lives out of which 143 were in Health Insurance and nearly 200,000 in Dental. And the loss ratio was also at a healthy level with a slight reduction of nearly 1 p.p., or 0.8 p.p.

Porto Bank is growing in revenue and net income at a significant level. Our revenue went up about 30%, or 29% to be precise, and an increase of 19% to our net income.

At Porto Serviço, we had a reduction in EBITDA, especially due to the lower number of claims in Porto Seguro, which is the main revenue-generating source for this business, but we were able to sustain the EBITDA margin at a healthy level.

So to continue this presentation, I would like to invite Celso Damadi, our CFO. Go ahead, Celso.

Celso Damadi:

Good morning, everyone. I would like to highlight our 11% revenue growth as Kakinoff mentioned in his presentation. Porto Seguro grew 3.3% and auto insurance had a growth of 4% in items. But the product mix was at a lower average price. So we will go deeper into this during the presentation.

At Porto Saúde, 26.9% growth, reaching nearly R\$2.2 billion. And in Porto Bank we grew by 28.7% to close to R\$2 billion. In Porto Serviço, we had a reduction due to the lower utilization, the product mix and fewer services used from Porto Serviço. So there's a reduction here, but there is a positive offset with the reduction in claims.

So this consolidated ROAE of 23% includes an increase in our revenue and also a reduction in administrative expenses. So we had a reduction of 0.3 p.p. quarter-on-quarter and 0.6 p.p. when we look at the 9-month figures. And this is due to diversification and dilution of our fixed costs, as we have been doing in the last few years. In 2020, our administrative expenses were at 14.8%. At the end of this period in September, we reached 10.8%.

This 3Q, we reached the lowest administrative expense in the Company. It's the first quarter in which we are at a single-digit administrative expense. And in health, we were below 5 p.p. So we have been able to dilute our costs by diversifying products.

Here, we see the results for this quarter, 32% ROAE, 28% in the accumulated figure, 26% in Saúde and Bank and 18% in Porto Serviço. So returns over capital, as you know, we have a liquidity margin that allows us to grow easily across our business, and we have R\$4 billion in capital sufficiency, which will allow us to grow in the next few years.

Here, we see a net income that increased 13% to R\$832 million. It's the first time we have gone above R\$800 million. And we see our portfolio diversification. Insurance at a share of 59%, and it is now at 56%. But again, with very interesting returns on our assets. And we also see the shares of banking and health care, which have a higher share in our results.

Within banking, we also have a very diverse products such as credit and cards. So within that vertical, we also have a lot of diversity.

Looking at our financial revenue, we saw a significant increase due to two reasons. The average CDI went up about 30% in these 9M, and we also saw significant cash generation due to business growth, which increases our reserves, and also the free asset generation, which has increased both in the technical reserve and free assets. So we had expressive financial results this quarter.

And here, we see the breakdown of our portfolio. We changed it slightly considering a nominal financial revenue for 2026 that will be higher than what we saw in 2025. There are still some things to do at the end of this year to prepare this for a comparable nominal revenue for 2026.

Now, Dom is going to continue this presentation. Thank you, and have a good morning.

Domingos Falavina:

Thank you, Celso. Good morning, everyone. Going into the verticals, something that is always a highlight is service quality. We have record NPSs here for Porto, all of them have been above 8 points. When we look at auto premiums, we had a 1% growth, but over the year, we had a growth of 2.7%.

Looking at P&C and Life, we also had double-digit growth. In P&C, the accumulated figure is around 14%. When we look at the loss ratio for Auto, we had 58.2. In Auto, there was an increase of 1 p.p. We are still at a very healthy level. And in P&C and Life, it is around 30. In P&C for the 1Q, we had an uncommonly low loss ratio. In 2025, we saw an increase in 1 p.p. and in Life, it went up to 39.5%.

When we look at our results distribution, here, we see per business area. What I would like to highlight here is a ROAE of 32%, which we believe is very healthy for an insurance company.

Another point worth highlighting is that we constantly get questions about migrating plans from Porto Seguro, Azul and Itaú. One of the benefits that we are going to mention now is a reduction in the required net income because of this. We had a reduction, and so that led to a capital benefit, which contributes to our ROAE and our entire structure.

In Porto Saúde, we saw an increase of 143,000 lives insured and a net income of R\$126 million. And here, they are broken down between only Health Insurance and Health Insurance plus Dental.

When we look at loss ratio, Health has the most striking seasonal pattern. So we saw a decrease of 1 p.p. in the 3Q. And in Health plus Dental, it was around 1 p.p. as well.

Looking at ROAE, the same seasonal pattern appears. We finished the 3Q at 25.7% in ROAE, an increase in 350 bps year-on-year. Now Porto Bank, we had 30% growth in the number of businesses.

Our NPS is also among the best in the market, 76 points. And an increase of 18.5% to our results. Our ROAE was 26.1% and income was R\$196 million. So this is extremely healthy for any of our verticals. On the efficiency side, we had another reduction year-on-year of 0.6 p.p., which is at the same level as other digital banks.

We also have our average monthly revenue per active client going up. So we are not only expanding the number of clients, but we are also monetizing these clients better. Looking at tariffs and interest, the split is nearly 50-50. So we also consider that to be very healthy.

Here, we see our NPL and there are some effects that have affected our market. Here, we see our credit portfolio distributed between credit cards, financing and loans and looking at NPL. We are splitting it into short-term NPL, which shows that it's not a structural issue. What we have seen from the 1Q is an impact from the change in stop accrual from 60 to 90 days. And this means that not only does that affect our NPL, but the market general NPL has also kept in the same pace.

We saw a change in the number of basis points, and when you look at the equivalent central bank data, it was very similar, but our portfolio is healthier than the general market.

Continuing with Porto Serviço, the number of services is still very high, close to 1.4 million with an NPS of 81 points. Here, we see some dynamics that have been explained before. We saw lower demands from Porto Seguro, which made our revenue go down. However, the revenue of digital products increased 95% in the 9M. But we delivered in efficiency. So the 9.3% administrative expenses dropped to 8.3%, an increase of 100 bps.

Finally, here, we see our profitability. This is an operation that does not require much capital, so the impact of ROAE here is due to the discounts from previous operations.

We revised our guidance, but they were held for most verticals, except for Porto Seguro, where we have been below in our G&A ratio, so we reviewed it to 10% to 10.5%. Secondly, there has been lower demand on insurance. So Porto Serviço had its expected revenues reviewed to R\$2.4 billion to R\$2.6 billion, and our G&A is expected to be at 7.5% to 8.5%.

One last comment before I conclude. In October, we had the pleasure of being among the top 50 companies with the most liquidity in Brazil in our stock exchange. So here, we see a comparison of our growth to the rest of the market and some segments in which we believe we can still grow such as cards, light vehicle consortium, Health and Dental, we grew 31% and Life, we grew 14%.

So now we can continue with the Q&A. Thank you.

Daniel Vaz, Safra:

Good morning. I will ask the same question that I asked to Milton at Itaú, talking about capital and dividends. I know that Porto is at around R\$3 billion excess capital, roughly speaking. You mentioned in previous calls that this entire value does not exactly have a lot of liquidity, about half of it has liquidity. So considering your growth across less capital-intensive fronts and auto versus the entire thing, and since you have good capital generation ahead, how are you thinking about additional dividend payouts, especially with the reforms that we are expecting next year, the tax reforms? This might be a discussion of paying these in advance still in 2025. How are you considering that with your excess capital? Thank you.

Celso Damadi:

Thank you for your question, Daniel. This is something that we are still monitoring. We are still trying to see how it is going to take place. I am referring to the tax reform. If it remains the same, we will need to do this in 2025. But ideally, there should be a bill that allows us to allocate dividends now to be paid up until 2028, as it was in the previous bill. But the current bill requires us to pay within 1 year.

So we are still seeing how this is going to happen. We have not made any decisions yet, but speaking in general about additional dividends, last year, we went from 45% to about 50% this year, if everything goes well. That was our expectation to pay out about 50% in dividends.

In the following years, with the cash generation we have, there were a few possibilities. Paying out additional dividends is one of these possibilities, but I do not believe that it will happen this year.

We have a structure that will help our verticals grow. We have a capital structure that will absorb this calmly, without us needing to select what products will make us grow or not. So this puts us at a very confident moment for the next 5 years.

So we expect to grow across our verticals and that, of course, consumes capital. Over time, as we generate more cash for the next few years, we are going to have a deeper discussion on what we are going to do and whether we will have additional dividends or not.

Daniel Vaz:

Yes. And if I can ask a follow-on question, of the R\$3 billion that you have in excess at the holding, how much of it would be net? I think you mentioned that it was about half of it that had liquidity.

Celso Damadi:

Yes, we have R\$3 billion in excess capital at Porto S.A. Of course, in November, we have to pay R\$500 million in dividends, so this will go down, and then it goes up again. But we are going to work with an average of R\$2.5 billion to R\$3 billion for Porto SA throughout 2026.

This is the number for us due to our growth, due to our appetite for risk, and it's still healthy at R\$3 billion. So our balance is R\$3 billion. We are going to pay dividends in November, everything that has been scheduled, so it will go down probably to R\$2.5 billion, R\$2.6 billion. And then throughout the next cycle, it will go up again. So this is the level that we believe to be very healthy for Porto S.A.

Antonio Ruelle, Bank of America:

Good morning. Thank you for your time. Two questions from me. If you can talk a bit about competition, specifically for Auto, I think this is a question that is always asked, but it's important for us to get an update, especially when we look at the average ticket going down. I know that there is a mix effect here. You have been selling products that operate at a lower ticket, but there's probably some effect from your competition.

My second question, I would like to ask a bit more about this issue between the loss ratio and services. We see that the revenue for services is weaker, it's actually going down, and you mentioned that this was due to a lower demand. But when we look at the Porto vertical, we see that the loss ratio has gone down. So how does that match? Thank you.

Rivaldo Leite:

Antonio, good morning. Thank you for your question. So first, this is not just a current matter. For many years, if you have kept track, in Auto, we have been experiencing a moment that we have experienced before. But this is a passing thing. We see that the loss ratio in some of our competitors has been going up. So we believe that this is just a passing cycle, and it's probably at the end.

We are very focused as we have been defending recently on gaining efficiency firmly. Our NPSs have all reached record levels and we are attempting to maintain our results. That's basically it.

And the competition has been stronger in the last few months, but we believe that at some point this will cool down, because we have seen this in the past, and we know that at some point, the loss ration will appear.

Paulo Kakinoff:

I will add to that. Last year, we had the fortunate coincidence of adapting our structure to the brands, specifically in Auto. So for example, we reactivated the Itaú brand. We launched products in other segments. We practically revisited the entire structure of the motorcycle segment, which is a subsegment that is growing at a very good pace. And this year, we saw that for a few months, we had more motorcycles than automobiles registration.

So this redesign and brand repositioning was the main driver behind these positive results that we have been having in the insurance vertical, specifically auto, and I am referring here to ROAEs.

Why did this happen? Of course, when you have irrational behaviors being produced by any market player, and Rivaldo said this very well, he's been seeing this happen for nearly 40 years. So there are two possible answers.

The first one that we discarded completely, which is that we are in a price competition. We do not think that that's the best or healthiest way of structuring our market, and it does not match Porto. Because this is a brand that has been investing in the quality of its additional services for many years, beyond a policy. And the second possible answer is through a change in mix to simultaneously preserve high ROAEs and our global competitiveness.

With that being said, this also addresses the second question you asked about the services vertical and revenue generation in Porto Seguro. When you have a mix of products or policies being sold to clients like Azul or Itaú, that provides fewer services to clients. And as a consequence, this ends up impacting us because the service vertical will also have lower usage from our clients.

This tends to be temporary. As was said, we have sustained high renewal levels in the Company for insurance, and we have had a high demand for quotation. And these are the main indicators that we are getting the strategy right.

So as soon as the market goes back to its normal levels, we should see higher utilization rates for services and policies because the sales mix will also follow a positive trend for other premium products.

Celso Damadi:

Antonio, that's an interesting question because this is something that we have to answer very often. This also refers to a structural thing we have here. 1 p.p. increase in Auto is fine for us. And why am I saying that? Because as a reminder, one of the components of the auto price and our DRE is a financial revenue. When you have a higher level of financial revenue, you can have a higher loss ratio. And the opposite is also true.

So one of the price components is financial revenue. We had a budget for 2025, and then this increase was expected. The estimate was that the financial revenue would also be higher. The ROAE was 32%, even though there was an increase in 1 p.p. in loss ratio. Because structurally, our financial expense grew more than this 1 p.p. in the loss ratio, and there's also been a reduction in administrative expenses.

So when you look at the compound expanded index, the returns in the insurance company were very good in the quarter and in the 9M. So there's also a structural factor here, the increase in loss ratios considering these financial results.

Guilherme Grespan, JPMorgan:

Good morning. Thank you, and congratulations on these results. I have 2 questions. First, on your revenue from tariffs and services at the bank. There was a significant increase. I understand that there was a turbo campaign, and I understand that for the 3Q, there's a seasonal pattern. But there's an accrual, and in this quarter, we saw an increase of R\$40 million in consortium, which sustained the bank's growth. So I am not so interested in the commercial campaign, but in accounting, what led to this increase?

My second question is about financial results. You didn't review on your guidance, and even the upper threshold will imply a significant reduction in your returns. The market is expecting that Selic will remain flat until the end of the year. So why are you expecting this drop in financial results until the end of the year?

Domingos Falavina:

Thank you. Actually, when we think about consortium, this is paid on a monthly basis, differently from insurance. So it's a pro-cash regime. There are different ways of accounting this, and we can analyze this in a separate call, but DC is deferred and revenue is closer to the cash regime. So this R\$40 million, we will take a look and see if that was actually a consortium and respond to you later.

Celso Damadi:

Guilherme, we are sustaining the guidance because, as I mentioned in my presentation, we are still planning for the financials results we will see in the 4Q. And with the opportunities we have in the risk premium, we should rule some of the debt and investments to 2026, so that we keep a financial result nominally above in 2026 versus 2025.

So we are sustaining this guidance because we do not have the exact values, as I said, but we are rolling some tunnels with lower interest rates, and we want to make use of this opportunity of having still very good interest rates.

We still have a window for 2026 to conserve our value, our balance. This is similar to what we did at the end of 2024. So, we will have some more time for this so that we can improve our financial revenue for 2026.

Guilherme Grespan:

I have a question about the 3Q. You mentioned that you expected to roll this out. Did you have any impact on the 3Q? And if so, what was the impact in this quarter?

Celso Damadi:

No, we did not do that this quarter.

Marcelo Mizrahi, Bradesco BBI:

Congratulations on your results, and thank you for this opportunity. I would like to ask about Porto Bank. We saw a growth that was higher in your portfolio this quarter. We saw that the portfolio grew, the composition of it grew more in revolving cards than upfront cards. The issue for me is, when we look at profitability, first, the credit revenue versus the portfolio had a significant reduction this quarter than yield, and you had mentioned that we were going to try to find a more adjusted level for PDD, but it's still at a lower level than I expected.

So I would just like to understand if the average level of profitability for your portfolio is different, if there is a reasonable level for the future, this mix. And if you adjusted per risk, your NIM is at 3.9%. So should we consider that? Is there any upside for next year? Also provisions, they were slightly higher. So what provisions do you expect to have for the next few months, considering that your defaults are being considered through an accounting perspective.

Marcos Loução:

Thank you for your question. Talking about this, we consider our strategy of focusing on higher profitability products. We had a NIM of 0.8%. In 2024, it was 2.4% and now we are at an average of 3.5%.

What happened this year in the first few quarters was a drag effect, especially due to the stop accrual that went up to 90 days, and prices in the 1Q, we had a higher NIM and now we see that's normalizing.

But structurally, we can see that we went from 0.8% to 2.4%, and we are now at 3.5% so far. And we expect to continue at this level, considering the strategy we have of operating with credit products with higher profitability.

When we look at this makeup of the portfolios, you mentioned that credit card went up. Yes, there is a strategy that we have of anticipating debt. There are installment plans that may have affected us. We do not have a guidance for the year. But what I can say is that for revenue and for losses, we are at the upper part of our guidance.

Domingos Falavina:

Yes, I was going to add to that, because you used a different NIM than what we are publishing. So when you analyze it, remember that if you go to our Investor Relations website, you can see this the way we analyze it.

Marcelo Mizrahi:

Okay. And my next question was if there was anything different about your appetite for cards. We saw that this was very strong this quarter, and financing was at a lower level than the previous quarters.

Marcos Loução:

We are very confident in the clients base that we have been having in card and credit. Especially from 2024 to 2025, we saw good indicators. So nothing has changed in our appetite.

And of course, our appetite is much more cautious and much safer than the overall market. Our portfolio of products financing and loans has been very good, and our origination has also grown. So we are growing versus the 3Q24 for over 50%. We are also seeing a better mix in Porto Bank.

Gustavo Schroden, Citi:

Thank you for this opportunity. I have 2 questions. I would like to go back to capital allocation. When we look at capital allocation per business unit, the Company is above what was reported in the consolidated view. Insurance is at 32%, the bank is between 25% and 30%, Health is also above 25% ROAE. So when we look at this on a consolidated basis, I imagine that this is due to the R\$3 billion still at the holding. So first, I would like to understand, is this 23% threshold what the Company believes it will have as its ROAE for the future?

I am sorry to insist on this, but from my understanding, there is a possibility to have higher profitability unless ROAEs per business unit are higher than you are presenting. It seems challenging. So insurance is at 32%, 25%-30% in banking, and health care is also above 25%. So what is the level of ROAE that the Company believes we should work with for the medium and long terms?

And my second question is about Auto. There's a 1% growth, that's short of the level it has been growing. So what can we consider for Auto in 2026? Can it accelerate? Or is it challenging to continue growing this much in Auto? Thank you.

Domingos Falavina:

Thank you, Schroden. I will start with ROAE. As you know, we do not have a guidance for the long term. This is hard for any company. But what we can tell you is, first, we are very happy with 23%, but what has happened is that there are things helping us across each vertical.

In insurance, we are seeing life, residential and corporate growing the most at 10% to 14% depending on when you look, versus Auto. So there is a structural mix issue. And if this continues, ROAE will be benefited.

Besides that, obviously, there are efficiency gains. For example, a capital relief due to optimization in policies given. At the bank, we also have a very positive outlook. Consortium is growing at a high rate. Despite credit cards being high, consortium is growing even higher. So that gives us also a mix advantage. In health insurance, we do not see that mix issue, but there's a dilution in SG&A.

Before, in the previous quarters, we had much higher expenses than we are posting now. So if everything remains constant, the mix will help us with the ROAE. But obviously, I am talking about products, and not individual things. So there are other factors.

In Auto, I will let Rivaldo answer, unless Damadi wants to say something else about ROAE.

Celso Damadi:

If I just add to that, in our business model, when we look at the release, we are pricing products at 100% of the CDI. So we are looking at the Porto group. Since we are running below the CDI, we are looking at nominal results in the future and not just gaining 1% of the CDI. Our benchmark is not the CDI. We are showing it just as a reference. So portfolios got a financial portfolio in our model that was a bit subsidized by the holding, although the holding is also posting very good results.

So there's so much excess capital that we could have a better result of the holding and ROAE could be better in our portfolio if we were consolidated at 100% of the CDI. And we are doing this in order to reduce the volatility of market risk in pricing our business.

So there's that component. It's slightly higher across others, and there's also excess capital, as we mentioned here. R\$4 million of capital sufficiency with an asset of R\$16 million, that's one quarter. So there is a component that brings consolidated ROAE down.

Rivaldo Leite:

Regardless of the market, of what we are seeing in the market, here in the Company, we make it a daily effort to talk about Auto and the levers that can improve our numbers. So there's the market side, but there's also a very big effort with the commercial team, and we are seeking other alternatives and solutions every day.

When it comes to the market, as I mentioned just now, it's a cyclical thing. We have experienced this many times, and we were always able to step out of it very well. Right now, we are structuring ourselves very well with our tools, systems and processes so that, at the right time, we can come back on a very strong foot. Our expectation for 2026 is very good. We cannot state them yet, but we expect to see better results in 2026.

Paulo Kakinoff:

I would also like to add to that answer, because there is a philosophical part in common in both of these answers. The Company has been refining its work and its approach is to be conservative.

And I am speaking here literally. What do we want to conserve? We want to conserve the Company's ability to navigate a traditionally volatile macroeconomic scenario. And the way the Company is growing by double digits at these rates in this environment, we are seeing 20%, 23% year-on-year, we are expanding with ROAEs of above 25%.

So the Company's approach is to preserve its margin versus its market share. This is our approach. We are contracting in future investments to preserve this pace through our own resources. And this means that we have excess cash that will have some impact to our global ROAE.

What I am trying to say is that this is the Company's conviction. We navigated extreme situations, including the COVID pandemic, without needing to go to the market. Obviously, we are not imagining that we are going to see an issue of that size. But considering what we believe is the size of the opportunity of being in these 4 verticals and the confidence we have that we will capture this opportunity, which would conserve the growth that we are having now, that it makes sense to conserve this capital, even though that might signal an increase in payout and acceleration of other verticals. So these things are connected. They retrofit each other. The Company can grow in ROAE, and globally, it could grow above 20%.

So this influences the answers we gave on Auto and the excess capital that the Company has. In practice, we have absorbed variations from the competitive side and from the macroeconomic factors. And we see stability, which makes a lot of sense for us.

Gustavo Schroden:

Great. Thank you. That was very clear. I also think 23% is good, I just thought it could be even higher.

Paulo Kakinoff:

We did as well. This is something I say every day, and we all repeat this in the Company. We always want, of course, to be higher every quarter. So we are engaged in doing that. We are trying to reach our maximum performance.

Thiago Paura, BTG Pactual:

Good morning. Thank you. I would like to go back to financial results, if we can. Celso mentioned some initiatives that can take place for 2026 to try to extract a bit more value from your portfolio. Financial results have been increasing. I know that you do not use CDI as a benchmark, but this has also increased. You mentioned the rollout for the year, and that it's going to be accretive for 2026. But for next year, is there anything else considering allocation mix or anything out of the box? Or is it just expecting things that you have already done to roll out? Even with interest rates going down in 2026, how do you get more? That seems challenging considering what you have delivered in the last few quarters?

Izak Benaderet:

Thiago, in general, what Celso mentioned was the possibility of increasing our yield from our portfolio. We have a significant allocation in actual interest rates. So the yield versus what is negotiated today is lower. So this allows us to increase the yield in the medium and long term. So that would be it.

Another important point is allocations and riskier assets. We have stocks. We have other allocations that are a bit higher risk but should benefit from having lower interest rates. So in general, it's a combo between allocation and better yields from interest rates and other allocations, which have been affecting our results because they do not benefit from these higher interest rates, and there could be better revenues versus the CDI.

Paulo Kakinoff:

I just want to share with you that we are challenging ourselves to mitigate or even neutralize the effect of a reduction in interest rates to our nominal revenue.

So these are the possibilities that we are mentioning. Izak talked about the possibility of rolling this over, or even having incremental gains from a nominal reduction, even if the interest rates go down.

Domingos Falavina:

I just wanted to add something. Of course, we are always seeking the best possible yields. And BTG did very well, you have been also delivering very good yields.

Kaio Prato, UBS:

Good morning. I have 2 questions about healthcare. First, I would like to ask about the cost of sales. That increased, I think it was 60 bps in the last quarter and 40 bps now. So I would just like to understand if you need to be more aggressive in this segment, if this is an industry trend. I am just wondering what we can expect. You started with a lower grace period, but I wonder if this is faster now.

Also, in healthcare, I think your average ticket increased. It was close to 4% for the year. And that draws my attention, because maybe we are looking at lower cost products. So maybe you can tell us about this trend. What average ticket should we expect for the

next quarters? They were closer to double digit until the beginning of this year, but it changed now. So I would like to understand what your expectations are. Thank you.

Sami Foguel:

Both questions are a bit connected. Our commercial policies remain unchanged. We are not changing for now. This is a different competitive scenario, and we continue with technical growth, as we have had for the last years. The number of product lines, partnerships. This is all leading us to this level of sustainable growth in pricing or commercial policies.

So the question is what is behind this increase in DC. The main effect is accounting. About 2 years ago, or maybe more, we expanded our mobilization and that creates more amortization to traditional products.

With average tickets that were sold for a higher price than the new premiums that are being sold at a lower average ticket. So the new premiums dilute the historical load less, as we will amortize the DC. So that's the effect. We have not done this looking retrospectively, but that's the main effect that we all see in the future.

You may also ask how far this is going to go. There's still a tail end for the next 2 or 3 months, considering that amortization will remain the same, and later on, this effect will no longer happen. It will be slightly above the current level. This is the projected figure.

The main effect is actually that we will have loss ratios under control. The new products which we are launching and that are gradually gaining a large share of the portfolio, in fact, with the new product lines and with verticalization and so on, they are more efficient products. So they lead to having lower loss ratios.

Our loss ratio is close to the level that we had in the COVID pandemic, where it basically had no claims. So the combined ratio and net income, we see year-on-year that it has had a growing trend.

Average premiums continue to go down due to the average ticket. We have Porto Bairros, which has a lower average ticket in our portfolio, and we have the traditional line, which is still selling at a different proportion.

So quarter-by-quarter, we are going to see these new lines prevailing, with lower average tickets, with technical competition, considering the breadth of products and services being offered, and a positive effect in our combined ratio.

Carlos Gomez-Lopez, HSBC (via webcast):

Good morning. Can you talk about the competition in the auto industry for 2026? Is it higher or lower? And when you do reinsurance in the international market, are prices higher or lower? Thank you.

Rivaldo Leite:

Good morning, Carlos. When it comes to reinsurance, we have always had very competitive rates. Our risk selection has always been very good. Considering competitiveness in Auto, our expectation is to be closer to the average, because it really

was a year in which it was very high, the loss ratio. It will happen to everyone, it will happen to the market as well. So our expectation for 2026 is for it to be a year in which things are not as competitive as they have been this year.

At the end of this year, we can start perceiving some changes in the market. We see some readjustments, but I think it's still early to confirm that. But our expectations are very good for 2026.

Daniel Vaz, Safra:

Sorry to ask another question, but this is just something I remembered. Last week, there was a ruling from the Brazilian Supreme Court about health plan readjustments for people over 60 years old, and there was a decision on whether that could be done or not. I would just like to understand from you how relevant that is for Porto. I think big operators are the most impacted, like Unimed and others. So if you can tell us a bit more about that, about your exposure, if it's higher or lower, and how flexible are you in repricing for the future, if that can affect your industry? Thank you.

Sami Foguel:

Thank you, Daniel. We are not very affected by that. It's close to 0. It's very low. I do think it's bad for the entire industry because it creates another layer of unpredictability.

Our portfolios are very up to date. They are very efficient. In 2021, we had 250,000 lives, and now we are very close to 800,000. So even before 2021, we were already at a good level. So this is not good for the industry. We have a group of regional operators, small operators, which will have a big impact beyond the companies that you yourself mentioned.

And how they are going to cross subsidize these impacts? That can lead to a marginal relief to this commercial war, but it's hard to predict. I cannot be a spokesperson for them. But I think as a whole, it is not good for the industry. We want more predictability, of course.

Operator:

This concludes the questions-and-answers session. The Porto executives will now make their closing remarks.

Paulo Kakinoff:

On behalf of Dom, Celso and the entire Porto team, we would like to thank you for your time. Please do not forget to send us your suggestions and your criticism. We want to service you in the best way possible.

So thank you once again, and have a great day.

Operator:

This concludes the Company's conference call. Thank you, and have a great day.

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