Videoconference Transcript
4Q23 Results
Santander
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Camila Stolf: Good morning everyone, and thank you for joining us this morning for our 2023 closing results conference call. This event is being broadcast live from our headquarters in São Paulo and, as always, will be divided into three parts.

First, our CEO, Mario Leão, will talk about the main highlights of the period and the strategies by which we will continue to direct our growth in the coming quarters. Next, our CFO, Gustavo Alejo, will provide a detailed analysis of our performance. And finally, we will have our Q&A session, during which you will be able to interact directly with our leadership.

Before we begin, I would like to give you some instructions. We have three audio options on the screen: all the content in Portuguese, all the content in English, or the original audio. The first two options will have simultaneous translation. To choose your option, just click on the button at the bottom center of your screen. To ask questions during the Q&A session, simply click on the hand icon at the bottom of your screen. Questions will be answered in the language in which they are asked. Today's presentation is now available to download from our IR website.

Now, I hand it over to Mario Leão, who will begin the presentation.

Mario Leão: Hello, good morning everyone. We are here live with you. It's 10:03 AM. It's a pleasure to be here once again, closing my second year at the helm of Santander. I will try, as we did in this new format last quarter, to present to you the first few slides in a very direct and dynamic manner. Then, Gustavo will join me to discuss the numbers. We will try to do our part in no more than half an hour, so we can have quality time for a Q&A session of 45-50 minutes, depending on your demand and interest. We are here to obviously answer your questions promptly, and for anything that arises later, our IR team is at your disposal as always.

Here on slide four, I would like to highlight some messages for you. Obviously, profit is right there in the middle. I wanted to focus a bit less on the number, we will cover the number in detail, and focus on the consolidation of our messages for this 2023 that has just ended.

There are a few key messages, four to be precise. The first one is that we have experienced another quarter of overall margin growth. Indeed, we are going to demonstrate a stronger growth in market NII. As the market has been anticipating, we are delivering on that expectation. We have seen growth in the client NII, remembering that client NII is the sum of margins on both the asset and liability sides. With the CDI reduction, naturally, the liability margin faces a challenge in the spread itself. We will seek to offset this with volume. And on the credit margin side, we are going to show several portfolios growing significantly this quarter. We are quite pleased with this.

So, the first message here is: we definitely have a revenue recovery on the NII side. And expanding this to portfolio diversification, which is a topic I've been talking to you about quite a bit, we have a quarter that is seasonally always stronger, but even with the seasonality, we have a very positive quarter in terms of fees. And we will give you more details on how we go about that.

We have experienced stronger balance sheet growth this quarter. We had already demonstrated growth in some of the balance sheet lines in the third quarter. We will present this more clearly now in the fourth quarter, which solidifies our strategy of portfolio diversification. Portfolio diversification involves growing in investments, earning fees, and being less dependent on market credit, but it also involves diversifying within the credit lines and doing more in customer segments where we had been growing less in the previous growth cycle, as well as expanding in products and customer base, as we will show here. With this, the quality of our portfolio leaves us very excited to continue growing.

So, we have been showing this and talking about the turnaround we achieved from the first to the second half of this year, and the fourth quarter consolidates this. We are quite comfortable with the evolution of our cost of credit. We will show here in detail that the cost of credit, the relevant indicators of cost of credit, especially in our retail business, continue to evolve in the way we expected. We had specific one-off cases, a specific one-off case in the wholesale segment, which Gustavo will comment on more. We are not going to go into details name by name, as we never do, but we had a balance sheet reinforcement, a provisioning reinforcement this quarter, which is something specific, one-off, and identifiable and with that, the recurring cost of credit remains very sound with good prospects.

From the perspective of priorities, as we have been discussing, there is a significant consistency in our message. We will continue to focus heavily on customer base monetization. We have a customer base of almost 65 million customers that we need to activate more and make them more loyal; the agenda of 'principality', which is the term we are using here, our strategic motto of being the main bank for our customers, is becoming increasingly rooted in the organization as a whole. So, we will talk a lot about customer base monetization with you, over the next quarters, over the next years. We will discuss the consolidation of strategic businesses. I will give you some data here, as we have been doing since the second half of 2022. And we will talk about how innovation and technology interact with all of this.

On the next slide, actually, over the next three slides, we have chosen three slides to talk about customer centricity. There's a huge message behind this, which is our strategic agenda; it is also our most tactical delivery every quarter, and it is 100% correlated with our customer agenda. On the first slide, we compile a comprehensive collection of data associated with customer centricity. I will highlight some of these for you.

On the left-hand side of the slide, at the bottom, we have a large chart that shows the evolution of our NPS. Just to remind you, back in 2017, so almost seven years ago, Santander was the first of the large banks in Brazil to talk about NPS. We continuously release our measurements and start discussing it with the market. Of course, our competitors began to do so as well, as

NPS is not our proprietary metric. But we have been talking about it for at least seven years, and I would say that this year, we have made a very significant evolution. You can see here that we have materially increased our NPS among Individuals. In the Companies segment, even though the number is still far from what we want it to be, it is our highest NPS to date, with a very important evolution. And, looking at each of the channels, we have also evolved our NPS substantially.

So, the message here that I want to convey to the market is: we value NPS as one of the major KPIs. Obviously, it's not the only one. We will continue, obsessively, researching and engaging with our customers through a multi-channel approach, in a fully online manner, and reacting as quickly as possible to their feedback. We have been paying a lot of attention to NPS, and with that, we have significantly evolved our principality agenda.

We are also improving our profitability for the new vintages, so clients from these new vintages have been demonstrating increasingly better performance and profitability. Here, we present a single data point from the year 2023, showing how it evolved from a base of 100. The newer vintages have been performing much better compared to the older ones, meaning we have been successful in selecting the clients we wish to work with, as well as in how we choose to engage with these clients, leading us to achieve progressively higher profitability.

We are advancing this quarter in our loyalty and principality agenda. We have grown 2% in the quarter, 6% over the year. Obviously, we are aiming for much more than this starting from 2024, but this is to give you a sense of our evolution, that we are on the right path. And with the entire organization focused on becoming the main bank for our clients, I am sure that things will start moving faster from now on.

Some of the main levers. Payroll, which we have been talking a lot about for a long time. We are a major bank in payroll operations, something we take great pride in, and we aim to increasingly explore what comes with payroll, including relationships with business customers, and the crossover between business and individual clients, which we do well. The high-income segment, which I will discuss in more detail shortly. Investments, which I will also provide more details about our foray into this highly relevant strategic agenda, as well as the topic of cards and loyalty.

Moving on and taking another deep dive into Select. I've met with numerous analysts over the years, and they always ask me: “what are you doing that is so different?” Everyone is talking about high income, everyone has their own answer, their own brand, ours is Select, as you well know. We truly believe that we are doing something unique, something special. Here, I'll provide some data, and then, obviously, I can go into more detail during the Q&A, and our IR team is ready to delve much deeper into the details.

But in summary, a year and a half ago, in August 2022, we decided to undertake a major repositioning in our high-income segment, which is Select. Since then, we have significantly grown our customer base. Along with the customer base, the loan portfolio has also grown. To give you an idea, 27% of the individual retail portfolio is already represented by Select, which is quite a significant figure, and we are growing at 32% year-on-year. Our customer base is increasing by more than 50% year-on-year. You might remember that we had a public ambition, which I have been discussing with you for a year and a half, to reach one million Select customers by the end of 2023. In fact, we have reached 1.2 million customers, and obviously, we are now actively working towards the next milestone of 2 million. This is the mindset, the big thinking we have here.

Beyond the customer base itself, doing so profitably. So here on the right, I show how revenue per loyal Select customer, with Select customers exhibiting greater loyalty than the average, has also grown over the years. An additional piece of information related to Select initially is: we are launching a new initiative, still running as a pilot in the fourth quarter, but I mention it here because it will be a significant step in our 2024 agenda. We are expanding the concept of AAA, which I will talk about shortly. AAA is our consolidated investment advisory service, already evolving well and indeed causing a stir. Finally, Santander definitively stakes its claim in investments. We are introducing the concept of AAA patrimonial, which in practice is the version for insurance and "consórcios" of our AAA for investments.

So AAA patrimonial, which we are going to expand this year, will in practice enable us to have a significant number of advisors initially linked to the Select stores, selling in a specialized, consultative manner, insurance and "consórcios" to our high-income clients. Again, the pilot we conducted at the end of last year was extremely relevant, and it has excited us to expand. So the goal is set, and we will have an important agenda here. We will talk more with you about it.

Entering the topic of retail once again, but moving to the other extreme, we've just discussed high income. We are taking a significant step, in fact, several significant steps this year, in what we call the mass retail segment. So, mass retail, which constitutes the large base not only of our operations but also of our competitors, whether they are traditional banks or digital banks, we are on an agenda of deeply challenging ourselves to seek much more loyalty, much more principality.

Again, we are evolving in the NPS, which is a way to measure if we are doing this well, but doing more of the same, doing just as we have been doing, with only marginal evolutions, here it's not going to work. In our last few disclosures, particularly in the last one, I told you that this is a segment that is currently generating negative results for Santander. This is not exclusive to Santander; other banks are facing challenges in this segment, but certainly we want to be profitable in each of the segments we cover.

We do not want to have a bank where one segment funds the other, and the opportunity we have to monetize mass retail is enormous. We are seizing it with both hands, and we will work diligently to deliver, in the coming months, significant evolutions in our offerings, brutal simplifications in our offerings, a much more digital and remote agenda. In other words, the mass retail segment that Santander will increasingly have from now on is a duet between an even more impeccable digital experience and a greater capacity to relate to humans through our remote channel, through our remote operation, ever more. Yes to the phone, but a phone that evolves to chat, a chat that evolves to Generative AI.

We are taking these steps quite quickly, and this year will be the year of evolution and consolidation in how we deal with mass retail. The simplification agenda I mentioned is not a minor one. We have already achieved a reduction of 31% in our portfolio products, and just in cards alone, this number exceeds 50%. So, what are we doing in practice? We are streamlining our offerings to make them simpler and much more understandable to the customer, enabling us to better engage with the customer, especially those in mass retail, who need less. They need a good card, a good account, good credit offerings, and an impeccable digital experience. Thus, we are increasingly focusing on the agenda of essentialism, as we say, the less is more approach, striving for an offering that is simple, easy to understand, and impeccable.

Moving on to the investment agenda, which is one of the major strategic blocks I have been discussing with you for two years now, we have made clear progress. We will show the numbers later, illustrating how we grow in terms of volume and results. Retail, which is a major monetization engine for our investment agenda, not just in volume, had its best year in history. Of course, we aim for much more, we want to extract much more, especially from retail banking for individuals, but also from SMEs. But we have a record in funding that is 1.5x more than what we achieved in 2022, and if we look back a bit further, this number used to be negative in previous years.

So, clearly the investment aspect was a topic that wasn't on our strategic agenda before, and now we are adopting it decisively. And obviously, we will aim for multiples of what we achieved in 2023, which shows that we are on the right track.

One of the important arms for this, but not the only one, is AAA, our great, I would call it, investment advisory office, which is obviously in-house. It's a model that we developed, which is unique, and we believe it's a super winning model. It has an NPS of 85, which is the highest NPS in the entire industry, NPS here measured by the market, by third parties. And we had a net inflow per advisor of R$ 2.5 million in the quarter, which is an important evolution compared to what we had in previous quarters and is a data point, I would say, quite competitive if we compare it with similar offices or companies.

So, we want even more, of course, but we are showing that AAA, as a major vector of our investment agenda, is evolving quite well. Toro, which is our digital brokerage with a 100% controlling interest that we acquired over the last year, has also seen strong growth throughout the year in clients, AuC, and results. Therefore, Toro is proving to be a relevant agenda. We will increasingly build a duet between Toro, our Santander brokerage, and our entire investment agenda. We will still do a lot of integration here with independent brands, distinct brands, but we will have a coordinated agenda. And our Private banking unit, as I've had the chance to mention here to the market, we had a record year in Private, in terms of volume, funding, and results. We still think there is a lot of room to grow; we want to at least double our Private in the coming years, and we believe we have all the conditions to do so.

Quickly touching on our strategic business agenda, we have been reporting to the market for a year and a half now. Back in the third quarter of 2022, I decided to discuss with the market about this specific topic of strategic businesses. We were still in the first year of managing our legacy portfolio, in a way, of older vintages.

So, on one hand, there was a portion of the portfolio that we knew we had to manage, to hold steady, and some portfolios, like cards, we were aware that for a while we would indeed see a decline, despite our obvious distaste for this drop. However, we knew that for a year and a half to two years, we would have to manage and take care of them. But on the other hand, we chose some businesses in the third quarter of 2022 that we were going to focus on growing, and in some cases, grow much more or significantly more than the market. So, this is a quick accountability on some of those businesses.

I'll start with the payroll deductible loans. At the bottom left-hand side of the slide, we are growing again this quarter in a consistent manner. We are experiencing growth across all payroll deductible loan lines. We are expanding in the public segment, with the INSS, and also in the private side, which is a major asset that Santander possesses. We are achieving this with very effective control over the cost of credit. We are gaining market share in payroll deductible loans, and I am extremely pleased to see how we are consistently delivering good results here and will continue to do so.

In the same vein, we have made a very significant delivery in agribusiness. One of the public ambitions I had set for the market was that we wanted to reach R$ 50 billion in our portfolio of agribusiness products. Here, it's not just about the overall customer perspective, here it's about the agro products. Not only did we reach R$ 50 billion, but we also reached almost R$ 54 billion, meaning that we were able to grow by 42% if you look at December 2022 vis-a-vis December 2023, which is quite significant. And when we compare it with December 2021, it's a growth of nearly 100%. So, we doubled our agribusiness product portfolio in two years, which demonstrates the importance we place on this business.

Our consumer finance, as you all know, is the largest vehicle finance business in the country. It ends the year with a 21% share. We want more than that, you know I have the ambition to reach 25%. We are going to get there, I hope still this year, but it ended with an origination record. We finished the fourth quarter with almost R$ 12 billion in origination, which is a historical volume. So, this is a very strong indication. We will soon see some of the impact of this on the bottom line, as Gustavo will show, but this is a very strong indication of how we are thinking big from now on in our consumer finance operation as well.

Regarding cards, which I already mentioned in the last quarter, we have seen another quarter of very positive evolution in cards. If we consider turnover, which is a good indicator, turnover for the quarter year-on-year, in the fourth quarter of 2022, was down compared to the previous year. In the third quarter of 2023, it had grown by 7% and in the fourth quarter of 2023, which we are now discussing with the market, it increased by 11%. This means we are experiencing double-digit growth in turnover, given that the average spending in our customer base has increased and given that we are selling more cards now than we did in the first half of the year. So, the base of 100 that we sold in the fourth quarter of 2021, which was possibly our record for card sales, had dropped to less than half of that not too long ago, and we have now nearly returned to two-thirds of that level, which is a level we consider quite adequate.

Once again, we are not striving for a sprint in card sales, of customer acquisition, as we did in 2021. This is not the model with which we plan to close 2023 and enter 2024. However, we are quite confident in selling cards to the customer base we are currently operating with, at this level we are at now, and the results will show. As for Esfera, as an addition to the loyalty and principality agenda, we will discuss more about Esfera throughout the year, but here, Esfera continues to make very good progress.

In Companies, we are maintaining a continuously positive agenda. You will see the data after the volume analysis, but here, discussing the strategy for both corporate customers and small and medium enterprises, we have seen good portfolio growth. Especially in the expanded portfolio for large companies, we are experiencing double-digit growth year-on-year. We aim to continue with a strong performance here over the years, but there will always be a focus on profitability here.

We could grow much faster in the corporate segment, but with capital markets fortunately strong again, especially from the second and third quarters, we will compete with capital markets and will be more selective in terms of what we want to include in our balance sheet. And we continue to perform well in several rankings. We are number one in trade finance, we are number one in foreign exchange, we were number one in DCM, in international debt capital markets, which we are very pleased about.

On the side of SMEs, on the right-hand side of the slide, our growth agenda remains very clear. You will see the data; we have grown the portfolio by more than 5% quarter-on-quarter, after having grown by more than three in the previous quarter. In other words, that stable portfolio agenda we were still looking at, choosing the right moment to accelerate, we have decided to grow more strongly from the middle of the year onwards, and the numbers clearly show this. Here, we aim to double the SME business within a few years, and we are already taking clear steps in that direction.

To conclude my part here, the technology and innovation agenda, obviously, it connects with all of this. We don't have technology on one side and business on the other. I even say internally that we are all business. So, technology is a major business hub, and the operations areas are large business centers. We have some data on this page, I'll just mention a few, but we are already at 95% of our operation in the cloud. We are converging towards 100%, and soon we will be ringing the bell for 100% of our operation in the cloud, which is a super good figure. This generates agility, creates response capacity for the customer, obviously, efficiency, and cost reduction, so we are quite pleased to have such a strong cloud agenda.

We are increasingly investing, of course, like the entire market, in Gen AI. Generative AI can be a great answer, as I mentioned just now, for chat and for the remote channel, but it can also be a great answer for gaining productivity in programming, in coding, in development. We are also very strong and moving quickly on this front here. We have been following the Central Bank of Brazil in innovations; we conducted the first transaction with privacy on the DREX digital real network, so we are, obviously, embracing the Central Bank here in the innovation agenda. We have invested a lot in the APIzation of Santander, in banking as a service. We are partnering with major ERPs and seeking to expand this agenda to have Santander increasingly more present for the customer, not necessarily having to come to the bank, even digitally. We want to be inside, embedded in the customer experience.

We are maturing our agenda of business domains. We have 27 business domains that we've introduced from 2022 to 2023, and now from 2023 to 2024, we're further integrating this with our product agenda, as we call it here. So, the business domains, or these large communities that handle everything from the front to the back end in each of our businesses, are super consolidated, and all the management, all the compensation, the incentives are aligned.

We continue pursuing our efficiency agenda, more than doubling the number of transactions while at the same time cutting the unit cost in half. So, this agenda remains extremely strong for Santander, as it must be.

And with that, I will turn the floor over to Gustavo to talk about the results, and I'll be back shortly for the Q&A. See you in a bit.

Gustavo Alejo: Thank you, Mario. Good morning, everyone. Let's start the results section with the NII. We posted NII growth of almost 5% year-on-year with good progress in client and market NII. We recorded a good performance in terms of volume, as well as in terms of funding, both of which benefited the client NII in 2023. In Q4, we saw the continuation of some positive trends seen in Q3, which led to growth of 4.8% in NII quarter-on-quarter. One of these is the gradual growth in retail credit, which will be detailed in greater depth in a minute. The other trend is the reduction in the Selic interest rate, which benefits our funding costs, as Mario mentioned.

Market NII shows a progressive evolution, about which I have been commenting throughout the last few presentations and is in line with expectations. The evolution of spreads over the year reflects our strategy of greater selectivity initiated in 2022 and which is in keeping with the risk profile of new loan originations. Lastly, regarding NII, I would like to highlight the positive year-on-year evolution of net interest income. In this fourth quarter, as you can see here, we posted growth of 12.3%.

Now I'm going to comment on some data on the evolution of our loan book. We increased our expanded portfolio by 9%, as mentioned. We grew in all lines of business, with significant expansion in retail for individuals, vehicles, and SMEs. During the quarter, we achieved a strong performance in cards for individuals. This result was sustained by seasonality and by the gradual improvement of card sales, the resumption and improvement, which has proved to be more qualitative and assertive, with satisfactory quality levels in loan origination.

This performance is accompanied by the continuity of consistent results in payroll deductible loans, mortgages, and farm loans. Indeed, Mario has already mentioned this, but I want to stress it further, it's important to highlight the growth in agribusiness, with an increase of 10% in the quarter and an expansion of 42% over the year.

In auto loans, we posted growth of 5.5% quarter-on-quarter, marking the best performance of the year. This improvement more than offset the impact of the sale of the PSA portfolio in the previous quarter, and it reflects the strength of our strategic partnerships and the positive market momentum we are witnessing.

In SMEs, we continue to drive the growth of our portfolio after a relatively stable first quarter, with adjustments, which is fully aligned with our previously stated strategy of increasing the share of this business in the total portfolio. The 5.2% increase in the portfolio in the quarter is something to be highlighted here.

On the next slide, I share details about our funding. As we have been discussing and emphasizing throughout the year, we have achieved a solid performance in fundraising, demonstrating our commitment to the expansion strategy and the pursuit of a more balanced mix between wholesale and retail. Our funding, as previously mentioned, grew by 15% over the year and 2.6% in the quarter, highlighted by time deposits and tax-exempt securities. Our loan-to-deposit ratio is at 92%, the best level in our history.

Here, in this next slide, we present the performance of our fees, which each quarter reflects the evolution of our business in a very clear and consistent manner, with positive performance across practically all lines. In this quarter, we recorded a growth of 7%, following a 6.5% growth in the previous quarter. Even with the positive seasonal effects in cards and insurance, the business as a whole showed very positive dynamics, which reinforces our strategy in fees, aiming for increased transactionality with our clients.

We now advance to talk about the evolution of our asset quality. This quarter, we have the effect related to the increase in provisions for a specific case and the reinforcement of provisions for wholesale cases. If we disregard these effects and the lower volume of loan recoveries after two quarters of record performance, we have a stable gross LLP in relation to the previous quarter, with no signs of deterioration.

We maintained the downward trend in the cost of credit, which closed the year at 4%. We also continued to see a downward trend in the renegotiated portfolio, in relation to the total portfolio reaching 6.3%, as you can see here. This 120 basis points reduction over the year reflects the better quality of recent vintages, especially in retail. On the other hand, NPL formation posted a slight increase due to higher delinquency in the renegotiated loan portfolio. But this is something that was expected as we move forward in the process of purging this portfolio.

On the next slide, we provide a more detailed overview of our delinquency indicators. We recorded a sequential drop in short-term indicators for both individuals and corporate and SMEs. I would like to highlight the 110 basis points reduction in the 15-to-90-day past due loans for individuals. In the long-term indicator, the over-90, there was a slight variation of 8 basis points due to the renegotiated portfolio, as I have already mentioned. Indeed, the 90-day delinquency rate in the SME segment, which is displayed on the left, also reflects this impact. In summary, we continue to have quality indicators under control, with the possibility of some volatility throughout the year, due to the renegotiated portfolio.

Moving on to slide 19, I present here the evolution of our general expenses. They increased by 9% in the quarter and 8% over the full year. The expenses were affected by the collective bargaining agreement, which had an impact on the fourth quarter as a whole. Moreover, for the full year, we also had the 8% carryover related to the 2022 collective bargaining agreement.

Administrative expenses recorded an increase in the quarter, largely driven by seasonality. The main factors behind this growth were strategic investments in marketing campaigns to capitalize on the end-of-year period and data processing due to the increase in volume and more business. The seasonal effect also affected our efficiency ratio, translating into a deterioration of 80 basis points.

Continuing with the transparency already implemented in the previous quarter, we present the evolution of our expenses by segregating product and business expansion expenses and recurring expenses. We can observe here that our annual growth was primarily concentrated on expenses aimed at business growth, which we consider as fundamental in supporting our strategy to deliver the best experience to our clients.

And to conclude the results section, we present our income statement. As a result of the dynamics discussed throughout this presentation, we recorded a net income of R$ 2.2 billion. Compared to the fourth quarter of 2022, total revenues grew by 11%, and profit increased by 30%. Managerial profitability, excluding the specific case, reached 12.3%. Our core capital reached 11.5%, a level that we consider adequate to continue with our long-term growth strategy.

We ended 2023 with a more positive trend, despite fluctuations in specific provisions and seasonal expenses, typical of any given last quarter. Credit performance was favorable and was accompanied by an increase in revenue generation. We expect this trend to intensify throughout 2024. With that, I'll end my part and I'll give the floor to Mario for his final thoughts.

Mario Leão: Thank you, Gustavo. I'll take just one more minute to wrap up so we can dedicate quality time to the Q&A. The key messages are here on this takeaways slide, page 22, for those following along with the slides. In terms of context, there are four main messages. Revenues are expanding, and we have a very positive outlook for 2024, both from the perspective of clients and markets. So, we are optimistic and excited about the revenue line.

The business portfolio continues to be diversified. That's the second big message. We'll remain highly focused on the theme of investments and on expanding the fees business, which has always been a significant operation for Santander. We aim to grow it even further. Moreover, diversification is also related to credit, which is the third point. We will keep pursuing portfolio growth, we will proactively seek to gain market share in several products and segments, and do this intelligently so that we can grow the portfolio with, obviously, profitability.

And the fourth major context message is our obsessive quest for client principality. This is the strategic agenda of Santander for 2024 and for the coming years. Everything we do will have to be associated with the client agenda, as it already is, and we will strengthen this even more. The major levers that we see for this, I mentioned here just to emphasize. Firstly, we are actually undergoing a significant repositioning of our retail business, both in the mass retail segment, about which we will provide more details to the market during the year.

We have several deliveries for the first and mainly for the second quarter. We will end the year on a footing quite different from how we started, and we are very excited about this. All of our portfolio-based business segments, including the high-income segments of Select, the Companies segments, the mid-income segments now as well, and some SMEs, we are increasingly specializing and making our service to these segments even more regionalized, closer to the customer, and more multi-channel.

With the resumption of cards, we are taking another important step forward in the fourth quarter, with a clear focus on principality and the ability to serve our clients. So, we are quite excited about this resumption in cards. Again, we are doing this in a smart, precise, and technical manner, with increasingly deep personalization in the understanding of each client, within each cluster.

We have been experiencing growth in our consumer finance business since the middle of the year, as I mentioned earlier. In the third quarter, it had already shown strength, and despite the sale of PSA, the third quarter was still good on its own, and the fourth quarter has been quite strong. We are very excited about what the consumer finance business will bring us from 2024 and beyond. It's important to remember that we also have a consumer finance operation outside of the auto segment, involving consumer goods, which is undergoing a significant turnaround. We have high expectations for the future.

And the Companies segment, as I said, is growing again in retail since the middle of the year. We are doing this in a very calculated and balanced manner. And we are really excited about what lies ahead. And on the side of corporates, it's going to be much more about profitability, but we have a very broad franchise, already established for decades, and we are confident that we will also see significant growth here.

So, as a whole, we are now wrapping up the year, officially closing 2023 and now fully focused on 2024. We end the year very excited about the business dynamics. There are specific items, as Gustavo mentioned, regarding LLP in wholesale. We have no concerns on the retail front, which is very important. We've spent these past two years working to be comfortable with sharing this with you now, that we are very excited about the performance of the portfolio of new vintages, as we have been calling them.

On the expense front, we have seasonal specificities, but the strength of the franchise has us quite excited to step into 2024 with full steam, filled with enthusiasm, and eager to have the story of the top line growth that we have been demonstrating, in a consolidated and solidified manner from this point forward.

With that, I will stop here for us to do the Q&A. Thank you once again to everyone.

Camila Stolf: Thank you, Mario and Gustavo. We are going to start the Q&A session now. So, from this moment on, all analysts will have the opportunity to clear their doubts. Again, if you wish to ask a question, simply click on the hand icon that appears at the bottom of your screen. We will respond to these questions in the language in which they are asked. We kindly ask analysts to ask only one question so that everyone can participate.

Our first question comes from Thiago Batista with UBS. Good morning, Thiago.

Thiago Batista: Good morning, Camila. Good morning, Mario. Good morning, Gustavo. Good morning, everyone. My question is about loan origination. We saw that in this fourth quarter, the bank resumed strong origination in the auto segment, if I'm not mistaken, it was the best quarter ever for vehicle origination. We also saw that the bank has resumed issuing cards, showing a good expansion of the portfolio. So, this resumption of origination, is it a return that the bank feels comfortable with across various segments, or are you still seeing a concentration solely in high income, only in upper-middle income? How do you view this return to portfolio origination at Santander?

Mario Leão: Thank you, Thiago. It's a pleasure to start here with you. I will begin, and Gustavo, feel free to add anything. We've been talking to you, in a quite consistent and linear way in this regard, about how over the years we've been selecting which portfolios we would accept to either remain flat or even decline. Cards are undoubtedly in this category, as are personal loans, pure personal loans. That is, the cleanest, most direct loan, especially focused in our history on the average and low-income segments, we knew that in these two years, these portfolios would go from being flat to declining. And the work, obviously, was in compensating this with other businesses.

Some of these portfolios, particularly personal loans, we have made significant progress in personal loans-FGTS, increasingly focusing on the investor, the pure personal loans itself, and we are resuming cards, Thiago, with a focus on all income segments. Your question is great, we are indeed, without a doubt, obviously looking at the high-income segment as part of the entire Select agenda, but for the middle and low-income segments, we have payroll as a significant lever for understanding our clients, which we already had, it's true. We didn't just start doing payroll now; we have been working on payroll over the past few years, but we have achieved a very clear evolution in our ability to understand, to communicate, to make these clients loyal, especially in this last year. With this, we have the comfort of selling cards and selling personal loans, the cleaner products, so to speak, to the base of middle and low-income segments, but especially those clients we already had in our base, whom we already knew. Payroll is a good example of this.

We have been experiencing growth in other products since 2022 and even more strongly in 2023, and we intend to continue doing so. Therefore, what we have today, I would summarize in the following way: we have the same comfort in growing some of the portfolios we have been expanding since 2022 and 2023, such as payroll, agribusiness, and corporate. We never stopped growing there, as I mentioned, it's more a matter of profitability. However, since the middle of the year, we have also gained the comfort to grow in other portfolios that we had previously chosen to slow down. Consumer finance, as you noted, and SMEs were two major portfolios that we had decided to put on hold. We could have been more ambitious or aggressive in 2022 and the first half of 2023, but we preferred to spend that time taking care of the portfolio we had, looking after the parameters of the origination assumptions so that, from July and August, we could go back to growing more strongly.

So, we start 2024 with the mindset of maintaining those we had been growing in, and to consolidate those that began to grow from the third to the fourth quarter, as well as focusing on cleaner products like cards and personal loans within the customer base we are operating. We are doing this with the care we have been taking, obviously, to engage with the right customers. And as I mentioned, we are not looking for the sprint we had in 2021, but rather, we are aiming with more ambition to grow in these lines as well. Therefore, as we step into 2024, I would say, we are looking at quite a good diversification among different products and different segments. I hope I have answered your question, Thiago.

Thiago Batista: Perfect, thank you.

Camila Stolf: We now have a question from Tiago Binsfeld from Goldman Sachs. Hi, Tiago.

Tiago Binsfeld: Can you all hear me well? Sorry. My question is about provisions. You emphasized during the presentation that you didn't observe any deterioration over the quarter, but when we take a longer view, it's been two years of very high provisions. So, I'd like to understand how you are looking at 2024. Do you believe it's still a transition year for cost of credit, or do you see a clearer perspective towards normalization? Additionally, if you could comment on the corporate segment, which experienced a specific case this quarter, are there any other specific cases that raise concerns for 2024? Thank you.

Mario Leão: Thank you, Tiago. I'll start and definitely will hand it over to Gustavo, but let's just talk about the macro here. Your question actually has two dimensions. It consists of two parts: one is the "cost of credit" and the other is the "absolute value of provisions". As we mentioned during the presentation, and I would like to emphasize again, we have been seeing improvements in the cost of credit, in terms of the factor, in the percentage. We have been observing an improvement in the cost of credit, and we continue to expect this data to keep improving throughout 2024. So, the factor itself, the cost of credit, which has been improving over the quarters, especially in this last quarter, once we exclude the specific one-off effect, which I'll let Gustavo comment on, we have been seeing an improvement in the cost of credit and we continue to expect this.

The LLP itself, although we're not going to provide any guidance here for you, the LLP inherently has the effect of the cost of credit itself, as well as the effect of the portfolio growing. So, when we start to accelerate the portfolio, as we have been doing more assertively in the third and fourth quarters, we expect to be able to do this throughout 2024, which is the recent question I just answered. Naturally, with a larger portfolio, we will have a level of LLP that moves along with it. We hope that the cost of credit for this marginal portfolio will be lower than the average, and with that, we continue to seek a decline in the cost of credit. Therefore, the LLP has a behavior that relates to the cost of credit, but also to portfolio growth, and the cost of credit should directionally continue to fall. Gustavo, if you would like to add anything.

Gustavo Alejo: No, it's exactly that. There's a downward trend in the cost of credit. You asked about cases in the corporate world. Looking ahead, we understand that there wouldn't be any material cases, so we look at each case individually, we make provisions, and carry out executions on a case-by-case basis, adjusting positions accordingly. Therefore, looking towards 2024, I don't foresee a movement, a material event in the corporate world in our portfolio.

Tiago Binsfeld: Thank you.

Camila Stolf: Now, Brian Flores from Citibank. Welcome, Brian.

Brian Flores: Thank you, folks, and thank you for the opportunity to ask questions. One about efficiency, then, how should we think about the cost-to-income ratio for this year? Would it be closer to 2023, closer to 2022? And in your view, which line should contribute more in meeting your goal? Thank you.

Mario Leão: I'll start with the macro here and then I'll turn it over to Gustavo. Brian, thank you for the question and for giving us the chance to delve a bit into the topic of income and expenses. There are two vectors here. Without a doubt, we want to expand, and I began my takeaways by talking about revenues. So, as it could not be otherwise, we are super focused on expanding, but expanding the revenue line in the correct way. We aim to achieve revenue growth, which is fundamentally the stronghold of our franchise, and it is measured on the top line, in the revenue line.

We want to grow our revenues consistently, it will never be a linear process, as the world itself is not linear, but we aim to directionally grow our revenue line in a consistent manner. When I say consistent, I mean sustainable. I don't want to experience hiccups in revenue growth because, in six, nine months, I might regret it. Of course, we can always make mistakes, but we are taking care to grow each of the segments and each of the product portfolios we decide to expand in the right way. So, part of the answer, without a doubt, is revenue expansion. On the expense side, naturally, we will see some increase in expenses, again without providing any guidance, but it's only natural because the business will require that we increase our volume, the business will require us to expand.

We are hiring people, as we speak, in some of the subsegments that we are further specializing in. I mentioned to you the mid-income segment, I also mentioned to you the small business segment, which we are further specializing in, with even more portfolio segmentation. This is required from us because these are clients, individuals or businesses, who want to be covered by people. And this is one of the advantages we have. We are able to be multi-channel, and I mean truly multi-channel. So, some expense lines will grow, what we need to be capable of doing, Brian, just to wrap up before I hand it over to Gustavo, is how are we going to fund this?

So, when I spoke in the last quarter about the huge turnaround we need to make in the mass retail segment, where we have to reduce our expense base by a substantial amount between 30%, 40%, and 50%, that's where the funding will come from for me to make the investments I need to make. This way, I'll indeed face a potential increase in expenses, but it must be disproportionately smaller than the increase in revenue, and we can return to efficiency levels seen in recent years. Gustavo, would you like to add anything?

Gustavo Alejo: That's exactly it. And just to add, in 2024, we are experiencing a deflation process, so this also benefits our financial situation. Thus we have a more efficient use of the resources or the spending we have, with the added benefit of inflation, which will be different from the previous periods, and this gradual and solid evolution of revenues. So, we see a positive evolution in terms of the level of efficiency. But it's basically what Mario mentioned, it is very important the evolution of our top line to gain speed and traction in resuming efficiency. Ok?

Brian Flores: Perfect, thank you.

Mario Leão: Thank you, Brian.

Gustavo Alejo: Thank you.

Camila Stolf: The next participant is Mateus Raffaelli from Itaú BBA. Good morning, Mateus. Welcome.

Mateus Raffaelli: Good morning everyone, thank you for the question. I wanted to explore here with you the outlook for client NIM throughout 2024. I understand that the funding spread tends to lower it, but at the same time, we see Santander here with a bit more appetite for clean lines, vehicles, and we also expect good growth, the renegotiated portfolio should see a decrease over the year. So, if you could comment a little bit here on what you are envisioning for client NIM in 2024, whether we should expect NIM to be flat or declining, or if it makes sense to think about an expansion here, given these factors that I mentioned before. Thank you.

Mario Leão: Great, Mateus, thank you. I'll start here. Directionally, as I mentioned, nothing is linear, and you shouldn't expect anything linear from us or anyone else, but directionally, we do want to grow. I talked about revenue in the last question from Brian, so obviously, revenue has some sub-blocks, but the NIM block is undoubtedly a fundamental one. It measures the strength of the franchise along with fees, perhaps, and client NIM measures even more so than market NIM, obviously, the strength of the franchise. So, we are very focused on this line and the sub-lines that make up client NIM.

You spoke well, and as I also mentioned in my opening, we already face a challenge in the fourth quarter related to the third quarter in the funding NIM line, naturally, because with the Selic rate dropping, no matter how well we do in terms of volume, no matter how well we manage the spread as a percentage of the CDI, if we want to look at it that way, the falling Selic rate obviously has a detracting effect. It's positive for the economy as a whole, and we obviously like to see the Selic rate drop, but for the funding NIM line, this presents a challenge, which will be an ongoing challenge throughout this year. You can do any math you want, but anything between 20% plus or minus of a lower average Selic rate in 2024 compared to 2023 is a challenge that both we and the entire industry will face in terms of funding.

And what we are going to do to compensate here is to further expand our investment agenda. I have mentioned to you and have been talking every quarter about how strategic it is for Santander to evolve here, Mateus. So, in practice, we will compensate with volume. I will bring some hedge from volume. We will aim to be efficient in pricing, of course, as we try to be in everything. And part of this we will compensate with the loan NIM, which you rightly mentioned, we are more constructive across various lines, as I stated just now. We want to have growth that will not be equal across all portfolios, but I would like all portfolios to grow throughout this year and for us not to have any significant portfolio that is flat or declining.

And as we take care of the spread on the asset side and significantly grow volumes, in some cases, we'll aim for double-digit growth, while in others, we'll see growth more in line with the industry. But ultimately, we'll seek significant growth across all loan portfolios. By managing the spread, it will lead to a compound effect, and we'll see a positive evolution in the client loan NIM line, which I believe will be more than sufficient to offset the challenges posed by the Selic interest rate, not due to the strategy but, on the contrary, on the funding NIM side. Gustavo, would you like to add anything?

Gustavo Alejo: You mentioned well, that is, there are growth speeds for the portfolios. So, you mentioned, we have personal loans, payroll deductible loans, autos, SMEs, so the speed, first we need to have demand for some portfolios and the growth speed among the portfolios will somewhat dictate what the NIM would be. Obviously, with a lot of price discipline, more volume in investments, and the trend is that we will be able to effectively balance the margin with the challenges that are already set. But if we grow the portfolios at the speed we believe, in volume, we will be able to cope with this variable.

Mario Leão: So, in a nutshell, we are obviously going to see a positive evolution in market NIM, which is the implicit question here, and it will obviously emerge. We continue to expect, of course, just like all of you, an evolution in market NIM and it will happen; it is also somewhat a given. We also expect to see an evolution in client NIM with a net effect on one side where we will have an anchor due to the Selic rate in funding, which we will seek to partly offset in the funding business itself and the rest will be compensated with a net positive, we will seek in client NIM on the asset side. I hope I have answered your question, Mateus, thank you.

Mateus Raffaelli: Super clear, folks, thank you.

Camila Stolf: Let's now go to analyst Daniel Vaz from Banco Safra. Hello, Daniel.

Daniel Vaz: Hi, Camila, Mario, how are you? Good morning, thank you for the opportunity to ask questions. I wanted to get the bank's view on a topic that has been very recurrent, which is payroll loans. There's pressure on rates, both the maximum rates with the CNPS being a bit more active, and also the additional potential of a major digital player that wants to increase its market share in 2024. So, the first question is how to defend the profitability of this product, if there's room to improve the origination mix, reduce the bank correspondent fees, if this is being discussed. And the second is how you see a potential increase in portability requests, if the bank is expecting this, and how to defend against it? Rate matching, is there a cluster of clients that you intend to keep? Thank you.

Mario Leão: Great, thank you, Daniel. That's a recurring question about payroll deductible loans, and it's a good one. This question is very relevant because for the industry as a whole and to us in particular, this portfolio is quite significant. If you do the math on our expanded loan portfolio, our payroll loan portfolio has hit 10% of our expanded loan portfolio, rounding off, which means this is a very relevant portfolio for Santander. And we want it to be so, we are happy with it, and we want it to become even more significant.

How do we see the dynamics, first of pricing and then the competitive dynamics as a whole? So, you talked about, first, the price ceiling pressure, which is very specific, not lower, but it's very specific to INSS. We, as Santander, and I can certainly speak on behalf of the entire industry, do not view the price ceiling agenda as pro-consumer or pro-consumerist. In fact, the decisions made last year to limit the rate have led to a decrease in origination volumes. This is a fact, not speculation. The origination volume in practice has dropped by a few billion every month, FEBRABAN has this data, something like R$ 2 billion or more every month. So, if you multiply that by 12 months, we're talking about R$ 25 to 30 billion of INSS payroll loans, which is the cheapest possible loan available in the market. It competes with real estate loans from SFI, but anyway, it's an extremely cheap loan and undoubtedly the cheapest available to retirees. And many of these potential borrowers are being excluded and turning to much more expensive loans that they wouldn't need to be taking out.

So, in fact, it's an anti-consumer agenda. We have been conveying this to the various government forums, which is a matter for the executive branch of the government. We hope that this year we will be more successful, but honestly, Daniel, so far we haven't been very much. There is resonance in some segments of the government, not in all, but here I take your cue to say, we look at this and feel sad, indeed, because the consumer is being harmed.

Having said that, we have been striving to rebalance our pricing equation because we do not want to give up on INSS. As I said, we have experienced significant growth over the past year, year and a half. We have gained market share, and the area where we saw the most growth was precisely with INSS. And I can assure you, we did this in a very profitable manner. So, what have we been doing? We have been rebalancing the fees equation, indeed.

We continue to have, as the entire industry does, significant relevance from what we call the external channel, the bank correspondents. We still maintain this, but we have proportionally reduced our reliance on the external channel compared to the internal channel. Therefore, in practice, we are investing more in originating INSS primarily through our stores, our specialized stores.

So, we have significantly evolved in our ability to identify microregions with larger eligible audiences for the INSS and have transformed our stores into large Santander stores for the INSS and this audience. We have been doing this with considerable success. Therefore, we have been increasing our share in the INSS while preserving profitability. However, obviously, the agenda or the entire industry, the way it has developed over the last 20 years with the bank correspondents, etc., is somewhat questionable in the usual format, in the historical format, and we are looking to do more and more internally and seeking to maintain the relationship with bank correspondent at different levels of profitability.

The competition coming from digital players, and perhaps one with more emphasis, is something that we, like any other player who is entering or is reinforcing their emphasis on a product, are looking at and observing closely, of course. It hasn't reached a level of materiality that would change our management from here on out compared to the recent past. We respect them, we find their move legitimate, and we will continue to closely monitor them.

But our agenda must be strongly focused on ensuring that both our payroll clients and non-payroll clients see Santander as a leading bank in this field. We already are, and we aim to be even more so, offering an impeccable digital experience, with specialized stores for INSS, a multi-channel service capability, and a broader range of offerings that go beyond just payroll services. We want our clients to look at Santander and realize: 'I can get everything I need here, without having to maintain multiple relationships for investments, credit cards, real estate, etc. I can have it all in one bank.' We are that bank, and we strive to be that bank even more - simpler, more effective, as I mentioned earlier. Gustavo, would you like to add anything?

Gustavo Alejo: No, Daniel, it is exactly that. We have been evolving, so the relative participation of third parties, or bank correspondent in our total origination, has been decreasing year after year. Therefore, there is an agenda of reduction, a reduction because we are increasingly using our internal channels. We are significantly leveraging digital, a very powerful agenda, and also using our proprietary channel.

So, this movement we are making in general, for the payroll loan portfolio, and with more speed in the portfolios where there was greater reliance on third parties. Therefore, this is an evolutionary agenda, moving at the correct speed, and obviously, there are the market challenges you mentioned, but we are prepared to defend our portfolio given these movements of likely drop in the Selic rate.

Mario Leão: And just to wrap it up, this is a long answer here, but it's an important point. We have payroll loans from the INSS, we have the private segment, and we have payroll deductible loans from the public sector, and we also have strongholds in the other two as well. There are pricing and competition dynamics that are different among these three large blocks, and we are quite pleased to be evolving in all of them, Daniel. So, in practice, we do not want to rely on just one, even though INSS is extremely relevant, we do not want to depend on it just as we do not want to depend on governments.

So, we have a very broad payroll loans agenda, and again, we are quite happy with how it's evolving, and we will continue to have this as one of our main focus areas for 2024. Thank you.

Daniel Vaz: Thank you.

Camila Stolf: Our next question comes from Bank of America with analyst Flavio Yoshida. Good morning, Flavio, and welcome.

Flavio Yoshida: Good morning, everyone. How are you? Thank you for the opportunity. My question is regarding the competition in the loan business. I believe that in the last two years, not only you but other banks as well have been making adjustments to their portfolios, but I also see that now the appetite for risk is increasing. So, I would like to understand how you are preparing for this more competitive environment. We see more vocal players not only in payroll loans, cards, but also in agribusiness and SMEs, and I would also like to know how the demand for loans has been on the part of your clients. Thank you.

Mario Leão: Cool, Flávio. Thank you, it's a pleasure to talk to you again. We follow the competitive dynamics very closely, of course, it couldn't be otherwise. I would say that the speed and timing of this slowdown were distinct among the major players throughout 2022 and a bit into 2023. You obviously observed this closely. We were possibly the first, or one of the first - I even think we were the first - to raise our hand and say: look, from 2021 to 2022 the performance isn't good, we're going to have to slow down. And then we spend two years digesting and managing that.

The fact that we were possibly the first, Flavio, means that we have spent more time digesting this portfolio. And again, from the middle of last year, mid-2023, we look and say, in addition to the businesses we continued to run, which remained immune, so to speak, to this management, like payroll loans, agribusiness, and some others, we can start to grow again in others that may be with or without collateral, but we are doing this more now. But again, with a level of technicality, deepening customer insight, hyper-segmentation, hyper-personalization, much greater than we even had the ability to do in 2021, given everything that has evolved in the data, technology, and systems agenda as a whole.

So, as I mentioned, we enter 2024 with a desire to grow our portfolio larger than we did in 2023, and certainly much larger than when we entered 2022. And naturally, the market is looking at the same clients, focusing on the same dynamics, and will seek answers each at their own pace. Therefore, in summary, there will be more competition.

How are we going to deal with this? We are going to deal with it by having started earlier, perhaps. We are going to deal with it by striving for experiences that are better than the average of our competitors. We will pursue this through a principality agenda, as I mentioned here, in a quite obsessive manner. The term 'obsessive' is strong, and that's what we are aiming for. We will 'obsessively' seek to be the primary bank for our clients. This means a lot of things that we wouldn't even have time to go over here, but I think you can grasp what we are talking about.

We are committed to a 'client first' agenda, moving away from a product-centric and factory-like agenda. Instead, we will truly prioritize what the customer demands and needs. Of course, this includes maintaining a profitable and sustainable agenda, one that is also beneficial for Santander's shareholders. However, we will strive to increasingly find a balance within a competitive dynamic. This competition is not limited to banks, neo banks, or incumbent banks, but also extends to a capital market competition agenda, which I conclude with a focus on the wholesale aspect.

We never had any difficulty growing in the wholesale segment, and we could have grown in the second, third, and fourth quarters much more than we actually did. There was just a drop of 0.1 percentage points, if you look at the loan portfolio, in the expanded one, in fact, the performance is a bit different and we will even start discussing the expanded portfolio now in 2024, which makes it easier to maintain a dialogue with you. But in wholesale, it's much more a matter of profitability, so there will be cases where I will act more as an investment bank, which we are one of the major investment banks in Brazil, and we will perform a quick portfolio rotation, either in primary or secondary distribution, and in cases that make sense, we will turn it into a portfolio.

So in wholesale, it's much more a matter of price than of appetite, and demand, to close it off here, has been higher, I would say, in the retail world, among individuals and businesses, than in the wholesale world. There is demand in wholesale, of course, but less than we would like to see, so there still is, I would say, perhaps a delay in major projects, major investments, and even in the M&A agenda itself, which often requires acquisition financing. There was a significant case, in fact, at the turn from the fourth quarter to the first quarter, in which we participated and led, but anyway, it has not been as big an inorganic agenda as we would like. So in wholesale, I hope that we see a greater evolution throughout 2024, and all this will come with competition, it's part of it, we have to be prepared and well prepared for it.

Flavio Yoshida: That's great. Thank you, everyone.

Mario Leão: Thank you, Flavio.

Camila Stolf: Let's move to our last question with Guilherme Grespan from JP Morgan. Good morning, Guilherme.

Guilherme Grespan: Hi, everyone. Good morning. Thank you for your time and for making room for my question. On our end, we wanted to explore a second product. We've talked a bit about payroll deductible loans, and another product that has been getting a lot of attention in the industry is the installment Pix, also known as Pix Finance. We've seen quite a bit of traction and success with some new entrants and a relatively significant contribution to the top line, especially within the card business. If I'm not mistaken, you were actually, I think, the first, if not one of the first to launch the product in Brazil. So, I'd like you to share a bit of your experience. We've heard little about the product from your side in the last two or three years. I'd like you to share a bit about what the challenges of the product were, the successes, the mistakes, and whether going forward this is a relevant product for you or not. Thank you.

Mario Leão: Cool, thank you. Right, a little after we launched, after the government launched Pix, it was a super successful agenda, we also did Divide o Pix in 2022. We created the concept of being able to essentially connect a wire transfer, which it is at that moment, with the financing of a personal loan. So, we joined Pix with personal and created Divide o Pix. We have been growing in the personal loan agenda as a whole, including the personal loan agenda related to Pix, as I mentioned, with care in that year of 2022 and half of 2023, and we did this calibrated with a risk appetite that was recalibrated, which was adjusted for the new reality we had to deal with and in the right way, given the macro evolution we experienced mainly in 2021.

So, we didn't just aim to grow for the sake of growing here simply because it was a new product and we might have launched it earlier. But it is a product that has been on our shelf for two years already. We didn't have any implementation challenges per se. The bigger challenge was perhaps the question of how fast we wanted to grow in the portfolio of pure personal loans, considering that we reduced the customer base we wanted to operate with. We shifted to operating with clients on a scale from one to ten, just to give you an idea, we were and in a way continue to operate with clients more in the 9, 10 range of our own rating scale. Each bank has its own, but just to give a dimension of how more restrictive we are.

And even within this more restrictive base, we have managed to grow since the middle of last year in personal loans as a whole, including Divide o Pix and in the card base itself as we reported here. So, we believe that this line will evolve from here on out. It, specifically, is not yet so relevant, despite having started some time ago. We want, over time, with Pix evolving, to always be in step with the innovations of the Brazilian Central Bank and ideally launching new things and making the customer engage more and more with us through Pix in installments or other upcoming agendas.

It's not so relevant yet. However, we expect it to grow together with the personal loans agenda, and in fact, to talk less about the product and more about the client, we want clients to be able to access loans from Santander in as many different ways as they might need. If they are able to do it via FGTS, the Workers' Severance Fund, which is an agenda we have significantly expanded in the last year, we should offer FGTS because it's cheaper than pure personal loans. Therefore, I prefer that clients finance a product that is better for them rather than a product that might have a higher spread, but in doing so, I will have that operation without getting the principality of that client.

So we are increasingly seeking to understand what is best for the client, and within personal loans and other forms of loans, we will increasingly talk less about a product agenda and more about a client agenda. But the Pix in installments is a reality and it will indeed become more and more relevant for us and for the industry, without a doubt. Thank you.

Guilherme Grespan: Perfect. Thank you very much, everyone.

Camila Stolf: With this, I would like to thank you all for joining us this morning. Immediately after this video conference, myself and the entire Santander Brasil Investor Relations team will be available to clarify any remaining questions you might already have. Thank you very much. Have a great day and until next time.

Mario Leão: Again, thank you very much and I hope to see you in the next call.