Camila Stolf: Good morning everyone. Thank you for joining us for our 2024 year-end results videoconference. We are live from our headquarters in São Paulo and will divide this event into three parts.

First, Mario Leão, our CEO, will discuss the key highlights of the year and the directions for driving our growth in the quarters ahead. Then, our CFO, Gustavo Alejo, will provide a detailed analysis of our performance. And finally, we will have the Q&A session.

I will now provide some instructions. We have three audio options on the screen: all content in Portuguese, all content in English, or the original audio. To select your option, simply click the button located at the bottom center of your screen. To ask a question, click on the hand icon at the bottom of your screen.

The presentation we are about to deliver is already available for download on our Investor Relations website. And now I hand it over to Mario to begin the presentation. Good morning, Mario.

Mario Leão: Good morning, Camila. Thank you. Good morning everyone. It's a pleasure to be here again for our fourth quarter 2024 earnings presentation, year-end results, as Camila mentioned. We are live from our headquarters, a little after 10:00 a.m.

I will start by highlighting for you, as we always do, an overview of what the quarter was like and the consolidation of the full-year results. Starting with the numbers, we deliver, as you may have already seen, a profit of BRL 3.87 billion, rounding to BRL 3.9 billion, which is another step in the right direction. It is a figure that grows more than 5% quarter over quarter. In a year-over-year comparison, the number grows even more, as you have seen. More than the result itself, which is positive, of course, we grow in how we generate this result.

We will have the chance to share with you, in the next half hour, the quality behind this number, which we are quite pleased to deliver. The profitability, which is a clear expression of how well we are making this evolution, grows to 17.6%, as you can see on the screen, which is an improvement, again, quarter over quarter, of more than 60 basis points and, obviously, on a year-over-year basis, an evolution of many percentage points.

How do we accomplish this? We highlight here that there are many ways, but we will emphasize a few. We have a very strong growth in net interest income, above 5%. On a year-over-year basis, even more so, 16%. We will detail this extensively. This, of course, is a gain in both assets and liabilities. It is not a gain solely derived from the CDI increase, in our floating account, our deposits account. It is a widespread growth, with a lot of discipline in repricing, with a lot of discipline in growing our balance sheet, in a technical and correct manner, in pursuit of profitability, as we have been discussing here, quarter over quarter.

Our fees, which have been a major strategic focus for several years – we have consistently talked about it – have shown steady growth again. Almost all lines have experienced strong growth in the quarter, and even more so on a year-over-year basis. We maintain discipline on both the cost of risk side and the expense side, evolving once again. Our cost of risk is decreasing, and we will be able to detail the evolution on a portfolio-by-portfolio basis.

We continue with a disciplined approach to how we allocate our capital, with a growth agenda indeed, but not a linear growth. It is focused growth, concentrated in the segments and products where we aim to expand. Expenses continue to align with the agenda of pursuing efficiency. We demonstrate here that efficiency is improving again this quarter and that at the end expenses are growing below inflation, with a natural evolution in the quarter, but a progression that I want to believe is positive, with the bargaining agreement, profit sharing, and variable compensation, which indicates that, of course, we had a positive year and we want to share this with our employees.

In terms of messages, we will detail this further. Three key messages: we continue to work very hard on building a balance sheet and a business that is increasingly solid, diversified, and resilient. We are still transforming our service model, our offerings in the main segments of the bank, and we will talk a bit more about that. And we maintain a strict discipline in executing our strategy. Last year was a year of delivering and consolidating this strategy, and we will briefly outline the major focus points here.

Here I present four blocks of messages, but the summary: 2024 was the year of solidifying our transformation. Of course, we have to keep transforming the operation much more. We aim to do and will do much more in 2025, 2026, and beyond, but in 2024 we consolidated a lot of what we had been designing in the previous years. It was a year of substantial delivery, and obviously, the results came along with it.

I highlight here a few messages, none of which are new, but just to connect how we close the year. First, we transform our offerings and institutional positioning. We begin signing in a new way. We even launched this here with you during the first quarter release when we signed "It starts here." We begin a new campaign, a very powerful new brand positioning. With this, we launch a new value proposition for the mass income segment, our “free” offering, which has evolved consistently and quite well. Months later, we relaunch our high-income segment, our Select, also with a new campaign, a new brand positioning, and at the end of the year, we do the same for small and medium-sized enterprises.

We have evolved our service model quite a bit in stores catering to small and medium-sized businesses. We now have a much more localized service by micro-regions. We are removing small business specialists from the stores, and we are serving middle-income clients through platforms. In short, we are materially evolving in our offerings and service model. The results are already starting to show in 2024, and, obviously, we expect to see much more consolidation in 2025.

We have made significant progress in our investment agenda. This is one of the strategic pillars I have been discussing for at least 2 to 3 years. We want to build and are building a large investment franchise, both by selling third-party products off-balance and, obviously, by managing funding for the bank itself. We have the strategic convergence of a Santander offering full-banking services with Toro, our digital brokerage, which is one of the most successful in the market, with very high penetration and the best NPS. We will increasingly converge this offering and speak more about it.

And to wrap-up, of course, the great link to all of this: technology. We have chat as the most used channel, growing by more than 200% in recent years. Our resolution rate has been rising substantially, and our product offerings are becoming increasingly streamlined. Thus, we are managing to deliver better services to our customers each day.

Speaking briefly about some strategic businesses, we selected four here. The first major highlight of the year, in terms of individual businesses, was our consumer finance unit. The market grew as a whole, indeed, and we possibly grew more than the market and, undoubtedly, better than the market. We have the oldest auto finance business, possibly the broadest in Brazil. We maintain a consistent market share between 20% and 21%. We grew this portfolio by 20% in just one year. And most importantly: we grew with quality. We have been working with a percentage of ratings 8, 9, 10, in other words, in our scale, the highest ratings, higher than we have ever had. So, we achieved this growth with a lot of client selection and a lot of pricing discipline.

Gustavo will have the chance to talk shortly about how the funding rate rises throughout the year. Much of our business is pre-fixed. The individual and consumer finance business is almost entirely pre-fixed, and with the increase in funding costs, we have managed to maintain a very good pricing discipline and continue to select clients well, with satisfaction. And to conclude, we say that our consumer finance unit, which is the largest in Brazil, is also 100% digital. Therefore, in addition to everything, we provide dealers and end customers with an impeccable experience.

The second highlight, at the top right, is our small and medium-sized business segment. I have been saying for a few years that we have a huge ambition here. This ambition continues, even though the macro environment is more challenging, which does not mean that we will grow linearly. But we will keep striving. We still have a strong desire to grow. We want to double in size in this SME business. And we are growing the portfolio at nearly double-digits, here 9% year over year, but we are growing significantly in the offering, positioning, and coverage model, and we will have a 2025 in which we will capture a lot of this.

I also highlight our card business. Nothing represents transactionality, the day-to-day interaction, or more than during the day with customers, cards, accounts, transfers. This core that measures the transactional relationship of both individuals and businesses is a huge focus for us, and we have evolved significantly in cards during the year, with 88% of our base being account holders. This means we are engaging with the complete customer rather than just those who are single-product users, as we call them. We are growing turnover by 15% year over year, and we are increasing average spending, meaning how much the average customer spends, by double-digits, 11%, which is very solid. Thus, we continue to sell cards at a very good pace. We are more interested in deriving more value from our existing base. By the way, the opportunity within the base is always much greater than the marginal opportunity. We are pursuing both, but with a strong focus on extracting more value from what we already have.

And to conclude, our funding agenda. I am referring to on-balance, which continues to perform well, consolidating the year. We experienced the best year ever in our retail segment for individual clients, with BRL 23 billion in net inflows. Our AAA, our internal advisory channel, with nearly 2,000 advisors, generated a net inflow of BRL 16 million per advisor this year, which compares favorably to the average per advisor in relation to other market players. And all of this with a very high NPS, at 82 points.

Speaking of customer centricity, I will also consolidate some points. Here, I will comment for the first time, giving a public spoiler, that we are just a few months away from launching our major project, which has been two years in the making, called One App. Our One App is our big application that will consolidate all others. It is not just a new version in the Apple or Google store; it is actually a completely new app that will bring together all our applications or experiences of single-product journeys into one app. For those customers who are already account holders and use our current app, which by the way works very well, we will provide a completely new experience.

I will elaborate more on this during the first quarter disclosure, which will take place on April 30th. At that point, we will be testing with a small group, friends and family, and throughout the following months. This is a topic for 2025. It won't encompass the entirety of 2025, of course, but we will make substantial progress during the 3rd quarter. I will be able to share more with you, but in short, we will take a big leap in the journey. We have already significantly improved the digital experience for both individuals and businesses, as shown here below on the left, but we are not satisfied. We want more and are set to launch a major new app that is being developed, in fact, in collaboration with the Santander Group. We can discuss more in the Q&A if you are interested.

Speaking of customer experience, we have evolved significantly. The NPS for individual and business clients reached a record in our internal measurement at the end of last year, which is very positive. Of course, we want more. I don't think 63 is the target level for individual clients, nor 49 for business clients, but these are the highest levels we have ever had in our internal measurement, with a significant improvement over the past few years. The channels for individual clients have also seen enormous progress, and it is worth mentioning that for the second consecutive year, we ranked number 1 on Down Detector, the site that measures instabilities and complaints. We are very pleased to have the highest stability among all players in the Brazilian financial market.

Regarding clients, we are nearly at 70 million. In fact, as of February, we have already surpassed that mark, of course. More than just the raw number, I prefer to focus on whether we are evolving in the number of active clients we have. Last year was the year we saw the highest growth in active clients in our history. We grew by about 2.2 million active clients in a single year, which translates to an 8% base growth. Furthermore, beyond the active clients, we were able to enhance the principal flow, the primary relationship of these clients, and we experienced a 15% year-over-year growth in clients with the so-called primacy, which is very positive.

How are we achieving this? A whole lot of things. Here we summarize the argument of hyper-personalization, which I have already discussed with you quite a bit. I won't go into each item; the material is here, but in a nutshell, we are making significant progress with a completely redesigned and rebuilt CRM platform. In fact, we had a CRM that, in a way, was everything for everyone. We communicated the same way with a large portion of the audience we covered, and the ability to personalize or hyper-personalize was small.

We recognized this in 2022, made significant investments, and now, at the turn of the year, we are starting to have the ability to communicate with tone of voice, materials, photos, certainly offerings, prices, terms, entirely personalized. This is just one example. All of this is connected with Open Finance, which we have embraced vigorously. We were the incumbent that grew the most in terms of consents last year. We are the bank in general, or the financial platform, with the highest number of consents among business clients. Therefore, Santander has definitively adopted Open Finance. All of this intersects and creates a vast capacity to make the customer feel unique, which is what ultimately wins the game.

To wrap it up, here are the numbers with Gustavo. I will be back for the closing remarks and the Q&A, so thank you for now. Gustavo, over to you.

Gustavo Alejo: Thank you, Mario. Good morning, everyone. I will begin the presentation by discussing our loan portfolio. The evolution over the year, as well as in the quarter, reflects the disciplined pursuit of higher profitability that we have been communicating to the market for a few quarters now. In the individual segment, we saw a 1.5% increase in the quarter, particularly in products with higher loyalty and transactionality, such as cards. In cards, we achieved a 10% growth in the quarter and 16% for the year.

In cards, it is important to note that we experienced qualitative growth. We better leveraged our own base, focusing on the middle and high-income segments, while the low-income portfolio lost share, showing a decline of 17 percentage points over the last three years. This is quite important from the perspective of portfolio quality. Alongside the quality of the portfolio, we had the highest transactionality, as we will see in the evolution of fees shortly, okay?

The consumer finance unit, as already mentioned, had a very important dynamic during the quarters, achieving a 5% growth in this last quarter. We have already highlighted that we are very satisfied with the loan quality. To give a bit of detail on loan quality, Mario has already mentioned it, but specifically it is as follows: 80% of the total consumer finance portfolio is rated at the highest levels, meaning that ratings 8, 9, and 10 account for 80% of the portfolio, which is 15 percentage points higher compared to December 2021.

In the SMEs segment, we experienced a notable expansion, with a 6% increase this quarter, particularly in government lines. This is significant because we have a well-balanced and important combination of loan revenues, fee revenues, and funding revenues in this segment. It is extremely balanced and very important from a portfolio standpoint. We know how to work in this segment, and we are ready to move forward with quality at the appropriate pace.

Let's look at the macro, assess performance, and how we evolve. On the right side of the slide, we show the funding. This reflects a great deal of discipline in managing funding prices. It has already helped to improve the average cost of funding in the existing inventory, and combined with the goal of attracting more individuals versus businesses, it has been advancing as expected. And the share of individuals, as we can see, has grown two percentage points in the last 12 months. So, the evolution of the strategy is moving forward.

Furthermore, we optimized our funding instruments, thereby improving costs, and we issued 20% more financial bills – the volume growth in the quarter, as you can see – with good market price levels and significant demand for these securities from the market for Santander's securities, which is very important.

On the next slide, we will briefly discuss the performance of revenues. We recorded a 14% growth for the year. Net interest income continues to show expansion when comparing quarterly and annually, and in the quarter, client NII performed well, both from the asset side, with a focus on more profitable lines and segments, which we have been emphasizing, and from the liability side, resulting from funding, also due to the rise in interest rates.

Consequently, the spread experienced an important and significant evolution of 60 basis points, which is not only due to the higher Selic rate but also due to rigor and discipline in asset pricing. In the market NII, we observed a performance inferior to that of the 3rd quarter, which can be mainly attributed to a lower performance in treasury operations. The 3rd quarter was quite good, the 4th quarter slightly lower compared to the 3rd, and there was a bit of impact from the increase in the Selic rate. I would like to underscore, as we noted in the previous quarter, that we are focused on reducing our sensitivity to interest rate fluctuations in our results.

Fees exhibited a strong and consistent performance throughout the year 2024. We recorded a 10% growth in the year, versus the 4th quarter of 2023, and 3% for the quarter. Once again, we are achieving the highest historical levels in this line, resulting from our strategy focused on transactional products, and it is working very well.

I would like to highlight again the growth in cards: 13% for the quarter and 19% for the year. This increase is well above our customer base growth and is fueled by spending that arises from relationships, transactionality, and loyalty. Loan and "consórcio" operations saw increases for the quarter and considerable progress in the year-over-year comparison, as you can see in the table.

In insurance, we have the effects of decreased origination of credit life insurance in payroll loans, which we previously showed in the portfolio, and this is a decision we made for profitability, along with some reductions in insurance renewals during the period. Nonetheless, it is important to underscore that insurance will close the year 2024 with a 15% growth.

On the next slide, I will address the quality of our assets, which reflects balanced lending and aligned portfolios. We kept allowance for loan losses virtually stable in the quarter, resulting in a decrease in the cost of risk to 3.5%, which represents 50 basis points over 12 months. Quite important. Here, I highlight that we are already starting to see potential signs of a more challenging macro environment, with higher volumes of Chapter 11 filings, something you have been following in the media and the market, a bit in the agribusiness, a bit in companies, but these portfolios are backed by good collateral and have better resolution prospects.

Regarding non-performing loans and the short-term and long-term indicators, they have remained virtually stable. The increase you see here in short-term NPL for business clients is attributable to a higher volume of overdue loans this quarter and a specific case that we are in the process of regularizing over the short term. I know you will ask about this in the Q&A, so I will preemptively mention Resolution No. 4,966. I can share that the capital adjustment for 2025 is 14 basis points. We can discuss this further later.

Once again, we are concentrating on the sustainable and long-term growth of the portfolio. This entails active risk management, pricing discipline, and technical rigor in resource allocation. That is reflected in the results we have shown. Next, I will address expenses. We are making continuous progress in our quest for efficiency, focusing on proper cost control and allocating expenditures to achieve greater profitability.

Over the year, expense growth was in line with inflation, slightly below it. In the quarter, we observed the total impact of the new collective bargaining agreement, with a 4.6% adjustment, which you already know about, and personnel expenses that also included a variable compensation event during the period, which is important and connected to our growth. Administrative expenses increased due to marketing and data processing expenses, given higher transactionality, more business, and are positive for our operations.

Once again, the increase in expenses remained below revenue growth and greatly contributed to the bank's operating leverage. We saw a sequential improvement in the efficiency ratio, with a 5 percentage point drop over the year.

Well, to conclude the results session, I will show a slide with the year-end figures, which Mario has already anticipated, and I will elaborate on some topics. 2024 was a year of very relevant deliveries. The good performance reflected all the initiatives we have implemented over the last three years, so it is a reflection of what we have been doing.

We delivered a year with a profit of BRL 13.9 billion, a 48% growth year over year, higher profitability, with ROAE nearing 17% and core capital at 11%. We evolved in the composition of results, with revenues growing well above expenses, and in the diversification of loans, revenues, and funding, thereby strengthening our entire balance sheet.

Hence, we have a more balanced and robust balance sheet. In conclusion, I want to emphasize that our efforts are directed towards the medium and long term, with the aim of ensuring sustainability, securing robustness, and generating consistency in our results, as we have been demonstrating.

So, thank you very much. And now, I turn it over to Mario for the closing remarks.

Mario Leão: Thank you, Gustavo. To finish up here, so we can dedicate plenty of time to the Q&A and exchange much more, here are six key messages that close out 2024, but especially how we are stepping into 2025, as we have already entered 2025. Here I have been saying "every day counts (*Todo dia conta*)," so we are already on day 5. There have been 35 days this year, and we count them one by one.

Three major messages regarding the customer, three major messages about how we are managing the business. To begin, starting with the customer, as it should be. We want to be, we are building a bank with a total focus on a complete and primary relationship with customers. What does this mean? I want to have a customer that I can serve from A to Z. Not all the time, but when the customer needs it, in what they need, through the channel they choose, with the language they understand, and with the very simple offer which, honestly, is what they want. I want to establish this total and complete relationship. And by having this complete relationship, I will be able to achieve primacy, as we have discussed in banking terms, which is to earn the trust to be the primary bank, the bank most present in the lives of customers.

Second major message: how do we accomplish this? We accomplish this through increasingly hyper-personalized offerings and interactions. By treating each customer in an individual and unique way, and ensuring that this customer feels, which is the third point, like the primary customer. We talk a lot, the bank likes to talk about itself, and I want to talk less about the bank and more about the customer. So, it's not about the primary bank, it's about the primary customer. The customer should feel primary in their relationship with us, not the other way around.

Three key points on how we will run the bank. We are already doing this, as Gustavo has talked extensively about the “how”. This message pertains to 2024, 2025, and the next 15 years. We aim to keep growing and will continue to grow with a disciplined approach to profitability and portfolio management. Thus, a growth agenda, undoubtedly, but not a linear one, not for every segment, not for every product, and not with the mindset of gaining market share for its own sake. We want to approach this intelligently, technically, and in a highly dynamic manner. The senior management team, including the executive committee and myself, dedicates time to managing our portfolio more clinically. We have demonstrated this, and naturally, this will lead to revenue diversification, increased transactionality from clients, and a proportional rise in fees and funding compared to credit for its own sake. Although credit is crucial, we are a bank and understand that credit is vital in client relationships, but it should serve as a means rather than an end. Credit is not the goal itself; we need to allocate capital and credit resources in an increasingly technical and intelligent way. We have been doing this and are quite pleased with how we are consolidating 2024.

And to tie all of this together, it could not be any different: technology. I don't need to make one, two, or three pages for you to tell the story of technology. Technology is embedded in everything we have discussed up to this point. There isn't a single message we've conveyed, nor a number that Gustavo has shared with you, that doesn't involve technology. It is the major lever, it is the key differentiator that we will pursue. Being distinctive in technology is not easy, as the bar keeps rising, but it's great that we continuously challenge ourselves to innovate, to catch up where necessary, and to strive for more.

So, the final message is this: starting with the customer, ending with technology, the two main pillars with our leadership, with our people in the midst of it all. With that, we open up for Q&A, and it will be a pleasure to speak with you further. Thank you.

Camila Stolf: Thank you, Mario. Thank you, Gustavo.

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

I will start here, then, with a question from Bernardo Guttmann from XP Investimentos. Hello, Bernardo. Welcome, good morning.

Bernardo Guttmann: Good morning, Camila, Mario, Gustavo, good morning everyone. Congratulations on the results.

My question is about the retail segment. The bank has significantly evolved its franchise, restructured its high-income business, and launched a new digital offering for the mass income market.

Apart from the contribution that this reformulation has provided to the funding cost, how does this benefit the bank in being better prepared to face a potentially more adverse new credit cycle? What were the most structural adjustments made in this segment, and what can we expect in terms of credit policies? Is there any segment that should be prioritized in this context?

Mario Leão: Great, Bernardo. Thank you, welcome. That's a great question. We could spend the next hour talking about this. I'll provide a more concise version, and Gustavo can feel free to add his thoughts.

We have indeed evolved, evolved quite a bit in how we, as I briefly mentioned, organize ourselves. Organizing ourselves means, in two pillars: what offerings we provide for each segment and what our service model is. Obviously, the journeys tie all of this together. Thus, last year was a year in which we delivered a lot, in terms of both offerings and service model.

You mentioned retail, which is where we made the main transformation. We made it massive; our new digital offering, as you say, is correct: the “free” offering, including the account and the card at no cost forever, plus many other benefits, not just that. As I said, this has evolved quite well. We have been bringing in new customers of better quality, on average, than we had before. So, the onboarding has been extremely good and very assertive.

We are not looking for a broad and unrestricted open sea. We are increasingly focused on acquiring new clients in a highly technical and scientific way. Essentially, we have nearly all Brazilians pre-mapped. We have pre-approved or zero limits for tens of millions of Brazilians. Thus, we can carry out the search for new clients in a very clinical and surgical manner.

In the high-income segment, as you mentioned, we repositioned ourselves over the year. We had already done something in 2022, which was nice, where we started to grow. To give you an idea, at Select, we had around 600,000 clients at the turn of 2021 to 2022. And we ended last year with two and a half times that number. This was largely organic, with some segmentation, but we grew significantly in high-income.

And now, we are taking an additional step, which we talked about throughout January, even in the media. We have simplified our coverage model even more, now segmenting our former middle-income category, Van Gogh, which was a nice brand, but it was another brand. We concluded, after extensive analysis and discussions with customers, that we needed to simplify this as well.

So, it was a bold step; letting go of a brand is not an obvious decision. But we now have Santander customers, which is our mass income segment, and the former low middle-income, so to speak, along with the high middle-income and high-income now fall under Select. This greatly simplifies how we serve our customers and the offerings we provide. We are quite excited about this further evolutionary step.

How does credit behave in relation to all of this? Since 2022, we have been making significant progress in our models, systems, and credit journeys, which is a less visible aspect of the market. We have invested heavily in redesigning our credit processes and funnels, and our lending as well.

We obviously made a lot of cuts in 2022, but the discipline of monitoring marginal origination, Bernardo, is a daily task. So, with the macro situation improving, I am checking marginal origination every day, running tests, and observing how this feeds back. With the macro being more challenging, as we are currently facing, I will keep conducting these tests and making decisions on a daily basis.

Last year, even before the macro environment deteriorated further, with future interest rates rising significantly, the exchange rate, etc., we made important adjustments in the 3rd quarter and also in the 4th quarter. The deterioration in December hadn't even happened yet, and part of it has been reversed now in January.

So, this discipline has been happening. We have reduced – you can just look at the numbers – our clean personal loans significantly in lending, already in the 3rd quarter. The payroll loans start in the 3rd, becoming more apparent in the 4th. You see that the payroll loan portfolio is declining quarter over quarter; some specific portfolios are decreasing quite a bit quarter over quarter, and I have been talking about this with you.

This is entirely part of that discipline in allocation, where I place the chips, the capital appetite, the credit appetite. At the margin, we continue to grow our balance sheet, of course, but we will remain quite selective, with an additional input of a slightly more challenging macro environment.

So, where is our focus? Undoubtedly, we want to grow even more in high-income, but in high-income, we will be selective, as we have always been. And now, with the advantage of a significant part of our middle-income clients having migrated – there are millions of clients, Bernardo, that we are migrating – we are confident that we will be able to offer even better service to these clients.

Thus, I am actually optimistic about being able to grow in the high-income segment because I will capture a large share, where I provided good service, but not particularly distinct. Now, I will be able to provide even more distinct service and grow in that space.

But in the mass income market, we also have an agenda to grow with a focus on profitability, which does not mean that I will grow in all products and at the same pace as I did in previous years. The discipline remains the same.

Small and medium-sized enterprises are perhaps more affected by the rise in the Selic rate, since the funding cost for many businesses is floating. We continue to aim for growth. I just spoke about the ambition to double in size. We currently have nearly BRL 80 billion in our portfolio and could reach BRL 150 billion in a few years. We can also increase our customer base by a few million more. We are still directionally focused on this, but will apply the same discipline in identifying the sub-sectors facing greater challenges.

We will put a lot of effort into being close to customers and making restructurings, and collaborating with banks when it's the larger unions – routine matters that are part of management – but the aim for small and medium-sized enterprises is to keep growing.

And in wholesale, you asked less, but it's worth mentioning. For years, we have maintained this discipline of assessing: does this capital allocation make sense or not? The capital market remains a significant source for large companies, and we, having a large DCM franchise, love this because we earn money, naturally, through fees and also through distribution.

But when it comes to managing capital, we will choose that RWA delta, that capital delta, which makes sense, given what I can derive from that credit. Therefore, we grew – as you can see – marginally this quarter largely due to the exchange rate. Frankly, it's not due to a lack of appetite, but rather a strict discipline of whether it makes sense to allocate capital here or in SMEs or in high-income or in consumer finance.

So, I took a wide turn here, because the question is very broad, but I hope I have answered it.

Bernardo Guttmann: Quite clear. Thank you, Mario.

Camila Stolf: Now, we have another question from Eduardo Nishio at Genial. Hi Nishio, good morning.

Eduardo Nishio: Hi, Camila. Good morning. Good morning everyone. Good morning, Mario. Good morning, Gustavo.

I have two questions. The first one concerning 2025: we begin the year with a slightly tougher scenario, tighter fiscal conditions, expect ations of the Selic rate rising to 15% and staying high. If you could discuss how you are seeing 2025. The credit landscape, in essence, the higher Selic impacts your market NII? How do you view this? Regarding fees, whether it continues to grow double-digits, and the cost side, if you could also comment on that, I think it would be helpful.

And regarding the One App, if you could talk a little more about this app you are launching, it seems quite interesting. If you could share a bit about whether you have conducted any tests with a controlled audience, what your expectations are for the product, the launch timing, and whether you will be able to make personalized offers. Thank you very much.

Mario Leão: Cool, Nishio. Thank you for the questions. I'll start in reverse, and then I'll share the first one here with Gustavo.

So, speaking of the One App, I really wanted to share the teaser with you. We even debated whether to talk about it now or talk about it in the first quarter, but I thought it would be nice, since we are officially opening let's say 2025, to comment on it. This is a significant theme for 2025, so I wanted to share it with you. I know it's a teaser, there are few bullet points there, and in a way, that's intentional. We want to discuss more as the year goes on, but as main messages, we are building it, Nishio, with customers. Since 2023, we have been working on this. To be precise, since the 3rd quarter of 2023, we have been working on it. It takes effort to build a new major app. I said it's not a new version, which already has its own work, and we are doing this with a lot of research, with a discipline of listening to the customer, and the non-customer. So, benchmarking, of course, with the best apps out there. Fortunately, we have excellent competitors, both digital natives and incumbents. Thus, we take the best from everyone and want to be at least equal and, obviously, have elements of distinctiveness, of differentiation, to win the game more quickly.

Therefore, yes, the idea is that we can have an app that is much more conversational than what we have today. The idea is to have an app that incorporates these hyper-personalization features that I have been mentioning to you for a few quarters now, in a very tangible manner. We are already implementing this in the current app. If you are, well, a customer of ours or not, I won't ask here, but individual Santander customers might already be testing this hyper-personalization. We have been testing this distinct communication capability, but it reaches another level with One App. So, I will pause here. I can sense the curiosity; I stirred it up, but on April 30th, when we discuss the first quarter, I will be able to elaborate more, and we will already be in a slightly broader environment, still with friends and family, but we will have many more people testing and providing feedback.

This is an agenda that does not alter our experience and results gauge this year. It would be reckless of me to suggest that, but this is a crucial step. There are several small steps we take that consolidate a transformation of experience, journey, and, of course, customer satisfaction and transactionality. So, we will see the full impact of this in 2026, but it is a theme that is happening. You asked about the date; I mentioned that starting in April we begin this friends and family phase. I will be able to talk more during the disclosure of the first quarter.

Regarding the outlook for the year, we won't provide numbers here, as we do not give guidance, Nishio, but I will start here, and Gustavo will add his thoughts. Yes, all banks are sensitive to macro factors, and no, we are not immune to macro. It would also be reckless for me to say to you: "Don't worry, whether it's 15 or 10, it makes no difference." Of course, it makes a difference, but we have been working to have a decreasing sensitivity in market NII. We know this is a challenging projection element for you on the buy-side, difficult to understand. The bank, for perhaps 42 years in Brazil, has always operated unhedged. We have been evolving in this. I will ask Gustavo to comment on what this means in practice. This is gradual; it will not happen in one or two quarters, but over, I would say, a short, short to medium term at most, we will have evolved to a very different interest rate sensitivity. And it's good that we started this back in the 3rd to 4th quarter, before this significant increase, and this, of course, already brings benefits.

From the appetite standpoint, you recall that in the 3rd quarter I already discussed with you during the Q&A that we anticipated growing a few percentage points less than what the market indicated it would grow on average. And I mentioned that I was completely at ease with that. Some even commented: “Wow, Santander is less ambitious in terms of portfolio growth.” And that was perhaps a negative highlight or a more cautious note in the disclosure. In hindsight, I feel very comfortable having said what I said. I believe the market has converged towards that. I don't want to claim that we are more right or wrong, but I might be the first to raise my hand. We were already noticing signs that it didn't make sense to expect double-digit credit growth. I still think that, but as I mentioned, we are continuing to work on the bank and prepare it for growth. This is a growth agenda, but it would be shallow for me to say to you: “I will grow the same, nothing changes, I will grow like the market.” I want to be much more technical, much more detailed than that with you, considering we have shareholders, a controlling party that rightly holds us accountable, and our employees, all of whom are shareholders as well.

So, I will pause here. Gustavo, you may add your input, please

Gustavo Alejo: Mario has already talked about it, and we had discussed this in the 3rd quarter. So, from the market NII perspective and interest rate sensitivity, we started hedging marginal originations in September. Directionally, we are heading in that direction; this is a progression over the periods for us to reduce that sensitivity. Our balance sheet is quite large, so in marginal origination, you hedge, but you still have the inventory.

You are aware that our average duration for pre-fixed operations is 18 months, which indicates a bit of what would be dynamic looking forward. However, the decision has already been made, regardless of the macro. A strategic decision was made in September, and we are executing according to what we established.

Thus, this is a process. We are making progress. Again, it is so that we have predictability, that we have less sensitivity, but it is not just for 2025, for 2026, for 2027, for 2028, and so on. This is a strategic decision that has already been made and is moving forward.

From the perspective of the portfolios, we want to grow. We are prepared to grow, we have already made the necessary adjustments and always make adjustments when needed. Now, it depends a bit on demand.

So, what could happen in the auto market? If we have demand, we can grow. What could happen? The demand remains the same, but the ticket varies. With the same financing, you could choose a lower-tier car; that could happen.

All of this is yet to come, but we are well-prepared and technically well-adjusted for a 2025 that may exhibit various characteristics. From the perspective of what 2025 could be, we are prepared and have been preparing. The bank is too large to prepare now; we have been preparing for several quarters. As Mario pointed out, even in the last quarter, at the turn from the 3rd to the 4th quarter, we already made further cuts. We make cuts when needed and also make expansions when we see performance that makes sense from a profitability standpoint.

So, basically for 2025 that's it. There is much to come. The market volatility we saw in December is already different in January. There is a significant difference between what occurred in December and what is happening in January. Expectations shifted rapidly; the curves have reverted from what grew in December, especially. Thus, we need to be ready and continue with our strategy, which is very clear.

Eduardo Nishio: Thank you. Congratulations on the results.

Mario Leão: Thank you.

Gustavo Alejo: Thank you.

Camila Stolf: We now have a question from Pedro Leduc from Itaú BBA.

Pedro Leduc: Good morning, everyone. Satisfaction, congratulations on the results, congratulations on the year, Mario and team.

The question concerns the client NII, which stood out positively this quarter. It wasn't clear, from an outside perspective, regarding the portfolio mix. It wasn't obvious to explain, so I would like to know if you can provide a bit more detail on this line.

And also, looking towards 2025, whether client NII can suddenly expand beyond the portfolio. I know that client NII has several components: there is the portfolio mix, there is the volume, and there is the funding part. So, if we could break it down into these three legs, that would be ideal. Thank you very much.

Mario Leão: Great, Pedro. I'm really just going to introduce this and I'll ask Gustavo to elaborate. Thanks for the question, it's really good.

I will link the theme of client NII with what we have been discussing so much this quarter, but also in the previous ones. When we talk about active portfolio management, when we talk about directing credit as a means to achieve a transactional and frequent relationship with the customer, when we talk about not growing linearly but rather choosing products and segments, all of this ties into client NII. And of course, also the big and strategic investment agenda.

Investments are not just the on-balance that generates the client NII; obviously, it generates fees, distribution, etc., which have evolved well. We have never captured as much at Santander Asset Management, for example, among individual clients as we did last year. It was an extremely positive year and, obviously, this generates recurring fees and efficiency, and everything else.

Hence, when we discuss this redirection, this fine management of the portfolio, Pedro, we are essentially prioritizing the instruments, always with credit criteria. Obviously, I am not compromising on the policies, on the group of clients I want to operate with, but we are fundamentally talking about focusing on products where I can achieve a transactional relationship that yields fees, that generates floating. The floating, obviously, factors into this client NII account; fees are separate, but they also correlate with this strategy.

And there is also a topic of pricing discipline that Gustavo has some interesting data to comment on. I briefly noted: the funding cost has increased significantly. If we look at the end, it increases by what? 400, 500 basis points and, on average, more than 200. And we have achieved, year over year, a very good spread discipline.

So, this portfolio reshuffle, Pedro, combined with pricing discipline and product selection where I can set prices and also enhance cross-selling, fundamentally encapsulates the strategy and much of the explanation for the numbers you are seeing here. And I ask Gustavo to elaborate further.

Gustavo Alejo: That is precisely it, Pedro. How are you?

First, this pricing discipline. So, a bit of data, that is, the curves that serve as reference for us to set prices, door to door, have increased by 500 basis points, with an average of 200 basis points. We originated BRL 520 billion in credit in the year. Thus, without strong pricing discipline, we would face a compression in the credit spread. Instead, we achieved the opposite: we saw an expansion of the credit spread, which is precisely about maintaining this rigor and reviewing each portfolio, making the best organization of the portfolios to maximize the benefits from the credit NII.

Therefore, we do this every day, every week. We hold meetings to discuss the matter, test ceilings, elasticities, and all the necessary tools to get there. And sometimes, we even test ceilings while losing a little bit of share, because it makes sense. Thus, we approach this with tremendous rigor and as much granularity as possible.

To wrap-up your question, from the 60 basis points we had in delta this quarter, you can say that 60% comes from funding, meaning from deposits and everything else, while the remainder comes from this discipline and rigor in the credit spread.

So, I think that was more or less where you wanted to get to, but this is roughly the distribution of the quarter. We will keep our discipline. What may happen going forward is that if the yield curves are lower, we need to have the discipline to maintain or widen the spread.

Thus, we may have a possibility, but we are not going to change our dynamics. Our dynamics have been working, and this distinguishing factor, an important part of this distinguishing factor, comes precisely from how we assign and derive value from credit.

Therefore, it is important that we are experiencing growth and that this growth comes with a widening of the credit spread, okay?

Mario Leão: And you asked, Pedro, to conclude, whether the market can expect us to aim for growth in client NII above the portfolio. Absolutely, yes.

This ties in with a term I used last quarter, perhaps you may recall it, which is de-indexing the bank's growth from the balance sheet growth. Growing the balance sheet is important. I don't want to demonize it here, that we won't grow the balance sheet anymore, that we lack capital, none of that.

We will keep growing, we have the capital to grow, and we will invest in growth where it is needed: in clients, products, segments, etc. However, the big challenge that I posed and that was posed here over the past year, and we are starting to show this in practice, is how I can derive much more value from the capital I have, from the risk failure assets I have.

This does not mean the same client, the same product. I can reshuffle, and we are doing this; you have already seen it in the quarter. So, we do want to de-index growth and, therefore, do exactly what you asked: grow the results more than we need to grow the balance sheet and, with that, increase profitability faster than it would if we were doing everything indexed, the old way, so to speak.

So, yes, we want to do this and will strive, with all these themes that Gustavo and I have discussed, we will strive to do this over this year and the following ones.

Pedro Leduc: That was very clear. Thank you and congratulations again.

Mario Leão: Thank you.

Camila Stolf: We now have a question from Daniel Vaz, from Banco Safra. Hi, Vaz. Good morning.

Daniel Vaz: Hi, Camila. Good morning. Good morning, Mario. Good morning, Gustavo. Congratulations on the results.

I would like to revisit the point that Gustavo mentioned regarding the hedge, the new origination you began in September. It seems to me that when we consider the sensitivity you provide with the three shock scenarios, it closely resembles scenario 2, which shows a 25% increase in the interest rate curve, primarily impacting your funding.

When we examine that number, it has a relevant impact on the trading portfolio and the banking portfolio. The amount you expect from that hedge for 2025 could help your ALM next year, which is a consensus among all analysts. We are already seeing a quite negative figure, around BRL 2 billion.

So, I wanted to grasp a bit of this market NII sense, given that we have talked about clients, to try to understand what you are anticipating for 2025. Thank you.

Gustavo Alejo: Good. How are you? Thank you. This is quite complex, but let's do it.

First, the following: so, as I mentioned, we are in this progression and doing the hedge. What will happen is that we will be less exposed, but there will still be some exposure. This is part one.

In the banking portion, there is some exposure, while maintaining the portfolio conditions we have. Now, depending on how we originate the portfolio, we will have more or less exposure.

Thus, for example, if we originate less, as we are originating less, I will give you a practical example, because it happened in the 4th quarter. If we originate less in the payroll loan portfolio, I have less sensitivity. That is simply because I am originating less of something that is pre-fixed against the Selic rate.

So, the approach is to continue reducing sensitivity through hedging, this portion of the banking book, and it will also depend to some extent on the composition of this portfolio in 2025, which is contingent on the strictness of what we have already established and how we will execute it.

We are not going to grow in a disorderly manner across all portfolios. This could imply more or less sensitivity, but this is difficult to determine beforehand.

And the other part, which is the FS portion that you are aware of, we have an Available For Sale portfolio, which has a higher carry than that of 2024. This is due to the size of the portfolio; you are aware of its size. This portfolio also implied capital effects from mark-to-market, particularly from the 4th quarter.

Hence, the logic is exactly that: we will lower sensitivity. We also have our FS positions, so I can't anticipate, because we might even have positives, depending on how yield curves behave, which could mitigate this sensitivity effect.

So, what is important for you, in my view, is that you can carry out various calculations, starting from an interest rate sensitivity calculation, and then you have to look at the progression of the Selic rate over time. You cannot simply compare points, because you need to see the progression, because the NIM actually deals more with unexpected events. Thus, you have to think a little about how to approach this calculation, but the most important thing is that we will follow this roadmap. This roadmap will not change for 2025; we will not alter our policy because 2025 is different, as this policy is a policy that remains.

Therefore, your question is great, but it is rather complex in this format. You need to consider this: you can start from a sensitivity, you need to see the average of the averages of the Selic or the trajectory of the Selic to grasp some of that, but there are variables that are still pending. So, ex-ante, it is difficult to make this calculation. It's more or less like that; it's not so simple, but it's a bit like how our balance sheet behaves. The balance sheet is large, so it has a progression, okay?

Mario Leão: Thus, in other words, we do not anticipate anything resembling the impact from 2021 to 2022, which lasted well into 2023. Naturally, the expected increase is also not materially comparable, although it is relevant, to what happened when the Selic rate began to rise in that previous cycle. However, in practice, the fact that we are managing in a quite evolved manner will also mitigate this, and you will see this cushioning effect throughout the year and into 2026, or at least part of 2026. Nonetheless, there is obviously some impact, even if it is just from the carry of our ALCO portfolio.

But we are working, as Gustavo said, to also have in the renewal of the securities, in the exchange of the securities we have, potentially realizable positions. As Gustavo pointed out, with the yield curve narrowing, January showed good progress in this regard, enabling us, over time, to also manage the portfolio itself, as all banks do, and also have mitigators in place.

But management is a decision that has been made. We implemented this in the middle of the 3rd quarter, started executing in September, and this is a decision that is currently being executed. It does not depend on the Selic increasing by another 100 points, rising another 150, or eventually staying where it is, which is unlikely. In short, the directional decision has been made and will be positive for the management of the bank and for your ability to interpret our results and make projections over time.

Daniel Vaz: Thank you, folks. The answer is really satisfying. It's a complex question.

Camila Stolf: We now have a question from Eric Ito from Bradesco BBI. Hi, Eric. Good morning.

Eric Ito: Good morning, Camila. Good morning, Mario and Gustavo. Thank you for the opportunity and congratulations on the results.

I wanted to talk a little about Resolution No. 4,966. You have already commented and shared the expected impact on equity for the first quarter. I would like to understand a bit about what you are sharing regarding, perhaps, expectations for a recurring impact in 2025, in terms of provisioning, in terms of fees for the originator, for brokers, and the impact on revenue.

What can you share about the potential impact of Resolution No. 4,966 for 2025? Thank you.

Mario Leão: Great, Gustavo.

Gustavo Alejo: Let's go. So, the impact on capital, I believe, is clear for 2025. Then we have the developments from the phase-in. The phase-in also depends on the dynamics we will have regarding our capital, performance, and everything else. But it is important for you to understand the impact for 2025. We will indeed have a benefit from the deferral of some payment fees. And we will also have an increase in provisions because Resolution No. 4,966 is different from Resolution No. 2,682. Resolution No. 4,966 has floors; Resolution No. 4,966 costs more to originate. Thus, you have more provisions that are not comparable to Resolution No. 2,682.

Therefore, I suppose we cannot provide figures beforehand, but given this combination of positives from the deferral and more provisions due to the new rule, I believe they will be quite balanced. That’s what we anticipate. Now, we need to go through the months. So, this is a new dynamic, but we estimate that it will be neutral in this regard due to the adjustments of deferral versus this new dynamic of the allowance for loan losses, which is a new rule that has a different price for allowance for loan losses compared to the old one. Thus, net, we believe it will be neutral.

Mario Leão: To add further, we had numerous questions in the 3rd quarter and in the conferences and conversations we had in between, concerning what happens to CET1, what happens to the capital base, what happens to the payout. So, also anticipating what you might still ask, we are at around 11%. We are comfortable with this order of magnitude. It doesn't have to be exactly 11% forever, but 11% is a magnitude that leaves us quite at ease and is also part of our alignment with the group.

Anticipating, we are part of a group that has a CET1 close to 13%, 12.9%. So, our way of operating, the Santander Group now, zooming out, is to obviously have the adequate capital, with the appropriate buffers at the units, but the excesses on top of that, the excess capital at the group level – which, in my view, makes perfect sense, because there are shareholders there who obviously see the portfolio as a whole, in euros, etc.

Therefore, we reach a level that is perfectly fine in our view, which allows us, in terms of payout and distribution, to maintain an agenda that we expect to be a growing one in terms of values, with a payout ratio similar to what we had last year, but, obviously, with the bank expanding over the years, we want to be able to nominally keep distributing more. Hence, the occurrence of the deferral is a positive development, it is positive for the industry and, of course, it is also positive for us, as it enables us to maintain the progress we have been achieving in interest on capital, in dividends, etc.

Eric Ito: Perfect. Quite clear. Thank you.

Mario Leão: Thank you.

Camila Stolf: We will now turn to Gustavo Schroden from Citibank. Hi, Gustavo.

Gustavo Schroden: Good morning. Good morning, Cami. Good morning, Mario, Gustavo. Thank you for the opportunity. Congratulations on the result and on the year.

Mario has already anticipated the question I was going to ask about Common Equity I being at a level that is lower than the historical one, and it seems to me that this is here to stay. So, I just wanted to pick up on this point because, obviously, this lower level of Common Equity I compared to the historical level, which I am mentioning, I am not saying it is inadequate; it is just lower compared to the historical one.

Given the level of results the bank has been showing, it has already achieved 17%, 17.5% ROAE. Do you believe that – let's say a considerable journey has been made from that ROAE of 9%, 10%, which stemmed from that tougher cycle – with this Common Equity I running close to 11% and with the results the bank has been delivering, with NII expanding as noted, and with efficiency also improving, we can start working with ROAE closer to 20%? Do you think this is a reasonable figure?

I am not asking for guidance here, obviously, but to indicate a direction, because, let's say, if there was any question that the bank could move from that 10% and return to a level of 17%, 18%, I think that has already been left behind. I am now thinking about looking for a greater ambition. And I am bringing up the issue of capital because, obviously, it has an impact. Operating with capital at 11% gives you greater leverage and can provide a higher return. So, if you could delve into this topic a bit, I would appreciate it. Thank you.

Mario Leão: Sure, Gustavo. Thank you for the question. Here I will comment from two perspectives. Just to pick up from where I ended the last question. When I talk about 11%, which is a level that provides comfort, I am not trying to claim that it will be 11%, 11.0%, for the time being. In fact, we have no problem operating at an 11% level. I don't want to provide guidance here, but to help you understand how we think: 11%, low 11%, the point is that I don't need to aim for a high 11%, 12%, to feel that we are comfortable in terms of capital.

The key message is 11%, around 11%, with a few dozen points there. There is no discomfort in management and there is also no discomfort among Santander shareholders, which is obviously relevant. How does this translate into our vision of continuing to climb the steps here on the profitability ladder? We are still pursuing, I have said this for several quarters now, both here and in interviews and conferences, etc. We are still aiming for the 20% mark, not that 20% is the ultimate goal. It cannot be, there should not be a final goal; we must keep striving to always raise the bar. But, obviously, it is a level we need to aim for. It is our duty. You should rightly hold us accountable, “Where is the 20%, are you already working on it now?”

Honestly, I don't see 20% as something for the very short term, Gustavo, but it undoubtedly continues to be the endgame from a numerical standpoint, the endgame of this current cycle that I referred to as the transformation of the operation. The real transformation of the operation only takes shape in this phase. We will keep going afterwards, of course, when we are hitting that 20% mark. Yes, we are still pursuing that level, yes, I still believe in it, and I would say that, with each quarter, we can visualize it. I won't say we can grasp it yet, but I can see what the next levers are that we need to get there.

We must work harder on reducing the cost to serve. Therefore, we need to be even more efficient. It's good that we've decreased it by 5 points and are at 38, but obviously, 38 is not the level we should be at. We need to pursue other points, not to say another 5 points, why not? But certainly other efficiency points. So, we have to keep working on the jaw.

This year has several macro aspects that pose challenges. Well, we achieved a top line growth of 14%. We will likely not see the same 14% growth in the top line, but we must continue to work on the jaw. The jaw will make us more efficient, obviously, given the operational leverage we have in a good sense, with revenues three times greater than expenses, three times greater than allowance for loan losses. To put it simply, each 1% is worth three times more. So, by working on the jaw, with intense focus, we will continue to advance. It won't be linear, as it couldn't be, but we will keep progressing directionally towards the 20%.

Certainly, the closer you get, the more we have to pursue proportionally. Each 1% significantly raises the bar. There has never been anything like "tall grass," but we will have to seek more and more, with management discipline, how to find each additional point. But we will make it happen. Therefore, we will have many disclosures together. You can keep challenging and holding us accountable, as you are doing, but it's a combination of appetite with expense management, discipline in managing expenses, that we enter 2025 even larger. And, obviously, a discipline in knowing how to build a top line, but a top line that we won't regret later, because it will impact us in the middle line, at the cost of risk. And that's basically it.

Gustavo Schroden: Perfect, Mario. Very clear, thank you. And congratulations again.

Mario Leão: Thank you, Gustavo.

Camila Stolf: We also have a question from Mario Pierry from Bank of America.

Mario Pierry: Good morning, everyone. Congratulations on the result, Mario and Gustavo.

I had two follow-up questions. The first one, which Gustavo just mentioned, is about efficiency. And when we look at it, you are growing expenses below inflation. I would like to understand a little better what initiatives you will have in the coming years that should theoretically allow you to grow below inflation.

I mention this due to the necessity for banks to make investments in technology, etc. So, first, you said, Mario, that you see room there, there should be room to boost efficiency. You will pursue that. Therefore, I wanted to understand a little better…

Camila Stolf: Mario, it failed here. We are not hearing you.

Mario Leão: It suddenly went mute. Oh. It's back.

Mario Pierry: I'm back, I'm back. So, to understand a little better where it would come from.

My second question, Mario, I wanted to focus a little more on the decline of your wholesale portfolio. Because, if we exclude the exchange rate fluctuation, the portfolio declined 11% or 12%, which is a very large number, considering an interest rate scenario of 12%, 13%. I wanted to understand a little better.

I realize that there is a bit of allocation there, that you are allocating more capital towards more profitable lines, but such a significant drop drew my attention. I wanted to understand from you if you are seeing any problems in some areas of the economy, some sectors that you are a bit more concerned about and, therefore, want to reduce your presence a bit. Thank you.

Mario Leão: Thank you, Mario. Great questions. I will respond in the sequence you asked, and Gustavo will, of course, provide additional insights. You asked about the efficiency agenda, in terms of spending. So, I will take a minute or two to discuss some major themes, which are not new, but it's always good to reiterate.

I commented earlier that we will pursue, in response to Gustavo's question, how we aim for that 20%. There is never just a single answer, but an important part is indeed to gain much more from reducing the cost to serve. Therefore, we have made progress. Over the course of this year, we will share the metrics more with you, but here, internally, in the various sessions between the disclosures, we discuss this quite a bit.

The reduction in the cost to serve has two parts. There is a part that is the unit cost to serve, where we need to decrease very quickly. Of course, especially in segments where income capacity is lower, which is the mass income segment, income elasticity is lower. The only way for us to have a highly profitable segment, which is our ambition, we still do not have in the mass income segment the profitability we need, as I have also openly discussed here. The only way to achieve this is to significantly reduce the cost to serve per customer.

However, there is a nominal cost management agenda. The management of nominal costs faces some challenges or detractors, namely, we live in a country with inflation. We have, thankfully, seen an improvement in the exchange rate, but an average exchange rate that will probably be higher than last year's average. Additionally, we have, of course, like any large company, expenses in dollars and euros. We are also expanding our operations across multiple fronts.

So, I am boosting the sales force for small businesses, which we refer to as Companies 1. I am still completing my investment office, which is AAA. So, to concatenate these vectors that involve more spending, you mentioned technology, without a doubt. We aim to keep investing increasingly in technology. I ended the presentation by stating that technology encompasses all of this. And it essentially tells the story behind each number we discussed here throughout this morning.

So, how do we manage this? With a high level of discipline regarding where we need to cut back. Where we do what we call, Mario, the funding, the self-funding of our growth. We have been doing this. I will give you some examples to make it tangible. The most obvious, and what everyone has been doing, is the reduction of the physical network. Santander has been doing this. You look at the numbers, they are public. They have been doing it. And they have done it in a material way, much more substantially than ever before.

Over the past three years, we have reduced our network by perhaps around 30%. If we set this for another year, the year 2025, we will have cut our physical network by between 40% and 50% in a relatively short time frame. Is there a magic number? Is there a "Go-To"? There isn't, but we will eventually have a thousand stores, as I like to refer to them. Or branches, those traditional brick-and-mortar branches. We will reach that point and likely continue to challenge ourselves to find the ideal number. Not for the sake of the number itself. We want to have the network, the multichannel service structure for our clients, where we believe the store plays a crucial role, but with fewer stores because the customer requires less.

We have improved the journeys, and this all leads to a lower cost to serve. Obviously, fewer stores. Additionally, better journeys require significantly fewer calls, which is the second aspect. We will increasingly seek efficiency in what we refer to as our remote channel. One of our main sales channels for service is our remote channel, which we have recently renamed Pulse, our remote channel company. There are 10,000 people working there. I am not suggesting that we will cut down from 10,000 to 5,000 in 3 months, but by providing better service to customers through the digital journey, and that's why the Digital First message is so crucial, we will need fewer stores, but certainly several, and the necessity and potential for a much more efficient remote channel.

A third source of efficiency, Mario, to keep it brief, is the simplification journey itself. When I cut down nearly 50% of the total number of products in inventory over three years, it is quite remarkable. I mentioned last time that we had over 300 cards, and we will finish with 10 or 12 cards in our offering. This is because we have cards for businesses, and we have some co-branded options. Thus, the simplification of cards represents the simplification of our offering to the customer. It benefits everyone. The customer has a clearer understanding of what we are selling. We condense the most flawless offering into a few products, much more than into hundreds.

Obviously, the processing pipeline becomes cheaper, lighter, and it becomes much simpler to serve these customers in the post-sale phase. So, here are some components; there are more than just these, but undoubtedly, we want to increase our investment in technology, more investment in cloud, and more investment in new systems. I mentioned the One App; there is a significant investment behind it, but at the same time, we need to understand where we can source the funding for this, so that the nominal cost equation evolves as minimally as possible.

The conceptual challenge is how I don't need to evolve the BRL 25 billion, rounding, in expenses that we have, and still have a bank that grows, which is clearly a boundary condition that we will not compromise in any way.

Camila Stolf: Corporate segment.

Mario Leão: No, yes, yes. Corporates, second. Transitioning from one-on-one management to portfolio management. For the Corporate segment, I will keep the message a bit more succinct here. Is there a concern? No. Certainly, we will keep an eye on companies overall as the Selic evolves.

In the Corporate segment, 100% of the cases, I believe I'm not exaggerating, 100% or nearly 100% are financed on post-fixed rates. Thus, every additional 1% or even 0.10% raises the marginal funding cost for these companies. So we keep a close watch on this, just as we did before, but with a marginal perspective on those who are more leveraged. There is something to be addressed, something to be anticipated. I mentioned earlier that when unions are involved, we have been trying to anticipate the unions to have organized conversations with the companies.

The capital market, once again, remains a significant source, but it is clear that a company that is ultra-leveraged will face more challenges in launching a new debenture, or a "CRA" (agribusiness receivables certificates), or a "CRI" (real estate receivables certificates) in the market. However, this reduction, aside from exchange rate fluctuations, does not stem from a marginal concern about the rise in cost due the Selic rate increase, given the more difficult macro conditions, inflation, etc. It truly reflects the rigor of where I will place my capital bets.

I use a term here internally, and I will share it with you, that we have finite chips in capital, in expenses, in CAPEX, investment in technology, people, why not? And we need to allocate these chips in a very technical and disciplined manner. Therefore, wholesale is a fantastic business, no doubt about it. I come from there, I love the business, but considering the strength of the fixed income capital market, which is excellent, and I mentioned, we benefit from this, having a very strong DCM business. Given this strength of the capital market, particularly domestic, we face competition, in a sense, with different scales.

So, we challenge ourselves with every large transaction, be it those going to the market, which I can put in a portfolio, or be it the bilateral ones, if retaining that credit, on its own, is worth it, both for the credit's profitability and for the cross-sell that I derive from that credit. And if the answer is, in fact, that I prefer to earn the fee from distribution, I will do that without any problem. Oh, but the portfolio shrinks. Fine, I consider the relationship as a whole, I look at the ROAE of the relationships and, obviously, the ROAE of the business as a whole.

Our wholesale operation has a very good ROAE, and I will not compromise this ROAE because I want to respectfully show you that I am growing the wholesale portfolio just for the sake of growth. I would rather, and did prefer last year, to grow the financial portfolio by 20%, with marginal origination, with a very good ROAE, which is contributing to this path, which Schroden asked about, regarding how we are recovering. Thus, this discipline of allocating these finite chips, as we call it here, without restrictions on capital or macro appetite, but rather where I allocate and where it makes sense to allocate in wholesale, we will do. And, in several cases, we are significantly increasing our exposure, and that’s perfectly fine.

Mario Pierry: Thank you very much, Mario. This answer is very clear.

Mario Leão: Thank you, Mario. It's a pleasure.

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

Thiago Batista: Good morning, Camila. Good morning, Mario, Gustavo, Débora. Congratulations on the result, a very consistent result.

I have a question about the private payroll loan product, this new version, this new model that is being discussed. How do you see the potential of this market? I know it still needs regulation. We do not yet have the details of the rules. And what are the potential issues you see with this model?

If I may, I know it was one question only, but I will follow up on the NII question that was asked at the start of the call. Gustavo noted that roughly 60% of the increase in client NII was due to the funding spread. My question here is: in the funding itself, in your funding, it was nearly flat quarter-over-quarter. Total funding seems to have risen by 0.2%, 0.3%, quarter-over-quarter. And the portfolio grew by about 3% in the quarter, or nearly 3%.

So, I wanted to try to understand if this leverage, this increase in loan to deposit, in this case loan to total funding, which went from 93 to 96, was something specific to one quarter, if this is a trend, and if this explains a good portion of the 60% NII expansion you mentioned, Gustavo. And sorry for following up on this.

Mario Leão: Would you like to start with the follow-up on the NII? I think it's worth discussing a little more.

Gustavo Alejo: Let's go. NII... The growth is... There are two blocks of growth in the funding NII. First, indeed, the Selic is higher. Second, the composition of funding is different. Therefore, if we have a composition with more demand deposits or fewer demand deposits, more retail or more wholesale, this delta shows up.

Therefore, as we have been talking extensively about our strategy, our strategy is centered on individual clients, business clients, and transactionality, which derives from transactional deposits. This combination creates this delta added to the Selic rate. This is in the 4th quarter. And the dynamics, our objective is precisely to continue in this dynamic.

So, our dynamic is to keep expanding the individual segment, rapidly increasing transactionality, to the point where we have more deltas concerning the overall funding cost and its share in the client NII. Thus, if Brazil has liquidity, if individuals have liquidity, and we can achieve transactionality, this path continues.

Therefore, this is somewhat how we are working. We are less worried about growing volume; we are more concerned with the quality of the volume. As you noticed, we also increased the financial bills this quarter. Why? Because we have fewer financial bills comparatively. There was market demand. The credit NII for these issuances were very favorable for us, because of the demand.

It is an instrument without FGC, without compulsory reserves, and in the overall composition of funding, it makes sense. This is what we are targeting. We may grow, we may remain somewhat flat, but overall it must be positive in terms of margin. And this is how we will proceed each quarter, based on transactionality and in relation to individual and business clients.

Mario Leão: I will quickly talk about the private payroll loan topic, to allow time for us to also answer Yuri's question here. In short, huge potential. To give you some big numbers, the private payroll loan market as a whole is a BRL 40 billion business, out of BRL 675 billion, which, give or take, is the size of the payroll loan market. So we are talking about 6%, round numbers. It's quite small. The INSS and the public have much larger relative shares here.

From the BRL 40 billion, we hold 30%. Therefore, along with another player, we essentially control almost two-thirds of the market, due to our substantial presence in payroll, which remains a major part of the franchise, and will continue to be. However, that amounts to BRL 12 billion. Thus, even our portfolio of around BRL 71 billion in payroll loans is a small segment, albeit a highly profitable one. We are very fond of this payroll segment. It is what we have been engaging with more, considering the ceiling terms, etc. But it has tremendous potential.

Therefore, my perspective is that this new “e-consignado” loan, as the government refers to it, or “e-consig”, has the potential to release a huge amount of volume and value. Yes, it involves more lending, but at its core, it is better lending. It is lending with improved collateral when you detach the loan from the payroll and, indeed, connect it to the e-social, which is the idea. In practice, you cross the employer aspect. The employer aspect remains important, but the credit loss greatly increases when the client moves from one job to another.

We maintain low loan loss provisions throughout the employment cycle, but these provisions rise for us and the entire market when the customer exits. Therefore, in practice, the cost of risk tends to drop. Naturally, competition will intensify greatly, but it will be over a much larger market share.

In a meeting with the government last week, which was widely reported, we talked about... I even mentioned that I imagined 4 to 5 times the current size. It wasn't an exaggerated estimate. Will it happen in December? It won't happen in December, but it will happen over the coming years, maybe even in a few years. Of course, there is implementation. You asked about challenges, Thiago. Obviously, there are many challenges related to systems and connectivity. There is a centralization in the government's systems, since that is where the e-social information is, but it makes sense directionally. We, at Santander, embrace this, and I would say that FEBRABAN, if I can say so, embraces it as a whole.

This is a remarkable evolution in the market. I don't see it as a marginal product. It is a product that we will discuss extensively in the coming years, and thus, it is very positive. The government is supporting it and inviting both private and public banks to collaborate, as occurred last week. Therefore, we are very optimistic about “e-consignado”.

Thiago Batista: Quite clear. Thank you.

Mario Leão: Thank you.

Camila Stolf: We will now proceed to the last question from Yuri Fernandes from JP Morgan. Hi, Yuri. Good morning.

Yuri Fernandes: Good morning, Camila. Good morning, Mario, Gustavo. Thank you and congratulations, everyone, not only for the results but for the delivery in metrics, this customer centricity.

I believe there is a lot of talk, but we have been observing your metrics. Most of my questions have already been addressed, but I wanted to delve a little into the quality of the portfolio with you. We have seen growing concern. Food inflation has made people somewhat worried about what might happen with delinquency in 2025. Of course, there is a lag, and these things are not immediate, but I would like to hear your thoughts.

One thing that stood out to me was your 15 to 90 in Individuals. Typically, in the 4th quarter, we usually see positive seasonality. The 15 to 90 tends to improve, and this year, it saw a small uptick, just a very marginal increase; I believe it rose by only 10 bps. However, I also wanted to understand if this slight decline in the 15 to 90 is a sign of something or if it is something we should overlook. Thank you.

Mario Leão: Yuri, thank you. I will start briefly and then turn it over to Gustavo here. Thank you for participating, *last but not least*, always with good questions.

So, I commented a few questions back. There is always this debate: am I immune, am I not immune. I believe it is impossible to say that any bank that operates with capital and, therefore, with credit, is immune. Well, even those that do not operate with credit are not immune to the macro, because of funding, fees, and so forth. Thus, obviously, there are sensitivity points across the entire balance sheet related to the macro, and it's good that we know, acknowledge, and manage this daily. It's business-as-usual, of course, it's part of running a bank, but the fact that the macro is more difficult, more challenging at the margin than less, leads us to take more measures as well.

Therefore, in practice, stating that we will be lending exactly the same as we would have six months ago would also be an extrapolation and a simplification. No, it won't be the same, but we have been preparing the bank and discussed this openly in the 3rd quarter. I said that we would grow a few percentage points less than what was anticipated for the industry. You recall I mentioned this in the Q&A and it later appeared in your quotes. Well, subsequently, all the others revised their expectations and are suggesting they will grow less.

There is still a suggestion of portfolio growth as a whole, perhaps in the high-single digits, which I believe will eventually be revised over the year. We are not aligned with that, but again, we will aim to achieve results without needing to grow the balance sheet significantly. However, the marginal lending cannot be the same with a macro situation that is not the same. If it were improving, we could say that lending would be more constructive. With a more difficult macro environment, it will be less constructive, which does not mean we will stop growing.

Therefore, Gustavo, it may be worth discussing where the focus points are in individual customers that have more to do, less to do with the rate itself, since the operations are pre-fixed, but are related to inflation, food inflation, and inflation of disposable income, which is a very relevant point, and in business customers a mix of both.

Gustavo Alejo: Yuri, just reinforcing what I have already said, we are very comfortable with the performance of our portfolios, and we have been making weekly adjustments to the portfolios when needed. So, about the 15 to 90 logic, we made adjustments in September, we made adjustments in the last months of the quarter, already noticing in some clusters, and I am referring to individuals, a performance that was not suitable for us. Therefore, we have already completed all the adjustments.

Looking forward, which is not included in the 15 to 90, if we start to notice any disconnection, which could happen since it is still very early, inflation has not fully materialized yet, we will continue the same routine we have followed in the past few years and particularly in the last four months of last year. Thus, there would be no worries regarding the 15 to 90, as it might be a reflection of adjustments we have already implemented, and now we will observe how the population performs. Therefore, the dynamics remain unchanged, and that is why I confirm and reaffirm that we feel confident with the portfolio we have for individuals, just like with the consumer finance unit, which could be more vulnerable to a different scenario in 2025.

Hence, the adjustments have been completed. We have made adjustments in the last four months, and if needed, we will make adjustments again, always maintaining the same discipline. Therefore, I wouldn't be concerned about this variation from 15 to 90. Now, we need to evaluate the performance in 2025.

Mario Leão: At its core, the same holds for business clients. Business clients have a different sensitivity, and certainly, inflation plays a role, but then you have more of the impact of the interest rate. We will also address that, where we need to make adjustments.

Last year, we carried out several along the way, and again this is routine, and where we feel it's necessary, the weekly review that Gustavo refers to also applies to business customers. We will do it, and where we need to, we will make cuts. Even though I mentioned again today that we want to directionally double our business customer business, it cannot be a decision that I execute linearly every day, without considering what is happening in the macro, the subsectors. Gustavo mentioned the agro industry, anyway.

Therefore, we will have a better year for agribusiness, but it still won't be as good as it was up to 2023, and we are aware of that. We are working proactively. You can see that our agribusiness portfolio last year was more stable after nearly doubling from 2021 to 2023. So, we will be making this kind of portfolio reallocation on the margins, sharing it with you, and we can discuss it further in the Q&A.

So, is it like it was six months ago? No. We believe we have a balanced portfolio enough to feel much less impact from any macro deterioration? Yes, we believe so. And any adjustment in marginal lending, which is also a decision we make every day, if we need to make it, we will do as we have done since September, at least, until December of last year. We have already made several marginal cuts, and if necessary, we will continue to do so with the aim of optimizing what we have in the portfolio, which is quite significant, nearly BRL 700 billion in expanded portfolio.

It is possible to extract a lot of value from this. We will maintain this discipline of deriving value from the existing portfolio and continue to grow NII, without a doubt. Thank you.

Yuri Fernandes: Very clear, Mario and Gustavo. Thank you very much.

Mario Leão: Thank you again.

Gustavo Alejo: Thank you.

Camila Stolf: Well, with that we conclude the Q&A session here.

I would like to thank everyone for being with us this morning. Following this videoconference, myself and the entire Investor Relations team at Santander will be available to clarify any remaining questions.

Thank you very much, have a great day and see you next time.

Mario Leão: Thank you, everyone.

Gustavo Alejo: Thank you.