3Q22 Results

Opening

[Renato]

Good morning, everyone! I'm Renato Lulia, Group Head of Investor Relations and Market Intelligence at Itaú Unibanco. Thank you for participating in our videoconference to talk about our earnings for the third quarter of 2022 which we are broadcasting directly from our office here on Faria Lima Avenue, in São Paulo.

This event will be divided into two parts. In the first part, Mr. Milton Maluhy Filho will explain our performance and earnings for the third quarter of 2022. Next, we'll have the Q&A session where analysts and investors will be able to interact with us directly.

Now, I'd like to give you some instructions for a better participation in this meeting today. For those of you who are accessing this via our website, there are three options of audio on the screen: the whole content in Portuguese, the whole content in English or the original audio. In the first two options, we will have simultaneous translation. To choose your option, all you have to do is click on the flag on the top left of your screen. Questions can also be forwarded via WhatsApp. To do so, all you have to do is click on the button on the screen on the website or send a message to the number +55 11 99148-4308. The presentation is available for download on the hotsite screen and, also, as usual, on our Investor Relations website.

I now give the floor to Mr. Maluhy who will begin the presentation on the earnings and then I'll come back with you to moderate the Q&A session. Milton, go ahead!

[Milton]

Good morning, everyone!

Thank you for participating in our conference on the earnings for the third quarter of 2022.

I'll go straight to the figures and, then, during the presentation, I'll in bring some information that I consider relevant.

So, the first good news here is that we posted a very robust recurring managerial result of BRL8.1 billion in the quarter, up 5.2% from the previous quarter.

And, in Brazil, we posted a growth of 4.8%, reaching BRL7.4 billion.

Consolidated ROE of 21.0%. An increase of 0.2 percentage points and, in Brazil, we have been able to maintain a very high and stable profitability level of 21.6%.

The consolidated loan portfolio grew 2.5%, reaching BRL 1.1 trillion, and, in Brazil, it reached BRL900.3 billion, up 2.7% from the previous quarter.

The margin with clients also posted a very positive increase in the quarter growing 6.4% to BRL23.4 billion - I'll provide more details later on. When we look at Brazil alone, it grew 5.5%, reaching BRL20.6 billion.

Speaking of delinquency, there was a very small increase in the NPL ratio of 0.1 percentage point in the consolidated figure. And, when we look at Brazil alone, it grew 0.2 percentage point. I'll provide some more details later on.

On the capital ratio, we have good news: we were able to increase our capital base, which grew 0.6 percentage point, reaching 11.7% of core equity in the quarter, above our risk appetite.

There's no good financial performance without our clients... So, I decided to include a slide here to show, very briefly, what is behind the figures we deliver. There is a lot of work and dedication, there are a lot of tools, but the central message here is that we have been, for some years now, working with the Net Promoter Score concept, so we have the measurements for all products, channels, global NPS, transaction NPS and competitiveness.

We receive more than four million pieces of feedbacks every year. Each one is read and interpreted, and we incorporate them into our model to understand, from our clients' standpoint, where the levers and opportunities are.

We have been receiving this high volume of feedbacks and the process already incorporates them into the interpretation of the information.

So, we made a commitment, back in 2018, to grow NPS by 20 points by the end of 2022. For global NPS, we consider all main segments of the bank on a straight-line basis to understand how the client has been assessing us.

The good news is that we have already grown 18 points in this period; therefore, there are 2 more points to go and I'm very confident that we'll achieve our goal for 2022 by the end of the year.

On the other hand, we are clearly not comfortable. We want to continue to increase our NPS and the expectation is to reach 25 points of increase. Therefore, we have another 7 points to grow by the end of next year, which I believe is very possible.

Two more pieces of news here: 60% of our businesses are at record high levels so this is, excellent news and we have been monitoring this every month.

And more than 25% of our businesses are above what we believe is a level of excellence, that is, above 75 NPS points.

Speaking of the loan portfolio, you can see a growth of 3.4% in the quarter for individuals and 4.5% for SMEs.

In Brazil, we see a quarter-over-quarter growth of 2.7% and a year-over-year growth of 20.8%.

Obviously, we have an explanation for each of the lines.

Personal loans grew 6.8% in the quarter.

I'd like to say that part of the personal loan portfolio consists of consumer credit paid in installments and the overdraft accounts themselves, but 90% of this growth took place in higher-income segments, therefore, with lower default rates, both in the Personnalité segment and in the Uniclass segment.

Another highlight regarding the loan portfolio is that we had a huge gap in payroll loans with public sector, and I have been telling you this for some time now.

We always had an important share in the "INSS Pensioners" and the "private company" segments, so we set the goal of increasing our share in the public sector segment as well.

So, the good news: we grew 8% in the quarter and 77% year on year.

Regarding SMEs, based on the profile of our portfolio and where we have been focusing over the years, you can see that there was an increase in origination, which grew 15.4% in the period, but 70% of this origination was in larger clients with higher revenue and, therefore, with lower default levels.

So, the portfolio grew in a very healthy way and although we can already see a slowdown from the previous quarter, we have decided, and I have already told you this, to make adjustments throughout the cycle, trying to understand where the opportunities are, where there is room for growth and where, necessarily, we need to make origination adjustments.

Very good news for financial margin with clients in the quarter. The core margin grew BRL1 billion and the working capital another BRL400 million, so it grew BRL1.4 billion, up 6.4% from the previous quarter.

Another important message is that we have been increasing our average margin, quarter on quarter. In the consolidated graph it started at 7.4% in the third quarter of 2021 and reached 8.6% in the third quarter of 2022. And, in Brazil, it went up from 8.5% to 9.4%. This growth was not only in the annualized margin, but also in the annualized risk-adjusted margin so, it is good news. We have been managing to grow with quality. I think that this is a very positive highlight.

The next item I want to highlight is the margin with the market. There is currently a very challenging market as you have seen with higher interest rates and more volatility, and even so we have been able to consistently maintain the result over the quarters.

We remind you that this year we established a capital ratio hedge and it costs around BRL500 million per quarter as we mentioned in the beginning of the year, when we released the 2022 guidance. This cost is very susceptible to an increase of the interest rate and to the difference between the interest rate in Brazil and international interest rates.

Despite that, we performed well, this quarter, in Brazil, with a margin with the market of BRL900 million and we have been able to meet our expectations. We should keep in mind that we no longer have the effects of the overhedge strategy. This means that the 2022 number is compared to last year's number that included the overhedge result, so we've been able to keep a good margin.

I draw your attention now to the growth we had in a number of lines under commissions and fees and results from insurance operations. So, we recorded a fair growth in the period.

Credit and debit cards increased by nearly 8%.

In the asset management business, we have a drop of 11.8%, but it is crucial to draw your attention to a very important accounting criteria.

We recognize, on a cash basis, the performance fee of the asset management business. Typically, this effect is felt in the second and fourth quarters. Therefore, it was accounted in the last quarter, and it will happen again in the fourth quarter of the year. Therefore, comparing the third quarter with the second quarter is not ideal. In the fourth quarter, if we manage to perform well in our funds, we should also recognize the performance fee.

Another highlight is that the insurance business continues to grow. Here we have positive impacts on insurance operations and less positive impacts on pension plans due to portfolio hedge and deflation in the period. But what we call core insurance is growing 53% year-on-year.

I've been telling you over and over that there was a gap in our insurance business. And, that we would focus on it.

The fact is that we've been improving our performance and I'm just delighted with this evolution.

Moving forward to financial advisory and brokerage services: despite a drop in this line, we keep on trying hard. This is a harder year for equities, but the bank has a very solid performance in both fixed income and M&A. There was a slight drop due to a little less activity in the quarter, equities have not been so good but we've been leading all the fixed-income rankings and, as you can see, we have a fair share of 27% in origination, 33% in distribution and 31% in ESG-bond issuances. Let's just say that the DCM performance is really strong. Last but not least, let's talk about asset management. In addition to the effect of the performance fee, which I've mentioned before, it is essential to show that we keep on growing. As you can see, we have an open platform and have been working a lot on incentive models with complete independence, which allows us to grow more in open platforms than in our own products. But it all depends on the cycle, whether it's a higher or lower interest rates scenario, on our clients' investment profile and on what investment products they are looking for. We have a lot of flexibility when it comes to meeting our clients' needs.

Speaking of delinquency, I'll get started with the NPL 90 days overdue, because we have some important messages. There was a slight rise in NPL 90 days overdue in Brazil as I told you in the beginning of the presentation. I also told you that when we were to make any sale of an active portfolio, we would make it with transparency. If you compare 3.25% to 3.29%, the difference is basically the effect we had from the active portfolio sale in the period. It was a positive economic result, and it also decreased the NPL ratio. So, again, for the sake of transparency, we thought it was important to share this piece of information with you.

The total 90 days overdue NPL was impacted by only 3 basis points. If it weren't for the sale of active portfolio, our NPL would have been 2.85%. Once again, the sale of active portfolio was made at a positive economic value, which is something good and healthy for the bank's balance sheet.

When we talk about NPL 90 days overdue in Brazil, individuals NPL posted a slight rise by 30 basis points. As the active portfolio sold was mostly made by individuals, the impact would be an increase of 7 basis points. And here I'll pause for a moment to talk about something that will surely come up during the Q&A session because I'd like to address a critical point. You must remember that in the third quarter of last year I told you that there would be a gradual normalization of the NPL ratio. This was the bank's expectation for 2022. As you can see, the normalization has been happening in a very healthy way, while still operating in lower levels than pre-crisis.

We expect the NPL for individuals to get a little worse, perhaps for one more quarter. We expect the impact for next quarter to be of a similar scale to what we had this quarter. That is our best expectation with the information we have today but, of course, there is a lot of uncertainty, things may change. We expect NPL normalization to levels similar to those we had pre COVID in the first quarter of 2023. This is an important message.

We see a slight rise of 10 basis points in NPL for SMEs. Moving to the short-term delinquency, individuals NPL ratio for 15 to 90 days overdue rose 10 basis points whereas for SMEs there was a drop of 10 basis points. So, we expect well-behaved short-term delinquency rates and 90 days overdue NPL to gradually normalize to levels similar to those we had pre COVID, which is super consistent with what I've been telling you for the last four quarters.

NPL for the large corporate segment is at really comfortable levels, 0.1%, although NPL is not exactly the best measure for monitoring delinquency in this segment. Moving to credit quality and cost of credit: the ratio renegotiated portfolio to total portfolio was flat at 3.2% but there is an increase of BRL1.7 billion in the quarter, of which only BRL900 million correspond to NPL90 days overdue. So we keep highly focused, renegotiating what makes sense to renegotiate. There is no purpose other than providing good service and some support to clients who really need it. However, for those clients who are regrettably far in the red we follow our collection rules, with all due care.

Another important piece of information is that the coverage for NPL 90 days overdue in this portfolio is over 220%. This is a very sound coverage, which is also very positive news.

The reprofiled portfolio is the one that we segregated in the beginning of the pandemic under the *Travessia* Program which was the program implemented to help our clients who were not overdue at that time to make it through the crisis. This reprofiled portfolio started at BRL53.5 billion and it's now at BRL21.5 billion. So more than half of the portfolio has been amortized in this two-year period, down 39% year-on-year and 10.8% quarter-on-quarter. 60% of this portfolio is collateralized and duration tends to increase once the remaining unsecured amount is paid. Therefore, the amortization volume tends to drop, but with a more collateralized mix and good credit quality.

The cost of credit to portfolio ratio also posted a slight increase. The nominal value is up due to the portfolio growth, but we are still running at levels lower than those of the pre-pandemic period. So, there is not much worth mentioning regarding this item.

We reached a coverage ratio of 215%, flat or a little drop compared to the previous quarter, with fairly adequate coverage in all segments. We reached 188% coverage for individuals and, we must keep in mind, that the average coverage from 2015 to 2019 was 167%. That is, we've been operating at nearly 20 percentage points above the historical average.

Going forward to OPEX, I'd say this is a more challenging quarter due to the effects of the collective bargaining. The negotiated bonus was a major effect in the quarter. The 2021 salary adjustment of 10.97% which impacted until September 2022, was based on inflation measured by INPC+0.5%. The Broad Consumer Price Index, so called IPCA, was up 7.2%, General Market

Price Index or IGPM rose 8.2% and we recorded a bonus effect of BRL80 million in September 2022. So, OPEX increased 3.8% quarter over quarter and 6.9% year over year. Just remember that last year there was no bonus since it was a different negotiation of collective bargaining. The collective bargaining is negotiated every two years. This means that we managed to run OPEX below inflation even with the bonus impact in 2022.

I like to show our OPEX agenda as follows: first we compare core expenses between 9M21 and 9M22. There was a 0.9% rise, way below inflation. As a reminder, the banks' inflation is much higher because of the salary adjustment. We have in place our efficiency program, which started some time ago with positive results. Moreover, the bank keeps on growing, doing more business, and I would say that transaction costs may be a burden in OPEX, but there is a counterparty in increasing revenues. Our investments grew by BRL1.9 billion. These are investments in technology, in new business or in business expansion, seeking higher efficiency, productivity, revenue generation and cost reduction. So, these investments are focused on the long term. In the end, we excluded Latin America operations.

The bank has had a great performance with financial discipline and good cost management. It is true that we do not manage cost for the sake of cost. We manage the efficiency ratio, and we have the lowest ratio in the banking industry when calculated in the complete methodology. Our efficiency ratio reached 38.9% in Brazil and 41.1% in the consolidated.

Last, but not least, the news regarding capital is great. We managed to increase capital by 60 basis points in this quarter, with CET1 going to 11.1% from 11.7% and AT1 to 1.6%. You only have to keep in mind that the regulatory limit is 1.5%. The message here is that we still have a buffer of 10 basis points, just in case the Brazilian Real appreciates, and we have to optimize our capital ratio. CET1 reached 13.2%, basically due to higher earnings, including the recognition of a provision for dividends, and increase in loan portfolio. This way we are able to finance our growth and also accumulate capital for shareholders, which is very good news too.

And here I finish my presentation. These were the main messages. We feel very positive about the results of this quarter. Of course, we're aware of the challenges we face at all times, and highly aware that we'll face major challenges in the future. I'll be joining Renato now for the Q&A session. Once more, thank you very much for your attendance and participation. See you in a while. Take care.

Questions and Answers

[Renato] Well, Milton has just arrived here, so we can start our Q&A session. Keeping in mind that it will be bilingual, which means that we will answer in the language that the question was asked. But in case you want some translation support, there will be audio options in Portuguese and in English. Also, please remember that you can send your questions via WhatsApp, and for that the number is +55 (11) 99148-4308. Well, we already have the first question here, Milton, let's go?

[Milton] Let's go.

[Renato] The first question comes from Flavio Yoshida, from Bank of America, who is already here on the screen with us. How are you, Flavio? Good morning!

[Flávio] What's up, Milton? How are you, Renato? First, I would like to congratulate you for the good work, for the very good results of the bank, even in this more challenging scenario. I would like to understand your vision on profitability in the upcoming years, given that the scenario is challenging, and visibility is low, but at the same time, a good part of what you have done this year, I think you will get carried over for next year. So, I wanted to understand if we can expect good results next year. And I would also like to understand the dynamics of the loan portfolio, because we saw an acceleration in the second quarter and now it has slowed down year-over-year, and I would like to understand what we can expect for this line. I know you are still going to publish 2023 guidance in the beginning of next year, but what can you share about the portfolio growth for next year?

[Milton] How's it going, Yoshida? Thanks for the question. Well, I think you concluded well. I don't want to give any 2023 guidance because we are still working on it. As you know, there is still a lot of uncertainty, there are a lot of aspects to be elaborated here on our side. We are working on 2023 budget and we will release 2023 guidance in the call to discuss the 4Q22 results. But the main message is that we expect a sustainable growth in results. We have been working over the last few quarters for that. The proof of this is that there is no 2022 guidance update. We still believe in the 2022 guidance. We believe that we can deliver 2022 guidance.

So, the expectation is that we will continue to deliver a healthy growth, but at a slower pace, as you have well said. There is a carry-over of the portfolio for the next year. The impact of the interest rate on our businesses, the impact of the working capital hedge, the deposits, and so on must be observed. There are challenges in businesses like investment banking, which depends on how the economic activity is going to be. There are challenges in the cost of credit, but we remain very careful and cautious in monitoring the bank's risk.. the scenario requires caution. Connecting to your next question, yes, there was a cooling off in growth pace over the third quarter.

We have been able to grow the portfolio in a healthy way. We have been able to reach lower risk clients along this journey. We have been able to deleverage in some higher-risk clients. We have been able to increase the share of wallet in clients that we have a history of relationship with. And we have been very careful with the external channels, especially the non-checking account card holders and the mono-product card holders. Remembering that, besides the checking account card holder, which is performing very well, we have two other card segments.

The open market is what we call when we acquire clients digitally. These clients only leverage is credit and usually they're lower income than average. So, in the open market we have been very conservative and reduced the origination in a material way: over 90% reduction in the period. The partnership programs were adjusted as well but it is a business that has a better risk quality than the open market, because we have a better collection capacity due to our partner's stores.

The cost of credit is something that we continue to monitor and there will be a cooling off. I'm not anticipating 2023 guidance, but I expect the credit portfolio to grow at a slower pace compared to 2022. But I think the main highlight is that we operate as an universal bank and it allows us to navigate in a very consistent way during more difficult periods. There are important offsets in the several businesses we operate, besides the fact that our clients profile is more affluent, which also allows us to have very adequate credit profile, gradually returning to what we observed in the pre-pandemic.

[Renato] Thank you, Milton. So, we have the next question coming from Tiago Batista, from UBS. Hi Tiago, good morning!

[Tiago] Good morning, Milton! Good morning, Renato! Congratulations on the result as well. It was a very strong result, very good portfolio quality tendencies... Congratulations!

My question is about margin with the clients. Pre COVID, the annualized average margin was a little above 10% and now it is at 8.5%-8.6%. Can we assume that this margin will converge to what it was pre-Covid? Or was there a change in client/product mix so important that it won't go back to previews levels? An alternative metric is the margin after provision which is also 150bps below what it was in the pre-Covid (5.6% vs 7%). Can we expect the margin post-provision will return to the level it was at pre-Covid?

[Milton] How are you, Tiago? Thanks for the question and for the compliments on the result. Well, the things are quite different than they were pre-Covid. The first on to highlight is that our collateralized portfolio increased by 5 percentage points in the period, which naturally brings the mix to a lower profitability level because of the lower risk. There is a second highlight on the regulatory changes with the cap on the overdraft interest rate, which also had a major impact on the profitability of the product. During that period, the average balance of these riskier lines dropped significantly and the average balance of the collateralized portfolio grew significantly, which had a significant impact on the margin. The average balance of unsecured products has picked up, but the mix between collateralized and non- collateralized has changed. So, this is a very important information! Another important change to margin is that our wholesale portfolio has grown in the last three years by 55%. If you go back three years ago, it was a flat portfolio. But today the bank portfolio has a higher share on wholesale and a lower share within retail, and it is more collateralized.
And the third relevant impact was the significant increase in interest rates, the increase pace from the lower level of 2% to the current 13.75% was very fast, and we have some products that are impacted with that. We have managed to pass through the cost increase in the rates but there're are some products with regulatory cap such as INSS payroll loan, overdrafts among others.
My understanding is that we should not go back to the pre-pandemic levels. It should normalize a little bit above the current levels. This is our best estimate now.

[Renato] Thank you, Milton! The third question comes from Gustavo Schroden, from Bradesco BBI. What's up, Gustavo?

[Gustavo] Good morning, Milton! Good morning, Renato! Thanks for the opportunity. Congratulations on the very strong results.
I'm going to ask two questions, the first one is about asset quality and, In fact, we see NPL increasing, especially for individuals,. I think we have different dynamics among the players, but it has been rising for everyone. My question, Milton, is not to try to predict if the NPL will stabilize next quarter or in the first quarter 2023, but how far do you believe you can maintain this "risk appetite" in these riskier lines? How much NPL deterioration will you accept to keep growing at this pace? We have already seen a slowdown in growth, especially in credit cards and vehicles too. But I would like to understand how far you will go. What is your limit? Again, I am not even thinking about whether it stops this quarter or whether it is next quarter, because I think that is very difficult to estimate. But I want to understand your risk appetite on those lines.
And my second question is about dividends. The capital is recovering. This level of ROE of 20%/21% with a 25% payout is the trend? Excluding extraordinary effects, the trend is for capital to recover. Do you think we can expect a dividend payout going back to 40% next year? Thank you!

[Milton] Gustavo, once again it is a pleasure to see you again. Thank you for your comments about our results. Let me talk about individual's delinquency rate but it is important to understand the complete portfolio. Our operations for Individuals are very diverse. There are accountholders clients in all segments (Itaú orange braches, Uniclass, Personnalité); there are our mono-liners clients in mortgage, *consórcio*, vehicles and card businesses. The two portfolios that are the most impacted in cycles like the one we are in with rising inflation is the open market card portfolio, which I was talking about earlier, and our goal is to create value. So, our appetite doesn't change, it is dynamic and depends on what we are seeing in the prospective scenario, on what we are observing as results of the vintages. But the main message is that we made very relevant adjustments in the origination . We have reduced very vigorously the origination in certain products, Open Market credit card is one of them. We also did it in vehicle loans. The vehicle portfolio itself shrank quarter over quarter. This shows that we have been able to make the necessary adjustments.
The most important thing is that the vintages are fitting within our appetite. On the vehicle portfolio, the short-term delinquency has already normalized, which is very good news. Cards are a more volatile business and we have been doing a very active management of the portfolio, but the portfolio is very relevant. As you know, it is subject to a little more volatility, but we have been able to absorb it very well.
Given the profile of our clients, all the accountholders business have been performing very well. 2/3 of the client base are engaged customers in which we have the capacity to increase the share of wallet.
Going forward there will not be any risk appetite change in the sense of expanding into higher risk business, unless that the clients with whom we already have a history of good relationship and who already have a good credit penetration. So, what we have been able to do with these clients is to increase the share of wallet, increase the value proposition and improve the relationship. And this has given us space to continue growing with quality. So, the main message is that the recent vintages are following the adjustments.
When we look at corporate, it is worth dividing them into two groups: retail and wholesale segments, which range from revenue above BRL50 million to large corporate in Brazil. On our retail operation, the performance is really extraordinary. We have been able to grow with good

quality, controlled credit costs, increasing the share of wallet with our clients. A very solid value proposition. The credit cost is mixed because middle market companies are classified in the retail segment in the number that we disclose. We operate on a client profile which is a little further away from the base. We also have small retailers and small businesses but our mix is a little more upscale from the revenue point of view and, therefore, with a better credit quality.

The story is no different for middle market corporates. We have been growing, with high quality, with a very well-behaved credit cost and a very healthy net financial result. We manage the net financial margin , we update our models and we are always seeking profitability. Our mantra is value creation and return on capital, that's the main driver for decision-making.
So, although we have well-defined risk appetite and credit policies, we are always pricing the transactions in the best way possible, trying not only to look back, but to estimate the future performance. This is how we have been managing the bank, we have made relevant adjustments, so I think we still have room to grow with good quality, to expand the financial spread as the portfolios grows.

The answer on dividends is very straight-forward. Our dividend policy is a matrix: on one side the Risk-Weighted Assets, and on the other, profitability. Our risk appetite, in the "Board of Directors" view for "CET1" has reduced from 12% to 11.5%, and 1.5% of AT1, so that is 13% tier 1 capital. For dividend payout, we are still at 13.5% of tier 1 capital.
We will always look forward - and not backwards - at our capacity to continue growing and investing. It is not just growing the loan portfolio, but making new investments and acquisitions. In the past, we used to have high payouts because there was excess capital and no opportunity to grow. For now, we do not see the payout ratio increasing, we keep working with 25% because we are catching up on capital. There are challenges and opportunities looking forward: change in Basel, credit risk, there is a public consultation on capital for operational risk, M&A to be approved by the regulator which consumes some capital... So, for the next 12 months, we do not see any point in increasing the payout ratio. We are working to increase the profit and, therefore, the earnings per share. But the payout ratio should be around 25%. Now if we do not feel that the bank is able to adequately remunerate the shareholder's capital, we will certainly increase the dividend distribution.

[Renato] Thank you, Milton. And now, Rafael. Everything okay, Rafael?

[Rafael] Good morning, everyone, congratulations on the results. I have two questions. I think Milton has already commented in a previous event about a possible oversupply of cards in the open market, right? You have already commented that you have reduced origination... what about the other players? And the second question is to try to understand he delinquency dynamics... Milton has already mentioned that NPL normalization should happen around the 1Q23. Would it be reasonable to consider that the provision expenses as a percentage of the loan portfolio would be flat?

[Milton] Great, Rafael, thank you so much for your questions. We always talk about the benefits of competition: the more digital players, the more competition. So, that certainly helps the clients experience a lot because that pushes the banks towards innovation to deliver better value proposition, better prices, better UX. What we experienced in the last few years was very low interest rates scenario and excess capital available to fintechs. Many of these players began their operations with credit cards as their main product. The investors wanted growth: customer base expansion and lower cost of acquisition. So, many fintechs developed awesome

customer journeys and grew a lot, but this growth was not sustainable. These fee-free products generated economic imbalances between the clients and the organizations. It's very easy for a client to contract a free credit card digitally so they get approved for six or seven credit cards. Since it's free, you have all of them in case you may need. In the "open market" this client behavior is what we call "sudden death". They have an "one-product-only" relationship with you, so the use it until they find trouble paying for it. What do they do next? They throw the card back in the drawer and move on to the next one. Therefore, customer engagement is key for this product.
The third factor is that interchange fees for prepaid cards was asymmetric so several businesses grew through an artificial revenue. What has changed ? Higher interest rates scenario. The investors are lacking appetite, so the financial restatements of many of these companies reflects that. The interest rates go up and the companies' present value decrease. And the investor expects profitability. So you need to monetize but because you operate with a very low-income public, the main lever is credit, because they don't have any money to afford other kinds of products.
So, yes, there was credit card oversupply. There was a significant capital asymmetry. So, the capital level that the banks considered when operating with this public was considerably higher than that of fintechs. I'm all in for proportionality. I think that it is indeed necessary to classify by size and recently the Central Bank did exactly that, but it was not yet brought into order. So, there's a certain phase-in to that change. The interchange fee on pre-paid cards was responsible for that too and, therefore, many clients were bancarized and the business model was based mainly on this fee, which was more than twice the Central Bank's regulatory CAP for debit transactions.
So, a significant part of delinquency is consequence of the oversupply. The client leveraged and this is a client less financially educated and frequently with lower capacity of decision-making regarding the extent of the obligations they can assume, and so household debt has risen in a significant fashion. And when we look closely we can see that the growth among the lower income public was basically achieved through two products: credit card and personal loans. And the personal loan ends up playing the role of a lever that we use to take the client out of the credit card debt by giving them some time to pay it. So, it is almost like a forced renegotiation that is used to get the client out of one product and take him to the personal loan portfolio. So, this portfolio too has grown a lot in the market, but its respective delinquency rate will come with time. Because you took the client out of the credit card to the personal loan portfolio, anyway... This dynamic needs to be observed as a whole, but I think there has been a lot of excess. We believe that cost of credit should normalize close to 3.2%, and we are slowly getting back to those levels. But again, there is much uncertainty, and the scenario has many variables, so we'll follow it closely and probably in the beginning of the year we will have more clarity on that for 2023 guidance.

[Renato] Great, let us move on to the next one, since we have a long line of questions today. And the next one's from Renato Meloni from Autônomos, and he's already with us on the screen. How are you doing, Renato? Good morning!

[Milton] Great. Good morning, Renato.

[Renato Meloni] Good morning, Renato! Good morning, Milton! Congratulations on the results. Could you please talk a bit more about the adjustments you are making on underwriting? How much did it drop? How much of a cut has been made on credit limits? How much the approvals may have dropped? Is that expected to continue for the next year?

[Milton] I think the necessary adjustments have been made. Evidently, there is always some margin, and it is a dynamic agenda. Even in more stable scenarios adjustments are made. We always update the model with the most recent outlook. Keep in mind that the bank has been operating with the expected loss model for some time already, so it does not only consider the bad rate of a certain client, but also the macro outlook. So, there is a macro variable among many other ones. I would say that the adjustments, particularly at the "open market" segment, were very relevant. We made relevant adjustments in the lower income layers, which are the most impacted by this macro scenario. This decision has been made long ago, and we have been managing it. We reduced our market share in the low-income segment by about ten percentage points, so you have an idea of the adjustments we made. And we grew in the most affluent clients segments which is suffering less in this environment and into collateralized credit products. The share of collateralized products increased by five percentage points in the portfolio as a whole.
So, I would say that, as far as we know, the adjustments have been made. Looking forward, there can always be new adjustments, but large cuts have already been made. As I've just said, car financing production has dropped significantly. In the credit card portfolio, we cut 90% of the origination in the "open market" segment – that gives you the dimension of the size of the adjustment. The main message is that we are fast and dynamic. We interpret the data, if there is any deviation, and we act surgically. Our models allow that.

[Renato] Let's flip the switch to English, Milton, because the next question comes from Tito Labarta from Goldman Sachs. Hey, Tito, good to see you! Thanks for joining.

[Tito] Hey, Renato! Thanks for the call and for taking my question. My question is about capital, but more specifically about the macroeconomic political environment. You mentioned a CET1 of 11.5%-12% this quarter, given the scenario that we're going into, do you feel that you will need to hold more capital? The credit quality is deteriorating, there is uncertainty regarding the fiscal situation in Brazil, some potential movements from the government to increase the use of public banks to renegotiate debt, so is there something you can anticipate from what you have been hearing about the new government plans that might make you be more cautious and hold more capital?

[Milton] Ok, Tito. Thank you very much. We defined our risk appetite at 13.5% of Tier 1 capital for the dividends policy. At that time, if you remember, the biggest impact that we could have in our capital base was related to the FX (BRL devaluation). That was because we have a huge portfolio in other currencies, especially in Latin America operation. There is also a second huge impact that was due to the overhedge strategy of the bank that, whenever we had the BRL depreciation, we would generate tax credit, and this would have a huge impact in our capital. Now we don't have the overhedge anymore. So, there are no revenues, but there is also no risk for the capital.

Additionally, we successfully implemented, by December of last year, the hedge of our capital. That means that there is a cost of BRL500 million per quarter, but there is no volatility due to the FX. The effectiveness of the hedge has been perfect. So, that is very good news. That means that we can reallocate the buffers that we had for this type of volatility with other uncertainties. We do a stress test in our balance sheet all the time and we see that we have a very comfortable capital base and that our risk appetite is pretty well defined with 11.5% CET1 and 1.5% of AT1. So, we are confident that we have a comfortable buffer. As we don't have the FX risk anymore, we should increase capital. There are some positives and negatives on capital, as I was saying just a few minutes ago. We have changes in the Basel rules that may have some positive impact in our capital. We have the operational risk that will negatively impact the bank, but this should occur in 2024. We have some investments in other companies that are still pending approvals, that should impact our capital but we're still confident in our capability to keep growing capital but still with a good buffer far away from the regulatory requirement. It's still early to say what's going to happen in the macroeconomic scenario but we have a very comfortable capital base.

[Renato] Thanks, Milton. And the next question comes from Jason Molly. Good to see you, Jason.

[Jason] Good morning Milton and Renato and everybody. Well, first, I'd like to repeat the congratulations on the sound results. Itaú Unibanco is living up to the very high standards in a challenging environment in my opinion. Most of my questions on operational performance have been addressed, so let me ask this: in the MD&A, you started with the statement that Itaú Unibanco's digital and cultural transformation agenda continues to evolve. And you have provided strong digitalization and satisfaction through NPS. Can you provide a recap and update us on how the cultural transformation is evolving? Have there been challenges and how you have been facing them? I think it really differentiates Itaú Unibanco.

[Milton] Great! Good to see you, Jason. Thank you for the compliment! It's a pleasure to have you here with us.
Someone asked me the other day how much of my time I spend with the cultural transformation and I answered 120%. And why is that? Because cultural transformation is something that comes top-down and we have to do that every single day. Every single decision, every single promotion, every single discussion, every single moment, you need to walk the talk the new culture. So, last year we worked very deep in defining the this new culture and we had a discussion internally with many people from the bank. 90% of more than 4,000 employees that took part in a survey said that they would expect a relevant digital and cultural transformation. We still have room to improve. So, we discussed with the Executive Committee and the Board of Directors what wew the possible movements that we could do, and we were bold at the end of the day. We really think that we have a lot of good things in our culture that never change: the ethical value, the client value, the profitability and sustainable performance value – these values won't change in the coming years. But we still have to modify relevant things in our culture. So, we did that. We have been creating a lot of internal workshops, we've been discussing with all the managers up until the Executive Committee. Just to let you know, I was part of four workshops with the executive committee, where we had very deep discussions about the new culture, because we have to keep in mind that the change begins in ourselves. Before saying that people should do things this way or that way, we have to be sure that we are doing the right way. And this is the discussions we've been having, at the Executive Committee, to guarantee that we are the role model. The Partners of the bank are the role model. The Directors of the bank are the role model. But we have to be trained. We have to be very openminded to understand that things are changing, and we have to do things in a different way. So, this is basically the way we've been working. We've been having many workshops. We have teams dedicated to the cultural transformation. And how can we measure culture? It's not only by the workshops or the capability of doing things. We had major changes in the bank. So, there are no titles anymore. I always say that it's a very relevant information. We only have Directors. This gives us a lot of flexibility when we have to move people because we give them a mandate, goals and that's all. And there is a compensation discussion and nothing else. We

increased our partners program. We used to have two levels, the partners and the associates. We don't have those names anymore. We have Partners - all of them are Partners. We have 450 partners inside the bank coming from 195 so, more than twice the size we had a year ago. We don't have the executive layer that we used to have, so there is much more autonomy, much more accountability, much more speed, agility – and it is something that we take a lot in consideration. But never forgetting what brought us here: the ethics, the risk management capability, the sustainable performance in the long term and the client.

And also, the way we are working is relevant for the new culture. We are very advanced in the digital transformation. If you have the way of working that is optimized for agility and if you have the right culture, where are the result? In the NPS. So, at the end of the day, the clients should be more satisfied. So, the way I measure cultural transformation is through e-NPS (Employee Net Promoter Score). We reached 83 points in the eNPS. We are the best place to work in Brazil, not only on the financial system, but looking at all the companies. So number one in "great place to work". This is very good feedback that we receive from our team, but the most relevant is that, if you have happy people, you should have happy clients. And the eNPS of the bank has been achieving its maximum when we look the historical series.

So, we are very positive that we are in the right way, in the right pace, moving forward, but there are challenges still. You don't change sheep into wolves in two or three months. We are bringing the new culture to the bank all the time. So, we have to work and be very openminded that we don't know everything. We have to take the competition very serious, and look to the market to understand what we are doing, what we can do better, and we need to bring talents to the bank. So, this is the process that we are going through, and we are very happy with the evolution so far, but on the other hand, I would say that we are 15% or 20% along the journey, so we still have a lot of work to do.

[Renato] Thank you, Milton! Thank you, Jason. And the next question is from Rosman, BTG. How are you doing, Rosman? Good morning!

[Rosman] Hey! Hi, Renato! What's up? Hi, Milton! I guess many investors are surprised with the gap in results between Itaú and its private peers (Bradesco, Santander). You just talked about the relevance of the digital and cultural transformation and you have been talking about it since you assumed the role of CEO. How much of the gap in relation to your peers can be explained by more cyclical issues like the client profile and how much of it can be explained by this transformation? I think that it would be a more structural part. I'm not asking for a precise number, but if you can qualify the gap from Itaú compared to its peers. Thank you!

[Milton] Great, Rosman, nice to see you here. Thank you for the question! I'd like to say that I have a profound respect for our peers. As I always say, Itaú is what it is because Bradesco, Santander and "Banco do Brasil" also exist. Every player carries an unsurmountable value, and has been doing amazing things over the years. We can't just look at a quarter or a year, we have to look long term.

Maybe I should talk a bit more about Itaú. I don't want to make relative comparisons. I think you have the data and the analysis capability. I want to talk a bit about why I think we are having a sustainable, predictable, and a good-quality performance. And I don't think there's a single answer to that. I think there is a series of factors: situational factors, isolated factors, long term factors - there's a bit of everything. So, I'll go back in time to talk about of some strengths I believe we have as a bank. Firstly, the fact that we are a universal bank makes a big difference in the quality of our results. What do I mean by that? If you look at all the businesses where we propose to compete, we have been achieving a prominent performance. Be it on retail, where we have a very relevant participation, be it in Latin America, where we had great achievements and have been catching up with relevant results. When we look at the wholesale, we are having prominent performances in credit, in agribusiness, in cash management, in services, products, distribution, etc. We are having very prominent performances. In investment banking, we fight for the leadership in every ranking, be it fixed income, be it equities, M&A, and these aren't decisions that were taken just now. I think we have been strengthening theses franchises for many years now, since Itaú BBA was born in 2003, when we decided to give huge emphasis to the wholesale segment. From then on, what we see is the constant and consistent evolution of our operation. So we are harvesting the investment's fruits made in 2005. Evidently, that involves human capital, culture, and client focus. But we harvest the fruits of structural long-term decisions. I say that the bank is evolving. I mean, we're talking about 98 years of history, and the bank kept evolving and was able to reinvent itself in moments of crisis and of fortune. So, I think there's a very important structural issue here.

When we look at our profitability in the wholesale bank it is important to make it clear that I'm talking about the Latin America operation, and the treasury plays a very relevant role in these results. And the treasury, when we talk about global markets, I'm not talking exclusively about the trading desk, that plays a very relevant role, too. I think the bank has been able to navigate greatly in adverse scenarios. Suffice to see what happened to the interest rate and we kept delivering healthy results within the market margin, be it on banking, that is our capacity of delivering a dynamic management in making hedge positions, choosing the right time to de-hedge, heading towards one position or the other. Our trading desk is performing well, our banking is performing well despite all the challenges of the increase in the interest rate, the RAR of these positions naturally gets under a bit of pressure. We had levers last year that we don't have anymore, like the overhedge, for example. So, when you look to our asset, we are having a great year. Very strong performance fees. We were just now talking about the effects on accounting of the second and fourth quarters, about the quality and management capability that we have been presenting. Our Private Bank is the market leader and has been presenting quality growth, with our NPS at an all-time high, with happier and more satisfied clients. Naturally, that is a virtuous circle where we can increase the profitability of the bank on a consolidated basis. Evidently, the cultural transformation helps and the digital transformation is necessary. It is not enough to promote a digital transformation if you don't have the right culture, if you don't understand the client correctly if you don't have the agility and the ability to react to the needs. At the wholesale segment for corporates we are having all time performance highs, and on retail it is a very complete operation, too. The retail bank has a very solid performance. That happens because of the quality of our team and of the decisions we have been taking, because of the transformations that the bank has promoted, predicting scenarios and because of the digitalization. SMEs in the retail segment are performing greatly, individuals in retail are performing greatly, the insurance sector, which was a real gap for us, we kept giving it a good emphasis and this business is growing in a significant fashion. Our expectations are to double this business in size in a reasonable time horizon, to double what we saw last year, and we have a rhythm appropriate for that. And our monoliners grew with quality. Recent adjustments have been made. Auto financing and mortgage have grown a lot. The credit card business has always been huge for the bank and it is a volatile portfolio.

So, if I had to give you an answer, I think it is a conjunction of factors. The fact that we are a competitive universal bank with leadership, with a very strong client focus has been allowing us to navigate well in more challenging waters.

[Renato] Milton, we have Jorge Kuri from Morgan Stanley with us. Hi, Jorge! Thanks for joining us, good to see you!

[Jorge] Thank you, hi everyone and congrats all for great results. My question is on operation efficiency. I think that's a big part of what has driven your results to be so resilient. So, you've gone from 3.7% expenses to assets ratio, five years ago, to 2.7% today. I'm analyzing expenses to assets ratio just to clean out the volatility of the interest rate. If you think about cost ratio, you're at 40%. How much more can you do in the next 3-5 years? Could we see another full percent touch point come out of expenses to assets ratio? Can you run the bank with 1.7% costs to assets ratio? Can you run the bank with 30% costs to income ratio? What is needed to get you there?

[Milton] Ok, Jorge, thank you very much for your comments. We like to under promise and over deliver. I think we have been doing that for a while now. My view is that, as the name says, it's an efficiency ratio. So we look for costs, but we also look to revenue as well. So, it depends a lot on the scenario. We are in a very favor moment now, we are in the lowest level in the year. So, there is a lot of work to do. We can grow the bank and we can keep the costs under control.

I'd also like to highlight that we are investing a lot in the future of the bank. It's very easy to cut costs, but if you take a cost approach only you may make wrong decisions if you decide not to invest in your franchise, not to grow the businesses, not to sell products, and have a much better cost ratio by the next quarter, but you won't have a strong franchise in the long term. So, our decisions are long term based. We will continue to invest to grow the bank, to keep expanding the businesses. We are discussing costs every single day. This is part of our strategic agenda, and we are focused on that. So, my view is that we still have room to increase. We are doing investments, as you know. But the most relevant message is that the level of efficiency ratio that we have nowadays is an international benchmark for global banks like ourselves. So, we are very happy, but not satisfied. I think we did well up to now, but still have room to do more. And it would depend on many decisions that will be made in the coming quarter. It depends on the scenario, it depends on the capability, in the revenues that we are able to generate. I cannot give you one number, saying we can go further a hundred basis points, but I can tell you that there's still room to do more, and the core cost growing 0.9% in the quarter offsetting inflation is the signs that we are performing well. We will keep the investing and we will keep delivering lower core costs. This is the agenda.

[Jorge] Thank you.

[Milton] Thank very much, Jorge, good to see you.

[Renato] And we have here Matheus do Amaral, from Inter Bank. Matheus, welcome!

[Mateus] Hi everyone, good morning! First, congratulations on the results. My question is about the credit card business. Revolving+NPL in credit card has been up since September 2021. I want to understand which is the healthy level for this ratio? Is there any action plan to reduce that? Thank you.

[Milton] Matheus, thank you. It's a pleasure to have you with us. You must look at the whole film, and not only one quarter. What happened is that with the lockdown the consumption dropped resulting in lower expenses, smaller invoices and bigger paying rates. So, credit card portfolio decreased significantly. We remind you of our total BRL126 billion credit card portfolio, only BRL26 billion is interest based. Delinquency increased, especially in the "open market" segment. Before the clients stop paying, they tend to migrate to the product "installments with interest". So, part of the failure in payment goes through that.
As I said earlier, we have been making origination adjustments and the bank has the capability to be very active in managing the limits of our clients. And we've been doing that. It's part of the active management of the bank to do these adjustments. So, when I talk about individuals NPL normalization, the cards business is the main offender and we're working on it.

[Mateus] Thank you, Milton.

[Milton] Thank you, Mateus.

[Renato] The next one is from Henrique Navarro, Santander. How are you, Henrique? Good morning! Thank you for being here!

[Henrique] Everyone good? Yeah, congrats on the result. My question is on coverage index. I imagine the risk of your portfolio should be smaller in 2023. Your track-record has been coverage ratio close to 200%. Considering provision criteria, some regulatory risk, maybe fiscal risks in terms of taxes over dividends or even an increase in taxes in a general way... can we work with coverage close to 200% for 2023?

[Milton] Great, Henrique. Thank you. Pleasure seeing you again here. Thanks for the congrats on the result. Yeah, I think it's reasonable to imagine some stabilization in the long run. The bank is not managed through the coverage index. We use the expected loss model. The coverage index is a consequence of the decisions taken and the model.
So, I think the bank should continue with a reasonable coverage index for a long period. In the retail segment, we've been consuming coverage over the levels that was from December 2015 to 2019. So, we've been operating, as I said, with 20 base points over what we operated in the period of 2015 to 2019, which is good news. The wholesale portfolio is an eventful wallet. What do I mean with that? The coverage index is not an excellent metric for the wholesale segment. It's best to analyze provision coverage over the loan portfolio. Any event of something that is provisioned by expected lost and that we've anticipated, impacts the coverage ratio. So, you need to analyze separately retail and wholesale segments. The wholesale coverage will be volatile as it's supposed to. Wholesale client before defaulting, probably restructure the debt. When this client delays, probably it's in a bigger stress situation, and therefore, it takes the provision. So, I think it's reasonable to imagine that we'll keep good levels of coverage ratio.

[Renato] Thank you, Milton. The next question comes from Marcelo Telles, Credit Suisse. How are you, Marcelo? Good morning!

[Marcelo] First, congratulations on the result, Milton. It clearly puts Itaú at another level. It's impressive. Most of my questions have been answered. But, as you are so important to the credit sector, how do you see the PIX increase? Do you think PIX can be a threat to your credit card business? We see an increase in the use of PIX in the P2B segment, and if you can, it'll be nice to hear from you what's you perception on that, and if it's a threat, what's Itaú doing to capture a part of this value chain? Thank you.

[Milton] Great, Marcelo. Thank you for the comments, thank you very much. We went all in on PIX. We never charged fees to wire transferring from an Itau account holder to another. This was already a 24/7 service with no charge. PIX universalized this service. So when PIX was launched we put clients first. We stopped charging wire transfer fees. There was a natural impact in revenue.
Since then, we've been working to follow the Pix evolution. We've been able to keep a good level of market share, of ~20%. Another thing, we've been working on is proactively changing checking account packages, based on clients' suitability to make sure that this client is having the best experience for the right price. It's client-centricity, it's long-term vision.
I know that the Central Bank has a road map for Pix and a series of potential products. Pix P2P grew faster, Pix B2B is performing in a different pace, so there are evolutions to be made. And there's all the upgrades. We are working in a sandbox initiative called Credit Pix that somehow can substitute the 4 ends model (issuer, acquirer, brand, retailer). If it goes well, it may be a complement to the payment model in Brazil. It's hard to say, today, exactly what's going to be the Pix evolutions, but the fact is that we will be part of it. All the players support PIX and it's evolution. Pix is a success due to the engagement of all banks in the system. The level of investment in the platforms is huge for the adjustments in checking accounts. And it was made by all banks. This interoperability only works for that reason. So, we're satisfied with the evolutions. And if Pix comes to, somehow, disrupt other business methods, other payment methods, we'll be at the front line. If it's good for the client, it's good for the bank, it's good for the long term.

[Marcelo] Perfect. Thank you, Milton.

[Milton] Thank you, Marcelo.

[Marcelo] Congrats, again.

[Milton] Thank you.

[Renato] Milton, we have with us Nicholas Rivas from Bank of America. Hi, Nicholas, good to see you.

[Nicholas] Good to see you, Renato. And thanks so much for the chance to ask questions. So, I'm gonna ask about your capital and AT1s. A few weeks ago you said you're not gonna be calling the 6,125% in December. You said it was basically based on the economics, and I guess on the difference between the coupon reset, we should be right now about 8% on the refinancing cost. But you can call it every six months and you said that you're gonna continue monitoring market. So, my question is: is there a certain premium in terms of coupon reset versus refinancing cost that you would be willing to pay in order to exercise that call option? And second, we have seen some Brazilian banks accessing the domestic market in recent years, Banco do Brasil in the third quarter raised BRL2,3 billion in a private placement in the domestic market. How much could you raise in the domestic market to refinance some of the global AT1s? And then finally, just going back to the question that Tito Labarda asked about capital, I just want to make sure I understood correctly. If your internal targets remain 13.5% tier 1, 12.0%

CET1. I mean, and if you're gonna be making decisions on dividends based on those targets. Thank you.

[Milton] Okay. Okay. Nicholas, good to see you again. Thank you for your questions. Let me start talking about the AT1s. We said to the market, on a formal basis, that we wouldn't be exercising the call. The difference of the repricing and the reset is very relevant. It's more than 200bps, so it didn't make any economic sense to exercise that call. That was the decision we made, and I think we were very transparent, not only communicating before the exercise date, but also much before that. The second thing is that there is no defined level of premium to exercise the call. But I would say that we would discuss 50bps, but it's not automatic that we will say that if there is a 50bps gap we'd exercise it. We will evaluate the alternatives that we have, not only offshore, but also local. And just to go back to your second comment, we raised capital in the local market as well. But the local market is not deep - it's not possible to refinance 100% in the local market. We can do it up to a certain level and it's very competitive. It was very competitive in terms of price, even swapping to USD, but we don't have the same size that we have to our portfolio issued abroad. But I would say that 50bps we would discuss what would be the benefits of exercising it. But above that, it's very difficult that we will be exercising. We still have some other call to be exercised by March of next year, and the same way around, we'll pursue the same strategy. And on the capital, our risk appetite, defined on the Board of Directors, is 11.5% CET1, that's why we are 20bps above our target, and 13% level one. This is the risk appetite that we have defined. For dividend purpose, we are still observing the same policy that we approved and release to the market. So, 13.5% tier one capital. Below that, we shouldn't be discussing any extra payout, even though the risk appetite of the bank is 11.5% CET1 and 1.5% AT1 making 13.0% level 1.

[Nicholas] Thanks very much for that, Milton. If I can ask a follow up on your comment about the 50nps premium. Basically, what you're saying is that right now, with current rates, you wouldn't be able to issue an AT1 below 8,5%, then you wouldn't exercise the call.

[Milton] Yeah, yeah. The thing is, we're gonna be looking to the price for the yield that we have at that time. If it is 50bps more expensive, we will have the discussions. But again, the decision will be on economic base. I'm not saying that if there is a 50bps gap, we'd exercise the call. I'm saying If I have to make the decision today, I wouldn't exercise the call, because we discuss on an economic basis, but below that or above that we won't be even discussing. So, you have to compare the level of the reset and compare that to a new issuance. So, this is the 50bps that I mentioned in here.

[Renato] Thank you, Milton. I'll ask the last question because it came through WhatsApp. It's from Rafael Reis, Banco do Brazil: "There was a slowdown on issuing credit cards according to Abex. The whole industry presented increase in delinquency. Do you intend to take some harder actions to slowdown the credit card business such as limit reduction, etc?

[Milton] Well, first, thank you for the question. I think this goes back to the answer I gave a while ago. We've done some relevant adjustments across the board. It's not something specific from Itaú Unibanco, but obviously that if the actions are necessary, they would be taken, and we've been taken some already, as I said, not only in the revision of limits, but also in the concessions. It's important to say that every time you're in a situation like this, we need to separate where we can actually make a de-risking of the portfolio e where there is opportunity to keep growing and investing in the franchise. Even because the credit card product is very transactional and the daily basis of the client with the bank. So, imagining a long-term relationship without that product doesn't make much sense. So, there are opportunities to keep growing, but adjustments are needed, and they will be made. The feeling I have looking at the data from the market is that everyone is making relevant adjustments in the concession.

[Renato] Thank you, Milton. And with that we end our Q&A section and also our videoconference to discuss 3Q22 results. I thank you all for joining us and I pass the floor to Milton for his final statements.

[Milton] Great, Renato. First, I thank you for hosting this event. I wanted to thank everyone for joining us. For us it's really a pleasure to be able to share high level information with transparency. It's always a pleasure receiving the questions here and the feedbacks are welcome. And I would like to say again that we're facing challenging scenarios. I think I don't have to say this to you. You're in the market, you already know it. And looking forward, the challenges are here. So, the bank will continue to operate with caution, making the necessary adjustments, because our objective is to create value at the long run, predictable and sustainable. This is our agenda and that's why we work every day. So, thank you again for joining us. I thank every comment and want to say that here on our side, foot on the ground and humbleness, respect, not only to our competitors, but with the whole market. And we'll keep in working hard with a lot of passion for what we do. Ok, guys. Thank you very much and see you soon.

[Renato] Thank you.