International Conference Call
Itaú Unibanco Holding S/A
1Q21 Earnings Results
May 4th, 2021

Operator: Good morning ladies and gentlemen, welcome to Itaú Unibanco Holding conference call to discuss 2021 First Quarter Result.

At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. Questions can be submitted via telephone, by pressing asterisk 1, or via WhatsApp Mobile app by scanning the QR code provided or WhatsApp desktop app, through the hyperlink provided.

If you should require assistance during the call, please press the star key followed by zero. As a reminder, this conference is being recorded and broadcasted live on the investor relations website at www.itau.com.br/investor-relations. A slide presentation is also available on this site.

Before proceeding, let me mention that forward-looking statements are being made under the safe harbor of the Securities Litigation Reform Act of 1996. Actual performance could differ materially from that anticipated in any forward-looking comments as a result of macroeconomic conditions, market risks and other factors.

With us today in this conference call in São Paulo are **Mr. Milton Maluhy Filho,** President; **Alexsandro Broedel**, Chief Financial Officer and **Renato Lulia Jacob**, Group Head of Investor Relations and Marketing Intelligence.

First, **Mr. Milton Maluhy** will comment on 2021 first quarter result. Afterwards, management will be available for a question-and-answer session.

It is now my pleasure to turn the call over to **Mr. Milton Maluhy**.

Mr. Milton Maluhy: Hello, good morning everyone and thank you for attending our first quarter 2021 earnings conference call.

I will start with slide 2, we can jump straight into our highlights for the quarter, OK? The recurring net income grew 18.7% and reached R$6.4 billion and this important growth was supported by a sound overall performance of our business despite the volatile macroeconomic environment.

When we look to the loan book, we had a solid growth of 4.2% in the quarter, 3 of the most important contributors for this performance were: mortgages; and auto loans and growing respectively in both of them 12.1 and 4.5% in the quarter; as well as our renewed focus on the Agri business sector. The increase in demand for this product is directly correlated with a new approach towards this segment with the new and specific product being launched.

Looking at our PNL, the financial margins with clients continued its positive trend for the second quarter in a row despite the negative seasonal effects of the first quarter.

Cost of credit contracted by 31.9% in the period reflecting here the positive credit quality trends in the portfolio. Non-interest expenses decreased 6.6% in the period, which is a result of constant investment in technology boosting our operation efficiency, and lastly, we managed to navigate this high volatile environment very well generating a 51.7% growth in the financial margin with the market.

I also would like to update you about our digitalization efforts as they continue to generate positive results, we opened more than 3.7 million relationship with new clients through our digital channels only in this first quarter alone. And finally, I would like to highlight important changes in our strategy in ITI, which was born originally as a digital wallet, as you remember, and evolved through this life cycle into a full-fledged 100% digital banking operation. through ITI we opened more than 2 million new relationships this quarter. we will deliver deeper into all those topics as we move along this presentation.

When we move here to the slide 3, I'd like to say a few words, some statements before we go into this next slide. First of all, I would like to talk about what we believe it means to be a digital company. For us to be digital is essentially to have an absolutely focus on the needs, demands, and real pain points for our clients. The way to achieve it it’s naturally through the use of technology, but this does not mean interacting with your customers entirely remotely or just via Super App. Being digital in our review goes far beyond that. Truly digital companies have cultural and operational characteristics that set them apart. For us, being digital means we should be able to serve our clients where, when, and how they wish to be served. For sum, this will mean taking care of all their banking needs via our Super App on their mobiles, and to others it will mean having a face-to-face discussion with a financial advisor who will help them make the best decision supported by data and a state-of-the-art product and services.

With this objective in mind, several aspects are essential for the digital transformation of the company. The first one is, of course, the intensive use of technology in all areas of the operations, from new ways of interacting with customers to process automation. The application of technological solutions increases our ability to create new products and truly differentiated experience for our customers. Second, innovation must be part of everyone's daily life and not ask confined to a group of teams. And third, we need to be fast in developing and implementing new solutions reducing the time-to-market and adjusting and adapting whenever needed. And fourth, we must organize ourselves into multi-disciplinary teams using new ways of working as part of this, we need to have a passion for efficiency using technology to leverage our commercial potential and increasing our ability to offer more competitive products and solutions to our customers. And finally, having the ability to use the huge amount of data we have accumulated throughout the years we will allow us to offer products that more intelligently and intuitively fit our clients' needs.

Throughout this presentation I will address several of the points I have just mentioned in order to shed some light on the important advances we're making in our operation.

Moving to slide 3, we present some of the KPIs of the migration of our customers to our digital platform. As we showed previously, we opened new relationship with more than 3.7 million customers entirely through our digital channels. This is a trend that's still celebrating, we open 1.5 million new relationships on our digital platform in April alone. More than just opening new accounts, we noticed a growing engagement with our clients through digital channels and 54% of the products are acquired entirely digitally. Even more important has been our customers' feedback, which those excellent levels of satisfactions, which an NPS the first time we will release NPS figures reaching close to 80 points.

This is only a fraction of what we're developing and delivering to our customers, but it already shows some of the results of our strategy.

One slide 4 you can see ITI, we present the evolution of ITI. as I mentioned before, it was born in 2019 as a digital wallet, but overtime closely listening to our clients' demands and paying close attention to market developments, we notice there is a potential way in becoming a completely digital operation for clients that want a simplified (of course) free of charge and fully digital banking platform. Over the last year, we worked very diligently by voting the initial business model and improving upon the initial MVP, we increased the product availability to offer things such as debit and credit cards, personal loans, and the possibility withdraw money in our ATM network. Not only that, but the clients also have access to and ever-growing list of benefits that are tailored to the geographic locations and profile.

These changes already show that we seem to be moving in the right direction, we reached 6 million clients, half of them were acquired in 2021 alone giving this strong performance and the continuous improvement of this platform. We have a goal of reaching 15 million clients by the end of this year; this is our ambition.

We believe ITI is a platform with a great appeal to attract new younger clients, 84 of the clients don't have an active bank account in Itaú Unibanco, and roughly

70% are between 18 and 35 years old, which shows the potential that this platform has to reach this important demographic.

Lastly, it's important to mention that ITI in addition to being a business by itself is also a relevant technology platform to support our other businesses. This is true for both the monoliner products, such as credit cards and the other banking services. All in all, I believe this operation shows our capacity to listen to our clients' demands and learn from our experiences pivot and evolve.

Talking to now mortgage and financing, we will discuss some of the dynamics behind 2 important portfolios within the retail bank: mortgages and auto loans. As you know, mortgage is an extremely important product for our clients, probably one of the most relevant financial decision families will take, it's one of the key products to increase the lifetime value of banking relationship, but for historical reason, it is still under penetrated in the country and represents only 10% of the Brazilian GDP. If you put those 2 things together, it's easy to understand why this segment is so competitive.

In 2020, we repositioned ourselves and brought an important innovation to the Brazilian mortgage market when we launched a product which interest rates linked to the saving deposit which at the time were the lowest interest rates available in the market. We were able to do that onto a unique funding structure, which allows us to be more competitive in pricing without eroding the product's profitability, and our operation reacted to the stimulus as the origination more than tripled in the first quarter when comparing to the same period from 2020 reaching a record breaking of R$10.3 billion, this resulted in a 12.1 portfolio growth in this quarter alone.

This extremely fast expansion unfortunately brought us a negative side effect in the form of below ideal customer service. This resulted in a negative hit on our transactional NPS score for the operation. Throughout the first quarter we worked tirelessly to improve our production line and expand our teams and we feel that in the next waters we should see a market improvement in client satisfactions with the product as the new vintages already show a 50-point NPS score coming from 30 points, as you can see in the slide.

As for auto loans, the pandemic brought an important change in our clients' perspectives about the benefits of owning, which in turn fostered demand for auto loans. This led to an important year-over-year growth of 25.6, as you can see when looking to our retail operation. And last but not least, the demand for heavy duty vehicles and trucks were also quite strong and with bespoke financing lines we were able to grow more than 30% over the last 12 months and became leaders in this segment.

Moving to slide 6, Agribusiness, I would like to share that what we have been doing, especially in the Agribusiness sector, despite the fact we have been catering for this very important industry, we lacked an integrated strategy to serve all the different actors with specific developed products and teams. This started to change when we recently created and Agribusiness division within the corporate banking operation, we developed a completely new platform and hired a specialist to expand the commercial team and geographic coverage to offer a product tailored to meet each client’s needs.

And we are already ripping positive results: client satisfaction is among the highest in the bank, while this credit portfolio grew 11.2 over the last quarter and 20.5 over the last 12 months reaching R$46.5 billion in the end of the period. This growth was reached with a strong social environment analysis as we're working side-by-side with meat producers to ensure the production chain traceability and preventive legal deforestation. I'm confident that this segment will continue to be an important driver for our growth in the quarter to come as we aim to end 2021 with approximately 2,400 clients as fivefold increase in relation to 2019.

Moving to next slide, slide 7, the credit portfolio grew 4.2% on the quarter and this growth was driven not only by the mortgage vehicle loans I just mentioned, but also by the large corporate and Latam credit portfolio, the later mainly as a result of the Brazilian real devaluation.

As for the large corporate portfolio, we had an expectation that debt capital markets would be already at normalized level in this first quarter, which did not happen. On the other hand, the good news is that we managed to put good debt operations on our balance sheet that can distribute it overtime, which boosted our credit growth in the period.

The credit card decreased 4% in the quarter mainly due to seasonal effects and also due to a lesser extent deceleration of the economy activity in the country. Lastly, the personal loans book grew 1.6% despite this somewhat uninspiring growth at the first glance there was an important mix change in its composition, as you can see on the table at the bottom right corner of this slide that both the overdraft portfolio and the traditional secure personal loans grew mid-teens whist the reprofile loans declined almost 10% in the same period, and this trend materialized mostly at the end of the quarter, so it was not yet meaningful enough to impact our NII in the quarter, but it paints a positive picture for the next quarters nonetheless.

Moving to slide 8, financial margin with clients, we showed that our financial margins grew around 1% in the quarter despite the seasonal effects from the lower amount of calendar days. This growth was mainly driven by the higher average credit portfolio as well by the remove duration of our capital, and these trends resulted in a flat NIM in the quarter.

Looking ahead, we expect to see an acceleration of our NII not only as an effect of the credit growth, but also due to higher utilization of revolving loans and consumer loans as already depicted on the previous slide.

Moving to slide 9, we show the evolution of our asset management platform. Over the past few years with the structural reduction of interest rates in Brazil, we began to observe more and more customers yearn for more sophisticated and differentiated products in order to invest their money. This demand led us to make profound changes in our asset management area.

Seeking to offer the most complete portfolio of investment products in the country, we implemented the concept of open platform in the bank, therefore we started offering third-party products and services in addition to our product. This strategy was resounding success as we already have almost R$330 billion in assets under custody in this platform alone. Not only that, but we strive to diversify our own asset management product aiming to bring more added value in line with our clients' demands and expectation. A good example lies on the asset management products that are Alpha-focused. We used to have R$9 billion in assets under management from such product and now we have more than R$60 billion under management, which is exactly the type of product that our customers have been demanding the most.

Additionally, to support this movement, we changed our own asset management division creating independent asset management teams within the bank which attracted more than 40 of the most talent portfolio managers in the country. Seeking to expand our products capillarity and reach, we also started offering them on third-party platforms and we already distribute our products on 16 different platforms and banks in addition to Itaú itself. We also invested a lot in transforming our clients' investment journey by launching our new investment platform which is called Ion and this platform brought us a completely new user experience for our clients.

We are also investing heavily in our new investment advisory model bringing transparency regarding our advisors' incentives. More than that, we are hiring more than 1,200 new investment advisors to help our clients better understand the products offer and make the best choices in line with their profile, of course, and I believe these changes will further leverage our customers' perception of value.

Moving to slide 10, now I'm going through fees and insurance revenues. We can see that it declined 1.9% in the quarter and this performance was largely expected as a result of 2 factors: the first one is related to the credit and debit car. Seasonally, these revenues decline in the first quarter of every year due to lower economic activity in the period, but it's fair to say that this effect was further deepened by the deterioration of the pandemic in Brazil and its negative effect over the economy activity; and the second one is our current account fees which declined 3.5% in the first quarter.

As we mentioned in the previous quarter earnings call, since the implementation of the new fast payment solution PIX, we took the opportunity to exempt our clients to pay any fee in wire transfers despite of their preferred method, and this quarter we have the full effect of this movement.

It's also important to mention that the asset management fees declined 7.2 in the period despite the continuous growth of the asset under management I just mentioned, and this was mainly a result of lower performance fees and I expect to see better performance in the next quarter. also, it's important to say that our investment banking continues to be an important source of revenue and retained a leadership position in the market. Despite the macroeconomic volatility, the capital markets continued to show resiliency and the pipeline of transactions for the next quarter is a strong (if not better) than what we saw last year.

Lastly, our insurance revenues grew 5.5% in the quarter as a result of better financial margins in our private pension plan business.

Now moving to slide 11, switching gears here, I'll tell you about the credit quality KPIs. As you know, every year we see a pickup in short-term delinquency in the first quarter, especially driven by the individual’s portfolio. This is due to a higher concentration of expenses in the period that range from the holiday season expenses to annual property taxes. In line with previous year, this quarter we saw the same movement as the NPL 15 to 90 days ratio increased 35 basis points, but even more important was this portfolios’ the NPL 90 days ratio, which decreased 30 basis points and reached the lowest level in our recent history.

As for the SME portfolio, we saw an increase of 80 basis points in the NPL 90 days ratio, and this movement was expected, and it's related to the end of the grace period of the reprofiled loans portfolio. Despite this increase, the NPL ratio is still in line with pre-Covid levels, and if we strip the reprofiled loans from this ratio, we can see that the remaining portfolio continues to improve the credit quality ratio. Also, it's important to mention that this portfolio short-term delinquency declined 20 basis points, which reinforces our view that the worst might be behind us.

As a result of the positive credit quality trends on the retail, our cost of credit was 31.9% lower in the quarter.

Lastly, our coverage ratio declined 22 percentual points in the period mainly as a result of the wholesale segment, both in Brazil as in Latam. These positive KPIs despite the negative macroeconomic context we are a direct result of the strategy we put in place last year when we launched a program with a wide range of customized solution that includes grace periods, extended loan terms, and additional credit offers. This initiative thought to offer more breathing room to individual customers and micro and small companies helping them traverse through this crisis with greater tranquility.

As we mentioned at the time that it was a tradeoff where we ended temporarily giving up a part of our NII in order to support our clients and therefore our credit quality.

On slide 12, IT. A have very relevant part of the digital transformation is what's happening behind the scenes or inside the bank, which is not easily captured by looking at KPIs from our digital channels and client acquisition. Here at Itaú Technology is not an internal service provided, an area that is detached from the business, it's now another key element on the teams that work toward serving our clients and developing, of course, products and business within the firm.

On slide 12, but also on the next one, we will try to give you some insights on the major developments within our technology teams and how it's translating into superior KPIs with direct impacts in our business.

Firstly, we more than doubled the investment in new solutions while reducing infrastructure spending by 28% is a much more efficient way of spending money and it's a trend we should see moving forward. But it goes without saying that people and culture is what drive real transformation. In that sense, we have been reorganizing our teams around communities and squad’s operation in agile methodology, we have progressed well so far in that aspect and some of our most important business teams, such as credit card, cash management, and mortgage, are already working under this new set as well roughly 50% of the eligible technology operation business and products teams.

The benefits are very tangible already, as you can see this slide. This is why our goal is to reach 100% by the end of 2022.

Now moving to the next slide, slide 13, talking about the digital platform and DevOps, we continue to show other aspects from our digital transformation that I believe are very important here. We're looking at our cloud migration effort, our goal is to reach 50% of our services in public cloud by 2022. But please note, it is not just a simple copy and paste of the current systems to a new remote data center, we are rewriting code and updating the solutions, breaking down monolithic systems, and using microservices architectures so we can maximize the benefits from this movement. This allows us to have a more autonomy speed, productivity, and efficiency in our operations. And in parallel, we are considerably spending the deployment of codes which are reducing in fact the amount of time spent on business complexity points.

And finally, in terms of quality, we already see ourselves as benchmarks as our digital platforms have the highest availability rates in the market. What's behind our digital transformation is our obsession in improving the customer experience and satisfaction.

Now moving to slide 14, we conceptually detail here our efficiency program. The bank always had a strong focus on cost management and efficiency, but we understand that we need to go beyond what we have already achieved for that is what's necessary to strengthen our efficiency culture throughout the institution at all levels. We needed to question ourselves tirelessly about opportunities to optimize of course and optimize our activities and process.

Additionally, we implemented a transversal efficiency program covering the entire bank. Currently, just to give an idea, we have 16 efficiency fronts, each of those fronts count with the presence and the sponsorship of one of our senior management and we have biweekly work meetings to measure its evolution.

Moreover, we standardized the work methodology with detailed KPIs and planning structure in a meticulous work that's already beginning to show results as we have 1,200 initiatives being planned, out of which more than 400 already in the implementation phase. These are of several types since small initiative to reduce ways to large restructuring projects to major one or structure one. In fact, as you may notice, we have made a large non-recurring provision this quarter related to the restructure of our operations within the retail bank, which we will implement over the next 2 years and will bring great benefits in terms of quality of service and efficiency. I'm confident that with all the changes and transformations we implemented so far, we are on track to achieve our goal, which is to sequentially reduce our core expectation over the next 3 years.

Talking about the noninterest expenses, the financial results now on slide 15 what I have just presented over the last 3 slides can already be seen on this slide as our non-interest expenses declining 6.6% in the quarter while we continue to invest in our business and IT. These investments generate more room in our expenses, opening the opportunity for further investment in a sense self-funding themselves in the end of this how we will fund future investments in the bank over the next few years.

Now moving to slide 16, we show that our Tier I capital ratios decreased 20 basis points on the quarter, this contraction was largely due to the FX impacts both in our credit portfolio and in our overhedge strategy. These negative impacts were partially offset by our financial performance with a higher net income and profitability in the quarter.

Now on slide 17, talking about the guidance, well, I think despite the deterioration of the sanitary crisis in Brazil and its negative impacts over the economic activity, we still believe that the guidance for 2021 still expresses our best expectation for the year.

And now, on the last one finally, on slide 18 I end this presentation and I would like to invite you all for our public meeting on June 2nd, when we will bring all the members of our new Executive Committee to present our vision for the future of the bank. This will be a fully digital event and we will send further details in the next few days.

with this, I conclude the presentation and we may start the Q&A session. Thank you.

Question-and-Answer Session

Operator: Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press the star key followed by the 1 key on your touch tone phone now. The questions will be limited to 2 per participant. If at any time you would like to remove yourself from the questioning queue, please press start 2.

Our first question comes from Mario Pierry, with Bank of America. Please, go ahead.

Mario Pierry: Thank you, good morning everybody. Congratulations on the quarter. thank you for a very detailed presentation, it really helps us understand the bank's strategy better.

Milton, I have 2 questions, the first one is on ITI, right. You show that you are growing your ITI clients quite fast, you're able to attract clients, they are clients of the bank, so I would like to understand here how do you think about monetizing on this client? You talked about some products there, but if you think about your ability to monetize on these clients, how do you I think it will compare to the level of monetization of your regular bank clients? And then, on that topic, how do you see the threat of competition from Fintechs, you know, how do you rank that as a threat to the profitability of Itaú?

And then my second question is related to operating expenses, right. As you talked about, you had another one-time provision charge for restructuring, we see that your employee base in produce declining, excluding all of this hiring that you're making in IT, how do you see your branch network over the next couple of years? is there room for you to be reducing branches quite aggressively? thank you.

Milton Maluhy: Thank you, Mario. Thank you very much for your question. I will start with the first one. Of course, when you mention about the ITI platform, so first thing is that we had to do a major change in the way we were approaching the market and approaching the clients. At the very beginning, it was concepted to be a payment platform, but at the very end we started to migrate to a full digital banking offer.

This is a way to compete and to attract clients. As you can see on the numbers, we showed we are bringing new clients to the bank at the end, so 84% of the clients are new clients to the bank, and also, we have a very important approach with young people and non-banking clients, which are the major public coming to this platform. So, this is a different way, it's completely different of doing a business plan as we used to do in the past that you know that in the second, third, fourth and fifth year what will happen and what will be the profitability. So, the idea here is to change the mechanic, so we bring clients, we bring them to a very unique experience so in the coming quarters we will understand their needs and how to monetize the platform. So, this is the way we are approaching.

Of course, one of the best ways of monetizing this platform will be credit in the mid to long term, so this is our view and credit cards and personal loans, this will be of course the strategy.

We don't have a product's road map, we have a need-of-client road map, which is very important, it's a different approach again, and so, we will be enhancing and creating new products together with the clients as they need for different features and products. So, it's difficult to give you a number right now, but we do believe that bringing those clients with a very good user experience and level of service and a very unique technology platform, we will find ways to monetize those clients in the future. so, this is the most important way.

Talking about Fintechs, yes, we see some companies that are not Fintechs anymore, they grow a little, so they have an important size, they are, of course, fighting for some markets, but they are opening new markets as well and we see some complimentary new markets coming. As you can see here, ITI is opening new markets for Itaú as well and ITI, yes, competes with these Fintechs and platforms in the open market. We believe that we have the balance sheet, the capability to approve credit and to manage credit in the midterm with the data that we have, with the models that we already have, and this could be a differentiation in the long term, the capability to increase credit in the platform even though we recognize there is still a tough competition coming from Fintechs in the market and it's part of our job here to compete and to deliver a better experience to our client. This is a mandate inside the bank.

Now talking about the provisions you asked, it's a non-recurrent, and the reason why it's a non-recurrent is because this is a new structural project that we defined in these last 3 months, it doesn't have anything to do with the regular course of the Opex of the bank, and in the other hand, this is not recurrent, so we don't believe we won't be seeing provisions like that in the coming quarters. This is a very specific one made for the simplification of the way we deliver services to our clients throughout the branches, so there is a merge going on through the various types of team, and this, of course, will generate those effects. That's the reason why we made and anticipate the provisions in a non-recurrent.

So, we're very comfortable with that and it doesn't have any impact with our costs in the first quarter, OK? So, are 2 unrelated lines.

Talking about the future of branches, some information that I believe will be constructive here is the following: when we look at the banking clients on the system, there was an important improvement in the last 10 years of 16% of banking clients, new banking clients to the system. Even though the market share of mobile reached 45-50% of the transactions, on a nominal basis today we have more payments throughout the branches than we used to have in the past years. So, even though there is the share of the channels have changed a lot, we still see a very important role playing and coming from the branches.

When you look in Brazil the density of branches per 100,000 inhabitants, you will see that we have the lower figures when compared to very countries that have gone through the digitalization I won't say of their currency, but of their payments, and that means that nowadays we have a good density when compared to developed markets where much more payments or digitalized than in Brazil.

Having said that, we are going through a very relevant transformation in our branch area and if you look 5 years to now, we closed around 1,000 branches in this period, and the reason why is because we had an important redundancy of branches, and nowadays, we are much more comfortable of the one we have. Of course, there is an important migration to digital channels and the pandemic moves a lot of clients to digital channels. We need to see how the flow will be of people going to branches after this period, but we kept even reducing 1,000 branches in the period the 84 GDP penetration that we have throughout our branches, and we're very comfortable about that.

I believe that after the pandemic we may see a reduction in branches, it's expected to, but we are changing a lot the way our branches are structured, we have what we call the “hubs”, the full branches that we have, and also the satellite branches that will have a very specific ambition to serve clients in specific regions with their specific demand, and this is a major change in our model and I can give you more information about that in the next call, the idea is to bring you more information about this.

So, we do believe that the remote and the physical presence – and that's why we say “figital” here – is still very important and for more complex products, in general, we see a huge demand from the clients to talk and to be having a face-to-face experience, could be remotely or could be presence in a physical branch. So, we do believe that the physical branches still have an important role to our strategy.

Mario Pierry: That's very clear, Milton, I appreciate your answers. Let me just follow up on ITI then, really quickly. When we think about all of the other digital banks in Brazil, it seems like we have a new digital bank popping up every week. What do you think makes people choose to download an account at ITI? and, if you can talk a little bit about your acquisition cost, your customer acquisition cost at ITI.

Milton Maluhy: Perfect. Look, first of all, the client he wants a simple payment account, he doesn't want to go through that process that you have on a regular current account, he wants a free-of-charge experience and a digital one, and it's to be somehow sexy for the client when he looks and sees he identifies himself with the brand, with the appeal of the product, and I think it has an important role, something youth, something that brings new opportunities for that client.

So, when you go to ITI, you can see that in 4 minutes you open an account, and this is very impressive, and when we see some information that is provided to the market, some interviews that they make to clients, you see that ITI nowadays leads very well in a lot of rankings in surveys that they make, specific surveys, the experience to open up an account in ITI, but it's free of charge, so this is basically what the client wants; he wants an account, a payment account, he wants to pay bills, he wants to put some cash, and he wants to have a prepaid card, but then we can, as we understand the behavior of the client, start to provide credit, and this is something that most of those clients they don't have a credit score or they don't have a credit experience in the market, and this is very important for us to provide them some financial education, gamification as well, and also to provide a lot of discounts and cashbacks and things that for him is very important for his own income generation.

So, this is basically what they look for. What we made here is that we couldn't go to market if we didn't have a very very competitive cost of acquisition because, at the end of the day, if we're not able to monetize in the long term that will be a huge cost for the bank and nowadays we're working with R$24-25 per account, this is the cost of acquisition, which is a small percentage of what we have when acquiring a client throughout a physical branch or any other channel. So, ITI has been away to make and to bring a CAC (client acquisition cost) very very competitive and this is why we are achieving a very important amount of people.

Mario Pierry: It's very clear, thank you very much.

Milton Maluhy: Thank you. Thank you, Mario.

Operator: Our next question comes from Tito Labarta, with Goldman Sachs. Please, go ahead.

Tito Labarta: Hi, good morning, Milton, and everyone, thank you for the call and taking my questions. Also, a couple of questions if I may.

I guess first on your revenue growth outlook, you know, both on the financial margin with clients, you know, I know it's impacted a bit by seasonality, but even looking on a year-over-year basis, your financial margin with clients was down despite the good loan growth, and then also on the fee income side, right, also some seasonality there, but cards are down, you have the management fees despite the growth in asset management are also down supported by the advisory business which can be cyclical.

So, I just want to think in terms of sort of a longer-term sort of revenue growth outlook. How should we think about the competitive environment you're talking about, the Fintechs and everything going on, movements and rates, and I know you have the guidance which you expect, so it is the best guidance for the year, but how much pressure do you see on revenue growth going forward? Do you think the worst is behind and your revenue growth can begin to pick up? If you can help us just think about that given all the competitive dynamics.

And then my second question is on the cost of credits, good performance there, but the cost of credit now below historical levels and I know you have plenty of excess reserves, which you could perhaps use, but also, again, on a more recurring basis, once you get back to normal, is this a new level of cost of credit given the changing mix, or should this go back up I think normalized? If you can help us think about sort of a longer-term level for that cost of credit would be helpful. Thank you.

Milton Maluhy: Thank you for the questions, Tito. So, first of all, talking with the margin with clients, the main topic that I would like to reinforce here is that we had 2 major effects last year: somehow we had the revolving credit price, pricing discussions with the Central Bank regulating, and this had an important impact for us in the financial margin with clients last year; we had a pandemic which was very strong and hit very strong our activity; but I also would like to reinforce that we made some self-inflicted decisions here very in that in the short-term we say it's an investment in the relationship, in the lifetime value of the client, but in the other hand, we had any huge impact in our revenues last year when we migrate clients from revolving credit and for clean portfolios with a much spread to long-term credit lines with a grace period and a very (I wouldn't say low, but) a lower interest rate on the portfolio.

So, we've been paying that for 3 quarter in a row, we still have the impact of that, this will be reducing in a slow pace in the coming quarters, and last year we had as well the government credit lines, which we made an important amount, again, very focused on our clients, how to help them to go throughout the crisis, and this has also an impact in the financial margin with clients.

Even though in terms of return on equity and return on the expected loss of this portfolio, it's very positive because it's a very well-protected credit line due to the guarantees that we have from the government on those credit lines. So, having said that, we've been seeing an acceleration in the last quarter, on the balance of those credit lines we see an improvement talking about the first quarter of 2021, when we expect that coming on a positive trend from the coming quarters. So, we still believe that we are able to deliver the guidance looking what we see coming ahead.

It will depend, of course, on the credit environment and the capability to increase credit lines with the clients that are going through a tough moment here with the pandemic, but we are positive about that and I think we have the capability to catch up. But on the other hand – I'm talking about here NII –, we see that we grew the portfolio, the big companies portfolio as well as we have seen the local market, capital market it's not opened as we've seen in the past, so we grew not only in 2020, but also in 2021 the portfolio of large companies putting in the balance sheet credits that have a good return, but of course, when compared to the retail credit lines, he won't help in the mix, so it put pressures in the NIM, but it brings profitability here, not only on the NII, which is very important, but also on the fee side we are able to cross-sell those credit lines with the corporate clients and large corporates in general.

So, we see a positive trend, but again, part of that is self-inflicted and our review here is that we cannot look only the short-term, but we have to look to the lifetime value of the client. It's very difficult for you to make this calculation, you don't have the information, but we do have, and we've been seeing very positive outcomes about this decision we made, not only on the credit cost, but also on the NPS and the capability to cross-sell with those clients, especially when they go out of this difficult and tough moments, OK.

Talking about the cost of credit, yes, we had a very very good cost of credit in this first quarter, I would say this is not our expectation in terms of level, we do believe that in the coming quarters we will come above that, which is our expectation. I've been saying that we do believe that we will be more close to the bottom of the range of the guidance we provided to you and we still believe that we can do and deliver below that, and the reason for that is that in this quarter we have not consumed part of the expected loss provision that we made last year, but we do have the expectation to consume.

I'm using the word “consume”, I’m not saying a reverse in provisions, I'm talking about consumption because those provisions were done in the toughest moment of the pandemic last year and looking to our NPL formation we were provisioning much more than 100% in the last quarters, so we do believe we have the expectation to consume.

You look this cost of credit and compared to 2020 and 19, you will see that it's a very similar level when you look the overall cost of credit, we are having a very good performance on the large corporate and mid companies as well. We believe that this is very positive for the scenario we are living. It’s difficult to project 2022, but as we have been seeing the portfolio growing for the 4 years in a row, we expect that the nominal cost of credit grows as well in the coming quarters.

Tito Labarta: Right, thank you, Milton, it is very helpful, very thorough. Maybe one follow-up if I can. On the lifetime value of clients, as you mentioned, right, you’re very focused on that, any initial data you can provide on what kind of LTV to CAC you might be getting or targeting to eventually monetize these clients?

Milton Maluhy: CAC and which, I'm sorry? I missed the first part.

Tito Labarta: Like, the lifetime value… yeah, sorry, just lifetime value…

Milton Maluhy: Oh, LTV! Sorry, I didn’t understand.

Tito Labarta: LTV to CAC.

Milton Maluhy: No, we're not releasing that because it's calculated for different segments and in different ways, but this is a metric that we're pursuing and looking and guaranteeing that it's implied here in all the KPIs that we have for all the businesses. So, we don't have one figure to release, we have many different figures that we follow.

What we're seeing is that on the clients that we had a proactive approach in helping them going throughout the crisis, we've been seeing a lot of benefits of doing that, especially on the NPS, which is very well correlated with the lifetime value of the client. So, this is the way we've been seeing that.

Tito Labarta: OK, great. Thank you, Milton.

Milton Maluhy: Thank you very much, Tito.

Operator: Our next question comes from Henrique Navarro, with Santander. Please, go ahead.

Henrique Navarro: Hi, good morning everyone, thank you for taking the time. My first question is I would like to go back on the on the provision for restructuring. I understand when you do this kind of provision, normally there's a long-term plan where the positives are higher than the provision itself. I saw through your presentation that you have to goal to sequentially reduce the bank core cost over the next 2 years, so I'd like to understand the relations between the provisions for restructuring and this 3-year goal, I mean, what kind of savings shall we expect for the next 3 years based on this provision? And that's my first question, then I jump to the second one. Thank you.

Milton Maluhy: OK, thank you, Henrique. So, to go through that, I can tell you that we've been saying to the market that we are pursuing a reduction, nominal reduction in costs, this is the second year in a row, and this has to do with our efficiency program that we've been leading here and dealing for 2 years now. So, the idea here is to separate what is core cost, what is investment, and to separate and say “look, we want to reduce the core costs of the bank to open room for new investment”. This provision is not why we want to achieve these 3 years in a row. Three years is to give you a horizon here to say “that's what we can see looking from now”, things can change in the meanwhile, so that's why with said 3 years would be a good positive message to give you from where we can see what we can deliver.

And of course, this is part of this structured efficiency program, this is one of the initiatives. As you saw before, we have more than 1,600 initiatives, 400 are in place right now and this is a moving target, so every day we are discussing what else we can do. So, this is not why we will achieve, but of course, it may help us because we are simplifying the way we deliver the relationship with our clients in the branches. On the operation and commercial team there is a huge investment in this front over here.

So, this is part of the transformation we are making on the bank, but this is not what explains this reduction in the coming years. this is one of the initiatives, but there are many others as we were saying here in the previous slides.

Henrique Navarro: OK, thank you. My second question is on ITI, you mentioned that you have 6 million clients and 84% of clients without an active account, it basically means 16% of your clients are coming from Itaú, so we're talking about 1 million clients. I would like to understand how you see this cannibalization looking forward, I mean, is it something that shall increase, decrease? I mean, your target is 15 million clients until the end of 2021, how many of those clients might come from Itaú? I would like to hear from you how you see this cannibalization between Itaú and ITI and when do you believe ITI will reach breakeven. Thank you.

Milton Maluhy: Perfect, Henrique. So, coming to this cannibalization question, we have a very simple view: either we do, or someone will. So, as we have many offers nowadays in the market and we have an important churn in our client base – and this is something that we follow on a regular basis –, it's expected that clients, especially the ones that have this profile, they migrate for regular current accounts to products that for them and for the bank is better because most of those clients, if you allocate the cost of the branch, you will see that they are not profitable at all for the bank, so they are cost somehow, and when they migrate to a very digital platform with a very small cost of acquisition and a cost of maintenance, we can serve this client in a much better way with a very more correct cost to serve the client. So, this is positive at the end of day for the bank when you have the true view of the clients that keep using your products, your current account in the branches.

So, I see that as a positive migration, not as a negative migration. And also, today or in the past years, we were losing those clients to someone else, so I didn't have a very economical way, intelligent or technological way to serve those clients, so I was losing those clients to the market. Now I can capture, bring new clients, and also retain clients that I would be losing to the market. So, I see that as a positive way.

About the breakeven on ITI, we're not giving any release on that and the reason why we are pivoting here and investing and seeing what is the size, how many clients, how we monetize, so we don't see that as a 5-year business plan, we see more on a quarterly review to understand if the OKRs and the KPIs that we had planned for this quarter were achieved, and if yes, we will invest 3 more quarters and keep doing like that. So, we don't have a specific metric in terms of PNL and this is the way that the new market, the new competition works, and this is the same way we are approaching ITI, which is a completely different way than we used to approach all our business lines in the bank.

So, we are learning as well the way to understand what the success metrics are relating to client, cost of acquisition, engagement, NPS. Those are the most relevant metrics that we're following now.

Henrique Navarro: OK, that was very clear. Thank you very much.

Milton Maluhy: Thank you, Henrique.

Operator: The next question comes from Jorge Curi, with Morgan Stanley. Please, go ahead.

Jorge Curi: Hi, good morning everyone, thanks for the call and congrats on the numbers.

I wanted to go back to the net interest margin outlook and mainly understand the relationship between Selic rates and your margin, and evidently, there's a lot of moving parts over the last 12 months, as you pointed out, Milton, in how your margin with clients fared, but there is one big item there, which is rates, which were very different a year ago, so your Brazil annualized average margin was 11% in the first quarter of last year with an average Selic rate of 4%, it was 8.5% in the first quarter of this year with average Selic significantly below, around 2,5% average for the quarter.

If consensus is right and Selic rates go back up to around 5 to 6% a year from today, what do you think your annualized margin will be? Would it be fair to say that you should be above what you did in the first quarter of last year? And just in general, so forget about what it was back then, you know, where do you think that will be in an environment where rates are 5 to 6%?

And I have a second question which is similar, which is your asset management business I think is a bit confusion there, your volumes did really well, but your margins didn't. And also, I think is impacted by the average Selic rates where your fixed income products, which is a really big part of what you have under custody and management, can generate the same amount of fees for you. Where do you think… should we see an acceleration in those fees over the next year as a result of rates moving back up to 5 to 6%? Thank you.

Milton Maluhy: Thank you, thank you very much, Jorge. So, beginning here with the financial margin with clients, I'll tell you that when you look back a few years ago, you will see that our large corporate portfolio was not growing the same way it grew last year and this year and this, of course, has a direct impact in the NIM, so we have to go back and see the mix that we had in the first quarter of 2020 and compare to the mix we have now.

So, on the NII side, we will be growing the NII due to this increase in the portfolio, but we have a mix that when you go back to first quarter of 2020 it was riskier mix not only on the retail side compared to the wholesale side, we have more credit cards, personal loans, and less mortgage, less vehicle auto loans, and also you had a lower portfolio of large corporate companies.

So, having said that, I don't believe we will be going back now to this 9.2 that we saw, I believe we're going to be improving our financial margin with clients, but I think with a different mix, OK. This is one of the issues.

The second one, yes, you're right, you will have the impact of the increase in the interest rate. We were seeing in the first quarter a low interest rate scenario, but now we expect by the year end a 5.5 Selic interest rate, and this, of course, will bring impact here to financial margin with client, especially on the working capital of the bank, but also there is, of course, a pass through to some credit lines depending on the competition, depending on our capability to pass through those impacts.

So, I believe our row mix will bring a sensibility to be a little bit below what you see here of 9.2. I don't believe we'll go back there easily. I think it's a long run to get back there for the many reasons I mentioned, OK. So, this is one of the points.

The second one, on the asset management, it's very important to understand what happened and I think it's our responsibility here to be very clear about this. What happened, first of all, with the reduction of the interest rate we saw clients asking to change products for simple product, so simple money market funds to deposits and to Treasury products within the bank.

So, just to give you an idea, what we lost in this traditional product on the asset management 75% with recurring deposits in the bank. So, if you look at our deposit, you'll see a major growth and the reason why was because everybody was very concerned about the crisis and the pandemic. We saw some effects on those credit portfolio assets products, we had a lot of volatility and a mark-to-market that was hitting a lot the profitability of those assets, of those funds, and there was a huge migration to fixed income products within the bank. So, this was the first topic.

On the second hand, we've been increasing products in our asset management to deliver more Alpha to our clients, and as we deliver more Alpha, we have more performance fees, and we bring more volatility to this income line. What happened when we look this quarter compared to last quarter of last year and first quarter of 2020 that we lost around R$40 million (a little bit less) in performance fees that we had in the last quarter and then we had in the first quarter of 2020, and this explains a little bit about why we had this reduction here on our income statement.

Our expectation is that in the coming quarters we will be able to deliver a better performance fee. Of course, it depends on market, depends on our Alpha generation, but we are positive about the teams and we do believe that we will make an important recover.

So, first, migration from asset to the bank fixed income, and of course, we lose income when we do this migration and it is expected to be like that, whenever we have an increase in interest rate – and we expect this by the year end –, we may see again a migration from this product to traditional asset products even though clients are looking for more riskier products, and that's why we grew a lot our capacity to deliver those type of funds that will generate more volatility, but more performance fees in the coming quarters. This is our expectation.

I'm not sure if I made myself clear.

Jorge Curi: Oh yeah, yeah. Thanks, Milton. And I guess… let me go back to the first question, if we quantify this, and I think you were looking at the consolidated margin, which is fine, I was looking at Brazil, but let's do it on the consolidated margin. So, you're at 7.3 now, you said it would be difficult to go back to 9.2 even if rates more than double from the current level, but, you know, say rates at the end of 2022 are at 6% and that means that your margins, you know, maybe you pick up 100 basis points, you go from 7.3 to 8.3, 8.5, still below the 9.2, that on prices, on an improvement in prices is roughly a 15% improvement in prices, and if your volumes next year grow on average 10%, which seems pretty possible under a recovery scenario, right there you're talking potentially about a 25% NII growth.

Is that within expectations? Is this realistic? Where in these numbers you think I'm over or understating the math?

Milton Maluhy: No, I think the math is correct, I cannot say anything about the math. The only thing is that it will depend in the way our portfolio will improve in terms of mix in the coming quarters. So, I have difficulty to tell you now what the projection is, but I do believe that the math *ceteris paribus,* that means, if we maintain the same level of mix that we have, you are correct. The question is how the mix will improve in the coming quarters, and we don't have the answer now, but I will keep track on that.

Jorge Curi: But from just a top-down perspective, with Covid behind, significantly lower interest rates today, hopefully the economy growing, wouldn't a risk on mode be justified over the next 12 months versus the last 12 months?

Milton Maluhy: Sure, sure, but we have to put in in perspective the competition as well and how the market will evolve. I do believe so that we have the opportunity, we may be able to increase the margin in the coming quarters, but again, we have to think a lot about the mix and the competition.

So, I'm positive, but we have to keep this on track.

Jorge Curi: Got it, thank you, Milton. Very clear. Thanks.

Milton Maluhy: Thank you very much, thank you, Jorge.

Operator: Our next question comes from Carlos Gomez, with HSBC. Please, go ahead.

Carlos Gomez: Hello, good morning. Two brief questions for me. One is if you could give us an update on the XP transaction, if there is anything new that we should know or updates that you have for the closing. And second, we noticed that there was an increase in provisions for labor claims, they almost doubled from last year. Any particular reasons for it and what should we expect going forward? Thank you.

Milton Maluhy: Thank you, Carlos. Talking about XP, we had the expectation by the end of January to have the approval of the FED so we could make this spinoff, we didn't have the approval yet, we may have in the short-term, but I cannot control this process, so this is something that we are expecting here a decision, OK. Let's see if we have any news by the end of this month or maybe so. We already sent all the information we needed for many months and now we have to wait their approval, so we don't have any news specific on that.

On labor side, the reason why is exactly the restructuring no recurrent provision that we made within the balance sheet and where we reinforced as we are simplifying the way we serve our clients on the retail side we may have an impact on the labor side, that's why we made more provisions. But this is completely related to the non-recurrent provision we made in this quarter.

Carlos Gomez: Good, that's very clear. And on XP, there is approval from the FED, but also your negotiation with XP itself transaction. Any new there?

Milton Maluhy: No, on the XP side, they made a communication to the market, this is a negotiation among the stakeholders, we're not involved anymore after they spinoff, so it's our shareholders with XP shareholders, this is a negotiation that doesn't have to do directly with us. I think they made this communication to the market that they're willing to make an incorporation offer in market conditions, but we have to expect that to be materialized.

But this, again, is a discussion between shareholders, we're not involved in that. The only part of the process that we are involved is with FED approval.

Carlos Gomez: Very clear, thank you so much.

Milton Maluhy: Thank you very much.

Operator: Our next question comes from Jeffrey Elliot, with Autonomous. Please, go ahead.

Jeffrey Elliot: Hi, thank you. It's Jeffrey Elliot with Autonomous. A couple questions. firstly, on ITI, what you're doing in terms of digital bank, separate brands, trying to go after different clients? It sounds a bit like what Bradesco has been doing with Next in the last few years. and I know that you've been critical of that strategy in the past and said it wouldn't be right for Itaú.

So, can you help us understand what you're doing that is different?

Milton Maluhy: OK, thank you very much, Jeffrey, for your question. As we said, at the very beginning our strategy was to have a payment account platform, we evolved to a full digital bank experience to our clients, this is something that it's made within the bank, so this is not separate from the bank, and this is one of our offers and business model to deliver a different experience to the clients that have the profile that I mentioned before. So, this doesn't mean that we decided to have a full digital bank separate from the bank because it's inside the bank, this is somehow the evolution of our transformation process where we can deliver platforms and business like this, and we kept very focused, as you saw in the previous slide, on our digital transformation, and will be delivering if necessary, if there is demand from clients, different digital platforms and businesses in the future the same way we did with ITI, but this is something, a specific way and a value proposition for young and no-banking clients. This is basically that.

So, this is a business inside Itaú that has this profile and characteristics.

Jeffrey Elliot: Thank you. And then the second question, current account fees obviously down during the quarter, you mentioned there the impact of money transfers becoming free. Are you seeing any evidence of customers downgrading their checking account packages because the DOC and TED transfers they can get them free anyways, so they don't have to pay for a more expensive package to access those?

Milton Maluhy: Perfect. I think there are 2 answers for your question here. First of all, we're changing the packages we have and trying to bring new features that are much more aligned with the needs of the clients as we have the capability to buy on a wholesale side and somehow embed on those packages a much more interesting feature for the client. So, we're changing, if DOC and TED was something very relevant, we're bringing new features so the client can serve and keep the package if they wish.

On the other hand, we have a very very clear suitability view to our clients, and this is the approach. So, we will be migrating clients that don't feature to a specific package even though we lose revenues in the short-term. So, the idea here, again, is invest in the lifetime value of the clients, suitability, and to migrate packages that are not conform with the usage of the client. So, we'll try to reinvent some packages and we're doing that in a very positive way, and if the client at the end is not a user of that package, of that features, we will be migrating him to different packages, cheaper ones so suitability and the need of the client is the most important metric that we look when we make this decision.

So, this is our approach, so we expect, yes, pressure in this line in the coming years and we're working towards this view.

Jeffrey Elliot: Great, thanks very much.

Milton Maluhy: Thank you, Jeffrey, thank you very much.

Operator: Ladies and gentlemen, as a reminder, if you would like to pose a question, please press the star key followed by the 1 key on your touch tone phone now.

Our next question comes from Thiago Batista, with UBS. Please, go ahead.

Thiago Batista: Hi, guys! It's Thiago Batista. Hi, Milton. I have 2 questions, actually, one is a follow-up, but the first one on the Portuguese call you mentioned an ROE back to 19 levels is very difficult or not feasible. At that time, ROE was about 24%. Looking for this 1Q, ROE was, let's say, 18.5, so do you believe that this type of profitability should be recurring in the near future?

And se second one is again about the restructure plan. Can you give a little bit more of the details or explain that? Honestly, I've not gotten correctly the plan, I'm not sure if this is, let's say, a simplification of your [unintelligible], if this is a change in the way of the branches. So, if you can give a little bit of more details on this plan.

Milton Maluhy: OK, Thiago, let me try to answer both of your questions. On the first one, I won't give you a guide in terms of return on equity, we are, of course, working towards. If you look our guidance and if you look something that we released last quarter, the midpoint of our guidance had implied a 17.6 return on equity, this is what we gave in terms of guidance. In this quarter we had a better performance than that, of course, as you can see, but we don't guide on a quarterly basis, so at the end, I will say that I will keep the guidance as the best available information now, and if you look to the midpoint of the guidance again, we're talking about 17.6 return on equity. This is what we guided for the year.

We may have different geographic positions by the year-end, but this is the best information I can provide you right now, which is very much different from what we had in 2019, as you just mentioned, OK.

And on the second, in your second question, we are integrating the operational and commercial teams of the branches, and this is something that we announced, internally including, and the idea here is to have an owner. In the past, we used to have 2 owners here of the branches: the one that was responsible for all the operational area, and the one responsible for the commercial area, and we don't believe that this is the best way to take care of our clients, we want someone to own the store, we want someone to be focused here in the attention of the clients, and this of course merge of teams have impacts, and this is the decision we made and this is why we made the provisions here. Most of it is explained by this decision. This is what I can give you in terms of information.

Thiago Batista: Very clear, thanks, Milton.

Milton Maluhy: Thank you very much.

Operator: The next question comes from Nathalia Cornfield, with JP Morgan. Please, go ahead.

Nathalia Cornfield: Hil all! Thank you for taking my question. I have 2 questions. the first one relates to your dividend, I'd like to know what the plan for this year is and if you could also just remind me of what's going on in review right now in terms of dividends because last year you were restricted to distribute more than your minimum statutory, so an update on that. And also, in terms of issuance in the international capital markets, what are you plans for 2021? You have one of your AT1s with a call for next year, so your thoughts on that would be very helpful. Thank you.

Milton Maluhy: Thank you very much, Nathalia. So, let me go through your first question. The way we release our dividend policy is the same, we didn't change it. We don't have any restriction from the Central Bank now to pay dividends, but we still keep with the same policy of paying what exceeds the 13.5% of level 1 capital, so but the payment that we made in this first quarter was 25%, which is the minimum regulatory and statutory dividend payment, and it will depend how fast we reach the 13.5 to pay the exceed amount.

So, the idea here is to keep this 25 until we reach the 13,5 so then we can distribute more than that. So, this is the policy, we kept the policy, and we kept the risk appetite for the capital in 13,5 for now. So, this is basically that.

Nathalia Cornfield: I have a follow-up…

Milton Maluhy: Sure.

Nathalia Cornfield: When you mean the 13,5, is 13,5 Tier 1 or 13,5 CT1?

Milton Maluhy: Level 1.

Nathalia Cornfield: OK, Tier 1.

Milton Maluhy: So that includes the 81 as well, OK?

Nathalia Cornfield: Alright.

Milton Maluhy: So, on the second question here on the international market, we don't have a plan in anticipation for what will be our approach, it depends on market conditions. We are always looking for hybrid instruments on the foreign and local market as well. So, it will depend on price, it will depend on conditions, our teams are always talking to the market, having here propositions, understanding where the market is, we like to diversify our investors base, I think it's important to have bones in the local market and in the offshore market, but it will depend on market conditions.

So, our debt capital market team will be following up every opportunity, and if there is an opportunity to do something in the international market, we will be doing that, but it's difficult to anticipate now, it will, again, depend on market conditions.

Nathalia Cornfield: Alright, thank you, very clear.

Milton Maluhy: Thank you very much, Nathalia.

Operator: This concludes today's question and answer session. Mr. Milton Maluhy, at this time you may proceed with your closing statement.

Milton Maluhy: Well, thank you all for the questions, for the interest in participating in our conference call. As you saw, we changed a lot, and we provide a lot of new information here. I hope to catch up sooner. Stay well, stay safe, thank you very much, bye-bye.

Operator: That does conclude our Itaú Unibanco Holdings' earnings conference for today. Thank you very much for your participation. You may now disconnect.