Q3 2019 Earnings Call

Company Participants

- Andre Parisi, Head of Investor Relations
- Angel Santodomingo Martell, Chief Financial Officer, Executive Vice President, Investor Relations Officer & Member of the Board of Executive Officers

Other Participants

- Domingos Falavina
- Jorg Friedemann
- Otavio Tanganelli
- Victor Schabbel

Presentation

Operator

Good morning, and thank you for waiting. Welcome to the Conference Call to discuss Banco Santander Brasil SA's Results. Present here are, Mr.Angel Santodomingo, Executive Vice President, Chief Financial Officer; and Mr.Andre Parisi, Head of Investor Relations. All the participants will be on a listen-only mode during the presentation, after which we will begin the question-and-answer session, when further instructions will be provided. (Operator Instructions)

The live webcast of this call is available at Banco Santander's Investor Relations website at www.santander.com.br/ir, where the presentation is also available for download. We would like to inform that questions received via webcast will have answering priority. (Operator Instructions)

Before proceeding, we wish to clarify that forward-looking statements may be made during the conference call, relating to the business outlook of Banco Santander Brasil's operating and financial projections and targets based on the beliefs and assumptions of the Executive Board as well on information currently available.

Such forward-looking statements are not a guarantee of performance. They involve risks, uncertainties and assumptions as they refer to future events. And hence, depend on circumstances that may or may not occur. Investors must be aware that general economic conditions, industry conditions and other operational factors may affect the future performance of Banco Santander Brasil and may cause actual results to substantially differ from those in the forward-looking statements.

I will now pass the word to Mr.Andre Parisi. Please, Mr.Parisi, you may proceed.

Andre Parisi {BIO 21511610 <GO>}

Good morning, everyone. It's my pleasure to welcome you to Santander Brasil's third Q earnings conference call. Once again, we delivered another set of solid figures, which should be presented with more details by our CFO, Mr.Angel Santodomingo.

So now I turn it over to him. Please, Mr.Angel Santodomingo.

Angel Santodomingo Martell

Thank you, Andre. Good morning, everyone, and thank you also to you for joining us this morning to discuss another set of Santander Brasil results. As you may see in the agenda, I will start kind of making a summary of a strategy and key (Technical Difficulty) followed by a quick look to Santander Group's results, as I always do. And next, I will provide a brief overview of the Brazilian macro outlook, followed by our quarter results highlights, finalizing with the final remarks.

So moving to Slide 5, in our Investor Day, we presented our guidance up to 2022 and I would like to start the presentation compiling our performance, also it's just one quarter to the recently disclosed commitments. Loan portfolio, we are posting an average growth of 10% until 2022 and we ended last quarter, growing over 11%. Here we still have some mix impact, which I will elaborate in the next slides.

Return on equity, our profitability for the nine months ended in September, it stood at 21.2%, again at our target of around 21%. Efficiency ratio, we are currently at 39.3%, improving 50 basis points in one quarter and basically flat of a quarter. We keep focus on delivering a solid revenue expansion and obviously a strict cost control.

And finally, Prospera customers base growth. In our micro finance business, Prospera, we have a goal to achieve 1 million clients by 2022. Currently, we have a customer base of around 460,000 clients with an expected speed that should allow us to achieve the objective. The idea is that I will present to you periodically our performance compared to our guidance during the next years and quarters.

On the next slide, you see what I just mentioned, our profitability remained solid, about 21%, maintaining the same high-level presented in the previous quarter. This comes as a clear result of the proper strategy carried out over the last years, which in a nutshell leans on profitable growth focus and risk modeling excellence, all together coupled with a strict cost control.

As part of the result, we kept increasing our market share on loans. Our NPS remained at good levels. Let me stress, that levels around 60% which are the ones we have been presenting to you during the last quarters are very strong in the banking business worldwide. We generally believe that customer satisfaction will define losers and winners in the future. We are also addressing social challenges through business activities. Fortune Magazine recognized Santander Brasil in the change of the world ranking with the first place in the banking industry worldwide again.

There is evidence that Prospera is particularly making a difference in the areas most affected by poverty. And we truly believe that we have a key role in supporting inclusive profitable growth as a way to generate wealth.

On the Slide 7, you will notice that our customer base, one of the bank's main growth pillars kept increasing strongly in active digital and loyal clients. This is one of the main sources of growth for our bank. We distributed the 3 billion in dividends and interest on capital year-to-date, which compares with 1.8 billion and 1.5 billion in 2018 and 2017 for the same period respectively. So, we are more -- we are doubling compared to 2017.

Finally, according to The Great Place to Work survey, the bank is ranked in fourth -- for sorry for fourth consecutive years among the Best Places to Work in Brazil.

Moving to Santander Group results. I will go quickly here because these are already public data, published by Santander Group this morning. Net profit for the nine months reached EUR6.2 billion. Santander Brasil represented 29% of the Group's earnings, showing the relevance of the Brazilian subsidiary results for the Group.

So, on the macro-side from this quarter on, we have changed the content of this slide and we are now showing Santander Brasil's view on the economy. Instead of the consensus, which has had been the normal slide up to know.

Economic activity has shown a gradual recovery trend with inflation under control. This has allowed the Brazilian Central Bank, not only to resume carrying base rate interest rate but also to indicate possible further reductions ahead.

With regards to Brazil spending issue, the fiscal balance. We have witnessed some concrete progress in the structural reforms agenda. The combination of sound fundamentals, meaning inflation dynamics, monetary policy, and balance of payments, coupled with an intense agenda on structural reforms will pave the way for a better Brazil in the years ahead.

On the next slide, you may see that the net income in the quarter reached BRL3.7 billion, 2% higher than the previous quarter, and almost 20% above first Q 18. Year-to-date, the result is also 20% higher than the same period of last year, and it is for example materially above the result obtained in full year 2017, which was let me remind you BRL9.9 billion. These dynamic has supported -- was supported by a favorable performance on different pillars, including customer base growth, loan portfolio expansion, accurate risk modeling and control costs.

On Slide 14, we present main lines of our quarter results. On the revenue front, a modest expansion when compared to second Q '19 reflecting a stable net interest income and expansion of fees, which I will detail further on. In the nine months, finalized last September, relative to 2018, revenues expanded 6.5%, reflecting a good performance on fees and 4.5% NII growth.

On the expenses side, allowance for loan losses grew at a lower pace than the loan portfolio on both Q-on-Q and year-on-year comparison. So indicating that our asset quality is controlled. And general expenses, posted an above inflation increased reflecting new business launches. I will elaborate on the main concepts in the following slides.

Moving to the next slide, you will see that while the NII grew 5% year-on-year has remained stable Q-on-Q. Main highlights here are, credit NII expanded 2% Q-on-Q, reflecting both volume and spread evolution, while on year-over-year basis, it expanded 9%. Funding NII grew 6.6% Q-on-Q, reflecting a good price control policy. And the others concept is the main reason why total NII has been flat on the quarter. After a strong last quarter, it returned to a more normalized level. Main reason here for this was our prop desk, our proprietary desk, which presented a poor performance in the quarter.

Next, we look into our loan portfolio, it reached 3.32 billion by the end of September, increasing 11% in the year. Main point here is that we are growing in the four segments in at around 4% in the quarter. Also, the corporate portfolio, as you know, tends to be volatile and we can really extrapolate these to future quarters, it is a positive sign.

Individuals segment continued with a good performance, increasing 18% in the year, supported by a positive performance on payroll loans, credit cards and personal loans. Consumer finance maintained a solid trend and grew 17% year-on-year reaping benefits from our full ecosystem in the auto segment. And the SME portfolio kept accelerating and expanded 12% year-on-year, coming as a result of a greater commercial effort and differentiated offer. On the corporate side, I already mentioned that we move strongly in positive territory in the quarter.

On Slide 17, you will notice that funding from customers decreased 3% in the quarter. It reflects our commitment to improve cost, given the fact that we enjoy a comfortable liquidity level. This effort was reflected in the NII from funding that you saw two slides before and reached and went above BRL1 billion. This has been especially intense in the quarter with our time deposits product, as you may see in the slide. So the NII funding, reached a historic maximum as I mentioned of BRL1.05 billion, considering -- even considering the evolution of the Selic, the base rate that we all know.

Moving to fees. Fee revenues is a direct result of customer base and transactionality growth. And in first Q '19 we delivered a 15% year-on-year growth, reflecting a good performance in most of the businesses, with a highlight to current account and insurance, which presented growth rates of above -- of approximately 15%. All items are growing intensively, both in the year and in the quarter, probably with the exception of insurance due to seasonality and cars, which are reflecting the acquiring well-known competition situation.

Moving on to the next slide, we see Santander's asset quality, which generally speaking remains under control. Analyzing the individual assessment, also there was a 20 bps increase in the over 90 days indicator, short-term NPL improved reflecting that asset quality continues to be absolutely controlled.

The Corporate segment remained sound. We reached our best level for the 15 to 90 days and the over 90 days posted another improvement. It comes as a result of a good asset quality on both SMEs and Corporate portfolios. Coverage ratio decreased to 181% impacted by the sale of our renegotiated portfolio. We continue to be comfortable at these levels.

In Slide 20, you can see that loan losses provisions remained a stable in the quarter. These dynamic resulted in an improvement in our cost of credit, plus cost of credit is a stable even improving but a stable at low levels with no comments to add here. The slide speaks for itself. Considering the strong change of mix, we have had during the last year and years. The fact is that we have delivered an improvement in cost of risk in a like-for-like basis.

On the next slide, you -- we see how expenses evolved. We see -- we keep with a strong focus to industrialized and non-industrialized sector. A better efficiency ratio is key to keep profitability at good levels. And also being already leaders here in the country. As you know we have committed to further improvements up to 2022.

Costs grew 1% in the quarter and 4% in the year, decelerating from the figures presented until last quarter and indicating that we are in the right track in this item. Where you see above inflation growth is mainly explained by the investments in new platforms that we have been announcing recently. Personal expenses are showing a minor evolution, reflecting that focus on cost control.

Moving to indicators in the next slide. A slide that show a good evolution in the nine months compared to one year ago. Efficiency is 50 bps better. And as I said basically flat on the quarter. And recurrence ratio is 410 bps higher, surpassing 90% for the first time ever. So it's a historic high and ultra-passing that 90% level. And as I mentioned with return on equity, we are presenting 180 bps of expansion in the year.

Moving to capital and liquidity. We continued to have comfortable numbers. Our funding reached a loan to deposit ratio of 97%. And by the end of September, our base ratio reached 16 -- little bit more than 16%. Being our core equity Tier 1 is stable at 14%. As mentioned before, we distributed 1 billion in dividend interest on capital in the quarter, totaling 3 billion year-to-date as we have been distributing 1 billion per quarter.

Moving to final remarks and to conclude my presentation. I would like to highlight the following. Revenues increased 6%, asset quality is under a strict control and efficiency remains a key strategic pillar for us. These figures and features were fundamental to our 20% net income growth and 21% return on equity, which is a clear indicator that we are on the right track to keep on delivering solid and sustainable results.

I would like to thank you for the attention, and we are now available to answer your questions.

Questions And Answers

Operator

(Question And Answer)

Thank you. We will now start the Q&A session for investors and analysts. (Operator Instructions).

A - Andre Parisi {BIO 21511610 <GO>}

Okay. First question from Marcus (inaudible). What were the main reasons behind the credit spread contraction in 3Q '19, to 9.8% from 10% in 2Q '19? Second question is, can we consider the recent rebound in loan book growth for large corporate's as a trend? Any specific sectors that could highlight?

A - Angel Santodomingo Martell

Sorry, I was on mute. Thank you, Marcos. Well, the spread, asset spread, there are a couple of ideas here. First is that we have been sharing with you mix impacts and mix changes a long time. So this, depending on the quarter, you may have some impacts due to this. In this quarter, which is your second question, we have a stronger growth on the corporate side, and that tends to be sometimes reflected on this.

But the second point is that if you compare against first Q '18, it was 9.7% then, and now it's 9.8%. So we are about or even higher compared to one year ago. If you see the last year, it has been 9.7%, 9.7%, 9.9%, 10%, 9.8%. So we are moving around there. I have already shared with you in the past, I mean, I think that we are moving into Brazil in which spreads are going to be under pressure. We are seeing that in some cases, NIMs from the asset side should tend to be under pressure, we should be able or we should try or we will try to compensate that through our funding side and fees. But in any case, in this case, these are the two reasons.

And again, linked with your second question, the corporate book tends to be a little bit volatile. I would not extrapolate that the 4 -- the over 4% that we are growing in the Q, in the quarter, means that we will be growing close to 20%. This is related to specific operations in which on a QonQ comparison, you have this type of volatility, knowing which you close three or four big operations, and then you have a different performance. I don't think that the behavior in general terms has changed too much. So I would really not, as I said, extrapolate that to the future. But in any case, it's a positive sign that we are active. And when the spreads are sound, we are more than willing to make business.

A - Andre Parisi {BIO 21511610 <GO>}

Next question from Thiago Batista, UBS.

Can you give a bit of more color on the sales of the portfolio? Did the sale generate any kind of results for the bank in the quarter? And second question, can you comment about the performance of Superdigital? Are you seeing a migration from the bank's client to the Superdigital or the new clients are more non-Santander clients?

A - Angel Santodomingo Martell

Okay. Thank you, Thiago. Yes, I mentioned in my speech that the decrease of the coverage ratio to BRL180 million is basically due to the sale of our portfolio. Let me call this a little bit. This is BAU in terms that every year you do have the sale of some portfolios or portfolio. It is not a huge kind of activity in that sense. But from time to time, we do that. It is normally, a totally written off portfolio.

And what we do is we see if it makes sense to sell it to the market or not. In this case, we did. It was a portfolio of around BRL700 million and it generated a result of around BRL200 million. But as I said, I mean, this has happened, I am here six years now, approx. And it has happened continuously during the last six years. It is not an activity that we tend to do every single quarter, not at all. But during the year, I would say, it's quite normal.

On the Superdigital side, we are growing nicely in clients due to two facts. One is the normal offer of Superdigital, both in open market and with the bank. And secondly, linked to other products like the one we launched in the acquiring business, et cetera. So you have a little bit of everything. But we have a strong business plan, both looking at the past and looking forward. And the capacity of bunkerizing specific profiles, not only from the social economic point of view, but also from the pure financial relationship that we have with some clients. For example, I don't know, an example a call center for example, this is the typical prepaid current account in which you can gain payrolls strongly due to this commercial activity. So we have both Santander clients and non-clients. But in general terms, they are more non-Santander clients because, as I said, it's open water or offerings that the bank does for payrolls and other type of clients that we do not have today.

A - Andre Parisi {BIO 21511610 <GO>}

Next question is from Britta Schmidt of Autonomous Research. Credit card transaction volumes seems to have dropped meaningfully in third Q while debt transactions are up. Can you provide more color on the trends here and also touch on the current situation around pricing and acquiring?

A - Angel Santodomingo Martell

Well, in terms of credit cards, we continue to grow nicely. I mean we are growing depending on the month, but we are growing above 400,000 new credit cards per month, depending if 60-40 through digital and physical channels. So the growth of that product still remains in the right direction.

With regards to volumes and transactions, for example, if you look at acquiring the volume that we have been transactioning during the last Q, the percentage compared to the Q of last year, okay, it has improved by, I think, it is 50%. So if you remember last Q, I had some questions of, Okay, how much the transaction volume? What is happening or what is the evolution? Because it was lower compared to the previous quarter. In this quarter, we are strongly increasing that again.

So what is the bottom line of what I'm saying? The bottom line is what I have always said, we have not -- and we shared with you in the Investor Day, we have not focused on market share, we have a focus on profitability here, and we will grow in volumes and in market share, accompanying profitability. And this is exactly what is happening. I remember that we have, by far, much more exposure to retail and to wholesale compared to the market, and that remains a good defense.

In terms of the general market situation, I would say, it continues in the same direction. Depending on the quarter, it's milder or not. But the pressure, in terms of the three sources of revenues, which was expected and has been happening already for some quarters, is still there.

A - Andre Parisi {BIO 21511610 <GO>}

Okay. Next question from Tito Labarta, Goldman Sachs. Do you think fee income can continue to grow in double digits? The next question is, with the slight deterioration in the consumer portfolio, should the cost of risk increase going forward?

A - Angel Santodomingo Martell

The growth in terms of fees, as you know, we gave guidances in different things in the Investor Day. But the growth in fees is directly related to the growth of clients. If you see growth of clients, depending if you are speaking about active or total clients, also digital. But digital, sometimes, it's moving between the different markets of clients. But they are growing, but they are growing in between 10% to 20% plus, depending on the quarter. And that tends to be reflected in fees.

And we think that discussion linked to our loyal clients are probably the main source. These clients can be growing, again, at the same percentages as I mentioned before. So we are positive with fees. I mentioned in the Investor Day that fees tend to have a weight of around just below 30%; 28%, 29% of total revenues. And I do see a space of that percentage as a percentage of total revenues growing. We didn't give any specific guidance with fees, but I do think that it has to be one of the sources of compensation of the NIM in the asset side that I mentioned.

And in terms of cost of risk, I mean, I mentioned before, you have two discussions here. The first one is mix. So if we continue, this quarter is stabilized. But in the future, you will continue to see more growth on retail, specifically in individuals and SMEs compared to corporates, obviously, at some point mix will impact. But the reality, if we look backwards two or three years, is that we have maintained -- we've been between 3% to 3.5%, but okay around 3% of cost of risk with a strong change of mix. So really the underlying cost of risk, like-for-like, which is what I was saying in the speech has improved. So going forward, the mix has an important impact.

And the second argument here, which is something that we all have to have probably in mind, but we are not incorporating in our way or estimations of look in the future is that, Brazil, when compared to similar countries, both around Brazil, with exception of Argentina, or in terms of economic situation, all these countries tend to have the 3% that Brazil has as an average cost of risk. All these countries tend to be with a cost of risk of around 2% or below 2% or 1.5%, 1.8%. You have there 100 basis points of cost of risk, structural cost of risk at the country level that if, and this is an if, Brazil goes in the right direction and it stabilizes, et cetera, I will say that structurally the country should trend in a positive direction. But this is an if, but today, obviously, we, as a bank, we are not incorporated in our numbers for the time being, and we'll have to wait and see if it happens and in what direction it does.

A - Andre Parisi {BIO 21511610 <GO>}

Next question is from Carlos Gomez, HSBC. With an ROE around 21% and loan growth of 11%, is there intention to keep a 50% payout ratio?

A - Angel Santodomingo Martell

Well, the answer is basically, yes. This is the numbers that we have been considering exactly in the direction that you say. The second part of the answer is that we will manage this with the effective growth of risk-weighted assets. That has to be confirmed. We already said that we expect to be above 10% loan growth, looking forward to 2022. So your assessment is correct, Carlos. And the other variable that we have to manage is the level of core equity in Tier 1. We are currently at 14%, probably high. We have shared with you that we see the capital more on the 12.5% to 13%, somewhere around there. But that has also to do with, again, with the variables that you mentioned.

And as you know, we paid the quarterly dividends that I already announced during my speech. But we have, by year-end, the final payment of dividend, which is historically and traditionally larger. So that should kind of adjust a little bit the core equity Tier 1 to levels closer to where we want to be. But again, being the objective that core equity Tier 1, my intention here, our intention here is to adjust tactically the payout. Strategically speaking, I would say that you're right.

A - Andre Parisi {BIO 21511610 <GO>}

Next question is from (inaudible) Wells Fargo. What's your expectation for the Selic rate in 2020 and how it will affect your margins?

A - Angel Santodomingo Martell

Our expectation for short-term rates is that they will go further back with several 50 basis points cut. This is our current scenario that is pictured by our macro research team. And that department is estimating a 4% Selic rate by 2020.

That means a lot of things. Your question is quite open, and I don't want to overdo my answer, but it means a lot of things. It means that, in general terms, we will have adjusted deals to clients. It means that probably, duration tends to be longer. Current duration in Brazil is really low, probably half of what other peers have. You might remember here that we are moving around one year in our case in the books, so it's really, really low. So duration is another discussion.

I will say on the liability side, there is also a strong point here, meaning that we will have other products than the traditional ones that were linked to the Selic. And that was the kind of traditional way of saving here in Brazil, because rates were really high. Probably, as I mentioned in my presentation, further focus on fees instead of, not instead, but additionally to the NII.

And in terms of, if your final question is spreads, I think that we are moving towards accounting in which lower inflation, lower base rates will mean also, as I mentioned, good economic momentum will mean pressure on spreads on the asset side. And that, we will have to compensate. I already mentioned on the revenue side and through efficiency.

And cost, the cost side is going to be structural during the next years, and this is why we gave the guidance we did of cost income ratio of 38% in 2022, because we do believe that on top of the revenue effort, we do have to industrialize our bank further more than we have done on the cost side. We have to implement and go further in the analysis of costs in an industrial way.

A - Andre Parisi {BIO 21511610 <GO>}

Okay. Now we're going to receive your questions from phone calls.

Operator

Excuse me. Our next question comes from the Domingos Falavina with JP Morgan.

Q - Domingos Falavina {BIO 16313407 <GO>}

Thank you for taking my call. Two quick questions. The first one is on the C side. We noticed a very strong like 180% increase in custody. Just curious how much of that is volumes? How much of that is pricing? So what kind of price adjustment did you do on placements and custody in order to understand kind of how sustainable this is?

And the second question is on expense side. Other expenses, there was a very substantial increase in provision for CECL and other contingencies. Just wanted to explain what drove that and how sustainable is that. As well how should we think about those provisions?

A - Angel Santodomingo Martell

Okay. Thank you, Domingos. The first part, this part of the fees or this line of the fees has a little bit of, I wouldn't say seasonality. But if you remember last year, we are comparing with a quarter in which we had the full quarter was elections. And elections meant that the activity, in general terms, in markets were reduced. So we had a poor quarter in terms of activity and fee-related activities in that sense. So the comparison is a little bit positive because we had a poor quarter last year. The breakdown in between custody and other things, the Investor Relations team can give it to you because I don't have it with me here now.

On the others, what we have is that what we do is a yearly revision of probabilities of the different things that we have of different potential legal issues and non-legal issues that we have going forward. And this is done on a yearly basis. Again, you have it on every single year going backwards. So it may be positive, it may be negative. You have this, as you said, on the fiscal and on the civil side, because it has to do with probability with a kind of an opinion that if it varies for the good of other bad, it impacts positively or negatively. So that is the reason I wouldn't really give much more importance to that.

Operator

Our next question comes from Victor Schabbel, Bradesco BBI. Mr.Victor, your line is open.

Q - Victor Schabbel {BIO 17149929 <GO>}

Well, first, one friendly feedback we would kindly welcome, a more clarification on the reclassification carried out during the quarter. So we meet some more details on what have changed compared to the numbers previously stated. So this is one thing.

And the second thing, it's a follow-up on the question of Thiago Batista about the sale of the portfolio. On the renegotiated loan portfolio, one of the reasons for the decline on the coverage to 48.9%, is exactly the sale of the portfolio carried out during the quarter. So in other words, is it right to understand that NPLs would be worse or the allowance for loan losses would be much worse if we were to have this sale of portfolio? So the figures, in terms of certain credit quality indicators, would be worse weren't for this sale. So just to clarify that.

A - Angel Santodomingo Martell

Okay. Thank you, Victor. On the reclassification side, it has to do with really presenting kind of the right concepts in the right lines. We used to have, in other income, the expense of the variation of the currency in the subordinated debt. Sorry to say a long word, but that is exactly. So what we found was that, that had to do much more with NII than with other. So we put it in NII.

In fact, the NII that you have seen today, we have been, in absolute terms, okay, the number, would have been much more positive if we wouldn't have done that. But first, we want to be transparent. Second, we want to be conservative. So we would have shown a strong increase in NII, which we didn't because we thought that the right place to have these expenses were what I said to you.

In terms of the sale of the portfolio, well, as I said, you have this on an annually basis. Obviously, the portfolio was 100% provisioned. Obviously also, you obtain an income when you sell these type of portfolios. The coverage, I already mentioned. And the impact that you have on the annual basis tends to be absolutely stable.

So in terms of comparison, which is what I understand your question, you have the same impacts in the last year, in the year before, et cetera. So cost of risk is absolutely comparable with previous years. So I don't see an issue there, okay? And again, this is not a big business. This quarter has its impact, but if you take it on an annual basis, it's, by far, non-significant or marginal.

Operator

Our next question comes from Otavio Tanganelli with Credit Suisse.

Q - Otavio Tanganelli {BIO 20615779 <GO>}

Hi. Good morning, everyone. I have just one question. I think you already mentioned earlier briefly during the presentation, but looking at the provisioning expenses, cost of risk on an overall basis has declined. I just want to make sure if this is sustainable. So I think that you have been seeing an actual decline on a cost of risk on a line-by-line basis. And is this the level that we are supposed to be working on going forward?

A - Angel Santodomingo Martell

Thank you, Otavio. Yes, I did mention something around cost of risk. What I would say is that we do not see kind of worrying indicators or leading indicators by segment. So I do not see that this would go into a process or a trend that could affect strongly in a negative way.

I have always underlined to you that the mix impact is there, which means that if, let me think, two years' time from now. If we continue to grow, I don't know, 20% retail and 0% corporate, at some time, that has to have its reflect on the total cost of risk. By segment, this is not the case. I also mentioned in the Investor Day that I expect or we expect those gaps of growth in between retail and corporate to close. I don't know if totally closed, but to close a little bit the gap.

So the mix effect looking forward should be milder. But this is a pure expectation as we speak today, because we do not know how the economy, the strength of credit demand, the need of investments, the available capacity that is still there, et cetera, how they are going to perform. And then you have the other part of the discussion, which I mentioned, which is the structural one for the country in terms of potential improvement of the cost of risk.

But answering your question, we see it in a way in which it is not deteriorating. So flattish numbers unless we see a structural variations is what we should expect. And on top of that, do not forget the mix effect, which during the last two, three years, you haven't seen it. But it may happen if this continues in the same direction. And at some point, we continue to have a balance sheet that is, by far, much more exposed to segments that, by definition, not because they are not improving, but by definition, have more cost of risk compared to others.

Q - Otavio Tanganelli {BIO 20615779 <GO>}

Very clear. Thank you.

Operator

Our next question comes from Jorg Friedemann, Citibank.

Q - Jorg Friedemann {BIO 15405752 <GO>}

Thank you, for taking my questions. I have two questions. The first one related to Getnet. We saw that the quarterly volume growth was very strong. Just wondering if this 11% increase in transactions were due to market share gains, mix changes or any particular growth of the market that we might have missed? This is the first question.

And the second question, sorry for coming back to that point of the restructured portfolio. I know that this is not a big deal, but just really to have final clarifications on my side. Was this really written off? Because in case it was, I understand that I know provisions would have already been out of the book. So in case it was only restructured and is still in the book, my question would be, if it was or not fully covered, because I noticed that the drop in terms of reserves in the quarter was approximately BRL1 billion. So given how sizeable it was, so was it a great part of it coming from this BRL 700 million portfolio?

And finally, if the BRL 200 million positive impact that you recognized in this long, that was booked in NII or other operating income?

A - Angel Santodomingo Martell

Okay. Answering the last question, which is a quick one, so I don't repeat myself. It was 100% provisioned. So it has nothing to do with if it was underprovisioned, et cetera. So nothing to do with that in terms of coverage or in terms of what type of written-off portfolio.

In terms of Getnet, what we have there is, as you said, an increase of volume. You have several things there. You have, I mean, we launched the plus 2% debit offer. We launched the SuperGet, which is the small POS for the microentrepreneur. And obviously, we have been launching different new tools around Getnet, around the e-commerce, I have said with you these strategic views during the last quarters. So, again, we don't follow growth volume, that's not an objective. Last quarter, I was saying to you is actually the same words when you were asking me the contrary question. Why is it going down? We follow pure profitability.

So you will see not only in this quarter and in previous one, but also in future ones, that I will explain to you the same idea around very good performance, as we had in this quarter, or lower performances because volume was not as attractive. That part of the volume that was not attractive is normally more viewed to or more linked to the wholesale part of the business. But obviously you speak of big accounts. And if you either don't take them, because we think it is not profitable or we don't like the profitability of the account, or we lose them, then you have these big impacts, which undermine the underlying trend of the pure business more linked to retail and to mid-sized companies.

Operator

Thank you. The Q&A session is over, and I wish to hand over to Mr.Angel Santodomingo for his closing remarks.

A - Angel Santodomingo Martell

Thank you, all for being there. Looking forward for next quarters. And any additional questions, you may direct them to us into the Investor Relations department. Thank you so much.

Operator

Banco Santander Brasil's conference call has come to an end. We thank you for your participation. Have a nice day.