



BANCO DO BRASIL

3Q2021

EARNINGS

CONFERENCE CALL

OPERATOR - Good morning, ladies and gentlemen. Welcome to Banco do Brasil's 3Q2021 earnings conference call. We would like to inform you that this conference call is being recorded. With us today we have Ricardo Forni, CFO, and Daniel Maria, head of investor relations. BB's CFO Fausto Ribeiro will not be able to join us today but he left a message for this conference call opening. The Q&A session will begin right after the presentation when further instructions will be given. Now, we will begin the presentation.

FAUSTO RIBEIRO – Good morning, everyone. It's a pleasure to be with you today to discuss the 3Q2021 results. When I became CEO of Banco do Brasil I set 10 structure initiatives in line with the strategic planning. These 10 initiatives are summarized in three pillars: proximity, digital in practice and profitability, that enabled the main deliveries of the last 9 months.

When I talk about proximity, I'm talking about being always available with specialized relationship that understands the customer moments of life, their needs and their preference. We offer specialized services to micro and small companies which can count on 7000 dedicated professionals. I also would like to highlight our services for rural producers, both in retail and wholesale. And, finally, our Private offices which provide highly qualified advice. We made robust investments in analytics that allowed us to extend managed service to more than 7 million people escalating the service with efficiency. With the best customer knowledge technologies we personalize experiences. An example of this is our Advisor robot which recommends investments considering our customers goals. At Banco do Brasil customers can be served throughout



Brazil, digitally or in one of the physical points of contact. We are changing our service structure to lighter and more efficient models, increasing the number of banking correspondents. Banco do Brasil has nearly 22 million active customers in digital channels. Our app has a qualified audience with a daily peak of almost 9 million people. This is our biggest showcase. Digitally the customer can renegotiate that through WhatsApp and also preapprove loans. Through our channels platform we offer a fully credit cycle, if the customer wants it's possible to start a loan operation on a particular channel, such as a cell phone and end it in another one, such as a branch, in an Omnichannel view. The purchase of credit follows the customer desire in a fluid and a safe manner. All of this results in a full experience in channels ensuring the best convenience for our customers. We see continuous and consistent growth in the satisfaction of our customers with an annual increase of 8.0 points in our general NPS. Every interaction carried out by our employees is followed by a service evaluation. In September, we obtained 4.8 rate in individuals service and 4.86 rate in company service, on a scale between 1 and 5. Our app ranks among the highest rated in the financial industry, that's what we pursue everyday. Our customer satisfaction through a close, personalized and increasingly digital experience. For us, being digital in practice means advancing everyday, bringing benefits and improving customer loyalty. At Loja BB, our store in our app, we centralize in one place non-financial solutions such as gift cards, recharge pre-paid phones and the benefits and promotions of Vantagens Banco do Brasil program. We are launching a new business model and affiliated Marketplace which generates cashbacks for customers and fee for Banco do Brasil diversifying our revenue sources and for the launch we made an agreement with Amazon do Brasil that is available to our customers. Soon we will bring new brands, adding ever more value to our customers making Banco do Brasil more relevant and present in their lives.

Still on business diversification, I would like to highlight *Broto*, our agribusiness virtual platform built together with *BB Seguros*. The platform reached R\$1.0 billion in views since its launch. MPE Week, a digital initiative



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that put virtually together SME sellers and buyers was a successful solution. Other initiatives that are part of the constant improvement of solutions for our customers are the *Clube de Benefícios*, with rewards on products and services, and the *Ponto Pra Você* program, with cashback in the account.

Now I would like to talk about sustainability. This is the reason why I'm here in Glasgow in the next few days participating in panels and debates at the United Nations Conference of Climate Change. In last September, our sustainable business portfolio surpassed R\$ 282.0 billion, growth of 18.9% in 12 months. Banco do Brasil is working to engage clients to invest in sustainable assets offering a portfolio that combines profitability, corporate governance and social and environmental responsibility. As an example, the recently launched LCA Verde reached R\$ 158.4 million. As a result of our position in the ESG agenda, we are ranked as the most sustainable bank in the world by Global 100 and recently we were elected as the most sustainable bank in South America by CFI Magazine. The convergence of proximity, digital in practice and profitability guidelines are reflected in our performance over 9 months of 2021.

For the 3rd consecutive quarter Banco do Brasil posted record results. Adjusted net income reached the highest level in the historical series, R\$ 15.0 billion in this year and annual growth of 48.0%. We also show growth in credit with a portfolio exceeding R\$ 814.0 billion and NPL reduced to 1.82% in September, below the financial industry. Our CET1 reached 13.17% organically. To end my speech I would like to reinforce our commitment to profitability and to the construction of increasingly and sustainable results.

Now, I will hand the floor to our CFO Ricardo Forni who will detail our results with you. Thank you very much.

RICARDO FORNI – Good morning everyone. I will start the presentation on slide 10. The adjusted net income grew 47.6% compared to the 3Q20 and 2.0% compared to the 2Q21, reaching R\$ 5.1 billion in the 3Q, with an ROE of 14.3%. Compared to the 2Q21, the result was driven by the positive performances both in the NII and fee income and the solid cost control, partially offset by the 36.7%



increase in the allowance for loan losses in the expanded view. The 9 months accumulated net income was R\$ 15.1 billion, an increase of 48.1% compared to the same period of the previous year, driven by the reduction in the allowance for loan losses. Throughout 2020, we constituted preemptive credit provisions to strength our balance sheet in face of potential impact from the pandemic. Likewise, the good performance on the income side and the control in administrative expenses driven the result on the 9 months accumulated and the ROE ended at 15.0%.

On slide 11, we show the net interest income breakdown with growth of 11.9% compared to the 3Q20 and 9.0% in the quarter. In the accumulated 9-month view, NII grew 5.3%, totaling R\$ 44.6 billion. The income from loans increased driven by the credit growth of a better mix. Also, the positive performance on treasury helped the NII. This movements more than compensated the growth in the funding expenses due to higher SELIC rate in the period.

On slide 12 we have the loan portfolio in the expanded view, which grew 11.4% year on year and 6.2% compared to June 21, totaling R\$ 814.2 billion, mainly on individuals and agribusiness portfolio. The individuals portfolio grew 5.7% compared to June 21 and 14.2% compared to September 20. Highlight for the positive performance on payroll loans, consumer finance and credit cards as a result of our strategy of changing the mix. The agribusiness portfolio grew 9.7% compared to June 21. Agribusiness securities also had a positive performance. The SME segment, which includes companies with annual revenues of up to R\$ 200.0 million, grew 10.0% in the quarterly comparison influenced by disbursements in Pronamp. The corporate and government portfolio grew 1.1%, year on year, and 2.0% quarter on quarter. We highlight the growth of transactions with companies with annual revenues between R\$ 200.0 and R\$ 800.0 million, contributing positively to the portfolio mix.

On the next slide, we have the agribusiness portfolio breakdown. We reached the historic mark of R\$ 225.8 billion, 18.5% up from September last



year. Besides the traditional loans, I would like to highlight the 483.0% increase in the agribusiness loan right certificates, commonly referred as CDCAs, that constitutes a new form of agribusiness funding. In addition to the high demand, the strong performance is driven by Banco do Brasil historical protagonism in the segment with specialized services, dedicated professionals, technical knowledge and national capillarity. In addition, we started from robust strategy to strengthen our presence in the agribusiness with actions that improved businesses, bring modernity and technology to the relationship with the entire agribusiness chain. As a result, we had another record of disbursements in the 2021-2022 harvest plan, with a growth of 6.0% compared to the same period of the previous harvest, with operations in 4715 Brazilian municipalities.

On slide 14, we bring the highlights of the companies portfolio, which grew 4.3% compared to last June. As I mentioned, the highlight in the period was the growth of the SME's portfolio favored by disbursements of R\$ 8.1 billion in the Pronamp lines only in the last quarter. We are investing in an important strategy called *Elos Produtivos*, which brings a closer relationship with the supply chain of wholesale, agribusiness and government companies. In the 9M2021 we disbursed R\$ 15.4 billion in credits to micro, small and medium-sized companies under this movement that integrates BB's service network.

On slide 15 we see the schedule for the resumption of payments for the operations of the forbearance portfolio. Payments are being made according to plan as shown both by the reduction in the balance of this portfolio and the reduction in the balance in grace period, which totaled R\$ 3.6 billion in September 21. From the amount in grace period, half are expected to resume payments in the 4Q21 as shown in the graph on the right-hand side. The NPL over 90 days of the forbearance portfolio increased in relation to the previous quarter as expected and remains under control at 2.29%.

On slide 16 we show the evolution of the allowance for loan losses in the expanded view, which ended the quarter at R\$ 3.9 billion, a reduction of 28.8% compared to the 3Q20 and an increase of 36.7% compared to the 2Q21. The



increase in the quarter is mainly due to the higher credit provisions in line with the loan portfolio growth. The good performance of the recovery of write-offs also helped the allowance for loan losses. In the 9M accumulated, the allowance for loan losses in the expanded view totaled R\$ 9.3 billion, a reduction of 44.4% compared to 9M20, due to preemptive provisions made throughout 2020 in the amount of R\$ 8.1 billion. The cost of credit ended the 3Q21 at 2.8%.

On slide 17 we have the credit quality, which proved to be resilient. The NPL over 90 days showed a reduction in relation to June 21 reaching 1.82% in September 21. The portfolio coverage ratio ended the quarter at 323.3%, a slight reduction compared to June 21. The new NPL on the portfolio reached 0.69% and the coverage of the new NPL reached 113.4%.

On the next slide we present the fee income and the administrative expenses dynamics. Fee income reached R\$ 7.4 billion in the quarter, an increase of 2.2% compared to the 3Q20 and 3.2% in the quarterly comparison. The growth was mainly driven by the positive annual performance in the lines of insurance, pension plans and premium bonds, consortium and asset management. In the 9M21 fee income grew 1.0%, converging to the guidance. Administrative expenses remain under strict control, almost flat in the annual comparison, totaling R\$ 7.9 billion. Even considering the salary readjustment of 10.97% as of September 21, administrative expenses grew only 0.7% in the quarter. The cost-to-income ratio accumulated in 12 months ended the period at 35.9%.

On slide 19 we show BB's BIS ratio highlighting the Common Equity Tier 1 which ended September at 13.17%.

Finally, on slide 20 we bring the performance regarding the guidance. BB reviewed its corporate projections to better represent management's expectations. The range for the loan portfolio was changed upwards to 14.0-16.0%. This reflects the good performance on the retail lines and also the good perspective for the agribusiness sector. Those segments also had the estimates changed upwards. The wholesale portfolio which considers corporates with



annual revenues greater than R\$ 200.0 million was impacted by early redemptions and higher demand for alternatives in the capital markets, which drove the revision of this line downwards. For the NII, the performance above expectations both in the loan portfolio and in the treasury led to an increase in the growth range to 4.0-6.0%. Estimates for fee income, administrative expenses and allowance for loan losses were maintained. Finally, adjusted net income was revised upwards to reflect changes in all other lines.

With that, I conclude the presentation of the result of the 3Q2021 of Banco do Brasil. We can now begin the Q&A session.

OPERATOR – Thank you. We will now begin the Q&A session. Questions can be asked via audio by clicking the icon “raise hand”. When announced, activate your microphone. By phone, dial *9, when announced, dial *6.

Our first question comes from Mr. Jason Molin, from Scotia Bank. Please, you may proceed.

JASON MOLIN – Hello, everyone, *bom dia a todos*. I was wondering if we could get an update on Banco do Brasil’s strategy to sell non-core businesses and an update on potential JVs in certain businesses and also perhaps now that you’ve reached the 1-year mark on your JV in investment banking, if you could provide some color on how that is going, since that you’ve done, according to the release, a lot of transactions. Thank you.

RICARDO FORNI – OK, thanks Jason for the question. So, let’s start on the divestments that we are working on. I believe that we delivered the first divestment in this quarter, it’s subject to approval by the Central Bank and the competition authority in Brazil, we sold half of the bank called Digio that we have in partnership with Bradesco and this was originally an incumbent bank, or a bank for a financing that was, let’s say, during the last years invested to be a digital bank but for us it’s not a synergy in our digital strategy, the road to be digital it will require a lot of investments and we decided to sell. And Bradesco, as our partner over there had a preference, so they bought this equity from us and we are just waiting for approval from the Central Bank and the competition



authority to finalize the transaction. So, this is first one that we are on, trying to keep with the core. In terms of other ones, I believe the market always talk about Cielo. We are not interested in sell Cielo, we are working together with our partners over there because we believe it's a core business. We have BBDTV as well, not on divestment but on partnership discussion. We are still studying. We don't have any new or evolution in terms of discussion. We still looking forward for a partner that can improve our competences and move forward. BBDTV is a leader in the Brazilian market, so this is something that we are looking forward for a joint venture that could keep our position as a leader in the asset management market. We have also sometimes discussion about Banco Votorantim. Banco Votorantim is a very good bank. They are delivering results, we are working together with our partners over there. We worked in a potential IPO in the beginning of this year that the market was not, let's say, welcoming in terms of price at that time. Together with our partners we decided to hold and stay on the partnership and work together. So we are looking forward in the future for an exit with a good price for our stake. And Banco Patagonia, I think it's another one that is in the potential list of divestments, but the markets in Argentina are not very liquid or welcoming for a transaction. So we are holding and waiting how the market evolves. Meanwhile Banco Patagonia is a very good in profitable asset, so it's not against us holding the position because the asset is profitable.

JASON MOLIN – Update on UBS.

RICARDO FORNI – Update on UBS: we've just made a 1-year of the joint venture working. We are performing better than we expected considering the pandemic scenario. We have a very good transactions, we are working, the fixed income in Brazil is going well and the competence of a global player like UBS, and the local leader like Banco do Brasil, are working well on this equity. We are working well as well but let's say the market is a bit more sensitive for equity transactions and we are advancing our competencies in the merges and acquisitions. This is something that has a longer term for this pipeline to come up. But we are very happy with the joint venture with UBS.



JASON MOLIN – Very helpful. Maybe just in a separate way, if you could just comment on the competitive environment, perhaps from newer entrants on digital banks. We've seen the price range for new bank in mid-point I think it's over three times the market cap of Banco do Brasil. How do you think that's impacting your business or are you seeing that on a day-to-day business, where do you think that disadvantage in evaluation is from?

RICARDO FORNI – I believe that Banco do Brasil as an incumbent bank, we are working hard on our digital strategy and I believe that, during the presentation, I believe that the material that our CEO presented about what we are doing in terms of delivering and developing new business models, and we have the Marketplaces, we have this in the agribusiness, we have the gift cards and now a Marketplace in partnership with Amazon that it's just starting. Keeping our app as the best, or one of the best, in the Brazilian financial system is something that we are working hard and we are trying to accelerate our digital initiatives. We have been very active in the open banking initiative in Brazil right now together, supporting the Central Bank initiatives as Pix and the Open Banking. So, the digital banks are a niche player and I believe that we have, we are building and delivering digital proposition for our clients. So that's what we are working mainly and that's why, for example, Digio was not something that would be seen a synergy for our business plan.

DANIEL MARIA – Just to add some numbers on what Forni said, I think that is quite important related to our strategy. First of all, we have a high number of people using our app. We have a good flow inside the organization. More than 22 people using at least once a month.

RICARDO FORNI – 22 million.

DANIEL MARIA – 22 million people using once a month and we have, on average, 6.7 million people using every day, including we had a peak more than 8 million people in one day. This actually shows the value that the Bank has as a platform not only to generate business in the banking business but also to generate other flow for non-banking business. For that reason, it's important to



see the developments that we have in terms of platform, for instance *Broto*, that's certainly we are escalating this to monetize. You see also the movement that we are doing in the gift cards and now bringing to this marketplace with Amazon.com.br, and certainly this is a new way of generating, to monetize the customer base. This is a good representation of the digital strategy for the Bank. Certainly, since you have a large market there are more eyes looking at the market, but we have the instruments to compete, doesn't matter who is in the market.

JASON MOLIN – Thank you very much for your comments. I appreciated it.

OPERATOR – Remembering that to ask questions, just click on the icon “Raise hand”. When announced, activate your microphone. By phone, dial *9, and when announced, dial *6.

Thank you. As there are no questions, I would like to turn the floor over to Mr. Ricardo Forni for his closing remarks. Please, go ahead sir.

RICARDO FORNI – OK. So, thanks for everyone who is attending this conference. I believe that we are very happy to deliver very good results that is consistent with our trajectory and the work with our employees to deliver a good result and I believe that we are working not only towards to keep the profitability going up and closing the gap with our peers, but working on the efficiency agenda and working on the new business models and digital transformation that is very important and it's our strategy that as our CEO said before that he set in the beginning of his administration this 10 lines of work that we are trying to deliver. I believe we are very happy with what we reached so far and we are working hard on the end of the 4Q to deliver the complete 2021 results in good sound and prepare the floor for next year, that will be a challenging year in terms of the market scenario, and the competition as well, but we are confident that we have all the conditions to keep improving and delivering profitability, evolving the efficiency agenda and most important of all to say, enchant our clients. So I believe that everything we do at Banco do Brasil is to deliver and to take care of our clients. Thank you for the attendance today.



OPERATOR - That does conclude Banco do Brasil's conference call for today. As a reminder, the material used in this conference call is available on Banco do Brasil's investor relations website. Thank you very much for your participation and have a nice day. You may disconnect now.