



### International Conference Call

#### Banco do Brasil

#### 4<sup>th</sup> Quarter 2021 Earnings Results

February 15, 2022

#### Operator

Good morning, ladies and gentlemen. Welcome to Banco do Brasil 4<sup>th</sup> Quarter 2021 Earnings Conference Call.

This conference call is being recorded and broadcasted live via webcast through Banco do Brasil website at [www.bb.com.br/ir](http://www.bb.com.br/ir). The replay of the conference call will be available through the phone number +55 (11) 3193-1012, until March 15<sup>th</sup>, 2022.

With us today we have:

- Fausto Ribeiro, CEO;
- Ricardo Forni, CFO;
- Daniel Maria, Finance and Investor Relations Officer; and
- Janaína Storti, Head of Investor Relations

First, Mr. Fausto Ribeiro will make the opening remarks, followed by Mr. Ricardo Forni considerations. After that we will open for the Q&A session.

Mr. Fausto Ribeiro, you may now begin.

#### Mr. Fausto Ribeiro – CEO

Good morning everyone. It is a pleasure to be with you to talk about our results in 2021, and our perspectives for 2022. Last April I started as a CEO of Banco do Brasil and established 10 structuring initiatives, in line with our strategic planning. Our results were driven by these initiatives that we summarized into three foundations: profitability, proximity and digital in practice. This strategy put us on the right path to deliver record results quarter by quarter in 2021.

Our adjusted net income grew 51.4% in one year, reaching R\$ 21 billion. This result comes mainly from a robust generation of business, both in credit and services, from the administrative expenses control through the implementation of a series of efficiency measures and the from the reduction of 40.2% in provision expenses, in line with the risk profile of our portfolio. And for this year we will continue delivering outstanding results, as our guidance shows.

Credit is the most important component of our results and was another record this quarter, reaching almost R\$ 875 billion, an increase of 17.8% in one year



growing in our portfolios. Our NPL about 90 days ended this year at 1.75%, below the banking industry average, while the coverage ratio remained above 300%.

At the end of the last year we went through renegotiation campaigns that benefited more than 285,000 customers, involving a total renegotiated amount of R\$ 4.8 billion. For this year we see the loan portfolio growing between 8% and 12%, with a better mix supporting an increase in NII above of the portfolio.

We are leaders in several markets, and we are improving our performance on that, too. For example, our agribusiness portfolio reached a record balance of R\$ 248 billion. In rural loans we grew by 34.3%.

And we keep innovating. We launched another stage of 'Circuito de Negócios Agro.' There will be three trailers adapted to operate as mobile branches, visiting more than 600 cities and benefiting almost 5000 rural producers.

Our payroll loans reached R\$ 106.8 billion, an annual growth of 14.2%, which gives us 20.8% of market share.

Another important segment we lead is the business with SMEs. In 2021 R\$ 7.4 billion were disbursed, benefiting 349,000 companies. We are committed to support customer international operations, providing specialized advisory in foreign trade. As a result we reached a balance of R\$ 17.6 billion in export exchange contracts.

At Banco do Brasil the customer is served throughout the country with the convenience of our physical presence and the security of our digital platform. In this last year we expanded our presence in Brazilian cities reaching 96.8% in December. This was possible because we advanced in the migration of our services structures to lighter and more efficient models, such as banking correspondence. As we invest in digital channels and wider services structures we reduced transactional costs, bringing more efficiency. This is a permanent movement that will keep evolving this year.

We are increasingly investing in service specialization. Last year we started a movement that allowed us to have 7 million individual customers served by a manager, and we are expending this model the other segments. With that we improve customers experience and create more business opportunities.

We have more than 7000 employees dedicated to SMEs. We also expanded the specialized relationship with rural producers, large companies and the public entities. When we are close to our customers, we provide a complete in resolute service experience, which results in high level of satisfaction. We ended 2021 with an annual increase of 8.5 points in NPS.

With the customer centricity mindset we are investing to improve our employees' skills for an excellent service, and also for the digital transformation.



Recently we were recognized for the ninth consecutive time as Top Employer, and international certification that demonstrates our care for people.

In 2021 Banco do Brasil held the biggest public contest in the history of Brazil with 1.6 million applications, which assures we will hire the best talents, renewing our workforce.

Sustainability is present in our strategy, management and business for over 30 years. Our sustainable business loan portfolio reached R\$ 291.4 billion in 2021. It represents about a third of our entire portfolio and is also the largest portfolio with these characteristics in Brazil. It also counts on a third-party opinion.

I would like to highlight the issue of our first Social Bond in January in an amount of U\$ 500 million. It is important to highlight that as a result of our actions we were once again recognized as the most sustainable bank in the world in the Global 100 Ranking by Corporate Knights.

In 2021 we started the first steps on the new business models and solutions that are important drivers to our digital transformation. We launched the Loja BB, our marketplace in our mobile app, which was a success in selling products. We also structured and initiated investments in startups.

We took a big step towards modernizing our IT architecture, advancing the use of public and private cloud as a software building platform. Moving forward we will accelerate and escalate those models, and also will bring us new solutions.

To start we relaunched for innovation and technology labs in different segments to explore, test and develop ideas that generate new business, improving customer experience and bringing more efficiency. Our mobile app is a major hub for financial and nonfinancial solutions. We expanded our operation as a platform with the launch of our marketplace affiliated program at Loja BB in the app. The first brand was Amazon Brasil, and we will bring new partners soon. With that we will cover more customer needs, enrich our data lake on their behaviors and tastes and we will generate more revenues for the bank.

Since December 2020 we sold more than 1.5 million gift cards through our app, bringing more recurrency on its usage, especially by the young audience.

Also noteworthy is the Broto agribusiness digital platform, our first initiative as a digital ecosystem. It continues to expand strongly, having since its launch more than 1.3 billion BRL in businesses originated. In 2022 we intend to advance in the strategy of bank as a platform with new initiatives.

We hold a strategic program focused on investing in initiatives startups. It has a budget of R\$ 200 million and we already invested in 29 startups throughout 2021.

I would like to highlight our partnership with the agri-tech startup Field Pro, which a national device that collects information on climate, harvest and soil.



With that the device warns the best moment to sow, spray and crop, increasing the productivity of the men in the field.

Connected to all trends, BB is on to attract and serve the young public, which is hyper digital and seeks agile, simple solutions at their fingertips. In 2021 we reinforced its position as a great partner for young people, surpassing the mark of 1 million University customers, and expansion of around 70%.

Another gateway for the young audience is through games. BB started supporting the electronic games segment in 2018 and since then has been sponsoring eSports events; and also Banco do Brasil is in the Metaverse with real world actions where the players can open accounts and receive benefits for their character and can also invest in different funds.

With everything I have presented to you so far I am sure we are in the best moment of our company. We selected the best employees; increased business with a better mix; we prepared the bank to advance in new digital models and we improved customer satisfaction with a complete and omnichannel platform.

In 2022 we will follow our customer centered strategy committed to offering the best experience. We will advance in our digital strategy with a greater performance in digital ecosystems. We will continue in our commitment to bring efficiency, optimizing our capillarity with the expansion of lighter models, while maintaining our presence in the country.

Sustainability will continue to guide our practice and decisions, allowing us to create value and positive social and environmental impacts for all stakeholders.

Finally, I reinforce my commitment to deliver increasingly and sustainable results.

Now I hand over the floor to our CFO Mr. Ricardo Forni, who will detail the main numbers of our results.

### **Mr. Ricardo Forni – CFO**

Good morning everyone. It is a pleasure to be with you for another earnings conference call. As mentioned by our CEO, we have the pleasure of announcing another record in profits. Our adjusted net income grew by 51.4% in 2021 ending the year at R\$ 21 billion, in the high-end of the guidance.

This result was supported by the strong increase in the loan portfolio, which reached R\$ 875 billion, with growth in all segments.

Net interest income and fee income grew 4.5% and 2.2% respectively. Administrative expenses remained under strict control with an increase of 1.4%, below the inflation for the period. NPL over 90 days came at 1.75%, below the



financial system's average. As a result we ended the year with a cost/income ratio of 35.6% and an CET 1 of 11.9%.

Moving on to the next slide we show the adjusted net income that reached R\$ 5.9 billion in 4Q 21, growth of more than 15% compared to the previous quarter reaching a return on equity of 16.6% in the quarter.

In slide 17 the loan portfolio expanded view reached R\$ 875 billion in December 21, an increase of 7.4% compared to September 21 and 17.8% in the year, with growth in all segments as mentioned.

The individuals' portfolio grew by 4.5% compared to September 21. Highlight for the positive performance of credit cards and consumer finance with an increase of 20.4% and 6.4% respectively. The behavior of non-payroll lines reflects the strategy of changing mix to lines with a better risk adjusted return.

In the companies' portfolio we saw a 2% growth in SMEs. It is important to note that in 3Q we had disbursements of more than R\$ 8 billion in Pronamp lines.

At the same time the corporate loan portfolio increased by 13.4% mainly driven by anticipated demand from companies throughout December 21. Highlight for the 32% growth in private securities and 30.7% in receivables.

The agribusiness portfolio grew by 9.9% compared to September 21, with emphasis on loans with rural producers in agribusiness securities.

On slide 18 we see the schedule for the resumption of payment for the operations of the forbearance portfolio. Payments are being made according to schedule as shown by the reduction in both the balance of the portfolio and the balance under the grace period. This portfolio is comprised by transactions whose payment schedule were subject to some sort of extension within the scope of measures taken in the financial system to face the effects of the pandemic in 2020. The NPL over 90 days of this portfolio remains totally under control at 2.05%.

Looking at the portfolio quality the NPL over 90 days decreased as compared to September reaching 1.75% in December, below the financial system despite the leverage of the individuals' portfolio towards riskier lines. The portfolio coverage ratio ended the quarter at 325%. The New NPL on the portfolio reached 0.63% and the coverage of the New NPL reached 111.9%.

Here we show the evolution of provisions expenses in the expanded view, which ended the quarter at R\$ 3.8 billion, a 3.4% reduction compared to 3Q. In the year provision expenses ended at R\$ 13 billion, a decrease of 40.2% compared to 2020, when we made R\$ 8.1 billion in preemptive provisions. The cost of credit ended 4Q 21 at 2.5%.

On the next slide we break down the net interest income that grew 4.9% in 2021 totaling R\$ 59.3 billion. This is explained by the increase in loans operations



income, which were influenced by the growth of the portfolio and also the positive performance of the treasury.

In the quarterly comparison NII reduced 5.4%, where the main impact came from the increase in funding expenses due to a higher Selic rate, a movement that was already expected. It is important to mention that we estimate funding expenses to have a different behavior from that observed in 2021 given the less volatile Selic rate throughout the year. At the same time income from loan operations and treasury will continue to perform positively, contributing to a healthy NII growth.

The net interest margin reached 3.5%, mainly reflecting a 5.4% reduction in NII in addition to the slight increase in the average balance of earning assets of 1.3%.

Managerial spread remained stable in the quarter with agribusiness portfolio showing a slight positive oscillation.

In the next slide fee income totaled R\$ 7.8 billion in the quarter, growth of 5.2% in the quarterly comparison. In the year fee income reached R\$ 29.3 billion, an increase of 2.2% when compared to 2020, above our guidance mainly influenced by the commercial performance in the asset management, insurance and consortium, which more than offset the reduction in checking account fees.

Administrative expenses remained within the range of 2021 guidance, reinforcing our commitment to cost control.

In 4Q21 administrative expenses totaled R\$ 8.5 billion, an increase of 7.6% over the previous quarter. This increase was driven by the 11.7% growth in other administrative expenses, mainly with outsourced services and surveillance, security and transportation services, which are seasonally higher at the end of the year; and by the 5.2% increase in personnel expenses due to the salary increase of bank employees.

The cost/income ratio ended the year at 35.6%.

On slide 23 we bring the CET1, which ended December at 11.94%. The reduction is mostly explained by the increase of 89 bps in risk weighted assets, in line with the performance of the loan portfolio.

On slide 24 we present the 2021 performance against the guidance. In the retail portfolio the performance was driven by consumer finance, credit card, payroll loans and SMEs; in wholesale the performance was influenced by the anticipation of the demand for credit from companies, with emphasis on private securities.

In the rural portfolio growth was driven by greater demand from the sector and by BB's leading role in specialization serving the entire agribusiness chain.





Fee income increased above guidance, influenced by good commercial performance of insurance, consortium and asset management throughout the year.

NII and administrative expenses performed as expected, while provision expenses came in the low end of the range.

All these movements resulted in adjusted net income at the high-end of the guidance.

On slide 25 we present the guidance for 2022. In this new cycle we bring the credit portfolio guidance divided into individuals, companies and agribusiness. In our opinion this vision not only provides a better link with the current information in our materials, but also allows a more direct and intuitive reading of the segments' performances.

We estimate loan portfolio growth between 8% and 12%, of which 10% to 14% for individuals; 3% to 7% for companies and 10% to 14% for agribusiness.

The NII is expected to grow between 11% and 15%; fee income is expected to grow between 4% to 8%; and administrative expenses between 4% and 8% as well.

We foresee that the credit provision in the expanded view should remain in the range between R\$ 13 and R\$ 16 billion; thereby we expect to reach between R\$ 23 and R\$ 26 billion of adjusted net income in 2022.

With that I conclude the presentation of Banco do Brasil's 4Q 21. We can now go to the Q&A session.

### Q&A Session

#### **Operator**

Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question please dial star one now.

And our first question comes from Henrique Navarro, Santander.

#### **Mr. Henrique Navarro – Santander**

Hi, good morning everyone. Well, first of all congratulations for a good result. My question is on the guidance for loan growth and provisions. Let us say that when we are in a normalized situation, provisions normally grow in line with the growth you expect for your loan book, and this is exactly what we can find in the



guidance. I mean, if we take a look at the middle of the guidance range then we would be talking about roughly 10% YoY growth for the loan book and/or the provision expenses.

But I do not believe we are in a normalized situation because 2022 is going to be challenging. The entire market continues to change the credit mix towards riskier lending categories. We are not yet back to the pre-COVID-19 levels of NPL and etc.

So I would like to hear your thoughts why, by taking a look at the guidance, you consider that we are in a normalized situation in terms of you see in Previ. That is it thank you.

### **Mr. Ricardo Forni - Banco do Brasil**

Thanks Henrique for your question, let me try to answer that. In terms of the portfolio, I believe that what you are talking is that we have been from the situation from the pandemic. We have all this, the grace period, the schemes that are PRONAMP and these preemptive programs. Now we are, let us say, running off all of this portfolio, and what we see in our portfolio is that the forbearance portfolio is performing really well, well above what was our initial expectations. That is why we have been performing in terms of this, the NPLs are quite low right now.

We have been putting more, let us say increasing the portfolio with these lines that are more risk-adjusted. We are looking for more risk in search for more return, and the change in the portfolio is coming and now we are like in the middle of the cycle of this, what would be the credit portfolio from the pandemic period for the new portfolio clean of these effects.

So looking forward for 2022 we see that this, the run-off of this portfolio from the pandemic is behaving well, and we are producing a more risk-adjusted portfolio. We see that the NPLs will grow or increase in a slower rate than the growth of the portfolio - and that is what we are projecting on our guidance, is this dynamic that it is okay and positive for the net interest income, and we see our well-behaved provisions coming across.

I do not know if this is, answers totally- your question; please if you want more clarification?

### **Mr. Fausto Ribeiro - Banco do Brasil**

Let me add something on that. Something that I really believe that you have to consider that the characteristics of our portfolio. We have large positions in two assets: the first one is 'crédito consignado' - that means that we have a low risk behind this and a very good behavior in terms of NPL; and the other one is





'agronegócio' - in terms of NPL we have very low risk, too: 0.57 in terms of NPL. It is a very good behavior in terms of risk.

As you know, we have a large position in 'agronegócio' and 'crédito consignado'. 'Crédito consignado' we have more than R\$ 100 billion and 'agronegócios' we have almost R\$ 250 billion. This is the reason that we have to take this picture to analyze the characteristics of our portfolio.

### **Mr. Henrique Navarro – Santander**

That was very clear, thank you.

### **Operator**

Our next question comes from Pedro Leduc - Itaú BBA.

### **Mr. Pedro Leduc - Itaú BBA**

Hello everybody, thank you taking the question, congrats on the quarter. Two for our end, first on the agriculture, agribusiness loans. We read from the distance numbers might be having some harvest problems, so on the other hand other pieces are doing well, so if you can give us your insights in that regard; and how you expect - and if you expect - NPLs to move up on this line this year.

And I also wanted to touch a little bit on the managerial credit spreads for agriculture seems to have stabilized, if you believe it will be a positive contributor to the NII expansion in 2022 as well, thank you.

### **Mr. Daniel Maria – Banco do Brasil**

Pedro, Daniel Maria speaking, thank you for your question. Let me start with the agribusiness portfolio and the quality of credit. You are right, we had some weather events that happened last year, and we saw this year as well; but we do not see major impact for the portfolio. The main reason are for the mitigations that we have in the portfolio. Almost, a great part of this portfolio is guaranteed, actually has insurance, is insured and this guarantees a good performance for the portfolio.

There is another aspect as well. When you see the distribution of agribusiness in Brazil the major impact is in the South region, and we have for instance the Midwest and the other regions that productivity is coming quite well. Then this is basically the reason why we do not see impact in the portfolio, in the credit risk



of the portfolio - and the perspective for the business continues to be very positive.

### **Mr. Pedro Leduc - Itaú BBA**

Very good Daniel thank you, and the second question unrelated but equally important in respect to your guidance for admin expenses to grow between 4% to 8% this year. You achieved something very nice in 2021 growing just 1%; but for 2022, 4 to 8 if we consider the underlying organic inflation that you are having on salaries, occupancies - this will probably require some efficiency efforts just to stay within this range.

So in that regard, in this guidance do you assume that you will be successful in, let us say, these voluntary layoff programs or other sorts of cost cutting, or would that be upside to this guidance figure? Thank you.

### **Mr. Ricardo Forni - Banco do Brasil**

Thanks Pedro for your question. I think that what we see here in administrative expenses that we are continuing with our austerity policy, cost control and the efficiency agenda. This is an agenda that let us say Banco do Brasil is not, we are not only performing well on this on 2021; so we have been on a good track record in terms of cost control.

And this year we have, let us say the inflation scenario is a bit more complicated. We have the salary increase from September 2021 that will have the full an impact in this year, so you are right that the challenges are higher; but we will keep the agenda, and this agenda is in many areas of the bank we are optimizing office space, we are according to the clients' needs we are making our network lighter in terms of costs and space usage.

We have been doing initiatives in terms of another, initiatives in terms of the efficiency that is performing, that are delivering results this year and forward. So these are structural agenda that have been constructed over years, and during 2022 we will keep our commitment on this.

### **Mr. Daniel Maria – Banco do Brasil**

And Pedro, just to remind that all those initiatives, we started all the initiatives by the beginning, mid-beginning of this year and we are implementing this, and the benefits will be collected along this year; they were collected this year and certainly for next year - and this is one important driver for the cost growth for 2022.



**Mr. Pedro Leduc - Itaú BBA**

Very good Daniel, Fausto, thank you so much.

**Operator**

Our next question comes from Tito Labarta, Goldman Sachs.

**Mr. Tito Labarta - Goldman Sachs**

Hi good morning and good afternoon everyone, thanks for taking my questions. Two questions, first on your net interest income guidance, just it implies some margin expansion going to slow and managed income growing 11 to 15. If you can help us think about that, some of your peers are guiding for much stronger growth above 20% and could be a function of mix and different mix; but one, you have, tend to have good funding. We really saw a big increase in your funding expenses in 2021 and now that interest rates much closer to the peak than they were a year ago.

How much is the impact on funding expenses now behind you? Do you expect any more pressure on that side? And then thinking about your asset mix one, your belief to reprice, like what is the timing on repricing of your loan portfolio? Where is it tougher? I imagine maybe agribusiness is maybe tougher to reprice; but if you can help us think about the timing to reprice potential benefits, just from higher rates that have not been captured at this point, and how you think about that net interest income growth? And then I have the second question after that, thank you.

**Mr. Ricardo Forni - Banco do Brasil**

Okay Tito, thanks for your question. I believe that we are looking for the, this year for a net interest income that is more favorable than we had the scenario last year. Last year we had the pressure on costs from the rising Selic, and we have the lag between the start of this new, new rates and new funding costs with the repricing of the portfolio.

This repricing was, we accelerated this during the last quarter. We initiated on 3Q, the last quarter and now we have much more, let us say our, the credit portfolio in terms of the pricing now is aligned with rates. The cycle is ending in the near future, so we have been, we are aware of this.

So we do not expect in this year the dynamic that we had the last year in terms of the reduction of the liabilities side in terms of the margins, let us say on the other way around; we see this year much more positive on having net interest income from the liabilities side, because we have now for example the funding



for the savings account it is relatively cheaper than last year; and also in terms of the liability mix we are foreseeing that we will be able to make the cost cheaper than we had last year. So this is a good contribution to the net interest income, on top of the improvement in the mix looking forward the best lines in terms of the credit risk-adjusted return.

### **Mr. Daniel Maria - Banco do Brasil**

Just to highlight one aspect that Ricardo mentioned about the liabilities: when you look at the structural positions we have in ALM, we have fixed assets against floating liabilities, and those floating liabilities are basically saving deposits.

Saving deposits in Brazil they are a percentage of the Selic rate capped by 6% plus another index that is not linked to the interest rate. It means when the interest rate (the Selic) is above 8.5%, the cost is capped at 6%+TR, yes? And what happened? In 4Q was by November I think that it reached this threshold. For that reason you do not, you did not see entirely this impact in 4Q; but we expect that this will be important mainly for 2022. This is one of the drivers, in addition to the other aspects that Ricardo said.

### **Mr. Tito Labarta - Goldman Sachs**

Great, thank you for that, that is helpful and just in terms of the repricing how long does it take to reprice? In other words is there more upside after 2022 to continue to increase your margins as you reprice the portfolio?

### **Mr. Daniel Maria - Banco do Brasil**

Okay. Those fixed assets they are about 6% maturing, contractually maturing in up to one year; and we have the longer-term that is basically payroll - but payroll you have an optionality that is exercised quite often.

It means that this process of repricing that we were not able to fully collect last year, we expect that this will happen in this year, yes? Then the repricing is one important driver as well combined with the cost of funding, combined with the mix and to the adjustment of prices for the new transactions as well.

### **Mr. Tito Labarta - Goldman Sachs**

Okay. So you should be able to reprice most of your loan portfolio this year, that is what you are saying?



### **Mr. Daniel Maria - Banco do Brasil**

Yes, a relevant part tends to come this year.

### **Mr. Tito Labarta - Goldman Sachs**

Great, thanks Daniel and then the second question separately on the competitive environment and your digital initiatives, if you can kind of comment on that thinking, comparing to some of your peers they have separate brands for their digital banks, which you have not really done.

But how do you think your position to compete in a more digital environment, both to other large incumbent banks that have those initiatives, as well as the other Fintechs that are growing pretty rapidly? How do you see that as a risk, perhaps an opportunity for you? And if you can comment or maybe even give any KPIs you may have on that front.

### **Mr. Ricardo Forni - Banco do Brasil**

Thanks for your question. I think that the competitive environment is, let us say we have these new digital banks coming in, we have, and working together with the incumbents. We are working with our digital agenda, we are adding more services and offers to our clients in terms of this client centrality, and I believe that there is a lot of competition for the clients.

But we already have a big client base, but we are looking forward in terms of the open banking as an opportunity for us - and I believe that the competitive landscape will reward who were in the principality of the client, and we are preparing ourselves to be competitive in having the principality of the client.

So we are a full-service bank, so we are not like a cheap, easy account; but we have full banking products and other platforms and we are adding our services, we are working in all these arenas to compete. So that is why we are propositive in terms of that this is an opportunity for us. We are working hard internally to move forward our organization in terms of this digital transformation.

We have been in a sound position because we have one of the best applications in the market, and we have been working to improve that and add services to be present in different platforms as well. So this is something that we are doing the whole company on this agenda, and I believe that in the presentation of our CEO we have been highlighting some of these initiatives.



### **Mr. Daniel Maria - Banco do Brasil**

And Tito, just to add some aspects: important issues for competing in this arena certainly is to have access to data. We have a huge data lake and we have been using this in our models for a long, long time and what is the benefit of this? We can make offers more assertive; we can understand better behaviors; we can change the segmentation based on behavior and not only to income; we have about or more than 22 million people that use our app on a regular basis.

This is another issue that is important. Differently from businesses that are trying to attract people to the platform, we have a platform with a quite sizable participation - and we are bringing new services to this. For instance some partners like Amazon.com.br that we brought since the last results that we mentioned this, we are bringing other partners to this; the gift cards that we have and we are selling in our platform, and this shows little bit how we are positioning to that game.

### **Mr. Ricardo Forni - Banco do Brasil**

I just want to add that I believe that you are seeing the first movements in terms of the speed that we can have from moving from an account-centered relationship to a client-centered relationship. So now we are prepared to work with clients that are not account holders of Banco do Brasil, and this will make all the difference in terms of competing in this landscape.

### **Mr. Tito Labarta - Goldman Sachs**

Great.

### **Mr. Daniel Maria - Banco do Brasil**

And Tito, if I may just to step back to one point of your last question that I forgot to mention: a positive contribution to NII is treasury. Just as a reference, previously we used to have an average contribution of treasury in the region of 3 to 3.5 billion/quarter; the last quarter you saw, in 3Q you saw 5.2; this quarter (4Q) 4.5 - and we expect for 2022 a contribution between 4 to 4.5, then above the levels that you used to see in the previous years. I think that this is one important driver for NII as well, right?

### **Mr. Tito Labarta - Goldman Sachs**

Great thank you Daniel, and just to be clear that treasury is included in the guidance that you are giving on your NII, correct?





**Mr. Daniel Maria – Banco do Brasil**

Yes, yes it is.

**Mr. Tito Labarta - Goldman Sachs**

Okay perfect, perfect and then if I may just one quick follow-up on the digital. Like to mention the 22 million people using your app, and you mentioned also going after non-account holders. Have you been able to attract new clients from that perspective? Any color you have like how many non-account holders you have been able to attract? Just thinking about being able to get new clients from a digital perspective that you were unable to reach before.

**Mr. Daniel Maria - Banco do Brasil**

Tito, certainly we have - just as an example - for the youngest students and so on, university students, we had a problem that we had, we saw growth of 1 million customers bringing these initiative, and Fausto mentioned in his presentation all the efforts that we are doing to approach the new generations, mainly coming to the places they are, for instance supporting gaming, supporting initiatives that attract the attention of this public.

Then this growth in the digital or for the customers that are inside the bank, what is one important aspect is to bring new people to the bank, and one important attribute to the customers is to have a marketplace inside our app - and this is exactly what we are doing bringing new solutions to those customers and providing products and services through our app.

**Mr. Tito Labarta - Goldman Sachs**

Great, thank you very much.

**Operator**

Our next question comes from Jason Molin, Scotia Bank.

**Mr. Jason Molin – Scotia Bank**

*Olá bom dia, para todos.*



My first question is if you can talk about the impact of the employee pension plan on both shareholders' equity in the period, the adjustment was quite large and on the PNL, where there also was an important impact, if you can also talk about how we should think about the evolution of this going forward.

My second question is related to the taxes. The effective tax rate was about 20% in the quarter on my calculation compared to about 28% in 3Q. What tax rate is included in the guidance and what do you think about expected tax changes or an increase in taxes for banks and financial companies going forward, particularly in this year or next, 2023? Thank you very much.

### **Mr. Daniel Maria - Banco do Brasil**

Hi Jason, thank you for the question, let me start with Previ. Our pension plan usually there is part of the pension plan that goes in favor or against capital, and the other part that goes against or in favor of the result. We had a positive contribution coming from Previ along this 3Q; but when you exclude those events we continue to show structural positive performance of the portfolio.

Just to give you a number, Previ had a positive contribution in the region of R\$ 700 million/quarter in 3Q and 4Q. For 1st and 2nd quarter looking at the actuarial calculation we tend to have something around R\$ 500 million, R\$ 540 million/quarter; then we tend to have a reduction of this participation due to the actuarial mark-to-market - but this is still positive.

Just as a reference, when you compare to 1<sup>st</sup> quarter last year was in the region of R\$ 250 million/quarter. Then we see a positive contribution as I said; but the result did not come from this.

When we look at the capital more specifically, we had part of the capital that was about 8 bps that came from the actuarial position. It is not related to Previ; this is related to the obligations that we have in the health plan, it is a different story. Did I answer your question?

### **Mr. Jason Molin - Scotia Bank**

Yes. I mean I understand, I mean I know it is hard to forecast this, it is very rough; but I am just trying to get a sense of going forward how should we think about the impact on this on book value and earnings?

Like is this range we talked about what it has been in the past; but I guess it is just market movement; but is there any way to talk about what you think is expected for this year at least?

### **Mr. Daniel Maria - Banco do Brasil**



Yes. Actually there are two approaches for this: number one we bring a sensitivity analysis in one of the notes of our balance sheet, which are the major variables that you need to keep an eye: the composition of assets - and certainly the price of Vale is one important driver for this; the discount rate for the liabilities, and what we are seeing the curves tends to reduce the net present value of the liabilities, that is positive; we have also the actuarial table that tends to be more stable; and certainly the salary increases that is more under control. Then you can see in the notes of the balance sheet this sensitivity analysis to do a certain analysis, yes?

The second aspect is twice a year, on a semiannual basis, we make an evaluation, or actually not we make; but in actuarial does an evaluation of the assets and liabilities, and based on this we have a sense on what is going to be the impact for the next quarter, for the next semester, and this is basically what we are foreseeing for the next semester: it is something between R\$ 500 to R\$ 540 million/quarter, I think that is better that relatively to 2H21 that was R\$ 700 million means a reduction, but a mild reduction in the contribution.

Before moving to tax rates did I cover all the points?

**Mr. Jason Molin – Scotia Bank**

Yes, thank you very much.

**Mr. Daniel Maria - Banco do Brasil**

And coming to tax rates, we expect something between 18% to 23%. Certainly there are so many variables on this, for that reason we consider this range. When you look at the tax rate for this year was, behaved inside this range. It is almost what we expect for next year in the different scenarios.

**Mr. Ricardo Forni - Banco do Brasil**

Yes, but we will keep a close eye on the tax reform discussions in the Congress that might affect the tax rate, the final tax rate must be affected by any change over there. So last year we had a discussion, but there was no conclusion in terms of decision about that, so still in the agenda - but we are keeping a close eye on that.

**Mr. Jason Molin – Scotia Bank**

Okay thank you.



### Operator

Our next question comes from Carlos Gomes, HSBC.

### Mr. Carlos Gomes – HSBC

Hello good morning and like everybody congratulations on your results, that was really good. So three minor points I wanted to ask about: the first one is about your fee income. For the year it grew only 2%, the reason is that there was a very sharp decline in the current accounts line and that was 18%. Obviously you are under more pressure from new competitors; are we done in terms of reducing your income from account partitives or this is a pressure that should continue for the next couple of years? Where does it stabilize?

And also we think we see a relatively small contribution from capital market. We know that you have a new Joint venture, an international bank. When do you expect to get any results from that?

And the second refers to your loan growth, which is good in all aspects. I was a little surprised about the little growth in mortgages, and we wonder if that is a strategy that you have and if you are modifying.

And finally if you can give us any update on the R\$ 8.1 billion instrument that may enter the received income, thank you.

### Mr. Ricardo Forni - Banco do Brasil

Thanks, Carlos, for your question. I think that talking about the fee income I believe that we have at the end of the year a good result in terms of the whole fee income. We are over our guidance that was initially the top range 1.5%, we ended 2.2%.

During the year we had a hard time on this; but the fees from consortium, from funds and from credit was, let us say they were very good, from insurance as well; and in terms of the account fees this is something that this is a structural change in the market that the PIX accelerated the change from transactional fees to service fees.

So we are changing the profile of our fees' origination let us say, and we are working to open new streams of fees. We have the marketplace, we have so many initiatives that are going on that are looking for replacement of a natural decrease in account fees. This is also being followed by the regulator in terms of suitability that is affecting all the players in the market; but for this year onwards I believe that we will have a more stable behavior in terms of the origination, not only account fees but the other fees.



So that is why we are looking forward for this year for a range for the guidance 4 to 8%. That is more positive than we had last year, and we believe that we can achieve that through these initiatives and all the services that we are providing our services that are capable of collecting fees.

### **Mr. Daniel Maria - Banco do Brasil**

And just to add before moving to the next point, in 2021 the partnership UBS BB participated in 194 transactions, then it is quite active. Only in 4Q21 we had 57 Fix income transactions in 3 ECM transactions, equity transactions. Then the partnership is showing good results and a quite, most importantly supporting our corporate customers in solutions in capital markets.

### **Mr. Ricardo Forni - Banco do Brasil**

So the next one about long growth right?

### **Mr. Daniel Maria - Banco do Brasil**

About long growth and more specifically, and more specifically mortgages, just to remind that the structure here in Brazil usually saving deposits are to support mortgages or to support agribusiness. In our case saving deposits support, 90% of saving deposits support agricultural loans. For that reason we have these characteristics.

For the 10% that goes to mortgages we have a quite good position for this; but we are passing also through a change in the mix of this portfolio, just reminding that we used to have a high participation of low-income mortgages, and what we are seeing currently is more disbursements in the medium-income or high-income mortgages. Exactly for that reason we see a shift in the portfolio. Even though we are growing, when we see the aggregate portfolio it seems stable. It is more related to, again, to the characteristics of our portfolio.

And moving to the R\$ 8 billion CET1, by the way we issued a note to the market because we ended in a negotiation for this. We are going to repay these R\$ 8 billion in annual installments of R\$1 billion starting this year... I beg your pardon... R\$ 1 billion/year.

### **Mr. Carlos Gomes - HSBC**

Okay. So you will pay R\$1 billion/year. Is there a date for that and will there be any change in the interest? I believe it was 5% that you pay on the date.



**Mr. Daniel Maria - Banco do Brasil**

Yes. It tends to be 15 bps per year, it is approximately in terms of basis points; but this will be the schedule that we agreed with the controlling shareholder to repay.

**Mr. Carlos Gomes - HSBC**

Thank you very much.

**Mr. Daniel Maria - Banco do Brasil**

Thank you.

**Operator**

This concludes today's question-and-answer session. Mr. Fausto Ribeiro will proceed with his closing statements. Please go ahead sir.

**Mr. Fausto Ribeiro – CEO**

Okay. First of all thanks everybody for participating in this conversation with us, and just to catch up this meaning or to give you guys a final message from the administration, I would like to say that we are working very hard to enhance our performance in terms of net interest margin.

We are also prepared for digital transformations and working very hard on this issue; and we are really committed to keep the administrative expenses under control and committed to present at the end of 2022 a sustainable result.

The guidance that we have presented to you guys would be our, really a challenge; but I am sure that we are going to achieve these targets.

Thank you everybody, see you next time, bye-bye.

**Operator**

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



