



Banco do Brasil

2nd Quarter 2022 Earnings Release

August 16th, 2022

Sra. Janaína Storti - Gerente Geral de RI

Welcome to our live event to discuss the 2Q22 results. Our event is bilingual and has simultaneous translation to English. To choose the language click on the button on the right corner of the screen and select the desired audio.

To begin, our CEO Fausto Ribeiro and CFO Ricardo Forni will make a brief presentation of the performance and then we will have a Q&A session. We remind analysts that it will only be possible to ask questions through the webcast link.

With us today are also Carlos Pecego, vice president wholesale, and Ana Paula Teixeira, CRO. Also with us today is Daniel Maria, director of finance and investor relations.

I will now turn the floor over to CEO Fausto so that we can begin.

Sr. Fausto Ribeiro – CEO

Thank you Janaína, good morning to all of you shareholders, partners of the Banco do Brasil for many years. Good afternoon to those of you who are abroad, I imagine Europe in this part of the afternoon, at last, it is a very special day for Banco do Brasil to be able to announce its results, another record result for the bank, demonstrating the strength and consistency of the Banco do Brasil brand in the Brazilian market.

I have a set of initial slides I'd like to show you and then I'll give the floor to Ricardo Forni, who will make a brief presentation, and then we'll open for questions and answers. I just warn you, and ask you not to ask too long questions because experience shows that we end up getting a little lost and losing the focus of the initial question, so if you can briefly ask one question at a time, I thank you.

Well, gentlemen, we are presenting the 2Q result and consequently the 1H22 result, a result sustained by a robust loan portfolio of businesses, with quality, and we will talk a lot about this. We had a net income growth of 54.8% when compared to the previous year's 2Q, R\$7.8 billion, and then

talking about the semester's result we had a result of R\$14.4 billion with 44.9% growth. Over the last few quarters we have been accelerating more and more the dynamics of the bank, seeking to reduce the difference in our results with private peers, and you can see from the numbers that we reached an ROE of 20.6%, an extraordinary, consistent, sustainable work that we will demonstrate to you next.

Anyway, we are back in the game, our profitability is compatible today with our peers, showing strength, determination. When you have focus, objectives, you can achieve extraordinary results, and in a portfolio that has positions that many of you consider defensive, and we are talking about consigned credit, agribusiness, finally, with default rates well below the market average.

Well, let's talk a little bit. Well, we had an expanded loan portfolio reaching R\$919.5 billion, also an increase of 19.9% compared to 1H21. The NPL ratio is still well behaved, despite a small increase - but this is part of the strategy to increase the bank's financial margin. The NPL ratio is around 2%.

And our net interest income, what we were talking about back then, which is the great motto for us to achieve more significant results, we grew by 12.2%, reaching R\$32.4 billion, and fee income, also gaining a greater dynamic within the organization, grew by 9.1%, reaching the amount of R\$15.4 billion.

On the other hand, administrative expenses continue to be well behaved, growing only 5.8%, and this significantly reflects our operational efficiency index of 33.2, a very well-behaved index. Anyway, these are the main numbers I want to bring you, now I will dedicate myself to talking about some of the highlights in terms of the bank's business and actions, and then Forni will go into more detail on each of these topics.

Well, we have the goal of becoming more and more important in the lives of our customers. We call it partnership, we want a relationship with our clients that we call strategic partnership, with them being increasingly more relevant, and some actions that are highlighted in the year, in 1H22, we highlight here the crop plan. We have a thriving agriculture in Brazil. Brazil is a huge grain producer, a meat exporter, in short, Banco do Brasil is the partner, the biggest agribusiness partner of all times, contributing significantly today to the GDP. Today agribusiness represents almost 28% of our GDP, so there is nothing better than for us to also increase our strength and our support to the man in the field, and we have set aside a significant plan of R\$200 billion for agribusiness for the 22-23 crop year in a huge effort by the Bank to seek several sources of financing, multiple so

that we could have a rate compatible with the client profile and with the needs of our farmers today.

So today the equalizable resources in our lines represent a little less than 30%, so we have less and less dependence on equalizable resources and we do the exercise of marrying resources from different sources so that we can have a consistent plan, a profitable plan.

We also had our Pronampe, which is the support to Brazilian micro and small companies. Again, Banco do Brasil has always been a safe harbor for Brazilian micro and small companies, we took the lead again in this issue and this program, with governmental resources, operated basically by banks, financial institutions - in the lead, Banco do Brasil and Caixa. We managed to disburse R\$6.5 billion in a few days in this last tranche of the program and this contemplated 62,000 Brazilian companies, in short, micro and small companies that can somehow use these resources to pay salaries, to pay their invoices, to make investments.

And since the beginning - going back a little more - of the COVID pandemic crisis in Brazil, Banco do Brasil has been an escape valve as an institution that has been significantly supporting Brazilian micro and small companies with security, with tranquility, seeking to offer credit to those companies that are actually able to make the payment. So we have used a lot of analytical intelligence, a lot of conversation and a lot of credit analysis, and that is why our indexes for micro and small companies is the best index in the market, well below peers.

We usually say that the Banco do Brasil's support to Brazilian micro and small companies has helped save at least 3 million jobs in this country, it was fundamental for the economy to remain strong, for the economy to remain booming, preserving jobs, generating wealth and income in this country.

Since the beginning of the pandemic we have made an estimate here of at least R\$200 billion, a little more even, were invested in this relation to this segment.

We also have the non-payroll individuals loan, which is part of our strategy to grow with products that present a more robust financial margin, more significant for the bank. We have today a portfolio that reached R\$92.7 billion, 34.3% increase, we are talking here about salary loans, personal loans, credit cards, overdrafts. It is part of Banco do Brasil's strategy to increase its participation in non-payroll loans so that we can have a more significant NII and achieve increasingly consistent results - of course, with great care, a lot of technical analysis, with a credit model that is still very conservative, ensuring that we have security in every step we take within the organization.

Well, BB Securities... sorry, we are once again the leader in foreign exchange in Brazil. When this administration took over we were in seventh place in exports, in export exchange. In our perception, it did not make much sense to remain in this position given that we are the leading bank in Brazilian agribusiness, 70% of the agribusiness production is exported. What else? We work a lot in agribusiness with large wholesale companies that also export their products and services abroad. So we calibrated our rates, started to see the business as a whole and not exclusively that operation, and we led the foreign exchange market again, we had, we reached a turnover of R\$14.6 billion, an increase of 67.7% compared to the same period last year.

And we announced earlier today that BB Securities in Miami is making a non-disclosure agreement, that is, a letter of intent with UBS abroad so that we can have a menu of options for our Private business, increasing the potential to generate business, in short, seeking more appropriate solutions for our clients abroad, and we believe that this partnership - which is not exclusive, we can add other partnerships over time - can contribute significantly to our ability to attract more clients in this Private segment.

Well, in this saga, in this continuous process of improving the experience of our customers, we have been investing heavily in the digital issue by accelerating the process, the digital transformation of Banco do Brasil. We want a bank that is close, complete and available in its multiple channels, digital in practice, that we can start a digital process and finish this digital process, that is why we call it digital in practice.

And here we have achieved some numbers for you. Our customer base reached the level of 80.3 million customers, an increase of 6.6% compared to June last year, 26.3 million active customers on digital channels, an increase of 21.8%, 91% of the transactions carried out at the Bank in this half-year somehow occurred through these digital means. This is an excellent number, it means that we are managing to get our customers to adhere to this digital process.

Our virtual assistants exchange information with our customers and have reached this level of 31.3 million calls, an increase of 166%, and WhatsApp, this global tool that in Brazil today is essential for exchanging messages in society, has now become an instrument that we are using heavily to communicate with our customers and do business.

And here are two examples: we were the first bank on WhatsApp to launch the option for the client to join the consent to exchange information in open finance, a totally digital process. He can, through WhatsApp, join and consent that his data be exchanged from other financial institutions to

Banco do Brasil, and we are also doing loan operations through this channel, and here is the big surprise for us: 74% of the operations done in this first test we did are from clients who have never taken credit with us. So this shows that it is an additional channel for us to somehow reach a public that has not been taking credit with the bank.

And here are two good news: we have the best NPS index, that is, all of this result achieved by Banco do Brasil has been somehow endorsed by our customers, who are indicating Banco do Brasil so that other customers can join, so the result had an increase of 8%, so we are very happy with this, it means that the strategy is being well conducted, it is on the one hand increasing our profitability, exploring more business, taking the right business to our customers, and on the other hand the customer somehow believes in Banco do Brasil.

Our ranking of complaints in the Central Bank is also the lowest level in history, which also confirms this perception of improvement in the quality of service.

Well, BB is closer, and we are always thinking about rejuvenating our base. This is also a point that we have been working on a lot, trying to have a better positioning with the younger public - and here is some very important news: We have just made an agreement in the Venture Capital program with Yours Bank, an entity, a Brazilian startup, a fintech where we have exclusivity in this investment with an option to buy or increase our participation up front, but it is a startup that has a different approach, a way of interacting with customers more focused on financial intelligence, to develop the minds of young people in relation to having a more appropriate financial perception and focused on an audience between 14 and 18 years old, so it is the news that we presented this morning to journalists. It is an agreement we made, sacrament and we strongly believe in this partnership to rejuvenate our base and for us to be able to have these clients from a young age, from 14 years old, and to accompany them throughout their financial life.

It is also worth mentioning the strong investment with solid and consistent campaigns with the university public, which is a public over 18 years old, we had a growth of 1.7 million university students who opened an account with us this semester... I'm sorry, in this semester, a 53% growth in relation to the December 21 base, finally showing that the Bank is concerned about rejuvenating its customer base so that we can have perennality, sustainability of this company.

We have also inserted ourselves in youth movements. We held a big event here in São Paulo called POV BB (which means Point of View). It is a young event, which has a different approach, but aims to interact with this public

to try to understand their perceptions about the financial market and seek appropriate solutions for this segment.

And finally, we are also inserted in this environment of gamers, here in this case we are inserted in the metaverse through an agreement we made with Roblox to have a virtual arena of Banco do Brasil volleyball, a bank branch for this young audience to interact with us as well, to understand that this is a brand that can become a Bank of their choice in the future, in short, to really position the bank with this audience.

Well, the great, great objective here was to expand our operations in these new ecosystems that were born during the technological transformation that the market is going through. We are talking about open banking, open finance and everything else, so we have access to a new competitive arena and to insert ourselves in this environment we launched a new digital platform called Liga PJ.

What is this really about? It is an environment where we seek to attract the public of micro and small entrepreneurs in this country with training so that they can develop their business, improve their management or expand, in short, seek to create an ecosystem, a hub of solutions focused on the wishes and needs of Brazilian micro entrepreneurs, and from there on evolve - this here is just the beginning, this should evolve into a small market place with micro and small companies aimed at our customers so that we can also complement our contribution of solutions for these customers, micro and small entrepreneurs.

We have our market place, our famous Loja Banco do Brasil, which we launched last year with one brand in October and today already reaches 27 major brands, a retail network interested in being able to access clients from this huge client base we have here. You can see from the numbers, 24 million clients access the Banco do Brasil app, with almost 10 million clients accessing it daily. So it is a huge flow of clients that can somehow be accessing this marketplace, and we have already made agreements with 27 major retail chains offering customized products in our channel or products from their service network, with differentiated prices, with cashback to attract the client, and this is a number that is an example of what has already been happening. The store is still in the process of gaining traction, but already 430 million sales of products and services were sold in the first half of this year, reaching 4 million customers. So we put a high expectation on that.

Finally, also in this ecosystem - now talking about a benefits club, a benefits platform - here we have consolidated in a new platform with better usability all those benefits that in some way the Bank already made available through different means, and we are talking here about a

relationship program, the more relationship the customer has with the Bank, the more benefits, I mean, it is a mutual generation of value, it is a way to return to the customer part of that profitability for his engagement, and only in cashback since the creation of this program we have already returned R\$300 million in cashback. Anyway, this also contributes in some way to that NPS you saw there.

Well, what is good became even better. We know we have an app that is extremely respected in the market, very award-winning, with many functions, great usability, very user-friendly, but we are in constant transformation, in evolution, and we decided to invest a little more in this tool and transformed it even better in our super app Banco do Brasil has a new, more colorful - you can see it there - more user-friendly portal, seeking to transform the customer experience into something simpler, less complicated, in short, easier, and that brings an increasingly better perception of value for our customers.

Well, we are definitely engaged in relation to this sustainability flag. Then I highlight that our sustainable loan portfolio, which is audited by an external entity, reached this volume of R\$292 billion, that is, credits that somehow generate positive externalities in relation to the environment, to the issue of sustainability. This is a growth of 13% in relation to the previous position.

We held a great carbon market event. This is an unequivocal demonstration of Banco do Brasil's support for this issue. We held an event in Rio de Janeiro, we brought people from the market, we brought the big companies from the country - which are also our clients - to this debate together with the government, which is the legislator, which is the one that will issue the decrees, the legislation that will support the businesses related mainly to carbon credits, in short, we are strongly engaged in this cause and we believe, as the bank that has the largest volume of agribusiness in this country, with about 60% of the business transiting through Banco do Brasil, that we can somehow lead this sector and be protagonists in this carbon credit market, which is already starting to open up significantly for us.

We already have 70 operations to be carried out in the voluntary carbon credit market, and Banco do Brasil, nothing better than the bank that leads agribusiness in Brazil to seek on one side those who are preserving, who can benefit from this carbon credit relationship, and those companies that somehow need to compensate their emissions.

We are also looking for issues or funding in our funding mix that are linked to this meaning of sustainability, and here we announced during the event this partnership with the World Bank. We have raised R\$500 million, we

have another 100 million euros raised by the French development agency, and 200 million dollars raised with the NDB, which is the BRICS bank.

Well, our BB pra Elas, in fact, we started BB pra Elas in March with several major objectives behind it. First, it gives autonomy to Brazilian women to support female entrepreneurship. From that amount that you saw on the previous slide of R\$6.5 billion invested in micro and small companies, R\$2.6 billion were destined, directed to women entrepreneurs, with 24,000 companies led by women. At BB pra Elas, we try to bring entrepreneurial education, training, solutions for the problems that normally a micro and small company has. We have already trained 14,000 people in our process, 9,000 of whom are women, and somehow offer other types of solutions within this platform, female welfare, even medical consultations through telemedicine.

And we have adhered since last year to this red light that we, a campaign, is a campaign started by the association of magistrates of Brazil and aims to combat violence against women, domestic violence in this country, and from June 2021 to June 2022 there were 19 cases protected or 19 women protected through this adhesion of Banco do Brasil to this wonderful campaign that aims to protect women. We have more than 30,000 employees engaged in this, trained to attend risk situations. All the woman has to do is present a red mark on her hand or on a sheet of paper, it can be the pen, it can be the lipstick mark. The great objective is to bring this woman discreetly and safely to the protected environment and call the competent authorities so that she has the proper protection.

We have increasingly intensified our work at the Fundação Banco do Brasil. This is the idea, to transform people's lives, and here is a little highlight on the social investment we have already made here looking back on the last ten years. We have already contributed R\$2.7 billion, and the idea is not only to contribute resources from the Bank, but also to engage our partner clients who are willing to use the foundation's arm so that we can also bring education, health, and, finally, well-being to the neediest people. Our track record in the last ten years is that 6 million people have been assisted, which is equivalent to our work in more than 2000 Brazilian municipalities.

Well, to finish this part of my speech, let's turn to Forni and talk a little about how we generate value to society, that is, our DVA, the value added to society, reached R\$36.9 billion, a growth of 31.1%, and how do we give this value back to society? By paying our taxes, our fees, investing in our personnel, at last, paying rents, paying dividends to our shareholders, in short, somehow we are returning these values to society, making the economy go round, generating jobs and income in this country.

This is what I was going to show for now, and I will now hand over to Forni to detail our numbers a little bit.

Sr. Ricardo Forni - CFO

I would like to thank CEO Fausto and start the presentation with the highlights of our results. As already mentioned by the president, adjusted net income in 2Q22 showed a quarterly growth of 18%, ending the period at R\$7.8 billion. This result was supported by the strong growth in the loan portfolio, which reached R\$919.5 billion, with good performance in all segments, and NPLs absolutely under control with the NPL +90d index of 2% below the average of the banking industry.

The NII and fee income showed quarterly growth of 11.2% and 4.3% respectively. Administrative expenses remain under strict control, with a growth of 1.3% in the quarter. We also recorded an efficiency ratio of 33.2%, the best in our historical series, the result of consistent business generation and cost management discipline. Finally, we ended June with a robust CET1 of 12.49%.

And now, moving on to the next slide, we will detail the evolution of the quarterly and half-yearly adjusted net income, which in the first half of the year we reached R\$14.4 billion, ending the quarter with a 20.6% ROE in the quarter view, from R\$7.8 billion, and in the half-year annualized view with a 19.6% ROE. With this, our profitability, which had been increasing quarter after quarter, is already at the same level as that of private peers in the country.

The loan portfolio expanded view surpassed R\$919 billion, an evolution of 19.9% compared to June last year and 4% in the quarterly comparison.

The sustainable loan portfolio, which exceeded R\$ 292 billion in June, already represents 31.8% of the total expanded portfolio. In the individuals loans portfolio, the portfolio grew 14% compared to June and 2% in the quarter, influenced by the positive performance in payroll loans, personal loans, and credit cards, in line with our strategy to originate lines with better risk-adjusted returns.

Also in the individual segment and in line with our long-term commitments to sustainability, we launched a financing line for electric and hybrid cars, in addition to growing 22% in the renewable energy portfolio in the quarter.

In the corporate segment we observed a 17% annual growth and a 3.5% quarterly growth in loans to SME, while the loan portfolio for large companies grew 25% and 5% respectively, with an emphasis on operations with private securities and guarantees.

The balance of the agribusiness portfolio reached R\$262 billion, an annual evolution of 27.3% and 3% in the quarter. The resources earmarked for sustainable agriculture represent 46% of this portfolio.

On the next slide we present the evolution of the ALL in the expanded view concept, which closed the quarter at R\$2.9 billion. In the first half of the year, the ALL totaled R\$5.7 billion, a 5.6% growth compared to the same period of the previous year. The highlight was the robust credit recovery, which totaled R\$2.1 billion.

On slide 18 we bring the credit quality, and here the NPL over 90 days ended the period at 2%, a very gradual growth of 11 bps compared to March, remaining below the banking industry. There are no statistics released yet by the Central Bank, but we have put a projection there.

The default indicators show resilience with stability in the companies loan portfolio, a drop in the agribusiness portfolio and, as we have already commented, an increase in the individuals loan portfolio. This behavior is in line with the strategy of changing the mix in origination and within expectations. The coverage ratio ended the quarter at 271%. The New NPL/portfolio reached 0.78% as a 74% coverage of the New NPL.

In the next slide we bring the NII, which presented an annual growth of 12.2%, totaling R\$32.4 billion in 1H22. In the quarterly view, the highlight is the increase in revenues from loan operations benefited by the growth in the loan portfolio and its repricing, in addition to the deceleration in the growth of the cost of funding. We also noticed a 27% increase in treasury income, justified by the growth in the fixed income securities portfolio and by the increase in the TMS. The NIM rose 30 bps and closed the period at 3.8%, reflecting the good performance of the NII.

Fee income totaled 15.4%... R\$15.4 billion in the semester, a growth of 9.1% in the year-on-year comparison, influenced mainly by the commercial performance of fund management made by our BB Asset, by insurance and loan operations.

The accumulated administrative expenses grew 5.8% in the year, below inflation in the period, reflecting the discipline in cost control.

On slide 21 we present the CET 1, which was 12.49% in June, mainly impacted by the increase in RWA due to the portfolio growth, which was partially offset by higher retained earnings in the quarter.

We present on the next page the guidance for 2022. In view of the performance presented in H1 and to better represent management's expectations, BB has revised its guidance.

In the loan portfolio, we increased the growth estimate for the individual, agribusiness and companies' portfolios considering the excellent performance until June and the positive outlook for the 2H. With this the total portfolio range was also adjusted to a growth between 12 to 16%.

We have also revised the NII range to 13 to 17% in order to reflect the better-than-expected performance in loan operations and treasury.

Fee income were realized to a range between 6 and 9%, reflecting diversification and good performance.

We have increased the projection is expanded ALL to a range of 14 to R\$17 billion. This movement is justified mainly by the higher growth of the loan portfolio in all segments.

The expectations for administrative expenses were maintained, and finally the adjusted net income was revised to the range of 27 to R\$30 billion, reflecting the changes in the other lines and our commitment to improve performance.

I would like to invite you all to BB Day, which will be held on September 22, where an event will be attended by CEO Fausto and all the C level for a very dynamic interaction with the market, where we will have the opportunity to better explore our initiatives and the proximity with the client, enhanced by digital.

I thank you all for your participation and we can now start the Q&A session.

Question and Answer Session

Ms. Janaína Storti - IR General Manager

Thank you Forni, Fausto, we will now begin the question and answer session. I remind you that this will be a bilingual session, so the questions can be in both Portuguese and English, and I will also ask the staff, the analysts, to ask just one question so that everyone has the opportunity to participate, okay?

Our first question comes from Rafael from Citi.

Mr. Rafael - Citibank

Good morning. My question, since Janaína only let me ask one, is about time deposits. You had a very relevant increase in the volume of time

deposits in the trio, and yet you had a drop in the average rate on time deposits. If you could explain a little bit where this increase and the rate reduction comes from, at last some different strategy of the Bank?

Mr. Ricardo Forni - CFO

I'll start here, maybe Daniel can help me. You will observe that in fact the issue of cost reduction and volume expansion has occurred in a more disseminated manner, not only in the time deposit. This was a very diligent work of the financial area in the search for the expansion and diversification of funding and cost reduction.

Regarding the expansion and time deposit part, we have been working both commercially on the product itself and on offering this product as an alternative to remunerate the current account balance. So these are the broad lines of what was done in terms of funding that expanded our funding, and a very diligent work of cost reduction in all segments. You can see that savings is a reflection of Selic plus LCA funding, funding in other modalities, also in the judicial deposits part, also with a reduction in the relative cost.

Mr. Daniel Maria - Chief Financial and IR Officer

It is only natural, even with the level of interest rates that we see, that you have a higher demand for fixed income, and we have a fundraising based on retail, so this is basically the retail strategy that we built in view of this market moment.

Ms. Janaína Storti - IR General Manager

Well, our next question comes from Marcelo Telles from Credit Suisse.

Mr. Marcelo Telles - Credit Suisse

Excellent result with record profit in the quarter. My question is about the sustainability of this return. We saw a very high ROE there and above 21%, the Bank benefiting also from the deposit margin. You have revised your guidance, so the idea is how can we think about the sustainability of these results next year?

Mr. Fausto Ribeiro - CEO

Marcelo, excellent question, it was one that was even asked by the journalist this morning for us here. How did I answer that here? Guys, if we stop to observe over a longer period of time, perhaps over the last few semesters or over the last few years, the bank's results have been growing. You can observe this yourselves looking at the historical series of results of this company.

And in the last quarters, what have we been doing inside Banco do Brasil, especially this new management? We have been focusing, we have a very clear plan and objective disseminated within the company: first, to focus on lines that we had stopped being protagonists - I mentioned a while ago foreign trade, agribusiness, micro and small companies - and the result is there. We have been growing consistently.

On the other hand, this result is supported by extremely robust, conservative credit models - Ana Paula is here, our CRO. In short, the Bank has always had a more defensive portfolio position, as the market calls it, because we have many operations in low-risk segments, we have a large concentration in payroll loans, we have a large concentration in agribusiness, which reduced its NPL +90d from 0.6% to 0.4%.

In short, the bank has a solid position in terms of portfolio, defensive, and what we are doing now is to take one step at a time in a controlled manner, seeking to improve our financial margin so that we can give an ROE that you saw better, but even with a little more learning than other banks in the market, because we are doing this growth with a lot of consistency, with a lot of responsibility, I can say, and in a conservative way.

Of course we are going to see growth at NPL, because risk and return go together. We really hope that the return is extremely compensatory for us to increasingly have financial margins that are adequate to your expectations, and that the risk is always controlled - and you can see that our coverage ratio remains very high, if I am not mistaken, 270 something, 271, in short, this gives us that additional fat so that we can somehow expand or have a stronger strategy in lines with higher profitability, that is, the non-payroll loan portfolio, credit cards, you can be sure that this result is here to stay.

What we are doing inside the Bank is increasingly stimulating our network to overcome their goals, their challenges, a huge proximity with our customers, we are the first Bank to resume physical visits - and I believe, I particularly believe this very much, along with my vice-presidents here - that proximity makes us better understand our customers' needs, it brings us closer, and then we can have a greater engagement of our customers with our products and services.

Finally, the answer I have for you: the result is here to stay, you can expect increasingly growing, consistent, and sustainable results over the coming periods.

Mr. Ricardo Forni - CFO

I just wanted to complement, Fausto, in relation to this because I think that the word you mentioned at the end is fundamental, the question of consistency. I think we have been executing a strategy with a lot of consistency, evolving over time.

We got where we are now in this Q2 not by chance or due to some non-recurring event. We have been working hard to get closer to our clients, to expand our business, to mobilize our sales force, with cost control, with portfolio growth, with a very dedicated risk management.

And it is this work that will take us and will keep us and keep this performance among the best in the industry. So we had a gap, we went after it, and we are delivering performance compatible with all the best peers in the market. So that is what remains.

Looking ahead to 2022, we have readjusted our guidance, so what we expect to deliver by the end of the year we are stating here, and this strategy is being reviewed. All our competitors are also trying to evolve. I think that this constant evolution and the delight of our customers is the reason for our existence, and so we are doing this, and for 2023 we will be looking at the economic scenario, we will be looking at what we can expect in terms of portfolio growth and several other initiatives that are in progress for us to deliver a performance in line with the best performers in this industry.

Mr. João Carlos de Nóbrega Pecego - Chief Wholesale Officer

Can I complement what Fausto and Forni said? This board under the leadership of Fausto made clear the client centralization strategy, i.e. the wholesale and retail chains, and the government made a strong approach to our clients with total support from the areas, let's say the middle areas (technology, credit, risk, operational). All the areas work together with the network so that the network could have total conditions to make this approach.

When you talk about sustainability, Marcelo, we even call it the perennity of results, because what will count for companies - including banks - is the maintenance of the relationship with their customers. So the strategy is a winning strategy of total focus on the customer, of presenting solutions in a timely manner to customer, with engagement from our entire staff.

So I would say that more than a sustainable result, keeping this focus on the client, this centrality on the client, we will have the perenniality of this result.

Ms. Paula Teixeira - CRO

If you allow me, Pecego, within the point of view of this growth, customer-centricity, here is the issue of the resilience of the quality of the origination of our portfolio. Our portfolio is rated 92.13% among the best risk levels (AA-C), and this risk model brings this resilience in the origination of our portfolio, which makes this sustainability allied to this proximity with our customer.

Ms. Janaína Storti - IR General Manager

Thank you. I will follow here for the next question, it comes from Geoffrey Elliot from Autonomous.

Hello Geoffrey, can you hear us?

Mr. Geoffrey Elliott - Autonomous

Yes, I can, I can hear you now, thank you very much, the translation may have been a little bit delayed, so sorry for the slowness. My question is on the ALL guidance of \$14 billion to \$17 billion for 2022. So if we take 1H which was R\$5.7 billion, 2H implies between 8.3 and R\$11.3 billion and at the top of the range, which is very close to double the 1H growth rate, even at the low end of the guidance it's almost 50% higher. So why do you expect such a big increase in provisions in 2H compared to 1H22?

Mr. Ricardo Forni - CFO

I will start and then I can have some extra information from my colleagues. I think one thing in 1H we are still seeing what was the end of the pandemic evolution of the portfolio, and considering this end of this phase, we have been low NPLs. Because we are adding risk to the portfolio, we have seen this increase in NII, but in 1H and this quarter and in particular, we have ended the forced rating or the aggravation in terms of the portfolio at the beginning, what we had of ALL during the pandemic, and now we have been during these two years after the portfolio returns, and now we have released the rating.

So we have in this quarter the end of this process. This has implied a recognition of an improvement in the rating. When you look at the risk levels of our portfolio, you can see some movement to this AA, A, B, C rating and other ratings there and this is the end of this phase.

Also, we've been adding risk to the portfolio, and then the expansion of our prognosis of portfolio evolution in the different segments, especially the retail portfolio is deteriorating in quality at a rate that we've been watching very closely. So, and then in the Companies portfolio, we have stable defaults and in the agribusiness portfolio we have been improving defaults.

So all of these dynamics when we are looking at 2H that we have been expecting the ALL level to return to the levels that we used to have before the pandemic, about 5, a little bit more than 5 billion/quarter, and that is why we are adjusting the range. And why are we changing the range now? Because the portfolio is expecting a growth that we had anticipated at the beginning of the year. Now, I would say that we will get maybe in the middle of the range of this new plateau that we are showing you today.

Mr. Daniel Maria - Finance and IR Director

If I can add some elements, when we look at the performance of provisions in H1 of the year, we had a very good recovery, and that came along with less discounting. That, along with the fact of the portfolio risk assessment that Forni mentioned, allowed us to have lower than expected provisioning. It doesn't necessarily mean that this will be replicated in the 2H of the year because this has a tendency to normalize, and as a consequence what we expect is to have provisions around the upper part of the previous guidance. What we have done is just an adjustment of the guidance so that our expectation is now in the middle part of the guidance. That's basically it.

Ms. Ana Paula Teixeira - CRO

And that will support the growth of our portfolio.

Mr. Daniel Maria - Finance and IR Director

This is very important, the portfolio growth that was already mentioned by Forni.

Ms. Janaína Storti - IR General Manager

Okay, I'll pass here to the next question from Gustavo Schroden from Bradesco.

Mr. Gustavo Schroden - Bradesco

Good morning Fausto, and Forni, Ana Paula, Daniel, Janaína, thank you very much for the question and congratulations for the result. All right, straight here related to dividends. The capital position is very strong, CET1 high, ROE running at 20%, and from what you have said, it should remain there, that is, a strong capital generation coming from results. Any possibility of a payout ratio increase given this high ROE and this high capital base as well?

Mr. Fausto Ribeiro - CEO

Hi Gustavo, thanks for the compliment regarding the bank's performance. This question also came up in the morning. I mentioned, of course we are always reviewing our policies constantly. At this moment we consider that our payout is an adequate payout, in line with our peers - in some cases even lower than the payout the bank is paying - in short, the preservation of capital is also aimed at ensuring that we can guarantee that capital is robust in the bank to support the growth of assets that we are proposing in our guidance, okay?

Anyway, at this moment we consider that the payout of 40% is more than adequate and in line with our peers, and we are paying in eight installments.

Of course, we are always attentive to market news, and like any other policy of the bank, eventually, if some supervening fact arises that makes us revise it, we will always be willing to analyze and discuss it - but at this moment, the level of payout we consider adequate, you see?

Mr. Ricardo Forni - CFO

Gustavo, just to complement this, I think that we were even provoked in relation to this issue because of the demand the government made to all the state companies, and what we have been doing is the planning that was made and it is being followed to the letter, it is evolving, growing the portfolio even faster than we expected at the beginning of the year, and this payout equation of 40%, which is adequate and, let's say, attractive from an investor and best practices point of view, and 60% profit

retention to sustain the credit growth of all the businesses Banco do Brasil is involved in, at this moment, it is still the most adequate model, the most adequate mix.

I think that the incentive for a higher payout exists. We are always going to evaluate it, and I think that looking ahead to 2023 is the moment to review what awaits us in terms of portfolio growth, new business expansion, to see if this mix continues exactly at this point or if it can be used in some other way.

But the planning that was done at the end of the year, the execution that is being done and the delivery of results based on this, I think it is being very fruitful for the investor and very appropriate for the bank. We have recently evaluated this.

Mr. Fausto Ribeiro - CEO

The best way, Gustavo, for us to meet our shareholders' wishes, we believe, is to improve the results, which will result in a better payout at the end of the year, and that's why we made a new guidance projection.

Ms. Janaína Storti - IR General Manager

Thank you. Our next question comes from Mario Pierry from Bank of America.

Mr. Mario Pierry - Bank of America

Good afternoon everybody, congratulations on the result. I apologize because my camera is not working. My question is more specific about credit cards. We have seen, you have been growing very strongly in cards, growing above 50%, but we have seen a very high increase in NPLs, looking at the NPL of the product, it is close to 8%, a year ago it was close to 4%.

I wanted to understand if the appetite to continue growing has changed, and what, if this increase in NPL was something expected or is there something you need to improve in the product, thank you.

Mr. Fausto Ribeiro - CEO

Ricardo and Ana Paula can complement. In the last earnings release, when we talked a lot, we talked a little bit about the importance of working our NII in order to seek lines in less defensive positions, according to what we called - as a matter of fact, you called - that Banco do Brasil had lines with

a little more profitability, but that had adequate returns that could offset eventual defaults.

I tell you the following, I reinforce it: Banco do Brasil has highly qualified credit models, which are the fruit of many years of investments, of a lot of effort in the construction and a lot of learning.

And then, taking a ride on the learning process, what I have been asking our CRO is for us to go loose and learn, one step at a time. So the learning is constant.

So we will continue to grow in some lines that present higher NII and higher risk, but with continuous learning so we can adjust the models along the process, making the models more and more solid, more consistent, and with a higher assertiveness level.

Finally, I believe that Paula will give us a little more detail on how this process is happening.

Mr. Ricardo Forni - CFO

Just to talk first, I think the first thing is the credit card; it is a product that we believe in. I think it is one of our evolution flagships in the mix change issue and we have, I think Banco do Brasil took a while to enter what the market calls the open sea, and this market has its peculiarities.

So, we have an evolution that we can see very clearly and with a lot of tranquility from that traditional customer, an accountholder who is already enrolled in the portfolio, the portfolio continues to perform quite well.

And we have been attracting new customers, making a whole new approach in relation to this, and clearly this public has a different profile, a different NPL rate, and the speed at which the NPL rate has evolved in relation to this has been anticipated, let's say, in relation to our expectations.

As we have a very active, very qualified credit risk management, this was very quickly noticed and is already being realized, the credit models are already being calibrated, the issue of adequate limit volumes, the evolution of the limit itself along the customer's journey with Banco do Brasil.

So, this is an intense work of refinement that is being done to keep the quality of the portfolio adequate and to join our projections with the issues that are, in fact, where we see a market where the issue of inflation

and disposable income is impacting the NPL for the market. So, this is a reality that we are seeing in relation to this and where there is an intense credit risk management being applied - and I will pass the word to the specialist here, Paula Teixeira.

Ms. Paula Teixeira - CRO

Thank you Ricardo, Mario. I think both CEO Fausto and our CFO Ricardo pointed out a lot the points of our strategy. This NPL in the credit card is indeed a reflection of our strategy of searching for more profitable lines. It is natural that in this card product NPL come, they occur at a faster speed than in other products because of the very behavior of dragging, delaying and dragging.

But what do we have? We are evaluating this whole market, we entered this market, and then, as Ricardo said about the open sea, we looked for new customers who are not account holders, but we entered.

Then we are studying, evaluating, revisiting our models. We have already taken steps in this direction with the intensive use of data from several bureaus so that we can do exactly that, this calibration and find the balance point here.

Allied to all this, we have a strategy that has been very successful in terms of collections. So, all these levels that we are observing here, we do continue with the strategy of more profitable lines, we know that this brings us a little more risk and our models are monitoring daily and seeking improvement with external data, so that we can take the necessary measures, as the agent has already been taking from the point of view of this line.

Ms. Janaína Storti - IR General Manager

Well, our next question comes from Tito Labarta from Goldman Sachs

Tito, if you want you can ask your question.

Mr. Tito Labarta - Goldman Sachs

Thank you Janaína, thank you all for answering my question. I have a question about the NII. You increased guidance, and it's clear that you benefited from a combination of strong growth and better mix, and higher rates.

Talking about the impact from here to next year as well, the loan book growth looks like it will cool down then maybe until early next year. So, thinking about the NII growth beyond this year, the loan growth, will this generate some pressure, or do you think that because of the better mix you think you will still be able to expand the NII?

And also, another point regarding treasury, you also had strong results there. Some of the private banks - I know it is not yet comparable to the NII of the market, because of course there were some losses and you seem to be doing very well on the trading result side, and combined with the interest rate evolution if this is going to fall somehow and how do you think the sustainability of the growth of the NII?

Mr. Ricardo Forni - CFO

I will start here, and Daniel Maria can add. I believe that we are still seeing that the improvement in the NII has not been completed yet. We expect a growth in the NII, and that is why we have adjusted the guidance in this direction. I believe that we may reach, let's say, the highest point in the NII at the end of the year, when we have all the strategies that we are implementing in terms of our search for improved portfolios in terms of risk and return on the individual and retail side.

We have been working on the cost of funding in all aspects of the products, and I believe this is still going to evolve over time to the end of this year. I believe that in agribusiness the new crop will bring us lower spreads, which over time will also affect the NII - but I believe that by the end of the year we will still see the NII increasing. For 2023 I think the dynamics will also evolve. We believe that the treasury results will still be there and we will need to see how the loan portfolio will evolve in 2023. We don't know the numbers yet, but Banco do Brasil will try to be very close to what our peers will be doing in terms of the loan portfolio. It is a question of what scenario we are going to face at the end of the year to be able to plan for the 2023 scenario.

Mr. Daniel Maria - Finance and IR Director

And Tito, I would also add here what Ricardo said. It would be interesting to analyze the structure of our balance sheet. Basically, we have net fixed income asset positions in fixed rate versus floating rate liability positions. The difference is that this net position is in savings deposits (basically TR + 6%), when the Selic rate is above 8.5%, which means that liabilities move faster than assets, have a faster repricing. There is a ceiling when the interest rate is above 8.5%.

This is one of the reasons why our liabilities - although they are growing when compared to the base rate - are showing a relative reduction because we have this ceiling. Now let's imagine a scenario when the interest rate starts to fall. We will reprice liabilities faster and assets more slowly, and that gives us the dynamics for next year. We strongly believe that the NII will tend to grow above the loan portfolio.

I wanted to take this opportunity to remind you of one of the drivers of NII this year. The cost of funding, repricing of transactions, which is exactly what I mentioned, are the treasury assets - but don't understand treasury as the concept of treasury. The way we report this is, we have transactions, corporate bonds, CDCA, CPRs, which are basically commercial transactions. With a reduction in interest rates that tends to reduce its share - but it will still be above the growth of the loan portfolio. I think that's a nice premise to consider in your modeling.

Ms. Janaína Storti - IR General Manager

Our next question comes from Jason Molin from Scotiabank.

Jason, can you hear us? Sorry Jason, we're not hearing you, I think your microphone is closed.

Mr. Jason Molin - Scotiabank

I will speak in Portuguese today.

Ms. Janaína Storti - IR General Manager

Great, thank you.

Mr. Jason Molin - Scotiabank

Congratulations on the strong results with the return on equity, the 21% return, thank you for the meeting and opportunity to ask a question. I want to ask you to give more color to the dynamics of the agribusiness segment of the bank. Agribusiness represents about 28% of the portfolio with the segment growing 27% year over year in Q2. In the guidance you talk about agribusiness credit growth in the range of 18 to 22% for the full year 2022.

This is a guidance for the next half year. Can you talk about the prospects in the medium term for growth, default, profitability of this segment thinking about more competition? And how will the subsidy work in the future? Thank you.

Mr. Fausto Ribeiro - CEO

Jason, thank you for the question. Since we took over as directors of the bank, I have been strongly arguing that we have to go back to being strong protagonists in some strategic lines for the bank, and agribusiness has been a vocation of the bank for more than 100 years.

The first agribusiness operations date back to the 19th century, the exports, the financing of coffee production in Brazil, sugar cane, in short, agribusiness was born in Banco do Brasil, the first portfolio, the big loan portfolio is from Banco do Brasil dating from the 1930's, and the Rural Credit Manual that is now adopted by the Central Bank was born in 1954, 55, within Banco do Brasil and today is the standard for all banks.

Finally, I think that it is undeniable the knowledge we have of Brazilian agribusiness, our capillarity to be able to serve agribusiness from the small to the large producer. I mentioned at the beginning that only less than 30% of what we are allocating to agribusiness comes from resources that we call equalizable, with interest rates equalized with the federal government, that is, the other 70% is our effort to compose funding to find a rate more adequate to the sector.

Well, speaking about the sector itself, the sector has been going through a boom. We see from the surveys the population growth in the world, a world growing strongly every ten, twelve years, increasing 1 billion people. In short, we will have more and more demand for food - and the Brazilian agribusiness can be an important outlet for us to export more and more. We have fertile land, we have technology, we have an Embrapa that supports the technological development of agribusiness.

And we have on the other side the pressure for no deforestation. So, there is only one way to do this, to have a greater return by providing technology to the rural man so that he can use the same property to produce even more than what he produces today.

The demand that we are observing comes strong in the costing. The costing, which we call here is to plant the seed, to plant, to generate soybean, wheat, and corn production, so it is money for the farmer, a working capital for him to buy seeds, to buy fuel to plow the land, to buy fertilizers, to make the production plant and then harvest it later.

What we are clearly observing is that due to the inflation of investment, of machinery, and agricultural equipment, because machines that used to cost R\$300,000 here in Brazil now cost more than a million. And then, because of the demand, which is still high, and because of the lack of supply, equipment is dependent on inputs, chips that come from abroad, tires, and we have observed a very large dependence on the supply chain of some countries and that any situation that can generate a delay in production impacts this sector of machinery and we strongly believe that Brazilian agribusiness will gain a lot of traction and strength, especially on the issue of costing.

So, the costing, this front that I mentioned about planting the seeds, we are seeing, we are observing the strength of the agribusiness in this first month that opened the operations. Just for you to have an idea, while in the same period (the first month of last year) we made around R\$11 billion at the beginning of the harvest, we have already made R\$27 billion at this moment.

So, the agro comes strong, it comes firm, it shows the strength of our agriculture, it shows new entrants in the market, new investments are being made and the perspective is that the farmers will be more and more capitalized because of this commodities boom and that the default rates will remain as they are.

We are also offering alternatives for farmers so that they can sell their production in the future. We have created options on our website, in our app, so that they can lock in the future price and not be dependent on spot quotations in the market.

We built four laboratories to develop technology - one of them focused on agribusiness in the São Paulo region, in a countryside city where we have a very strong university, active in agribusiness, where we also have several agritechs (the technical name we give to startups focused on agribusiness), and the idea is that we seek more and more intelligent solutions for agribusiness to be sustainable and improve its productivity over the coming periods.

In short, the Bank does not want to be just a credit solution. The Bank also wants to contribute with intelligence, and we are developing these laboratories with many interesting solutions so that the farmer can also use and expand his production, reducing the credit risk for the Bank, more and more, because of technology, because of information, and making him more profitable.

So that's basically what I was going to say in terms of the agro if it was to give a little more color exactly that's my perception.

Ms. Janaína Storti - IR General Manager

Thank you, Fausto. Let's move on here to the next question, I'd like to call Nicolas Riva from Bank of America.

Nicolas, can you hear us? You may ask your question.

Mr. Nicolas Riva - Bank of America

Thank you very much, Janaína. So, I have a question about the perpetual bonds. You have a redemption date for the 9 ¼ next April, in your opinion would you guys be willing to issue a new 9 ¼ bond? Are you guys comfortable with the capital index? Will you have the participation of the Central Bank in this bond?

And a second question: besides the perpetual bond and the redemption date you also have the mature bond maturing, in total in April \$3 billion in those bonds, in addition to the perpetual bond.

So, my question is: do you have enough dollars to honor all these payments or will you need capitalization for that?

Mr. Ricardo Forni - CFO

Thank you for the question, Nicolas. In terms of the perpetual bond we are monitoring the whole situation in terms of the market, the treasury market that has increased the interest rate rapidly. We are monitoring, let's say, the situation in terms of new issues. We are very well prepared in terms of dollar liquidity, even the senior bonds that you mentioned.

We have been anticipating these maturing bonds, and we can easily manage the dollar liquidity and our capital position. We have anticipated the perpetuity, I think it will be as expected. We are going to exercise the call, the call option, and we are going to see how the market is going to be in relation to the new issue, in the foreign and domestic market.

So, we will monitor this, but we have been monitoring this very closely, and we are doing very well in terms of dealing with the dollar liquidity position, as well as the issue of renewals and also our cash position, capital position. This is part of what we consider when we look at, for example, the payout discussion. We are dealing with capital apposition looking forward, considering all scenarios at least in terms of two or three years of maturity. Daniel, would you like to add anything?

Mr. Daniel Maria - Finance and IR Director

Nicolas, to give you some data to help you make your judgment, first we have more capital, we have more CET1, plus or minus 300 bps, and we easily can reduce that by at least 100 bps, meaning that out of 5.5 billion that we have maturing or callable in 2023 and 2024, it is very likely that we will have less than what we already have.

And an additional piece of information: when we set up these positions, we had a difference in terms of hard currency, and we also had a different perspective in terms of capital. At that time, we had a capital change that we wanted to anticipate in this process. At that time, we didn't have a domestic market, and now we do. So, if you ask me if I would set up the capital structure from scratch, we would probably have a mix of domestic and foreign market, which means that we have other opportunities and possibilities to finance this.

Now in terms of capital basically this is what we have, we have enough capital, and we tend to reduce that position. In terms of liquidity, we have already pre-capitalized these positions on our balance sheet and reduced the hard currency presence, so we don't have the same funding needs. We expect to have fewer bonds in the market in the near future.

Ms. Janaína Storti - IR General Manager

Well folks, we are coming to the end of our conference call. The last question I would like to call Pedro Leduc from Itaú.

Mr. Pedro Leduc - Itaú

Thank you Janaína, good afternoon everybody, congratulations for the results as well, CEO Fausto and all your team. My question for the cost management department. You have reached an exemplary level of efficiency, giving you an essential input to grow competitively.

Now the line of administrative expenses was one of those that did not change in the guidance, it was maintained. Of course, this in itself is already a challenge with this higher inflation, but we are also trying to understand a little bit more for 23 where expenses with ALL should be higher, as already mentioned, if we can understand this trend of improving efficiency and continue to contribute positively next year for profit expansion.

Mr. Fausto Ribeiro - CEO

Pedro, excellent point that you mentioned. We have discussed this point a lot within the Bank's board of directors, and this is the message we want to send to the market and to all of you, that the culture within Banco do Brasil of expense control is perennial, it is a continuity. This is already rooted in the organization. We have been doing this cost control process for many years, and the message we are giving to all our staff is exactly this: we will continue controlling costs and that is why we did not increase our guidance.

It is a challenge, we know this because we have collective bargaining in the 2H, we have inflation on other things, on rents, on purchases, in short, this will challenge us more and more to exercise our power of negotiation, to exercise our power to find more appropriate solutions, fairer, and finally, that we continue, that we continue with well controlled expense indexes.

What I can tell you is that this is our great challenge, but it is something that we thought it would be feasible to achieve, that is why we kept the expense levels at this level.

Ms. Janáína Storti - IR General Manager

Well, folks, this concludes the Q&A session. Thank you for everyone who was here with us and I will now ask CEO Fausto to make his closing remarks for our event.

Mr. Fausto Ribeiro - CEO

I want to thank you all for listening to this short presentation we made about the results. I want to keep telling you all that this is a sustainable result based on a robust growth of our portfolio, but with great control over our NPLs.

The Bank has robust credit models, the Bank has experience in the market, the Bank has a respected brand in society, it is present from North to South.

In short, the Bank is solid, the Bank has top level professionals, extremely qualified to manage this company, to innovate, to seek the renewal of the base, the rejuvenation of our customer base. You have seen a lot of actions that we are doing to seek this rejuvenation. This agreement we made with Yours, we strongly believe that it can bring many future clients to this house, and contribute to society in general to educate children, to give them a solid and consistent financial education, so that they can engage with us and we can accompany these clients for the rest of their lives.

We are also exploring several ecosystems that I told you about here; they are unique opportunities that have emerged in the market. We see open finance, open banking as being an opportunity and not a threat, we are taking advantage of a lot of innovation that we are seeing.

A lot of analytical intelligence, we are stimulating thinking outside the box, seeking to innovate and have more assertiveness in the offers to our clients. We have even observed that the clients that have opted to join, to do the consent program with us so that we have access to information in other banks. The offers have twice as much assertiveness, in short, it is the work of analytical intelligence, it is the work of persuasion, of proximity with our clients together, and we are taking advantage of this in several arenas, and the bank is getting stronger and more sustainable.

I want to tell you that the result is here to stay. This management is very focused, very resilient, very objective. We have clear commitments communicated internally, people know exactly what we want to achieve.

There is a strengthening within Banco do Brasil of the perception of belonging to a company with all this 213-year history, with all this potential, and you can be sure that we will be increasingly surprising the market, not only with adequate solutions for our clients, but also with consistent, ever-increasing results.

Thank you very much to all of you for your attention and keep counting on Banco do Brasil for everything you can imagine.
