

Investor Relations

Transcript 1Q21



BANCO DO BRASIL
1Q2021
EARNINGS
CONFERENCE CALL

OPERATOR - Good morning, ladies and gentlemen, and thank you for waiting. Welcome to Banco do Brasil 1Q2021 earnings conference call. This event is being conducted in Portuguese with simultaneous translation into English and is being recorded and broadcast live via webcast through Banco do Brasil's website at www.bb.com.br/ir where the presentation is also available. All participants will be in listen-only mode and right after the presentation, we would initiate the Q&A session, when further instructions will be provided. Questions in English will be received in writing only via the chat icon in the bottom of the platform and for questions in Portuguese just dial *1. Should any participant need assistance during this call please dial * 0 to reach the operator. With us today are Mr. Fausto Ribeiro, CEO; Mr. Ricardo Forni, CFO; Mr. Carlos Renato Bonetti, CRO and Daniel Maria, head of investor relations of Banco do Brasil.

Mr. Fausto Ribeiro, please you may proceed.

FAUSTO RIBEIRO - Ladies and gentlemen, good morning to those who are in the South hemisphere, those in Europe, good afternoon. I am Fausto Ribeiro, CEO of Banco do Brasil and it's a great pleasure for me to be with you this morning. And in fact, this is our first meeting and I hope this is the first of many and right from the start I would like to acknowledge the work that you do, it's very important that we take precise information to all of our stakeholders. I would like to take this opportunity to thank our employees for the brilliant work they did this

1Q which allowed us to reach record numbers, historical numbers, considering all of the past history of the Bank.

Well, I have a set of slides before I pass to Ricardo Forni, our CFO, these are interesting slides because they can give you some information about the main pillars of this management.

So let me start very briefly speaking about our earnings highlights. In slide 2, we have adjusted net income of R\$ 4.9 billion which accounts for a growth of 44.7%, when you compare the 1Q20, this result was mainly boosted by lower ALL and growth in the NII. I said that in our previous meeting the year started with a rebound of the economy. However, the landscape for the next coming quarters still bring some uncertainties and that's why we are optimistic, but at the same time, bit more cautious. In terms of guidance, we are keeping the current guidance. We also see the possibility of by the end of the year to be on the higher side. Our loan portfolio was R\$ 758.3 billion and this is growth of 4.5% when we compare to the same period of 2020. Our ALL expanded view was R\$ 2.5 billion, which is a reduction of 54.2% when we compare to the 1Q20. In terms of the dynamics of revenues expenses, NII grew 4.0% and our Administrative Expenses were down by 0.4%.

So now I would like to show you some more slides where I'll talk about the main pillars of this management. Now, moving to slide 3, for those who are following us, we start with the pillars of our corporate strategy. What is my main message? There is a very solid governance process that is very well consolidated at Banco do Brasil. This is a process that has been forged through many years and the main pillar lies in the design and the approval of a corporate strategy for Banco do Brasil. We conduct annual reviews, but it covers a period that goes from 2021 to 2025 and that takes into account all of the outlook, you know, clients to financial side processes and people. So what is the message that I would like to convey to you today? Well, the Bank has a corporate strategy that has been designed based on its corporate scope and it's important to say that our role as executives, those of us who came onboard more recently, our task is to execute the strategy. Any changes in our corporate strategy has to go through all of these strategic and governance committees of the Bank. In fact, we are just continuing to pursue or to follow this existing process that will allow us to read some

interesting results in the near future. Well, upon my arrival, I talked to the employees of Banco do Brasil, not only I had to introduce myself, I introduced my family, I talked a little bit about my background and I also listed 10 structuring initiatives and all of these initiatives are based on the pre-existing corporate strategy. And I believe that these initiatives can help us expedite some changes within the Bank, which will allow us to reach a series of the strategic objectives that have been set forth. I am not going to mention each one of them because you have them listed on the slide.

But in the next three slides, I will show you in 3 different groups, how we are, what will be the main messages we want to convey to you today. So the first group, or the first one is profitability. Here are the main message I want you to get. I renew our commitment with our search for efficiency and also the fact that we want to present sustainable results. We already have an expense reduction plan in progress that anticipates a recurring savings of R\$ 3.0 billion a year which by 2025 could reach R\$ 10.0 billion of accumulated savings. So this is a commitment that has been renewed and we will pursue it. In terms of looking for a profitability, similar to our peers and at times even higher than our peers we have to strengthen our most profitable business lines, expanding and monetizing the customer base. The expansion of the customer base is crucial, there is no other way to make progress in this regard. We will also reinforce our protagonism in some lines and segments where today we are market leaders, and I'm referring to agribusiness, we have to make advances in agribusiness, we have to also include some digital initiatives to agribusiness, SMEs, individuals and foreign trade. These are some segments where we think we have to expand. We also think it's important to constantly analyze the possibilities of building strategic alliances and partnerships because this can help us maximize our results. We have to keep an eye on that all the time and see ways of engaging in other partnerships and this will help us to leverage better results.

And finally we have to focus on our core business to maximize capital efficiency. Maybe behind that, we have the continuity of our divestment policy. So obviously focusing in the non-core businesses or things that do not have great synergies with our business.

Now, moving to next slide, slide 5. Another group of actions which are equally important when compared to the previous one is that, I mean, if I want to leave a legacy to this company, what I would really like to do is to expedite digital transformation so that we can, in fact be really digital. This is a message that I've been constantly talking about in the company because it is important that we expedite this transformation. This is something that the market is calling for, and it's important that we are totally digital. We have been, you know, trailing this path for quite some time. But if we can accelerate the necessary transformation, this can certainly help us.

And as part of this process of expediting the digital transformation, we listed a series of actions that will encourage our clients to look for alternatives to access the Bank in a more convenient way. So, we are trying to promote a digital inclusion. This is one of our commitments. Also, we have to engage our own staff and our own employees. That's also very important that we have to promote a change in the internal culture, bringing about the necessary skills that will allow us to evolve quicker through this new culture. It's important also to emphasize that we have to train and qualify our people so they can acquire the skills that maybe they do not have yet, because certainly this can help us expedite the process. Well, data intelligence, it's important that we anticipate the needs of our clients trying to focus on information and data. So data can be transformed into good information. We have an information repository which is very vast and we have to connect that with the internet and other consumer means. We have to be able to use this data and turn them into valuable information to generate more business. In terms of business connection, open Banking brings an amazing window of opportunity. That also reflects in innovation because with innovation we can look for other alternative sources of income door business. In addition to that, you will we will be able to analyze the strategic partnerships with startups to expand our presence in other platforms where we are not yet present. But certainly the way to reach this goal is to develop all of our APIs because with that we will be able to make good connections.

Now, platform expansion. We want to automate processes. There is always room for further improvement and better efficiencies, and this is one of the path that we will pursue. We also want to modernize our IT structure to be more competitive and ready to do what is important. So these are my main messages

and the main points that I want you to focus, we'll expedite our digital transformation to be indeed digital.

Now moving to slide number 6. As important as the other previous slides, I called this part proximity. We have to be very close to our stakeholders. And I am saying that it's important that we will be close to our clients so that they can make their own decisions in terms of what channel they want to use to communicate with us. One Bank for each client. If they want, they will have the Bank in the palm of their hands. They will have all the necessary channels to establish a connection to talk to their account manager. In fact, it's important that we promote an integrated management of the distribution network. A more omni-channel based view to be able to offer a very integrated view to our clients. Also, it's important to have the appropriate returns to our shareholders. We have to look for growing efficiencies and to be compatible with our peers. We want to compete on equal footing with all of our peers and often times, we want to be ahead of the curve. We also want to maintain an adequate level of corporate governance and as I mentioned before, this is something that has been part of the Bank strategy for quite some time and we are a reference market even in Brazil, with so many public agencies, other organizations do their benchmark with us. Therefore, I would like to say that we want to continue to keep a very high level of corporate governance. And we value people as well. And here I'm talking about talent attraction and retention. I said, previously that we have all the necessary skills to be able to anticipate trends. We will invest a lot in training. We will also make some Investments to train and qualify our leading young employees. And we also want to keep our commitment with sustainability. All of these actions will be important for us to fulfill our social world. And at the same time to be accountable to society in general. And an example of that is that May is the month that we call the Sustainability Month. And we pick the theme which is renewable energy. During this month we are offering our clients some unique credit lines with better rates for the acquisition of solar panels, allowing them to invest in clean energy. With that we will be paying our contribution to society and the planet.

My last slide and then I'll pass to Ricardo. This is the Bank we want. This is our view for the future. So if I could tell you what is the legacy I want to leave, what Bank I want to have in the future, I want to be the clients' main Bank, ensuring the best experience possible that they can choose the best way to

communicate with the Bank. We want to provide a unique experience, high quality, high availability and that the client can promote the Bank to other clients. In terms of our presence whether it's a physical presence or digital, we want to be anytime, anywhere. This is very important to us. Also, we want to be a solutions hub. We have a platform that provides products, services and benefits. So somehow we want to help our clients to have access to all of our products and services so as to maximize return. And in general, also sustainability is very important, has to conciliate economic results, environment preservation and development of society. Today we are considered to be the Bank with the most sustainable portfolio in Brazil, we received several awards. Our portfolio has more than R\$ 200 million in sustainable credits and more recently, we received an award and this is first head news, we've just received an award from Global Finance as one of the most sustainable companies, one of the most companies in terms of processes and this is something that we will announce to everyone in the market.

So with that, I will pass to our CFO Ricardo Forni, who will talk about the financial results. And after the end, I will be available to answer all of your questions. Thank you very much.

RICARDO FORNI - Thank you. First of all, good morning everyone. My name is Ricardo Forni, I am VP for financial relations and investor relations. I would like to thank you very much for joining us today. And the opportunity to present to you this very robust result. This is an all-time record for the Bank.

So I'll start with slide 9 where we talk about our adjusted net income that posted a growth of 44.7% over the 1Q20 and 33.0% over Q4-2020, reaching BRL4.9 billion in the quarter. This net income was mostly impacted by lower ALL in the period, the growth of our loan portfolio and a very rigorous control of expenses. Our ROE went from 12.4% in the 1Q of last year to 15.1 which is a 258 base-points increase.

Moving to slide 10, I will talk about NII. NII was a 4.0%, vis-à-vis the 1Q2020 and 2.8% in quarter. This annual growth is mainly explained by the reduction in financial expenses, 26.7% reduction in commercial funding and -17.6% in institutional funding. When compared to the 1Q2020 the margin growth was influenced by higher loan financial expenses benefited by a more profitable mix

of access and lower funding costs. Banco do Brasil continues to pursue higher revenues from loan operations for NII by increasing the loan portfolio and looking for a more profitable asset mix. NIM remained stable and in the period at 3.7% due to higher volume of net assets.

Moving to slide 11. Our loan portfolio, the expanded loan portfolio grew 4.5% year-on-year and 2.2% when compared to December 2020, totaling R\$ 758.3 billion with emphasis on the performance of the retail lines and agribusiness. The individuals portfolio was up 7.1%, year on year, and 2.0% when compared to December of last year, with emphasis on payroll loans.

Another line that presented significant growth was personal loans resulting from the strategy to change the mix to more profitable lines. The agribusiness portfolio grew 6.4% year-on-year, and 3.6% in the quarter, reaching a R\$ 198.5 billion and getting closer to the all-time record for agribusiness. SME segment was up 26.1% year-on-year, influenced by disbursement in the Pronampe, working capital for the preservation of companies and PESE lines. This occurred especially in the previous quarters and the evolution from December to March is lower, of 1.4%. As for large companies and government, it was down by 1.2% year-on-year.

Moving to the next slide. On ESG. Here, we talk about our sustainable business portfolio that posted R\$ 261.3 billion in the quarter. Considering the ten sustainability commitments that we announced in February and aiming at helping our clients to transition to more sustainable practices, we launched the BB Renewable Energy loan for individuals, 100% digital. Also through BBDTVM, we offered two ESG funds, with total net worth of R\$ 4.1 billion. Furthermore, starting this year we are mitigating all of our GHG emissions to ensure that all energy consumed in our facilities comes from a clean and renewable source with the acquisition of I-RECs. Also we have received several awards as you can see in the slide.

On this slide the agribusiness portfolio. As we said before, growing 6.4% in the comparison year on year. In March 21 we've reached a disbursement of R\$ 76.1 billion in the 2021 harvest plan, with an increase of 14.7% vis-à-vis the previous year. I would like to draw your attention to our Broto platform. This is an end-to-end marketplace that brings maximum economic efficiencies to producers with

an increase in the number of accesses and new users besides intensifies sales. On Broto realized over R\$ 347.0 million since its inception on this platform, we have 549 products, machinery, implements and financial products, materializing our vision about the future of the Bank as a hub for Banking and non-Banking solutions for our clients with convenience, practicality and safety and security.

On slide 14 we can see the forbearance portfolio flow. We can see that the flow of exit has already started in the forbearance portfolio with a good evolution in December 2020, 50% of operations were in lack, in March 21, the percentage is 23%, amounting to R\$ 26.3 billion of which R\$ 14.0 billion, our government operations that have most of them treasury guarantee and therefore very low risk. And INAD90, the forbearance portfolio is under control. Closing market, 0.86% due to the quality of the origination of this portfolio. Here we are showing that net of the government portfolio, the portfolio with amount to R\$ 90.0 billion, net of the government part of the portfolio, and that has the guarantee of the Union, the risk profile is very low.

And we have this exercise here that you can see on slide 15, at the total of R\$ 90.0 billion. R\$ 12.1 is still in grace, and about R\$ 7.1 billion maturing at the 2Q2021, with a reduction of the total balance, and active operations in a forbearance portfolio we would have 1.09% for the calculation of delinquency. And it's very important to show you this breakdown removing the part of the government, which is very low-risk.

So, expanded ALL on slide 16 show you the expenses with provisions, closing the period with R\$ 2.4 billion, 54.2% reduction, year-on-year, 15.8 quarter-on-quarter reduction, behavior explained mainly by the reduction of the credit risks ALL because during the last year, the Bank made early provisions prudentially in order to buffer the future impacts of the pandemic on the loan portfolio. And also we have here the credit recovery performance, the highest in the series in the 1Q. And the cost of credit closed at 3.0%. Delinquency. As you can see, delinquency is rigorously under control. We have the indicators of the quality of the portfolio over 90 days past due, with a slight increase quarter-on-quarter, reaching 2.8 in March 2021 and between 15 and 90 days went from 1.5% in December to 1.9% in March, the coverage ratio closed the quarter at a very high

level, 228.2%, and we have brought information about the new NPL formation, 0.66%, and coverage of the new NPL reached 73.6%.

Fee income and administrative expenses on the slide. Fee income amounted to R\$ 6.9 billion in the quarter, a 2.7% reduction year-on-year impacted mainly by the reduction in the checking account lines. It is important to remember that Banco do Brasil has been seeking to diversify its revenues intensifying the use of analytics to have a better knowledge of the client and their preferences and serving them in a more convenient fashion. Administrative expenses are under rigorous control with a reduction of 0.4% year-on-year, amounting to R\$ 7.7 billion. Cost control already reflects the efficiency measures announced such as the layoff of employees by means of the voluntary severance plan and the savings generated by the compensation plan and the performing program among other aspects, cost to income ratio accumulated in 12 months to close at 36.9%.

In relation to integration of service, we have on slide 19, the profile of our service network, which was adjusted in the period, aligned to the strategy of optimizing our channel platform seeking lighter efficiency and more efficiency and lighter structure, we see a reduction in the number of traditional branches, a slight increase in digital specialized branches, the creation of 16 Leve offices and showing an important adjustment in the core structure of the Bank, migrating towards more efficient structure and without reducing the coverage of services to the community. And we also increased the specialization with the opening of Leve offices and specialized agro branches that allowed us to increase 1.4 million clients, totaling 7.0 million with specialized service. 800 investment professionals are dedicated to investors. And it is important to see that client with specialized services tend to show higher satisfaction levels and a higher return to the institution.

I would like to talk about the number of employees, because we already see the impact of the reduction of employees, 91,663 in December. As in March, 87,876, most of those have enrolled in the plan and have already left the company, but there are still quite a number to go when they will be leaving the company.

Digital in practice. We have relevant figures about the acceleration of digital transformation of Banco do Brasil. We understand that the migration trend toward

digital is here to stay and we have been offering end-to-end solutions and innovative solutions to almost 21.0 million active clients in our digital channels. I would like to mention the coupons available in our App, where the client has vouchers for discounts and promotions for reaching 14.0 million access as in the 1Q2021, when we sold over 215,000 gift cards. We also have programs for the utilization of points with the relationship of the Bank that can be used for products and services of the Bank and also possibility to pay account in a cash back program for clients according to what they choose. In the 1Q2021, 360.0 thousand clients paid accounts, or bills, with the use of this functionality in a total of R\$ 18.0 million, all this by means of the App of Banco do Brasil or internet banking. Deals of clients by means of the App have been increasing significantly and digital platform internet and mobile accounted for 45.0% of disbursements and personal loans, 12.0% in payroll-deducted loans, 42.0% auto loans, and 20.0% in mortgages. Over 90.0% of the transactions on digital platform in March and the Banco do Brasil App is the one with the best evaluation among all the Banks in the Apple Store and the Google Store as well. All these figures show that we are on the right track for a vision of the future, positioning the Bank, closer and closer to clients with innovative solutions, bringing convenience with security.

In relation to capital, we see a robust evolution of capital. As you can see, 19.56, common Equity indicator, 12.89, and this place is one of the Bank's with the highest capitalization in the Brazilian market and with very big capacity to grow. Evaluation to projections, we bring you our guidance here, we are maintaining your guidance. Adjusted net income, 16 to 19. The result of the 1Q was R\$ 4.9 billion; net interest income 2.6 to 6.5. We reached 4.0%. Loan portfolio from 8 to 12, we were slightly below in the 1Q with 5.8%; retail businesses from 9 to 13, we've reached 11.6. Wholesale, a reduction of 7.3% and afterwards, we can go into that in detail. Agro, 7.0 to 11.2. Fee income -1.5 to 1.5 positive. We had a reduction of 2.7%; administrative expenses, -1.5 to +1.5 a reduction of 0.4% under rigorous control. Expanded ALL, we had a provision of R\$ 2.5 billion. Overall, in terms of our net income receipt we expect being at higher area of the guidance, but we can go into details during the Q&A.

With that, I conclude my presentation and now we can go to the Q&A session.

OPERATOR - Thank you very much. Now we are going to start our Q&A session. I would like to remind you that questions in English will be answered by the chat, that is to say received by the chat and for questions and Portuguese, you should press *1. Our first question comes from Mario Pierre from Bank of America, you may proceed.

MARIO PIERRE - Good morning everybody. It's a great pleasure to be with you for the first time and congratulations for the results obtained in the quarter. How do I love to hear you talk about the commitment on the part of the Bank in terms of keeping the strategy that was announced in mid-February mainly in terms of improvement in your efficiency at cost to income ratio and the market loved that. And you mentioned that you expected to bring the profitability of the Bank to the level of the peers. When you talk about profitability, are you referring to the ROE? Because your peers have from 18 to 20.0% ROE, so is this your goal? And how long will it take for you to get there? And the second question: when you talked about the focus on core Business and the investment policy, I would like for you to expand on that asset management and acquiring are in your core business and what is your strategy for these two segments? Thank you very much.

FAUSTO RIBEIRO - Thank you, Mario Pierre, it's a great pleasure to talk to you. Okay, I will start with the last one about the core business, and then we will come to the ROE.

As far as I understand you're asking about our DTVM and brokerage house and this is our core business just like for any other company or any other Bank. And we know that this area is going through many changes and we have already made some notices to the market and mainly because of some news published in newspapers that we have been studying this. What are the alternatives? So that we may drive the business and maximize return to our shareholders. And one of the initiatives is to find strategic partners that might work with us. And that might help us maximize our returns. Nevertheless, what I can tell you is the following: we still have no definition or mature definition about that, and that we could announce to you right now, but we continue to study this and evaluating this. Evaluating the best way to drive our business and to extend our operations in the assets area. With relation to Cielo, you talked about acquiring and Cielo is

also considered as a core business for us in terms of acquiring. Referring to this asset, we have a strong partner and we are doing by means of corporate governance with Cielo so that our company may transform digitally. So that we may change our business model in order to bring more results, more positive results for both companies. So, it's also core. About the return expectations, the mission that I received from the ministry of the economy and the president was to lead this Bank seeking profitability at levels compared to our peers with a lot of efficiency and give a top quality service to our population. And a timeline for that? I cannot tell you anything about that. The ideal would be to get there as fast as possible. And, of course, we still have some homework to do. And as I said before, during my presentation, we have many actions that have to be put in place in terms of our initiatives and the more we can accelerate the process and speed up the process, so that we may reach the level of our peers that would be great. This could help us a lot. So, I hope I have been able to answer your questions.

MARIO PIERRE - Thank you very much and a very good luck to you in your new position.

OPERATOR - Our next question is from Mr. Jorg Friederman.

JORG FRIEDERMAN - Thank you very much for taking my question, can you hear me well?

FAUSTO RIBEIRO – Yes, very well.

JORG FRIEDERMAN - Fausto, thank you for your message and I really endorse the words of my colleague. In the analysis side we see how Banco do Brasil is negotiating in view of all of these very strong operating results without a lot of interference. So if possible I would like you to reconcile some parts of your speech with what we see through the headlines. And you said as an executive, the main message is to give continuity to what was there before and we see that with very good eyes, but at the same time, there have been several changes since you took over before Vps were changed. And maybe there are more changes to come. In regards to governance, when the chairman of the board, the previous chairman of the board, he criticized the governors of the Bank, now, there has been an important change in the composition of the board, with Ieda there. So if you could convey a message to the market, or maybe you

reinforcing the message of how you see, all of these changes, whether the strategic will change, because with so many changes at the board level and also on the executive level, I would like you just to put in context your legacy or what else could happen in terms of changes in the Bank, I mean, some things are changing even though the backbone remains the same. So let's go with that and then I'll come with my second question. Thank you.

FAUSTO RIBEIRO - Jorge, if I understand your name correctly. Okay, there were many comments. Let me try to answer each one of them. First of all, changes in the VP positions. Well, my point of view is that as part of a natural succession process in a company is very common and very usual to have some changes. So I think that all of the changes that we are promoting are absolutely normal. We are certainly looking for people, in-house from professionals career inside Banco do Brasil with a lot of experience. All of the names have more than 25 years of experience in the Bank and they are highly competent and if I should give you a message, if I could probably give you some light of what is happening here, is that we are looking for very committed professionals and with enormous capability to be in the positions where they are. And I think that it's very normal for somebody new to make changes. Now in terms of what you said about the fact that some board members complained when they left, what I've been saying is that my approval process as the CEO of the Bank goes through two spheres, one inside Banco do Brasil and one outside the Bank. In terms of the outside sphere, I'm referring to appointments from the ministry of Economics, which is ratified by the president of the country through a decree. So they, first of all, we have to send the names to our internal committee that has to evaluate a series of prerequisites, and they have to look at things related to legislation first, I mean, law 3303 and all of the other issues that are part of our internal bylaws. And that is then ratified by other instances. So the process follow its normal path. And that's how I was appointed. The same thing happened to all of the previous CEOs of the Bank, all of them had to go through this process. In terms of particular opinion of one or another board member, I would rather not comment because it's their own opinion. They were talking about a process that exists in the Bank for a very long time. So anything that can help the Banking improve its business, is something that should be analyzed in terms of leda, I think you mentioned her name. She is an excellent professional. We are constantly looking for diverse

opinions in the board member. She comes from the ministry of treasury. She has extensive experience, she's been through different boards and has an interesting experience. Therefore I believe that she will give a very good contribution to Banco do Brasil when it comes to, you know, analyzing further deals. So I think I answered most part of your questions. Did I leave anything out Jorge?

JORG FRIEDERMAN – No. Once again, I think that we support the Bank, and I think it's important that you have a very firm message when you conciliate all the changes with this line of continuity. You explained it quite well. Thank you very much for your presentation and I wish you the best. Now, I have another question but it's more operational. I think you were doing an excellent job in terms of controlling expenses, which is the core part. And you said that yourself and you said that the middle of the guidance is low, but I also realized that non-core expenses, that part of non-core expenses is slightly above what we expected for the second consecutive quarter. You had more than R\$ 1.5 billion of expenses, with legal fees and also in this quarter, we noticed R\$ 1.0 billion related to payroll. So we want to understand how that works and I also want to get your view on the legal risks and whether the guidance is still maintained.

FAUSTO RIBEIRO - All right. I will pass to our VP of risk management. And he will help me with that answer.

CARLOS BONETTI – Okay, I will start by talking about the legal risk, and then I'll turn the floor to Forni to add more things to that answer. In terms of legal risk, the Bank has some strategies that aims at improving this trajectory of these legal expenses and some factors impacted the volumes you saw for the 1Q. The first one has to do with the pandemic. I mean, last year we saw mainly in the second and third quarter, some of the actions were stagnated because the courts were shut down and that's why all of the lawsuits were postponed to the 4Q of the year and this had an impact on the 1Q21. And because of that, either the volume of payments or provisions had to be expedited a bit. Another important aspect is an strategy that we have adopted related to agreements. This is a changing paradigm for us, because the Bank used to approach a strategy of appealing to the last courts and now we are adopting a mixed strategy whereby we are favoring agreements right on the initial stages, this has a positive effect in the long run because it reduces long-term expenses and things are more predictable.

But there is another effect which is the acceleration of expenses in the short run, meaning that the amount of payments is larger in a shorter period of time. This is what happened in this 1Q and this is a strategy that is now in place for the year. It does not apply only to the 1Q. So these two effects can explain the amounts posted in the 1Q and this should also be noticed at different levels throughout the year. We are trying to project that expenses, you said R\$ 4.0 billion, we are looking at a number closer to R\$ 6.5 rather than R\$ 4.0. When it comes to, you know, accelerating agreements and you know, unleashing processes or lawsuits in the courts.

RICARDO FORNI - I would like to add something in relation to expenses or other operating expenses. Here, we had an impairment related to the business funds. We're trying to identify in non-financial assets that shows signs of depreciation because of their value in use. It could probably indicate some reductions in the recoverable value of the asset. With the recent economic impact, there was an indication that there should be an impact about some payroll agreements considering the good accounting practices. That's why we did the impairment and we did the accounting write off. So now we recognize R\$ 459.0 million of losses because of that and we believe, just to clarify, when it comes to the evaluation about the recurrency or non-recurrency of this evaluation, what we think is that in terms of the impairment, this is a recurring evaluation, this was a business event and we are, or we posted that and with that our future projection in regards to these contracts really reflect what remains in our accounting books.

JORG FRIEDERMAN - Perfect. I just wanted to understand whether we could still see something more along the road. There is something more to come?

RICARDO FORNI - We do not expect anything else down the road. We are running that evaluation, this is a current evaluation and we would do that in the next quarter, but we have no future expectations about that.

OPERATOR - Our next question is from Otavio Tanganelli, Bradesco BBI.

OTAVIO TANGANELLI - Good morning and thank you for the question. You have already talked about the NPL90. You had a higher volume than private banks. Do you have any other data that you could share with us? In this quarter, the provisions were lower and the NPL formation. I would like to understand the

rationale a little, given that we still do not have much visibility of a stronger recovery in the economy, what is the rationale behind making this consumption now in the 1Q? Thanks.

FAUSTO RIBEIRO - Okay, Bonetti is going to answer, but I would like to make a short remark about over 75.0% of the operations extended are paying back normally, this is excellent as a sign, regarding the forbearance portfolio. And 90 days past due is under control and the level is better than we expected around 1.0%. Bonetti, please.

CARLOS BONETTI – Otavio, talking about the forbearance portfolio, you remember that we close the 4Q with a R\$ 130.0 billion. I would like to remind you that this portfolio has some different characteristics vis-à-vis our peers. We have a relevant participation with the government in this portfolio, 20.0% of this is credit with the government and with government guarantees. We have a major part, 25.0% of that is payroll deducted loan and normally public employees, and because of that, the quality is very good, about 93.0% of the customers didn't have any history of delays in the 12 previous months, the months preceding the pandemic. So it's a very good performance. And the time of relationship is quite long, 17 years on average, with these customers, and we have a percentage of guarantee that is very big, 55.0% on average. And in the period of the 4Q we said that it would get into amortization as of the 1Q that is to say the portfolio. We had the reduction of 12.5% and the balance of this, from a R\$ 130.0 to a R\$ 113.8 billion. This already shows part of what we were already seen in terms of quality and expectation of repayment. That is say people paying us back again and this is being done with a very low delinquency ratio. If you take the short-term delinquency, we are talking about 2.5% and if you talk about 90 days past due, which is lower than 1.0%. We have a percentage that is near for R\$ 26.0 billion will be returning in the 2Q, but of these 26, half of that is credit with the government accounts. So the portfolio has a quality looking ahead, the quality that is very good and which lead us to believe that if everything remains the same, in terms of the pace of the economy, the performance will be quite good in this portfolio and that has a coverage of provision that is quite high as well. Talking about the level of provisions. What you saw in terms of flow and provision, is reflecting the behavior of our portfolio, very low delinquency, 1.95%, and it is a fact that we expect an increase of delinquency up to the end of the year, this is

something that we are projecting. Nevertheless, our projection of the basic case scenario is better than we estimated at the end of last year. And because of that we believe that this provision, or the need for new provisions, should follow a normal behavior and in line with the volume of disbursement that we will be making by the end of the year. We believe that disbursements will accelerate till this year and provisions will reflect the acceleration of these outlays. But talk about the inventory of our portfolios, this is very much under control and the additional provisions that we built last year support the growth estimate for delinquency for this year.

DANIEL MARIA - I would like to remind you the dynamics of the balance sheet as we have been talking to you, 2020 basically as Bonetti said, the construction of provisions that is to say creating this buffer to hit the 48.0% coverage and for 2021 consuming part of this coverage and reducing provisions. And gradually increasing delinquency. The fact that you have the coverage of the NPL at percentages are lower than a 100.0%. This is the dynamics of this movement and it is in line, as Bonetti said, with what we expected in this regard.

OTAVIO TANGANELLI - Very clear. Thank you.

OPERATOR - Pedro Leduc, from Itau BBA.

PEDRO LEDUC - Good morning everybody. Thank you very much for the presentation. Thank you for the question. You made two opening remarks about the guidance. It seems that we are going toward the upper part of the guidance and I would like to talk about the performance, very low ALL, it seems to be the biggest contribution. However, in the other items, NII, it started well 4.0%, but when you look at it, seems that it has part of funding and the revenue with credit from clients it didn't go so much, and fee income, it seems to be at the upper part and it's not really seasonality, I believe. And lastly, about the legal risks. Do you contemplate this when you talk about going to the upper part of the range? Once again, congratulations for the presentation.

FAUSTO RIBEIRO - Okay, Forni will start to talk about the components of the guidance and then I will come back.

RICARDO FORNI - Thank you, Pedro, for your question. In relation to the guidance and the adjusted net income, this is the aggregator of all the other

effects that are going on in the different variables. We started very well in the 1Q and if we continue with this line, as we expect, the economic scenario, well, we are bullish about the economic scenario. However, there are uncertainties involved. So when we talk about the income, we believe that we are going to the upper part of the guidance and looking ahead, I believe that later on, we might review the guidance, when we are more sure about some important variables. Regarding the NII we are in the middle of the guidance, we had an important evolution. I would say a change in the mix of the portfolio that has been happening and has been reflecting already. We were already capturing that over time and the strategy for the years very much centered on seeking and being more competitive in lines with attractive returns, changing our mix over time. And we have been doing this and we have been very successful in this strategy. From the viewpoint of the loan portfolio, we are slightly lower than the guidance, and there are some components there in retail businesses. For instance, we are within the range, we have been working in lines of payroll deducted very successfully. Also with good operations and even exceed the line of credit card coming from non-account holders. And it took some time to scale, but we're already seeing results and we have been seeking this growth that together with the strategy of line with the higher return, this becomes a very interesting component in the mix for the growth of the portfolio. In the wholesale, for companies, these are specific cases. Well, let me see how... Daniel, can you help me here, please?

DANIEL MARIA - This has a base effect. I would like to remind you that in the 1Q of last year, there was a higher demand and this increased the base for the 1Q and then it started going down. As we are, comparing year on year, we have this effect, and also, the migration towards the capital market. I would like to remind you that some companies went to the market with that and equity. And when we look at this range of companies, with over R\$ 200.0 million in revenues, when I look at the large ones, over R\$ 800.0 million, they are dropping because of this dynamic in the capital market. And this is being offset by the large middle. The companies that have revenues up to R\$ 300.0 million, it's a little bit of capital markets and a little bit of the comparison base as well.

RICARDO FORNI - Just continuing here. In relation to agribusiness, we have been reaching the guidance and we saw a performance that was lower in individuals tariffs. But we are optimistic because we are using analytics and many

other tools. And we are seeking to be more assertive in our sales by means of using data and we still believe that we will be reaching the guidance and we are working very strongly in this direction and we believe that we will be able to get into the range. In administrative expenses, we have been reaching the guidance by means of a rigorous efficiency program that is already bearing fruit, and we know that there are some risks involved because of inflation. Inflation has been coming higher than estimated. And also payroll expenses and other contracts as well, they suffer of this kind of impact. So our efficiency program with reduction of expenses is what we will give the right condition to reach the guidance. And in credit risk, based on everything that has already been said about delinquency, our net provision is much lower than estimated in the guidance and as Bonetti said, we have to see the evolution of the portfolio in the 2Q and 3Q because many of our uncertainties will be solved. And what you have in terms of forbearance will be maturing to a certain extent in the second and third quarters. And we are very bullish about the origination of the portfolio that was built for the future. So it is one indicator that has a lower bias and as uncertainty disappear we might have some change in the guidance, should this be necessary.

BONETTI - And just to complete, the legal risk is already inbuilt in this new estimate, in this projection, that we talked about our net income.

PEDRO LEDUC - Thank you very much. A follow-up about the NII, 4.0% in the year is quite satisfactory. And the mix has been improving as you mentioned yourselves, and if we look the break of the line the customer of the operation with credit fell. What helped you were lower funding expenses, so could you help us about the funding expenses over the years? Should they go up? Because there was a help from abroad and the PDM that really brought this down. So what about the next remainder of the Year?

DANIEL MARIA - May I make a remark? The funding cost, I would like to remind you that we paid the perpetual at the end of the 4Q. The redemption was almost R\$ 1.0 billion and also in the 1Q there was another subordinated loan about R\$ 800.0 million that was paid. So you reduce your expenses in foreign currency. Together with that, what we foresee as a dynamic from now on? Less contribution from the cost of funding, some contributions that could come from some renegotiation but less contribution compared to what we saw in 2020 and

much more based on the increase in the number of portfolio, and in the portfolio mix.

PEDRO LEDUC - Thank you very much.

OPERATOR - Our next question is from Mr. Domingos Falavina, from JPMorgan. You may proceed sir.

DOMINGOS FALAVINA - Thank you and good morning. Fausto, first of all, I would like to thank you for your remarks in the 1Q, because I know that you haven't been there for a very long time. Well, sometimes we are at the mercy of the news and it's hard for us to understand the promotion of some of the executives. So probably better than trying to guess what the newspapers are trying to say, you know, it's better also to talk to the people involved. In Itau there was a new CEO. He worked with Candido Bracher in the investment Bank, he was the CFO of the Bank, and then there's Labuto, who also worked for other Banks. I mean, and your name it was a less obvious name for us. I think we also look at some people that could potentially be promoted and we didn't see your name in that list. So when they asked us about names, how can you explain why, you know, you are in this position? And my second question, I would say, it's very good to see that the Bank is focusing on profitability, in ROE, and we see three leverages here, three pillars: growth, volume, price, cost and leverage. So do you think that this ROE will grow in the Bank?

FAUSTO RIBEIRO - So, let's talk about Fausto. Fausto Ribeiro presided over a company from the conglomerate of Banco do Brasil, BB Consortium. It's a company that in terms of results to the Bank, generate R\$ 700 and some million in net income and also they paid an important contribution to our results. 33 years in Banco do Brasil, I also worked in several areas of the Bank and I can mention the area of internal controls. I spent 10 years in that position and I was kidding, I said that sometimes this is my PhD in internal controls because I led the Bank to comply with Sarbanes-Oxley legislations. I was also chosen to represent the Bank in the transaction to mediate the Patagonia Bank in Argentina, you know, that the Argentinian Central Bank take some time to approve the acquisition, or any acquisition. And that's why we had to have a separate team, a separate team from the management of the Bank. We were three people in charge, so then I was called to be the director of the Bank in that geography and I was in charge

of doing larger operations with large corporate. And when I returned to Brazil, I was in charge of the Postal Bank that serve low-income clients. I also work in the channels area of the Bank but, just to be clear, 33 years in the Bank, vast experience with the Bank and the Bank has numerous qualified professionals. As you mentioned yourself, many people leave Banco do Brasil and they occupy high positions in private companies like Santander and in other companies in the market. In terms of my arrival in this position, it started with the ministry of economics and then the president of the country, and then I had to be approved by other internal instances. In terms of what was mentioned at the time, people said, the Press said that I didn't go through the evaluation methodology. I did go through the Korn Ferry methodology and I was on the 9th quadrant, if you understand about that methodology, that indicates the individual, that is ready to take that position. So, in terms of Fausto, this is what I had to tell you. So I feel that I am highly qualified. I have a long experience with the Bank. And I believe that those that are promoted from inside they are much better prepared because they are very familiar with the way the Bank works, and they can also work to promote the acceleration of the Bank and all of the pillars that I mentioned during my presentation, and that will help us to reach our results much quicker. So, in this regard, I do respect any other dissenting opinion but I mean, this is what I have to say. And in terms of your next question, I will give the floor to our CFO.

DOMINGOS FALAVINA - Well, I'm not saying that there were dissenting opinions. This is just the versions that are received. There is no dissenting opinion at all.

FAUSTO RIBEIRO - Yeah, I did understand. I am referring to journalists that those journalists that talk about this topic.

RICARDO FORNI - Hi, Domingos. Now, speaking about the future growth of profitability and what are our leverages. Well, certainly Banco do Brasil has always been and will always be leveraging loan. So we are growing our loan portfolio, loan portfolio with good origination and good quality. But at the same time, we are also looking at the portfolio mix. This is a strategy that has been put forth for a long time. We are executing it well and I suppose you were saying this not just one management that will execute that strategy. This has been a strategy that has been, you know, in place for quite some time. So this search for a better

portfolio mix is something that is already bearing results. So we will continue to pursue that strategy. This year we see an important contribution towards reducing the cost of credit. So all the work that is being done in terms of risk management. Also, I believe that our prudential strategy of last year and especially in terms of the fact that we are being cautious in terms of origination is already bearing results. I think we can get good results in terms of our credit portfolio. Expenses. I mean, the Bank has always had a very rigorous control of expenses. The Banking industry is faced with an additional challenge because when the paradigm changes, the way you serve your customer changes as well. And this brings about challenges for those that are controlling expenses, but I would say that our transformation pays and our efficiency is in line or I would even say, when compared to our peers, we obtained a level of excellence in terms of our control of expenses and we intend to keep it that way. And in terms of seeking for additional revenues through data and innovation, this is here to stay, that's a strategy, an open strategy of the Bank, is part of our strategic planning and we are just expediting and accelerating that. It's organic growth and sustainability not only in regards to the generation of more results, but this emphasis of ESG, and all of its different aspects, on the E aspects, I mean, science and sustainability. We have a large program to expand the use of renewable energy, with saving, and this is quite important. There is a work in the physical world a lot of work is being done in that regard. I think this is the emphasis we are giving and Fausto talked about that. Also, he talked about that when he addressed the employees of the company and the results of the 1Q are already giving signs of these indicators.

DOMINGOS FALAVINA - Good luck to the new team.

OPERATOR - Our next question is from Mr. Carlos Gomez from HSBC. You may proceed sir. Mr. Carlos Gomez from HSBC, you may proceed.

CARLOS GOMEZ – Yes. Good morning. I have two questions. First, we noticed an increase in net worth in the quarter, from the pension funds and healthcare. Do you see the possibility of reducing the risk or the volatility of Previ in the Bank in the long run? And the second question because I know that you were involved with Sarbanes-Oxley, would you consider an ADR program or, you know, going to the New York Exchange in the future?

DANIEL MARIA - This is Daniel Maria. Let me just answer the first part of your question about actuarial. We do have an actuarial effect, which is marked to market, but this involves several effects in the case of the Previ benefit plan, you have to look at the curve because you have to discount the liabilities and you have also to look at the behavior of asset. The behavior of asset here you have a concentration in some of the things that the funds have the intend to reduce. By reducing it, then you minimize the impact. But now the effect of the curve, this is a fact. The way to manage that is by creating capital buffers as we have done it and this is how we monitor that.

FAUSTO RIBEIRO - Daniel, would you like to answer the second part of the question?

DANIEL MARIA - Sure. In terms of ADRs, we have ADR level 1 and the decision to go to ADR level 2, I mean we are monitoring the market but we don't have anything already defined in that regard. The important thing is to follow the best practices and if you look at the best practices adopted in the New York Exchange, Sarb-Ox and all the others, this is what we do.

RICARDO FORNI - Perfect. I would just like to add to what Daniel said, so when do the Bank made a decision back then to do some internal work to adjust to all of the required practices in a regulated environment as the one in the US, we hired a consulting company, they worked with us for 2 and a half years back then in an attempt to improve the governance standards of the Bank and I was the leader of their project representing Banco do Brasil. So we had to do a lot of work to come to comply with the very high standards of governance. There are several meetings from strategic committee and there are many tests in our internal controls and this is now being carried out by the person in charge, and we want to ensure the integrity of the figures that appear in our income statements. The important thing is that the Bank has been adopting these practices since then and the decision to go to level 3 in the US market is still a decision that depends on further analysis and the market momentum. To date, we don't have anything to tell you at this moment about this subject.

FAUSTO RIBEIRO – Carlos, I hope we're able to answer your question.

CARLOS GOMEZ - Yes, you did answer it. In terms of ADR, it depends on the market, maybe in the long run, don't you think it would be better for the Bank to be, you know, in the same area where all the other Brazilian Banks are?

DANIEL MARIA - This is a point. We have a very diversified base of investors. We have over 870 thousand investors. So in fact, the fact that we are not listed in the New York Exchange, I mean this is not an impediment because we also have a very large base of foreign investors, but it's important that we look at the best practices. This is a process that we look at, we want to bring all those best practices into the Bank and even though we're not listed we comply with them, we follow them.

CARLOS GOMEZ - Okay. Thank you.

OPERATOR - Mr. Tito Labarta, Goldman Sachs. He asks:

“Provisions are lower than the end of your guidance. Does this mean that provisions should go up over the year or are you going to decrease the guidance for provisions? And what will it mean to the Bank? Should it start here?”

RICARDO FORNI - Talking about the guidance for expenses, provisions, I think we have already talked about that, but provisions for this quarter were quite lower than the guidance. And looking ahead and considering all the uncertainties that have already been mentioned in this call, we believe that in the 2Q and 3Q, mainly our retail customers and most of the forbearance portfolio will be paid in the 2Q and 3Q. And then we will see what how much is risk and how much is increase in delinquency, because the prudential provisions, as we build, were to be proactive regarding this moment. So we are optimistic but we are conservative at the same time in terms of the future evaluation regarding our provisions. So the expectation of the guidance is in the lower part of the range regarding provisions and, regarding NPL, this is our expectation for the year if we are to evolve in some of the ROE. And if we have good news about that, we might in the future have this situation of provision will be affected by the fact that the risk will become more clear to us. And we'll have higher results and lower provisions, but the guidance is maintained because it's too early for us to review it because of the recent uncertainty that we still have. So we are still in the center of the pandemic, so the high risk has not disappeared yet but we see the second half

of the year with a higher activity than the first half of this year. So I think this is the basis for us to keep our guidance with a degree of optimism vis-à-vis higher ROE and lower provisions.

OPERATOR - Our Q&A session has come to an end and Mr. Fausto, will come back and make the closing remarks.

FAUSTO RIBEIRO - Thank you very much for participating in our call and I hope we have been able to answer objectively all your questions and without trying to avoid any questions, and I hope we have been able to clarify all the things regarding the variations in our balance sheet and our investor relations team is available to you at all times, should you still need some further clarification. Thank you very much and have a good afternoon.

OPERATOR - Banco do Brasil conference call has come to an end. We thank you for participating and the material used in this call is available at the investor relations portal on the internet. Thank you very much for participating. We wish all very good day. Thank you.