



EARNINGS CONFERENCE CALL BANCO ABC BRASIL

4TH QUARTER AND FULL YEAR OF 2020

February 9th, 2021

Operator: Good morning everyone and thank you for waiting. Welcome to the fourth quarter and full year of 2020 conference call of BANCO ABC BRASIL. With us here today we have Mr. Sergio Lulia Jacob, CEO, Mr. Sergio Borejo, Executive Vice President and Investor Relations Officer and Ricardo Moura, Head of Investor Relations.

This event is being recorded and all participants will be in a listen-only mode during the Company's presentation. After BANCO ABC BRASIL remarks, there will be a question and answer session. At that time further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator.

This event is also being broadcast live via webcast and may be accessed through BANCO ABC BRASIL website at www.abcbrazil.com.br/ir, where the presentation is also available. Participants may view the slides in any order they wish. The replay will be available shortly after the event is concluded. Those following the presentation via the webcast may post their questions on our website. They will be answered by the IR Team after the conference is finished.

Before proceeding, let me mention that forward-statements are based on the beliefs and assumptions of BANCO ABC BRASIL management and on information currently available to the company. They involve risks and uncertainties because they relate to future events and therefore depend on circumstances that may or may not occur.

Investors and analysts should understand that conditions related to macroeconomic conditions, industry and other factors could also cause results to differ materially from those expressed in such forward-looking statements.

Now, I'll turn the conference over to Mr. Sergio Lulia. Sergio, you may begin your presentation now.

Mr. Sergio: Good morning ladies and gentlemen and thank you for joining our conference call for the fourth quarter of 2020. We continue with our growth strategy focused on 3 pillars: Regarding the Growth of the Client Base and Transaction Volume, we had a new record in the quarter - with the addition of 399 clients. This growth occurred in all segments: Large Corporate, Corporate and Middle. In the year, the number of clients increased by 40%.

Specifically in the Middle Segment, once again one of the major highlights of the quarter, we increased our Expanded Portfolio by 37.7% in the quarter and by 159.3% in 12 months, breaking for the first time the 2 billion Reais mark.

Regarding the Product Portfolio Expansion, we continued to execute on the businesses lines launched during the last 18 months - such as Energy Trading, Project Finance, ECM



- and to launch new initiatives, such as our proprietary insurance broker, as well as studies for entering the Private Payroll Loans and the Marketplace Seller's Financing markets

Finally, regarding the Distribution Channel Optimization, we launched ABC Link - a model of distribution of financial services through partner offices - using the figure of the banking correspondents. We will continue to focus on exploring opportunities for distributing our products through third party channels, and for third party products to be distributed through our sales force - aiming to serve our clients' suppliers and customers.

We believe this strategy combines the use of an established and profitable operation with the generation of optionalities, whether in clients, products or channels, that result in relevant synergies and growth levers to our platform.

In Slide 3 we present the highlights of our results in the fourth quarter and full year of 2020: The Financial Margin with Clients reached 215.2 million in 4Q20, a 4.1% increase over 3Q20 and 31.4% over 4Q19 - the sixth consecutive quarter of Margin with Clients growth. In the year, the Margin with Clients reached 799,7 million Reais, an increase of 33,8% over 2019.

The Expanded Provision Expenses - which includes the provisions for loans, corporate securities, and guarantees issued, as well as credit recoveries - was 89.1 million Reais in the quarter, still reflecting a conservative provisioning policy due to the COVID-19 pandemic, in line with the last two quarters.

The Net Income reached 106.0 million Reais in the 4Q20, an increase of 44.2% over the previous quarter, and a decrease of 11.4% over the same period of 2019. In the annual comparison, there was a 34.1% decrease.

The Return on Average Equity (ROAE) was 10.0% in the fourth quarter of 2020, 2.9 percentage points up versus the previous quarter and 2.0 percentage points down in comparison to the same period of 2019. In the full year of 2020, the ROAE reached 7.8%, 4.8 percentage points down when compared to 2019.

In Slide 4, we present the evolution of the expanded credit portfolio. The Expanded Credit Portfolio grew 4.4% in the quarter and 14.0% in 12 months.

The Middle segment - once again one of the greatest highlights of the quarter - presented a strong growth of 37.7% versus the third quarter of 2020 - equivalent to more than 500 million Reais - and an increase of 159.3% in 12 months. The segment broke for the first time the 2 billion Reais portfolio mark, accounting for 9.6% of the Loan Portfolio and 5.9% of the Expanded Credit Portfolio. The increase in the gradual relevance of the Middle segment within the Bank's Expanded Credit Portfolio contributes to the fragmentation of its client base, risk diversification and maintenance of the spread.

The Corporate segment presented a 4.9% increase versus the previous quarter, and of 15.0% in 12 months. Finally, in the Large Corporate segment, the Expanded Credit Portfolio grew 0.9% in the quarter and 5.8% in 12 months.



In Slide 5, some highlights of each segment: We had an increase in the number of total clients and clients with credit exposure in all segments - Large Corporate, Corporate and Middle - the largest absolute addition of clients in a quarter, and also in a year, within the bank's history

Specifically within the Middle segment, the Bank increased the total clients base by 227 in the quarter and 589 in the year – an increase of 2.6x in 12 months, reaching almost 1,000 customers. At the same time, the Bank maintained its discipline in the risk diversification, with an average exposure per client nearly stable at 2.9 million Reais. Another important point was the increase in the average term of the portfolio, closing the year in 506 days, extending the portfolio duration.

In the Corporate segment, the Bank ended the fourth quarter of 2020 with 1,238 clients. Of these, 999 had credit exposure, resulting in an average exposure of 14.6 million Reais per client. The Corporate portfolio ended the quarter with an average term of 459 days. Finally, in the Large Corporate segment, the Bank ended the fourth quarter of 2020 with 430 clients, of which 247 had credit exposure, resulting in an average exposure of 58.8 million Reais per client. The Large Corporate portfolio ended the quarter with an average term of 359 days.

In slide 6, we present the sector segmentation of our Expanded Credit Portfolio: First, our Credit Portfolio continues to show a high sector diversification, and greater exposure to sectors, in our view, with a more defensive profile, including: agribusiness (such as grains chain, agriculture & livestock), infrastructure, energy generation and transmission, among others. The sectors which experienced the most significant relative increases were: Energy Sale & Distribution (+1.6%) and Energy Generation (+0.9%), while the ones with the most significant relative decreases were: Grains Chain (-0.8%), and Banks (-0.6%).

In slide 7, we present some indicators that reflect the quality of our credit portfolio: In the first graph, we present the Loans Overdue More Than 90 Days. As we can see, this index ended December representing 0.5% of the portfolio, 0.1 down percentage point versus the previous quarter, still substantially below the historical average - closer to 1%.

In the second graph, as we can observe, this was another quarter with a low level of NPL formation. Up to now, with the information that we have available, and just highlighting that overall market conditions have been quite dynamic, the performance of the NPL Formation continues to show well-behaved delinquency levels.

In Slide 8, first graph, we can see that Loan Loss Reserves to Classified Loans reached 2.8% by the end of the fourth quarter, a decrease of 0.2 percentage point in relation to the previous quarter, mainly due to the Large Corporate and Middle segments.

In the graph at the bottom, we present the Coverage Ratio. Maintaining a conservative approach, the Bank continued to strengthen its provisioning level in the quarter, even



not experiencing an increase in the volume of past due loans. This resulted in an additional increase in the loan portfolio Coverage Ratio, reaching 581 percent.

On slide 9, we continue analyzing the quality of the credit portfolio: We can see in the first graph that the Loan Loss Provisions Expenses reached 36.2 million reais in the fourth quarter of 2020, a decrease of 44% over the previous quarter and of 24% over the same period of 2019. This cost of credit accounted for 0.7% of the classified loan portfolio – a decrease of 0.7 percentage point over the previous quarter;

The second graph shows that the percentage of the Loans Rated D-H reached 4.4% of the classified portfolio at the end of December 2020, a decrease of 0.8 percentage point over the previous quarter, and an increase of 0.2 percentage points over the same period of 2019.

In Slide 10, we present the evolution of the Balance of Renegotiated Credits. The Balance of Renegotiated Credits went from 201.1 to 212.2 million Reais, an increase of 5.5%, accounting for 1.0% of the classified loan portfolio, below the historical average. The volume of Deferred Credit Transactions since the impact of the COVID-19 pandemic was reduced by 53 million Reais, totaling a balance of 797 million Reais in the 4Q20 (850 million in the previous quarter) – reaching 3.8% of the Loan Portfolio.

In slide 11, we present the evolution of the Expanded Provision Expenses, which includes the Loan Loss Provision, as well as the Provision for the Devaluation of Securities, Provision for Guarantees Issued, in addition to Credit Recoveries, we ended the quarter with 89.1 million Reais - equivalent to 1.0% of the expanded portfolio - compared to 1.1% in the previous quarter and 0.6% in the same quarter of 2019.

From what can be observed, and taking into account the uncertainties of an increasing second wave of the COVID-19 pandemic, the information available so far indicates that this quarter level of Expanded Provision Expenses - which includes the Loan Loss Provision, the Provision for the Devaluation of Securities and the Provision for Guarantees Issued, deducting the Credit Recoveries - should present a gradual reduction in the next quarters.

In Slide 12, we present the evolution of our Funding. By the end of December, the Funding Balance reached 35.8 billion Reais, an increase of 0.3% in the quarter; and of 18.9% in 12 months. The Liquidity Position closed the fourth quarter around 10 billion Reais, equivalent to more than 2x the Shareholders' Equity of the Bank and more than 40% of its Loan and Corporate Securities portfolios combined.

As part of our ESG agenda, we continue our efforts to strengthen our relationship with multilateral agencies. In this sense, we issued a "social bond" in the volume of 525 million Reais with the IDB, with the use of proceeds directed to finance companies within the health sector, as well as small and medium companies that have been impacted by the COVID-19 pandemic. More recently, in February 2021, we announced with Proparco - arm of the French Development Agency - a new line of 72 million dollars, direct to



support projects in the areas of agriculture and energy, which have an impact on the reduction of the greenhouse effect.

In Slide 13, the evolution of our Shareholders' Equity and Basel Ratio. The Bank ended December 2020 with a Reference Equity of 5.4 billion Reais, and a Shareholders' Equity of 4.3 billion Reais

In the quarter experienced an increase of 114 basis points in the Basel Ratio and of 108 in the Core Equity Tier 1 Ratio, even considering a 4.4% increase in the Expanded Credit Portfolio. This expansion resulted from the optimization of the capital consumption of selected assets, the appropriation of the result of the quarter, as well as the contribution of the capital increase of 28.8 million Reais of the interest on capital related to the first half of 2020, concluded in October 2020. Comparing with December 2019, the Basel Ratio ended 2020 practically stable, while the Core Equity Tier 1 Ratio increased by 67 basis points, even considering the 14% growth of the Expanded Credit Portfolio in the year.

In slide 14, we present the evolution of the Net Interest Income. The Net interest income reached 299.9 million reais in the fourth quarter of 2020, a decrease of 0.6% compared to the previous quarter, and increase of 15.4% compared to the same period of 2019.

The Financial Margin with Market reached 68.7 million reais in the fourth quarter of 2020, a decrease of 12.7% in relation to the previous quarter - which performed well above the historical average - and an increase of 32.6% in relation to the same period of 2019. This line results from proprietary positions mainly related to interest rates, currency and inflation securities.

The income from Shareholders' Equity Remunerated at CDI Rate was 15.9 million reais in the fourth quarter of 2020, 2.1% down from the previous quarter and 63.9% from the same period of 2019. The Bank currently has the lowest dependency from the Shareholders' Equity Remunerated at CDI of its history.

As a result, the annualized Net Interest Margin (NIM) reached 3.2% in the fourth quarter of 2020, stable in relation to the previous quarter and 0.2 percentage point down in relation to the same period of 2019.

In Slide 15, we present the evolution of margin and spread with clients. The Financial Margin with Clients reached 215.2 million reais in the fourth quarter of 2020, the sixth consecutive quarter with growth – an increase of 4.1% in relation to the previous quarter and 31.4% in relation to the same period of 2019.

This quarterly growth mainly resulted from an increase in the average volume, reflect of the expansion of clients and of the credit portfolio, and from the expansion in spreads, supported, among other factors, by the relative increase of the Middle segment within the credit portfolio.

The Spread with Clients reached 3.7% in the quarter, stable over the previous quarter and up 0.4 percentage point over the same period of 2019. The Spread with Clients



adjusted by Provisions ended the quarter at 2.2%, a decrease of 0.2 percentage point from both the previous quarter and the same quarter of 2019, as a result of higher Provision Expenses.

In Slide 16, we present the Service Revenues. For the first time since the effects of the COVID-19 pandemic, Service Revenues contributed with more than 20% of the total revenues, with 85.8 million Reais in the fourth quarter of 2020, an increase of 25.6% in relation to the previous quarter, and a decrease of 6.9% in relation to the same quarter of 2019.

Looking at each of the components of Service Revenues, we have: Revenues from Guarantees Issued reached 47.0 million Reais in the fourth quarter of 2020, a decrease of 4.1% from the previous quarter and an increase of 7.0% from the same quarter of 2019.

Capital Markets and M&A reached 28.6 million reais in the fourth quarter of 2020, an increase of 151.1% over the previous quarter - continuing a gradual recovery in DCM and M&A, reflecting the normalization of market conditions - and greater contributions from the Project Finance and ECM areas, recently introduced within the bank's portfolio. In relation to the same period of 2019 - a quarter with record revenues in this line in the Bank's history - Investment Banking revenues felt by 32%.

Finally, Revenues from Banking Tariffs reached 10.2 million Reais in the fourth quarter of 2020, an increase of 28.9% in relation to the previous quarter, and of 65.3% in relation to the same period of 2019, result of the increase in the number of clients and transactions.

In Slide 17, we present the change in Expenses and our Efficiency Ratio. The Personnel Expenses, Other Administrative Expenses and Profit Sharing reached 128.9 million reais in the fourth quarter of 2020. An increase of 9.2% in relation to the previous quarter and of 4.7% in relation to the same period of 2019. Despite the expectations at the beginning of 2020 of a significant increase in Expenses, mainly resulted from: the increase in number of employees (14.5% growth in the average number of employees in 2020 versus in 2019) - and investments in technology to support the Bank's medium-term strategy, Expenses only increased by 4.2%, mainly by the decrease in the Profit Sharing in the period.

As a result of higher revenues and controlled expenses, the Efficiency Ratio reached 34.9% in the fourth quarter of 2020, 1.1 percentage points up in relation to the previous quarter, but 2.1 percentage points down in relation to the same period of 2019.

Finally, in Slide 18, we discuss the Banks' profitability. The Recurrent Net Profit reached 106.0 million Reais in the fourth quarter of 2020, 44.2% up from the previous quarter and 11.4% down from the same period of 2019.

The Recurring Return on Average Equity (ROAE) was 10.0% per year in the fourth quarter of 2020, 2.9 percentage points up versus the previous quarter, and 2 percentage



points down versus the same period of 2019. In addition to the profitability drivers previously reported, the fourth quarter was positively impacted by the Central Bank's flexibilization on the distribution of dividends, previously limited to 25% of the adjusted net income, and now increased to 30%, retroactively to the entire year of 2020.

The effects of this flexibilization had a positive impact on our results – by reducing the effective tax rate - of approximately 100 basis points. This dividend cap expired by the end of 2020.

In Slide 19, our guidance for 2021. For the Expanded Credit Portfolio, our guidance for 2021 is of an annual growth between 12 and 16%. This results from the growth we had in 2020 and the first signs shown in 2021. With regards to the Expanded Credit Portfolio of the Middle Segment, we expect an annual growth between 45% and 55%, noting that the middle portfolio closed December 2020 at 2.0 billion Reais.

Regarding Expenses - considering Personnel Expenses, Other Administrative Expenses and Profit Sharing - our Guidance for 2021 is of an annual growth between 16 and 18%. This increase mainly relates to: the continued expansion of the Middle Segment's sales force, the structuring initiatives related to technology and innovation, and the execution of new business lines, including Insurance Brokerage and Private Payroll Loans.

In summary, these projections assume the continuity of the expansion of the Margin with Clients, the reduction of Provision Expenses to levels closer to the average of the credit cycle, in addition to the recovery of Service Revenues and the end of the impact of the cap on dividend distribution, resulting in a lower effective tax rate. These effects combined tend to generate a gradual normalization of the profitability, bringing it closer to the recent historical average. Finally, we remain confident in our business model, in the evolution of the new initiatives that have been implemented since 2019, already contributing with concrete results in 2020.

These are the highlights we would like to present. Now we are at your disposal to answer the questions of the participants of this teleconference, thank you.

Q&A Session

Operator: Ladies and gentlemen, we will now begin the Question and Answer session. If you have a question, please press the star (*) key, followed by the one (1) key on your touch-tone phone now. If at any time you would like to remove yourself from the questioning queue, press star 2.

Our first question comes from Antonio Ruett, Bank of America. Mr. Antonio, your mike is open.

Mr. Antonio: Hey, good morning to you. Congrats for the results. I would like two questions on NIM and a third one if I may. Should we expect net interest margin



returning to 2019 levels, considering greater participation of the middle segment, despite the lower SELIC? And should we expect market gains to return to pre-pandemic levels between BRL 150 and 200 million a year? And considering a more benign economic environment, and that a second wave of Covid remains under control, could we see the cost of risk back to the historical levels of around 1% in 2021? Thank you very much.

Mr. Sergio: Antonio, thanks for your questions. I assume the line interrupted a little bit, but I assume the first question was related to the behavior of the net interest margin, going forward, and the second question was related to the cost of credit?

Mr. Antonio: Yes, yes, that is correct. I'd just like to understand if the NIM should go back to 19 levels, considering more middle segment despite the SELIC. And if you should see market gains back to pre-pandemic levels also. And also the cost of risk, please. Thank you.

Mr. Borejo: Hi, Antonio. Here is Sergio Borejo speaking. Thank you for your question. We start with the net interest margin question. I mean, as happened in 2020, the middle market portfolio is having a higher importance in terms of participation of the overall portfolio. So, as long as this portfolio keeps increasing, the trend is that it keeps the revenues up and consequently the margin with clients up.

Regarding the overall margin, it's very hard to predict, because you have to depend on the CDI rate and so on. What we can say is that the trend, if we are able to achieve the guidance that we are forecasting for the future, is that the margin with clients has a trend to grow.

The second question is the cost of credit. Ok, regarding the cost of credit, I think Sergio mentioned in his speech 2020 was a year that the bank made a very defensive movement. We had a deterioration in the economy and of course the companies in general suffered that. What we expect for the future... it's very hard to give guidances and we intentionally don't do that, because our portfolio has one or two cases that you change completely the guidance on the cost of risk. But if we don't have any surprise, yes, the trend... what we expect is to come back to the historical levels, which was around between 0.8% to 1.2% of the cash portfolio, which is composed by the loans, plus the securities portfolio.

Mr. Antonio: Alright. Thank you very much.

Operator: Excuse me, this concludes today's question and answer session. I would like to invite Mr. SERGIO to proceed with his closing statements. SERGIO, Please, go ahead.

Mr. Sergio: I'd like to thank you all for participating in our conference call and I, Borejo and all the team are available to any questions you might have. Thank you.

Operator: That does conclude the BANCO ABC BRASIL audio conference for today. Thank you very much for your participation, have a good day and thank you for using Chorus Call.