# Earnings Release 4Q20



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# **Our Strategic Pillars**

The strategic pillars guide and define the priorities of all our decisions in pursuit of our long-term goals



# Efficiency and financial strength

**Efficiency Ratio** 

32.3%-

vs 32.3% in 2019

Efficiency Shock ensured that the indicator was maintained in a year pressured by the crisis

**Efficient and Light Business Model** 

Coverage Ratio

252% ~

vs 196%

in Dec/19

**Basel Ratio** 

14.6%

Core capital: 11.7%

vs 11.8% in Dec/19

**Solid Balance Sheet and Conservative Risk Management** 



# Continuous improvement of our clients' experience

# Reclame Aqui

Banco BV

**EXCELLENT** 

banks1 (12-month reputation)

Best rating among

**Brazil's largest** 

**Customer Centrality** 

Brazilian Central Bank Ranking's<sup>2</sup>

Top 2

in the Ombudsman **Quality Ranking** 

Lowest number

of complaints per client among Brazil's largest banks<sup>2</sup>

**Continuous Improvement Process** 

# **Digital maturity**





Launch of an App that will bring all BV products together in one place: Account, credit card and auto finance.

**Solutions and Digital Channels** 

# BV<sup>x -</sup> New Partnerships and initiatives



Digital wallet (Banking as a Service)



Financing solar power (Credit as a Service)



BV led new investments in the startup

Open Banking as a pillar for our innovation strategy



- 1 Based on the amount of assets. For the period: 01/01/2020 to 12/31/2020. Source: https://www.reclameaqui.com.br/
- 2 In amount of assets. It does not account financial and credit unions. Ranking regarding the 4th quarter of 2020. Source: https://www.bcb.gov.br/



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# **Executive Summary**



Credit Portfolio

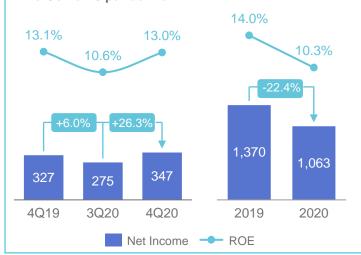
R\$ 70 billion
+6% vs 4Q19

Liquidity (LCR) **226%**Vs 180% in 4Q19

Basel Ratio
14.6%
core capital 11.7%

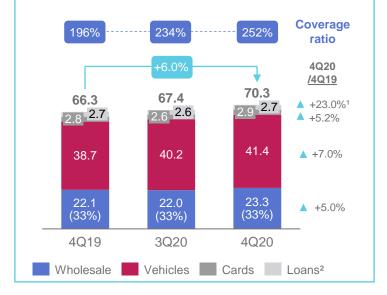
# Recurring Net Income (R\$ M) and ROE (%)

Recurring income in the quarter increased 26.3%, compared to 3Q20, reaching R\$ 347 million. ROE reached 13.0%, in line with 4Q19. In 2020, recurring net income was R\$ 1,063 million, with ROE of 10.3%. The decline over 2019 was due to the prudential provisions made to support the effects of the Covid-19 pandemic.



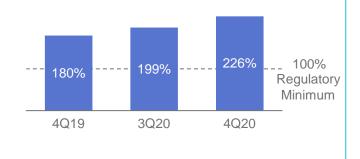
# Credit Portfolio (R\$ B)

The credit portfolio rose 6.0% vs 4Q19, with growth in all segments, especially in Vehicles (+7.0%) and loans (+23.0%). Coverage ratio remained at a fairly solid level, reaching 252%.



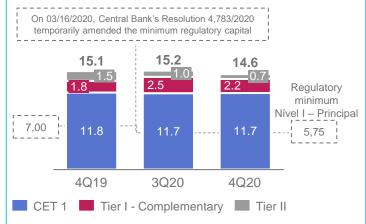
# **Liquidity Coverage Ratio (LCR)**

The liquidity coverage ratio (LCR) stood at 226% in 4Q20, a very comfortable level and one that reinforces BV's prudence in an adverse economic scenario. The minimum ratio required by the Central Bank is 100%.



### **Basel Ratio (%)**

The Basel Ratio stood at 14.6% in Dec/20, with Core Capital at 11.7%, well above the regulatory minimum of 5.75% over the period.





<sup>&</sup>lt;sup>1</sup> Excluding public payroll

<sup>&</sup>lt;sup>2</sup> Includes personal loans, consumer finance, private payroll



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# During the 2020 pandemic, we stood by our commitment

2020 was marked by many challenges stemming from Covid-19 and its effects on the economy. Since the onset of the pandemic in Brazil, we have stood by our commitment to **safeguard the lives of our employees**, **family and partners**; **ensure business continuity and**; **create a positive impact on society**.

Early on, we introduced remote work for approximately 7,000 people, including staff and outsourced employees. In partnership with Hospital Sírio Libanês, we began providing **24-hour support to employees and their families**, including regular communication on health issues, remote work tips and benefits. We also introduced "BV Acolhe", an exclusive and confidential channel to assist our employees and their families by providing psychological and financial assistance, legal advice and support in cases of domestic violence.

We created a Crisis Committee designed to make decisions aimed at securing the continuity of the business, focusing on **our clients' satisfaction**, maintaining our standards of services and support. We understand that the present time called for actions by society as a whole, especially when it comes to supporting those most vulnerable people. This is why we developed a range of support initiatives that **have impacted more than 500,000 people**. **Below is a list of Banco BV's prominent actions during the pandemic in 2020:** 



# **Great Place to Work**

- 4th best company to work for in the financial market, in the bank's category
- 89 eNPS¹ → assessment of employee satisfaction in working at BV

## **Corporate atmosphere survey**

- 87% favorability, an indicator that assesses the quality of BV's corporate atmosphere
- 97% of employees declared their pride in working at BV

# People ESG | Diversity

- 2021 Internship Program | Her for her, exclusively for those who identify as female
- 2021 Young Apprentice Program ,exclusively for black people



# **Business** continuity

- Core business resilience: rapid resumption in auto finance. By the 3Q20, production reached pre-pandemic levels
- Increased use of digital channels has enabled business continuity. Clients who contacted us via digital channels reached 79% in Dec/20 vs 67% in Dec/20.
- Fall in Delinquency (over 90-days): by August, the level dropped to pre-pandemic levels
- Diversified business portfolio: the crisis triggered by the pandemic raised the importance of diversification, with an increase in demand for Wholesale credit offsetting part of the decline in Retail



# Positive Impact for Society

- Donation of R\$ 30 million to combat Covid-19, aimed at supporting vulnerable families and hospital infrastructure
- Vaccine production facility: Donation<sup>2</sup> for the construction of the first Covid-19 vaccine production facility in Latin America
- Social mobilization campaign with collection of R\$ 2.6 million donated to combat Covid-
- Line of credit: R\$ 50 million at cost for national suppliers of essential hospital equipment and services.
- ESG Schedule: See details about our ESG activities on page 34 of this report



- <sup>1</sup> Employee Net Promoter Score is a metric to measure the level of employee satisfaction
- <sup>2</sup> In partnership with Instituto Votorantim, Banco BV and Votorantim S/A have donated R\$ 10 million to Fundação Osvaldo Cruz (Fiocruz)



Diversified business portfolio

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# Measures taken by Banco BV amidst the Covid-19 pandemic

# Supporting our clients during the pandemic

Since the beginning of the pandemic in Brazil, we have sought to support our clients with solutions to meet their needs. In March, we provided the **extension of installments by 60 days**. In this initiative, non-overdue clients were able to postpone 2 installments to the end of their contract, **with no embedded interest** and maintaining the same installment value. At the end of the 60 days<sup>1</sup>, those clients who needed it, had an additional term through the renegotiation of their contract, which implied an additional extension of the term.

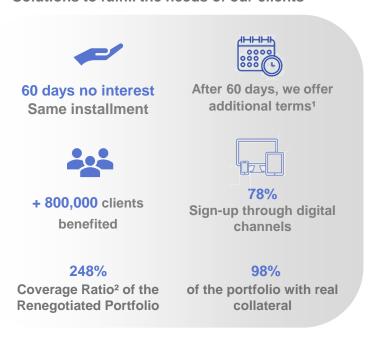
This measure is in line with our **customer centricity** strategy. The initiative provided greater financial strength to clients, allowing greater flexibility and conditions to reorganize their financials amid the economic crisis generated by the pandemic. This initiative had a direct impact on over 800,000 clients with approximately R\$ 18 billion renegotiated, 78% through our digital channels.

To efficiently serve and empathize with clients who came to us during this difficult time, we provided training for our state of the art business staff. Our efforts have yielded results and most client requests were resolved during their first interaction with the bank. In addition to the renegotiations through Minha BV, the client area on our website, we introduced an application in which clients can renegotiate their payment, thereby enhancing the platforms for services.

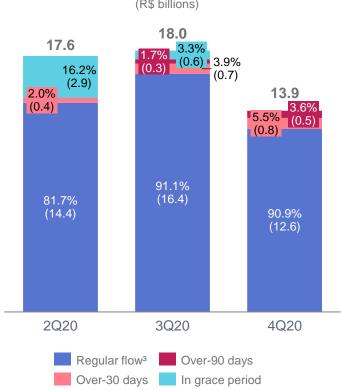
# Positive impact on credit risk

The flexibility of payment terms also helped to mitigate credit risk. By the end of the 4Q20, the renegotiated portfolio balance was R\$ 13.9 billion, out of which 90.9% were on regular flow (non-overdue or 30 days overdue), 5.5% was overdue until 90-days and only 3.6% were up to 90-days overdue. There was no significant renegotiated amount in the wholesale portfolio, where the process took place through a case-by-case basis.

### Solutions to fulfill the needs of our clients



# Renegotiated Retail Portfolio (R\$ billions)





- 1 After 60 days, there was no interest exemption
- 2 Coverage Ratio of the overdue portfolio over 90 days
- 3 Non-overdue and overdue up to 30 days

# Main Financial Information

The table below shows the information and management indicators selected from Banco BV in order to allow analysis on the same comparison basis.

|   |        |         |         |         |         |           | Variation % |               |
|---|--------|---------|---------|---------|---------|-----------|-------------|---------------|
| ANALYSUS OF MANAGERIAL RESULTS                                | 4Q19   | 3Q20    | 4Q20    | 2019    | 2020    | 4Q20/3Q20 | 4Q20/4Q19   | 2020/<br>2019 |
| RESULTS (R\$ M)   |        |         |         |         |         |           |             |               |
| Net Interest Income   | 1,626  | 1,573   | 1,653   | 6,412   | 6,518   | 5.1%      | 1.7%        | 1.7%          |
| Income from services and banking fees                         | 540    | 513     | 578     | 2,035   | 1,988   | 12.6%     | 7.0%        | -2.3%         |
| Total revenues (NII + revenues from services and insurance)   | 2,165  | 2,086   | 2,231   | 8,447   | 8,506   | 6.9%      | 3.0%        | 0.7%          |
| Cost of credit  | (591)  | (556)   | (465)   | (2,173) | (2,807) | -16.3%    | -21.3%      | 29.2%         |
| Personnel and admin. expenses (includes profit sharing)       | (575)  | (609)   | (582)   | (2,140) | (2,194) | -4.4%     | 1.2%        | 2.5%          |
| Net Income  | 327    | 275     | 347     | 1,370   | 1,063   | 26.3%     | 6.0%        | -22.4%        |
| BALANCE SHEET (R\$ M)   |        |         |         |         |         |           |             |               |
| Total Assets  | 96,862 | 120,033 | 116,277 | 96,862  | 116,277 | -3.1%     | 20.0%       | 20.0%         |
| Expanded loan portfolio                                       | 66,312 | 67,368  | 70,280  | 66,312  | 70,280  | 4.3%      | 6.0%        | 6.0%          |
| Wholesale Segment   | 22,147 | 21,954  | 23,264  | 22,147  | 23,264  | 6.0%      | 5.0%        | 5.0%          |
| Consumer Finance Segment                                      | 44,165 | 45,415  | 47,015  | 44,165  | 47,015  | 3.5%      | 6.5%        | 6.5%          |
| Funding Sources   | 65,858 | 77,960  | 80,576  | 65,858  | 80,576  | 3.4%      | 22.3%       | 22.3%         |
| Shareholders' equity  | 9,886  | 10,652  | 10,754  | 9,886   | 10,754  | 1.0%      | 8.8%        | 8.8%          |
| Basel ratio (%)   | 15.1%  | 15.2%   | 14.6%   | 15.1%   | 14.6%   | -0.5 p.p. | -0.5 p.p.   | -0.5 p.p.     |
| Tier I Capital Ratio (%)                                      | 13.6%  | 14.2%   | 13.9%   | 13.6%   | 13.9%   | -0.3 p.p. | 0.3 p.p.    | 0.3 p.p.      |
| Common Equity Tier I (%)                                      | 11.8%  | 11.7%   | 11.7%   | 11.8%   | 11.7%   | 0.0 p.p.  | -0.1 p.p.   | -0.1 p.p.     |
| MANAGERIAL INDICATORS (%)                                     |        |         |         |         |         |           |             |               |
| Return on Average Equity <sup>1</sup> (ROAE)                  | 13.1%  | 10.6%   | 13.0%   | 14.0%   | 10.3%   | 2.4 p.p.  | -0.1 p.p.   | -3.7 p.p.     |
| Return on Average Assets <sup>2</sup> (ROAA)                  | 1.3%   | 0.9%    | 1.2%    | 1.4%    | 0.9%    | 0.3 p.p.  | -0.1 p.p.   | -0.5 p.p.     |
| Net Interest Margin³ (NIM) - Clients                          | 10.3%  | 9.4%    | 9.9%    | 9.9%    | 9.7%    | 0.5 p.p.  | -0.4 p.p.   | -0.2 p.p.     |
| Net Interest Margin³ (NIM) - Clients + Market                 | 7.4%   | 6.3%    | 6.7%    | 7.4%    | 6.8%    | 0.4 p.p.  | -0.7 p.p.   | -0.6 p.p.     |
| Efficiency Ratio (ER) - accumulated of 12 months <sup>4</sup> | 32.3%  | 32.2%   | 32.3%   | 32.3%   | 32.3%   | 0.2 p.p.  | 0.1 p.p.    | 0.1 p.p.      |
| 90-day NPL  | 4.5%   | 4.2%    | 3.5%    | 4.5%    | 3.5%    | -0.7 p.p. | -1.0 p.p.   | -1.0 p.p.     |
| Coverage Ratio (90-day NPL)                                   | 196%   | 234%    | 252%    | 196%    | 252%    | 18.1 p.p. | 55.9 p.p.   | 55.9 p.p.     |
| OTHER INFORMATION   |        |         |         |         |         |           |             |               |
| Employees <sup>7</sup> (quantity)                             | 3,885  | 3,968   | 3,914   | 3,885   | 3,914   | -1.4%     | 0.7%        | 0.7%          |
| Assets under Management (R\$ Million)                         | 51,472 | 48,209  | 49,494  | 51,472  | 49,494  | 2.7%      | -3.8%       | -3.8%         |

<sup>1.</sup> Ratio between net income and average equity for the period. Annualized; 2. Ratio between net income and average total assets for the period. Annualized; 3. Ratio between gross financial margin with clients and average assets sensitive to spreads in the period. Annualized; 4. Ratio between gross financial margin and average profitable assets for the period. Annualized; 5. ER = personnel (excluding labor claims) and administrative expenses / (gross financial margin + income from rendered services and banking fees + other operational income + other operational expenses – tax expenses – income from the real state activity); 6. It does not consider interns and statutory employees; 7. It includes onshore funds (ANBIMA criteria) and private client funds (fixed income, variable income and offshore funds).

Note: In line with the best market practices and in synergy with shareholders, as of 2Q19 we started to disclose the ROE calculated using the exponential and linear methodology





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# Accounting versus Managerial Reconciliation

In order to better understand and analyze the Bank's financial performance, the explanations of this report are based on the Managerial Income Statement, which considers some managerial reallocations carried out in the audited Financial Statement, with no impact on the net income. These reallocations refer to:

- Expenses related to provisions (civil, labor and tax) reallocated from "(Provision) / reversal for contingent liabilities" and from "Personnel Expenses" to "Other Income (Expenses)"
- o "Operational costs of subsidiary Promotiva S.A. reallocated from "Other income (Expenses)" to "Income from rendered Services"
- o "Discounts granted" reallocated from "Gross Financial Margin" to "Cost of Risk"
- Costs directly related to business generation reallocated from "Administrative Expenses" to "Other Income (Expenses)"
- Taxation effects of the hedge operations related to foreign currency exchange variations on investments abroad that are accounted in "Tax Expenses" (PIS and COFINS) and "Income Tax and Social Contribution" were reallocated to "Income from Derivative Financial Instruments".

The strategy of managing the foreign currency exchange risk of investments abroad aims to avoid the effects of exchange rate variation on the result and, for this purpose, the foreign exchange risk is neutralized by using derivative financial instruments.

# Impacts of corporate restructuring

In 3Q20, there was a partial split up of BV Financeira with the spun-off portion joining with Banco Votorantim S.A. (Banco BV) and the incorporation of the remaining portion by Banco BV S.A (new name of BV Leasing – Arrendamento Mercantil S.A.).

As a result of these events, the effects resulting from the difference in tax rates and tax credits between BV Financeira, Banco BV and Banco BV S/A were recognized, as well as the effects of prudential credit provisions (of approximately R\$ 360 million), which, together, did not generate significant effects on the results and shareholders' equity of Banco BV and Banco BV S/A. More details in note 2 of the Financial Statements.

For a better analysis of the business performance, these effects were excluded from the Managerial Income Statement.

# Accounting adjustments: Resolution No. 4,720/2019 and Bacen Circular Letter No. 3,959/2019

Based on Resolution No. 4,720/2019 and Circular Letter No. 3,959/2019, Banco BV carried out changes in the Financial Statements from March 31, 2020 onwards, to comply with the requirements of the respective circular letter. In order to ensure the comparability of financial information and indicators, such changes have been implemented retroactively to the previous quarters. Further details available in note 5 of the Financial Statements.



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# Accounting versus Managerial Reconciliation

### 4Q20 reconciliation

| INCOME STATEMENT (R\$ M)                         | 4Q20<br>Audited | Non-recurring events | Managerial<br>Adjustments | 4Q20<br>Managerial |
|--|-----------------|----------------------|---------------------------|--------------------|
| Net interest income - NII                        | 1,489           | -                    | 164                       | 1,653              |
| Cost of Risk                                     | (216)           | -                    | (249)                     | (465)              |
| Net financial margin                             | 1,273           | -                    | (85)                      | 1,188              |
| Other income/expenses                            | (649)           | -                    | (27)                      | (676)              |
| Income from services and banking fees            | 638             | -                    | (61)                      | 578                |
| Personnel and administrative expenses            | (798)           | -                    | 216                       | (582)              |
| Tax expenses                                     | (154)           | -                    | 10                        | (144)              |
| Other operating income/expenses                  | (336)           | -                    | (193)                     | (528)              |
| Income before taxes and contributions            | 624             | -                    | (112)                     | 511                |
| Provision for income tax and social contribution | (277)           | -                    | 112                       | (165)              |
| Recurring Net Income                             | 347             | -                    | 0                         | 347                |

### 2020 reconciliation

| INCOME STATEMENT (R\$ M)                         | 2020<br>Audited | Non-recurring events | Managerial<br>Adjustments | 2020<br>Managerial |
|--|-----------------|----------------------|---------------------------|--------------------|
| Net interest income - NII                        | 5,426           | 0                    | 1,092                     | 6,518              |
| Cost of Risk                                     | (2,507)         | 362                  | (662)                     | (2,807)            |
| Net financial margin                             | 2,919           | 362                  | 430                       | 3,711              |
| Other income/expenses                            | (2,227)         | 38                   | (13)                      | (2,202)            |
| Income from services and banking fees            | 2,226           | 0                    | (238)                     | 1,988              |
| Personnel and administrative expenses            | (2,855)         | (21)                 | 682                       | (2,194)            |
| Tax expenses                                     | (546)           | 0                    | 8                         | (538)              |
| Other operating income/expenses                  | (1,051)         | 59                   | (466)                     | (1,458)            |
| Income before taxes and contributions            | 692             | 400                  | 417                       | 1,509              |
| Provision for income tax and social contribution | 373             | (402)                | (417)                     | (446)              |
| Recurring Net Income                             | 1,065           | (2)                  | 0                         | 1,063              |

# Non-recurring events

| R\$ M                               | 4Q19  | 3Q20  | 4Q20 | 2019  | 2020  |
|-------------------------------------|-------|-------|------|-------|-------|
| Net Income - Accounting             | 327   | 275   | 347  | 1,370 | 1,065 |
| (-) Non-recurring events            | -     | 0     | -    | 0     | 1     |
| Donations to combat COVID-19        | -     | -     | -    | 0     | -27   |
| Revaluation of the tax credit stock | 331   | 232   | -    | 331   | 232   |
| Credit provision constitution       | (89)  | (200) | -    | -89   | -200  |
| Others <sup>1</sup>                 | (241) | (33)  | -    | -241  | -5    |
| Recurring Net Income                | 327   | 275   | 347  | 1,370 | 1,063 |

<sup>1 –</sup> The financial year ended on December 31, 2019 includes the effect from remeasurements of assets, prudential provisions and contingencies.

### **Summary of non-recurring events:**

- Donations to combat COVID-19 Additional expenditures for donations to combat the novel Coronavirus and its
  effects on Brazilian society.
- Revaluation of the tax credit stock Effect on the tax credit balance due to the increase from 15% to 20% in the social contribution rate, which is recorded in the Income Tax and Social Contribution line and impairment tax credit from tax loss.
- Credit provision constitution Prudential credit provisions made to neutralize the impact of the Revaluation of the tax credit stock.



# Analysis of Managerial Results

Recurring net income totaled R\$ 347 million in 4Q20, an increase of 26.3% compared to the previous quarter and 6.0% compared to 4Q19. This performance reflects the recovery in demand for credit and retail financing, bolstered by the resilience exhibited by the used vehicle financing segment during the crisis. The fall in costs of risk also helped improve income reflecting the lower level of delinquency drove by the resumption of economic activity and programs to support clients carried out by BV.

Recurring income totaled R\$ 1,063 million in 2020, a 22.4% drop in relation to 2019. The drop was mainly driven by the effects of the Covid-19 pandemic on the economy and its respective impacts on the demand for credit, and on the level of credit provisioning in the portfolio. The lower return from proprietary positions at the trading desk also contributed to the decline in net income, reflecting higher volatility recorded in the period, also triggered by the Covid-19 crisis.

Following the recovery in demand for credit, there was also a return in income from services, which reached R\$ 578 million in the quarter, +12.6% vs 3Q20 and +7.0% vs 4Q19. Total income (gross financial margin + income from services and insurance) grew by 6.9% compared to 3Q20, totaling R\$ 2.2 billion. 2020 overall income amounted to R\$ 8.5 billion, 0.7% above 2019.

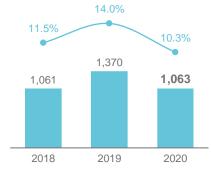
**Return on equity (recurring ROE) in 4Q20 was 13.0%,** a 2.4 p.p. increase over 3Q20, when it reached 10.6%. ROE remained practically in line compared to 4Q19 (13.1% in 4Q19). Full-year 2020 ROE reached 10.3%, down 3.7 p.p. from the 14.0% obtained in 2019.

Despite the impacts from Covid-19 on credit demand and credit quality, our result has demonstrated a consistent improvement, while our balance sheet remains solid, showing robust capital, liquidity and delinquency coverage.

| INCOME STATEMENT                                 |       |       |       |         |         |               | Variação %    | ,<br>D        |
|--|-------|-------|-------|---------|---------|---------------|---------------|---------------|
| (R\$ M)  | 4Q19  | 3Q20  | 4Q20  | 2019    | 2020    | 4Q20/<br>3Q20 | 4Q20/<br>4Q19 | 2020/<br>2019 |
| Net interest income - NII                        | 1,626 | 1,573 | 1,653 | 6,412   | 6,518   | 5.1           | 1.7           | 1.7           |
| Cost of Risk                                     | (591) | (556) | (465) | (2,173) | (2,807) | -16.3         | -21.3         | 29.2          |
| Net financial margin                             | 1,035 | 1,017 | 1,188 | 4,239   | 3,711   | 16.8          | 14.8          | -12.5         |
| Other income/expenses                            | (538) | (591) | (676) | (2,070) | (2,202) | 14.5          | 25.7          | 6.3           |
| Fee income                                       | 540   | 513   | 578   | 2,035   | 1,988   | 12.6          | 7.0           | -2.3          |
| Personnel and administrative expenses            | (575) | (609) | (582) | (2,140) | (2,194) | -4.4          | 1.2           | 2.5           |
| Tax expenses                                     | (158) | (134) | (144) | (578)   | (538)   | 7.4           | -9.0          | -7.0          |
| Other operating income/expenses                  | (344) | (361) | (528) | (1,387) | (1,458) | 46.5          | 53.4          | 5.1           |
| Income before taxes and contributions            | 497   | 427   | 511   | 2,168   | 1,509   | 19.8          | 2.9           | -30.4         |
| Provision for income tax and social contribution | (170) | (152) | (165) | (798)   | (446)   | 8.1           | -3.0          | -44.1         |
| Net Income                                       | 327   | 275   | 347   | 1,370   | 1,063   | 26.3          | 6.0           | -22.4         |
|  |       |       |       |         |         |               |               |               |
| Return on Average Equity (ROAE)                  | 13.1% | 10.6% | 13.0% | 14.0%   | 10.3%   | 2.4 p.p.      | -0.1 p.p.     | -3.7 p.p.     |
| Efficiency Ratio (ER) - accumulated of 12 months | 32.3% | 32.2% | 32.3% | 32.3%   | 32.3%   | 0.2 p.p.      | 0.1 p.p.      | 0.1 p.p.      |









Diversified business portfolio

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# **Gross Financial Margin**

The **Gross Financial Margin** in 4Q20 rose 5.1% in relation to 3Q20, an increase of 6.5% in net interest income with clients and a fall of 9.2% in net interest income with the market. Compared to 4Q19, gross interest income increased by 1.7%, including a growth of 1.3% at margin with clients and 7.1% at margin with the market. The margin grew by 1.7% in 2020, with a 5.8% surge in margin of clients, more than offsetting the 25.9% decrease in margin with the market.

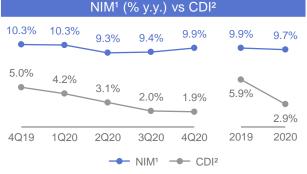
Financial Margin with Clients rose 6.5% in 4Q20 vs 3Q20. This boost reflects the growth in the loan portfolioboth in Retail, with greater diversification, and in Wholesale, with an increased penetration in the Corporate segment. Compared to 4Q19, margin with clients was 1.3% higher. For 2020, margin with clients grew by 5.8% for the same reasons previously mentioned, which more than offset the impacts of the Covid-19 pandemic, and due to the pro-client initiatives adopted by BV, which included postponing 2 financing installments without any additional interest charged.

The net interest margin (NIM) of clients closed out the quarter at 9.9%, +0.5 pp vs. 3Q20 with a lower impact from pro-client initiatives adopted by BV, which will be diluted over the upcoming quarters with the maturity of the renegotiated contracts and the incorporation of new originations for financing.

Over the entirety of 2020, NIM of clients fell by 0.2 p.p., to 9.7%, versus 9.9% in 2019. Important to point out that the average CDI decreased 3.0 p.p., from 5.9% in 2019 to 2.9% in 2020.

The **Financial Margin with the Market** posted a 7.1% growth compared to 4Q19, explained by the one-off event in that quarter related to restructuring the hedges in commercial portfolios. There was a 9.2% decline compared to 3Q20. Over the entirety of 2020, the Margin with the Market dropped 25.9%, primarily explained by reduced earnings from the proprietary treasury positions resulting from the higher volatility observed in 2020 due to the deteriorating macro economic environment. The slide in interest rates, which has an effect on the structural hedges in the balance sheet, also played a role in the decline.





1.Net Interest Margin: Quociente entre Margem Bruta clientes e Ativos Médios sensíveis a spread. 2.Taxa média do CDI trimestral anualizado (fonte: Cetip)

# Cost of Risk

| Cost of Risk                                    |       |       |       |         |         |           | Variation % |           |
|---|-------|-------|-------|---------|---------|-----------|-------------|-----------|
| (R\$ M)   | 4Q19  | 3Q20  | 4Q20  | 2019    | 2020    | 4Q20/3Q20 | 4Q20/4Q19   | 2020/2019 |
| Allowance for loan losses expenses (managerial) | (574) | (522) | (580) | (2.456) | (2.897) | 11.1      | 1.0         | 18.0      |
| Revenues from recovery of written-off loans     | 105   | 160   | 130   | 558     | 543     | -18.4     | 24.0        | -2.8      |
| Result from Loan Losses                         | (469) | (362) | (450) | (1.897) | (2.355) | 24.1      | -4.2        | 24.1      |
| Impairments                                     | (104) | (156) | (109) | (382)   | (498)   | -30.1     | 4.6         | 30.3      |
| Discounts granted                               | (18)  | (38)  | 93    | 107     | 46      | -346.5    | -627.6      | -57.0     |
| Reversal (provision) for guarantees provided    | (591) | (556) | (465) | (2,173) | (2.807) | -16.3     | -21.3       | 29.2      |
| Cost of Risk                                    | 3.6%  | 3.3%  | 2.7%  | 3.4%    | 4,1%    | -0.6 p.p. | -0.9 p.p.   | 0.6 p.p.  |

Calculation performed on the expanded portfolio





Diversified business portfolio

BVx -Innovation Business unit

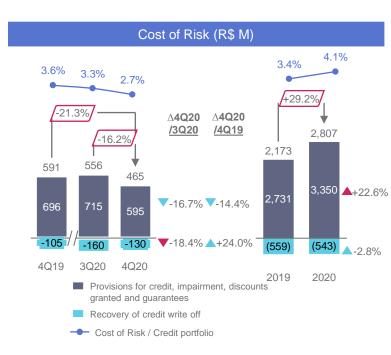
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# Cost of Risk

The cost of risk was down by 16.3% in the quarter, reflecting the steady improvement in delinquency indicators. In the period, delinquencies over 90 days (over-90) decreased in both Retail and Wholesale, closing out the quarter at 3.5% (vs. 4.2% in 3Q20). The cost of risk on the portfolio shifted from 3.3% to 2.7% between 3Q20 and 4Q20.

In an annual comparison, the 29.2% growth in the cost of risk reflects the deterioration in the macroeconomic environment due to the impacts of the Covid-19 pandemic and its effects on credit quality and consequent client's rating revisions. Within this uncertain environment, the constitution of prudential provisions for non-performing loans caused the cost of risk on the portfolio to change from 3.4% in 2019 to 4.1% in 2020.



# Income from Services, Fees and Insurance

| Income from Services, Fees and Insurance<br>(R\$ M) | 4Q19 | 3Q20 | 4Q20 | 2019  | 2020  | 4Q20/3Q20 | Variação %<br>4Q20/4Q19 | 2020/2019 |
|---|------|------|------|-------|-------|-----------|-------------------------|-----------|
| Master file registration and Appraisal of assets    | 211  | 179  | 205  | 779   | 691   | 15.1      | -2.6                    | -11.3     |
| Revenues from insurance brokerage                   | 150  | 136  | 159  | 570   | 517   | 16.3      | 5.6                     | -9.3      |
| Credit cards  | 67   | 67   | 84   | 233   | 280   | 25.2      | 26.0                    | 19.8      |
| Income from guarantees provided                     | 19   | 24   | 26   | 83    | 107   | 4.4       | 31.6                    | 28.7      |
| Management of investment funds                      | 39   | 31   | 32   | 142   | 131   | 4.3       | -17.2                   | -7.7      |
| Commissions on placing of securities                | 17   | 31   | 21   | 83    | 93    | -31.6     | 22.7                    | 12.7      |
| Banking correspondent (Promotiva)                   | 18   | 20   | 22   | 67    | 77    | 9.8       | 19.2                    | 14.6      |
| Other <sup>1</sup>                                  | 18   | 25   | 29   | 77    | 91    | 16.5      | 59.3                    | 18.3      |
| Total Income From Services and Insurance            | 540  | 513  | 578  | 2,035 | 1,988 | 12.6      | 7.0                     | -2.3      |

<sup>&</sup>lt;sup>1</sup> includes custody services, stock exchange brokerage, financial advisory, among others

Income from services and insurance amounted to R\$ 578 million in 4Q20, a growth of 12.6% for the quarter, emphasized by a boost in income from credit cards (+25.2%), reflecting the increased economic activity in the period. Another contributing factor was the growth in income from the registration and valuation of assets (+15.1%) and income from the insurance brokerage (+16.3%), the result of an increased origination of auto finance during 4Q20 (+16.1%).

Income from services and insurance for the year amounted to R\$ 1,988 million, down 2.3% vs 2019, reflecting the lower vehicle origination in the period (-5.2% in 2020 reaching R\$ 19.9 billion compared to R\$ 21.0 billion in 2019), which was affected by the Covid-19 crisis and its effects on demand.

### Income from services, fees and insurance (R\$ M) -2.3% +7.1% +12.6% 2,035 1,988 ∆4Q20 $\Delta$ 4Q20 /3Q20 /4Q19 578 570 540 **▼** -9.3% 513 +16.3% \(\begin{array}{c} +5.6\) 159 150 136 **▲**+0.4% +11.3% \\_+7.6% 1,465 1,470 389 377 4Q19 3Q20 4Q20 2019 2020

Services and Fees Insurance Brokerage





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# Personnel and Administrative Expenses

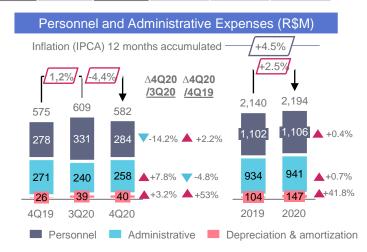
| Personnel and Administrative Expenses         |       |       |       |         |         |           | Variation % |           |
|---|-------|-------|-------|---------|---------|-----------|-------------|-----------|
| (R\$M)  | 4Q19  | 3Q20  | 4Q20  | 2019    | 2020    | 4Q20/3Q20 | 4Q20/4Q19   | 2020/2019 |
| Benefits e Social Charges                     | (186) | (251) | (190) | (774)   | (761)   | -24.4     | 2.1         | -1.7      |
| Salaries and Profit sharing                   | (84)  | (76)  | (89)  | (314)   | (333)   | 16.6      | 6.3         | 5.9       |
| Training                                      | (8)   | (3)   | (5)   | (14)    | (13)    | 47.2      | -38.1       | -9.7      |
| Personnel Expenses                            | (278) | (331) | (284) | (1,102) | (1,106) | -14.2     | 2.2         | 0.4       |
| Specialized technical services                | (97)  | (105) | (105) | (367)   | (392)   | 0.3       | 8.4         | 6.7       |
| Data processing                               | (56)  | (47)  | (63)  | (176)   | (202)   | 32.1      | 13.0        | 15.1      |
| Judicial and Notary public fees               | (24)  | (14)  | (20)  | (90)    | (69)    | 38.5      | -18.6       | -22.5     |
| Marketing                                     | (25)  | (9)   | (10)  | (55)    | (49)    | 19.5      | -58.3       | -11.2     |
| Services of the financial system              | (5)   | (4)   | 1     | (27)    | (17)    | -118.2    | -115.7      | -36.4     |
| Other   | (64)  | (60)  | (61)  | (220)   | (211)   | 1.6       | -5.4        | -4.0      |
| Subtotal                                      | (271) | (240) | (258) | (934)   | (941)   | 7.8       | -4.8        | 0.7       |
| Depreciation and Amortization                 | (26)  | (39)  | (40)  | (104)   | (147)   | 3.2       | 52.9        | 41.8      |
| Administrative Expenses                       | (297) | (278) | (298) | (1,038) | (1,088) | 7.1       | 0.2         | 4.8       |
| Total   | (575) | (609) | (582) | (2,140) | (2,194) | -4.4      | 1.2         | 2.5       |
| Total excluding depreciation and amortization | (549) | (570) | (542) | (2,036) | (2,047) | -5.0      | -1.3        | 0.5       |

**Personnel and administrative expenses** totaled R\$ 582 million in 4Q20, 4.4% below 3Q19 and 1.2% above 4Q19. For the year, expenses stood at R\$ 2,194 million, 2.5% more than 2019 in relation to the accrued inflation (IPCA) of 4.5% over the same period.

**Personnel expenses** reached R\$ 284 million in 4Q20, down 14.2% compared to 3Q20, mainly explained by lower provisions for variable compensation. Personnel expenses remained practically stable (+ 0.4%) in 2020, closing the year at R\$ 1,106 million, despite the inflationary impact on expenditures and the increase in the number of employees.

Administrative expenses were R\$ 298 million in 4Q20, 7.1% above 3Q20. For 2020, expenses totaled R\$ 1,088 million, 4.8% above 2019, both primarily resulting from increased investments in technology, in addition to higher expenses with amortization.

**Number of employees**<sup>1</sup> at the end of 4Q20 was 3,914 vs 3,885 in 4Q19.



The **Efficiency Ratio (ER)** closed out 2020 at 32.3%, in line with the 2019 closure. This performance reflects the balance of personnel and administrative expenses, despite the impact of the pandemic on income and inflationary pressure on expenses.







Balance sheet analysis

Diversified business portfolio

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# Other Income (Expenses) and Controlled Companies/Subsidiaries

| Other Income / Expenses               |       |           | 4Q20  |         |         |           | Variation % |           |
|---------------------------------------|-------|-----------|-------|---------|---------|-----------|-------------|-----------|
| (R\$ M)                               | 4Q19  | 4Q19 3Q20 |       | 2019    | 2020    | 4Q20/3Q20 | 4Q20/4Q19   | 2020/2019 |
| Costs associated with the production  | (296) | (270)     | (340) | (1,043) | (1,055) | 26.1      | 14.9        | 1.2       |
| Civel and Fiscal lawsuits             | (54)  | (33)      | (39)  | (150)   | (144)   | 17.9      | -28.3       | -3.5      |
| Labor lawsuits                        | (27)  | (42)      | (32)  | (180)   | (169)   | -24.7     | 16.7        | -6.1      |
| Results from Real estate subsidiaries | 29    | 5         | 14    | 66      | 62      | 179.0     | -50.9       | -6.3      |
| Other                                 | 4     | (21)      | (132) | (80)    | (150)   | -         | -           | 88.0      |
| Total                                 | (344) | (361)     | (528) | (1,387) | (1,458) | 46.5      | 53.4        | 5.1       |

Other expenses (income) added to the results of subsidiaries amounted to R\$ 528 million in 4Q20, 46.5% above 3Q20 and 53.4% higher than 4Q19. This variation is mainly explained by the higher costs associated with production, reflecting a growth in loan origination and financing at the retail level. Additionally, in the "Other" line, there was an impact from write-offs of technology projects, complying with the internal management policies for this type of asset.

Other expenses (income) in 2020, added to the result of subsidiaries, totaled R\$ 1,458 million, 5.1% higher than 2019, with the increased costs associated with production and the impact from write-offs of technology projects reported under the "Others" item. These effects were partly offset by lower expenses for legal claims.



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Analysis of managerial results

Diversified business portfolio
BVx - Innovation Business
Portfolio
Business
Business
Business

# **Balance Sheet Analysis**

# **Balance Sheet**

Total assets reached R\$ 116 billion at the end of 4Q20, a shift of - 3.1% compared to 3Q20 and + 20.0% compared to 4Q19. The increase over 12 months is linked mostly to an increase in liquidity (cash, liquidity investments and securities) and the expansion of financial assets indexed to foreign currency and derivatives that have changed due to market volatility. The increase in the "other financial assets" item is tied to the position taken in foreign currency intended to provide a structural hedge for the balance sheet. It is important to note that the positions related to the exchange fluctuation are mostly linked to hedge objects in order to have low exposure as a result of exchange variations.

unit

Shareholders' equity totaled R\$ 10.8 billion at the end of the quarter, compared to R\$ 10.7 billion in the previous quarter and R\$ 9.9 billion in 4Q19.

| Balance Sheet   Assets                                     | 4040    | 2020    | 4000    | Variat    | ion %     |
|--|---------|---------|---------|-----------|-----------|
| (R\$ M)  | 4Q19    | 3Q20    | 4Q20    | 4Q20/3Q20 | 4Q20/4Q19 |
| Cash and cash equivalents                                  | 1,052   | 3,683   | 4,808   | 30.6      | 357.1     |
| Financial assets   | 86,703  | 106,365 | 101,583 | -4.5      | 17.2      |
| Interbank funds applied                                    | 2,532   | 7,159   | 4,991   | -30.3     | 97.1      |
| Securities and derivative financial instruments            | 27,720  | 33,348  | 34,198  | 2.5       | 23.4      |
| Derivative financial instruments                           | 2,737   | 6,739   | 3,621   | -46.3     | 32.3      |
| Interbank accounts or relations                            | 1,772   | 870     | 984     | 13.1      | -44.5     |
| Loan Portfolio   | 55,676  | 56,396  | 59,444  | 5.4       | 6.8       |
| Allowance for loan losses                                  | (4,716) | (5,279) | (5,015) | -5.0      | 6.3       |
| Other financial assets                                     | 982     | 7,132   | 3,359   | -52.9     | 242.3     |
| Tax assets   | 7,229   | 8,101   | 8,036   | -0.8      | 11.2      |
| Investments in subsidiaries, associates and joint ventures | 49      | 19      | 19      | 1.5       | -60.0     |
| Property for use   | 94      | 96      | 95      | -1.0      | 0.9       |
| Intangible assets  | 334     | 471     | 463     | -1.8      | 38.4      |
| Other assets   | 1,400   | 1,298   | 1,272   | -2.0      | -9.1      |
| TOTAL ASSETS   | 96,862  | 120,033 | 116,277 | -3.1      | 20.0      |

| Balance Sheet   Liabilities                                 | 4000   | 2000    | 4000    | Variat    | ion %     |
|---|--------|---------|---------|-----------|-----------|
| (R\$ M)   | 4QQ9   | 3Q20    | 4Q20    | 4Q20/3Q20 | 4Q20/4Q19 |
| Financial liabilities                                       | 84,001 | 106,453 | 102,518 | -3.7      | 22.0      |
| Deposits  | 16,356 | 25,198  | 25,510  | 1.2       | 56.0      |
| Money market repurchase commitments                         | 15,206 | 16,067  | 15,029  | -6.5      | -1.2      |
| Securities issued   | 32,066 | 35,713  | 40,155  | 12.4      | 25.2      |
| Interbank accounts  | 1,642  | 1,572   | 1,888   | 20.1      | 15.0      |
| Borrowings and domestic onlendings                          | 3,578  | 4,517   | 3,745   | -17.1     | 4.7       |
| Derivative financial instruments                            | 2,935  | 5,630   | 3,606   | -36.0     | 22.9      |
| Subordinated debts and debt instruments eligible as capital | 6,597  | 4,024   | 3,693   | -8.2      | -44.0     |
| Other financial liabilities                                 | 5,621  | 13,730  | 8,892   | -35.2     | 58.2      |
| Tax liabilities   | 567    | 432     | 606     | 40.4      | 6.9       |
| Provisions for contingencies                                | 906    | 868     | 819     | -5.6      | -9.7      |
| Other liabilities   | 1,502  | 1,629   | 1,581   | -3.0      | 5.3       |
| SHAREHOLDER'S EQUITY  | 9,886  | 10,652  | 10,754  | 1.0       | 8.8       |
| TOTAL LIABILITIES   | 96,862 | 120,033 | 116,277 | -3.1      | 20.0      |



**ESG** 

Initiatives

# Loan Portfolio

The loan portfolio reached R\$ 70.3 billion at the end of 4Q20, a 6.0% growth over 4Q19, with growth in both Retail and Wholesale. The portfolio grew by 4.3% in relation to the previous quarter.

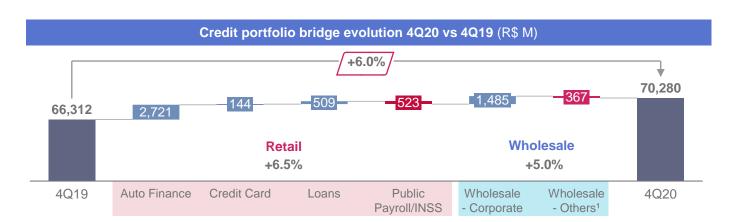
The **Retail** portfolio grew by 6.5% to R\$ 47.0 billion versus R\$ 44.2 billion in 4Q19, with an expansion in all segments, notably a 7.0% rise in the auto finance portfolio and 23.0% in the personal loans portfolio, which includes financing for solar panels, vehicle equity loans (CVG), personal loans, student loans, as well as other products for Retail that are aligned with the bank's diversification strategy. Lastly, the credit card portfolio grew by 5.2% over the period.

Compared to 3Q20, the Retail portfolio rose 3.5%, with an emphasis on a 10.6% expansion in the card's portfolio .

In addition to the continuous and consistent growth in the vehicle segment, which has secured Banco BV's leadership, the bank has been increasing its portfolio diversification. The financing of solar panels for Retail was a standout again in the period, with an increase of 333% versus 4Q19. Other lines of borrowings have also seen significant growth, including student loan and financing for medical procedures.

The wholesale portfolio (CIB) expanded by 5.0% vs 4Q19 and 6.0% vs 3Q20, to R\$ 23.3 billion. In both comparisons, attention should be given to the growth in the Corporate segment, whereas the bank has been acting more selectively in the Large Corporate segment, in line with the strategic drive to spread risk and increase profitability.

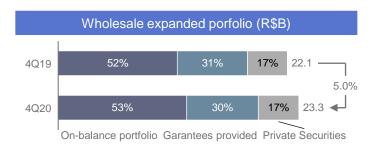
| Credit Portfolio                         | 4040   | 2020   | 4000   | Variat    | tion %    |
|--|--------|--------|--------|-----------|-----------|
| (R\$ M)                                  | 4Q19   | 3Q20   | 4Q20   | 4Q20/3Q20 | 4Q20/4Q19 |
| Retail segment (a)                       | 44,165 | 45,415 | 47,015 | 3.5       | 6.5       |
| Auto financing                           | 38,655 | 40,198 | 41,376 | 2.9       | 7.0       |
| Personal Loans                           | 2,213  | 2,573  | 2,722  | 5.8       | 23.0      |
| Credit Cards                             | 2,766  | 2,632  | 2,910  | 10.6      | 5.2       |
| Public Payroll Loan / INSS (run-off)     | 530    | 12     | 7      | -36.2     | -98.6     |
| Wholesale segment (b)                    | 11,511 | 10,981 | 12,429 | 13.2      | 8.0       |
| Corporate                                | 4,411  | 5,593  | 5,927  | 6.0       | 34.4      |
| Large corporate + financial institutions | 7,100  | 5,388  | 6,502  | 20.7      | -8.4      |
| On-balance loan portfolio (a+b)          | 55,676 | 56,396 | 59,444 | 5.4       | 6.8       |
| Wholesale segment (b+c+d)                | 22,147 | 21,954 | 23,264 | 6.0       | 5.0       |
| Guarantees provided (c)                  | 6,800  | 6,795  | 6,916  | 1.8       | 1.7       |
| Private securities (d)                   | 3,836  | 4,177  | 3,920  | -6.2      | 2.2       |
| Retail segment (a)                       | 44,165 | 45,415 | 47,015 | 3.5       | 6.5       |
| Expanded credit portfolio (a+b+c+d)      | 66,312 | 67,368 | 70,280 | 4.3       | 6.0       |

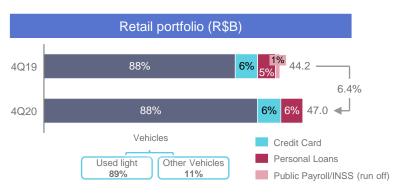




1 - Includes Large Corporate + Financial institutions

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# Loan Portfolio Quality

All loan portfolio risk segmentations in this section refer to the classified portfolio (CMN Resolution No. 2,682/99), unless otherwise indicated. The Bank maintains a consistent process of assessing and monitoring credit risk in transactions with clients.

| Loan Portfolio Quality Indicators<br>(R\$ M, except where indicated) | 4Q19   | 3Q20   | 4Q20   |
|--|--------|--------|--------|
| 90-Day NPL balance   | 2,496  | 2,351  | 2,081  |
| 90-Day NPL ratio   | 4.5%   | 4.17%  | 3.50%  |
| 90-Day NPL ratio Consumer Finance                                    | 4.90%  | 4.79%  | 4.29%  |
| 90-Day NPL ratio Auto Finance  | 4.20%  | 3.94%  | 3.58%  |
| 90-Day NPL ratio Wholesale   | 2.80%  | 1.59%  | 0.50%  |
| Write-off (a)  | (559)  | (678)  | (655)  |
| Credit recovery (b)  | 105    | 160    | 130    |
| Net Loss (a+b)   | (454)  | (518)  | (525)  |
| Net Loss / Loan portfolio - annualized                               | 3.3%   | 3.7%   | 3.6%   |
| New NPL  | 572    | 99     | 385    |
| New NPL / Loan portfolio1 - quarter                                  | 1.07%  | 0.17%  | 0.68%  |
| ALL balance <sup>2</sup>   | 4,901  | 5,504  | 5,249  |
| ALL balance / Loan portfolio   | 8.8%   | 9.8%   | 8.8%   |
| ALL balance / 90-day NPL   | 196%   | 234%   | 252%   |
| AA-C balance   | 49,068 | 48,218 | 51,654 |
| AA-C balance / Loan portfolio  | 88.1%  | 85.5%  | 86.9%  |

<sup>1.</sup> D 1. D NPL quarterly + write-offs for the period) / Credit Portfolio of the immediately previous quarter; 2. Includes provisions for financial guarantees provided and the balance of the provision for generic credit recorded in liabilities in the "Sundry" line.

# Coverage Ratio (90 days)

Reflecting the solid risk management model and balance sheet robustness, the Coverage Ratio (90 days) remained at a comfortable level, reaching 252% in 4Q20, +18 p.p. vs. 3Q20 and +56 p.p. vs 4Q19.

In addition to the drop in delinquency levels, prudential credit provisions made over 2020 also helped to increase the Coverage Ratio.





BVx -Diversified Analysis of **ESG** Main Corporate Ratings business Innovation Highlights Governance **Initiatives** managerial portfolio **Business** results unit

# Loan Portfolio by Risk Level (%)

**Banco BV's** credit risk management aims to maintain the loan portfolio quality at adequate levels for each segment. The increase in the D-H index seen in 2020 reflects a boost in prudential provisions established due to the uncertainties posed by the Covid-19 pandemic to the economy. The 4Q20 has decreased compared to 3Q20 and 2Q20.

Loans classified as "AA-C", according to Brazilian Central Bank (BACEN) Resolution 2,682, represented 86.9% of the loan portfolio at the end of 4Q20 when compared to 85.5% in 3Q20 and 88.1% in 4Q19.

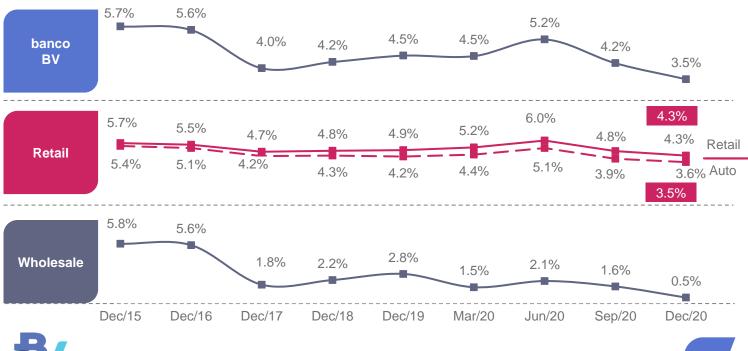


# Nonperforming Loans - NPL Ratio | Over 90 days

The main delinquency rate (Over-90) decreased in 4Q20, with a drop in both retail and wholesale. Over-90 decreased by 0.7 p.p. in the quarter, to 3.5%, the lowest level observed since 2Q11. In addition to initiatives to support clients, Banco BV upheld its conservative policy and has made amendments to its lending policies, with further monitoring of credit risk, renegotiation strategies and revisions to credit limits. Despite the fall in delinquency levels, Over-90 also benefits from the effects of the renegotiations implemented for Retail clients in connection with the pandemic, in addition to the impacts from emergency aid implemented by the government.

**Over-90 for Retail** finished 4Q20 at 4.3%, a decrease of 0.5 p.p. compared to 3Q20. The financial relief program for clients during the pandemic contributed to the decline that was observed. It should be pointed out that there was no longer a renegotiated balance in a grace period at the end of 4Q20, and of the total renegotiated (balance as of Dec/20 was R\$ 13.9 billion), only 3.6% were over 90-days in delinquency. The trend observed in Over-90 is in line with our expectations, with peak taking place in 2Q20, retreating in 3Q20 and 4Q20, and expectations of returning to historical levels when the effects of the renegotiations and emergency aid from the government end. **Over-90 for Vehicles** ended 4Q20 at 3.6%, down 0.3 p.p. compared to 3Q20, which also reflects the measures aimed at easing installment payments for the Bank's clients.

**Over-90 for Wholesale** dropped to 0.5% at the end of 4Q20, compared to 1.6% in 3Q20. The drop in the indicator is primarily due to the write-off for losses and revenues from two specific clients in the segment.



Diversified Analysis of Main business Highlights managerial portfolio

results

BVx -Innovation Business unit

Corporate Ratings Governance

**ESG** Initiatives

# **New NPL Index**

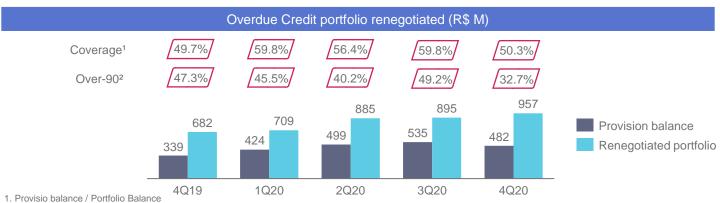
The New NPL, which accounts for the volume of loans that were in arrears for more than 90 days in the quarter, was R\$ 385 million in 4Q20, representing a 288.7% increase versus 3Q20. Consequently, the New NPL in relation to the portfolio was 0.68% versus 0.17% in 2Q20 and 1.07% in 4Q19. It is important to note that, like Over-90, New NPL figures in 3Q20 and 4Q20 were also positively affected by the renegotiations of Retail clients performed during the pandemic.

| New NPL                         | 4Q19   | 3Q20   | 4Q20   | Variation % |            |
|---------------------------------|--------|--------|--------|-------------|------------|
| (R\$ M)                         | 4019   | 3Q20   | 4Q20   | 4Q20/3Q20   | 4Q20/4Q19  |
| Managed Ioan portfolio (A)      | 55,676 | 56,396 | 59,436 | 5.4         | 6.8        |
| 90-day NPL Balance (NPL)        | 2,496  | 2,351  | 2,081  | -11.5       | -16.6      |
| Quartely NPL variation (B)      | 14     | -579   | -270   | -53.4       | -2050.9    |
| Write-off (C)                   | 559    | 678    | 655    | -3.4        | 17.2       |
| New NPL (D=B+C)                 | 572    | 99     | 385    | 288.7       | -32.8      |
| New NPL Rate <sup>1</sup> (D/A) | 1.07%  | 0.17%  | 0.68%  | 0.51 p.p.   | -0.39 p.p. |



# Overdue Credit Negotiated

The chart below shows information about the renegotiated loan portfolio due to late payment.



2. Over90 days (Over-90) of the renegotiated portfolio.

The balance of overdue loan portfolio renegotiated totaled R\$ 957 million in 4Q20. In comparison with 4Q19, there was a 40.4% increase in the balance of the renegotiated portfolio. Over the same period, delinquencies over 90 days (Over-90) from this portfolio were 32.7%, compared to 47.3% in 4Q19, while the portfolio's coverage ratio rose 0.6 p.p., to 50.3%.

The increase in the overdue portfolio in 2020 primarily reflects the pro-client initiatives implemented by BV in the midst of the pandemic and the consequent economic downturn, through measures such as extending terms and reducing installments in an effort to adapt the financing contract to the financial capacity of clients.

More information can be found in the Financial Statements for 4Q20, Note 12-k.



Analysis of managerial results



Diversified business portfolio

BVx -Innovation Business unit

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# **Funding and Liquidity**

Funding amounted to R\$ 80.6 billion in 4Q20, an increase of 3.4% in the quarter and 22.3% over 12 months. The rise is in line with the strategy to boost the bank's liquidity strength in light of the current negative environment. Stable funding instruments represented 59% of the total funds raised at the end of 4Q20.

For the quarter, funding via LFG (Guaranteed Financial Letters) stood out, which raised the balance of LFs to R\$ 30.3 billion at the end of 4Q20, 17.6% more than in 3Q20. In the 12 months, the growth in funding is primarily due to: i) a 56.0% increase in deposits; ii) a 20.8% increase in funding via LF's, and; iii) a 102.8% increase in international funding (foreign securities), mainly due to attracting US\$ 600 million in the international market through the issue of a Bond maturing in 2025.

The ratio between the expanded loan portfolio (excluding sureties and guarantees) and net compulsory loans reached 79.7% in 4Q20, versus 78.7% in 3Q20 and 93.0% in 4Q19.



- Funding (net of compulsory) R\$B (A)
- Expanded Credit Portfolio (excluding guarantees provided) R\$B (B)
- Portfolio (B) / Funding (A)

| Funding sources  | 4Q19 | 3Q20 | 4Q20 | Varia     | tion %    | % of Total |
|--|------|------|------|-----------|-----------|------------|
| (R\$B)   | 4013 | 3020 | 4620 | 4Q20/3Q20 | 4Q20/4Q19 | 4Q20       |
| Debentures   | 2.8  | 1.8  | 1.9  | 3.9       | -30.9     | 2.4        |
| Deposits   | 16.4 | 25.2 | 25.5 | 1.2       | 56.0      | 31.7       |
| Time deposits  | 14.3 | 20.6 | 21.0 | 2.1       | 47.4      | 26.1       |
| Deposits on demand and interbank                                       | 2.1  | 4.6  | 4.5  | -2.8      | 114.8     | 5.6        |
| Subordinated debts (1)   | 6.6  | 4.0  | 3.7  | -8.2      | -44.0     | 4.6        |
| Subordinated Financing bills   | 2.3  | 2.3  | 2.1  | -6.9      | -7.0      | 2.6        |
| Others subordinated debts  | 4.3  | 1.7  | 1.6  | -10.0     | -63.7     | 1.9        |
| Borrowings and onlendings  | 3.6  | 4.5  | 3.7  | -17.1     | 4.7       | 4.6        |
| Bills  | 28.0 | 27.4 | 31.9 | 16.5      | 14.2      | 39.6       |
| Financing bills (1)  | 25.1 | 25.8 | 30.3 | 17.6      | 20.8      | 37.6       |
| Agribusiness credit bills ("LCA") and real estate credit bills ("LCI") | 2.0  | 1.6  | 1.6  | -0.2      | -18.3     | 2.0        |
| Financial lease bills ("LAM")  | 0.9  | 0.0  | 0.0  | -         | -100.0    | 0.0        |
| Securitization with recourses (1)                                      | 4.5  | 6.7  | 5.6  | -16.6     | 23.8      | 6.9        |
| Securities abroad (1)  | 4.1  | 8.3  | 8.2  | -1.0      | 102.8     | 10.2       |
| Total funding  | 65.9 | 78.0 | 80.6 | 3.4       | 22.3      | 100.0      |
| (-) Compulsory deposits  | 1.8  | 0.9  | 1.0  | 13.1      | -44.5     |            |
| (-) Cash & equivalents in local currency                               | 0.1  | 0.1  | 0.1  | -47.2     | -48.0     |            |
| Total funding net of compulsory  | 64.0 | 77.0 | 79.5 | 3.3       | 24.3      |            |

(1) Stable funding instruments

| Stable funding instruments/Total funding        | 61 1%  | 57 4%  | 59.3%  | 19nn     | -1.8 p.p. |
|---|--------|--------|--------|----------|-----------|
| Ctable farially incliantents, retailed farially | 011170 | 01.170 | 00.070 | 1.0 p.p. | 1.0 p.p.  |

In addition, Banco BV has maintained a credit line with Banco do Brasil since 2009, which represents a significant liquidity reserve, and it has never been used.

In terms of liquidity, BV has maintained its cash balance at a very conservative level. Liquidity Coverage Ratio (LCR), the objective of which is to measure the banks' short-term liquidity in stress scenarios, shifted from 226% in 4Q20 vs 199% in 3Q20 and 188% in 4Q19.

It is important to point out that the regulatory minimum stipulated by the Central Bank is 100%.

| Liquidity Coverage Ratio (LCR)              | 4Q19   | 3Q20   | 4Q20   |
|---|--------|--------|--------|
| Ativos de alta liquidez (HQLA) <sup>1</sup> | 14,499 | 21,514 | 19,227 |
| Saídas líquidas de caixa                    | 8,063  | 10,834 | 8,513  |
| LCR   | 180%   | 199%   | 226%   |

<sup>1.</sup> Mainly federal government bonds and bank reserves;



<sup>\*</sup>Further information on the LCR can be found in the "Risk and Capital Management Report" on the IR website: ir.bv.com.br

Analysis of managerial results



Diversified business portfolio

BVx -Innovation Business unit

Ratings

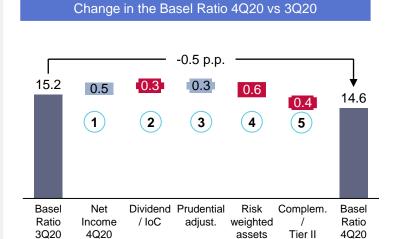
Corporate Governance ESG Initiatives

# Capital

The Basel Ratio reached 14.6% in 4Q20, with the Tier I Capital ratio totaling 13.9%, 11.7% of Core Capital and 2.2% of Complementary Capital.

With respect to 4Q20, the Basel Ratio posted an increase of 0.5 p.p, explained by:

- (1) The net income registered in the quarter, with a +0.2 p.p. impact;
- (2) Dividend/interest on capital (IoC) distributed, with impact of -0.3 p.p.
- (3) A reduction in prudential adjustments related to tax credits, with an impact of +0.3 p.p.;
- (4) An increase in risk-weighted assets (-0.6 p.p.);
- (5) Reduction in complementary capital and Tier II, with an impact of -0.4.



| Basel Ratio                 | 4Q19            | 3Q20   | 4020   | Variation % |           |
|-----------------------------|-----------------|--------|--------|-------------|-----------|
| (R\$ M)                     | (R\$ M) 4Q13 3Q |        | 4Q20   | 4Q20/3Q20   | 4Q20/4Q19 |
| Total Capital               | 9,975           | 10,564 | 10,611 | 0.4         | 6.4       |
| Tier I Capital              | 9,008           | 9,901  | 10,078 | 1.8         | 11.9      |
| Common Equity Tier I        | 7,796           | 8,162  | 8,513  | 4.3         | 9.2       |
| Additional Tier I           | 1,212           | 1,739  | 1,566  | -10.0       | 29.2      |
| Tier II Capital             | 967             | 663    | 532    | -19.7       | -45.0     |
| Risk Weighted Assets (RWA)  | 66,069          | 69,583 | 72,468 | 4.1         | 9.7       |
| Credit risk                 | 57,266          | 61,243 | 63,772 | 4.1         | 11.4      |
| Market risk                 | 2,500           | 1,894  | 2,251  | 18.8        | -10.0     |
| Operational risk            | 6,304           | 6,445  | 6,445  | 0.0         | 2.2       |
| Minimum Capital Requirement | 5,286           | 5,567  | 5,797  | 4.1         | 9.7       |
|                             |                 |        |        |             |           |
| Tier I Capital Ratio        | 13.6%           | 14.2%  | 13.9%  | -0.3 p.p.   | 0.3 p.p.  |
| Common Equity Tier I Ratio  | 11.8%           | 11.7%  | 11.7%  | 0.0 p.p.    | -0.1 p.p. |
| Additional Tier I Ratio     | 1.8%            | 2.5%   | 2.2%   | -0.3 p.p.   | 0.3 p.p.  |
| Tier II Capital Ratio       | 1.5%            | 1.0%   | 0.7%   | -0.2 p.p.   | -0.7 p.p. |
| Basel Ratio (Capital/RWA)   | 15.1%           | 15.2%  | 14.6%  | -0.5 p.p.   | -0.5 p.p. |

With respect to 4Q19, the Basel Ratio decreased by 0.5 p.p., mainly due to the decline in subordinated debts that make up the Tier II Capital and to the prudential adjustments deducted from capital resulting from tax credits generated by the exchange rate impact on financial instruments that make up the hedge for the Equity of the bank's branch abroad (Nassau Branch).

The Basel Ratio was calculated according to the Basel III methodology for calculating the minimum requirements for Reference Equity, Tier I and Core Capital.

At the end of 4Q20, the minimum capital requirement is 9.25%, with 7.25% being the minimum for Tier I Capital, and 5.75% for Core Capital (CET1).



Analysis of managerial results

Balance sheet analysis



BVx -Innovation Business

Ratings

+5.0% vs 2019

R\$ 23.3 bln

Corporate Governance

**ESG Initiatives** 

# **Diversified Business Portfolio**

+7.0% vs 2019

R\$ 41.4 bln

R\$ 5.6 bln

Supported by the pillars of Efficiency & Financial Strength, Customer Centrality and Digital Maturity

# Retail

Loan portfolio<sup>1</sup> R\$ 70 billion

+6% vs 2019

[[\$]

# Wholesale

# auto finance

Leader in the light used vehicles (25% market share)

Capillarity (+20,700 dealers)

Innovation and digital transformation

100% digital contracting

97% automatic decision

# other businesses

- Credit cards: +1 million credit card accounts. Mastercard, Visa and Elo flags
- Insurance brokerage: Auto, loan protection, residential, life, dental, credit card and assistance services (home, funeral, pet)
- growth in the portfolio vs 4Q19 (R\$ 892 M)
- procedures

# corporate & investment banking

### **Corporate Banking**

- Corporate (> R\$ 300 million)
- Large Corporate (> R\$ 1.5 billion)

# Banking as a Service (BaaS)

· Settling and custodian bank for startups

# wealth management

19th largest asset in Brazil<sup>3</sup> R\$ 49 billion under management (AuM)

39% of managed funds backed by real economy assets

Private bank: customized solutions for high-income clients

+13.1%2 Financing for solar panels: a 333% Other Loans: Personal loans, private payroll, car equity, home equity, student loans, solar panels, tourism and medical



BV<sup>x</sup> is the innovation business unit that generates value through connection with the startup ecosystem, with co-creation methods, proprietary developments and investments in our partners.

Corporate venture capital

BV Open - BV as a Platform

BV Lab - Innovation Lab



<sup>1 -</sup> Loan portfolio expanded in Sep/20 (includes guarantees provided and private securities) 2 - It does not consider Public Payroll Loan portfolio

3 - ANBIMA ranking

Analysis of managerial results

Balance sheet analysis



BVx -Innovation Business unit

Ratings Co

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# **Retail** Portfolio

# Auto Finance

**Auto finance** is the core business of Banco BV. its more than 20 years of history, BV has acquired relevant competitive advantages in this segment, which ensure a prominent position in Brazil's sector. Among the main competitive advantages, we highlight:

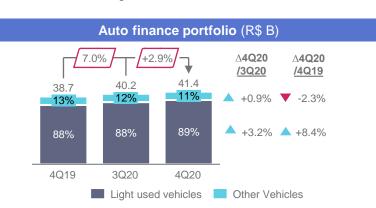
- Capilarity: present in more than 20,700 resales throughout the country; 20 physical stores and 33 online stores; app
- o Agility: 97% automatic credit response
- <u>Digital transformation</u>: digitalization of the whole financing treadmill, from the simulation to the contract signature and payment
- Expertise: continuous improvement of management tools with strong use of data science (analytics, modeling, etc.) and innovation (OCR, biometrics, etc.)

The volume of **auto finance origination** grew by 16.1% in the quarter, totaling R\$ 6.3 billion and recovering precrisis levels to reach all-time highs. The recovery was seen in both the financing for used (16.2%) and other vehicles (+ 15.3%). Used light vehicles accounted for 90% of production during the period. There was an 11.9% decrease in origination versus 4Q19, with a 15.4% boost in the light used vehicles segment and a 12.5% slide in the other vehicles segment.

Despite the recovery observed in the second half of the year, origination fell in 2020 by 4.9%, reflecting the impacts from the pandemic, especially in the other vehicles line, which decreased 22.8% in the year (vs - 2.3 % in the light used vehicles).

The **auto finance portfolio** grew by 2.9% in 4Q20 compared to 3Q20 and 7.0% over 4Q19, totaling R\$ 41.4 billion. The light used vehicles portfolio accounted for 89% of the portfolio, and saw respective growths of 3.2% and 8.4% compared to 3Q20 and 4Q19. Meanwhile, the other vehicles portfolio grew by 0.9% vs 3Q20 and dropped 2.3% vs 4Q19.

### Auto Finance origination (R\$ B) 16.0% 17.0% 14.6% 15.7% Spread1 (% y.y.) Average term (months) 45 46 45 ∆**4Q20** ∆**4Q20** 11.9% **16.1% ∆2020** /3Q20 /4Q19 21.0 /2019 19.9 2.7 6.3 2.1 **△**+15.3% **▼**-12.5% 5.5 **-**22.8% 0.6 0.7 0.5 18.3 **▲**+16.2%**▲**+15.4% 17.9 5.7 **V**-2.3% 4.9 4Q19 3Q20 4Q20 2019 2020



Light used vehicles Other Vehicles

| Auto Flanco Ocioladica                   | Auto Finance Origination 4040 2020 4020 2040 2020 |      | Variation % |      |      |           |             |           |
|--|---|------|-------------|------|------|-----------|-------------|-----------|
| Auto Finance - Origination               | 4Q19  | 3Q20 | 4Q20        | 2019 | 2020 | 4Q20/3Q20 | 4Q20/4Q19   | 2020/2019 |
| Spread¹ (% p.a.)                         | 13.9  | 16.0 | 17.0        | 14.6 | 15.7 | 1.0 p.p.  | 3.1 p.p.    | 1,1 p.p.  |
| Average term (months)                    | 45  | 45   | 46          | 45   | 46   | 1         | 1           | 1         |
| Down payment <sup>2</sup> (%)            | 38.8  | 41.7 | 40.4        | 38.8 | 40.4 | -1.3 p.p. | 1.6 p.p.    | 1,6 p.p.  |
| Used cars / Auto finance origination (%) | 87.5  | 90.1 | 90.2        | 87.3 | 89.7 | 0.1 p.p.  | 2.7 p.p.    | 2,4 p.p.  |
| Total auto finance origination (R\$ B)   | 5.7   | 5.5  | 6.3         | 21.0 | 19.9 | 16.1%     | 11.9%       | -4,9%     |
| Auto Elucius - Bentfelle                 | 4040  | 2000 | 4000        | 0040 | 0000 |           | Variation % |           |
| Auto Finance - Portfolio                 | 4Q19  | 3Q20 | 4Q20        | 2019 | 2020 | 4Q20/3Q20 | 4Q20/4Q19   | 2020/2019 |
| Spread¹ (% p.a.)                         | 16.7  | 17.3 | 17.3        | 15.7 | 16.4 | 0.0 p.p.  | 0.7 p.p.    | 0.7 p.p.  |
| Average term (months)                    | 46  | 42   | 43          | 46   | 43   | 1         | -3          | -3        |
| Used cars / Auto finance portfolio (%)   | 87.5  | 88.4 | 88.6        | 87.5 | 88.6 | 0.2 p.p.  | 1.1 p.p.    | 1.1 p.p.  |
| Average vehicle age (years)              | 6.3   | 6.5  | 6.6         | 6,3  | 6.6  | 0.1 p.p.  | 0.3 p.p.    | 0.3 p.p.  |
| Auto finance portfolio (R\$ B)           | 38.7  | 40.2 | 41.4        | 38.7 | 41.4 | 2.9%      | 7.0%        | 7.0%      |



- $\ensuremath{\text{1}}$  Spread between the weighted average rate and the SELIC accrued over the period
- 2 Based on the value of assets reported when contract is signed

# Retail portfolio

### Insurance brokerage A diversified portfolio of products offered by BV. Below, the products and its respective partners: Life + personal Assistance Vehicles Loan Protection Insurance Residential Dental Card accident services1 SOMPO Liberty **CARDIF CARDIF** CDF. **⊗ MAPFRE** Icatu **MetLife ⊕ MAPFRE Partner** ZURICH

In line with the strong recovery in auto finance origination levels during the period, insurance premiums written grew by 12.0% in 4Q20 vs 3Q20 and 4.5% vs 4Q19, settling at R\$ 303 million.

In the accrued for the year, premiums written totaled R\$ 1,001 million, 9.2% lower than 2019, still impacted by the effects of the pandemic.

**Auto Insurance Marketplace**: More options for our clients with the offering of 4 insurance partners









9,100 policies and R\$ 24.1 million in awards

### Insurance premiums (R\$ M) <u>-9,2%</u> +4,5% +12,0% 1.103 ∆4**Q20** ∆4Q20 1.001 /3Q20 /4Q19 303 290 **7** -2% 270 +6% 24% -18% 23% +23% 21% 56% -8% 55% 57% 11% 🛕 +8% 4Q19 3Q20 4Q20 2019 2020 Credit protection Vehicles Other

<sup>1</sup>Home, pet and funeral assistance services

# Credit Card

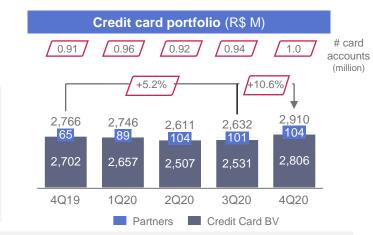
# BV offers several credit cards options such as Mastercard, Visa and Elo

- Expansion also through new partnerships, such as Dotz
- Integration of the Meu Cartão BV App with the BV App, adding digital account and vehicle financing services

At the end of 4Q20, our credit card portfolio amounted to R\$ 2.9 billion, a 10.6% increase over 3Q20 and 5.2% vs 4Q19. We managed to reach the mark of over 1 million credit card accounts by the end of 2020.

### **New BV App**

In order to provide more convenience to our clients, we completed the integration of the Meu Cartão BV App to the BV App. From this point on, our clients will be able to access their card data on a single platform that is fully integrated with the Digital Account and Vehicle Financing services.

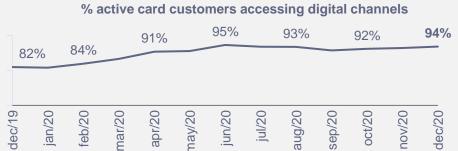


# Digital Evolution –App "Meu Cartão BV"



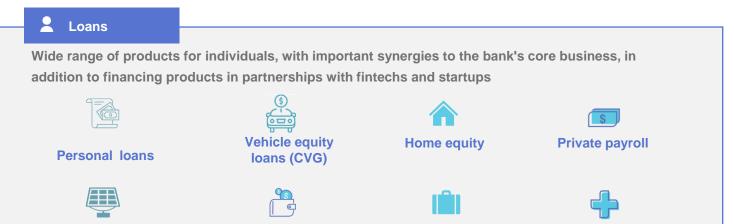
+5.9 million visits/month at Meu Cartão BV

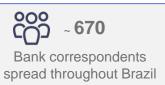
+28% vs 4Q19





# Retail portfolio





Solar panels



Studant Ioan



**Tourism** 



**Medical procedures** 

This segment includes BV products and products sold in partnerships with fintechs or leading companies in their respective sectors. In addition to broadening the product portfolio for our clients, we have also widened and diversified our portfolio.

We posted a growth of 5.8%¹ in 4Q20 vs 3Q20 and 23.0% in comparison with 4Q19, hitting R\$ 2.7 billion and reinforcing our diversification strategy. Once again, the expansion in the solar panel financing portfolio was prominent, which posted an expansion of 36.6% vs 3Q20 and 333% compared to 4Q19, reaching R\$ 892 million, representing 1/3 of this loan segment compared to only 9% in 4Q19.

Meanwhile, the portfolios with vehicle equity loans (CVG), private payroll loans and personal loans declined in the period, reflecting an increase in strictness and prudence in granting credit amid the uncertainty created by the pandemic.

Lastly, highlights in the period (4Q20 vs 4Q19) included the growth in student loan performed in partnership with Pravaler, the largest student financing portal in the country, and financing for medical procedures performed in partnership with Yalo/Dr Consulta.

### Loan portfolio<sup>1</sup> (R\$ B) +23.0% +5.8% ∆4Q20 ∆**4Q20** /4Q19 /3Q20 2.72 2.57 2.48 12% -4.6% -3.4% 2.39 2.21 15% 16% 16% **▲**+36.6%**▲** +333% 33% 18% 25% 14% 9% 32% 29% 35% 26% V-7.3% V-19.8% 23% 39% 38% 40% 35% 32% ▼-2.8% ▼ -1.2% 4Q19 1Q20 2020 3Q20 4020 Car Equity Solar panels Private payroll Other



# Digital maturity

# **New digital Account**

In an effort to deliver a smoother and more serene financial life for everyone, the BV digital account introduces a unique approach to dealing with money by combining the bank's products and helping to make financial management quick and simple.

# **BV** Digital Account

conceived to help clients organize their financial life in order to facilitate daily goals.





Control over auto finance



**Financial Activity** (PIX)



Credit card management



Payment of bills, virtual purchases



Fixed income



Centralize accounts and investments unify payments



+ time to pay bills



**Exclusive** customer service via chat

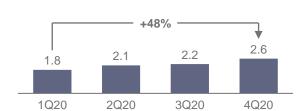
# **Engagement on digital channels**

The Covid-19 pandemic has driven the use of digital channels. At the end of 4Q20, 79% of clients communicated with Banco BV through digital channels and the average number of clients in the login area grew 48% for the year.

### % of client's communication via digital channel

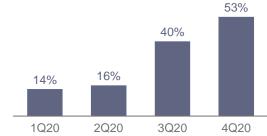


# Customers who logged in to "Minha BV" or / and the App (millions)



We further intensified card sales via digital channels in 4Q20, reaching 53% at the end of 2020 compared to 14% at the start of the year. Auto finance simulations conducted on the digital channels reached 15.2 million in 2020, up 18% over 2019.

### Card sales through digital channels



# Simulation of vehicle financing on digital channels (millions)



# Wholesale portfolio

# **Corporate & Investment Banking (CIB)**

With agile and customized solutions that simplify the daily processes of companies, CIB offers a wide variety of loan products, capital markets, treasury and services. The CIB serves economic groups with annual revenues above R\$ 300 million, classified in two segments:

### **Growing Corporate**

### Clients1:

Annual revenue >R\$ 300M < R\$ 1.5 billion

### Strategic Focus:

Expansion of the portfolio

# Wide variety of products

**Local Currency & Cash Management** 

Foreign Currency & FX

### **Large Corporate**

### Clients1:

Annual revenue > R\$ 1.5 billion

### Strategic Focus:

**Fund raising** 

Selective performance leveraging products where we have an established competitive advantage, such as local DCM (capital markets).

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Capital Markets & M&A

**Corporate & Project Finance** 

1. Economic groups

The CIB loan portfolio finished 4Q20 at R\$ 23.3 billion, an increase of 6.0% compared to the previous guarter and 5.0% over the last 12 months. Excluding the effect from exchange rate fluctuations, the variation would have been 6.9% in the previous quarter and 1.6% in the last 12 months.

In 2020, the Growing Corporate segment saw a 19.7% growth in the last 12 months, while Large Corporate + Financial Institutions declined 2.5%. This performance is in line with the Bank's strategy to pursue growth in the Corporate portfolio and to act more selectively in Large Corporate, thereby spreading out the risk of the portfolio and improving portfolio profitability.

At the end of 4Q20, the Corporate portfolio represented 39% of the Wholesale portfolio, compared to 34% at the end of 2019.

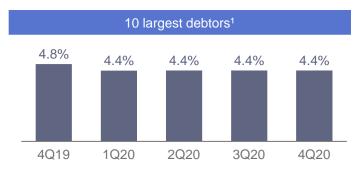
In terms of the concentration of credit per client, only 13.6% of the credit risk is concentrated in the 100 largest debtors and 4.4% in the 10 largest debtors.

# CIB - Expanded portfolio (R\$ B)



Large Corporate + FI<sup>1</sup>

1 Financial institutions









Analysis of managerial results

Balance sheet analysis



BVx -Innovation Business unit

Ratings

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# CIB portfolio breakdown by sector

At the end of 4Q20, CIB had a very diversified portfolio, with no exposure concentrated in any economic sector.

| Miles I and a more than has need as | Sep/   | /20      | Dec/20 |          |  |
|-------------------------------------|--------|----------|--------|----------|--|
| Wholesale portfolio by sector       | R\$M   | Part.(%) | R\$M   | Part.(%) |  |
| Finance Institutes                  | 2,643  | 12.0%    | 2,832  | 1.,2%    |  |
| Construction                        | 1,904  | 8.7%     | 1,927  | 8.3%     |  |
| Industry                            | 1,873  | 8.5%     | 1,710  | 7.4%     |  |
| Retail                              | 1,459  | 6.6%     | 1,772  | 7.6%     |  |
| Sugar and ethanol                   | 1,543  | 7.0%     | 1,593  | 6.8%     |  |
| Electric power                      | 751    | 3.4%     | 1,288  | 5.5%     |  |
| Project Finance                     | 988    | 4.5%     | 879    | 3.8%     |  |
| Telecommunication                   | 925    | 4.2%     | 932    | 4.0%     |  |
| Oil & Gas                           | 785    | 3.6%     | 793    | 3.4%     |  |
| Cooperatives                        | 801    | 3.6%     | 563    | 2.4%     |  |
| Car assemblers / dealers            | 611    | 2.8%     | 734    | 3.2%     |  |
| Services                            | 600    | 2.7%     | 688    | 3.0%     |  |
| Health                              | 417    | 1.9%     | 498    | 2.1%     |  |
| Water and sanitation                | 433    | 2.0%     | 314    | 1.3%     |  |
| Mining                              | 529    | 2.4%     | 491    | 2.1%     |  |
| Rental                              | 481    | 2.2%     | 649    | 2.8%     |  |
| Other                               | 5,211  | 23.7%    | 5,600  | 24.1%    |  |
| Total                               | 21,954 | 100%     | 23,264 | 100%     |  |



# Wholesale - Wealth Management

The Wealth Management business develops and provides investment management solutions in a sustainable manner, with well-defined strategic objectives for the two distinct markets in which it operates.



# **Asset Management – BV Asset**

Recognized for its consistent performance, great innovative capacity, development of solutions appropriate to the needs of clients and extensive knowledge of the actual economy.

BV Asset has a prominent position in the wealth management industry in Brazil, taking 19<sup>th</sup> place in the ANBIMA ranking<sup>1</sup>.



# **Private Bank - BV Private**

It offers financial products and solutions suited to the needs of each investor, whose profile is always thoroughly analyzed, in addition to always seeking the best solutions in asset and portfolio management (expertise in financial planning advisor and succession planning).

It manages the resources of more than a thousand clients, with the support of an integrated structure of private bankers.

BV Asset concluded 2020 with R\$ 49.5 billion in assets under management (AuM), growing 2.7% in relation to 3Q20, and down 3.8% in comparison with 4Q19. At the end of 2020, 39% of the funds managed by BV Asset were backed by real economy assets, including real estate, energy and infrastructure, which provides greater resilience during crisis periods. BV Asset holds a prominent position in the asset management industry in Brazil, taking 19th place in the ANBIMA ranking of managers.

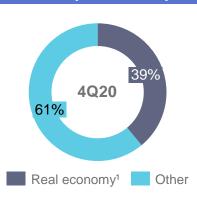
**Subsequent Events:** On January 11, 2021, Banco BV announced that it had approved the start of procedures for the submission of a voluntary public offer for the acquisition of all the shares issued by Fundo de Investimento Imobiliário Securities III, adminsitered and managed by BV Asset. Approval for this procedure is intended to provide liquidity alternatives to clients, especially due to the adverse and extraordinary effects resulting from the Covid-19 pandemic. The offer will be subject to specific prior conditions to be communicated at the appropriate time.







### Funds backed by real economy assets<sup>1</sup>



<sup>1</sup> includes real estate, energy, infrastructure and other sectors



19<sup>th</sup> largest asset in Brazil

R\$ 49.5 billion AuM 7<sup>th</sup> largest real estate fund manager

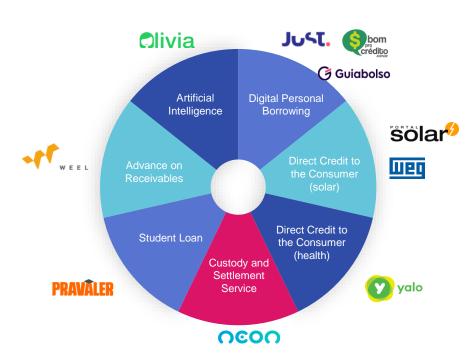
239 funds under management





The mission of **BV**<sup>x</sup> is to drive value through a connection with the startup ecosystem by means of co-creation, proprietary developments and investments in strategic partnerships. Between direct investments and partnerships for co-creating and distributing products, we had approximately 30 innovative companies that were enriching our ecosystem at the end of 2020.

# BV<sup>x</sup> Overview (non-exhaustive):



# ~30 partnerships for co-creation and distribution of products

that accelerate our diversification into new segments, enriching our ecosystem

# I. Corporate Venture Capital

Investments in fintechs and other startups that have synergies with BV and complement the portfolio of solutions for the bank's clients. In 2020, we headed the R\$ 15 million investment in Carflix, a C2C that acts as a middle-man for the purchase and sale of used cars, connecting buyers and sellers. At the end of 2020, we had investments in 9 startups and fintechs











# II. BV Open: Banco BV 's APIs platform for partners and clients

The BV Open platform plays an essential role in Banco BV's income diversification strategy, acting as a distribution channel for our services. We offer our partners and clients our BaaS (Banking as a Service), CaaS (Credit as a Service) and IaaS (Investment as a Service) solutions.



Analysis of managerial results

Balance sheet analysis

Diversified business portfolio



Ratings / G

Corporate Governance ESG Initiatives

Our partners and clients work in a wide varity of segments, including education, energy, health and e-commerce, and make up a group of over 180 external consumers of BV's APIs. Including the Neon and Adyen fintechs, we currently have 28 companies that rely on the services from our BV Open platform. In 2020, we had:



**Abastece aí** - BaaS client in which BV acts as a settlement bank for the digital wallet structure of the Abastece Aí Loyalty Program at Ipiranga gas stations



Weg - CaaS partner, includes solar energy financing program, both for Weg integrators and for the final client

We posted the sharpest historical growth in volume<sup>1</sup> in BaaS, in 2020 amounting to over 48 million financial transactions processed on our platform, rising 163% over 2019.

# + 48 million

in transactions made on our Banking as a Service (BaaS) platform

# III. BV Lab: Innovation Lab

We also point out the solutions developed at BV Lab, our innovation laboratory that employs technology, data and the power of the ecosystem to create prototypes and test out new solutions. Some examples of solutions developed in 2020 include:

- CDC e-commerce: We "incubate" financing as a form of e-commerce payment, where consumers can choose to finance their online purchase without being a BV client, making it easier to access products for people who do not have a credit card;
- Boa Volta App: Due to the pandemic, we created an application along with the Personnel area to
  reserve positions and rooms in our office, ensuring security and social distance measures for those who
  need to visit our headquarters.

We also teamed up with some of the top names in the innovation ecosystem to collaborate with the growth of national entrepreneurship, encourage a culture of innovation and transform the market for financial solutions: Distrito (Elected best innovation hub of 2020) and ABFintechs (Brazilian Fintechs Association).

We also connect with the international ecosystem: BRIL Chamber (Brazil-Israel Chamber of Commerce and Industry), we are building a BV Lab version in Israel with local agents and we will support the BayBrazil program for a connection with Silicon Valley.



BVx -Diversified Analysis of **ESG** Main Balance sheet Corporate Innovation business Highlights Governance Initiatives managerial analysis portfolio **Business** results unit

# Ratings

Banco BV is rated by international rating agencies and the marks given reflect its operational performance, financial strength and the quality of its management, in addition to other factors related to the financial sector and the economic environment in which the company operates. It is worth mentioning that the long-term rating in foreign currency is limited to the sovereign rating of Brazil.

The table below shows the ratings assigned by the main agencies:

| RATING AG            | ENCIES                  | Globa<br>Local<br>currency | Foreign currency | National scale  Local currency | Brazil Sovereign rating (outlook) |
|----------------------|-------------------------|----------------------------|------------------|--------------------------------|-----------------------------------|
| Moody's              | Long-Term<br>Short-Term | Ba2<br>(stable)<br>NP      | Ba2<br>NP        | Aa3.br<br>BR-1                 | Ba2<br>(stable)                   |
| Standard &<br>Poor's | Long-Term<br>Short-Term | BB-<br>(stable)<br>B       |                  | brAAA<br>brA-1+                | <b>BB-</b><br>(stable)            |

On December 11, 2020, Moody's changed the sovereign rating methodology, combining the deposit and debt ceilings. As a result of this change, Banco BV's rating on the Global Scale – Foreign Currency was raised from Ba3 to Ba2, the same level on the Global Scale – Local Currency. Both the rating and the outlook are in line with the sovereign rating.

On April 7, 2020, S&P changed the outlook for Brazil's sovereign rating from positive to stable, reflecting the updated expectations of the country's fiscal and economic situation due to the crisis caused by Covid-19. Thus, BV's outlook also received the same modification. The rating has not changed.



# Corporate Governance

Banco BV adopts the best governance practices, ensuring transparency and equity of information, in order to contribute to the decision-making process.

# Shareholding structure

**Votorantim S.A.** 

VOTORANTIM

Total: 50.00%

Common shares: 50.00% Preferred shares: 50.00% Banco do Brasil



Total: 50.00%

Common shares: 50.00% Preferred shares: 50.00%



The Bank's management is shared between Votorantim Finanças and Banco do Brasil shareholders, with equal interest for both on the Board of Directors (CA), which is made up of seven members (three members appointed by each side plus one independent member).

Board meetings take place at least monthly to deliberate on strategic issues and monitor and guide the Conglomerate's business. Decisions are taken by absolute majority, with no casting vote.

| Board of Directors          |               |                     |  |  |  |  |
|-----------------------------|---------------|---------------------|--|--|--|--|
| Name                        | Position      | Shareholder         |  |  |  |  |
| José Luiz Majolo            | Chairman      | Votorantim Finanças |  |  |  |  |
| André Guilherme Brandão     | Vice-chairman | Banco do Brasil     |  |  |  |  |
| Andrea da Motta Chamma      | Member        | Independent         |  |  |  |  |
| Carlos José da Costa André* | Member        | Banco do Brasil     |  |  |  |  |
| Carlos Renato Bonetti       | Member        | Banco do Brasil     |  |  |  |  |
| Celso Scaramuzza            | Member        | Votorantim Finanças |  |  |  |  |
| Jairo Sampaio Saddi         | Member        | Votorantim Finanças |  |  |  |  |

<sup>\*</sup> Pending homologation by the Brazilian Central Bank

The Fiscal Council and the advisory forums to the Board of Directors are also part of the governance bodies, in addition to the Executive Board, Executive Committee and internal governance technical committees.

At the Annual General Meeting held in Apr/2019, in addition to the re-election of the members of the Board of Directors for the next two-year term that will last until 2021, José Luiz Majolo was re-elected to the position of Chairman of the Board. At the Special General Meeting held in Sep/2020, André Guilherme Brandão was elected Vice-President.

At the Extraordinary General Meeting held in Nov/2020, Andrea da Motta Chamma was elected, the first Independent Board Member of Banco BV.

# Corporate Governance Structure General Meeting BVEP Committee\* Audit Committee Compensation & HR Committee Managment Executive Board



<sup>\*</sup> BV Empreendimentos e Participações



# ESG (Environmental, Social and Governance) initiatives

# Environmental



# **Compensation of CO2 emissions from financed vehicles**

We have a public commitment to offset 100% of the CO2 emissions of cars that we will finance starting in 2021



# **Carbon Free**





# **Pomar Project**

We helped with the environmental recovery of the Rio Pinheiros (SP) waterfront, planting around 200 trees in 2020.



### **Green Bond**

1st private Brazilian bank to issue a green bond



# **Clean Energy**

333% growth<sup>1</sup> in solar panel financing



### We subscribe to:

Global Pact (UN): we joined the Global Compact Brazil Network, and the focus will be on four SDGs2

# **Equator Principle**

Since 2016, being the 5th Brazilian bank to sign the commitment

# PRI (Principles for Responsible Investment)

BV Asset has been a signatory since 2019

# Social



# **Fighting Coronavirus**

We have developed a range of support initiatives that have impacted more than 500,000 people.



# **Social Projects**

We continue to support sports projects and have distributed R\$ 12 million in tax incentive programs for projects involving culture, health, childhood and adolescence and the elderly.



### **Diversity**

We have implemented internship programs for women and internships for young black youths.



# Valuing education partnership

Support for the program that was running in 5 states and 75 municipalities, with +1.9 thousand schools benefited and impacting over 387,000 students.

# Governance



### **New Sustainability Committee**

New committee defines the bank's ESG objectives and strategies



### **Policies**

Credit policy with social and environmental restrictions



### Leadership goals

From 2021, the executive board will have goals and incentives for businesses linked to ESG initiatives.



### Sustainable agenda leaders

We were honored for the 2nd consecutive year, this time in the "Leading Institution in Responsible Investment" category.



- 1-4Q20 vs 4Q19
- 2 Sustainable Development Goals (SDGs): Economic growth, Promoting inclusion and improving infrastructure, Reducing inequality and Creating initiatives to combat climate change.

