



**International Conference Call
Itaú Unibanco
Fourth Quarter 2020 Earnings Results
February 2nd, 2021**

Operator: Good morning ladies and gentlemen, welcome to Itaú Unibanco Holding conference call to discuss 2020 Fourth Quarter Result.

At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. Questions can be submitted via telephone, by pressing asterisk 1, or via WhatsApp Mobile app by scanning the QR code provided or WhatsApp desktop app, through the hyperlink provided.

If you should require assistance during the call, please press the star key followed by zero. As a reminder, this conference is being recorded and broadcasted live on the investor relations website at www.itaubank.com.br/investor-relations. A slide presentation is also available on this site.

At the end of the conference call, please answer our event perception survey, available through the QR Code.

Before proceeding, let me mention that forward-looking statements are being made under the safe harbor of the Securities Litigation Reform Act of 1996. Actual performance could differ materially from that anticipated in any forward-looking comments as a result of macroeconomic conditions, market risks and other factors.

With us today in this conference call in São Paulo are **Mr. Candido Bracher**, Current CEO and new Board Member; **Milton Maluhy Filho**, Current CFO and CRO and new Chief Executive Officer; **Alexsandro Broedel**, New CFO and **Renato Lulia Jacob**, Group Head of Investor Relations and Marketing Intelligence.

First, **Mr. Candido Bracher** will comment on 2020 fourth quarter result. Afterwards, management will be available for a question-and-answer session.

It is now my pleasure to turn the call over to **Mr. Candido Bracher**.

Mr. Bracher: Good morning everyone and thank you for attending our 2020 fourth quarter earnings call. Before we get into the financial performance, I would like to talk about some of the recent commercial, digital and ESG highlights from our operations.

So, moving now to slide 2, you can see that credit origination for individuals increased 15% in a single quarter. This strong origination led to an important growth in the loan portfolio, which was driven not only by a seasonally higher credit card loans, but also by the payroll, mortgage, and car financing portfolios.



It's also worth mentioning that the digital engagement with clients continues to improve. The digital clients base reached 24.2 million, out of which 23 million are individuals. This represented an increase of 2.9% in the fourth quarter alone. The higher digitalization of customers created an opportunity to further optimize our retail footprint and led to the closure of 95 branches and client service points this quarter.

I'm also quite proud to report that our Employees Net Promoter Score reached the record bar of 89 points in this criterion in 2020 as a direct result of our efforts to promote the best possible working environment with the record [unintelligible background noise] during this challenging past year.

Last but not least, we include our client net promoter score by 10 points over course of the last 2 years, therefore, beating internal target for the period.

Now on slide 3 we will shed some more light on some of our digitalization and technology KPIs. We continue to constantly increase our investment in technology and expect to invest in 2021 twice as much as we have invested in 2018. Not only that, but we have invested better. While our investments in developing new solutions and features for our digital platforms more than doubled in this period, we managed to decrease the expenses on infrastructure maintenance by 28%.

Also, it's important to highlight that this resulted in a 25% reduction in the time to implement new solutions in the last 12 months. We also increased the number of features and services available for our clients in the bank's digital platforms by over 80% in the same period.

The sanitary nature of this crisis has forced many of our customers to migrate their interactions to digital channels. However, the use of these channels continues to rise even after the end of a more acute period of social distancing. This behavior can also be seen in the opening of new digital accounts, which grew more than 200% over the past 2 years.

Another key part of our digital strategy is to strengthen our technology team. In this regard, we currently have 261 data scientists, which is possibly the largest contingent of this professionals in any company in the country. Moreover, throughout 2020 more than 3700 employees to our technology team have been added directly and through the acquisition of Zup.

On slide 4, I'd like to update you on the recent developments regarding the stake in XP Investimentos. With a focus on creating some shareholder value, last November we announced our intention to sell a portion of sub stake in the



company and major spinoff the remaining part. With this in mind, in December 2020 we sold 4.5% of the capital in XP and 2 days ago the extraordinary general meeting approved the spinoff of the remaining stake into XPart, pending regulatory approval.

I think it is important to highlight a couple of points: First, after the favorable opinion of the regulatory authority, there is up to 120 days for listing shares on B3 and for the distribution of new shares of XPart. The cut-out date will occur close to the listing of the company, which will be informed in due course. Lastly, come out when the new company is finally listed in the stock exchange, the shareholders will receive an equity holding in XPart in the same amount type and proportion as the shares they hold in Itaú Unibanco.

Slide 5. Now moving to our ESG highlights. On slide 5, I am happy to report we intensified our sustainability commitments in 2020 reinforcing the firm's social and environmental responsibility and its role in transforming society.

As you are well aware, Itaú Unibanco and its controlling shareholders donated more than 1.2 billion to fight the pandemic in the country. This donation was invested in research, acquisition of medical and protective equipment and awareness campaigns.

We also launched the Amazon plan in partnership with Bradesco and Santander, and out of the 10 proposed initiatives, 4 were prioritized: First, fighting against illegal deforestation in the meat production chain. Here we expect the producers' engagement for traceability causing direct and indirect suppliers; second is the stimulation of sustainable chains directing 100 million which will be offered by the 3 banks to finance agricultural industries and cooperatives that deal with sustainable cultures and blended finance small producers; third is the promotion of bioeconomy whereby we expect to fund research and projects that unlock the socioeconomic potential near protection chains; and forth the land regularization and recommendation of how the financial system can support regularization to stimulate economic activities in the region, legal, security and economic activities.

We also held and promoted a conference focused on the Amazon where we hosted more than 70 specialists, companies, and financial market participants, 12,000 spectators and donations for the planting of 380,000 native trees.

Lastly, I would like to mention that since 2019 the bank has implemented the TCFD and SASB guidelines in its financial reports and we will further develop them in the coming years.



Now on slide 6 I would like to highlight that we recently issued a U\$500 million Tier II sustainable bond. This issuance was the first of its kind in Latin America and was another step in integrating ESG into our business.

To this end, we launched the sustainability finance framework whereby we define the eligibility for the allocation of funds raised through debt securities with social and environmental criteria. The funds raised can be allocated into 8 categories, which are in this slide. This operation is strongly connected to the positive impact commitments agenda, in which we have financing targets related to sectors and business covered by the frame.

At the bottom of the page, we highlight how we are performing in some of the financial commitments. We have already disbursed R\$47.7 billion to positive impact sectors, of which 12.5 billion were directed to renewable energy generation and services. In the intrapreneurship agenda, we originally set an origination target of R\$9 billion to finance more companies led by women by 2024, but we ended up surpassing that mark well ahead of our expectations. Thus, we launched a new 11 billion credit target for this front.

Lastly, I'd like to invite you to check future updates of the positive impact commitments in our investor Relations website.

On slide 8 we move into our financial highlights. We ended the fourth quarter of 2020 with a recurring net income of R\$5.4 billion, resulting in an ROE of 16.1%. The 7.1 net income growth in this period was a direct result of a 4.5 reduction in the cost of credit in addition to the growth in fees and net interest income. These effects were partially offset by a seasonally higher noninterest expense. This seasonality will not affect the bank's structure expenses downward trend.

Finally, the loan portfolio continues to show positive trends and grew 2.7% in the quarter. As usual, we will view each of these effects over the course of this presentation.

Starting with the loan portfolio on slide 9, I would like to highlight some of the trends that can be seen on this page. The first is related to the individuals credit portfolio, which continues to show an important result driven by clients' demand for collateralized products with lower rates and lower risk, such as vehicle financing and mortgage. The letter had a record-breaking credit origination in the fourth quarter, which resulted in a growth of more than 130% over the same period in 2019.

After several quarters in a row of stability, payroll loans reported an important growth in the fourth quarter. This was mainly due to regulatory changes which



raised indebtedness [unintelligible] for retirees, therefore allowing them to access more funding through this product.

Credit card had a strong quarter as a result of seasonally stronger demand due to the economic activity at the end of the year and holiday seasons. We also observed a decrease in the personal loans' portfolio, which is frequently the case during the fourth quarter of the year due to the payment of the 13th salary.

We also observed a reduction in the personalized credit portfolio. This product is linked to our reprofiling loans program and this reduction trend highlights a better financial health of our clients.

The SMEs portfolio slowed down its growth pace due to lower origination of government sponsored and guaranteed loan lines. As you may recall, these products are responsible for last quarter's impressive growth in this segment.

Finally, the large companies' credit portfolio grew by 1.6% in the quarter mainly due to the corporate securities portfolio.

Moving now to slide number 10, we show that the fourth quarter proves to be an inflection point for the financial margin with clients. The 2% increase was driven by the continuous growth of the loan portfolio as well as by the higher average balance of the bank's own working capital and higher margins in our operations in Latin America. These effects were partially offset by the marginal reduction in spreads and by an additional change in the portfolio mix, even though this effect was in a much smaller scale than in previous quarters and linked to seasonal effects, such as the payment of the 13th salary, which naturally amortizes the balance of revolving credit lines.

You can also see this dynamic when looking over NIM, which is 20 basis points lower than the third quarter.

On slide 11 now we updated the figures from our reprofiling loans program. This portfolio finished 2020 with a R\$15.8 billion portfolio representing a reduction of 5% when compared to the third quarter. This reduction is due to lower demand from our customers as well as by a higher debt amortization, 96.1% of the portfolio is already outside the grace period.

The NPL 15 to 90 days ratio reached 8.3%, an increase of 190 basis points when compared to the previous quarter. This increase was driven by 2 factors: the first of which is related to the end of the grace period for almost the entirety of the reprofiling loans book; the second refers to the arithmetic effect of the reduction of this portfolio's balance.



The 90-day NPL ratio reached 5.2%, which is well below the short-term delinquency ratio of the previous quarter. As we said on the previous quarter, the credit quality performance of this portfolio is better than we originally forecasted in the early days of the pandemic. It also seems that our strategy of offering clients more flexible payment terms is paying off, literally.

On slide 12 now, the credit quality of KPIs from our portfolio. The cost of credit decreased by 4.5% in the quarter driven by an 11% reduction in allowance for loan losses in the same period in addition to the lower volume of discounts rendered at the retail bank. These effects were partially offset by the increase of the impairment of corporate securities, which was mainly driven by a well-known large corporate client.

While the provisions balance continues to grow, the coverage ratio reached 320%, down 19 percentage points in this quarter. This reduction was a natural effect of the increase of the NPL balance that ended up consuming the coverage levels.

The short-term NPL ratio declined by 10 basis points due to the good performance of the individuals credit portfolio in Brazil. This performance was again partially offset by the expected increase in the 15 to 90 days NPL ratio from the SMEs portfolio. Despite the intensity of the deterioration, it is important to highlight that credit quality ratio was unnaturally lower than they should have been given the reprofiling loans program we launched in March 2020. Now they basically returned to the pre-pandemic levels.

Finally, it is important to mention that when we exclude the effects of the reprofiling loans from individuals and SMEs portfolio that credit quality ratios are at our best historical levels.

Slide 13 we show that the financial margin with the market reached R\$1.6 billion representing an increase of 14.1% in the quarter. This performance is a result of higher gains in our banking book. The financial margin with market in our Chilean operation was also noteworthy which revenues boosted the sales of securities and more volatility in interest and inflation rates.

Now on slide 14 we show that the fees revenues [unintelligible audio breakage] 4.1% in the quarter. This performance is mainly explained by the higher volume of transactions in car issuance and acquisition, which grew beyond what is seasonally expected as well as due to higher performance fees in our asset management business line.

These effects were offset by the investment banking and brokerage operation, which had a strong quarter, but not at the same level as the third quarter. Also



noteworthy was the impact of the new fast payment solution (Pix) on current account fees as we took this opportunity to exempt our clients to pay any fee [unintelligible] despite of their preferred method.

Insurance revenues fell by 14.5% in the quarter basically due to the asymmetric effects of inflation rates on the remuneration of assets liabilities in our private pension funds operation.

On slide 15 we show a 5.1% growth in noninterest expenses in the quarter mainly due to the seasonal effects related to a stronger economic activity, higher profit sharing, traditionally year-end commercial campaigns and also due to the concentration of training and layoff expenses in the period.

I would like to highlight that the operational expenses in 2020 contracted nominally 3% in Brazil, this is even more impressive if we discount the effects of inflation in the period, which brings us to a real contraction of 7.6% in the period. Expenses from operations in Latin America grew by 13.6% in reais in the year, basically due to the unfavorable exchange rate variation into real.

As we previously mentioned in the beginning of this presentation, the digitalization effort allowed us to close 95 brick-and-mortar branches and client service points in the fourth quarter alone. This movement pressured our expenses upwards in the period, but in turn it should reduce Opex in 2021.

Last but not least, our workforce showed an increase of approximately 1700 people. This growth is mainly due to our investments in technology. We hired 1700 technology professionals in addition to the roughly 2000 engineers that were added to our teams as a result of the Zup acquisition.

Now on slide 16 we show that our Tier I capital ratios had an increase of 80 basis points in the quarter, finishing this year at 13.2. This effect was mainly due to the higher net income as well as due to the sale of a part of the investments we held in XP Investimentos.

Well, I think I finished my part in the presentation and I officially complete my last task as CEO of the bank. This was a journey of 4 years and it fills me with satisfaction and pride, and I'd like to thank you all investors and market analysts for our interactions and also for your support throughout this journey.

I now pass the floor to Milton, our new CEO, so that he can set the expectations for 2021. Milton, good luck, success, I'm very happy to leave the bank in your hands, in your able hands. You know that you can continue to count on my support now through the Board of Directors. All the best!



Milton Maluhy Filho: Thank you, Candido, thank you for the kind words. Our daily interactions and discussions will be sorely missed. It will be a great challenge to succeed you, but it's with great pleasure that I receive these roles and responsibilities.

Before we discuss our expectations for 2021, I would like to spend a minute on slide 18 talking about the recent changes that were implemented in our executive team.

With the intention of being even closer to the business areas, we thought to simplify our structure and reduce one hierarchical level within the bank, so we doubled the size of our Executive Committee, which is now comprised of 12 people. Those are very seasoned executives who were previously in charge of relevant business units and other key areas of the firm, and we now have 7 members of the Executive Committee focused in non-commercial areas, including the IT division – as I consider them an integral part of our business.

New ways of a working, such as through communities, have brought us and our business units and IT even closer. The objective of this new structure is to gain more speed, to have more autonomy at the front desk to better understand specific needs of each business areas and our clients and thereby maintain our focus on the bank's growth.

To conclude, I think it's not worthwhile to detail every structure, but I would like to draw your attention to the creation of the Payments Area, which for us has enormous value.

Moving to next slide and before presenting our expectation for our operations, it is important to put the macroeconomic environment in context. The past few months have shown an important recovery in Brazilian economy. Having said that, we are unfortunately still experiencing an increase in the infection numbers and fatalities throughout the country; this brings a high level of uncertainty to our macroeconomic forecasts.

Among other factors, vaccination will be a key element in normalizing our lives and therefore restoring the country's economy. It is important to mention that the scenario presented herein assumes that there will be no further delays in the immunization of the Brazilian population.

We expect a GDP growth of 5-4% in 2021. It's worth mentioning that reinforces of this growth is basically a statistical carry from the last quarters of 2020. We also expect an increase of the basic interest rates ending the year at 3.5% and that the inflation will remain under control and within the range defined by the Central Bank.



Finally, we expect a stable unemployment rate, albeit still at a high level. Here it is important to give more context that we believe that formal job creations will remain positive, as seen throughout the second half of 2020. But these effects will be offset by a greater number of people looking for jobs due to the reduction of government aid programs.

Going to slide 20 talking about the perspectives, we are presenting the perspectives for our operations that were the basis for this guidance for 2021. Therefore, we expect that on capital and illiquidity we believe we are at appropriate levels considering our internal stress test scenarios. Here it's worth mentioning that our target of 13.5 for Tier I capital remains in force and although we ended 2020 slightly below this level, we believe that over the first half of 2021 we will again meet or even exceed this target.

Expansion of the loan portfolio driven mainly by the individuals' portfolio assuming a recovery in the economy line with our base scenario. At first, this growth should be supported by lower risk and lower interest rate products, such as payroll loans, mortgage, and auto loans, but we expect demand for consumer credit lines and revolving lines to resume in second half of the year.

Recovery of the average rate of financial margin with clients (the NIM) over the year due to the progressive change in the credit portfolio mix between segments and the expectation of a higher interest rate and its impact on the remuneration of our capital and liability margin.

Now it is important in growth the growth that we will see in service an insurance revenue in line with the trend of recovery in the economic activity, despite the negative impact resulting from Pix roll out (The Brazilian Central Bank fast payment solution) and also the spinoff and sale of the stake in XP Investimentos.

Here it's important to mention that last year we had a full year of XP Investimentos and this year we only have one month in this guidance, so we are taking in consideration 11 months without XP in our figures although we still need the Fed approval for this transaction.

Then, the performance will be driven mainly by the expansion of strong activity in the capital market and the launch of new channels, products, and services.

Progressive reduction in cost of credit anchored in the bank's expected loss model and Brazil's economy recovery. However, the model will react promptly to relevant changes in the Brazilian macroeconomic scenario and the financial conditions of our customers.



The strategic cost management based on the structure efficiency projects will continue to bring benefits in the coming quarters with a nominal reduction indeed BAU (business as usual) operational expenses.

This year we expect an increase of approximately R\$1.5 billion in our investments in technology, new products, and commercial platforms, which will positively impact the bank's operational efficiency in the medium and long-term.

Now moving to slide 21, we present our guidance here. Due to the still high uncertainty of the macroeconomic scenario and its potential impacts in the bank's operation, we decided to increase the range of projections for 3 to 4 percentage points. We now expect a growth for the loan portfolio between 5.5 and 9.5% in the consolidated figures and 8.5 and 12.5 in Brazil.

For the financial margin with clients (or NII), the expectation is for a growth of 2.5 to 6.5% in the consolidated figures and 3 to 7% in Brazil. We expect the financial margin with the market to end the year between R\$4.5 and R\$6.4 billion in the consolidated figures and between R\$3.3 and R\$4.8 billion in Brazil.

For the cost of credit, the expectation is that our operation will end the year between R\$21.3 and R\$24.3 billion in the consolidated figures and between R\$19 and R\$22 billion in Brazil. For fees and insurance revenue, our expectation is for growth between 2.5 and 6.5 in consolidated figures and in Brazil.

It is important to highlight here that we did not take into account any additional revenues coming from XP, as I mentioned before, from January this year, as a result of the spinoff disclosed on slide 4.

As for our noninterest expenses, the expectation is for a nominal contraction or growth of 2%, both in the consolidated figures and in Brazil. This range of was already built considering the higher investments in technology and in our commercial platforms, as we mentioned on the previous slide.

Finally, the effective income tax and social contribution rate should end the year between 34.5 and 36.5% in the consolidated figures and between 34 and 36% in Brazil. We emphasize here once more that this guidance is based on the macroeconomic scenario that we have just presented, and any abrupt change in our expectations for the economy may lead to a complete revision of expectations presented herein.

With this, I conclude the presentation and we may start the Q&A session.



Question and Answer Session

Operator: Ladies and gentlemen, we will now begin the question and answers session. If you have a question, please press the star key followed by the one key on your touchtone phone now.

The questions will be limited to 2 per participant. If at any time you would like to remove yourself from the questioning queue, please press star event 2.

Our first question comes from Mario Pierry, from Bank of America. Please, go ahead.

Mario Pierry: Hi, good morning everybody. First of all, I wanted to congratulate Candido for all the work you've done in the last few years and all the interactions that we had was very enriching for us, and I wanted to wish Milton here good luck on the new role.

I have 2 questions, both to Milton. Milton, when you look ahead, when you look over the next 5 years, what do you think are the biggest threats to the bank, especially for the profitability of the bank? Is it regulation of all this... you know, with the creation of open banking or the instant payments, or is it the low-rate environment, or is the main source or concern related to the entrance of new players, especially the Fintechs and potentially the big tax?

And then my second question is a little bit more specific. When we look at your loan portfolio growth guidance in Brazil of 8.5 to 12.5%, this implies very little real growth considering that you are forecasting nominal GDP growth of about 7.5%. So, can you discuss why we wouldn't be able to see faster growth next year? You know, it could be because the SME portfolio this year was inflated given all of the government programs in place?

So maybe if you can give us a breakdown of your loan growth expectations for 2021 broken down by individuals, SMEs, and large corporates I think that will be helpful. Thank you.

Milton Maluhy Filho: Thank you very much, Mario. Well, thank you for your words at the very beginning.

Candido Bracher: Thank you too, Mario. Thank you very much.

Milton Maluhy Filho: First of all, talking about the challenges we see ahead, I think you touched a few points. We should be working in a different scenario with low rates, we've been seeing some movements in the market coming from competition and different lines of business, and a new regulation, yes. We don't



forecast what should be the implications of the open banking, but it is something that we should be very, very, I wouldn't say cautious, but we should follow very closely to understand what the impacts would be.

We do believe that in a scenario of a low interest rates, a few revenues that we used to have that were major impact last year with those effects should maintain, we should grow the bank, this would be our view here, especially on the credit side, and also, we should be opened to touch or to create new lines of business for the bank as well.

It is a different scenario; we do believe still in 2021 we will still have challenges ahead when we talk about the pandemic and all the effects it should have in the macro environment. But looking 5 years ahead, we still believe there is a positive trend, and we hope this new macro, I would say scenario, keeps for the long term.

Talking about specifically... and I think we will be seeing an important digital transformation, not only in the bank, but in the customers, we've been working hard on that and this is something that should accelerate in the coming years, so we have to be very, very, I would say, transforming ourselves and working and moving forward towards this direction.

Talking about the loan portfolio, it's quite an easy entry I would say because in one hand we saw a very, very important growth in the wholesale portfolio last year above our budget including because of the movements we saw from the big companies anticipating credit in the market to go throughout the crisis, and the capital market was closed for many months during last year, so the bank had to use the balance sheet to fulfill or to underwrite those transactions.

When we look for 2021, we still see an active dynamic from the retail portfolio, different from what we saw last year, but in the other hand, we see the wholesale growing much less than what it grew last year, and also, we expect to see a capital market opening throughout the year and this will impact for sure our capability to underwrite credit for the balance sheet [unintelligible]. We don't see it as a problem because we are very active player in this market, and in terms of return on capital, the way to be more dynamic in terms of capital it's an important activity that we are very active on.

Mario Pierry: That is very clear. Just a quick follow-up then on the retail segments in terms of growth this year, what specific products are you most excited about?

Milton Maluhy Filho: Look, we believe that our security loans – what I mean with the security loans I'm talking about the mortgage, I'm talking about auto



loans and I'm talking about what we say which is the payroll loans –, so basically those 3 lines we believe should improve a lot this year, but we will see some recovery on the personal loan as well, and credit card due to the activity and more transaction and more consumption we should see a growth as well, but we have been growing the security part of the portfolio.

Just to give you a figure, 5 points in one year for the other ones, so we have been growing to a safer portfolio moving forward.

Mario Pierry: Great, thank you very much.

Operator: Our next question comes from Tito Labarta, with Goldman Sachs. Please, go ahead.

Tito Labarta: Hi, good morning. And also thank you, Candido, for your time as CFO and best wishes on your new role on the Board, and also congratulations, Milton, and best of luck in your role as well.

A couple of questions also. First, just looking at the guidance overall, just kind of plugging in the midpoints and reaching the numbers, getting to roughly a 17% ROE for the year, I just wanted to get your thoughts if you think this is reasonable in terms of maybe sort of a longer-term ROE, you know, do you think you can get back to that 20% level or what do you think is sustainable and how long it could take to get there?

And then second question, in terms of your expense growth guidance roughly flat, down 2 to +2, do you think you can continue to control expenses at around this level, sort of beyond this year? You mentioned you closed 95 branches in the quarter, just thinking, you know, given some of the pressures on the revenue side, how deep can you go on the cost cutting and how that can help to offset some of these revenue pressures? Thank you.

Milton Maluhy Filho: OK, Tito, thank you very much for your questions. First of all, just to clarify, the midpoint of the guidance, if you want to take the number, its precisely number, should be around 17.6-17.7, OK?

Looking forward, what we are seeing looking forward we are seeing a challenge, we have a profitability coming from the revenues with a lot of pressure on the interest rate when you work in an environment with a 2% of interest rate, we lose revenue from the working capital and also, we lose also for the deposits and the side deposits that we have within the bank. So those are the 2 major impacts.



So, we do believe that as the cost of capital should be reducing in the coming years in an environment with a lower interest rate that our return on equity should be... I'm not seeing the 20s here for the coming years, so this is a challenge, we are still working a lot on the efficiency side, we still have room to work on it, we are opening space or room for investment, this is our agenda, we still have opportunities here to keep reducing the business as usual cost of the bank, but depending on the interest rate in the cost of capital, we are more focused here on creating value and generating value for our stakeholders, so the difference between the cost of capital and the interest rate here in the return is what we are going to be very focused, not specifically on the nominal return on equity even though we don't guide neither for 2021, neither for the future the return on equity of the bank.

Tito Labarta: OK, thank you, Milton. That's helpful. Just one quick follow-up then. In terms of the 17.6 and 17.7 you mentioned at the midpoint, in terms of your dividend payout, should we expect it to resume back to normalized payout this year or what kind of payout should we expect?

Milton Maluhy Filho: Tito, can you repeat again, please? I couldn't listen to that.

Tito Labarta: Sure, just on the midpoint of the ROE, you mentioned 17.6 and 17.7. What kind of dividend payout should we expect you get back to normalized levels this year in terms of the payout or should we think about the dividend and also you getting back to that core Tier I of like 13.5%?

Milton Maluhy Filho: OK. Our policy here is to distribute everything that exceeds the 13.5. This will keep, we won't change, but we also take in consideration the coming 12 months, if we foresee any major investment or any needs of capital. But it is difficult to anticipate now, we're going to keep the same ratios and the table that we released to the market a few years ago where we're going to be paying what exceeds in terms of 13.5 depending on the risk rated assets and return on equity of the bank.

So, the policy didn't change.

Tito Labarta: OK, so you will go back to that normalized policy...

Milton Maluhy Filho: Yes!

Tito Labarta: ... you don't expect any more restrictions.

Milton Maluhy Filho: We don't.



Tito Labarta: OK, perfect. Thank you, Milton.

Milton Maluhy Filho: Thank you.

Operator: Our next question comes from Jeffrey Elliott, with Autonomous Research. Please, go ahead.

Jeffrey Elliott: Hello, thanks very much for taking the question and good luck to both of you with the next steps.

There has been a lot of capital going into the digital banks in Brazil over the past few months. Nubank doing their Series G clearly an example of that, but plenty of others [unintelligible], Banco Inter have all been raising money.

How does that capital going into the new banks change the competitive environment for you? Are you seeing any changes in their behavior that you need to respond to?

Milton Maluhy Filho: OK, Jeffrey, thank you very much for your question. Yes, as I have been saying, we have been seeing a very dynamic and competitive environment, we have been seeing some Fintechs working in some lines of business where we have been seeing a lot of competition. I think the normal way for them to raise money is to do this kind of investments, those series of investments, so this is the normal course of their business until they access capital markets.

We are a very active bank here, we have a very strong capital structure and competition makes us better, this is the way we believe, and this is the way we've been working here for many years. So, yes, we see a more dynamic environment, but it is the way it is, and we have to compete, and we are doing a lot of efforts internally to have, I would say, the capability to compete in the best way possible and to grow the bank in the coming years. This is our focus.

Jeffrey Elliott: And any particular product, line of business where you are seeing that competition changing?

Milton Maluhy Filho: Look, we've been seeing in the past years a big competition on payments, especially on the acquiring business. We released the figures, we saw a very strong competition there. I would say that we had to learn with what happened with Rede to avoid seeing movements like this in other lines of business.

But it is a very dynamic market, we see a lot of competitions on the investment side and we are moving forward here to increase and to put efforts in our



commercial distribution, not only in the distribution, but also in the way that we give the assessments to our clients, the way we provide products, the way we provide the apps that they will interact with the bank.

So, in investments and payments more focused on the acquiring we've been seeing a lot of competition. On the credit card business, we see companies coming into this market, as you just mentioned, but we see 2 main topics here: The usually open market, so they bring new customers to the market as well; and also, they have a very focused, they are very focused on a specific type of client and we are more diversity in terms of clients that we have in our portfolio.

So, my view here is that we still have a lot of work to do when we focus on young people and also to the base of the pyramids. So, this is where we should be focusing a lot, I would say, for the coming quarters. We still have work to do here.

Jeffrey Elliott: Got it, thank you very much.

Operator: Our next question comes from Tiago Batista with UBS BB. Please, go ahead.

Tiago Batista: Thanks everyone. I have 2 questions. The first one about the capital position of the bank. Milton, you have commented that the bank continues with the target of 11.5... sorry, 13.5 of Tier I target. With the end of the overhead, why not reduce this target of capital? So why not work, let's say, 12.5 or a lower number (if I am not wrong) if overhead used to be the main caution for the bank's... or used to be the main cause of the cautions that the banks maintained their capital?

This is the first one. The second one, during the Portuguese conference call you mentioned about the importance of the payment business for Itaú. Can you talk a little bit more about this unit? When you say payment business, are you talking about Rede only or you are including, let's say, iti and also the business that can be created with Pix?

So, if you can discuss this payment unit that you mentioned in the Portuguese call.

Milton Maluhy Filho: OK, thank you, Tiago, thank you very much for your question. On the capital side, what I would like to tell you is that we don't foresee any change in the 13.5, and if you remember what happened in the first quarter of last year, you will see that, yes, we had the impact of the overhead, we had those tax impacts, but the major impact we had was the risk weighted asset and you have to remember that different from many banks in Brazil we do



have a very important and relevant international operation and whenever we have any devaluation of the FX, it impacts the risk weighted asset not only for the US or any other currencies portfolio that we have abroad, but also the portfolios that we have on balance sheet locally in other currencies. So, this brought an important impact.

The other thing is that is true that we won't be having more relevant impacts on the tax side from the overhead, but we still work in a scenario that we believe we should be cautious here, we don't know yet what will be the impacts of this pandemic, when it will end, what will be the recovery that we will be seeing.

So, we are comfortable in keeping a conservative level of capital being 12% common equity and 13.5% in level I. So, we still believe that this is a good and comfortable level, OK?

And talking about the payment area, what I would say, yes, you are right, not only we will have the acquiring business, the issuer, all the credit card portfolio that we have not only for a bank credit card business, but also the retailers that we have, we are partners, we also have the monoliners here where we sell to the open market the credit card, we also have cash management for the whole bank, not only retail, but also for the wholesale business, we will have the iti platform inside this new business area and also Pix, and we are discussing what part of open banking should be there as well.

So, all business that we have inside the bank that touch payment somehow, even some businesses from the retail as well, should be concentrated in this new business area, and we do believe there is a lot of synergy, internal synergy, client synergy, platform synergy, experience synergy for the clients, and this is what we're going to be working for the coming years.

Tiago Batista: Very clear, Milton. Thank you.

Milton Maluhy Filho: Thank you very much.

Operator: Again, if you'd like to ask a question, please press star then one.

Our next question comes from Jason Molin, with Scotia Bank. Please, go ahead.

Jason Molin: Hi everyone. I would also like to thank Candido for his hard work, dedication and communication over many years and congratulate Milton for his success in prior roles, which clearly underpinned his selection as the new CEO. Best wishes as you start these new stages.



My question is related to the perspectives and guidance that you presented. You mentioned that the bank outlook for 2021 is dependent on the base case macro scenario that you provided.

How would you frame the ups and downside risks for economic growth, maybe rates, inflation, and unemployment the metrics you gave? An in that context, how do they translate upside and downside risks for the guidance, specifically for loan growth and loan loss provisions? Thanks.

Milton Maluhy Filho: OK, Jason, thank you very much. Look, as I said at the very beginning, the base scenario that we have is a positive scenario, but we do believe that there is still a lot of uncertainty in the market. I would say that the main one that we have is the vaccination program. We still have to follow very closely the evolution of this plan.

Just to give you an idea, if we have a postponement of 6 months in this vaccination program, we should have at least... we should lose at least 100 basis points in terms of economic growth, this will impact unemployment as well and this will impact the FX, and the reason why is because the expectation of the government to provide more support to the Brazilian population will increase and also the uncertainty about the capability to have a sustainable debt. So, this is our main worry here.

Of course, if we see this scenario, we don't believe that the credit will grow, will go more for the low side of the guidance, that's why we made a broader range coming from 3 to 4 points, so we see a downside risk here in terms of credits portfolio.

In the other hand, we should have a more concern on the cost of credit due to more delinquencies. We're not foreseeing for this year any new program to help the clients. Of course, we will be very close to the clients, but not a very structured program as we had last year, maybe if we see a very, very bad scenario, we should think about reopening a program like that with the impacts that it should have.

On the revenue side, it is very important as well as that on services those lines are very correlated with the activity of the country. So, if we see a lower activity as we saw it last year, a few lines of revenues will be majorly impacted. So, that's why we made a broader range. So, I see a concern on the credit side, I see a concern on the revenue side, I see a concern of the cost of credit.

It is true that on the costs, noninterest costs of the bank, part of that is the efficiency that we had to be very deep in the analysis and keep moving in terms of opening room for new investments, but on the other hand, we should benefit



as well from a lower economic activity because we have a lot of variable costs that would impact the operation as well. So, this will be the head somehow for the PNL, as we've seen last year part of it.

Jason Molin: Maybe just as a follow-up on the provision outlook, does the cost of credit guidance incorporate any release of reserves? And then, secondly, on the cost side, the perspectives you mentioned an increase of about R\$1.5 billion in investments for technology and new products and commercial platforms, what would that total amount be? Or in other words, what did you spend on an apple to apples bases in 2020?

Milton Maluhy Filho: OK. Your first question, Jason, again?

Jason Molin: Does the guidance for cost of credit incorporate any release of reserves?

Milton Maluhy Filho: Sure. Well, yes, it does, we do believe that as we work with expected loss model, we anticipated the credit cycle last year. So, we expect the delinquency coming from the NPL to grow throughout the year, we do believe it will make a peak by the year-end and maybe in the first quarter of last year, and for sure this will consume part of the provisions that we made throughout the year.

So, they were made exactly to absorb those delinquencies that will be coming in the following years. So, the answer is yes, we do believe that.

And on the second question, is investment in technology?

Jason Molin: Yeah!

Milton Maluhy Filho: We did not release in 2020, but it is important, it is a relevant increase that we have this year in terms of hours that we deployed throughout the operation will be growing a lot, the number of hours that we used not only for transforming the bank, but also to deploy and to develop new businesses, new lines of businesses inside new products and new businesses inside the bank.

So, I would say that we almost doubled the quantity of hours that we are going to be investing in our operation from last year to this year.

Jason Molin: So, would that 1.5 billion be in expenses or will that be amortized very quickly or, you know, how should we think about that number in terms of the expense?



Milton Maluhy Filho: Part of that yes, because we are seeing investment, but a part of that will already go as Opex throughout the year of 2021. So, not necessarily all of them will be made in assets and we have to amortize throughout the years.

Jason Molin: Thank you.

Milton Maluhy Filho: Mainly this 1.5 the way we released, I would say that most part of that is Opex, OK? The small part of that is Capex, so at the end of the day it is implied in the guidance that we gave.

Jason Molin: That's helpful. Thank you.

Milton Maluhy Filho: Thank you very much.

Operator: Our next question comes from Carlos Gomez, with HSBC. Please, go ahead.

Carlos Gomez: Hello, thank you for allowing questions. First of all, like everybody else, congratulations and good luck to Milton and thank you very, very much Candido for all these years, it's been a very long road for the time when some of us has [unintelligible], and you've had a great career, so thank you very much.

Candido Bracher: Thank you very much.

Carlos Gomez: Thank you. In case of our questions, now that you have a road to exit from XP, what changes for you? What have you learned from your investment there and how will you establish your investment platform differently from perhaps how you did before?

And the second refers to the dividend. You have been very clear saying that you want to rebuild your capital back to the 13.5% level, I mean, should we understand that you are going to maintain this minimum statutory dividend, the 25%, probably through the end of the year until you reach that level or if you get closer you will start increasing it? Thank you very much and again thank you Candido.

Milton Maluhy Filho: Thank you Carlos, thank you very much for your question. Talking about the road, as we've been seeing here, we made a few changes recently in the Executive Committee, as I mentioned, the idea here is to have a more simplified structure where we can have more agility and focus and have a different time to market. We're going to be focused a lot on client simplicity, this is something that Candido has been deepening inside the bank



and I think the culture of the bank is pretty much aligned with that, we still have a lot of work to do, we know of that, we achieved our goals for 2020, but we still have room to improve for the coming years. So, a lot of focus on that.

We're going to be focusing a lot on the efficiency agenda, as I mentioned before, this is a must and we should open room for new investments, so we have to keep the mindset to grow the bank, to grow revenues, to open new lines of business, and to be able to fund that we have to open room in the business as usual, run the bank that we have here.

So, there is a lot of things to be done there and also an agenda that we are going to need a lot of focus, and this is something also that we invested a lot in the past years; is the ESG agenda. This is something very important and we are going to keep a lot of focus on that talking about diversity, talking about environment, talking about what we called here the *Todos Pela Saúde*, it was a major donation to help the country throughout this pandemic.

This is the agenda that we will keep a lot of focus, but also, we have a new Executive Committee now that is organized and trying to elaborate what will be the strategy for the coming years, we have a lot of work to do on that ground and we are going to be sharing with you in the coming quarters whenever we have more information.

When we talk about dividend, the main issue here is that until we get to the 13.5, we are going to be working with the 25%, which is the minimum regulatory. We do believe that by the end of this quarter we should be above the 13.5 or even close to 13.5, and then we will keep or go back to the policy that we released to the market.

So, this is our expectation, we believe by the end of this quarter we should be above the 13.5 and then we will keep the same [unintelligible], the same table that we released for you to the market, we will go back to the same policy that we always had.

Carlos Gomez: Sorry, when you are thinking about being at the 13.5% level at the end of this quarter, I imagine that that includes the XP transaction and some positive impacts from there because, I mean, otherwise is a 200 basis points jump. Is there any news that we are focusing on also changes in capital ratio?

Milton Maluhy Filho: No. The XP transaction that we are doing right now there is minimum impact in capital ratios. The part of the deal that has more impact was the selling of the stocks that we made in the last quarter, it brought around 20-25 basis points in terms of capital, this was the main gain that we had, and this was the reason why we sold part of the investment we had.



But on this spinoff that we are making right now, there is no impact, relevant impacts in terms of capital because we lose net course, and we lose also revenues here.

Carlos Gomez: OK, and that's our understandings. So how do you get to 200 basis points then?

Milton Maluhy Filho: I'm sorry?

Carlos Gomez: So how do we get to 200 basis points just in one quarter in terms of capital accumulation?

Milton Maluhy Filho: 200 basis points...?

Carlos Gomez: From 11.5 at the end of this quarter to 15.5?

Milton Maluhy Filho: 20 basis points, right, Carlos? Why are you saying about the 200 basis points? I don't follow you.

Carlos Gomez: So, maybe I'm talking on a different [unintelligible]. So, you think you will be at 13.5 by the end of the quarter. That is fine. Thank you very much.

Milton Maluhy Filho: Thank you.

Operator: Our next question is a follow-up from Jeffrey Elliott, with Autonomous Research. Please, go ahead.

Jeffrey Elliott: Hello, thanks for squeezing in the follow-up. Two very quick ones. Firstly, the XP sale, why does that need Fed approval? What's the Fed's involvement there given the operations are in Brazil?

And then second, on Pix it sounds like there has been a couple of kind of operational IT type issues, I know the initial sign-ups, initial key registrations were slower than you'd hoped, and I think that was something on the IT side there and then there has been some press in the last few days about transactions being duplicated and trying to get those funds back.

So curious about the tech challenges that you might have encountered on the Pix side. Thank you.

Milton Maluhy Filho: Look, first of all, talking about XP, the reason why the Federal Reserve needs to approve is because the bank and also XP have underwriting activities in the US, so it's part of the approval, we do have an



operation in the US an XP as well, so as there is a change in the structure that we have, Federal Reserve needs to approve it. This is the main reason, OK?

Jeffrey Elliott: Understood.

Milton Maluhy Filho: OK, and talking about Pix, as you asked at the very beginning, when the Central Bank first released the figures, the numbers, we were at the very beginning at the journey, we made an important catch-up in the next last months, as I can tell you, it's not a public number, but we are very comfortable with the market share we have, and the market share for us is not only the quantity of keys that we have from the clients, but also more important than that is the transactionality of the Pix.

So, we have a very fair fare on that also in quantity of clients and also in quantity of the volumes transacted in terms of market shares. So, we are very comfortable with the catch-up we made after the first announcement of the Central Bank.

Jeffrey Elliott: OK. And the tech issues?

Milton Maluhy Filho: And the what?

Jeffrey Elliott: The... it sounded like the tech issues made it hard for you to register the keys at the beginning and that's a more...

Milton Maluhy Filho: No, at the very beginning there were some instability in our platform, but we fixed it. We sure will have... it's the nature of the business to have issues, but we are very comfortable with the catch-up we made in the platform as well.

Jeffrey Elliott: Understood. Thanks very much.

Milton Maluhy Filho: Thank you very much.

Operator: This concludes today's question and answer session. Mr. Milton Maluhy Filho, at this time you may proceed with your closing statements.

Milton Maluhy Filho: Thank you, gentlemen, thank you very much for your participation in our call. It's a big pleasure to have you here. As I said at the very beginning, it's a time to say thank you to Candido as well for believing in us for the last 4 years. It was a privilege and a pleasure to work with you Candido, and I am sure from the Board of Directors you will be here cheering for us and following us, so big pleasure to have you on board.



Candido Bracher: Thanks very much, Milton, and thank you very much for the analysts and investors who have given us support during this period, and I'd like to say that I wish you the best of luck and I am extremely confident on the way you will run the bank and how the bank will perform under your leadership.

Milton Maluhy Filho: Thank you very much.

Operator: That does conclude our Itaú Unibanco Holding's earnings conference for today. Please answer our event's perception survey available through the QR code. Thank you very much for your participation, you may now disconnect.