



**International Conference Call
Itaú Unibanco
Measures Related do COVID-19 Pandemic Call
April 6th, 2020**

Operator: Good morning ladies and gentlemen. Welcome. In these extraordinary times, against the backdrop of the COVID-19 pandemic, Itaú Unibanco has set up this extraordinary webcast to address the measures it is implementing to manage operations and support employees, clients, and society.

This webcast will not address actual or projected financial results. This information will be presented, as usual, at the 1Q20 earnings conference call.

Before proceeding, I would like to clarify that, in face of such a strong uncertainty scenario, any statements made on business prospects are indeed mere prospects, based on Management's expectations and which may not come to pass. These expectations are highly reliable on the COVID-19 pandemic roll-out and related impacts. For this reason, these expectations are subject to change.

This webcast is being recorded and transmitted on our investor relations website www.itaub.com.br/investor-relations. The presentation slides are available on Itaú Unibanco's website.

Today we have with us Messrs. **Candido Bracher**, President and CEO; **Marcio Schettini**, General Director, Retail Bank, **Caio Ibrahim David**, General Director, Wholesale Bank, **Milton Maluhy Filho**, Executive Vice President, CFO and CRO, **André Sapoznik**, Executive Vice President of IT and Operations, **Alexsandro Broedel**, Executive Finance Director and Head of Investor Relations, and **Mario Mesquita**, Macroeconomics and Research Director.

We will start with a presentation and afterwards our executives will answer the questions posted in writing on the Internet.

Now I hand over to **Mr. Candido Bracher**.

Mr. Candido Bracher: Hello and good morning everybody. Thanks for joining us in this extraordinary call, where, as said, we will not talk about financial results or performances. The idea is to carry on in how we have dealt with this crisis for this past month, so for these past 3 weeks.

So on page 4 now, I would like to draw your attention to the fact that the quarantine was totally unexpected. It would be absolutely not correct to say that we have prepared for it. We have not prepared for this crisis. And yet, after the onset of the crisis and seeing at how we reacted to it, we noticed that many of the things which we had been doing before the crisis have prepared us for it in a very positive way.



I think that the main fact, the main aspect which enabled us to deal with the crisis is that we have 6 people, Executive Committee, which are experienced, who used to working together working in a very good environment with no star members, everybody working together with a lot of dedication and a lot of report.

We have also been investing a lot in the relation between the Executive Committee and the Executive Directors of the bank, so that communication is very fluent, very fluid and so it is the delegation. I think this is the main factor which has been enabling the suite functioning of the bank in the past few weeks.

But there were also 4 other aspects which I think deserve being mentioned:

- The first one is technology and people. So we have been digitalizing our clients for quite some time, which enabled most of them to use over services through digital channels and digital channels activities have increased by 50% in the onset of the crisis. Also, our workforce has been intensively digitalized over the past months, we were already experimenting this home office with many people, we have been working in communities where technology people, project people and commercial people work together getting more intimate with one another and with the aspects of one another's activity. So all this prepared us for this moment;

- Secondly, we have always had a very intense focus on risk management. And for some years already, we have developed very clear and effective tools of risk reporting and control, every type of risk: liquidity risk; market risk; credit risk; operational risk; reputational risk; risk of continuity of business, and these tools they have a very clear governance which is permanently tested and used, and it continued to be so during the crisis.

So I think that these 2 other factors which have allowed us to react very fast changing completely the routine of the bank in the morning of the March 16th when we canceled all the regular meetings of the bank and have replaced them for Crisis Committees, which have been working strictly since then;

- There are also 2 other events which deserve being mentioned: One is that we feel that in this crisis the identity between our collaborators and our culture has increased significant and also has the sense of loyalty to the institution. I think that in a moment like this when everybody feels how serious the moment is, when the institution takes measures in order to protect its people, I mean, these values and ties are strongly reinforced;

- And the fourth aspect which I would like to draw your attention to is the cooperation among the financial system. Different from crises in the past, from the crisis of 2008, or even the Asian crisis, this crisis has not been generated by the financial sector nor has it had the financial sector as its main affected area. On the contrary. I think the financial sector was healthy before the crisis and will be much more part of the solution than part of the problem.



And we have seen here in Brazil a very intense cooperation among financial institutions, very notably cooperation between Bradesco, Santander and ourselves in this first weeks of the crisis, where we have been discussing measures among ourselves and discussing measures with the government in order to keep liquidity flowing in the economy to fulfill our task as dealing with the financial aspects of the crisis.

If you move now to slide 5, we have 3 main goals in this crisis, so every action we make is directed to one of these 3 main goals: The first goal is to take care of our clients, to cater our clients on the best possible manner, digitally or physically in our branch network; the second is to guarantee the normal functioning of the bank in exceptional circumstances, and this includes financial aspects such as liquidity and control of funds and etc., risk control, technology, remote digital agencies; and third, to prepare and tranquilize our workforce, let them feel that they are taken care of, that they are protected and that they can in this difficult scenario perform their tasks to our clients not having to worry too much about themselves, about their safety, about the security of their position.

Turning to slide 6 now, I will get into details of how we are fulfilling our tasks in relation to each of these 3 aspects.

So first, serving our clients. We, on the first day of the crisis, declared that we would renew every maturity for 60 days at the same interest rate that they had before, and we may even renew this again if the quarantine is extended for a longer period of time. We have been intensively encouraging the use of digital channels through mass communication on TV, communication on social networks, with tutorials, and we have been seeing an increase in the use of the digital channels so as to relief our branch network from too much demand, from too much traffic. And we've taken collective initiatives jointly with other banks. I think the most significant of them was the idea of credit line for companies with sales up to R\$10 million a year to finance their payroll, 100% of their payroll to workers. I mean, 2 minimum wages to each worker. This line of credit is a 36-month line of credit with 6 months grace period and which credit risk is for 15% by the government... Sorry, 85% by the government and 15% by us.

And besides that they are enjoying discussions on debt regulation in order to facilitate the supply of credits to the companies.

Now, if you move to slide 7, here, I mean, we will, in terms of functioning normally in extraordinary circumstances, I mean, first worry was with our people in the branches. I mean, we reduced in-branch personnel, we also reduced personnel in Call Centers sending those we could to home office so that there was more space among them in the Call Centers, reducing the risk of contagion. We also have reduced the working hours of the branches from 10 AM to 2 PM in these past 7 days, we had an extra hour from 9 AM to 10AM to deal exclusively with the retired population.

In terms of infrastructure, important infrastructure to support the operations in remote environment, we have over 40,000 people in home office right now, and dealing with



cyber risks and fraud risks that occur in situations like this, I mean, we have all the risk people intensively looking at this.

I think that what made it possible to deal with all these aspects of the crisis so immediately is that we have been working for some time in being more flexible, we have been testing with home office, we have been working in communities in lean and agile methods so that people from different areas were working together and getting more intimate with other areas' problems. So I think all this which we had been making before, when the crisis arose proved to be very useful in order to deal with these aspects and to enable us to maintain a normal function.

If you move now to slide 8, it is what we did to take care of our people. We have a saying in the bank, we say that "people are everything for us", and so, we have immediately had these 40,000 employees working from home in order to reduce the risk of contagion. We asked our workers if they considered themselves to be in one of that more fragile groups because of being over 60 or because they had high blood pressure or diabetes or any other factor which made them more fragile to the situation, and those who said yes we either put them home office or in vacations immediately so the people wouldn't have to come to work.

We assured job stability during the crisis for all of our workers, we anticipated the payment of the 13th salary, which is normally paid in May and November because we realized that there could be exceptional expenses derived from the crisis. We are communicating very intensively with them with daily information, formal information, and weekly video that I make and that is distributed to them every Friday.

And besides doing all these things which are more related to our normal cost of business, we know that as a corporate citizen we have to do more. So now on slide 9, here is a list of what we've been doing since the onset of the crisis.

I mean, through our foundations we have made R\$150 million donation, which is being used to build emergency hospitals, ventilators, respirators, essential items and security items for people and to help needed families in the situation of crisis. Also, jointly with Bradesco and Santander, we have bought 5 million detection tests from China, where we had the help from Vale. We have also made a program of making masks, 50 million masks which are made by my micro entrepreneurs and will be distributed to the people. And this all totaling R\$250 million so far, and we have also expanded our "Read for a Child" program in order to help parents to deal and to entertain their children at home during this time of quarantine.

With this, I now pass on the word to Milton Maluhy, who will talk about risks.

Mr. Milton Maluhy Filho: Thank you, Candido. First of all, to say it's a pleasure to have you here in this conference together with my Executive Committee colleagues. And the idea here is to share with you what we have been doing and what is our agenda throughout this period of crisis.

Moving to slide 11, I would say that, first of all, I'd like to highlight...



I'll go again in this line. But moving to slide 11, I would like to highlight that our governance and risk management practice are well-established and incorporated on the day-to-day at the bank. They have been very important to maintain the strength of our balance sheet and are essential in supporting our long-term strategy.

We have a classic risk management model with 3 lines of defense, as you can see in the left-hand side: The first line are the business areas, they are responsible for managing the risk that they originate; the second line is the risk area, we are responsible here to assure that the risks are managed through the use of proper tools throughout the organization, that means using our risk appetite, policies and procedures; and the third is the internal audit that responds directly to our Board of Director and has the mandate to evaluate all the activities developed by the bank, and I can tell you that the 3 of them are working together for many years now and I think we are very, very comfortable with the level of work and the culture of risk that we have disseminated throughout the organization.

I also think it's important to emphasize that our risk appetite is well-established and is disseminated in the entire organization as well and is divided in 5 dimensions, as you can see in the right-hand side, and for each of it we defined the nature and level of risk that are acceptable for the bank. We are constantly monitoring all this framework with predefined metrics and with action plans in the case it's necessary.

The risk appetite is defined by the Board of Directors, and for that we have monthly meetings with a special committee with 4 members, including one of the cochairman, and we discuss all the risk and metrics, and for those only the Board has the power to change any dimensional metric.

What I can say here is that our risk management models are being tested and they give us the reassurance that our risk management structure and governance allow us to navigate I would say with serenity through the current scenario.

Now, if you could please move to slide 12, here I would say that since March 16th we instituted a completely different governance model. The Executive Committee is working remotely together with the other 40,000 employees, as Candido just mentioned, with an intensified agenda of crisis management, and this is very important to say that is without losing the agility and the decision-making capacity.

We have established the most important pillars to follow very close: First, the sake of our balance sheet; second, the level of service of our clients; third, the safety of our employees and service providers; and last, our governance and public image.

As you can see in the chart, we have many war rooms and meetings. I can say that since institutional Crisis Management Committee, where we monitor all operations in order to centralize the strategy and allow quick decisions, minimizing risks to a daily risk checkpoint meeting in order to follow market, credit, liquidity and operational risks.



Now, moving to slide 13 please, I would like to highlight, first of all, the recent government measures through the Central Bank and Ministry of Economy, as you can see on the left hand side, bringing more liquidity into the system. Then, it's important to mention that we have increased our cash and liquidity in line with our risk appetite for this moment of crisis and it is reflected in our LCR and NSFR metrics being towards long-term indicators. And this increase has begun with a very active credit activity, and Caio and Schettini will mention it in a moment.

We have been perceiving a positive inflow of deposits, both on retail and wholesale segment, and we see a migration coming from more riskier assets and funds and also a flight to quality behavior here, okay?

And last but not least, I would like to emphasize our robust capital base, which is also defined by the Board. We run constantly security tests and we are very comfortable with the absorption capacity that we have here in place.

Now, moving to slide 14 please, the key message here is that we have been able to maintain the same level of corporate security even with thousands of people working remotely. All the employees are working with corporate equipment and systems and they have our security standards. We took the opportunity to reinforce communication through our clients and employees about fraud risk due to the increase in use of digital channels, and our specialist teams are fully working on mitigation of those risks as well as cyber security risks.

Now, moving to slide 15 please, I would say here that credit risk management at the bank is part of the risk... I'm sorry, credit risk management at the bank is part of the risk appetite framework that I mentioned before. We have well-defined parameters for the diversification of portfolio exposure by sector, economy chain, products and client private score.

We have built our control platform for on boarding and also for monitoring the credit risk of our clients based on real-time information of behavior patterns and credit quality. And since 2010 – I think it is a very important message –, we have been working with an expected loss provision model that has been continuously tested and improved. This model anticipates provisions and takes into consideration macroeconomic variables that influence our overall portfolio. This is very important because, of course, in moments of crisis like this, it is expected that we will see an increment in provisions levels.

Now with that, I would like to invite André to talk about technology and operations. Thank you.

Mr. André Sapoznik: Thank you, Milton. Good morning to you all. I'm glad to be here with you on this webcast today.

And I'd like to convey 3 messages from the technology and operations standpoint. The first one, on slide 17, is a message of a robust infrastructure with all the investments that we've been increasingly making in the bank's infrastructure over the last few years.



We found ourselves in a relatively good position to move to home office, to move remotely a very large number of employees in a very short period of time.

As you can see on the graph on your left-hand side, on the upper side of the page, we had about 400 employees using virtual private networks (VPNs) to remotely access the bank on March 15th, and in a very short period of time – actually, in 5 days that very week – we were able to scale that up to about 35,000 connections, and we currently have about 40,000 of the bank's employees from administrative offices who are working from home in home office situations with the bank's equipment and fully secured connections. And that doesn't use even half of our available capacity, which is about 90,000 connections. So we are well under our max capacity for this kind of remote working.

With that, you can see on the bottom left that the number of calls between team members and meeting through video conference has skyrocketed and the infrastructure has gone really well. As a result, we actually can manage the bank, the bank is safe and sound operationally for everybody who needs to access our corporate systems. So everybody who would be in our offices is now at home, but for a small fraction of employees who still have to come physically to our offices, that's about 5% of our workforce.

One interesting feature of all this movement was that we were able to keep on hiring. We are still hiring professionals, for instance, for our technology group, and we were able to select people and hire them remotely, and they do the onboarding remotely and they get straight to the bank's cultural remotely and with people starting, as we speak, to work at the bank in productivity conditions which are similar to those who are already working at the bank. So this shows a lot of robustness in our infrastructure.

Now, turning to page 18, the message here is about the operational capacity, the management of the day-to-day in the bank. Whenever the crisis onset (in early March here in Brazil), we were very quick to allow on the part of our workforce who considered themselves in a more fragile situation, as Candido put it, to within at home. So everybody over 60 years of age, pregnant women and people who would have pre-existing conditions, such as high blood pressure, diabetes and other kinds of conditions, were allowed to stay at home.

With that measure and the home office capability I just talked about, we were able to have 94% of our workforce avoid coming to our offices every day, and the 5 to 6%, which keep on coming to our offices, they are able to do so in a very secure condition. We have increased the levels of hygiene keeping and social distancing at our offices and very aggressively promoting policies of cleanliness and security, so the people feel safe to come to our offices whenever they actually have to.

As far as our Contact Centers, this is probably where we are facing some of our greatest challenges, with the policy of letting people stay at home if they had any particular conditions, we saw 25% of our workforce going home and we then stayed with 75% of the workforce on our Contact Centers. And that happened at the very moment when customers were accessing us and increased levels because they



wanted some kind of orientation of their financial lives, they wanted to know about the postponement of installments that we offered them for 60 days, so a lot of doubts here, and people were calling more than they used to and we had a smaller workforce.

So, our service levels were down, and they are still down, but we are still being able to cope with a little bit of patience from the customer side who are being kept informed of the challenges that we have here.

What we were able to do in about one week was to develop different technology solutions, which allowed our Contact Center operators to effectively work from their homes. So, right now as we speak, we have about 1,600 of our agents who are servicing clients from home as if they were on our own premises.

And so far as vendors and service providers – and this is very important for us –, we have about 60,000 people who indirectly work for Itaú Unibanco, they report to 15,000 vendors and service providers. We extended to these people the exact same policies that we are practicing with our own employees, and we are keeping a daily contact with the 300 or 400 most relevant service providers to understand continuity plans and contingency plans, financial balance of the contracts that we have with them, and so far we were able to keep everything working with no concerns on this front, although it does deserve daily monitoring.

And finally, on page 19, the message I would like to share with you, to convey to you is about our digital channels. We, as you probably know, we have always been very keen on promoting digital channels very actively, and by digital channels here I mean the Internet banking and mobile banking. You can see on the top left the number of customers who would daily use our digital channels has been growing in the last 3 years 50+ percent increase, and of course, from January/February to March the numbers have increased as well.

So we are keeping those channels up and running, and you can see on the bottom left that the availability of those digital channels is at one of its highest levels ever. We have about 99.8% of the customers who come to our digital channels not being impacted by any downtime. And this is something that we are measuring very closely, and the availability and the quality levels are even up from what they used to be in January and February.

And on top of being able to keep the channels up and running, on the right-hand side of this chart, what you can see is we have diverted a lot of our technology efforts to develop new features, new transactions, new customer journeys which would allow customers to avoid having to go to our branch or to call our Call Centers, our Contact Centers, which, as I told you before, are impacted by levels of service. So we've been churning out new solutions in the space of one week, some of these were even developed over a couple of days, and with that being and showing completeness of digital channels to better service our clients.

I'll just highlight 2 of them: One is our credit card recovery, this is something that would have to be done at one of our branches usually and that we just launched on our app,



so a customer who forgets or has any problem with their pin code can actually retrieve the pin code from the app directly; and the second one, which is at the very bottom of the page, relates to check deposits. This is a feature that we have implemented for Itaú Personalité customers and which we rolled out to basically every individual customer at the bank and for SMEs as well, and we've seen a 70% surge in use of that very feature, so that people can actually use the bank and do their customer dealings without actually having to come to our bank.

With that, I'd like to invite Márcio Schettini, who has the retail bank, to keep on talking about how we are handling customers during these difficult times. Schettini.

Mr. Márcio Schettini: Thank you, André. Good morning everyone. Now I will cover the retail bank and will share with you what we are doing in this segment.

As Candido said before, we are focusing on 3 main initiatives in this process: The first one is to provide the best solutions to serve our clients; the second is to keep normal operations under this exceptional circumstances; and third, ensure the well-being of our workforce, clients and service providers.

At our branch network level, we can see all these 3 key initiatives being put in place on a very clear way: we have adapted our opening hours to manage the customers inflow and serve in a more suitable way clients within the risk groups; we have also adopted prevention protocols with safe distance among our workforce, clients and service providers; and a continuous sanitization procedures in order to keep our employees also in a much better safe way; we have implemented weekly people rotation and we will start this week to provide protection masks for our employees; in our digital branches we put in place remote work, following the same standards used in our central administration areas. The same for the SME business branches or platforms.

On next page, we can see what really happened with the interactions that we have with our customers in terms of use of channels. We have seen a huge change on the use of our channels, in the beginning we even increased access of digital channels for queries, transactions, customer service and businesses.

Regarding businesses, we have seen an increase through digital channels for credit solutions and also investment options with more demand for low-risk investment options or fixed income products. Our mobile banking app was the main channel followed by our Internet banking website, and now the use of WhatsApp as an alternative channel.

Going to the next slide, and regarding communication, we believe that we must keep a straight, clear and simple communication with our customers during this period. We enhanced the interactions with all segments with the purpose of updating about our branches opening hours and services, guide about the use of digital channels, offers specific solutions for this period, more precisely related to credit, and share our vision from our investment consultants during this period of uncertainty.



Going to the next slide, and concerning our offers, in order to help our customers to cross this period of uncertainty, we have put in place important and relevant initiatives. Regarding credit, we have decided to not increase our interest rates during this period, and we are operating at the same level that we were operating at the end of last year.

For individuals, we have offered new payment terms an extended grace period. After last Friday, we have achieved more than 300,000 customers served with these offerings, and beyond these credit offerings, we have postponed the expiration of exemption of fees and reward points under our loyalty program umbrella.

Additionally, for SMEs clients and beyond the new payment terms an extended grace period, we will start to offer this week special credit lines for payrolls and working capital together with BNDES (the state development bank).

For our customers that use our merchant acquiring solutions through our company Rede, we offered a free-of-charge new POS machines to support delivery service, and we also kept and postponed the expiration of special offers and also kept the prepayment for small customers in 2 days without interest rates, or 0 interest rates.

We are also working with local partners, like iFood, in order to offer special conditions for indirect customers. So this is what we are doing up until now at the retail bank.

And now I pass to Caio, who will cover the wholesale bank.

Mr. Caio Ibrahim David: Thank you, Schettini. Good morning to all of you. It's a pleasure to be here in this conference.

So as you all know, we are facing this crisis with no precedent with adverse effects for the vast majority of companies and clients in different sectors of the economy. So in that context, liquidity has become the number 1 priority, not only for financial institutions, but also for our corporate and institutional clients.

In the last 20 days, we had a chance to increase our origination price [unintelligible] which means we are increasing pretty much all sectors that [unintelligible]...

And when I talk about the institutional clients, I'd like to mention that the [unintelligible] - audio breakage] of allowing R\$2 billion in financial assets as a way to provide liquidity to asset managers to run their business.

Actually, in addition to that, we are being able to support our clients in different ways [unintelligible] credit portfolio management, which means [unintelligible] in the coming months, also with new lines of renegotiation as a way to allow our clients to better manage their cash flows, and also we are providing to the middle market client and they grace period also to support cash flow management.

So overall, as you know, our credit concentration [unintelligible] our strategy are based on this [unintelligible] in our portfolio represents 15% of the total portfolio, but also when



we take a look by sector, we see that exposure represents only 3.6% of the total [unintelligible].

So that's important to mention because the diversification of the credit portfolio in this period of crisis [unintelligible].

Moving to the next slide, what we have here is some information about the treasury, the wealth management service and investment bank. In terms of treasury, as you can see in those 2 charts, volatility is all over the place, not only in terms of [unintelligible] market, but we are seeing that volatility in the fixed income and also on some specific markets, such as FX. That volatility is pretty much a result of the uncertainty in terms of the GDP growth, not only Brazil, but also in the entire world. And I would expect that volatility is still unknown for a while until we have a clear view on what would be the impacts [unintelligible].

Talking about wealth management services, 2 points to highlight here: First, the migration that we're seeing from assets to fixed income assets, with people moving [unintelligible] as a way to manage the investments of our clients. [Unintelligible] that you are seeing some of our current performance extremely well even in this scenario of high volatility, so we are happy with the performance that we saw in March on those points.

In terms of investment banking, it's important to mention that we're not seeing capital market since the beginning of March. There is no [unintelligible] in the capital market. [Unintelligible] the volatility that you are seeing and, of course, we cannot be able to maintain our global topline that we viewed in the last 3 or 4 quarters. [Unintelligible] ... are reopened for capital market [unintelligible].

The next slide is to mention an important thing that we are seeing in terms of providing [unintelligible] generation through different channels has been extremely helpful to them to [unintelligible] information with [unintelligible], and we are doing as well politicians, CEOs, economists and some others to talk about the situation that they are facing and how they are planning the future of their companies or the future of new policies that would stay around.

So overall, we have been able to reach thousands of clients through those podcasts and lives that we are providing, especially to private clients, Personalité clients and institutional clients as well. And, of course, the society in general.

And finally, I would like to mention on the next slide, so the first important information to share is that liquidity in [unintelligible] level in each one of those countries [unintelligible] levels, and we are quite comfortable with them, especially considering the strong movements that we saw in the market, and we are managing quite well those 2 methods.

And it's important to mention that we have a diversity in terms of complexity in each one of those countries. So just to give you an idea, Paraguay, Argentina and Colombia right now are in total quarantine, which means there is only essential services in those



countries. [Unintelligible] when we compare it with Brazil, that is still not in total quarantine.

The most important thing that I would highlight to you is that over the last 4 or 5 years we have been able to [unintelligible] franchise with an integrated [unintelligible] that allows us to manage not only our Brazilian operation, but also the operation of those countries pretty much in the same way, of course, respecting the local particularities, but we have been able to address especially in this crisis to keep clients in each one of these countries as a way to provide the best policies and the best initiatives very coordinated with the proceeds in the franchise. [Unintelligible] has been able to support us in terms of managing the risks throughout the region.

So with that, I would like to ask Mário to share his view about the [unintelligible]. Please Mario.

Mr. Mario Mesquita: Thank you very much, Caio. These are indeed exceptional times, we are following developments in Brazil, we showed that in slide 31 the number of deaths is rising here about 500 people already, it's not the worst case by any means, but it's still relatively early days. So we will see how this progresses going forward.

One of the consequences of this pandemic is that one of the reactions is social distancing, and one of the implications of social distancing is that combining economic statistics, economic data becomes a bit more tricky than usual. And in order to help for this decision-making process of our executives, we are more and more relying on our own data. We have established or developed an internal daily activity measure for Brazil. This shows a tremendous drop in the mid-part of March, followed by some stability that is based on data that you can see in the bank regarding spending on goods and services and also consumption of the tree city by manufacturing in Brazil.

Activities now some 35% below what it was before the crisis. We think it's also not the lowest point we've seen, it was stricter than that a few days ago, it recovered a little bit, but we think as long as the lockdown measures continue in Brazil, activity is going to suffer some more before we start to see a more sustained recovery some weeks down the road.

We are in extremely uncertain periods and we highlight that in the following slide, slide 33, where we show that in the lines there we have different stages for the lifting of the lockdown and on the columns we have different speeds for the recovery from the third quarter.

And what you see is a series of negative numbers, right, we are going to have a recession in Brazil, a recession that can be from -0,5 percent (it's not very likely) to a much deeper recession if you have a protective lockdown followed by a slow recovery, and the one thing to notice is that in this table we tend to move diagonally from the top right-hand side to the bottom left-hand side, meaning that the more protective is the lockdown, the weaker this following recovery tends to be.



Again, it's extremely uncertain environment unfortunately dominated by the prospects of a significant recession in Brazil. Significant to severe recession in Brazil this year.

With that, I pass the word again back to Candido for his final remarks. Thank you.

Mr. Bracher: Sorry, I was having trouble... So I think that this chart shown by Mario here on page 33 keeps the degree of uncertainty of the times that we are living. I can't think of another time in Brazil when in March or in April of the given year we would try to forecast the GDP growth for the year and we would end up with a 6% disparity between the lowest and the highest; -0,5 to -6.5%.

So what we try to show to you during this call is that, despite this very high uncertainty, we have been able to react to the crisis on a very strict and efficient manner, and this was enabled by our previous work with people and technology, our governance and risk control, the strong ties, cultural ties among our people and the bank, and the ability of the financial system (we and other banks) to work together in proposing solutions that will enable the banking system to insert liquidity in the economy as a whole.

So with this, I conclude my remarks and thank you for your attention, and we will move now to the questions and answers.

Question-and-Answer Session

Operator: Now we start the Q&A panel. Please enter your questions on the webcast and click on "submit question".

Our first question is to Candido Bracher, from Jason Mollin, of Scotia Bank:

"How would you compare this COVID-19 crisis/shut down versus 2008/2009 financial crisis in terms of 1) liquidity and 2) expected loan losses for the banks' 3 main segments: corporates, SMEs and individuals?"

Mr. Bracher: The sound was not too good. I understand that the question is to compare this crisis with the 2008/2009 crisis in what concerns liquidity, loan losses for industry segments.

So, in terms of liquidity, I think we could clearly see that authorities, not only Brazil but in the whole world, had learned their lessons of the 2008 crisis in a way that reaction was much faster, much stricter, the crisis net of financial systems which were much more capitalized, less leverage than 2008, so this crisis was much easier to deal with from the liquidity standpoint, and the regulators in general have been much faster to react.

In Brazil specifically this is true, the 2008 crisis, as you know, in Brazil was not as intense as it was in developed markets, but the Central Bank of Brazil in this crisis reacted very fast injecting liquidity in the market, so this is a much lighter crisis in what concerns liquidity.



In what concerns loan losses for the bank, expected losses for the bank, it's too early to say how we will describe, expect the loan book, how we will describe the impacts on the loan book of the banks. It will depend on 2 important variables: One being the duration of the quarantine; and the other being the amount of fiscal intervention in the economy by the government.

Having said that, you remember that in the 2008 crisis Brazil was not too severely hit, but we have the problem of the derivatives – what we call the “toxic derivatives”), which have provoked a huge indebtedness in some corporates, especially large corporates, and this impacted the loan book of the bank during some time.

In this crisis, we have nothing of the type. I mean, there was not a high leverage in the economy, and we didn't see the corporate sector very much leveraged, the leverage was in normal terms, neither the individuals. On the other hand, this crisis is much more serious in the sense that companies and people have stopped working, so have stopped selling, the inflow of cash will be severely reduced. So these companies will need... Global [hurts] will need liquidity to bear their debts and sometime in the future could be able to repay them.

So I think that depending, of course, on the intensity of the crisis, we will live with the credit effects of this crisis for at least the whole of 2021.

Operator: Our next question is to Márcio Schettini, from Mario Pierry of Bank of America:

“Can you discuss the impact on your fees from the crisis? How effective is the app/mobile in generating new businesses versus the branch? How much has your branch traffic declined?”

Mr. Schettini: Okay. Okay, thank you, Mario, for the question. Regarding the impact in our fees, as we have anticipated, so we will not bring figures related to the end of this quarter in this call, but I can answer the 2 other questions related to the effectiveness of our digital channels and also what happened with the volume of transactions in our digital branches.

The impact of today, as a baseline for individuals, our digital channels being responsible for something like 16-17% of our total revenues, and we have seen an increase of almost 30% in individuals of our digital channels. So we expect to have an increase of revenue generation through digital channels.

For SMEs, the contribution from the digital channels in terms of revenue generation is around 30%, and we also had an increase of 30%, so this 30% will probably come up to 40% during this period, during this crisis.

Regarding the volume of transactions in our physical branches, we had seen last week compare to our base line a decrease of 50% in terms of volume of transactions in our physical branches. We were not seeing this up to the beginning of last week, but we



finished last week with this drop, what means that we have seen a change or a shift for electronic and also digital channels.

Operator: Our next question as to Milton Maluhy, from Nicholas Riva of Bank of America:

“Does the announcement today from the Central Bank mean that you cannot pay any dividends until September 30, or that you cannot pay any dividends above the 30% minimum payout? 2) Assuming you cannot pay any dividends, does this affect your ability to pay the coupon on your perpetual bonds? Thanks!”

Mr. Maluhy: Thank you for the question. First of all, what it says is that we cannot pay dividends above the minimum that we are obliged to, so I'm talking about 25% of minimum that we can still pay.

On the second question is if it affects the coupon of our bonds. No, it doesn't affect the coupon, as simple as that. So even with this restriction we can keep on being the coupon of our bonds.

Operator: Next question to Candido Bracher, from Eduardo Nishio, Plural:

“For the past few years, regulators and politicians have been pressuring for the system to increase competition to higher taxes for banks. Away from the usual stance of a solid financial system, this particular crisis has probably proven that there having a solid financial system is paying off. Still we see political initiatives to increase CSLL from 20% to 50% at this point of the COVID-19 crisis.”

Mr. Bracher: Thank you for your question, Nishio. I think you are right, I mean, the fact that the financial system is sound and capitalized has been fundamental for the swift wave which is reacting to the crisis. And I think this is valid to Brazil, this is also valid for other parts of the world. But it's especially valid for Brazil. It's really showing the value of a solid financial system in a situation of a crisis like this.

When you mentioned the initiative to increase social contribution from 20 to 50% and other measures like this, I think this is democracy working. You cannot expect that every Congress member will be an expert in economy and will know how to evaluate the consequences of the measures they... the economic consequences of some of the measures which are proposed.

But this is why, I mean, the Congress has all the commissions and has the way of discussing these things, and I think, I mean, common sense at the end prevails. Of course, lifting the taxes to this level, I mean, would be very damaging for the economy as a whole in as much as we could hamper the possibility of the banks to deal with a situation to insert liquidity in the economy as they are requesting to do in a situation like this.

Operator: Question to Márcio Schettini, Flavia Furlan Nunes, Valor Econômico:



“What have been the impacts of this crisis on the cards/payments business? Can this situation lead to consolidation or a new round of decrease in fees?”

Mr. Schettini: Thank you, Flávia. We have seen a huge impact on the dynamics of this market during the last 3 weeks, we have seen a decrease around 50% in terms of sales, what impacts the issuing and also the acquiring business, and it is the same for debit and for credit.

We have also seen a huge demand for working capital for all kinds of segments on the acquiring side, what puts us in a very (I think) competitive position to serve big customers and also medium and small customers, and we expect to continue to see this trend during the next 3 months.

Regarding the last question, where you asked about some impacts that came to stay, like the decrease of fees and things like this, I think that's very early for us to anticipate any trend, and it's also difficult for us to also imagine any consolidation move on payments and also on the card business.

Operator: Next question to Caio Ibrahim David, from Jason Mollin, Scotia bank:

“Can you talk about the details related to the acquisition of financial assets from corp clients? What that R\$2 billion you mentioned? Was this at market prices reflecting the recent declines?”

Mr. Maluhy: I think Caio is having some issues with the connection. Caio, can you hear us?

So let's do the following: Caio will be connecting, I can give the answer now and then Caio can complement.

The Central Bank of Brazil released one of the credit lines in the market specific to do repulse with assets that could be bought in the secondary market. So, those R\$2 billion, most of it, has been granted through those lines, we did an important amount as well with our free cash flows. Almost all the assets were bought with market price, so, yes, market price we used our own liquidity to get liquidity in the secondary market and also the Central Bank released a line to grant to the banks to do repulse in the secondary market with those specific assets as well.

Operator: Our next question comes from Rob Dwyer to Candido Bracher, Euromoney:

“Question on Corporate banking: as they search for liquidity even large, highly rated Brazilian corporates are reporting a large increase in the cost of new credit during the crisis – around 3x spreads compared to pre-crisis. Do you have any comments on this? And do you worry it will change the notion of corporates' sense of what a “relationship bank” means after this crisis?”

Mr. Bracher: Thanks. Thanks, Rob, for your question, I think it's an important one. I had all my carrier in corporate banking, in wholesale banking – it's almost 40 years



now –, and I think we have always characterized ourselves as a relationship bank. What does it mean to be a relationship bank in a situation like this? It means basically to be present to your client, in this case, to your corporate clients. It means to take their calls, to be opened for the customer and whenever possible to have credit lines opened for them.

These companies in the past 2, 3 or 4 years have gone to capital markets rather than to buy natural loans with thanks. And this was very good. Capital markets in Brazil have flourished, they have supplied the need for these companies, for large corporate, especially the first-class corporates, begging for cash, and this was very good.

When the crisis arose now in the beginning of March, you have seen, we all have seen the spreads in these corporate bonds increasing tremendously. We ourselves have perpetual bond which was paying about... was yielding about 5% a year before the crisis, and with the onset of the crisis it came to almost 15% a year, and now I think it's around 9%. The same thing happened with bonds from Petrobras, from Vale and from every other important Brazilian corporate.

So in this moment, in the first moment of the crisis, most of the companies wanted to do a [chaffed] of liquidity and we were there to help them to do this. The increase in spreads in large corporations (spreads are dealt case by case) was a fraction of the increase in the risk perceived in capital markets, which was transparent in these bonds. So I am very confident that all of these companies see that they have in Itaú Unibanco, in Itaú BBA specifically, a relationship bank which will keep on being their partner for the times to come. Thank you.

Operator: Next question to André Sapoznik, from Geoffrey Elliot, Autonomous:

“Are there examples of practices which you expect to change permanently following the epidemic rather than go back to normal after COVID has passed?”

Mr. Sapoznik: Geoffrey, that's a great, great question, and this is one that we have been entertaining during our spare time, not that we have a lot of spare time during this crisis, but something that has given us food for thought.

We've all been reading that the world will never be the same after this crisis, and I certainly agree to that to a certain extent. Some of the things or changes in practices that we are seeing that I would like to comment: first as a digital adoption. Every time that our customers, both individual and commercial customers, are inclined to adopt digital solutions and digital journeys to make their relationship with the bank very effective, what we see after those moments is a very interesting residual value.

So the first thing we see is that we are probably having a surge in digital adoption, in digital practices, in contracts being done digitally, and we've seen a lot of flexibility, not only from our customers, but from the society in general, from courts, from regulators to accept digital transactions with the same value that physical transactions would have. So, first thing I would comment on is digital adoption.



Second thing that occurs to me is ways of working. What we've seen is that the widespread adoption of agile management and agile development. Some of our consultants linked us with partners of the consulting company in Asia and Italy to learn what financial institutions in those geographies had seen from their day-to-day operations, and one very interesting comment, which was made by the Asian partner of that firm, was that all the banks were already working in agile, shifted to remote agile very fast, but all the banks who were working in very traditional way, a waterfall way of developing products, had a lot more difficulty in adapting to home office.

So we have been investing for a couple of years in making our workforce work in an agile and integrating technology people, businesspeople to develop the solutions, and we see that as a very important lingering effect of this crisis.

Also in the ways of working, the adoption of home office, which I would say that we were doing timidly, shyly and testing and very worried about how we control the environment, basically we had to take the plunge here, we had to actually very actively promote home offices and remote working, and it's working very well. We've seen their productivity levels be the same as they were before, and in some cases even better.

So we understand that the adoption of a widespread home office solution that may be shared between physical presence and home presence and keeping the ceremonies and keeping teams connected, that is also something that the crisis is probably bringing us for good.

The third comment I would make would be efficiency. I mean, on this crisis one of the things that you have to do in a very pragmatic way is to go back to the basics to understand what is key, what are the needs to have and what is nice to have and actually be very efficient and become more efficient than you were. And there is a lot of lessons in efficiency that we are driving from this crisis, which will probably be with us for a long period of time.

A fourth comment I would make is consolidation and advancement of the culture of the organization. We're seeing a lot more pragmatism, we're seeing a lot of leaders emerging and leadership practices which connect people who are in different geographies, we are seeing a lot of collaboration, intense communication and due to a very interesting extend solidarity; people helping each other across organizational lines, and we think that yields a better culture for a better bank.

And the 5th and last comment I would like to make is on the institutional dialogue. We've seen that working together with other banks, with competitors, with regulators and with the government to actually build the solution, as Candido put it, and actually trying to help the society as a whole overcome this very difficult crisis has increased the level of dialogue to a new level, which we understand is where it should be all the way.

So, we hope to maintain that institutional dialogue on a new level.



Operator: Thank you. I must remind you that you just have to enter your questions on the webcast and click on “submit question”.

Our next question is to Caio Ibrahim, from David Mayara, Wells Fargo:

“Similarly to other large Brazilian banks, counts with financial bills, or Letras Financeiras, for funding. Have you seen any reduced liquidity in this market? How do you expect the availability of this funding source to behave during the crisis? Thank you.”

Mr. Ibrahim: Hi Mayara, I hope you hear me well here. Thanks for your question. Of course, as you know, Letras Financeiras are one of the most important funding sources for all banks. We are seeing with the crisis a pressure of the pricing, so ...

But overall, what we are seeing is that, based on our liquidity ...actually, on the other hand, we are seeing...

Mr. Bracher: Caio?

Mr. Ibrahim: Yes.

Mr. Bracher: I'm sorry to interrupt you. Your line is very bad, and we can't hear what you're saying. So I will turn back to the webcast, they will pose one question to Milton now while they change you to another line.

If they can change to another line, then Milton can take this question. Thank you.

Mr. Ibrahim: Okay, thanks.

Mr. Maluhy: Can we go to the next question? And then, if it's the case, if Caio cannot connect I can answer that, please.

Mr. Bracher: So now Milton, the next question from Carlos Gomes, HSBC:

“On the dividend again, the legal minimal for earnings distribution is 25%, but we understand the bylaws of the bank have a higher level, 35%. Does the Central Bank ruling supersede the bylaws, and can the dividends be paid as interest on noncapital?”

Mr. Maluhy: Okay, so Carlos, thank you for the question. First of all, in our bylaws we have 25% of dividend, which is in line with the resolution of the Central Bank, okay? So we will keep the same definition of the Central Bank of Brazil.

And this is also valid for interest on capital, not only dividends, okay? It's for both.

Operator: Excuse me, we are now ending the Q&A panel and the webcast. I would like to hand over to Mr. Candido Bracher for his final faults.



Mr. Bracher: Thank you very much. So thank you all for your interest, for attending to this call. We hope we have been able to convey to you our position with clarity and how we are working in order to be prepared to fulfill our role, our important role in the economy in these difficult times.

Thank you very much.

Operator: Thank you. This Itaú Unibanco holding webcast is closed. We thank you all for participating. Have a good day, thank you.