



## **Banrisul's 4Q22 Results Presentation**

**Conference Call – February 16, 2023**

**Operator:**

Good morning, ladies and gentlemen. Welcome to the videoconference of Banrisul to discuss 4Q results and the year of 2022.

This video conference is being recorded and replay may be accessed on the Company's website, [ri.banrisul.com.br/en](https://ri.banrisul.com.br/en). The presentation will also be available for download from chat.

We would like to inform you that all participants will be only watching the videoconference during the presentation and, after that, we will start the Q&A session, when further instructions will be provided.

Before moving on, we would like to reinforce that forward-looking statements presented here are based on assumptions and beliefs of the Company's management. These statements may involve risks, uncertainties and assumptions as they relate to future events and, therefore, depend on circumstances that may or may not occur. Investors, analysts and journalists should be aware that events related to the macroeconomic environment, industry and other factors could cause results to differ materially from those expressed in the respective forward-looking statements.

Today are present in this video conference, Mr. Claudio Coutinho Mendes, CEO, Mr. Irany Sant'Anna, Deputy COO, Risk Officer; Mr. Marcus Staffen, CFO and IRO; and Mr. Osvaldo Lobo Credit Officer. I would like to call Mr. Claudio Coutinho Mendes, CEO of Banrisul, who will start the presentation. Please, Mr. Coutinho, the floor is yours.

**Cláudio Coutinho Mendes:**

Good morning, everyone. Thank you very much for joining this call to discuss results of the 4Q22 and the year's results.

So before I start, let me tell you that 2022 brought profound and deep changes in the Bank. It incorporated changes that have been done in the past 4 years, especially the change of our logo that brings new concepts and new branding for this Bank. This Bank is a more inclusive bank, a more technological and more sustainable bank now. So this brand that was launched in 2022 is for all of our stakeholders, collaborators, employees and clients. It shows that Banrisul is tuned in with our time.

In ESG, let me tell you that Banrisul had an excellent year in terms of performance. It started being provided with renewable energy. We migrated to the energy market. We started buying from renewable sources only, and we have been using this energy in 100 bank branches, and by 2023, we hope that 100% of the energy used by Banrisul comes from wind energy, and also solar panel energy. So the idea is to have Banrisul fully covered by renewable energy.

We also bought certified carbon credit from renewable energy, and we expect to have neutral emissions in 2023, as well as in 2022. So we received the GHD Protocol Gold Seal, acknowledging all that has been done in ESG.



In terms of people management, we completed a new voluntary termination program. So 511 employees will leave throughout the 1H23 based on this voluntary termination program. At the same time, over 270 positions in IT were open, and over 100 in other places. So we have 274 positions in IT and 135 banking positions, so we will be renewing our staff, bringing to Banrisul these new employees who will certainly provide the Bank with great modernity and productivity.

The major highlight of this year is the loan portfolio balance. We grew 19.7%, leveraged by rural credit especially, which grew in 60%, and we also had growth in corporate clients using BNDES guaranteeing funds, and also there was 9% increase in the payroll loan.

We also had R\$5 billion in credit underwriting, expressing a growth of 3.1%, and we are still disciplined in terms of credit underwriting. It is a diversified, guaranteed credit, with several guarantees such as payroll loan, and also actual guarantees in the case of the rural credit and for corporate loans based on BNDES guaranteeing funds.

Rural credit grew 63%, which is impressive, leveraged by costing lines for soy and corn crops, and Pronaf and Pronampe lead with over 60% of credit underwriting approvals.

Our crop plan had R\$7 billion as a goal. We firmly believe we will overcome them. We have 66% granted, and we continue operating with an excellent asset quality, with low default, 0.3% in 90 days default.

So the credit is still constituted of excellent quality. Our default level is 1.6%, a historic low, and we have 313% coverage for 90 days delay, excellent quality, with AA to C ratings accounting for over 93% of our loan portfolio. And we have a very diversified credit. We do not operate with large corporate only, we are maintaining this philosophy, and in our loan, we have 6.8% with 50 clients, showing how diversified it is. We truly believe that we will maintain it, that we will keep the Bank with a diversified portfolio. Our idea in growth in the portfolio will be maintained, and our cost of risk is 2%, and we have 5% in loan loss, which helps us.

Regarding the guidance, we will grow from 10% to 15% from the total loan portfolio. Voluntary termination program from around 1.5%, and our ROAE from 11% to 15%. The expected margin, net interest income has to do with repricing of payroll portfolio based on credits that are being reconsidered since last year. So we have the adjusted net interest income, which grew 80% if compared to the previous semester, 20% in the loan portfolio and net interest income, R\$1.2 billion, 11% if we discuss the previous quarter. So the repricing of the portfolio keeps on growing, and we are going to incorporate this.

The result for the 4Q22 represents 80% when compared to the 3Q22, and the result of this year is R\$780 million, corresponding to a ROAE of 80%. And this margin has been growing gradually, so 10.9% was the ROAE for this previous period.

Net interest income grew 11% if comparing to previous quarters. This has to do with the stable Selic fee. It is a diversified and low cost. Our cost of CDBs is 25% of CDI, and the total capture is 77%, all fully competitive. And basically it's diversified and it comes from individuals. This funding comes from individuals based on our bank branches.

We continue very disciplined in terms of containing risk. If you really look at total risks, they grew 6.7% year-to-year. But if we exclude expenses regarding variable costs, then we have



other administrative expenses, which grew 5.9% and basically has to do with the inflation in the period, and 6.8% had to do with staff expenses, also connected our voluntary termination program, under the expected for the total costs or expenses in the Bank.

We have the total Basel index around 17%, very comfortable levels. With this Basel rates, we believe in the continuing growth of the Bank, and we will be able to maintain the payout that has been practiced so far.

In 2022, we affirmed our strong stance in terms of loan portfolio, we made it grow leveraged by agrobusiness. We also made structural, administrative adjustments, which led to savings, and also a modification regarding the rebranding of the Banrisul's brand.

We recovered margin from the 2H22 on, and we believe this will keep on the same for this year.

For 2022, we have an expansion of the loan portfolio, maintaining asset quality. Growth of the customer base with greater sales of products and services. We will continue the loan portfolio repricing, with the main driver being the margin growth. We will maintain cost structure and control, even with an addition in staff. Gradual recovery of profitability is expected, with sequential improvements.

Now I would like to close this presentation of our results for the 4Q22, and we open our Q&A. Thank you.

**Flavio Yoshida, Bank of America:**

Good morning. I would like to thank you for this opportunity. I would like to understand here 2 points. The first has to do with the payroll loan portfolio. This has had a reduced growth in the 4Q. Which was the reason for that? And what can we expect for 2023 in this field?

My second question has to do with the guidance for margin and cost of risk, cost of credit. What is implicit in this guidance? Especially, it has to do with taxes and service fees. Thank you.

**Marcus Staffen:**

Flavio, thank you for your questions. In terms of the payroll loan, in the last quarter, we had an adjustment in our commercial strategy with our correspondents, and the main deceleration comes from that. And we had a boom in the first 3 quarters of that year. In the last quarter, we decided to focus on working on our portfolio, our existing portfolio with them, with these correspondents.

So it was more of a reaction in trying to work with the basis to try and improve the margin in this portfolio. And then, if you break down in terms of credit underwriting, it goes down in this correspondent, especially to work and gain in stock rate.

When you look to 2023, we have our own credit underwriting network in the same magnitude for our guidance for individuals 2 digits lower. It has a potential, especially when it comes to INSS because more margin will be released from January on, and then we will be able to better work with this client.



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Maybe the main take-home message when you look at the payroll loan is that the more we have a pricing project, we can have more income, more revenue.

Regarding the guidance on service revenue and taxes, service has to do what has been done in this year above the inflation. This is a parameter. And in terms of taxes, I would say we can expect to have a specific number guidance, but nothing so different. Maybe 18% to 23%. This figure is reasonable, I guess, for us to work with.

**Flavio Yoshida:**

Thank you very much. I understood.

**Matheus Rech, Ártica Investimentos (via webcast):**

I have 2 questions regarding credit loan. Rural credit has become more and more representative in the general bank portfolio. This will lead to one of the main growths moving forward. So which is the average rural credit rate the Bank has provided in the past few quarters? Do you believe there is space to increase this rate, or is this a credit line that is more competitive with higher pressures?

**Marcus Staffen:**

I believe that rural credit performance is, in fact, outstanding. We can work in this line with a growth above 60% in that year. This growth can be explained by costing areas. We have a regulatory ceiling related to that, and more than the rural credit rate. I would say we could work with spread, which is not so different from what we do with real estate credit spread, 4%, 5%, depending on the deadline or the type of line or the origin of funding.

So if we are going to focus and try and understand, I would work with this figure. We suffer pressure, but the Bank has been growing its market share very importantly during these past periods.

Would you like to add something, Mr. Osvaldo?

**Banrisul:**

Good morning. I think another part of our strategy is to focus on family agriculture, small producers, small growers and average sized farmers, help them grow. And during this period, you can work with client loyalty by providing them with solutions in a supplementary chain. And we need to understand their demands and be able to provide to them our supplementary products and have a lasting relationship with this type of clients.

**João Paulo, Consultec Engenharia (via webcast):**

How the Bank sees the efficiency rate, and how can you improve your performance in this field?

**Marcus Staffen:**



I believe we can see the efficiency rate taking into account its two sides. In terms of costs, the behavior of the Bank was to maintain controlled expenses. Our expenses are under control in terms of staff and other administrative expenses.

We are clearly aligned with inflation, and moreover, when you look at staff expenses, we have been following the guidance, and we had a change in standards in terms of costs. We would not see a substantial change to compose the efficiency rate.

Considering the net interest income, as demonstrated in the previous quarter, we had 11% growth. Somehow, we could have achieved that before, but some aspects of the payroll loan have decelerated this. When we look at the payroll loan portfolio taking into account the picture of the last quarter of the year, roughly 50% of this portfolio is already repriced, so we can work on that.

And another important figure, just for you to understand its magnitude and to understand that this is a movement that is not done all at once, is that when you look at our payroll loan inventory, around 30% of the portfolio has a rate above 20% per annum it shows an interesting potential to keep on adding value. So the guidance in terms of net interest income is 19% to 23%, robust growth if compared to 2022.

But bringing a clearer rationale to the market, when you look at the last quarter, the net interest income, if we annualize this, it would account for 10% of growth if compared to 2022. And moreover, if you look at the month of December, which was the last month of the quarter, for R\$150 million run in the net interest income, this figure would provide us 15% growth over the basis of 2022, this number alone.

So this is very solid, and there is a potential to grow this margin, a robust potential for 2023. This is the main driver when we consider the growth in return, the growth in the results for Banrisul.

**Eric Ito, Bradesco BBI:**

Good morning. Thanks for this opportunity. I have 2 quick questions. Regarding the net interest income you have just discussed, just let me link this with Selic interest rate in Brazil. The market in general from the 3Q on had a drop. If you can remind us of this, which would be the sensitivity? Does it grow? Does it fall faster or slower?

And my second question is, how do you see the NPL dynamics for this year. Do you expect a growth in corporate clients? If you think we have a series of companies that are facing difficulties, maybe bankruptcy, this is challenging environment for many companies. So, tell us, what do you expect in terms of NPL throughout this year?

**Osvaldo Lobo:**

Before I talk about NPL, the portfolio has been growing. We monitor this and have several parameters to follow performance crops, for example. As mentioned, our portfolio as a whole, including the agrobusiness portfolio, has diversified carrier. In agro, we are very focused in Pronaf and family grower, family agriculture business and medium-sized farmers. So we expect a drop, but a small drop for the next period.



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Regarding NPL, standards of guarantees and operations. It is important to highlight, as our CEO said, we have not changed or gotten rid of our philosophy, which is to structure operations and have good and solid guarantees.

Our strategy to diversify per industry, type of company, economic group and focusing on having a diversified portfolio has protected us, and we have managed to achieve this default rates, which are good, and we fight, we struggle to maintain them, or even improve them, get them better.

But better than making the portfolio grow is to make it grow with safety. And this is what our results reflect.

**Banrisul:**

We are very at ease regarding this issue. I think we are safe. The Bank has been doing its homework, really concerned with these topics and working pretty conservatively. Ours is a defensive portfolio. As our CEO said, the payroll portfolio is a defensive strategy by nature, as well as in the work with the agricultural sector. We focus a lot on the rural portfolio. Last year, when we had a strong drought, there was no problem regarding a rise in default.

In terms of corporate clients, we mostly work with medium-sized and small companies. with guarantees. So we believe we are safe, even if there is a storm out there in the market. We believe we are sailing in a safe place, in a tranquil area.

**Banrisul:**

Just let me add that we keep on our discipline. We do not work with large corporate clients that could lead to a big default. So we have our risk pulverized. It is a diversified risk, based on our guaranteed loan platform. So we believe we will be safe.

**Marcus Staffen:**

Just the first part of the question, regarding the net interest income, this growth, as I mentioned before, it has to do with repricing and the growth of our portfolio. When we consider this line, and we think of up to 23%, there is a projection on our estimate of a final Selic interest rate that is going to go down. We work with a figure of 12.5%. So NII will be impacted in around 1%. So almost the totality of this comes from the growth and from the business with our portfolio.

**Antonio Moraes, Luiz Bonatto & Mariana Faifer (via webcast):**

Good morning. Congratulations on your results. Which would be the payout you are planning for 2023? We would like to see if the dividend policies will be the same in 2023. We would like to understand more about the announcement of dividends, and if you can follow the policy of Banco do Brasil, which announced the schedule of payments for the year.

**Banrisul:**



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Our payout has not been approved yet, but we believe it is going to be maintained, the policy, and the levels of remuneration will be maintained, the levels the Bank has been working with historically. I do not see any substantial changes on the horizon, even because, if we consider the capitalization basis of the Bank, it is pretty solid and pretty safe to keep on growing at the same pace.

Regarding payment schedule, we will take this idea to be discussed, and we will discuss a defined schedule. So the market knows about previous scheduled and the dates when these dividends will be distributed throughout the year.

**Eduardo Belmonte (via webcast):**

Congratulations on the results. According to the release, the balance from work-related provisions went from 27% from December 2021 to December 2022, with an important rise of R\$345 million. How do you see this trajectory for the next quarters?

**Banrisul:**

We repriced and made the estimates for work-related and labor-related regarding collective wage agreements, and we completed this by the end of 2022. So we measured the provisions of the individual lawsuits, and now, also, we have done the same for the collective ones. So we hope we will not have this impact in 2023. We expect to come back to the normal period.

So this amount, which was high in 2022, which was accumulated, we believe that it will not be the same, it will not be reproduced in 2023 because we have already made the provision of losses for 2022.

I believe we repriced the liabilities. It was included in the balance regarding individual and collective lawsuits, and it has to do with the loan loss provisions that we made. And now, it is up to us to treat this stock, to treat this inventory.

We made important agreements last year. We can reduce some lawsuits which were mature, and probably, this will be the major work of this year, to reduce the stock, to reduce these values, these amounts that can impact our balance. The pathway will also be positive, I believe.

**Operator:**

If any question has not been answered at this event, Banrisul's Investor Relations team will answer the questions received as soon as possible. Banrisul's videoconference has now ended. We appreciate everyone's participation, and we hope you have a good day.





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