

## Y 2020 Earnings Call

### Company Participants

- Alfredo Egydio Setubal, Chief Executive Officer & Investors Relations Officer
- Pedro J. Zahran Turqueto, Vice President of Strategy
- Renato Lulia Jacob, Head of IR and Market Intelligence

### Other Participants

- Jason Mollin, Analyst
- Tito Labarta, Analyst

### Presentation

#### Operator

Good morning, ladies and gentlemen. Thank you for standing by and welcome to Itausa's Conference Call to Discuss 2020 Results. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will be given at that time. (Operator Instructions) As a reminder, this conference is being recorded. The file will be available at the company's website at [www.itausa.com.br/en](http://www.itausa.com.br/en) at the Investor Relations section. This conference call and the slide presentation are being transmitted via Internet as well. You can access the webcast by logging on to the company's website, [www.itausa.com.br/en](http://www.itausa.com.br/en).

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. I inform that during the presentation, the questions can be sent by webcast and it will be answered at the section of questions and answers.

With us today we have Mr. Alfredo Egydio Setubal, CEO and Investor Relations Officer at Itausa; Mr. Henri Penchas, Chairman of the Board of Director at Itausa; Mrs. Priscila Grecco Toledo, CFO at Itausa; Mr. Bruno Salem Brasil, Investor Relations Manager at Itausa; Mr. Renato Lulia Jacob, Head of IR and Market Intelligence at Itau Unibanco; Mr. Pedro Zahran Turqueto, Vice President of Strategy at Copagaz; Mrs. Mariana Espirito Santo, Investor Relations Director at Alpargatas; and Mrs. Natasha Utescher, Investor Relations Manager at Duratex.

It is now my pleasure to turn the call over to Mr. Alfredo. Sir, you may now begin.

**Alfredo Egydio Setubal** {BIO 1528623 <GO>}

Thank you. It's a pleasure to be here. Thanks for the presentation of (Technical Difficulty) We have on page two -- in page three, sorry, the agenda of the conference call for -- that we are going to cover in the next hour. First, the scenario. Second, the highlights of Itausa's portfolio. Third, Itausa results. Fourth, we have a presentation of Copagaz, the new investment that we started to participate this year. And at the end, the Q&A section.

Going to page five, we had a very difficult environment last year, especially in the first semester of 2020 due to the pandemic of the coronavirus, but we take some actions in our company and also the holding. The bank supported clients with \$50 billion -- BRL50 billion renewed of loans, especially for the sector of individuals with BRL48 million and in small and medium size companies with BRL12 billion that we renewed for long-term -- for longer loans, supported the clients during especially the most worst periods of the pandemic. We also supported clients providing credit during this period, one day our portfolio of credit showed some growth, especially in big companies and also in vehicles and real estate loans.

We -- of course, in all the companies, we worked hard in terms of costs and expenses to reduce and to preserve margins and being more efficient. From the June and July on, we started to see more results from the companies, all the companies. The industrial sector started recovering. Related to the real estate, Duratex had some very good second semester, also the same result for gases. And even the bank (Technical Difficulty) more revenues as the economy restarted to some level of activity.

In all the companies, we accelerated our digital business, e-commerce for the industrial sector, digital for clients of the bank in terms of opening new accounts, new apps for clients. So, we improved a lot in terms of digital penetration in all the business, in all the companies that we have participation. And, of course, we have to -- we gave support to all the employees of our company for their families and fortunately we had very few cases of the disease among our employees during this period.

On page six, we show some actions that we take -- took last year to help the country to fight the pandemic. Itausa and the families that controls Itausa and all the companies that we have participation, we have combined a donation of BRL1.5 billion for supporting actions against as a nation and making Itausa Group the biggest private limited among all the companies and families in the country. We created a Corporate Governance Commission to support the corporate governance of all the companies that we have participation and also at the Itausa level. We meet our adherence through the pact of integrity and against corruption from Ethos Institute that is most recognized institute in Brazil related to these issues. So, we signed the pact. And also, we became part of the Financial Times Index for good -- of companies with good ESG reference index. So, we were very happy to also participate in this new index that Itausa can show the capabilities.

Then on page seven, we had a challenging year for most of the companies, of course, but we tried to have an efficient capital allocation for this period. In the case of the bank, we unlocked the investment value, especially related to XP, the company that the bank is giving XP to shareholders of the bank. We've had a lot in digital strategy also in the bank to face the new challenges for the competition and also to have clients to use more

digital apps and facilitate the use of the bank digital -- opening of new digital accounts and so on.

In the case of Alpargatas, we continued the quality of just divesting and focusing our investments in Havaianas brand and our strength and we did a big focus on e-commerce both in Brazil and outside Brazil in terms of e-commerce and we increased a lot Havaianas e-commerce and -- for example, in the international markets. Around 40% of our sales already through the e-commerce in many, many countries.

Duratex, we continued to increase efficiency. We continue our investment in the dissolving wood pulp unit, the investment is in the schedule, we expected in March, April next year to start the operation, that is on schedule. So, we are very happy that we could maintain the repayment of the investment during the last year, even considering the adverse conditions that we have there. And in the case of Duratex, also, we finished the integration of Cecrisa that was the company that we bought at the end of 2019 with (inaudible) that we bought some years ago and we finished this integration with very sound results for the company. NTS continued its constant and predictable cash flow, the company continued to perform very well.

In -- on the page eight, we have allocation of the new investment on Copagaz that we are going to talk more, the failure of this investment, with Pedro that is here with us today to talk about the deal and the company and so on. And we are very happy and confident that is a good investment and we have very good results for the coming years with the company and also the XP that we are going to have direct investments as the bank restructure its participation on XP, given this investment to the shareholders of Itau Unibanco as all of you know, and Itausa, you have 15% of the capital of XP and will be the second largest investment of Itausa in terms of portfolio just after the bank and both the industrial investments that we have in the portfolio.

Going to page 10, the highlights that we have in our companies during last year, starting with Itau Unibanco. We had a -- we grew our loan portfolio by 20%, especially in vehicles and small and medium size companies and also in large companies especially during the beginning of the pandemic for large companies in the first semester of last year. We continued to decrease and control our general expenses, we reduced by 2.3% and continued to invest a lot in reduction of expenses and use of more technology in our operations.

We focused a lot, as I said, in the digital transformation of the bank in terms of digital customers, online opening accounts, we have a huge increase in digital transactions with our new and former customers. We bought the company (inaudible) to accelerate -- it's a technology company that bring us more than 2,000 engineers and people to accelerate our systems and apps for the coming years. So, we also increased the team inside the bank, so we finished the year with more than 2 -- 3,700 new employees totally concentrated in improve our digital technology investments for the bank.

In terms of results, due to the level of increase of provisions that we made for loan losses and from the reduction of the economic activity during this last year, especially in the first

semester, the results of the bank reduced from 27% from 2019 with a result of 19.1% of recurrent results for the bank. That at the end was a good result considering all the adversities that we faced during the year. The loan portfolio increased. As I said, the bank supported the customer base, giving credit and renewing credit, our portfolio increased 20% in assets and a total of BRL873 billion in terms of credits for customers.

On page 11, we see the highlights for Alpargatas. We increased in all the regions the volume and the market share of the company, especially we used the digital e-commerce to increase our participation. We continued to divest and focusing in Havaianas and (inaudible) We finished this -- the write-off of the investment that we had in Argentina, we sold all the investment there. We finished -- we sold the Mizuno operation in Brazil, so we are just now with Havaianas and (inaudible) in our portfolio. We had a difficult first semester, as I said, but we had a good -- very good second semester, especially last quarter was very good. And so, we were able to finish almost in the same level of net income of 2019 around BRL450 million. And also we keep the EBITDA of the company at the same level. So, also, a good result considering the circumstances.

On page 12, highlights of Duratex. Duratex had a very difficult second quarter, but from June, July, we started the recovery, we have a very good result and all the factories finished the year with full production. The company was beneficiary of the real estate boom here in Brazil and we are able to increase results by almost 92% compared to '19. And we finished the year with a recurrent net income of BRL528 million against BRL275 in 2019. EBITDA also increased a lot last year to BRL1.3 billion, that's a record level for Duratex. For both Itau -- Alpargatas and Duratex and the bank, we continue to see it recover in 2021, so we expect the good results from the second semester to continue in the first semester for all investment that we have. In the case of NTS, we had an increase of 6%. We received BRL232 million from dividends and refund of capital from NTS, 10% above the number that we received in 2019 and continue to be a good investment in terms of cash flow for Itausa.

On page 15, we talk about the main metrics and results of the company. We released net recurring income of BRL7.2 billion with a reduction of 26% as compared to 2019, especially because the reduction of the result of our main investment that is Itau Unibanco that we, as I showed before, released a reduction of results around 27%. We finished with a stockholders' equity of BRL57 billion.

On page 16, we see the capital structure. We have debt 2% of our assets at debt, still low compared to the potential of Itausa, we have here at the corner of the right side of the page 16 the amortization schedule for these debentures that we issued. The last one was December 2020 to phase the investment in Copagaz of BRL1.3 billion. It was a very good deal for us, it was a 10 year -- years debenture with a cost that we considered very good of interbank rate just 2.4%.

On page 17, we continued the practice of distributing the dividends that we received from the bank. Of course, last year, the dividend received by the bank was lower because of the limitations of the Central Bank imposed to the banks of only distribution of 25 (Technical Difficulty) of profits and we passed through all these dividends to our shareholders, BRL1.7 billion were distributed to our shareholders with a dividend yield of

5.5% continue to be one dividend yields highest among the companies that are listed in the B3 here in Brazil.

On page 18, we see that the sum of the parts of our portfolio values BRL127 billion at the end of the year and the market capitalization of the company was almost BRL99 billion, what means a discount of 22.7% considering the market value and some of the parts. We announced yesterday, we approved the Board of Directors of Itausa a buyback program of 250 million shares for the next 18 months that we consider a big opportunity for the company to buyback shares and considering the perspectives of the companies that we invest and the discount that is very high in our view considering the portfolio that we have. So, we opened again a buyback program of 50 million common shares and 200 million preferred shares.

On page 19, we see that the company continues to be a very attractive investment, especially for individuals here in Brazil. We finished the year with 886,000 shareholders. Hopefully, (inaudible) this number and we already had more than 920,000 shareholders, individual shareholders by the end of January. We are improving our corporate website to attend the demand for both institutional investors and especially the individuals. To attend that demand, we are launching in coming days a new website, more easy with more information, more tools and more simulators for the individuals, institutional investors can use the site. And also, we are improving and increasing our social media network to approach more information, be more close to our base of individual shareholders.

Now, we pass through the word to Pedro Zahran Turqueto, that is the Strategic Vice President of Copagaz that will talk about the company and the rationale of the acquisition of Liquigas by Copagaz and the investment of Itausa in this company. Please, Pedro, go on.

### **Pedro J. Zahran Turqueto**

Thank you, Alfredo. Good morning, everybody. (Technical Difficulty) My name is Pedro Zahran Turqueto, I'm VP of Strategy and Market of Copagaz.

Here in the page 22, we're going to talk a little bit about Copagaz in Grupo Zahran, that is the holding who used to be the owner of Copagaz before the entrance of Itausa. We -- Grupo Zahran has two branches of business, it has -- we have 50 rebroadcast radio stations and websites in the East of Brazil and we have the energy side that has the Copagaz as the biggest company on that area. The company was founded in -- 65 years ago by Ueze Zahran and his brothers in Campo Grande, state of Mato Grosso do Sul, Brazil. We passed these 65 years without doing any acquisition. So, as we grow organically by this time. And at the year of 2019, we started looking for investors to help us to acquire Liquigas that used to be a company from Petrobras. That is a state-controlled company. And we decide -- the family decided to join with Itausa because we thought that we had the same pet coke resource and also our long-term strategy.

Here in the page 23, I'm going to talk a little bit about what we do. So, we are a distributor of LPG. We have plants that are nearby refineries and refineries in Brazil is basically from

FINAL

Petrobras. These plants are linked by pipes to the refineries. We got the LPG from the refineries and we call these refineries that are linked by pipes as primary plants. So, in that plant, we transport the LPG for our secondary plants that are not linked by pipes, they are far away from the refineries in cities like Goiania, Cuiaba and Campo Grande. And on that plants, we have two types of business. We sell gas by cylinders and by trucks. In the business of cylinders, we have 5,000 resellers for -- from all around the country. These resellers have the look and feel of Copagaz or Liquigas and they do the last mile for the final point. And in the bulk business, we build tanks in the companies and the companies could be restaurants, malls, industries and we do the logistic of this gas in order to provide the projects for the clients.

In the next page, we are going to talk -- it will be about what is Copagaz before the acquisition of Liquigas. We used to have 9% of the market share in the year of 2020, we used to sell 660,000 tons of LPG per year, 76% of this amount by cylinders and the rest in by bulk. Our revenue used to be BRL2.75 billion. Our EBITDA used to be BRL138 million and our net profit about BRL50 million.

In the next page, we're going to talk a little bit about what is Liquigas before the acquisition. They used to sell 1.5 million tons per year, they used to have 21% of the market share, around BRL60 billion of net revenue and BRL215 million of EBITDA.

On the page 26, I'm going to talk the reasons why we decided to acquire Liquigas. So, first of all, it was unique opportunity in Brazil. So -- with 9% of the market share, it's going to be very hard to us to survive in this market because scale is very important here and the landscape of this market is to open the midstream. So, on that term, as a commodity if you have the scale, it's going to be very important to us in order to have good terms to buy LPG. There is optimization of logistic footprint, so Liquigas operating areas that we don't operate. There is a lot of scales and synergies. So, Liquigas used to be a company from Petrobras. So, there is a lot -- there was a lot of bureaucracy in order to fulfill what a state-controlled company needs.

The scale in this industry, as I told before, is very important as well. So, we are going to gain a lot of scale. There is something that we didn't perceive scale when we bought the company that there is opportunity of new use of LPG in Brazil. So, we have old regulations here that don't allowed us to produce energy or use the product in motors. And there is the fact that Liquigas used to spend a lot in modernization of their plants, so they have a state-of-art units. So, it's very important to -- for us.

In the next page, I'm going to talk a little bit what is the company, the Copagaz plus Liquigas, what is the company post-acquisition. You can see in the map that Copagaz didn't used to have -- to work in the North of the country and Liquigas has a good position over there, and the company together, we have -- we sell 1.88 million tons of LPG per year. That number make us the biggest player in Brazil with 25% of the market share.

In the next page, I'm going to talk a little bit about the macro highlights of the combined company. So, we are going to have 5,000 resellers all around the country, 15,000 points of sales, more or less 10 million households served per month, four LPG cylinders

delivered per second, over 30,000 companies served, more than 90,000 direct and indirect jobs generated, BRL8 billion in revenue, BRL1.6 billion in tax paid. The company is going to be market leader in Brazil and the largest LPG distributor in Latin America.

The -- in the next page, I show the volume of the -- both company in 2019 and 2020. After the companies combined, you can see that in the year of 2020, you have 2.2 million tons sold. This is a fact that originated by the change of consumption during the pandemic. So, people started -- cooked more at home and used more gas. So, we have a growth on the consumption. We have a growth from the net revenue going to BRL8.8 billion. And in 2019 year, this is a number of two years ago, the company together had BRL350 million EBITDA and BRL157 million in net profit.

In the page 30, I'm going to talk a little bit about the capturing of synergies and where is that synergies. We have 25% of the synergies in footprint and logistic. We have 37% of the synergies in SG&A. 25% in procurement, 9% in IT and 2% in administrative costs.

In the next slide, I'm going to talk a little bit what's going to be our goal here long-term. LPG is basically a fossil fuel. You can provide LPG from bio-refineries as well, but mainly they -- it came from natural gas or oil. But the burn of LPG is a clean burn. So, in our gas, the LPG is going to be the energy of transition that's going to guide us from the world that consumes a lot of fossil fuels for a world that use more renewable energy. As I told before, we reached more than 10 million houses in Brazil, reached more than 30,000 companies. So, we have a lot of data here and we are going to generate these data and try to provide products for these clients, better products and solve problems to them analyzing these data. We also have opportunities here in midstream. We have a lack of infrastructure in Brazil in the Northwest and in the North of the country. So, there is opportunity here for us to verticalize and develop LPG terminals, ports and start the trading of the gas.

In the last page, I'm going to talk a little bit about the -- what we are going to do in the next one year. So, we are very focused right now in the capture of the synergies. The entrance of Itausa changed our governance, so we have improved a lot our governance. We have a Board that are in the business and three of these Board members are appointed by Grupo Zahran and two of them from Itausa. So, we are learning a lot about the governance of Itausa and they are improving our internal governance as well.

We have new brands, we are going to launch a new brand and we're also going to stay with the brand of Copagaz and Liquigas, and both brands are very important and have a lot of recognition in the country and we have to use that correctly in order to have gains for the company. We have this process of digital transformation. We already started that, but we are going to invest a lot on this subject. And we are hunting for new LPG suppliers like we know that Petrobras will sell some refineries, we know that these markets will open sometime in the near future. So, we already started buying LPG from Bolivia and from Argentina as well, and we are looking for new providers of our raw material.

So, basically with that, I'm going to pass over for Alfredo.

## Alfredo Egydio Setubal {BIO 1528623 <GO>}

Thank you, Pedro. We're going to the last part of our presentation before the Q&A section. On page 34, our commitment to long-term value creation. On page 35, we see the Itausa in the capital markets, a healthy performance of our shares in the last years. Of course, in the recent period, more affected by the reduction of results, especially from the bank that is our largest investment.

On page 36, some differentials of Itausa. I think we have a very active portfolio management now with an M&A group and we work with a very disciplined asset capital allocation and focus on value creation for our shareholders. And we have, in our view, a consistent portfolio in terms of sustainability of the business in the long-term. We have a long-term vision for the investments that we make. We look for cash generation and consistent results from our company that we invest and we continue to look for companies to get not only cash generation, strong cash generation, but also leading brands and leading market share.

In the capital markets, we continue to have a very good payout, very attractive. As I said, 5.5 that puts Itausa also in the level of the largest companies that -- with that payout in the stock exchange here in Brazil and we also participate in the main index of companies, especially those here in Brazil and outside related to ESG performance. We have a very important commitment from a long-time along our history for decades on the ESG activities. We have a good important look at human capital in all our companies. We have good corporate governance practices in all the companies that we invest in terms of ethical and strong reputation of our partners.

One more -- on the last page, what we expect for 2021. Economy still volatile with slow growth, but we consider that our companies will perform well, even though this environment. Duratex will continue to benefit from the real estate boom here in Brazil. Alpargatas also will continue to get benefits from the consumption area. We expect the company to meet also -- like Duratex to have a very good year and the bank will get the benefit from the -- to recover from economy with more credit, reduction of costs and with strong growth in terms of digital transformation. We expect in the coming months to end the restructuring of Itau Unibanco investment in XP and we -- at Itausa, we will become direct investors of XP with 50% of the shares of XP and this investment will be the second largest in our portfolio.

Saying all that, we pass to the last part of our conference call, that is the Q&A section.

## Questions And Answers

### Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. (Operator Instructions) Our first question comes from Tito Labarta with Goldman Sachs. Please, Tito, you may ask.



**Q - Tito Labarta** {BIO 20837559 <GO>}

Hi, thank you. Good morning, everyone. Thank you for the call and taking my question. A question on the stake that you will be getting in XP. Just wanted to get your thoughts on your intentions with that stake, if you plan to keep that or sell it down over time? And then also how you think about the potential share swap where you would receive Class A shares instead of the new co-shares you have and the potential loss of voting rights? Just kind of your thoughts on that. If that's a concern for you, any color you can give on that would be helpful. Thank you.

**A - Alfredo Egydio Setubal** {BIO 1528623 <GO>}

Thank you for the questions. Very interesting questions. I think the deal that Itau Unibanco made with XP in the past when we became through the bank shareholders of XP, the deal was that at the end after many years, the bank will get the control of XP. This deal was changed by the Central Bank at the end of the approvals and the Central Bank prohibits the bank to assume the control of XP in the future. That condition changed all the business -- or the rationale of the business. Of course, we accept this and we keep the investment in XP, even though we are not going to get the control of XP at the end.

So, when the bank decided this -- to change this and pass through the shares of XP to its shareholders, it doesn't make sense anymore for Itausa and for the shareholders of the bank to maintain these multiple voting shares of the -- of XP. So, we accept and we approved with XP in a shareholders agreement that we made with them last month that we will accept the proposal of XP and we told favorably in the shareholders meeting of the XPart company to have the shares absorbed by XP in the common shares and not multiple voting shares. And why that? Because we at Itausa and (inaudible) level, we don't feel that this investment as strategic, so we don't need these multiple voting shares and we prefer also to have a share with more liquidity in the market, in that market. So, we have to remember that Itau has almost 500,000 shareholders. So, all these shareholders will receive shares of XPart and at the end of XP. So, it's important for them to have liquidity to sell at the time they want to sell these investments in the markets. So, that's the main reason that -- because we negotiate with XP to receive only common shares of XP after all this incorporation of the new comp -- the XPart in XP.

**Q - Tito Labarta** {BIO 20837559 <GO>}

Thank you. That's very helpful, sir. And just to clarify, and I think you have a lockup I think until October. You mentioned this wouldn't be a strategic position in XP. I mean, do you think it's something that you would sell right away, you would sell over time? How you would view that investment, I guess, as a minority passive investment or how you would think about potentially getting rid of that stake over time?

**A - Alfredo Egydio Setubal** {BIO 1528623 <GO>}

We consider XP a very good investment. We like the case. We think XP will continue to grow in the market to continue to grow its profitability. So, we think XP as a very good investment for Itausa shareholders and we are very happy to have the part of our portfolio. But at the same time, we -- in our material fact we wrote that XP is not a strategic investment for Itausa because we are making investments in diversification

factors not related to financial services companies. So, the idea that we have is that in the coming years, without any rush to do that, we can reduce or even sell all the participation that we have in XP and use this capital to buy new companies, or to buyback shares of Itaúsa, or to pay debt, or to pay dividend. I think we can use this investment and the capital result from the sales in many ways that will benefit our shareholders through investments, through reduction of debt or repurchasing shares.

I think we have no hurry to do that. We -- as I said, we believe that XP is a very good investment and we will help XP in their performance and to help them in the Board of Directors that we have two members there. We continue to have two members there, so we will continue to help XP to have a good performance, to be a big company in the investment sector and we will reduce as we think the price is correct or we have other opportunities to use this capital in benefit of the value creation of our shareholders.

**Q - Tito Labarta** {BIO 20837559 <GO>}

Okay. Thank you, that's very helpful.

**A - Alfredo Egydio Setubal** {BIO 1528623 <GO>}

We have a question here related to the XP also that came from the web asking, how the shareholders of Itaú will get the shares?

What will happen is, the first step after the restructuring of the bank, a new company will be created. This new company will be XPart. XPart will have the same shareholders, same shareholders of Itaú Unibanco, there's almost 500,000 shareholders that I mentioned before. The second step is the incorporation of this XPart company in XP Inc. So at the end, all the shareholders of Itaú Unibanco will receive shares of XP Inc. that is tradeable in the NASDAQ and probably XP also will establish a BDR [ph] program here at B3 for these shareholders can be able also to sell these XP shares here at B3. So, it's like a bonus -- or it's like a dividend that the shareholders of Itaú Unibanco will receive.

I don't know if Renato Lulia can complete this explanation.

**A - Renato Lulia Jacob** {BIO 17323483 <GO>}

Absolutely. Thank you very much, Alfredo, and thank you for the question. Just clarifying the second part of the question of whether that -- Renato [ph] asks, whether it would be a dilution or a bonus issuance from Itaú? It's neither, nor, which means that it's not going to be either a dilution of the current investment base of Itaú Unibanco, nor the Bank will issue a bonus in order to give its current shareholders a participation in XPart. What's going to happen, as Alfredo just explained, we're going to -- as soon as we get the regulatory approvals, Itaú Unibanco will spin off its participation in XP, which means that for every share that you hold on Itaú Unibanco, you're going to also have one share on XPart.

Important to mention as well that until the moment that, as Alfredo mentioned, that either XPart is listed in B3 or XPart is consolidated within XP and therefore the investors on XPart get an XP share, the participation on XP still will be traded inside Itaú, which means if you hold an Itaú share, even post spin off, Itaú is going to be traded at B3 including XP. When

we have clarity about either the date that XPart will be listed on B3 or XPart will be consolidated merged within XP, we're going to announce to the markets with what's going to be the X date. And from that moment on, you're going to have one share of Itau Unibanco and one share of XPart. I hope that clarifies. But just to be absolutely clear, there will be no dilution, nor a bonus issuance for Itau, it's simply the spin off of XP participation on the bank.

## Operator

Our next question comes from Jason Mollin with Scotiabank. Please, Jason, you may go ahead.

### Q - Jason Mollin {BIO 1888181 <GO>}

Hi, thank you. Well, I'll stick on the same theme for now. I just wanted to ask about tag along rights for Itausa shareholders in XP and how that would work. I did read something about tag along rights. And secondly about the strategic outlook for the portfolio, the investment portfolio at Itausa. I mean, you've mentioned for some years now, particularly when you were making some of the more recent acquisitions, that the strategy would be to maintain Itau at about 90% of assets. Now, post XP spin off, we calculate using market prices that Itau Unibanco would be around 69% of NAV and XPart would be around 20%. So, indeed, as you mentioned, the second largest. And then we have Duratex at around 4.5% and Alpargatas at about 6 -- 5.8%.

So, is that -- and I think from what you were saying about strategically XP is not a long-term investment or they don't -- you don't see it strategically in the long-term being held, I guess, another option that you didn't mention, but I think indirectly I see the discount that Itausa is trading at to its NAV, but could this also -- this cash at some point be used to actually increase the stake in Itau Unibanco? And would it just be a matter of what the discount to NAV, if that makes sense for Itausa because there are some tax issues, et cetera, that justify some discount in my opinion, but maybe you could provide some color, tag along and how do you see the long-term positioning of Itau Unibanco as part of the asset base at Itausa and should it go back to 90%?

### A - Alfredo Egydio Setubal {BIO 1528623 <GO>}

Hello, Jason. Thanks for your questions. We signed already with XP Inc. our shareholders agreement. And in this shareholders agreement as we released, we have some opportunities to scale parts of the stake that we have in XP if we wanted to do that. For example, we have some block trade opportunities. I think it was 6 six per year. If we decided to sell and we think we have a good price or good opportunity to use that money. So, we have this opportunity to sell 2 block trades and also we have the opportunity if XP decides to make an offer in the international market, we can participate with them in a secondary basis and then in the primary basis. So, we have both ways to sell if we decided and when we decided to sell any stake in XP through the XP deals in the market or through block trades that we can do standalone if we decided to do that.

In the case of the dilution, yes, the stake of the bank will reduce, as you said, to around 70%, 75%, depends, of course, on the completions of the shares. But we believe that in

FINAL

the coming years only by the growth of the bank, the result of the bank and the bank is so huge, it's so big that comparatively other stakes that we have together that we believe that along the years these stake in the bank will also be around 90% that we had before. Of course, it will not be very, very soon, but we believe that this probably will happen in some years organically only by the results of the bank, we will take it as back to this level of around 90%, I don't know exactly when. But we continue to invest in other companies. We are not considering increasing our participation in the bank. This will depend a lot on price opportunity that maybe we can have, but we don't see increasing our portfolio at this moment in shares of the bank.

As I said, we believe in XP, we will help XP through the Board of Directors to continue the pace of growth in the investment area. We think XP is a wonderful case, that's the reason the bank bought the XP in the past, some years ago. But, of course, as we mentioned, XP is not a strategic investment for Itaúsa that want to diversify outside the financial service companies because we have this concentration right in the bank that we will continue to increase the concentration as I explained before. And also because we see that we as controller of shareholders in the long-term, very difficult for us to remain shareholders of XP because XP and Itaú Unibanco are competitors in the markets of investment market and in investment banking, and XP has a bank and probably will increase their shares in other banking products. So, the conflict of interest between Itaúsa and XP will increase along the years. So, that's another reason that we think it's important to reduce and even to sell all the investment that we have in XP in the coming years.

I think that's all, I answered all your three points, I think so.

**Q - Jason Mollin** {BIO 1888181 <GO>}

Yes, thank you very much. Appreciate it.

**Operator**

This concludes today's question-and-answer session. Mr. Alfredo, at this time, you may proceed with your closing statements.

**A - Alfredo Egydio Setubal** {BIO 1528623 <GO>}

Thank you all for the participation. I think we had a very good conference call. We are very confident in the investment that we have, I think all the companies will have a very good year with the recovery of the economy, with the -- all the actions that we took and are taking in these companies. And so, we are very confident that we are going to have a very good year in terms of performance of the -- our companies and probably we are going to receive more dividends from the companies, from the bank and we will continue that practice of passing through the dividends that we receive from the bank to the shareholders of Itaúsa. We are confident that our dividend yield will continue to be very good compared to the most of the companies in the B3 that trade here in the market. So, we are very confident that we are going to have a very good year and we are very confident in the investments that we make that we have done and we will continue to look for more investment if appears a good investment, that makes sense and a good price that makes sense to the value creation of Itaúsa for our shareholders.

Thank you for your participation, and see you in the next conference call related to the first semester of results of the year. Thank you. Bye-bye.

## Operator

That does conclude our Itausa's 2020 results conference for today. Thank you very much for your participation.

*This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.*

FINAL

Bloomberg Transcript