

Y 2021 Earnings Call

Company Participants

- Joao Marcello Dantas Leite, Chief Financial Officer
- Roberto Balls Sallouti, Chief Executive Officer

Other Participants

- Thiago Batista, Analyst
- Tito Labarta, Analyst

Presentation

Operator

Good morning and welcome to the Fourth Quarter of the 2021 Results Conference Call of Banco BTG Pactual. With us here today, we have Roberto Sallouti, Joao Dantas and Pedro da Rocha Lima. We would like to inform you that this event is being recorded and all participants will be in a listen-only mode during the Bank's presentation. After Banco BTG Pactual remarks, there will be a question-and-answer session for investors and analysts. (Operator Instructions)

Today, we have a simultaneous webcast that may be accessed through the website, www.btgpactual.com/ir, in the platform. Before proceeding, let me mention that this call may contain forward-looking statements relating to the prospects of the business, estimates for operating and financial results and those related to the growth prospects of Banco BTG Pactual. These are merely projections and as such are based exclusively on the expectations of Banco BTG Pactual's management concerning the future of the business.

Such forward-looking statements depends substantially unchanged in market conditions, government regulations, competitive pressures, the performance of the Brazilian economy and the industry, among other factors and risks disclosed in Banco BTG Pactual's filed disclosure documents and are therefore, subject to change without prior notice.

Now I'll turn the floor to Mr. Roberto Sallouti who will begin the presentation. Mr. Sallouti, please go ahead.

Roberto Balls Sallouti {BIO 4150617 <GO>}

Thank you very much. Good morning to all of you on the call.

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If you could start please on Page 3 and we will talk a bit about the 2021 highlights of BTG Pactual. So we had in the fourth quarter another very strong net new money, BRL64 billion which consolidated an unprecedented BRL326 billion of net new money in 2021. With that our assets under management reached BRL900 billion at the end of the year. And we finalized -- we reached BRL1 trillion by the beginning of February, which is for us an historic and very important mark.

Just remembering a bit where we're coming from. In September 2020, we had BRL500 million, March 21, BRL750 million and now in February, 2022, we reached the BRI 1 trillion mark.

Talking specifically about asset management, we had a year-over-year growth of 47% in AuM finalizing the year with BRL553 billion and in wealth management, which includes both our high net worth and retail businesses combines, 66% growth reaching BRL428 billion in the end of 2021.

Turning to Page 4, we'll talk a bit about our operational results. Again, we had another quarter of record income where we benefited from our operational leverage and very strong revenues. So year-over-year, 2021 to 2020 our revenues grew 49%. So we finalized 2021 with BRL13.9 billion in revenues in the fourth quarter we had BRL3.5 billion revenues. Our net income grew year-over-year, 60% finalizing the year at BRL6.5 billion with BRL1.8 billion in the fourth quarter and our Basel ratio by year-end was 20.3% where we finalized the year with an average 200 bps above our peers and core equity Tier 1 so continuing as the most capitalized and most liquid bank in the S1 segment, the largest banks segment in Brazil.

In Page 5, we show the expansion of our funding and credit portfolio, even while we kept a robust balance sheet. So our unsecured funding grew 44% year-over-year, reaching BRL154 billion. Our corporate and SME portfolio reached BRL107 billion, growing 45% year-over-year. BRL17 billion or 60% of our total portfolio was in the SME segment and that grew 77% year-over-year.

And so I actually confused myself here, we finalized with the capital ratio of 15.7%, 200 bps above our peers. But in the previous page, I was talking about the return on equity, which was 20.3% even as we did two capital increases totaling BRL5.5 billion in the year.

If you turn to Page 6, we talk a bit about the details of the fourth quarter. So the fourth quarter we had 19.4% return on equity, revenues of BRL3.5 billion and BRL1.78 billion of net income and adjusted net income per unit of \$0.46. In the fourth quarter, our cost income was a bit below our historical levels, with a cost income of 38.4% and a comp ratio of 17.5%.

And we finalized the year with assets of BRL346 billion and shareholders' equity of BRL37.4 billion. Our shareholder's equity increased year-over-year 40% even after the distribution of GCP of BRL1.9 billion.

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Turning to Page 7, we talk about the year's highlights for details. As mentioned previously, 20.3% return on equity, revenues of 13.9% and 6.5% net income, adjusted net income per unit of BRL1.69. Our cost income ratio within the historical levels and the lower range of our historical levels BRL41.1 cost income, 23.4 comp ratio and again as mentioned previously, 37.4 net equity.

Going to Page 8, we see the revenue breakdown by business unit and here it evidences the growth of our investment management franchisees and our corporate and investment banking businesses. So roughly speaking we go to a distribution of 36% revenues from corporate and investment banking, 31% from markets versus trading, and 20% from investment management.

So, this continues to go in the direction that we've been signaling to the market, and actually we expect this direction to continue over the next few quarters and years. But we're very happy, especially with the growth. Investment banking 74%, Corporate Lending 63%, Sales & Trading 38%, but what really calls our attention is the growth from wealth management 80% year-over-year in revenues, which shows that all the investments we've done in this segments are paying off.

On Page 9, we talk a bit about our ESG accomplishments for the quarter. So we received various awards in the fourth quarter for global finance, environmental finance and institutional investor being led to the best research team in ESG. We are part of the Sustainability Index or ESG of the B3 for the second year in a row. We received a very solid B rating for our carbon disclosure program. We released our first Green Financing report where we had already allocated 71% of the BRL550 million we raised in renewable energy, water and sanitization projects.

We expanded our eligible credit portfolio and launched a sustainable deposit program. So our eligible credit portfolio reached BRL10.2 billion, growing 57% year-over-year. And we already raised BRL1.5 billion in deposits in the first phase of our sustainable deposits initiative, which is the first one of its kind in the country.

We distributed for our clients another \$350 million in sustainable finance instruments totaling BRL5 million in 2021. And we signed with Delta Airlines the sustainable fuel agreement where it's a way for us to contribute to a more sustainable future in the travel industry.

Moving on to Page 10, we want to highlight basically one year after we launched BTG Plus, which is our consumer banking portfolio. We think that we have consolidated ourselves as the best digital banking experience for high income retail customers in Brazil. You can see this not only in the grades in the App Store, Google Play or (Foreign language) where we've got the top evaluations but in the various awards we got rewarding the client experience we give to clients.

And the good thing is that we have a complete product offering with various credit cards, checking account, credit instruments, a unique personal financial management tool, a loyalty program, and a cash back way for our credit cards is very well received by the

markets. So we're very satisfied with the engagement but especially with the satisfaction for clients.

And if you remember, we built our platform for the A&B segment in Brazil. So it's a very distinctive exclusive and tailor-made product offering for that segment probably the only one of its kind, which is tailored to the high income market in Brazil.

On Page 11, we talk about the next steps of our branding. so we noticed that clients were a bit confused by the various retail brands we had BTG Plus, BTG Pactual Digital, BTG Plus Business. So we have decided to consolidate our brands. We want to offer our clients an integrated and full experience so basically, we will have one brand BTG Pactual. And we will have one sub-segment which is BTG Pactual business or companies and our apps which were already integrated, but it was not obvious that they were integrated now it will become very obvious. And this will -- we will do the shift as we launch our new investment app, the 4.0 version.

So then we will have three apps for individuals' investments, banking and the home broker trader for active brokers, and we will have one app for companies, corporations and SMEs. Eventually, SME app can also be integrated with the individual -- the personal app if that is the desire of the client.

But we're very happy. We think this is the maturity of our step into the retail segment that we took starting in 2016. This consolidates one brand. We think it will make it easier for clients to understand the offering and it would make it -- we will get a bigger bang for our buck in our marketing investments.

Finally, on Page 12, we talk a bit about 2022 perspectives and we talked to a few of you individually that we have built BTG to be an all-weather equity story. And we do expect for the next year and probably 2023 some changes in the revenue mix that we've been having as we are renting a higher interest rate market scenario. However, our business will continue to benefit from the investments we made in the last three years and the scale our client franchises have achieved.

Consequently, we will continue to show significant growth in our asset and wealth management revenues and in our credit and interest income. And this allows us to expect for 2022 strong top-line and earnings growth resulting in a return on equity of around 20% even as we keep the very capitalized and liquid balance sheet. So we're very happy because as the scenario changes the revenue mix changes, but we can continue to deliver to our shareholders very solid returns.

With that, I'll turn the floor to Dantas who will talk about individual business lines, and then we can open up for questions and answers.

Joao Marcello Dantas Leite {BIO 17617595 <GO>}

Thank you, Roberto. Good morning and good afternoon to all of you.

Let's turn to Page 14, we will start with the comments on the business lines by investment banking. So starting with the quarterly revenues we reached BRL450 million of revenues in the fourth quarter for investment banking, it's a quarter where our business performed very well, measured by the rankings. We rank at the top of M&A, ECM and DCM markets, but we operated in a weaker market, especially on ECM volumes.

And if we look at the yearly revenues on the right part of the page, it's a remarkable full year results for 2021 for our investment bank. We have been delivering consistent growth over the years and the growth especially in 2021 was really remarkable. We do have a challenging 2022 ahead of us, but it's important to remember a few things.

Number one, over the years, the mix of revenues produced by investment bank have changed. And this year revenues now are the biggest contributor for the whole pie and DCM revenues they are less volatile and more recurring. While companies don't access equity capital markets on a recurring basis, they do access debt capital markets on a recurring basis to review their liabilities and our business takes these companies to the market. So this creates for a less volatile bigger portion of the revenue by our investment bank going forward.

Number two again looking at the yearly revenues. The reason for this big growth year-over-year is the fact that we are bringing new companies to equity capital markets, debt capital markets and when these companies access capital markets for the first time they become recurring clients even for M&A activity. So as we brought new companies we have a wider capital base in 2021 and this gives the business momentum to face -- to go through 2022.

And finally, M&A and DCM markets continue active. While we have less activity in the start of 2022 for ECM, we do have M&A and DCM markets to continue to be active and present good volumes.

Moving to Page 15, here the comments on corporate and SME lending. Starting on the right part of the page you see the growth of the corporate and SME lending portfolio on the year and comparing the fourth quarter of 2021 to the fourth quarter of 2020, our portfolio went from BRL73.7 billion to BRL106.6 billion.

So as Roberto already highlighted it's a 45% growth while looking at our large competitors in Brazil what we see is a lending portfolio expansion of around 10% to 12%. The reason we are growing more than the market, number one is due to the SME lending. Today SME lending is about 15%, 16% of our total portfolio and is growing 80% year-on-year.

Number two, we have about 20% of our corporate lending exposure to LatAm countries outside, LatAm companies outside Brazil, in part deployed in local currency and in part deployed in international funding for the international business of the LatAm companies and that 20% market -- that 20% stake grows more than our market share in Brazil. Since our market share and these other countries is still small and have a tendency to grow just remembering we just have obtained a banking license in Colombia.

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Now like we can do in Chile, we can raise deposits locally and lend to local company. So these are drivers for the outsized growth in our LatAm credit exposure. And finally, our corporate lending continues to expand its market share in Brazil. And those are trends that we expect to maintain for 2022.

Looking at the revenues, we reached record revenues of BRL743 million in the fourth quarter, which has a strong contribution from corporate and SME lending not only due to the expansion of the portfolio, but also due to the maintenance of the average spreads and also maintenance of the average quality, which is marginally increasing over time, which requires us to build up less provisions and register more accrual income.

But on top of that, we also have a contribution of revenues from the special situations strategies. Special situations now is a diversified business with various different streams of revenues which have built an additional capacity of revenue generation for our corporate and SME lending, which we should continue to see also going forward.

Moving to Page 16, on Sales & Trading a few comments. Revenues of the fourth quarter of 2021 reached BRL917 million less than the third quarter of 2021, but if you exclude the contribution of revenues from CredPago, the fourth quarter was actually stronger than our third quarter of 2021.

Also if you look at the yearly revenues on the right part of the page, you'll see a continuous trend of revenue increase in Sales & Trading with less use of balance sheet, which we show here measured by the average VaR and also measured by the percentage of the capital, the required capital of the bank dedicated to market risks.

So these trends on one side continuous growth in revenues and on the other side the lower usage of capital and balance sheet, they derived from the fact that Sales & Trading is building different and diversified sources of revenues which depend less on the use of balance sheet and more on the flows from clients. So to give examples we have stronger revenues from brokerage fees, stronger revenues from the insurance business, stronger revenues from flow trading and intermediation. And we have more diversification as we have different sources of revenue inside Sales & Trading.

For example, energy trading, corporate credit and bond trading, which is a revenue stream that has been added in the recent years and has been grown inside the revenue mix of Sales & Trading, besides the traditional fixed income FX and equities business. So the trend is one that we like very much.

And just to finalize one important remark regarding Credpago. As you know, the fourth quarter -- on the third quarter of 2021 we registered a part of the revenues from the sale of our stake in Credpago which totaled in the third quarter, BRL520 million. Going forward the remainder revenues will be recognized along the lines of the next two years, so about eight to 10 quarters in which we will recognize over time cash that we received, assets that we received that will materialize and these revenues will become immaterial quarter-on-quarter as it is relatively immaterial also on the fourth quarter of 2021.

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Moving to Page 17, the highlights on the assets management business. I would like to start on the right bottom part of the page, where you see the evolution of our assets under management and administration of the asset management business over the years, starting with the year end of 2017 where we had BRL145 billion of AuM, then BRL208 billion, BRL273 billion, BRL377 billion, reaching BRL553 billion of assets under management at the end of 2021 with a net new money of BRL160 billion, which is about 2.5 times our net new money in 2020.

So this trend of expanding asset base and stronger inflows in asset management is a trend that we have been maintaining over the years pushed by in part financial deepening in the country, but also by the investments that we have done in all of our platforms, including the digital retail platform that contributes and investments into our asset management franchise.

Most of the assets of the net new money in 2021 comes from fund services, but also we have the strong contribution of net new money for our LatAm funds and for our alternative funds which encompass real estate and private equity instruments.

Looking at the revenues, we have reached BRL360 million of revenues in the fourth quarter, which is 24% -- 25%, I'm sorry, 22% above the third quarter of 2021. If you want to look at the seasonalized view you compare fourth quarter of 2021 to the fourth quarter of 2020 but then the fair comparison should exclude performance fees, which are part of the revenues that we show here.

Excluding performance fees, we also have a 22%, sorry 24% revenue growth from the fourth quarter of 2020 to the fourth quarter of 2021. So, and finally, the ROAs by asset class during the quarters of 2021 have maintained and slightly increased from the third quarter to the fourth quarter. So there is healthy compression in the asset management industry in Brazil. But this isn't a trend for our business as we already charge very competitive ROAs in all of the products that we offer, and it can be evidenced by the fact that the ROAs have been maintaining themselves by asset class in the last two years.

Moving to Page 18, wealth management and consumer banking, have a few interesting highlights but the main aspects of the growth of the business are very strong net new money and increasing higher ROAs. Starting also on the bottom right part of the page you see the evolution of our wealth under management, starting in 2017 with BRL87 billion reaching BRL428 billion in the end of 2021 following a net new money of BRL166 billion.

Also strong growth along the quarters of 2021 as you see on the top right chart with very consistent and strong net new money over the quarters. And as you can see our net new money in the fourth quarter was stronger than the net new money in the third quarter. This represents a growth in wealth under management of 66% during 2021.

If we now look at the revenue chart on the top part of the revenue of the center of the page, we have reached BRL447 million of revenues, which represent an 81% increase compared to the fourth quarter of 2021. So this means that our revenues are growing above the pace of asset expansion and asset gathering which is a very healthy sign on the

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growth of wealth management and consumer banking and the performance of that business because as we add more assets, we are adding assets with increased revenue generation capacity since the growth is more accelerated and predominantly coming from our efforts in the digital expansion inside into upper income retail. Also, growth is being pushed by the successful launch of the consumer banking platform as Roberto already mentioned, I won't repeat it, but we have several new features and functionalities that have been attracting more clients to this ecosystem of BTG Pactual.

Moving to Page 19, we have some remarks on principal investments and participations performance. We reached BRL77 million of principal investment revenues in the fourth quarter. There are three drivers for this performance, number one is the equity pickup from our investment in Eneva, the energy company in Brazil and Prime Oil which used to be Petro Africa, the oil company in Nigeria in which we invest.

Even though the equity pick up from these two investments was stronger in the fourth quarter, here we also have the counter effect of the increase in interest rates since as you know, we post the results of the businesses that use balance sheet already net of the internal funding costs which then yes registered as interest and other. So as we have a stronger interest in other revenues, we have a bigger deduction of funding cost, internal funding cost from the principal investment revenues. Also there is an impact here of the negative performance of a few equities seeds inside global markets in the fourth quarter.

Looking at the participations earnings here, this is the sum of our equity pick up from Banco Pa and Resseguros, which have increased from the third quarter to the fourth quarter, which depict the good performance of these two investments over time.

Moving now to Page 21. Let's see here some of the trends for expenses and the efficiency ratios of the Bank. There was a growth in costs that we see on the comparison of the full year of '21 and the full year of '20, basically driven by salaries and also in part driven by administrative and other expenses. This is all related or mostly related to people that we added to the workforce, and also some costs related to the technology investments we're doing to be then related to consultants or third-party service providers. So the growth has been about 38% on these two lines year-on-year.

Looking at our revenue growth, which was up 49% year-on-year. And if you look specifically at the revenue growth of wealth management and consumer banking, which are the businesses that benefit more from these additional investments, this is where we are hiring more people and investing more in technology. The revenue expansion is much above this cost base expansion. So this means that while we invest, we are generating additional revenues that contribute to the additional bottom line and additional profits.

So this is a very healthy way to invest and to grow our cost base even though we are freeing up capacity to extend the business, the business already is generating additional revenues which grow and surpass the expansion of cost. So it's a disciplined way of investing and growing these retail businesses.

Also to comment here, costs in the fourth quarter are impacted by the effective income tax rate reduction from 21.1% in the third quarter to 18.8%, in the fourth quarter, basically driven by the fact that we were able to distribute additional JCP, which is the tax-deductible dividends that we can pay in Brazil because of the increase in interest rates in the short term, which impact the long-term interest rate that dictate your capacity of JCP distribution.

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Moving now to Page 23, a little bit of balance sheet analysis and some explanation. Since we have a 7% reduction on the total assets of the Bank, which went from BRL372 billion to BRL346 billion. But this reduction doesn't mean that we're pulling back on growth. On the contrary, we're deploying capital and growing the structural part of the balance sheet. So here this reduction is only a nominal reduction. In Brazil, as you know, banks in Brazil operate their accounting standards on a trade day convention, which has a gross grossing effect on repo and reverse repo transactions and also on deliverable forward derivative transactions. Both our trades that we do frequently with the Central Bank of Brazil, which have been doing less on the derivative markets of FX towards the end of last year, which implies this reduction, both on the asset finance to repo line and also on the trading portfolio of assets. Assets finances through repo against the Central Bank and derivatives inside trading portfolio of assets also predominantly against the Central Bank.

The structural part of the balance sheet, which is the banking book, has expanded not only in terms of the assets but also in terms of our funding base, which we'll talk about on the next page.

Also, our cash has expanded. We now have 1.4 times, our equity in cash. We had a little less than BRL1 billion of cash quarter over quarter, which is a very solid amount of cash to be maintained by any bank in global standards operating anywhere in the world.

Also we have increased the total assets coming from Banco Pa consolidation from BRL43 billion to BRL46 billion. Banco Pa continues to grow their credit portfolio as well. And finally, to comment, our corporate lending portfolio now represents 2.9 times our net equity, which is even though we are growing, it is still a measure that we will consider we can expand over time, and the corporate lending portfolio can grow more than our net equity through P&L.

Moving to Page 24, almost coming to the end of our presentation, is the unsecured funding base. Significant achievements in terms of the funding evolution for the Bank. We have an expansion, a growth of 44% in our unsecured and secured funding year-over-year. Comparing the picture at December 31, '21 with picture of December 31, 2020. Going from BRL107.2 billion to BRL153.9 is significant progress, an increase in market share during the year. The average of the financial system in Brazil expanded their funding base around 10% from 10% to 12%, while we were able to grow our funding base 44%, predominantly by instruments and deposits that we issued or raised in local markets.

We increased significantly our market share in tax-exempt instruments like LCAs and LCIs. We raised and issued new deposits, such as the green deposits that we issued at the end of the year. We increased significantly our penetration on corporate counterparts and we

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now have a significantly larger number of Brazilian corporates that deposit with us on a recurring basis. The share of our retail funding continues to expand inside the total funding base, reaching 90% of the total funding base. If you consider Banco Pa funding base as well, the total retail funding is 30% of our total funding base.

Demand deposits have reached close to BRL10 billion, a growth of 16% year-over-year, representing 6.3% of our total base regardless of the fact that interest rates are going up in Brazil. And so there is significant progress and the unsecured funding base evolution makes us confident that we can continue to grow our business with a fortress and very liquid balance sheet.

And finally, on page 25 a little bit of what Roberto already commented. Our total capitalization is at 15.7%, 40 basis points down from the previous quarter, which implies that we are deploying capital. Also our core equity Tier 1 ratio is 30.4%. As Roberto mentioned, this is about 200 basis points above the average of the Segment 1 banks in Brazil. So both measures make us confident that we can continue to deploy capital, over time, maintaining our fortress balance sheet, strong capitalization.

And looking at the average daily VaR, it reached 0.18% of our average equity in the quarter, which underlines the comments we've made on the change of the shape of the sales and trading revenues as we deploy less capital and generate more revenues.

With that we pass now to the Q&A session. Thank you very much.

Questions And Answers

Operator

Thank you. (Operator Instructions) Our first question comes from Tito Labarta from Goldman Sachs.

Q - Tito Labarta {BIO 20837559 <GO>}

Hi. Good morning and good afternoon, Sallouti, Dantas. Thank you for the call and taking my question. A couple of questions. Maybe first on your guidance for this year around 20% ROE. So wondering if you could help us. To actually get there, I mean, it does imply a very strong year. I mean, you've had a very strong year in 2021. Getting maybe around equally in earnings to get to that 20% ROE. I just want to understand the drivers of that.

I mean you would expect some relative weakness this year compared to last year for investment banking in sales and trading, kind of some even what we saw in 4Q. And I know corporate lending asset and wealth management and interest and other are all growing pretty strongly. And you mentioned, this should be driven by strong revenue growth. So is it because these are the lines will continue to grow much, much faster that could offset any potential weakness in investment banking, in sales and trading or, do you expect investment banking or sales and trading to be even stronger than 2021, just given the macro, that seems a little bit more challenging? Also you had a low compensation

ratio this quarter, do you expect cost to kind of be maybe relative to what we saw in 4Q? Just trying to understand how do you think you can achieve that 20% ROE for this year. And then I have a second question I think after that.

A - Roberto Balls Sallouti {BIO 4150617 <GO>}

Thank you, Tito. So as I mentioned previously, we built BTG so it could be an all-weather story. And the truth is when real interest rates go above, let's say 4%, the dynamics of the markets change. So probably that means you will have weaker equity capital markets. That means that the investors will shift how they invest their portfolios, property market activity will not grow as strongly. So probably will happen in the revenue mix, very likely investment banking will not grow, maybe even decrease a bit. Sales and trading will not grow probably at such high levels only if we expanded into new business lines, which we're always trying to do. But the benefits we're getting from, let's say volumes of the B3 diminish.

But at the same time, we have an opportunity for higher spreads. We have an opportunity for higher fees given the level of interest rates, and we benefit from everything that we've been investing in over the last three years. So we still expect very good growth in corporate lending, good growth in asset management, strong growth in wealth management and we'll also benefit on the interest rate side, and our interest on capital, and also on deposits. It's the first time that we're going into a higher interest rate environment with a much larger deposit base than we had in the past.

When you put all this together, you've changed significantly the revenue mix, you changed significantly the dynamics of each line. But overall, you're able to give a very consistent and solid 20% ROE to our shareholders. So that's a bit of what we are seeing and expecting for 2022.

Q - Tito Labarta {BIO 20837559 <GO>}

Okay. That's very clear, Sallouti. Thanks for that. And then my second question on BTG digital and your initiatives there. I was wondering if you have or plan to disclose more KPIs to help us think about the potential for that business. I don't know if your revenues, your revenue per client or credit card BTG, just any data or KPIs that would help us think about some of the potentials for this business and how much they can contribute eventually to revenue? Is there any color you can give or is that something that you think you may disclose in the future?

A - Roberto Balls Sallouti {BIO 4150617 <GO>}

So we don't look at it the way that you're talking, you're mentioning. So basically, we see that we have different channels for different profile of clients. So we have our B2C channel or digital B2C channel. We have our B2B channel via our Investment Advisors. We have our Advisors channel via our brokers. We have our Wealth Management channel via our bankers. And then these channels offer different products, more specifically investments, and now banking products.

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The truth is, at the end of the day, this is all relationship with individuals and you're producing fees either in the distribution channel for investments or brokerage fees or other banking products. So to avoid confusion and misinterpretation, that's why we have chosen to just be showing the revenues in wealth management, which includes all of our revenues of the investment and banking products we have with individuals.

Q - Tito Labarta {BIO 20837559 <GO>}

Okay. So we should think of it of the growth in asset and wealth management, that's going to help drive the growth in those two revenue line?

A - Roberto Balls Sallouti {BIO 4150617 <GO>}

Yes. As we expand, we're going to expand our product offering. And we've expanded tremendously our sales force. So over the last few years, we have onboarded a series of brokers, bankers and IFAs, as well as brought in clients for digital platforms and there is always a ramp up as the clients come in. So we expect to continue stronger growth from this ramp up.

Q - Tito Labarta {BIO 20837559 <GO>}

Okay. That's great. Thanks, Sallouti. And sorry, one follow-up. Going back to my first question. I know you talk about the revenues. But anything on the expenses, especially to compensation ratio, which is low this quarter. Was that a one-time thing? How do you expect that to evolve throughout the year?

A - Roberto Balls Sallouti {BIO 4150617 <GO>}

You always have to look at it on a yearly basis, right? We accrue the same historical metric that we've always done. But when you get to the fourth quarter, then different business lines have different "payout", so then we're able to do the fine tuning. I think the good thing is that as we gain scale, we are benefiting from this larger scale and diluting our costs, including bonuses in the largest various businesses. And this generates value for our shareholders.

Q - Tito Labarta {BIO 20837559 <GO>}

Okay. That's clear. Thanks a lot, Sallouti. And congratulations on the strong results.

A - Roberto Balls Sallouti {BIO 4150617 <GO>}

Thank you.

Operator

Our next question comes from Thiago Batista from UBS.

Q - Thiago Batista {BIO 15398695 <GO>}

Yes. Hi, guys. Hi, Sallouti. Hi, Dantas. Congratulation for the results. I have one question and one follow-up on Tito's questions. Do you see any change in the competitive scenario

with the possible end of exclusivity of the financial advisors, or no big impact of this possible change is expected in the wealth business?

And the follow-up, and I need to ask again about the ROE of 10%. This number implies an EPS growth of 20% or even more than that. In my view is not feasible to believe that the top line will expand in this magnitude. So my question is, do you believe that this type of EPS expansion will come more from cost control or better cost to income, more from revenues growth or even let's say as you avert lower taxes or any other change that should really drive this very strong and much above-consensus EPS expansion?

A - Roberto Balls Sallouti {BIO 4150617 <GO>}

Thank you, Thiago. So on your first question, we have the exclusivity given the dynamics of how, what happened in the IFA market over the last three years, where first, we brought many IFAs to our platform, locking in long-term contracts and incentives. And then the competitor defended themselves, locking in longer-term contracts and incentives. I don't think that at this moment, there will be any significant change given the exclusivity. I think the market dynamics changed before this regulation changed.

On your second question, we expect both top line and earnings to grow almost 20%. At the same time, we expect to continue having operational leverage and we expect probably our tax rate will not be as low as in the fourth quarter, probably a bit higher, but maybe a bit lower than what it was in 2021. And when you put all of this together, you end up with this 20% ROE that you mentioned or that we mentioned.

Q - Thiago Batista {BIO 15398695 <GO>}

Very clear. And thanks for the presentation.

A - Roberto Balls Sallouti {BIO 4150617 <GO>}

Thank you.

Operator

(Operator Instructions) Question comes from Thiago Batista from UBS.

Q - Thiago Batista {BIO 15398695 <GO>}

Hi, guys, I'm back, if there is no other question. Can you talk a bit more about the trends that you guys are expecting for the net new money? Looking in 2021, net new money was, let's say, in the wealth, only was about BRL13 billion or so per month. Do you think that this is a good proxy for 2022?

And second one, in sales and trading, only to confirm, the BRL1 billion, let's say in the past you used to indicate something towards BRL1 billion of revenue, little bit lower than that. But this BRL1 billion is a good proxy, BRL1 billion for third quarter is a good proxy from the second, trading going forward?

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A - Joao Marcello Dantas Leite {BIO 17617595 <GO>}

Thanks, Thiago. It's very hard to give you an exact number of net new money. Maybe it slows down a bit, maybe it keeps up. Given naturally the level of interest rates and how aggressive, I think, the commercial banks are being on the fixed income instruments they are issuing, we're seeing a more competitive market, but still very healthy net new money.

Given what's happening in the asset management industry, maybe shifts a bit on what was happening in the fund administration business, even though we are gaining market share. So it's really hard to give you the exact number. But we think that we will continue with very healthy net new money for the year. But most of that, we will have an average AUM or wealth under management, which will allow us to see significant growth from 2021, right, because the truth is when -- the amount of net new money reflects on revenues much more on the next year than in the current year.

And on the sales and trading, yes, I think that probably continues quite similar. This BRL1 billion plus, minus 20% that we've always indicated, seems to be a good guideline for now.

Q - Thiago Batista {BIO 15398695 <GO>}

Thanks.

A - Roberto Balls Sallouti {BIO 4150617 <GO>}

Thank you.

Operator

(Operator Instructions) Thank you. That bring us to the end of the question-and-answer session. I will now return the floor to Mr. Roberto Sallouti for his closing remarks.

A - Roberto Balls Sallouti {BIO 4150617 <GO>}

So I'd like to thank all of you once again for joining the call, especially would like to congratulate our team for a fantastic 2021 and to really thank our clients for their trust and partnership. Reaching this BRL1 trillion mark of AUM was for us a very significant milestone. I'd like to thank all of the investors here on the call for your trust, partnership and the confidence that you placed on us, and we hope to continue delivering the results you all expect. Thank you very much and have a great day and rest of the week.

Operator

Thank you. This does concludes today's presentation. You may disconnect your line at this time and have nice day.

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