

**BMGB**  
B3 LISTED N1

Banco  
**BMG**

# CONFERENCE CALL PRESENTATION

## 2Q20





## **Digital or Traditional?**

We've put that difference behind.

**We connected the two worlds.**

*An agile bank that is technological and replete with advantages, focused on clients' needs.*

***It's time to extrapolate the Phygital strategy\*.***

*Expand our target audience, present a portfolio of products and services relevant to millions of Brazilians.*

*\*PHYSICAL + DIGITAL*

# TRANSFORMATION AND MODERNIZATION



## CLIENTS

- Rapid adaptation in how to relate with clients
  - ✓ Remote service
  - ✓ Digital formalization
- Clients more likely to enter the digital world



## PARTNERS

- Anticipation of the PHYGITAL strategy
  - ✓ Maintaining the help! growth strategy
  - ✓ Launch of corban and franchisee app
  - ✓ Alignment of incentives for opening phygital accounts



## EMPLOYEES

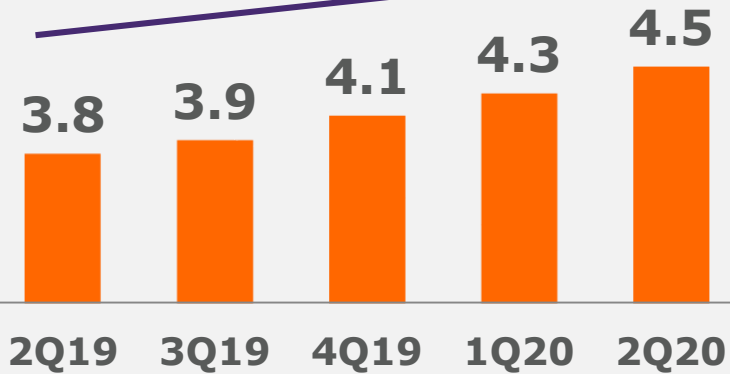
- Full home office work model until the end of the year and partial as of 2021
- Agile work methodology and investment in T&D
- Fertile environment for innovation

# CLIENT CENTRICITY

## GROWTH

Active clients' evolution <sup>1</sup>  
(million)

+19%



**+3.6 thousand**  
clients per business day  
in 2Q20

<sup>1</sup> - Clients with a balance in the portfolio or card issuance/ purchases in the last 12 months

### Consignable



**49% of  
new  
clients**

- Familiarized with the banking correspondent and franchisee – starting the journey physically



63 years



R\$ 2,300/month



Credit borrower

### Open-waters



**51% of  
new  
clients**

- High familiarity with the digital world



38 years



B and C social classes



Hybrid profile

### Retail Companies



- Small and micro companies
- Banking needs for businesses and employees

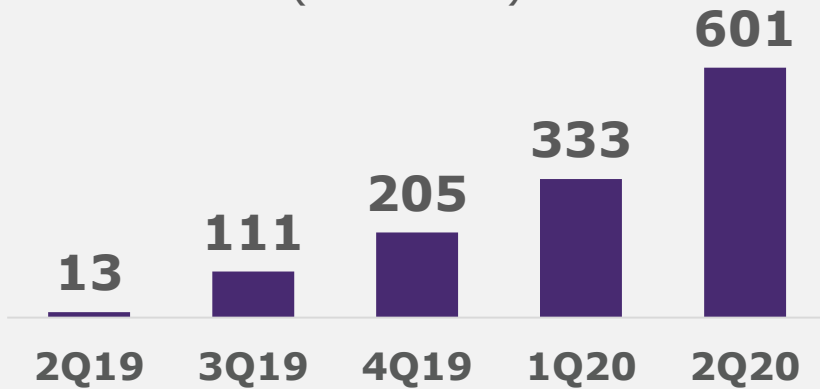


- Granito became acquirer
- Launch of company digital bank

# CLIENT CENTRICITY

## DIGITAL PROPENSION

### WhatsApp Registration (thousand)



Increase in the use of payroll credit card for **purchases in digital services**

## FINANCIAL EDUCATION



**46%** of customers did not save before signing up BMG's virtual piggy bank, **Poupa pra Mim**



**Volta pra Mim** cashback program on debit and credit card



BMG held a **100% digital Hackaton** with the challenge of seeking solutions to bring **financial education to clients**

# PHYGITAL

**84%** of the current public prefer face-to-face service

## PHYSICAL

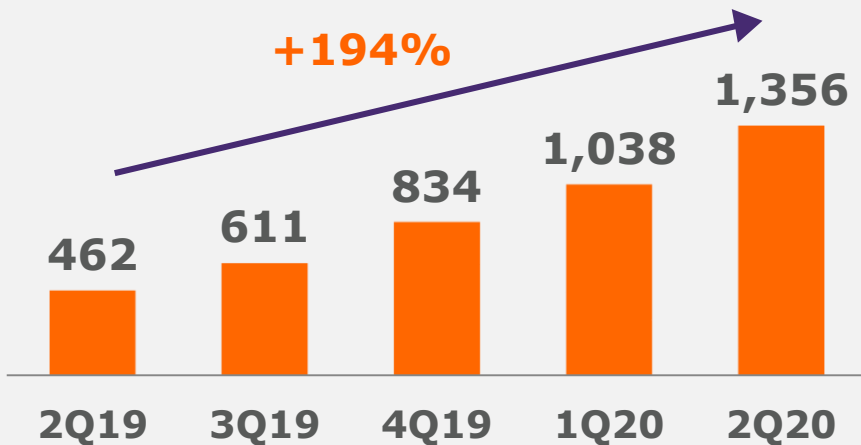


## DIGITAL

Record opening of accounts in the quarter

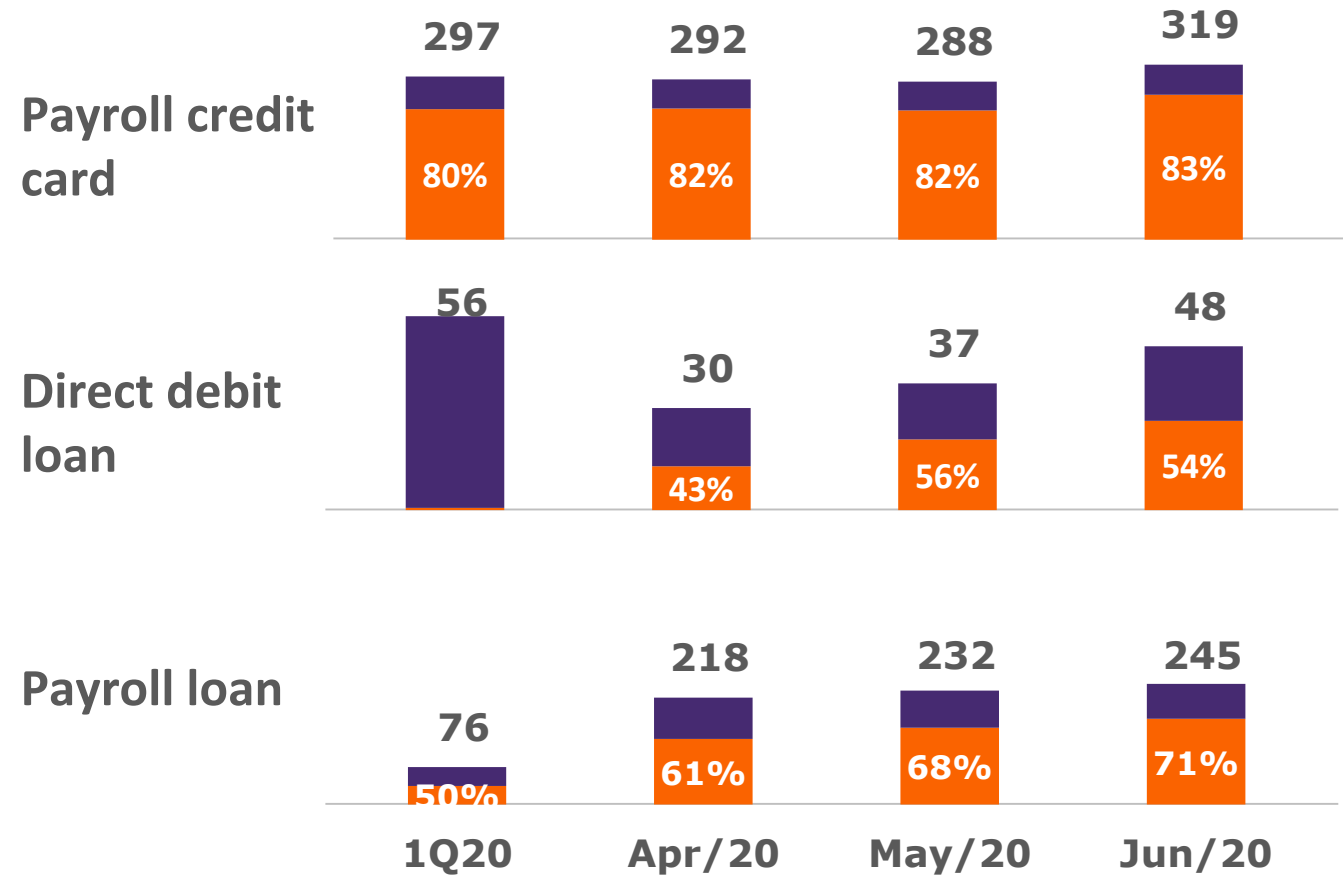
thousand

**+194%**



**Rapid reaction to social isolation**  
**remote sales reached 76%** in Jun/20

Direct Debit Loan, was 100% physical, now operates 54% remotely



R\$ million – average month origination

remote face-to-face



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# **RISKS AND COSTS**

## **MANAGEMENT**

# ASSETS STRUCTURE

## RETAIL

	R\$ MM	% Total	
Payroll Credit Card and Loan	9,013	72.1%	> 86% federal risk (INSS and Siape)
Direct Debit Loan	835	6.7%	> 58% receive their benefit through BMG
US Payroll	733	5.9%	> Low-turnover civil servants

### INSS Normative Instruction 107

- raise the limit for the payroll credit card to 1.6x the monthly benefit
- grace period of up to 90 days (only for payroll loans)
- period for granting credit to 30 days after the beginning of the benefit

### Self-Regulation (effective from Oct/20)

#### Payroll Credit Card

- Withdrawal operations up to 70% of the limit of the card
- Prohibition of withdrawal formalization through telephone
- Signing of a Consent Form

+ more robust product | + transparency | + safety

## WHOLESALE

	R\$ MM	% Total
Structured Operations	1,232	9.9%
Companies	581	4.7%

#### Structured operations:

- guarantee of the flow of receivables
- **anticipation of receivables from commissions:** renegotiation of 1.4% of the portfolio
- **anticipation of television rights:** renegotiation of 22.6% of the portfolio due to the adjustment of payment flows in view of the change in the match schedule for the Brazilian national championship tournament

#### Companies:

- Mostly based on collateral and renegotiation of 5.6% of the portfolio



# RISK MANAGEMENT

## LIQUIDITY

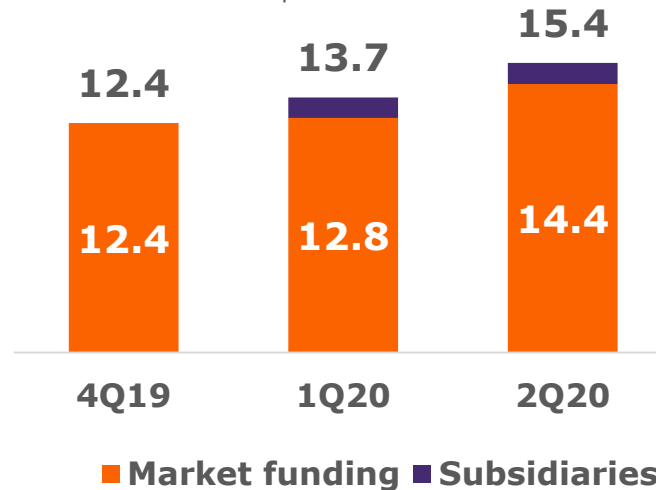
- **R\$ 3.7 billion total cash**
- **Positive gap** with the duration of liabilities longer than the assets by 4 months
- Receipt of credit installments has been **performing normally**
- **Renewal of liabilities**, stimulating supply via distributors
- **Assignment agreement** with retention of risks for payroll loans up to R\$ 3 billion

### BACEN measures generate additional liquidity

- LFG: **R\$ 3.0 billion** limit | **R\$ 820 million** issued
- NDPGE: **R\$ 2.0 billion** limit | **R\$ 886 million** issued

### Funding

R\$ billion

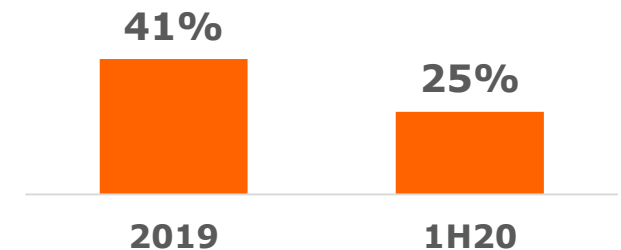


## CAPITAL

- **Comfortable capital level** with **Basel in 19.8%**, sufficient for growth plan and stress scenario
- **Quality:** 96% of Main Capital
- Bacen **limited the payment of interest on shareholders' equity (ISE) and dividends** to the mandatory minimum for the 2020 fiscal year
- BMG' Bylaws: 25% minimum payout
- Strategy to maximize the payment of ISE, given its tax benefit

### ISE Provision

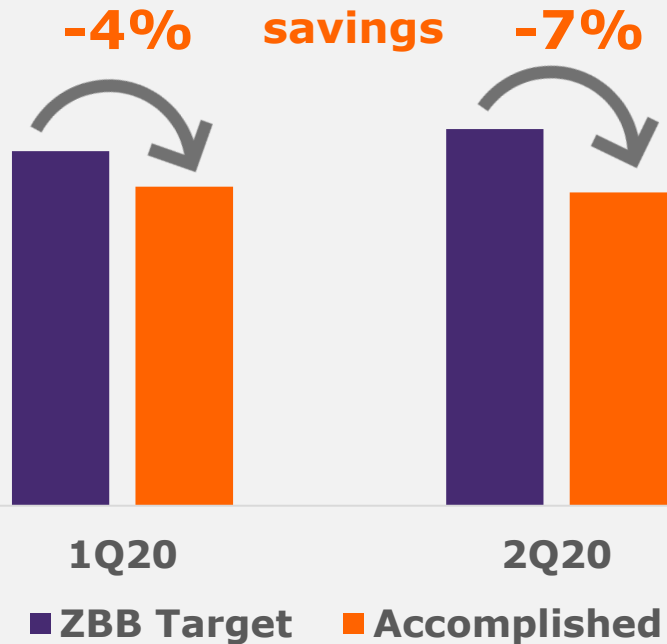
% net income



# OPERATIONAL EFFICIENCY

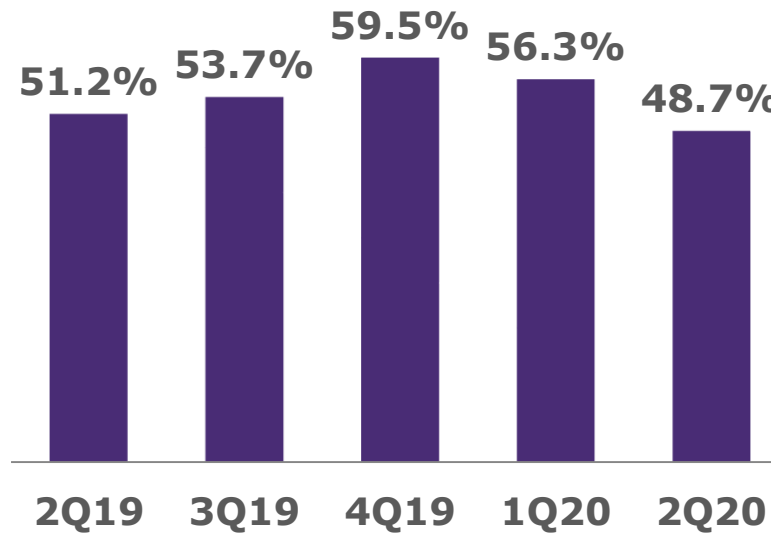
## COST MANAGEMENT

- Holistic view of processes
- Automation
- Cost culture



## EFFICIENCY INDEX

(%)



Reduction in the pace of expenses growth

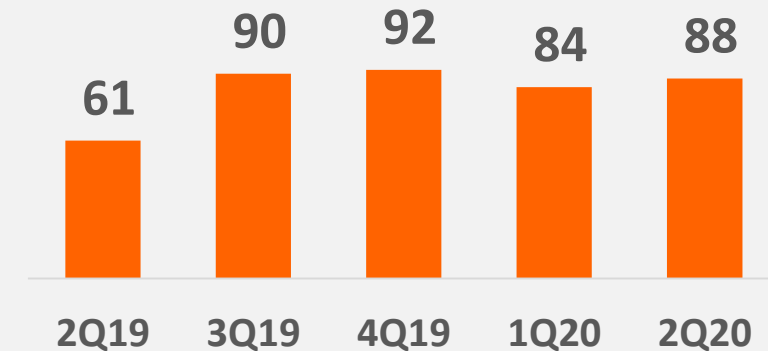
## MASS CIVIL LAWSUITS

**Acting at the root cause**

**80%** of origination with digital formalization in Jun/20

**Meritocratic alignment** with the sales channels

**Net operating provision expenses**  
R\$ Million



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**MAIN**  
**INDICATORS AND**  
**PRODUCTS**

# 2Q20 HIGHLIGHTS

RECURRING NET  
INCOME

**R\$ 101**  
million

**+20%**  
(2Q20x2Q19)

INTEREST  
MARGIN

**R\$ 1,007**  
million

**+48%**  
(2Q20x2Q19)

RECURRING  
ROAE

**10,7%**  
p.a.

**-3,4p.p.**  
(2Q20x2Q19)

INTEREST  
MARGIN

**28.8%** p.a.

**+5.6p.p**  
(2Q20x2Q19)

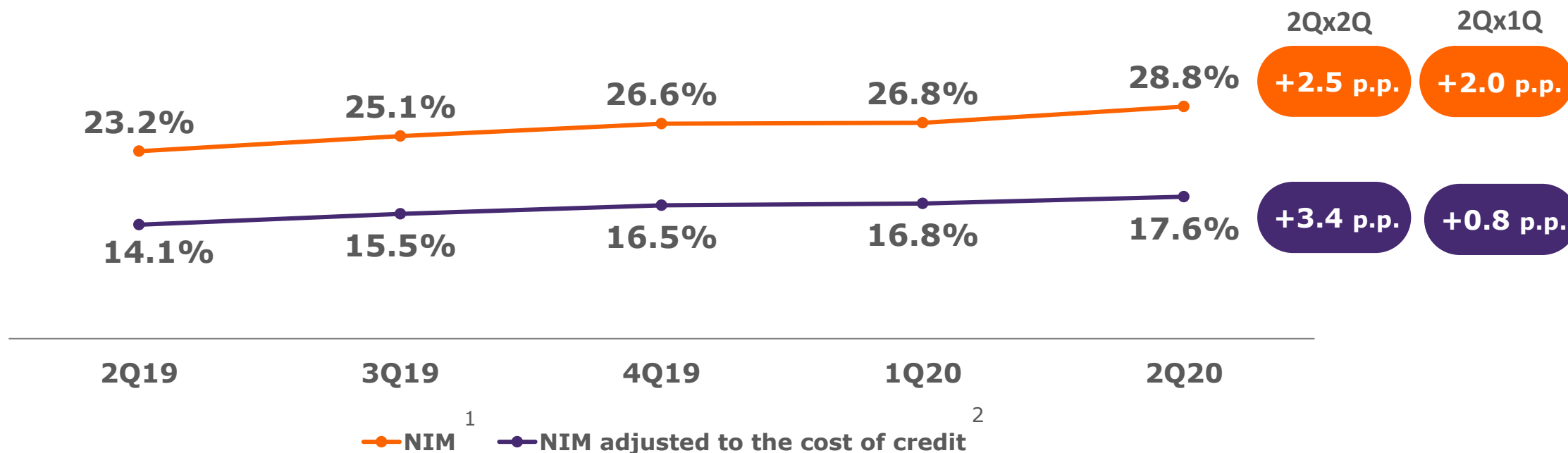
RETAIL LOAN  
PORTFOLIO

**R\$ 10.6**  
billion

**+24%**  
(2Q20x2Q19)

# MARGIN EVOLUTION

## Interest margin evolution (% p.a.)



1 - interest income + revenue from services rendered / average profitable assets

2 - interest financial margin after expenses with net provision for recovery and expenses with agent fees + revenue from services rendered / average profitable assets  
Based on the recurring result.

# BEST CREDIT CARD

## PAYROLL CREDIT CARD



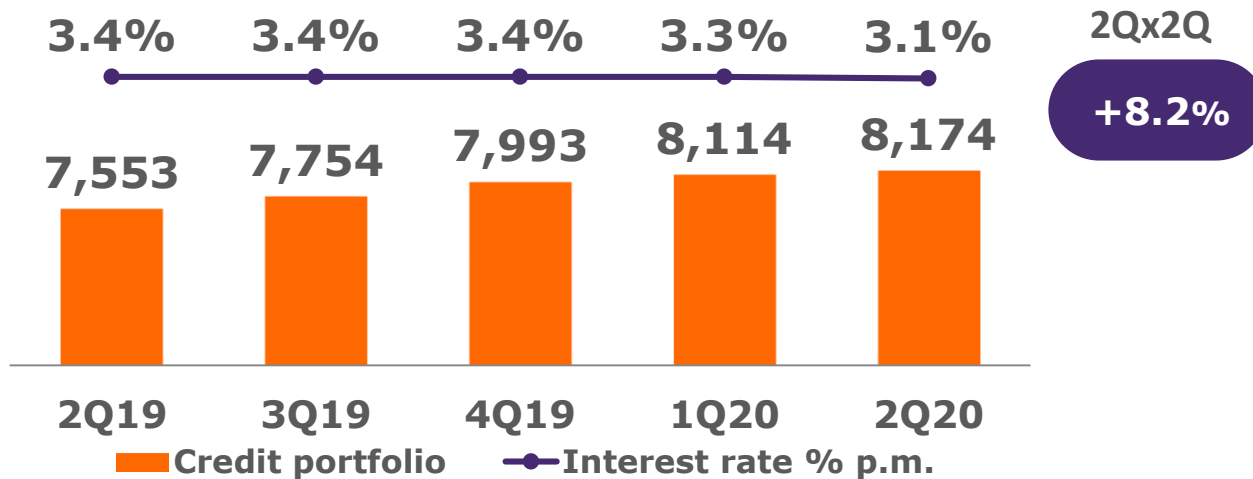
Growth or purchases in **digital services**

**+12%** Interchange fee  
(2Qx2Q)

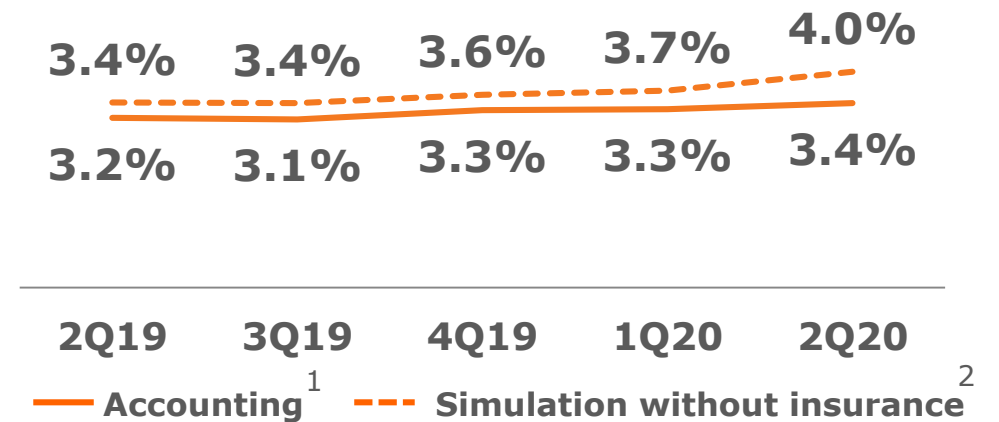
**80%** Revolving in purchases

**45%** of penetration of **mass insurance**  
(31% 2Q19) in the portfolio

**Portfolio evolution**  
(R\$ million)



**NPL evolution**  
(% over 90 days)



1 - Methodology: E-H portfolio / total portfolio | 2 - Management view without mass insurance

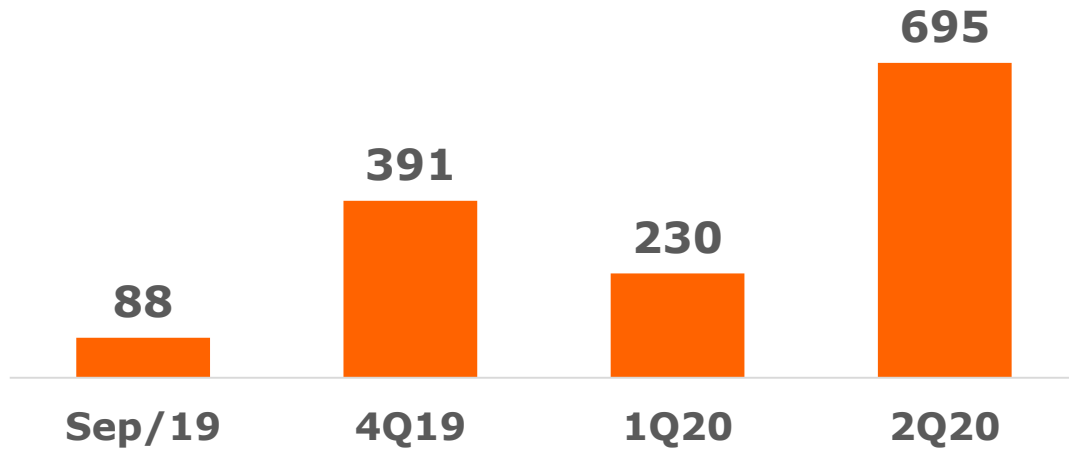
# PAYROLL LOAN

## Loan portfolio

R\$ **838** million  
in Jun/20

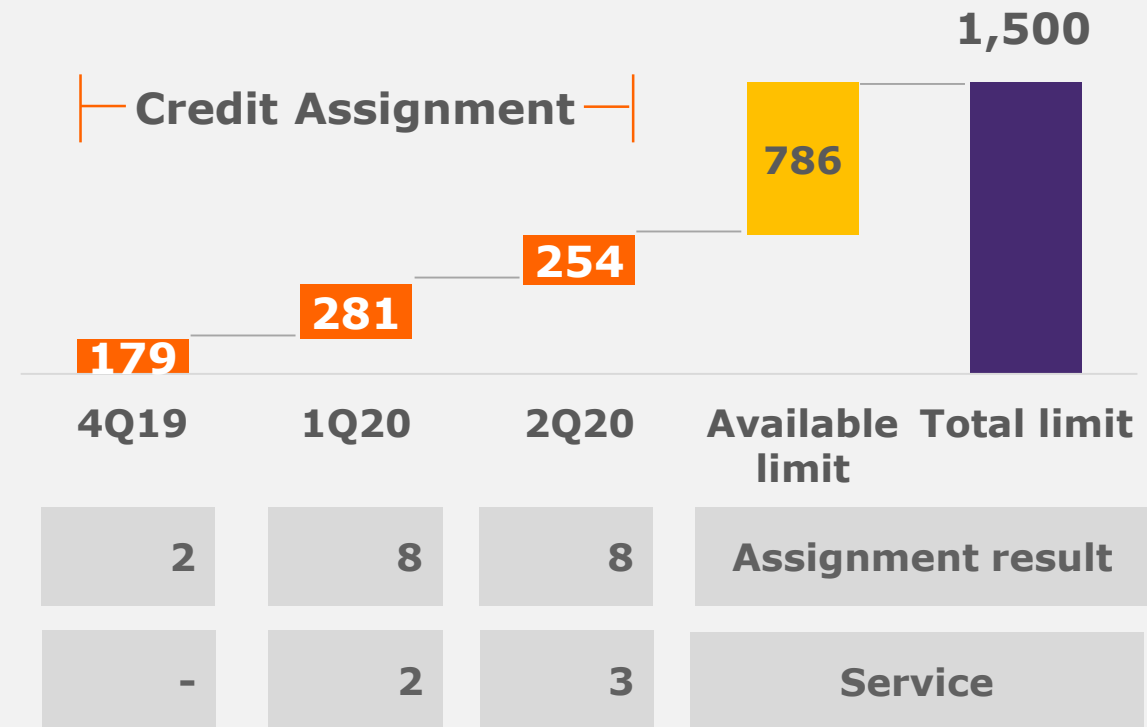
**78%** | **22%**  
INSS | Federal  
Interest rate: **1.8%** p.m.

## Loan origination (R\$ million)



## Partnership securitization<sup>1</sup>

R\$ million



1 - partnership with a securitization company. Through it, the Bank undertakes to assign without substantial risk and benefits retention up to a limit of R\$ 1.5 billion in payroll loan operations with INSS retirees and pensioners



# PERSONAL LOAN

## DIRECT DEBIT LOAN

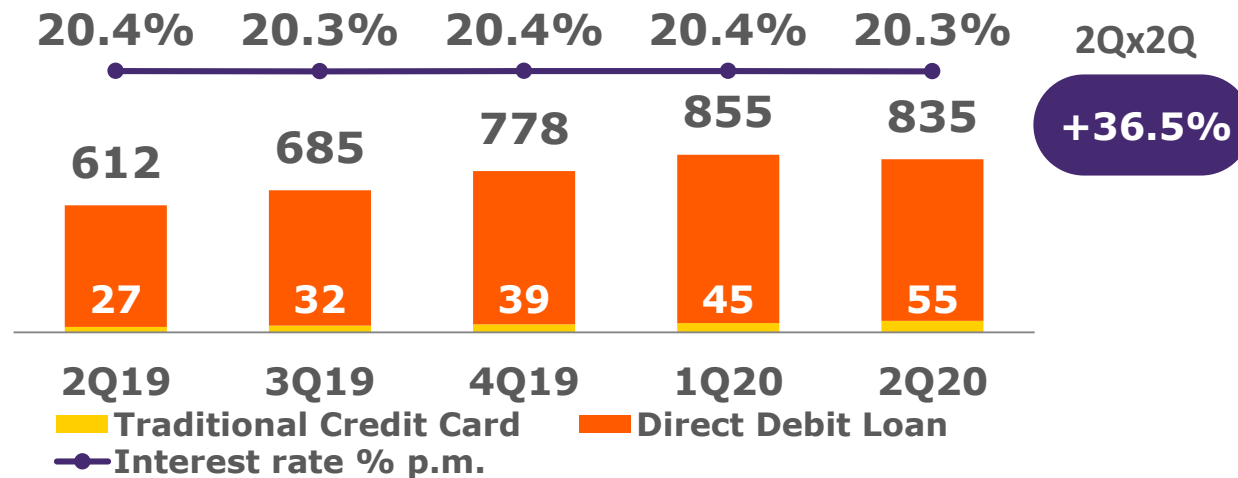
Receive benefits  
at **BMG**

**58%** of portfolio  
*vs. 43% in 2Q19*

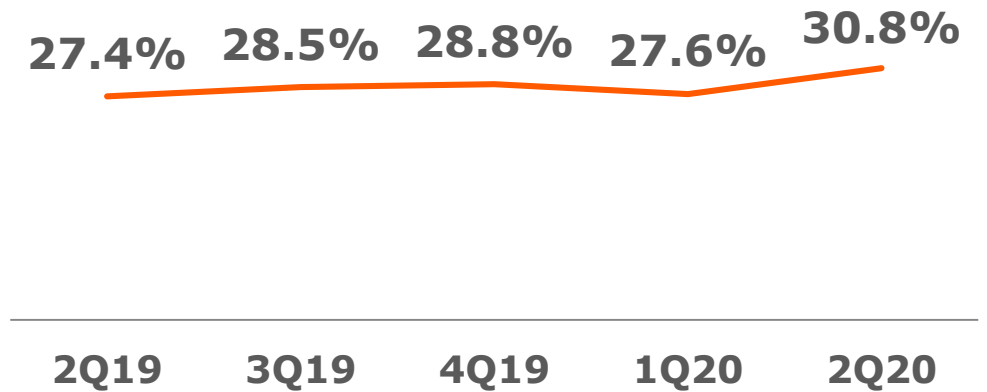
**61%** of origination  
*vs. 54% in 2Q19*

**+330** Active open  
Thousand credit cards

**Portfolio evolution**  
(R\$ million)



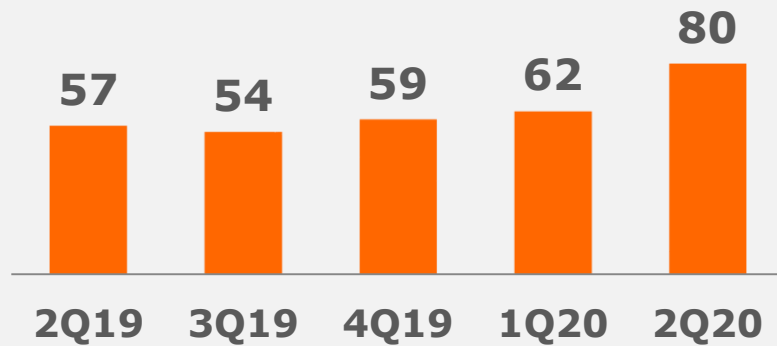
**NPL evolution**  
(% over 90 days)<sup>1</sup>



1 - Methodology: E-H portfolio / total portfolio

# MASS INSURANCE

## Issued premiums evolution (R\$ million)

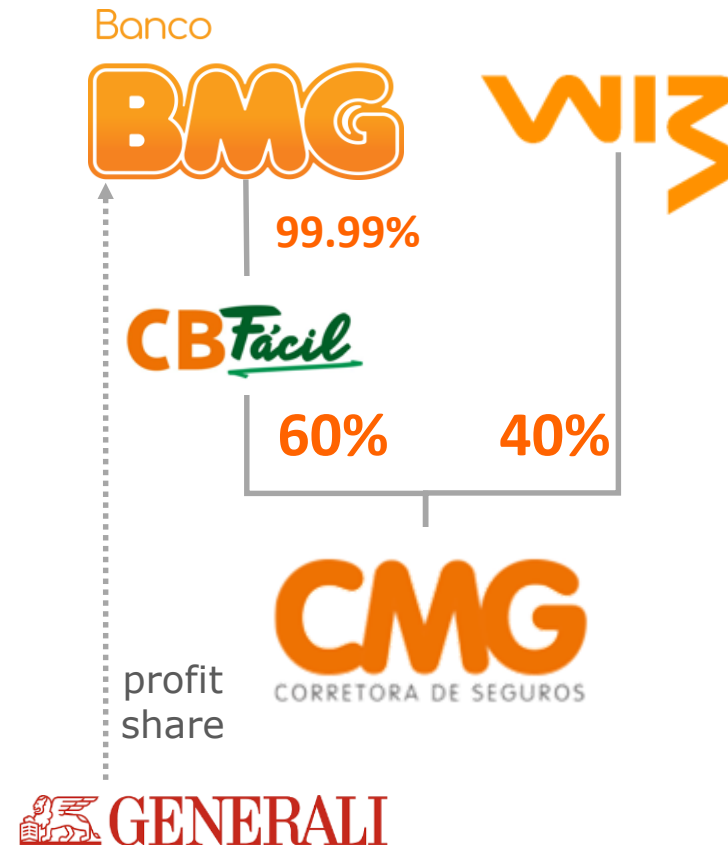


## Sources of income (1H20)



**R\$ 62 mm** in revenue in 1H20  
(vs. R\$ 45 million in 1H19)

## WIZ PARTNERSHIP



## Sale of 40% of CMG Corretora

Offer insurance products in line with BMG's Phygital strategy

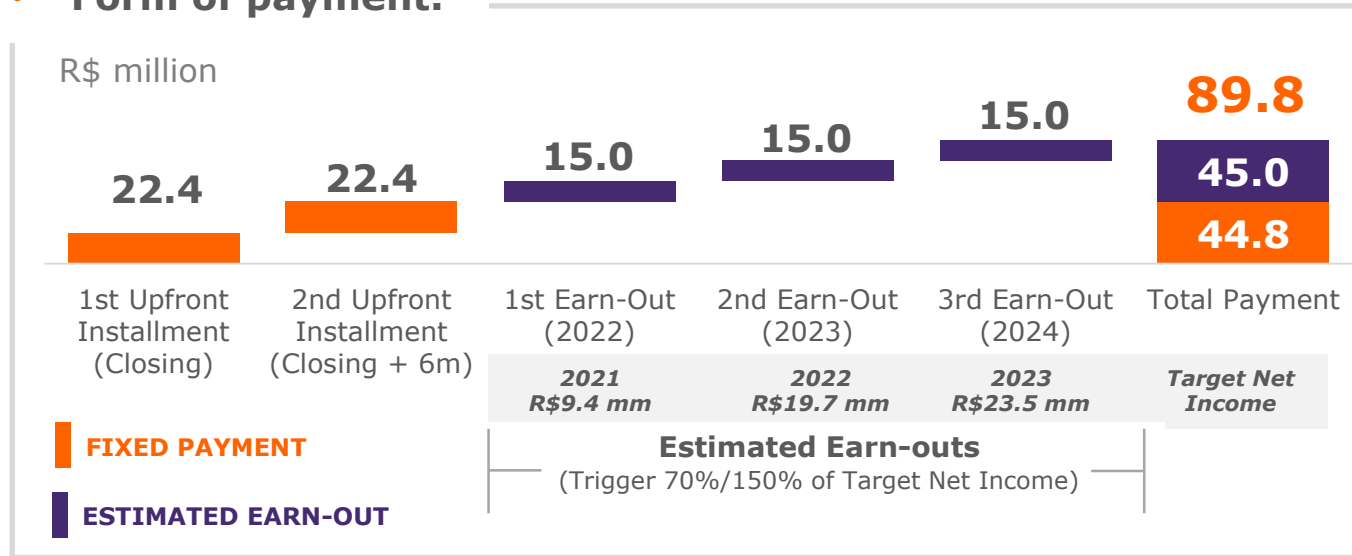
- ✓ Leverage the sales of insurance products already sold by the CMG
- ✓ Add new products and technology for customer needs and BMG relationship channels

1 - The commission relating to the sale of insurance is accounted by BMG via the equity equivalence of its indirect subsidiary CMG Corretora.

# DEAL BMG & WIZ

## DEAL DETAILS

- **CMG base valuation:** R\$ 224.4 million
- **Base purchase price** of 40% of the shares: R\$89.8 million
- **Form of payment:**

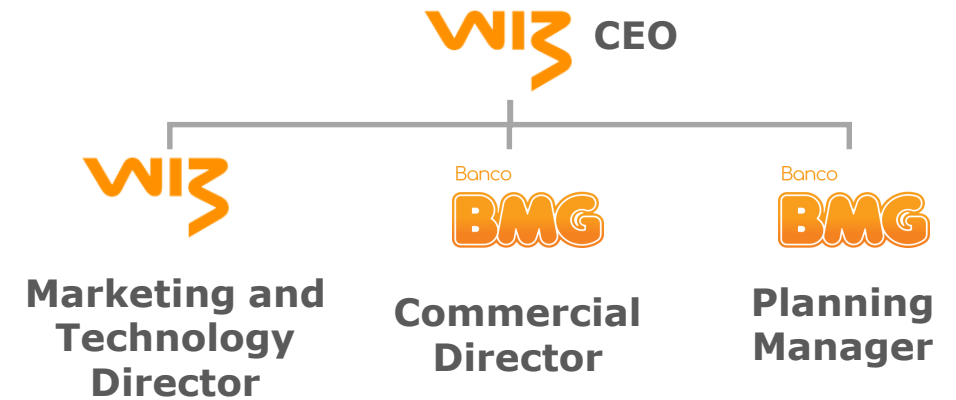


- Wiz have a **call option** for an additional acquisition of up to 9% of CMG for R\$ 20 million, according to precedent conditions
- **Concession of exclusivity** between Banco BMG and CMG, for 20 years, for the sale of security products<sup>1</sup>

1 – Respects the exclusivity terms already agreed with Generali

## GOVERNANCE STRUCTURE

- **Board of Directors:**



BMG has the right to veto the choice of the CEO and to remove the board in the event of poor performance.

- **Management Board:** There will be no Board in CMG's governance structure. The company will be managed by the board, with the exception of specific matters designated for the deliberation of partners.
- **Commercial strategy committee:** responsible for approving campaigns and remuneration policies and is composed of executives from Banco BMG

# KEY TAKEAWAYS



**record growth** of the client base and new accounts in 2Q20



features for the digital bank are **increasing the bank's client stickiness**

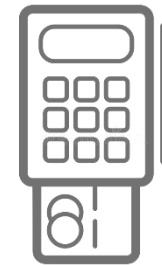


greater share of **non-credit** revenues in the result, especially deriving from insurance

current structure is **highly scalable**



launch of the digital bank for companies, **strengthening the acquiring business**



expansion of the client base **accelerates growth of the digital bank**



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