

## Y 2013 Earnings Call

### Company Participants

- Marcelo Augusto Dutra Labuto, Chief Executive Officer
- Werner Romera Suffert, Chief Financial Officer

### Other Participants

- Carlos Macedo, Analyst
- Regina Sanchez, Analyst
- Unidentified Participant

### Presentation

#### Operator

Good morning everyone and thank you for waiting. Welcome to BB Seguridade Fourth Quarter 2013 Earnings Conference Call. This event is being recorded and all participants will be in a listen-only mode during the company's presentation. After this there will be a question-and-answer session. (Operator Instructions)

This event is also being broadcast live via webcast through BB Seguridade's website at [www.bancodobrasilseguridade.com.br](http://www.bancodobrasilseguridade.com.br), the presentation is also available in the financial information section. Participants may view the slides in the order they wish. Before proceeding, let me mention that forward looking statements that may be made during this conference call regarding expectations, growth estimates, projections and future strategies of BB Seguridade are based on the management current expectations and projections of future events and financial trends, that may affect the business of the group and do not guarantee future performance. Since, these projections involve risks and uncertainties that could extrapolate the control of management.

The information presented follows the consolidated combined financial statements in accordance with IFRS principles, except when otherwise indicated source. For more information on the statements of the company, please check the MD&A.

With us today, we have Mr. Marcelo Labuto, BB Seguridade CEO; Mr. Werner Suffert, CFO; and Mr. Raphael Ciniglio [ph], Head of Investor Relations. Mr. Labuto, you may now begin.

#### Marcelo Augusto Dutra Labuto {BIO 18015082 <GO>}

Good morning everyone, and welcome to our earnings call. Throughout 2013, we had an extensive agenda at BB Seguridade. I wish I've to conclude the IPO and the structure of

FINAL

Bloomberg Transcript

the company (Technical Difficulty) implementing new corporate functions, develop a well-structured corporate governance for BB Seguridade and our shareholders, and improve the governance controls over our affiliated companies.

During the last three conference calls I had the opportunity to discuss these challenges and some important achievement in the management field. And I strongly believe that the election of Mr. Natalia Gomez [ph] for the Board of Directors and Mr. Paulo Franceschi for the Fiscal Council adds up all the efforts that we've made to comply with all the commitments made in the IPO.

However, while recognizing the importance of this restructuring process and our achievements in this front, we knew inside the company that the most important in the first year of operation would be the financial performance and how the market would evaluate our recognition capacity.

Our net income reached BRL2.5 billion in 2013, when it's stripping out the one-off items our adjusted earnings amounted to BRL2.3 billion surpassing the most estimated of the brokers. When we released our guidance for 2013 with a return on equity implying an adjusted net income from BRL2.2 billion to BRL2.4 billion, part of the market found the figures too aggressive.

Now, we can say that without the impact of the upward slope of the (inaudible) rates, we would be celebrating the highest range of our guidance. Which highlights the remarkable effort made by Banco do Brazil sales force in the last year. Considering the dividends distribution, we delivered the guidance for return on equity and also there is a mix for growth in revenues for Brasilcap and for SH2.

In the case of Brasilcap, we anticipate parts of the growth forecast for 2014 which should benefit Brasilcap's net investment income going forward. As it has repriced an important part of its reserves and is expected to benefit from higher interest rate. On the other hand, we have mixed our guidance of growth in revenues for Brasilprev and SH1.

We all know how deep the steeping movement of the forward large curve impacted the returns on fixed income in inflation-protected bonds and brought more challenges there for raising new pension plans contributions.

In the case of SH1, although we did have sales below forecasted in life products, revenues from the bancassurance channel increased by 42%, driving higher commission for BB Corretora and improving earnings for BB Mapfre SH1 as these channel provides for a better combined ratio.

Anyway I believe that the best way to access our performance is to look at the market. Our combined market share surpassed 24% increased by almost 300 basis points. Not only that, but we outpaced the market in every segment that is important for our strategy, premium bonds, pension plans, life, credit life and mortgage life and rural.

FINAL

Bloomberg Transcript

I would highlight Brasilprev which reached the leadership in terms of contributions for the first time in its history, and accounted for 55% of the entire industry in terms of net inflows. Another important topic that I would like to emphasize is related to the ADR level one program. Just to follow-up with you, we are about to file the documents with the CVM, and we expect that the program to be implemented by the mid of this semester.

Finally, we announced yesterday the distribution of BRL1.2 billion in these events. Considering the distribution that we have made referred to the results of the first half, total dividends paid amounted to BRL2 billion, which is equivalent to 80% of our net income reaching another commitment that we have made during the IPO. Well, these were the main points that I would like to emphasize before starting our earnings presentation.

Thank you all for being with us. And now, our CFO will guide us through the presentation and the Q&A section.

### **Werner Romera Suffert** {BIO 18657101 <GO>}

Thank you, Labuto and thank you all for joining our conference call. So moving to page three, we present some highlights for 2013. Our adjusted net income reached BRL2.3 billion, 29% higher when compared to 2012 and equivalent to an adjusted return on average equity of 35.9%.

Our combined market share in November 2013 including revenues from insurance, premium bonds and pension plans reached 24%, 310 basis points higher than in the previous year. In the insurance segment, we saw an improved operating performance in both SH1 and SH2. The combined ratio in the SH1 reached 74% in 2013 an improvement of 410 basis points when compared to 2012. In SH2, the combined ratio improved by 118 basis points and reached 97% in 2013.

Later in this presentation we will cover it in more details. Contributions in pension plan segment grew by 27% in 2013 even in a challenging scenario for raising new contributions, considering the volatility in the forward interest rate. It's worth mentioning that Brasilprev was responsible for 55% of total market net inflows during 2013.

In the premium bond segment, we reached a record volume collection in 2013. In this year collections grew by 62% over 2012, which led Brasilcap to a market share above 29% and strengthen its leadership in this sector. Brokerage income amounted to BRL1.8 billion this year 30% up compared to 2012 being SH1 and Brasilcap are the main drivers of this growth. And finally the last point that I'd like to highlight is the distribution of BRL2 billion as dividends, equivalent to an 80% payout.

On slide number four, we show our performance compared to the guidance for 2013. As you may see we achieved most of the indicators. The first one, the return on average equity, we can say that the guidance was achieved if we consider the dividend distribution which were decided by the Board of Directors. If we consider this adjustment in the shareholders equity our return will be 38.4% the middle of the range of 37% to 41%.

FINAL

Which led us to conclude that if we did not have the upward slope of the forward yield curve, we would have been very close to the top of the range with equivalent to a net income of BRL2.4 billion.

In premiums written and SH2 we were also in the middle of the range of 15% to 20%, and in the premium bonds collection we were very close to the top of the range with a growth of 62%. There are only two guidance that we were less [ph]. Premium bonds, premiums written and SH1 that in this case the deviation was mainly due to the lower than expected performance in sales of products from the life segment except credit life, especially in the third quarter 2013.

And during the second half of 2013 we focus on products with more recurrence and not necessarily higher average tickets, which also impacted the phase of roof. In the case of pension plans contributions, 2013 was very poor for the industry due to the volatility in deferred rates, which impacted the performance of fixed income funds and brought a very challenge scenario for new funds rising.

It's worth noting that the guidance of both premiums written and SH1 and contribution in pension plans, the deviation from the guidance was small, and as you can see in page five basically our performance was much better than the industry considering an year-to-date data until November which was the life information provided by SUSEP, which is the regulator for insurance companies in Brazil.

In SH1, for example our growth in life segments reached 22%, while the industry grew by 17%. The rural segment, we grew more than twice the market growth and in the mortgage life the increase was four times higher than the industry. Based on plans we raised the growth of 28% in contributions, while the industry contracted 2.4%. In 2013, our net inflows were 5.2% higher than in 2012 while the industry, the volume of net inflows dropped 48.6%. Another point to be highlighted is the premium bonds collection which rose by 57% while the industry grew only 14%.

Next page represents the main effects on the net investment income, another point that affected the earnings this year. As you may see the forward yield curve looking to the forward contract maturing in January 18, opened GAAP of more than 40 basis points -- 400 basis points, sorry, compared to the end of 2012. This change in the yield curve affected significantly the mark-to-market effect -- the mark-to-market of the fixed income portfolio impacting negatively the return on the financial investments of all affiliated companies. Especially at Brasilcap and SH2, which had a higher concentration of predicted and inflation-protected bonds.

This year, the net investment income contributed to -- with 19% of net income, while in 2012 it was accounted for 30% of the earnings. In the fourth quarter 2013, we had some one-off items that affected our earnings as you can see on page seven. To provide a better understanding of our earnings, these items were excluded as we need to see the details in this slide.

November, our affiliates of Mapfre Vida and Mapfre Seguros in addition to our subsidiary BB Corretora joining to

REFIS Brogan [ph] for the payment of some obligation regarding PIS/COFINS tax expenses.

By adoring to this problem it was possible to get a discount of 100% of the filing [ph] statutory fees, which resulted an amount to be paid that was lower than the amount provisioned for these obligations, which had a positive impact on our earnings. In this quarter we have also as an extraordinary event the strengthening of provisions for curve, but not enough reported in both SH1 and SH2.

Negatively impacting the BB Seguridade earnings, besides we have also some adjustments from our stake in IRB. If we look at our corporate law net income we've reached BRL904 million in the fourth quarter of 2013 and BRL2.5 billion in 2013 as a whole.

On page eight, total revenues including insurance premiums written, pension plans contributions and premium bonds collections reached BRL13 billion in fourth quarter 2013, an increase of 49% quarter-on-quarter and 32% year-over-year. In 2013 total revenues amounted to BRL43.3 billion which represents an increase of 30% when compared to 2012.

The adjusted net income of BRL707 million which will of 29% over the third quarter shows the seasonality in sales concentrated at the end of each semester. With the strong performance of our affiliates was also possible to boost the BB Seguridade's revenues and enable BB Seguridade to reach an adjusted net income of BRL2.3 billion in 2013, real of 29% in the year and an increase of 300 basis points on return on equity, even in an adverse scenario for the net investment income.

Moving to page nine. We are going to cover the performance of each one of our company. Beginning with insurance in life, Mortgage life and rural segment the total premium written totaled BRL1.7 billion in the fourth quarter an increase of 14% quarter-over-quarter and of 32% year-over. In 2013, premiums written reached BRL6.2 billion, 34% up when compared to 2012, driven most by life, credit life and rural segments.

The improvement in underwriting results lead the fourth quarter net income to surpass 41% the one reported for the third quarter of 2013 and an 80% the one reported in fourth quarter of 2012. The good performance of the underwriting results for 2013 offset a weaker net investment income and leads the SH1 net income to grow 40% over 2012. With the return on average our average equity hedging up 956 basis points.

On next page we present the most important performance ratios considering the relocation of results with reinsurance among the correspondent lines in the income statement. In the fourth quarter the combined ratio reached 68.4%, much better than the level of 76% from previous quarters. We can note here an expressively drop in claims and in G&A ratios. When we talk about 2013, all performance ratios had fallen as compared

FINAL

Bloomberg Transcript

with previous year with claims dropping 210 basis points and commission dropping by 140 basis points.

Moving to PNC on page 11, premium written grew by 19.4% year-over-year, driven mainly by the casualty segment. In 2013, premiums written rose by 70.2% driven by other and casualty segments. As you can see in the bottom of the right hand side, the adjusted net income for 2013 dropped by 13% impacted by the upward slope of the forward yield curve, which resulted in a weaker net investment income for 2013.

In the next slide we have the performance ratios adjusted by the effects of reinsurance. In the fourth quarter 2013, the adjusted claims ratio fell 279 basis points year-over-year and 554 basis points quarter-over-quarter. On the other hand, the G&A ratio for the fourth quarter 2013, rose by 300 basis points due to the increase in orders expenses line as a result of higher expenses with contribution to the (inaudible) which can be understood as a fund for the stability of the rural insurance.

As this -- SH1 the combined ratio improvement in 2013 dropping by 118 basis points -- percentage points as a result of our rural commission ratio.

In pension plans on next slide, total contributions grew by 27% in 2013 with PGBL keeping as the main resource of -- resource of results. In the fourth quarter of 2013 contributions amounted to BRL7.4 billion up 29% year-over-year. Brasilprev net income reached BRL592 million in 2013, 24% up year-over-year driven mostly by the growth in income with management fees as a result of increase in the average volume of assets under management. Brasilprev ended 2013 with BRL84.4 billion in assets under management growing 24% year-over-year, due to the increase in contributions associated to a low level of redemption.

On page 14, we can realize that even in an environment, variable volatile for interest rates which has affected the complementary pension plan industry in Brazil. Brasilprev presented a performance much better than the one seen in the industry in both contributions and net inflows. (inaudible) between Brasilprev, the market performance and the market performance without Brasilprev, which is a fair comparison in our point of view.

In terms of contributions on a year-to-date basis on 2, November 2013, the last information disclosed by Brasilprev, Brasilprev grew 29% year-over-year while the industry excluding Brasilprev participation rejected 2%. When we look at the net inflows, the market contracted 49% compared to 2012 and an some of 2013 being reported a net outflow. While for Brasilprev net inflows grew by 5% over 2012. At the right bottom side, we can see that Brasilprev was responsible for 55% of all market net inflows in 2013.

On next page we have the premium bonds performance. In the fourth quarter 2013, Brasilcap reached BRL1.8 billion in collections, 76% [ph] up year-over-year. The amount of collections reached BRL6.3 billion in 2013 with a strong participation of unique payment plans. The net investment income in the fourth quarter presented a strong recovery, recent increase of 6% compared to the same quarter of 2012, a 95% quarter-on-quarter.

FINAL

Bloomberg Transcript

FINAL

When we look at the net investment income of 2013 it fell by 68%, and Brasilcap was our most impacted company by the steepening forward yield curve, which -- what is natural to the concentration of financial investments in perfected -- inflation protected securities in line with its liabilities which are mostly perfected. It is worth noting that -- it was taken a lot of measures in order to mitigate this effect as the hedge that brought positive result of BRL67 million in 2013 and a high allocation of resources in the -- held to maturity category.

In this scenario the Brasilcap net income showed strong recovering in fourth quarter 2013, growing 6% compared to fourth quarter of 2012, and of 94% quarter-on-quarter. In the yearly comparison the financial result has negatively impacted and the net income was 21% lower compared to 2012 was then offset with the robust operating performance of the company. While the net investment income dropped 68% as compared to 2012, the bottom-line reduction was three times smaller.

On the next slide, we can see as a result of the sales growth of Brasilcap, an increase in lot of the results explained by a greater number of prices due to (inaudible) in 2013. At the left chart in the right hand side of the slide we can see the technical reserves evaluation which grew 47% in the year.

Moving to the BB Corretora on page 17, brokerage fees gross by 30% in 2013 boosted mainly by the growth in premiums of life, rural and mortgage life segments and by the sales of premium bonds. The net income for the fourth quarter 2013 was BRL270 up 50% year-over-year and again 4% quarter-on-quarter. (inaudible) absolutely normal since the fourth quarter is the period that concentrates the highest sales volume.

In 2013, with the BB Corretora net income amounting to BRL930 million, 30% higher when compared to 2012 and the net margin reached 52% with an increase of 299 basis points over 2012, due to a better net investment income.

To wrap up this presentation, we provide on page 18, our guidance for 2014. Based on 2013 figures and our expectation for the year, we expect return on average equity for the BB Seguridade from 44% to 49%, which represents the net income from BRL2.8 billion to BRL3.2 billion. Premiums growth in SH1 within 25 -- 24% to 32%. Premiums growth in SH2 from 19% to 26%, net pension plan segment we estimate contributions increasing from 33% to 47% and to premium bonds we expect the growth of 10% to 15%.

We thank you all again, and now we are open for the Q&A session.

## Questions And Answers

### Operator

Ladies and gentlemen, we will now begin the question and answer session. (Operator Instructions) Our first question comes from Mr. Carlos Macedo with Goldman.

**Q - Carlos Macedo** {BIO 15158925 <GO>}

Good afternoon gentlemen, I have a couple of questions. The first one is your guidance. Looking at the figures you put here, plus the figures that your competitors have put into their guidance. It looks like you would gain another 300 basis points in market share in 2014, and top of that already 300 basis points in market share you gain in 2013.

Now, is that just tapping into the Banco do Brazil client network? Are you going to go outside that? Do you expect your competitors to react, there was a full year for them this year and pensions, is there going to be a bounce back there? What is the strategy for you to be able to -- two years in a row gain 300 basis points in market share?

The second question is a question on unemployment, we really haven't seen an employment in Brazil in the longtime, it's possibly that we see at this year those not really come up in a big way yet. Have you done any sensitivity or do you have any idea of what the impact of unemployment will be, particularly for Brasilprev given the savings like the nature of the products that you sell. Thank you.

#### **A - Werner Romera Suffert** {BIO 18657101 <GO>}

Thank you, Carlos for your question. First about the guidance, and the performance that we expect for pension plans. We think that in 2014, we will continue our strategy to reinforce the collection growth and of course this will be important also to sustain our net inflow, and this is -- it will be a key factor this year, because of the increase in the redemption rates in this industry, so we are working hard to sustain our net inflow for Brasilprev and of course we expect that the market will react related to our market share growth, but we have a very strong client base that we are just starting to explore.

Our main competitor, they are exploring the segment for us a long time and we just started some years ago, some decades ago and they have more than 30 years in this market. So, we think that we can sustain our growth above the markets average for the next years. And this is the main driver for our guidance for 2014, in all the companies of course, in some companies we have also some changes in the mix of products, product mix, just like in premium bonds, Brasilcap.

We estimate that this year, the growth will give you a little bit lower because of this change in the mix and we anticipate a little bit in the growth that we expect for 2014, we anticipate in 2013 and this impact the financial results of the company both positively so it would be good for the results in 2014. And that's the main point related to guidance.

Exploring the second question, the unemployment rate -- firstly I am not very sure to answer your question.

#### **Q - Carlos Macedo** {BIO 15158925 <GO>}

Yes. I mean, just one question, then just a follow-up. What you expect the market will grow, I mean you showed around 14% growth in the market as you see at this year. Is that - did you expect a similar level for 2014?



FINAL

### **A - Werner Romera Suffert** {BIO 18657101 <GO>}

This market growth is a blend, of course, it's hard to say -- did you need to look at each segment, because some segment the market is -- the growth will be lower than the orders, so when you see SH2, we think that the market will be lower than auto [ph], and a little bit higher in TSC as a whole the products -- property products and as an example.

And in life segments, you will see rural and other segments growing faster than, for example life, the traditional life product because of they are new product so we will see -- like we talk a little bit earlier in the Portuguese conference, we have some new products just like the credit life for SME, that will be launch at this year and some other company's they are reinforcing the strategic, the segment also, so this will impact the growth this year. But, this is, I think that, with this I answer your question.

### **Q - Carlos Macedo** {BIO 15158925 <GO>}

The second question is --

### **A - Werner Romera Suffert** {BIO 18657101 <GO>}

And the second question related to the unemployment. We have sensitivity analysis related to the some factors of course, interest rates, unemployment, and other advanced but due to this growth -- the possibility of growth in the unemployment rate, we think that if you have some change, major change in this, this will impact of course some lines of business, but we don't expect that this change will be the dramatic as in the history, in some years ago in the Brazil. So we don't fall forecast that, we don't do it, we don't have a forecast showing that the unemployment rate will increase a lot.

And but, if it happens this will change the credit life growth of course, because in all the segments related to credit, so long in Banco do Brazil maybe with this scenario we will suffer, but this is not our base case scenario. So just, of course in the worst case scenario, we will have this kind of change. But we have the sensitivity amounted in all of the companies.

### **Q - Carlos Macedo** {BIO 15158925 <GO>}

Okay, thank you. Thank you for your replay.

### **Operator**

Our next question comes from Ms. Regina Sanchez with Itau BBA.

### **Q - Regina Sanchez** {BIO 16404038 <GO>}

Hello everybody, congratulations again on the great results. I have two questions, the first one is that we noted that credit life product have lost some steam in the fourth quarter in terms of written premiums although it grew 28% in 2013 compared with 2012.

But on the other hand, I mean traditional life insurance show the different trend either accelerated the growth in the fourth quarter compared with fourth quarter of 2012, it's

FINAL

almost 36% growth, but it grew only 21% in the full year of 2013. Can you share with us if there was any change in the branch manager's goals and incentives that explain this trends, and if you plan to calibrate this incentive in a different way going forward? I mean, as you said, I mean you expect to grow also fastening credit life products especially with launch to the SME product?

And then my second question is regarding the -- you mentioned the change in the mix of premium bonds, I mean that you plan to grow more in monthly repayment plans versus the one-time payment, the mix was around 70% in this unit payments and 30% in the monthly repayment, what do you expect for the mix in 2014? And also if you could share the difference in profitability and cost, of course, these types of premium bonds, I would appreciate. Thank you.

### **A - Werner Romera Suffert** {BIO 18657101 <GO>}

Thank you Regina for your questions. Firstly, regarding SH1 and credit life growth and life - traditional life growth. Yes, we have some -- we have some tools to engage to increase the metrics and increase the volume inside the branches. We use this tools during the year. We don't have a major change in our mix related to this products of course, when we are talking about life insurance, traditional life insurance increasing in this product. It generates a very important recurrence on premiums and this is a very good way to increase the -- with quality our portfolio, and this is one of our strategies in SH1.

The second one related to credit life, in the fourth quarter the credit life was a little bit -- the growth was not so high compared with the quarters, some quarter quarters, but we are working as you know new products, we have the credit life for SME, and even for the individuals credit life, we are -- we have in this year, we will continue to focus on this product because of that it is a very easy product to sell in the new branches attached through the same process of selling.

The loans for Banco do Brazil, so the profit is either cheaper for BB Corretora to pay this kind of product when you compare with some other products that you need to talk with the client and explain a lot of how it works. So it's easier because it's in the flow of sales -- the loans and this -- we believe that in this quarter and next quarters the guidance that we are providing 24% to 32% will be achieved because of the strategy related to credit life that will continue this year. We are increasing the strategy and therefore to sell the traditional life and as you've told us this has started to grow faster during the fourth quarter.

And the other products I need to highlights that rural insurance and house insurance, the growth was very -- mortgage life was very, very good, higher than -- the development was higher when compared with the other products and we expect that this growth will remain this year. So that explain the guidance for SH1 and the mix will change. We'll continue the change of course because we will have -- rural insurance increasing and other product increasing, but we are trying hard and we are having success on that on increasing the life parts of -- life insurance parts of SH1 also.

Bloomberg Transcript

FINAL

For related to premium bonds, the mix in premium bonds -- if you look at our last quarters, in 2012 our mix were nearly 15%-50% [ph] which is increasing quarter-by-quarter. Now we achieved this mix in the last quarter nearly 70%. But we think that the best way to approach the near future will be driving back and or moving back to the mix that we have last quarters, because it impacted -- it help us with the requirements also, because as you told when we have this products, we don't need to sell products yearly. So we have a long time relationship with the clients with the growth will be showed in monthly basis, we don't have to -- you don't have to sell to have the same effort in the Banco do Brazil branches and this is important because we pay back -- when borrowers comes to Brazil the cost related to this sale profit.

And, so we are trying to move back to our mix in the monthly payment and unique payment, because this is the one that we have in our business plan and this is the best one through the long-term of Brasilcap profitability.

**Q - Regina Sanchez** {BIO 16404038 <GO>}

Perfect. Just a follow up on the first answer regarding the guidance for SH1 of 2014, 32% growth in return premiums. Can you share any estimates of the average term duration of the products. Does it mean considering that this growth in written premiums might impact maybe even more 2015 earnings considering the deferral of recognition of earning premiums and commission revenues related to those products. Just a rough idea especially now that you're going to introduce the credit life for SMEs, if the -- this duration is going to change or not? Thank you.

**A - Werner Romera Suffert** {BIO 18657101 <GO>}

Thank you, Regina. So when you look at the products for SH1 most of them they are 12 months product, rural insurance, most of the rural insurance, life insurance, the traditional life they are 12 month products. But when you look at credit life for (inaudible) SMEs as you said they have different durations. So they are a little bit longer and the duration for this new portfolio of SME tradition -- SME credit life will be nearly 18 months and the duration for the hidden [ph] loans are little bit higher than that nearly 24% to 30%, of course depends on the asset growth.

So the -- you have also the impact of renewal of the loan, so this impacted the duration. But 24% to 30% is a good net.

**Q - Regina Sanchez** {BIO 16404038 <GO>}

Perfect. Thank you very much.

**Operator**

Our next question comes from (inaudible) with BTG Pactual.

**Q - Unidentified Participant**

Hi, everyone, I've got a couple of questions on credit life. First, Banco do Brazil is expected to sum up decelerate its loan growth in 2014. Do you see any impact of this deceleration in your credit life product? And second, I'd like to know if you could share with us some figures on how is credit life penetration on the individual's portfolio of Banco do Brazil and of new originations? And just to make sure that we see that there is still some room for growing by increasing penetration not only depending on the portfolio growing.

### **A - Werner Romera Suffert** {BIO 18657101 <GO>}

Thank you Gustavo for your question. We have this -- you answered the question, because we are working in the two fronts. The first one we are increasing the penetration in this portfolio. This is a process that we started from 10% in 2011 moving to 20% in 2012, more than 30% last year and this is something that is increasing. We have a lot of room to grow in the penetration side of individual loans.

And we think that this will be the main driver for the credit life, individual credit life, because we can see in the -- you can see in the numbers that this is increasing in monthly base, so the new portfolio, the share and the participation of the new loans with our product is increasing, and this is something that which is not going to change this year, as we will continue to increase -- it's hard to say if we achieve the 70% rate or 60% rate, but we are still growing this penetration rate.

And it's important to say that we have also the one -- because that works in the outbalance, that works with -- we don't sell together with the credit, we can sell the credit life after that and but of course increasing the penetration in the first product.

The second one we will decrease, because will be more effective selling the product that is cost effective and the second we'll decrease. So this is one way -- the result will be a growth in our market share but the mix between these two products will change during 2014.

### **Q - Unidentified Participant**

Okay, thank you. Just to be clear this 30% of penetration is on new origination in 2013, and it's growing month after month, right?

### **A - Werner Romera Suffert** {BIO 18657101 <GO>}

This transaction is in the outstanding balance. So, we are increasing, of course and this number is always in the -- when you see the outstanding balance.

### **Q - Unidentified Participant**

Okay. That's clear now. Okay, thank you.

### **Operator**

(Operator Instructions) This concludes today's question-and-answer session. I would like to invite Mr. Labuto to proceed with his closing statements. Please Mr. Labuto, go ahead.

**A - Marcelo Augusto Dutra Labuto** {BIO 18015082 <GO>}

Thank you all for joining our conference call. More information can be found at our website [bancodobrasilseguridade.com.br](http://bancodobrasilseguridade.com.br), and our Investor Relations team is available for our any further clarification. Have a good day.

**Operator**

With this, we conclude the BB Seguridade's conference call for today. As a reminder the material used in this conference call is available in BB Seguridade Investor Relations website. Thank you, very much for your participation and have a nice day. You may now disconnect.

*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