

## Y 2021 Earnings Call

### Company Participants

- Rafael Augusto Sperendio, Chief Financial Officer
- Ullisses Christian Silva Assis, Chief Executive Officer

### Other Participants

- Antonio Ray
- Daniel Vaz
- Guilherme Grespan
- Tiago Binsfeld

### Presentation

#### Ullisses Christian Silva Assis

(Call Starts Abruptly) -- 1.4%. And also if you discount COVID, it was 4x bigger than it was in 2020 year. And so we would have had normalized results of about BRL4.4 billion, and this would be the highest results in the history of the company.

And so this result makes it possible for us to pay out BRL2.9 billion in dividends, and if we annualize [ph] dividends, we are talking about 73% pay-out. If you annualize only the second half of the year, it's 83% in terms of distribution, which reinforces the fact that BB Seguridade is a very good payer of dividend. And we are also able to grow and our results have been growing on very solid basis. And we are talking about the issuance of BRL12.1 billion in the premiums, a growth of 16% vis-a-vis 2020.

And moreover, another highlight in our results is the percentage of pension plans reserves. In 2020, we had 11% in December, and now we have as much as 32%, which makes it possible to increase satisfaction, increase retention, and as a consequence also having a more relevant admin fee as compared -- related to these funds and portfolio, which has contributed to the result of Brasilprev.

Additionally, ever since I joined the company in the middle of last year, I have been talking about that one of the focuses of my office is also to put the company on a different level in terms of business performance. I have been talking a lot about that.

So one of our trends is the distribution network of Banco do Brasil need to be more ambitious and distribute in other channels. This is something that we have been doing in a very well structured way. In last year, we implemented three different business models and we are expecting to close at least 10 partnerships that will be very robust before the end of 2022. So the strategy requires maturity. It's not overnight. But we are working very

hard so that the impact of these sales is representative in the overall result of the company in a short-term.

And now, I'm going to talk about the digital transformation and technological modernization. And so in our ambition of selling more, being more efficient, to have a better value proposition for our customers and also distribute in other channels, we need to make very robust investments in digital transformation.

On the left hand side, you can see that the company has been successful whether it sells on the digital channels, and here we are basically talking about Banco do Brasil app. And sales, we had 24% growth from 2020 to 2021, reaching as much as 12.8% of our total sales that are done through digital channels. When we talk about premiums, we are talking about a growth of 16% as compared to 2020. In terms of sales through digital channels, 65% of our customer base uses the digital channel. So we have a major opportunity of cross sell and upselling too, because our customers have this profile of utilization.

Last year, adding up all quantities [ph], we have invested BRL333 million in digital transformation. And this year we are going to invest even more because as I told you in our last conference call, in the past we used to have slightly less than 30% of our products were 100% ready to be connectable to new channels. For the new IT architecture, by the end of 2022, we're going to deliver 100% of our digital transformation with regards to products for the new architecture. Today, we are at 35%, but as I said before, with very robust investments before the end of the year, our entire portfolio will be ready. This is a roadmap that we have until 2023. We have advanced this deliverable by one year because this is fundamental for our strategy.

Moreover, we have invested heavily in analytical intelligence and we implemented many models during 2021 that have contributed for sales in excess of BRL1.6 billion in premiums, supported by analytical intelligence. Our platforms have been developed or improved in the journey, which makes it possible to be closer to individuals covered, offering a better value proposition. And so when we are talking about the digital transformation, we are talking about a wide ranging scope in terms of winning new customers and assuring the sustainability of our business.

I also would like to talk to you about the channel diversification. And as I said before, this is a strategy that we have invested a lot in. And once again, Brazil is and has always been, and will always be our main sales channel, but we also want to find businesses in other platforms. So in 2021, we have added another 200 new partners in rural insurance that had issued -- as we register them, they started producing and they have issued BRL58 million in premiums in the second half of last year.

We have closed the partnership with a major distributor Agrogalaxy, and this was announced to the market, and with Alper brokerage firm to offer products to rural farmers, so -- because there's funding by BB, and additionally, we have also put in operation a partnership with Promotiva, which is the network of banking corresponding agents of Banco do Brasil. Considering January numbers, this partnership were closed along the second half of last year, but in January -- January, along this year, we are talking

about more than BRL3,300 million in premiums, coming from these partners in January 2022 alone. So we really want to have a significant number of the company's performance coming from these channels.

So talking about extension of partners for 2022, we want to continue growing in this line, growing with cooperatives and in retail agro, people who provide services to farmers in Brazil, and we expect having at least five big cooperatives in retail sellers in the rural segment, and we also want to get to 500 agro farmers producing in non-financial areas.

In addition, talking with Promotiva, we started with credit life insurance, and we are expanding it. We have a network of transactional partners. So we are talking about business transactions that are another 14,000 transactional banking correspondents of BB and we're in the final phase of that. These 14 transactional banking correspondents can also distribute our products, especially the lower ticket. So we're talking about 19,000 point of sales that we want to increase once Promotiva is operational, that we are going to add in this quarter, so that we have more arms selling our products.

Additionally, we are also moving towards providing a different value proposition to the wholesale segment. And we are going to seek agreements with specialized partners to increase businesses in BB's wholesale and corporate segments to distribute large-risk insurance and transportation segments that will complement our portfolio. So this is a strategy that is part of our ambition, in addition to the partnerships that we're already discussing with many digital banks and portfolios. These are not businesses that we can make operational overnight, and we started some of them last year, and some of them are already closer to becoming operational. And we hope that very soon we are going to have good news.

So this strategy started small; started in the second half of last year effectively. But in the mid-term, we hope that, we'll have a representative share in the company's portfolio.

Now, I'm going to give the floor to Rafael to talk about our numbers.

### **Rafael Augusto Sperendio** {BIO 18963159 <GO>}

Thank you, Ullisses. So ladies and gentlemen, this is a little bit what Ullisses said. So if you look at these numbers, and see in terms of the lagging time or time mismatch in the index, which is the add up of these effects zero in time, and this affects only the comparison basis.

The impact of COVID, that hopefully we are close to the end of the pandemic and the increase in social contribution over net income during the quarter, if we eliminate these effects to see what would be the structural performance of the company in 2021, you can see here on this chart that it would be BRL4.4 billion, the highest net income in the history of BB Seguridade. And so with a breakdown that is almost 100%, only based on operational result, the contribution of the net investment income is very small. So if we took out this effect, the growth instead of being just 1.4% as compared to 2020, it would have grown 7.9%.

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On the next page, the dynamics of operating results and net investment income is really clear on this chart, as I said on the previous slide. So net income is very close to what we generated on average in recent years with an contribution coming almost exclusively from operations, and financial net investment income is only a very minor share of the company's results.

So here from this chart, you can infer the dynamics for the current business year. Once we are over the interest rate reduction time, now we are close to a time when we're going to have an average Selic rate, which is very similar to what we had between 2016 and 2017 period when we generated BRL1.1 billion to BRL1.3 billion in profit. So another BRL1 billion in net investment income as compared to what we had in 2021.

Now moving to each one of our operations. In terms of insurance, we have grown 14% in terms of premiums written in the quarter, in 4Q '21. In the business year, we believe, there's 16% growth in premiums. And the main drivers for this growth overall, all major lines except for credit life, have had a very strong commercial performance with a highlight of life and rural. And so Q4, there was a sharp increase in a year, all main lines, in rural insurance, agricultural, rural lien -- line, sorry, and all other -- in crop insurance, there were between 35% and 38% of growth.

So when we look at the results of Brasilseg, you can see that for the year, there was a decline in the combined ratio. This is related to increase in loss ratio because of the impact of COVID-19, which had a severe impact in the second and third quarters of 2021. But as you can see here on the chart, this trend reversed, especially after the third quarter. And we closed the fourth quarter with a loss ratio very much in line with what we used to have before the pandemic around '20, which is quite reasonable in terms of loss ratio.

Other factors that have had an impact on index, we had an improvement in acquisition, which if we compare to the fourth quarter and the year, there is a lower rate of performance bonuses. And so the performance -- weaker performance in credit life and increase in the rural insurance that has a lower conditioning than other life. That's why the commission rates dropped comparing the fourth quarter year-on-year and also the whole year. And also lower SG&A with a strong component of earned premiums that was superior to revenues. And also the adaptation that we have implemented in the accounting model for rural insurance that is no longer accounted in 2021 in cash. And now it's more based on competence and then matched to what we are reporting in provisions of claims to settle.

So there was a drop, if we compare year-on-year and then last year we had a stronger volume of reversals of provisions because we won some lawsuits favoring the insurance company, and other lawsuits ended with effective loss that was lower than our provisions. And this ended up providing a benefit for Q4 2020, and now effective, if you look the effect for comparison basis.

In Q4 '21, year-to-date numbers, we had a high in that investment income up 2% and growth in year-to-date numbers due to lower financial expenses because in 2021, we had a higher volume of reversals, and because we settled the lawsuits at an amount that was

lower than the provisions, so because of the revision of the entire basis of lawsuits, based on the recent history of successes, this ended up providing a benefit to financial expenses along the business year of 2021.

Net income has grown 31% year-on-year in the fourth quarter. And as a result of the growth of earned premiums and the result of a lower loss ratio and has dropped 2% in the whole -- for the whole year. And this was especially because of the increase in CSLL, which affected the performance of Brasilseg. And this net income would have grown 1.6% in spite of an increase of almost 9 points in loss ratio as compared to the year before.

On the next page, in terms of pension, we have had an increase in inflow; net inflow of 11% is getting to BRL46 billion. This is in terms of contributions 4Q year-on-year with a marginal increase of 1%. But then on the other hand, net inflow was negative, but this is around that number, but was slightly less than BRL1 billion in Q4 and BRL1 billion down for the whole year.

And this is clear on the chart that even though, there was an increase in inflows, the increase in redemption, this is very much in line of what we had been reporting in the previous conference calls very much concentrated, people trying to have access to their pension funds forecasting, especially because of some time, especially in major centers, customers were redeeming or withdrawing their funds, especially to invest in real estate. This is what we could identify from some of the customers that have redeemed their funds along 2021, and the net redemptions of funds along 2021.

In spite of that, reserves have grown 2% in the last 12 months, and the main highlight here in the same chart. There's an increase in the share of multi market funds from 11% to 32% at the end of the year of 2021. And here, the leading Brasilprev to share of multi mark under the -- total assets under management that is more in line with everything that we see in the pension industry, especially with major players.

Because of this increase in our location in multi-market seeking to add more value in the management of our customers' assets, we were able to increase the management fee and the revenue from these fees has grown 7% in the fourth quarter compared year-on-year, and 8% comparing the whole year, 4x higher than the growth of the total assets in terms of average balance. And this increase in average management fee was very important driver for the growth of operational result along 2021.

In terms of net investments income, IGP-M, we had the benefit for the temporal mismatch BRL279 million positive in Q4, even though the mismatch between the indexes had an impact of strong IGP-M still in 2021, taking the year as a whole, we close with a financial negative by just BRL234 million as compared to the negative by BRL279 million approximately in 2020.

In spite of that, with this worsening in the net investment income, the net income has grown 11%, very much in line with what I had seen -- saw revenues from management fees, and because of the risk change and the risk profile of the portfolio and higher operational

efficiency, especially in services with third parties, which has helped the net income to grow to levels even higher the growth of revenues, even though we had a worse result.

For the quarter, if we compare with the Q4 2020, the main driver was the high in the financial results. And then dynamic that I mentioned in operational is the same, but the higher contribution came from the contribution came from the increase in the net investment income in Q4.

In terms of capital management, it's always good to give you an update. So, along 2021, we had BRL3.4 billion in assets. In -- IGP-M added to the portfolio increasing the hedge of traditional planned reserve to 84%. So, just a little bit smaller than 84%, because of what we received from the NTN's. And we are relocating the assets, but even so, it's around 80%, which makes us more -- much more confident than we were two years ago.

On the next slide, we have Brasilcap, the saving bonds. A drop in revenues, if we compare both of the fourth quarter year-on-year, and also quarter-on-quarter, and then year-on-year. And this is because the products -- with monthly products, net investment income was negative in the fourth quarter and also for the whole year -- was negative by BRL38 million. And this is very much related to the new environment. So, the new economic environment of interest rates and inflation. So because we have the hedge between assets and liabilities, we have a large concentration of prefixed bonds.

So the option here was to reduce exposure to risk of the portfolio and to reduce the duration because in the current environment, it's not necessary to do the same as we were doing until the beginning of last year. There was also a change in the regulation, defining a few minimum capital regulatory percentages implemented by the CNSP rule. And so every insurance company needs to comply with that. And in order to adopt to this environment, we needed to make this change in the risk profile of the portfolio to reduce a little bit minimum regulatory capital. And we had a capital increase in a total amount of BRL100 million because of this.

And then, as this depends almost exclusively on net investment income to operate in a negative impact of the sale of this portfolio, that was available for sale, and this negative marking was included, was booked in the bottom-line of the operations and ended up affecting the net income, which is down by BRL126 million in Q4 and closing the year at BRL4 million positive for the year as a whole.

In terms of delta plans, we have had an increase in revenues, but a worsening EBITDA margin because of higher utilization frequency of procedures, which ended up leading the profit to go down by 3%.

In terms of distribution, on the next page here, brokerage and revenues from brokerage grew 10% year-on-year in Q4 and 8% in accumulated during the whole year. And then, especially in life rural and pension, gaining slightly more share of the total pie, and taking some of the share of the premium bonds and year-to-date numbers, because an increase in Selic rate because the management of assets in the brokerage firm is very conservative.

And the net income has grown marginally slightly above the revenues in terms of the whole year numbers growing more or less at the same level.

Now talking about our guidance that we have announced for the business year of 2021. And as I said in terms of the operational results was very close to the top unless -- except for the negative surprise coming from COVID, we wouldn't have had to review the guidance. The volume of claims was almost 4x higher than what we had in 2020, which was completely unexpected.

And this was the context, we had to review the range and we closed very close to the top range going from 1 to 16 premiums written. We have exceeded our range, which was 15% and we reached 16% in terms of reserves of pension hence we were at the center of the range with 0.9%, in this range between 0% to 2%.

For 2022, we're expecting a stronger growth in terms of non-interest operating results coming basically from the assumption of reduction of loss ratio for 2022 as compared to 2021. And we are expecting to have a growth in premiums written that is very much in line continuing what we have delivered in 2021, growth between 10% to 15% in insurance and premiums. And in terms of pension plan reserves, very similar to what we delivered last year between 9% and 13%.

So these were the main highlights that I had to mention to you in terms of our results and our expectations for the business year of 2022. And now we are available to answer any questions you may have.

## Questions And Answers

### Operator

(Question And Answer)

Thank you, Rafael. (Operator Instructions) The first question came from Antonio Ray from the Bank of America. Antonio, you can open your microphone and ask your question.

### Q - Antonio Ray

Good morning. Good morning. Congratulations on your results. I would like to have a little bit more details of your guidance. So first, in terms of your operational guidance, what are you incorporating of normalization of loss ratio and what comes from better commissions, because the operational results includes the operations of all subsidiaries of your brokerage? So this is slightly more state stable in terms of credit life insurance. So what is related to loss ratio and what is related to commissions? Still in the guidance, I would like to understand the assumptions for pension, in the growth of technical reserves. So the growth, if we assume an average Selic of 10% or 11% the guidance would be meeting your estimate. What is your assumption for inflows for the year? Thank you very much.

## A - Ullisses Christian Silva Assis

Antonio, thank you for your questions. Well, the first one, the main driver here is reduction in loss ratio. Commissions are important, but it's much smaller in terms of the sensitivity and the dynamics. So the commission 75% of those expenses go through equivalents and 100% goes through the brokerage, so there is an annulment of the commission and so this is related to performance bonuses. Well this is important in the net investment income, but it's much smaller than what comes from changes in loss ratio. And this is the main driver of loss ratio.

As your question about pension, yes, this is true. This is going to be the scenario for 2022, even though we have a significant percentage of assets are located to fixed income, instruments and long-term businesses as it is natural. For this to happen, and this is a decision we have made to be more conservative, especially in the beginning of the year, considering the volatility that the market will have especially in the second and third quarters, because of this event we might have a higher volatility in the interest rate curves which may impact the return of what we are expecting in terms of reserves.

In addition, to the scenario itself increase of redemptions which leads to the level of 20% in the fourth quarter, we cannot yet see a significant improvement in the profile of income that is available so this is important in January. We can precise it yet, but as the year goes by, we will be able to have more accuracy. For now this is the interval that in our understand is appropriate in terms of expectation of the growth of reserves for the Europe 2020?

## Q - Antonio Ray

If I may follow-up my question, how do you see the strategic positioning of pension products, especially considering the competition?

## A - Ullisses Christian Silva Assis

We worked very intensely to improve our portfolio as a whole and also in the way we work with our customers. So today, with Banco do Brasil, which has a distribution stands focused exclusively in investments, pension especially, we also have a change that was produced in the product portfolio, bringing in new customers, expanding. It's until the middle of 2020, more or less, or even less the 2019, because this strategy got stronger in 2021. The portfolio of investment funds for pension plans was exclusively concentrated on our own portfolio. So this is open architecture became stronger in the end of 2019 and became stronger in 2020, 2021 and we ended with BRL8 billion in open architecture, BRL64.4 billion investments overseas in December. So the strategy focused on having a more specialized consultancy. In order to improve our position in our competitive advantage as compared to other players this was important with portability that's accelerated in '17-'19 and then it stabilized at 2% of the total assets under management.

Today with an increase in a Selic rate going back to the two-digit level, we expect competition to be slightly less intense. Well, how much? Well we can't really tell only time will tell and we are going to see. So there have been historical trend of similar movements



as we have seen, but the scenario that we are expecting is a level of two-digits, that was less intense than what we had over the last two years.

## Q - Antonio Ray

Thank you.

## Operator

The next question comes from Tiago Binsfeld from Goldman Sachs. Tiago, please ask your question.

## Q - Tiago Binsfeld {BIO 22388233 <GO>}

Good morning Ullisses, Rafael, Felipe. Thank you for the call. My first question is about net investment income. I know you don't give guidance for net investment income, but especially because of the expectation of a higher Selic rate, could you quantify how much the net investment income is going to grow, especially considering a higher Selic rate. And I would like to have some color on that. Second question about loss ratio, more specifically loss ratio of rural insurance, there is a draft in the south of the country. Are you expecting a more challenging first half of the year, because of the effects of the draft or this is not -- this expectation has not yet been included in your guidance?

## A - Ullisses Christian Silva Assis

Good morning, Tiago. Good morning. Thank you for your question. Let's to the financial, we don't have a guidance, but we compare today there is an expectation, there is a market consensus as announced by the focus bulletin of the Central Bank, so this is very similar to what we had in '16 and '17. First of all, there is an additional variable and as I said in my answer to Antonio, this is related to curve movements and this may cause some uncertainty in the net investment income. But today, we are seeing a scenario that is very similar to what we have in '16 and '17 when we have BRL3 billion in the financial -- in the net investment income and even though we don't have a guidance the scenario is very similar. It's hard to say it's going to be exactly the same, but what I can tell is -- well it's highly unlikely that we are going to repeat what we had over the last three years and the scenario is much more favorable now.

As to loss ratio, yes, it is ready in our assumptions for the guidance of operational results and it's been incorporated. Today, we have information in terms of actual and forecasts for 2022, the effect, especially in rural insurance. For now the Omicron variant has not yet had an impact in trends of loss ratios, because the assumption and we talked a lot about this to design this range of operational performance, especially considering the loss ratio in rural insurance. Just as a reminder, we had a very conservative assumptions and so the market seeking protection in a secondary. But in answering your question directly, yes, it is -- it has been included in our forecast for the operational result.

## Q - Tiago Binsfeld {BIO 22388233 <GO>}

And just another question with information you have today about grow, should we expect that the first quarter of 2022 should we expect that growth and loss ratio or is it still too

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soon to say anything?

### **A - Ullisses Christian Silva Assis**

Well, for the time being the indication is that the whole issue involves the dynamics of rule, which different from other lines, especially with regards to COVID practically everything that we provisioned in terms of the claims. And so this is very -- what really actually happened was very close to our forecasts of claims to settle. The rural is different. The natural dynamics is the time the claim is filed. There is an over-provisioning and this -- we do field work and inspections, there is a reversal. But this work takes two to three months after the claim has been sent to us.

So the trend is for a high. So here especially in terms of rural and not talking about loss ratio as a whole, because this will depend on COVID. In 2021, we had a lower rate of claims in January, but it grew gradually along the first half of the. So, we are expecting an increase, but how much is it going to increase? It's hard to tell. It will depend on the field work to investigate and to identify the actual amount of claims. So, thank you very much and congratulations on your performance. Thank you.

### **Operator**

Thank you, Tiago. Our next question comes from Daniel Vaz from Credit Suisse. Daniel, please you may ask your question.

### **Q - Daniel Vaz {BIO 20331316 <GO>}**

Thank you, Philip. Well, first of all congratulations on your results. I would like to ask two questions about the Brasilseg and another one about Brasilprev. Within the credit life, there has been a drop of 16% in premiums in the year. So I would like to understand this number. So I understand that the change in the regulation, premiums overbalanced had any significant impact in the comparison between the two years. How should we think about the growth of credit life?

### **A - Ullisses Christian Silva Assis**

Well Daniel, well I wouldn't credit the impact to regulation, it was more a micro issue here in internal. We launched the product in late 2020 adapting levels of coverage and price. This product used to be cheaper, it's used to be 15% cheaper than the previous product. Along 2021, as we fed back our underwriting system and recalibrated this pricing level along year the especially in the fourth quarter. So we were able to keep the same penetration and it is natural to have an increase in premiums written.

So, this is the volume of credit especially for individuals, from Banco do Brasil. So this is the expected dynamics. So everything is going to be more constant keeping the same penetration as we had last year and we are likely to have an increase in sales.

### **Q - Daniel Vaz {BIO 20331316 <GO>}**

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So if I could continue asking about brands, as we have said, we mentioned the level of redemptions which is natural. Once there is a higher inflation in pandemic to, in the macro economic scenario. And I was most impressed by the portability ratio that was close to 3% and now it's 2%. Do you think it should be closer to 3% normalizing from now into the future? Or do you think it should go back more closer to 2%? Is there any retention strategy not just in terms of offering more funds and controlling the exit of customers and they ask for portability. There is any kind of retention action that you can implement at that time?

### **A - Rafael Augusto Sperendio {BIO 18963159 <GO>}**

Thank you. So I'm very briefly going to tell you why there's been an increase in portability. Yes, there was an increase in the quarter, but this has been very specific, very one-off situation, it's hard to give you an exact answer, but there was a strong opening in interest rate curve in the third and fourth quarters, this ends up creating a higher impact in customer profitability and sometimes they transfer their funds to another segment that is performing better even on total redemption.

So the first option to directing it to another company with a higher profitability ended up going to companies where there is private credit, especially in the second half of the year the funds performed well, and now exposure to private credit in Brasilprev is small. It's been increasing as much higher than it used to be in the past, but that's compared to the industry the percentage is still quite low and this ended up having an impact on portability, but we can see that in December and January numbers improved considerably. So I don't think there is a trend for this level of 3% persisting.

### **A - Ullisses Christian Silva Assis**

Daniel. Good morning let me talk to you about our retention strategy, which is very important not just at Brazilprev and also because of my commercial features and I talked to the CEOs of the companies, who managed to increase revenue and also business profitability, but we need to focus on customers because this is fast factor of growth. So, customer retention is addressed almost like an obsession in all companies with very robust strategy. Now more specifically about Brazilprev, because I was there talking to the commercial department and then we have invested on a few things that has helped Breazilprev over the years.

Number one, specialization. In the past, I was the head of the retail operations of the company, when we created verticalization of segmentation and we created the expansion of our customer relationship and networks, Tilo another initiatives. And as part of the specialization, we create a specialization and this personalization. So branches only for high retail with investor profile, and so staff dedicated to this time so that could be more efficient both in terms of inflow and retention, this has had a direct impact on Brazilprev. So our investor network has grown a lot in recent years, in parallel, Brazilprev has been investing more and more in our own network in terms of us having consultants, where we in-source the consultant.

So customers with more funds get an simultaneous advice from specialized consultants that in addition to the banks. And so, we're giving them more options for investment in

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combination with the advice we are adding a more appropriate portfolio with, Rafael said, an open platform and many improvements that we have implemented in a portfolio that has helped us to combine the strength in sales specialization, with a more appropriate portfolio being more efficient in retention.

Also two very important points that have helped us. With our strategy of expanding the multi market portfolio and obviously respecting the features of each individual customer. And now our main quality here was to bring the portfolio upfront portfolios not necessarily multimarket, but the fund portfolios would not easily take on volatility but this has made it possible for us to increase the volume of reserves and when there are multimarket customers in the strategy that are created, I can provide stronger and stronger advice showing that we are managing the portfolio and as a consequence, the eviction of these customers smaller almost 25% lower than other customers, so this has helped us a lot in this customers are less sensitive to changes to go into different companies for any rumor in the market.

Not to mention that in case of Brasilprev we invested intensely in expanding our customer portfolio Brasilprev increased by added more than 200,000 new individuals. So, we have an addiction, but we also have the growth of more than 200,000 new customers, which accounts for almost 10%. As part of our strategy of being more efficient in terms of retention, we have a strategy of expanding our customer base, so that we can make the pension product more popular. We think there is still a room and we want to change the way Brazilians save and this is very much in line with the company's strategy.

**Q - Daniel Vaz** {BIO 20331316 <GO>}

Thank you very much.

**Operator**

Thank you. Daniel. There a few questions here that came through the Q&A that are more related to strategy and competition. The first question wants to know about open finance insurance and what the impact? And then whether we see this more as a risk or opportunity. And digital, can we say anything else about it about partnerships and even our work with Ciclic, our digital brokerage company.

**A - Ullisses Christian Silva Assis**

Thank you very much for the question. I think that this is a very significant and interesting issue this is part of our day-to-day discussions and I really enjoy talking about that. I'm going to tell you about my vision of course. So I see many opportunities with open insurance, of course there are risks, yes, obviously, but -- and this is a very clear vision on this. Above that there are commodities no matter how innovative. Financial banking products and insurance products are commodities and what will make a difference in terms of open insurance and open finance is relationship is customer relationship, adding something profitable to customers and we have been doing something in that direction. Ever since we launched our new line of life insurance, but with many benefits that customers can use during life and we have had a growth even above the market with a higher NPS and lower eviction.

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In the same line, the new portfolio of home insurance there's the same movement where we value the use of the services by the customer that customers have positive experiences. So, one point that we have been investing heavily on, we continue to invest in improving processes relationship rules in communication with customers. And then on the other end as a consequence IT, that's why I talked about our decision of advancing by one year, the delivery of our products in the open platform. So that we are more efficient in communication, so that we can distribute products in a more seamless way both in channels in Banco do Brasil and outside Banco do Brasil.

We have been monitoring the market in terms of terms of digital, we've been monitoring the market to identify how much we can grow these things do not happen overnight and these are partnerships that require adjustments in systems that the parties are not always ready to implement in the short-term, but we are in advanced level of discussion. We have also been investing in venture capital. But our focus here is something that can add something to our business and this is the main issue. How much intelligence can we add in terms of customer relationship and needs to the distribution strategy this has been the main focus. We do not say no to any partnerships both in terms of distribution and bringing intelligence to the business.

Additionally another point that is very important is our ambition of integrating CRM, the brokerage CRM integrated to the company's CRM which is being implemented for the companies, so that we have increasingly similar communication with our customers. At the end of the day, I think that we have lots of opportunity considering other channels and this is going to help us the improvement in products and processes, these already helping us and I believe in many opportunities, but always customer centered.

The winner of this game is going to be the person who will invest in relationship in practice and this is what we are seeking.

**Q - Daniel Vaz** {BIO 20331316 <GO>}

Thank you Ullisses.

**Operator**

Our next question comes from Guilherme Grespan from JPMorgan. Guilherme, please.

**Q - Guilherme Grespan** {BIO 19926617 <GO>}

Hi Ullisses, Sperendio, Phillip thank you very much for taking my question. One, my first question is related to costs. We have seen a significant increase increasing between BRL40 million to BRL100 million in terms of expenses and revenues and this was well divided between the lines. There is admin expenses, tax expenses and other expenses. Could you quickly go over the main points of pressure during the quarter and what we should consider as a new level? And then the second question regarding rural insurance, this year, we think the subvention is going to be slightly lower this year than it was in previous years and what is the contribution of subvention both in terms of revenue and if you could tell us anything about profit and I think most of it is related to a higher loss ratio? Thank you.

## A - Rafael Augusto Sperendio {BIO 18963159 <GO>}

In trying to answer your question in terms of the increase in expenses, especially in insurance and brokerage or any of the conjugates, consolidated it was BRL30 million and then it went to BRL120 million in this quarter. This is something that came from the brokerage house and we had an effect last year related to the return of commissions to Brasilprev. So the impact is minor. But what happened and our process in terms of return of commissions to Brasilprev is not automated, there is a periodical adjustment.

Whenever someone buys our pension plan, so this increase in redemptions of pension funds, let's do a review of the return parameters and it took place in December. That's why this increase in expenses very much concentrated on our brokerage firm, especially in terms of Brazilprev because of redemptions that taking place in periods less than 12 months, sooner than 12 months.

As to grants. Well, last year if I'm not mistaken, we had a record of funds allocated to grants something like BRL8.2 billion. This year, we might expect a slightly lower volume, but we will only be able, in fact, what will be invested by the government along the business year, especially close to the second quarter when the total volume is clearer. Currently, these subsidies are at a lower level of contribution in the total profit from premiums closer to what we had in 2016, approximately today about 20% of the premiums of rural insurance had some kind of subsidy from the government.

So this is a scenario that we have currently today. We don't expect this to have a significant impact in our origination of premium growth in Brasilseg. And rural even so has been having the same behavior in recent years, and this is what is going to grow more considering the main lines of businesses of our insurance company.

## Operator

Thank you, Guilherme There are a few questions that have been posted. Regarding the payout of 2022, what does the company expect? And is it going to go back to historical levels? In the second half of the year, we paid something similar to what we used to pay until we had these issues of capital. So they want to know the expectation for 2022?

## A - Rafael Augusto Sperendio {BIO 18963159 <GO>}

Well, naturally, we have a higher capacity for payout than what we paid in 2021. Of course, there was an allocation in Brasilprev because of the scenario, so the actual curve was closing significantly, led to a higher need of capital in that company.

Along the second half of the year, we observed an opening of the curve and this opening of the curve, reduced our capital requirements at Brasilprev, but we made a decision of not taking out these funds. And once the business year ended, we saw that the allocation made in the first half of the year would not have been necessary. And the company was going to end the business year at an appropriate level of solvency even above the risk appetite even if we hadn't made the allocation in the first half of the year. But that was not the scenario once we did that.

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And out of caution, we decided to keep it. As you saw in the materials that we have published that Brasilprev closed at a very good level of solvency in a scenario of uncertainty, we do not yet have intention of reducing the capital for Brasilprev at least not for the time being, let us keeping it at the same levels, so that we have a buffer of solvency. But everything indicates that in 2022, if we do not identify this need of reinvesting in our operations, we may have a payout in line with what we used to have before, until 2019, on a level that was superior to 2021. Just as a reminder, in the second half, there were not any major impact in cash flow and distributed -- we paid out 83%. So we don't have a percentage that has been defined and approved for 2022, but the trend is that it will be higher on the whole than what we had in 2021.

## Operator

Thank you Rafael. I think that we have covered all the questions that have been posted at least most of them. We don't have any other questions here to be asked by voice, I think that we can close today's conference call. Ullisses and Rafael any final remarks that you would like to make.

## A - Rafael Augusto Sperendio {BIO 18963159 <GO>}

No, we would just like to thank everyone for your presence here today. We are very happy with our performance in the fourth quarter and we certainly expect a very good year for 2022 with our results growing on very solid basis and we hope that we can meet the expectations of our shareholders. Thank you very much.

## Operator

Thank you very much for your participation. And we are available to answer any questions you may have in the future, you can contact our investor relations team. Thank you everyone, if you could please just answer the survey that you are going to get once we close our meeting. Have a good day.

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