

Q2 2020 Earnings Call

Company Participants

- Daniel Maria, Head of Investor Relations and Sustainability

Other Participants

- Analyst
- Henrique Navarro
- Neha Agarwal
- Nicolas Riva

Presentation

Operator

Good morning, ladies and gentlemen, and thank you for waiting. Welcome to Banco do Brasil's Second Quarter of 2020 Earnings Conference Call. This event is being recorded and all participants will be in listen-only mode during the company's presentation.

After this, there will be a question-and-answer session. At that time, further instructions will be given. (Operator Instructions). This conference call is also being broadcasted live via webcast through the Banco do Brasil website at www.bb.com.br/ir, where the presentation is also available. The replay of the conference call will be available through the phone number +55-11-2188-0400, until August 14, 2020 in English and also in Portuguese. To access replay, please ask the operator to listen to BB's conference call, identification will be required.

Participants may view the slides in any order they wish. With us today, we have Mr. Daniel Maria, Head of Investor Relations and Sustainability. Mr. Daniel Maria, you may begin now.

Daniel Maria {BIO 17030121 <GO>}

Thank you. Good morning, everyone. Thank you for attending this call. Let's start the presentation on page 4 that will bring some highlights of (inaudible).

First of all, the adjusted net income for the first half was BRL 6.7 billion. This represented a decrease of 22.7% when we compared to the same period last year. This performance was mainly influenced by the place in the ALL expenses. The credit provisions grew by 51.8% in the same period showing a quite conservative approach that period as we are going to describe later.

The NII showed resilience in the moment that we have decreased in between the base rate, reaching BRL 28.5 billion, an increase of 9% when we compare the first half '20 to the first half '19. Fee income decreases by 1.4% and the administrative expense grew in line with inflation reaching BRL 15.6 billion.

Moving to the next slide, Slide 5, we bring the net income. The net income is probably a good way to look at this, is to see what we call the PPOP - the pre-tax and pre-provision earnings and excluding the credit provision, we see a growth in the structural results generated by the bank by 11.7% compared to semester to semester and 8.3% when we compare with the second quarter --second half -- second quarter to the second quarter of last year.

Moving to the next slide, slide 6. We bring the behavior of NII. As I said, quite resilient, we had a large decrease in the base rate trend and we have growth in the NII by 9% in the period. These can be explained mainly by the structural position that we have in net liabilities. Our liabilities repriced that are at floating rate and repricing quickly and we see that the funding expenses decreased by 36.9%. Treasury contributed to half of the year in BRL6.7 billion, decreased at 4.4 billion, 4.4% when we compare to last year.

Moving to the next slide, slide 7. We bring the dynamics for NIM. First of all, starting on the left hand part of the slide we bring the spread by portfolio. Spread is quite stable and the changes what we have is basically due to the changes in the mix. In the case of individuals, the decrease that we observe here compared to last year is mainly explained by the cap in interest rate that started the year for overdraft facilities.

With regard to the NIM, we see that this behavior of NIM is completely dependent on the liquid assets. In this quarter, we saw an increase in the liquid assets moving from BRL 1.5 billion to BRL 1.7 billion as you can see the bottom part of the slide, and the highest participation of liquid assets extends this reduction. If we normalize the liquid assets, our NIMs would be in the region 0of 4.33, higher than the last quarter.

Slide 8. We delve into the ALL expenses bringing some breakdown of provisions. The extended field for credit provisions, we see the credential and (inaudible) of the spread in its approach to the provision is basically the way we're behaving. Since we see NPL behaving quite well in support of this can be explained by (inaudible). We know that there will be a delay in the NPL. Basically, what we're doing is creating (inaudible) exactly to prepare to open this NPL cost. Another aspect that you can observe here is a higher impairment that happened in the private bonds basically coming from some transactions in large corporates.

Moving to the loan portfolio and gliding to Slide 9. We show the behavior of the credit portfolio. We have an increase of 5.1%, when we compare to June last year. Comparing the credit portfolio to the last quarter, we saw a reduction of 0.5%, So that mainly can be explained by the movement of the large corporates, a better way to describe here. Some of the highlights of the credit portfolio is the growth in the SMEs by 10% year-on-year, and the individuals by 6.6% that is completely aligned with the approach of the bankers

concentrating the business into the retail portion of the book and using for the wholesale main capital market solutions.

On the next slide, slide 10, we magnify here the individual loan portfolio. We see a reduction of the loan portfolio, comparing to March. However, when we see -- if we look inside the payroll portfolio grew from BRL 84 billion to BRL 86 billion. And here on the right hand side of the slide, we gain some more color about the composition of the loan portfolio, favorable loan portfolio. 86%, 87% is comprised by civil servant. We have also adding up to this portion, the Retirees in which almost 98% of this portfolio with segment that it will protect in terms of unemployed.

Moving to the next slide, slide 18 -- slide 11, we bring the company's loan portfolio. And here as I said, the main driver for reduction in this portfolio is basically explained by the large corporates. And this is completely in line with the strategy of the bank to use more capital markets. I would say that the synergies of origination of credits, origination of mandates for capital markets, distribution to the market and another black -- business strategy is distribution to the retail of the bank. We grew a lot the AUM and managed inside the bank in terms of customers, we increased the number of managers giving special attention advisory for those customers. We increased the number of products and we are very active in distributing corporate bonds and equities. This is quite cost trend here in Brazil and we are demonstrating good behavior in this in this direction. Yeah.

Moving to the next Slide, we bring you specifically the SME portfolio. SME portfolio as I said presented a growth, comparing to the last year up 10%. This growth is more concentrating in working capital. Yeah. Comparing to the last quarter, it was growth of 1.5%. The dynamic of the SME portfolio tends to change a little bit in with the quarter. Just as an example, Pronampe is a loan with some mitigators using a fund to guarantee that you have first loss for that fund. We were able to grant the BRL 5 billion for those loans at the beginning of the third quarter and this tends to change a little bit the dynamics of this portfolio for the next quarter.

Moving to the next slide, slide 13. We go to the agribusiness portfolio. The agribusiness portfolio the performance remains positive. We have a growth of 1.1% comparing to last year. We see that movement -- that dynamics of decrease in the agroindustrial, and the reason is exactly the same as large corporates. We see more instruments like the CRA that is an instrument linkage Agribusiness being distributed to retail and to institutional investors, and the bank is quite active in this. And with the growth is more basic (inaudible) loans mainly in the individuals.

On the right hand side, we bring some highlights on the participation of the bank in the market share, almost two-thirds of the market share. The new harvest plan that was launched in the quarter. We have BRL 103 billion channel to finance harvest plan, comparing to the amount that was disbursed last year, the last harvest we see increase. And one important aspect that highlights innovation of the banking commitment of the bank to the sustainability, is that this year the low carbon program for the agriculture is reaching the 10th year and we have roughly two-thirds of the -- all those instruments in the Brazilian markets, that was developed by the bank, and we reached BRL15.4 billion of transactions done in those characteristics.

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Moving to the next slide, we go to slide 14 that we show the asset quality of the portfolio. We see decrease in the NPL and increase in the coverage ratio because it is exactly that movement as I mentioned. NPLs with rollovers, they tend to lag the effect and lagging the effect is a more constructive approach we are being conservative, we are making preemptive provisions. Yes -- and the growing the coverage of the bank.

On the next slide, we bring the asset quality segment by segment, where we see all these three segments - individuals, companies, and agribusiness, we observe decrease in the NPL and growth in the coverage ratios. Yeah.

Now moving to the New NPL. New NPL on Slide 16, which saw decrease in the new NPL for the total portfolio. The coverage of the new NPL was higher than 100%, and almost 149% and almost 150%. Looking at the New NPL by segment, we saw decrease from individuals, we saw decrease for Agribusiness, we saw some increase in Companies, that is completely explainable because this segment is more affected by the challenges we see with the economic situation.

The next slide, slide 17. We bring you the roll over, characteristics of roll over. Let's start on the right hand side that we bring the disbursements in the period, and those disbursements will include new transactions, renegotiations rollovers, and basically it was distributed this way and bringing light to the rollover specifically, we have BRL 71.8 billion in rollovers and the distribution was roughly 43% for individuals, 53% for companies and amongst this 53% almost two-thirds of this represents SME portfolio and the other parts of the larger companies and 4% for agribusiness.

Some -- just some highlights that these rollovers represent 11.6% of the great portfolio. We have more than 1.7 million transactions that were extended in a certain way. And what we did for those customers is basically customers that were paying accordingly the installments. 99% rounding up they were in regular situation and these portfolios 98.4% the rating of those customers are in the region of AA-C.

In terms of guarantee, 69% of those transactions we had guarantees and mitigators and relationship with those customers we have more than 14 years on average relationship.

Next slide 18. We bring to the fee income and the behavior of fee income. Certainly there are two reasons that explains this decrease in the fee income. One is structural. At the moments we have a decrease in the base rate naturally. We repriced some of the products and the asset management I think, that is the best example, and this brings some pressure to the fee business. And second, relates more to the situation. If you have a different stance of the consumers preserving income, reducing consumption, certainly it decreases the potential for cross-selling of products. But although we have this situation, the performance was quite well. Asset management for instance, we had the breadth and large[ph] decrease in the fee business. However, volume compensated this in a certain way that we saw increase of 3.3% in the period. (inaudible) it is much clearer, and it has good credit and insurance.

Moving to the next slide, we bring the administrative expenses. Administrative expenses, they were in line with inflation and the bank is committed to control costs. The terms of efficiency ratio and the fee income to administrative expenses we saw (inaudible) but this basically can be explained by the reduction in the fees much faster compared to the cost.

However, the bank has some methods to access this. And here in the upper part which they just show some of the measures that we did in the past to control cost and so on.

The next slide we bring a little bit of what we're doing for the future in terms of costs. And those are just three initiatives, we have more. And just reminding some of them as we discussed, we have the opportunity to discuss in the past. The first one is what we call the performa. Performa is basically redefining -- redesigning the compensation plan for the employees. Giving more attention to variable components based on performance in reducing the fixed portion. This was announced in February this year. We had the opportunity to discuss. Here just putting some numbers to this and basically, we are going to capture the benefits along the years, and certainly completely the financial turnover of the legal force.

The second aspect that we had the opportunity to discuss also was efficiency initiatives. We mentioned about the solar energy farm that we inaugurated last quarter. There is another one that will start operations this quarter, and there are others in this process in addition to buying energy -- clean energy in the wholesale market and also using technology to reduce consumption.

Another aspect here is the factor that we call FLeXYBB. Actually this project, we have been studying even before all that story. Actually the concept is to bring a more collaborative environment in the office moving from the cubicles and going to of open space and so on and stimulating and using the home-office more frequently.

Actually from one day to the other due to the pandemic, we had more than one-third of our employees working in home-office. Then this projects actually was tested in the (inaudible), and it worked quite well. What is the idea to extend this concept of remote work and also review all the corporate spaces. In this process, we have a possibility to reduce the space and to sell some buildings that are owned by the bank. All those three initiatives that actually they were contracted and we are executing them, they will show liquid savings in cost savings up BRL 3.3 billion and accumulated in the next five years. It shows actually how we are addressing the cost structure of the bank. As I said, this is (inaudible) initiatives and certainly we are going to have more things to say in the future.

The next slide, slide 21, we show the customization of the bank, growing organically and reached 10.56% CET1. We continue to commit with our target of reaching a minimum 11% by January '22.

And finally going some aspects of innovation. The bank has been working and investing a lot in the last year in terms of innovation, and all those investments that we made were able to have the bank prepare including to face the social distancing in this process. Just bringing some numbers, some highlights. For instance, we have currently more than 19

million people using our app and on a daily basis, we have more than 6 million who are accessing our app every day.

And it is this concepts, thinking about new ways of monetizing the customer base is quite relevant because we want to have people accessing recurrently and in a way that we can offer products and services through those instruments, especially with the pandemic, the social distance accelerate this process as we showed here the number of users that grew quarter-on-quarter.

Another initiative that I would like to highlight here is the Whatsapp. Whatsapp is basically -- we have these in the last year is a new way of interacting with the bank using artificial intelligence, and you can access and discuss about products including paying bills and so on. And the number grew exponentially in this process and with the high percentage of resolution, it's just reminding that the system learns as we have more movement on this. And this shows innovation in the bank in this way that we change the interaction with customers and opens new channels of communication. And the digital wallet that we have here. This is the entity, we tested through the payment of benefits. In those steps, if we had 1 million people using those products with more than BRL 1.5 billion in payments, then these products is being launched and we have potential to grow in this product.

And saying that, we can move to the next slide that we just give some color of things that we're thinking, things that we are analyzing and it shows a lot of innovation. First of all, is what we call Broto. Broto is a platform for agribusiness that you can access just to check broto.com.br. Through this platform, you have the agribusiness customers interest. We have information about the productivity, and so on we can advise that person about ways to increase the productivity, we can sell products and services based on that. We can sell insurance. We can include (inaudible) products, machinery and so on. Then this shows a little bit of news ways of monetizing the customer base. And for that reason, it is important to have the app and the instrument and having people accessing the system, and then we have ways again of creating value for the customers and creating value for the shareholders as well.

The second aspect that is quite relevant. We are doing a great resolution in the company's relationship. The same thing that was done for individuals and it's quite well developed, the access to apps and internet to do services. We are going with company's account and so we're using APIs to do this. This is quite fast to implement, and we can have levels of customization. Just reminding that Banco Do Brasil used API for the first time in 2017, and we saw solutions for credit. And these -- we have 72 customers -- sorry, 71 customers that are using solutions integrated in their system. One example of this that the venture that we have collections, we have 12 million ☐ BRL 12.7 million of those risks generated through the app and we have 400 investments that are in process of implementation. Then this shows change -- completely transformation with the way to interact with this segment.

And we launched this week the new platform for the (inaudible). This is basically bringing user experience (inaudible) to these formats and giving some level of customization and again making much user to do with this. The other aspect I would like to highlight is venture capital. We just -- we are investing the first tranche in the venture capital, and now

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in the third quarter. This is BRL 100 million. The idea is to partner with Fintechs. This is important for co-creation of new solutions and products.

And finally in the payments part. This is the greatest transformation in the system, Banco do Brasil was with First bank to be -- to meet all the requirements of regulator. We are prepared to (inaudible) the instant payment systems, that will be defined by Central Bank. And as a complementary approach, we have an announced also Facebook Pay, actually we are waiting for authorization of the regulator organization product.

Moving to the next slide. It is just to mention that innovation is not only in the technology and the cultural aspects. There is one aspect that's probably, we'll hear a lot in the last few weeks on the last year -- in the last year is about ESG and social responsibility. This is something that we banks had a lot of responsible strategy of the bank and just they brought some landmarks that show why the bank is well recognized in terms of awards and (inaudible) in terms of ESG.

Just some examples in terms of voluntary program since 2001, we have problems in the social aspects. We have more than 25 initiatives that were born in this periods, and 25,000 initiatives in those periods. In the BBDTV asset management, we currently have 8 possible ESG fund. The first fund that was more driven to governance[ph] was launched in 2002. And currently, we have BRL 141 billion in assets managed in these characteristics of funds. What we call Agenda 30 - those are the strategic plan as the bank to meet to grow in terms of social responsibility. This started in 2005. We are in the 7th version of the instrument -- the planning. We realized -- we've implemented more than 500 actions along those years. As I said, that the Low Carbon Agriculture is celebrating the 10th year, and this has started in 2010. The bank was the first bank to implement socially -- in Brazil to implement socio-environmental guidelines for credit, having growth specific which are with restrictive and excluded -- exclusion list. The Agro Energia Program, we started in 2016 working with implementation of renewable energy for agribusiness.

And more recently, we replicated these four companies also and those two initiatives together we reached almost BRL 120. And one thing that we brought -- we enhanced was the Geo Socioenvironmental Diagnostic, this is basically the geo mechanization that we have been using to finance working capital to -- for the business. And complying to that basically we capture using geo mechanization, if that area is not a protection area or (inaudible) reserve and so on.

Then in addition to the technical information that we have about production and so on (inaudible), we have these aspects that is quite relevant in terms of compliance and meeting all those standards. And one example, and more recent is the carbon-free certificate that we launched for one customer, that is completely aligned to (inaudible) protocol.

Thing that and ending the presentation, I would like just to highlight that what we are showing here that we're delivering consistent results in the last year. We are working a lot in terms of innovation. We understand that the banking world will be completely different, and we're bringing innovation (inaudible) to the attitude to interact with customers in

creating new business models working -- approaching efficiency -- new ways to bring efficiency and to adapt to the cost structure of the institution, and certainly taking very seriously the aspect of ESG.

Thanks a lot and we can move to the Q&A.

Questions And Answers

Operator

(Question And Answer)

Okay. Then ladies and Gentlemen, we'll now begin the question-and-answer session. (Operator Instructions) Our first question, it is from (inaudible). Please Mr.Marcus, you may proceed.

Q - Analyst

Hi, Daniel, good morning, everyone. Two questions. The first one comparing a little bit the extended portfolio of BRL72 million with the additional provisions that you made up of around BRL4 million. When we compare that to the other banks. The additional provisions were bit higher, and the extended portfolio were bit lower. Can we say that your extended portfolio probably has a lower risk than the peers in terms of the profile of the clients that are there, and you mentioned also the high level of guarantee is around 70%? That's my first question.

And the second question is on the venture capital initiative that you just announce it. What is the strategy there? Is to acquire partnerships, acquire stakes in fintech as you mentioned with the idea of making some money or with the idea of bringing solutions, and also more service to the bank like helping the bank to offer new products and solutions for their own clients?

A - Daniel Maria {BIO 17030121 <GO>}

Okay. Thank you. Thank you, Marcus, for the question. First of all, going to the rollover and the extended portfolio. Actually, our portfolio we understand that is less risky compared to each of the system. And some of the reasons for this is first of all, the agribusiness portfolio as we present, one-third of all portfolio. Secondly, when we look at the individual portfolio, we have a higher participation relatively to the system to the payroll. Then this gives a different risk profile of the portfolio compared to each of the system.

The second aspect is the -- what we're doing in terms of provision. Basically, what we're doing is --when we have a customer that having situation of best news, we are abbreviating or downgrading the risk, and downgrading those risks, yeah, including sometimes much faster than required by the regulators. And certainly for those ones that we've seen a much weaker. In doing this, we accelerate the provision that we're doing. The second aspect is although Central Bank takes some provisions, regulatory provisions

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to freeze the rating of the customers when we rollover those loss, we are not using. And then these expense also big movements that we are doing.

The third aspect is basically even transactions that we're comfortable with the level of provisions, we are reinforcing, we're increasing provision exactly to prepare to those times, and this explains a lot how we are driving the provision. Probably, your question is quite interesting because probably those numbers when you compare, the first aspect is the profile of portfolio. The second aspect is how the other banks are doing those additional provisions. Probably, I don't assume that all of them are using the same standards. Yes, and then this is for the second -- for the first question.

And also venture capital, and so the ones -- actually we have several formats for this. Yeah. We have co-participation companies, there are some funds that we are only participation - participants in those funds. It's basic co-creation of solutions. And certainly entering the capital of those with approximation through the funds, exactly to implement into bring those solutions to the company including to test some of these inside the company to bring to the customers. If that the perspectives of investing in a company to sell those, it's much more in terms of creating innovation, bringing different dynamics for the origination of products, services, and also innovation.

Q - Analyst

That's it. Just a follow-up up here, Daniel. I know it's early, because we just launched this venture, but do you think that this could be growing in terms of size in the future, for the bank?

A - Daniel Maria {BIO 17030121 <GO>}

Yeah. This was the first tranche, and we think they prefer to go.

Q - Analyst

Perfect. Thank you very much.

A - Daniel Maria {BIO 17030121 <GO>}

Thank you.

Operator

Our next question is from Nicolas Riva from Bank of America. Nicolas, you may proceed.

Q - Nicolas Riva {BIO 20589225 <GO>}

Yes. Thanks very much, Daniel for taking my questions. I got two questions. The first one, if you can provide us with an update on your pipeline of asset sale. One of the assets you had mentioned in the past was your stake in Banco Votorantim? And if you can also talk about your views on your stake in CLO, that's part of your core assets or not?

And then my second question, to understand that yesterday The Senate in Brazil, approved a bill incrementing our capital interest rates on both credit cards and overdraft loans of 30% interest rate cap, and it would be temporary until the end of this year. If you can talk about in your view what the likelihood of this will be and also past being approved also in the lower loans and passed into law. And if it is passed into law, what will be the impact on your financials, this year? Thank you.

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A - Daniel Maria {BIO 17030121 <GO>}

Okay, Nicolas, thanks a lot. Let's start in terms of divestments. As we have been mentioned, the bank circulate revisiting all the investments we have. And what is the driver for this is basically, let us understand what would be the market in the future. What is the relevance of this participation, if there is anyway impacting these market and certainly, based on that in the future to make those movements.

Nicolas, so far we have no definition about those cases. We are just -- we continue to analyze, but we have no definition about those cases specifically to bring to the market. By the way, yesterday, we released this generally, actually answering some requests coming from the regulator, about the cards business, yeah, basically this is the -- which is one flag that we have in the market. We just mentioned actually we are certainly analyzing possibilities that there is no conclusion, there is no approval from the corporate governance of the bank about those issues. And this is very similar to all the other cases, there's nothing finite, there is no, nothing approved. As soon as we have something, and certainly we are going to come to the market and we're going to continue to communicate to the market giving more color about it.

Q - Nicolas Riva {BIO 20589225 <GO>}

Okay. Thanks very much Daniel. And then as for my second question about the bill to the cap on interest rates on credit cards and overdrafts?

A - Daniel Maria {BIO 17030121 <GO>}

Okay. The cap of interest rates. Certainly within the fact, the system as a whole, yes. And that presumably because of the size of the cap that we observed in the overdraft, represented a reduction in our stress for the system as a whole, but for spread. In our case, impact was a little bit lower mainly due to the competition. Let me give you some numbers, and those are projects members that we have. The total system has in terms of overdraft BRL29 billion. We have BRL1.7 billion. Clearly I mentioned in the previous conference call, 0.5% that's actually 5% that we have in this system. When we compare these to the system, our participation is lower to the system. When we go to the revolving credit cards, the participation of the bank is even lower compared to this. The system has BRL42 billion. In total in the bank's terms we have less than previous in the system. There will be some impact into the size of the reduction or the size of the capital that is being established.

However, we can choose to have a have a low impact compared to the system exactly due to the approach we have, just reminding. Overdrafts and revolving, when the customer starts to use very often what we do with channel, the customer to all the lines of credit

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because these issues they use very often those lines of credit, we could have higher EPS, and generally to those lines that have different rates and different formats. We can manage the cash flow of the customer. This is basically due to the financial indication, actually the population that sometimes determines then all these effects of interest rate.

And this is the main point, Nicolas. I think that is very important. And this is what makes more difficult the second part of your question, what is the likelihood of the tax base, because they are at those levels just because bank's help, that's mainly because there are structural reasons for that. Some of the best way of addressing this is exactly everything with structural reasons. Yes, I personally, I don't believe in capping interest rates, we are going to solve a problem, probably capping interest rate, we're going to create some externalities that you're not expecting. Then it's hard to think, it's hard to predict, how will be the behavior of the Congress the lower house about it? So the association of banks is exactly approaching and shown how those effects to reach that discussion. But this is a follow-up that we need to have.

But certainly, there will be some impact. And choose to make this effect to the system probably you can cross some number say you have further information about the rates that the banks charge in Central Bank web page. For instance, Banco do Brasil is not the -- we are, the bank in the strong position in terms of rates that we can compare the rate. And the same thing for the revolving credit, where you can easily estimate a little bit how much would be the impact for the system for that event. But certainly there will be some. Did I answer your question?

Q - Nicolas Riva {BIO 20589225 <GO>}

Yes. You did. Thanks very much, Daniel.

A - Daniel Maria {BIO 17030121 <GO>}

Thank you.

Operator

Our next question is from Henrique Navarro from Santander. Henrique, you may proceed.

Q - Henrique Navarro {BIO 16188960 <GO>}

Hi, good morning, everyone. So my first question is on provision. The second quarter earnings season was pretty much over and we already believe that in the second semester, the amount of provisions is going to be lower than in the first semester. The but I like to see the -- the case of Banco do Brasil, because you have a higher exposure to agricultural loans, and let's say lower exposure to SME. Can we say that for Banco do Brasil maybe in the third quarter. We could see cost of risk going back to normalized levels that is the first question? And the second question is that on rollover. First, we have to 60 days credit is being rolled over. So it's already about the time for the clients to pay for the first instalment after the COVID-19. So how was the behavior of this first payment after the first rollover? That's it.

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A - Daniel Maria {BIO 17030121 <GO>}

Henrique, thank you for the questions. Let's start with a cost of risk, and to be very frank there is a likelihood that so the second half would be better in terms of provisions than the first half. We -- it's hard to have a full visibility of risk, because there are some other decrements on this, because we have so far the benefits that are being paid by the government. And these -- those expenses reduced, what's going to happen in terms of NPS, it's not clear, how's it going to work in terms of services since we have the reopening. They behavior of the customers will go to the same levels or not, yeah, then this is another aspect of that is quite interesting for sure.

The economic growth, I would say that you see these days our focus that every week the perspective for the GDP is getting better. It's negative, still negative, but better compared to the past. If you don't -- variables -- they confirm moment benign scenario. I completely agree with you that is likelihood is that we have better cost of risk. But there are unclear cases, yes, exactly because things are so dynamic that we need to fine tune week what is happening. And basically, if we are going to have any larger case coming, we don't perceive it that again, those things happen so fast that is important to move for. But what you can expect on our sides is to continue to be conservative, and continue to have those preemptive provisions exactly to create protection to all those scenarios.

And we understand that this is the right way to do it. The second aspect is about the rollovers. Yes, your question quite interesting because certainly the rollover is lagging the effect in NRLs Yes, and the way we are approaching rollovers for companies is basically for 60 days. And we made the first wave, we made the second wave, we are entering in the third wave. But when you look at the customers individually, you have a little bit of everything. People that have adopted -- requested the rollover in the first wave and paid in full. People that take part in rollover for the additional periods. People that didn't enter into the first wave, now they are requesting, that you have different behaviors on that, and, but we understand that so far the way we are looking. The level of provisions that we have is quite sufficient to absorb impacts.

Q - Analyst

Okay. Thank you.

A - Daniel Maria {BIO 17030121 <GO>}

Did I cover everything?

Q - Analyst

Yes. That's perfect. Thank you, Daniel.

A - Daniel Maria {BIO 17030121 <GO>}

Thank you.

Operator

Our next question is from Neha Agrawal from HSBC. Neha, you may proceed.

Q - Neha Agarwal {BIO 16508665 <GO>}

Hi, thank you for taking my question. Just wanted to follow-up on the previous question on the CLO. I understand that you have not evaluating what you could do with your holdings in the different sectors. But regarding another issue is (inaudible) because you have a JV for your card processing business, which is the CLO. So how would you separate the two businesses? And what are the options that you could probably explore. If you decide to that CLO workload asset for the business?

A - Daniel Maria {BIO 17030121 <GO>}

Okay, Neha. Thank you -- thanks for the question. I would say that it's too early to say. Yes, certainly. Those questions that they're raising. Since we are expecting the process of discussion, and we are looking at for the value of those companies nowadays and looking at the trends of the market and what would be the marketing the future. And predicting the future is not an easy thing, and many try to wrap everything. Yes, and we do not have a definition. Yes, then it's too early to mention about that. But certainly, as soon as we have decision taken and we go to the market, we're going to communicate we can elaborate more about whichever is the decision that the bank announce.

Q - Neha Agarwal {BIO 16508665 <GO>}

And another question on plx, are we ready to integrate your assessment on pix. What do you think would be the in short-term impact of the bank and the medium term impact as well, from the implementation of pix. Thank you.

A - Daniel Maria {BIO 17030121 <GO>}

This is a great question, Neha. First of all, pix will change a lot a system. Not only the banking system, the payment system, but also the e-commerce, yes, the relationship with people and e-commerce, probably and certainly we have instant payments in several parts of the world, but the way it's been designed here probably the weakening of some aspects. This always in life brings you two sides; opportunities, a lot of opportunities in our field and challenges. The easiest chance that you see is in the fee business. And some of the lines and probably the most clear example is 3% of our current account fees our checking account fees are transfers. And these trends to reduce significantly. It's certainly, if you are watch from one day to the other, but tends to gradual reduce. Then there are other aspects that all banks all the system will have, all the other hands, these opens a lot of opportunities of creation of new products and new directions.

For that reason, we have been working in the last two years in integrating companies to the system through APIs that I mentioned. Then cash management, how the collection process, how we can advise companies in the cash management, these will change a lot. I give an example in the last conference call that is e-commerce, here in Brazil it's very common that you build a webpage, you have to sell in the e-commerce to buy some product and you choose collection process that you've received the slip when you pay. And what happens, usually, this takes a lot of time between you receive the actually you make the payments the company identifies the payment and so on.

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At the moment, you integrate this and the financial institutions helping the customers to make the process fast. These chain including logistics, this chain including the process of the managing the lag of the company. And this is basically, the way we want to position on this and those are the opportunities we are seeing. At the same time, when we talk the about the expansion in this ecosystem. We see a lot of space that we can develop products and solutions and this is completely linked to the issue of working a co-creating products through the venture capital solutions that we have internally for instance in payment systems, and in the companies -- including (inaudible), this is the other side of the coin, and we believe that we are well-positioned to these new works. Did I answer your question, Neha?

Q - Neha Agarwal {BIO 16508665 <GO>}

Yes. You did. One last quick follow-up apart from the transfer fees that you mentioned. Another source of fees which could come under threat is the collection services, right? It can be done directly through fix with the government, the commissions that you earned on collection services might go down eventually, am I rightly thinking about that?

A - Daniel Maria {BIO 17030121 <GO>}

You're right. But inside collections, it's actually there are two kinds of collections. One collection that is basically payment that you issue these slip and you make the payment. And the other that is linked to your process that if the person doesn't pay you have a collection system that goes to the notary to enforce the payment. Yes, I would say that the second one continues to be active in the banks, but in a different way, but it will continue to have at least. The first one, certainly we will disappear, will tend to disappear and moves it to the other parts.

Q - Neha Agarwal {BIO 16508665 <GO>}

Could you please, tell us how much of the total collection revenues are from the first part, which could then detect, a rough estimate would be great?

A - Daniel Maria {BIO 17030121 <GO>}

I don't have the number in the top of my mind. I don't have this number. Probably I can give you probably after. Let me just check here. Now I don't have. But I can check these and come back to you.

Q - Neha Agarwal {BIO 16508665 <GO>}

Sure. No problem. Thank you so much for the color. Very helpful.

A - Daniel Maria {BIO 17030121 <GO>}

Thanks a lot.

Operator

That does conclude today's question-answer-session. Mr.Daniel Maria will proceed with his closing remarks. Please go ahead, sir.

A - Daniel Maria {BIO 17030121 <GO>}

First of all, thanks a lot for the attention, for the questions, and for the support that you all keep doing to the bank's shareholders. We are available here for any additional question. And have a nice weekend, thank you.

Operator

That does concludes Banco Do Brasil conference call for today. As a reminder, the material using the conference call is available on the Banco do Brazil Investor Relations website. Thank you very much for your participation. And have you all a nice day. You may now disconnect.

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