

## Q2 2021 Earnings Call

### Company Participants

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

### Other Participants

- Domingos Falavina, Analyst
- Eduardo Rosman, Analyst
- Tiago, Analyst

### Presentation

#### Unidentified Speaker

(foreign language) Good morning, everyone. Welcome to our webinar to announce the results of the second quarter of 2021. This conference call has simultaneous translation into English. If you want to hear the English (technical difficulty) (foreign language) The CFO and IRO is going to show the highlights of the economic financial performance of the quarter. The presentation will be shared throughout the conference call. If you want to see the document in English, please go to our Investor Relations website at the address that you can see here on the screen. After the presentation, we are going to have a Q&A session. If you want to ask a question, please send it in writing during the presentation by using the Q&A at the lower part. After the presentation, you will also be able to ask questions by audio exclusively in Portuguese clicking on the raise hand button at the lower part of your screen. Before continuing, we would like to clarify that statements made during this conference call relative to projections and results and strategies of BB Seguridade that are made during this conference call are based on information currently available to the management and they are not guarantee of future performance because they involve risks and uncertainties that may extrapolate the control of the Company's management.

Now I would like to give the floor to Ullisses. Ullisses, please you may start.

#### Ullisses Christian Silva Assis

Good morning, Philip. Good morning, everyone. I would like to thank you immensely for your presence here today in our conference call to talk a little bit about BB Seguridade. First of all, I would like to say that I was very happy to lead BB Seguridade and this is a company that I saw -- I know from the beginning while working at Banco do Brasil and I know it has huge potential working in a very promising segment of the Brazilian

economy., And I'm really excited because I can do -- together we can do excellent work with our stakeholders with increasingly better and more consistent performance. Now with a brief introduction about our performance. As you all know, we are dealing with an extremely challenging scenario that we have had in the first quarter and also for more than a year and aggravated by the pandemic in the first quarter. But we are very happy in that the Company has shown that we are managing to do.

And then we had some problems with IGP-M, IPCA, and loss ratio that was very high because of COVID. But we are confident regarding our structural results and waiting for this moment and we show you increasingly stronger results in our Company and this is our main objective. And we are really confident about the very promising and very good future in terms of all results, operational results and everything. I would like to enforce my commitment to continuing the excellent work that previous my predecessors did and I would like to integrate my experience of more than 20 years in distributing retail products and this is an important contribution that I can give to the Company. We are going to give priority to the digital and technological transformation agenda and we want to be efficient and fast in launching products and also we have capacity to adapt to many different channels and many different modes of sales.

And we are an insurance company focusing on products and we also distributors and maybe we can broaden our range of distribution. And this will make our Company grow outside the channel Banco do Brasil. So, one of the main strengths of our Company is the huge chain of branches that Banco do Brasil has for the distribution of our products and we want to expedite it in other channels too. We have very good products so we are investing a lot in that and we have significant growth capacity. BB Seguridade has been advancing. I have only recently joined the Company, but there are many initiatives going on and I have started a few other ones and as we talk, I will disclose them to you. And what we want to do now is really to accelerate this digital transformation and distribution process in other channels than just the bank. And now we're being very careful because this is very important, which is the improvement of the experience of our customers and our sales people.

We've been working intensely with that regard to make it increasingly more seamless and easy to understand to our customers. I think what we are doing with Banco do Brasil chain or network of branches, we want to provide seamless sales of our products and to distribute retail product. It's fundamental for us to gain speed and more and more capillarity. Now going a little bit into more details of our strategic modernization and I would like to say something about our last call. Within -- during this period, we have invested BRL55 million in IT architecture and, as I said, our objective here is to develop faster -- and faster develop products, improving processes, and also to have products that can integrate in new distribution channels. So, the first product that we have launched is a home insurance product and we have a few others within the same logic to create other products.

We have also invested intensely in analytical intelligence and we have captured BRL92 million in sales through integrated and automated models to offer products and services through digital channels and our results have been quite interesting. As to what we had expected in terms of digital experience journeys, products, and channels. We have

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delivered everything that was within our scope as we said in our last conference call. So, in May we delivered a new journey for credit life insurance increasing sales by more than 77%. In June a new solution for premium bonds and auto insurance. We more than doubled new contracts in premium bonds and also we had an increase of more than 50% in sales of auto insurance and we also have a new product, the mobile insurance for Ciclic and now we have sold about 2,000 plans in June and we are very optimistic in terms of providing new solutions through Ciclic.

And on the right hand side of the slide, you can see an increase, when we compare the second quarter this year with last year, of 31% in the amount of businesses conducted by the Company in digital channels, which is very good for us. Looking at the line chart. In June we had almost 60% of sales through digital channels and this is healthy fight between our distribution channels because at the same time as we invest intensively for digital channels to sell more and more, we are also going to invest to have a more seamless process for the network of Banco do Brasil to sell more and we hope both of them to grow together. We want to sell more and more and we want both channels to sell more and more and this is what matters to the Company. And in addition to everything, we have our deliverables and our upcoming deliveries a new experience in pension plans. We're piloting a new model here; a new personal items insurance, a new BB Dental with more coverage, in addition to a new health insurance for companies.

This is what we have planned to do over the next few months and you will be seeing that shortly. On the next page, you can see a little bit about the diversification of channels and new business models. So, we have here Brasilprev CRM and you can see a significant evolution. We have had more than 100% increase in the conversion of digital campaigns for the allocation of pension funds and Rafael will be talking a little bit more about that. We have had very strong movement in Brasilprev in terms of diversifying investments, reallocating more than 50% of everything. So, this was the result of very well-designed work that we conducted. It's a simpler product, easier in terms of contracting, with digital channels helping the physical channels so that we could sell a significant volume of businesses. Broto is still growing. We raised more than BRL700 million that we were able to capture through Broto. So, we had more than BRL400 million in the first half of this year, very interesting.

We have signed the first digital partnership to offer the products of BB Dental. For the contracting of cleaning services, this was the first one of this type of partnership, but we have lots of negotiations going on with many other players. And as some partners or some third-parties or providers that we already had contact with and others that I have established contact and this is a huge opportunity and this is going to be one of the marks of my management -- of my term in office. Moreover, we have also approved BRL45 million for investment in venture capital especially in projects that comply with our business model and this work has been going on for a while, started in 2017. Of the BRL45 million that we have approved, we have already invested BRL15 million. Moreover, this quarter two we have launched our new BB Seguros portal where we show a new launch in terms of communication with customers, channel integration, regulation of some types of claims.

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Also because within our direct sales scope -- sales channels outside the physical channels of Banco do Brasil, this portal is definitely the gateway into our Company and it's going to bring in many businesses in the near future. Now talking a little bit about customer experience. It's really fundamental for us including in this open finance scenario, we are sure that we need to be closer and closer to our customers. Lots of investment in this area really seeking to increase NPS and we've been very successful. But we can and will make increasingly stronger investments. We also increased our NPS in the first quarter by 3.5 percentage points. This was above what we had expected and there are some novelties that have contributed. For example intensification of digital relationship with customers, the aftersales where we can deliver the appropriate contents for each different type of customer thereby increasing by more than 10 percentage points the number of customers impacted.

The new claim digital journey, this was also very important. Life insurance we had an increase of 4 percentage points in NPS of the product after we launched these journeys. Also we have been working continuous improvement in assistance. We want to provide assistance that are increasingly more compliant with what customers want meeting their needs. So, the new life and the new home insurance already working in this format. And in addition, we had three customer councils with 16 improvements that were implemented as suggested by customers and this is very important for us. Now talking a little bit about the experience of salespeople. So we are going to work very much on the customer experience, but also on the seller experience. This is fundamental. This is very important, has a huge impact. So every time we have a more seamless and simpler experience for our sellers, this is something that we are going to pursue and this is definitely going to improve our results.

So, we are working to simplify the sales journey for many different products. We have some pre-offers that have already been defined in compliance with profile of each customer and this will definitely help us and is really helping us to improve our sales. Additionally, we have a program in mobilizing the chain of Banco do Brasil and we have awarded 36 employees in the first half of the year and this is going to be successful too in 2021. And in addition when we talk about seller experience, there is another reason for us to be very optimistic because Banco do Brasil's specialized network has grown now in the first half of the year and when we expand this network, we can see better and better sales results because customers have a more customized consulting. So, there are customers that our investors in the bank. This network was born through the verticalization of the full strategy per segment.

And here in talking about retail, it started in 2019 and I was very close to this because I was the head of this segment for two years and this has demonstrated to be very successful in distributing all products of the Bank and it's no different with insurance. And we hope that as the network expands, we'll have increasingly more customized sales and experience to our customers and BB Seguridade will be there and will provide better and better solutions for each niche. We also have planned launching new products and in this case, there are some projects that we have already delivered in the first half. So, livestock insurance expanded to the whole country now with a Brazil-wide footprint. Credit life family farming insurance and Brasilprev Flex, which is an accumulation product combined

with risk coverage and this is still a pilot. And still in August we'll be launching it to other customers in the future.

We are now delivering the new portal of Brasilprev. In the past this channel was representative in terms of the volume of the Company and there is a project and it's been designed when it was and the commercial directorship of Brasilprev recently and we are delivering all our entire product line and this is completely different. There is also customer experience. The portal will be completely reformulated with many new things and we expect to attract new customers through this sales channel. We are going to intensify our agricultural insurance. And for me, the best thing here is the CRM of the brokerage company and we want to expedite this product too through our CRM using the bank CRM and our companies to have an increasingly more customized offer that will make sense and will speak to our customers. And lastly, about our ESG agenda, something very important as you know.

In terms of governance of the Company, we are very strong in that regard. But we can always improve in social and environmental and within this context, we had an expansion of life Vida na Ponta do Lapis, which is Brasilprev's digital platform with video classes podcasts. So, we want to provide financial education to more than 20,000 young people all over Brazil. We also launched our BB Dental Social project in order to assure oral health for children in unfavorable economic situation. And also we have the sustainability initiatives that are part of our business and during the first half of the year, we have more than 30,000 assistances and benefits that promoted health and well being in life insurance, genetic mapping, psychological counseling. We had more than 75 tons of waste disposed in a sustainable manner. More than BRL648 million in pension plans assets invested in companies aligned with ESG practices in addition to BRL34 million of collections to philanthropic premium bonds, donations, and AACD.

So, these were the highlights. Now I'm going to give the floor to Rafael. And we are available at the end of our call for any questions you may have.

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

Thank you. Ullisess. Good morning, everyone. About the numbers for the second quarter and year-to-date numbers too. Here you can see a net income in the quarter of BRL754 million and this is a reduction compared to Q1 and to last year and this was driven by many different factors. First one, we already expected it, it's related to IGP-M. So, a brief summary about the dynamics and behavior. So, we have here an update of the assets. Always updating that the assets of the current-month whereas liabilities are updated a month later. And here it's clear the dynamics of what happened in the second quarter especially in May, IGP-M was 4.1% whereas in June IGP-M was 0.6. So, it's clear here why these dynamics ended up having an impact in our net income in second quarter. So, the assets were updated by 0.6% and liabilities in 4 -- more than 4%. And there are other factors impacting both assets and liabilities, but this is because of the IGP-M.

If it weren't for this effect, which is just some noise and we know this mismatch is only temporary, it's going to go back to normal and you can see the impact in year-to-date numbers is much smaller, it's BRL42 million. But if we discount this noise, net income

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would have been BRL896 million if it weren't for this temporary mismatch. Once it goes back to normal, we have IGP-M from June was 0.8, much closer. So this volatility, and we are going to talk more about that in our presentation, is likely to go down and this is very much impacted by an unbalance in terms of supply and demand. But today in looking at projections for the Central Bank, everything indicates that in the second half of the year, this effect will go down significantly. These results have been very good as you can see here. In Q2 a growth of 24% in premiums written, more than 32% in rural premiums written, and then pension plans that hadn't been heavily impacted last year.

Pension plans have grown 64% in contributions and we have had a very robust commercial performance and brokerage revenues have grown 15%. So, the main detractors of our performance in Q2 in addition to the IGP-M was the loss ratio. Because of the deaths due to COVID-19, they are temporary non-recurring events. And when we look at -- if we break down the result and we look in the long term, you're going to see that it's quite robust. On the next page, you can see the two components and you can see here that in the second quarter because of the strong increase in claims, the net invest income consolidated had a result of 1% which is a marginal drop considering the volume of claims. I'm going to give you more details. Even so, the net investment -- the operating result was very consistent. And in the year-to-date numbers, we can still exceed that. It's slightly different concept and here we are having a vision when you add all the parts, you get to the results. So, this is operating result after taxes.

So, the net operating result year-to-date grew 4% in spite of the very adverse environment, in spite of the significant increase in the number of deaths due to COVID. Even so, we were able to work around this problem and deliver better operating result in year-to-date numbers. And now net investment income, we had the impact of inflation indexes as I said before, but we also had an opening in the interest rate curve that impacted Brasilcap especially and also to a lesser degree the result of Brasilseg, something that is very specific in the second quarter. You can see an increase in the average Selic year-on-year on the second half of the year. This high will become much more evident and everything indicates that the volatility, especially in the shorter part of the curve, is likely to go down. So, the expectation is much more positive for the second half of the year than it was in the first half of the year.

Something that is very atypical and as you've been monitoring, our net investment income combined for the Group as a whole was negative both for the quarter and also in year-to-date numbers and the financial result was almost one-third of BB Seguridade. But once again everything indicates that this must have been the worst time in terms of net invest income and we see a much more favorable scenario in the future. Now talking about each one of our operations. Here it's clear what I said in the beginning, a very robust growth in premiums in Brasilseg 22% growth in the second quarter year-on-year and 15% in year-to-date numbers. In the quarter, what we can see almost every line growing above 20%, which is not much different. If we see year-to-date numbers, the difference are the credit life insurance and so we had a sales performance that was slightly below expected for this segment. But it started responding in Q2 and we are going to work in the second half of the year for this number to be even better.

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So, rural insurance was one of the highlights, it grew 24% and rural 32%. These were very, very strong performances. If you look at the main highlights, we have had record performance ever in the history of the Company. More than BRL1 billion in written premiums, best performance ever. Another positive factor that we've been observing is an increase in the number of young people in our life insurance, an increase of 81% increase in the number of customers of up to 31 years of age. In after-sales through digital channels, we had 25 percentage points share of digital channels. There was this big increase in the share of digital channels exceeding 40% of the total. Another important piece of information that we should highlight that is related to our financial performance is the launch of home insurance in the new service oriented IT architecture.

So, every mortality in all channels and it's being made available 100% with service-oriented architecture that enables more customization, more flexibility, connectivity, and more extended delivery in terms of what Ullisess said in terms of product. As to the operational performance that we see here in the left lower chart that you can see here. Last year we could deal well with the pandemic and work around the adverse scenario. But this year specifically with the impact of the second wave, it ended up impacting the ages where the insurers are the most exposed to risk and we have had a stronger increase in loss ratio getting to 20 points of growth in year-on-year. In terms of claims paid, the claims that we have already booked in the first half of the year two times more than what we booked in 2020 as a whole. And then I can give you more details regarding our expectation regarding loss ratio from now on in the second half of the year, but we already see a trend of drop.

So we saw May and June, there was a reversal and it was sharper and we are expecting it for the third quarter. In terms of commissions, there was a drop in commissions if we compare to last year. So, if we take -- this was impacted especially by credit life and the mix was slightly more concentrated on rural insurance. Expenses also with a very positive performance with less contributions from the rural insurance provisions and contributions. And then in terms the financial has had a drop of 12% year-on-year and 19% year-to-date numbers. And as I said before, a movement of the interest rate affected the financial result of Brasilseg. So in terms of year-to-date numbers, what we can see it was very strong and growing to 18% year-on-year in the second quarter. But the loss ratio -- the specific high that we saw in loss ratio because of COVID taking up most of the growth in premiums.

And if we add up everything and combine it with the performance and financial results, which was affected by the volatility, ended up driving the net income to a drop of 35% year-on-year and with a 2% reduction in the quarter. Now going to the next page, pension. What you can see here in addition to the 64% high that as I said in the beginning in year-to-date numbers, we had a high of 30% in collection of very strong performance in pension. And as a reminder, in the beginning of the second quarter we had a very strong campaign in our distribution network, which provided 143,000 new customers to us, very successful campaign. In parallel many initiatives in terms of reallocation of assets improving the relationship between risk and return for our customers and I am going to address that in a minute to talking about the growth in pension reserves. In terms of net inflow, we have had a reduction in year-to-year numbers... (technical difficulty)

**Unidentified Speaker**

We lost the audio from Mr. Sperendio, a failure in microphone.

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

So, one of the main reasons that customers mentioned for that is that about 50% of our customers claimed investments in real estate especially. So, 75% of the justifications declared a need to daily needs costing. So, this is because of the pandemic. It's likely to be temporary, but even so about 10% or more exactly in 9.6% in year-to-date numbers versus a relatively low number compared to the history of Brasilprev. Another factor that had an impact in net inflow was an impact of the COVID. So, this really affected our inflow. And if you look here how much we reverted to members due to death due to COVID. This added BRL4.3 billion accumulated in the first half of the year whereas in the first half of last year it was BRL2.8 billion This demonstrates that this high in mortality due to COVID also had an impact and it had an impact in the insurance company, but also the pension segment.

Now talking about our reserves. So, we have very ambitious plan in terms of the allocation of our reserves. So, we are meeting our goal. So, participation in multi-market went from 8.4% in June '20 to 20.7% in June '21. So, these are two big movements. First, the internal movement or reallocation of funds are more specialized consulting to our customers led to BRL22 million of migration and this generated about BRL50 million more in terms of revenues and this is very positive. Another factor that helped a lot in this issue of migration and acceleration in terms of the inflow, BRL8.8 billion in sales to multi-market representing more than 50% of all flow in multi-market of the industry and launch of new products. In our last conference call, we talked about our new portfolio that was launched in December last year and that has already totaled BRL15.7 billion of assets under management facilitating the customer and the salesperson journey.

So, it's practically BRL16 billion with the new product. Another initiative that has been expanding only more gradually is the open architecture of our pension plans that has already totaled BRL4.2 billion assets under management. 11 managers currently and we want to have another nine by the end of 2021. So, these are the main highlights in terms of reserves and flow. And then as a result of everything, it's very clear in the chart on the left bottom management fee. So, it grew 12% as compared to the same period last year in year-to-date numbers and we had a growth of 8%. Net invest income, I'm not going to be repetitive. IGP-M has caused a significant impact with -- very intensive impact with this temporary mismatch and the gap between IGP-M and IPCA, which has driven the Company to have a negative net investment income before tax of BRL393 million in year-to-date numbers and BRL368 million in the second quarter.

Now taking the opportunity here to provide you a little bit more color about the improvements that we have had in our capital management. So, the first one. As we reported to the market, we issued BRL550 million in debt issuance to compose the minimum capital required. This is something that people very usually do to compose the regulatory capital. (inaudible) has introduced it to the insurance market late last year and we were the first one to use this instrument to compose the minimum capital requirement and we are very successful. We did this in June. In addition in terms of asset management, we have BRL1.4 billion of assets indexed by the IGP-M with swaps. So, this



was added to our portfolio to increase the hedge of traditional plans reserves. This is for our liability. So, these were the main advances that we had in addition to the allocation of BRL160 million that we have had.

To give the Company more conditions to bear this higher volatility period, we had more -- 40% in excess to the minimum regulatory capital in this quarter. So even though operationally pension was very strong at two digits, the net investment income ended up being affected and taking up all this operational growth and for the Company ended up dropping about BRL30 million in year-to-year year-on-year, about BRL40 million in year-to-date numbers. In terms of savings bonds on the next slide. So, we had a drop of 9% in the year. Especially we placed great emphasis on the increase of bonds that are monthly and this is relative of the composition of our future results. And the amount of active assets in the portfolio in year-to-date numbers, this has slightly diluted the financial margin. There was a reduction of 2.5 percentage points and this explained both in year-to-date numbers in the quarter and also year-on-year there was a drop in the net financial income.

And then our expectation as before, we had a high in the Selic and rates that are considerably above the cost of the liability and we expect that the investment income of Brasilcap will present a trend for improvement in the second half of the year. Expansions of Brasilcap have offset this drop partly, but not completely. So, expenses have gone down by 24% year-on-year, 17% year-to-date numbers and then they've helped. That was not so sharp in our investment income, 53% year-on-year and 16% year-to-date numbers. These are the main highlights in an increase in the digital channels. As Ullisess said. so if we think of Brasilprev, we are already working with our CRM and this will improve the accuracy of the sales force. And another major highlight that helped a lot the customers. we have this BRL33 million in the quarter in terms of lottery prizes that were paid in the first half of the year.

So net income if you can see here, especially because of the increase of the individuals in the income and this is dental. And the two comparison basis here are because of the increase of the loss ratio, which was too low last year. There was a sharp drop in every elective procedure and because of the margin composition and now loss ratio has gone back to normal in life, the net income has dropped in the second quarter and 8% in year-to-date numbers. The main highlight here in terms of dental is the expansion of sales through digital channels and this was very much incentivized by distribution in digital channels and the higher number of members in the second half. Two-thirds came from the digital channels, almost 40% from companies. And another important point was the fully digital partnership made with the platform that we made. Now going to the brokerage company. So, here you can see the results on Slide Number 14.

We have a strong performance in life, rural, and pension. And the net margin you can see here year-on-year in the second quarter an improvement of 0.2 percentage points year-to-date numbers. In the quarter there was a high explained by the Selic rate and year-to-date numbers, the improvement came from operational margin because of the flow. And then the net income has grown almost in parallel to revenue, 10% for the year-to-date numbers. And now going to the end of the presentation. As I said, I'm going to show you a few more evidence of our scenario to explain our performance. So on the left hand side

here, you can see an increase both in the frequency of COVID cases and deaths from COVID., And what happened in Brasilseg as you can see on the two charts at the center of the page, it mirrors what happened in the country. It had a direct effect on what happened in the Company.

So we had a significant growth in claims and in quantity, frequency, and total volume of capital insurance. And then after May it started going back to normal, there was a reversal and it was slightly more intense in June. The distribution per age group is not much difference than what happened in the country with a higher concentration in the age group from 50 to 70 years of age and once again this is a reflex of what happened in the country. But apparently when we look at the numbers, we are really confident with this trend of reversal especially thinking of vaccination of the entire adult population. This is the prospect as of October and this is something and according to all studies that we analyze all the time, we have the expectation of impact from COVID until the end of the year of 2021. We are having a positive surprise because of the accelerated pace of vaccination.

It's very clear in June we can see a significant drop here going back to levels that are similar to the levels we had in March and the expectation is that in the next few months in the second -- third and fourth quarters, we'll see a recovery and we hope that we'll be going back to normal levels and it's still a little bit early for us to say anything about that. But this is what the curves are indicating to us. On the next page wanted to show evidence of our expectation of the dynamic between IGP-M and IPCA. So you can see that historically, these two indexes have a positive correlation so their movements go together. At the times crisis, there is some deviation from that. But structurally IGP-M is not likely to be structurally above the IPCA. They usually go along. And according to what was published today by the Central Bank in the second half of the year, we are going to see the two indexes converging and going together again and this will help us in our investment income performance towards the end of the year.

Now here on Slide Number 18. Considering the high loss ratio in the first half of the year and to offset all the impact that we have had in the first half of the year, we have decided to review down our expected growth of our operational result. So, we delivered 3.1% and we are reviewing it down to the interval between 1% and 6% and not any longer between 8% and 13%. If it weren't for the COVID, our performance would be -- according to our estimates would be on the top half close to our previous guidance. But because of all the effects of the pandemic, we had to review this number down. On the other hand, we are more optimistic in terms of our guidance of premiums written. We had expected seven to -- our first guidance was 7% to 12%, we delivered 15% so also because of the performance of life and rural that has been very strong this year and these are very important components in building up our long-term results. Now the guidance for reserves, we kept it. We are right at the center of the expected range and there's no evidence that we need to review this guidance. So, we are keeping it.

These were the main highlights and now we can move to our Q&A session.

## Questions And Answers

## Operator

Thank you, Raphael. Our first question comes from Eduardo Rosman from BTG Pactual. Rosman, please you can open your microphone and ask your question.

### Q - Eduardo Rosman {BIO 16314825 <GO>}

Hello. Good morning, everyone. Thank you very much for the opportunity. I have two questions. The first one is can you determine the quantity maybe in absolute numbers in million BRL just to give us an idea in being conservative. What could the delta be in terms of higher loss ratio and IGP-M thinking between this year and next year? You showed very clearly the impact. But maybe to quantify it and to make it easier for everyone to understand very clearly how these two themes are having an impact on your results in terms of financial impact? And number two, what kinds of products are you thinking of exploring in the new channels and what kinds of channels other than Banco do Brasil? Do you think of having partnerships? Are you going to explore that? And this would be interesting. Thank you very much.

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

Well, Rosman, thank you very much for your question. I'm going to answer the first part and then I'm going to give it over to Ullisses to answer the second part. Well, it's difficult to quantify in terms of the numbers because we don't have a guidance, but I can somehow quantify the impact. So today when we see the loss ratio here for the COVID year-to-date numbers that we have here, we have BRL428 million in claims already identified as COVID in this classification. This is not something easy to do and this is kind of dynamic. Expenses are completely booked in our balance sheet. This is not going to change the Company's loss ratio, but classifying it as a COVID or non-COVID it takes on average 60 to 90 days. Especially today according to the most recent information that we have in terms of impact in the COVID loss ratio was BRL428 million and this is almost double of -- this is bigger than we had for 2020 for the whole year.

So, this is likely to reverse. As we showed you in the slide, we don't have any evidence that this would get any worse. Much to the opposite, we only have evidence that this is going to get better. As to IGP-M, we had almost BRL400 million of negative impact and the trend is difficult to quantify so there is a very low expectations and the prospects for the market according to focus was 4.5 and today it's 19. So, it's very hard to extrapolate according to the forecast announced by the Central Bank. So if this materializes, we are going to reverse most of this negative performance along the second half of the year, even though I do not yet see the scenario of it going back to positive still this year. And this might happen only in 2022.

### Q - Eduardo Rosman {BIO 16314825 <GO>}

Okay, great. So we can say then that if everything goes back to normal, next year, you should have a bottom line growth that would be relatively easy just by normalizing these two factors, but you're still growing your top line, the company's operational result, this is all going very good. It's difficult to talk about the future, you do not yet have a guidance, but we -- just these two factors going back to normal will help a lot the last line, right.

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

Well, this is what we are expecting Rosman. So these results of 2022, we are expecting very robust growth and this migration to multi-market also helps a lot in the composition of reserves and in segmentation of our portfolio management and as Selic and inflation rates go back to normal, we expect much more reasonable performance in the second half of the year.

**Q - Eduardo Rosman** {BIO 16314825 <GO>}

Well, the second question about the channels, so channels outside Banco do Brasil, what do you expect? I think the BB Seguridade performance and results come much more from the Banco do Brasil. But there is an opportunity to diversify.

**A - Ullisses Christian Silva Assis**

Well, Eduardo, thank you for your question. And I would say still talking a little bit about Rafael, we are going to really accelerate the operational results and once everything else goes back to normal, we expect to have very robust performance in the next periods. As to these open series as you put it, Banco do Brasil is our main channel, it is and will be, but because we have these trends, we need to -- we can be very ambitious in terms of channel diversification. We have a huge portfolio and we work on the two ends of the line. We have product and we attribute to. So it depends on partners. So the partners will require from us slightly better structured products and depending on the partner, we need leaner products that will provide in fact the possibility of easier sales. So I would say that we are open to many different markets. We have the ambition of having direct sales obviously. And as I said, in Brasilprev, we are working intensely with brokers but niche banks, digital banks, digital portfolios, and many of them. And with that regard, this really makes sense. It's really synergic with our business and we hope to have state-of-the-art good products, so that we are increasingly more attractive and we can have partnerships. And we've been talking to a few prospective partners and I hope at least in the final phase of completion.

**Q - Eduardo Rosman** {BIO 16314825 <GO>}

Thank you very much.

**Operator**

Thank you very much. We have now question from Goldman Sachs. Tiago, can open your microphone and ask your question.

**Q - Tiago** {BIO 18958905 <GO>}

Can you hear me well?

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

Yes, we can.

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**Q - Tiago {BIO 18958905 <GO>}**

Good morning, Ullisses, Rafael and Philip. First, the guidance, what are the risks that you see in these intervals. You talked about the expectations in terms of vaccination. So first dose vaccination until October and also for Brasilseg, so this is compared to a week basis, are risks well balanced? And I'm going to ask you a second question.

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

As to our operational result guidance, as I said, it's still very early to estimate all the impacts from the vaccination. What we've been seeing is that deaths and the frequency of deaths is likely to drop sharply. About possible impacts of the vaccination, and if we move on until October, the performance and the actual numbers will start on the top half of our interval of estimates, but still very early for us to talk about this. I'm sorry, I didn't hear the second part of your question.

**Q - Tiago {BIO 18958905 <GO>}**

It's similar, it's about written premiums. Do you think this can go on? Are you going to keep at the same values until the end of the year?

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

Well, we are very optimistic, especially in terms of rural insurance and life insurance and today there is not much evidence that will be a material deceleration of that growth. It's kind of early once again, but everything indicates that will perform well even once we review the intervals.

**Q - Tiago {BIO 18958905 <GO>}**

Okay. This is very clear. Thank you. If you allow me a second question about Brasilprev's solvency. Today you have a buffer of almost 40 percentage points, but there is -- is there anything that is worrying you towards the end of the year or do you think this is okay considering your debenture and the capital?

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

Well, before continuing, Ullisses, would you like to complement my answer?

**A - Ullisses Christian Silva Assis**

No. About the premium increase, I would just like to reinforce that with the specialized network in the bank and the investors, there was an expansion in the agri business and we are very optimistic regarding this growth in premiums for the rural insurance too.

Now talking about solvency, Tiago, today we do not have any evidence that we would need any complement in Brasilprev regulatory capital in 2021 and in answering your question directly, what would be a risk factor and what we are observing slightly more carefully and slightly more closely and that could impact is the IGP-M structure. If there is a significant, this might end up leading us to review considering the current market scenario, we don't see this in the future. This is not a trend. This is the current scenario.

We think that 40% excess, 39% to be more accurate of capital in excess of the minimum requirement for capital. This is okay for us to bear anything that may happen.

## Operator

We have a question that was asked in writing, sorry, regarding the loss ratio, can this have an impact in the company's payout?

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

Well, this has had an impact on the performance of the second quarter especially in agricultural insurance. For the second half of the year, what will have an impact especially in corn production, which has been affected in the south of the country, especially because of the temperatures, and in this line, we have reinsurance protection that will cover almost 80% of the risk of the company. We are not expecting a major impact of loss ratio resulting from these effects in the second half of the year.

## Operator

Rafael, another question about payout. So considering everything that has been said about capital management relates to this question. So, people want to know when is the company's payout level going to go back to normal?

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

Well, we are still adopting a posture that is relatively conservative because of the volatility and this time of transition for the reopening of the economy and the impact that this is going to have any economic scenario, and the payout that one before that we approved.

## Operator

And we have lost Mr. Sperendio again.

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

So briefly going back, so we paid one before for the first half of the year, we have adopted a very conservative behavior in terms of payout of dividends. Considering the economic scenario and the impact that is going to have on the main (foreign language) All regulatory issues impacting all the GDPR and IFGR, all the investments we've been making especially of expansion and the distribution channel is something that can -- should be considered because it's a very important variable in terms of dividend distribution.

## Operator

Another question from the Q&A and you've mentioned about the increasing number of assets in terms of IGP-M around BRL1.4 billion. Some people are asking about the expansion pace of these assets in order really to have better protection in terms of the amount of reserves.

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

We have taken important strides towards that even though we have a very challenging context in terms of IGP-M, it doesn't seem to be assembled as it may look at first sight to buy IGP-M indexed assets. What we have observed in addition to the BRL1.4 billion, there are already two issuance under negotiation under restructuring really and we probably will have more information about that in the second half of the year. And another discussion about a counterpart willing to issue IGP-M indexed bonds.

The main challenge even though we have really progress a lot in these adjustment and it gets too close to 80% of matching between indexer and IGP-M because we had an important maturity of (inaudible) in April, the government stopped to issuing these IGP-M 06 index bonds and we still had some remaining to maturity April 21 and January 31. So we have just reorganized of the maturity of April and then added a small buffer of bonds indexed by IGP-M, The main challenge as I told you is to deal with the maturity dates. It is difficult to obtain any much maturity rates greater than five years because of the volatility of this index. But it's a one-time situation, it's something really that is not to remain in the long term, even considering our assets those which are indexed by IPCA, probably they are going to make a difference. But during this transition period, we are going to reduce volatility and then focused on the elongation of the portfolio.

## Operator

Thank you. There is one more question to by Domingos Falavina of JP Morgan. Domingos, please you can ask your question now.

## Q - Domingos Falavina {BIO 16313407 <GO>}

Thank you. Good morning. Two questions. You've made a comment and you said you were confident about these expectations for the year, but -- and you've made your disclaimer saying that depending on the interest rate curve, so let me understand the mechanics behind it, your if (inaudible) close at real interest rate levels, how would that impact your balance sheet?

And second question, you've talked about the problem of the duration -- the maturity duration of the assets. As we are talking about a traditional plan, where you no longer sell it, what is the duration -- maturity duration of this portfolio, in terms of liabilities, when did you stop selling it, what's the average range of the population and how this is -- how is it going to impact your liability in terms of how much you're going to pay?

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

Thank you, Domingos. Thank you for your question. In terms of the maturity, it's about 11 years, 11 years the duration of the portfolio versus liability. We discontinued selling it in 2002, but clients can still maintain their regular contributions to the plan, they can make periodic investments which has already been part of the contract. And this is one we have decided to discontinued selling it, but the average duration of maturity is 11 years.

## Q - Domingos Falavina {BIO 16313407 <GO>}

Eleven years using T83 or it's already an adjusted estimate to the new reality?

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

I don't know top of my head, if it's table 83, I'm almost sure. But it's using contract conditions, contract dispositions. It's not updated. No, it's not updated.

**Q - Domingos Falavina** {BIO 16313407 <GO>}

Okay, good.

**A - Unidentified Speaker**

Concerning your second question, we still are very conservative even though operationally, we have very few questions that the results will eventually be much better in 2022 than in '21, especially concerning the reduction of loss ratio. But there are a number of variables, we have a positive natural average, the interest rate Selic, we've been reducing the duration, especially in Brasilcap in terms of prefixed items, but inflation is still an unanswered question, especially concerning the -- how the economy will behave once service resume its normal operation with no more restrictions due to COVID. Some countries that have resumed economic activity, the services have been reacting even faster than initially expected.

I don't know whether this is going to be the same or not in Brazil. I do not think so. And if so, it might be favorable in terms of financial results of Brasilprev, so services picking up a convergence between GPA and GPM will probably take place, but it's still too early. It's too early to quantify the impact, but well, it seems that the results for 2022 operating, financial, bottom line, nothing points to negative performance in a nutshell.

**Q - Domingos Falavina** {BIO 16313407 <GO>}

Great, thank you very much.

**A - Unidentified Speaker**

Well, if there are no further questions, so with that, we close our conference call. Should any of your questions have not been answered live, we are going to submit them in writing. We would like to ask you to access the questionnaire, so that we can keep on improving our relationship with all of you. So here you have the link and the QR code. On behalf of BB Seguridade, Ullisses and Rafael, I would like to thank you all for being here. And our IR team, myself and all our team members are here available to answer any further questions. Rafael, any closing remarks.

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

Well, thank you all very much for your participation. And have a great day, everyone. Thanks everyone. Have a great week.

**Operator**

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Thank you very much. Have a good day.

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