

# Q3 2015 Earnings Call

## Company Participants

- Bernardo de Azevedo Silva Rothe, Head of Investor Relations

## Other Participants

- Anibal Valdes, Analyst
- Boris Molina, Analyst
- Marcelo Telles, Analyst
- Thiago Batista, Analyst
- Tito Labarta, Analyst
- Unidentified Participant
- Victor Galliano, Analyst

## Presentation

### Operator

Good morning, everyone and thank you for waiting. Welcome to Banco do Brasil Third Quarter of 2015 Earnings Conference Call. This event is being recorded and all participants will be in a listen-only mode during the company presentation.

After this, there will be a question-and-answer session, at that time, further instructions will be given. (Operator Instructions) This event is also being broadcasted live via webcast and through Banco do Brasil website at [www.bb.com.br/ir](http://www.bb.com.br/ir), where the presentation is also available. Participants may view the slides in any order they wish.

Before proceeding, let me mention that this presentation may include references and statements, planned synergies, estimates, projections and forward-looking strategy concerning Banco do Brasil, its associated and affiliated companies and subsidiaries. These expectations are highly dependent on market conditions and on the performance of domestic and international markets, the Brazilian economy and banking system. Banco do Brasil is not responsible for updating any estimate in this presentation.

With us today, we have Mr. Jose Mauricio Pereira Coelho, CFO and Mr. Bernardo Rothe, Head of Investor Relations. Mr. Bernardo, you may now begin.

### **Bernardo de Azevedo Silva Rothe** {BIO 18059993 <GO>}

Good morning, everyone. Thank you for participating in our conference call. I would like to start in slide three where we have highlights for the nine months ending September 15, where we have our net interest income growth of 13.6%. Our fee income increased by 9.5%, which show our administrative expense is under control, a growth of 6.9% and an improvement in our cost-to-income ratio that reached 40.9%.

Moving to slide four, we have our income statement, our main lines, where we show the growth, third quarter 2015 against third quarter 2014, a growth of 14% net interest income and 5% against second quarter 2015. The fee income, we have a growth of 10.1% and 6.9% against third quarter 2014 and second quarter 2015, respectively. And in the line of that administrative expenses, we

had a growth of 6.3% against third quarter 2014 and 1.3% against second quarter 2015. And the adjusted net income in nine months, we show a growth of 7.5%, reaching BRL8,947 million.

Moving to slide five, we have some markets ratios. Our earnings per share reached BRL1.08. Our dividend yields reached 13.98%, price earnings 12 months is at 2.86 and our price/book value at 0.51.

Slide six, we start covering the funding, where we have the adjusted net portfolio and commercial funding to show the strength of our balance sheet in terms of liquidity. It is now 91.8%, an improvement from the previous 92.5%. And we like to emphasize the growth that we have in the Agribusiness Letters of Credit and Mortgage Bonds of 36.2% on September 14, reaching BRL154 billion. And also, in safe deposits that although the growth is not significant, but comparing to what's going on in the market, we have very good results.

In slide seven, we start covering net interest income and net interest margin. The margin grew to 4.3% overall and the spread by portfolio we have for individuals 14.9%, for companies reaching 7.1% and the total spread reached 5.7%. In the bottom, we have the breakdown by lines, the growth of net interest income. As you can see, loan operations income increased by 16%, comparing to nine months 2015 to nine months 2014 and the treasury income grew by 39.5%. I'd like to emphasize that our treasury income is mainly the effect of the hedging that we have to protect our fixed income assets against the changing interest rate in the market and also investments of our liquidity in market instruments.

In page eight, we start talking about our loan portfolio in a broad concept. We have a growth of 9.1% [ph] in 12 months.

Slide nine, we have the organic individuals loan portfolio where we show that we keep concentrating our business in lines with less risk. These lines are the payroll loans, salary loans, mortgage and auto loans.

Page 10, we have more information about the individuals portfolio, starting with Direct Consumer Credit and Auto Loans, with the increase of 6.5% in 12 months, reaching BRL96.9 billion. As you can see, 86.7% of that portfolio is concentrated with civil servants and retirees and pensioners, a segment that is less exposed to the market condition. Specifically about payroll, you can see that the increase in 12 months was 9% and we reached BRL61.8 billion, it represents 24.2% market share and the concentration here in civil servants and INS retirees and pensioners is 96.4%. Salary loans in the bottom left, also grew at 8.4%, reaching BRL19.4 billion and the mortgage portfolio grew by 34% in 12 months and the individuals portfolio grew by 36.8%.

In slide 11, loans to companies in the broad concept, we can see that we grew basically through investments at 7% in 12 months, trade finance with a growth of 15.9% and mortgage with a growth of 26.2%.

Slide 12, we are issuing loans to companies, we have some details about that portfolio. You can see that the very small and small companies' portfolio had a decrease of 6.2% in 12 months, going from BRL101 billion to BRL95 billion. And the portfolio comprised of middle market, corporate and governments increased by 11%. The overall results for the portfolio is a growth of 5.9%. In the very small and small companies, we have an increase in the penetration of the FGO and Fampe, a kind of private insurance that we use in Brazil to protect these particular group of clients, the loans to these particular group of clients shown in the right top.

And very small and small companies as well, time of relationship, we have here in the bottom left, 95.9% [ph] of this portfolio is with clients that have more than two years of relationship with Banco do Brasil. Time of relationship is a very important component in our decision making process when

we grant a credit, and that this concentration indicates that we have a very long-time experience with these type of clients.

In the right side, we also bring to you the information about the concentration in time of the existence of the company. 99% of our portfolio is with clients that exist up for more than two years.

Slide 13, we bring to you the Agribusiness portfolio. The overall portfolio has a growth of 8.5% in 12 months, mostly coming from individuals that grew 9%. We also still use a lot of mitigators in the working capital for input purchase. In this quarter, we have a coverage of 76.1% is insured by full of climates risk, price risk and so on.

In page 14, we start talking about asset quality. As you can see, the total level of provision at Banco do Brasil reached BRL34 billion at the end of September 2015, being comprised of 3.8% in additional provisions, 13.6% of provisions to cover transactions that are still current and BRL16.5 billion provisions to cover past due transactions. In the bottom, we break down the provisions made by Banco do Brasil only. It does not consider the provisions made by Banco Votorantim and the additional provision. As you can see, most of the provisions that we made are for the company's portfolio, reaching BRL3.8 billion.

In slide 15, we have the delinquency ratios and you can see that our delinquency ratio increased from 2.04% to 2.2% at the end of September 2015. Looking at the delinquency ratio by segments, we have stability in the Agribusiness portfolio, stability in the individuals portfolio and then we have -- we are seeing some pressure in delinquency in the company's portfolio.

Page 16, we have the NPL formation and average risk. NPL formation increased 15 bps to 0.86 at the end of September 2015 and our average risk reached 4.15. The change in the risk, if you compare with the banking industry was lower than what we saw in the market. So although we have a growth here, we are growing the average risk in a different pace from the market as a whole.

In page 17 we start talking about fee income. Comparing to the growth of fee income, third quarter 2015 to third quarter 2014, we have a total growth of 10.1. For account fees the growth was 15.1%, for asset management fees 12.4% and billings we had 6.6%.

In the next slide, we have a breakdown for some of this fees, looking nine months 2014 against nine months 2015. In account fees, the growth in this view is 10.9%, reaching BRL3,768 million. Asset management fees, the growth was 16%, reached BRL3,506 million. For Fiduciary Services, the growth was 11.4% and in Consortium was 29.6%.

Moving to slide 19, we have some information here about the Seguridade, our insurance arm and the pension funds. As you can see, the adjusted net income for nine months ending 2015 reached BRL2,931 million, a growth of 26.5%. And there is still war in the leadership position in life insurance, rural insurance and pension plans.

20, we have information about our (Technical Difficulty). We reach to that at the end of the third quarter 2015, 59.3% of the total transactions being done through these channels. The Bank was considered the most innovative Bank in customer relationships according to DOM Strategy Partners Ranking. And we have now 6.4 billion clients using our mobile application, and the number of transactions we end up with 1,033 million transactions through mobile, an increase of 201% over the third quarter of 2014.

On page 21, administrative expenses and cost to income ratio. As we can see, we've been reducing this cost-to-income ratio over time and from 44.5% at the end of third quarter '14 to 41.6% at the end of the third quarter '15. Looking at nine months, this comparison goes from 43.6%

to 40.9%. And looking at the other expenses, the nominal amount in nine months '14, we had a total of 10 billion, nine months this year is 10.2 billion, so a very small increase in nominal amounts.

Page 22, we bring to you the BIS ratio that ended the third quarter 2015 at 16.20%, being Tier 1, 11.61% and Core Capital 8.07% [ph] (Technical Difficulty) anticipation, the BIS ratio (Technical Difficulty). This will give you more information. In this quarter, we are bringing other impacts that we may have in these ratios, just to enable all of you to compare with our peers in the market. So, we have here also the user-spec [ph] strategy and the impact of that used in the M-ratio [ph]. So if you look at BIS ratio, if you consider the use of tax credits, we reached 16.26% [ph], that's the same of level that we have now before the reduction schedule anticipation. Tier 1, we have the same results. We are going back to 11.6.

And finally moving to slide 24, we have the guidance for Banco do Brasil, where we compare to our performance. The adjusted return on equity, we performed 13.7% in nine months, against the guidance of 14% to 17%. Given the challenging scenario that we are living in right now, the Bank decides to change the guidance to 13% to 16% return on equity. We didn't reach the guidance also in companies, where our growth was 5.9% against the guidance of 7% to 11%. Given the backdrop of the economy, we decided to change the guidance to 5% to 9%.

We didn't reach the Agribusiness guidance as well, but we still believe that this guidance is valid and that during the fourth quarter, we are going to reach the guidance established at the beginning of year, a growth 10% to 14%. We also changed the guidance for fee income, we have a previous guidance of 3% to 6% growth. We are right now growing at 9.5%, so given what we expect for the fourth quarter this year, we believe that a more appropriate guidance would be a growth of 7% to 10%.

With that we end our presentation. And now we can open for question-and-answers. Thank you.

## Questions And Answers

### Operator

Ladies and gentlemen, we will now begin the question-and-answer session. (Operator Instructions) Our first question comes from Mr. Tito Labarta from Deutsche Bank.

### Q - Tito Labarta {BIO 20837559 <GO>}

Hi. Good morning. Thanks for the call. I have a couple of questions; first, in terms of the corporate portfolio, we saw some deterioration in asset quality. They are a bit more than your peers, so I just want to get a sense, how you see that evolving going forward. Do you think it needs to deteriorate at the levels we saw this quarter, if you can give some more color there?

And my second question is in terms of your funding cost, they continued to rise pretty strongly I think to about 30% year-over-year. And so, if you can give some color on how you see the funding cost evolving. Is that maybe due to you've been switching a lot to the Letters of Credits, also with higher interest rate, do you think that could stabilize going forward or could that continue to deteriorate if you have some pressure there?

### A - Bernardo de Azevedo Silva Rothe {BIO 18059993 <GO>}

Thank you, Tito. Good morning. Going through your first question, the corporate portfolio is where we are seeing some pressure, that's correct. And we had an increase of 40 bps in the delinquency ratio and mostly in the lower income type of companies, so the very small, small and some lower-middle market companies. Looking forward, we see pressure keeping for the next quarters, and the pace, we don't see that going out of control. We do believe that we are controlling the

delinquency and the monitoring of all credit portfolios working. So we don't see that going out of control, still under our control.

In relation to funding costs, the growth that you're mentioning is more linked to the growth of the total deposits and total funding of the Bank and the changing interest rates in the market, and market rates. But if you look at the average cost to Seguridade [ph] that we have now in our NAU [ph] you can see that we have a reduction in terms of percentage. It was before 77.5%, now it's 76.6%. So we consider that this cost of funding of the Bank is pretty much under control, and you see them reducing in a scenario there -- where the mandate was down not growing, in fact reduced a little bit. So it's a very good performance in our point of view, okay.

**Q - Tito Labarta** {BIO 20837559 <GO>}

Okay, great. So I just have two follow-ups, if I can. In total asset quality when you include the consumer, any concerns of the consumer portfolio going forward? And then just on the funding, should we think funding cost can kind of stabilize -- fully stabilizes -- will stay stable for next year?

**A - Bernardo de Azevedo Silva Rothe** {BIO 18059993 <GO>}

Because the consumer finance, in the individuals portfolio, we're showing a stable delinquency ratio. We don't expect a change on that. So stability with small fluctuations moving forward. The way we build our portfolio protect us against most of the impact of the economic situation in Brazil. So our own initiatives to reduce our exposure to higher risk lines of credit is helping with the control of the delinquency ratio overall. So, we don't expect variations, so stability with small fluctuations moving forward. In relation to the cost of funding, we don't see big changes in that, it's pretty low already. Looking forward, we're still seeing some stability in terms of percentage of sales.

**Q - Tito Labarta** {BIO 20837559 <GO>}

All right. Very helpful. Thank you very much.

**Operator**

Our next question comes from Mr. Victor Galliano from Barclays.

**Q - Victor Galliano** {BIO 1517713 <GO>}

Yes, so I just wanted to ask about the provisioning we saw in the quarter and obviously the difference we could see there in terms of what was put through the managerial accounts and what we saw in the corporate loan accounts. Can we assume going forward then in terms of your guidance and in particular with regard to allowance for loan losses that this will exclude any one-off provisions that you factor in there, and can you just give us an explanation of how you would define one-off provision in a situation where the economy is deteriorating and we are going to see negative GDP growth next year or probably more than 2%, where the economy is deteriorating and really it looks like you're going to need to be doing additional provisioning going forward? Thank you.

**A - Bernardo de Azevedo Silva Rothe** {BIO 18059993 <GO>}

Thank you, Victor. First of all, all provisions that are done in accordance with our policy and with the regulation of the Central Bank of Brazil are considered recurring provisions. So, if any provision, in fact, that we can link the provision being made to any particular case are considered recurring. When we do the analysis what we did in additional provision (Technical Difficulty). If we eventually -- just moving back a little bit, we have additional provisions for quite some time and then if you look at what Banco do Brasil did, we never changed the additional provision. We didn't use so far that additional [ph] provision.

And so we -- for the future, if there is a need to do that we are going to do, but that has to be defined technically under -- completely under the policy that we have in place. So additional provisions are going to become regular provisions, if we allocate that additional provisions to one particular case moving forward. Basically, that's how we treat that. And everything is accordance with the laws and regulations of Banco do Brasil.

**Q - Victor Galliano** {BIO 1517713 <GO>}

Okay. Thank you. So I mean, looking at the run rate of the nine months, though in terms of the allowance for loan losses to average loans, when you factor that in, it's above 3.5%. So I mean, the performance so far in terms of provisions, if you're saying that all provision should be considered recurring, then we're running above that 3.5% guidance. That's it.

**A - Bernardo de Azevedo Silva Rothe** {BIO 18059993 <GO>}

Thank you.

**Operator**

Our next question comes from Mr. Marcelo Telles from Credit Suisse.

**Q - Marcelo Telles** {BIO 3560829 <GO>}

Hi. Hello, everyone. Thanks for the time. My question is with regards to capital of the Bank. I mean, how are you thinking about your capital position today and like three years down the road, given that your common equity Tier 1 declined from the second to the third quarter, I think it's a little bit above 8%. And would you reconsider your payout policy, maybe lower to 25% from the 40%, because in this environment it might be -- I mean, I believe it might be a little bit more difficult to build up capital over time and you have the phase-in period of the Basel II regulation. And in that same matter, do you see -- would you consider the possibility to sell or reduce a little bit your stake in Seattle [ph] or sell a little bit more of the BB Seguridade in that environment? Thank you.

**A - Bernardo de Azevedo Silva Rothe** {BIO 18059993 <GO>}

Thank you, Marcelo. Let me start with the end. Banco do Brasil is not going to sell anything any BB Seguridade in Seattle. Nothing. Going back to the first question, the payout, there is no discussion about that in Banco do Brasil, so we're not changing anything. And going back to the first part of the question, we are very strict in terms of capital management. We have our capital plans in place. We consider all the projections that we have, the situation in the market, the scenario that we have in the market is a big part of our projections.

So, given all that, we have our internal target that is more than the regulatory target for core equity Tier 1 and our projections indicate that we are going to be in our own target in the previous period. In fact, we have to be 18 months in advance over our own target and we so far are in the right direction. So we don't see any concern in terms of how we are managing our capital base.

**Q - Marcelo Telles** {BIO 3560829 <GO>}

And just a follow-up on that. What would then be your target common equity Tier-1? What is the -- I mean, some of your peers, I think they did pretty much mentioned 12%, 12.5% as the minimum core equity -- core capital Tier-1. So in your case, what do you think is the appropriate level?

**A - Bernardo de Azevedo Silva Rothe** {BIO 18059993 <GO>}

We announced our risk appetite that was established by the Board of Directors and our risk appetite for beginning of 2018 that whether we have to reach that 18 months in advance is 9.5%.

**Q - Marcelo Telles** {BIO 3560829 <GO>}

Does that consider the -- because there was a new regulation that came out on the systemically important additional requirement, so does that consider already the extra (inaudible) to 100 basis points on top of the -- what has been established?

**A - Bernardo de Azevedo Silva Rothe** {BIO 18059993 <GO>}

We consider that, but the risk appetite was announced last year. We review it every year, but as soon as we review, we may increase if the Board of Directors think that's the proper action to do.

**Q - Marcelo Telles** {BIO 3560829 <GO>}

Okay. Thank you.

**Operator**

Our next question comes from Mr. Boris Molina from Santander.

**Q - Boris Molina** {BIO 1904979 <GO>}

Yes. My question goes back again to the capital situation. The Bank has been chronically running with relatively weak capital ratios, once we factor in the reductions that fully lower the Basel III and obviously, deducting all the deferred tax assets as international regulations require. Now I would like you to explain a little bit the rationale for buying back this Tier-I securities that was announced yesterday. It doesn't seem to be going towards the objective of actually strengthening your capital ratios. In our view it's very difficult for us to see how capital ratios can improve from the current levels, fully loaded, in our calculations around 6% or lower to around 12%, which is doubling in probably three years, four years.

So, do you believe that you can reach your plans organically through capital accumulation, because otherwise you'd have to halt credit growth. So what are parameters that you factor in this capital planning over the years to reach this 9% or eventually low teens percentage by 2019, and what are the alternatives you have in your Basel capital ratios?

And the second question I have is regarding the pension fund. In our calculations, you're going to show a significant mark-to-market decline in your pension position that is also going to affect capital ratios in the fourth quarter. Are there any plans to deal with this continuous in terms of market risk in your capital planning?

**A - Bernardo de Azevedo Silva Rothe** {BIO 18059993 <GO>}

Thank you, Boris. First, the tender, we cannot talk about the tender. We're advised by our lawyers that is we have to direct all questions about the tender to the dealers. So if you don't mind you can contact JP Morgan and (inaudible) to ask such questions.

In relation to the pension plan, the pension plans are going to be the best non-capital [ph] anyway, it doesn't matter what happens there. So we, through following the implementation schedule of Basel III, everything is going to be deducted from capital. It's already in our calculation that it's going to be deducted when we forecast the position of capital moving forward. So, I cannot say to you what we may do. Basically, we are managing that pretty closely and we are pretty comfortable that we are going to reach the 9.5% that I mentioned when I answered the previous question.

**Q - Boris Molina** {BIO 1904979 <GO>}

So in the previous question, you mentioned that obviously no asset sales and obviously, no cut in the dividend payout. So with returns on equity suffering because of asset quality and the potential change in economic policy that we still don't know is going to happen, but there are some rumors that there could be some return on to what's like increasing public sector bank lending to kick start the economy. This looks like an environment where capital ratios are going to remain fairly flat over

time now. So, is the Board committed towards increasing the targets, regardless what government policies might want to think?

**A - Bernardo de Azevedo Silva Rothe** {BIO 18059993 <GO>}

I cannot anticipate measures that we need to take, because defeats the purpose. But just to correct you, I didn't say we are not ever going to change payout, because we can. But it's not under discussion and our projections give us comfort that we are going to reach our targets and we are moving in that direction. And if there is anything that shows in our projections that there is a gap that for any reason we may not reach the target, we have contingent plans pre-approved in place that we can activate right away to take the correction measures as needed, okay.

**Q - Boris Molina** {BIO 1904979 <GO>}

Okay. Wonderful. Thank you.

**Operator**

(Operator Instructions) Our next question comes from Mr. Anibal Valdes from Barclays.

**Q - Anibal Valdes** {BIO 17745509 <GO>}

Hi. Good morning, Bernardo. Just a follow-up on working [ph] capital, can you please provide the number for the Brasil III related adjustments as of third quarter 2015 -- on CET-1, sorry?

**A - Bernardo de Azevedo Silva Rothe** {BIO 18059993 <GO>}

Okay. I was -- we don't assure that the CET-1 position is fully implemented. But you have for the Tier-1 in the total capital. We don't disclose that.

**Q - Anibal Valdes** {BIO 17745509 <GO>}

But Bernardo, you used to provide that number and I'm asking because now we are a little bit confused about the additional deductions that were made on third quarter 2015, particularly the higher investment line and the tax credit arising from temporary differences on the tender [ph] generating companies. Those deductions are just one-off or is something that you will continue to increase, given the phase-in of Basel III, because we're trying to estimate what will be the fully loaded number and it seems that the deductions increased materially from 2015 [ph] to 2015, which is the deductions that you disclosed as prudential adjustment.

So, I don't fully understand if that number, that increase, is the 40% of the full amount that has to be deducted or I am overestimating that number. That's why I am asking, which is the number of the Basel III related adjustment to CET-1?

**A - Bernardo de Azevedo Silva Rothe** {BIO 18059993 <GO>}

Anibal, what we have to have in page 23 of the presentation, deductions schedule anticipation. So, over here, we bring to you what -- the full deduction and the increase that we had this quarter in RWA were related to the tax credit explanation that we did and should impact or effect a change in the credit portfolio. Basically that's what happens. But these tax credits that -- just to talk about this particular tax credit that we reported this quarter, it has to be used until the end of 2018, which has been increasing in the social contribution of 5%, as an end date at the end of the 2018. So as the tax credit, calculated over that particular increase with a short-term, we have to use this particular tax credit over that same period.

So, we are going to use the full of this tax credit until (Technical Difficulty) 2018 or we have to write that down, is we have to use it or write that down. So anyway, we believe that we made the right calculation, so what we activate is what we are going to consume over time, in that short period. Everything else, we have our own calculation internally, our projections and we're consuming tax



credit all the time. At the same time, we are generating new tax credits all the time. So everything goes together in our projections, okay.

**Q - Anibal Valdes** {BIO 17745509 <GO>}

Okay, Bernardo. Thank you.

**Operator**

Our next question comes from (inaudible).

**Q - Unidentified Participant**

Hi. Good morning. Thank you very much for the presentation. Could you please provide some further color on the type of companies where you've seen an increase in NPLs? Were these mostly small and medium enterprises or large corporates, and were there any particular sectors where you see most of the increase? Thank you.

**A - Bernardo de Azevedo Silva Rothe** {BIO 18059993 <GO>}

Thank you, (inaudible). Well, we are seeing pressure in the very small and small companies and the medium companies with revenues up to BRL150 million, that's where that we are seeing pressure, where we see delinquency increasing, okay, not big companies.

**Q - Unidentified Participant**

Any particular sectors, were these mostly the companies which were involved in the Lava Jato or the deterioration is across the board?

**A - Bernardo de Azevedo Silva Rothe** {BIO 18059993 <GO>}

It's no particular sector, the Lava Jato companies impacted our delinquency ratios and our provisions in the first quarter, not now. So not linked to Lava Jato at all, but it is different sectors, it's according to our participation in the overall markets in the very small and small companies, that's the one. So more on a regional basis than anything else.

**Q - Unidentified Participant**

Thank you so much.

**A - Bernardo de Azevedo Silva Rothe** {BIO 18059993 <GO>}

NA

**Operator**

Our next question comes from Mr. Thiago Batista from Itau BBA.

**Q - Thiago Batista** {BIO 15398695 <GO>}

(Technical difficulty) in terms of banking accounts it went up 10% Q-over-Q or (Technical Difficulty) common strategy on the (Technical Difficulty) in your limits and also in your credit card originations?

**A - Bernardo de Azevedo Silva Rothe** {BIO 18059993 <GO>}

Thank you, Thiago. Well, talking about fees, we have been repricing and we've been working through our network, branch network in Brazil with our clients to give them options and we are upgrading the package itself -- packages in the accounts overall are increasing, not only increasing, the fees we are charging that's also upgrading the package fees that our clients are linked to. So

we have been having a very good conversion rate in that effort and that's reflected in the accounting fee, bank account fees.

The other fees overall, we have been repricing everything and we have been working pretty hard to increase the structural results of the Bank and you can see that through increasing the margin, increasing the NII, increasing fees overall faster than we are increasing our cost that we are keeping everything under control. The idea is always to improve the operational side of the Bank, as well, and we are moving to a better result all the time.

In relation to credit cards, we manage the credit cards business pretty closely. We have a very small delinquency ratio in that portfolio and we keep following our clients, we avoid them to be in the credit card exposed to the higher interest rates in that particular business. So, when we see clients using too much of that, we tend to bring them out of that particular type of a credit to go to a better, more adequate line of credit for that client. And those also show the quality of our client base. The client base is very big that reflects their small delinquency ratio.

**Q - Thiago Batista** {BIO 15398695 <GO>}

Okay. Thank you very much.

## Operator

This concludes today's question-and-answer session. I would like to invite Mr. Bernardo Rothe to proceed with his closing statements. Please go ahead, sir.

**A - Bernardo de Azevedo Silva Rothe** {BIO 18059993 <GO>}

Thank you very much for your participation in our conference call. And, I would like to tell everyone that we have our team in Sao Paulo at your disposal to answer any questions you may have after this call. So, thank you again and see you in next conference call.

## Operator

That does conclude Banco do Brasil conference call for today. As a reminder, the material used in this conference call is available on Banco do Brasil Investor Relations website. Thank you very much for your participation and have a nice day. You may now disconnect.

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