

Y 2017 Earnings Call

Company Participants

- Gabriel Portella, Sul America SA
- Mauricio Lopes, Vice President, Health and Dental
- Ricardo Bottas, Executive Vice President of Control and Investor Relations

Other Participants

- Eduardo Nishio, Analyst
- Frederic De Mariz, Analyst
- Gabriel Nobrega, Analyst
- Gustavo Lobo, Analyst
- Gustavo Schroden, Analyst
- Nicholas Baines, Analyst
- Thiago Kapulskis, Analyst

Presentation

Operator

Good morning. Welcome to the conference call of Sul America to discuss the earnings regarding the Fourth Quarter 2017. Today, with us we have Mr. Gabriel Portella, Sul America's CEO and the company's VP. We would like to inform you that this event is being simultaneously webcast with audio and slides that can be accessed on the company's Investor Relations website at www.sulamerica.com/ri. Once again www.sulamerica.com/ri. All participants are going to be in a listen-only mode during the company's presentation. Later, we are going to start the Q&A session, when further instructions will be provided. (Operator Instructions) Sul America's conference call is also being recorded, and the audio is going to be available soon after its end on the company's IR website.

Now, we are going to turn the call over to Mr. Gabriel Portella, Sul America's CEO, that will start the presentation. Please Mr. Portella, you may go on.

Gabriel Portella {BIO 18012687 <GO>}

Well, good morning everyone. As we have been doing in all our quarterly results call, I am here in Sao Paulo with all Sul America's VP to comment on the results of the fourth quarter and year '17. We closed '17 with much to celebrate. In addition to net income of BRL412.7 million (sic) in the quarter, we also reached a record profit year with BRL773 million. These are substantial results that show that the company prepared itself and basically went past what we can call of the most challenging periods of our economy. And we remain

prepared to deliver solid performance in several scenarios, even the most challenging months.

In 2017, we kept our presence in the market in which we operate, through our revenues and customer base, reduced claims ratio, improved processes, invested in technology, launched innovative products and services, expanded profitability and consistent return to our shareholders. This set of actions offset the impact of lower financial results because of the reduction of our basic interest rates, which was already expected. We've reached an important landmark that I would like to highlight. Our insured base in health and dental grew more than 9% a year, going past 3 million members. In dental plans alone, we overcome for the first time the number of one million members.

The auto segment showed important recovery in the second semester with expressive improvement in our profitability. We controlled costs and expenses with effectiveness, continue to invest in technology and innovation to enhance customer services as well as the services of our brokers and service providers.

We believe that controlling and investments were going to be more and more important for this sustainability of our business in the future. With the country now showing important signs of economic recovery, we believe we have better prepared for the new economic cycle. The projected low incident scenarios for the next cycle represents a challenge, but at the same time shows that the economy is heating up, recovering the level of employment and increasing income, which is a favorable tax for the development of our business. The results of this year based on a further engagement of our employees make Sul America better everyday.

Now I'm going to turn the floor to Ricardo Bottas, VP of Control and Investor Relations, that will comment on the main highlights in the period, so that we can go to the Q&A session. Thank you.

Ricardo Bottas {BIO 18071813 <GO>}

Thank you, Gabriel. Good morning, everyone. Going to slide number two of our presentation in the materials that you have available, I would like to briefly comment on the evolution of revenues. Total operating revenues evolved 13.6 in the fourth quarter '17. Health and Dental grew 14.2% and as Gabriel mentioned the art of revenues have an important recovery with a growth of 11.4% in the fourth quarter compared to the same period last year.

As for total revenues including other operating revenues, we had a growth of 11.8% and the evolution of the revenues in the full year of 8.7 plus, and if you think of insurance, you are talking about of 8.9%. If we have a breakdown, we have 12.2 in dental and health and cars also considering the performance of the first semester, where we were reshooting our portfolio and we are going to talk about further on the auto industry, which shows a minus 4.2%, but still with an important recovery of margins as we can see in the slide that is being specifically talking about auto.

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On slide number three, just for you to have an idea about our breakdown of revenues. In 2016 and 2017, we see that with 75.4%, we have revenues of health and dental is still quite substantially in our portfolio and even with the recovery in the second -- in the third and fourth quarters. We see a reduction in the share of the auto segment of 19% to approximately 17%. And this is the portrait with which we close the year of 2017.

Going to slide number four, we have basically the company's main data and this is again a portrait of what the fourth quarter was like. So, again the highlight is an increase of 13.6% insurance, operating revenues. We had a decrease of 320 basis points in the loss ratio. So, a quite positive results with growth of revenues and an increase -- and a decrease in loss ratio, which avoided the drop of financial results and investment income that in the quarter was 34.3%.

Apart from the seasonality of the fourth quarter that we have, which comes from the health segment performance, we had the declaration of interest on capital in '17 that also brought important results for the company interest on capital were higher than what was declared in the previous year. So, again, this helps us to have a clearer view on the results in the quarter. One notch down when we are talking about loss ratio, it's important to talk about the evolution of loss ratio in health that went from 75.9% to 72.8% in the fourth quarter '17 and also the recovery of the loss ratio in auto that went from 67.9 (sic) in the fourth quarter to 60% in the fourth quarter 2017. I believe that with that, we have the main drivers to making up together with the growth of revenues, this combines ratio of 92.4% against a combined ratio in the fourth quarter '16 of 97%.

So, talking about financial results and going a bit deeper, we have the drop of 34% in the fourth quarter, but 13.6% in the whole of the year that is the fourth quarter was more affected, because of a higher distance in the average interest rate in the period, when you look at the whole of the year, you know that the reduction was gradual according to the drop of Selic throughout the year of '17.

Again, it's important to remember that the financial results has important components that have more correlation with our business and it's important to highlight that the recovery of the auto segment in the fourth quarter shows important to financial results, and therefore, support the offset that we have to do with the drop in interest rates. Other highlights are a small inflation of 2017, which was also beneficial to the company, we have bonded our index by inflation related to our businesses. If we see that 2.95% IPT [ph] in the year against almost 6% in 2016. We also see positive results that are captured in our financial results.

Touch on our portfolio, now talking about the main line in our financial results. So, we had 7 of the CDI in contrast with 95% of the CDI in the previous year, it is important to highlight a few initiatives and taking opportunity in using opportunity of additional allocations, thereby diversifying our portfolio that have contributed to the better performance in the period. In year we closed with our own portfolio and excluding pensions with 102% of the CDI with 95.7 of the CDI in 2016.

On the whole, in summarizing the result that are detailed in a more consolidated manner with a growth in revenue and decrease in loss ratio has culminated with a result in the fourth quarter of 412 almost, BRL413 million, 31% evolution with a profit of BRL773 million, 11% growth compared to the year before and mainly ROAE is on average 14.5% for the year of 2017.

All that, I think we can already to start our Q&A session. Thank you very much.

Questions And Answers

Operator

Ladies and gentlemen, we are now going to start our questions and answer session. (Operator Instructions) Our first question comes from Gabriel Nobrega from UBS.

Q - Gabriel Nobrega {BIO 20868817 <GO>}

Good morning everyone, and thank you very much. In this quarter we saw a drop in your loss ratio, which were the main drives for that? And do you believe there is still more room for you to improve even further this indicator? And afterwards, I'm going to ask the second question. Thank you.

A - Gabriel Portella {BIO 18012687 <GO>}

I say good morning, Gabriel. This is Gabriel too. So, the main prevailing factors for this quarter explaining the performance this quarter was health and also loss ratio. There were the two main highlights in the quarter, so to speak with an excellent loss ratio in most of our business lines. As to more room to reduce it even further, this is what we are always after. As you know, we don't have any guidance in the work that we are doing is to keep the loss ratio and commissions and revenues everything balanced.

So, that on the whole, we may keep the company's performance and the standards that we like. So, having more room to do that depends on so many factors. And in our case, we are implementing all actions, both in terms of actions more directly geared towards loss ratio in auto and health and in other areas to (inaudible) the insurance to there is a seasonality associated to this quarter that you are familiar with, but there is no magic number if we need to give to your in terms of what we want. But we will keep doing our home work continuing all the actions that we have been doing to control loss ratio.

Q - Gabriel Nobrega {BIO 20868817 <GO>}

Thank you very much. Second question in terms of technology and innovation, how is the company seeing all these changes? Do you think this might be new opportunities or do you see some challenges ahead?

A - Gabriel Portella {BIO 18012687 <GO>}

Well, this is what we have been doing and I can give you some significant examples. Our online individual health, digital signature for life, so digital signature for life and pension, as

my fellow has corrected me, we have digital reimbursement in health for amounts of BRL12,000. So, we have facilities such as home pediatrician and then we have another important tool online for our major business partners we have telemetrics. We have changed our app. We have launched the digital kit, which is fully electronic set for auto insurance. So, we don't have one single entry. There are many different things that we're doing and so the company is effectively responding with all of these initiatives in all our areas through the digital. Thank you.

Q - Gabriel Nobrega {BIO 20868817 <GO>}

Thank you very much.

Operator

Our next question comes from Mr. Thiago Kapulskis from BTG.

Q - Thiago Kapulskis {BIO 19187926 <GO>}

Good morning everyone. Thank you very much for the opportunity of asking a question. So, I also have two questions. The first one relates to health and I would like to have -- going into more detail. Because this quarter it might have been the perfect quarter. Loss ratio keeps on improving as they have been improving the foreign investments and there has a growth in membership. So, what is the dynamics of loss ratio for 2018, what are you expecting. I understand that obviously we will always, we can try to improve loss ratio and we will continue doing the work as we've been doing, but do you see any room?

Postulation to continually improving or looking into the future should we look, think more towards the maintenance of the numbers, maybe this level that we saw in the last quarter were two or three last quarters.

And also in terms of membership, do you think this growth in membership it was almost 10% year-on-year. Is it sustainable, can you sustain it at this level in 2018? And the second question regards also insurance, because this is something that really surprised us. And in automobiles it's more about the fleet, because the fleet has set the first growth quarter-on-quarter, I think (inaudible) quarter in 2016. Do you think that from now on your fleet is going to increase or do you think it still might have some drops that go down a little bit?

A - Mauricio Lopes {BIO 21675846 <GO>}

Hi Thiago, this is Mauricio. Thank you for your question. We don't give guidance. So, you are familiar with our policy, but I can set the context in trying to answer your question. As I said a few calls ago, the more basic actions in terms of claims management, really very matured, they matured slightly earlier than we had expected. Meaning so how much we can gain will be more limited obviously.

On the other hand, all other set of health management actions have been demonstrating that are much better than what we thought, just as an example. The more roles established actions in terms of management of chronic patients are providing a return on investment of 4:2. And we are rolling out millennials in a few years ago, we had 40,000

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lives the subject of these actions. Today we have almost 1,000 lives. So, the roll-out of our program, both in terms of number of programs that are available and also in terms of number of members have been demonstrated to be quite positive, as time goes by.

So, in the beginning, we had more generic programs and now we have very specific programs. Rheumatoid arthritis is an example. So, is a program and that reached a population that have provided very high return on investment. After these two things programs that are maturing and other ones that are growing there is a dynamic that we have in terms of innovation, as Gabriel mentioned the online reimbursement that differentiates some formats of products. We believe that with a depreciation of these products, combined with other actions we have a quite relevant product differential and a vision of customers. So, whether the portfolio will grow or not, will dependent very much on the market. But I think that we are being able to very effectively hold cost, but in terms of the interface with customers, they are younger and more digital, methodologic, more remote, they want more information. And we have been investing a lot on this type of operation.

A - Gabriel Portella {BIO 18012687 <GO>}

Good morning, Thiago. As for the fleet, what is important to tell you is that we are going to face from now on what we had an experience since 2013, which is a growing licensing of new cars. This is growing and our database shows that it's growing more than 20% in January. And I think this is the market trend, perhaps not quite 20%, but obviously above 10%, which is what we are expecting from now on.

And Sul America obviously going to have a share of that, because today, it is much more prepared to face the competition and all the setbacks of risk that we have with tax and robbery in Brazil. We invested a lot in pricing. We have been investing a lot to control and manage loss ratio. And with that we have robustness to manage the fleet better. I naturally won't give you the numbers because our target is not to increase fleet, but giving all the investments that we made, all changes and improvements will lead a more competitive environment, Sul America is going to be more prepared to have more clients.

Added to that all the improvement that we have made for our distribution channel, to our brokers. We have more and more appealing to brokers. And inevitably much more appealing to end customers with better product and services to them.

Q - Thiago Kapulskis {BIO 19187926 <GO>}

Okay, thank you very much for your answers.

A - Gabriel Portella {BIO 18012687 <GO>}

Thiago, I'll just add to this answer. I think that we forgot to mention dental. We have been working very hard on the cross-sell of dental and health with the launch of individual products and has to do with volume of numbers that to you ask. We had a window of opportunity to work. In the normal channel, but also with other products that we haven't worked before. So, again when you think of how the company is going to perform for the future, you have to take dental into consideration.

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Q - Thiago Kapulskis {BIO 19187926 <GO>}

Well, thank you very much for the follow-up and for all your answers.

Operator

Our next question comes from Gustavo Schroden from Bank of America Merrill Lynch.

Q - Gustavo Schroden {BIO 18713982 <GO>}

Hi, good morning. Thanks for the opportunity and congratulations on your results. I also have two questions. The first I would like to talk a bit more of loss ratio in health. I just to try and understand that, if we have a breakdown health as a whole improved by 310 basis points year-on-year, but we had significant improvement in individual 610 basis points. So, I would like to understand we have been following the company, we know the effect of initiative that you engaged in to manage claims something the company had been planning for some time and that is now is yielding results. It's not the first quarter that you have an improvement in loss ratio, but not that much, which really drew our attention.

So, my question is, is there an effect especially on individual lines that can be the reason for that, maybe seasonality, or an improvement and the unemployment scenario in the country, anything specific in addition to initiatives that perhaps, I don't know a concentration of several positive things that all happened at the same time. Just let me try and understand how recurring this improvement in loss ratio would be from now on? So, perhaps a bit more color of the quarter itself, what it was like?

My second question has to do with the growth in the number of members in health once again. I like to what you mentioned about the cross-selling with dental. But how much have you been having in terms of organic growth that is within your own customer base? And how much comes from, let's call, a migration from other insurance companies or healthcare companies that are not going through good times, or it have left to the market that is a migration of clients that are coming to Sul America. So, could you tell us how much of what is going on. So, that we can know if this positive trend is going to be supported in terms of numbers of members?

A - Mauricio Lopes {BIO 21675846 <GO>}

Hi Gustavo, this is Mauricio. Thanks for your question. Well, I'm going to try and address your two points and try to be very specific about individual house to help you with your question. The company is not so going -- is doing a quarter that is completely different from other years. If you take a look at of our loss ratio since 2014, we went from 71.5, 80.4, 80.1, 79.6. So, this trend is consistent, it is not a one-off event. Again we know that quarters are different and there are variations, perhaps you found the quarter that was a bit stronger than what you are projected. But there is no one-off in the quarter that will justify it's pure business as usual with regard to the whole of the portfolio. Of course, we can have more or less volatility, but it's business as usual.

In individuals, specifically, I'm going to go back to a point that I've been talking about in recent quarters. This is a portfolio that loses a large number of members each cycle. In

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the end of the year, we hit year-on-year, churn of almost 8%, which is historical.

So, our portfolio is smaller, so if you look at the portrait of the quarter, this is going to be imprecise, you have to think of the whole scenario and not just the picture. Otherwise you are going to see a very good quarter and you will try to project fantastic results for the portfolio, or you see something very bad and you try to protect very bad results, which is not true in one way or the other technically speaking. So my suggestion, my technical suggestion so to speak, is for you to break down this portfolio a bit less. Look at this as a whole, otherwise you can make wrong decision about the portfolio that is decreasing dramatically and is going to bring you imprecise result.

I wouldn't be scared and -- quarter in the future to go up a lot or to go down a lot. It is losing its rationality, because it is decreasing in volume. As for sales volume Matias has already mentioned that in some calls and I'm going to turn to him after I finish. The sales are quite well structured. Our portfolio is growing in regions that we didn't before, because of the work of the business unit and the commercial area and Matias is going to talk about the commercial area.

Well, as for dental, we have this cross-sell with health, this is something that is going on, but distribution of dental has to do with a multi-line company with very strong distribution in all our branches. So, dental distribution is made by all our brokers, not only in the cross-selling with health, which makes Sul America stronger in distribution of dental products.

Q - Gustavo Schroden {BIO 18713982 <GO>}

Okay. It's quite clear. If you allow me just for a follow-up in terms of loss ratio. So, if I understood it correctly, there was not a major change in the frequency of use, or is it something that happened in the quarter? Just for me to understand what you talked about this quarter specifically.

A - Gabriel Portella {BIO 18012687 <GO>}

No. No changes whatsoever. Nothing that would draw the attention of the operation as a whole in the composition of quarter-over-quarter completely business as usual, nothing extraordinary.

Q - Gustavo Schroden {BIO 18713982 <GO>}

Thank you very much for your answer and congratulations on your performance.

Operator

(Operator Instructions) Our next question comes from Mr. Gustavo Lobo from JPMorgan.

Q - Gustavo Lobo {BIO 18719996 <GO>}

Good morning, everyone. I think most of my questions already have been answered. Just some follow-ups. First in auto insurance, it seems that you've crossed the turning point in terms of number of insured vehicles and we're increasing licensing it is likely to improve.

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My question is about competition. The market, is the market still well behaved or do you see any more aggressiveness?

A - Gabriel Portella {BIO 18012687 <GO>}

Gustavo thank you for your question. While the market is well behaved. Well, the market is really worried. There are two main aspects the drop in interest rate that was very abrupt and it means a lot for the automobile market. And so both for premiums and for claims, this helps a lot in results of automobile insurance. And on the other hand, issues related to public security that are very few state, reducing the rates of robbery and theft and most of the Brazilian space still have quite pressuring issues in terms of robbery and theft.

And in this manner, the whole market is projecting a continuation of what we had rather not a reduction, because of that and obviously, I'm answering on behalf of Sul America. But what I'm seeing in the market is a moderation in terms of aggressiveness considering these two main drivers. We don't see any threat in terms of cars, but these two drivers account for making the market much more moderated than we had for example early last year in 2016.

Q - Gustavo Lobo {BIO 18719996 <GO>}

Very clear. Thank you. My second question regards 2018, and I know you don't give any guidance. But thinking of the company is in two lines underwriting and financial were completely opposite dynamic. So, underwriting has been improving and the financial performance has gone down, even though there has been a quite significant improvement in Q4. How do you see the net result, the balance of these two dynamics? Can you increase earnings with Selic as around 7%, do you think it's possible in 2018?

A - Gabriel Portella {BIO 18012687 <GO>}

Gustavo, this is Gabriel. I think that this year's result the demonstration of how we prepared ourselves or how we have been preparing to deal with the new scenario with the whole market is based with a falling interest rate So, its -- we want to offset with all other line, the drop in our financial results, which is something that we already expected and this year, we had a combined of 98.7 one of the best ever since our IPO and expanded combined of 94.1, which was excellent [ph].

And this is the best demonstration of what we've been saying. So, increase revenues, trying to have more lucrative businesses in business line that we like more invest on risk management, something we have been doing, not just in auto insurance, but in health and all other insurance lines. So, we've been changing paradigm for the whole market. And I think that the results of 2017 show what we have been saying, to try to offset that what's going on to have better results. In our operational results control of expenses that were flat, which is also a significant component in offsetting those factors and everything drives us forward should be better.

Q - Gustavo Lobo {BIO 18719996 <GO>}

Thank you.

Operator

Our next question comes from Mr. Nicholas Baines from Bradesco BBI.

Q - Nicholas Baines {BIO 20532537 <GO>}

Good morning. Two questions. The first one, the follow-up question have already been asked about loss ratio not the individual plan. There has been a significant improvement, but even so the rates for the year IS 99%. If next year there is any deterioration and it's above 100% that the company believe you will have to provision for that an additional provisioning. Are you confident with your current provision?

And the second question is, is there any specific reason for the revenues in SMBs in health that is, whose revenue slightly stronger than in the past quarters?

A - Mauricio Lopes {BIO 21675846 <GO>}

Hello, Nicholas, this is Mauricio. Thank you for your question. Our individual portfolio as I say, is going to be processed that I mentioned to you much of what we see for this portfolio depends very much on how the consumers behave in terms of staying or not. So, if more of them stay, there's is a dynamic. If they move out, it's going to be even more volatile. Even though we don't give any guidance, I would be very careful in looking at this portfolio separately.

As a reminder, this portfolio always goes through an adaptation. We audit every quarter. There is no gap in terms of provisioning. But yes, there is an increase in volatility, increasingly larger a long time. So large volatility in small things should be looked with very carefully in terms of model. This is what I do. In terms of SMB portfolio, as Matias has said, our practice this is with shelf product. And we work very intensely all our sales teams we are more than 30,000 brokers, if I'm not mistaken, this is the number that we, 30,000 brokers, and 90 branches, distributing dental and health SMB. So, we will sell SMB, where we have network to operate.

Q - Nicholas Baines {BIO 20532537 <GO>}

Thank you very much and congratulations on your results.

Operator

Our next question comes from Frederic De Mariz from UBS.

Q - Frederic De Mariz {BIO 15383052 <GO>}

Thank you all very much for the opportunity. Just one follow-up. First of all competition, you talked about auto and health. Shall I go back to auto insurance. What do you see in terms of new price for new contract? And is there any room for pricing then about the inflation. How do you see that in terms of pricing? The second thing is related to cross-selling you mentioned dental. Do you to monitor any numbers, for example the numbers of members, who have more than one product something that we can monitor that?

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A - Ricardo Bottas {BIO 18071813 <GO>}

Frederic, this is Ricardo. Yes, of course, of course, we look at future inflation, but this is not our main concern looking to the future and what may oscillate in the future is what time has shown to be our main problem, which is related to public securities, which is robbery and theft. This is what is going to determine, whether the market can still increase prices, not increasing items, or if going into the future we can worry less about that. For the time being, our forecast talked about price increase because of the inflation as we have been mentioning because it's less important than robbery and theft, but obviously it is taken into account in our forecasts, but robbery and theft still worries us.

And it is considered in the -- for possible price increases in the future in 2018 in order to control this fuel prices and as we can control the environment of auto insurance and it is very competitive. That's why I made reference to our better management year after year we have more and more tools to better manage and control more and more the cost of claims in auto. And this has provided very good results for us and thereby prevented some more intense price increases in detriment of production.

A - Gabriel Portella {BIO 18012687 <GO>}

This is Gabriel here. I'm going to talk about cross-selling your second question. Well, the characteristics of a multi-line company should be creative and to be able to sell our products to our customers and that our broker sell our products. If you take a look at our presentation, now our website our institutional presentation, you see the breakdown of distribution of products and to give you an objective answer only 11% of Sul America's customers have more than one product.

This number is growing a long time and that shows a large room for us to move on in this line. This is also valid for our main channel, our brokers. We work with them permanently for them to sell all our products. So, for you to have an idea, last year we trained more than 45,000 people to expand the horizon of brokers and at the same time capture cross-selling opportunities. It's always the challenge in multiline companies that we are moving on and there is much to do.

Q - Frederic De Mariz {BIO 15383052 <GO>}

Okay. Thank you very much.

Operator

(Operator Instructions) Our next question comes from Eduardo Nishio from Plural Bank.

Q - Eduardo Nishio {BIO 15333200 <GO>}

Good morning. Thanks for the opportunity. I have just one question with regard to your capital and solvency we saw insurance companies with positive variation in the quarter. As a result of since that is solvency issues and the release of capital, do you have an impact in capital due to that?

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A - Ricardo Bottas {BIO 18071813 <GO>}

Eduardo [ph] thanks for your question. As very well said, we did feel this positive impact in main to that [ph] companies, especially those that work with saving bonds, elementaries, health and insurance. But this is already considered in our statement and other regulatory changes that will be in effect in '18 that may also use some of the benefits of 2017. So, basically we continue with our policy to cover each regulated company within the minimum requirement of capital insolvency that paying attention to any changes that may happen.

Q - Eduardo Nishio {BIO 15333200 <GO>}

Can you measure that exceeding capital that you had? I think that would be quite useful.

A - Gabriel Portella {BIO 18012687 <GO>}

The number is not an absolute number. And I can give you a mischieving information because you have to calculate the minimum regulatory capital and solvency. Sometimes the reduction of minimum capital because of the changes posted in SUSEP in the end of '17 may not have direct effect on the reduction of capital because of components of liquidity and solvency that are also monitored by SUSEP. So, it's no use to give you a specific amount regarding the release of capital.

Q - Eduardo Nishio {BIO 15333200 <GO>}

Okay. But anyway, it was positive, was it?

A - Gabriel Portella {BIO 18012687 <GO>}

Oh, yes and absolutely.

Q - Eduardo Nishio {BIO 15333200 <GO>}

Okay. And do you expect anything better in '18?

A - Gabriel Portella {BIO 18012687 <GO>}

Yes, Just you still have a magnitude was more relevant in the company that operates auto because of the reduction of minimum capital and then license pension in these two line.

Q - Eduardo Nishio {BIO 15333200 <GO>}

And for 2018, do you expect further changes that can effect your capital positively?

A - Gabriel Portella {BIO 18012687 <GO>}

That are ongoing discussions we have to see how they evolve. Discussions with the regulatory bodies, CMC that the discussion that were conducted in '17 that motivated the positive changes reducing minimum regulatory capital, but there are discussions that may you have a higher demand for hedging. So, we have to know what the final results are going to be.

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Q - Eduardo Nishio {BIO 15333200 <GO>}

Okay. Thank you very much.

Operator

There are no further questions, so I'm going to give the call back to Mr. Portella for his final consideration.

A - Gabriel Portella {BIO 18012687 <GO>}

Well, just to close, first of all I would like to thank the team of VPs that are here for their leadership. They are, those that were truly responsible for Sul America's results, Sul America's officers and our more than 5,000 employees with whom, I have the pleasure of sharing this event. Also, I would like to thank the key contribution of more than 30,000 independent insurance brokers and business partners, as well as our 1,000 service providers. Thank you very much and have a good day.

Operator

Sul America's conference call is now closed. We thank you very much for attending and wish you a good day. Thank you.

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