

## Y 2013 Earnings Call

### Company Participants

- Arthur Farme d' Amoed Neto, Executive Vice President of Control and Investor Relations
- Gabriel Portella Fagundes Filho, Chief Executive Officer
- Unidentified Speaker

### Other Participants

- Carolina Yoshimoto, Analyst
- Domingos Falavina, Analyst
- Eduardo Nishio, Analyst
- Felipe Salomao, Analyst
- Gustavo Lobo, Analyst
- Rafael Frade, Analyst
- Unidentified Participant

### Presentation

#### Operator

Good morning and thank you for waiting. Welcome to Sul America Earnings Call to discuss the results regarding the fourth quarter of 2013 and the year of 2013. With us today, Mr. Gabriel Portella, CEO of the company and Mr. Arthur Farme, Vice President of Control and IR Officer. We would like to inform you that this call is being recorded and all participants are in listen-only mode during the company's presentation.

After Sul America's remarks, we will conduct a question-and-answer session and further instructions will be provided. (Operator Instructions) The replay of this call will be available right after its conclusion for a period of one week.

A live webcast is being broadcasted with the audio and the slide presentation at the IR section of the company's website [www.sulamerica.com.br/ri](http://www.sulamerica.com.br/ri) at the banner webcast of 4Q13. The presentation can also be downloaded from the webcast platform.

Before proceeding, let me mention that forward-looking statements that might be made during this call relating to Sul America's business outlook, projections, operating and financial targets are based on expectations and assumptions of the management and on information currently available.

Forward-looking statements do not guarantee performance. They involve risks, uncertainties and assumptions, because they relate to future events, and therefore depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions and other operating factors may also affect the future performance of Sul America and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I would like to turn the call over to Mr. Gabriel Portella, Sul America's CEO who will start the presentation. Please, Mr. Gabriel, the floor is yours.

### **Gabriel Portella Fagundes Filho** {BIO 18012687 <GO>}

Good morning, everyone and thank you for participating on this conference call to disclose our results for the fourth quarter of 2013 and for the year to date of 2013. As usual, I have here with me in this call auditors of the company who are really the ones responsible for the earnings we will present next.

I'd like to highlight some relevant targets for 2013. First, it was a very important year to Sul America. We launched our new brand at the end of the year, which was a landmark of a new era in our history. We acquired SulaCap, the fourth largest capitalization company in the market, integrating it to our operations and its synergies have already been translated into our results. Our net income was R\$480.4 million and we are still in a path of sound results.

We had a return on equity of 13.8% in 2013. Our growth speed was stable and we have reached the record total consolidated revenue of R\$14.7 billion, which shows our ability to grow in several lines and taking advantage of our established multi-line model. We have increased our client's portfolio in health and auto. Loss ratio was stable in health. We had an improved loss ratio in auto. And in a year that was very volatile for the market, we had 108.8% of CDI in our investment portfolio management. There was an improvement in the combined ratio in 2013 reached 98.8% vis-a-vis 99.4% in the prior year. And we were well succeeded in controlling administrative expenses closing 2013 at 9.2%. So in face of 2013, huge challenges. We are happy about the results achieved.

I'll now turn the floor to Arthur Farne, Vice President of Control and IR Officer to give you further details about each one of our operations. After that, as usual, we will be ready to take your questions and comments. Thank you very much.

### **Arthur Farne d' Amoed Neto**

Thank you, Gabriel. We will start this section of the presentation on slide number two where we have a consolidated review of our, all our revenue and these are the main segments of our results.

We concluded this period with a growth of 17% vis-a-vis the fourth quarter of 2012. That is a very important data. Analyzing other revenues, we should highlight in this slide capitalization contribution -- and the final total revenue was R\$4 billion in the quarter. So --

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but with the capitalization if you compare it to 2012, you see that it was not in our consolidated results. But here we see a growth of 40% year-on-year when compared 2013 to 2012. So we were able to, as I said, reaching R\$4 billion in the quarter in total revenues considering all activities of Sul America. On the next slide we have some highlights, operating highlights. Once again insurance premium, that have grown almost 17% in the quarter. That is very important. We've had 12.2 billion in earnings in premiums. So that was an increase of 15% in year to date when we compare 2013 to 2012. But it's very important loss ratio in the quarter dropped, but in the year it was stable vis-a-vis 2012 with 0.4 percentage point, so almost the same figure of 2012. So we do have stability on loss ratios. And you see the behavior of the different portfolios and that is going to explain that, the stability of loss ratio.

Administrative expenses, 9.5% and here we just have insurance premiums. But administrative expenses have an impact of all operations. We have expenses with capitalizations and other activities added here but we are here -- are comparing it just as insurance premiums and -- so that we had an improvement vis-a-vis the other quarter and also the global data from the year in which we had 9.2% vis-a-vis 9.5% in the 2013 confirming a well succeeded process of cost control in the company.

The combined in the quarter is better than in the same quarter in 2012 and in the year the combined is below 99, it's 98.8%, the combined ratio for 2013.

The financial income 469. It's important to talk about that vis-a-vis 564. Obviously we had average, lower average rate. So the yield was very good of almost 69% [ph] in the portfolio in which we have result included in that line. It's important to highlight now the net income. We have disclosed in the quarter 11.2% improved vis-a-vis the fourth quarter of 2012 which was already a strong figure vis-a-vis the year. We were stable with 480.4 vis-a-vis 480.2 [ph] million last year or 2012. Those figures represent a profitability in the quarter of 13.8% as you can see in the chart.

Health for the whole year, a little than 70% of the Group's revenues. Property and casualty then at 8% and that's the total figure there, totals 12.2 billion. When we include capitalization, the breakdown changes but we will see it forward.

So now let's turn to slide number four, health and dental. I would like to highlight the increase in premiums, up 16.5% in the quarter and year-to-date 14.7%. Health has produced 8.5 billion in premiums. And the loss ratio that along the period has been improved. We started the year in 86% and we are closing the year in 73.8% and 0.3 percentage points with vis-a-vis 2012. So that is a very stable figure vis-a-vis 2012 in spite of a cost pressure context at this end.

The health margin was very much aligned for the year exactly due to the behavior of the loss ratio once there was no relevant change in our policy of commercialization procedures. We have increased almost 7% in members. We have 2.7 million members and I would highlight here the contribution of dental was around 630,000 member. That is a portfolio that is growing significantly in the last two years. Really this is an important player

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in the portfolio and there is a good synergy, there are opportunities to capture and to grow. We foster our brokers to sell dental plans and we can go back to the data later on.

But now I'll turn to auto on the slide number five. Here the premiums increased 22.6%. We have R\$2.8 billion earned premiums for auto in 2013. The loss ratio is much better. 5 percentage points better than last year and 2.3 percentage points better vis-a-vis the third quarter. Also that was a year in which there was an improvement. Our pricing policy is bringing that results. This result was not only coming from 2013, it has to do with a portfolio positioning that it has been established since 2012 at this company and you might recall that in 2012 we had a growth favoring results and that decision is progressing, is bearing fruits right now because we see that the premiums earned increasing and we have a better loss ratio taking advantage at this moment of the market. And that happened for this player. The margin behavior is a consequence of what we have seen in the half of the year. The insured fleet has increased 9.2% (inaudible) that we saw. Behind that we have a significant fleet increase, over 1.5 million automobiles in the period, once again taking advantage of a positive movement in the market and a pricing that was very aggressive, very right that contributed to loss ratio, average insurance premiums and so on.

So now on slide number six, other property and casualty. The total premium, a little bit over 500 million with 14% of growth (inaudible). It's a small and volatile portfolio because of different reasons. You can see to your right in the bottom part, we have the portfolio, we have Marine with 21%, Massified and general with 24%. And then we have property 20 and other 35. That is a diversified portfolio, products that have different behaviors. And that is a portfolio that has good opportunities for improvements also.

So now I'd like to turn to slide number seven, life and personal accident. The figure of the quarter confirms the trend that we see in the prior period. This portfolio is under review, under assessment and there was a decrease of 14% in 2013 for insurance premiums. For the full year, loss ratio was 56.7% vis-a-vis 2012.

We cannot understand it without taking into consideration that in 2012 there was a reversal of a contingent liability and that was not repeated in '14 -- '13. So this figure is going more to a normal trend especially when you look at the fourth quarter close to 60%. That's what we expect this year. The portfolio basically and when we talk about group life, personal accident, individual, credit life insurance, you can see the breakdown and there is not much change vis-a-vis the prior period.

Now let's turn to slide number eight, pension and the pension contributions. There it had a drop of almost a little over 9%. I believe everyone has run through that. It has to do with the regulations. That brought volatility to the funds, to the pension funds. The company despite of that had its reserve increase in 8% surpassing 4 billion pension funds reserve in 2013.

The breakdown shows the PGBL and VGBL increasing 6.2% and 12.8% respectively. And I'd like to highlight VGBL, which is the portfolio that has increased most in the period.

Now, let's turn to slide number nine, capitalization. There was an increase of 27.5% in the portfolio and the capitalization collection 1.3 billion total. The capitalization reserves had an increase of 31.4%. And also we have a result of 40 million over the year for 2013 in the consolidated period.

Asset management on slide number 10, had an increase in volume in the fourth quarter vis-a-vis the third quarter of around 3.4% closing in 18.2%. Third party asset allocation, you can see to your right has increased in fixed income and private DI 57% and 23%, 16%, 5% according to the different areas.

You will see -- and here we see small changes vis-a-vis the prior quarter. As I said, a little bit over 50% in fixed income and private DI. The operations have contributed in the quarter 12.7% with an increase of 9.2% vis-a-vis the prior quarter. Performance rate or performance fee that have benefited for 3Q was obviously due to the behavior of the variable income fund had an impact here.

On the other hand, the management fees also had a better performance than 2012, showing a result of very well succeeded policy and the diversification of funds and maybe divesting our efforts to funds that have a higher average rate that are reflected here in -- the 11.2 that is in the last column. Once again talking about administrative expenses on slide 11, in absolute amount increased to R\$1.1 billion. It's important to see that there was an improvement of 0.4 percentage point in the administrative expenses ratio. The combined ratio also closes in at 98.8. That is the last column to your right. And that was the -- through a contribution of our financial income.

Now talking a little bit about the financial income in 12 -- on the slide 13, about the prior quarter, there was no change or nothing relevant in terms of strategy, in terms of investment allocation. We still are interested in government securities, 77% of our position, 20% in private securities. And maybe what was here, different in the year was the reduction in the variable income in that segment. Below we see the integration of the 4 billion -- 4 million members from pension funds and also in the allocation. We have the different breakdown -- the breakdown of the different investment areas. With this slide, it concludes the first part of our presentation. So now I'll turn the floor back to Gabriel.

**Gabriel Portella Fagundes Filho** {BIO 18012687 <GO>}

Thank you very much Arthur for your comments. Thank you all for your attention. And now we'll turn to our Q&A session.

## Questions And Answers

### Operator

We'll now start our Q&A session. (Operator Instructions) Our first question comes from Mr. Eduardo Nishio from Brasil Plural. Please Mr. Eduardo.

## Q - Unidentified Participant

Good morning, everyone. Good morning Gabriel, Arthur. I have two questions. First has to do with seasonality. You had a first half of the year that was weaker than the -- weakest one, the second quarter was weaker. Last year, it was a little different, the first quarter was the weaker but what can we expect for 2014? I believe you are working to normalize seasonality. But I would like to know really what we can expect. This is my first question. And then I'll turn to my second question. Thank you.

## A - Arthur Farne d' Amoed Neto

Thank you. This is Arthur. Thank you for your questions. I believe that what we saw happening in 2013 and we were assuming -- we were discussing some measures that the company was implementing and that is going to balance out the behavior along the quarter. I believe this is the main comment that I could give to address your question.

## Q - Eduardo Nishio {BIO 15333200 <GO>}

And these measures, can you tell them -- can you tell us anything else about them?

## A - Unidentified Speaker

The measures involved the analysis of components that are from BNT, BNR on how the behavior -- this seasonal or cyclical behavior is going to be that health -- that ends up impacting health.

## Q - Eduardo Nishio {BIO 15333200 <GO>}

Can we expect an improvement in the seasonality for 2014?

## A - Arthur Farne d' Amoed Neto

Well considering -- I believe we can expect that, considering what we have been doing in 2013.

## Q - Eduardo Nishio {BIO 15333200 <GO>}

Okay. My next question. Here I would like to concentrate in auto. We always think about the competition. What do you expect for 2014? And why the competition is not there? What are the structural reasons for it and when do you expect it to happen? And we know that Bradesco, for instance, is more aggressive in terms of the margin. And so how do you see those signs of competition?

## A - Unidentified Speaker

Hello. This is (inaudible). Auto is a cyclical segment. If you look at the past, you will see those cycles happening due to several reasons. In the past we had interest rate changes impacting the market but we cannot forget the several other factors and -- impacting the market for auto insurance and the competition itself. That is part of the process. That is a cyclical process. It does depend a lot on the changes of those drivers, so that we can understand the movement and try to do any kind of prediction. So I would say that the past is the best indicator for us.

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**Q - Eduardo Nishio** {BIO 15333200 <GO>}

Okay. But considering interest rates are already higher and I would like to understand that better, probably the insurance companies will have a better financial income in actual figures better than prior year, do you see that competition track record -- it was also that fight getting tighter now for 2014 because of it?

**A - Unidentified Speaker**

Okay. Let's go back to the drivers. We have several drivers that should be taken into consideration. We have tough rates, the spot prices, the labor rate, inflation, all of that impacts on the behavior. We cannot only consider interest rate. The market nowadays is much more well prepared to take all of that into account and it is able to understand the value destruction that some prices movement might cause.

So I expect that behavior always on the market in a development that we have seen in the last years.

**Q - Eduardo Nishio** {BIO 15333200 <GO>}

So you expect more rationality along the year, right?

**A - Unidentified Speaker**

Well, this is a permanent process in the segment. Any retail product is under pressure. That is part of the game. What should be taken into consideration or what should be analyzed is how are all these drivers behaving, prices, results, you have to work with all the variations.

**Q - Eduardo Nishio** {BIO 15333200 <GO>}

Okay. Thank you.

**Operator**

Next question comes from Mr. Felipe Salomao from Banco Brasil Plural. Please Mr. Felipe.

**Q - Felipe Salomao** {BIO 16277392 <GO>}

Good morning everyone. Thank you for this opportunity. I just have one question about administrative expenses. The performance here was exceptional in the fourth quarter. The absolute amount was interesting year-on-year and you were able to have good results in terms of savings due to your process. So I would like to ask for more details, where these savings came from, because probably it did not come from the number of personnel, because the number of employees has increased. So what measures did you take and what is the outlook for 2014? What can we expect in terms of SG&A for this year? Is there going to be a growth broker's margin and how is it going to behave vis-a-vis the fourth quarter of 2014?

**A - Gabriel Portella Fagundes Filho** {BIO 18012687 <GO>}

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Felipe, thank you for your question. That is a very timely comment. The company has been investing in technologies in a way to become more efficient in terms of resources. I believe the process is maturing. So in spite of having an increase in the personnel and due also to the integration of the capitalization segment, as we have mentioned, and that is reflecting in other lines and also in the number of employees -- but that integration also -- considered a reduction of -- a decrease or a reduction in spaces and a rationalization in general of administrative resources used. And that is also part due to investments that we have been doing along the years. We have a control process that has been improving. It is not perfect, but it is improving. And that reflects on the results as well.

**Q - Felipe Salomao** {BIO 16277392 <GO>}

That's perfect. Thank you very much. Just a follow-up to the question, do you have any expectation for 2014? Should you spend a little bit less on administrative expenses or a little more, anything that you can share with us?

**A - Unidentified Speaker**

Felipe, right now, no, we don't have anything that we could inform now. The company is following the policy along the last year. So I don't believe there's going to be any difference or much difference in that.

**Q - Felipe Salomao** {BIO 16277392 <GO>}

Okay. Thank you very much.

**Operator**

Next question comes from Mr. Rafael Frade from Banco Bradesco. Please Mr. Rafael. The floor is yours.

**Q - Rafael Frade** {BIO 16621076 <GO>}

Good morning everyone. I have three questions. First, about other operating expenses. When we see the year-to-date 69 million of expenses was insurance operations and the third quarter the year-to-date was 80 something million. So there was something different there in that line. I would like to better understand what happened, that reversion. Also please can you tell us a little bit more about life? When we analyze the income -- or the profit for operations life and there was a loss of 50 million. So I would like to understand it a little bit better. Arthur mentioned the restructuring processes and those had better results in the second half and I would like to know what is going to be the behavior for 2014?

And finally, can you please tell us a little bit about the breakdown? If you were seeing any impact in terms of health? We see some discussions from the retail, from brokers coming in and that might have implications in affinity group as well as SMEs. And I would like to know if there's going to be any impact on this channel?

**A - Arthur Farne d' Amoed Neto**



Rafael, good morning. This is Arthur. Thank you for your questions. The first question is about the behavior in terms of expenses reduction and also operating expenses. I believe that here the main reason for that drop was the provision done in the fourth quarter of 2012 that did not need to be repeated then again in the fourth quarter of 2013.

So that -- was the comparison that we had to do there but not here. Because everything else, the behavior was a routine behavior.

Turning to your second question, Trindade [ph] is going to address. Considering you had long questions, maybe if you can repeat your second question, I believe it's going to be helpful for Trindade.

### **Q - Rafael Frade** {BIO 16621076 <GO>}

Let me do a follow-up on the first question. So specifically there was a line which was expenses with insurance operations, that was lower in the year-to-date than in the nine months. What happened there? Did you have a relocation on that? Anything specific happened?

### **A - Unidentified Speaker**

Rafael maybe there was a minor relocation outside the figure, I'll get back to you.

### **Q - Rafael Frade** {BIO 16621076 <GO>}

Okay. About my question on life, Trindade. Can you tell me a little bit more about what happened in life and maybe in personal accident? Because we analyzed the results of each one of the operations, we see that there was a profit of 30 [ph] million in 2012 that was explained by what has Arthur said. But there was a loss of 30 million now in 2013. And I understand that you did some adjustments on the operation. I would like to understand what kind of adjustments were those and what we can expect for the operations now in 2014?

### **A - Unidentified Speaker**

Okay. Let me mention a few things here and Beto will complement. This is the main result. Here we did have a reversion done in 2012 and we had to keep the same level of provision and that's something that the company is pursuing for some time. We did not think the process was mature enough to allow a newer reversion.

About the result, about result behavior on the line, the main reason here maybe is related to the scale of production of the line. When we compare it to the amount of administrative expenses that we have linked to the operation expenses are not as flexible in this line in particular because they become more costly to the operation. And we had a reduced scale due to very specific topics here and Beto can give you further information.

Last year was a year in which there was great effort despite of being a constant work as a company, but specifically in life, last year, we undertook a huge effort to do account

rearrangement. We had done a renegotiation and also the removal of several accounts of the portfolio. That process has impacted the result as well.

And also we work on the preparation. You can see by the figures at the end of the year that there is a stabilization of the portfolio. We also had a judicial dispute of more relevant amount last year that contributed to this negative figure, but I believe that the most important last year was that housekeeping that we did in the portfolios of the segment, the preparation of new products, launching new products in SMEs, the reassessment of SME.

We also launched Capital Global Life, a very well accepted product by brokers. So the repositioning happened last year and that reposition impacted the results. But I am very happy with what has been done in 2013 in the life and pension portfolio.

**Q - Rafael Frade** {BIO 16621076 <GO>}

Thank you very much.

**A - Unidentified Speaker**

Now, can you repeat your last question to Mauricio about health breakdown?

**Q - Rafael Frade** {BIO 16621076 <GO>}

We see some changes in the distribution channels also collected by affinity, SMEs and I would like to know if there is any specific impact, we see some brokerage houses closing and are you seeing any kind of impact of that in your production?

**A - Unidentified Speaker**

Hello, Rafael. We are doing a follow-up of the discussion that happened at last year. And what we saw is that this market is dynamic enough in its production structures to find new alternatives. We haven't seen along the year any impact in terms of distribution. We saw what was going on in the company, we follow-up discussions and we understand solutions were found, that apparently addressed the problem of 2013.

It's important to see that we have a better scattered distribution. Right now, we depend upon several brokers in different areas. In 2013 we were -- this discussion was on a specific area but we also had other formats and all of them had their own discussions, but we did not see any impact last year. It was all fine.

**Q - Rafael Frade** {BIO 16621076 <GO>}

Okay. Thank you very much.

**A - Unidentified Speaker**

Well, before we turn to the next question, the information about the variation that you had mentioned in terms of expenses, it's just what I mentioned. In 2012 it had been impacted

by something specific that happened at that moment, which was thus allowance for doubtful account, that provision, and it did have an impact at that time of the year.

**Q - Rafael Frade** {BIO 16621076 <GO>}

Okay. I understand that. Thank you.

**Operator**

Next question comes from Ms. Carolina Yoshimoto from Goldman Sachs. Please Ms. Carolina. The floor is yours.

**Q - Carolina Yoshimoto** {BIO 16853360 <GO>}

Good morning. Congratulations on your results. My question initially is about loss ratio in health. You had a good result in the results due to seasonality, but also due to the measures you have taken. So what -- how much was that seasonality, how much was that your initiative? And how can we see the scenario from now on? Because price adjustments now are lower than the medical inflation with pressure costs. So I would like to understand how much you still see as marginal benefit? Do you have anything else on the pipeline? That is my question. Thank you.

**A - Unidentified Speaker**

Hello, Carolina. This is Mauricio. Carolina 2013 was very strong in terms of implementation of health and loss ratio management programs. We started in 2011 and we accelerated it in the last year. So we had important contracts being done, direct purchase, process reviews, we talked to doctors, we had differentiated remuneration mode, all of that was reassessed and implemented last year, in 2013.

Obviously, we also have the process of renewal of implementation functionalities, not different from prior years. Our loss ratio depends upon not only of what we are doing, but also on the market. In 2013 we were able to control loss ratio based on the actions we took and also based on the premium increment that we have done. And also it was the result of the team's work.

**Q - Carolina Yoshimoto** {BIO 16853360 <GO>}

Okay. Thank you.

**Operator**

Next question is from Mr. Domingos Falavina from JP Morgan. Please Mr. Domingos. The floor is yours.

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

Thank you. Good morning Arthur and everyone. My question is more macro question. Two things draw our attention, first is really is the pricing in auto vis-a-vis the interest rates. The interest rates are increasing and competition is not picking up. We see that no one is

willing to drop prices and increase competition. Also drawing our attention is administration. You are not talking about your forecast for 2014, that is different from any segment in the area. So do you have a macro pessimism? If this is something from the industry self? We see -- we feel that you are not willing to tell us -- how is the competitive environment for auto, for health, and so it's more of a macro issue.

**A - Gabriel Portella Fagundes Filho** {BIO 18012687 <GO>}

Domingos this is Gabriel. What we are avoiding to say is that -- because -- there are no changes in the factors that are driving this market. This is a niche market. The competition in each one of the segment is different, it has its particularities. And we have been prepared from the last year to face any challenges that might come. We are not pessimistic about Brazil. We have a group here that is absolutely optimistic. So we do have a good long term overview of the company, also about the factor and about everything that Sul America has been doing to prepare itself for competition.

So there is nothing new. The competition in auto has always been there. As Beto said before, it is better prepared and there are several factors here that is impacting health, medical inflation, also medical costs. So that is a permanent process, it's worldwide, it's not only in Brazil.

So in each one of the segment we do have volatility in the market. And even with that volatility from last year, we were able to have a better performance of 108%. So that is our volatility and that is what we face. We do live with risk. And risk is always a risk and an opportunity.

We feel that we are very well prepared and the 2013 results show that we are prepared for the many challenges that we might face.

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

So, Gabriel, considering that the risk has always been there and there is no change in operations, it stands there in the market. So I'll turn over to my second question. What do you expect for 2014? What is the scenario like in the margin with competition in auto, should be better or not in loss ratio if we analyze the loss ratio for health. What do you believe that it's going to increase more? The medical cost, the ability to transfer price, the policy to reduce events. So 2014 is the year that should have a positive scenario along the lines or not?

**A - Gabriel Portella Fagundes Filho** {BIO 18012687 <GO>}

Well, I'll leave it to you the scenarios. We feel prepared for any scenario that might come up. Once again, say, that competition is there in the market and for a multilined company the additional challenge is to be prepared to compete strongly in all markets in which we are present.

We are prepared for any type of scenario in all segments, auto, health, capitalization, life, pension funds, everything. So the scenarios, I'll leave up to you, but we are working hard and we feel very well prepared to any future scenarios.

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

Okay. Thank you.

**Operator**

Next question come from Mr. Gustavo Lobo from BTG Pactual. Please Mr. Gustavo. The floor is yours.

**Q - Gustavo Lobo** {BIO 18719996 <GO>}

Good morning. I have two questions. And I'm sorry I missed the beginning of the call, I don't know if those were addressed. First, about SulaCap. That was a strong integration. Is this something that you're going to work on for 2014 or maybe it has a strong seasonality in the fourth quarter that might not repeat itself? And I would like to know also that you said there was a reversal for a contingency provision. I would like to know what is the size of that reversal and if we can consider that as non-recurring?

**A - Arthur Farme d' Amoed Neto**

Thank you, Gustavo. This is Arthur. Your question was not clear enough. I understood that you asked about SulaCap. I know you said something about seasonality but I couldn't pick it up clearly. Can you repeat it?

**Q - Gustavo Lobo** {BIO 18719996 <GO>}

Yes. SulaCap result was very strong in the quarter. So is there a seasonality? Is there a stronger seasonality in the fourth quarter or is this a new standard for 2014?

**A - Arthur Farme d' Amoed Neto**

No, SulaCap does not have seasonality, it's just like the other lines. SulaCap is integrated and it's going to be contributing positively to our results as a whole. There is nothing extraordinary there. Now, about the fiscal reversal. We have explained that there was a fisc reversion and the company had a gain, and that was showed in the fourth quarter.

**Q - Gustavo Lobo** {BIO 18719996 <GO>}

What was the size, the amount of that reversal?

**A - Arthur Farme d' Amoed Neto**

The provision is of around R\$25 million. And in fact, the bottom line of that is of R\$17 million. That was the share in which we had the reversal.

We understand this is a non-recurring event, because if you have provisions, the provision is part of that type of management, but I would not consider it a recurring event. So it happened in that quarter, that's when the decision came out as we already had it in September, the first installment of the same reversal. So that's why I understand this is a non-recurring event. So you should not consider provisions under the same nature for your results.

**Q - Gustavo Lobo** {BIO 18719996 <GO>}

Okay. Very clear. Thank you.

## Operator

The conference call from Sul America is concluded. We thank you all for your participation. Have you all a nice day.

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