

Operator:

Good morning, ladies and gentlemen. At this time, we would like to welcome everyone to Porto Seguro's 1Q21 results conference call. Today, with us, we have Roberto Santos, the Company's CEO and Investor Relations Officer; Celso Damadi, Executive Vice-President of Finance, Controlling, Investments; Marcelo Picanco, Executive Vice-President of Insurance; Marcos Loução, Executive Vice-President of Financial Businesses and Services; Izak Benaderet, Managing Director of Porto Investment; and Emerson Faria, Head of Investor Relations.

Please recall that this event is being recorded and simultaneously translated, and all participants will be in listen-only mode during the Company's presentation. Ensuing this, there will be a questions and answer session when further instructions will be given. Should any participant require assistance during the call, please press *0 to reach the operator.

We have a simultaneous webcast at the address www.portoseguro.com.br/ir. There, you will see the conference call banner that will lead you to the platform. Questions can also be posed through the webcast platform clicking on 'ask the speaker' icon. These questions can be sent at any time, and they will be responded during the conference call.

Bear in mind that forward-looking statements made during this conference call referring to Porto Seguro business outlook, financial and operational goals are based on the beliefs and assumptions of the Company and on information currently available to the Company. They involve risks, uncertainties and assumptions as they relate to future events and depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Porto Seguro and lead to results that differ materially from those expressed in such forward-looking statements. We would now like to turn the floor over to the Company. You may proceed.

Roberto Santos:

A good day to all of you. We would like to thank all of you in the conference call of Porto Seguro for the 1Q21.

On slide number four, we highlight the following. Our net income grew 49% in the 1Q, and the ROI annualized reached 14.7%, leveraged by the results of insurance verticals and the good performance of our financial investments.

We had a revenue growth in all verticals in this quarter. The insurance vertical had a growth of 6.6%, with 6.7% for auto premium, 15.4% in individual life insurance, maintaining the growth that we observed in the 4Q20. The current revenues of financial business grew 16.2%, mainly leverage by the consortium with 29.7%, and the financing portfolio with 39.1%.

The healthcare vertical had an increase in premiums and revenues with a growth of 34.3% in the number of companies insured and 7.6% in the number of lives insured in the dental plans. The services vertical had an evolution of 21.9% in recurring revenues, with a highlight for the increase of 53.9% in the profit of Porto.Pet, and an increase of 25.2% in revenue for Carro Fácil.

The health of the verticals strengthens our vision that we are on the right path to accelerate growth and diversification, maintaining our assets updated and an attractive profitability.

The recurrent combined ratio reached 92.3%, favored by the auto business that reduced the claims in 6.1%, thanks to an enhancement in risk pricing and underwriting, and the impact of social isolation due to the pandemic.

We have the fifth consecutive quarter of reduction in claims. Additionally, we had a drop off all 0.3% in the recurrent consolidated G&A and O.E. ratios, also contributing to a better ratio, thanks to the efforts we have done to increase our operational efficiency through investments in technology and process enhancement.

The NPL for credit operations continue to improve when compared to both 4Q20 and the full year 2020. The 90-day default ended at 4% at the end of the quarter, 0.2 p.p. below the market average. This shows the efficient management of the credit portfolio and the measures we adopted to mitigate risk.

Throughout 2020, we reached R\$194 million in our financial results, thanks to the investments in securities, inflation and multimarket positions, attaining a return of 2.4% for the quarter, equivalent to 488% of the CDI for the period. We ended the 1Q21 with R\$2.8 billion in terms of cash availability, and this remained comfortable during the pandemic.

In terms of ESG, we highlight some initiatives that are part of Porto Seguro. The Crescer Sempre association, the apprentice program and the volunteer program. New Initiatives: Porto Seguro is now part of the Efficient Carbon Index of B3 and has become audited for greenhouse gases. We have Programa Meu Porto Seguro that positively impacted the lives of 20,000 people. We also have the program Quintinhas that is distributed in this difficult moment. We were certified by Women on Board as we have two women in our Board of Management.

In terms of innovation, we launched important innovations with a highlights to Bllu, the first subscription automobile investment that is contracted easily and with essential coverage, and with the potential of leveraging the growth of the portfolio in the Company.

Another news was the growth of Tech Fácil, a subscription program for smartphones. We also changed Porto.Pet for Pet Love. We made an agreement with the largest online store in the country. We will transfer the pet operations to Pet Love and we will have 13.5% share in their capital. This operation is pending the approval of CADE.

Experimentally, we are working with our Super App, an application that enhances the user's journey. Our services are being used by more than 75% of our clients.

We continue to move forward in terms of service offers with WhatsApp, 40% of our service goes through this channel. Besides enhancing the customers journey, it enables us to have efficiency gains.

To conclude, we are very satisfied with the results obtained, and this will enable us to reach our strategic growth of leveraging our customer base and enhancing the

customer experience. We are determined in our purpose of being ever more a safe harbor for our customers.

I would now like to ask Emerson Faria to comment in greater detail on the evolution of revenues and profitability in the 1Q21.

Emerson Faria:

Thank you, Roberto. We continue on slide number five. Before continuing, a disclaimer. Beginning this quarter, we began to publish our results based on business verticals and the revenues of the 1Q will also be posted by vertical.

On slide number five, you see the evolution of the quarterly revenues of the 1Q21 versus the 1Q20 in each of our business lines. In insurance, a growth of 6.6%, and all the verticals had revenue growth. Here in insurance, we have auto insurance, TMC, rural and civil responsibility insurance.

In financial businesses, the growth was 7.8%. This is the figure for the Company as a whole. We had impact of the IFTR 9 model with an impact on revenues and in our NPL and coverage ratio. Further ahead, Marcos Loução will speak about financial businesses and present these results, excluding this effect. The growth here was 7.8%.

Nevertheless, some financial businesses are made up of credit card financing, financial risks that have moved away from insurance and entered the financial business area, and risks relating to that capitalization that also left insurance and are now part of financial businesses, consortium and asset management.

Health has been separated from insurance. It is made up of commercial health, dental health and medical services, and occupational health as well. We had a 5.1% growth in revenues.

And finally in services, we have several new businesses that are part of services. It is made up of services, Carro Fácil, Porto.Pet, Reppara!, Renova and the auto monitoring. These are the businesses that are part of services with a growth of 11%.

We go on to slide number six, where we see the evolution of our profitability. To the left, our annual profitability, to the right, the quarterly the profitability. We had R\$297 million in the 1Q21, as mentioned by Roberto, with an ROI of 14.7%, and a growth when compared to the quarter last year.

And these are the financial results, the operational results. And since the 2Q20, you can observe that the operational results have become more relevant. And this is what the Company wants. It wants to present operational results that cannot only depend on financial results, but that financial results back our profit as a whole.

On slide number seven, we speak about each vertical business. This is a novelty for the quarter. Besides speaking of revenues, we speak about profitability for each business vertical.

In the 1Q21, you see that the insurance vertical represents 50% of profit in the 1Q, and besides the four verticals, we have the holding, and part of the profitability, of course, is made up of the operation as a whole for the holding.

We go on to slide number eight to speak about consolidated results. We show you profitability versus the CDI. In 2020 and in the 1Q21, the growth was significant, the result was very good. Our ROAE was 14.7% versus 12.3% in the 1Q20, with a percentage of CDI that is 767% in the 1Q21. This figure is somewhat higher than the historical average due to the low CDI, and with the expectation of a return of the Selic, the CDI will increase and we will go back to more realistic levels of 150% to 300% of CDI.

I will now give the floor to Marcelo Picanço, who will speak about the insurance vertical on page nine.

Marcelo Picanço:

Thank you for your presence on our call. A good day to you. I would like to begin on slide number nine, and the figures I think you are familiar with, I am not going to present them in detail.

I would like to say that strategically, for the 2Q, we have had expressive growth in insurance. Even with a reduction in risk, which, of course, naturally reduces our pricing, we were able to grow, and this is an important goal for us, the number of customers that is at 120,000 with the pace accelerating in the last two quarters.

We believe that this year will be very important in a sequence of over ten years of growth in the fleet that has been ensured, the auto fleet. This resumption of growth in a more strategic and persistent way, of course, is very important.

And I would like to perhaps refer to the concept that we have of the insurance market and say that it is not mature, it is far from being mature and having as good penetration as another countries. Even though the auto segment is deemed to be mature, it has only 30% of penetration in the fleet. And the way of approaching this potential has to do with innovative offers that are expanded, that will bring more security, comfort and convenience in a country that needs this thoroughly.

Bllu is an example of this. It is in a pilot program in two important regions. The market was addressed by no insurance solutions, and it is a response of Porto as we understand that the market is there, it should be addressed, it should not be ignored or deemed to be marginable.

We do not only want to gain market share. And I can say that this conclusion is even stronger in other insurance markets such as life and P&C. We have had consistent growth, but the potential is enormous. 80% or 90% of these markets have as yet not been approached. And we need more innovation, we need to simplify several things.

Our essence of being a safe harbor takes us back to bringing to people excellent services mixed with products that will truly offer a genuine offer of convenience and comfort.

We are not only thinking of offsetting income or ensuring a good. People are looking beyond this. They are looking at what is around them, services, and services in general.

And it is important to mention what we think of insurance. When it comes to the combined ratio and results, this is one more quarter where we were able to show that, yes, it is possible to have a pricing model, an intelligent model that takes into account financial variables.

That thesis that with low interest rates you cannot have profitability is not confirmed. The sector has been growing despite the drop in the interest rates. And of course, it refers to the enhancements in our operational results because of the works in a differentiated underwriting and pricing processes.

We will be doing this in other lines as well. With the database that we have with our portfolios of more than 5 million people, this, of course, will help us to generate excellence even in moments of pandemic. We will be able to segment portfolios that can benefit from this. This is a level of granularity, but it is made feasible through a sophisticated model and a truly large database.

The 1Q was somewhat more difficult for insurance because of the natural seasonality, but once again, we improved the results versus the 1Q20 with a substantial increase of one 195 to 219 million revenue for the 1Q21 versus 1Q20, and an increase of 15% in capital, 1.5x the capital of the Company.

In terms of administrative and operational expenses, we had a nominal decrease. I would like to look at the index and the nominal decrease, an improve to a level of 0.3 p.p.

We have some expenses with Covid-19, the contributions we made in this very difficult period of society. This not part of the operation, of course, donations and contributions. Although they are accounted for, we eliminate the part from the Meu Porto Seguro, where we offered more than 10,000 work associated to the Company.

We continue on with this discipline, and we look upon this not as margin expansion. This is something strategic that will enable us to have more accessible products for consumers who are not willing to pay beyond a certain level. And we continue to do this to have the security inclusion, which is strategic for us.

Finally, in the health vertical, despite all of the impacts on companies such as unemployment, our portfolio is made 87% of commercial health. Unfortunately, because of the crisis, many companies have reduced their invoicing. But despite this, we were able to grow 5% in premium and add 70,000 additional members, including dental health in the scenario.

Of course, this is not the growth that we would like to aim for. The health care model is undergoing a transformation. We are creating something so we will have a more digital, sophisticated company, with an intelligence that sets this aside in terms of patients, physicians, the way of bringing together these issues. We have a partnership with Red Ventures for technology and digitalization. And as pillars are standing and have become concrete in health care, this growth will be ever more vigorous.

Some trends that are mentioned, the invoicing of insurance market in other countries where insurance is mandatory, this does not happen in Brazil. In terms of vehicle, for example, we have a great deal of room to expand penetration in income brackets that do not have this protection.

Although we already have a strong penetration in the upper social bracket where we have good inclusion in all the insurance plans, including health care, only 25% of the population has access to complementary health, and this level has not grown. We have a relatively low market share, and a great deal of space to grow in that market, and the market will also grow.

I would not like to conclude this part about insurance, and I will now give the floor to speak about financial businesses.

Marcos Loução:

Thank you, Marcelo, and a good day to all of you. I will speak about the financial business verticals. Our revenue growth was two digits, 16%, a breakdown of revenues where we have credit cards, CDC, the consortium with growth as well as Financial risk and Capitalization, and the growth in net earnings of more than 9% in the last quarter.

A highlight in our credit card and financing is the growth and the acceleration and the Financing of vehicles. In the last year, we had a growth of 48% whilst the market only grew 8% based on December. And this growth is leveraged by a sale from the brokerage channel, which enabled us to continue within the expansion schedule for the year. We have 58% of our sales carried out through the brokerage channel.

Another important highlight is that, even in credit card, we have been able to grow our portfolio, a significant growth during this crisis with limitation to consumption. We worked on wallet, and we grew above the market, showing that our customers continue to use their credit cards, even in the access restriction scenario. The number of transactions went from 59% to 64%, which has also increased our efficiency.

When it comes to financial risk, we have our allocation done by brokerage in a partnership with real estate. We achieved 13%, and we have 10% in the real estate companies carrying out transactions versus the same quarter last year, showing the continuity of our expansion. In this real estate ecosystem, we created a product that is 100% digital, with a connection to the customer ID number, with a lighter price, and that represents 40% of our sales.

Once again, this shows our foothold and our competitiveness in the sector. The growth of revenue, we have a change in the way that SUSEP demands that you bring together the revenues, which now are sent during the entire time of lease.

To speak about the consortium, we have an important regional plan, we have a growth of 29%, and here we change the profile of our internal consultancy. We work remotely, enabling us to have higher contracting and sales through more brokers. We increased the number of brokers by 69% compared to the previous year.

In our own sales channel, we were also able to have an expansion with remote management to regions where we were not present physically, which shows that we are following the right strategy for growth. Of course, when it comes to asset management, this drop in revenues is due to internal rates.

Now, to speak a bit more about our credit operations portfolio, we observe continuous growth, and our default level is very aligned with the market, which is interesting given

that we are growing above the market and, of course, we continue to have control default using the current policy for this.

In terms of the services vertical, I would like to highlight our continuous growth in revenues of 22%, and the better distribution of revenues.

An important highlight for Porto Seguro Faz and pet sector, we have a breakeven in our operations. We have several innovation initiatives here. To speak about Carro Fácil, we have an increase in sales versus the same quarter of 2020, an increase of 57%, and an increase of 30% in the average ticket as part of a significant expansion in cars subscription.

In Porto.Pet, we have significant plans on average ticket that went from R\$100 to R\$183, and a growth in our portfolio from 36,000 to 41,000 in the last quarter.

Porto Faz and Porto Reppara!, these are the services that we offer as part of our structure. Reppara! is the assistance plan for emergency services. We have reached 372,000 customers, and many of them are due to strategic partnership that we have. We have Samsung included in a specific operation for store maintenance, Itaú Bank, among others.

We also have Renova, where we have increased our capacity to dismantle cars, practically doubling our capacity, and with this we are able to use vehicle spare parts so that they can be used in other assemblies.

These are the main highlights of the services vertical, where we have had an acceleration in the 1Q. Thank you. I will now give the floor to Izak Benaderet.

Izak Benaderet:

A good day to all of you. Thank you for the opportunity to address you. These are the results for the 1Q, results of R\$230 million, with a nominal return of 2.36%.

This result is thanks to our public securities portfolio. We had a 1H with an IPCA with an increase of about 2%. We also had an increase in IGP-M. All of this contributed positively to our securities portfolio.

Although there was a drop in the Bovespa index, our shares had an excellent result. We also had contributions coming from investments and funds in the multimarket.

Finally, in terms of our investment portfolio, we had some moves this quarter increasing our stakes. In indexed securities and inflation, we went from 53% point 65% of our portfolio.

Very generally, this is what we did. I return the floor to Roberto, who will speak about our ESG initiatives.

Roberto Santos:

On slide 18, we refer to some of our initiatives that are part of the history of Porto Seguro. We have the association Crescer Sempre that has received help for more than 20 years. We have child education, high school, vocational courses for the community of Paraisópolis.

We also have the Young Apprentice program offering education for life and trying to insert low income young people in the labor market.

Finally, the Porto Voluntário program, to foster the volunteering of employees, companies and working with social institutions and their beneficiaries. We have additional and recent initiatives, we hired 10,000 people for the program Meu Porto Seguro. We offered them an income of R\$1,500 per month for three months. We, of course, had additional people who were not hired but decided to follow the program, and we are offering them training available on the Porto Educ platform.

On the social field, we created the Quentinhas program. We are offering help to the Campos Elíseos neighborhood, hardly impacted by the pandemic. We buy package food from 11 restaurants and we offer meals to the surrounding community. We have donated more than 20,000 meals, with the deliveries being carried out by Porto Seguro service providers. The Company has already donated 6,000 food baskets that were given to 2,300 families.

We have two women on our Board of Management. Women on Board is an initiative supported by the UM, incentivizing the participation of female members in the boards of directors.

And finally, we are now part of the ICO2 from the B3. We have a government and social aspect that goes back to contributions. And we have now begun our greenhouse gas inventory carried out by a third party, giving us more reliability and transparency in our processes.

These are the main environmental, social and governance factors that we wanted to highlight. With this, we conclude the presentation, and we would now like to go on to the question and answer session.

Mariana Taddeo, UBS:

Good morning, and thank you for taking my question. In many of your verticals, you have reached breakeven point, and in some of them, you have a growth of 50%. Which is the vertical business that has had the greatest growth, and which is the one where you see the greatest opportunity? Thank you.

Roberto Santos:

Mariana, we have instability in your question. If you could please repeat it.

Mariana Taddeo:

I do apologize. When it comes to your vertical's businesses, insurance represents 50% of your total result, and most of your other verticals have reached a breakeven position. Which would be the contribution of each of these verticals in your results? Which would have a greater growth, and on which of them do you detect greater opportunities?

Roberto Santos:

Mariana, thank you for your question. Of course, the insurance vertical represents most of the revenue and profitability of the Company. In the coming five years, we foresee a significant increase in health care and service verticals, as well as in the financial business, in that order.

This does not mean that the insurance vertical will not expand. We imagine that it will have a greater share in revenues and profits in the health care vertical, services and financial businesses, more than in insurance.

Mariana Taddeo:

Could give some idea of the percentages of the mix?

Roberto Santos:

Our reading is that in the next couple of years, the insurance vertical will represent less than 50% of the total revenues and profitability of Porto Seguro.

Marcelo Picanço:

Simply to add to this so we are not stuck on this vision of a quarter, where we have a compression in terms of insurance results, the insurance contributions was 68% in 2017, 73% in 2018, 65% in 2019, and 72% in 2020. The annual contribution is of approximately 70% since 2017. Between 65% to 70% of what we see for the year.

Mariana Taddeo:

Thank you very much.

Gabriel, Citi (via webcast):

Can you speak about the competitive environment for the auto insurance. Will the increase in prices of new cars and used cars lead to higher insurance prices?

Marcelo Picanço:

Thank you, Gabriel, for your question. The competitive environment is still quite balanced. There is no asymmetry. The truth is that prices reflect the following: the lower frequency can be blamed on the pandemic, but not entirely. Before the pandemic we had already reported a drop in frequency in robbery and theft.

And for the entire market, there is a price reduction here that is not due to commercial aspects or the aggressiveness players, but due to the reduction in risk. Whether there is this risk, the price of insurance is lower.

When it comes to the increase in price of new cars, yes, this will eventually balance out, but there are effects that decrease the price such as frequency and the others, and other factors that will increase the price.

All of this is balanced, and when we say balance, the companies in general are healthier than they were for formerly, perhaps. And naturally, the market in autos is quite competitive. It has been transferring the price increase, and this has not impacted the profitability of Porto or other relevant players in this business.

Gabriel:

Marcelo, could speak about the loss ratio of health care? We saw something sequential, we have had higher costs due to Covid-19 and elective procedures.

Marcelo Picanço:

I do want to be very fair. We had a bonus, a reduction of procedures in 2020. In 2021, we see a resumption in elective procedure. You cannot simply not treat other diseases like cancer or other serious situations that demand resources that are costly.

And secondly, we have the treatments due to a Covid-19 with a unit cost that is much higher than any other treatments. This is a disease that requires a great deal of resources and the per capita per patient is more costly.

In the 1Q, we had a loss ratio that is somewhat above what we were having and what we expected because of the reduction of elective procedures. We had a lockdown, greater isolation in the 2Q, but we still have this higher cost per Covid patient. We had a strong outbreak in the 1Q and in the 2Q, and of course, this will increase the loss ratio.

Thiago Paura, BTG (via webcast):

Two questions. The first, how can we think about the service verticals that have several businesses that are on an initial stage? Should we expect new partnerships in the coming months, such as Pet Love?

Marcos Loução:

Thank you, Thiago, for the questions. I think that we can think of the services vertical as a creation of several products that makes it possible to expand Porto Seguro and the services offered to people. We have the consolidation of cars through subscription, we have Reppara!, Renova, and an interesting NVP in terms of Tech Fácil, where we begin with smartphones.

When it comes to new associations of partnerships, we are always open to discuss them if they are aligned with our values, and if they are aligned with our guidelines for the next five years, yes.

This is what we can expect, a vertical with significant growth potential, as we have seen in the last quarter.

Thiago Paura:

Can you speak more about the credit cards? What can we expect for the future? What are your plans, and which would be Porto's competitive edge in this segment?

Marcos Loução:

In the last year, we got prepared for a fully digital process and security in the use of the Porto Seguro credit card. 33% or 35% of our actual customer base does not have insurance, and this is the credit card that is preferred by the clients.

In this segment, we continue to grow the portfolio, our revenues. We are at the 8th largest credit card issuer with a significant growth in terms of our portfolio versus competitors.

The strategy is that this will be a card that will be used considerably, and not simply one more card. Our models are ready for expansion into the open sea. We have a digital channel that represented 15,000 sales in the 1Q, and it is competitive with any other fintech.

So, yes, we are getting ready through technology. Our credit is based on a software called Power Curve that analyzes all of our clients based on the same model and same policy, enabling us great agility in all of our products.

Considering our strategy to grow through services, we also believe that all of these subscription services and the more accessible services that we have in the market will be a door of entry for financial products as well.

Guilherme Grespan, JPMorgan:

A good day, and thank you for taking my question. My question refers to the structural side, and I move away from the 1Q. There has been an exponential growth in the use of digital products. Some companies are beginning to offer auto insurance. It means that you have to know your clients, but insurance already has a value of perception on the part of the consumer.

We see that very few fintechs are adopting the model. They are working more with an insurance company. We see the evolution of digital products. What do you deem to be the potential of the insurance sector, and how will the digital programs impact your evolution?

Marcelo Picanço:

Thank you for the question. We see this as an opportunity. We have spoken with several digital players, not only banks, and we see strong possibilities for partnerships. I think that the supply to different needs is important to increase channels, partnerships and formats. It is important to foster the inclusion of more consumers in the market.

The market is still very restrictive, only 30% of the fleet has insurance. What we observe is that most of them do not want to be underwriters. They think they are technological companies, and this condition of having the risk of insurance regulation is not attractive for technological companies.

For the American fintechs or the Brazilian fintechs, they need partners because they need to make adaptations in their models, a way of contracting the insurance has to be simpler, and we have to improve the customer journey, and we have made partnerships in this arena.

Another important point that I would like to highlight in auto insurance is that people speak about the contract, the initial contract. Once a person is in, there is an operational in physical chain. We have offices and other instances.

So auto insurance is something that is very logistic. We have to have a back office of service network that takes some time to set up, and these companies are not willing to set up thousands of car repair shops throughout the country.

Once again, auto insurance is highly operational, different from other insurance where you do underwrite like a life insurance. I think we have a position that is very open, and we are very willing to make the necessary adaptations to have these partnership.

Guilherme Grespan:

Thank you very much.

Gustavo, Banco Inter (via webcast):

What is the strategy to have more clients in the Pet platform?

Marcos Loução:

Gustavo, thank you for the question. Our initial strategy is to contain the tension in the network with Porto.Pet. We are going to approve and develop the channel of brokers so that we can have a more digital, more simple sale, always anchored to the brokerage channel.

We are now undergoing a regional expansion and more digital sales through our brokers channel, especially, as soon as all of this is approved by the board of directors with the help of Pet Love in the distribution.

Renato (via webcast):

Which is your view of the relationship between digital sales channels and brokers, always with a view towards selling your product to new customers?

Roberto Santos:

Thank you for the question. The insurance broker is our main distribution channel, and they will continue to be for some time. We protect the insurance brokerage system. We try to avoid direct sale.

When it comes to selling through the Internet, we have broken the paradigm through the sale of the Billu product that is sold through the Internet, and the broker can also help. Any product that is built by force can be distributed through a broker, but not necessarily only through the broker.

We have solutions such as Bllu and the client can acquire directly without hampering the work of brokers, and the aftersales will go through an insurance broker with a somewhat lower remuneration.

We want to continue working with insurance brokers, but of course, we do want the younger generation to be able to acquire their products through the Internet.

This is a good equation that we have reached without hampering the brokerage channel, which has been moving ahead. We will have a Porto Store where people will be able to acquire our products directly through the Internet without the intervention of an insurance broker.

Thiago Auzier, Kinea (via webcast):

Can you refer to the growth potential that we see in the financial businesses? You have 2.6 million credit cards, almost 10 million clients as a whole, better than several digital banks. Which will be the evolution of the growth of your customer base, product and profitability?

Marcos Loução:

Thank you for the question, Thiago. We will continue to grow our base, now focused on attracting new customers with more competitive products, so that we can work with cross-selling and develop the financial life of customers in Porto Seguro, as alternatives to the fintechs that we see in the market.

Our strategy is to speed up the growth of our customer base, but focus on products that will generate profitability and financial results, very much aligned with what we had, but we are doing this through a thinner outlook now. We do want to have a greater market expansion at more competitive prices.

Participant (via webcast):

About the IPO, can this be used for the services vertical?

Marcos Loução:

Since 2014 and 2015, our services vertical has enabled us to sell our products individually, and we do the distribution through Porto, where since 2015 you can buy one of our products. It is more about the digital sale of insurance, and we have to be more efficient in the selling condition, even with a drop in the aftersales commission if the sale is intermediated by a broker.

Roberto Santos:

That is very clear. With the digital sales channel, you have lower commissions, of course, but the commission is part of the cost of marketing, of selling. And in the cost of selling, you have expenses that you do not have in the broker channel. You have to generate leads, and we do not have to do this through the broker channel.

So to respond in a more pragmatic way, the commission will be lower in this channel, but the cost of marketing as a whole will not, because you do have the cost for the acquisition of leads.

Marcelo Picanço:

I would like to compliment the response of Roberto with something. When we compare the digital sale of insurance with the consultancy of brokers and other products. If you buy a smartphone through the Internet, or a machine or a fridge for your house, the sale of the insurance is not mandatory. We cannot compare ourselves with Great Britain and the U.S., where the insurance is mandatory. The rate of closing drops a great deal when there is no support of the broker.

We want to do something hybrid, where the broker will close the deal. This is not only an issue to harmony as a channel. We are being pragmatic. We want to sell. And even in developed countries, this is even stronger in insurance portfolio. In Japan, the direct sales of insurance do not amount to more than 10%.

There is that pragmatic need to convince the customer about the product, which is not a desirable product, it is necessary, and people need that consultancy to close. And I say this based on our experience with health techs that are five years old and that have begun using brokers to close the deal in the United States.

So the combination of the two channels is something that we are investing in, and perhaps the cost of the acquisition of the client will not be the same, but we do have to invest in them.

To speak more specifically about the commission that we have in some portfolios, we had a better sales performance. We carried out campaigns, and the results are a proof of that.

When we grow, we increase our margins. We have more commissions because it is something meritocratic to do.

Participant (via webcast):

Which is the behavior of premium in the sector, in Porto Seguro and Auto?

Marcelo Picanço:

We are in a year where have invested a great deal to resume growth. After several years of making adjustments, we had lower growth, and we want to have a vigorous growth this year as part of the market reality. We need more time for a structural transformation. We are not going to change anything this year.

Complex innovations do take time so that they can become more mature. We do not want to do something small and simple and think that this will change the market. We demand something more sophisticated that will take time.

But this is a year that will be a differential in the growth of the auto sales. And of course, it will depend on the behavior of competition. The market is quite competitive, as I mentioned.

We have invested in very sophisticated underwriting and pricing model that considers the habit of staying home, not staying home, circulation patterns that are very different since we have this pandemic. The behavior drivers have changed. Perhaps next month this behavior will change further.

In terms of consumers, and because of this, we have had to make adaptations of our models with a view towards the future, looking towards the future and not looking backwards for auto insurance. All of this will lead to growth this year, and this is what we are investing for.

Roberto Santos:

Very well. I would once again like to thank all of you for your participation, for your questions, the significant contributions and your interest in Porto Seguro. Should you have any additional doubts, please visit our page for investor relations, or directly contact our Investor Relations Team. Thank you very much.

Operator:

The Porto Seguro conference call is concluded. We would like to thank all of you for your participation, and we wish you a good afternoon.

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