



[00:02] Moderator – Good morning, everyone and thank you for waiting. Welcome to BB Seguridade 3rd Quarter 2019 Earnings Conference Call. This event is being recorded and all participants will be in a listen-only mode during the companies' presentation. After this, there will be a Question and Answer Session. At that time, further instructions will be given. Should any participant need assistance during this call, please, press *02 to reach the operator.

The presentation is available in the Financial Information Presentation Section of BB Seguridade IR website at: <http://www.bbseguridaderi.com.br/en>.

Before proceeding, let me mention that forward-looking statements that may be made during this conference call regarding expectations, growth estimates, projections, and future strategies of BB Seguridade are based on management's current expectations, projections of future events and financial trends that may affect the business of the group and do not guarantee future performance, since these projections involve risks and uncertainties that could extrapolate the control of management. For more information on the statements of the company, please check on the MD&A. With us today, Mr. Bernardo Rothe, BB Seguridade CEO, Mr. Werner Suffert, BB Seguridade's CFO and Mr. Rafael Sperendio, Head of Finance and IR. Please Mr. Sperendio, you may now begin.

[01:50] Sperendio – Good morning, everyone, and thank you for joining our 3Q19 Earnings Call. Let's start the presentation on page number 2, where we have, here, the main drivers of our earnings in this quarter. Our recurring net income grows 21% YoY to 1.1 billion, supported by the operating result it was up 25%, backed up by a very strong commercial performance in Credit Life and Pension Plans. Financial results grew 4% helped by the flattening of the Yield Curve and its favourable dynamics on defined benefit pension plan at BrasilPrev. Our accounting net income, R\$.4 billion helped by one of capital gain that amounted 2.3 billion related to the sales of our equity stake in IRB in July this year. Regarding our commercial performance in insurance comparing apple to apple on a proforma analysis by adjusting last year data to see it in our current business structure in our JV with MAPFRE. Insurance premiums grew almost 15%, driven by Credit Life and Rural. Our performance in pension plan stood out in this quarter showing the improvement across different metrics, we can see, reserves grew 14% over the last 12 months. Net inflows increased three times year on year. The redemption ratio fell 9 b.p at an all-time low. Finally, to summarize, our performance in premium bonds also did it well, top line grew 8.5% YoY in this quarter. Moving to page 3, now talking about financial results. As you can see on the lower right-hand side, our financial results grew 4% YoY and accounted for 14% of the net income in the 3Q. The all-time low contribution to the bottom line since we started to follow this metric. Regarding the main variables that affect the financial results, we can see here in the upper left side, a decline in the average SELIC rate moving from 6.4% in the 3Q last year, to 6% in 3Q19. But the reduction in the average SELIC rate was more than enough by flattening Yield Curve. You can see here in the yellow lines. The light-yellow line represents the beginning of the period, and the dark yellow line represents the end of the period. So, regarding this quarter we had a flattening Yield Curve. The Yield Curve on the 3Q last year lightened. So, it dropped so much in market gains mainly at Brasilcap, our premiums bonds company, which helped financial results. The main positive impact comes from the inflation rate, as you can see in the lower left-hand side. The IGP-M, the blue line here, post-deflation in the 3Q this year, while reported inflation with 2.8% in the 3Q last year. And as you know that the IGP-M important index that compounds our liabilities related to Defined Benefit Pension Plan at Brasilprev. This deflation reduced a lot cost of liability and improved the financial results at Brasilprev.



Moving to page 4, and talking about our insurance operation now. We are going to focus on the proforma figures, as I explained earlier, an adjustment we have been making in order to revise 2018 data considering the actual structure post reorganization occurred in the end of last year. So, in the 3Q premiums written grew 14% YoY, supported by Credit Life that grew 41% helped by better loan origination with individuals. Rural also did well, grew 15% YoY accelerate the pace of growth that we were showing in the end of the first semester, with an improvement across different segments, so Crop Insurance was doing good, also Rural Lien, Credit Life for farmers that is a line that offers performance bonus that is also helping the commission at the broker. So, Rural is important to highlight in the quarter as well. Term Life increased slight in the pace by growing 6% YoY in 3Q. In the first semester, this growth rate was around 5%, accelerated the pace year-to-date to September to 5.5%. On page 5, we can see that Brasilseg also did it well operationally, here we are going to focus on the yellow comparable. We can see that the combined ratio, in the chart on the lower right-hand side, combined ratio improved 10 b.p. driven by the decrease in the loss ratio now 2.6% p. p. backed up by a lower frequency and severity of plan in Term Life and Credit Life. G&A also improved, helped by lower provisions with possible losses. But, as you can see in the chart, on the upper right-hand side, the improvement in both, loss ratio and G&A ratio was almost fully offset by the increase in the commission ratio, mainly related to the performance bonus that the insurance company might pay to broker due to the outperformance in Credit Life and Credit Life for farmers in an agreement that we reached with MAPFRE in 2018.

[08:50] Sperendio – Moving forward, now, on page number 6, financial results fell 40% YoY given the lower SELIC rate and a change in the accounting methodology related to the interest compounding on provisions with judicial claims to be settled. As a result you can see a decline of 40% YoY on a proforma basis. But, anyway, when we look at the overall performance, the decline in financial results was totally offset by the increase in earned premiums, around 9% and by the improvement of combined ratio that I have just explained. The net income grew 11% YoY in the 3Q and reached R\$400 million. Moving to pensions now, on page 7, we can see that contributions grew 44% YoY, in the 3Q, and reached R\$12 billion. The net inflow increased three times with 233% reaching R\$5 million. Redemption rate moved down from 7.7% in the 3Q last year, to 6.8% down at the all-time low. Assets under management now reached R\$282 billion increasing 14% over the last 12 months. Management fees improved 10% YoY, while the average management fee charged, reduced by 6 b.p. to 1.2%. Well, the improvement in management fee in addition to the improvement in the financial results that I mentioned earlier led the net income up to 32% in the 3Q this year to R\$ 331 million. Regarding premium bonds now, page number 8, collections were at 9% YoY. Financial results grew 4% given the wider net interest margin, as you can see. That was due to the mark-to-market gains. That is related to the Yield Curve that flattened this quarter, as I explained previously, and this effect led the bottom line to grow 2% YoY now in the 3Q. Moving now to the broker, page number 9. Revenues were up 40% YoY and a 22% when we considered a linear distribution of the performance bonus received in end of 2018 across the different quarters. So, the main driver for the top line growth were Credit Life, Pension, Rural, and Premium Bonds. It is also important to highlight the performance bonus achieved on commercial performance in Credit Life and Credit Life for farmers. The EBIT Margin improved 1.6% p.p on an adjusted basis, totally related to the mix of the products sold, that were more focused on a higher ticket products that it was in the 3Q last year. As a consequence of the improvement in the top line and the improvement in the operational margin, the net income grew 43% YoY in the 3Q. Now, finally, on the last page, we have our guidance monitor. As you can see here, we decided to revise our guidance to the bottom line grow, that was 8 to 13%, and we revised it up now to 13 to 17 %. Mainly driven by a surprise, another positive surprise we had in the financial results, that I have just explained, favourable dynamics in



inflation, the flattening of the Yield Curve thought out the quarter. We consider that when we analyse breakdown earnings with a growth 15% year to today, in operational results, and growth of 24% in operational results year today. The former range doesn't make sense anymore. That is why we decided to revise the guidance. Regarding to the other two guidances, we decided to maintain both guidances, written premiums and grow in reserves, because at least the top of these two guidance is too feasible. That is why we decided to maintain as we expect that both indicators might converge to the interval. That is all we would like to emphasize. We can now jump to Q&A Session. Thank you.

[14:25] Moderator – Ladies and gentlemen, we will now begin the Question and answer session. If you have a question, please, press *9 on your touchphone now. To withdraw the question press *9, again. Please hold on while we collect the question. Ladies and gentlemen, as a reminder: if you would like to pose a question, please, press *9. Ladies and gentlemen, as a reminder: if you would like to pose a question, please, press *9. Our first question comes from Eduardo Nishio with Banco Plural.

[16:05] Eduardo Nishio, Banco Plural – Good morning. Thank you for the opportunity. Congrats for the results. A question on your guidance. If you make the back and develop calculation, and how much you get for the 4Q, you get a number that is lower than the first few quarters, in terms of earnings. I was wondering if it is being too conservative given that the 4Q is typically the strongest quarter of the year. And also, I would like to ask you if you have any perspective for 2020, as you have sold IRB and I think earnings will be more difficult to achieve without the unit. If you have any perspective and ideas... how would you get... growth for next year? If operational side will be good enough to offset that and also offset low interest rates? Thank you.

[17:30] Sperendio – Rafael talking. Thank you for your question. Regarding the guidance revision, it is worth highlighting that doesn't mean that we are expecting to reach the meet point. When we decided to revise it, that is because earlier in the presentation, the former range doesn't make sense anymore, when we analyse operational results growing 15% and financial results growing 25%. It is time to revise it up. Regarding the probabilities, the scenario we have for the 4Q. There is a higher probability when we analyse the main tricks that maintain the upper part of the guidance. When we look at the interval that we have been providing, the deviation from the meet point is quite small. It is like 80 million up and down. It is a very small interval. We decide to keep 13%, as you'd mentioned, to be conservative, that is why we decided to maintain this range. Because the deviation, dispersion of the meet point is very small. Regarding to 2020 earnings, of course, IRB was an important contribution for earnings. It used to contribute with 5% of our earnings, and now we are going to have a hard comparable in this first half next year. Anyway, performance in financial results will affect this lack of IRB next year. But the main difficult will come from again, after three years in a roll, lower financial results. Our expectations, when we analyse the forward Yield Curve that SELIC rate will be flat at 4.5 % next year. A difference we have from what happened in 2019, we don't expect that we can reach mark-to-market gains from a flattening move of the forward Yield Curve. It is going to make our life much harder in 2020, when we think about the performance in financial results. But, anyway, we believe that we can more than offset it enough with a better operational performance, despite not having IRB in our portfolio anymore.

[20:50] Moderator – Ladies and gentlemen, as a reminder: if you would like to pose a question, please, press *9. This concludes today's Question and Answer section. I would like to invite Mr. Sperendio to proceed with his closing statements. Please, Mr. Sperendio, go ahead.



[21:31] Sperendio – I would like to thank you all, once again, for joining our earning's call. Myself and investors relation's team, we are available for any further questions that you might have. Thank you and have a good day.

[21:51] Moderator – With this, we conclude the BB Seguridade Conference Call for today. As a reminder, the material used in this conference call is available on BB Seguridade Investor Relation Website. Thank you very much for your participation and have a nice day. You may now disconnect.