[00:03] Moderator – Good morning everyone and thank you for waiting. Welcome to BB Seguridade´s Second Quarter 2019 Earnings Conference Call. This event is being recorded, and all participants will be in a “listen only” mode during the company's presentation. After this, there will be a questions and answers session. At that time, further instructions will be given. Should any participants need assistance during this call, please press “star 02” to reach the operator.

The presentation is available in the Financial Information, Presentation section, of BB Seguridade´s IR website at 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 are Mr. Bernardo Rothe, BB Seguridade´s CEO, Mr. Werner Süffert, BB Seguridade´s CFO and Mr. Rafael Sperendio, Head of Finance and IR. Please, Mr. Sperendio, you may now begin.

[01:52] Sperendio – Good morning everyone. Thank you for joining our Second Quarter earnings call. I'm gonna take you through the presentation, so let's start on page number two. We have here the main drivers of our earnings in this quarter. The net income grew 18.5% year-on-year, to R$1.078 billion, supported by the non-interest operating results, which was up 22%, as you may see in this little chart on the lower left hand side. In the upper part you can see that the Return on Equity reached 61%, well above the return posted for the same period last year, given the strategy that we have been deploying, which consists on improving our operational efficiency and capital allocation and to increase even more to focus on Life and Pension business, and the distribution in the bankassurance channel. Regarding Insurance, Premiums Written at Brasilseg, comparing here apples to apples, I mean considering the current formation in both comparable, premiums grew 20% year-on-year, and thanks to Credit Life, which was up 90%, driven by an improved credit origination and lower cancellations. Rural also did well, grew 13% year-on-year. In Pension, our inflows grew 36%, while the net inflows grew 187%. Redemption is still quite well behaved, pretty close to our all-time low, and with increasing inflows and lower redemptions. And in addition to the excellent performance of our master fund, all these factors led our P/VGBL reserves to grow 13%, to R$262 billion. Premium bonds also posted a very good performance and grew top line at 18.8%. And finally, as the consequence of a very robust commercial performance as I just described, brokerage incomes grew 35% year-on-year. Regarding our financial results, on page number three, in the Second Quarter our combined financial results grew 3% year-on-year, and accounted for roughly 16% out of the net income, which was pretty close to the all-time low contribution to the bottom line. During the Second Quarter, the yield curve flattened, as you can see in the graph on the upper right hand side, which resulted in some market-to-market gains from the zeroes and inflation protected securities, which were the main drivers for financial results to grow. As in, you can see here that in the Second Quarter last year, the yield curve widened, and the floating rate remained flat and the inflation rates dynamics were less favorable to Brazilprev, since the reduction of the IPCA was proportionally higher than their decrease in the IGP-M, which is the main index that compounds the liability related to the defined benefit pension plans. We had a compression in the net interest margin, at Brazilprev this quarter, so the increase in financial results on a year-on-year basis was almost fully driven by market to market gains, to, related to the downward move of the forward yield curve.

[05:52] Sperendio – Moving to page four, we're talking about our insurance operations. I'm going to focus on the proforma figures, if I may, which is, somewhat comparable to the current structure post reorganization occurred in the end of the last year. So, in the Second Quarter our Premiums written grew 19% year-on-year, supported by Credit Life, as I just mentioned grew 90% compared to the Second Quarter last year, driven by better loan originations with individuals, and also lower cancellations. Rural grew 13%. As we mentioned in our last earnings call, it began to gain some traction after the launching of the Crop Plan in the Second Quarter this year. Term Life grew 1.8%. This product was somewhat side-lined in the end of the semester, but year-to-date it is still growing 5%. Worth highlighting here that although we expect this pace to increase now in the second half, the company has been working very hard to remodel completely our range of products in this segment. Moving to page number five, talking briefly about the operating performance, combined ratio remains at flat year-on-year. Again, look at comparable, so, 70.3% in the second quarter of this year compared to 70.2% in the Second Quarter of 2018. Even though it has been flat on a year-on-year basis, it's , in terms of credit, way better than the credit posted in the same period last year, I mean, with a lower loss ratio, with a lower G&A ratio, which was fully offset by the increase in commissions, remain very steady now, after the restructuring, 100% of the commissions are now flowing through our own broker, and these increases are mostly related to the strong performance of Credit Life, mainly, and remembering that Credit Life and Credit Life for farmers, they are entitled to pay a performance bonus in case we outperform the expectations, we took the commercial performance for basis. On page six, we can see that our financial results of Brasilseg were down 76%, driven mainly to the reversal of a book entry recorded in Q1 with positive counterpart effect on claims, so it was neutral for the bottom line. It was neutral in the first quarter since was just a reclassification. Net income grows 7% year-on-year and the ROE reached 74%, given the earnings increase, in addition to the reduction of the average equity, given the dividends paid and we realized the gains on available for sale securities. Moving to Pension now, on the page number seven, gross inflows grew 36% compared to the same period a year ago, redemptions is pretty close to the all-time low of 7.1%. It's worth highlighting here that the second quarter this year we added roughly 150,000 new plants to our client base. Net inflows grew 187%, to R$2.9 billion. And assets under management grew 12%, to R$273 billion, where management fees keeping the same pace of decline of 1 b.p. per quarter.

[10:00] Sperendio – Net income fell 6% for the year-on-year basis, basically due to the exemption of the load fees of P/VGBL that we have been providing to our customers since September last year and also the lower financial results, as I mentioned earlier. Regarding Premium Bonds, now on page number eight, top line, rose 19% year-on-year, financial results grew 12%, given that the wider net interest margin, due to the market-to-market gains, as the yield curve flattened this quarter and widened in the same period a year ago, as I mentioned in the beginning of the presentation. And this is also what explains the improvement in the bottom line, moving from a net loss in the second quarter last year to a net income of R$23 million in the second quarter 2019. Moving to the broker now, page number nine. Revenues were up 34% year-on-year and 17% considering a linear distribution of the performance bonus received in the end of 2018 across the different quarters, this is what is behind the adjusted concept here. Main drivers were Credit life, Pension and Premium bonds. That income grew 39% year-on-year, not only due to the growth in top line, as you see in the chart on the upper left hand side, but also due to the improvement of EBIT margin, given a sales mix more concentrated on the high ticket products. Finally in the last page we have our guidance monitor, so as you can see, year to date we outperformed all our guided ranges. To make it simple here, I would summarize in two the different factors that led to the deviation in the three indicators. So, the first one was the performance in Credit life, which came in better than our estimates given the stronger loan origination with individuals and lower cancellations, which led us to outperform the guidance of premiums and helped to us to over deliver the expectations of net income, by helping the bottom line at Brasilseg and even more at a Broker, since the performance in this product is linked to the payment of a performance bonus in case of overrun. The second factor was the financial results, mainly due to the flattening yield curve, something that was completely unexpected when we worked on the budget for 2019. This also helped to overcome the net income guidance and helped us to exceed our growth estimates for pension reserves. So, basically we decided to fine-tune our estimates, considering what we delivered in the first half, the new configuration after the disinvestment of our stake in IRB, our new macro assumptions, and also taking into consideration that some risks that we anticipated for the year have already dissipated. So, our new estimates, as you can see, in terms of net income growth was revised upwards from 5 to 10% to 8 to 13%. Premium grows from 7 to 12 to 10 to 15%, and pension reserves increased our estimates from 7 to 10 to 9 to 12%. So, to wrap-up here, in summary, we had very solid results, and most importantly, something that we have already discussed in our last conference call, we are working hard on the construction of our future earnings stream. So, to give you some color, the balance of unearned commissions at the Broker is already pretty close to R$2 billion, growing 18% in the last 12 months. The balance of provisions for unearned premiums currently exceeded R$4 billion, it's growing more than 20% over the last 12 months. So this is already booked in our balance sheet and, of course, assuming normal conditions, it's gonna become part of the P&L over the next three to four years. So, this is what I mean by building our future earnings stream. So, that's all, we can now start the Q&A session.

[15:05] Moderator – Ladies and gentlemen we will now begin the question and answer session. If you have a question, please press “star 9” on your touch phone now. To withdraw the question, please press “star 9” again. Please hold on, while we collect the questions. Ladies and gentlemen, as a reminder, if you'd like to pose a question, please press “star 9”. Ladies and gentlemen, once again, as a reminder, if you'd like to pose a question, please press “star 9”.

[16:40] Moderator – This concludes today's question and answer session. I would like to invite Mr. Sperendio to proceed with his closing statements. Please, Mr. Sperendio, go ahead.

[16:55] Sperendio – I’d like to thank you all once again and myself and Investor Relations team are always available to, if you may have any kind of further doubts about the results of the company. So, thank you, and have a good day.

[17:18] Moderator – With this we conclude BB Seguridade´s conference call for today. As a reminder, the material used in this conference call is available on BB Seguridade´s Investor Relations website. Thank you very much for your participation and have a nice day. You may now disconnect.