[00:03] Moderator – Good morning, ladies and gentlemen. Thank you for waiting. Welcome to BB Seguridade's Second Quarter Twenty-Twenty 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 star zero two to reach the operator.

The presentation is available in the Financial Information Presentation Section of BB Seguridade's 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 are Mr. Bernardo Rothe, BB Seguridade's CEO, Mr. Erik Breyer, BB Seguridade's CFO, and Mr. Rafael Sperendio, Head of Finance and IR. Please, Mr. Rothe, you may now proceed.

[01:53] Sperendio – This is Rafael. Bernardo is with us. He is going to join us in the Q&A Session. I am going to start the presentation. Please, let's flip to page number two, where we have here how we behaved during this very unusual pandemic environment. Just to bring an update of our action plan based on taking care of our employees, supporting clients, looking at business sustainability, and to prepare the company to the after crises. Over ninety percent of our staff are still working from home. They are working remotely, almost on a regular basis. Out of the forty million donations that we announced, we already reversed nearly thirty-eight million, which is the equivalent to seven and a half tons of food, one point nine million of essential items. Worth noting that we also donated two hundred and seven thousand masks to the sales force, which is in line with our politics of supporting clients and society and taking care of our employees. Revert to COVID claims, we had a thirty-four million reported claims, more than twenty million are already paid. We also offered to our customers, online psychological assistance and activities for kids. We have prepared a return plan. We still do not have a date defined to put in place, but we are already prepared to come back. It is important to emphasize that despite the pandemic, we are still implementing our strategic planning expected to deliver for two thousand twenty. Let's start with Rural. We are keeping the expansion sales to areas that are not financed by Banco do Brasil. Only the first half, sixty-three million premiums were underwriting three times more than we did in the first half of two thousand nineteen. It is also worth noting that, in July, we started to focus on clients that are part of the PRONAF. Small farmers mainly, that were previously counting only on PROAGRO, the insurance provided by the government. We are now reaching those clients, and over two thousand policies were underwriting in the first month since we´ve launched this product for these clients. In Life, it is also worth mentioning that we launched a new portfolio in May, which is doing really well, over the sales force and even digitally. Sales in digital channels increased thirty-five percent, compared to the former portfolio. We remodeled completely not only with the turning of the client online, but also the turning of the sellers, which is also helping a lot the sales process to understand better how the product works and to provide benefits for clients in Life. It only benefits the client even and helps the relative now for benefits for clients to use in Life. In Pension, we put in place retention strategy in April and May that helped to retain nearly two billion reais and brought our redemption ratio to the lowest level ever. We keep working in changing the asset allocation with our clients to adapt to this new environment at lower rates. The AuM balance of multimarket funds grows seventy percent year to date. Within this new environment, we have also been seeing an increased usage of digital channels. Sales in digital channels grow eleven percent year to date, accounting for nearly ten percent of sales. We figured it is worth to exclude rural insurance product contribution at digital channels that capture thirteen percent of total sales, which is also an improving number. Flipping to page number three, talking about our financial performance in the second quarter and how we did year to date. So, in the second quarter, our net income fell nine percent year-on-year to nine hundred eighty-two million. Just to let you know, seventy-two percent of the gap comes from ex income from IRB that added nearly seventy million to the P&L, in the second quarter last year, and made no contribution this year, since we divested completely from our stake in July, last year. The balance, considering the gap to the second quarter last year, consists mainly of our lower financial results on lower volumes, including capital refund and falling SELIC rate. Insurance premium grew two-point-seven percent year-on-year, thanks to Rural and Term Life, as I just mentioned. We have done good so far, since we launched the new product in Life, in May, and growing, even in this pandemic, quarter-on-quarter basis. Combined ratio worsened by six-point-seven percentage points given the increase in claims mainly in Rural. I will provide more details later. An increase in the commission ratio given the performance bonus. Pension plan, Net inflow was down thirty-seven percent year-on-year. It is still a very challenging environment caused by the pandemic. Clients are still risk averse. April and May were very tough, but in June, we managed to recover. We have been seeing this across the board, most of the lines are keeping a trend of recovery. Last week of March, they were the most difficult ones, but April it was better, May was better than April, June better than May. July seems is going to be better than June. Now, going back to Pension. Despite seeing a declining inflow after, the spike in the redemption in March, we ended the quarter with the lower ratio ever, at six-point-six percent, fifty bps year-on-year. The brokerage commission fell zero-point-seven percent, on lower volume from pension and Premium Bonds. In the shorter term, the brokerage is more sensitive to the performance of these two lines, as the commission is booked on a cash basis. The net margin at the brokerage was now seventy bps, not only because of lower revenue but also in lower financial results. Talking a little bit how we have been doing year to date, recurring net income was down eleven percent while dividends in the equivalent months were one-point-seven percent lower than the first half last year, as the margin grew ninety-five percent payout ratio. The main drag on year to date comparable, it was also in financial results and the ex income of IRB, in the first half two thousand nineteen. Insurance premiums were up eight-point-three percent year-to-date, while the combined ratio grows one-point-two percentage point, even with the increase in commissions year-to-date, the loss ratio was down. I will cover it later. Pension plans, inflows were down ten percent, while the redemption ratio increased zero-point-nine percent points, in the increase in redemption in the first quarter. P/VGBL reserves grew seven-point-four percent over the last month. Finally, at the broker, commission grew seven percent, and thanks to the Rural's insurance sales, while the net margin sales drop zero-point-six percent points over to the lower SELIC rate. On page number four, we brought additional information here with the purpose help you to understand better our recurrent performance by eliminating the noise caused by the time mismatch of the accrual rate on assets and liabilities on the Defined Benefit Pension Plan, which it has only come out as an impact in assets up to zero over time, as you may see here. We also set apart the recent events that may twenty nineteen data not be fully comparable to two thousand twenty data, such as ex income from IRB and the capital refund. On the left-hand side, we have the impact of a one-month lag adjusting the cost of liabilities on the Defined Benefit Plan, which had nearly fourteen million in the second quarter this year, and still eighteen million negative year to date. On the right-hand side, we have the chart that eliminates all these noises for the first half figures. How would have been our normalized performance. By eliminating the noise in both periods, as you may see in the light-blue bar and the light-yellow bar, our net income would have fallen by zero-point-eight percent only. This is mostly explained mainly by fall in SELIC rate since the operational rate in our company has been doing good so far with a combined performance growing seven percent year to date, which is actually very positive considering the challenges that we have been facing. Most of the decline on a year to date basis is caused by these very specific events that are not related to the sustainable performance of the current structure of our business. Moving to page number five now. It is very clear how our financial result was impacted by the changing in the macroeconomic environment. On the upper-left-hand side, you can see the lower SELIC that affected, not only the second part but mainly the first half. The Forward Yield Curve also stippened, which was negative for Brasilprev, most exposed to the long end of the yield curve. On the other hand, it was more helpful for Brasilcap, which has a shorter duration. Regarding inflation, IPCA posted deflation in the second quarter and end up having a negative impact in the accrual rate in the inflation protected securities, but for held to maturity, especially in Brasilprev, which also had another negative impact on financial results, even with the increase in IGP-M, which impacted the cost of liability. This was how our financial results were impacted, and the outcome of all these moving parts are long rates, also lower volume, as I mentioned. Capital refund and also lower sales in Premium Bonds and pension plans. Financial results fell by twenty-nine percent year-on-year, in the second quarter, and sixty-four percent in the first half, accounting for only nine percent of the net income figure that used to be around mid-twenties. That shows how the financial results have been affecting the bottom line this year, which we have already anticipated when we had our earnings call to discuss the twenty nineteen results. Moving to performance of our insurance business on page number six. Premiums grew three percent year-on-year, in the second quarter, thanks to Rural, which manage to keep a strong pace despite the pandemic. Term life also did pretty well despite a full quarter impacted by the pandemic. It grew one-point-six percent year-on-year with some help from the new product launched in May. On the other hand, Credit Life was down eleven-point-five percent, in the second quarter. Year-to-date premiums were up eight percent, with the spotlight on Rural that grew twenty-one percent driven by crop insurance, given the inflation of working capital loan. Also, we had higher subsidies that are reaching close to one billion reais this year. Also, some help from insurance sold to areas that are not financed by Banco do Brasil, which now accounts for nearly eight percent of crop insurance premiums. This is becoming more representative. The other business line, as you may see on the yellow bars, they also show very good performance by growing low to meet single-digit year to date, with Home Insurance and Commercial Line, but these lines are tiny. Moving to Operating Performance. We may see, the Loss Ratio increased four-point-three percentage year-on-year, in the second quarter, impacted by higher losses in Rural. Even the drought that affected the south region of the country. Also, on hard constant, we had some in reversal in provision for traditional clients to be settled in Term Life, in the second quarter last year. The impact of COVID has been manageable so far, as you may see on the gray line, which added one-point-eight percentage points to the Loss Ratio, in the second quarter. Nearly a hundred bps, in the first half. We reach the peak until now, in May, but in counterpart is now more trended, too soon to be sure about it, but we have been following this trend very carefully. Commission Ratio grows two-point-seven percentage points year-over-year due to the commission through the performance bonus and lower commission from insurance operation. Last year, we received a bonus from agreements with step up commission. This year, (unint) [00:17:52]. In terms of expenses, the G&A Ratio was down by forty basis points that helped by lower expenses with the Rural insurance stability funds and still very controlled admin expenses. As a result, Combined Ratio driven by six-point-seven percentage points. Even with this increase in the Combined Ratio, the net income fell only three percent year-over-year, helped by the increase in financial results on lower financial expenses. Also, helped by a nine-point-five percent increase in earned premiums. On pension plan, on page number eight, contributions amounted to seven billion reais in the second quarter, down thirty-seven percent year-over-year. While the redemption ratio reached the all-time low at six-point-six percent driving reserves up by seven percent to two hundred nine three billion, after posting defining the first quarter. Of course, not only about the increase. Reserves were not only driven by the increase in redemption but also helped by the recovery that we saw in the performance of investment funds that did really well, mainly at the end of the second quarter. Revenues with management fees were at three percent year-on-year, while the average management fee charged fell three basis points to zero point nine-nine. The cost to income ratio also improved by two-point-six percentage points, but all these improvements in the operational side were almost fully offset by lower financial results, given the IPCA, IGP-M that have been widening and also lower mark-to-market gains in the upper end of the Forward Yield Curve. That is why the net income grows only zero-point-one percent year-on-year, in the second quarter, virtually flat compared to the same period. Moving to Premiums Bonds, on page nine. Collections were down twenty-four percent. Premium Bonds struggled a lot at the beginning of the pandemic, but it managed to close this gap in June. June was the best month year to date. Financial results were up sixty-five percent year-on-year, despite lower volumes, but helped by lower expenses with management fees. The net interest margins widen by thirty basis points, as the company has been doing really well in some positions taking opportunities of stippening yield curve. With this improvement in financial results and some help from other operating income, the net income increased ninety-seven percent year-on-year to forty-five million, in the second quarter. To wrap up the presentation, on slide number ten, we have our distribution business. Commissions were down one percent year-on-year, on weaker volumes from retention and Premium Bonds. Almost fully offset by the increase in commission from insurance, proving the resilience of our business model even in a tough scenario like this one. Net margin was down seventy basis points on lower financial results given falling SELIC rate. As a result, the net income decreased two percent year-on-year, in the second quarter, while it keeps increasing year to date on the back of this increase in the insurance commission and improved EBIT margin that it has been helping the performance of the brokerage. That is all I would like to emphasize. We should now jump to the Q&A Session.

[22:22] Moderator – Ladies and gentlemen, we will now begin the Question and Answer Session. If you have a question, please, press star nine on your touchphone now. To withdraw the question, press star nine, 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 star nine. Our first question comes from Gustavo Schroden, from Goldman Sachs.

[24:38] Gustavo Schroden, Goldman Sachs – Hello, everybody. Thank you for the opportunity. I have one question here. I remember that in the first quarter, you guys mentioned that the first quarter should be the worst quarter, that net income should be the worst at that time. Indeed, we see an improvement in earnings in the second quarter. My question is: how are you expecting earnings evolution in the coming quarters? Do you still work with an improvement sequentially moving forward? That is my question. Thank you.

[25:19] Rothe – Hi, Gustavo. Thank you for your question. It is Bernardo speaking. We still think that the first quarter was the worst of the year. We should see the third and the fourth quarter better than the first quarter. Moving forward, I would say, the second half as a whole should be better than the first half.

[25:43] Gustavo Schroden, Goldman Sachs – Ok. If I may, just one question here. How have you seen the competition in the pension plan? We saw a strong impact in net inflows in the quarter, quite negative this year, but I think that it is related to the COVID. Can you elaborate more on the pension plan? How have you seen the competition, as well, in the pension plan? Thank you.

[26:14] Rothe – Sure. Until the end of the first two weeks of March, we were leading the ranking in terms of net contribution. We had a very good start at the beginning of the year. At the end of the first quarter and beginning of the second quarter, with the pandemic and some panic, somehow, in the market with interest rate impacting the return of some mutual funds, the performance of stock exchange, so on. We saw people redeeming and moving money to current accounts and saving accounts. This move was not really a problem with the product itself, but it was people willing to keep money on their hands, because of the uncertainties that were created with this pandemic. From May on, we start seeing things moving to a normal type of business. We are still not there. Not normal yet. The redemption ratio improved, at the end of the second quarter. Portability is not picking up, it is lower than last year, but people are more worried about the pandemic than before. In terms of market share, we are pretty much in line with the end of last year's market share in this business. We are keeping our business competitive. We are working with our clients to provide them all the support they need to make the right decision about how to prepare for the future, for the retirements, how to invest the money and to keep the business growing over time. In fact, we have seen the best month of the year so far it was February. In fact, the first two weeks of March were the best, in terms of daily average in terms of contribution and net contributions. We are not better at this point in time. June was much better than May and April. July seems is going to be better than June. In net contribution, it is possible that we are going to have July better than February. Things are moving back, but not normal yet. We still have a long way to go to be back to normal, but we have been able to work with our clients to get them to be comfortable with the investments for retirement.

[29:18] Gustavo Schroden, Goldman Sachs – Thanks, Bernardo.

[29:20] Rothe – You are welcome.

[29:27] Moderator – : Ladies and gentlemen, as a reminder, if you would like to pose a question, please, press star nine. Our next question comes from Tito, with Goldman Sachs. Tito, you may go ahead and ask your question, please. Ladies and gentlemen, as a reminder, if you would like to pose a question, please, press star nine. 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.

[31:38] Sperendio – Thank you all for joining our Second Quarter Earnings Call. Myself and the IR team are available in case you have any further questions. Thank you and have a good day.

[32:06] Moderator – With this, we conclude the BB Seguridades Conference Call for today. As a reminder, the material used in this conference call is available on BB Seguridades Investor Relation Website. Thank you very much for your participation and have a nice day. You may now disconnect.