



Operator: Good morning everyone and thank you for waiting. Welcome to BB Seguridade's 3rd Quarter 2015 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 question and answer session. At that time further instructions will be given. Should any participant need assistance during this call, please press star 02 to reach the operator.

The presentation is available in the "Financial Information" section of BB Seguridade's website at www.bancodobrasilseguridade.com.br.

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 the Management 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. Werner Süffert, BB Seguridade's CFO and Mr. Rafael Sperendio, Head of Investor Relations.

Please Mr. Sperendio, you may now begin.

Sperendio: Thank you! Good morning, thank you all for joining our conference call. So beginning in page 3, we have highlights of the 3rd quarter, the first one here is the adjusted net income, R\$988 million for the quarter, equivalent to a growth of nearly 20% year over year. The higher contribution came from non-interest operating result that grew by R\$99 million as compared to 3rd quarter of 2014.

Combined revenues from our underwriting and accumulation businesses grew by 10% year over year, driven primarily by the pension plans, it rose nearly 10% and the premiums written in SH1, our life and rural company, which increased by 35%. In the insurance segments, here SH1 have had a very strong operating performance, with an improvement of nearly 5,8 percentage points in the combined ratio, driven to lower loss and lower G&A ratios.

In the SH2, the P&C company, net income grew by 40% year over year driven by strong performance of the financial results. In the pension plans, we reached nearly R\$138 billion in assets under management, a growth of 33% over the last 12 months and a very good performance for Brasilprev that enables to remain on the top of the ranking in P and VGBL reserves, an outstanding performance in terms of net inflows, accounting for nearly 53% of the total net inflows in the industry.

And, finally, the last point that I would like to highlight here is the brokerage revenues, which grew nearly 10% year over year, driven mainly by the revenues arriving from SH1 and Brasilprev.



Here on the page 4, we have the one-off items that affected the earnings. In the third quarter; we have the effects of this increased tax rate for social contribution, increased from 15 to 20%. So, in the first moment, we had the positive impact in our insurance companies, SH1 and SH2, due to the calculation of their social contribution before tax asset from that, increased from 15 to 20%, which created a positive impact in the net income of R\$42 million here.

Just to explain a little bit this, before the taxes asset arrives mainly from the temporary differences provisions from loan losses and other provisions that we expect to be reversed before the end of this effect, from this law that increased the social contribution, and also the other sources of this before tax assets, net bases or accumulated fiscal losses, goodwill, that devotes from the corporate reorganization that took place during the process of structuring the partnership with Mapfre.

In the other companies, we didn't have a benefit from before tax assets, neither fiscal losses and so long, so they didn't have any impact regarding this increase in the social contribution from September.

On page 5, we have a brief overview of our performance, so revenues and premiums contribution and collections amounted to roughly R\$14 billion in the quarter, 10% higher year over year. In the year to date comparative, we have an increase of 16% and reached R\$44 billion year to date September, driven mostly by the performance seen in Brasilprev. So as you may see in the upper right hand side, pension plans business segment increased by nearly 4.8 percentage points its share in total revenues, as compared to the same period last year. And in terms of the net income and profitability our adjusted net income for the quarter, reaching R\$988 million, 20% up year over year, while in the first 9 months of 2015 the adjusted net income amount to roughly R\$3 billion reais, here the growth of 27% as compared to the same period of 2014, which is equivalent to an annualized return on average equity of 58.4%. And the earnings breakdown here, we can see that SH1 is increasing its share in the net income mostly driven by the strong performance of non-interest operating result, and also a good performance on financial results, we are going to cover it in deeper details going forward, and also, when we look at BB Corretora, which remains as the main source of net income, with 37% share.

On financial results, next page, page number 6, we have the contribution of this net investment income to BB Seguridade's adjusted net income, so the combined net investment income net of taxes was 33% higher year over year, and year to date it grew by 45%. So, the better performance, in general, here was mostly driven by the higher yields that we were able to achieve in our financial investments, and also in higher volumes of this interest earning assets. Regarding the yield, it worth noticing the higher average Selic rate, as you can see in the upper left hand side, as well as the strong performance of the inflation protected securities earlier this year. So, in the upper right hand side, the mark-to-market effects due to the upward shift of the forward yield curve



that took toll in the earnings of the affiliates with higher exposure in terms of pre-fixed securities mainly in the premium bonds company, the Brasilcap, which explain, in terms of change in the net investment income, the drop in the quarter on quarter basis, mainly because of this forward shift in the forward yield curve.

It is also important to emphasize that we do not seek an active management of our investment portfolio, the mainly idea is always to focus on the assets and liabilities management. That's why Brasilcap suffer the most, because it has a higher exposure of fixed securities because the liabilities are almost totally pre-fixed, so that is the way we focused always on emphasizing the AuM rather than seeking for active returns in the short term.

So, starting now on page 7, we are covering deeper details and performances of each affiliate in BB Corretora, starting here with the life, mortgage life and rural business segment, BB Mapfre SH1, we have the premiums written net of premium ceded to reinsurance, retained premiums improving by 21% YoY, and year to date growing by 6%.

In the 3rd quarter, premiums written grew by 35% YoY, those year to year growth raising from minus 8% as of June to a properly 5% year to date September. Such a good performance was driven mainly by the growth seen in the crop insurance after the release of the working capital loans for the summer crop 2015 and 2016, started in July as well as the growth in the life insurance sold in the bancassurance channel which grew by 10% YoY.

In the financial results, we have here a growth of 43% year over year, 49% year to date, boosted by the higher yield on investments and also higher volume of financial investments. This performance of the financial results in addition to the strong performance seen in the underwriting results, let to a growth in the adjusted net income of 26% year over year, and a 32% growth year to date. Just to explaining more details of this such a good performance in the underwriting results, we can see on the next page, page 8 here, looking to year-over-year comparative, we can see an improvement of 5.9 p.p. in the combined ratio mainly due to a much lower loss ratio that was explained by lower claims in credit life and life insurance as well as a better G&A ratio in the quarter. Regarding the G&A specifically, it was due to lower expenses with the fund of stability of the rural insurance that we have, due to lower underwriting margins for the segments that contribute to the fund, that was the main reason, the crop insurance and the rural lien. So, an overall very healthy operating performance for the Company, that reached a 68% year to date combined ratio.

On page 9, moving to the P&C business now, retained premiums dropped by 4% YoY, we have been seen a more challenging scenarios for the segments, manly for the auto insurance and the spotlight is on the financial result for this company, which grew by 98% year over year and helped the improvement in the net income, which grew by 40% YoY and 46% as compared to the first 9 months of 2014.

In terms of the additional performance, on page 10, on the P&C business we saw the combined ratio worsening by 2.5 p.p. YoY, mainly due to the increased claims in casualty



segment, and the G&A ratio also increased by 1.8 p.p. YoY, impacted by the strengthening in provisions for loan losses, mainly for reinsured operations.

In Pension Plans, on page 11, we can see in the quarter, contributions increasing by 10% YoY, year to date total contributions comes growing very strong with a 26% growth, with a 30 bps lower redemption ratio. In terms of net inflow the company keeps doing very well, presenting a growth of 23% year to date, accounting for nearly 56% of the industry's total net inflows this year until September. As a result of this very good performance, both in gross contributions to the net inflows, we could reach on upper right hand side R\$138 billion in total AuMs, and growth of 33% over the last 12 months.

The management fee that is the main source of net income for this company, it grew by 27% year to date, a little bit below the growth of the asset under management, the main reason is because of the drop of the nearly six bps in average management fee charged as a result of the higher concentration in plans with lower fees charged. It is a result of the focus that we have been implementing for a high net worthy clients as well the lower contribution in the defined benefit plan that is no longer sold, which charges are elevated, so when we look at total AuMs, this is contributing to a decrease in the average management fees charged.

Net income grew by 24% year to date, boosted by the growth in revenues with management fees, and also a higher spread between the Company's assets, proprietary assets and liabilities, which helped the financial results in general.

ROAE around 44% for the quarter and year to date, and decreasing as compared to both periods of 2014, because of the increase of the earnings retention that we did in the December last year, to face the new capital requirements for the market risk, regulation that is going to be implemented in 2016 and 2017.

So, moving to the next page, page 12, we have the performance of premium bonds segment, collections dropped by 1% year over year, and when we look at the year to date comparative, it remained flat, but we have a different mix now more concentrate in monthly payment bonds than we saw last year. This is also a strategy that we have been implementing an another focus on building a more stable revenue strength, and we keep this strategy going forward and increasing the participation on monthly payment bonds.

Financial results decreased by 8% year over year, a result of the contraction in the spread, with an increased yield on interest bearing liabilities, in the addition to the negative mark-to-market effect caused by the upward shift movement in the forward yield curve. So this was the main reason why the net income dropped by 8% on the year-over-year comparative, while year to date we still see a strong performance of the financial results, the main responsible for this 19% increase in the net income as compared to the first 9 months of 2014.

Moving to brokerage, BB Corretora, on page 13, here brokerage revenues grew by 10% year over year, and nearly 15% year to date, and in both cases SH1 and Brasilprev were the main drivers as you can see on the right hand side both of them increased their share



in the revenues breakdown. Here it's also worth noting the mismatch that we have in terms of the accrual basis of accounting, that will result in unearned commissions for the insurance businesses, SH1 and SH2, while the expenses that we have to reimburse Banco do Brasil for the cost incurred, expenses that are paid on a cash basis. So, as we had a higher deferrals being accrued to earnings without an expense associated to these revenues, is helping the net margin to increase in addition to the higher selic rate and a less expensive product now mix. So that margin grows by 3 p.p. as compared to the first 9 months of 2014 and 2.4 percentage points increase year over year. It let net income to grow by 15% year over year and 21% as compared to the first 9 months of 2014.

And now, here on page 14, we have the guidance monitoring. The first item here, the growth of the net income, we reached 26.5% growth year over year, above the forecast, and the main reason was that we were able to have much better financial results than we expected, mostly because of a higher average Selic rate as well as a good performance of inflation protected securities earlier this year.

Regarding the growth in SH1 premiums, we reached 4.7%, showing a very strong recovery, as compared to the minus 8% rate that we showed year to date June, but still below the guidance, and the main reason for this thing, revising the guidance, is more challenging scenario for life insurance in the broker channel, as well as the deceleration in premiums from credit life insurance.

In the pension plans, the growth in resources in the P and VBGL, we delivered nearly 37% growth, above the estimate, and the deviation can be here explained by the easy comp that we have in the first half of 2014 due to the unfavorable scenario for the pension plans contributions in the earlier that year. Therefore, our expectation is that throughout the fourth quarter of 2015, the comparison basis becomes even more stronger, the P/VGBL reserves growth will converge to our estimates.

So, to finish our presentation, I would like to thank you all, and we are now open to the Q&A session.

Operator: Ladies and Gentlemen, we will now begin the Questions and Answers session, if you have a questions, please press star 09 on your touch phone now, to return to question press star 09 again.

Please hold on, while we select the question.

Our first question comes from Guilherme Costa, with Itaú BBA.

Guilherme, Itau BBA: Congratulations on the results, and thank you for the opportunity. I have two questions, my first question is about the allocated costs. We saw another contraction in the administrative expenses of BB Corretora. Could you give us more color on why the allocated costs went down on this quarter, and if you expect them



to continue on this level going forward. And my second question is about the net margin of BB Corretora, we saw an increase of that net margin of BB Corretora this quarter, do you believe this is sustainable this level of the net margin of BB Corretora?

Sperendio: Thank you Guilherme, Rafael speaking. Regarding the question about the lower admin expenses at the broker, it is mainly due to a mix of sales less expensive than the one that we were been seeing until June this year, and also the same mix in 2014. But this increased participation of the rural insurance, has a lower reimbursement cost, and while we saw a decreased participation of the life and the credit life insurance, and in terms of mix of new sales, and this is the one of the most expensive as well as the auto insurance, so in the bancassurance channel is also one of the most expensive lines, so these more expensive lines, they lost share in the mix of new sales in the quarter, while rural insurance that is much less expensive increased share in terms of new sales in the quarter. So, these were one of the main reasons why the admin expenses drops in the year to date and in the year over year comparison. When we look in terms of the net margin, we have, besides this said effect, two other effects that also helped the net margin to increase, so one of than is the situation that I have explained during the presentation, that is the accrual of unearned commissions for premiums sold two or three years ago, that commissions is been accrued in two earnings, still being accruing in earnings now, while we do not have expenses associated to these revenues, because the expenses are paid on a cash basis. So, this is also helping the increasing in the net margin, and the other point that is helping this such increasing net margin is the higher average SELIC rate, as the investments majority of over R\$1 billion cash that we have in the company, has been the mostly in the repos and has been benefited from the rise in the Selic rate.

Guilherme, Itau BBA: Okay. Thank you.

Operator: Ladies and Gentlemen, as a reminder, if you would like to post a question, please press star 9.

Ladies and Gentlemen, as a reminder, if you would like to post a question, please press star 9.

Our next question comes with Jorge Kuri, from Morgan Stanley.

Jorge Kuri, Morgan Stanley: Can you give us some preliminary thoughts on what 2016 looks like in terms of top line growths. You certainly proved to be very resilient to the macro downturn this year, and not sure if this was something that you have expect going forward or this was a sort of like benefit for some of the accruals that you have coming from the last year. Can you help us understand whether or not to think if 2016 could prove to be as resilient as this year? Thank you.



Sperendio: Hi Jorge, Rafael speaking. Thank you for the question. So, regarding 2016, we are going now into the budget planning for the year, it is not finalized yet, so to provide you some color now, the projects that we have, the lines that we are concentrating our efforts, first of all, the rational is perfect, we still see they could, in terms of positive side for the earnings in 2016, in terms of the accrual of unearned commissions at the broker so this will still help the results for 2016, and also we plan to keep emphasizing the sales efforts in life, and pension plans at Brasilprev, and the main focus is the still low penetration that we have in Banco do Brasil client base, so we believe that this three effect will help the company's performance for 2016, but unfortunately, we are now in the client budget planning, we cannot give more details right now.

Jorge Kuri, Morgan Stanley: Alright, thank you.

Operator: Ladies and Gentlemen, as a reminder, if you would like to make a question, please press star 9.

This completes the Question and Answer session. Please, Mr. Sperendio, go ahead.

Sperendio: Thank you again for join the conference call, thank you all for the questions, and myself and my team, the investor relations team at BB Seguridade remains available for any further clarification, thank you.

Operator: Before we complete this conference call for BB Seguridade, please remind that a copy of this conference is available on BB Seguridade's investor relation website. Thank you very much for your participation, have a nice day, and you may now disconnect.