



Operator: Good Morning everyone and thank you for waiting.

Welcome to BB Seguridade's First quarter, 2014 earnings conference call. This event is being recorded and all participants will be in a listening only mode during this company's presentation. After this, there will be a Question & Answer section. At that time, further instructions will be given. Should any participant need assistance during this call, please press *02 to reach the operator. This is also being broadcast live via webcast into BB Seguridade's website at www.bancodobrasilseguridade.com.br. The presentation is also available in the financial information section. Participants may view the slides and may order they wish. Before proceeding, let me mention that forward looking statements that may be made during the conference call, regarding expectations, growth estimates, projections and future strategies of BB Seguridade are based on the management's current expectations and projections of future events and financial trades 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. The information presented follows the consolidated combined financial statements in accordance with IFRS principles except when otherwise indicated sources. For more information of the statements of the company please check the MD&A. With us today we have Mr. Marcelo Labuto BB Seguridade's C.E.O., Mr Werner Suffer C.F.O. and Mr. Rafael Sperendio, Head of Investors Relations. Mr. Labuto, you may now begin.

Labuto: Good morning, everyone.

This earnings call is very important for our company. We are celebrating the first anniversary of BB Seguridade's IPO. Due to the restless efforts of our team, our strategic partners and the unconditional support of Banco do Brasil and its amazing sales force, we had the opportunity to present to you many achievements in our quarterly calls. During such a short period of time, we managed to develop an extensive track record aligned with the commitments that we've made since the IPO. We'd like to share this moment with you because of the trust we have received from the market. Reflects not only in the good results of the IPO, but in the continuity of BB Seguridade's successful footprint in the Brazilian capital market. The weight of our shares in IBOVESPA has recently increased and the market demand for our ADR's is overcoming the best estimates we had. Following the same path of our previous calls, I would like to highlight some recent important developments in the company. The most important one is related to credit life for SME's. In my opinion, the interest of the analysts and the shareholders about this product is reasonable and is justified by the potential it has to extend the period of accelerated growth that has been observed in SH1 revenues, which is the main source of BB Seguridade's earnings.



During the last month, the product development and IT issues advanced quickly. In April, BB MAPFRE received all of the regulatory approvals that allowed BBCorretora to launch this new product in Banco do Brasil networks already in this quarter. Our IR team recently announced two other important developments for our strategy: the agreement that allows BBCorretora to sell premium bonds in the former Nossa Caixa brand network and the establishment of Brasil Dental. Just as the credit life for SMEs, we expect these two new initiatives to generate revenue already in this quarter. In the case of Brasil Dental, as soon as we receive the regulatory approval, we will launch the product. We had many initiatives aiming to extend our portfolio, fine-tune commercial strategy and corporate governance mechanisms over affiliate companies. One of the main reasons behind of all this is to extend the growth cycle and improve the mix quality, with focus on products that present revenues recurrence, provide higher customer satisfaction and, of course, generate sustainable earnings for BBSeguridade. In the beginning of 2014, we are benefitting from the strategy we developed during last year. In general, these first quarter figures show improvements both in the financial and operational side. The net investments income reached roughly R\$ 170 million based by reserve expansion and a more favorable scenario in terms of interest rate. This performance is twice as much what we observed in the same period of 2013. All of this is reflected in our adjusted earns; even in the seasonally weaker quarter, we had R\$ 649 million in Net income, also in a 43 % growth over the same period of last year which keep us on track to deliver our ROE guidance. Thank you all for being with us. Now, our head of IR, Mr Rafael Sperendio will provide more color on our first quarter earnings.

Sperendio: Thank you Labuto, and thank you all for joining our conference call. So, moving to page three, we have some highlights for the quarter. Our net income grew by 43 % yoy, to R\$ 649 million, which is equivalent to a ROAE of 47 % after adjusting the initial equity for the dividends paid on 2013 earnings. This growth came backed up by the operating performance in all affiliates, in the insurance segment premium written for SH1 and SH2 combined amounted to R\$ 3.6 billion in the quarter to 18 % up yoy. Later in this presentation, we are going to cover it in more details. Contributions in Pension Plans segment reached R\$ 5.1 billion even with this challenging scenario for new contributions, so just like in the fourth quarter of 2013, BrasilPrev's stood out in the industry. Nearly 95 % percent of the total net inflows in market this quarter. In premium bonds segment, we reached a net income of R\$ 63 million, more than twice the net income reported for the first quarter of this year, boosted mainly by the recovery of the net investment income. Our brokerage revenues rose 26 % year over year to R\$ 488 million in this quarter in SH1 and BrasilCap's, the main drivers for this growth. And, lastly, in the first quarter, our company's improved the net investment income, mainly on BrasilCap, which presented net investments income of R\$ 66 million against a loss in the first quarter of last

year, we're going to cover the net investment income in more details throughout this presentation. So, moving to page 4, we can see the extraordinary events that affected our earnings. In this quarter, we had no extraordinary events but aiming to have the comparison between the previous quarters we have included the adjustments that happened in the first and fourth quarters last year. Moving ahead to slide number five, we have an overview of our performance revenues, including premiums, pension plans contributions and premium bonds collections amounted to R\$ 9.9 million in the first quarter of 2014, reduction of 2 % year over year with the results, the volume in patient plans contribution we're going to cover later when comparing to previous quarter; we saw a drop of 23 % in total revenues of BBSeguros affiliates. It worth note that this is an ordinary reduction related to the dynamics of the bancassurance channel which has a higher stake of volume concentrated in the second and fourth quarters as you know quite well. In this first quarter, net income grows by 43 % year over year as I mentioned on the first page. The return on average equity was 47 %, significantly higher when compared to the 34.7 % booked in the first quarter of 2013. This improvement on the back of better operating and financial performance as we're going to cover in the next page, page six, that we have the contribution of investment income to the net income as you can see in this quarter, it's a softer part looking in the shorter end part of the forward yield curve and when we look at the long end, it's shifting down. As a result, we could see an improvement performance in the net investment income in all affiliates as we see on the bottom left hand side, the aggregates net investment income doubled year over year and on the right side, many investments income of our company are accounted for 26 % of the net income while it's a percentage was of 18 % in the first quarter of 2013 and here, I'd like to remember that after this strong upward sloping movement that we had in the forward yield curve last year, the net investment income dropped back to a more normalized level of contribution to earnings. Just as a matter of comparison, in 2012, the ratio was nearly 30 % then decreased to 19 % in the last year and, in the first quarter of 2014, 26 %. Now, from page seven on, we're going to cover the performance of each company in more details. First of all, in the segment that deals with life, mortgage life and rural BB MAPFRE SH1, premiums written increased by 30 % year over year boosted mainly by credit life and rural. On the upper left side, you can see that life insurance lost share total amount of premium written, this product just like the pension plans and premium bonds which we are going to cover later, is another product in which we are working to improve the recurrence flow to be at a more stable earnings stream for the company. So, in these products, we were more focused in the monthly payments life insurance which bring better recurrence flow to the company despite the quite lower average ticket compared to the annual payment life insurance, for example. We observed in this company a great improvement in the operating results with the underwriting result growing 24 % compared to the first quarter of 2013. This underwriting performance with an improving net investment income led SH1 to achieve a net income 30 % higher

year over year and ROE on about 11 percentage points higher. On next page, we have the main performance ratios of this segment, already considering the adjustment of the results with insurance among the correspondent lines in income statements. Loss ratio rose 3.4 percentage points year over year, due to the drought that affected the agricultural production in this quarter. It is worth noting that this is an ordinary risk of the rural segment which is a very profitable segment but has its peculiarities, mainly related to climatic events so that is why in the agricultural insurance, the one that is most exposed to climate hazard we reinsure that nearly 80 % of the risk and that is why we do not have greater impacts in our results. On the lower left side, the G&A ratio fall by 1.4 percentage points year over year and, lastly, the combined ratio reached 78.3 %, about two percentage points higher over the first quarter last year. Moving to P&C in slide 9, premiums written grew by 11 % year over year, mainly driven by casualties which increased their shares by four percentage points as we can see in the upper left chart. In SH2, the operating result was also very strong, as in SH1 with the underwriting results growing 248 % year over year. Net invest income also did well, with growth of 116 % compared to the first quarter of 2013. As you can see, the outcome of these movements, we can see in the profitability charts, with the net income growing 251 % in year over year with the return on average equity back to double digits again. In slide number 10, we have the performance ratios for SH2, adjusted by the effects of the results with reinsurance. Loss ratio increased slightly, one percentage point year over year, explained by the ratio for auto-insurance that grew by 0.5 percentage points a small growth, and there was also a changing mix with DPVAT insurance that is a mandatory insurance here in Brazil with a higher loss ratio gaining relevancy in the portfolio of products. On the other hand, commission ratio dropped by 1.5 percentage points compared of this quarter to the first quarter of 2013 even by the exquisite participation of non-banking channel, and also DPVAT in sales mix that has also lower commission ratio. G&A ratio also included 2.1 p.p. year over year as result of the tight cost control and the reversion of R\$ 20.9 million in the provision for Doubtful Debts for reinsurance credits and if we would exclude these effects, G&A ratio would be about 18.3 % year over year and improvement of one percentage point year over year and as result as you can see in the lower part of this slide, our combined ratio for SH2 reached 96 %, two points percentage points better year over year. So, moving to page 11, in pension plans contribution dropped 16 % when compared to the first quarter of 2013, and a result of the focus given to periodic plans that have a lower average ticket and the effect of volatility of the forward yield curve and mark to market effect that impacted negatively in the return of these funds and I'd like to emphasize the dynamics of BrasilPrev earnings since this is essentially an asset management business the sensitivity of the net income to total revenues is quite small. The main driver of earnings here is the balance of assets under management, in this way despite the reduction in contributions, net income grew by 37 % year over year given mostly by the growth of revenues with management fees as a result of increased assets under management and



increasing in the net investment income. On page twelve, you can see month by month the gap growth between 2013 and 2014 is falling. If we look at the year to date data, contributions are almost stable year over year, when we look year to date, to April, we have a preliminary figure of R\$ 7.724 million by difference when we compare to the 16 % drop when we look at the quarter on quarter comparison. Page thirteen, to reinforce what I just said, we included some comparison between BrasilPrev and market performance as we can see in the quarter, the market shows a contraction of 97 % in that inflows excluding BrasilPrev performance that we understand is a more fair comparison and our net inflows also dropped but in a much lower sense, just 41 %. When we look at the chart in the upper right position, BrasilPrev accounted for 95 % of the total market inflows in this quarter. It's good performance in compared to the industries I've mentioned before. In the chart on the bottom left, we have the sales mix of pension plans, with much higher concentration in periodic contributions that generate higher recurrence, but are written on an average ticket about 150 times slower than the sporadic contributions. In the short term, the sales mix impact the amount of contributions but ends up building a much more stable revenue to the company in the future. Despite the challenging environment to pension plans market, BrasilPrev do shows us a good operation trend with the decreasing redemption ratio, as you can see, 10.6 % in a maintaining a consistent growth in reserves, which is much more important for the earnings sustainability for the company. On the next slide, we can see our performance in premium bonds. Collections grew 19 % year over year ratio to R\$ 1.3 billion; it's a much more balanced sales mix compared to the one we had in the fourth quarter when we saw the unique payment premium bonds accounting for 75 % of the collections. When we look at the net investments income on the financial side, the NII kept improving and achieved R\$ 66 million against a negative result recorded one year before, which reflects the more positive environment with higher average Selic rate and a lower volatility in the forward yield curve besides the measures that we took in order to mitigate the volatility risks, for example, keeping the hedge strategy and increasing the participation of help maturity category in our portfolio of financial investments, in this case. This improvement in that net investment income was the main driver for the growth of 148 % in net income year over year. Moving on to our distribution arm on page 15, we have a result a little bit smaller quarter on quarter in line with the ordinary seasonality of sales in the bancassurance channel that normally concentrate higher sales in the second and fourth quarter every year. When we look at the quarter on quarter comparison, brokerage fees rose by 26 %, boosted mainly by the growth in premium bonds and premiums from life, rural and mortgage life segment. And in net income, in this case, for the first quarter, rolls 32 % year over year. On the back of a better net investment income and brokerage revenues, here in the case of net investment income, mainly as a result of a higher average Selic rate. Investments are here invested in a floating security. On page sixteen, finally to wrap up this presentation, we have our 2014 guidance. As you can see, we achieved most



ratios, in the first one that line, we came in the mid part of the range, with 47 % it's worth noting the resilience of our returns and the strong quality of our results, we had matter within the guidance of return, despite meeting the guidance for BrasilPrev and SH2. For SH1, our life business we came in the upper part of the range, with a growth in premiums about 30 %. For SH2, we have missed the guidance with our P&C business that grew 11 % in premiums underperforming our estimates that was 19 % to 26 %, this was mainly due to a lower than expected performance in the auto segment. However, this guidance has a little impact in the company's earnings, and in pension plans we have also missed the top line guidance mainly because of the still adverse scenario in the market as a result of the volatility in the forward yield curve and mark to market that impacted negatively the returns on pension plans sums here, in addition, we have focused also our sales effort on the periodic contribution plans that we covered earlier in this presentation, but it allows greater cash flow recurrence in the future and provides a better stability in the earnings but in the first moment it contributes very little to the growth of these contributions. Here, we understand that the scenario in this industry is still challenging but we are still analyzing this get a better color on the range that we going to revise this guidance. On the opposite side, we have premium bonds collection that overcame the range, with the growth of 19.2 % but in this case we had to keep the guidance in because in the first quarter of 2014, BrasilCap was still finishing its portfolio revision to the incoming quarter to provide a more accurate basis for comparison, that's why we decided to keep the same range. So now we can move to the Q&A session. Thank you again.

Operator: Ladies and gentleman, we will now begin the Question & Answer session. If you have a question, please press *9 on your touch phone now. To withdraw the question, please press *9 again. Please, hold on while we collect the questions. Our first question comes from Mr Carlos Macedo, with Goldman. Please, Mr Marcelo, go ahead. Our next question comes from Mr Eduardo Nishio, with Banco Plural. Please go ahead.

Nishio: Thank you. Thank you for the opportunity. I have two questions. First, in relation to the guidance, any plans to revisit the pension plan guidance, given that I don't think you have included the Nossa Caixa... Sorry. The premium bonds guidance as you hasn't included Nossa Caixa in the numbers in the guidance? And how much would that be for the full year? The second question, I would like an update on the following; first, is there is any stock by back plan that you are thinking about, stock option plan and an update in the ADR listing. Thank you.

Werner: Thank you, Nishio, for your questions. The first one related to Nossa Caixa and premium bonds using the these branches; we started selling this month, we don't see as a possibility to change nowadays this guidance because we are still looking and analyzing if we will have this impact this year



but as Rafael told us during the presentation, we still have some very strong quarter to come related to collection growth that we have this year as a strong quarter the second quarter so we still think guidance still stand to 15 % growth and premium bonds will be the one that we will reach. During the year, if something changes, we will talk and we will give more information about this. So, related to the stock options, we don't have any plans to do that and that I think it's important to emphasize that there is no intention and that no study is inside BBSeguridade to do that.

Nishio: Do you have any plans regarding stock back and stock options and plans to operate the ADR listing to a higher level?

Werner: No, not yet. We are still beginning ADR level 1 listing understanding in the market that had information from the market about our ADRs and the future, maybe, we will move to another listing and for now we will keep at this level.

Nishio: Okay, thank you.

Operator: Our next question comes from Mrs. Regina Sanches, with Itaú BBA. Mrs. Regina, you can go ahead.

Regina: Hi everybody. Congratulations on the results.

I have a question regarding penetration of the credit life insurance product in the client base, I mean, in terms of percentage of outstanding loans and the volume of originations. If I recall, you mentioned that this penetration was being around 35 % and in both of standing balance and a new originations of loans; and yesterday we attended an event of Bradesco insurance on business and they mentioned their penetration as seen above 60 %. I was wondering whether you believe there is more potential to increase this in the case of BBSeguridade in this credit life product. Thank you.

Werner: Thank you, Regina. Yes, we still believe that you can increase penetration in the segment in credit life. As you know, we are studying the credit life for SMEs now but even for the credit life for individuals, we still can reach higher levels of penetration. We started this product some years ago, increased a lot in the product related to the off balance loans inside Banco do Brasil and now we are increasing the penetration of the product that we are selling at the same time of the most so this will guide us to higher levels of



penetration of this product in the coming years. We don't have a forecast on that if it will reach 60 % or 70 % but we still think that we have a good logic, a good room to increase our penetration in this product.

Sanches: Okay, perfect, thanks a lot.

Operator: Ladies and gentleman, as a reminder, if you'd like to propose a question, please press *9.

Our next question comes from Mr Matt, from Info. Please, go ahead.

Amit Mehta: Hi, it's Amit Mehta from PIMCO.

Can you just explain to me, if you don't mind, I can't understand your guidance in relation to the expectation from investment income and how much of it comes from the free operating level of the investment income, because if I look at the operating performance, there appears to be a deceleration in the activity whilst in the investment income you've done very well so I don't know if you can give any more color in the very top line guidance on premium segment, can you give more color on how that relates to your net profit guidance that you said at the IPO stage?

Werner: Thank you, Matt, for your question. I think that the first thing that is important to emphasize is that our guidance, as you mentioned that our outcomes are better than expected than our operational performance, we still have room to grow, we believe in this, we are doing that on a quarterly basis but it's important to emphasize that the operational results of all the companies and the personal margins in these companies combined ratio in the insurance companies is improving when you see the quarter on quarter comparison, so we now have a better performance in all companies, in this you can go from SH1, SH2, BrasilCap and BrasilPrev, they have better performances. We had some challenges related to contributions in patient plans business, related to the former year curve that we've had last year in Brazil but we start moving the cycle the past and now we are increasing the contributions as we mentioned during the presentation. We have April's numbers that show that this is improving very well so we have this top line guidance that shows that the performance is going well on the top line side, on the side of the results, not only the NII but the operational results in this company are improving fast. You can see this in SH1, we have some seasonality related to the drought in the southeast in Brazil, this impacted a little bit our agricultural insurance but besides that, the



performance was very good in this quarter and SH2 a very good performance, the G&A ratio decreasing a lot and this is something that we will see during the year, for BrasilCap is increasing fast and in last year, we had a fantastic growth, a more than 60 % growth in collection and now we will increase even to 15 % the growth that we had last year so we'll keep the same collection and this will increase our financial results in BrasilCap, so we have a lot of good news in all these companies and of course the scenario in pension plans business and because we don't have information from SUSEP, the Brazilian regulators of the insurance market, we are going to have enough information to change these estimates now and we will see the numbers from the market for first quarter and the second quarter and after that decide that we will change the guidance for pension plans business or not.

Amit Mehta: Can you guys give some expectations of what you think investment income is a more sustainable trend for you going forward, I mean, obviously we are in a higher rate environment than we were a year ago. I mean, what kind of average rate would you be estimating our investment income?

Werner: During the 2012, our financial results were responsible for 30 % of the earnings from BBSeguridade, it was a good year for financial results. This quarter we reached 26 % so we think that we will reach something between the 25 % or 30 % as an average financial result in a quarterly basis, so one quarter of our earnings will come from financial results.

Operator: Ladies and gentleman, as a reminder, if you'd like to propose a question, please press *9.

This concludes our Question & Answer session. I would like to invite Mr Marcelo Labuto to proceed with his closing statements. Please, Mr Labuto, go ahead.

Labuto: Thank you all for joining our conference call and for the confidence placed in the company. Although the quite challenging scenario for some business segments in general, our perception is that the performance of the first quarter was very positive and here we reinforce the confidence for the rest of the year. Our IR team remains available for any further clarifications. Have a good day.



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Operator: With this, we conclude BBSeguridade Conference Call for today. As a reminder, the material used in the conference is available in BBSeguridade Investors Relations website. Thank you very much for your participation and have a nice day. You may now disconnect.