



OPERATOR: Good morning everyone and thank you for waiting. Welcome to BB Seguridade 2Q2013 Earnings Conference Call. This event is being recorded and all participants will be in 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 you need assistance during this call please press *0 to reach the operator. This event is also being broadcast live via webcast through BB Seguridade's website at www.bancodobrasilseguridade.com.br, where the presentation is also available in the financial information session. Participants may view the slides in the order they wish. Before proceeding, let me mention that forward looking statements may be made during this conference call regarding expectations, growth estimations, projections and future strategies of BBSeguridade are based on the current expectations and projections of future events and financial trends, may affect the business of the group and do not guarantee future performance since the projectios risks and uncertainties that could extrapolate the control of management. The information presented follows the and combined financial statements in accordance with IFRS principles, except when otherwise indicated source. For more information, please check the MD&A.

Today with us we have Mr. Marcelo Augusto Dutra Labuto, BBSeguridade's CEO, Mr. Leonardo Giuberti Mattedi, CFO, and Mr. Werner Süffert, Head of Investor Relations. Mr. Labuto, you may now begin.

LABUTO: Good morning. This is our first earnings conference call following the IPO closing. Before going through the presentation, I would like to share some thoughts about formation of our milestones of our company in this quarter. As you know, we came to the market earlier this year to present a new business. Banco do Brasil has a long track record in insurance business and a



huge work has been done to restructure the operation in this market. However, BBSeguridade was a new company by that time. Only 3 months after the IPO, we had the opportunity to discuss important deliveries for our company, in line with what we had committed to the market. Of course the first and the most important milestone, is the quarter earnings. Even in an advanced scenario for the net investment income of our affiliated companies, we managed to deliver results that were higher than the most optimistic estimate. As you'll see during this presentation, we achieved record levels of revenue and improved our market leadership particularly in focused segment. I would highlight Brasilprev performance in terms of net inflows which reached more than 50.0% in market-share in the last quarter. The revenues growth of that decline in the financial results of our affiliate companies and was crucial for BBCorretora earnings. As a result, we reached R\$ 550.0 million net income in the quarter. The second milestone in terms of delivery, is about strategic movement. Since the IPO, we have been mentioning our intention to enter the reinsurance and dental plan segments. During the last quarter, we released the material facts that show how advanced are these transactions. The acquisition of a stake in IRB, and the partnership with Odontoprev, await only the regulatory approval. We also made a commitment related to guidance for 2013. As you know, since yesterday, the estimates are available at our website and in CVM . We expect the market to continue on a path of consistent growth and we intend to capture this growth increasing market share in the focused segments. Last, but not least, the dividends payment, we always made it very clear that there was no intention to retain excess of capital. Keeping only capital level sufficient to sustain the future growth. Therefore, we announced the distribution of R\$ 818.0 million as dividends, a 80,0% payout. Thank you. Now, I give the floor to our head of IR, Werner Süffert, that will go through our earnings presentation.



SPEAKER: Good morning for all. Moving to page 3, we would like to comment on the main highlights of the 2Q. BBSeguridade increased to 25.0% its marketshare and the business segment that it operates. Considering insurance premiums written, excluding health insurance and collection from pension plans and premium bonds. This quarter I would say the highlights were the pension plan and the premium bonds segments. Brasilprev increased 27.0% its revenues y.o.y, about 18.0 p.p. above the market growth in the same period. If we were to consider the net inflows, we reached 53.0% of the market in this quarter. In the premium bonds segment, our revenues grew by 107.0% y.o.y, which allows Brasilcap to reach 35.0% marketshare and to consolidate leadership. The insurance segment grew by 30.0% in terms of insurance premiums, especially in credit life, rural and ENC business. I would like to emphasize here the healthy operational performance of SH1 and SH2, the aggregated combined ratio of these two companies reached 89.0% this quarter, versus 91.0% in the 2Q12. Another positive point this quarter, was the increase in bancassurance relevance that allowed BB Corretora, to capture the bulk of the insurance, pension plan and premium bonds revenues growth. As a result brokerage income, rose 29.0% y.o.y. to R\$ 447.0 million. And to wrap up this page, BBSeguridade reached a net income of R\$ 550.0 million, to 85.0% y.o.y, delivering an annualized ROE of 39.0%.

On page 4, we show the key profitability ratios of the business segments in which BB Seguridade operates. The market share data is reflecting the accumulated view of the 1H. In SH1, we have reached R\$ 1.8 billion in premiums written, 27.7% of ROE and net income of R\$148.0 million attributable to BB Seguridade representing 26.9% of BB Seguridade net income. In SH2 we have also reached R\$ 1.8 billion in premiums written, net income attributable to BBSeguridade of R\$ 39.8 million and an ROE of 13.2%.



Brasilprev has posted R\$ 5.9 billion in contributions and a net income attributable to BB Seguridade of R\$ 108.4 million with a ROE of 59.0%. In Brasilcap, collections reached nearly R\$ 2.0 billion, a net income of R\$ 19.0 million attributable to BB Seguridade and a ROE of 63.9%. At BB Corretora, our insurance pension plans and premium bonds distribution arm, the brokerage revenues reached R\$ 447.0 million and the net income amounted to R\$ 232.0 million, representing about 42.0% of BB Seguridade adjusted net income. On a consolidated basis, our net income for the quarter was R\$ 550.0 million and a ROE of 39.1%.

Moving to page 5, we can see that our underwriting results grew in all business line, which reinforce our strategy of operating with positive technical margins and low reliance on financial results which had been affected by the volatility in the yield curve. The first chart shows the performance of SH1 which posted R\$ 197.0 million net income, 26.3% ROE y.o.y. Driven by the underwriting results that compensate the loss of 22.1% in financial results. In the right upper-hand corner, in SH2, the underwriting results show a great growth of 274.7% driven by the decrease of both loss ratio and the commission ratio offsetting the decline in net investments income. As a result, the net income of SH2 rose 53.8% y.o.y to R\$ 79.6 million. In Brasilprev, net income reached R\$ 144.6 million, 24.7% higher than last year, with a 57.0% growth y.o.y. In the result of pension plans and a decrease of 19.3% in the net investment income. Brasilcap, the results of premium bonds the results 145.0% y.o.y. boosted by the record growth in revenues. On the other hand, the net income decreased 21.9% y.o.y. Driven by the financial results. Brasilcap was the most affected company by the financial results. Given the higher exposure to pre-fixed bonds and inflation-linked securities. That accounts for more than 50.0% of the financial investments which suffers with



the high volatility of the interest rate this quarter. It's important to emphasize that Brasilcap is acting to overcome this scenario. Changes in the portfolio profile always considering the match of its assets and liabilities, and also hedging its positions, which has generated a gain of R\$ 57.0 million this quarter. Further information can be found in our MD&A.

Going to page 6, we can see that the adjusted net income grew by 31.0%, despite the weaker performance of the financial results in our affiliates. And registered a net income of R\$ 550.0 million.

On page 7, we'll pinpoint some highlights of our performance compared to the industry. In general, we've increased our market share in the main segments, highlighting the strong growth in housing and rural insurance, in line with expansion of the loan portfolio of Banco do Brasil. In the auto insurance, we grew 24.2%, 2.8 p.p. above the industry, reaching a market share of 15.2%. In life segment, we grew 31.0%, while the market grew 24.0% we maintain our leadership of market share of 21.8%. In rural insurance, we posted a growth of 60.9% versus 58.3% of the industry. As a result, we consolidated our leadership 79.0% marketshare with R\$ 476.0 million in premiums written.

Moving on to page 8, our pension plans and premium bonds business also posted a growth above the market y.o.y. I would like to emphasize here 102.0% in collections, with premium bonds y.o.y. and a market share of 34.9%.

Going forward, we will explore Brasil Prev and Brasil revenues including the concepts of net inflows that allowed us to gain market share also in terms of reserves. Into BBSeguridade as a whole, as consequence of business expansion, the aggregate revenues of insurance and pension plans and premium bonds grew by 36.2% more than two times the growth posted by the



market, excluding the health insurance. So, total revenues reached R\$ 11.5 billion, BBSeguridade market share grew to 25.2%.

Going to page 9, we can see that the strong growth in the insurance segment came with a better earnings quality. Considering SH1 and SH2 together, the combined ratio improved 2.0 p.p., looking to SH1 and SH2 separated, we can see that the combined ratio of SH1 generated 1.7p.p. driven by the 2.0 p.p. increase by the loss ratio of the life segment. On the other hand, the combined ratio of SH2 improved 4.0 p.p. y.o.y. driven by the reduction in losses comission and G&A ratios.

On page 10, I would like to emphasize the performance of our company in the life, housing and rural insurance segments. Even with a weaker net investment income. SH1 managed to deliver a 7.2p.p. growth in its ROE, reaching 27.2% in the quarter.

On the next page, we show the 44.7% growth that we had in premiums written. Here, I would like to highlight the credit life insurance sees a growth of 65.8% y.o.y. On the breakdown of the sales by channel, we see that bank insurance accounted for 88.6% of the total premiums versus 84.7% of the last year.

On page 12, we see a strong operational performance in SH2, as a result of a 3.4p.p. decrease in the loss ratio. Together with lower acquisition costs, in operating expenses growth in a combined ratio to an improvement of 3.9 p.p. In additional earned premiums grew 19.1%. ROE increased 4.5 p.p. and it should be even better. It wasn't because the weaker financial results that linked the net income expansion.

Moving to page 13, we highlight the 17.7% growth of SH2. The bancassurance channel remained stable and relevant. In our pension plan business, we show on page 14, an increase in contribution of 26.7% y.o.y. But here I would like to emphasize contribution net of redemptions. According to the data provided by



the consultancy company Quantum access, Brasil Prev got 53.0% of all net inflows in the industry, increasing its market share that was already nearly 38.0%. this number explained the growth of the reserves above the market. The ROE was 59.0%, almost stable y.o.y, even with worse financial results.

Moving to page 15, I would like to highlight the 106.8% growth in premium bonds collection over year. It's worth mentioning that in June Brasil Cap reached its record level of collection with unique payments plans being the main driver of the growth. As a result, Brasil Cap raised its marketshare and consolidated its leadership both in collections and collections net of redemptions. Despite of the great operational performance, the drop in the financial results is consequence of marked-to-market, brought the ROE, 47.p.p. lower y.o.y.

On the brokerage business, on slide number 16, BB Corretora posted a 28.8% growth in brokerage revenues. Most of the revenues came from SH1 and bonds, which have increased its share in BB Corretora's revenues from 12.5% to 20.1%. BB Corretora's net income grew from R\$ 163.3 million to R\$ 231.6 million y.o.y. Registering a growth of 41.8% in the period. Despite the increase in the brokerage income, the redemption and other operating expenses, the 43.0% growth in financial results also helped the growth of the Company's net income.

On page 17, the chart shows the SELIC decreases 0.5 p.p. y.o.y. and the yield curve that affected the mark-to-market which affected the market result of the affiliate. If we look at the straight to DIF17, the curve shifts 163 b.p., q.o.q, as the impact of marking to market and inflation the bonds.

Going ahead, on page 18, we show the impact in the impact of the possibilities of our financial investments in our companies with SH2 and Brasilprev suffering the major reduction y.o.y.



To wrap up this presentation, we show on page 19 our guidance for 2013, which could not be released before as the Company was in quiet period due to the IPO. We estimate an ROE bet 37.0%-41.0%. it's important to note that this projection considers an adjustment on equity related to the payout of 80.0%. In SH1, we forecast premiums written to grow 37.0% and 49.0%. In SH2, we estimate premiums written to grow between 15.0%-20.0%. In pension plans, Brasilprev was forecast a growth between 30.0% and 40.0% in contributions and finally, in premium bonds, we expect a growth between 50.0% to 65.0% in collections. All these growth rates are over 2012 figures.

These are the most important topics we would like to point to you and we thank you all for to bring more from color BB Seguridade earning's in the 2Q and now we can go ahead to the Q&A session. Thank you.

OPERATOR: ladies and gentlemen, we'll now begin the Question & Answer session. If you have a question, please press *1 on your touchtone phone now. To withdraw the question, please press # key. Please, hold on while we collect the questions.

Ms. Regina Sanches, from Itaú BBA would like to make a question.

REGINA: hi, everybody, congratulations on the results. We really like it a lot. I have two questions and the first one is that we noticed that written premium growth was strong at BB Mapfre SH1 specially on credit life, life insurance related to loans and the agricultural insurance that grew above 100.0% q.o.q. However, earned premiums in those segments grew only 19.0% and 17.5% q.o.q. respectively. Commission revenues related to this company only increased 10.0% q.o.q. Even with percentage of sales through the banking channel increasing to approximately 85.0% of the total sales. So, how should we think about the impact in the future of the high growth rate in written premiums. I mean, how fast they will translate into higher earned premiums



and higher commission revenues in BB Corretora. In my understanding, there is a deferral by the positive news of strong written premiums will translate in future earnings for the company. If you could share of the average ratios of these products and how commission in earned premiums are going to be recognized through time. I'd really appreciate then I have a second question. Thank you.

SPEAKER: Thank you for your question, when you look on q.o.q comparison, you should take into your account that there is a matter of deferrals that happens mainly with credit life and rural insurance. The credit life, even when you consider earned premium and acquisition costs, both are deferred through the life of the product. So, in the credit life which term is nearly 36 months, while the rural insurance has an average term nearly 12 months and while, when we look at the comparison between written premiums in the 2Q12 for example, and written premiums in this quarter, you can notice that credit life and rural insurance grew a lot in terms of share of written premiums when you compare even on q.o.q. Basis and y.o.y. Basis. And that happened in this quarter. The growth in credit life was strong and that you can see that in brokerage income, also a deferral for recognized, sorry, the recognition of brokerage income in the broker. So, going forward, you can see a little a change in the mix, so you can expect the credit life growing in participation when you compare to the last year, so when you look in a ratio between income recognized and written premiums even in the acquisition costs in SH1 you can expect a reduction in this ratio.

REGINA: ok, perfect. And then this means that we can expect actually the company will benefit from this very strong written premium growth in the next 12 months or 2 years considering the duration of these projects. Is that correct?



SPEAKER: Yes, Regina, that's correct. There is a carry up in these products in the results going forward, mainly in credit life product.

REGINA: ok. Great. And my second question also regarding the credit life product, which is growing very fast. If you could comment about the penetration of these products, it's related or below the portfolio, what is the penetration as a percentage of the outstanding loan portfolio or if you don't have as a percentage of the outstanding loan portfolio, at least as a percentage of the loan that you are originating in terms of this consumer segment portfolio and if you are expanding the offer of these products to other types of consumer loans as the eco-finance for instance. If I'm correct, you've just started actually at the end of the 2Q probably, on a pilot testing period and you're gonna start to grow in the 2H of this year. Anything that you can share in terms of penetration data. Also, please clarify if it does include housing insurance or not in this figure. Thank you.

SPEAKER: thank you for your question. The first part of the question, our penetration in the credit life of loan portfolio of Banco do Brasil that we can sell credit life for individuals, we have the penetration of 32.0%. We estimate that this penetration will grow with individuals and we still have all the S&E portfolio to increase, to develop and increase the penetration of insurance related to the credit. So we think that in the near, next quarters we'll see growth in credit life, in credit related to insurance and SH1.

REGINA: ok, just to clarify, this 32.0% is the origination of the consumer loans or in the outstanding balance?

SPEAKER: Just to clarify, 32.0% of the outstanding, 32.0% of our loan portfolio. We have insurance in all these. And this is without mortgage, housing insurance.

REGINA: Ok, thank you very much and congratulations again on the results.



OPERATOR: As a reminder, if you have a question, please press *1.

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Mr. Eduardo Nishio from Brasil Plural would like to make a question.

NISHIO: good morning and thank you for the opportunity. I have a question on premium bonds segment. I would like to, if you could comment in general about the guidance and then about the premium bonds, isn't it a little bit conservative your guidance for the full year given that if you have to launch the premium bonds in São Paulo state, Nossa Caixa branches, how much do you expect will that impact in the 4Q this year in terms of growth? Thank you.

LABUTO: thank you for your question. It's all right, our guidance for premium bonds in 2013 is conservative, because we're still considering the possibility of selling the products in Banco Nossa Caixa branches, and this will happen in September this year, so we are a little bit conservative on this number but we think that maybe for Brasilcap you'll see a number near the top of the range but if we start the operations of the 550 branches in September we'll increase our income from Brasil Cap.

NISHIO: ok, thank you. If you could let us know a little bit an update on IRB acquisition and the plan or your thoughts about the speed of restructuring you're planning to carry on IRB. Thank you.

LABUTO: Thank you for your question. We estimate that by the end of August we'll finish the financial part of the acquisition and we'll be able to change the core of IRB and after that we'll see of our partners the next steps of the business. Of course we really think that IRB will help a lot mainly in the big risk segment, SH2 and rural and SH1. So, this will happen next year and in our business plan yet we don't have it yet but all the information related from IRB this will be uploaded in our point of view. So, all our data, even ROE without IRB results.



NISHIO: Ok. Do you see any, in terms of numbers do you see a lot of space to improve the operations in IRB, it's running between 15.0%-20.0% ROE. Do you see any chance to expand that any further, after all that respected insurance buy a stake there and restructure?

LABUTO: our expectations after changing the board and having changing the way IRB is doing business, increase the way we do business, the partners isn't that we can add value to IRB that will achieve a near 20.0% ROE and this will happen because of the increase in the business the partner will bring to the company and the knowledge they already have in this market.

NISHIO: great. Thank you.

OPERATOR: if you have a question, please press *1.

This concludes the Q&A session. I would like to invite Mr. Labuto for his closing statements. Please, go ahead.

LABUTO: I would like to thank you for joining our conference call. More can be found in our investor relations website www.bancodobrasilseguridade.com.br. If you have any follow-up question, please direct it to our IR department. Thank you very much.

OPERATOR: with this, we conclude BB Seguridade for today. As a reminder, the material in this conference call is available at BB Seguridade IR website. Thank you very much for your participation and have a nice day.