Operator: Good morning everyone and thank you for waiting. Welcome to BB Seguridade's 3rd Quarter 2013 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.
This event is also being broadcast live via webcast and through BB Seguridade's website at www.bancodobrasilseguridade.com.br. The presentation is also available in Financial Information section. Participants may view the slides in any order they wish. 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 and 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. The information presented follows the consolidated and combined financial statements in accordance with IFRS principles, except when otherwise indicated source. For more information on the Statements of the Company, please check the MD&A. With us today we have Mr. Marcelo Labuto, BB Seguridade's CEO, Mr. Leonardo Mattedi, CFO and Mr. Werner Suffert, Controller & Head of Investor Relations.
Mr. Labuto, you may now begin.

Labuto: Good morning and thank you all for being with us. As I did in the last conference call, I would like to spend a few minutes on our execution track record so far. Three months ago we went through the delivery of several commitments we made during the IPO: the announcement of dividends – with an 80% payout; the advance in strategic movements (IRB and Brasildental); and the announcement of our Guidance for this year. And now, again, we have an important agenda of delivering commitments previously made with the market: The first, and the most important one, is about the Minority Shareholders' representation in our board of directors. On last Friday our board of directors approved the call for a General Shareholders Meeting, which will make possible the election of a minority shareholder's member in our Board of Directors. Therefore, it will be a cornerstone for a more important step in the building process of our corporate governance systems: the creation of the statutory related parties committee. The minority shareholders will also be able to elect their representant in our Fiscal Council.
The second movement is aligned with the recent changes in the IBOVESPA. We hired a market maker for our shares, aiming to improve liquidity and assure a good weight in IBOVESPA, since we expect to be eligible to compose the index in the beginning of 2014.We've also announced the intention to launch an ADR level 1 program. We understand that the establishment of an ADR program is important to enhance the liquidity of our shares, and provide access to investors that have some kind of burden to invest in assets that are not traded in the US Market.

Moving to our earnings, I would like to highlight the 27% growth in the adjusted net income, which reached R$548 million in the quarter. During this period, we achieved some important milestones, and among them, I would emphasize, as the most important, Brasilprev performance in terms of net inflows. During the third quarter we experienced a though market for new pension contributions, due to the volatility in the yield curve and its impact on the return of fixed income investments. However, Brasilprev reached R$1.1 billion in net inflows, whereas the market posted a net outflow of roughly R$700 million. Another material achievement is related to the earnings sustainability in the segments of life, rural and mortgage life. It is important to understand that, in the case of insurance products, the deferral effect on policies issued in the past sustain the growth in earned premiums and brokerage fees in future periods. This explains the stability in BB Corretora bottom line and increase in SH1 earnings even in a seasonally weaker quarter. And as we maintain our focus on the life, rural and mortgage life segments, we expect to keep being benefited from this model, besides also benefiting from higher recurring revenues, related to the maintenance of outstanding policies. The fourth quarter is very important for our company in terms of seasonality, and our team knows that we still have challenges to overcome in order to deliver our goals for this year. But we are very confident about the opportunities that we have and in Banco do Brasil distribution strength, and this confidence is reflected in our Guidance: that is why we have decided to keep the original ranges in all indicators. Thank you again. Now our CFO – Leonardo Mattedi – and Head of Investor Relations – Werner Suffert – will guide us through the presentation and the Q&A section.

Werner: Thank you Labuto and thank you all for joining our conference call. So moving to page 3 we have some highlights of this quarter. Our net income reached R$548 million in the third quarter, 27% higher compared to the same period of 2012. The annualized return on average equity reached 38% in the third quarter. Our combined market share, which includes revenues from insurance, premium bonds and pension plans, reached 22%, 2.6 percentage points higher when compared to the 3Q12. Our affiliated companies Brasilprev and BB Mapfre SH1 delivered strong bottom line growth, on the back of a strong operating performance as well as slightly better net investment incomes. Brasilprev reported a remarkable performance in terms of net inflows reaching 58% of the entire industry in the first nine months of 2013. In the third quarter we had a net inflow of R$1.1 billion, whereas the market recorded a net outflow of R$670 million. Collections in the premium bonds segment grew by 42% and our market share reached 26% in the third quarter. On the brokerage side, we should emphasize the 29% increase in brokerage fees, reaching R$425 million in the quarter. On page 4 we show the key profitability ratios of our business segments. All data on this slide reflects the performance in the quarter, except for rankings that we use year-to-date revenues.

SH1 provided an equity income of R$166 million and increased its share to 30% in our total earnings in the quarter. As we have been explaining to the market, SH1 is less susceptible to seasonality, because of the accrual of revenues through the dynamics of the provisions for unearned premiums, which brings stability to the

growth of the earned premiums. Within this scenario, our return on average equity increased sharply to 33% in the quarter. In SH2 higher retained claims and still weak financial results led to a drop in the return on average equity to 6.2% in this quarter. However, as we are going to discuss later, the brokerage fees from insurance policies are deferred, and so, SH2 provide an important source of revenue for BB Corretora, especially on seasonally weaker quarters. On the pension side, which accounts for 21% of our earnings, the increase in assets under management have sustained the growth in management fees, leading the company to a return on average equity of 58%. Brasilcap also reached over 50% ROE. In this Company it is worth noting the rebound in the net investment income, which partially offset the seasonal decrease in sales as we are going to cover later. And finally, at BB Corretora, our distribution arm, the brokerage revenues reached R$425 million and the net income amounted to R$218 million, representing about 40% of BB Seguridade earnings. The IRB is missing in this slide as we have just started – in September – to recognize it in our earnings. But, just to let you know, IRB added R$12 million to our earnings, which is equivalent to nearly 2% of our net income for the third quarter. Along with the R$12 million from IRB that I previously mentioned, our consolidated net income for the quarter was R$548 million. On page 5 we show some highlights on a consolidated basis. As you can see in both graphs at the top of the slide, we didn't have any adjustments in our P&L in this quarter. As you can see on the top left hand side, our net income grew 27% year-over-year. At the bottom of the slide we can see that the combined market share of insurance, pension plans and premium bonds revenues increased sharply …. 260 bps. Moving to the analysis of each business segment, on page 6 we have the most important indicators for the insurance segment (SH1 and SH2). The data showed in this page is based on the corporate law income statement. In this analysis we can see some improvement in the first three ratios: loss, commissioning, and g&a, driven mainly by the SH2. However, the combined ratio showed a slight deterioration. This happens because the line "result with reinsurance" in SH2 was negatively affected by higher premiums ceded to reinsurance as well as lower recoveries. Notwithstanding, we know that the result with reinsurance has a close relation with the other lines of the income statement. For instance, part of the losses due to claims is compensated by positive recoveries from reinsured policies and so on. To provide a more fair and clear analysis, on page 7, we included a managerial adjustment where we re-allocated the result with reinsurance among the other lines in the income statement. By doing this we can analyze these ratios net of reinsurance effects. On this adjusted basis, we can see that the combined ratio actually posted a slight improve, driven by lower commission ratios, partially offset by the higher G&A ratio in SH2 and loss ratios in both SH1 and SH2. The concept of retained claims that being the incurred losses net of recoveries from reinsured policies is critical for a better understanding of our insurance companies' performance. Therefore, for now on, we will bring the adjusted ratios to be analyzed together with the ratios based on the corporate law income statement. With regard the expanded combined ratio, despite the slight improvement in the net investment income in the quarter, the scenario is still

challenging when compared to 2012, which explains the increase of 120 bps year-over-year. On page 8 we can see that SH1 has been consolidating its leaderships in important segments of the industry. The strong growth in premiums written assured market share gains in life, mortgage life, and rural segments. The business expansion, along with the focus on products that fit better in the bancassurance channel – providing better margins – allowed BB Mapfre SH1 to post a sharp growth in its operating results, delivering a 31% increase in the net income and on page 9 we pinpoint the main performance indicators. Earned premiums rose 35% year-over-year, and 27% adjusted by reinsured operations, and was the main catalyst for the 10.5 percentage points increase in Return on Equity. Earned premiums grew faster than premiums written due to the carry of differed revenues in our insurance operations as well as in BB Corretora. The loss ratio, considering the retained claims only, rose 240 bps, explained by the increase in claims in the life segment. However, on a quarter-on-quarter basis the loss ratio in the life segment dropped by 175 bps. On the other hand, the reduction in both the commission and the G&A ratios led to an improvement of 40 bps in the combined ratio adjusted for the reinsurance operations, and as you may see on page 10, premiums written continued to post a strong growth in the entire set of products offered in the bancassurance channel, which shall sustain the earned premiums expansion going forward. Moving to P&C, the net income of Mapfre BB SH2 decreased 33% pulled down by both the underwriting result and the net investment income. Despite some improvement in the financial result when compared to the second quarter of this year, the volatility in the yield curve kept weighting in the earnings of the SH2 when compared to the same quarter of 2012. On the operational side this quarter was impacted by higher retained claims, and also a slight increase in the adjusted G&A ratio. Page 12 summarizes what I have just explained. As you can see, in an adjusted basis, the earned premiums growth is normalized to a smoother level of expansion, with a small deterioration in loss ratio, which explains the 80 bps increase in the combined ratio. Therefore, adjusted ROAE dropped 350 bps. On page 13 we provide a breakdown of the growth in written premiums. In this quarter, other channels outpaced the bancassurance and increased its share in total revenues to nearly 71%. Moving to pension, on slide 14, we see the strong performance delivered by Brasilprev in the quarter. Boosted by the expansion in reserves – and therefore higher management fees – the result with pension plans and insurance increased by 56%. The net investment income also improved, registering a slight increase of 2% year-over-year. As a result, the bottom line increased 49% over 3Q12 adjusted figures. This quarter was weaker than we expected in terms of growth in pension plan contributions, because the of the volatility in the forward yield curve which have lead part of the customers to postpone their decision to make new investments. However, Brasilprev is outperforming the industry in terms of net inflows. As you may see on the bottom of this slide, in the 3rd quarter Brasilprev reached a net inflow of R$ 1.1 billion, as compared to a net outflow of R$ 670 million in the industry. And let me remember you that even the industry figures are sustained by the performance of Brasilprev. And page 15 shows that, due to lower redemption ratios, along with strong top line

performance, Brasilprev reserves have been growing faster than the market, with a 26% expansion in the last twelve months. As I mentioned, this performance is crucial for the management fees, helping the company to sustain such high returns 58.4% in the third quarter, 910 bps higher year-over-year On the next slide we show our performance in the premium bonds segment with Brasilcap. Collections grew twice as fast as the market. Therefore, our market share reached 26%, as compared to 22% in in the same period last year. The return on average equity remained strong, at roughly 52%, but decreased year-over-year as a result of two effects: First of all, we should analyze the financial results. The net investment income is a very important component of Brasilcap earnings. Back to last year, the Company was being benefited by a downtrend in the forward yield curve, and the scenario in 2013 is completely the opposite. The other effect is related to the characteristics of our portfolio of products. In the beginning of this year we launched a new line of products with lower interest rates. This measure will benefit the financial gains and the bottom line of the company over time. However, these new products are less profitable in the first moment, as a lower percentage of the first installments flows to the company. Going forward, the strong increase in revenues should drive the expansion in reserves, and also a reprice of these reserves, fostering conditions for net investment income and bottom line to growth. Moving to BB Corretora, on page 17, brokerage fees increased almost 29% year-over-year, boosted by revenues from premium bonds and insurance products from SH1 – life, rural and mortgage life. It is worth noting that insurance brokerage fees are deferred in BB Corretora which provides a more stable behavior in these sources of revenues, as compared to premium bonds and pension plans brokerage fees for example. In this quarter SH1 and SH2 combined accounted for 74% of BB Corretora revenues. On a quarter-on-quarter basis, revenues went down 5%, mainly due to the seasonal performance of the bancassurance channel, and also, because of lower than expected sales in the segments of pension plans and life insurance products. The breakdown provided in this graph shows the importance of each company to our distribution arm. SH2 and Brasilcap equity income for instance, accounts individually for less than 10% of BB Seguridade bottom line. However, these operations are relevant for BB Corretora revenue stream. I would like also to emphasize in this slide the positive trend regarding the net margin, which increased 240 bps, explaining the 35% increase in the net income, which grew even faster than brokerage fees. On the next slides, we have added some information about the financial results. The gap of the net investment income has narrowed on a year-to-date analysis. In fact, we had two different dynamics affecting net investment income of our affiliated companies, when we compare the 3Q13 with the same quarter of 2012. First of all, we start to see an increase in the average SELIC rate, which brought some relief to net investment income and shall benefit our affiliated companies' earnings in the coming quarters. The other point is still related to the forward yield curve, which kept steepening. Although in a lower magnitude compared to the one that we saw in the first half of this year, the movement in the third quarter was still strong enough to reduce the return on financial investments as a percentage of CDI, weighting in the earnings. On page

19 this effect become quite clear where we can see the drop in the return on financial investments of our affiliated companies. Internally we have a managerial estimate of how much the changes in the yield curve have impacted the earnings in each period. Only in the third quarter of this year, we estimate a combined impact of roughly R$15 million net of taxes, already adjusting for our economic stake in each company. To wrap up this presentation, we provided on page 20 our Guidance for 2013 along with our performance in the first nine months. As you can see, we are out of the ranges in three indicators: Return on average equity; Premiums growth in SH1; and Growth in pension plans contributions. Actually, in the case of the return on average equity we are out of the range of the Guidance because we didn't pay dividends in this quarter, which have inflated our equity. As you know, our Guidance for ROAE considers the 80% payout ratio. If we were to adjust our shareholder's equity for dividends, ROAE would reach 37.2%, within the Guidance. Our estimates were released before the announcement of the acquisition of the IRB. Nonetheless, even if we were to adjust our earnings, without IRB, ROAE would reach 37%, of course also adjusting for the 80% payout. In the case of SH1 and Pension Plans we expected stronger revenues on 3Q13, especially for Brasilprev, which was impacted by the poor performance of fixed income funds, which led to lower appetite for this kind of investment. However, we are maintaining our Guidance for both SH1 and pension. We are very confident in our budget and we do expect a stronger performance in terms of sale in the fourth quarter, given a more compelling economic environment, the budget dynamics inside Banco do Brasil, its strong distribution capacity and the traditional seasonality that we have in this period of the year.

Thank you again, and now we are open for the Q&A section.

Operator: We now begin our questions and answers section. If you have a question please press *9 on your phone. Please, hold on while we collect the questions

Our first question is from Regina Sanches from Itau BBA.

Regina Sanches : hi everybody! Good Morning! I have two questions. I mean, the first one is related to 2013 guidance that you rate... specially on the growth of pensions plans I mean, this means that you are already foreseeing a strong growth in the fourth quarter of this year that enables you to keep the same guidance in terms of growth and I also I know that you're only going to provide guidance for 2014 when you release the fourth quarter numbers but if you could give us a color, I mean, if you do expect in most of the lines to see a sort of deceleration in terms of growth compared to 2013 given that 2013 was very strong or it's going to be a deceleration considering that the level of penetration of this products in the clients base of BB is still very low if you do expect a high double digit, even above 20% growth in most of the products in the coming years 2014 and 2015 even continuing to gain market share relative to the market

And my second question is regarding to corporate governance... we realize that the independent board member was part of the board he left, but basically because the plain to call for shareholders meeting to allow minority shareholders to a point an independent board member to participate if you could share with us when you're going to have actually have this shareholder meeting we would appreciate that. Thank you.

Werner : Thank Regina for these questions

The first question regarding pension plans it's true that when see our even quarters are stronger than the other one so we'll see first quarter stronger than the third quarter as we saw the second quarter better than the first one. So seasonality is something we count on our budget we think that this will happen it would be enough to deliver our guidance for pension plans and for the other matrix that we deliver to the market ROE and all the growth that we put on all these operational companies. So this is the first question and regarding the 2014 guidance we will deliver on the first quarter of next year but it's certain to say that we don't see any major change in the growth that we expect in the coming years because we still have the penetration ...on our basis ..Lower than the market and we still have a lot to grow in Banco do Brasil client base and this will still drive our growth for the next quarters so we can't forecast any major change in the growth rate for the next year. In terms of cooperative governance we will call the shareholder committee for the general meeting, it will be, it will call next days and we expect to do the meetings as soon as possible. Of course we have some schedule to follow and after that we will give this information to the market will disclosure all this information to the market as usual.

Regina: ok. Thank you very much

Operator: our next question comes from Mr. Carlos, from Goldman

Carlos: Good afternoon, gentlemen! I have a couple of questions both are related to SH2. If you could give some more color on or at least a little bit more insight on reinsurance result they reported in the quarter as you mentioned if we know ...things look a little bit more... look a bit smoother but when we were preparing forecast there was a lot of volatility in this line quarter. How should we think about forecasting this? Given it to the amount of volatility, I mean, of the result we have reported first quarter 2012 the only one as large as was this quarter. Is that something that we should expect to stay in this level or should normalize to something closer to what it was in the first and second quarter of this year? The second question is also related to SH2 ..is that now based on the numbers that we shall hear profitability of the company is relatively lower than what we perspective and on top of all that , the combined Ratio is closer to 100% is significantly higher than peers with similar business neck . should we expect an improvement in terms of profitability for the company going forward given that pricing for other insurance remains at a relatively high level in the peers or at least the ones that have a similar business mix are operating in a 95 % combined ratio is at 95 % combined

Rachel something that we find achievable in the middle term or should we expect that to happen more towards to medium term? Thank you.

Werner: Thank you Carlos for your questions. I will start with the second one and after that Rafael will answer the first one

Regarding the combined ratio for the SH2 we strong believe that we the number that we had in this quarter they are not out of standards we are focusing from improvements related to G&A and controls the company subscription of the premiums this will guide us to the results in line with the market as you told 97 to 95 % will be achievable for the next quarters of course that this is not something we need to sustain, it's an effort that is been done in this company in the last couple of quarters and we will increase this in this coming quarters and this will drive us to better results and better combined ratios for next quarters. Of course we are expecting increase/improve our combined ratios.
. And the first question Rafael, please answer it.

Rafael: So... Regarding the result with people insurance I think that is important to highlight better there are some agreements that are renewed every July August , normally that third quarter concentrates higher volume of premium ceded for the reinsurance, that's why this line grows every third quarter. When we analyze just to add on Werner's explanation on the combined Ratio of the SH2 in a year to year basis when we normalize ratios for the insurance effects the combined ratio for the SH2 is 97.4% that is where we're showing improvement when we analyze the first nine month of 2012 that we have reached 98.8% so we do expect to keep below 100 and around 98 to 99%.

Caio: As for the reinsurance result, I mean, there are volatility…third quarter of last year the results were 30 million (Real) expense, this year is a 190 million Real expense, I mean, and if you look at the difference from the second quarter from the 15 million revenue (Real) to a 30 million (Real) expense this year for the 24 million revenue to a 190 million (Real) expense the magnitude there is much bigger. How do we look at this? I mean, it adds a lot of volatility to the expected results for any given quarter I'm just trying to understand if we should expect this to normalize again. Taken to account that third quarter is seasonal where does this normalize on a quarterly basis?

Rafael: Normalize from the fourth quarter on. In the third quarter there was a new agreement that we closed, I mean, the casualties segment, we wrote a premium and we've ceded almost 100 % that's why it increased a lot in the third quarter.

Caio: Ok. So the 20 to 40 million (Real) level as an expense is probably more accurate rather than… as opposed to these 190.

Rafael: Something close to the first and second quarter of this year.

Caio: ok. Thank you so much.

Operator: Ladies and Gentlemen, as a reminder if you want to post a question press *9.

If you'd like to pose a question please press *9

This concludes today's our Questions and Answers Section. I'd like to invite Mr. Marcelo Labuto to precede his closing statements. Please Mr. Labuto go ahead

Labuto: I'd like to thank you for joying our conference call. More can be found in our investor's relation website bancodobrasilseguridade.com.br if you have any follow up question please write to our HR department.

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