

**Carlos Macedo, Goldman Sachs:**

Good morning, gentlemen. Congratulations on the strong results for the quarter. I have two questions, actually. One has to do with some of the items that apparently are not recurrent, and the second has to do with Health Loss Ratio.

I'll start with the first: could you give a little more color on the strong growth in tax expenses in the quarter and the recurrence of this item, as well as the exact amount of the reversal of these provisions in life insurance line. Would be good to understand what do you expect in terms of delinquency without the non-recurring. Then I ask the question about health.

**Arthur Farne D'Amoed Neto:**

Thanks, Macedo. On the issue of tax expenses, that resulted from an adjustment that we've been discussing with the auditors after the increase in lawsuits, particularly in relation to the adequacy of the Company to what recommends IFRS.

We still had some provision for issues whose risk was assessed as possible and, in accordance with the auditors, we adjusted to comply with IFRS, and this has impacted positively some lines and other lines negatively. For example, in income tax line the effect is contrary to what you said in this line of tributes that are highlighted here. If you need more details, then we can deepen.

With regard your other question, what was the magnitude of this change in life reserves, it was approximately R\$60 million reversal. Last year we raised about R\$110 to R\$120 million this provision, and this year, due to the development of actions and following this issue of justice, we could adjust the provision causing a reversal of R\$60 million.

**Carlos Macedo:**

Perfect. If I need I'll call your team to get further details.

Health segment had a very good improvement actually. If you could give some color on what was seasonal, what was the frequency in the quarter and your vision on what is the recurring level of medical loss ratio, since this seasonality is huge;

In addition to that, if we look at the year, what can we expect in terms of medical loss ratio targets for 2013 and 2014? Thank you.

**Gabriel Portela:**

Macedo, this year we were looking at frequency and average cost at the end of the year with a very large drop in the growth rate; ie, the reflection of the measures that we take from the 1Q, from the point of view of costs, not to mention on the other hand, the revenue, this low loss ratio, reflected not only in increased net costs, but also the frequency of use.

It's a series of measures. This year we were able to use our entire knowledge, to reverse a trend that you all followed, in Q2, which came to an end this year with the loss ratio of 72.5%.

Obviously, our reserve methodology has a very large dependence of the seasonality factor itself, and at the end of the year, you already know well, that ends up being more favorable seasonality.

I would say that we have reached the end of the year in a much better shape than we got in previous years, with positive trends in the good sense of the word, with more balance, and having proven throughout the year that all our actions, as Arthur mentioned, of risk management were successful, not only in the reversion tendency, which was positive, but also in the growth pace.

**Carlos Macedo:**

Gabriel, I imagine you have a goal of where you want this loss ratio, a range between 77% and 81%. Is there any goal for 2013 and 2014, where do you expect that health loss ratio will eventually settling?

**Gabriel Portela:**

I'll return the question to Arthur, to give guidance, but anyway, I'm available if he wants me to answer.

**Arthur Farne D'Amoed Neto:**

Macedo, I think the range is the one you already anticipated, is not much different. It depends on the behavior, and especially the mix of the portfolio, which also begins to benefit from an attraction to a lower level, which is the dental, marginally, and lower weight of the individual segment in the total, as the group, the business and the affinity product are those who are growing. I think the range you commented is adequate.

**Carlos Macedo:**

Thank you.

**Marcelo Henriques, BTG Pactual:**

Good morning everyone. I have two questions, one is more a follow-up to understand a little more of the base of 2012 we should be looking for 2013. If I get the change in gross margin, 2012 against 2011, ranged roughly about R\$360 million, and 70% - 80% of variation of gross margin came from a much smaller amount of premium ceded, R\$100 million less, then because of this you had more earned premiums, and the change in technical provision, which in 2011 was R\$180 million and in 2012 was R\$30 million, then has more R\$200 million. This variation between written premiums and earned premiums basically explains almost all of its increased gross margin.

I understood the issue of provision reversal technique on life insurance, but the variation in the technical provision remains very inferior to what we saw in the past; In 2010, if I'm not mistaken, was R\$350 million, almost R\$400 million, and also, premiums

ceded in the same way. I just wanted to understand, the outlook for 2013, and I understand that these lines have some volatility, if we take 2012 or 2011 as the most recurrent. After I make my next question.

**Arthur Farne D'Amoed Neto:**

Marcelo, maybe I cannot go into much detail here, but in general, first, the car has not grown much this year, and he has an important impact on increasing these reserves.

You have highlighted the fact that we had this reversal in the provision for health premiums, which explains a big portion of this movement you said, but when you compare the previous year with the current year, part of it is exactly the behavior of automobiles portfolio.

Marginally, we also have here an effect of the impact of lower court, ruling that the claim was within that statement as a whole. Without going into too much detail now, we can deepen this portfolio by portfolio later, if you need, but it was the reversal of life insurance, the behavior of auto and property and casualty as a whole, you saw that did not grow as much, and perhaps a smaller scale, the impact of lower court claims.

**Marcelo Henriques:**

Got it. So if there was a reacceleration of these segments during 2013, which, the way I see, it's your expectation, this could re-generate more variation of technical provision.

**Arthur Farne D'Amoed Neto:**

No doubt. Every segment within property and casualty insurance, automobile and other risks, since we got back to the growth velocity, similarly to the 24% seen two years ago and slightly less last year, we will see the opposite effect you said. And evidently, we do not foresee now any significant movement in relation to the provision linked with life. The movements can now be smaller.

**Marcelo Henriques:**

OK. And I have a question, more a follow-up on it, looking at 2013, can you give some kind of guidance? The profit consensus for 2013 is something in a range of R\$450 million and \$ 460 million, which would be a drop in profit compared to 2012. Obviously people will review over time, but do you expect an increase in ROE for 2013? Do you think this level of 15%, given the trends that you are seeing for 2013, is achievable? Or should we expect some sort of retraction or increase in ROE for 2013?

**Arthur Farne D'Amoed Neto:**

So far, the expectation is to maintain it. I don't know what would be the final net profit. It depends on the interest rate range and how prices will behave for Autos. We will continue to collect the results from our (inaudible) insurance claims. I think we will be less conditioned to competition, and we will have space to adjust premiums. But it is important that we will have an important contribution from the claim management and Health. Regarding Auto as we do have space in the first weeks or months, we might have better result than what we are anticipating right now.

I cannot ensure that we will have higher profits than we had in 2012, but this should not be seen as any surprise. Some of you know that, but especially due to the work that the financial results have with insurers.

And the other element of the situation is our tax level and the administrative expenses. We did all the investments necessary to work on the infrastructure of the Company. But we want to maintain our yield at the appropriate levels. And this due to the environment we have been living in. I said something not to tell you really -- not to address the profit that you mentioned. I don't want to ensure extraordinary profit in relation to the risks we have in 2012.

**Marcelo Henriques:**

It's clear. One last question, I don't want to dominate the call, but the asset management had an outstanding performance, and generally, performance brings in flow. You saw it at the end of last year, early this year? Can you keep this asset results in 2013 at the same speed?

**SulAmérica:**

I'll ask Marcelo Mello to comment, but I wanted to emphasize that the Asset Management business is part of our growth strategy. I think this 15 years path of the asset management has been proven correct, and we have high expectations for his contribution, not only in managing our own portfolio, but also, in line with Company strategy, in portfolio management for third parties.

**Marcelo Mello:**

Good morning. Thank you for your question. Arthur commented well on the evolution of the asset management. What we have been doing over time is increasingly equipping the asset management business to offer more sophisticated products.

In 2012 it was already evident in the numbers, with a performance, especially in the performance itself, much higher than the other years, and what we can expect for 2013, is a continuous growth also, as we saw last year, increasing investors' allocation in stocks. As we have a very competitive performance relative to the market, I think we can believe in an increase in this type of allocation.

But what we also have to take into consideration is that the component of performance itself, as we grow the assets of these funds more sophisticated, it becomes more important to the outcome of the operation. Therefore, obviously that component performance only comes as I can surpass goals.

What we can expect is a positive scenario, but a bit more volatile in terms of results, since the percentage of funds, the amount we charge a performance fee, is increasing.

Another aspect that I think is worth mentioning is that, as SulAmérica Investimentos has a very concentrated portfolio of clients in the institutional segment, this is also a positive point, which is the segment that has a current liability, an actuarial target, higher than what a government bond pays. Therefore, this investor is already inside the

house, since the investor is SulAmérica Investimentos, he naturally also seek an increase in this allocation, and is much easier now to have that competitive product indoors to offer.

**Marcelo Henriques:**

Excelent! Thanks for these answers.

**Eduardo Nishio, Brasil Plural:**

Good morning. Thank you for the opportunity. I joined the call a little late, I wanted to understand a little better the transaction that the Company has made at Sulasapar level. I wanted a little more color on how was the exchange ratio between the family and ING. Could you explain a little better? Thank you.

**Thomaz de Menezes:**

Eduardo, we made a disclosure at the beginning of the audio conference that we will address this issue in a call following this, and you can use the same number if you do not mind.

**Eduardo Nishio:**

OK. Thanks.

**Rafael Frade, Bradesco:**

I would just like to go back to Health, if Gabriel could comment looking into 2013. 2012 we saw the performance more or less in -- the price adjustments that you had in the middle year contributed to an improvement in loss ratio. But last year you were caught by surprise in terms of your adjustments by the medical inflation and I think you talked a lot about all your claim management measures that you've been implementing.

But if you could give us more or less scenario within the medical inflation going up in a generalized way, and so what's your perception the adjustments that you made in 2012 and the other changes that that you implemented, should they compliment for us not to see such a sharp change of performance in different quarters as we find in 2012?

And the second question, could you tell us about the competition scenario in automobile? So you said that you focused on profitability and the competitors on the market as a whole. Could you give us an update? Do you still see the market like that or are their competitors they are slightly more aggressive? Could you give us your opinion?

**Gabriel Portela:**

Hi, again. Can you hear me well? I think that we had two main directions, new sales and revenues and we had a lot of presence and lots of synergies in the work with brokers, and we have new customers.

In terms of the fee, we sold more than in previous years and we are also having different prices and we tried to reach a balance in loss ratio. We had new policies and we had the recovery with the adjustment, even though we tried.

In terms of the revenue, as you have seen, we have other measurements that contributed positively. On the side of cost, some actions that we implemented, but they were more directed to materials and medication. The other ones we focused the most on, and I think that they are the ones that provided the greatest benefits in terms of cost.

As we already have a lot to do in this area when we have positive expectations, we have a great opportunity in terms of having improvements. So in a nutshell, the trend is for us to control cost and we compare that to the general scenario. And in the terms of specific actions that we are implementing so as to manage but also to offset the ascending curve of the average cost that we see in our portfolio.

The scenario is not really positive in terms of the market, but it is positive for Sul America because of the more intense actions that we have been implementing, not just in terms of claim management, but also we have had Health management actions that we really increased in 2012, our actions towards case management and other actions. So we've taken several measures in addition to other specific measures to reduce loss ratio.

**Rafael Frade:**

Just a follow-up. When you see these prospects in terms of the whole market, do you think that the market will continue to have a need of high adjustments in 2013 and do you agree with that?

**Gabriel Portela:**

I think that we still do not have a position. It's not just even past experience, but also future expectations the medical and health industry. And this will affect adjustments. Of course we are expecting to continue having such strong products that we were able to offer last year. And considering the results, we have expectations of increasing costs in 2013.

**Maurício Lopes:**

Before turning it over to Alberto to talk about Auto, just one point in terms of illustrating what our expectations for 2013. What we saw last year is the acceleration of inflation that we corrected through pricing in 2012. We identified price actions in terms of claim management and what we have been seeing is a stabilization in these rates, which may provide us some relief in a cycle that is going to start in the second half of 2013. So we are still going to see pressure, but -- we are still going to see some seasonality, but less than last year.

So now, Alberto, could you talk about competition in the Auto segment?

**Beto Trindade:**

Thank you, Rafael. I think that if you have had the chance of following up gross margins and align that with interest rates, that is related to prices that we have had last year. And we are having this policy of favoring profitability and obviously our competition strategy is still going on, and numbers have shown a good performance during the year.

Loss ratio has been going down and -- as you can see in the curve in the chart. And we are going to have the consolidation of these results and especially in terms of the gross margin that is also going to be affected. It will drop. And then we are favoring a result and we are managing our fleet and also the portfolio. And it is a quite interesting position that we will announce to you every quarter.

So the market, yes, more fully aware, more concerned with profitability on the whole and this is being reflected in pricing. And you can see that in the competition in the Auto segment and it is also reflected in our competition and also the adjustments that we are going to have. So I think it is a quite positive cycle and we are preparing ourselves for that and we will be able to reap the fruit of everything that we have been preparing.

Our Auto Director is also taking part in all events in the market, and [Eduardo] would like to compliment.

**Eduardo Dal Ri:**

Thank you, Beto. Just to illustrate what Trindade is saying, we have an index that regulates and verifies our competitiveness and attractiveness of the brokers to our brand, our product, which is the number of quotations, and this has started the year very strong.

We now understand the brokers, given the increase especially in insurers that have the attributes of differentiation in price, when such insurer increases its prices, and given that we had already done most of our homework on the price increase during 2012, we now see the brokers with greater attractiveness to our brand, our product, again, within this index that verifies it instantly online, which is the increase in prices, which has been numbers we had not experienced in previous years.

**Rafael Frade:**

Thanks.

**Operator:**

Thank you. Q&A session has now ended. Now I would like to pass the floor to Mr. Thomaz Menezes for his closing remarks. Please Mr. Menezes, you may proceed.

**Thomaz de Menezes:**

I wanted to once again thank the participation, interest and questions that you have done to us. As always, me and my team as much as Arthur and his team are available to go into details as needed.

Also I'd like to reinforce our commitment to grow profitably. As you noticed, we invested a lot in the Company, in almost all areas, and I am sure that we have finished the year much better structured and prepared to seize the opportunities that our country and industry offer. I wanted to thank you all for your questions.

**Operator:**

Thank you. SulAmérica's audio conference has now ended. Thank you for participating and have a nice day.