

**Carlos Macedo, Goldman Sachs:**

Good afternoon, gentlemen. Congratulations on very solid results. I have a couple of questions. The first one is if you can give us some color, some guidance on what to expect for the loss ratios of your businesses going forward. There were significant improvements across the board in Health and Auto, I was just wondering if those levels are sustainable or if we could see basically a version to the mean for some of those lines, particularly Group Health, in the next two or three quarters.

And the second question is with respect to the financial income that you were able to post in the quarter, 116% of the CDI is a very robust rate. Your competitors were not able to reach that rate, the trading desks in the banks were all ahead four quarters in trading. I was just wondering if you can give us some color on that and how recurring should we expect those financial revenues to be. Thank you.

**Arthur Farne d'Amoed Neto:**

Thank you, Macedo, for your questions and your comment on our results. I guess first, to your first question, yes, we do forecast some improvements in both Health and Auto, maybe for different reasons. But in Health I think it is fair to say that at this point in time we may consider an improvement of at least 100 b.p. on a full-year basis, as we compare 2012 to full-year figures for 2011.

In Automobile, and again for different reasons, I guess improvements could reach 200 b.p., so something around 62%, 63% is doable in 2012, especially as we take into consideration the fact that some of the macroeconomic conditions would favor a more disciplined approach in 2012, as compared to what happened especially in the 1H11.

**Carlos Macedo:**

Arthur, if you could – just a follow up: these improvements would they be mostly on the price side, the cost side, or the frequency side?

**Arthur Farne d'Amoed Neto:**

I guess we may take the advantage of the fact that Trindade, the Head of our Automobile operation, is here. He can maybe add some color to this point.

**Carlos Alberto Trindade:**

Hi, Macedo. Talking a little bit about the Auto business, we will be – and we are now – facing a positive price cycle in the industry. I understand that the whole industry could capture the effect of the inflation that we had in our costs during 2011, maybe a little bit later than necessary.

But I guess at this point in time all the companies have understanding that labor costs and repair part costs raised very intensively last year, so prices have been adjusted to cover that. We had some deviation in frequency for tests in São Paulo, and also the industry addressed that too, and we did that ourselves too.

So there is a positive cycle, we are investing in controlling the costs of all our services and products components. So, I understand that we will have a very good year in 2012.

On the other hand, we particularly have been investing in pricing methodology since 2008 and 2009, and particularly this year we have been able to put in place a new quotation system that is almost 100% online; we use both attributes, online and offline, in our systems. But with this new system we are able to capture all the knowledge that we developed along the last three years and put this knowledge for pricing on a day-by-day basis in the hands of the broker, in a very particular individual price strategy that we have.

So, I understand this will benefit our loss ratio too. And we have seen that sales have been in good shape, even though all these movements are happening in the market, and especially those companies that were working with a combined ratio over 100 during the last two years to gain market share, with the drop of the interest rate all these companies had to raise their premiums and this also changes the competition in the market.

So, we have a new scenario and I think we are very well positioned for that too.

**Arthur Farne d'Amoed Neto:**

Well, Macedo. I do not know if you have any other comments on the points that Trindade has just made.

**Carlos Macedo:**

No, that was perfect. Maybe just one follow-up on that: the average premium per vehicle in the 4Q declined quarter on quarter after increasing in the 3Q. Is the environment still more positive for pricing despite that? I mean, is that something geographic that happened, or a mix? What led to that decline in the written premium per vehicle?

**Carlos Alberto Trindade:**

In our specific portfolio, there is a movement in the mix. We have a very significant portfolio of motorcycles, and the Moto insurance we have been growing much faster than the Auto in itself. The production in sales of motorcycles in Brazil is really very heated, and we are benefiting from a knowledge that we are the leaders in the market, so that changes the whole view of the average premium in our portfolio. So, this is one important movement.

And also in trucks we have been adjusting prices a little bit more intensively, and this changes the mixes too. So, basically we are being able to raise the average premium per segment of our business, and even in Moto, with the significant growth we are increasing a little bit. But the average premium for Moto is much smaller than the other segments of the portfolio.

**Carlos Macedo:**

OK. Thank you. That is good.

**Arthur Farne d'Amoed Neto:**

May I come back to your point on the investment portfolio performance?

**Carlos Macedo:**

Yes.

**Arthur Farme d'Amoed Neto:**

So, as you maybe noticed in our slide 13 of the presentation, I would not call it 'conservative', but we give priority to the ALM here in the Company. So, in this sense, with this kind of profile that we have, it is fair to say that we should deliver something between 102% and 105% of the CDI on a sustainable basis.

I guess the positive surprise could come if we, as we did in 2011, see some room for arbitrage in fixed rate securities; or else, if offers from high-grade investors in the corporate segment would be attractive for us. So, those are maybe two drivers for an increase in our yields in 2012.

So, if those do not happen, I guess we should be delivering something between, as I mentioned, 102% and 105% of the CDI.

**Carlos Macedo:**

OK, perfect. Thank you, Arthur.

**Operator:**

Since there are no further questions, I would like to invite Mr. Menezes to proceed with his closing statements. Please, sir, go ahead.

**Thomaz Menezes:**

Thank you. I just wanted to thank you for the opportunity to present our results for the quarter and for the year once again. As we said, 2011 was a good year for us and I wanted to also reaffirm our commitment, always trying to improve our corporate governance and the relationship we have with the investors, our clients, and our brokers.

I think we invested a lot last year, we had a great focus on people and building up the team and having the right team in the right place. I am conscious that we need to continue to invest in technology to make sure that we improve the efficiency of our Company. We need to continue to invest in our brand and in our physical presence, and I am convinced and very conscious about the challenges that we have in 2012, with our brand, with our national presence, with our portfolio, through the brokers and the partnerships that we have, we will deliver an important year in 2012.

So, I thank everyone for the opportunity.

**Operator:**

Thank you. That does conclude SulAmérica's audioconference for today. Thank you very much for your participation, and have a good afternoon.

"This document is a transcript produced by MZ. MZ uses its best efforts to guarantee the quality (current, accurate and complete) of the transcript. However, it is not responsible for possible flaws, as outputs depend on the quality of the audio and on the clarity of speech of participants. Therefore, MZ is not responsible or liable, contingent or otherwise, for any injury or damages, arising in connection with the use, access, security, maintenance, distribution or transmission of this transcript. This document is a simple transcript and does not reflect any investment opinion of MZ. The entire content of this document is sole and total responsibility of the company hosting this event, which was transcribed by MZ. Please, refer to the company's Investor Relations (and/or institutional) website for further specific and important terms and conditions related to the usage of this transcript."