

Eduardo Nishio, UBS:

Good afternoon. Thank you for the opportunity. I have a question on your investment results, what made your investments results so strong in this quarter? You had 120% of CDI, I just wanted some color on the strategy for this quarter. Thank you.

Sérgio Borriello:

Yes. Thank you for the question. Basically if you analyze the composition of the portfolio compared to the 2Q of this year, we have not changed too much the composition of the portfolio, but in line to increase a little bit our profitability, we have increased a little bit the participation from corporate spread and we have created some positions on fixed rate portfolios which helped us on the final results of the portfolio.

But you know, due to the small changes it is not enough to reach this good performance which has come really strong the inflation index type of securities that we have in our portfolio. So, basically the main reason to have this good performance is the consequence of the length loss that we have in place, so it costs a little bit more in the case of our clients, but in the investment portfolio we have a match result.

Eduardo Nishio:

OK. Thank you. I wanted to make a second question in relation to the reversal of the provisions that impact your other income and expenses, if you can explain a little bit more and if you could also give us some guidelines if we should consider as recurring going forward or not. Thank you.

Sérgio Borriello:

Basically what we have there is, in all quarters, we reanalyzed our judicial liability looking at the what we call the payment experience which is the experience we are facing was the legal final decisions from the judicial cases. This is a very good month, a very good quarter to us on that case, not considering just the 3Q because maybe there were one or two different cases, but considering the 9M I think you can make the projections, meaning, please, do not take one quarter and make the whole projections, but looking at an accumulated basis which makes much more sense for this legal payment experiences that we are applying to our liability.

Arthur Farne d'Amoed Neto:

Nishio, let me just complement one thing here. We had reversal of provisions for bad debt in that quarter in 2008. So, when you compare those quarters, you are going to have that in mind because the comparison is affected by that events taken place in 2008 and that has not taken place again in 2009. Again, the reversal in 2008 was due to some premiums that we had, the right to charge back to 2005 as I guess we have discussed before. So, this is going to be that, it should not be seen on a recurring basis.

Eduardo Nishio:

OK. Thank you.

Giovanni Baulino, Tenax Capital:

Hi. Thank you very much for the call. My question is relating to the health business, when we can expect to see the full impact of re-pricing of the Group in individual health in the PNL? Can you give us an idea for the time frame? And how much has been already reach-priced? Thank you.

Arthur Farne d'Amoed Neto:

Thank you, Giovanni, for your question. Brazil has a cycle which begins in July of price adjustment. This is due to the adoption, the month that the Real Plan was adopted back in 1994 and that is kept on being replicated every year. So, price adjustments for individual policy, they start basically in July every year and they are applied at every policy anniversary, so we should expect to see premiums being adjusted over a period of 12 months, beginning in July every year.

However, especially for those called pre-low policies, there is a concentration in July and August, so that is when most of the policies would have their anniversaries and then this concentration takes place in those months. The same is true for still policies, we see a concentration of a readjustment season taking place in the beginning, specially was the 3Q.

So, the 3Q thus reflect to some extent those premium adjustments in group and individual, but there are some policies which will only be updated, or adjusted as they mature or renew.

Giovanni Baulino:

OK. Thank you very much.

Eduardo Nishio, UBS:

Yes. Thank you again. One question on competition, if you could give us some color on the competitive environment, how you are seeing it, particularly in auto and healthcare, how are you seeing that developing as the macro environment is improving quite fast?

On the auto, I would like to know your price strategy that seems to be going pretty well and in which areas you are growing faster and what is the overall strategy on the auto segment? And what do you see on with Porto Seguro tying up Itaú, what do you see in terms of competition, how do you see going forward? What do you see there, the developing of increasing competition or not?

And on the healthcare, I would like to know if next quarter will be probably much better, and next year probably as well, because you will not see any impact of the macro downturn, you know, it was more towards the 1H of the year and also leading to the Swine Flu, you will not see more any of those impacts going forward, so I would like to know your sort of outlook for 2010 and the 4Q. Thank you.

Arthur Farne d'Amoed Neto:

Thank you for your question. I guess beginning with the auto portfolio, there has been no change in the competitor environment this year, I guess what we have seen is that as we are towards the end of 2008, the industry has positioned itself in a more, I would say, rational pricing approach which was in line with the overall economic improvement that we had seen in the beginning of the year and on the other hand side, the perspective of a lower interest income environment in 2009.

So, there was a demand for a more disciplined pricing approach for the whole industry and that kept on the marketing, the competition, the competitive environment throughout 2009. We have not changed our strategy over the last years. We positioned ourselves in way to guarantee or to manage the portfolio in a profitable way, that has been true over the last years, even in years of more intense competition. What happened lately was that I guess this generalized of the market in this let us say more disciplined price approach.

As to the competitor I will refrain from making any comments on their strategy or the impact that this deal could have on competition. It is still too early to get any kind of conclusion and we are not in a position to make any comments in that respect.

In health I guess the same is true as companies are concerned with improving their margins again following this period of doing which I guess most of the industry has experienced this increase in the frequency of utilization, especially in the 2H08 and part of 2009 and to a lesser extent due to the Influenza, the Swine Flu, in some months in the 1Q.

I guess we have all the conditions in place to see an improvement in the 4Q compared to the 3Q. As those, I would say, factors have already lost their influenced in the final losses and which would also point to a better year of 2010 in that respect. This is the way the Company is looking for this business in this, I would say, period.

Eduardo Nishio:

Great. Thank you.

Giovanni Baulino, Tenax Capital:

Thank you. Another question if possible, on the other insurance business line, can you give me a more color on what happened here and can you, please, try to provide some guidance going forward for this business line which has been very volatile also in the past? Thank you very much.

Arthur Farne d'Amoed Neto:

Giovanni, I guess in a nutshell, this line, as you have just pointed out, is highly volatile. This is a narrow portfolio with too many different lines within it, so it is difficult for us to guarantee that we will not see volatility coming again in this portfolio. We have, I would say, a trend, I cannot provide you any guidance, but in terms of positioning I can maybe share with you the fact that we have a trend to reposition ourselves towards more of a retail business rather than just concentrating in a large PNC single business.

Exactly, to cage in a curve down the volatility we have seen in this portfolio. There are many factors which may affect the final outcome in terms of loss ratio if we are concentrated at many single large pieces of business in the portfolio, that is something actually maybe we are going to see a change in the future as we have very good experiences in our bundled packages of home owners, commercial, condominiums, etc., which are maybe I would say a focus the Company should dedicated itself over the next months.

Giovanni Baulino:

OK. Thank you.

Operator:

This concludes our Q&A portion of the call. I would now like to pass the floor back to Mr. Arthur Farne for any closing remarks.

Arthur Farne d'Amoed Neto:

Well, thank you again for your participation, for the questions which have a great enrichment of our discussion. The Company is available to all of you, by our IR website or our IR department to any further questions you may have in the future. Thank you again. Good bye.

Operator:

Thank you for participating in today's conference call. You may now disconnect.

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