PORTO SEGURO

Conference Call
2Q14

08/07/2014 at 09:00 a.m. (NY time)










NOVO MERCADO
BOVESPA BRASIL

Agenda
2Q14

- *Principal Accomplishments and Highlights*
- *Business Growth - Revenues and Premiums*
- *Margin and Operational Efficiency*
- *Return on Investments and Financial Results*
- *Net Income and ROAE*

Executive Summary: Principal Accomplishments 2Q14

- We ended the second quarter and the first semester of 2014 reporting a growth of, respectively 16% and 17% in total revenues, which was propelled by the insurance premiums growth and a greater financial revenue in the period

- Written premiums increased 12% in the 2Q14 and 14% in the 1H14, emphasizing the auto insurance of Azul brand that grew 20% and P&C products of Porto brand, which increased 25% in both periods – rise of 492 thousand vehicles and 215 thousand residences reaching an insured fleet of 4.8 million (+11%) cars and 1.9 million (+13%) insured residences

- Operational performance was negatively impacted by the rise of total loss ratio – The Combined Ratio attained 95.9% in the quarter (+1.4 p.p. *vs* 2Q13)

- Total loss ratio rose 2.2 p.p. in the 2Q14 and 2.3 p.p. in the 1H14 due to the increase of robbery and theft frequency in the auto segment. On the other hand, loss ratio in the health segment declined 3.3 p.p. as a result of our strategy to improve the product portfolio profitability

- The G&A ratio grew 0.2 in the quarter and 0.1 in the semester explained by advertising expenses that were anticipated to the first semester. However, excluding this effect the G&A ratio would reduce 0.2 p.p. and 0.4 p.p. in both periods thanks to process improvements

- Revenues from non-insurance business were higher 20% in the 2Q14 and in the 1H14, derived mainly by credit operations evolution, which grew 29% in the quarter and 25% in the semester, increasing the number of credit cards (+351 thousand), which reached 1.5 million in the period

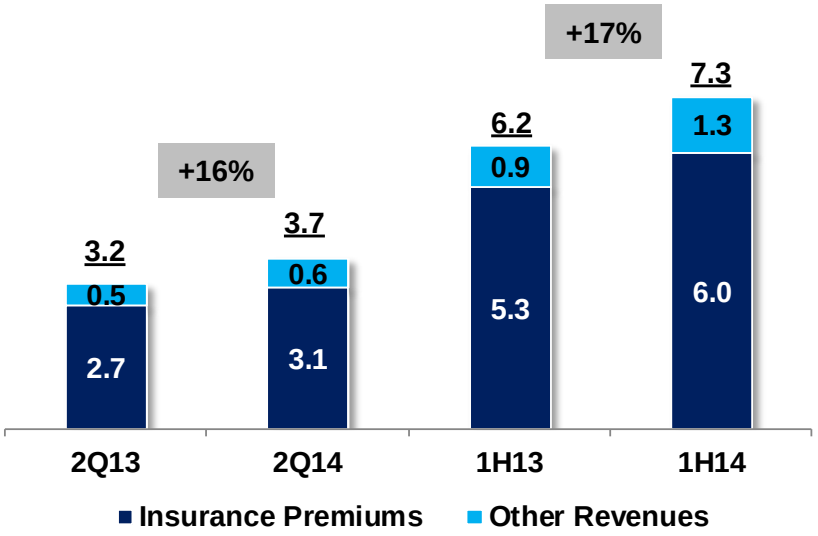
- Financial Results was 92% superior in the quarter and 106% in the year, especially by the higher CDI in the period (+40% vs. 2Q13) and also due to better relative returns - Excluding pension, total yield was 2.78% (111% CDI) in the quarter and 5.04% (101% CDI) in the semester

- In the 2Q14 our profit came in at R$219 million (+13%) and the ROAE achieved 18.1% (-0.1 p.p.). In the semester net income was R$372 million (+23%) and ROAE reached 14.8% (+0.8 p.p.)

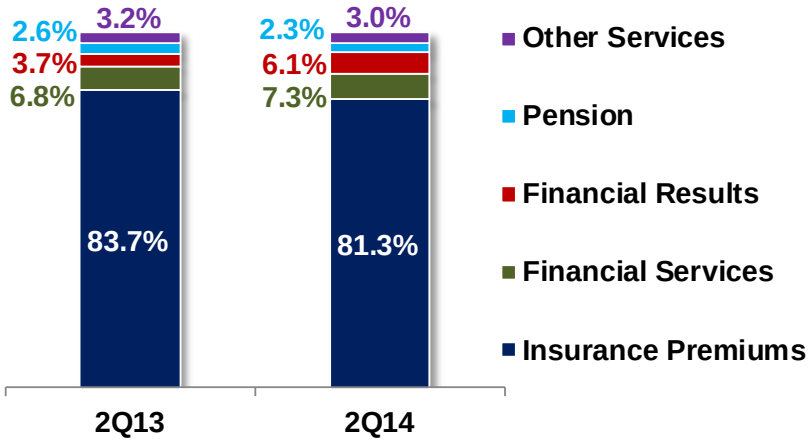
Revenues and Premiums

In the 2Q14 total revenues increased 16% and total premiums grew 12% mainly because the Auto products growth and a higher financial revenue in the quarter

Total Revenues (R$ Billion)

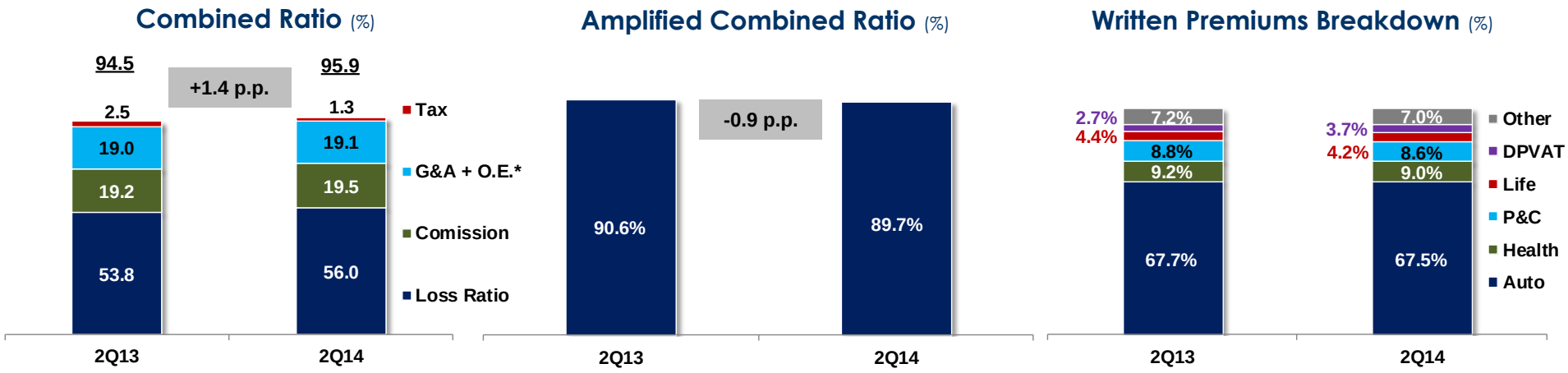


Total Revenue Breakdown (%)



Operational Results - Insurance

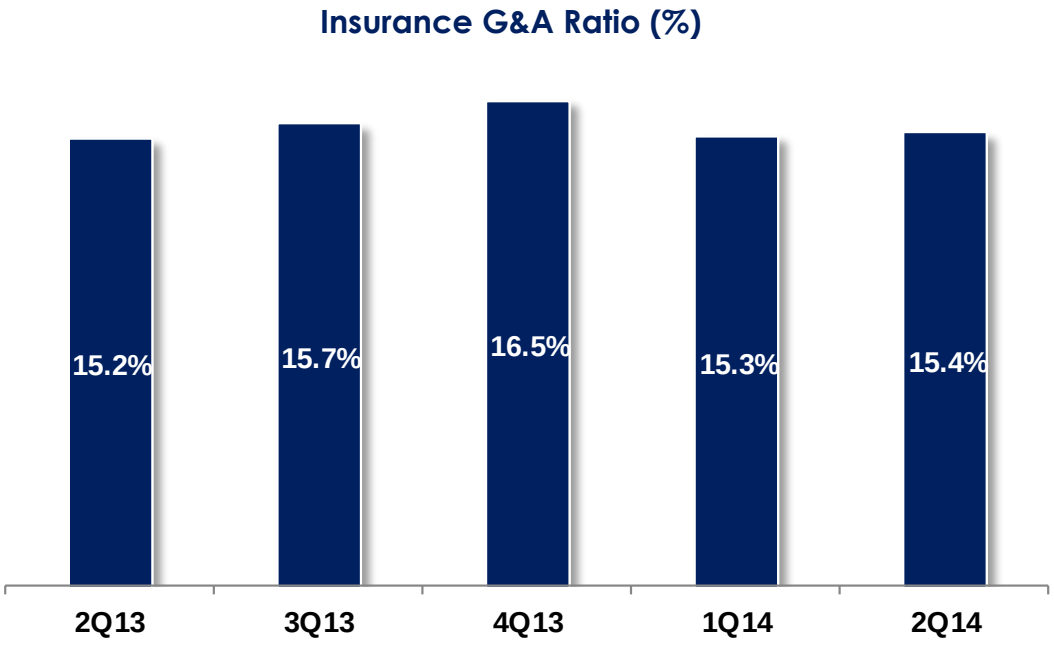
The Combined Ratio increased due to the elevation in the auto products loss ratio (+3.0 p.p.), however that effect was partially offset by a lower loss ratio in the health products (-3.3 p.p.) and a fall of insurance tax ratio (-1.2 p.p.)



*Administrative Expenses + Other Operational Expenses/Revenues

Administrative Expenses - Insurance

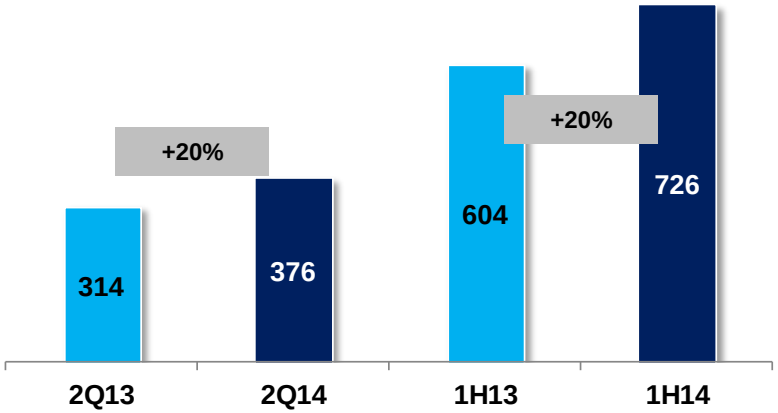
The G&A ratio increased 0.2 p.p. in the quarter chiefly due to advertising expenses that were anticipated to the first semester – excluding this effect the G&A ratio would reduce 0.2 p.p., thanks to process improvements



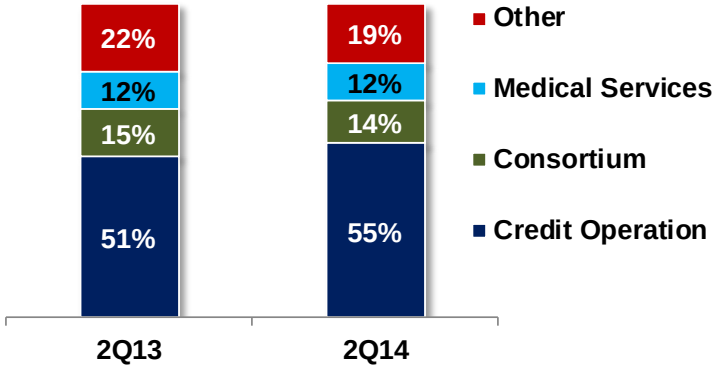
Non-Insurance Business Operating Results

Non-insurance business revenues growth reached 20% in the quarter driven principally by credit operations evolution – ROAE decreased 0.9 p.p. reaching 21.6% in 2Q14 chiefly explained by the initial expenses of start-up businesses

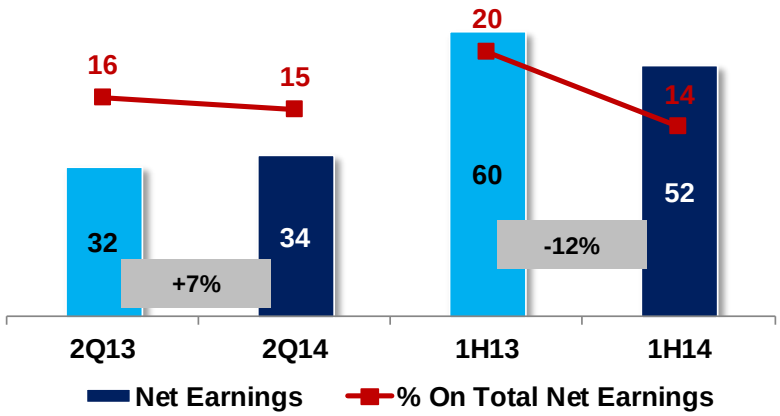
Total Revenues (R$ Million)



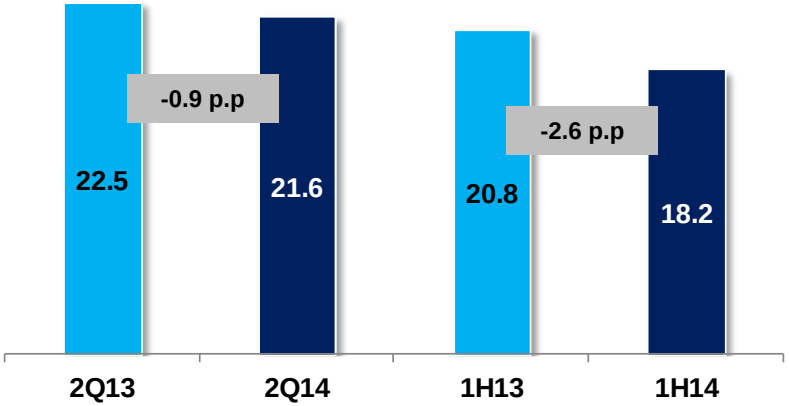
Revenues Breakdown (%)



Net Earnings*



ROAE (%)

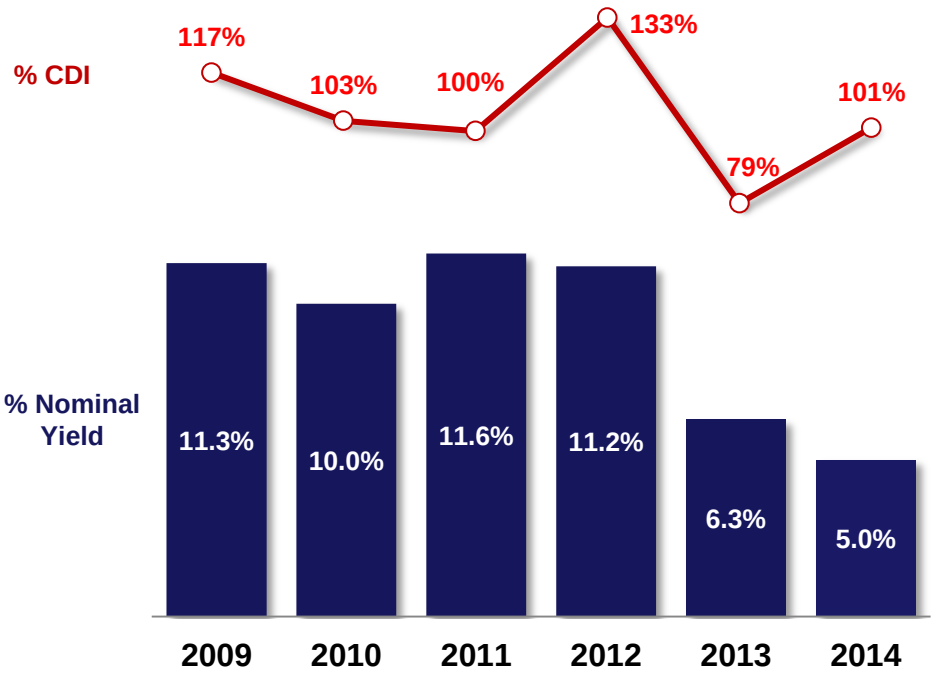


*In relation to Porto Seguro total net income (without Business Combination)

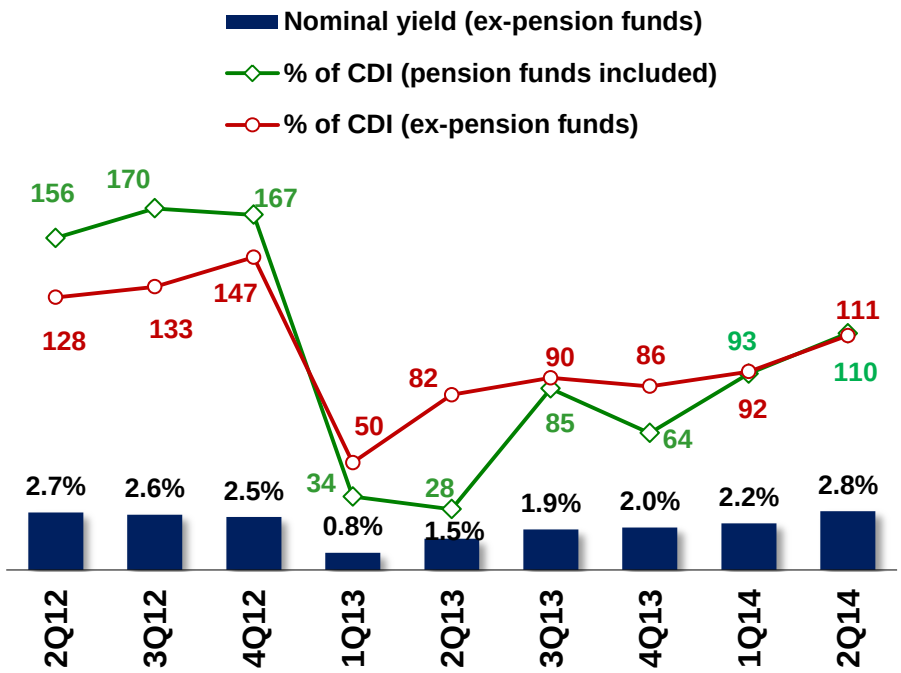
Financial Results
Yield and Income

The financial result was boosted by technical reserves linked to nominal yield and real interest and by trading strategies in the future market and stock exchange – Total yield (Ex-pension) was 2.78% (111% CDI) in the 2Q14 and 5.04% (101% CDI) in the 1H14

Return on Investiment Portfolio (% of CDI)
(Total Assets, EX-Pension Funds Included)



Quarterly Performance

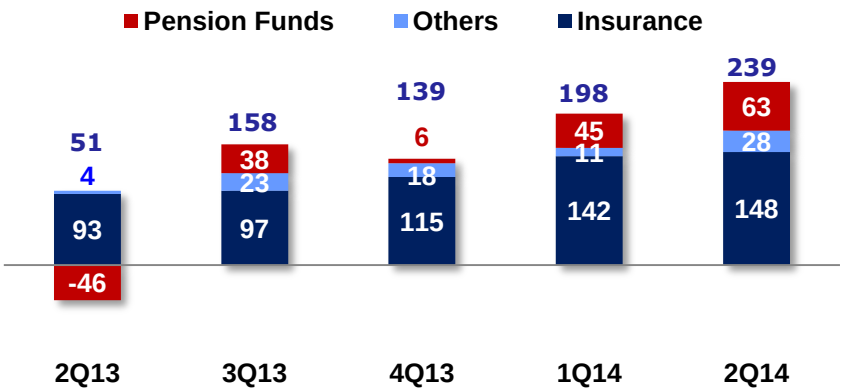


* *CDI – Risk Free Rate (Similar to LIBOR)*

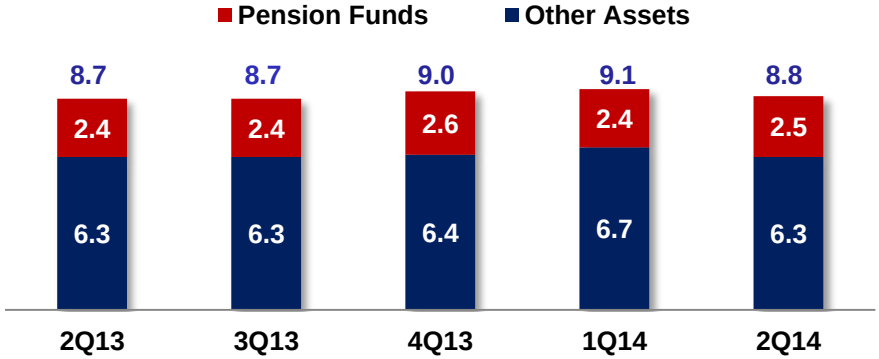
Financial Results
Yield and Income

Total portfolio achieved R$ 8.8 BI, generating a financial revenue of R$ 239 MM in the quarter. Excluding pension funds the portfolio achieved R$ 6.3 BI producing a financial income of R$ 176 MM

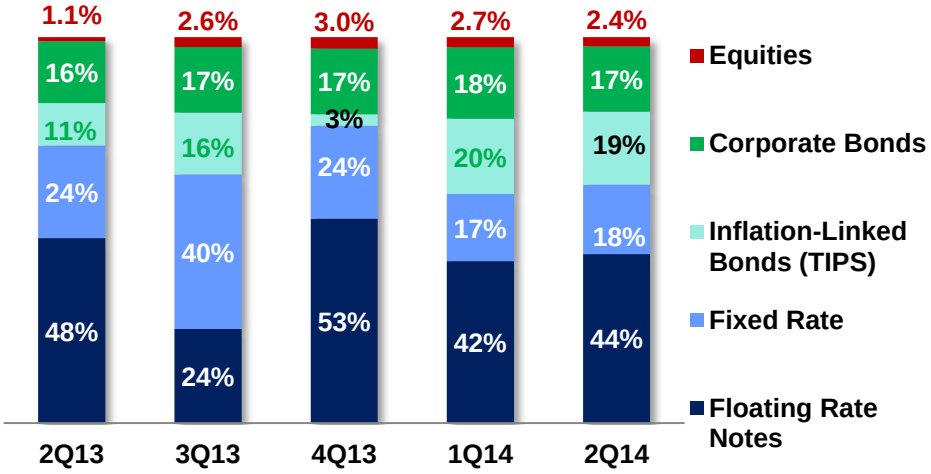
Revenue from Investments Assets (R$ Million)



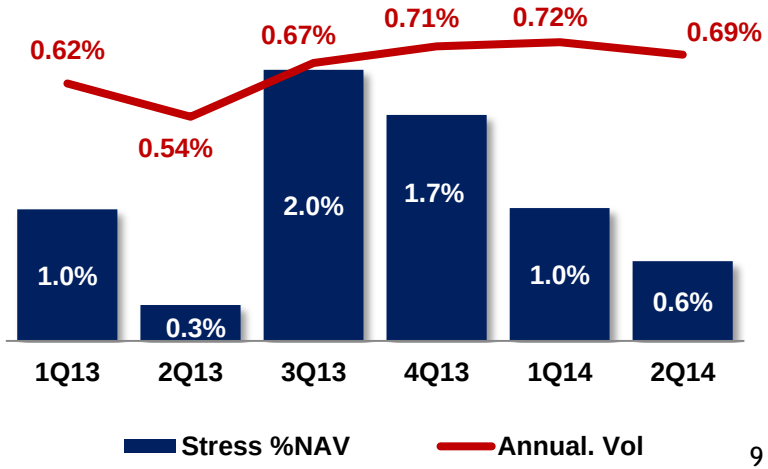
Net Asset Value (R$ Billion)



Allocation[1] (ex-Pension Funds)



Risk Exposure (ex-Pension funds)[(2)]

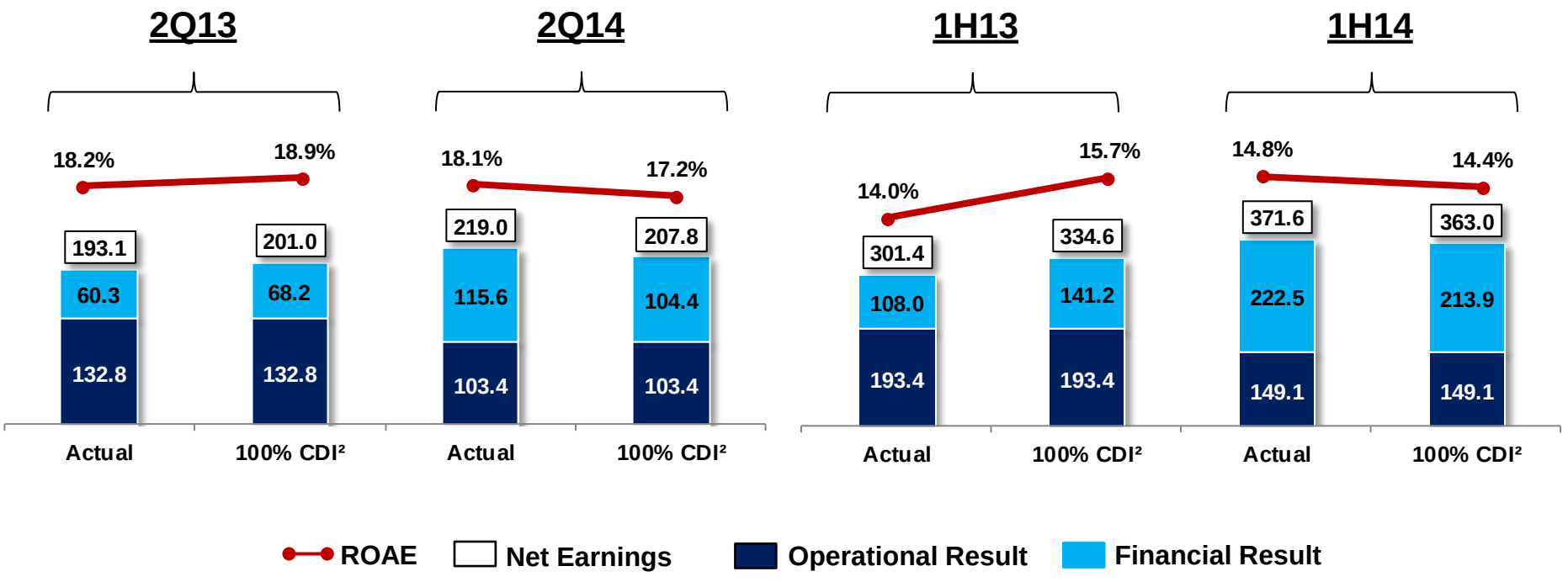


[1] *Futures exposures included.*
[2] *Brazilian Futures Exchange (BM&FBOVESPA) stress scenarios.*

Results and ROAE

Better financial result has compensated a lower operational result, generating net earnings of R$ 219 million (+13%) in the quarter – ROAE reached 18.1% (-0.1 p.p.) in the quarter.

Net Earnings[1] (R$ Million) **and ROAE[1]**



[1] Considering the whole Company (insurance and non-insurance) – Without Business Combination.

[2]Result (pro forma) considering a return on investments of 100% of CDI and excluding client's pension provision.

*From 2009 to 2013 the average return from the financial investment portfolio (ex-pension) was 106% of CDI.

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