



Operator: Good morning everyone and thank you for waiting. Welcome to BB Seguridade's 4th Quarter 2015 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. The presentation is also available in the "Financial Information" section of BB Seguridade's website at www.bancodobrasilseguridade.com.br. 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, 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. For more information on the Statements of the Company, please check on the MD&A. With us today are Mr. Marcelo Labuto, BB Seguridade's CEO, Mr. Werner Süffert, BB Seguridade's CFO and Mr. Rafael Sperendio, Head of Investor Relations. Mr. Sperendio, you may now begin.

Sperendio: Good morning. Thank you all for joining our conference call. Beginning on page 3, we have some highlights from 2015. The first one here is our Adjusted Net Income, that reached R\$3.9 billion, equivalent to a growth of 22% that is compared to Adjusted Net Income for 2014. We have a very balanced contribution between the non-interest operating result and the net investment income. So, both contributed almost equally to the growth in Net income for the year. The Combined Revenues from our Underwriting and Accumulation Businesses grew by 11%, driven mainly by the pension plans, which have grown by 19% on total contributions. In our operation at Life and Rural both have grown, had better operation performance with an improvement of 3.5% p.p. in the combined ratio.

In SH2 –our P&C company – the Net Income grew 52% a strong performance of the financial results. For pension plans we reached R\$148 billion in AUM. This was one of the main highlights for the year, a growth of 32% over the last 12 months, such performance allowed Brasilprev to reach the leadership in P/VGBL reserves, an outstanding performance in Net Inflows, Net Inflows that are accounted for nearly 50% of the industry. The distribution in BB Corretora, brokerage revenues grew 11% driven mainly by the brokerage revenues arriving from SH1 and the Brasilprev. And finally, the last point that I'd like to highlight here is the distribution of R\$ 3.4 billion in dividends equivalent to 80% payout ratio.

Moving to page 4, we have the one-off items that affected our earnings in the year. So, in the second quarter we had the reversal of the Supplementary Coverage Provision in Brasilprev in line with all the actions that we have been adopting to adapt the company to the market risk regulation, and in the third quarter we have the effect of an increased tax rate for social contribution from 15% to 20%. So we had a positive impact in our insurance companies – SH1 and SH2 – mostly due to the recalculation of social contribution before tax asset from 15% to the current 20% rate, creating this positive impact in the net income of nearly R\$ 42 million, so the account Net Income reached R\$ 4.2 billion, and the adjusted Net Income R\$3.9 billion.

On the page 5, we have a brief overview of our performance, we breakdown the total revenue and we breakdown the earnings. So Revenues and premiums written and contribution of pension plans and also collection from premium bonds amounted to R\$16 billion in the quarter, 1% higher YoY and on the annual basis in 2015 total revenues reached R\$ 60 billion, an increase of 11% driven mostly by the performance seen in Brasilprev, as I just mentioned. So, as you may see in the upper right hand side, pension plan business segment increased by nearly 3.9 p.p. its share in total revenues, as compared to the same period last year. So, as a result, our Adjusted Net Income reached R\$ 1 billion in the quarter, 12% up YoY. While in the full year, the adjusted



net income amounted to R\$ 3.9 billion, a growth of 22%, an equivalent to a ROAE of nearly 55%. On the earnings breakdown, we can see that here in the SH1 an increase by 0.6 p.p. its share in Net Income, mostly driven by a strong operation result, an improve on the financial result, while BB Corretora lost a bit of share, mostly due to a less strong financial result, we can say, and a lower growth in total revenues as compared to the preview year.

On page 7, we are going to cover in more details the performances of each affiliate. So, in the life segment, Life and Rural the retained premiums dropped by 9% YoY mostly due to retail performance in credit life and mortgage life, and on the annual basis, retained premiums grew by 1%. The main highlight here for this company would be the Life products sold in the bancassurance channel, which grew by 7%, and also the Rural, on a combined basis are the three lines under the Rural segment, they grew 18% and it is worth noting here that this lines had partially, had drop in lines that depended more on credit origination, like in credit life and mortgage life, and also we saw a weaker performance due to the more challenging scenario for the life insurance products distributed in independent broker channel. On the other hand, we had a strong performance on the operational and financial side, so here we have the Net Income growing nearly 26%, and on a quarterly basis, in a year over year comparison, it grew by 9%, and the ROAE reached 47%. On the operating side here, regarding the operational performance at this operation, the loss ratio dropped from 28.9% to 28.7% on the 4Q 2015. This loss is a result of the lower loss ratio in the life segment, including the credit life product, and when we look at the performance here it is worth noting that there is an increased performance, increased participation of the bancassurance channel in the total premium distributed in the life segment. So, as the life insurance distributed, the bancassurance channel had a much lower loss ratio, we can see that the combined loss ratio for 2015, and also on the year over year comparison, for the quarter decreased as compared to 2014. The commission ratio increased a little bit, and it was also a result of the increased participation of the life insurance distributed in the bancassurance channel, a higher commission ratio that give us a good thing for the overall performance of the company. This commission is paid to our own broker BB Corretora. On the lower left hand side, we can see an increased G&A ratio. It was mostly related to the increase of expenses to the movement that we have been implementing in both companies, they are moving to a new headquarters and we are going to centralize all the operations in a single building from 2016 on. This was one of the main explanations that we can give about the increase in the G&A ratio, and, as a result, the combined ratio increased a little bit from 70% nearly in the 4Q14 to 72.7% in the 4Q15. But it remained almost stable on the annual comparison, so nearly 70% the combined ratio for 2015. Moving to page 9, we have here our P&C business, so the retained premiums dropped 4% YoY. In 2015, retained premiums grew 0.4%, and here we have been seeing a more challenging scenario in the segment, for auto, which accounts for nearly 2/3 of the total retained premiums in the company and the spotlight is on the financial result which grew by 77% YoY and helped the improvement in the net income that grew by 52% as compared to 2014, and a ROAE of nearly 13%. The thin VAR is applied to the quarter on quarter, sorry, not to the quarter but on a YoY comparison. So, this was mostly boosted by the improved performance of the financial result. On the operating side on page 10, the combined ratio's rose by 0.8 p.p in 2015 mostly due to a higher G&A ratio, and an increase in the other operating income – expenses – and this was a result of the movement that we had to build an additional provision for loan losses in the 4Q 2015 and this is mostly related at the increased participation of the large risk segment, demanding a large amount of premiums to be ceded to reinsurance. So these provisions, they are mostly related to credit that we have with reinsured operations. So this was the main driver to the increase in the combined ratio in P&C segment.



On page eleven, we have the performance in pension plan. We can see that in the quarter, the contributions increased by 5% YoY. In 2015, total contributions grew 19%, 10 bps lower in Redemptions ratio. In Net Inflow, as you can see, Brasilprev keeps doing very well, presenting a growth of 11%, and accounting for nearly 50% of the total industry's net inflows, and as a result here on upper right hand side, total AUM reached R\$148 billion, a growth of 32% over the last 12 months. The management fee grew by 26% this year, a little bit below of the growth of the AuM, and it was a result of the 7 bps drop in the average management fee, that we charged from the average fee of resources and this was driven by an higher concentration of plans with lower fees charges, mainly for high net worth clients that we have been focus of the funds that we have been raising over the last quarter. So, when we look at the overall performance, the Net Income grew by 18% in 2015, equivalent to a ROAE of 39%, a lower return as compared to the one achieved in 2014, here mainly explained by the increase of the earnings retention, to also to prepare the company to the new capital requirements that will be in force in 2016 and 2017, regarding the market risk regulation. This was the main explanation for the drop of the return on equity; Net Income itself grew by 18%.

On page 12, we have the performance in our premium bonds segment, so collections dropped by 8% year over year, and 3% in the annual basis as compared to 2014, but on the other hand here premium bonds reserve rose 5% along for the growth in the net interest margin led to this increase in Net Income of 11% YoY and 17% on the annual basis. So, this retention, in terms of reserves, in addition to the improved Net Interest Margin helped a lot the company to grow the Net Income of 2015.

The distribution side, on page 13, BB Corretora's brokerage revenues grew by 2% in the quarter on a year over year comparison and 11% on an annual basis and in both cases here – SH1 and Brasilprev were the main drives as you can see on the right hand side, both of them increased their share in the revenues breakdown. The Net Margin rose 3 p.p. this year and here is worth noting that we have a higher deferrals being accrued to earnings without an expense associated to them. This is helping the Net Margin to increase, and in addition to the higher Selic rate that we had experienced in 2015 and our less expensive product mix and, as a result, an increase in revenues, an increase in Net Margin, Net Income grew 7% YoY, 17% on annual basis.

On page 14, we have the accountability of BB Seguridade guidance. So the first item here, the adjusted Net Income, we had a range from 3.6 to 3.9 and end of the year, at the top of the range, R\$3.9 billion in Net Income. For Premiums written at BB MAPFRE SH1, Life and Rural, we had a range from 5% to 8%. We missed this guidance. We reached 2.3% and it was mostly due to the more challenging scenario for products linked to credit – mortgage life and credit life mainly – as well as a lower than expected performance in the life insurance sold in the independent brokerage channel. And finally, the third one is the growth of Reserves in P/VGBL at Brasilprev, a range from 27% to 36%. We reached almost 35%, at the higher end of the guidance. For 2016, on next page, we have the guidance for earnings growth from 8% to 12%. This is really translating what management expects to maximize earnings to shareholders. So, even in this more challenging scenario that we are experiencing right now, we still believe that we can grow Net Income in a range from 8% to 12% in 2016. So, this finishes our presentation here. I would like to thank you all again, and we can move to the Q&A session.

Operator: Ladies and gentlemen, we will now begin the Question and Answer session. If you have a question, please press star nine (*9) on your touch-tone phone now. To withdraw the question press star nine again (*9). Please hold on while we collect the questions.

Our first question comes from Thiago Batista with Itau BBA.



Thiago: Thanks for the opportunity. I have two questions. The first one is about the earnings guidance. I think I was a little surprised, at least it surprised us, how narrow was your earnings guidance this year, considering all the macro volatility. So, the difference from the top to the bottom of the range is now 4% versus 8% in 2015 guidance. Could you comment to us your main assumptions for this guidance and how comfortable you are with this very narrow bottom line guidance? And the second point about pension business, we saw some contraction in management fee during the last quarter. Could you comment about your expectations in terms of management fees going forward, and if you could also comment about the type of clients you will focus in 2016 in the pension business.

Sperendio: Hi, Thiago. Rafael speaking. Thank you for the question. Regarding the first one about the range more narrow as compared to what we provided in 2015, the main reason was... we have two points that we'd like to highlight here. First of all we improved all the project process together with all the companies, so that have a much more accurate view in terms of forecasting, the results going forward, so this is also one of the main factors that helped us to narrow the range. The second one is, as we are planning to decrease last year's the top of the range was nearly equivalent to a growth of 22% in Net Income and the bottom was nearly 13% growth, 12% to 13% growth to the bottom of the range, so as we are decreasing now to a growth of 8% to 12%, the distortion around the mean is pretty much the same, is a little bit less but not that much, as it seems in the first view, so, this both factors contributed to a range that is more narrow as compared to the previews one. On the pension business, regarding the drop that we have been seeing on management fees, we do not see any major change in this trend, probably it will continue going down but at a slower pace. This is mostly related to the focus that we have implementing, that is even now, in the scenario that we are nowadays to keep focusing on the high net worth individuals, in both of them – Banco do Brasil's clients - they have normal, or lower management fees due to their higher volume of the investments that they have, so we do not see any change in this drop in average management fees in the short term, at least.

Thiago: Ok. Just one follow-up on the first question. What is the Selic rate you are using in your forecast? Is it similar to the consensus? How is your Selic rate?

Sperendio: It's pretty close to the consensus that we have nowadays, according to the last report issued by the Brazilian Central Bank – the Focus report.

Thiago: Ok. Thank you, Rafael.

Operator: Ladies and gentlemen, as a reminder, if you would like to pose a question, please press star nine (*9).

Once again, ladies and gentlemen, as a reminder, if you would like to pose a question, please press star nine (*9).

Operator: This concludes today's question and answer session. I would like to invite Mr. Rafael Sperendio to proceed with his closing statements. Please Mr. Sperendio, go ahead.

Sperendio: So, I'd like to thank you all again for speaking in our conference call. We remain available for any further questions you may have, so, thank you, have a good day.

Operator: With this we conclude BB Seguridade's conference call for today. As a reminder, the material used in this conference call is available on BB Seguridade Investor Relations' website.



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Thank you very much for your participation and have a nice day. You may now disconnect.