



**International Conference Call  
Itaúsa – Investimentos Itaú S/A  
4<sup>th</sup> Quarter 2015 Earnings Results  
February 24<sup>th</sup>, 2016**

**Operator:** Good morning ladies and gentlemen, welcome to ITAÚSA's conference call to discuss 2015 results. At this time, all participants are in a listen-only mode. Later, we will conduct a question and answer session and instructions will be given at that time.

Should you require assistance during the call, please press the star followed by zero. As a reminder, this conference is being recorded. The file will be available at the Company's website at [www.itausa.com.br/en](http://www.itausa.com.br/en), at the Investor Relations section.

This conference call and the slide presentation are being transmitted via internet as well. You can access the webcast by logging on to the Company's website, [www.itausa.com.br/en](http://www.itausa.com.br/en).

Before proceeding, let me mention that forward-looking statements are being made under the safe harbor of the Securities Litigation Reform Act of 1996. Actual performance could differ materially from that anticipated in any forward-looking comments as a result of macroeconomic conditions, market risks and other factors.

With us today we have:

- Mr. Alfredo Egydio Setubal – CEO and Investor Relations Officer at Itaúsa;
- Mr. Henri Penchas – Board Member at Itaúsa;
- Mr. Marcos Antonio De Marchi – CEO and Investor Relations Officer at Elekeiroz;
- Mr. Guilherme Setubal Souza e Silva – Investor Relations Manager at Duratex and;
- Mr. Marcelo Kopel - Investor Relations Officer at Itaú Unibanco Holding.

It is now my pleasure to turn the call over to Mr. Alfredo. Sir, you may now begin.

**Mr. Alfredo Setubal:** Thank you. Thank you. Good morning for those who are in the US and good afternoon for those who are in Europe.

We are starting our annual conference call of Itaúsa. We will cover Itaúsa itself, Elekeiroz, Duratex and Itaú Unibanco.

I will pass the word to Henri Penchas, our CFO that will talk about the numbers of Itaúsa.

**Mr. Henri Penchas:** Thank you Alfredo. I will talk about the numbers of Itaúsa and give some information about Itaútec, how is going the process of shutting down Itaútec.

After me Mr. De Marchi will explain Elekeiroz and after that we will have Duratex, after that we will have Itaú Unibanco.

Slide number 4 you can see the ownership structure of our conglomerate and thus you can see more or less in the middle of the slide that Itaúsa increased the participation in Itaú Unibanco in 0.64% in 2015 due to the buyback of shares done by Itaú Unibanco.

Slide number 5 we have the composition of the assets and liabilities of Itaúsa; 95% are our own assets and just 5% is the debt of Itaúsa. From the 5% - that represents R\$2.2 billion – 1.4 billion are represented by dividends payable to the shareholders, and the net debt is in a very, very strong position with a very good debt index, with a very good liquidity and with a positive net debt index.

The slide number 6 the dividends and interest on capital. We can see that the dividends growth from 2014 to 2015 to the shareholders is of 27%, and this year (2015) we are not making any capital increase in 2016, so that's why the net dividend had so big increase.

In the right side of this slide we can see that we are paying exactly the dividends received directly and indirectly from Itaú Unibanco with a compounded annual growth rate of 13.8% of growth.

Slide number 17 we have the total assets of Itaúsa since the evolution of the total assets since 2011 with a compounded annual growth of 10.8% in the period, and from the total of R\$47 billion we have 43 billion in investments in subsidiaries and the investments in the bank represents 94.4% of the total, and industrial area represents only 4.9%.

Slide 8 the evolution of the stockholders equity and net income and the numbers per share where we can see very reasonable numbers compound annual growth rates in all the numbers.

Slide 9 return on average equity (recurring and nonrecurring) with an increase of... with a total return of 21.2% in 2015.

The slide number 10 where we have the distribution of the profit by sector and we see that the total equity income 99.8% is represented by the financial area, and 0.2%

by the industrial area with the main contribution of Duratex and the total income of Itaúsa with an evolution of 7.9 billion in 2014 to 8.8 billion in 2015.

The performance of Itaúsa preferred shares the trading volume with an increase of 29.5% of compounded annual growth and daily average volume increased from 132 to R\$168 million per day.

The weight of the shares of Itaúsa and Itaú Unibanco represent 13.4% of the total volume of IBovespa.

Slide number 12 we can see the discount of the Itaúsa in comparison with the value of the shares that compound Itaúsa that are comprised by Itaúsa of 23.7% as of 30th December 2015. Last Monday the discount was of 22.2%.

Slide 13 we have the evolution of the shares, the percentage of evolution of the shares and the appreciation in reais of Itaúsa, Itaúsa considering the reinvestment of dividends the IBovespa, the CDI and the dollar. We can see that in 10 years the growth of Itaúsa only the CDI was higher.

In 5 years the share of Itaúsa decreased much less than the national index of the stock market and lost the gross loss to CDI and the dollar, and in 12 months the share was not so good the evaluation of the shares in comparison with all the others indexes.

Slide 14 all the recognitions and indexes that Itaúsa is included. We are included for the 12th consecutive year in the Dow Jones Sustainability World Index and we have the highest score in the financial sector in anticrime policy, financial stability, financial inclusion, social reporting and talent attraction and retention.

And we are also for the 9th consecutive year selected as component of the ISE – that's an index of our stock market BM&FBovespa –, we integrate the Carbon Efficiency Index and we also are following the guidelines of the new version of G4 of the Global Report Initiative.

Slide 16 just an evolution of what's happening with Itaútec. We accomplished all this sale of all the equipment that we had and we continue to honor all the warranties and contracts related to the equipment that was sold in prior years. On February 25, 2015 the Board of Directors of Itaútec approved the intention to exercise the put option of 30% held in AOC Brasil.

In December we received 170 million from the government of federal court order that we call here in Brazil "*Precatórios*", so we can see on the right side of the slide a good position of cash and cash equivalent in comparison with the debt of the company.

I'll pass the word now to Mr. de Marchi to tell us what's happening with Elekeiroz. Please, De Marchi.

**Mr. Marco de Marchi:** Thank you Henri. Good morning to all of you.

I'm going to talk about Elekeiroz in 2015. I will start on page 18 where we can see that the shipments in Brazil for chemical products, the demand for chemical products dropped 6.8% following the Brazilian industrial decrease of 6.3% in the domestic industry.

We can see on the chart on the left side that overall in 2015 we have this 8% for Elekeiroz drop in volumes, but quite different in the 2 halves of the year, I mean, the 1st half being at 172,000 tons and the 2nd one with a significant recovery of 39% we achieved at 239,000 tons.

I have also to say that the 1st half was impacted by the scheduled maintenance shutdowns we have had in 4 factories and also the capacity increase in the sulfuric acid plant, and the upgrade and interconnection of the industrial gases unit in Bahia.

On page 19 we can see that the net revenue has dropped 4% against 2014 and here again 2 different halves of the year: The 2nd half being 20% recovery in comparison to the 1st one.

I have also to point out that the gross profit in 2015 is 34% higher than the previous year and also the 2nd semester has been the double of the 1st one.

On page 20 continuing the finance performance, 2015 we have had 3 nonrecurring items: The sale of a property ground that is not related to our operations, the tax credits recognition resulting by a lawsuit whose judgment was in our favor, and also civil contingencies reversal that were done in the previous year.

In 2014 on the other hand, we have been affected in negative of 18.6 million.

Well, the net income of the company is a loss of 11 million in 2015 coming from a loss of 32 million in 2014, and here I can the 2nd semester has shown profit of 1.4 million against 12.4 losses in the 1st half.

On page 21 we can see 4 charts showing the effect of the Brazilian recession in our... of the Brazilian economy recession in Elekeiroz and in the shipments, 2014 and 2015 also in the net revenue, but with our action plans we have in the net income and Ebitda a positive result in 2015 against 2014.

On page 22 investments and outlook, we reached 83 million in this year of investments being the highlights: The conclusion of the gas plant of Elekeiroz where we have had an upgrade and also the interconnection with our oxo alcohol plant in Camaçari, the capacity expansion of the sulfuric acid, as well as the launch of 2

important products; one being the plasticizer high-performance non phthalate, and the 2nd one the butyric acid that till now is only imported in Brazil.

Well, the projects in these investments will be fully reflected in 2016, but these reflections have already started in 2015 2nd half, being especially the increasing of the shipments due to the capacity expansion of sulfuric acid and the benefit of more competitiveness in our oxo alcohol and plasticizer coming through the investment in the gas plant of Camaçari.

Thank you very much and now the floor is with Guilherme Setubal that will talk about Duratex. Thanks.

**Mr. Guilherme Setubal:** Good morning everybody. Let's start Duratex presentation on slide number 24 and here the idea is we should discuss the highlights of their 2015.

The 1st one is regarding the wood divisions. In the wood division we increased exports in more than 50% in 2015 when we compare 2014. It's important to mention here that this is part of our strategy to increase the revenues that is coming from out of Brazil through Tablemac and exports.

Highlight number 2 is regarding Deca division. Deca division increased margins in 2015 from 17 to 17.7 in this tough scenario.

Highlight number 3 is regarding the capacity utilization: We announced in the middle of December a temporary shutdown of part of the activities in Itapetininga panel plants. It's important to say here that Itapetininga represented at around 23% of our total capacity on the wood division.

And the last one is regarding the dividends: The payment of JCP of 50% adjust net profit.

So please turn to page number 25 and here we will discuss the financial highlights consolidated of Duratex in 2015. The net revenues of Duratex in 2015 were R\$3.963 billion; it's quite stable when you compare to 2014.

Regarding Ebitda the Ebitda in 2015 decrease at around 12% when you compare 2014, reached R\$837 million. The consolidated margins in Duratex in 2015 was 21.1%.

So in the picture below you have the recurrent net profit. The net profit in 2015 decreased 38% and reached at R\$222 million. Basically the reduction in support 4 reasons: The 1st one a decrease of volume; the 2nd one cost increase coming from basically energy costs; point number 3 an increase of financial expenses; and point number 4 is regarding the biological assets, a situation of biological assets.

In 2014 we bought Caxuana Forest and this acquisition had a positive fluctuation in our biological asset and we didn't have this subject in 2015.

Regarding the recurrent ROE, the recurrent ROE of Duratex in 2015 was 4.8; a reduction from 8% from the ROE of 2014 and the average equity was R\$4.607 billion.

So please turn to page number 26 and the idea here is to discuss the operational highlights of the wood division. So the volumes of the wood division in 2015 decreased at around 10% when you compare 2014. The volume in 2015 was 2.5million m<sup>3</sup>.

So in the picture beside we have the occupancy rate of the wood division in 2015: MDF the occupancy rate in 15 was 61%, on MDP side the occupancy rate was 54% and the hard board the occupancy rate was 81%. So as you can see, the occupancy rate average in 2015 was very low; that's why we decided to shut down temporarily the Itapetininga's plant.

So now please turn to page number 27 and here we have the financial highlights of the wood division. The net profit in 2015 in the wood division was R\$2.6 billion; a decrease of 1.7% when we compare to 2014. In the picture beside we have the recurrent Ebitda; the Ebitda in 2015 decreased at around 18% we compare 2014 reached R\$595 million. The average Ebitda margin of the wood division in 2015 was at around 23%.

So right now please turn to page number 28 and here the idea is to talk about Deca division. The Deca's volume in 2015 decreased 2.3 when you compare to 2014, but it's important to say here that this volume is including Corona. Without Corona the volume in Deca division decreased at around 7% year over year.

In the picture below you have the occupancy rate of the Deca division in 2015. On the sanitary wares the occupancy rate average was 61% in 2015 and the metal feelings the occupancy rate in 2015 was 59%.

Turning to next page, page number 29, and we will discuss the financial highlights of Deca division. Net revenues of Deca in 2015 increased 1.7% reached R\$1.365 billion. In the picture below we can see the Ebitda and Ebitda margin, so Ebitda in 2015 in the Deca division increased 6%. The total Ebitda in 2015 was R\$242 million, and regarding the Ebitda margins, as I said before, the Ebitda margin in 2015 in Deca division was 17.7%.

So right now, please, turn to page number 30, and here we have the Capex of the company over the last years. In 2015 the total Capex was R\$556 million, basically 262 was for the maintenance of the industrial business, 116 regarding the Corona acquisition and the rest 178 was our forest Opex for the plantation of our forest in Brazil and in Tablemac in Colombia.

So please, turn to next page, page number 31, and the idea here is to discuss our corporate debt. The net debt in December 2015 of Duratex was R\$1.9 billion; this amount was at around R\$28 million a lower than the net debt in September 2015. Year-over-year the net debt increased R\$186 million, basically due to the Corona acquisition.

Regarding the net debt Ebitda, the net debt Ebitda increased from 1.8 in December 2014 to 2.3 in December 2015, basically for 2 reasons: The 1st one, as I said before, regarding the Corona acquisition and the 2nd one is because our Ebitda reduced in 15 when we compare to 2014.

In the picture below, we have our amortization schedule for the next years. In 2016 we have at around R\$500 million in debt that will expire over the year, and as you can see in the picture on the left side we have more than R\$900 million in cash, so we have enough cash to pay all debts of 2016 and part of our debt in 2017.

But it's important to mention here that the idea is to rollover the debts over the next years.

So regarding the composition of our debt 62% of our debt are in domestic currency, basically BNDES loans, rural loans and working capital, and at around 37% are in foreign currency, basically resolution 4131.

But it's important to mention here that 100% of our debt is hedged to BRL, so we don't have any exposure in US dollar or other currency than BRL in Brazil and *pesos colombianos* in Columbia.

So finally, turning to the last slide of Duratex, slide number 32, and the idea here is to talk about our strategic position. So, what were our priorities from 2007 to 2014? Increase of capacity through expansion and acquisition, we can see this very well in the picture above, as you can see we doubled our capacity on the wood division and on the Deca division; an integration between Duratex and Satipel, the merger happened in 2009; point number 3 acquisition and integration of 6 companies, so as you remember we bought 2 companies, ceramic plants in the Northeast, a Thermosystem, electronic shower, Tablemac in Columbia and other companies; point number 4 a geographical and product diversification.

So, an example of that is our electronic business that we started in 2012 when we bought Thermosystem.

An increase of market share, number 5. Point number 6 is customer services and finally the corporate governance consolidation.

So right now what are our focus in 2016 and we started this in 2015: 1st one – it's very important one – it it's our internal agenda. Basically we have 3 projects ongoing:

The 1st one is 0 basis budget, a project more focused in reducing fixed costs started in July 1, 2015; the 2nd one is Duratex management system, this project started in 2014 more focused in variable costs and redo the process; project number 3 is regarding the logistics project, the idea is to reduce our logistic costs at around 10%, our total logistic cost per year is R\$250 million; and finally the idea is to improve our working capital, the idea is to reduce our inventories and extend the tenor to pay the suppliers.

Point number 2, as I said in the 1st slide, the idea is to increase more exports, so we increase the volumes in 50% when we compare to 14 and the idea is to increase more 50% in terms of volumes in the 16 when we compare to 15.

Number 3, our Capex to be only for the sustaining of the business, integration between Thermosystem and Corona, Hidra and Corona (our electronic shower business).

So, number 5, adjustment in our capacity, so we did that in the middle of December 2015 and, finally, regarding M&A our strategy is the same so the idea is to analyze some business related to the civil construction sector.

So that's it. Thank you very much. I pass the word to Mr. Marcelo Kopel, from Itaú Unibanco.

**Mr. Marcelo Kopel:** Thank you Guilherme. Good morning and good afternoon everyone. We are now continuing the presentation from page 34 onwards.

Starting with recurring net income of 5.1 billion in end of 4Q, which brought us 22.9 billion accumulated results in 2015, representing an 8.6% increase year over year and translating that into a 22% recurring ROE for the year.

Assets reached nearly R\$1.3 trillion and the stockholders equity attributed to owners of the parent company reached R\$112.3 billion at year end.

The loan portfolio, which includes also sureties and endorsements, reach the R\$548.5 billion; a nominal increase of 4.2% compared to the previous year, and our loan loss provision expenses for the year totaled R\$24.5 billion; representing a 30.2% increase year-over-year.

In the context of capital management we repurchase 115.4 million of preferred shares issued by the company and also during February of 2016 the Board of Directors approved the renewal of a repurchase program of up to 10 million of common shares and 50 million of preferred shares issued by the company.

Turning to page 35 on our loan portfolio, the loan portfolio illustrates the strategy that the bank has adopted over the last 3 years, which is basically prioritizing assets with lower credit risk with a safer profile and we can see here that in the comparison year



over year the portfolios that can be highlighted are: Payroll loans, which had an increase of 12.1%, and the mortgage loans portfolio, which involved in 19.5%.

When we look at the overall portfolio with endorsements, sureties and private securities, it had an increase of 4.7, which is below inflation and that is a trend that we expect to continue given the low credit demand in the market and the credit policy that we've been following.

Moving to page 36 we show here the NPL ratios, the over 90 days NPL ratios and that we can see that in relation to the macro environment that we've been dealing with where we see slower economic environment coupled with increasing unemployment we see a reflection of that in increasing the individuals portfolio NPL moving from 4.7 in December 2014 to 5.4 and a slight increase on the company's portfolio and the overall index coming from 3.1 to 3.5%.

So when we move to page 37 we talk in the slide about the allowance for loan loss, the balance of that, which has been growing and grew from R\$22.4 billion as of December 14 to R\$26.8 billion bringing our coverage rate increasing from 160 to 164. And it's important to mention that the bank will continue to provision and keeping the strength of its balance sheet over the course of the time. We recognize it's a challenging macro environment and the bank is well positioned and prepared for that.

Moving to page 38 we see here on the left side of this chart the evolution on banking service fees, which grew something around 11.8% and this is fully aligned with our focus on continuing to expand our services to our clients and making more use of cross sell.

In the top bar of this chart we see the commissions and fees resulting from insurance pension plan and premium bonds. The comparison here shows a reduction of around 3% and this is basically the fact that we exited some non-core business in 2014, therefore in 2015 we don't have those revenues, but the aim focus here is really to concentrate on bank assurance products that we have been very successful on this strategy.

Talking about expenses, we continue developing our efficiency programs and this is something that we will continue to do during 2016.

Talking about the recognitions, you know, the important ones regarding Dow Jones Sustainability Index, where we are the only Latin America bank in this part of the index since the creation of that, and also we were recognized in anticrime policy measures, financial instability and systemic risks and financial inclusion and social reporting as one of the leading institutions on that.

And we continue to be part of the local sustainability index in Brazil for the 11th consecutive time. So this just reinforces our commitment to have a sustainable business and looking for long-term... having a long-term view on that.

On page 40 3 things to highlight: Final approvals from all regulators were obtained for the Itaú CorpBanca in Chile, which should take place during the course of the 1st half of 2016; the acquisition of Connect Card, which is a company that is in the means of payments arena and this is fully aligned with us being an important participant on that and; finally, we acquired a company called Recovery, which is focused on credit recovery, they have a best-in-class operation in the market and this is fully aligned with the bank strategy and any enhancements that we can do in our collections could represent future efficiencies in our operations.

Moving to page 41 here we demonstrate how we go with stockholders equity column starting from the Brazilian GAAP values of R\$106.4 billion and now we reach the 112.2 billion equity of controlling shareholders in IFRS. So this is just how we reconcile one to the other one.

Now moving to page 42, where we basically show how each item carried out against the guidance we provided at early 2015 (all figures here are Brazilian GAAP).

Well, we basically show that we delivered what we signaled to the market early in 2015, and when we moving to page 43 we provide a guidance regarding 2016 (everything under Brazilian GAAP), but we basically expect a nominal portfolio expansion... or actually contraction starting from... you know, that ranges from -50 bps to 4.5% on a consolidated basis for our operations.

Financial margins with clients expanding from 2% to 5% year over year. Loan loss reserves net of recoveries ranging from 22 to R\$25 billion, commissions and fees expanding from 6 to 9%, and non-interest expenses growing somewhere between 5 and 7.5%.

This is in line with our commitment to grow below inflation and, nevertheless, this is a challenging environment where we are going to be experiencing during the course of the year.

So from that I'll turn back the comments to Mr. Henri Penchas, who will take over the call.

**Mr. Penchas:** Thank you Marcelo. With the presentation of Itaú Unibanco we finished the presentations of the main controlling companies, and now we are open to your questions. Please.

## Q&A Session

**Operator:** Thank you. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please, press the star key followed by the



one key on your touchtone phone now. If at any time you would like to remove yourself from the questioning queue, please, press star two.

Please, restrict your questions to 2 at a time.

This concludes today's question-and-answer session. Mr. Alfredo, at this time you may proceed with your closing statements.

**Mr. Alfredo Setubal:** Thank you all for the participation. I think we had a very good audience; we had a record number for the participants of Itaúsa conference call in English and also in Portuguese earlier.

And I think we were able to pass all the numbers and the strategies from Itaúsa and all the subsidiaries.

Thank you for your participation and I'll wait to see you again next year when we prepare the annual conference call of Itaúsa.

**Operator:** That does conclude our Itaúsa's 2015 results conference call for today. Thank you very much for your participation. You may now disconnect.