

Operator:

Good morning. Welcome to the conference call of Porto Seguro to announce the results of the 4Q17. Today here with us we have Mrs. Fabio Luchetti, CEO; Marcelo Picanço, CFO and IRO; Celso Damadi, CFO and Controller; and Ricardo Fuzaro, Manager of Investor Relations.

We would like to inform that the presentation is being recorded and simultaneously translated into English. All participants will be in listen-only mode during the conference call while the Company its information and then we are going to have a question and answer session when further instructions will be provided. Should any of you need any assistance during this conference call, please request the help of an operator by pressing *0.

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Before proceeding, we would like to clarify that statements made during this conference call relative to the business prospects of Porto Seguro financial and operating projections and goals are beliefs and assumptions of the Company's management, and they are based on information currently available.

Forward-looking statements cannot guarantee future performance because they involve risks, uncertainties and assumptions as they refer to future events and therefore depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions and other operating factors may also affect the future performance of Porto Seguro, and may lead to results that will be materially different from those expressed in such forward looking statements.

Now, I would like to give the floor to the Company. Please, you may proceed.

Fábio Luchetti:

Good morning to everyone. I would like to thank you for you attendance to our conference call to release the results of the 4Q17. Moving to slide number four, we have here our main accomplishment for highlights.

On 2017 we still felt the effects of the economic recession. There was a weak demand and there was an increase in criminality in some states in Brazil. Moreover, the strong drop in interest rate and the competitive scenario in auto insurance affected and influenced the insurance industry. The premiums earned in the market, excluding Health, increased by 6% in 2017, was a total of the increased sales in the main segment.

In Porto, in spite of our difficulties, we are able to grow in all our business lines. Our policy of geographic expansion, together with our diversification of products and our

discipline in terms of price recovery contributed to increase operational results by three times of compared to the same period in the year before.

We also had a higher relative performance of financial investments that was significant in a year with strong reduction in interest rate.

In our main business, which is auto insurance, premiums have evolved with a reduction in loss ratio, as a result mainly of tariff adjustment. The insurance fleet decreased because of more competition and a weaker demand. However, the automobile industry already shown signs of recovery and auto sales have been increased by 9% in 2017.

In other business segments, annual premiums of our property product Health, Life, Transport and our revenues from Credit Card, Loans and Concession increased more than 10% in terms of the customer base. During the year, we have developed several projects in order to optimize processes, modernized our service structure and we increased the focus on our digital channels with the aim of improving customer experience and specially to give support to our broker.

Moreover, we are very happy with some awards that we received like the Most Beloved Brand, in the category Auto Insurance by Consumidor Moderno magazine; the Most Reliable Insurer, according to IBOPE and Selections magazine; the Most Remembered Brand, Top of Mind Premium; and the first insurance in the satisfaction categories Automobile and Home Insurance by the newspaper O Estado de São Paulo.

Now, we are still using or making the most of our opportunities whether in insurance industry or in other business that we operate on, with growth strategy focused on profitability.

In this manner, I would like to thank all our employees, brokers, partners and investors for another year of diversification, and especially of trust in our Company.

Now, I would like to turn the conference over to Marcelo who will continue the presentation talking about specific details of each business line. Thank you very much.

Marcelo Picanço:

Good morning, everyone. On slide five, we have the consolidate results 4Q17 and for the year. In 4Q we had an acceleration of revenues with a growth of 9% as compared to the same quarter in the year before meaning a growth that was higher that we had over the year, something like 5%. So, this already shows a better trend of acceleration comparing the way 2017 started and way 2018 is starting.

Insurances, as Fabio said, there was a quite challenging scenario that grew along the year, and all insurances grew by 3%, we have accelerated to 8% growth. And in our vision, this is a little bit the result of the recovery of market prices, especially in the automobile industry, and also in some specific business but especially in automobile industry because auto is 2/3 of our business.

In turn, Financial Businesses and Services have grown about 15%, our business because we still have a significant opportunity for expansion in this business, a smaller base. We also have good opportunities for synergic expansion, and we keep the same strategy.

In addition to talking about the result of 4Q and the year of 2017, I would like to have a slightly more strategic approach on a longer basis for you to look at the evolution of our revenues.

When we look at the five years basis, Automobile insurance, which is our main business has grown less than other lines but it gained market share between 2013 and 2017. The three brands, growing from 26% to more than 27% market share.

In Other Businesses, as I said before, we have a focus on the expansion that is significant especially in the lines of Life and Property insurance we grew 13% or 14%. Looking at the annual growth rate on a five years scenario, it is in line with our strategy of diversifying in terms of our differentials and explores the partnership with our channels, especially with our brokers.

So, both in terms of composition, when we look at 2013 that was 61% for auto with a decrease of 56% without any loss in market share. So, this is an important number.

Now, looking at the result of the insurance operations in 4Q17 we have had a challenging year. In fact, whole the year close with a profitability that increased by 3%. Return on equity, it drop slightly and we basically had different growths when we looked at business by business, with some significant accelerations towards the end of the year. But we believe that we closed the year 2017 with a better trend than we had in the begin of the year.

Our combined rate is good, much better than we have been had for a while, it is the best in many years of 96.9% and the main drop as compared to last year is due to the reduction in loss ratio, especially in comparing the adjustments and improvements in underwriting our core products in Automobile industry. But we also had a loss reduction in other lines too, especially in equity, which had an excellent result in terms of reduction of loss ratio, and is a portfolio that is gaining relevance year after year in our business composition.

Once again, with a more strategic perspective on looking at our businesses, since we started the year with a smaller interest rate in history and the past known and measured. I think it is very important to put into perspective how we have behaving in terms of the changes of interest rate versus operating result, because, as we say to the market, we always look at the financial equation in an integrated manner, with two components, the operational and the financial component, and especially looking at the component with a long term and prospective vision; that is, before the changes in interest rate take place.

So, looking at chart from 2013 to 2017, and in 2013 our interest rate was 23.3% on an average CDI and now evolving to 10% in 2017, and the combined ratio is reduced at times when we have a reduction in the interest rate. This may not happen in the 1Q or 2Q, but looking at longer terms, we can balance this.

The threat here is terms of profitability obviously is much more related to a cyclical dynamic of price competition, which is not structural for us, is cyclical, than macroeconomic factors. The macroeconomic factors are balanced by the operational result, as you can see here in the chart covering 15 years of results.

Talking about the competitive environment, we would like to zooming into this and acknowledge that the auto industry has evolved 7% in the year, with a loss reduction of 1.2%, which was lower than what we had. But the year had two very different halves. The first half of the year with intense competition towards the end of the year with a much better loss ratio scenario.

The whole market started the year with a 1.6% loss ratio, and closed the year with minus 3.95% in 4Q. So it was very different. And in spite of the drop in loss ratio, which obviously implied a price adjustment - and also in terms of acceptance, but also in pricing, the growth itself was higher in the second half of the year than in the first. Of course this is related to price, but it also shows that the market has resilience and total demand for items does not change so much in terms of pricing. So, the demand is more inelastic in this case.

When we look at the players and their position, obviously there is a correlation present at this year and many others years. So, having a more strategic look in a long term there is a sacrifice in the expenditure index, that is, it worsens as market growth increases.

We do not believe that there is magic here, but rather there is a movement of market gaining market share with more price aggressiveness that is practiced by one or more player in different quarters, and there is a positive correlation of increase in a premium and the worsening of the expenditure.

Still in terms of a strategic view of auto insurance in Brazil, when we going back to 2011 and looked at the insured fleet, there was a peak in 2015, with 17.4 million vehicles in terms of insurance fleet, and this related to the entire macroeconomic scenario of automobile sales.

When we look at total premiums, they are much higher in terms of revenue. So, the industry may have lost a little over its peak of 2015, we are smaller by 800,000 vehicles, even so we could expand our relative size in terms of premiums.

We believe that is an industry that is resilient in spite of crisis. It does not mean that we are not affected by the crisis, but we are less affected than other industries.

On slide 11, we are still talking about the competitive scenario, in a five years analysis in terms of the performance of the leading auto insurers and how the drivers of the industry behave. It is very clear to us that, with a few exceptions, the market gain is very much related to a certain acceptance that the loss ratio goes up with this, even more than the market. So, players who have won the market have, in general, a strong relationship with the increase in loss ratio.

The most important chart here is the one on the right, showing auto loss ratio evolution as compared to the interest rate. It is very clear that this two are related, the drop in interest rate and the drop in loss ratio. So, what we have been doing in terms of loss ratio and the result is very much related to the projection of a smaller interest rate too.

Now, I would like to talk more about our Financial and Services businesses. The earnings in the quarter were slightly smaller, especially because of a specific result of our telephone operation, Conecta, our cellphone Company. We are making a few

adjustments to find a right path for a growth strategy focused on Porto Seguro customers.

The telecommunications market had a second half of the year very aggressive in terms of price, so there was a very strong drop in prices in the second half of the year.

This is not our positioning. We want to preserve a healthy margin, but we had to pay the price for that in terms of fewer customers. So, our base is smaller than we would like it to be and this is a business that needs a customer base to expand. All other businesses are expanding double digits, with a few exceptions.

Even though this was a year of structural changes caused by our regulator, especially in terms of cards and loans, we expanded in spite of that, 14% in the year. In the last quarter, our growth was 17%. Here, we are talking about credit operations. To offset the drop with interest rate, because there was a reduction in a rotation interest rate and that we were obliged to allow for payment of bills in installments.

Now, talking about financial investments and our allocation, the conclusion is that this was a good year in terms of relative performance, if we compare to the CDI. This has been a year with a quite challenging second half of the year, especially because of the volatilities, political instabilities that affected the market. But the three quarters were well superior to our reference rate and made it possible for us to have a good result.

There was a drop in CDI in excess to what we expected in the beginning of the year, not just us, but everyone in the market. So, this was already in the price, in the operational insurance price, there was an expectation of drop, so in this manner we have an interesting composition without changing much the risk of the portfolio.

We have reduced our risk level because of pricing, especially in fixed income. It is very close to what we believe is fair, so it reduced our exposure because there was not much more to gain. But the card on the whole is in line with what we have been doing for years and this has been the history of our financial investments.

Lastly, we were able to close with a recurring net income at 6% for the year and in the quarter, 9%, slightly more, and a total for the year in terms of net income and ROE and now especially because of our sale of the IRB, because of the IPO. We did it on the following weeks. We did not do it together with the IPO. Our profit would be 20% superior to last year, with 15.7% in terms of ROE and recurring net earnings for the year, 15.1%.

So, for a year that started with many challenges, even above what we projected earlier in the year, not just us, but the whole market, we closed the year with a quite significant operational recovery, and it helped us to have this performance that was superior to last year.

Now, I would like to open the floor for questions and answers. Thank you very much.

Gustavo Schroden, Bank of America Merrill Lynch:

In this quarter, the Company had the smallest loss ratio of the past ten years. Do you still have any room to improve it any further? How could you do that?

Fábio:

Gustavo, thank you for your question. So we expect that if we combine everything, we will still have room for slight reduction, not at the same pace we saw in 2017. Obviously there are some factors that we believe to be related – the drop in interest rates, the scenario of violence and the problems of public security in many states. So we believe there is room for a loss in drop ratio, considering that this scenario will be more or less that as it has been recently.

Rodrigo Euclides da Silva (via webcast):

Should the Company change its business model for auto insurance because of the significant increase in crime rates in Brazil?

Fábio:

Hello, Rodrigo. Thank you for the question. We are not expecting any major changes in our business model. The issue rate is monitored statistically as well as robbery and theft, even though the media has been talking a lot about it. Our rates today are considered to be lower than they were a few years ago. Once rates go up, it does in the market as a whole – it is not just for us.

So we are talking about underwriting, it changes depending on the region, circumstances, a state may be worse another. For example, the state of Rio de Janeiro is undergoing a critical phase in terms of crime rates. So this affect underwriting and we cannot have the same policies in different regions in a country as big as Brazil.

So, of course, technology allows changes in the use of smartphones, it makes it possible for us to price products, have different behaviors, to know other car crash rates today, which have reduced a bit this year as compared with a few years ago.

If there is anything new to come up is related to the use of technology, to know or to separate better drivers from worst drivers in terms of driving behavior.

Gustavo Lobo, JP Morgan:

Good morning, everyone. Thank you for the call. I have two questions. The first is related to Porto Conecta. I would like to understand your strategies for 2018 for improvements. Are you going to invest more in marketing? Or are you going to have a leaner cost structure? What are you expecting in terms of results for 2018? Then, I will ask my second question.

Marcelo:

Hi, Gustavo. Thank you for your question. The strategy has a few fronts, but the most important one is to reinforce Porto's differentials with Conecta of not going into this price war – this is not our game. We do not want to play that game. And we want to emphasize the benefits customers have – to reduce their losses and increase acquisition.

And the second part, there is a discussion in terms of improving our business model efficiency and we are doing so in a slightly more organic way. So we are going to show benefits, sell more and we are also going to work on efficiency.

Gustavo Lobo:

It is very clear. Thank you very much. Now my second question – when I compare your capital efficiency, ROAE, premium growth and payout delivered, there seems to be room to an increase in payout. So this premium growth is clear, but it is not huge and the Company is still generating results. Is this in your agenda? Even if it is a gradual increase in terms of increasing your dividend payout?

Company:

Yes. This is in our agenda. Of course, we have this concern, including the drop in interest rates. When we are aware of the effects there although we have undergone many different times of investments, stability and evolution in the regulation. And there was also a significant change at the turn of the year in terms of an update.

Other capital that is required for some portfolios, but we have an even greater safety level. So I think that the answer is yes, the scenario is positive. On one hand, there is organic recurrent dividend and on the other hand, we need to analyze possible and extraordinary distributions. We do not know when that will be, but obviously in our scenario. Thank you very much.

Gustavo Lobo.

Thank you very much.

Eduardo Nishio, Banco Plural:

Thank you for the presentation. My question is regarding the outlook for 2018. So you finished 2017 with 6.9, an excellent result. What are the other prospects for 2018? Could you give us some color in terms of percentage points that you can improve to deal with a lower interest rate?

Fábio:

Hi, Eduardo. What we have seen is that, yes, there have been movements in the market in terms of adjustments and, here, we have a positive trend, not thinking just of the sales scenario. So profitability has improved and there is slight reduction in our fleet. So there is a prospect of a good scenario for 2018.

Eduardo Nishio:

If you could tell us since you have mentioned this – the competitive scenario, there are many insurers that are still changing prices to tackle the drop in interest rates and all the effort. That is my second question. Thank you very much.

Company:

We can see some movement in certain insurance companies, but there is still a significant group that is lagging behind in terms of adjustments, so we do believe, obviously and according to our viewpoint, that there is still room for some changes in this competitive scenario.

Eduardo Nishio:

Thank you very much.

In terms of the loss ratio evolution and combined ratio, with a marginal improvement for 2018, considering that interest rates is going to go from 10% to about 7%, on average, in 2018, can you see any improvement in your earnings this year?

Company:

Hi, Eduardo. In terms of recurring, believe that, yes, there may be some opportunities.

Eduardo Nishio:

Thank you very much.

Vitor Mizumoto, Eleven Financial:

Good morning, everyone. Thank you for taking my question. In terms of growth in the next few years, there was something interesting: you have kept your share buyback program. Is it relevant or not? Do you think that your shares are not overpriced?

Considering this scenario, I cannot see where the growth is coming from, because if we look at the auto industry, there is quite a furious competition. It is very a commoditized market, it is very much price-driven and you have grown so much. How did you manage to do that? Especially considering the overall scenario in which everything is very difficult and you have been growing fast.

So I would like to understand where do you see growth coming from looking at the future? And if it is coming from the auto industry, where do you think it is going to come from? When we look at new technologies, we see that auto is the one in which entry barriers and regulation are the smallest ones, so this business line is the most sensitive to market changes.

Company:

I think your question is easy to understand. We cannot make projects for the future. But there is some evidence that led us to believe in that. The number one is that the economy will unarguably be different and better than it was in 2017. There was a growth last year, but we see that the domestic market is peaking up.

Secondly, our indicators and our renewal macros. When we compare ourselves with the market, there is an indication that we have suffered less, showing that almost 60% of our portfolio consists of renewals. This has an important role in terms of preserving average premiums. It is important for the presentation of the portfolio and we also set

conversions in the volume of price quotes that we get every day, which is quite significant; we have seen evolutions, depending upon region and market.

But the market is really repositioning itself. So we strongly believe that in the auto portfolio, which is our main revenue driver, we will be able to grow, combining with a home insurance that has also growing significantly recently.

Vitor Mizumoto:

OK. Even though you are expanding your revenues, the fleet is still going down. So this growth is coming from price adjustments, then you might not be so competitive and the scenario is very competitive. What do you think that is going to be your strategy in the future? What are you going to do about that?

Company:

Deep down, we have lost some fleet, especially this year because we did not have any fleet loss in previous years. We need to adapt ourselves to underwriting in some regions and reposition underwriting, at this time, it is important to preserve our margins and our profits. It is not that this loss is impossible for us to recover, so I believe that 2017 scenario will not repeat itself. And it is perfectly possible for us to recover the fleet we may have lost because we had to make these changes.

Vitor Mizumoto:

Thank you very much.

Gabriel da Nobrega, UBS:

Good morning, everyone. Thank you very much for the opportunity. We saw that your financial revenue has dropped because of the interest rate. In an environment with more pressure, which strategies do you want to implement to make up for this drop?

Marcelo Picanço:

I think that there are two questions. First, in our investment portfolio strategy, there is a curve with higher rates. Then, we have an over in CDI. So, we have a certain buffer and we do it on purpose, because whenever there is an unexpected change, we do not want to suffer so much.

Yes, we do believe that it is necessary to have a result, we try to make investments that sound good to us. And there is no magic. If you look at the 15-year long chart, we have been delivering a level of lost ratio that is lower, not to talk about administrative and operational expenses, so we have a lower loss ratio in more difficult scenarios. It is not that we take advantage of another component. This is an equation and you need to look at it as a whole.

So, it is already in the price, it is not going to go into the price from now on, once Selic goes down to its record low ever. So, our prices are appropriate for this interest rate scenario. Since this falling trend started many months ago, this is how we deal with this situation and I think that our 15-year history shows that it is possible to transfer that.

At some point, the market discusses whether it is possible to transfer the first, second and third month, but it depends on the year and there are some delays in implementing it and some companies just might influence the market. But when we look at the long-term history, which I think is what investors look at when they analyze a company, these two variables, in our case, have been well balanced for over a decade and we want to keep the same strategy.

Gabriel da Nobrega:

Thank you. My second question is, how do you see the evolution of the new businesses that are at start-up phase and how do you think it can capture results in 2018?

Fabio Luchetti:

Hi, Gabriel. The start-ups, in our scenario, will all improve their margins in 2018. Some of them will even break even and others are still at the phase of loss, they are going to improve their margins, with a smaller impact in the final results.

In the case of Conecta, and a question was asked about that, there have been some setbacks in terms of reducing our problems in terms of product. But also, in 2018, there will be significant improvement, as Picanço already said.

Filipe Temple, Rosas Participações:

A question has already been asked about payout, but do you have any numbers in terms of payout to disclose? Will it be kept at about 40%, 35%, 50%? Do you have a more concrete number for payout? And also with regards to the business here of 2017, will there be any extraordinary payout?

Marcelo Picanço:

Yes, I think that in the short term it is possible that we get to 40%. Yes, this is a possibility. We still have to finalize a few discussions, but we are very much inclined towards that number of 40%.

Daniel Manzano, Bradesco:

Good morning, everyone. Thank you for the opportunity to ask a question. I would like to understand the falling trend in terms of people having their own cars, considering that Porto's core business is auto insurance. How can we make up for that? Is there any action to avoid it? Or, if it effectively occurs, do you think property insurance would become your focus, so that you could keep on delivering your results? Thank you.

Marcelo Picanço:

Hi, Daniel. I think that this is a question that is important strategically. We have been researching other countries in the world on this trend. What you need to know is that we need to be very practical in terms of result. Number one, in terms of behavior, this is a long trend, it is not immediate. It is not going to be like that here, not even in anywhere else in the country or in the first world. It is not related to some niche, segment, or class.

In the case of Brazil, there are a few unique features where automobiles are still a consumption dream. Public transportation is really lagging behind in terms of more developed countries, so often times you cannot give up a car, and if you can have a car, you will buy a car and buy insurance because you do not have the coverage and capillarity in terms of public transportation as it is offered in other places. And you cannot give up your car without suffering.

In terms of acknowledging that this is a trend and we do not know how soon this will happen, we have a business that is still incipient, the so-called *Carro Fácil*, or Easy Car. We have a subscription for a car for people who no longer want to own a car. They want to use a car for a certain period of time and then they may renew it or not after a year.

These issues of urban mobility, owning the asset or not, we analyze this and we also have our enterprises there. In order to be ready for the changes that are yet to come. This is part of our strategic plan and vision to diversify our sources of revenue. We know that automobile is still a significant source of revenue. It still is the main one, but it is smaller than it used to be a few years before.

So, this is in line with the movement, but, once again, this movement is not disruptive in the short term, it is more in the long term, and we need to be prepared and ready to explore better opportunities. We do not believe this is a short-term threat, given the behavior of people. In the launch of *Carro Fácil*, what customers said is that they still want to own the asset, it is emotional, they want to feel that they own the car.

Daniel Manzano:

Thank you very much.

Tito Labarta, Deutsche Bank:

Hi, good morning and thank you for the call. Just one question, if you could give me an update on your succession planning and how much longer you think Jayme will remain as Chairman and Fabio as CEO. Do you have any updates on the process? Thank you.

Marcelo Picanço:

Hi, Tito. In fact, what we have done is that we have defined that Roberto Santos will assume the Executive Vice-Presidency, EVP, and he is going to succeed Fabio during 2018, so this year. However, we do not have a definition for the Board. So, for the President of the Board, it is not defined the succession, or the person, or timing. So, when we have that, we will disclose it to the market, but we do not have it yet.

Tito Labarta:

Thank you, Marcelo. I missed the first part of it, did you say that it should happen in 2018? I did not get when. I missed the first part of it.

Marcelo Picanço:

Probably, that is going to happen in the first half of the year, but I do not have the exact month it is going to happen.

Tito Labarta:

OK, first half. So, the Chairman will retire and Fabio will become the Chairman? Is that the plan? You do not have who will be the CEO yet? Has that been decided also or not?

Marcelo Picanço:

Could you repeat the question, please?

Tito Labarta:

I just wanted to clarify. In the first half, there will be some kind of announcement? Is it clear that Jayme will retire and Fabio will become the CEO, but you do not have who will replace Fabio yet? I just wanted to get some more understanding on what exactly will be announced.

Marcelo Picanço:

No, I am only referring to the movement of Fabio stepping down from CEO and Roberto stepping up to CEO. I am not talking about the movement of the Board, because that movement is not defined.

Tito Labarta:

OK, it is clear. Thank you very much.

Operator:

Since there are no further questions, now I would like to turn the conference over to the Company for their closing remarks.

Fabio Luchetti:

I would like to thank you once again for your questions, contributions, for your interest in our Company and I would like to stress that, if you have any further questions, please feel free to get in touch with our Investor Relations department or even to come and visit our Investor Relations section in our website, which is www.portoseguro.com.br. Thank you very much.

Operator:

Thank you. The conference call of Porto Seguro has now ended. We would like to thank you for your participation and we wish you a good afternoon.

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