Operator: Good morning everyone and thank you for waiting. Welcome to BB Seguridade Second Quarter 2016 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 available in the Financial and Information Section of BB Seguridade, with site at www.bancodobrasilseguridade.com.br.

Before proceeding, let me mention that the forward looking statements that may be made during the Conference Call regarding expectations, gross estimates, projections and future strategies of BB Seguridade are based on management current expectations. Projections of future events and financial trends that may affect the business of the Group and do not guarantee future performances, 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 the MD&A.

With us today are Mr. Werner Suffert, BB Seguridade CFO, and Mr. Rafael Sperendio, Head of Investor Relations.

Mr. Sperendio, you may now begin.

Sperendio: Thank you. Good morning. Thank you all for joining our conference call for the second quarter earnings

So beginning here on page 3, we have the main highlights of this quarter, and the first one here is our net income which grew 9.3 % year over year, driven mostly by the growth in combined non-interest operating result, and also to a lesser extent to the growth of 83 million in the combined net investment income. In our Life and Rural Business, the bottom line grew 9.3 %, year over year, driven mostly by non-interest operating result, and also the net investment income, mostly benefited by the higher average Selic rate in the quarter. In Pension Plans our asset under management grew 31%, year over year, and the net inflows is nearly 60% of the total net inflows in the Brazilian industry. Very happy performance in the Pension Plans. In premium bonds, net income grew 6%, year over year, driven by the still favorable scenario in terms of the interest rates. And at the Broker revenues rose 8% year over year, pushed by the good performance, as mentioned, in Term Life, in Rural, and in Pension. And finally, the last point here, the distribution of R$1,6 billion as dividends, keeping the 80% payout for the semester, so R$1.6 billion distributed to our shareholders as dividends.

On page 4, we have the performance broken by financial and non-financial results, here we can see that net income grew 9.9%, year over year, pushed by the non-interest operation result, especially in Pension Plans where we could see a very good performance in both, in terms of increasing revenues and also improving the cost of income ratios there. In the Life and Rural, the SH1 operation also showed better performance in terms of combined ratio in addition to an increase in the earned

premiums in the quarter, year over year. In year to date performance we consider that income increased significantly, the growth path from the 1% that we saw in March, year to date, to 5.2% right now in June, with a ROE of 52.5% in the semester.

So moving to page 5 we can see the performance of the financial results and the main drivers of these performances, so we can see here that net investment income grew by 3% year over year, accounting for nearly 29% of the net income for the quarter. As compared to the same period of the last year we have some tailwinds for the financial performance like the higher average Selic rate and the downward shift moving forward yield curve. You can see on your upper right hand side where the yellow curves represent the beginning and the end of the second quarter this year, and the blue one refers to the beginning and the end of the second quarter of last year. But on the other hand we're also having this quarter some headwind for the financial results like the lower IPCA in the quarter, impacting the financial securities held to maturity, mainly the inflation protected securities that we have in the pension business. And here specifically in the case of financial results where seasonality does not play a big role, it worth to comment the quarter on quarter performance, so the 5% drop that we can see here was driven by the intensity of the downward shift move on the forward yield curve this quarter, which was much higher in the first Q than was in the second Q, and the lower inflation that is why both the less amplitude of the downward shift movement in the forward yield curve this quarter, and the lower inflation has hit the performance of the financial result in the second quarter as compared to the first quarter this year.

On page 6 we will now begin the discussion by operating segments. So beginning with Life and Rural, the SH1, in terms of topline premiums written grew 12.3%, year over year, pushed by term life as you can see, mortgage life and rural insurance – mainly crop insurance here. The credit Life dropped by 38% year over year, it's still weak but it's much better than the minus 63% reported in the first Q. And retained premiums fall 1.2 % year over year, and this is mainly a result of a strong Rural with a higher share of crop insurance in this first semester, and it's worth noting that when we talk about crop insurance, besides having a huge growth in premiums written we retain just 20% of this risk, because of the volatility, 80% is ceded to reinsurance, so because of this mix shift with a higher participation of the Rural and the crop insurance among premiums written we can see that within the premiums dropped by 1.2 % mostly because the lines that grew the most were the ones that we cede the most to reinsurance, so mainly crop insurance, that's why the growth in premiums written was 12.3% while retained premiums dropped by 1.2.

On page 7 we can see the operating performance of this business, so the solid line here represents the ratios calculated based on the managerial income statement that we show in our MD&A, while the dashed line represents the adjusted ratios, where we tried to normalize the effect of the strengthening and the reversions of provisions, to try to give you a better sense of the trend of the ratios, so considering these adjusted ratios, the dotted line, we can see an improvement in the combined ratio, driven by lower claims mainly in term Life and credit Life, and a lower G&A, which was partially offset by the increase in the commission ratio, year over year we can see, it reached 28%

as compared to 26.4 % in the second quarter of 2015, which is not necessarily bad, as our broker BB Corretora is receiving larger share of these commissions. So this is totally better acquitted for the business.

On page 8 we can see the improvement, how much this improvement on combined ratio brought in terms of increasing the underwriting results, which grew 16% year over year. With a net investment income growing 14% year over year, driven mostly by the higher average balance of financial investments. And even though we are higher income tax rate, the social contribution that has increased last year, in the third Q of last year, that income grew by 10 %. But if we were to set apart this effect looking at Earnings Before Taxes and Profit Sharing, these earnings have grown 16 % year over year, in this quarter.

Moving to page 9, we're are going to talk about our P&C business. Premiums written dropped 1.8%, driven by the weak performance in the auto insurance, impacted by the reduction in the sales of brand new cars and a few challenging environments for this business in Brazil. So when we look at this performance with auto insurance dropping by nearly 18 % while casualties has grown 17.4 % year over year, we can see that we have as in SH1 a shift in the mix of premiums increasing participation of some lines that have a higher percentage of premiums been ceded to reinsurance, so retained premiums dropped at factor based as compared to premiums written, so the retained premiums dropped by 9.2 % year over year, when premiums written dropped 1.8 %. This is totally explained by the change in the mix and the increased share of lines with a higher share of premiums being ceded to reinsurance.

In the operating performance of this business on the next page, considering the adjusted ratios here, as we discussed during the SH1 analyses we can see a deceleration in the combined ratio, mainly due to higher point in auto insurance, as a result of the higher frequency of robbery and theft in the quarter, but even so, on the quarterly basis the loss ratio has improved QoQ, from 64.2 % in last quarter to 62.8 in this quarter.

Moving to page 11 we can that the underwriting result grew by 39 %, we had the reversal of the provisions for claims incurred but not reported, after the spike in the loss ratio in the first quarter, which is totally normal when we look at the provisions flows, so once we have the higher claims reported we can do the reversal of the IBNR, the provisions for the incurred but not reported claims as these claims will now be part of the provisions for claims to be settled, as these claims were already reported. So this is totally normal. That's why after this strike in the loss ratio in the first Q we had the reversal of the IBNR provisions in the second Q, pushing these underwriting results by 39% year over year. In the net investment income performance, it has grown 26%, driven by both the expansion of the average financial investments and a higher average return on these investments manly due to the higher Selic rate in this quarter as compared to the second Q last year. So the net income here grew by 26% in this quarter with a return on average equity of nearly 14%.

Talking about the pension business we can see that the contributions amounted to R$14 billion, 29.5% up year over year, with net incomes growing by 31% year over year. Also helped by the 1 percentage point lower redemption ratio, dropped from 9.3% in the second Q of 2015 to 8.4 % in this quarter. And when we look in terms of reserves it has grown 31 % year over year, while management fees have dropped by 28%, sorry, had grown 28% while the average management fee dropped by 0.06 percentage point year over year, mostly driven by the focus that we still have on high net worth individuals in Banco do Brasil client base, that's why when we look at management fee the average charge-up is dropping year over year, but when we look at total the nominal revenue it's growing 28% as compared to the second Q of 15, driven mostly by the increasing in the reserves, as a result of a very strong performance in contributions and a lower redemption rate as compared to the second quarter of 2015. When we look at the very good performance in management fee, growing 28%, a better cost to income ratio we can see that the net income grew 16 % year over year, with a return on average equity of 39%, also impacted as other companies that I've mentioned by the increasing social contribution, but if we were to set apart this effect looking at earnings before taxes it grew 26% year over year.

On Premium Bonds, on page 13, collection dropped 20% year over year, with bonds outstanding growing by 10.5%. We can see here that the result of the strategy adopted to focus more on the clients from the C and D income segments. led to the drop in the average ticket for premium bonds, so it's worth noting that we are about to launch a new portfolio of premium bonds designed specifically with huge concern on sustainability of these products for clients of medium and highest worth individuals. So we're about to launch and we believe that this is going to help this line rebound in the second half of 2016. But despite this dropping in revenue because of this focus in lower income individuals we can see that is important to emphasize, this also came followed by a lower expenses and a strong net investment income, with the spread growing 0.8 percentage point year over year. And also worth knowing here, as I previously explained, that the spread when we look in a quarter on quarter basis it fell mostly because of the downward shift move in the forward yield curve, which was much stronger in the first quarter, very concentrated in the first quarter. So the amplitude of this downward shift movement was much higher than it was in the second one. As a result, the net income grew by 6% and looking at Earnings before taxes it grew 17% in the Premium Bonds business.

In the Broker, on page 14 we can see that revenues grew by 8% year over year, boosted mainly by Pension Plans, and sales of term Life and mortgage Life insurance in SH1, in addition to the very strong performance in Rural as I previously mentioned. In terms of profitability the net margin remained flat year over year, while the net margin dropped because of the change in the BB Corretora tax regime from the cumulative to the non-cumulative system, so because of this change that happened in March this year, taxes on gross revenues or tax expenses on brokerage increased from 4.55 % to 9.25%. So it led to a drop of nearly 1 percentage point in the net margin, but it was totally offset in the second quarter by the strong performance that we had in the net investment income, because of the higher average Selic rate, so in this business specifically we had a very

conservative approach that majority of the investments are composed by repos totally tied to the Selic. When we look at net income it grew by 8% year over year, which takes 420 million in this quarter.

And finally on page 15 we have our guidance for 2016. So year to date our net income grew by 5.2% with a strong performance in the second quarter pushing the growth rate from nearly 1% as reported in March to 5.2% right now. Anyway it remained below our guidance range – that used to be 8 to 12% – so we identified that according to our estimates for the second half this year the 8 to 12 % range is not feasible anymore, so due to some factors that we could not predict when we built the 2016 budget last year, as I showed you in the previous slide the changing of the tax regime for the broker, in addition to the scenario of lower interest rates by the end of the year, a lower than expected inflation and a weaker than expected sales of credit Life, a higher loss ratio in the auto insurance. So all these factors that we could not predict when we gave the 2016 budget, because of these ones we decided to revise our guidance for this year to 4 to 8 % growth in net income which we believe that is a much more feasible according to the current scenario than the previous guidance.

Well, that's all. We can move to the Q& A session. Thank you.

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

Our first question comes from Gabriel Pimentel from Bradesco.

Gabriel Pimentel, Bradesco: First is about the positive effect from one offs reversal of provisions in SH2. Can you, please, give us more details about what happened? I think there were a couple of provisions that we were not expecting to see at the reversal provisions.

And my second point is on financial results for the Brasilprev which had a weaker rhythm in the quarter, can you please remind us what are the main factors that playing in for this line? Thank you.

Sperendio: Hi, Gabriel. Rafael speaking. So, regarding to the reversal of the provisions that we had in SH2, mostly concentrated in the IBNR provisions, amounted to nearly R$84 million in the quarter. So if we talk about this provision specifically, the IBNR provision, we have a regular point so it's normal for the business, we normally have in the business, this provision of IBNR for claims that we expect to occur in the future but we're not yet reported, but we believe according to our statistical model that they will happen in some moment in the future, that's why we built this provision about the expected

for these claims. When we have a kind of spike in the claims being reported to the company ,we notice that these outrageous forecasts range that we had, and that's why we built the IBNR provision, they are now already being reported as we expected. What happens…how the dynamics works: we increase the provisions towards claims to be settled and we reverse the IBNR provisions, as now these claims were already reported, it doesn't make any sense to keep the IBNR provisions because we are now already building the provisions for clients to be settled, we already know for sure, it is not an estimate anymore. So this is totally normal: every time that we have a spiking in claims being reported we have a reversal of the provisions of IBNR still in the current quarter or in the following quarter. Another effect that impacted here is that we normally every semester we review in our statistical models, in our actuarial models and in the specific case of auto insurance we have identified that the recovery ratio that we were using when we were building the IBNR provisions was well below the historical patterns that we have in terms of claims recovered. So we updated this ratio and that also led to a reduction in the IBNR provision, so both these effects combined led to these 84 million reversal in the provisions of SH2 in second Q.

Just moving to your second question regarding to the financial results at Brasilprev. Brasilprev has a totally different dynamic in terms of financial results as compared to the other companies within BB Seguridade. In this business specifically, what is driving financial results is the defined benefit plan, it's worth remember that it is no longer sold, we stopped selling it in 2002, but we still have a portfolio there, that is also driving the financial results of Brasilprev in addition the company's own reserves, but most of the financial results comes from the defined benefits. In this plan specifically, we have the liability tied to both the IGP-M inflation rate and the TR rate. So, as we have a long… I consider a long term liability tied to inflation, the investments add to our portfolio is also invested in inflation protected securities, because of these dynamics what happens is when we look at the liability side, as I mentioned, we have IGP-M and TR, IGP-M is about nearly 70 plus, but on the asset side nowadays it's very hard to find IGP-M security to buy in the market. So, we have a part of the assets invested in NTN-C, that's inflation protected security tied to IGP-M, and we are now buying the NTN-B that is tied to IPCA, because we do not have IGP-M securities any more to buy in the market. Because of this difference in the inflation ratio, what is a drive in the result, certain part of the Brasilprev, the financial result of Brasilprev, is this spread between IGP-M that we have on liability and the IPCA that we have in the assets. So every time that IPCA goes above IGP-M this is positive for financial result, if we have the opposite effect: when IGP-M goes above IPCA it has a negative impact for financial results of Brasilprev, this is… I do not know if I make myself clear, but this is more or less how the dynamic of the financial results of Brasilprev works.

Gabriel Pimentel, Bradesco: Yes, that was perfect. It was very thorough explanation. Thank you very much, Rafael.

Sperendio: Thank you.

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

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

Sperendio: Thank you all again for joining this conference call of the second quarter earnings. Just to remember that second quarter played a very important role in terms of bringing the growth rate from 1% that we provided in March to now 5.2%. So I will highlight, if we haven't had the change of the tax expenses at the broker, the growth rate in net income would be around 7%. So because of all these factors that we did not expect when we planned the guidance, and when we built the budget for 2016, we had to revise the guidance range from the previously 8 to 12% to now 4 to 8%, mostly because of these no expected events. But the company is still showing a very good performance and I still believe we are going to be able to achieve this guidance, including having a very good growth rate for earnings and I also believe in a good performance for our shareholders.

Thank you very much. Have a good day.

Operator: With this we complete BB Seguridade conference call for today. As a reminder the material used in this conference call is available on BB Seguridade Investor Relations website. Thank you very much for your participation. Have a nice day. You may now disconnect.