



MD&A

2nd quarter 2018

PRESENTATION

The Management Discussion and Analysis – MD&A presents the economic and financial status of BB Seguridade Participações S.A. (BB Seguridade). Directed to financial analysts, shareholders and investors, this quarterly report provides an analysis of economic and financial indicators of BB Seguridade, stocks' performance and other aspects considered relevant for the assessment of the company's achievements.

Back to November 2012, Banco do Brasil S.A. (BB) announced its intention to create BB Seguridade, a fully owned subsidiary responsible for consolidating, under a single holding company, all activities related to insurance, private pension plans, premium bonds, and others. In the same document, BB disclosed its intention to promote an IPO of the holding company BB Seguridade at the Brazilian stock exchange.

The bookbuilding of the aforementioned public offering was concluded on April 25th, 2013 and the price was set at R\$17.00 per share. The shares began to be traded on April 29th, 2013. In the offering, the controlling shareholder (Banco do Brasil) sold 675 million shares, in a transaction that involved approximately R\$11.5 billion, with 500 million shares sold in the base offering, 100 million in the hot issue, and 75 million in the greenshoe. The announcement of the offering closing was published on May 17th, 2013.

The consolidated financial statements were prepared in compliance with the International Financial Reporting Standards – IFRS.

All the analyses in this report are based on IFRS Financial Statements, but are occasionally supplemented by managerial data, besides other information calculated based on accounting principles determined by the Superintendência de Seguros Privados – SUSEP (the regulator of the insurance industry in Brazil).

ON - LINE ACCESS

This MD&A is available at BB Seguridade's IR website, where additional information about the Company is also available such as: corporate structure, corporate governance, historical data, among other important information for shareholders and investors. The company's website can be accessed through www.bbseguridaderi.com.br.

This report makes references and statements about expectations, expected synergies, growth estimates, earnings forecasts and future strategies regarding BB Seguridade. Such statements are based on current expectations, estimates and projections of the Management about future events and financial trends that may affect the businesses that the company is involved in.

These forward looking statements are not guarantee of future performance and involve risks and uncertainties that could overextend the control of the management, and thus can result in balances and values different from those anticipated and discussed in this report. The expectations and projections depend on market conditions (technological changes, competitive constraints on products, prices, etc.), on the country's macroeconomic performance (interest and exchange rates, political and economic changes, inflation, changes in tax rules, etc.) and on international markets.

Future expectations based on this report should consider the risks and uncertainties that involve BB Seguridade's businesses. BB Seguridade has no responsibility to update any estimate contained either in this report or in previously published reports.

Tables and charts in this report show, in addition to the accounting balances, financial and managerial figures. The relative variation rates are calculated before the rounding procedure in R\$ million. The rounding method used follows the rules established by Resolution 886/66 of IBGE's Foundation: if the decimal number is equal or greater than 0.5, it increases by one unit, if the decimal number is less than 0.5, there is no increase.

2Q18 Earnings Conference Call

August 7th, 2018

Portuguese

Time: 10:00 am (Brasília time)

9:00 am (Eastern time)

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English

Time: 11:30 am (Brasília time)

10:30 am (Eastern time)

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1. SUMMARY

Table 1 – Key figures

	Unit	Quarterly Flow				
		2Q 17	3Q 17	4Q 17	1Q 18	2Q 18
Earnings Summary						
Underwriting and accumulation businesses	R\$ thousand	604,317	571,267	508,854	514,185	559,259
Distribution businesses	R\$ thousand	345,412	409,778	426,142	391,370	334,712
Other	R\$ thousand	6,577	39,983	5,855	1,833	15,995
Net income	R\$ thousand	956,306	1,192,219	907,917	886,499	1,062,388
Adjusted net income	R\$ thousand	956,306	1,021,028	940,851	907,389	909,966
Adjusted ROAE ¹	%	44.5	46.4	42.2	40.4	39.7
Performance by segment						
Insurance - Life, Mortgage Life and Rural						
Loss ratio	%	27.4	32.4	26.9	29.2	32.7
Comission ratio	%	27.7	32.2	32.6	32.4	27.9
G&A ratio	%	14.2	10.6	19.8	12.6	11.9
Combined ratio	%	69.1	75.0	79.2	73.9	72.3
Expanded combined ratio	%	64.2	70.3	70.0	70.4	68.1
Adjusted ROAE	%	63.5	50.4	54.6	49.7	52.0
Solvency ratio	%	127.0	126.8	186.1	165.9	189.4
Insurance - Property and Casualty						
Loss ratio	%	56.3	57.0	62.2	59.7	54.3
Comission ratio	%	25.1	24.5	25.6	25.5	25.0
G&A ratio	%	20.1	21.2	20.6	20.0	21.7
Combined ratio	%	101.2	102.6	108.2	104.6	100.8
Expanded combined ratio	%	93.8	98.2	102.2	100.7	96.4
Adjusted ROAE	%	6.7	2.1	(6.6)	(2.1)	3.1
Solvency ratio	%	182.0	179.7	211.8	213.8	172.5
Pension Plans						
Technical reserves	R\$ million	215,380	225,948	234,520	241,069	242,537
Management fee	%	1.12	1.11	1.11	1.10	1.09
Adjusted ROAE	%	40.1	46.8	42.3	39.1	42.9
Solvency ratio	%	212.2	211.1	195.4	198.5	197.9
Premium Bonds						
Premium bonds reserves	R\$ million	9,772	9,840	9,952	9,742	9,508
Spread	p.p.	3.6	7.2	3.0	5.2	0.6
Adjusted ROAE	%	43.5	73.2	38.9	53.4	(0.7)
Solvency ratio	%	189.5	215.9	173.6	170.3	196.6
Brokerage						
EBIT margin	%	79.9	82.2	80.3	81.7	77.2
Net margin	%	57.4	56.8	56.1	56.1	53.6

¹BB Seguridade's adjusted ROAE was calculated by dividing the adjusted net income by the average equity of the period. For the periods which there are no dividends distribution, the shareholders equity is adjusted by deducting the amount of dividends to be distributed considering the 80% payout (without interest accrual).

■ ADJUSTED NET INCOME

Table 2 – Earnings Analysis | Adjusted income statement

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q 17	1Q 18	2Q 18	On 2Q 17	On 1Q 18	1H 17	1H 18	On 1H 17
Equity income	940,707	899,789	885,982	(5.8)	(1.5)	1,938,564	1,785,771	(7.9)
Underwriting and accumulation businesses	604,317	514,185	559,259	(7.5)	8.8	1,198,435	1,073,444	(10.4)
Life, Mortgage Life and Rural	306,043	247,922	278,923	(8.9)	12.5	599,662	526,845	(12.1)
Property and Casualty	30,314	(5,632)	12,561	(58.6)	-	28,029	6,929	(75.3)
Pension Plans	195,129	197,732	222,896	14.2	12.7	381,406	420,628	10.3
Reinsurance	42,322	38,516	42,978	16	11.6	88,267	81,494	(7.7)
Premium Bonds	29,769	32,386	(436)	-	-	98,854	31,950	(67.7)
Dental Insurance	740	3,261	2,336	215.7	(28.4)	2,217	5,597	152.5
Distribution businesses	345,412	391,370	334,712	(3.1)	(14.5)	750,287	726,082	(3.2)
Other	(9,022)	(5,766)	(7,988)	(11.5)	38.5	(10,158)	(13,754)	35.4
G&A expenses	(8,036)	(6,203)	(7,439)	(7.4)	19.9	(23,293)	(13,643)	(41.4)
Personnel expenses	(4,235)	(3,020)	(3,347)	(20.9)	10.9	(9,303)	(6,367)	(31.6)
Administrative expenses	(2,610)	(1,300)	(1,379)	(47.2)	6.1	(10,247)	(2,678)	(73.9)
Tax expenses	(1,364)	(1,851)	(2,672)	95.9	44.4	(3,842)	(4,523)	17.7
Other operating income (expenses)	172	(33)	(41)	-	25.1	99	(74)	-
Net investment income	29,077	17,790	43,838	50.8	146.4	39,279	61,629	56.9
Financial income	29,078	39,812	43,974	51.2	10.5	73,769	83,786	13.6
Financial expenses	(1)	(22,021)	(136)	22,571.5	(99.4)	(34,490)	(22,157)	(35.8)
Earnings before taxes and profit sharing	961,748	911,376	922,382	(4.1)	1.2	1,954,551	1,833,757	(6.2)
Taxes	(5,442)	(3,987)	(12,416)	128.1	211.4	(5,442)	(16,403)	201.4
Adjusted net income	956,306	907,389	909,966	(4.8)	0.3	1,949,109	1,817,354	(6.8)

■ EXTRAORDINARY EVENTS

Table 3 – Earnings Analysis | Adjusted net income

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q 17	1Q 18	2Q 18	On 2Q 17	On 1Q 18	1H 17	1H 18	On 1H 17
Adjusted net income	956,306	907,389	909,966	(4.8)	0.3	1,949,109	1,817,354	(6.8)
Extraordinary events	-	(20,889)	152,422	-	-	-	131,533	-
MAPFRE BB SH2: MAPFRE Seguros Gerais - provisions for pending judicial	-	(20,889)	-	-	-	-	(20,889)	-
BB MAPFRE SH1: Cia. de Seguros Aliança do Brasil - compliance with the SUSEP Rule 543/16	-	-	231,771	-	-	-	231,771	-
MAPFRE BB SH2: MAPFRE Seguros Gerais - claims to be recovered from reinsurance and third party deposits	-	-	(79,349)	-	-	-	(79,349)	-
Net income	956,306	886,499	1,062,388	11.1	19.8	1,949,109	1,948,887	(0.0)

MAPFRE BB SH2 | MAPFRE Seguros Gerais – Adjustment of provisions for pending judicial claims at MAPFRE BB SH2: throughout the 1Q18, the accounting database of provisions for pending judicial claims was revised, and there was identified the need to strengthen those provisions at MAPFRE Seguros Gerais S.A.. The need for additional provisioning was estimated at R\$108.0 million, which after the deduction of R\$32.0 million in provisions for claims incurred but not enough reported (IBNER) and fiscal effects have generated a negative impact of R\$20.9 million on BB Seguridade’s net income.

BB MAPFRE SH1 | Companhia de Seguros Aliança do Brasil – compliance with the SUSEP Rule 543/16: in October 2015, SUSEP published the SUSEP Rule 517, which was modified in 2016 by the SUSEP Rule 543, and with this regulation the flows within the Liability Adequacy Test should outweigh each other. It means that the products recording surplus shall offset products recording deficit when they are part of the same calculation group of Not Registered Premiums. Such group comprises all the products in which the premium is registered differently from the individual risk term of the insurance policy, and in case of insufficiency the unrealized gains of the financial investments must be deducted. As a consequence of the compliance with the new rule, the net income of BB MAPFRE SH1 was positively impacted by R\$309.1 million in June 2018, which is equivalent to an impact on BB Seguridade’s net income amounting to R\$231.8 million.

MAPFRE BB SH2 | MAPFRE Seguros Gerais – reinstatement of the balance of claims to be recovered from reinsurance / equalization of the balance of third party deposits: with the work in progress of reinstatement of the accounting balances of claims to be recovered from reinsurance and equalization of the balance of third party deposits at MAPFRE Seguros Gerais, a fully owned subsidiary of MAPFRE BB SH2, there was identified the need to write-down R\$172.7 million in credits of operations with insurance and reinsurance and to increase the balance of third party deposits by R\$115.9 million. Such moves negatively affected the net income of MAPFRE BB SH2 by R\$158.7 million and of BB Seguridade by R\$79.4 million.

■ ADJUSTED NET INCOME

Figure 1 – Adjusted net income and ROAE

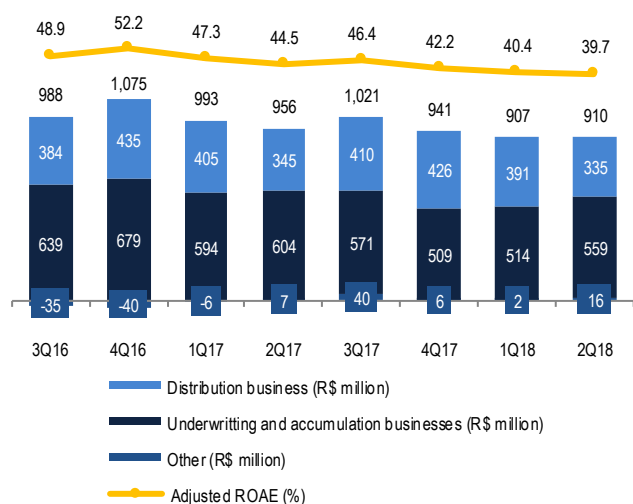
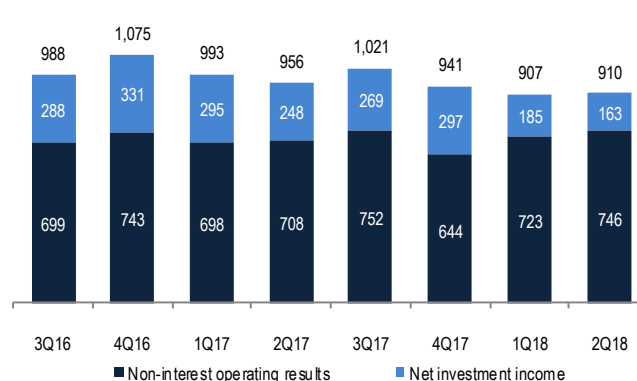


Figure 2 – Adjusted net income | Earnings breakdown¹ (R\$ million)



¹Calculated based on the sum of the non-interest operating result and net investment income of all BB Seguridade's controlled and affiliate Companies, net of income taxes, considering the effective tax rate of each Company for the period under analysis.

Figure 3 – Net income | Quarterly evolution breakdown (R\$ million)

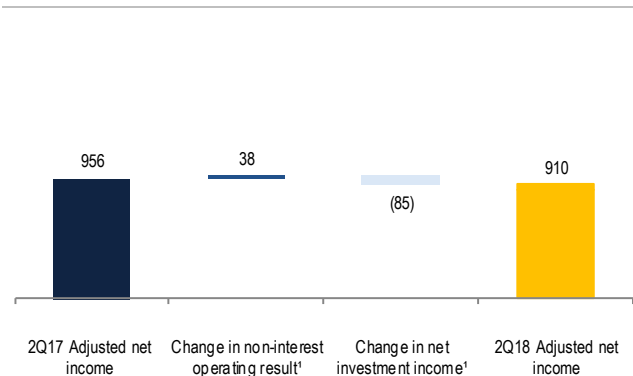
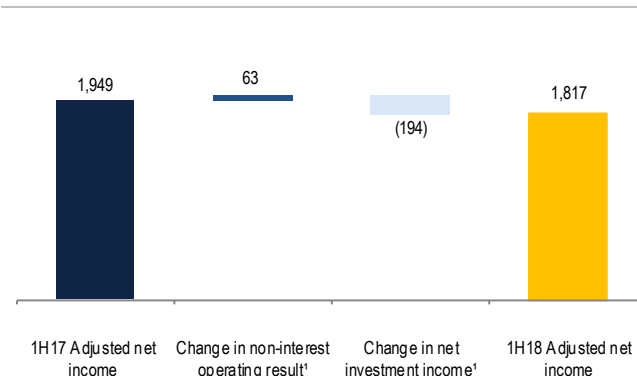


Figure 4 – Net income | Year-to-date evolution breakdown (R\$ million)



¹Calculated based on total non-interest operating result and net investment income of all BB Seguridade's controlled and affiliate Companies, net of income taxes, considering the effective tax rate of each Company for the period under analysis.

QUARTERLY ANALYSIS

In the 2Q18, the adjusted net income reached R\$910.0 million, down 4.8% YoY. The performance was driven by the 34.1% contraction in the combined net investment income from BB Seguridade's affiliate and controlled companies, which was affected by the lower average Selic rate, which negatively impacted the yield on floating securities, along with the spike in the forward yield curve, which implied on negative mark-to-market in pre-fixed securities classified as trading. On the other hand, the non-interest operating result grew 5.4% YoY, driven by higher revenues with management fee and the improvement in the cost-to-income ratio at Brasilprev along with the lower loss ratio at IRB.

The return on average equity reached 39.7% in the 2Q18, down 4.9 p.p. YoY.

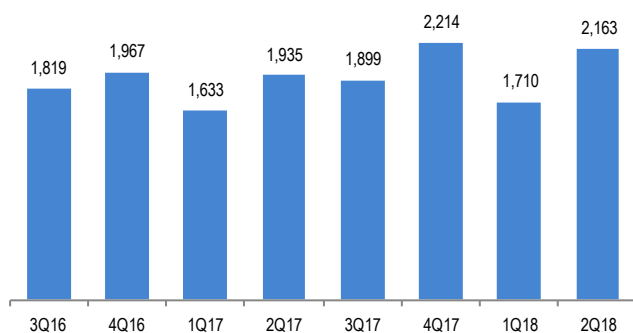
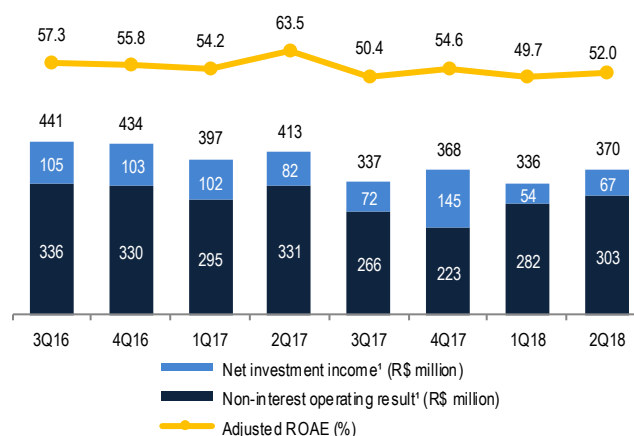
YEAR-TO-DATE ANALYSIS

In the 1H18, the adjusted net income reached R\$1.8 billion, down 6.8% YoY. The drop in the net income was directly related to the 35.8% contraction in the combined net investment income from BB Seguridade's affiliate and controlled companies, impacted by the lower average Selic rate in addition to a steeper forward yield curve.

The non-interest operating result increased 4.5% YoY, driven by:

- (i) higher revenues with management fee along with an improved cost-to-income ratio at Brasilprev;
- (ii) the lower loss ratio at IRB; and
- (iii) the increase in EBIT at BB Corretora.

In the 1H18, the return on average equity reached 40.0%, down 5.9 p.p. YoY.

Figure 5 – SH1 | Premiums written (R\$ million)

Figure 6 – SH1 | Adjusted net income and ROAE


¹Net of income taxes considering the Company's effective tax rate for the period under analysis.

QUARTERLY ANALYSIS

The adjusted net income arising from the Life, Mortgage Life and Rural business segment declined 10.5% YoY. The performance was driven by the fall in the non-interest operating results along with the contraction in net investment income.

Non-interest operating result fell 9.0% YoY, due to a higher loss ratio in life and in rural, partially offset by the lower G&A ratio. The net investment income dropped 18.5% YoY, dragged down by the lower average Selic rate.

Premiums written increased 11.8% YoY, boosted by credit life (+41.4%), mortgage life (+9.6%), term life (+8.5%) and Rural (+7.7%).

YEAR-TO-DATE ANALYSIS

In the 1H18, the adjusted net income coming from the Life, Mortgage Life and Rural business segment decreased 12.9% YoY, mainly explained by the contraction in the net investment income, and to a lower extent by the reduction in the non-interest operating results.

The drop in the net investment income is explained by the lower Selic rate, while the non-interest operating results were impacted by the deterioration in the loss ratio in life and in credit life, in addition to the increase of the commission paid for the distribution of some life products in the bancassurance channel, which was in force from the 3Q17 until the 1Q18. On the other hand, these effects were partially offset by the reduction in the G&A ratio.

Year-to-date premiums written grew 8.6% YoY, backed by the performance in credit life (+55.1%), mortgage life (+10.9%), term life (+5.2%) and rural (+0.7%).

Figure 7 – SH2 | Premiums written (R\$ million)

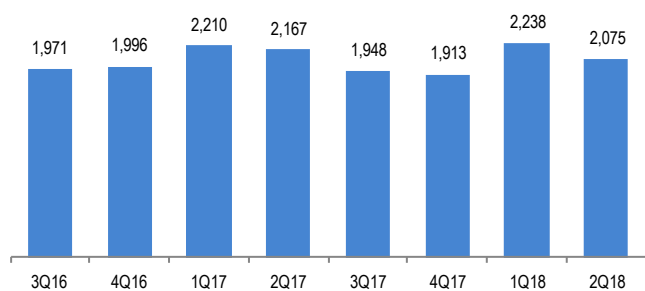
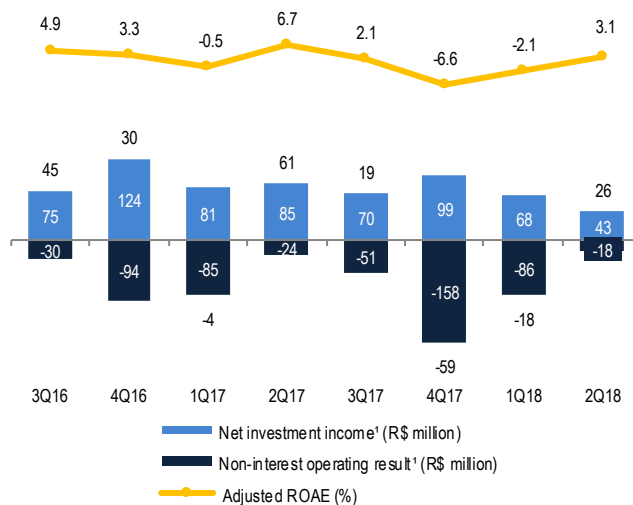


Figure 8 – SH2 | Adjusted net income and ROAE



¹Net of income taxes considering the Company's effective tax rate

QUARTERLY ANALYSIS

In the 2Q18, the adjusted net income of the Property & Casualty business dropped 58.1% YoY. The performance was driven by the lower net investment income, which was affected by the lower average Selic rate.

Premiums written fell 4.3% YoY to R\$2.1 billion in the 2Q18. This decline was largely explained by lower sales in casualties (-14.9%), partially offset by the increase in auto (+4.0%) and in others (+6.2%).

YEAR-TO-DATE ANALYSIS

In the 1H18, the adjusted net income of the Property & Casualty business dropped 86.3% YoY, explained by the lower net investment income which was affected by the fall in the average Selic rate.

Premiums written were down 1.5% YoY to R\$4.3 billion in the 1H18. The performance was driven by the retraction in casualties (-8.1%), partially offset by the growth in auto (+4.4%) and in others (+7.8%).

Figure 9– Brasilprev | Management fee

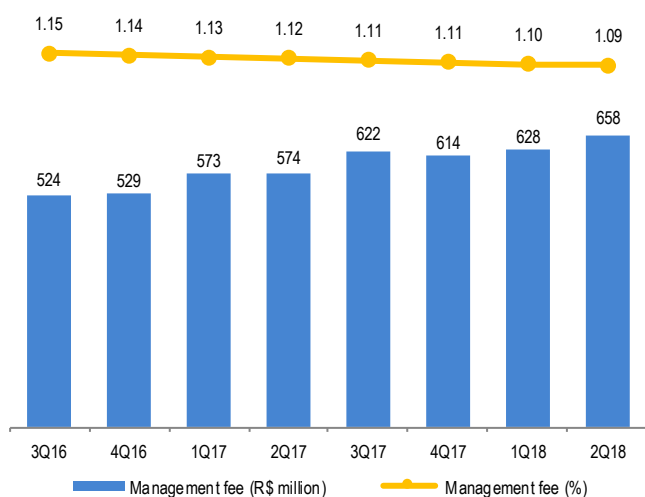
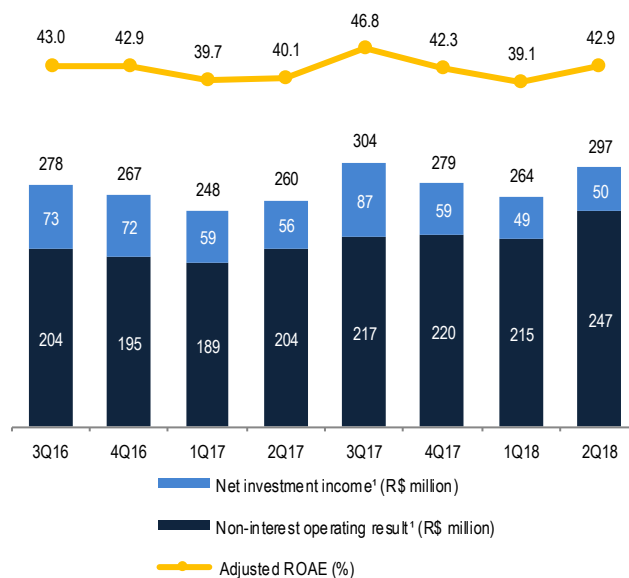


Figure 10 – Brasilprev | Adjusted net income and ROAE



¹Net of income taxes considering the Company's effective tax rate.

QUARTERLY ANALYSIS

In the 2Q18, the net income of the Pension business segment increased 14.2% YoY, driven by the 14.5% growth in revenues with management fee and by the 6.1 p.p. improvement in cost-to-income ratio.

In the 2Q18, the volume of pension contributions dropped 13.6% YoY, driven by lower inflows from sporadic contributions to VGBL plans.

At the end of June, the balance of assets under management reached R\$242.5 billion, up 12.6% in 12 months.

YEAR-TO-DATE ANALYSIS

In the 1H18, the net income rose 10.3% YoY, to R\$ 560.9 million. The performance was propelled by the increase in the non-interest operating result, explained by the growth in revenues with management fee along with a 3.3 p.p. decline in the cost-to-income ratio. However, the improvement in the non-interest operating result was partially offset by the 13.5% reduction in net investment income, driven by the compression in the net interest margin between the company's proprietary assets and its liabilities.

In the 1H18, the volume of pension contributions dropped 18.9% YoY, an effect that was partially mitigated by the reduction of 0.2 p.p. in the redemption ratio.

Figure 11 – Brasilcap | Collections (R\$ million)

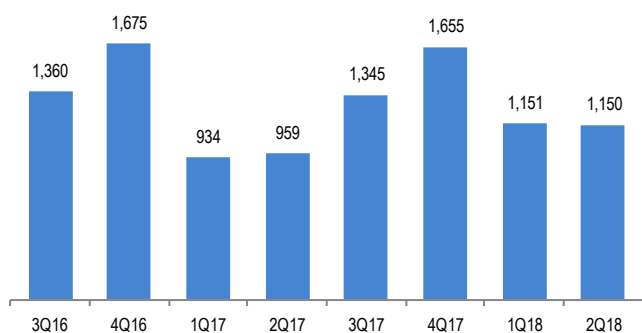
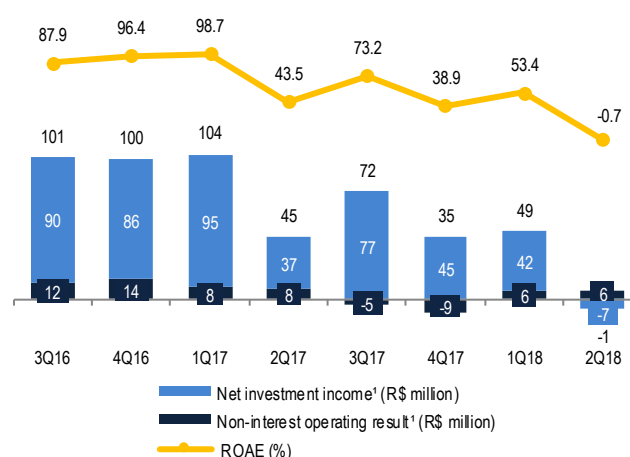


Figure 12 – Brasilcap | Net income and ROAE



¹Net of income taxes considering the Company's effective tax rate.

QUARTERLY ANALYSIS

In the 2Q18, the Premium Bonds business segment presented a net loss of R\$654 thousand, as opposed to a net income of R\$44.7 million in the same period of 2017. The net investment income, which was R\$11.7 million negative, was the main driver for the net loss, and it was affected by the compression of 3.0 p.p. in the net interest margin, explained by the reduction in the average Selic rate in addition to a steeper yield curve, along with the 3.2% retraction in the average balance of financial investments.

The non-interest operating result dropped 23.4% YoY, impacted by higher acquisition costs, which can be explained by the increased share of products with higher commissions in the total collected. On the other hand, this effect was partially offset by higher revenues with load fee, higher results in changes in other technical reserves and lower general and administrative expenses.

Premium bonds collection reached R\$1.2 billion in the 2Q18, up 19.9% YoY.

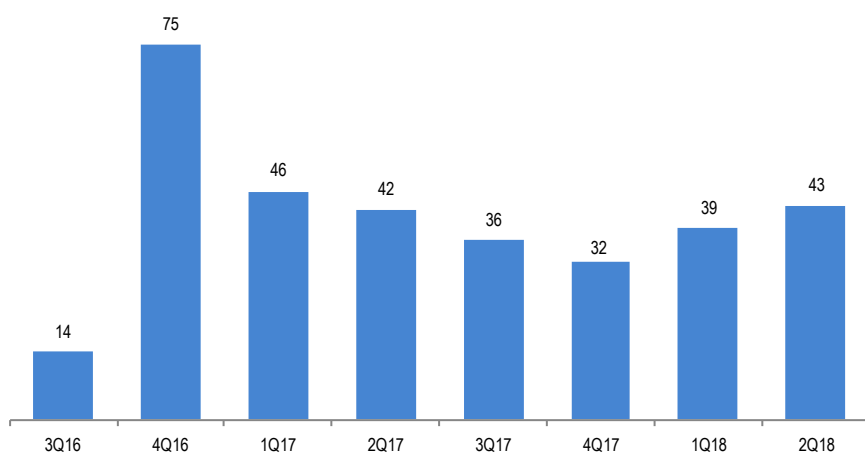
YEAR-TO-DATE ANALYSIS

In the 1H18, the net income of the Premium Bonds business segment dropped 67.7% YoY. Such performance was mainly due to the 68.5% decline in the net investment income, which can be explained by the 2.5 p.p. compression in the net interest margin, affected by the reduction in the average Selic rate and by the upward move of the yield curve, along with the 4.8% retraction in the average balance of interest earning assets.

The non-interest operating result dropped 18.4% YoY, impacted by higher acquisition costs, partially offset by higher revenues with load fee and by lower general and administrative expenses.

Year-to-date, premium bonds collection rose 21.6% to R\$2.3 billion.

Figure 13 – IRB Brasil-RE | Equity income (R\$ million)



QUARTERLY ANALYSIS

In the 2Q18, the equity income from the Reinsurance business segment reached R\$42.9 million, up 1.6% YoY. The performance was driven by the growth in operating result, largely boosted by the lower loss ratio, partially offset by the retraction in the net investment income.

YEAR-TO-DATE ANALYSIS

In the 1H18, the equity income from the Reinsurance business segment reached R\$81.5 million, down 7.7% YoY. The performance is explained by the disposal of part of IRB-Brasil RE common shares, from 20.43% to 15.23%, in its secondary public offering in the 3Q17.

IMPORTANT:

Financial data regarding the equity income arising from the Reinsurance segment comes from BB Seguridade’s stake in IRB Brasil RE and may be influenced by the investor company (BB Seguros) accounting entries, e.g., changes in goodwill. Therefore, the figures presented in this section are not necessarily reconcilable with those published by the invested company.

Since July, 31 2017, IRB Brasil RE common shares have been traded under the ticker “IRBR3” in the “Novo Mercado” segment of the Brazilian stock exchange (B3). Therefore, from the 2Q17 on, financial data regarding the reinsurance segment were removed from BB Seguridade’s MD&A.

Additional information regarding the reinsurance segment and IRB Brasil RE performance are available at the company’s investor relations website: ri.irbbrasilre.com.

BB Corretora | Brokerage

Figure 14 – BB Corretora | Brokerage revenues (R\$ million)

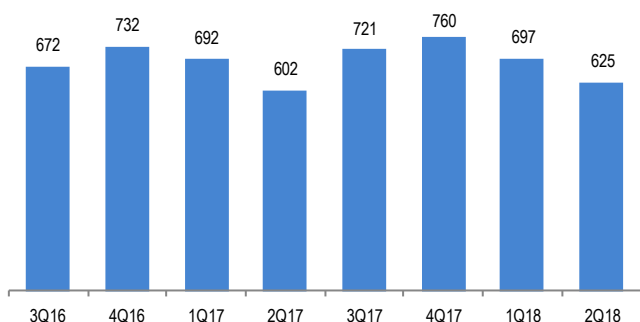
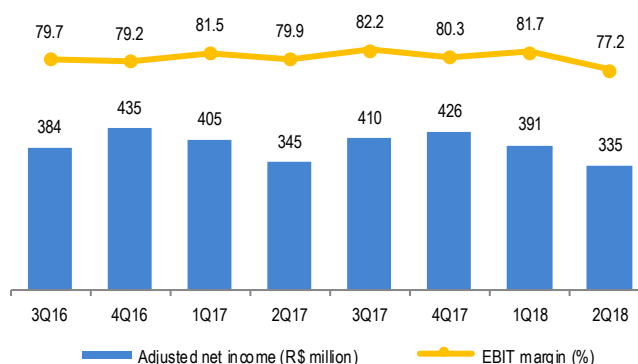


Figure 15 – BB Corretora | Adjusted net income and EBIT margin



QUARTERLY ANALYSIS

In the 2Q18, BB Corretora’s net income was down 3.1% YoY, to R\$334.7 million, dragged by the decline in the net investment income, which was affected by the reduction in the average Selic rate.

The non-interest operating result rose 0.3% YoY, supported by the 3.8% growth in brokerage revenues, driven by the performance of the commissions arising from BB MAPFRE SH1 (+9.2%) and Brasilcap (+50.4%), partially offset by the negative performance of the commissions coming from Brasilprev (-24.4%) and MAPFRE BB SH2 (-3.6%).

The EBIT margin declined 2.7 p.p., explained by the strategy more focused on low ticket products, which led to a 133.8% increase on total items sold when compared to the 2Q17 and to an initially negative impact on the EBIT margin.

YEAR-TO-DATE ANALYSIS

In the 1H18, BB Corretora’s net income fell 3.2% YoY, explained by the 48.5% reduction in net investment income. The weak performance of the net investment income was partially offset by the growth of 0.7% in EBIT, supported by the 2.2% increase in brokerage revenues.

The EBIT margin declined 1.2 p.p., driven by a strategy more focused on low ticket products during the 2Q18, which led to a 65.8% growth on total items sold when compared to the first half last year, but negatively affected the EBIT margin initially.

■ 2018 GUIDANCE

Table 4 – Estimates 2018

Indicator	Observed	2018 Previous estimates	2018 Revised estimates
Change of the adjusted net income	-6.8%	-2.0% to +2.0%	-6.0 %to -4.0%

In the first semester of the year, BB Seguridade's adjusted net income fell 6.8% when compared to the first six months of 2017. The dynamics for the current year, implied in the guidance, expected a gradual convergence of the adjusted net income variation to the estimated range of -2.0% to +2.0% throughout the 2H18, in line with the assumption of a gradual recovery of the economic activity, which could help the commercial performance, and the easier comps for the net investment income. However, the economic scenario has been more challenging than the one used for the Guidance 2018.

Given this background and taking into consideration: (i) the current market estimates which expects lower GDP growth and interest rates, as compared to the assumptions used in the Guidance 2018; (ii) the earnings shortfall at the P&C segment, mainly explained by the loss ratio coming above the estimates; and (iii) the commercial performance below expectations in the Pension Plans segment, impacted mainly by a tougher business environment, which immediately affected BB Corretora's P&L, the Company decided to suit its estimates of the adjusted net income variation to the new scenario.

■ OTHER INFORMATION

Table 5 – Market share and ranking

	Unit	Quarterly Flow				2 Q 18
		2 Q 17	3 Q 17	4 Q 17	1 Q 18	
Life¹						
Premiums written	R\$ thousand	826,541	874,992	865,420	800,338	896,923
Market-share	%	16.2%	17.0%	16.3%	15.6%	16.1%
Ranking		1º	1º	1º	1º	1º
Credit life						
Premiums written	R\$ thousand	245,878	314,583	501,845	277,689	347,669
Market-share	%	15.4%	17.0%	23.4%	15.1%	15.9%
Ranking		3º	2º	1º	3º	3º
Mortgage life						
Premiums written	R\$ thousand	58,818	57,888	63,093	64,571	64,459
Market-share	%	6.4%	6.2%	6.6%	6.6%	6.6%
Ranking		4º	5º	4º	4º	4º
Rural						
Premiums written	R\$ thousand	764,585	620,687	762,084	517,558	823,401
Market-share	%	77.7%	65.3%	78.8%	70.2%	74.0%
Ranking		1º	1º	1º	1º	1º
Auto						
Premiums written	R\$ thousand	1,069,528	989,091	945,090	1,066,290	1,112,157
Market-share	%	12.5%	10.9%	10.5%	12.6%	12.5%
Ranking		3º	3º	2º	2º	2º
Casualties						
Premiums written	R\$ thousand	884,921	758,054	765,969	926,395	753,443
Market-share	%	12.9%	10.3%	10.1%	12.1%	10.2%
Ranking		1º	2º	2º	2º	2º
Pension Plans						
Technical reserves	R\$ thousand	215,379,851	225,947,587	234,519,924	241,068,882	242,536,527
Market-share	%	30.6%	30.6%	30.6%	30.6%	30.5%
Ranking		1º	1º	1º	1º	1º
Contributions	R\$ thousand	9,120,673	10,629,158	11,312,441	7,631,889	7,880,281
Market-share	%	33.4%	34.9%	33.2%	29.2%	29.4%
Ranking		1º	1º	1º	1º	1º
Premium Bonds						
Reserves	R\$ thousand	9,772,440	9,839,910	9,952,200	9,742,431	9,508,140
Market-share	%	34.4%	34.3%	34.1%	33.3%	32.5%
Ranking		1º	1º	1º	1º	1º
Collections	R\$ thousand	958,774	1,345,142	1,655,413	1,151,234	1,150,042
Market-share	%	19.4%	24.8%	29.5%	22.8%	21.7%
Ranking		2º	2º	1º	2º	2º

¹Market share excluding total life insurance
Source: Susep

Table 6 – Stocks | Breakdown of the shareholders' base

	Shareholders	Shares	Participation
Banco do Brasil	1	1,325,000,000	66.25%
Treasury Stocks	1	3,403,367	0.17%
Free Float	52,230	671,596,633	33.58%
Foreign	835	555,132,036	27.76%
Companies	2,694	80,252,325	4.01%
Individuals	48,701	36,212,272	18.1%
Total	52,232	2,000,000,000	100.00%

Table 7 – Stocks | Performance

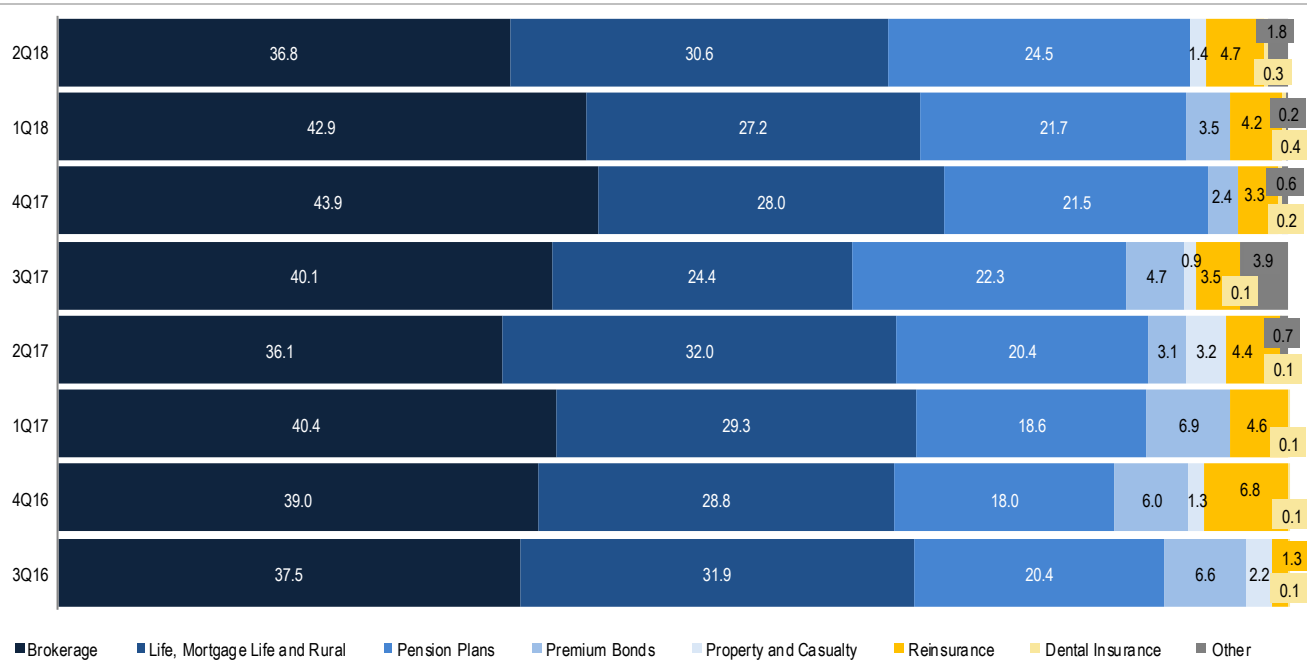
	Unit	Quarterly Flow				2Q 18
		2Q 17	3Q 17	4Q 17	1Q 18	
Stock's performance						
Earnings per share	R\$	0.48	0.51	0.47	0.45	0.45
Dividends per share	R\$	-	0.78	-	0.95	-
Equity per share	R\$	4.34	4.94	4.45	4.90	4.63
Closing price	R\$	28.65	28.63	28.49	29.27	24.46
Annualized dividend yield ¹	%	5.83	5.52	5.69	5.90	6.50
Market capitalization	R\$ million	57,300	57,260	56,980	58,540	48,920
Ratios						
P/E (12 month trailing)	x	14.28	14.16	14.57	15.30	12.94
P/BV	x	6.60	5.79	6.40	5.98	5.28
Business data						
Number of trades carried out		697,191	716,022	629,474	684,362	745,046
Average daily volume traded	R\$ million	117	113	99	97	85
Average daily volume traded - B3	R\$ million	7,582	7,452	11,445	10,153	11,104
Share on B3's average volume	%	1.54	1.51	0.86	0.96	0.76

¹Dividend yield calculated considering the dividends reported in the last 12 months divided by the average stock price in the same period.

2. EARNINGS ANALYSIS

EARNINGS BREAKDOWN

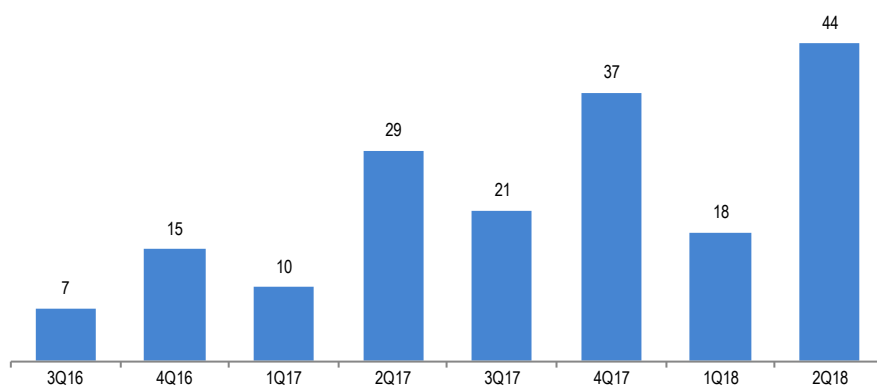
Figure 16 – Earnings Analysis | Breakdown¹ (%)



¹Does not consider the individual results from BB Seguridade, BB Seguros and BB Cor holdings and the affiliates when negative.

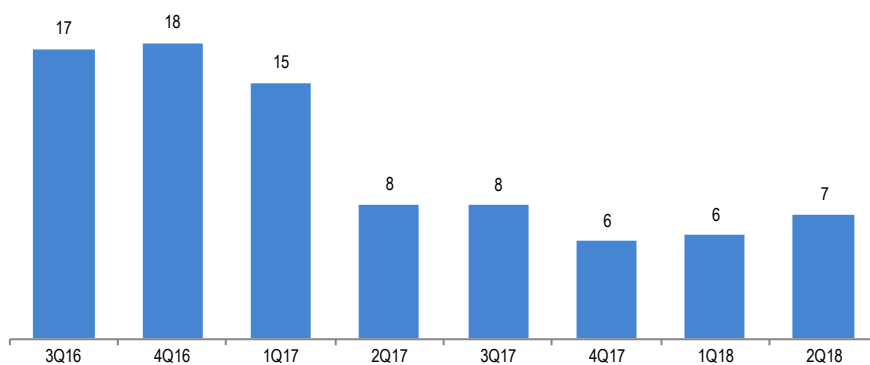
NET INVESTMENT INCOME OF THE HOLDING COMPANY

Figure 17 – Earnings Analysis | Net investment income (R\$ million)



■ GENERAL AND ADMINISTRATIVE EXPENSES OF THE HOLDING COMPANY

Figure 18 – Earnings Analysis | General and administrative expenses (R\$ million)



QUARTERLY ANALYSIS

In the 2Q18, the general and administrative expenses at the holding company decreased by 7.4% as compared to the 2Q17, explained by: the 20.9% decline in personnel expenses, the 45.9% reduction in expenses with specialized technical services and the 70.8% drop in condominium fee.

These effects were partially offset by the 95.9% increase in tax expenses, in line with the increase in the taxable income for PIS and COFINS tax collection due to higher financial income.

YEAR-TO-DATE ANALYSIS

In the 1H18, the G&A expenses dropped 41.4% YoY, mostly explained by:

- (i) the 89.2% drop in expenses with specialized technical services, which were higher in the 1H17 due to specialized advisory services hired to support internal projects at the company; and
- (ii) the 31.6% reduction in personnel expenses, as result of the revision made on the cost-sharing methodology between the holding company and its subsidiaries BB Corretora and BB Seguros, occurred in the 2Q17.

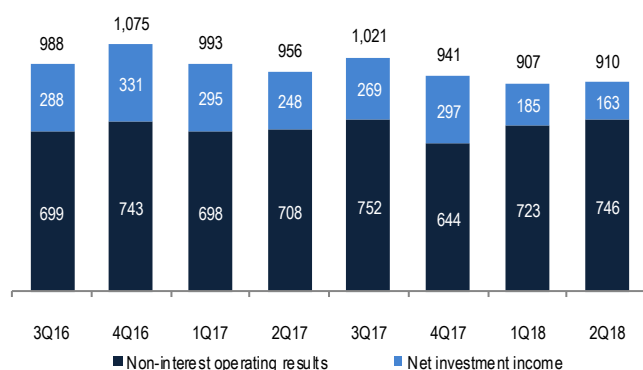
This reduction was partially offset by the 17.7% increase in tax expenses, in line with the increase in the taxable income for PIS and COFINS tax collection due to higher financial income.

Table 8 – Earnings Analysis | General and administrative expenses

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q 17	1Q 18	2Q 18	On 2Q 17	On 1Q 18	1H 17	1H 18	On 1H 17
Administrative expenses	(2,610)	(1,300)	(1,379)	(47.2)	6.1	(10,247)	(2,678)	(73.9)
Specialized technical services	(1,103)	(130)	(597)	(45.9)	357.9	(6,744)	(727)	(89.2)
Location and operation	(472)	(211)	(138)	(70.8)	(34.5)	(1,325)	(348)	(73.7)
Communication	(160)	(159)	(50)	(68.6)	(68.4)	(525)	(209)	(60.1)
Other administrative expenses	(875)	(800)	(593)	(32.2)	(25.8)	(1,653)	(1,393)	(15.7)
Personnel expenses	(4,235)	(3,020)	(3,347)	(20.9)	10.9	(9,303)	(6,367)	(31.6)
Compensation	(1,911)	(1,580)	(1,645)	(13.9)	4.1	(4,034)	(3,225)	(20.1)
Welfare benefits	(1,252)	(829)	(1,031)	(17.6)	24.4	(2,549)	(1,860)	(27.0)
Other compensation	(534)	(335)	(408)	(23.5)	21.9	(1,413)	(744)	(47.4)
Benefits	(538)	(276)	(263)	(51.1)	(4.7)	(1,307)	(539)	(58.8)
Tax expenses	(1,364)	(1,851)	(2,672)	95.9	44.4	(3,842)	(4,523)	17.7
COFINS	(1,154)	(1,582)	(2,203)	91.0	39.3	(2,892)	(3,785)	30.9
PIS/Pasep	(187)	(256)	(410)	119.0	59.8	(467)	(666)	42.7
IOF	(35)	-	(33)	(3.1)	-	(483)	(33)	(93.1)
Other	11	(13)	(26)	-	95.5	-	(39)	-
Other operating income (expenses)	172	(33)	(41)	-	25.1	99	(74)	-
G&A expenses	(8,036)	(6,203)	(7,439)	(7.4)	19.9	(23,293)	(13,643)	(41.4)

EARNINGS SOURCES

Figure 19 – Earnings Analysis | Non-interest operating results vs net investment income (R\$ million)¹



¹Net of taxes considering the companies effective tax rate.

Figure 20 – Earnings Analysis | Non-interest operating results vs net investment income (%)¹

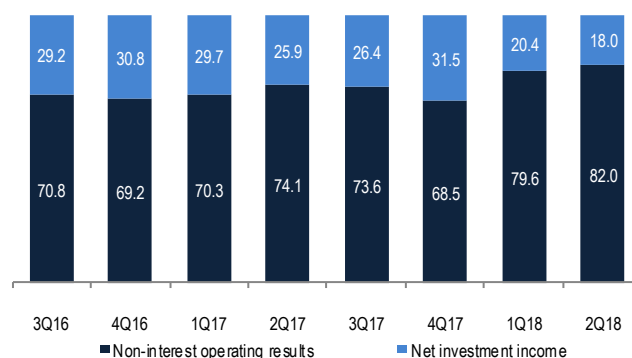


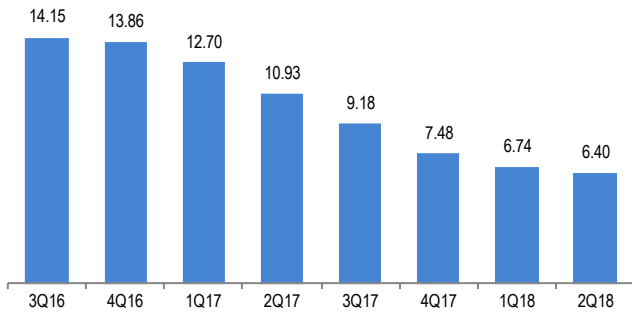
Table 9 – Earnings Analysis | Non-interest operating results vs net investment income¹

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Non-interest operating results	708,293	722,507	746,475	5.4	3.3	1,406,339	1,468,982	4.5
Life, Mortgage Life and Rural	244,540	207,507	228,436	(6.6)	10.1	461,611	435,943	(5.6)
Property and Casualty	(12,410)	(39,648)	(9,158)	(26.2)	(76.9)	(55,370)	(48,805)	(11.9)
Pension Plans	153,133	161,243	185,137	20.9	14.8	295,072	346,380	17.4
Premium Bonds	5,159	4,057	4,211	(18.4)	3.8	10,734	8,268	(23.0)
Reinsurance	18,383	23,884	34,335	86.8	43.8	39,301	58,219	48.1
Dental Insurance	589	3,209	2,291	289.0	(28.6)	1,903	5,501	189.1
Holdings and broker	298,898	362,254	301,223	0.8	(16.8)	653,088	663,477	1.6
Net investment income	248,014	184,881	163,491	(34.1)	(11.6)	542,770	348,372	(35.8)
Life, Mortgage Life and Rural	61,501	40,415	50,487	(17.9)	24.9	138,049	90,902	(34.2)
Property and Casualty	42,722	34,016	21,718	(49.2)	(36.2)	83,398	55,734	(33.2)
Pension Plans	41,996	36,489	37,760	(10.1)	3.5	86,334	74,249	(14.0)
Premium Bonds	24,610	28,329	(4,646)	-	-	88,120	23,682	(73.1)
Reinsurance	23,939	14,632	8,644	(63.9)	(40.9)	48,966	23,276	(52.5)
Dental Insurance	151	52	44	(70.5)	(13.8)	314	96	(69.4)
Holdings and broker	53,094	30,949	49,484	(6.8)	59.9	97,589	80,433	(17.6)
Adjusted net income	956,306	907,389	909,966	(4.8)	0.3	1,949,109	1,817,354	(6.8)

¹Net of taxes considering the companies effective tax rate.

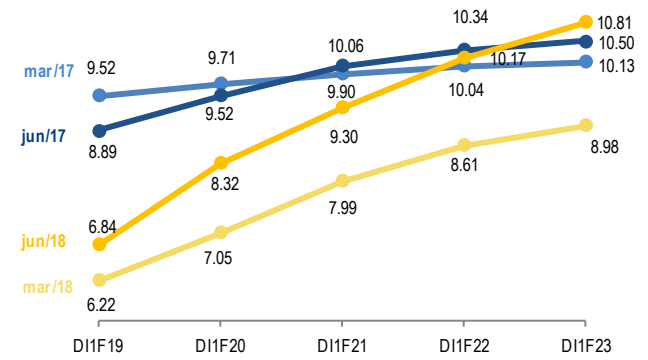
NET INVESTMENT INCOME

Figure 21 – Earnings Analysis | Average Selic rate (%)



Source: Brazilian Central Bank

Figure 22 – Earnings Analysis | Forward yield curve (%)



Source: ValorPro

QUARTERLY ANALYSIS

The combined net investment income of BB Seguridade and its controlled and affiliate companies amounted to R\$163.5 million in the 2Q18, down 34.1% YoY.

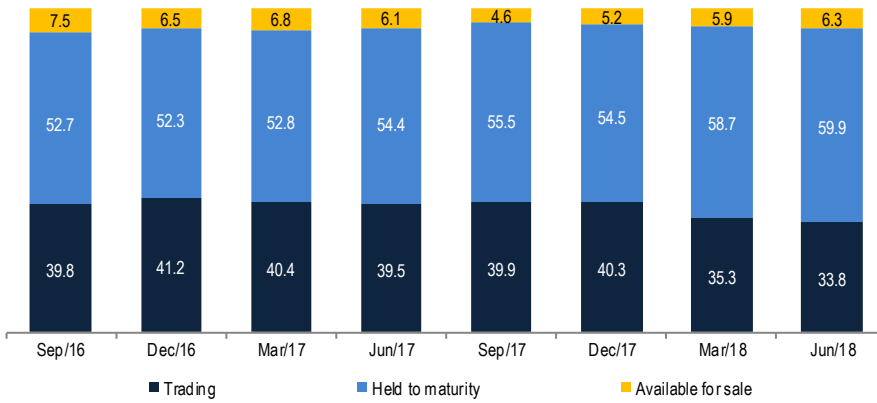
Such performance can be mainly explained by the contraction of almost 4.5 p.p. in the average Selic rate, which dragged down the return on floating securities, along with the upward move of the forward yield curve, which implied on negative mark-to-market in pre-fixed securities classified as trading.

YEAR-TO-DATE ANALYSIS

Year-to-date, the combined net investment income of BB Seguridade and its controlled and affiliate companies amounted to R\$348.4 million, down 35.8% YoY.

Such performance can be explained by the reduction in the average Selic rate, which dragged down the return on floating securities, in addition to the spike in the forward yield curve, which implied on negative mark-to-market in pre-fixed securities classified as trading.

Figure 23 – Earnings Analysis | Financial investments breakdown¹ (%)



¹Considering the financial investments of BB MAPFRE SH1, MAPFRE BB SH2, Brasilprev and Brasilcap weighted by BB Seguridade’s economic stakes in each company.

Figure 24 – Earnings Analysis | Breakdown of financial investments by index¹

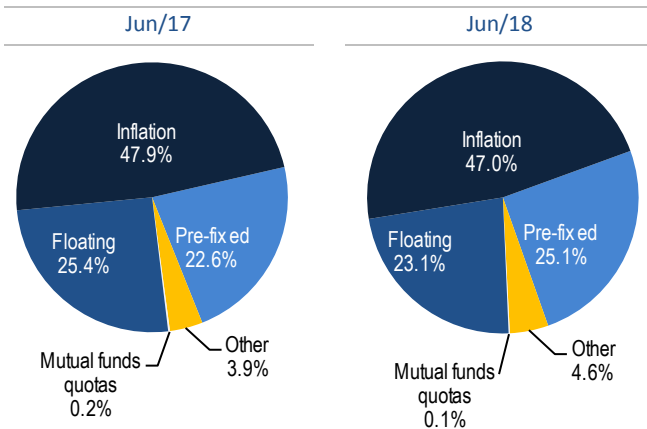
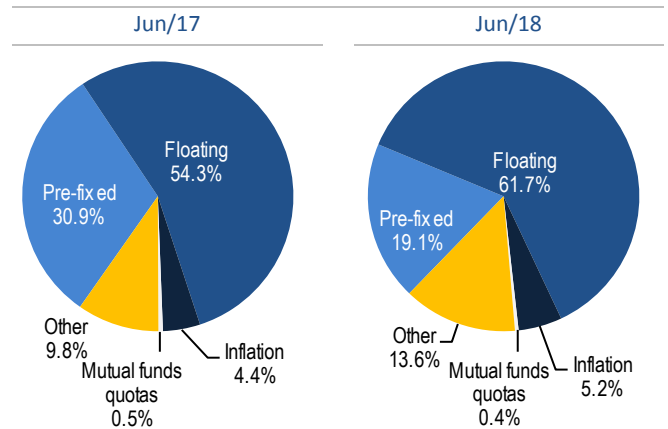


Figure 25 – Earnings Analysis | Trading portfolio by index¹



¹Considering the financial investments of BB MAPFRE SH1, MAPFRE BB SH2, Brasilprev and Brasilcap weighted by BB Seguridade’s economic stakes in each company.

Table 10 – Earnings Analysis | Combined financial investments¹

R\$ thousand	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
Trading	8,906,155	8,174,043	7,893,902	(11.4)	(3.4)
Pre-fixed	2,754,342	1,856,654	1,504,744	(45.4)	(19.0)
Floating	4,836,692	4,785,284	4,873,400	0.8	18
Inflation	395,487	416,052	410,815	3.9	(13)
Mutual funds quotas	47,877	44,920	34,585	(27.8)	(23.0)
Other	871,756	1,071,133	1,070,358	22.8	(0.1)
Available for sale	1,372,954	1,372,513	1,481,739	7.9	8.0
Pre-fixed	-	298,106	441,430	-	48.1
Floating	871,715	557,988	536,294	(38.5)	(3.9)
Inflation	489,034	511,405	500,280	2.3	(2.2)
Other	12,205	5,014	3,735	(69.4)	(25.5)
Held to maturity	12,254,014	13,585,138	13,993,158	14.2	3.0
Pre-fixed	2,333,511	3,809,198	3,927,193	68.3	3.1
Floating	5,564	-	-	-	-
Inflation	9,914,939	9,775,940	10,065,964	15	3.0
Total	22,533,123	23,131,694	23,368,799	3.7	1.0

¹Considering the financial investments of BB MAPFRE SH1, MAPFRE BB SH2, Brasilprev and Brasilcap weighted by BB Seguridade's economic stakes in each company.

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3. BALANCE SHEET ANALYSIS

Table 11 – Balance Sheet Analysis | Balance sheet

R\$ thousand	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
Assets	10,256,256	9,807,543	10,846,282	5.8	10.6
Cash and cash equivalents	1,320,204	1,583,161	2,322,028	75.9	46.7
Financial assets marked to market	194	572	565	191.1	(1.3)
Investments	8,022,793	8,124,260	7,972,328	(0.6)	(1.9)
Current tax assets	60,689	63,080	66,747	10.0	5.8
Deferred tax assets	-	26,799	23,073	-	(13.9)
Dividends receivable	844,063	-	451,179	(46.5)	-
Other assets	3,703	3,915	4,754	28.4	21.4
Intangible	4,610	5,756	5,608	21.7	(2.6)
Liabilities	1,573,396	12,132	1,580,186	0.4	12,924.9
Dividends payable	1,559,993	769	1,559,735	(0.0)	-
Current tax liabilities	5,946	3,572	13,260	123.0	271.2
Other liabilities	7,457	7,791	7,191	(3.6)	(7.7)
Shareholders' equity	8,682,860	9,795,411	9,266,096	6.7	(5.4)

■ INVESTMENTS

Table 12 – Balance Sheet Analysis | Direct investments

R\$ thousand	Activity	Accounting treatment	Total ownership (%)	Investment balance		
			Jun/18	Jun/17	Mar/18	Jun/18
Insurance, Pension Plans and Premium Bonds						
BB Seguros Participações	Holding	(1)	100.0	7,975,724	7,685,816	7,925,254
Insurance Brokerage						
BB Corretora de Seguros e Adm. de Bens	Insurance Broker	(1)	100.0	47,069	438,444	47,074

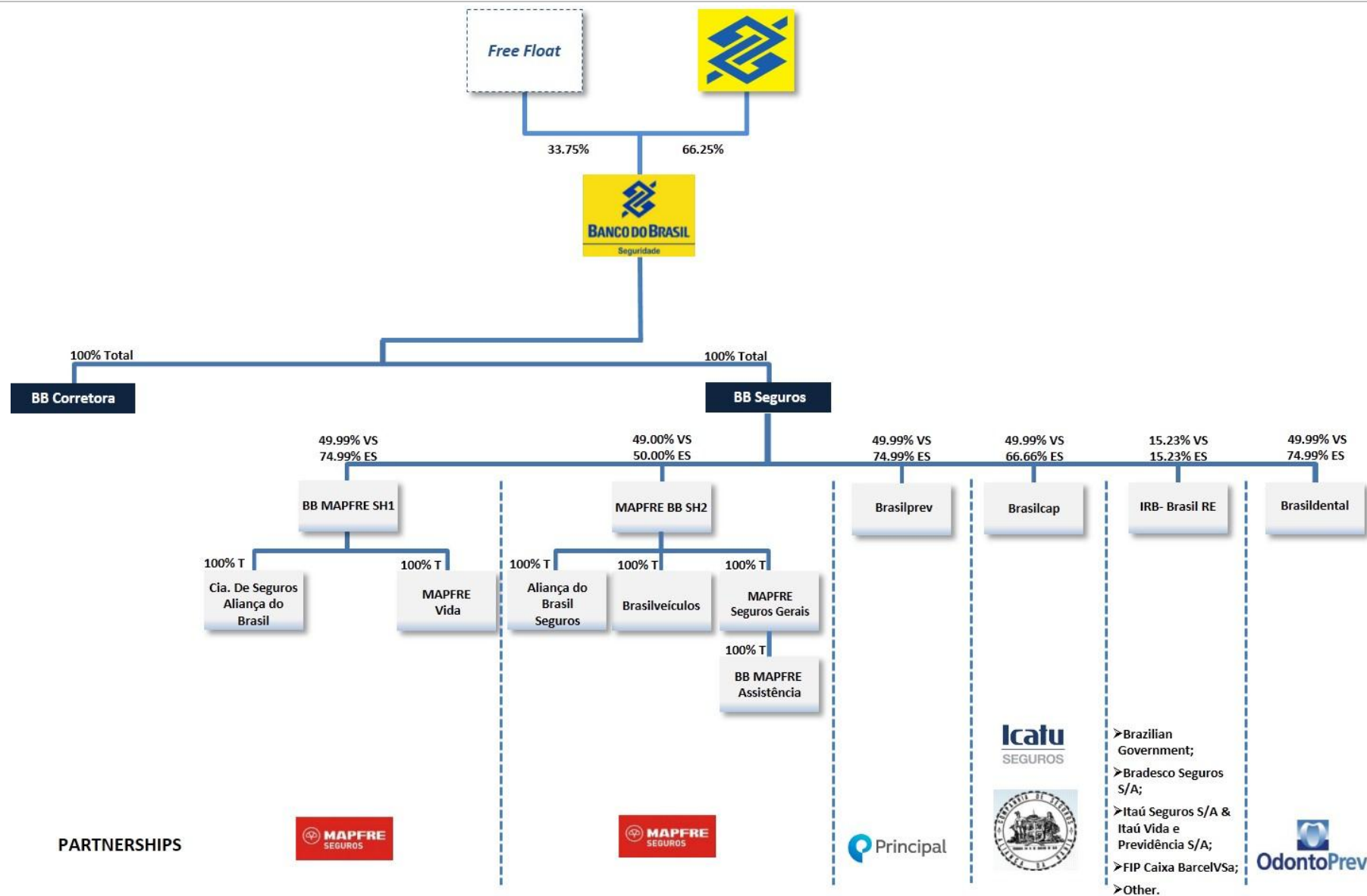
Note: (1) Controlled companies, fully consolidated

Table 13 – Balance Sheet Analysis | BB Seguros Participações' investments

R\$ thousand	Activity	Accounting treatment	Total ownership (%)	Investment balance		
			Jun/18	Jun/17	Mar/18	Jun/18
Insurance						
BB MAPFRE SH1 Participações S.A.	 Holding	(1)	74.99	2,672,098	2,649,768	2,906,654
Companhia de Seguros Aliança do Brasil	Insurance					
MAPFRE Vida S.A.	Insurance					
MAPFRE BB SH2 Participações S.A.	 Holding	(1)	50.00	2,174,010	2,009,278	1,934,855
Aliança do Brasil Seguros S.A.	Insurance					
Brasilveículos Companhia de Seguros	Insurance					
MAPFRE Seguros Gerais S.A.	Insurance					
BB MAPFRE Assistência S.A.	Insurance					
Pension Plans						
Brasilprev Seguros e Previdência	 Insurance/ Pension Plans	(1)	74.99	1,918,105	2,025,707	2,085,608
Health						
Brasildental Operadora de Planos Odontológicos S.A	 Health	(1)	74.99	9,375	13,139	13,014
Premium Bonds						
Brasilcap Capitalização	 Premium Bonds	(1)	66.67	399,630	354,364	353,929
Reinsurance						
IRB Brasil-RE	 Reinsurance	(1)	15.23	665,627	508,537	536,461

Note: (1) Affiliated companies, booked by the equity method.

Figure 26 – Balance Sheet Analysis | Ownership structure



Note: VS = Voting Stake; ES = Economic Stake; T = Total

■ SHAREHOLDER'S EQUITY

Table 14 – Balance Sheet Analysis | Statement of changes in equity

R\$ thousand	Capital	Capital Reserve	Legal and statutory reserve	Treasury stock	Retained earnings (losses)	Accumulated other comprehensive income	Total
Balance on December 31, 2016	5,646,767	1,004	2,737,363	(83,206)	-	(12,864)	8,289,064
Transactions with stock payments	-	272	-	(272)	-	-	-
Other comprehensive income	-	-	-	-	-	3,974	3,974
Dividends lapsed	-	-	-	-	32	-	32
Net income for the period	-	-	-	-	1,949,109	-	1,949,109
Destination - Capital reserve	-	-	389,821	-	(389,821)	-	-
- Additional dividends proposed in 1H17	-	-	-	-	(1,559,320)	-	(1,559,320)
Balance on June 30, 2017	5,646,767	1,276	3,127,184	(83,478)	-	(8,890)	8,682,859
Changes in the Period	-	272	389,821	(272)	-	3,974	393,795
Balance on December 31, 2017	5,646,767	1,277	3,337,198	(83,478)	-	(3,294)	8,898,470
Transactions with stock payments	-	(14)	-	14	-	-	-
Other comprehensive income	-	-	-	-	-	(22,151)	(22,151)
Dividends lapsed	-	-	-	-	30	-	30
Net income for the period	-	-	-	-	1,948,887	-	1,948,887
Destination - Capital reserve	-	-	389,777	-	(389,777)	-	-
- Additional dividends proposed in 1H18	-	-	-	-	(1,559,140)	-	(1,559,140)
Balance on June 30, 2018	5,646,767	1,263	3,726,975	(83,464)	-	(25,445)	9,266,096
Changes in the Period	-	(14)	389,777	14	-	(22,151)	367,626

4. UNDERWRITING AND ACCUMULATION

■ LIFE, MORTGAGE LIFE AND RURAL

BB Seguridade offers life, mortgage life and rural insurance through its affiliate company BB MAPFRE SH1. This company was established by a 20-year term partnership with MAPFRE in 2010, and the joint operations began in 2011. BB Seguridade holds, through BB Seguros, a 74.99% economic stake in BB MAPFRE SH1, composed of 100% of the preferred shares and 49.99% of the common shares. The segments in which BB MAPFRE SH1 operates is dominated by the Brazilian banks, what reflects the strong association of this kind of products with the bancassurance channel.

The following topics show a brief description of the main products offered by BB MAPFRE SH1:

- a. **Life insurance** is a product focused on individuals which assures financial protection to the beneficiaries, chosen by the policyholder, in case of death (natural or accidental), or permanent disability of the insured. If a claim occurs, the insurance company pays the amount agreed in the insurance policy to the beneficiary. Differently from the products sold in other countries, the life insurance sold by BB MAPFRE SH1 is a term life insurance without accumulation. If the customer fails to make the monthly payments, the coverage is suspended without any amount being reverted to the policyholder.
- b. **Credit life insurance** is a life insurance policy intended to pay off a borrower's loan in case of death of the insured. This type of product is designed to protect both the lender and the insured dependents, preventing them to inherit this liability. This product is already quite widespread in Brazil and it is expected to grow with the expansion of the loan portfolio. The main beneficiary of this type of product is the lender.
- c. **Mortgage life insurance** is an insurance policy intended to pay off a mortgage in case of death or disability of the insured. The insurance policy gives the guarantee that his family will keep the property and the bank will receive the full payment of the mortgage outstanding debt. A mortgage life insurance also protects against physical damage to the insured property. The premium is calculated on a monthly basis and varies according to the outstanding loan balance and the borrower's age.
- d. **Rural insurance** encompasses a group of three main products: (i) the crop insurance, which protects the farmers from weather hazards and falling prices of the crop; (ii) the rural lien insurance, which protects the asset given as collateral for a rural loan; and (iii) the rural producer credit life insurance, which is an insurance designed for farmers intended to pay off the rural loan in case the insured dies.

■ PROPERTY AND CASUALTY

BB Seguridade offers auto, property and casualties insurance through its affiliate MAPFRE BB SH2. This company was established by a 20-year term partnership with MAPFRE signed in 2010, and the joint operations began in 2011. In this partnership BB Seguridade holds a 50.00% economic stake in MAPFRE BB SH2, being 51.0% of the preferred shares and 49.0% of the common shares.

In this segment, the insurance policies for large risks and auto require a more customized assistance and selling process, which result in a higher concentration of sales in independent brokers than in the bancassurance channel.

The following paragraphs show a brief description of the main products offered by MAPFRE BB SH2:

- a. **Property insurance** is a type of insurance sold to individuals or companies that provides protection against risks to properties, linked or not to loans. The main products of this segment are: home insurance (covers the risks related to a private residence), business insurance (covers the risks related to a property that belongs to a company) and insurance for machinery and equipment (protection to a property that belongs either to individuals or companies).
- b. **Auto insurance** is an insurance policy designed to provide protection for vehicles, of commercial or particular use, against theft, physical damage and/or bodily injury resulting from traffic collisions, besides other assistances provided to the policy holder. The auto insurance market is dynamic and competitive, what favors the client to shop around for the best price before closing the deal. Besides that, the renewal of this kind of policies occur on an yearly basis, what makes easier for the competitors to go after the clients and makes it difficult to establish and strengthen a long term relationship with costumers, unlike other segments.
- c. **DPVAT** is a mandatory insurance in Brazil that covers personal injury caused by vehicles to passengers, drivers or pedestrians. DPVAT offers coverage for three natures of damage: death, permanent disability, and reimbursement for medical and hospital expenses. DPVAT is funded by vehicles owners through annual payments. Out of the amount collected, 45% is transferred to the Ministry of Health (SUS), to fund the hospital care victims of traffic accidents across the country, and 5% is transferred to the Ministry of Cities, for exclusive use in programs directed to prevent traffic accidents. The remaining 50% is directed to the payment of claims.

■ PENSION PLANS

BB Seguridade operates in the private pension plans segment through its affiliate Brasilprev in partnership with the American company Principal Financial Group (PFG). Brasilprev was established in 1993 as a partnership between Banco do Brasil and a group of insurance companies. After going through a series of corporate restructuring, within 1999-2000, PFG, through its subsidiary in Brazil, Principal Financial Group do Brasil, acquired an economic stake in the company and established a partnership with Banco do Brasil. In 2010, BB Seguros and PFG renewed their partnership, extending it for 23 years more. As a result of this new agreement, Banco do Brasil increased its stake in Brasilprev from 49.99% to 74.99%. Pension plans are growing in popularity in Brazil, due to increasing life expectancy, level of financial education and tax benefits.

Brasilprev has three main sources of revenue: the load fee, which can be charged on contributions and redemptions, the management fee on assets under management, and the premiums paid to cover risks.

The following topics provide a brief description of the products offered by Brasilprev:

- a. **Free Benefit Generator Plan (PGBL)** is recommended for people who fill their income tax statement in the complete form, as the contributions are tax deductible up to the limit of 12% of the annual gross taxable income. In this modality, in case of redemption or benefit received, income taxes are calculated on the amount redeemed or income received.

In Brazil, there are two alternatives for an individual to present the tax statements, the simple form or the complete form. In the complete form, a Brazilian citizen can inform not only the income but also deductible expenses, such as expenses with healthcare, education, investments in PGBL, and other. In addition, the participant may choose to be taxed either in the progressive tax system or in the regressive tax system when buying a pension plan.

- (i) In the progressive tax system, the annuity is taxed when money is received according to the “Tabela Progressiva Mensal” (Monthly Progressive Table) made available by the Brazilian Internal Revenue Service. The tax brackets can vary from zero to 27.5% according to the annual wages with adjustment in the income tax declaration. Redemptions are taxed at 15% in anticipation regardless the amount redeemed, with adjustment in the income tax statement according to the Monthly Progressive Table.
 - (ii) In the regressive tax system, in the event of redemption or annuity received, tax is withheld and is definitive, with no possibility of adjustment in the annual tax statement. The rates are determined by the length of stay of each inflow in the plan, starting at 35%, with gradual reduction every two years, reaching a level of 10% after 10 years.
- b. Free Benefit Generator Life Plan (VGBl)** is recommended for those who fill their income tax statement in the simplified form or is exempt, since the contributions are not tax deductible. As in PGBl, the customer can choose either the progressive or the regressive tax system. In VGBl, in case of redemption or annuity received, income tax will be charged on interest earned only. The main advantage of the VGBl is its simplicity of the process related to the inheritance transmission, being suitable for customers who wish to make a succession planning. In this product, the customer can determine who will be the beneficiaries after his death and, unlike other assets, funds invested in VGBl are not part of the inventory, which is a process with legal costs and attorney's fees that can consume from 6% to 20% of the wealth received by the heirs.
- c. Traditional Plan** guarantees a fixed interest of 6% plus inflation (IGP-M) or Taxa Referencial (TR) per year. These plans are no longer sold.

■ PREMIUM BONDS

BB Seguridade offers premium bonds through its affiliate company Brasilcap, in a partnership with Icatu and Aliança da Bahia. Premium bonds are very peculiar to the Brazilian market, but there are also quite similar products in United Kingdom and in other countries.

Premium bonds are mainly sold through the bancassurance channel and it is an alternative way to accumulate reserves, with term and interest rate previously determined, entitling the bondholder to participate in lotteries. Premiums are distributed through periodic draws, being most frequent the usage of a combination of numbers in pre-determined series, based on the Brazilian Official Lottery.

Depending on the type of premium bond and the payment method chosen, the load fee and lottery quotas can exceed 10% of the amount collected. The amount intended to cover lottery, administrative expenses, and operational and acquisition costs is covered by these quotas.

In case of early redemption, the bondholder must obey a grace period (12 months in most products). Beyond the grace period, penalties will be applied if the bondholder decides for early redemption, which will decrease as the bond approaches to maturity.

■ REINSURANCE

The reinsurance industry in Brazil has been growing substantially since the market became opened in April 2008. With the approval of the Complementary Law 126/2007, the state monopoly over reinsurance, held through IRB-Brasil Resseguros S.A. ("IRB") ceased to exist.

In some cases, due to contract or regulation, reinsurance becomes mandatory, and according to SUSEP data, the main risks covered today are P&C, financial, rural and transportation.

In 2013, BB Seguridade, through its subsidiary BB Seguros Participações acquired a stake in IRB, entering the Brazilian reinsurance market. After that, IRB went through a process of privatization and capital increase. At the end of this process, BB Seguros became the holder of 20.51% of IRB's total economics, and became part of its control block, together with the Brazilian Federal Government, Bradesco Auto Re, Itaú Seguros, Itaú Vida e Previdência and Fundo de Investimentos em Participações Caixa Barcelona.

On December 29th, 2014, it was approved by the Extraordinary General Meeting, the amendment of IRB's Bylaws to change the number of stocks from 1,035,663 to 1,040,000, in order to include 4,337 treasury stocks. Therefore, BB Seguro's stake in IRB changed from 20.51% to 20.43%.

As a result of the IRB's initial public offering, 16,206,387 shares held by BB Seguros were sold at the price of R\$27.24 per share, which generated a net gain of R\$171.2 million. After the offering closing, BB Seguros, which is a BB Seguridade subsidiary, became to hold 47,520,213 shares of IRB, equivalent to 15.2% of its capital stock.

■ DENTAL INSURANCE

BB Seguridade offers dental insurance through its affiliate company Brasildental. The Company was established in 2014, by a 20-year term partnership with Odontoprev. In this partnership BB Seguridade holds a 74.99% economic stake, being 49.99% of the common shares.

Brasildental's dental insurance plans are sold under the BB Dental brand, with exclusivity of the bancassurance channel of Banco do Brasil, to individuals and companies, and counts on a wide network of specialized clinics and professionals all over the country.

The following sections show a deeper analysis of the controlled and affiliate companies of BB Seguridade including income statement, balance sheet and performance ratios.

It is worth mentioning that these information are influenced by the investor company accounting entries, e.g., changes in goodwill. Therefore, the statements are not necessarily reconcilable with those published by the Companies.

4.1 LIFE, MORTGAGE LIFE AND RURAL

■ EARNINGS ANALYSIS

Table 15 – Life, Mortgage Life and Rural | Income statement¹

R \$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Premiums written	1,934,723	1,710,243	2,162,712	11.8	26.5	3,567,547	3,872,955	8.6
Changes in technical reserves - premiums	(32,627)	133,938	(265,156)	712.7	-	214,757	(131,218)	-
Earned premiums	1,902,096	1,844,181	1,897,556	(0.2)	2.9	3,782,304	3,741,737	(1.1)
Revenue of policies issuance	3,305	5,830	3,003	(9.1)	(48.5)	8,979	8,833	(16)
Claims incurred	(620,210)	(655,173)	(694,887)	12.0	6.1	(1,370,427)	(1,350,060)	(15)
Acquisition costs	(466,619)	(534,538)	(475,811)	2.0	(11.0)	(923,054)	(1,010,349)	9.5
Result with reinsurance	(58,362)	(20,009)	(53,373)	(8.5)	166.7	77,225	(73,382)	-
Administrative expenses	(97,754)	(95,474)	(97,711)	(0.0)	2.3	(188,082)	(193,185)	2.7
Tax expenses	(58,352)	(57,046)	(68,905)	18.1	20.8	(111,826)	(125,951)	12.6
Other operating income (expenses)	(83,673)	(55,927)	(36,330)	(56.6)	(35.0)	(285,860)	(92,257)	(67.7)
Insurance operations result	520,431	431,843	473,542	(9.0)	9.7	989,258	905,385	(8.5)
Net investment income	127,954	82,264	104,327	(18.5)	26.8	288,349	186,591	(35.3)
Financial income	168,588	132,539	132,978	(21.1)	0.3	376,956	265,517	(29.6)
Financial expenses	(40,634)	(50,275)	(28,651)	(29.5)	(43.0)	(88,607)	(78,926)	(10.9)
Equity income	308	5	57	(81.6)	1,062.1	318	62	(80.6)
Operating result	648,690	514,113	577,926	(10.9)	12.4	1,277,925	1,092,037	(14.5)
Gains or losses on non-current assets	(53)	(20)	387	-	-	(46)	367	-
Earnings before taxes and profit sharing	648,637	514,093	578,313	(10.8)	12.5	1,277,879	1,092,404	(14.5)
Taxes	(232,890)	(177,291)	(205,112)	(11.9)	15.7	(461,674)	(382,403)	(17.2)
Profit sharing	(2,321)	(930)	(3,351)	44.4	260.4	(5,914)	(4,281)	(27.6)
Adjusted net income	413,429	335,872	369,849	(10.5)	10.1	810,292	705,721	(12.9)
One-off events	-	-	309,069	-	-	-	309,069	-
Cia. de Seguros Aliança do Brasil: compliance with the SUSEP Rule 543/16	-	-	589,348	-	-	-	589,348	-
Cia. de Seguros Aliança do Brasil: compliance with the SUSEP Rule 543/16 - Taxes	-	-	(252,875)	-	-	-	(252,875)	-
Cia. de Seguros Aliança do Brasil: compliance with the SUSEP Rule 543/16 - PIS/COFINS	-	-	(27,405)	-	-	-	(27,405)	-
Net income	413,429	335,872	678,918	64.2	102.1	810,292	1,014,790	25.2

¹From the 1Q18 on, the adjustments related to the goodwill of BB Seguridade's investments, as well as other IFRS adjustments, are no longer recorded in the equity income line of the Income Statement by Sub Segment, according to the Note 6 attached to BB Seguridade's Financial Statements, and are now accounted directly in the equity income line of BB Seguridade's Income Statement. Therefore, in order to maintain the comparability of results with prior periods, the historical series has been revised since 1Q16.

To provide a better analysis, the following table shows a managerial view built considering the reallocation of the result with reinsurance to the other accounts that compose the Income Statement. This reallocation allows the analysis of the performance ratios already considering the reinsurance effects.

Table 16 – Life, Mortgage Life and Rural | Managerial income statement¹

R \$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q 17	1Q 18	2Q 18	On 2Q 17	On 1Q 18	1H 17	1H 18	On 1H 17
Premiums written	1,934,723	1,710,243	2,162,712	11.8	26.5	3,567,547	3,872,955	8.6
Premiums ceded to reinsurance	(251,251)	(162,643)	(256,017)	19	57.4	(445,968)	(418,660)	(6.1)
Retained premiums	1,683,472	1,547,600	1,906,695	13.3	23.2	3,121,579	3,454,295	10.7
Changes in technical reserves - premiums	1,986	104,430	(198,952)	-	-	243,366	(94,522)	-
Retained earned premiums	1,685,459	1,652,030	1,707,744	1.3	3.4	3,364,946	3,359,773	(0.2)
Retained claims	(461,934)	(483,027)	(558,866)	21.0	15.7	(973,047)	(1,041,892)	7.1
Acquisition costs	(466,619)	(534,538)	(475,811)	2.0	(11.0)	(923,054)	(1,010,349)	9.5
Revenue of policies issuance	3,305	5,830	3,003	(9.1)	(48.5)	8,979	8,833	(16)
Underwriting result	760,211	640,295	676,070	(11.1)	5.6	1,477,824	1,316,364	(10.9)
Administrative expenses	(97,754)	(95,474)	(97,711)	(0.0)	2.3	(188,082)	(193,185)	2.7
Tax expenses	(58,352)	(57,046)	(68,905)	18.1	20.8	(111,826)	(125,951)	12.6
Other operating income (expenses)	(83,673)	(55,932)	(35,913)	(57.1)	(35.8)	(188,657)	(91,844)	(51.3)
Equity income	308	5	57	(81.3)	1,077.4	318	62	(80.4)
Gains or losses on non-current assets	(53)	(20)	387	-	-	(46)	367	-
Non-interest operating result	520,687	431,827	473,985	(9.0)	9.8	989,530	905,813	(8.5)
Net investment income	127,954	82,264	104,327	(18.5)	26.8	288,349	186,591	(35.3)
Financial income	168,588	132,539	132,978	(21.1)	0.3	376,956	265,517	(29.6)
Financial expenses	(40,634)	(50,275)	(28,651)	(29.5)	(43.0)	(88,607)	(78,926)	(10.9)
Earnings before taxes and profit sharing	648,637	514,093	578,313	(10.8)	12.5	1,277,879	1,092,404	(14.5)
Taxes	(232,890)	(177,291)	(205,112)	(11.9)	15.7	(461,674)	(382,403)	(17.2)
Profit sharing	(2,321)	(930)	(3,351)	44.4	260.4	(5,914)	(4,281)	(27.6)
Adjusted net income	413,426	335,873	369,849	(10.5)	10.1	810,293	705,721	(12.9)

¹In 2017, the insurance companies' reinsurance operations databases were revised, with the purpose to adhere to the Susep's norms in force. This revision generated an impact on "other operating income (expenses)" and on "result with reinsurance" lines. Thus, to allow for a better understanding of the operating ratios dynamics, in the 4Q17 managerial income statement both effects were recorded in other operating income (expenses). Therefore, we revised the information provided in the 1Q17, by reclassifying part of these effects from retained claims to other operating income (expenses).

Retained premiums = Premiums written + premiums ceded to reinsurance

Changes in technical provisions = Changes in technical provisions + changes in technical provisions on reinsured operations

Retained claims = Incurred claims - recovery of indemnity claims - recovery of claims expenses - changes in provisions for claims IBNR - salvages and reimbursed assets - changes in provision for claims IBNER provisions for claims to be settled - changes of expenses related to IBNR - changes in estimates for salvages and reimbursed assets - provisions for claims to be settled

Table 17 – Life, Mortgage Life and Rural | Managerial adjustments statement

R \$ thousand	Quarterly Flow			Half-Yearly Flow		
	2Q18	Adjustments	2Q18 adjusted	1H18	Adjustments	1H18 adjusted
Premiums written	2,162,712	-	2,162,712	3,872,955	-	3,872,955
Premiums ceded reinsurance	(256,017)	-	(256,017)	(418,660)	-	(418,660)
Retained premiums	1,906,695	-	1,906,695	3,454,295	-	3,454,295
Changes in technical reserves - premiums	390,396	589,348	(198,952)	494,826	589,348	(94,522)
Retained earned premiums	2,297,092	589,348	1,707,744	3,949,122	589,348	3,359,773
Retained claims	(558,866)	-	(558,866)	(1,041,892)	-	(1,041,892)
Acquisition costs	(475,811)	-	(475,811)	(1,010,349)	-	(1,010,349)
Revenue of policies issuance	3,003	-	3,003	8,833	-	8,833
Underwriting result	1,265,418	589,348	676,070	1,905,713	589,348	1,316,364
Administrative expenses	(97,711)	-	(97,711)	(193,185)	-	(193,185)
Tax expenses	(96,310)	(27,405)	(68,905)	(153,356)	(27,405)	(125,951)
Other operating income (expenses)	(35,913)	-	(35,913)	(91,844)	-	(91,844)
Equity income	57	-	57	62	-	62
Gains or losses on non-current assets	387	-	387	367	-	367
Non-interest operating result	1,035,929	561,944	473,985	1,467,756	561,944	905,813
Net investment income	104,327	-	104,327	186,591	-	186,591
Financial income	132,978	-	132,978	265,517	-	265,517
Financial expenses	(28,651)	-	(28,651)	(78,926)	-	(78,926)
Earnings before taxes and profit sharing	1,140,256	561,944	578,313	1,654,347	561,944	1,092,404
Taxes	(457,987)	(252,875)	(205,112)	(635,278)	(252,875)	(382,403)
Profit sharing	(3,351)	-	(3,351)	(4,281)	-	(4,281)
Adjusted net income	678,918	309,069	369,849	1,014,789	309,069	705,721

QUARTERLY ANALYSIS

The adjusted net income from the Life, Mortgage Life and Rural business segment amounted to R\$369.8 million in the 2Q18, down 10.5% as compared to the 2Q17. Such performance was driven by the decline in the non-interest operating result along with the reduction in net investment income.

The non-interest operating result dropped 9.0% YoY, dragged down by the increase in the loss ratio, partially offset by the reduction in the G&A ratio. On the other hand, the net investment income fell 18.5% YoY, mainly due to the lower Selic rate.

The annualized return on average equity reached 52.0%, down 11.5 p.p. YoY.

YEAR-TO-DATE ANALYSIS

In the 1H18, the adjusted net income from the Life, Mortgage Life and Rural segment reached R\$705.7 million, down 12.9% YoY, driven mainly by the lower net investment income and, to a lesser extent, by the reduction in the non-interest operating result.

The fall in the net investment income can be largely explained by the Selic rate contraction. On the other hand the non-interest operating result dropped 8.5% YoY, driven by the increase in both the loss ratio and the commission ratio, partially offset by the decline in the G&A ratio.

The annualized return on average equity reached 49.1%, down 4.7 p.p. YoY.

Figure 27 – Life, Mortgage Life and Rural | Adjusted net income and ROAE

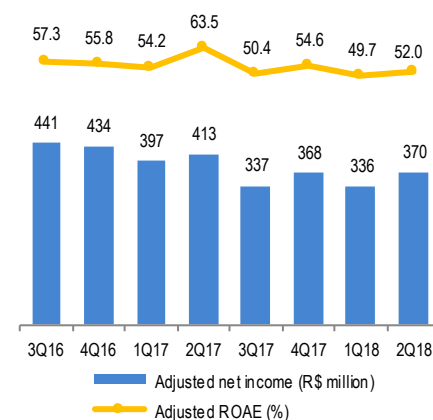
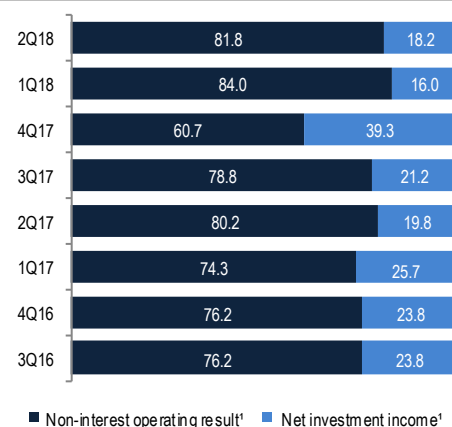


Figure 28 – Life, Mortgage Life and Rural | Adjusted net income composition (%)



¹Net of taxes considering the Company's effective tax rate.

Table 18 – Life, Mortgage Life and Rural | Managerial performance ratios¹

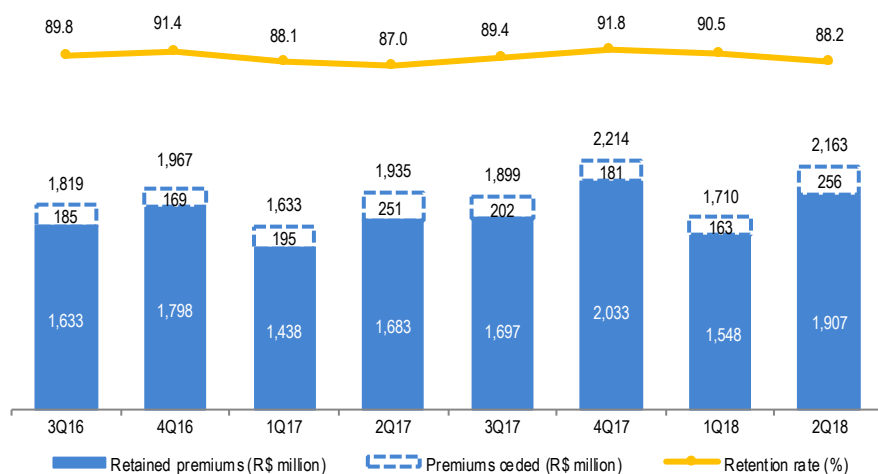
%	Quarterly Flow			Chg. (p.p.)		Half-Yearly Flow		Chg. (p.p.)
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Performance ratios								
Loss ratio	27.4	29.2	32.7	5.3	3.5	28.9	31.0	2.1
Commission ratio	27.7	32.4	27.9	0.2	(4.5)	27.4	30.1	2.6
G&A ratio	14.2	12.6	11.9	(2.4)	(0.8)	14.5	12.2	(2.3)
Combined ratio	69.1	73.9	72.3	3.1	(16)	70.6	73.1	2.5
Other ratios								
Expanded combined ratio	64.2	70.4	68.1	3.9	(2.2)	65.0	69.2	4.2
Income tax rate	35.9	34.5	35.5	(0.4)	1.0	36.1	35.0	(1.1)
Adjusted ROAE	63.5	49.7	52.0	(11.5)	2.3	53.8	49.1	(4.7)

¹Performance ratios calculated based on the managerial income statement, considering the reinsurance effects.

■ NON-INTEREST OPERATING RESULT ANALYSIS

PREMIUMS WRITTEN

Figure 29 – Life, Mortgage Life and Rural | Premiums written



QUARTERLY ANALYSIS

In the 2Q18, premiums written grew 11.8% YoY, to R\$2.2 billion. Such performance was driven by the premium growth in almost every segment, except for DPVAT.

YEAR-TO-DATE ANALYSIS

In the 1H18, premiums written reached R\$3.9 billion, up 8.6% YoY, driven mostly by the increase seen in credit life and, to a lesser extent, by the growth in life, mortgage life and in rural.

Table 19 – Life, Mortgage Life and Rural | Breakdown of premiums written

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Life	826,541	800,338	896,923	8.5	12.1	1,612,622	1,697,261	5.2
Credit Life	245,878	277,689	347,669	41.4	25.2	403,290	625,358	55.1
Mortgage Life	58,818	64,571	64,459	9.6	(0.2)	116,324	129,030	10.9
Rural	764,585	517,558	823,401	7.7	59.1	1,331,987	1,340,958	0.7
DPVAT	38,196	49,162	29,063	(23.9)	(40.9)	101,883	78,225	(23.2)
Other	706	925	1,198	69.8	29.5	1,440	2,123	47.4
Total	1,934,723	1,710,243	2,162,712	11.8	26.5	3,567,547	3,872,955	8.6

Figure 30 – Life, Mortgage Life and Rural | Breakdown of premiums written (%)

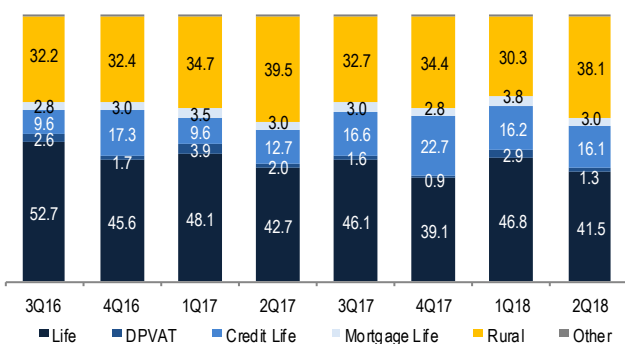


Figure 31 – Life, Mortgage Life and Rural | Breakdown of retained premiums (%)

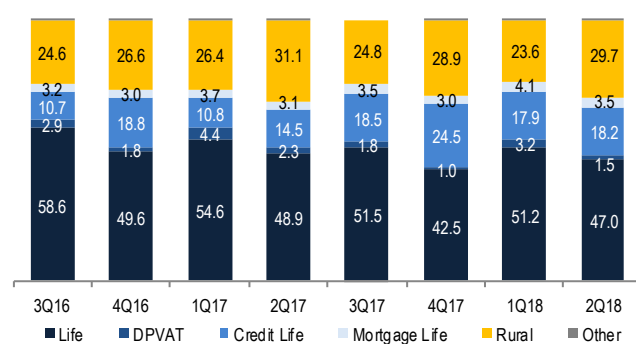


Table 20 – Life, Mortgage Life and Rural | Breakdown of premiums written by distribution channel

%	Quarterly Flow				Half-Yearly Flow					
	2Q 17		1Q 18		2Q 18		1H 17		1H 18	
	Bank	Other	Bank	Other	Bank	Other	Bank	Other	Bank	Other
Life	79.9	20.1	70.8	29.2	77.7	22.3	76.4	23.6	74.5	25.5
Credit life	99.7	0.3	99.9	0.1	99.9	0.1	99.7	0.3	99.9	0.1
Mortgage life	100.0	-	100.0	-	100.0	-	100.0	-	100.0	-
Rural	100.0	-	100.0	-	100.0	-	100.0	-	100.0	-
Other	100.0	-	100.0	-	100.0	-	100.0	-	100.0	-
DPVAT	-	100.0	-	100.0	-	100.0	-	100.0	-	100.0
Total	89.4	10.6	83.5	16.5	89.4	10.6	86.4	13.6	86.8	13.2

CHANGES IN TECHNICAL RESERVES - PREMIUMS

Table 21 – Life, Mortgage Life and Rural | Changes in technical reserves – premiums

R \$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q 17	1Q 18	2Q 18	On 2Q 17	On 1Q 18	1H 17	1H 18	On 1H 17
Provision for unearned premiums	(23,730)	167,055	(273,977)	1,054.6	-	258,404	(106,922)	-
Provision for administrative expenses - DPVAT	(715)	(2,741)	(924)	29.3	(66.3)	(1,851)	(3,665)	98.0
Provision for technical surplus	(2,100)	(1,469)	(1,016)	(51.6)	(30.9)	(4,156)	(2,485)	(40.2)
Complementary provisions of contributions	(10,949)	(28,907)	10,759	-	-	(44,635)	(18,147)	(59.3)
Other provisions (except VGBL and VRGP)	4,867	-	-	-	-	6,994	-	-
Change in technical reserves - premiums	(32,627)	133,938	(265,156)	712.7	-	214,757	(131,218)	-

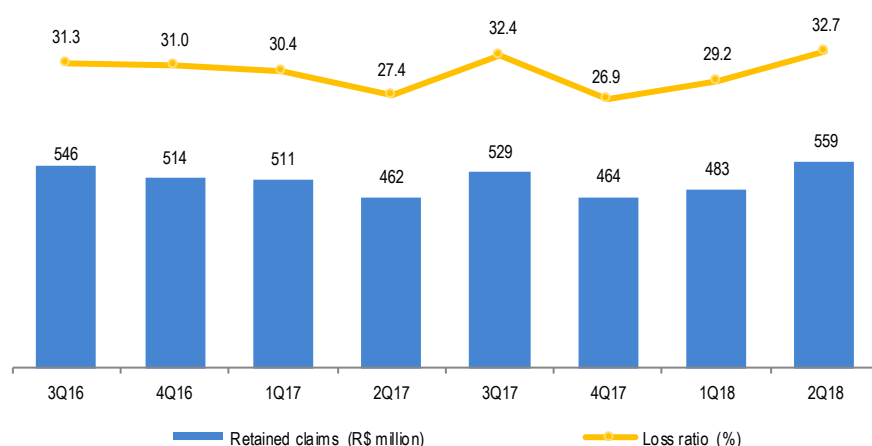
RETAINED EARNED PREMIUMS

Table 22 – Life, Mortgage Life and Rural | Breakdown of retained earned premiums

R \$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q 17	1Q 18	2Q 18	On 2Q 17	On 1Q 18	1H 17	1H 18	On 1H 17
Life	846,861	782,520	864,983	2.1	10.5	1,627,102	1,647,503	1.3
Credit Life	318,818	298,515	284,861	(10.7)	(4.6)	650,518	583,376	(10.3)
Mortgage Life	52,408	62,915	63,622	21.4	1.1	105,004	126,537	20.5
Rural	428,046	460,729	464,954	8.6	0.9	879,731	925,683	5.2
DPVAT	37,481	46,421	28,139	(24.9)	(39.4)	100,032	74,560	(25.5)
Other	1,844	929	1,185	(35.7)	27.5	2,560	2,114	(17.4)
Total	1,685,459	1,652,030	1,707,744	1.3	3.4	3,364,946	3,359,773	(0.2)

RETAINED CLAIMS

Figure 32 – Life, Mortgage Life and Rural | Retained claims



QUARTERLY ANALYSIS

In the 2Q18, the loss ratio rose 5.3 p.p. when compared to the 2Q17, largely driven by the higher loss ratio in life and in rural.

YEAR-TO-DATE ANALYSIS

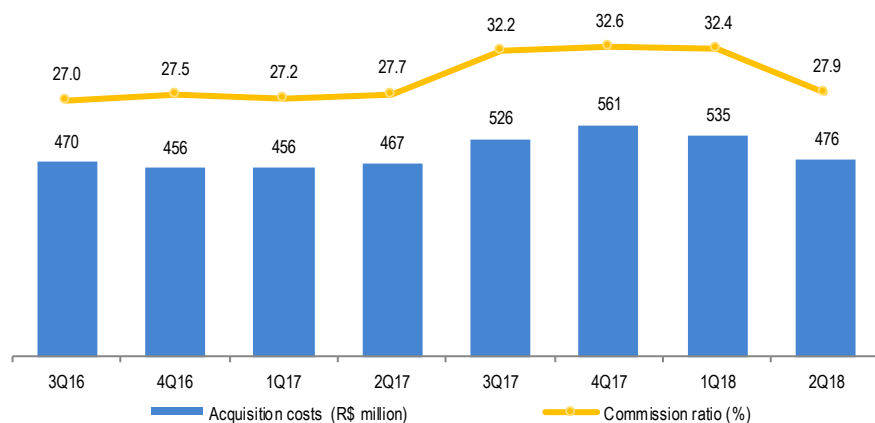
In the 1H18, the loss ratio reached 31.0%, 2.1 p.p. higher when compared to the 1H17, largely explained by the increase in claims in life and in credit life.

Table 23 – Life, Mortgage Life and Rural | Breakdown of retained claims

R \$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Incurred claims	(620,210)	(655,173)	(694,887)	12.0	6.1	(1,370,427)	(1,350,060)	(1.5)
Expenses with claims	(650,999)	(680,162)	(730,690)	12.2	7.4	(1,401,270)	(1,410,852)	0.7
Changes in provisions for claims IBNR	(15,488)	(14,254)	(5,882)	(62.0)	(58.7)	(46,934)	(20,135)	(57.1)
Changes in provisions for claims IBNER	196	989	1,611	722.5	62.8	(9,410)	2,601	-
Recovery of claims - Coinsurance	51,898	45,542	45,845	(11.7)	0.7	98,818	91,388	(7.5)
Recovery of claims - Reinsurance	158,277	172,146	136,021	(14.1)	(21.0)	397,380	308,167	(22.5)
Salvage	527	494	404	(23.4)	(18.4)	565	898	58.9
Reimbursements	436	2	667	52.8	38,673.3	2,187	669	(69.4)
Assistance services	(7,063)	(8,377)	(7,212)	2.1	(13.9)	(14,446)	(15,589)	7.9
Other	282	593	369	30.9	(37.7)	63	962	1,433.4
Retained claims	(461,934)	(483,027)	(558,866)	21.0	15.7	(973,047)	(1,041,892)	7.1

ACQUISITION COSTS

Figure 33 – Life, Mortgage Life and Rural | Acquisition costs



QUARTERLY ANALYSIS

In the 2Q18, the commission ratio reached 27.9%, 0.2 p.p. higher when compared to the same period of 2017.

YEAR-TO-DATE ANALYSIS

In the 1H18, the commission ratio stood at 30.1%, 2.6 p.p. higher when compared to the ratio verified in the first six months of 2017. Such performance was driven mainly by the increase in the commission rate of some products within the life insurance portfolio distributed by the bancassurance channel, which was in force from the 3Q17 until the 1Q18.

Table 24 – Life, Mortgage Life and Rural | Acquisition costs

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Commission charged on premiums written	(417,097)	(451,096)	(490,791)	17.7	8.8	(739,194)	(941,887)	27.4
Agency commission	(2,443)	(1,940)	(2,135)	(12.6)	10.1	(4,183)	(4,075)	(2.6)
Commissions recovered - Coinsurance	6,090	4,918	4,238	(30.4)	(13.8)	12,091	9,156	(24.3)
Change in deferred acquisition costs	(7,874)	(41,263)	58,090	-	-	(103,219)	16,827	-
Other acquisition costs	(45,295)	(45,159)	(45,213)	(0.2)	0.1	(88,550)	(90,371)	2.1
Acquisition costs	(466,619)	(534,538)	(475,811)	2.0	(11.0)	(923,054)	(1,010,349)	9.5

UNDERWRITING RESULT

Table 25 – Life, Mortgage Life and Rural | Underwriting result

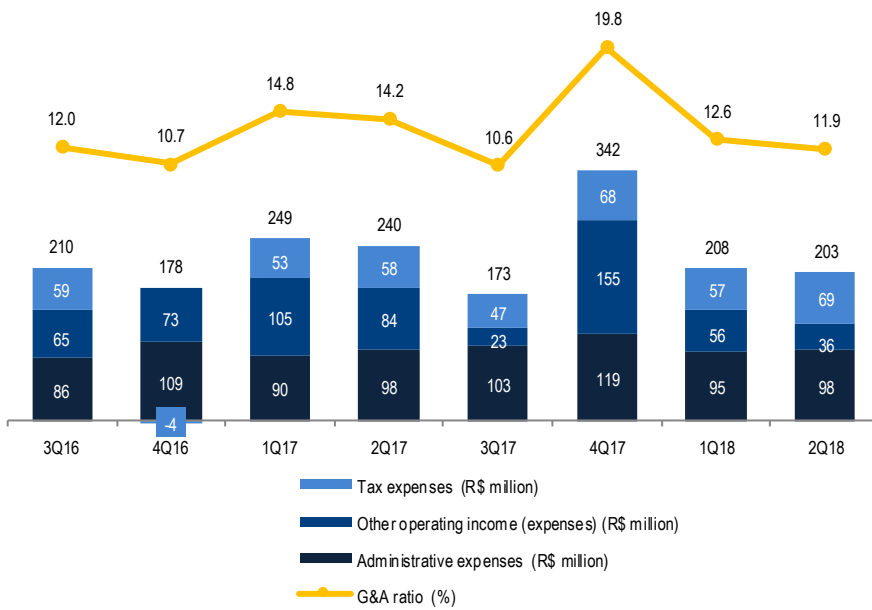
R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q 17	1Q 18	2Q 18	On 2Q 17	On 1Q 18	1H 17	1H 18	On 1H 17
Life	321,035	192,092	268,002	(16.5)	39.5	596,935	460,094	(22.9)
Credit Life	135,508	130,000	102,093	(24.7)	(21.5)	285,473	232,093	(18.7)
Mortgage Life	37,399	40,529	40,177	7.4	(0.9)	73,737	80,705	9.5
Rural	256,172	265,203	257,789	0.6	(2.8)	497,521	522,992	5.1
Other	1,524	636	763	(49.9)	20.1	2,068	1,399	(32.3)
DPVAT	5,268	6,005	4,243	(19.5)	(29.3)	13,111	10,248	(21.8)
Underwriting margin breakdown	756,906	634,465	673,067	(11.1)	6.1	1,468,845	1,307,532	(11.0)
Revenue of policies issuance	3,305	5,830	3,003	(9.1)	(48.5)	8,979	8,833	(1.6)
Underwriting margin	760,211	640,295	676,070	(11.1)	5.6	1,477,824	1,316,364	(10.9)

Table 26 – Life, Mortgage Life and Rural | Underwriting result breakdown

%	Quarterly Flow			Chg. (p.p.)		Half-Yearly Flow		Chg. (p.p.)
	2Q 17	1Q 18	2Q 18	On 2Q 17	On 1Q 18	1H 17	1H 18	On 1H 17
Life	42.4	30.3	39.8	(2.6)	9.5	40.6	35.2	(5.5)
Credit Life	17.9	20.5	15.2	(2.7)	(5.3)	19.4	17.8	(1.7)
Mortgage Life	4.9	6.4	6.0	1.0	(0.4)	5.0	6.2	1.2
Rural	33.8	41.8	38.3	4.5	(3.5)	33.9	40.0	6.1
Other	0.2	0.1	0.1	(0.1)	0.0	0.1	0.1	(0.0)
DPVAT	0.7	0.9	0.6	(0.1)	(0.3)	0.9	0.8	(0.1)

GENERAL & ADMINISTRATIVE EXPENSES

Figure 34 – Life, Mortgage Life and Rural | G&A expenses



QUARTERLY ANALYSIS

In the 2Q18, the G&A ratio improved by 2.3 p.p. YoY, helped by lower “other operating income (expenses)”, partially offset by the increase in tax expenses.

YEAR-TO-DATE ANALYSIS

In the 1H18, the G&A ratio declined 2.3 p.p. YoY, to 12.2%, largely explained by lower “other operating income (expenses)”.

Table 27 – Life, Mortgage Life and Rural | General & Administrative expenses

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Administrative expenses	(97,754)	(95,474)	(97,711)	(0.0)	2.3	(188,082)	(193,185)	2.7
Personnel	(41,523)	(43,381)	(42,645)	2.7	(17)	(80,509)	(86,026)	6.9
Outsourcing	(26,873)	(24,422)	(25,944)	(3.5)	6.2	(49,614)	(50,366)	1.5
Location and operation	(22,870)	(21,475)	(22,314)	(2.4)	3.9	(44,725)	(43,789)	(2.1)
Institutional advertisement and publicity	(2,158)	(2,161)	(3,081)	42.8	42.6	(4,461)	(5,242)	17.5
Publications	(25)	(471)	(72)	187.1	(84.7)	(560)	(543)	(3.1)
Other administrative expenses	(1,861)	(652)	(951)	(48.9)	45.7	(3,232)	(1,603)	(50.4)
DPVAT administrative expenses	(2,444)	(2,912)	(2,705)	10.7	(7.1)	(4,980)	(5,616)	12.8
Other operating income (expenses)	(83,673)	(55,932)	(35,913)	(57.1)	(35.8)	(188,657)	(91,844)	(51.3)
FESR contributions	(38,845)	(41,019)	(55,300)	42.4	34.8	(84,104)	(96,318)	14.5
Charging expenses	(5,429)	(6,688)	(5,020)	(7.5)	(24.9)	(13,217)	(11,707)	(11.4)
Civil contingencies	(5,587)	(1,424)	(6,313)	13.0	343.2	(12,956)	(7,737)	(40.3)
Expenses with events	(777)	(647)	(5,523)	610.6	753.1	(1,521)	(6,170)	305.5
Endomarketing	(3,555)	(7,048)	(4,290)	20.7	(39.1)	(7,110)	(11,338)	59.5
Impairment	(20,070)	5,817	44,503	-	665.1	(38,159)	50,320	-
Other operating income (expenses)	(9,410)	(4,923)	(3,971)	(57.8)	(19.3)	(31,590)	(8,894)	(71.8)
Tax expenses	(58,352)	(57,046)	(68,905)	18.1	20.8	(111,826)	(125,951)	12.6
COFINS	(48,407)	(47,175)	(57,930)	19.7	22.8	(93,030)	(105,105)	13.0
PIS	(7,919)	(7,728)	(8,154)	3.0	5.5	(15,204)	(15,882)	4.5
Inspection fee	(1,611)	(1,403)	(1,403)	(12.9)	(0.0)	(2,602)	(2,806)	7.8
Other tax expenses	(415)	(740)	(1,417)	241.3	91.4	(990)	(2,157)	117.9
G&A	(239,779)	(208,452)	(202,529)	(15.5)	(2.8)	(488,565)	(410,981)	(15.9)

Table 28 – Life Insurance | Key figures

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Premiums written	826,541	800,338	896,923	8.5	12.1	1,612,622	1,697,261	5.2
Premiums ceded to reinsurance	(2,533)	(8,145)	(1,373)	(45.8)	(83.1)	(3,499)	(9,517)	172.0
Retained premiums	824,008	792,193	895,550	8.7	13.0	1,609,123	1,687,743	4.9
Changes in technical reserves - premiums	22,852	(9,673)	(30,567)	-	216.0	17,979	(40,240)	-
Earned premiums	846,861	782,520	864,983	2.1	10.5	1,627,102	1,647,503	1.3
Retained claims	(259,081)	(259,804)	(324,207)	25.1	24.8	(514,753)	(584,011)	13.5
Acquisition costs	(266,745)	(330,624)	(272,774)	2.3	(17.5)	(515,414)	(603,398)	17.1
Underwriting margin	321,035	192,092	268,002	(16.5)	39.5	596,935	460,094	(22.9)

Table 29 – Life Insurance | Performance ratios

(%)	Quarterly Flow			Chg. (p.p.)		Half-Yearly Flow		Chg. (p.p.)
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Loss ratio	30.6	33.2	37.5	6.9	4.3	31.6	35.4	3.8
Commission ratio	31.5	42.3	31.5	0.0	(10.7)	31.7	36.6	4.9
Underwriting margin	37.9	24.5	31.0	(6.9)	6.4	36.7	27.9	(8.8)

QUARTERLY ANALYSIS

In the 2Q18, term life insurance premiums rose 8.5% as compared to the 2Q17, helped by the expansion in premiums in both distribution channels.

The underwriting margin fell 6.9 p.p. YoY to 31.0%, explained by a higher loss ratio in both distribution channels, justified by a higher frequency of claims reported in the period.

YEAR-TO-DATE ANALYSIS

In the 1H18, term life insurance premiums amounted to R\$1.7 billion, up 5.2% YoY, driven by the premium growth in both distribution channels.

The underwriting margin stood at 27.9%, down 8.8 p.p. YoY, driven by the higher loss ratio, justified by an increased frequency of claims mainly in the bancassurance channel, and the higher commission ratio. The increase in the commission ratio was explained by the rise in the commission rate of some products within the life insurance portfolio distributed by the bancassurance channel, which was in force from the 3Q17 until the 1Q18.

Figure 35 – Life Insurance | Premiums written (R\$ million)

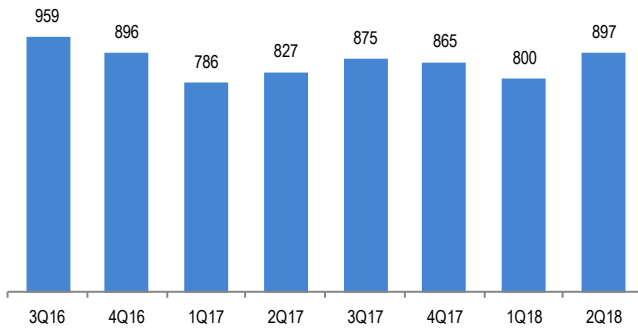


Figure 36 – Life Insurance | Breakdown of premiums written (%)

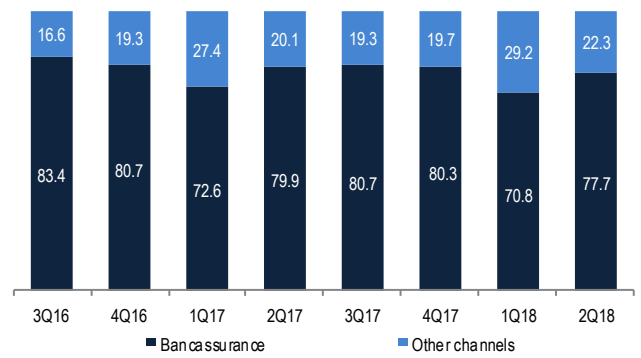


Figure 37 – Life Insurance | Underwriting margin (R\$ million)

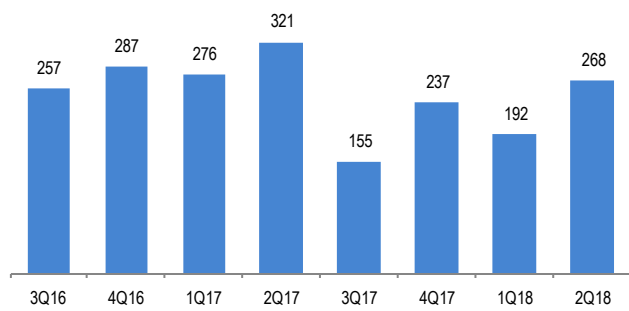


Figure 38 – Life Insurance | Underwriting margin by distribution channel (%)

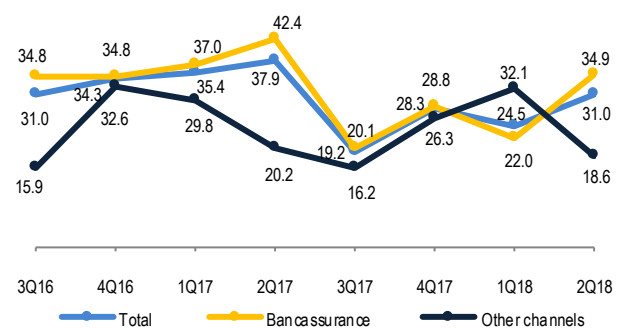


Figure 39 – Life Insurance | Loss ratio (%)

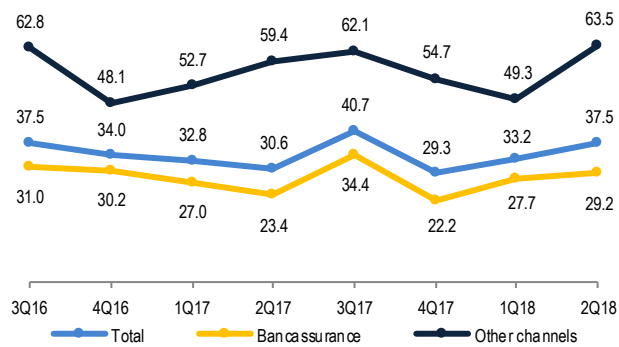
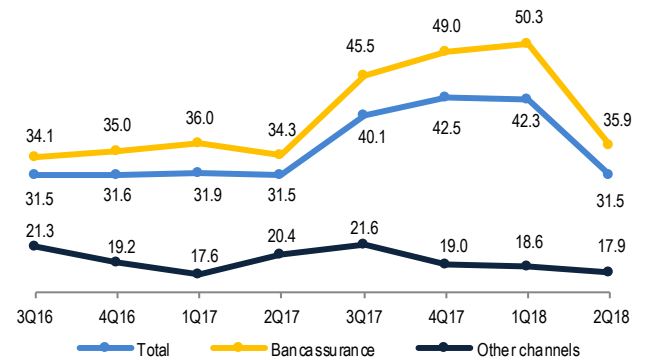


Figure 40 – Life Insurance | Commission ratio (%)



Credit Life Insurance

Table 30 – Credit Life Insurance | Key figures

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Premiums written	245,878	277,689	347,669	41.4	25.2	403,290	625,358	55.1
Premiums ceded to reinsurance	(1,383)	5	2	-	(64.2)	(2,868)	6	-
Retained premiums	244,495	277,694	347,671	42.2	25.2	400,423	625,364	56.2
Changes in technical reserves - premiums	74,324	20,822	(62,810)	-	-	250,095	(41,988)	-
Earned premiums	318,818	298,515	284,861	(10.7)	(4.6)	650,518	583,376	(10.3)
Retained claims	(85,372)	(73,685)	(93,712)	9.8	27.2	(165,092)	(167,397)	14
Acquisition costs	(97,939)	(94,830)	(89,056)	(9.1)	(6.1)	(199,952)	(183,886)	(8.0)
Underwriting margin	135,508	130,000	102,093	(24.7)	(21.5)	285,473	232,093	(18.7)

Table 31 – Credit Life Insurance | Performance ratios

(%)	Quarterly Flow			Chg. (p.p.)		Half-Yearly Flow		Chg. (p.p.)
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Loss ratio	26.8	24.7	32.9	6.1	8.2	25.4	28.7	3.3
Commission ratio	30.7	31.8	31.3	0.5	(0.5)	30.7	31.5	0.8
Underwriting margin	42.5	43.5	35.8	(6.7)	(7.7)	43.9	39.8	(4.1)

QUARTERLY ANALYSIS

In the 2Q18, credit life premiums written amounted to R\$347.7 million, up 41.4% YoY. The underwriting margin was down 6.7 p.p. YoY, driven by the 6.1 p.p. increase in the loss ratio. It is worth noting that the loss ratio in the 2Q18 was impacted:

- (i) by the increased frequency of claims reported and a higher average cost per claim; and
- (ii) by the high premium growth rate over the last quarters, which resulted on a significant volume of provisions for unearned premiums being recorded and, as a consequence, on a decline in earned premiums, which is the parameter used as a denominator in the formula of the loss ratio.

YEAR-TO-DATE ANALYSIS

In the 1H18, credit life premiums written climbed 55.1% YoY, to R\$625.4 million. The underwriting margin fell 4.1 p.p. YoY, given the increase in loss ratio along with a higher commission ratio. It is worth noting that, although the expenses with retained claims were up only 1.4%, the loss ratio rose 3.3 p.p.. Such move can be explained by the accounting dynamics resulted from the high growth rate of premiums written over the recent periods, which resulted on a significant volume of provisions for unearned premiums being recorded and, as a consequence, on lower earned premiums, which is used as a denominator in the formula of the loss ratio.

Figure 41 – Credit Life Insurance | Premiums written (R\$ million)

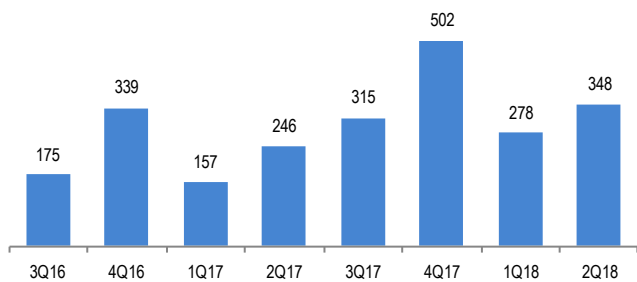


Figure 42 – Credit Life Insurance | Underwriting margin

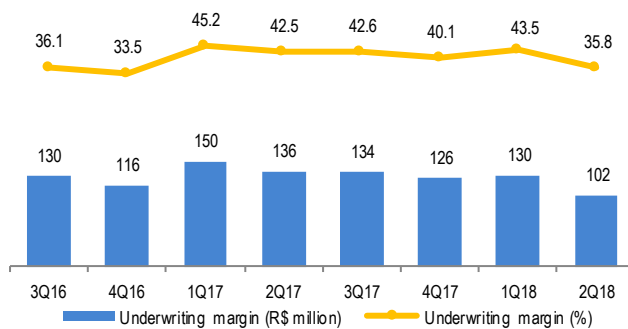
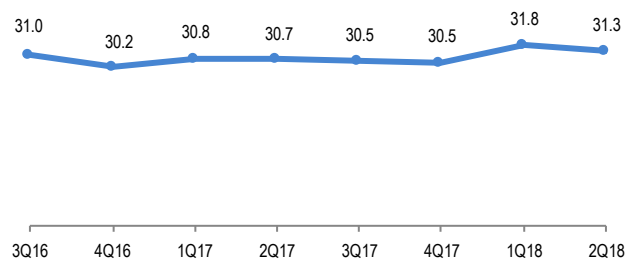


Figure 43 – Credit Life Insurance | Loss ratio (%)



Figure 44 – Credit Life Insurance | Commission ratio (%)



Rural Insurance

Table 32 – Rural Insurance | Key figures

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Premiums written	764,585	517,558	823,401	7.7	59.1	1,331,987	1,340,958	0.7
Premiums ceded to reinsurance	(241,202)	(152,726)	(256,316)	6.3	67.8	(428,521)	(409,042)	(4.5)
Retained premiums	523,382	364,831	567,085	8.3	55.4	903,466	931,916	3.1
Changes in technical reserves - premiums	(95,336)	95,898	(102,130)	7.1	-	(23,735)	(6,233)	(73.7)
Earned premiums	428,046	460,729	464,954	8.6	0.9	879,731	925,683	5.2
Retained claims	(78,084)	(96,442)	(103,558)	32.6	7.4	(190,661)	(200,000)	4.9
Acquisition costs	(93,790)	(99,084)	(103,607)	10.5	4.6	(191,549)	(202,691)	5.8
Underwriting margin	256,172	265,203	257,789	0.6	(2.8)	497,521	522,992	5.1

Table 33 – Rural Insurance | Performance ratios

(%)	Quarterly Flow			Chg. (p.p.)		Half-Yearly Flow		Chg. (p.p.)
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Loss ratio	18.2	20.9	22.3	4.0	1.3	21.7	21.6	(0.1)
Commission ratio	21.9	21.5	22.3	0.4	0.8	21.8	21.9	0.1
Underwriting margin	59.8	57.6	55.4	(4.4)	(2.1)	56.6	56.5	(0.1)

QUARTERLY ANALYSIS

In the 2Q18, rural premiums written amounted to R\$823.4 million, up 7.7% YoY on the back of the growth in crop insurance (+14.7%) and in credit life for farmers (+5.8%), partially offset by the decline in rural lien (-0.8%).

In the quarter, the underwriting margin for the rural segment dropped 4.4 p.p. YoY given the higher loss ratio, which was due to:

- (i) the higher frequency and severity of machine claims; and
- (ii) the increased volume of claims as a consequence of the drought observed in corn crops in the states of Mato Grosso, São Paulo and Paraná.

YEAR-TO-DATE ANALYSIS

In the 1H18, rural premiums written amounted to R\$1.3 billion, up 0.7% YoY. Credit life for farmers delivered the best performance, up 14.0%, followed by rural lien, up 2.1%, partially offset by crop insurance, down 9.0%.

Year-to-date through June, the underwriting margin remained practically unchanged when compared with the same period of 2017.

Figure 45 – Rural Insurance | Premiums written (R\$ million)

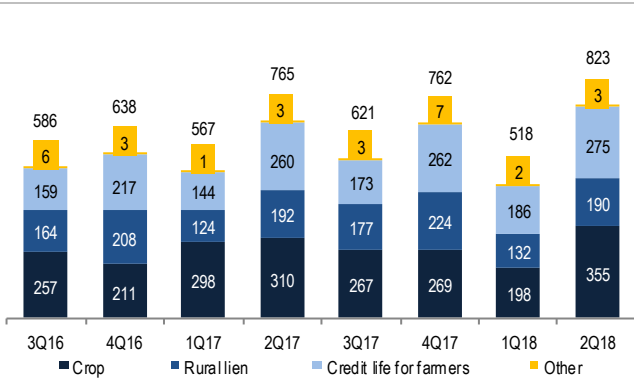


Figure 46 – Rural Insurance | Breakdown of premiums written (%)

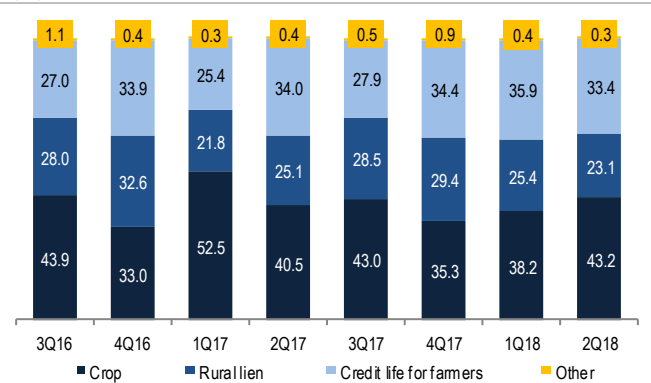


Figure 47 – Rural Insurance | Underwriting margin

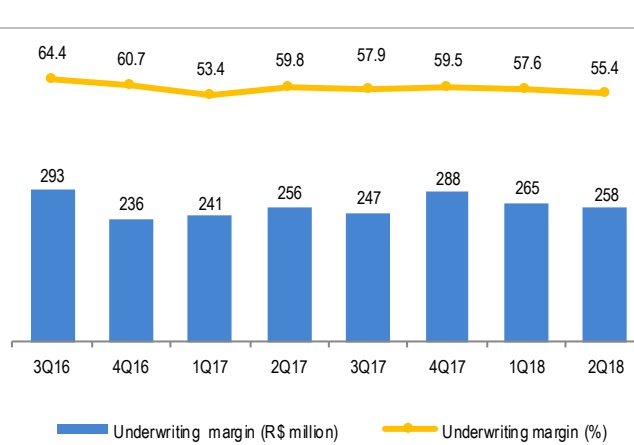


Figure 48 – Rural Insurance | Underwriting margin by product (%)

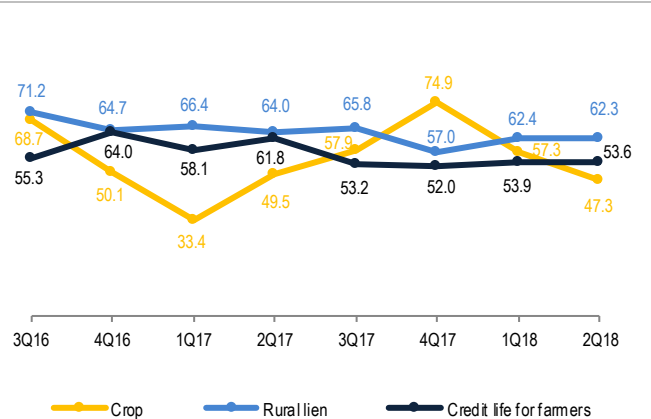


Figure 49 – Rural Insurance | Loss ratio (%)

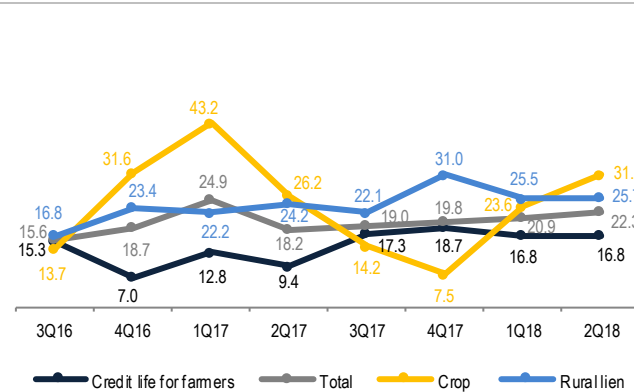
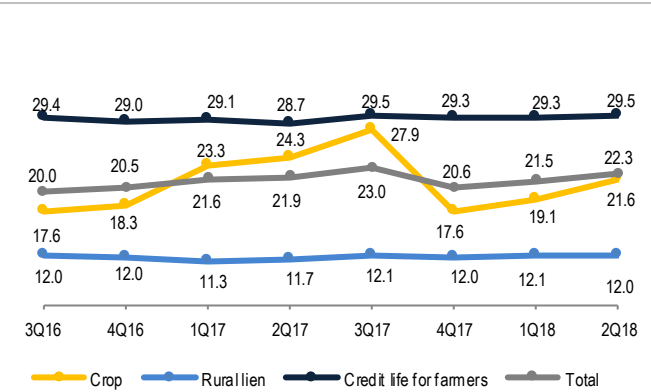


Figure 50 – Rural Insurance | Commission ratio (%)



Mortgage Life Insurance

Table 34 - Mortgage Life Insurance | Key figures

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Premiums written	58,818	64,571	64,459	9.6	(0.2)	116,324	129,030	10.9
Premiums ceded to reinsurance	(6,098)	(1,776)	1,670	-	-	(11,019)	(106)	(99.0)
Retained premiums	52,719	62,794	66,129	25.4	5.3	105,306	128,924	22.4
Changes in technical reserves - premiums	(311)	121	(2,508)	705.9	-	(302)	(2,387)	690.5
Earned premiums	52,408	62,915	63,622	21.4	1.1	105,004	126,537	20.5
Retained claims	(7,583)	(13,225)	(13,775)	816	4.2	(16,733)	(26,999)	614
Acquisition costs	(7,425)	(9,162)	(9,671)	30.2	5.6	(14,534)	(18,832)	29.6
Underwriting margin	37,399	40,529	40,177	7.4	(0.9)	73,737	80,705	9.5

Table 35 – Mortgage Life Insurance | Performance ratios

(%)	Quarterly Flow			Chg. (p.p.)		Half-Yearly Flow		Chg. (p.p.)
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Loss ratio	14.5	21.0	21.7	7.2	0.6	15.9	21.3	5.4
Commission ratio	14.2	14.6	15.2	1.0	0.6	13.8	14.9	1.0
Underwriting margin	71.4	64.4	63.1	(8.2)	(1.3)	70.2	63.8	(6.4)

QUARTERLY ANALYSIS

In the 2Q18, mortgage life premiums written amounted to R\$64.5 million, up 9.6% YoY.

The underwriting margin reached 63.1% in the quarter, down 8.2 p.p. as compared to the same period last year, driven by the higher loss ratio along with the increase in commission ratio.

YEAR-TO-DATE ANALYSIS

In the 1H18, mortgage life premiums written amounted to R\$129.0 million, up 10.9% YoY.

The underwriting margin stood at 63.8%, down 6.4 p.p. YoY, driven by the higher loss ratio along with an increase in commission ratio.

Figure 51 – Mortgage Life Insurance | Premiums written (R\$ million)

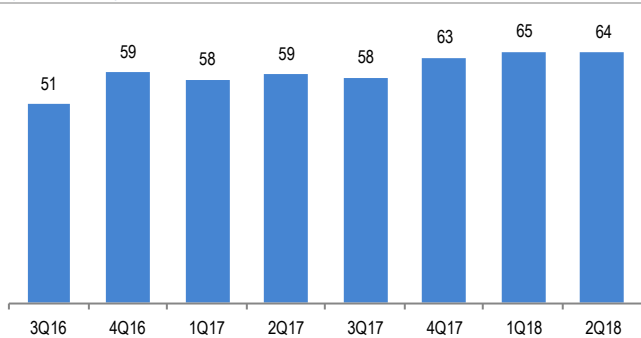


Figure 52 – Mortgage Life Insurance | Underwriting margin

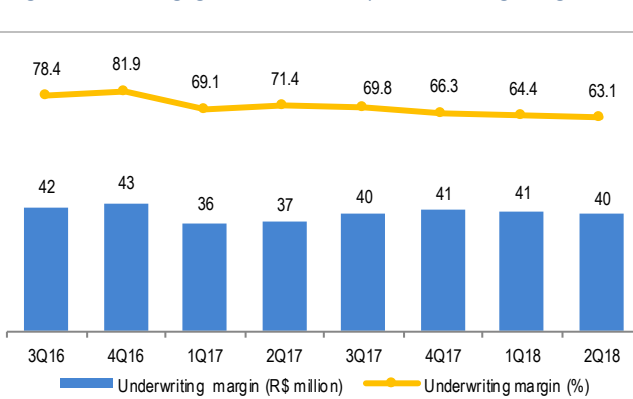


Figure 53 – Mortgage Life Insurance | Loss ratio (%)

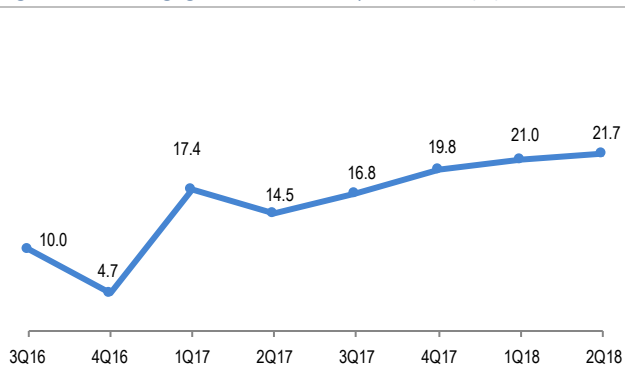
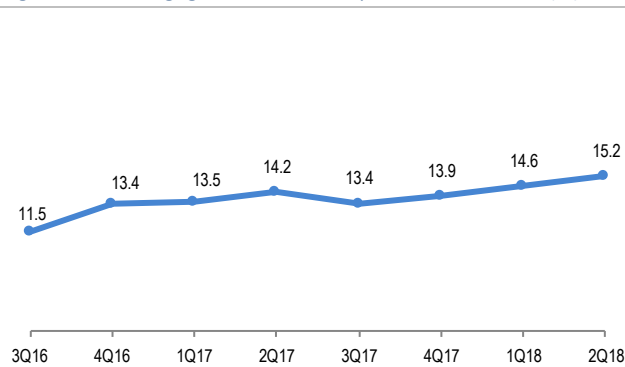


Figure 54 – Mortgage Life Insurance | Commission ratio (%)



DPVAT

Table 36 – DPVAT | Key figures

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Premiums written	38,196	49,162	29,063	(23.9)	(40.9)	101,883	78,225	(23.2)
Retained premiums	38,196	49,162	29,063	(23.9)	(40.9)	101,883	78,225	(23.2)
Changes in technical reserves - premiums	(715)	(2,741)	(924)	29.3	(66.3)	(1,851)	(3,665)	98.0
Earned premiums	37,481	46,421	28,139	(24.9)	(39.4)	100,032	74,560	(25.5)
Retained claims	(31,763)	(39,826)	(23,547)	(25.9)	(40.9)	(85,718)	(63,374)	(26.1)
Acquisition costs	(451)	(590)	(349)	(22.6)	(40.9)	(1,202)	(939)	(21.9)
Underwriting margin	5,268	6,005	4,243	(19.5)	(29.3)	13,111	10,248	(21.8)

Table 37 – DPVAT | Performance ratios

(%)	Quarterly Flow			Chg. (p.p.)		Half-Yearly Flow		Chg. (p.p.)
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Loss ratio	84.7	85.8	83.7	(1.1)	(2.1)	85.7	85.0	(0.7)
Commission ratio	12	13	12	0.0	(0.0)	12	13	0.1
Underwriting margin	14.1	12.9	15.1	1.0	2.1	13.1	13.7	0.6

Other

Table 38 – Other | Key figures

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Premiums written	706	925	1,198	69.8	29.5	1,440	2,123	47.4
Premiums ceded to reinsurance	(34)	-	0	-	-	(61)	0	-
Retained premiums	671	925	1,198	78.5	29.6	1,380	2,123	53.9
Changes in technical reserves - premiums	1,172	4	(14)	-	-	1,180	(10)	-
Earned premiums	1,844	929	1,185	(35.7)	27.5	2,560	2,114	(17.4)
Retained claims	(50)	(45)	(67)	33.7	49.7	(89)	(112)	25.2
Acquisition costs	(269)	(249)	(354)	31.6	42.3	(403)	(603)	49.8
Underwriting margin	1,524	636	763	(49.9)	20.1	2,068	1,399	(32.3)

Table 39 – Other | Performance ratios

(%)	Quarterly Flow			Chg. (p.p.)		Half-Yearly Flow		Chg. (p.p.)
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Loss ratio	80.9	84.2	80.5	(0.4)	(3.7)	83.6	82.8	(0.8)
Commission ratio	18	18	2.4	0.6	0.6	16	2.0	0.4
Underwriting margin	17.3	14.0	17.1	(0.2)	3.1	14.8	15.2	0.4

■ NET INVESTMENT INCOME

Figure 55 – Life, Mortgage Life and Rural | Net investment income (R\$ million)

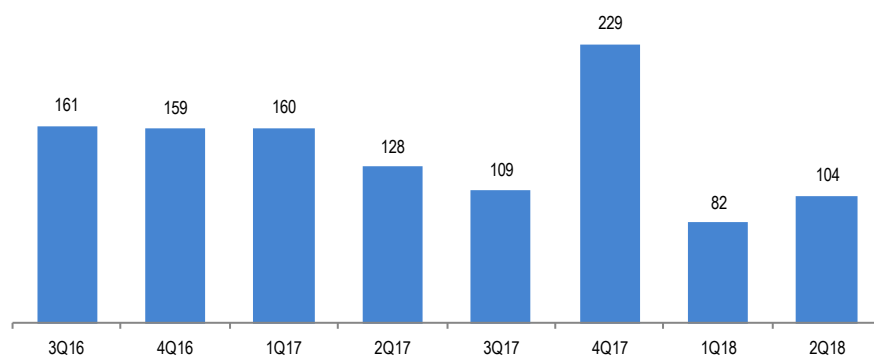


Table 40 – Life, Mortgage Life and Rural | Financial income and expenses¹

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Adjusted interest revenues	164,643	126,960	125,771	(23.6)	(0.9)	372,825	252,732	(32.2)
Revenues with mark to market financial investments	130,047	87,107	86,927	(33.2)	(0.2)	292,701	174,034	(40.5)
Revenues with held to maturity financial investments	23,014	29,734	30,705	33.4	3.3	54,281	60,438	11.3
Judicial deposits	10,326	6,666	7,270	(29.6)	9.1	25,368	13,937	(45.1)
Receivables from insurance and reinsurance operations	1,257	3,453	869	(30.8)	(74.8)	475	4,323	810.3
Adjusted interest expenses	(35,645)	(43,961)	(25,700)	(27.9)	(41.5)	(77,186)	(69,660)	(9.8)
Pending claims	(16,692)	(27,161)	(8,715)	(47.8)	(67.9)	(28,745)	(35,877)	24.8
Judicial provisions	(9,105)	(5,147)	(10,425)	14.5	102.5	(21,026)	(15,572)	(25.9)
Obligations with insurance and reinsurance operations	(9,848)	(11,652)	(6,559)	(33.4)	(43.7)	(27,415)	(18,211)	(33.6)
Net interest income	128,999	83,000	100,072	(22.4)	20.6	295,639	183,071	(38.1)

¹Managerial view

QUARTERLY ANALYSIS

In the 2Q18, the net interest income fell 22.4% YoY.

Adjusted interest revenues dropped 23.6% YoY, given the 3.1 p.p. contraction in the average yield on interest earning assets, largely explained by the lower Selic rate, partially offset by the expansion in the average balance of financial investments.

Adjusted interest expenses dropped 27.9% YoY, driven by the 1.6 p.p. retraction in the average yield on interest bearing liabilities, partially offset by the increase in the average balance of these liabilities.

YEAR-TO-DATE ANALYSIS

In the 1H18, the net interest income decreased 38.1% YoY.

Adjusted interest revenues dropped 32.2% YoY, as a consequence of the 3.5 p.p. reduction in the average yield on interest earning assets, impacted by the lower average Selic rate.

Adjusted interest expenses dropped 9.8% YoY, explained by the decline in the average yield on interest bearing liabilities along with the contraction in the average balance of these liabilities.

Table 41 – Life, Mortgage Life and Rural | Quarterly figures - Volume and rate analysis

R\$ thousand	2Q 18/2Q 17		
	Average volume	Average rate	Net change
Earning assets			
Mark to Market financial investments	7,441	(50,561)	(43,120)
Held to maturity financial investments	(961)	8,652	7,691
Judicial deposits	355	(3,410)	(3,055)
Receivables from insurance and reinsurance operations	152	(540)	(388)
Total¹	8,206	(47,078)	(38,872)
Interest bearing liabilities			
Pending claims	(142)	8,119	7,977
Judicial provisions	(1,086)	(235)	(1,320)
Obligations with insurance and reinsurance operations	(170)	3,459	3,289
Total¹	(990)	10,935	9,945

¹ Calculated with the same methodology of the parts. Due to the different weights of the elements which compose it, the total does not reflect the sum of the parts.

Table 42 – Life, Mortgage Life and Rural | Quarterly figures - Earning assets - average balance and interest rates

R\$ million	2Q 17			2Q 18		
	Average balance	Interest revenues	Annualized rate (%)	Average balance	Interest revenues	Annualized rate (%)
Earning assets						
Mark to Market financial investments	4,818	130	11.6	5,269	87	6.8
Held to maturity financial investments	1,344	23	7.3	1,304	31	9.8
Judicial deposits	882	10	4.9	928	7	3.2
Receivables from insurance and reinsurance operations	256	1	2.0	310	1	1.1
Total	7,301	165	9.7	7,810	126	6.6

Table 43 – Life, Mortgage Life and Rural | Quarterly figures - Interest bearing liabilities - average balance and interest rates

R\$ million	2Q 17			2Q 18		
	Average balance	Interest expenses	Annualized rate (%)	Average balance	Interest expenses	Annualized rate (%)
Interest bearing liabilities						
Pending claims	1,937	(17)	3.5	1,969	(9)	1.8
Judicial provisions	649	(9)	5.7	724	(10)	5.6
Obligations with insurance and reinsurance operations	297	(10)	13.0	305	(7)	8.3
Total	2,883	(36)	5.0	2,999	(26)	3.4

Table 44 – Life, Mortgage Life and Rural | Year-to-date figures - Volume and rate analysis

R\$ thousand	1H 18/ 1H 17		
	Average volume	Average rate	Net change
Earning assets			
Mark to Market financial investments	7,566	(126,233)	(118,667)
Held to maturity financial investments	(5,024)	11,181	6,157
Judicial deposits	706	(12,138)	(11,432)
Receivables from insurance and reinsurance operations	1,258	2,589	3,848
Total¹	7,684	(127,778)	(120,094)
Interest bearing liabilities			
Pending claims	(822)	(6,310)	(7,132)
Judicial provisions	(1,750)	7,204	5,454
Obligations with insurance and reinsurance operations	37,367	(28,163)	9,204
Total¹	2,041	5,485	7,526

¹ Calculated with the same methodology of the parts. Due to the different weights of the elements which compose it, the total does not reflect the sum of the parts.

Table 45 – Life, Mortgage Life and Rural | Year-to-date figures - Earning assets - average balance and interest rates

R\$ million	1H 17			1H 18		
	Average balance	Interest revenues	Annualized rate (%)	Average balance	Interest revenues	Annualized rate (%)
Earning assets						
Mark to Market financial investments	5,187	293	118	5,423	174	6.6
Held to maturity financial investments	1,428	54	7.9	1,318	60	9.5
Judicial deposits	877	25	6.0	924	14	3.1
Receivables from insurance and reinsurance operations	163	0	0.6	230	4	3.8
Total	7,655	373	10.1	7,895	253	6.6

Table 46 – Life, Mortgage Life and Rural | Year-to-date figures - Interest bearing liabilities - average balance and interest rates

R\$ million	1H 17			1H 18		
	Average balance	Interest expenses	Annualized rate (%)	Average balance	Interest expenses	Annualized rate (%)
Interest bearing liabilities						
Pending claims	1,841	(29)	3.1	1,884	(36)	3.8
Judicial provisions	642	(21)	6.5	724	(16)	4.3
Obligations with insurance and reinsurance operations	303	(27)	17.5	99	(18)	33.7
Total	2,786	(77)	5.5	2,707	(70)	5.2

Table 47 – Life, Mortgage Life and Rural | Financial investment portfolio

R\$ thousand	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
Trading	3,471,556	3,770,007	3,542,697	2.0	(6.0)
Pre-fixed	167,381	100,936	86,768	(48.2)	(14.0)
Floating	2,641,817	2,767,413	2,533,582	(4.1)	(8.4)
Other	662,358	901,658	922,346	39.3	2.3
Available for sale	1,290,531	1,546,371	1,679,028	30.1	8.6
Pre-fixed	-	393,732	575,507	-	46.2
Floating	682,390	516,004	480,835	(29.5)	(6.8)
Inflation	608,182	636,655	622,706	2.4	(2.2)
Other	(41)	(20)	(20)	(51.4)	0.0
Held to maturity securities	1,355,959	1,288,284	1,318,989	(2.7)	2.4
Pre-fixed	254,574	179,706	184,432	(27.6)	2.6
Inflation	1,101,385	1,108,579	1,134,557	3.0	2.3
Total	6,118,045	6,604,662	6,540,714	6.9	(1.0)

Figure 56 – Life, Mortgage Life and Rural | Breakdown of financial investments by index (%)

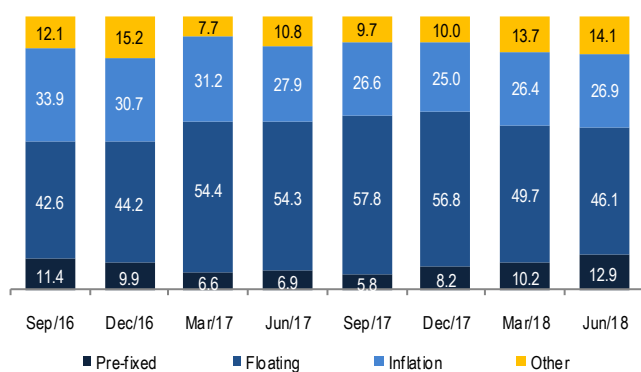
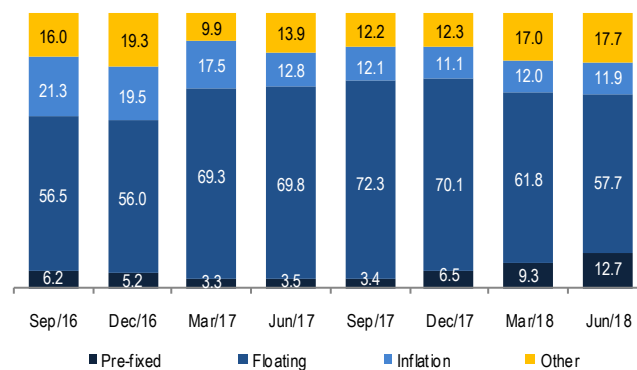


Figure 57 – Life, Mortgage Life and Rural | Breakdown of mark to market financial investments by index (%)



■ BALANCE SHEET ANALYSIS

Table 48 – Life, Mortgage Life and Rural | Balance sheet

R\$ thousand	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
Assets	13,619,212	13,847,817	13,907,402	2.1	0.4
Cash	17,810	7,414	13,937	(21.7)	88.0
Financial assets	6,118,045	6,604,662	6,540,714	6.9	(10)
Receivables from insurance and reinsurance operations	3,105,470	2,804,602	2,840,049	(8.5)	13
Reinsurance and retrocession - technical reserves	595,054	660,282	685,451	15.2	3.8
Securities and credits receivable	1,531,573	1,457,765	1,461,384	(4.6)	0.2
Other	635	423	334	(47.4)	(21.2)
Prepaid expenses	22,021	21,559	18,489	(16.0)	(14.2)
Deferred costs	1,502,008	1,589,649	1,647,740	9.7	3.7
Investments	461,957	456,271	456,159	(1.3)	(0.0)
Fixed assets	89,309	79,078	79,757	(10.7)	0.9
Intangible	175,331	166,112	163,388	(6.8)	(16)
Liabilities	10,929,827	11,172,308	10,891,429	(0.4)	(2.5)
Accounts payable	466,952	241,485	591,833	26.7	145.1
Obligations with insurance and reinsurance operations	1,439,566	1,550,387	1,275,075	(11.4)	(17.8)
Technical reserves - insurance	8,240,758	8,623,089	8,263,035	0.3	(4.2)
Third party deposits	128,759	33,297	36,639	(71.5)	10.0
Other liabilities	653,792	724,050	724,847	10.9	0.1
Shareholders' equity	2,689,386	2,675,509	3,015,973	12.1	12.7

Table 49 – Life, Mortgage Life and Rural | Receivables from insurance and reinsurance operations

R\$ thousand	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
Receivable premiums	2,506,689	2,288,015	2,454,315	(2.1)	7.3
Operations with insurance companies	28,340	63,986	62,320	119.9	(2.6)
Premiums	11,267	14,539	6,637	(41.1)	(54.3)
Claims paid	14,354	49,170	54,178	277.5	10.2
Other receivables	2,719	276	1,505	(44.7)	444.9
Operations with reinsurance companies	656,034	406,963	237,126	(63.9)	(41.7)
Claims paid	439,589	182,455	224,494	(48.9)	23.0
Other receivables	216,444	224,508	12,632	(94.2)	(94.4)
Other operating receivables	82,046	175,482	149,196	81.8	(15.0)
Impairment	(167,638)	(129,844)	(62,907)	(62.5)	(51.6)
Receivables from insurance and reinsurance operations	3,105,470	2,804,602	2,840,049	(8.5)	1.3

Table 50 – Life, Mortgage Life and Rural | Reinsurance and retrocession – technical reserves

R\$ thousand	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
Deferred premiums - PPNG	368,926	323,547	390,442	5.8	20.7
Deferred premiums - RVNE	23,907	26,142	25,451	6.5	(2.6)
IBNR claims	42,158	40,852	41,017	(2.7)	0.4
Pending claims	147,893	266,479	225,275	52.3	(15.5)
Provision for related expenses	2,956	3,263	3,265	10.5	0.1
Other provision	9,213	-	-	-	-
Reinsurance and retrocession - technical reserves	595,054	660,282	685,451	15.2	3.8

Table 51 – Life, Mortgage Life and Rural | Securities and credit receivable

R\$ thousand	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
Securities and credits receivable	85,243	31,871	36,418	(57.3)	14.3
Other tax and social security receivables	137,016	126,485	131,238	(4.2)	3.8
Receivable tax and social security - tax loss	171,132	143,695	141,507	(17.3)	(15)
Receivable tax and social security - temporary adjustments	227,992	214,373	196,175	(14.0)	(8.5)
Tax and judicial deposits	889,395	920,271	934,947	5.1	16
Other receivables	20,795	22,497	21,509	3.4	(4.4)
Impairment	-	(1,427)	(411)	-	(71.2)
Securities and credits receivable	1,531,573	1,457,765	1,461,384	(4.6)	0.2

Table 52 – Life, Mortgage Life and Rural | Accounts payable

R\$ thousand	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
Payable liabilities	91,108	70,255	79,104	(13.2)	12.6
Deferred taxes	1,437	17,131	312	(78.3)	(98.2)
Social securities and taxes payable	13,880	14,077	13,283	(4.3)	(5.6)
Labor charges	13,273	11,489	13,492	16	17.4
Taxes and contributions	343,173	110,829	467,508	36.2	321.8
Other accounts payable	4,080	17,705	18,134	344.5	2.4
Accounts payable	466,952	241,485	591,833	26.7	145.1

Table 53 – Life, Mortgage Life and Rural | Obligations with insurance and reinsurance operations

R\$ thousand	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
Premiums to return	3,601	18,344	31,638	778.5	72.5
Operations with insurance companies	17,326	22,032	2,534	(85.4)	(88.5)
Operations with reinsurance companies	617,617	575,271	466,274	(24.5)	(18.9)
Insurance and reinsurance brokers	(33,979)	2,398	3,167	-	32.1
Other operating obligations	835,001	932,343	771,462	(7.6)	(17.3)
Obligations with insurance and reinsurance operations	1,439,566	1,550,387	1,275,075	(11.4)	(17.8)

■ SOLVENCY

Table 54 – Life, Mortgage Life and Rural | Solvency¹

R\$ thousand	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
MAPFRE Vida					
Adjusted shareholders' equity (a)	257,142	265,156	255,244	(0.7)	(3.7)
Minimum capital required (b)	194,560	157,553	164,877	(15.3)	4.6
Additional capital for underwriting risk	180,669	143,433	151,353	(16.2)	5.5
Additional capital for credit risk	19,935	18,172	17,816	(10.6)	(2.0)
Additional capital for operating risk	2,112	2,069	2,150	18	3.9
Additional capital for market risk	3,801	7,532	6,155	619	(18.3)
Benefit of correlation between risks	(11,957)	(13,653)	(12,597)	5.4	(7.7)
Capital adequacy (a) - (b)	62,582	107,603	90,367	44.4	(16.0)
Solvency ratio (a) / (b) - %	132.2	168.3	154.8	22.6 p.p.	(13.5) p.p.
Cia. de Seguros Aliança do Brasil					
Adjusted shareholders' equity (a)	1,410,807	1,236,837	1,533,016	8.7	23.9
Minimum capital required (b)	1,119,198	747,905	779,515	(30.4)	4.2
Additional capital for underwriting risk	975,092	631,843	672,401	(31.0)	6.4
Additional capital for credit risk	159,981	118,748	115,194	(28.0)	(3.0)
Additional capital for operating risk	27,759	26,140	26,546	(4.4)	16
Additional capital for market risk	89,554	72,735	53,865	(39.9)	(25.9)
Benefit of correlation between risks	(133,188)	(101,561)	(88,491)	(33.6)	(12.9)
Capital adequacy (a) - (b)	291,609	488,932	753,501	158.4	54.1
Solvency ratio (a) / (b) - %	126.1	165.4	196.7	70.6 p.p.	31.3 p.p.
Total BB MAPFRE SH1					
Adjusted shareholders' equity (a)	1,667,949	1,501,993	1,788,260	7.2	19.1
Minimum capital required (b)	1,313,758	905,458	944,392	(28.1)	4.3
Additional capital for underwriting risk	1,155,761	775,276	823,754	(28.7)	6.3
Additional capital for credit risk	179,916	136,920	133,010	(26.1)	(2.9)
Additional capital for operating risk	29,871	28,209	28,696	(3.9)	17
Additional capital for market risk	93,355	80,267	60,020	(35.7)	(25.2)
Benefit of correlation between risks	(145,145)	(115,214)	(101,088)	(30.4)	(12.3)
Capital adequacy (a) - (b)	354,191	596,535	843,868	138.3	41.5
Solvency ratio (a) / (b) - %	127.0	165.9	189.4	62.4 p.p.	23.5 p.p.

¹ Information based on the accounting principles of SUSEP (SUSEP GAAP).

4.2 PROPERTY AND CASUALTY

■ EARNINGS ANALYSIS

Table 55 – Property and Casualty | Income statement¹

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q 17	1Q 18	2Q 18	On 2Q 17	On 1Q 18	1H 17	1H 18	On 1H 17
Premiums written	2,167,138	2,238,433	2,074,623	(4.3)	(7.3)	4,377,547	4,313,056	(1.5)
Changes in technical reserves - premiums	(122,149)	(151,021)	(27,799)	(77.2)	(81.6)	(234,981)	(178,820)	(23.9)
Earned premiums	2,044,989	2,087,412	2,046,824	0.1	(1.9)	4,142,566	4,134,237	(0.2)
Revenue of policies issuance	4,859	8,571	4,444	(9.2)	(48.5)	12,997	12,985	(0.1)
Incurred claims	(1,172,903)	(1,304,475)	(1,480,131)	26.2	13.5	(2,532,478)	(2,784,606)	10.0
Acquisition costs	(426,976)	(440,131)	(435,005)	1.9	(1.2)	(843,208)	(875,136)	3.8
Result with reinsurance	(128,211)	(87,139)	138,995	-	-	(160,475)	51,855	-
Administrative expenses	(223,768)	(225,628)	(217,681)	(2.7)	(3.5)	(449,947)	(443,309)	(1.5)
Tax expenses	(46,742)	(38,763)	(45,501)	(2.7)	17.4	(91,035)	(84,265)	(7.4)
Other operating income (expenses)	(71,990)	(80,141)	(25,528)	(64.5)	(68.1)	(201,890)	(105,669)	(47.7)
Insurance operations result	(20,741)	(80,294)	(13,614)	(34.4)	(83.0)	(123,470)	(93,908)	(23.9)
Net investment income	135,317	68,031	79,271	(41.4)	16.5	216,667	147,303	(32.0)
Financial income	195,432	108,978	184,620	(5.5)	69.4	329,855	293,598	(11.0)
Financial expenses	(60,115)	(40,947)	(105,349)	75.2	157.3	(113,187)	(146,295)	29.3
Equity income	90	190	352	291.1	85.2	101	541	433.6
Operating result	114,665	(12,073)	66,009	(42.4)	-	93,298	53,936	(42.2)
Gains or losses on non-current assets	32	62	(214)	-	-	664	(152)	-
Earnings before taxes and profit sharing	114,697	(12,010)	65,794	(42.6)	-	93,962	53,784	(42.8)
Taxes	(42,273)	2,121	(29,743)	(29.6)	-	(22,038)	(27,622)	25.3
Profit sharing	(11,364)	(7,858)	(10,493)	(7.7)	33.5	(15,001)	(18,350)	22.3
Adjusted net income / loss	61,060	(17,747)	25,559	(58.1)	-	56,924	7,812	(86.3)
One-off events	-	(41,778)	(158,698)	-	279.9	-	(200,476)	-
Adjustment of provision for pending judicial claims	-	(75,960)	-	-	-	-	(75,960)	-
Adjustment of provision for pending judicial claims - Taxes	-	34,182	-	-	-	-	34,182	-
Adjustment of provision for doubtful settlement of recoverable reinsured claims/third-party deposits	-	-	(288,541)	-	-	-	(288,541)	-
Adjustment of provision for doubtful settlement of recoverable reinsured claims/third-party deposits - Taxes	-	-	129,844	-	-	-	129,844	-
Net income / loss	61,060	(59,525)	(133,138)	-	123.7	56,924	(192,664)	-

¹From the 1Q18 on, the adjustments related to the goodwill of BB Seguridade's investments, as well as other IFRS adjustments, are no longer recorded in the equity income line of the Income Statement by Sub Segment, according to the Note 6 attached to BB Seguridade's Financial Statements, and are now accounted directly in the equity income line of BB Seguridade's Income Statement. Therefore, in order to maintain the comparability of results with prior periods, the historical series has been revised since 1Q16.

To provide a better analysis, the following table shows a managerial view built considering the reallocation of the result with reinsurance to the other accounts that compose the Income Statement. This reallocation allows the analysis of the performance ratios already considering the reinsurance effects.

Table 56 – Property and Casualty | Managerial income statement¹

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q 17	1Q 18	2Q 18	On 2Q 17	On 1Q 18	1H 17	1H 18	On 1H 17
Premiums written	2,167,138	2,238,433	2,074,623	(4.3)	(7.3)	4,377,547	4,313,056	(1.5)
Premiums ceded reinsurance	(396,088)	(408,020)	(217,633)	(45.1)	(46.7)	(833,109)	(625,652)	(24.9)
Retained premiums	1,771,050	1,830,414	1,856,990	4.9	1.5	3,544,438	3,687,404	4.0
Changes in technical reserves - premiums	(68,036)	(103,420)	(117,445)	72.6	13.6	(105,716)	(220,865)	108.9
Retained earned premiums	1,703,014	1,726,993	1,739,545	2.1	0.7	3,438,722	3,466,539	0.8
Retained claims	(959,139)	(1,030,903)	(944,854)	(15)	(8.3)	(2,019,847)	(1,975,757)	(2.2)
Acquisition costs	(426,976)	(440,131)	(435,005)	19	(12)	(843,208)	(875,136)	3.8
Revenue of policies issuance	4,859	8,571	4,414	(9.2)	(48.5)	12,997	12,985	(0.1)
Underwriting result	321,758	264,531	364,100	13.2	37.6	588,665	628,631	6.8
Administrative expenses	(223,768)	(225,628)	(217,681)	(2.7)	(3.5)	(449,947)	(443,309)	(15)
Tax expenses	(46,742)	(38,763)	(45,501)	(2.7)	17.4	(91,035)	(84,265)	(7.4)
Other operating income (expenses)	(71,990)	(80,433)	(114,532)	59.1	42.4	(171,153)	(194,965)	13.9
Equity income	90	190	352	291.1	85.2	101	541	433.6
Gains or losses on non-current assets	32	62	(214)	-	-	664	(152)	-
Non-interest operating result	(20,619)	(80,042)	(13,477)	(34.6)	(83.2)	(122,706)	(93,519)	(23.8)
Net investment income	135,317	68,031	79,271	(41.4)	16.5	216,667	147,303	(32.0)
Financial income	195,432	108,978	184,620	(5.5)	69.4	329,855	293,598	(110)
Financial expenses	(60,115)	(40,947)	(105,349)	75.2	157.3	(113,187)	(146,295)	29.3
Earnings before taxes and profit sharing	114,698	(12,010)	65,794	(42.6)	-	93,962	53,784	(42.8)
Taxes	(42,273)	2,121	(29,743)	(29.6)	-	(22,038)	(27,622)	25.3
Profit sharing	(11,364)	(7,858)	(10,493)	(7.7)	33.5	(15,001)	(18,350)	22.3
Adjusted net income / loss	61,060	(17,747)	25,559	(58.1)	-	56,924	7,812	(86.3)

¹ In 2017, the insurance companies' reinsurance operations databases were revised, with the purpose to adhere to the Susep's norms in force. This revision generated an impact on "other operating income (expenses)" and on "result with reinsurance" lines. Thus, to allow for a better understanding of the operating ratios dynamics, in the 4Q17 managerial income statement both effects were recorded in other operating income (expenses). Therefore, we revised the information provided in the 1Q17, by reclassifying part of these effects from retained claims to other operating income (expenses).

Retained premiums = Premiums written + premiums ceded to reinsurance

Changes in technical provisions = Changes in technical provisions + changes in technical provisions on reinsured operations

Retained claims = Incurred claims - recovery of indemnity claims - recovery of claims expenses - changes in provisions for claims IBNR - salvages and reimbursed assets - changes in provision for claims IBNER provisions for claims to be settled - changes of expenses related to IBNR - changes in estimates for salvages and reimbursed assets - provisions for claims to be settled.

Table 57 – Property and Casualty | Managerial adjustments statement

R\$ thousand	Quarterly Flow			Half-Yearly Flow		
	2Q18	Adjustments	2Q18 adjusted	1H18	Adjustments	1H18 adjusted
Premiums written	2,074,623	-	2,074,623	4,313,056	-	4,313,056
Premiums ceded reinsurance	(217,633)	-	(217,633)	(625,652)	-	(625,652)
Retained premiums	1,856,990	-	1,856,990	3,687,404	-	3,687,404
Changes in technical reserves - premiums	(117,445)	-	(117,445)	(220,865)	-	(220,865)
Retained earned premiums	1,739,545	-	1,739,545	3,466,539	-	3,466,539
Retained claims	(1,117,527)	(172,673)	(944,854)	(2,224,391)	(248,634)	(1,975,757)
Acquisition costs	(435,005)	-	(435,005)	(875,136)	-	(875,136)
Revenue of policies issuance	4,414	-	4,414	12,985	-	12,985
Underwriting result	191,427	(172,673)	364,100	379,997	(248,634)	628,631
Administrative expenses	(217,681)	-	(217,681)	(443,309)	-	(443,309)
Tax expenses	(45,501)	-	(45,501)	(84,265)	-	(84,265)
Other operating income (expenses)	(230,400)	(115,868)	(114,532)	(310,833)	(115,868)	(194,965)
Equity income	352	-	352	541	-	541
Gains or losses on non-current assets	(214)	-	(214)	(152)	-	(152)
Non-interest operating result	(302,019)	(288,541)	(13,477)	(458,021)	(364,502)	(93,519)
Net investment income	79,271	-	79,271	147,303	-	147,303
Financial income	184,620	-	184,620	293,598	-	293,598
Financial expenses	(105,349)	-	(105,349)	(146,295)	-	(146,295)
Earnings before taxes and profit sharing	(222,747)	(288,541)	65,794	(310,718)	(364,502)	53,784
Taxes	100,101	129,844	(29,743)	136,404	164,026	(27,622)
Profit sharing	(10,493)	-	(10,493)	(18,350)	-	(18,350)
Adjusted net income / loss	(133,139)	(158,698)	25,559	(192,664)	(200,476)	7,812

ADJUSTED NET INCOME

QUARTERLY ANALYSIS

In the 2Q18, the Property & Casualty business segment delivered an adjusted net income of R\$25.6 million, 58.1% down YoY. The performance can be explained by the decline in net investment income, driven by the lower average yield on financial investments, mostly explained by the fall in the average Selic rate.

YEAR-TO-DATE ANALYSIS

In the 1H18, the adjusted net income reached R\$7.8 million, down 86.3% as compared to the same period last year, driven by the lower net investment income. The performance is justified by the lower average yield on financial investments, aligned with the reduction in the average Selic rate.

Figure 58 – Property and Casualty | Adjusted net income and ROAE

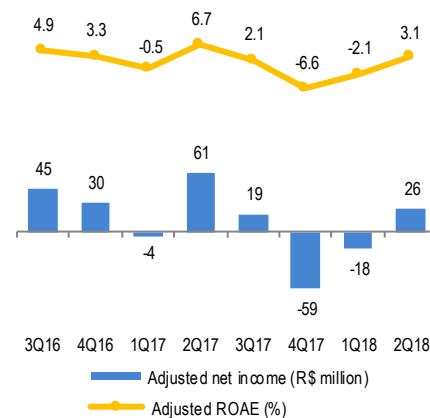


Figure 59 – Property and Casualty | Adjusted net income composition (R\$ million)

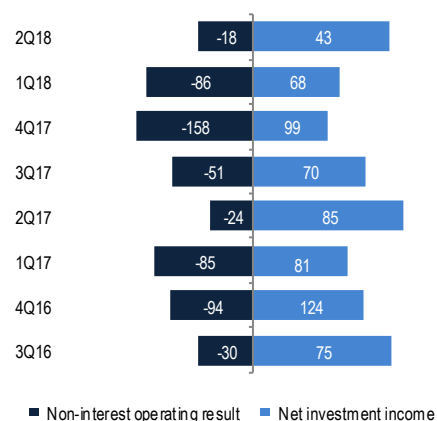


Table 58 – Property and Casualty | Managerial performance ratios

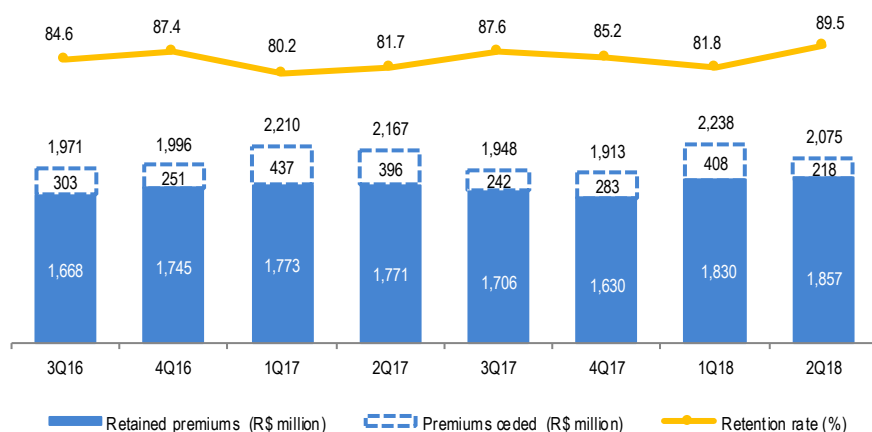
%	Quarterly Flow			Chg. (p.p.)		Half-Yearly Flow		Chg. (p.p.)
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Performance ratios¹								
Loss ratio	56.3	59.7	54.3	(2.0)	(5.4)	58.7	57.0	(1.7)
Commission ratio	25.1	25.5	25.0	(0.1)	(0.5)	24.5	25.2	0.7
G&A ratio	20.1	20.0	21.7	1.6	1.7	20.7	20.8	0.1
Combined ratio	101.2	104.6	100.8	(0.4)	(3.9)	103.6	102.7	(0.9)
Other ratios¹								
Expanded combined ratio	93.8	100.7	96.4	2.6	(4.3)	97.5	98.5	1.1
Income tax rate	36.9	17.7	45.2	8.3	27.5	23.5	51.4	27.9
Adjusted ROAE	6.7	(2.1)	3.1	(3.6)	5.2	3.1	0.5	(2.6)

¹ Performance ratios calculated based on the managerial income statement, considering the reinsurance effects.

■ NON-INTEREST OPERATING RESULT ANALYSIS

PREMIUMS WRITTEN

Figure 60 – Property and Casualty | Premiums written



QUARTERLY ANALYSIS

In the 2Q18, premiums written fell 4.3% YoY to R\$2.1 billion. The decline in premiums is mostly explained by the lower sales in casualties, partially offset by the improved performance in auto and in other.

YEAR-TO-DATE ANALYSIS

In the 1H18, premiums written dropped by 1.5% YoY, to R\$4.3 billion, as a result of the retraction observed in casualties and DPVAT, partially offset by the increase in auto and in other.

Table 59 – Property and Casualty | Breakdown of premiums written

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q 17	1Q 18	2Q 18	On 2Q 17	On 1Q 18	1H 17	1H 18	On 1H 17
Auto	1,069,528	1,066,290	1,112,157	4.0	4.3	2,087,593	2,178,447	4.4
Casualties	884,921	926,395	753,443	(14.9)	(18.7)	1,827,213	1,679,837	(8.1)
DPVAT	56,148	72,280	42,716	(23.9)	(40.9)	147,509	114,996	(22.0)
Other	156,541	173,468	166,308	6.2	(4.1)	315,232	339,776	7.8
Total	2,167,138	2,238,433	2,074,623	(4.3)	(7.3)	4,377,547	4,313,056	(1.5)

Figure 61 – Property and Casualty | Breakdown of premiums written (%)

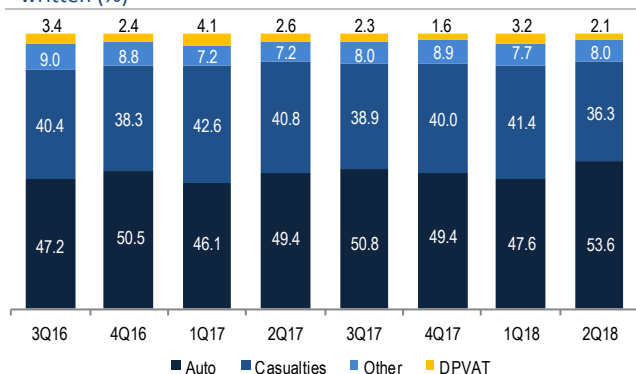


Figure 62 – Property and Casualty | Breakdown of retained premiums (%)

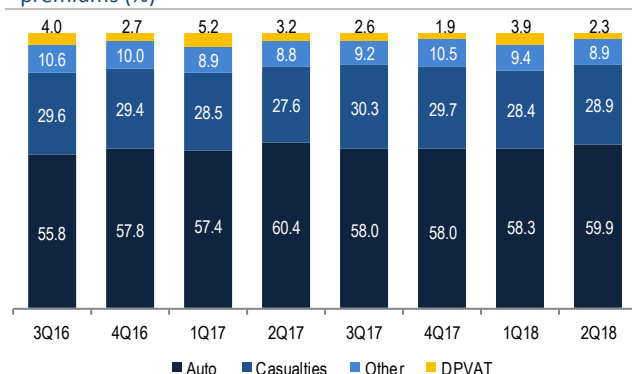


Table 60 – Property and Casualty | Breakdown of premiums written by channel

%	Quarterly Flow					Half-Yearly Flow				
	2Q17		1Q18		2Q18		1H17		1H18	
	Bank	Other	Bank	Other	Bank	Other	Bank	Other	Bank	Other
Auto	35.7	64.3	32.1	67.9	30.9	69.1	35.9	64.1	31.5	68.5
Casualties	15.0	85.0	15.0	85.0	20.6	79.4	14.9	85.1	17.5	82.5
Other	0.4	99.6	0.3	99.7	0.4	99.6	0.4	99.6	0.4	99.6
Total	23.8	76.2	21.5	78.5	24.1	75.9	23.4	76.6	22.8	77.2

CHANGES IN TECHNICAL RESERVES - PREMIUMS

Table 61 – Property and Casualty | Changes in technical reserves – premiums

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Provision for unearned premiums	(119,021)	(146,947)	(26,226)	(78.0)	(82.2)	(226,918)	(173,173)	(23.7)
Provision for administrative expenses - DPVAT	(501)	(4,030)	(1,358)	170.8	(66.3)	(2,667)	(5,387)	102.0
Provision for technical surplus	(2,626)	(44)	(215)	(91.8)	387.0	(5,396)	(259)	(95.2)
Change in technical reserves - premiums	(122,149)	(151,021)	(27,799)	(77.2)	(81.6)	(234,981)	(178,820)	(23.9)

RETAINED EARNED PREMIUMS

Table 62 – Property and Casualty | Breakdown of retained earned premiums

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Auto	1,006,133	996,274	1,017,346	1.1	2.1	2,005,831	2,013,620	0.4
Casualties	492,276	507,570	522,659	6.2	3.0	984,063	1,030,229	4.7
DPVAT	55,647	68,250	41,359	(25.7)	(39.4)	144,841	109,609	(24.3)
Other	148,958	154,899	158,182	6.2	2.1	303,986	313,081	3.0
Total	1,703,014	1,726,993	1,739,545	2.1	0.7	3,438,722	3,466,539	0.8

RETAINED CLAIMS

Figure 63 – Property and Casualty | Retained claims



QUARTERLY ANALYSIS

In the 2Q18, the loss ratio dropped by 2.0 p.p. as compared to the same period a year ago, explained by the improvement seen in auto, partially offset by the worsening in casualties.

YEAR-TO-DATE ANALYSIS

In the 1H18, the loss ratio reached 57.0%, down 1.7 p.p. compared to the first six months of 2017, explained by the improvement in auto and in other.

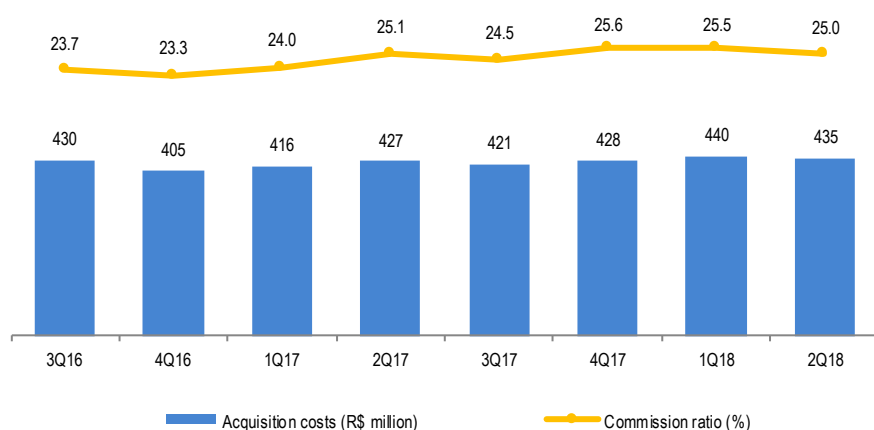
During the 1Q18, a revision in the database of the provision for pending judicial claims was carried out and there was identified the need to strengthen the provision at MAPFRE Seguros Gerais S.A.. The need for additional provisioning was estimated at R\$108.0 million, which after the deduction of R\$32.0 million in provisions for claims incurred but not enough reported (IBNER) generated a negative impact of R\$76.0 million in the retained claims line. This event was segregated as an extraordinary event in the Q1 results. The table below shows the breakdown of retained claims, setting apart this effect.

Table 63 – Property and Casualty | Breakdown of retained claims

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q 17	1Q 18	2Q 18	On 2Q 17	On 1Q 18	1H 17	1H 18	On 1H 17
Incurred claims	(1,172,903)	(1,312,475)	(1,480,131)	26.2	12.8	(2,532,478)	(2,792,606)	10.3
Expenses with claims	(1,271,526)	(1,401,351)	(1,514,892)	19.1	8.1	(2,723,236)	(2,916,243)	7.1
Changes in provisions for claims IBNR	3,099	(37,772)	(11,116)	-	(70.6)	(27,520)	(48,888)	77.6
Changes in provisions for claims IBNER	10,733	18,052	(24,639)	-	-	(6,342)	(6,587)	3.9
Changes of expenses related to IBNR	(59)	(376)	(224)	279.0	(40.4)	(94)	(600)	534.9
Recovery of claims - Coinsurance	29,120	50,101	5,209	(82.1)	(89.6)	129,529	55,310	(57.3)
Recovery of claims - Reinsurance	213,764	281,572	535,277	150.4	90.1	512,631	816,849	59.3
Salvage	82,602	80,577	75,981	(8.0)	(5.7)	161,260	156,558	(2.9)
Reimbursements	35,305	45,281	47,303	34.0	4.5	67,372	92,584	37.4
Change in estimates of salvaged and reimbursement	708	(1,514)	2,373	235.2	-	(4,305)	859	-
Assistance services	(62,884)	(65,473)	(60,126)	(4.4)	(8.2)	(129,142)	(125,598)	(2.7)
Retained claims	(959,139)	(1,030,903)	(944,854)	(1.5)	(8.3)	(2,019,847)	(1,975,757)	(2.2)

ACQUISITION COSTS

Figure 64 – Property and Casualty | Acquisition costs



QUARTERLY ANALYSIS

In the 2Q18, the commission ratio dropped 0.1 p.p. over the same period last year, driven by casualties and other, partially offset by the higher commissions in auto.

YEAR-TO-DATE ANALYSIS

In the 1H18, the commission ratio reached 25.2%, 0.7 p.p. up over the same period last year, concentrated in the auto segment.

Table 64 – Property and Casualty | Acquisition costs

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Comission charged on premiums written	(322,392)	(314,020)	(322,779)	0.1	2.8	(610,882)	(636,798)	4.2
Agency commission	(74,620)	(99,108)	(87,042)	16.6	(12.2)	(149,237)	(186,150)	24.7
Commissions recovered - Coinsurance	2,807	1,120	344	(87.8)	(69.3)	4,995	1,464	(70.7)
Change in deferred acquisition costs	14,618	18,649	19,136	30.9	2.6	17,645	37,785	114.1
Other acquisition costs	(47,390)	(46,772)	(44,665)	(5.7)	(4.5)	(105,728)	(91,437)	(13.5)
Acquisition costs	(426,976)	(440,131)	(435,005)	1.9	(1.2)	(843,208)	(875,136)	3.8

UNDERWRITING RESULT

Table 65 – Property and Casualty | Underwriting result

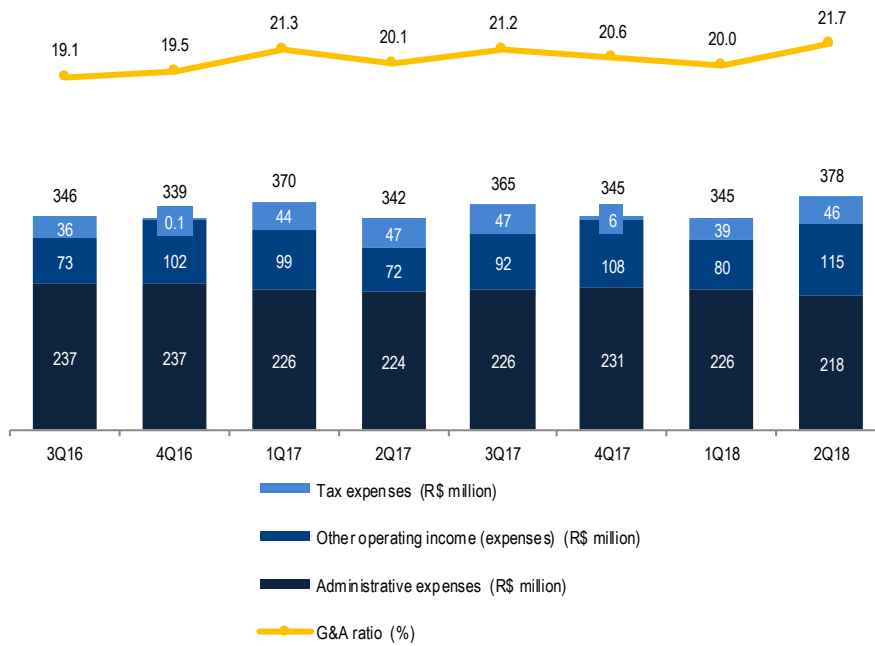
R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q 17	1Q 18	2Q 18	On 2Q 17	On 1Q 18	1H 17	1H 18	On 1H 17
Auto	129,915	96,529	144,664	11.4	49.9	240,810	241,193	0.2
Casualties	144,916	95,502	146,545	1.1	53.4	225,565	242,046	7.3
Other	34,324	55,100	62,269	8.14	13.0	90,300	117,370	30.0
DPVAT	7,743	8,828	6,208	(19.8)	(29.7)	18,991	15,036	(20.8)
Underwriting margin by segment	316,899	255,960	359,686	13.5	40.5	575,667	615,646	6.9
Revenue of policies issuance	4,859	8,571	4,444	(9.2)	(48.5)	12,997	12,985	(0.1)
Underwriting margin	321,758	264,531	364,100	13.2	37.6	588,665	628,630	6.8

Table 66 – Property and Casualty | Underwriting result breakdown

%	Quarterly Flow			Chg. (p.p.)		Half-Yearly Flow		Chg. (p.p.)
	2Q 17	1Q 18	2Q 18	On 2Q 17	On 1Q 18	1H 17	1H 18	On 1H 17
Auto	41.0	37.7	40.2	(0.8)	2.5	41.8	39.2	(2.7)
Casualties	45.7	37.3	40.7	(5.0)	3.4	39.2	39.3	0.1
Other	10.8	21.5	17.3	6.5	(4.2)	15.7	19.1	3.4
DPVAT	2.4	3.4	1.7	(0.7)	(1.7)	3.3	2.4	(0.9)

GENERAL & ADMINISTRATIVE EXPENSES

Figure 65 – Property and Casualty | G&A expenses



QUARTERLY ANALYSIS

In the 2Q18, the G&A ratio rose by 1.6 p.p. YoY, driven by higher expenses accounted in “other operating income (expenses)”. The increase in “other operating income (expenses)” was driven by the impairment line, which was impacted by R\$23.5 million in additional provisions for premiums receivable.

YEAR-TO-DATE ANALYSIS

In the 1H18, the G&A ratio achieved 20.8%, 0.1 p.p. higher YoY, impacted by higher expenses recorded in “other operating income (expenses)”, which was partially offset by lower administrative and tax expenses.

The “other operating income (expenses)” line was impacted by the increase in other operating expenses, due to the adjustments in the salvage line, the impairment in other credits and the higher brokerage fee paid to independent brokers.

Table 67 – Property and Casualty | General & Administrative expenses

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Administrative expenses	(223,768)	(225,628)	(217,681)	(2.7)	(3.5)	(449,947)	(443,309)	(1.5)
Personnel	(115,538)	(115,487)	(107,348)	(7.1)	(7.0)	(232,245)	(222,835)	(4.1)
Outsourcing	(47,317)	(45,628)	(49,864)	5.4	9.3	(93,584)	(95,492)	2.0
Location and operation	(52,748)	(58,479)	(54,336)	3.0	(7.1)	(111,004)	(112,815)	1.6
Institutional advertisement and publicity	(2,955)	(2,490)	(3,438)	16.4	38.1	(4,798)	(5,928)	23.6
Publication	(118)	(642)	(119)	0.6	(815)	(777)	(760)	(2.1)
Other administrative expenses	(5,092)	(2,902)	(2,576)	(49.4)	(112)	(7,539)	(5,478)	(27.3)
Other operating income (expenses)	(71,990)	(80,433)	(114,532)	59.1	42.4	(171,153)	(194,965)	13.9
FESR contributions	(5,271)	(11,930)	1,233	-	-	(5,274)	(10,697)	102.8
Charging expenses	(10,042)	(11,979)	(10,040)	(0.0)	(16.2)	(23,514)	(22,019)	(6.4)
Civil contingencies	(6,618)	(5,254)	(7,848)	18.6	49.4	(12,700)	(13,102)	3.2
Expenses with events	(259)	(1,704)	(4,064)	1,466.6	138.5	(1,410)	(5,768)	309.0
Endomarketing	(2,320)	448	(2,310)	(0.4)	-	(4,640)	(1,862)	(59.9)
Impairment	4,508	33,455	(37,134)	-	-	(48,879)	(3,679)	(92.5)
Other operating income (expenses)	(51,988)	(83,470)	(54,368)	4.6	(34.9)	(74,736)	(137,838)	84.4
Tax expenses	(46,742)	(38,763)	(45,501)	(2.7)	17.4	(91,035)	(84,265)	(7.4)
COFINS	(35,374)	(28,601)	(35,660)	0.8	24.7	(68,478)	(64,262)	(6.2)
PIS	(5,850)	(4,718)	(5,889)	0.7	24.8	(11,368)	(10,607)	(6.7)
Inspection fee	(2,520)	(2,822)	(2,822)	12.0	0.0	(4,705)	(5,645)	20.0
Other tax expenses	(2,998)	(2,621)	(1,131)	(62.3)	(56.9)	(6,486)	(3,752)	(42.2)
G & A	(342,499)	(344,825)	(377,715)	10.3	9.5	(712,135)	(722,539)	1.5

Auto Insurance

Table 68 – Auto Insurance | Key figures

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q 17	1Q 18	2Q 18	On 2Q 17	On 1Q 18	1H 17	1H 18	On 1H 17
Premiums written	1,069,528	1,066,290	1,112,157	4.0	4.3	2,087,593	2,178,447	4.4
Premiums ceded to reinsurance	-	-	-	-	-	14	-	-
Retained premiums	1,069,528	1,066,290	1,112,157	4.0	4.3	2,087,607	2,178,447	4.4
Changes in technical reserves - premiums	(63,396)	(70,016)	(94,810)	49.6	35.4	(81,776)	(164,827)	101.6
Earned premiums	1,006,133	996,274	1,017,346	1.1	2.1	2,005,831	2,013,620	0.4
Retained claims	(697,888)	(699,024)	(672,495)	(3.6)	(3.8)	(1,397,485)	(1,371,519)	(1.9)
Acquisition costs	(178,330)	(200,720)	(200,187)	12.3	(0.3)	(367,536)	(400,907)	9.1
Underwriting margin	129,915	96,529	144,664	11.4	49.9	240,810	241,193	0.2

Table 69 – Auto Insurance | Performance ratios

(%)	Quarterly Flow			Chg. (p.p.)		Half-Yearly Flow		Chg. (p.p.)
	2Q 17	1Q 18	2Q 18	On 2Q 17	On 1Q 18	1H 17	1H 18	On 1H 17
Loss ratio	69.4	70.2	66.1	(3.3)	(4.1)	69.7	68.1	(1.6)
Commission ratio	17.7	20.1	19.7	2.0	(0.5)	18.3	19.9	1.6
Underwriting margin	12.9	9.7	14.2	1.3	4.5	12.0	12.0	(0.0)

QUARTERLY ANALYSIS

Auto insurance premiums written grew 4.0% YoY to R\$1.1 billion in the 2Q18. The increase was supported by the sales in the independent broker channel, which grew 11.7%, while the volume of premiums written in the bancassurance channel fell 9.9%.

In the quarter, the underwriting margin increased by 1.3 p.p. compared to the same period last year, boosted by the lower loss ratio, partially offset by the higher commission ratio in both channels.

YEAR-TO-DATE ANALYSIS

In the 1H18, auto premiums written amounted to R\$2.2 billion, 4.4% up compared to the same period of 2017. The performance was driven by the sales in the independent broker channel, which grew 11.5%, partially offset by the 8.5% decline in the volume of premiums in the bancassurance channel.

The underwriting margin remained flat, with the improvement in the loss ratio being offset by the higher commission ratio.

Figure 66 – Auto Insurance | Premiums written (R\$ million)

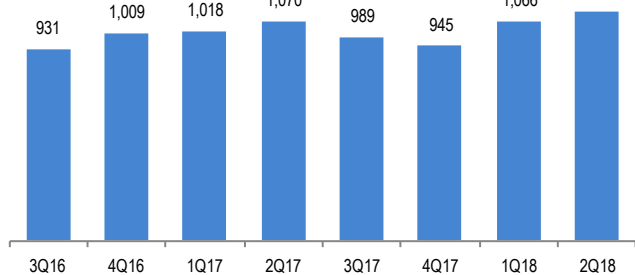


Figure 68 – Auto Insurance | Underwriting margin (R\$ million)

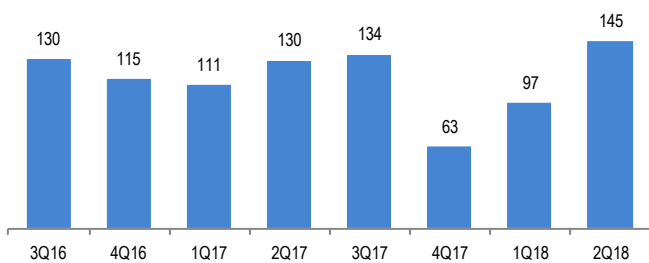


Figure 70 – Auto Insurance | Loss ratio (%)

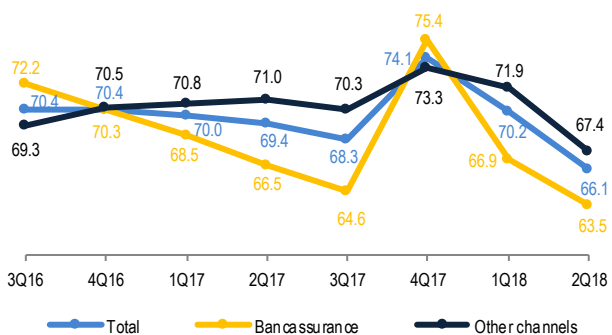


Figure 67 – Auto Insurance | Insured fleet (thousand)

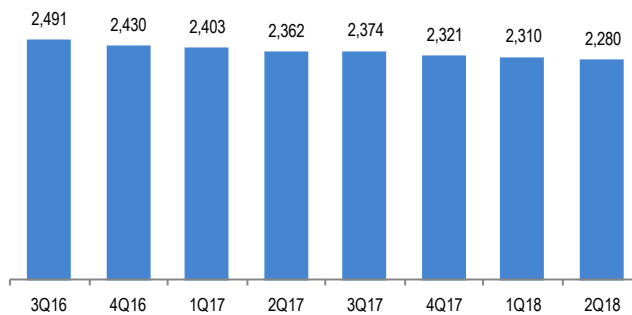


Figure 69 – Auto Insurance | Underwriting margin by distribution channel (%)

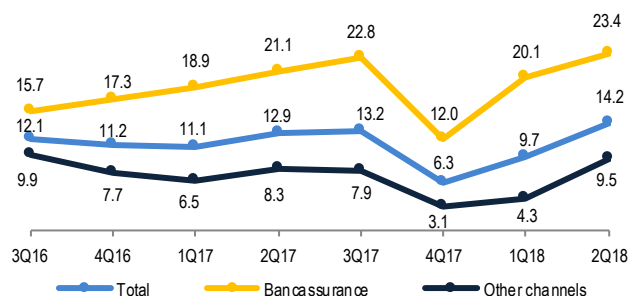
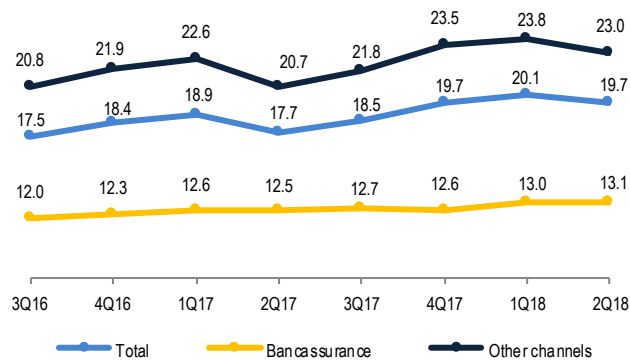


Figure 71 – Auto Insurance | Commission ratio (%)



Casualty Insurance

Table 70 – Casualty Insurance | Key figures

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Premiums written	884,921	926,395	753,443	(14.9)	(18.7)	1,827,213	1,679,837	(8.1)
Premiums ceded to reinsurance	(395,342)	(407,362)	(217,409)	(45.0)	(46.6)	(831,715)	(624,771)	(24.9)
Retained premiums	489,579	519,033	536,033	9.5	3.3	995,499	1,055,066	6.0
Changes in technical reserves - premiums	2,698	(11,463)	(13,374)	-	16.7	(11,436)	(24,837)	117.2
Earned premiums	492,276	507,570	522,659	6.2	3.0	984,063	1,030,229	4.7
Retained claims	(178,479)	(235,670)	(201,546)	12.9	(14.5)	(415,294)	(437,216)	5.3
Acquisition costs	(168,882)	(176,398)	(174,568)	3.4	(10)	(343,204)	(350,967)	2.3
Underwriting margin	144,916	95,502	146,545	1.1	53.4	225,565	242,046	7.3

Table 71 – Casualty Insurance | Performance ratios

(%)	Quarterly Flow			Chg. (p.p.)		Half-Yearly Flow		Chg. (p.p.)
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Loss ratio	36.3	46.4	38.6	2.3	(7.9)	42.2	42.4	0.2
Commission ratio	34.3	34.8	33.4	(0.9)	(14)	34.9	34.1	(0.8)
Underwriting margin	29.4	18.8	28.0	(14)	9.2	22.9	23.5	0.6

QUARTERLY ANALYSIS

In the 2Q18, casualty insurance premiums written amounted to R\$753.4 million, down 14.9% YoY, driven by the 20.5% decline in sales in the independent broker channel, partially offset by the increase of 17.2% in the bancassurance channel.

The underwriting margin decreased by 1.4 p.p. from a year ago, impacted by the higher loss ratio in other channels, partially counterbalanced by the reduction in the commission ratio.

YEAR-TO-DATE ANALYSIS

In the 1H18, casualty insurance premiums written reached R\$1.7 billion, down 8.1% as compared to the same period last year, explained by the decline in sales in the independent broker channel.

Year-to-date, the underwriting margin increased by 0.6 p.p. YoY, justified by the decline in the commission ratio in both distribution channels, partially offset by the higher loss ratio in the bancassurance channel.

Figure 72 – Casualty Insurance | Premiums written (R\$ million)

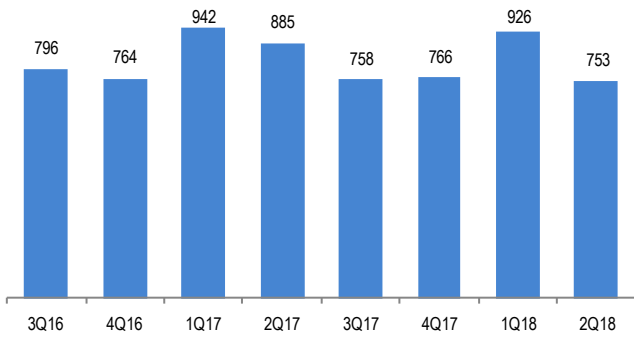


Figure 73 – Casualty Insurance | Underwriting margin

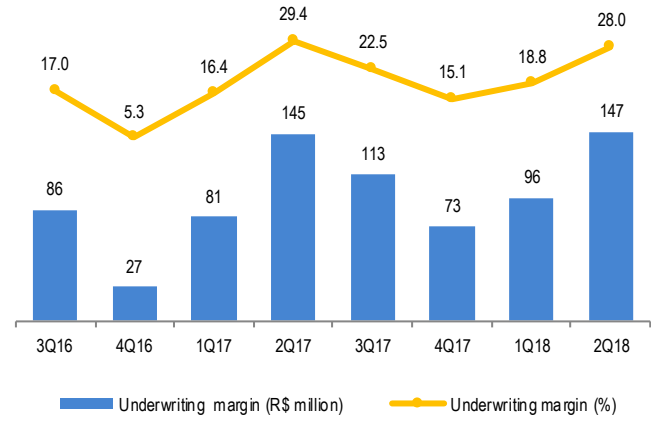


Figure 74 – Casualty Insurance | Loss ratio (%)

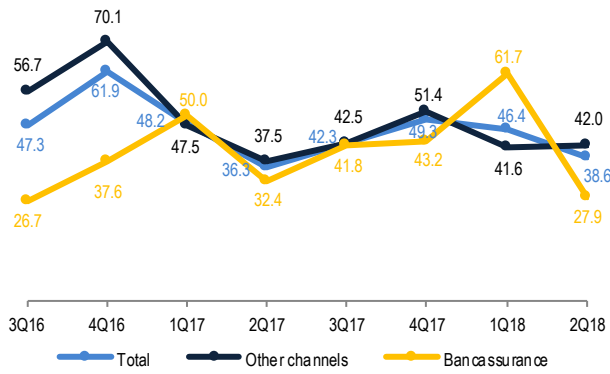
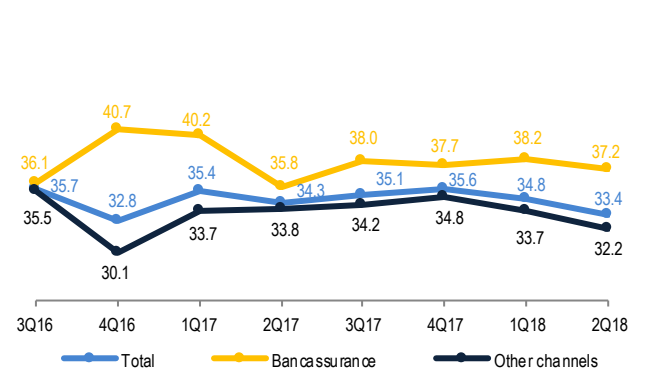


Figure 75 – Casualty Insurance | Commission ratio (%)



DPVAT

Table 72 – DPVAT | Key figures

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Premiums written	56,148	72,280	42,716	(23.9)	(40.9)	147,509	114,996	(22.0)
Retained premiums	56,148	72,280	42,716	(23.9)	(40.9)	147,509	114,996	(22.0)
Changes in technical reserves - premiums	(501)	(4,030)	(1,358)	170.8	(66.3)	(2,667)	(5,387)	102.0
Earned premiums	55,647	68,250	41,359	(25.7)	(39.4)	144,841	109,609	(24.3)
Retained claims	(47,241)	(58,554)	(34,611)	(26.7)	(40.9)	(124,110)	(93,166)	(24.9)
Acquisition costs	(663)	(867)	(539)	(18.6)	(37.8)	(1,740)	(1,407)	(19.1)
Underwriting margin	7,743	8,828	6,208	(19.8)	(29.7)	18,991	15,036	(20.8)

Table 73 – DPVAT | Performance ratios

(%)	Quarterly Flow			Chg. (p.p.)		Half-Yearly Flow		Chg. (p.p.)
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Loss ratio	84.9	85.8	83.7	(12)	(2.1)	85.7	85.0	(0.7)
Commission ratio	12	13	13	0.1	0.0	12	13	0.1
Underwriting margin	13.9	12.9	15.0	1.1	2.1	13.1	13.7	0.6

Other

Table 74 – Other | Key figures

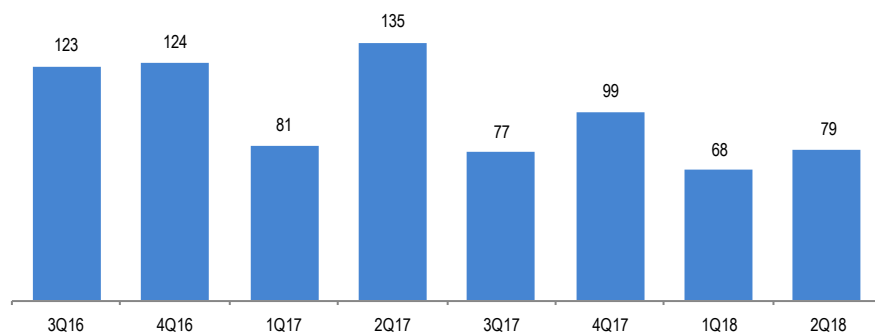
R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Premiums written	156,541	173,468	166,308	6.2	(4.1)	315,232	339,776	7.8
Premiums ceded to reinsurance	(746)	(658)	(223)	(70.1)	(66.1)	(1,408)	(881)	(37.4)
Retained premiums	155,795	172,810	166,085	6.6	(3.9)	313,823	338,895	8.0
Changes in technical reserves - premiums	(6,837)	(17,911)	(7,903)	15.6	(55.9)	(9,837)	(25,814)	162.4
Earned premiums	148,958	154,899	158,182	6.2	2.1	303,986	313,081	3.0
Retained claims	(35,532)	(37,655)	(36,201)	19	(3.9)	(82,957)	(73,856)	(110)
Acquisition costs	(79,103)	(62,144)	(59,711)	(24.5)	(3.9)	(130,729)	(121,855)	(6.8)
Underwriting margin	34,324	55,100	62,269	81.4	13.0	90,300	117,370	30.0

Table 75 – Other | Performance ratios

(%)	Quarterly Flow			Chg. (p.p.)		Half-Yearly Flow		Chg. (p.p.)
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Loss ratio	23.9	24.3	22.9	(10)	(14)	27.3	23.6	(3.7)
Commission ratio	53.1	40.1	37.7	(15.4)	(2.4)	43.0	38.9	(4.1)
Underwriting margin	23.0	35.6	39.4	16.3	3.8	29.7	37.5	7.8

■ NET INVESTMENT INCOME

Figure 76 – Property and Casualty | Net investment income (R\$ million)



QUARTERLY ANALYSIS

In the 2Q18, the net investment income was down 41.4% YoY, performance mostly explained by the reduction in the average yield on interest earning assets, due to the declining average Selic rate, partially offset by high levels of inflation, which had a positive impact on inflation protected securities classified as held to maturity.

YEAR-TO-DATE ANALYSIS

Year-to-date, the net investment income declined by 32.0% as compared to the same period last year, impacted by the contraction in the average yield on interest earning assets, in line with the declining average Selic rate.

Table 76 – Property and Casualty | Financial investments portfolio

R\$ thousand	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
Trading	2,496,346	3,068,387	3,082,463	23.5	0.5
Pre-fixed	8,440	10,304	8,841	4.7	(14.2)
Floating	1,738,152	2,268,363	2,316,468	33.3	2.1
Inflation	304	306	314	3.1	2.4
Other	749,449	789,414	756,841	1.0	(4.1)
Available for sale	745,288	357,824	378,648	(49.2)	5.8
Pre-fixed	-	5,693	19,715	-	246.3
Floating	719,983	342,074	351,432	(51.2)	2.7
Inflation	833	-	-	-	-
Other	24,472	10,058	7,500	(69.4)	(25.4)
Held to maturity securities	1,195,719	1,162,332	1,183,329	(1.0)	1.8
Pre-fixed	306,429	269,743	277,155	(9.6)	2.7
Floating	11,128	-	-	-	-
Inflation	878,162	892,588	906,174	3.2	1.5
Total	4,437,353	4,588,543	4,644,440	4.7	1.2

Figure 77 – Property and Casualty | Breakdown of financial investments by index (%)

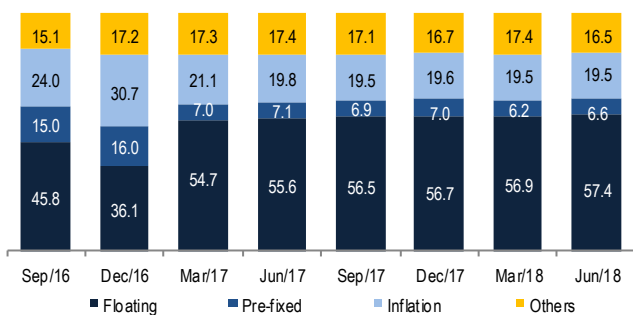
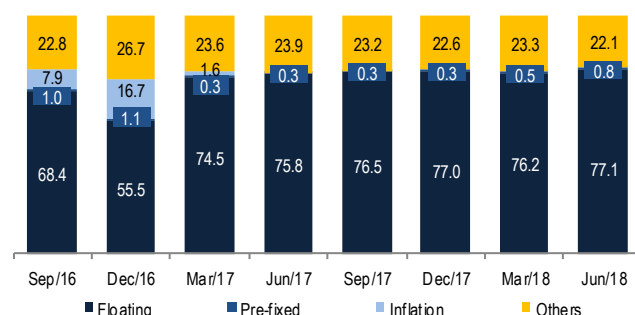


Figure 78 – Property and Casualty | Breakdown of mark to market financial investments by index (%)



■ BALANCE SHEET ANALYSIS

Table 77 – Property and Casualty | Balance sheet

R\$ thousand	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
Assets	13,871,252	14,059,794	14,379,512	3.7	2.3
Cash	102,171	29,864	29,138	(71.5)	(2.4)
Financial assets	4,437,353	4,588,543	4,644,440	4.7	1.2
Receivables from insurance and reinsurance operations	3,550,345	3,485,847	3,190,128	(10.1)	(8.5)
Reinsurance and retrocession - technical reserves	2,085,502	2,303,409	2,682,948	28.6	16.5
Securities and credits receivable	1,904,006	1,935,677	2,110,875	10.9	9.1
Other	338,515	281,725	271,957	(19.7)	(3.5)
Prepaid expenses	30,742	14,572	19,579	(36.3)	34.4
Deferred costs	748,714	776,208	795,344	6.2	2.5
Investments	157,829	157,695	157,558	(0.2)	(0.1)
Fixed assets	61,031	69,257	66,925	9.7	(3.4)
Intangible	455,048	416,997	410,620	(9.8)	(15)
Liabilities	10,187,744	10,704,444	11,172,569	9.7	4.4
Accounts payable	524,034	371,840	472,976	(9.7)	27.2
Obligations with insurance and reinsurance operations	1,057,954	1,225,440	1,129,776	6.8	(7.8)
Technical reserves - insurance	7,733,585	8,229,767	8,651,381	11.9	5.1
Third party deposits	187,777	149,945	173,932	(7.4)	16.0
Other liabilities	684,394	727,452	744,504	8.8	2.3
Shareholders' equity	3,683,508	3,355,350	3,206,943	(12.9)	(4.4)

Table 78 – Property and Casualty | Receivables from insurance and reinsurance operations

R\$ thousand	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
Receivable premiums	3,048,231	2,930,281	2,937,790	(3.6)	0.3
Operations with insurance companies	92,521	88,045	71,805	(22.4)	(18.4)
Premiums	57,852	43,844	33,796	(41.6)	(22.9)
Claims paid	29,089	38,227	31,800	9.3	(16.8)
Other receivables	5,580	5,975	6,209	11.3	3.9
Operations with reinsurance companies	573,186	671,339	344,026	(40.0)	(48.8)
Claims paid	429,482	402,263	308,268	(28.2)	(23.4)
Other receivables	143,704	269,077	35,758	(75.1)	(86.7)
Other operating receivables	138,807	127,993	161,769	16.5	26.4
Impairment	(302,400)	(331,811)	(325,261)	7.6	(2.0)
Receivables from insurance and reinsurance operations	3,550,345	3,485,847	3,190,128	(10.1)	(8.5)

Table 79 – Property and Casualty | Reinsurance and retrocession – technical reserves

R\$ thousand	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
Deferred premiums - PPNG	725,380	639,595	579,465	(20.1)	(9.4)
Deferred premiums - RVNE	149,176	150,347	145,022	(2.8)	(3.5)
IBNR claims	98,862	107,008	111,939	13.2	4.6
Pending claims	1,096,909	1,386,789	1,828,771	66.7	31.9
Provision for related expenses	15,176	19,671	17,751	17.0	(9.8)
Reinsurance and retrocession - technical reserves	2,085,502	2,303,409	2,682,948	28.6	16.5

Table 80 – Property and Casualty | Securities and credit receivable

R\$ thousand	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
Securities and credits receivable	209,510	171,388	162,902	(22.2)	(5.0)
Other tax and social security receivables	200,735	235,019	236,267	17.7	0.5
Receivable tax and social security - tax loss	360,986	360,206	584,652	62.0	62.3
Receivable tax and social security - temporary adjustments	297,708	297,870	279,439	(6.1)	(6.2)
Tax and judicial deposits	807,743	839,274	849,534	5.2	1.2
Other receivables	54,933	67,540	32,542	(40.8)	(51.8)
Impairment	(27,609)	(35,619)	(34,461)	24.8	(3.2)
Securities and credits receivable	1,904,006	1,935,677	2,110,875	10.9	9.1

Table 81 – Property and Casualty | Accounts payable

R\$ thousand	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
Payable liabilities	215,722	179,700	143,319	(33.6)	(20.2)
Deferred taxes	50,957	5,934	403	(99.2)	(93.2)
Social securities and taxes payable	192,986	180,551	179,904	(6.8)	(0.4)
Labor charges	43,022	35,139	42,212	(19)	20.1
Taxes and contributions	30,001	(65,469)	24,363	(18.8)	-
Other accounts payable	41,499	35,984	82,776	99.5	130.0
Accounts payable	524,034	371,840	472,976	(9.7)	27.2

Table 82 – Property and Casualty | Obligations with insurance and reinsurance operations

R\$ thousand	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
Premiums to return	3,809	4,983	3,865	15	(22.4)
Operations with insurance companies	74,858	38,464	41,772	(44.2)	8.6
Operations with reinsurance companies	646,899	844,158	777,006	20.1	(8.0)
Insurance and reinsurance brokers	6,565	73,327	63,330	864.7	(13.6)
Other operating obligations	325,823	264,506	243,803	(25.2)	(7.8)
Obligations with insurance and reinsurance operations	1,057,954	1,225,440	1,129,776	6.8	(7.8)

■ SOLVENCY

Table 83 – Property and Casualty | Solvency¹

R\$ thousand	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
Brasilveículos					
Adjusted shareholders' equity (a)	450,471	428,066	421,115	(6.5)	(1.6)
Minimum capital required (b)	377,322	288,490	280,328	(25.7)	(2.8)
Additional capital for underwriting risk	334,044	256,122	250,138	(25.1)	(2.3)
Additional capital for market risk	6,564	7,323	7,100	8.2	(3.0)
Additional capital for credit risk	55,489	37,280	33,945	(38.8)	(8.9)
Additional capital for operating risk	10,550	9,807	9,641	(8.6)	(17)
Benefit of correlation between risks	(29,325)	(22,042)	(20,496)	(30.1)	(7.0)
Capital adequacy (a) - (b)	73,149	139,576	140,787	92.5	0.9
Solvency ratio (a) / (b) - %	119.4	148.4	150.2	30.8 p.p.	1.8 p.p.
Aliança do Brasil Seguros					
Adjusted shareholders' equity (a)	217,204	184,894	198,078	(8.8)	7.1
Minimum capital required (b)	107,897	84,959	84,482	(21.7)	(0.6)
Additional capital for underwriting risk	91,035	70,469	69,966	(23.1)	(0.7)
Additional capital for market risk	1,191	2,364	1,963	64.8	(17.0)
Additional capital for credit risk	21,011	16,910	17,150	(18.4)	14
Additional capital for operating risk	4,410	4,012	3,992	(9.5)	(0.5)
Benefit of correlation between risks	(9,750)	(8,796)	(8,589)	(119)	(2.4)
Capital adequacy (a) - (b)	109,307	99,935	113,596	3.9	13.7
Solvency ratio (a) / (b) - %	201.3	217.6	234.5	33.2 p.p.	16.8 p.p.
MAPFRE Seguros Gerais					
Adjusted shareholders' equity (a)	2,006,417	1,818,343	1,372,924	(31.6)	(24.5)
Minimum capital required (b)	983,956	763,612	789,933	(19.7)	3.4
Additional capital for underwriting risk	829,695	618,431	641,981	(22.6)	3.8
Additional capital for market risk	32,610	61,896	64,239	97.0	3.8
Additional capital for credit risk	184,310	150,623	154,099	(16.4)	2.3
Additional capital for operating risk	39,031	38,405	38,593	(1.1)	0.5
Benefit of correlation between risks	(101,690)	(105,743)	(108,979)	7.2	3.1
Capital adequacy (a) - (b)	1,022,461	1,054,731	582,991	(43.0)	(44.7)
Solvency ratio (a) / (b) - %	203.9	238.1	173.8	-30.1 p.p.	-64.3 p.p.
Total MAPFRE BB SH2					
Adjusted shareholders' equity (a)	2,674,092	2,431,303	1,992,117	(25.5)	(18.1)
Minimum capital required (b)	1,469,175	1,137,061	1,154,743	(21.4)	1.6
Additional capital for underwriting risk	1,254,774	945,022	962,085	(23.3)	18
Additional capital for market risk	40,365	71,583	73,302	816	2.4
Additional capital for credit risk	260,810	204,813	205,194	(213)	0.2
Additional capital for operating risk	53,991	52,224	52,226	(3.3)	0.0
Benefit of correlation between risks	(140,765)	(136,581)	(138,064)	(19)	1.1
Capital adequacy (a) - (b)	1,204,917	1,294,242	837,374	(30.5)	(35.3)
Solvency ratio (a) / (b) - %	182.0	213.8	172.5	-9.5 p.p.	-41.3 p.p.

¹ Information based on the accounting principles adopted by SUSEP.

4.3 PENSION PLANS

■ EARNINGS ANALYSIS

Table 84 – Pension Plans | Income statement

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q 17	1Q 18	2Q 18	On 2Q 17	On 1Q 18	1H 17	1H 18	On 1H 17
Total revenue from pension and insurance	9,120,673	7,631,889	7,880,280	(13.6)	3.3	19,128,880	15,512,169	(18.9)
Provision for benefits to be granted	(9,064,679)	(7,579,999)	(7,822,494)	(13.7)	3.2	(19,017,659)	(15,402,493)	(19.0)
Net revenue from pension and insurance	55,994	51,890	57,786	3.2	11.4	111,221	109,676	(1.4)
Management fee	574,198	628,029	657,689	14.5	4.7	1,146,751	1,285,718	12.1
Changes in other technical reserves	(17,468)	(10,438)	(14,016)	(19.8)	34.3	(22,850)	(24,454)	7.0
Expenses with benefits, redemptions and claims	(19,964)	(12,556)	(2,637)	(86.8)	(79.0)	(45,776)	(15,194)	(66.8)
Acquisition costs	(148,917)	(161,940)	(157,983)	6.1	(2.4)	(295,760)	(319,923)	8.2
Earned premiums	51,071	47,398	47,958	(6.1)	12	101,299	95,355	(5.9)
Administrative expenses	(94,836)	(96,225)	(89,405)	(5.7)	(7.1)	(186,055)	(185,630)	(0.2)
Tax expenses	(44,905)	(48,649)	(50,705)	12.9	4.2	(90,978)	(99,354)	9.2
Other operating income (expenses)	(6,988)	(13,212)	(11,869)	69.8	(10.2)	(14,268)	(25,080)	75.8
Gains or losses on non-current assets	(1)	(6)	(26)	1699.0	305.1	(2,200)	(32)	(98.5)
Non-interest operating result	348,183	384,291	436,792	25.4	13.7	701,384	821,083	17.1
Net investment income	93,830	85,788	87,963	(6.3)	2.5	200,931	173,751	(13.5)
Financial income	3,876,418	4,843,817	617,712	(84.1)	(87.2)	10,434,248	5,461,528	(47.7)
Financial expenses	(3,782,588)	(4,758,028)	(529,749)	(86.0)	(88.9)	(10,233,317)	(5,287,777)	(48.3)
Earnings before taxes and profit sharing	442,014	470,079	524,754	18.7	11.6	902,315	994,833	10.3
Taxes	(178,198)	(203,453)	(224,364)	25.9	10.3	(384,394)	(427,817)	11.3
Profit sharing	(3,627)	(2,966)	(3,175)	(12.4)	7.1	(9,346)	(6,141)	(34.3)
Net income	260,189	263,660	297,215	14.2	12.7	508,575	560,875	10.3

NET INCOME

QUARTERLY ANALYSIS

In the 2Q18, the net income from the Pension Plans business line rose 14.2% YoY to R\$297.2 million.

Such improvement was propelled by the increase in the non-interest operating result, explained:

- (i) by the 14.5% growth in revenues with management fee, as an outcome of the expansion in the volume of assets under management; and
- (ii) by the 6.1 p.p. improvement in the cost-to-income ratio.

On the flip side, the net investment income dropped 6.3% when compared to the second quarter last year, driven by the contraction in the net interest margin between the company's proprietary assets and its liabilities.

The annualized return on average equity posted an increase of 2.8 p.p. YoY to 42.9% in the 2Q18.

YEAR-TO-DATE ANALYSIS

In the 1H18, net income rose 10.3% YoY, to R\$560.9 million. The annualized return on average equity posted an increase of 0.2 p.p. YoY to 41.0%.

Such performance was justified by the increase in the non-interest operating result, explained by the increase in revenues with management fee along with a 3.3 p.p. decline in the cost-to-income ratio. However, the improvement in the non-interest operating result was partially offset by the 13.5% reduction in net investment income, driven by the contraction in the net interest margin between the company's proprietary assets and its liabilities.

Figure 79 – Pension Plans | Adjusted net income and ROAE

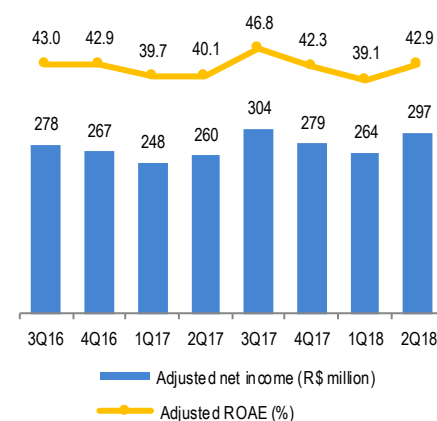
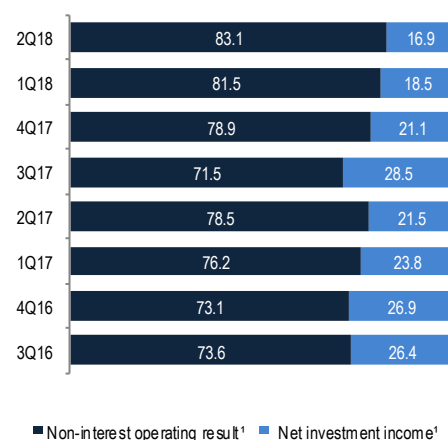


Figure 80 – Pension Plans | Adjusted net income breakdown (%)



¹ Net of taxes considering the effective tax rate

Table 85 – Pension Plans | Performance ratios

%	Quarterly Flow			Chg. (p.p.)		Half-Yearly Flow		Chg. (p.p.)
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Commission ratio	16	2.1	2.0	0.4	(0.1)	1.5	2.1	0.5
Load fee	0.6	0.7	0.7	0.1	0.1	0.6	0.7	0.1
Management fee	1.12	1.10	1.09	(0.03)	(0.01)	1.13	1.09	(0.03)
Redemption ratio	8.2	7.4	8.5	0.3	1.1	8.2	8.0	(0.2)
Cost to income ratio	48.9	47.2	42.8	(6.1)	(4.4)	48.2	44.9	(3.3)
Income tax rate	40.3	43.3	42.8	2.4	(0.5)	42.6	43.0	0.4
Adjusted ROAE	40.1	39.1	42.9	2.8	3.8	40.8	41.0	0.2

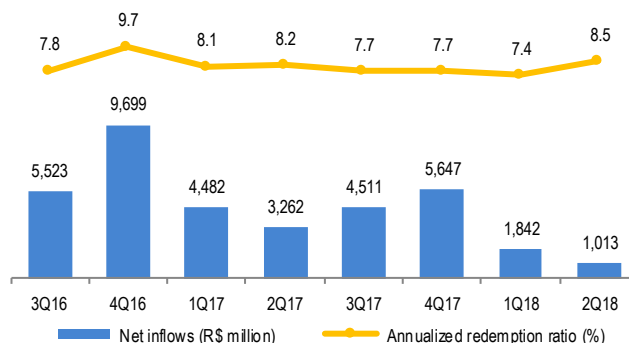
■ RESULT WITH PENSION PLANS AND INSURANCE ANALYSIS

CONTRIBUTIONS

Figure 81 – Pension Plans | Contributions (R\$ million)



Figure 82 – Pension Plans | Net inflows and redemption ratio



QUARTERLY ANALYSIS

In the 2Q18, the volume of pension contributions dropped 13.6% when compared to the 2Q17, driven by lower inflows from sporadic contributions to VGBL plans.

The annualized redemption ratio rose by 0.3 p.p. over the same period a year ago, which added to the decline in contributions led the net inflows to a 69.0% decline YoY.

YEAR-TO-DATE ANALYSIS

In the 1H18, the volume of pension contributions dropped 18.9% YoY and directly impacted the net inflows, which was down 63.1% YoY, an effect that was partially mitigated by the 0.2 p.p. decline in the redemption ratio.

Figure 83 – Pension Plans | Contributions breakdown (%)

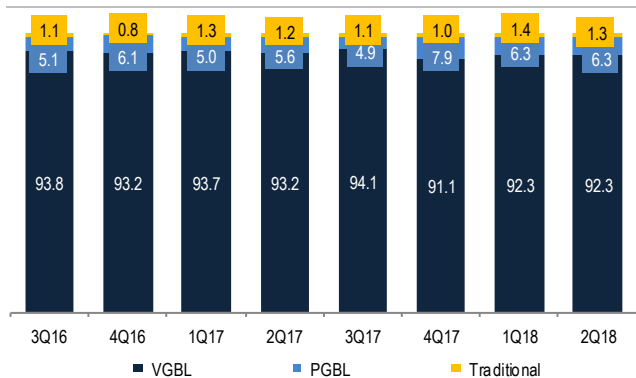
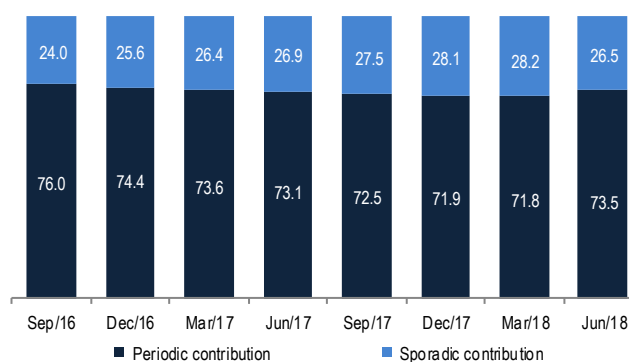


Figure 84 – Pension Plans | Pension plans outstanding (%)



TECHNICAL RESERVES

The volume of technical reserves increased 12.6% in twelve months, to R\$242.5 billion in June 2018. The balance of assets under management related to PGBL and VGBL plans rose 12.9% YoY to R\$232.9 billion.

Figure 85 – Pension Plans | Technical reserves (R\$ billion)

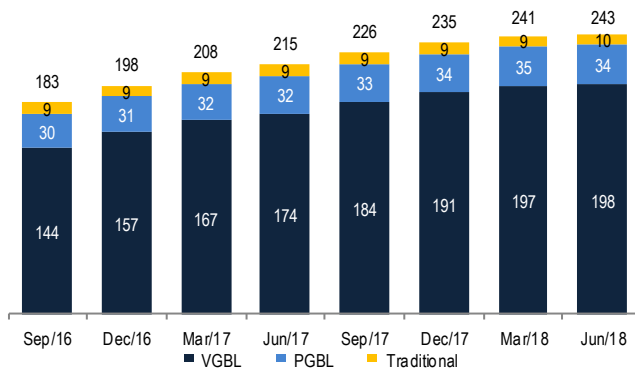


Figure 86 – Pension Plans | Technical reserves (%)

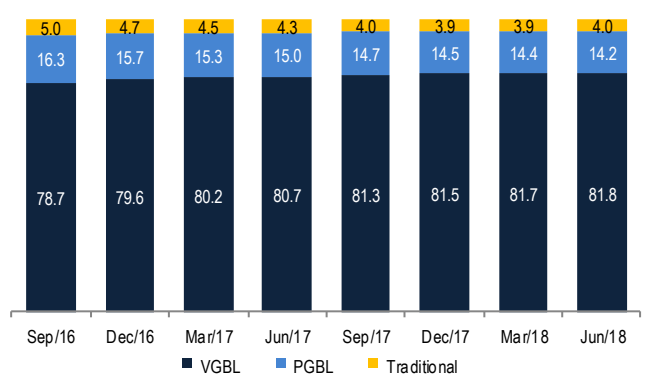


Figure 87 – Pension Plans | Active plans¹ (thousand)

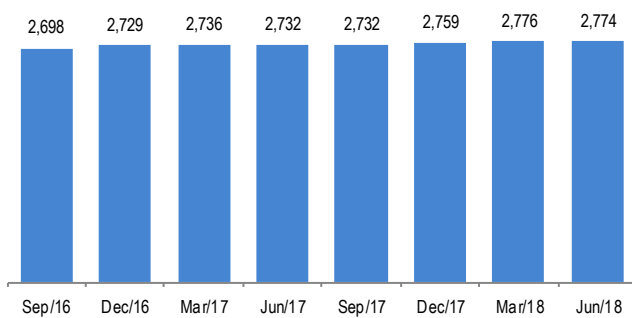
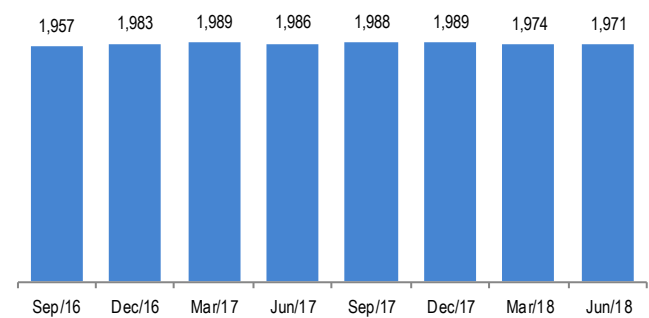


Figure 88 – Pension Plans | CPFs (thousand)



¹In the 4Q17 the database of active plans was revised and pension plans previously considered active but with an outstanding balance close to zero were excluded. Therefore, the 2016 and 2017 historical series were revised to provide better comparables.

Table 86 – Pension Plans | Changes in technical reserves and provisions for insurance and pension plans

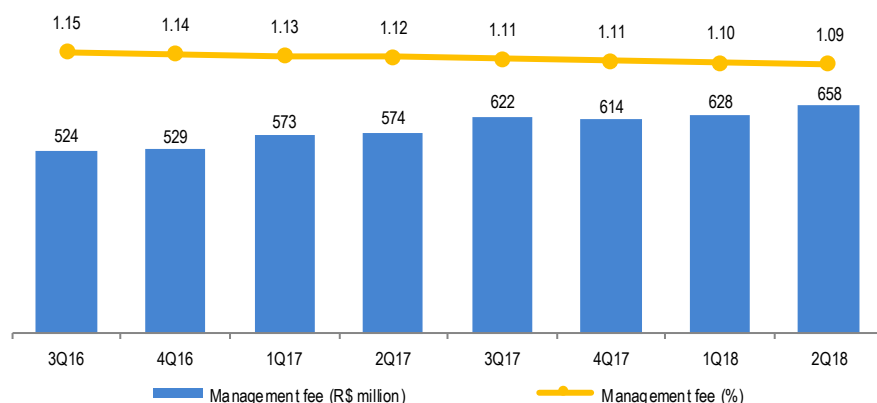
R\$ thousand	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
Benefits to be granted					
Initial balance	204,788,900	230,761,631	237,217,713	15.8	2.8
Constitution	3,394,144	2,188,740	1,521,442	(55.2)	(30.5)
Reversal	(230,811)	(420,736)	(619,079)	168.2	47.1
Restatement	3,776,914	4,688,079	425,216	(88.7)	(90.9)
Final balance	211,729,147	237,217,713	238,545,292	12.7	0.6
Benefits granted					
Initial balance	2,414,596	2,558,368	2,618,385	8.4	2.3
Constitution	252,088	163,480	235,775	(6.5)	44.2
Reversal	(244,323)	(181,462)	(209,029)	(14.4)	15.2
Restatement	15,333	77,999	92,140	500.9	18.1
Final balance	2,437,694	2,618,385	2,737,270	12.3	4.5
Other provisions					
Initial balance	1,274,875	1,199,926	1,232,784	(3.3)	2.7
Constitution	141,070	127,960	131,783	(6.6)	3.0
Reversal	(205,031)	(108,899)	(128,112)	(37.5)	17.6
Restatement	2,095	13,797	17,510	735.7	26.9
Final balance	1,213,009	1,232,784	1,253,965	3.4	1.7
Total Provisions	215,379,851	241,068,882	242,536,527	12.6	0.6

Table 87 – Pension Plans | Changes in technical reserves and provisions for insurance and pension plans by product

R\$ thousand	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
P VGBL Reserves					
Initial balance	199,147,063	225,264,263	231,665,353	16.3	2.8
Constitution	3,655,485	2,406,799	1,791,193	(51.0)	(25.6)
Reversal	(431,637)	(524,320)	(769,963)	78.4	46.9
Restatement	3,839,644	4,518,610	183,947	(95.2)	(95.9)
Final balance	206,210,555	231,665,353	232,870,530	12.9	0.5
Traditional Reserves					
Initial balance	9,331,308	9,255,661	9,403,529	0.8	1.6
Constitution	131,818	73,548	97,807	(25.8)	33.0
Reversal	(248,528)	(186,945)	(186,257)	(25.1)	(0.4)
Restatement	(45,301)	261,265	350,918	-	34.3
Final balance	9,169,296	9,403,529	9,665,997	5.4	2.8
Total Provisions	215,379,851	241,068,882	242,536,527	12.6	0.6

MANAGEMENT FEE

Figure 89 – Pension Plans | Management fee



QUARTERLY ANALYSIS

In the 2Q18, revenues with management fee were up 14.5% YoY. Such performance was driven by the 14.3% expansion in the average volume of reserves over the last 12 months, partially offset by a 0.03 p.p. contraction in the average management fee.

YEAR-TO-DATE ANALYSIS

In the 1H18, revenues with management fee were up 12.1% YoY. The average management fee recorded 1.09%, down 0.03 p.p. YoY.

Table 88 – Pension Plans | Management fee breakdown^{1,2}

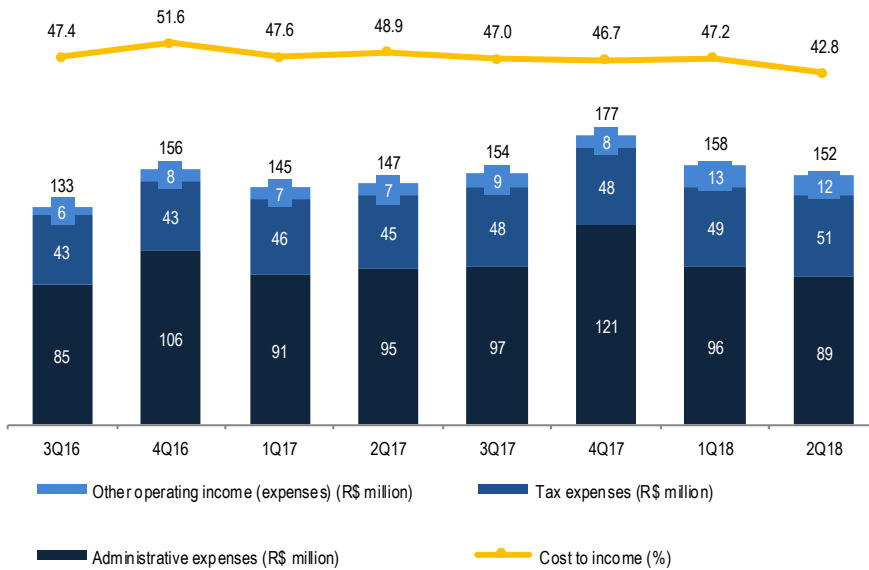
R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Management fee	574,198	628,029	657,689	14.5	4.7	1,146,751	1,285,718	12.1
Average volume of reserves	211,944,412	237,486,283	242,339,016	14.3	2.0	207,414,743	239,747,473	15.6
Working days	61	61	63	2 w.d.	2 w.d.	124	124	-
Annualized average management fee (%)	1.12	1.10	1.09	(0.03) p.p.	(0.01) p.p.	1.13	1.09	(0.03) p.p.

¹Management fee annualized considering the total of 252 working days.

²Working days calculated based on the holidays table provided by ANBIMA.

GENERAL & ADMINISTRATIVE EXPENSES

Figure 90 – Pension Plans | G&A expenses and cost to income ratio



QUARTERLY ANALYSIS

In the 2Q18, general and administrative expenses grew 3.6% YoY, driven mainly by:

- (i) the increase in expenses with sales incentives, due to higher expenses with endomarketing and with the digital strategy; and
- (ii) higher tax expenses, in line with the increase in the taxable income for PIS and COFINS tax collection.

The cost-to-income ratio improved by 6.1 p.p. YoY to 42.8%, largely explained by the increase in revenues with management fee in addition to a very strict cost control.

YEAR-TO-DATE ANALYSIS

Year-to-date, general and administrative expenses increased 6.4% YoY, driven mainly by:

- (i) the increase in expenses with sales incentives, due to higher expenses with endomarketing to promote sales;
- (ii) higher tax expenses, in line with the increase in the taxable income for PIS and COFINS tax collection; and
- (iii) higher expenses with outsourcing, largely explained by the increase in variable expenses linked to the expansion of the volume of assets under management.

The cost-to-income ratio improved by 3.3 p.p. YoY to 44.9%, explained by the increase in revenues with management fee in addition to a very strict cost control.

Table 89 – Pension Plans | G&A expenses

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q 17	1Q 18	2Q 18	On 2Q 17	On 1Q 18	1H 17	1H 18	On 1H 17
Administrative expenses	(94,836)	(96,225)	(89,405)	(5.7)	(7.1)	(186,055)	(185,630)	(0.2)
Personnel	(32,150)	(34,011)	(32,091)	(0.2)	(5.6)	(66,908)	(66,102)	(12)
Outsourcing	(40,843)	(42,566)	(42,275)	3.5	(0.7)	(79,679)	(84,841)	6.5
Location and operation	(12,976)	(12,211)	(12,694)	(2.2)	4.0	(24,239)	(24,905)	2.7
Marketing	(8,014)	(7,147)	(1,977)	(75.3)	(72.3)	(13,953)	(9,124)	(34.6)
Other	(852)	(290)	(368)	(56.8)	26.9	(1,276)	(658)	(48.4)
Other operating income (expenses)	(6,988)	(13,212)	(11,869)	69.8	(10.2)	(14,268)	(25,080)	75.8
Expenses on sales incentive	(2,516)	(6,336)	(9,768)	288.3	54.2	(5,031)	(16,104)	220.1
Charging expenses	(3,824)	(3,688)	(3,825)	0.0	3.7	(7,685)	(7,513)	(2.2)
Contingencies	(434)	(1,609)	3,330	-	-	(533)	1,721	-
Provision for loan losses	(121)	1	(320)	164.4	-	(125)	(319)	156.1
Other operating income (expenses)	(93)	(1,580)	(1,285)	1,283.6	(18.7)	(894)	(2,865)	220.5
Tax expenses	(44,905)	(48,649)	(50,705)	12.9	4.2	(90,978)	(99,354)	9.2
Federal and municipal taxes	(11,751)	(12,929)	(13,446)	14.4	4.0	(23,529)	(26,375)	12.1
COFINS	(27,255)	(29,662)	(30,918)	13.4	4.2	(55,627)	(60,580)	8.9
PIS/PASEP	(4,426)	(4,820)	(5,024)	13.5	4.2	(9,036)	(9,844)	8.9
Inspection fee	(1,124)	(992)	(1,176)	4.6	18.5	(2,248)	(2,168)	(3.6)
Other tax expenses	(350)	(246)	(141)	(59.7)	(42.7)	(538)	(387)	(28.1)
General and administrative expenses	(146,729)	(158,086)	(151,978)	3.6	(3.9)	(291,301)	(310,064)	6.4

Table 90 – Pension Plans | Cost to income ratio

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q 17	1Q 18	2Q 18	On 2Q 17	On 1Q 18	1H 17	1H 18	On 1H 17
Revenues - [a]	681,262	727,317	763,433	12.1	5.0	1,359,269	1,490,750	9.7
Net revenue from pension and insurance	55,994	51,890	57,786	3.2	11.4	111,221	109,676	(14)
Management fee	574,198	628,029	657,689	14.5	4.7	1,146,751	1,285,718	12.1
Earned premiums	51,071	47,398	47,958	(6.1)	12	101,299	95,355	(5.9)
Expenses - [b]	333,078	343,020	326,615	(1.9)	(4.8)	655,687	669,634	2.1
Changes in other technical reserves	17,468	10,438	14,016	(19.8)	34.3	22,850	24,454	7.0
Expenses with benefits, redemptions and claims	19,964	12,556	2,637	(86.8)	(79.0)	45,776	15,194	(66.8)
Acquisition costs	148,917	161,940	157,983	6.1	(2.4)	295,760	319,923	8.2
Administrative expenses	94,836	96,225	89,405	(5.7)	(7.1)	186,055	185,630	(0.2)
Tax expenses	44,905	48,649	50,705	12.9	4.2	90,978	99,354	9.2
Other operating income (expenses)	6,988	13,212	11,869	69.8	(10.2)	14,268	25,080	75.8
Cost to income ratio (%) - [b / a]	48.9	47.2	42.8	(6.1) p.p.	(4.4) p.p.	48.2	44.9	(3.3) p.p.

■ NET INVESTMENT INCOME

Figure 91 – Pension Plans | Net investment income (R\$ million)

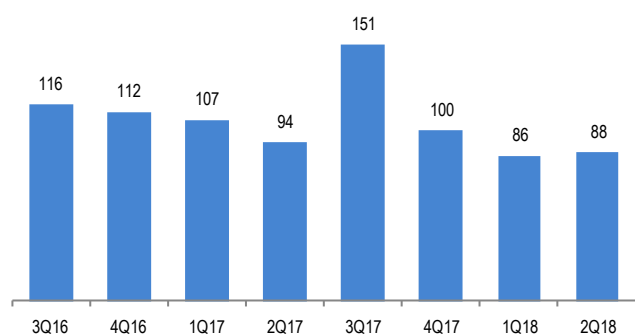


Figure 92 – Pension plans | Inflation and TR rates (%)

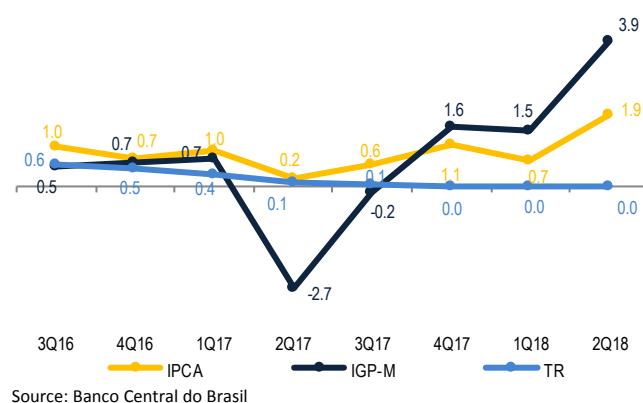


Table 91 – Pension Plans | Financial income and expenses

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Adjusted interest revenues	44,610	339,086	446,425	900.7	31.7	357,533	785,511	119.7
Revenues with mark to market financial investments	(10,099)	16,961	18,497	-	9.1	2,797	35,457	1,167.5
Revenues with held to maturity financial investments	54,709	322,126	427,928	682.2	32.8	354,736	750,054	111.4
Adjusted interest expenses	49,220	(253,298)	(358,462)	-	41.5	(156,602)	(611,760)	290.6
Interest accrual on technical reserves	49,220	(253,298)	(358,462)	-	41.5	(156,602)	(611,760)	290.6
Net investment income	93,830	85,788	87,963	(6.3)	2.5	200,931	173,751	(13.5)

QUARTERLY ANALYSIS

In the 2Q18, the net investment income fell 6.3% as compared to the same period last year, driven by the 1.2 p.p. contraction in the net interest margin between the company's proprietary assets and its liabilities.

Adjusted interest revenues grew 900.7% over the same period last year, as a result of the 13.5 p.p. increase in the average yield on investments, which was driven the recent increase in the IGP-M and IPCA inflation indexes that helped the return on inflation protected securities classified as held to maturity.

Adjusted interest expenses amounted to R\$358.5 million as compared to a positive balance of R\$49.2 million in the same period last year. This effect was due to the dynamics observed in the IGP-M index, which is the main index that interest bearing liabilities are pegged to, which recorded 3.9% in the 2Q18 vs 2.7% deflation in the 2Q17.

YEAR-TO-DATE ANALYSIS

In the 1H18, net investment income fell 13.5% YoY, driven by the 1.3 p.p. compression in the net interest margin between the company's proprietary assets and its liabilities.

Adjusted interest revenues grew 119.7% YoY, driven mostly by the 6.9 p.p. increase in the average yield on interest earning assets. The higher yield can be explained by the recent increase in the IGP-M and IPCA inflation index, which helped the return on inflation protected securities classified as held to maturity.

However, the rise in the IGP-M also impacted adjusted interest expenses, which increased 290.6% as a result of the 8.2 p.p. increase in the average yield on interest bearing liabilities.

Table 92 – Pension Plans | Quarterly figures - Volume and rate analysis

R\$ thousand	2Q18/2Q17		
	Average volume	Average rate	Net change
Earning assets			
Mark to market financial investments	5,577	23,018	28,595
Held to maturity financial investments	512	372,707	373,219
Total¹	20,560	381,255	401,815
Interest bearing liabilities			
Technical reserves	(13,594)	(394,089)	(407,682)
Total	(13,594)	(394,089)	(407,682)

¹ Calculated with the same methodology of the parts. Due to the different weights of the elements which compose it, the total does not reflect the sum of the parts.

Table 93 – Pension Plans | Quarterly figures - Earning assets - average balance and interest rates¹

R\$ million	2Q17			2Q18		
	Average balance	Interest revenues	Annualized rate (%)	Average balance	Interest revenues	Annualized rate (%)
Earning assets						
Mark to market financial investments	1,310	(10)	(3.1)	1,876	18	4.0
Held to maturity financial investments	10,668	55	2.1	10,681	428	17.0
Total	11,978	45	1.5	12,557	446	15.0

¹Guaranteeing assets and free assets of Traditional plans and guaranteeing assets of the P/VGBL plans in the granting stage.

Table 94 – Pension Plans | Quarterly figures - Interest bearing liabilities - average balance and interest rates¹

R\$ million	2Q17			2Q18		
	Average balance	Interest expenses	Annualized rate (%)	Average balance	Interest expenses	Annualized rate (%)
Interest bearing liabilities						
Technical reserves	10,370	49	(2.0)	10,778	(358)	12.7
Total	10,370	49	(2.0)	10,778	(358)	12.7

¹ Technical reserves of Traditional and P/VGBL plans in the granting stage.

Table 95 – Pension Plans | Year-to-date figures - Volume and rate analysis

R\$ thousand	1H 18/ 1H 17		
	Average volume	Average rate	Net change
Earning assets			
Mark to market financial investments	12,891	19,769	32,660
Held to maturity financial investments	(1,551)	396,868	395,318
Total¹	42,097	385,881	427,977
Interest bearing liabilities			
Technical reserves	(25,938)	(429,220)	(455,158)
Total	(25,938)	(429,220)	(455,158)

¹ Calculated with the same methodology of the parts. Due to the different weights of the elements which compose it, the total does not reflect the sum of the parts.

Table 96 – Pension Plans | Year-to-date figures - Earning assets - average balance and interest rates¹

R\$ million	1H 17			1H 18		
	Average balance	Interest revenues	Annualized rate (%)	Average balance	Interest revenues	Annualized rate (%)
Earning assets						
Mark to market financial investments	1,218	3	0.5	1,913	35	3.8
Held to maturity financial investments	10,678	355	6.9	10,656	750	14.8
Total	11,896	358	6.2	12,570	786	13.1

¹Guaranteeing assets and free assets of Traditional plans and guaranteeing assets of the P/VGBL plans in the granting stage.

Table 97 – Pension Plans | Year-to-date figures - Interest bearing liabilities - average balance and interest rates¹

R\$ million	1H 17			1H 18		
	Average balance	Interest expenses	Annualized rate (%)	Average balance	Interest expenses	Annualized rate (%)
Interest bearing liabilities						
Technical reserves	10,265	(157)	3.1	10,720	(612)	11.3
Total	10,265	(157)	3.1	10,720	(612)	11.3

¹ Technical reserves of Traditional and P/VGBL plans in the granting stage.

Table 98 – Pension Plans | Financial investments portfolio breakdown (except PGBL and VGBL funds)

R\$ thousand	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
Held to maturity securities	10,704,430	10,507,173	10,854,835	1.4	3.3
Pre-fixed	53,985	75,798	78,000	44.5	2.9
Inflation	10,650,445	10,431,376	10,776,834	12	3.3
Mark to market securities	1,214,309	1,772,968	1,978,051	62.9	11.6
Pre-fixed	262,176	269,516	174,397	(33.5)	(35.3)
Floating	565,376	1,053,318	1,358,507	140.3	29.0
Inflation	386,758	450,134	445,146	15.1	(1)
Total	11,918,740	12,280,141	12,832,885	7.7	4.5

Figure 93 – Pension Plans | Financial investments breakdown by index - except PGBL and VGBL funds (%)

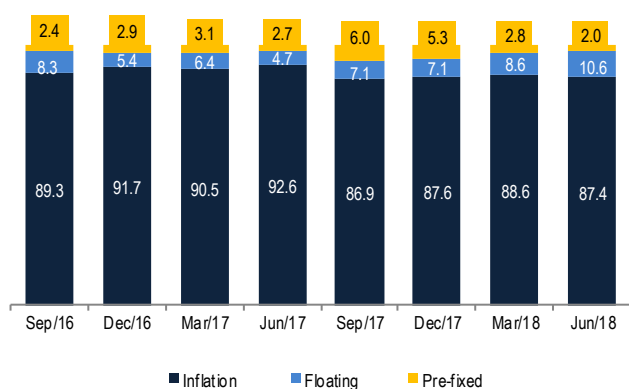
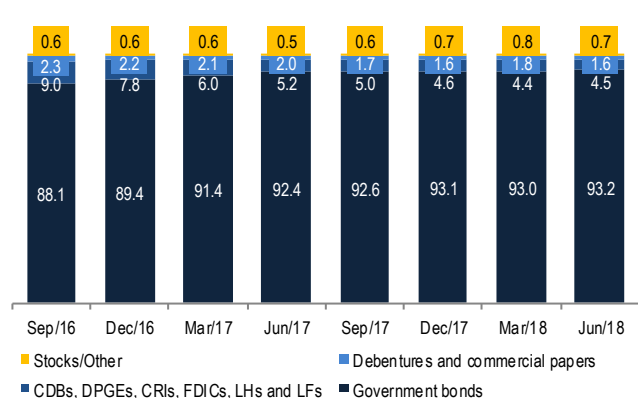


Figure 94 – Pension Plans | Assets allocation (%)



■ BALANCE SHEET ANALYSIS

Table 99 – Pension Plans | Balance sheet

R\$ thousand	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
Assets	219,268,063	245,228,068	246,896,549	12.6	0.7
Cash and cash equivalents	5,111	4,083	6,528	27.7	59.9
Financial assets	217,020,683	242,749,595	244,412,141	12.6	0.7
Receivables from insurance and reinsurance operations	2,382	2,570	2,488	4.4	(3.2)
Securities and credits receivable	740,478	943,022	982,787	32.7	4.2
Prepaid expenses	3,242	13,827	17,463	438.6	26.3
Deferred costs	1,282,587	1,282,188	1,238,254	(3.5)	(3.4)
Credits from private pension transactions	479	2,442	2,128	344.6	(12.9)
Investments	-	75	75	-	-
Fixed assets	28,225	29,911	28,577	12	(4.5)
Intangible	184,876	200,355	206,108	11.5	2.9
Liabilities	216,679,977	242,496,502	244,085,110	12.6	0.7
Accounts payable	424,320	364,413	471,926	11.2	29.5
Obligations with insurance and reinsurance operations	9,842	7,222	4,868	(50.5)	(32.6)
Debts from private pension transactions	1,212	1,180	1,060	(12.5)	(10.2)
Third party deposits	115,057	143,023	107,629	(6.5)	(24.7)
Technical reserves - insurance	173,885,475	197,045,713	198,478,148	14.1	0.7
Technical reserves - private pension	41,494,377	44,023,168	44,058,379	6.2	0.1
Other liabilities	749,694	911,783	963,100	28.5	5.6
Shareholders' equity	2,588,086	2,731,566	2,811,439	8.6	2.9

■ SOLVENCY

Table 100 – Pension Plans | Solvency¹

R\$ thousand	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
Adjusted shareholder's equity (a)	3,387,527	3,652,522	3,691,288	9.0	1.1
Minimum capital requirement (b)	1,596,025	1,840,192	1,865,652	16.9	1.4
Additional capital for underwriting risk	1,286,909	1,313,955	1,343,248	4.4	2.2
Additional capital for credit risk	70,822	141,823	138,490	95.5	(2.4)
Additional capital for market risk	284,990	591,688	589,787	106.9	(0.3)
Additional capital for operating risk	172,304	192,855	194,029	12.6	0.6
Correlation risk reduction	(219,000)	(400,129)	(399,902)	82.6	(0.1)
Capital adequacy (a) - (b)	1,791,502	1,812,330	1,825,636	1.9	0.7
Solvency ratio (a) / (b) - %	212.2	198.5	197.9	-14.4 p.p.	-0.6 p.p.

¹Information based on the accounting principles adopted by SUSEP.

4.4 PREMIUM BONDS

■ EARNINGS ANALYSIS

Table 101 – Premium Bonds | Income statement¹

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q 17	1Q 18	2Q 18	On 2Q 17	On 1Q 18	1H 17	1H 18	On 1H 17
Premium bonds collection	958,774	1,151,234	1,150,042	19.9	(0.1)	1,892,774	2,301,276	21.6
Changes in provisions for redemption	(823,664)	(990,064)	(1,004,784)	22.0	1.5	(1,616,476)	(1,994,848)	23.4
Net revenue with premium bonds	135,110	161,170	145,258	7.5	(9.9)	276,298	306,428	10.9
Changes in technical reserves	(1,871)	(10,495)	6,375	-	-	(11,335)	(4,120)	(63.7)
Result with lottery	(20,836)	(12,857)	(16,347)	(21.5)	27.1	(40,040)	(29,204)	(27.1)
Acquisition costs	(68,020)	(97,004)	(96,860)	42.4	(0.1)	(134,756)	(193,864)	43.9
Administrative expenses	(20,544)	(19,343)	(19,118)	(6.9)	(12)	(39,501)	(38,461)	(2.6)
Tax expenses	(6,309)	(7,409)	(7,143)	13.2	(3.6)	(12,799)	(14,552)	13.7
Other operating income (expenses)	(910)	979	567	-	(42.1)	(3,909)	1,546	-
Equity income	(8)	(26)	(14)	75.0	(46.2)	41	(40)	-
Non-interest operating result	16,612	15,015	12,718	(23.4)	(15.3)	33,999	27,733	(18.4)
Net investment income	66,940	87,062	(11,696)	-	-	239,568	75,366	(68.5)
Financial income	263,645	273,561	181,493	(31.2)	(33.7)	652,909	455,054	(30.3)
Financial expenses	(196,705)	(186,499)	(193,189)	(1.8)	3.6	(413,341)	(379,688)	(8.1)
Earnings before taxes and profit sharing	83,552	102,077	1,022	(98.8)	(99.0)	273,567	103,099	(62.3)
Taxes	(37,477)	(52,256)	(413)	(98.9)	(99.2)	(122,632)	(52,669)	(57.1)
Profit sharing	(1,417)	(1,237)	(1,263)	(10.9)	2.1	(2,639)	(2,500)	(5.3)
Net income / loss	44,658	48,584	(654)	-	-	148,296	47,930	(67.7)

¹From the 1Q18 on, the adjustments related to the goodwill of BB Seguridade's investments, as well as other IFRS adjustments, are no longer recorded in the equity income line of the Income Statement by Sub Segment, according to the Note 6 attached to BB Seguridade's Financial Statements, and are now accounted directly in the equity income line of BB Seguridade's Income Statement. Therefore, in order to maintain the comparability of results with prior periods, the historical series has been revised since 1Q16.

The table below shows a managerial view built from the reallocation of expenses related to the formation of lottery and bonus provisions. This reallocation aims to isolate and present the revenue with load fee, which is the source used to cover general & administrative expenses and acquisition costs.

Table 102 – Premium Bonds | Managerial income statement

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Premium bonds collection	958,774	1,151,234	1,150,042	19.9	(0.1)	1,892,774	2,301,276	21.6
Changes in provisions for redemption	(823,664)	(990,064)	(1,004,784)	22.0	1.5	(1,616,476)	(1,994,848)	23.4
Changes in provisions for lottery and bonus	(34,448)	(29,441)	(27,636)	(19.8)	(6.1)	(71,054)	(57,077)	(19.7)
Revenue with load fee	100,662	131,729	117,622	16.8	(10.7)	205,244	249,351	21.5
Changes in other technical reserves	1,534	(9,280)	7,429	384.3	-	(4,135)	(1,851)	(55.2)
Result with lottery	10,207	15,369	10,235	0.3	(33.4)	23,814	25,604	7.5
Acquisition costs	(68,020)	(97,004)	(96,860)	42.4	(0.1)	(134,756)	(193,864)	43.9
Administrative expenses	(20,544)	(19,343)	(19,118)	(6.9)	(12)	(39,501)	(38,461)	(2.6)
Tax expenses	(6,309)	(7,409)	(7,143)	13.2	(3.6)	(12,799)	(14,552)	13.7
Other operating income (expenses)	(910)	979	567	-	(42.1)	(3,909)	1,546	-
Equity income	(8)	(26)	(14)	75.0	(46.2)	41	(40)	-
Non-interest operating result	16,612	15,015	12,718	(23.4)	(15.3)	33,999	27,733	(18.4)
Net investment income	66,940	87,062	(11,696)	-	-	239,568	75,366	(68.5)
Financial income	263,645	273,561	181,493	(31.2)	(33.7)	652,909	455,054	(30.3)
Financial expenses	(196,705)	(186,499)	(193,189)	(1.8)	3.6	(413,341)	(379,688)	(8.1)
Earnings before taxes and profit sharing	83,552	102,077	1,022	(98.8)	(99.0)	273,567	103,099	(62.3)
Taxes	(37,477)	(52,256)	(413)	(98.9)	(99.2)	(122,632)	(52,669)	(57.1)
Profit sharing	(1,417)	(1,237)	(1,263)	(10.9)	2.1	(2,639)	(2,500)	(5.3)
Net income / loss	44,658	48,584	(654)	-	-	148,296	47,930	(67.7)

QUARTERLY ANALYSIS

In the 2Q18, the Premium Bonds business segment presented a net loss of R\$654 thousand, as opposed to a net income of R\$44.7 million in the same period of 2017. The performance can be explained by the net investment income, which was R\$11.7 million negative, along with a lower non-interest operating result.

The net investment income was affected by the 3.0 p.p. contraction in the net interest margin in addition to the 3.2% decline in the average balance of interest earning assets.

Non-interest operating result fell 23.4% YoY, explained by higher acquisition costs. On the other hand, such increase in acquisition costs was partially offset by the increase in the revenue with load fee, along with higher results in changes in other technical reserves and lower general and administrative expenses.

YEAR-TO-DATE ANALYSIS

In the 1H18, the Premium Bonds business segment registered a net income of R\$47.9 million, 67.7% lower YoY, driven by the 68.5% contraction in the net investment income along with the 18.4% reduction in the non-interest operating result.

The contraction in the net investment income was explained by the 4.8% decline in the average balance of interest earning assets along with the 2.5 p.p. compression in the net interest margin. On the other hand, the non-interest operating result was affected by the increase in acquisition costs, which was partially offset by higher revenues with load fee along with lower general and administrative expenses.

Figure 95 – Premium Bonds | Net income and ROAE

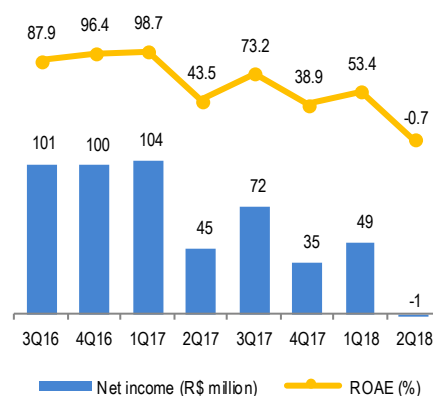
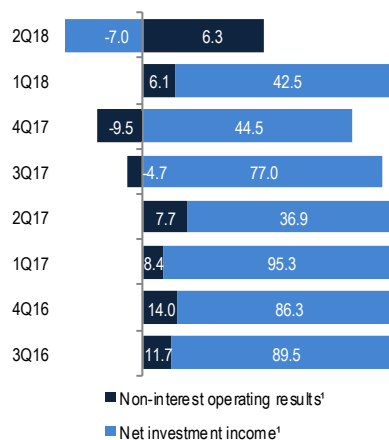


Figure 96 – Premium Bonds | Net income composition



¹Net of taxes considering the effective tax rate.

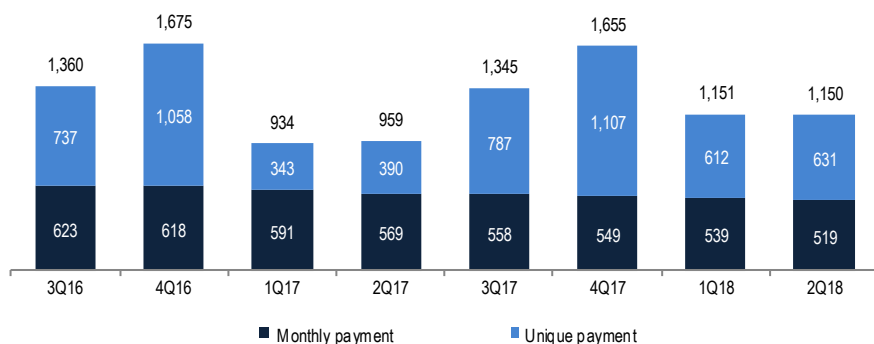
Table 103 – Premium Bonds | Performance ratios

%	Quarterly Flow			Chg. (p.p.)		Half-Yearly Flow		Chg. (p.p.)
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Average quotes								
Reserve quote	85.9	86.0	87.4	15	14	85.4	86.7	13
Lottery quote	3.2	2.5	2.3	(0.9)	(0.1)	3.4	2.4	(10)
Bonus quote	0.4	0.1	0.1	(0.3)	(0.0)	0.4	0.1	(0.3)
Load fee quote	10.5	11.4	10.2	(0.3)	(12)	10.8	10.8	(0.0)
Load fee consumption								
Commission ratio	67.6	73.6	82.3	14.8	8.7	65.7	77.7	12.1
G&A ratio	27.6	19.6	21.8	(5.7)	2.3	27.4	20.6	(6.7)
Financial								
Spread (p.p.)	3.6	5.2	0.6	(3.0)	(4.6)	5.3	2.8	(2.5)
Other								
Premium bonds margin	12.3	9.3	8.8	(3.5)	(0.6)	12.3	9.1	(3.3)
Income tax rate	44.9	51.2	40.4	(4.4)	(10.8)	44.8	51.1	6.3
ROAE	43.5	53.4	(0.7)	(44.2)	(54.1)	67.1	26.4	(40.7)

NON-INTEREST OPERATING RESULT ANALYSIS

PREMIUM BONDS COLLECTION

Figure 97 – Premium Bonds | Collection (R\$ million)



QUARTERLY ANALYSIS

In the 2Q18, premium bonds collection grew 19.9% YoY, largely propelled by the increase in the average collection from unique payment bonds.

YEAR-TO-DATE ANALYSIS

In the 1H18, premium bonds collection grew 21.6% YoY, driven by the increase in the average collection from unique payment bonds.

Figure 98 – Premium Bonds | Collections by product (%)

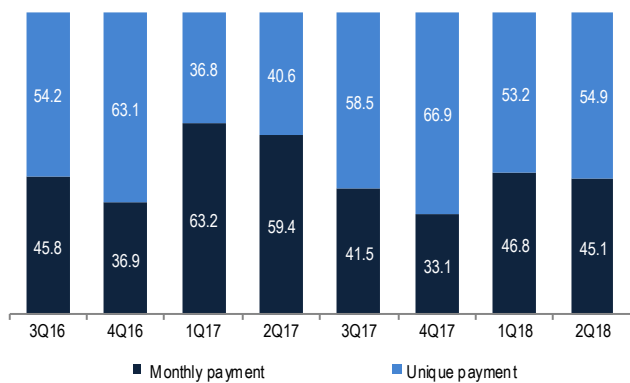
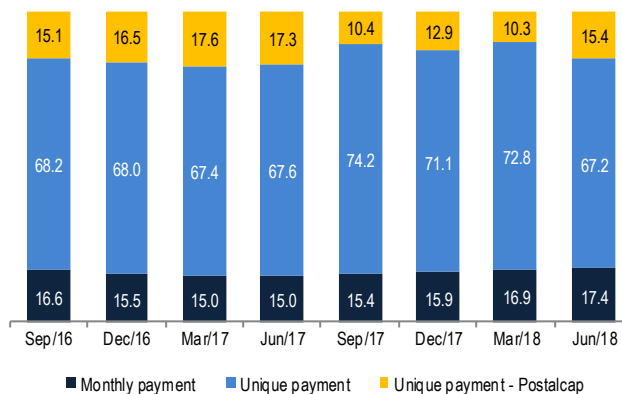
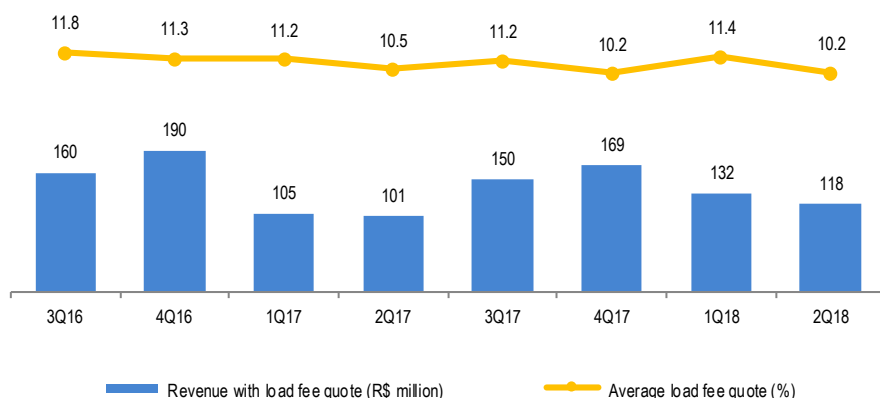


Figure 99 – Premium Bonds | Bonds outstanding by product (%)



REVENUE WITH LOAD FEE

Figure 100 – Premium Bonds | Changes in revenue with load fee quote and average load fee quote



QUARTERLY ANALYSIS

In the 2Q18, the revenue with load fee reached R\$117.6 million, 16.8% up YoY. The performance was driven mainly by the increase in collection, which was partially offset by the 0.3 p.p. reduction in the average load fee quote. The lower load fee quote in the 2Q18, when compared to the same period of 2017, was a result of the increased share of short-term unique payment bonds within the total amount collected, which have lower load fee quotes when compared to longer term premium bonds.

YEAR-TO-DATE ANALYSIS

In the 1H18, the revenue with load fee rose 21.5% YoY, amounting to R\$249.4 million, in line with the increase in collection.

Figure 101 – Premium Bonds | Changes in provisions for redemption and average reserve quote

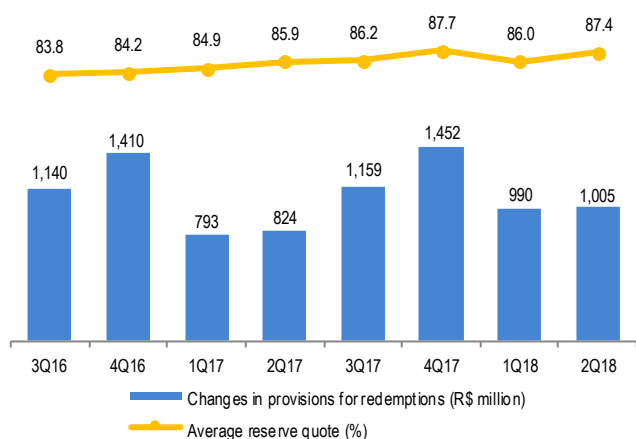


Figure 102 – Premium Bonds | Changes in provisions for lottery and bonus and average lottery and bonus quotes

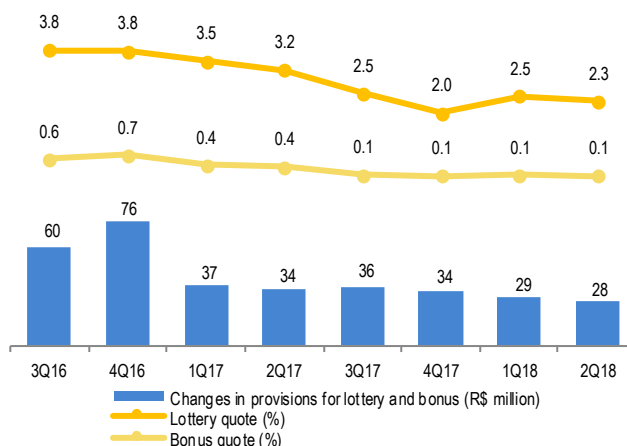


Table 104 – Premium Bonds | Changes in premium bonds provision

R\$ thousand	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
Premium bonds provision					
Initial balance	9,571,493	9,251,636	9,064,282	(5.3)	(2.0)
Constitution	826,573	992,683	1,007,045	218	14
Cancellations	(2,683)	(2,665)	(2,241)	(16.5)	(15.9)
Transfers	(1,456,279)	(1,310,499)	(1,353,623)	(7.0)	3.3
Interest accrual	150,907	133,127	130,863	(13.3)	(17)
Final balance	9,090,011	9,064,282	8,846,326	(2.7)	(2.4)

Table 105 – Premium Bonds | Changes in provisions for redemption¹

R\$ thousand	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
Provision for redemption					
Initial balance	363,459	443,986	440,644	21.2	(0.8)
Transfers	1,464,354	1,320,123	1,361,664	(7.0)	3.1
Payments	(1,425,042)	(1,322,182)	(1,347,745)	(5.4)	19
Interest accrual	(22)	(114)	25	-	-
Premium bonds expiration	(1,162)	(1,169)	(1,461)	25.7	25.0
Final balance	401,587	440,644	453,127	12.8	2.8

¹ Provision's flow does not pass through income statement

Table 106 – Premium Bonds | Changes in provision for lottery to be held

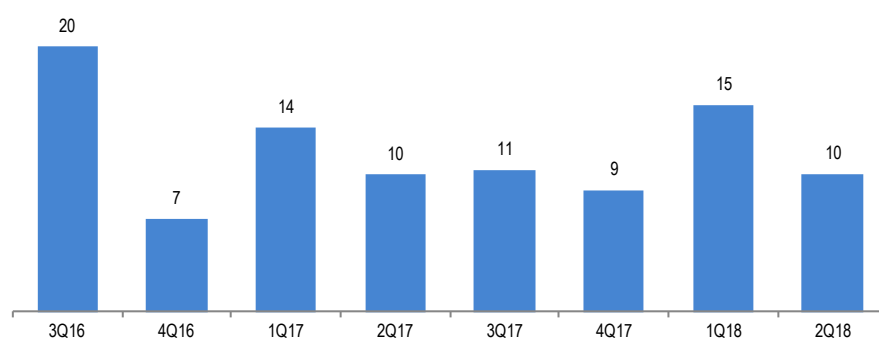
R\$ thousand	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
Provision for lottery to be held					
Initial balance	202,228	166,097	150,008	(25.8)	(9.7)
Constitution	31,184	28,280	26,625	(14.6)	(5.9)
Reversal	(43,513)	(46,392)	(42,271)	(2.9)	(8.9)
Cancellations	(141)	(55)	(49)	(65.2)	(10.9)
Interest accrual	2,965	2,078	1,720	(42.0)	(17.2)
Final balance	192,723	150,008	136,033	(29.4)	(9.3)

Table 107 – Premium Bonds | Changes in provision for draws to be paid

R\$ thousand	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
Provision for draws to be paid					
Initial balance	9,849	15,373	11,499	16.8	(25.2)
Constitution	33,432	31,023	32,023	(4.2)	3.2
Payments	(33,074)	(34,904)	(32,495)	(18)	(6.9)
Interest accrual	31	7	1	(96.8)	(85.7)
Premium bonds expiration	-	-	(3)	-	-
Final balance	10,238	11,499	11,025	7.7	(4.1)

RESULT WITH LOTTERY

Figure 103 – Premium Bonds | Result with lottery (R\$ million)



QUARTERLY ANALYSIS

In the 2Q18, the result with lottery rose 0.3% over the same period last year. The performance was driven by the 3.8% decline on lottery expenses, partially offset by the 2.9% reduction in reversals of lottery provisions.

YEAR-TO-DATE ANALYSIS

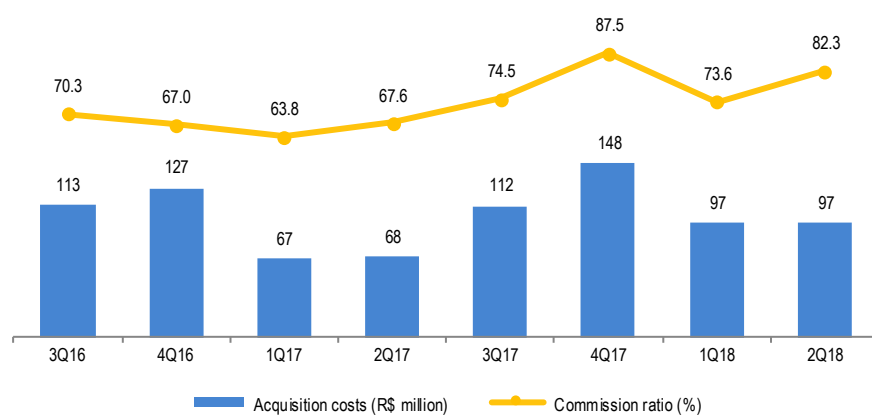
In the 1H18, the result with lottery rose 7.5% YoY. The performance was driven by the 17.1% decline on lottery expenses, partially offset by the 11.2% reduction in reversals of lottery provisions.

Table 108 – Premium Bonds | Result with lottery

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Result with lottery	10,207	15,369	10,235	0.3	(33.4)	23,814	25,604	7.5
Lottery provision reversal	43,513	46,392	42,271	(2.9)	(8.9)	99,885	88,663	(11.2)
Lottery expenses	(33,306)	(31,023)	(32,036)	(3.8)	3.3	(76,071)	(63,059)	(17.1)

ACQUISITION COSTS

Figure 104 – Premium Bonds | Acquisition costs



QUARTERLY ANALYSIS

In the 2Q18, acquisition costs were up 42.4% YoY, mostly on a 48.7% jump in brokerage expenses, which can be explained by the increased share of products with higher commissions in the total collected. As compared to the 2Q17, the commission ratio rose 14.8 p.p.

YEAR-TO-DATE ANALYSIS

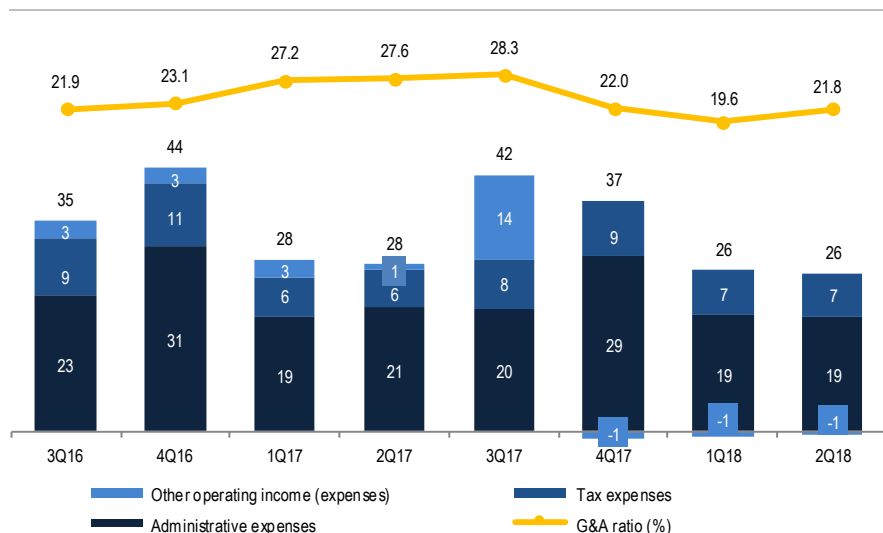
In the 1H18, acquisition costs rose 43.9% YoY, explained by the same reasons mentioned in the quarterly analysis, which led to a 12.1 p.p. increase in the commission ratio.

Table 109 – Premium Bonds | Changes in Acquisition Costs

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Acquisition costs	68,020	97,004	96,860	42.4	(0.1)	134,756	193,864	43.9
Brokerage	50,687	82,493	75,390	48.7	(8.6)	99,573	157,883	58.6
Sales cost	17,333	14,511	21,470	23.9	48.0	35,183	35,981	2.3

GENERAL & ADMINISTRATIVE EXPENSES

Figure 105 – Premium Bonds | G&A expenses (R\$ million)



QUARTERLY ANALYSIS

In the 2Q18, general and administrative expenses fell 7.5% YoY, driven by:

- (i) the 6.9% decline in administrative expenses, concentrated in personnel, location and operation and leasing expenses; and
- (ii) the contraction in other operating income (expenses), justified by the settlement, in the 3Q17, of the installments that were being paid to Icatu Seguros for the transfer of rights to sell premium bonds in the former Banco Nossa Caixa branches.

The decline in these expenses was partially offset by higher tax expenses, in line with the increase in the taxable income for PIS/PASEP and COFINS tax collection.

YEAR-TO-DATE ANALYSIS

In the 1H18, general and administrative expenses fell 8.4% YoY, driven by the decline in administrative and in operating expenses, partially offset by higher tax expenses.

Table 110 – Premium Bonds | General & Administrative expenses

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Administrative expenses	(20,544)	(19,343)	(19,118)	(6.9)	(1.2)	(39,501)	(38,461)	(2.6)
Personnel	(12,359)	(12,367)	(12,035)	(2.6)	(2.7)	(24,489)	(24,402)	(0.4)
Location and operation	(2,649)	(1,952)	(1,855)	(30.0)	(5.0)	(5,414)	(3,807)	(29.7)
Outsourcing	(3,746)	(2,991)	(3,821)	2.0	27.7	(6,204)	(6,812)	9.8
Institutional advertisement and publicity	(758)	(534)	(726)	(4.2)	36.0	(1,220)	(1,260)	3.3
Leasing	(783)	(672)	(240)	(69.3)	(64.3)	(1,644)	(912)	(44.5)
Other	(249)	(827)	(441)	77.1	(46.6)	(530)	(1,268)	139.2
Other operating income (expenses)	(910)	979	567	-	(42.1)	(3,909)	1,546	-
Operating expenses	(1,577)	-	-	-	-	(5,707)	-	-
Printing and mailing	(91)	(160)	(365)	301.1	128.1	(230)	(525)	128.3
Legal provisions	(268)	(6)	(551)	105.6	9,083.3	(519)	(557)	7.3
Other operating income (expenses)	(118)	(5)	28	-	-	17	23	35.3
Revenue with premium bonds prescription	1,144	1,150	1,455	27.2	26.5	2,530	2,605	3.0
Tax expenses	(6,309)	(7,409)	(7,143)	13.2	(3.6)	(12,799)	(14,552)	13.7
COFINS	(4,983)	(5,886)	(5,707)	14.5	(3.0)	(10,097)	(11,593)	14.8
PIS/PASEP	(809)	(957)	(927)	14.6	(3.1)	(1,640)	(1,884)	14.9
Inspection fee	(420)	(471)	(471)	12.1	-	(908)	(942)	3.7
Other tax expenses	(97)	(95)	(38)	(60.8)	(60.0)	(154)	(133)	(13.6)
G&A Expenses	(27,763)	(25,773)	(25,694)	(7.5)	(0.3)	(56,209)	(51,467)	(8.4)

■ NET INVESTMENT INCOME

Figure 106 – Premium Bonds | Net investment income (R\$ million)

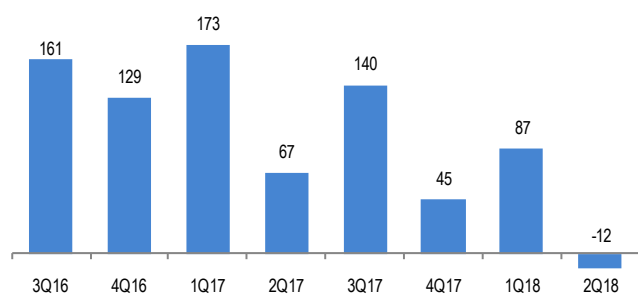


Figure 107 – Premium Bonds | Annualized average interest rates and spread

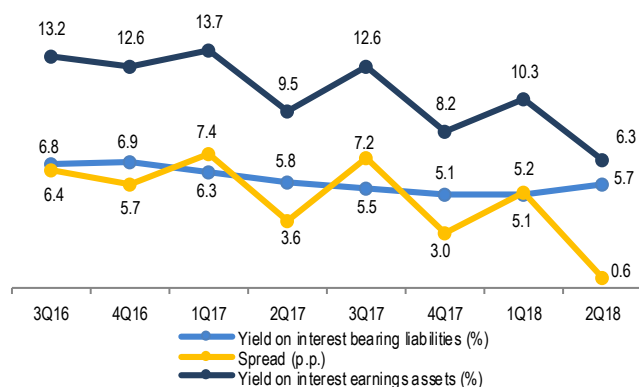


Table 111 – Premium Bonds | Financial income and expenses

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Interest revenues	249,771	268,498	166,964	(33.2)	(37.8)	633,801	435,462	(31.3)
Revenues with mark to market financial investments	154,433	140,804	42,848	(72.3)	(69.6)	429,626	183,652	(57.3)
Expenses with mark to market financial investments	(13,874)	(5,062)	(14,529)	4.7	187.0	(19,108)	(19,591)	2.5
Revenues with held to maturity financial investments	108,466	131,561	138,379	27.6	5.2	221,358	269,940	21.9
Interest accrual on judicial deposits	746	1,195	266	(64.3)	(77.7)	1,925	1,461	(24.1)
Interest expenses	(158,304)	(137,129)	(153,902)	(2.8)	12.2	(342,667)	(291,031)	(15.1)
Interest accrual on technical reserves	(154,574)	(135,898)	(132,716)	(14.1)	(2.3)	(335,108)	(268,614)	(19.8)
Other	(3,730)	(1,231)	(21,186)	468.0	1,621.0	(7,559)	(22,417)	196.6
Net interest income	91,467	131,369	13,062	(85.7)	(90.1)	291,134	144,431	(50.4)

QUARTERLY ANALYSIS

In the 2Q18, the net interest income fell 85.7% as compared to the same period of 2017, while the net interest margin narrowed 3.0 p.p.

Interest revenues dropped 33.2% YoY, as a result of the 3.2% reduction in the average balance of interest earning assets along with the 3.2 p.p. contraction in the average yield, which was explained:

- (i) by the reduction in the average Selic rate in the 2Q18, which negatively impacted the yield on floating securities; and
- (ii) by the spike in the yield curve, which implied in negative mark-to-market in pre-fixed securities classified as trading.

The reduction in interest revenues was partially offset by the 2.8% decline in interest expenses, as a result of the 3.8% contraction in the average volume of technical reserves, in addition to the 0.8 p.p. reduction in the average yield on these liabilities.

YEAR-TO-DATE ANALYSIS

In the 1H18, the net investment income fell 50.4% YoY, impacted by the lower average balance of interest earning assets along with a 2.5 p.p. compression in the net interest margin.

Interest revenues dropped 31.3% YoY, explained by the reduction in the average balance of interest earning assets along with the 3.2 p.p. contraction in the average yield, which was explained:

- (i) by the reduction in the average Selic rate, which negatively impacted the yield on floating securities; and
- (ii) by the upward move of the forward yield curve, which implied in negative mark-to-market in pre-fixed securities classified as trading.

Interest expenses fell 15.1% YoY, as a result of the 5.2% decrease in the average volume of technical reserves along with a 0.7 p.p. reduction in the average yield on these liabilities.

Table 112 – Premium Bonds | Quarterly figures - Volume and rate analysis

R\$ thousand	2Q 18/2Q 17		
	Average volume	Average rate	Net change
Earning assets			
Mark to market financial investments	(23,264)	(88,976)	(112,240)
Held to maturity financial investments	53,628	(23,715)	29,913
Judicial deposits	34	(514)	(480)
Total¹	(5,453)	(77,354)	(82,807)
Interest bearing liabilities			
Technical reserves - premium bonds	5,191	16,667	21,858
Other ²	(2,031)	(15,425)	(17,456)
Total¹	4,009	393	4,402

¹ Calculated with the same methodology of the parts. Due to the different weights of the elements which compose it, the total does not reflect the sum of the parts.

² Includes: (i) interest expenses related to interest accrual of the payment made to Icatu Cap for the transfer of its rights to market premium bonds products in the branches formerly owned by Banco Nossa Caixa starting in May 2014 and (ii) interest accrual of legal provisions.

Table 113 – Premium Bonds | Quarterly figures – Earning assets – average balance and interest rates

R\$ thousand	2Q 17			2Q 18		
	Average balance	Interest revenues	Annualized rate (%)	Average balance	Interest revenues	Annualized rate (%)
Earnings assets						
Mark to market financial investments	6,506,706	140,559	9.2	3,572,165	28,319	3.2
Held to maturity financial investments	3,872,472	108,466	12.1	6,322,860	138,379	9.0
Judicial deposits	879,916	746	0.4	1,008,011	266	0.1
Total	11,259,094	249,771	9.5	10,903,035	166,964	6.3

Table 114 – Premium Bonds | Quarterly figures – Interest bearing liabilities – average balance and interest rates

R\$ thousand	2Q 17			2Q 18		
	Average balance	Interest expenses	Annualized rate (%)	Average balance	Interest expenses	Annualized rate (%)
Interest bearing liabilities						
Technical reserves - premium bonds	10,001,779	(154,574)	6.2	9,625,286	(132,716)	5.4
Other ¹	932,579	(3,730)	16	1,031,464	(21,186)	8.0
Total	10,934,358	(158,304)	5.8	10,656,749	(153,902)	5.7

¹ Includes: (i) interest expenses related to interest accrual of the payment made to Icatu Cap for the transfer of its rights to market premium bonds products in the branches formerly owned by Banco Nossa Caixa starting in May 2014 and (ii) interest accrual of legal provisions.

Table 115 – Premium Bonds | Year-to-date figures - Volume and rate analysis

R\$ thousand	1H 18/1H 17		
	Average volume	Average rate	Net change
Earning assets			
Mark to market financial investments	(97,151)	(149,306)	(246,457)
Held to maturity financial investments	85,050	(36,468)	48,582
Judicial deposits	222	(686)	(464)
Total¹	(22,118)	(176,221)	(198,339)
Interest bearing liabilities			
Technical reserves - premium bonds	14,837	51,657	66,494
Other ²	(2,418)	(12,440)	(14,858)
Total¹	11,587	40,049	51,636

¹ Calculated with the same methodology of the parts. Due to the different weights of the elements which compose it, the total does not reflect the sum of the parts.

² Includes: (i) interest expenses related to interest accrual of the payment made to Icatu Cap for the transfer of its rights to market premium bonds products in the branches formerly owned by Banco Nossa Caixa starting in May 2014 and (ii) interest accrual of legal provisions.

Table 116 – Premium Bonds | Year-to-date figures – Earning assets – average balance and interest rates

R\$ thousand	1H 17			1H 18		
	Average balance	Interest revenues	Annualized rate (%)	Average balance	Interest revenues	Annualized rate (%)
Earnings assets						
Mark to market financial investments	6,807,710	410,518	12.6	4,275,760	164,061	8.0
Held to maturity financial investments	3,962,562	221,358	11.7	5,785,338	269,940	9.7
Judicial deposits	830,251	1,925	0.5	978,688	1,461	0.3
Total	11,600,523	633,801	11.4	11,039,786	435,462	8.2

Table 117 – Premium Bonds | Year-to-date figures – Interest bearing liabilities – average balance and interest rates

R\$ thousand	1H 17			1H 18		
	Average balance	Interest expenses	Annualized rate (%)	Average balance	Interest expenses	Annualized rate (%)
Interest bearing liabilities						
Technical reserves - premium bonds	10,267,620	(335,108)	6.5	9,730,170	(268,614)	5.5
Other ¹	906,563	(7,559)	1.7	1,016,166	(22,417)	4.4
Total	11,174,183	(342,667)	6.1	10,746,336	(291,031)	5.4

¹ Includes: (i) interest expenses related to interest accrual of the payment made to Icatu Cap for the transfer of its rights to market premium bonds products in the branches formerly owned by Banco Nossa Caixa starting in May 2014 and (ii) interest accrual of legal provisions.

Table 118 – Premium Bonds | Mark to market and derivatives effect

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q 17	1Q 18	2Q 18	On 2Q 17	On 1Q 18	1H 17	1H 18	On 1H 17
Mark to market	(7,351)	16,069	(104,074)	1315.7	-	14,078	(88,005)	-
Derivatives	(16,151)	(5,816)	8,907	-	-	(15,219)	3,092	-
Net result	(23,502)	10,253	(95,167)	304.9	-	(1,141)	(84,913)	7,339.3

Table 119 – Premium Bonds | Financial investments portfolio breakdown

R\$ thousand	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
Mark to market securities	6,264,576	3,775,536	3,368,793	(46.2)	(10.8)
Pre-fixed	3,641,814	2,360,432	1,956,616	(46.3)	(17.1)
Floating	2,343,696	1,178,846	1,194,673	(49.0)	1.3
Inflation	206,759	168,472	165,225	(20.1)	(19)
Equity funds	71,812	67,377	51,874	(27.8)	(23.0)
Other	494	409	405	(18.0)	(0.8)
Held to maturity securities	3,917,907	6,237,526	6,408,194	63.6	2.7
Pre-fixed	2,923,216	5,223,825	5,387,457	84.3	3.1
Inflation	994,691	1,013,701	1,020,736	2.6	0.7
Total	10,182,483	10,013,062	9,776,987	(4.0)	(2.4)

Figure 108 – Premium Bonds | Asset allocation (%)

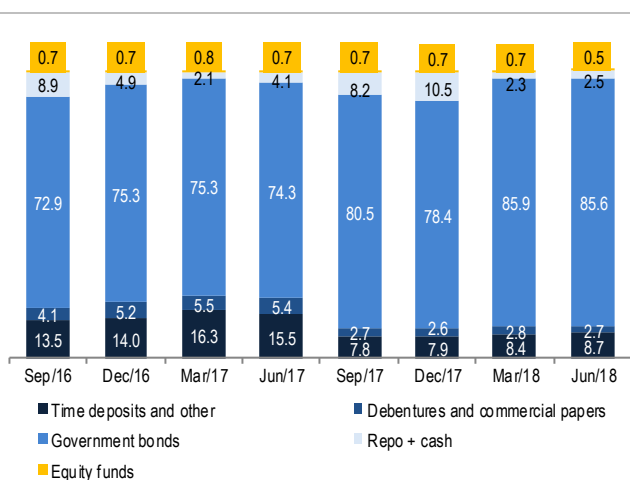
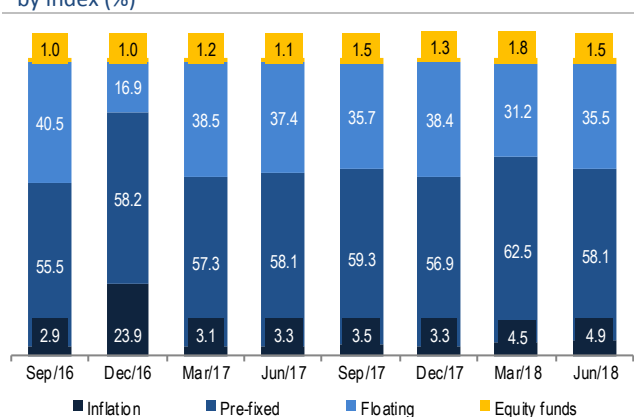


Figure 109 – Premium Bonds | Financial investments breakdown by index (%)



■ BALANCE SHEET ANALYSIS

Table 120 – Premium Bonds | Balance sheet

R\$ thousand	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
Assets	11,268,007	11,202,283	11,001,049	(2.4)	(1.8)
Cash and cash equivalents	68	13	1,075	1,480.9	8,169.2
Financial assets	10,182,483	10,013,062	9,776,986	(4.0)	(2.4)
Securities and credits receivable	1,070,756	1,179,193	1,204,333	12.5	2.1
Prepaid expenses	1,697	1,795	11,251	563.0	526.8
Investments	1,196	1,179	1,174	(1.8)	(0.4)
Fixed assets	2,477	2,860	2,677	8.1	(6.4)
Intangible	2,649	1,840	1,585	(40.2)	(13.9)
Other assets	6,681	2,341	1,968	(70.5)	(15.9)
Liabilities	10,834,642	10,836,823	10,636,243	(1.8)	(1.9)
Accounts payable	107,140	67,805	83,297	(22.3)	22.8
Premium bonds operations debits	24,108	4,434	4,041	(83.2)	(8.9)
Technical reserves - premium bonds	9,772,440	9,742,431	9,508,140	(2.7)	(2.4)
Other liabilities	930,954	1,022,153	1,040,765	11.8	1.8
Shareholders' equity	433,365	365,460	364,806	(15.8)	(0.2)

■ SOLVENCY

Table 121 – Premium Bonds | Solvency¹

R\$ thousand	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
Adjusted shareholders' equity (a)	520,506	514,015	467,433	(10.2)	(9.1)
Minimum capital required (b)	274,681	301,809	237,812	(13.4)	(21.2)
Additional capital for underwriting risk	59,485	36,448	38,559	(35.2)	5.8
Additional capital for credit risk	196,941	97,084	76,935	(60.9)	(20.8)
Additional capital for operating risk	16,578	29,891	33,219	100.4	11.1
Additional capital for market risk	65,073	213,115	150,902	131.9	(29.2)
Benefit of correlation between risks	(63,396)	(74,730)	(61,804)	(2.5)	(17.3)
Capital adequacy (a) - (b)	245,825	212,205	229,621	(6.6)	8.2
Solvency ratio (a) / (b) - %	189.5	170.3	196.6	7.1 p.p.	26.2 p.p.

¹Information based on the accounting principles adopted by SUSEP.

4.5 DENTAL INSURANCE

■ EARNINGS ANALYSIS

Table 122 – Dental Insurance | Income statement

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Gross operating revenues	17,970	26,763	28,457	58.4	6.3	35,498	55,220	55.6
Taxes on revenues	(556)	(1,458)	(1,265)	127.5	(13.2)	(1,139)	(2,722)	139.1
Net operating revenues	17,414	25,305	27,193	56.2	7.5	34,359	52,498	52.8
Cost of services	(9,994)	(11,183)	(13,058)	30.7	16.8	(18,800)	(24,241)	28.9
Gross income	7,420	14,123	14,134	90.5	0.1	15,560	28,257	81.6
Acquisition costs	(1,628)	(2,336)	(2,464)	51.4	5.5	(3,109)	(4,800)	54.4
Administratives expenses	(3,259)	(4,543)	(4,387)	34.6	(3.4)	(6,476)	(8,930)	37.9
Tax expenses	(186)	(230)	(227)	22.3	(13)	(380)	(457)	20.4
Other revenues (expenses)	(796)	(271)	(2,250)	182.6	730.9	(1,183)	(2,520)	113.0
Earnings before interest and taxes	1,552	6,743	4,806	209.8	(28.7)	4,412	11,549	161.8
Net investment income	311	104	92	(70.5)	(12.2)	635	197	(69.0)
Financial income	414	444	486	17.4	9.3	859	930	8.3
Financial expenses	(103)	(339)	(394)	283.4	16.3	(224)	(733)	227.0
Earnings before taxes and profit sharing	1,862	6,847	4,898	163.0	(28.5)	5,046	11,746	132.8
Taxes	(656)	(2,330)	(1,726)	163.0	(25.9)	(1,701)	(4,056)	138.5
Profit sharing	(220)	(170)	(56)	(74.4)	(66.8)	(390)	(226)	(419)
Net income	986	4,348	3,115	216.0	(28.3)	2,956	7,464	152.5

Table 123 – Dental Insurance | Performance ratios

%	Quarterly Flow			Chg. (p.p.)		Half-Yearly Flow		Chg. (p.p.)
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Performance ratios								
Loss ratio	57.4	44.2	48.0	(9.4)	3.8	54.7	46.2	(8.5)
Comission ratio	9.3	9.2	9.1	(0.3)	(0.2)	9.0	9.1	0.1
G&A ratio	24.4	19.9	25.2	0.9	5.3	23.4	22.7	(0.7)
EBITDA margin	9.0	26.7	17.7	8.7	(9.0)	12.9	22.0	9.1
ROAE	32.8	102.4	71.5	38.6	(30.9)	51.7	88.3	36.6

Figure 110 – Dental Insurance | Clients by segment (thousand)

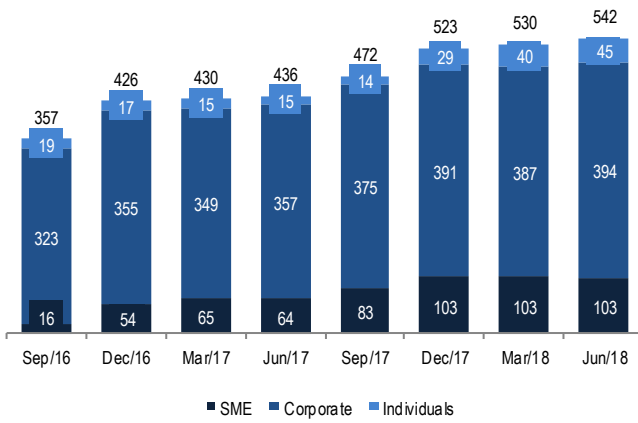


Figure 111 – Dental Insurance | Clients by segment (%)

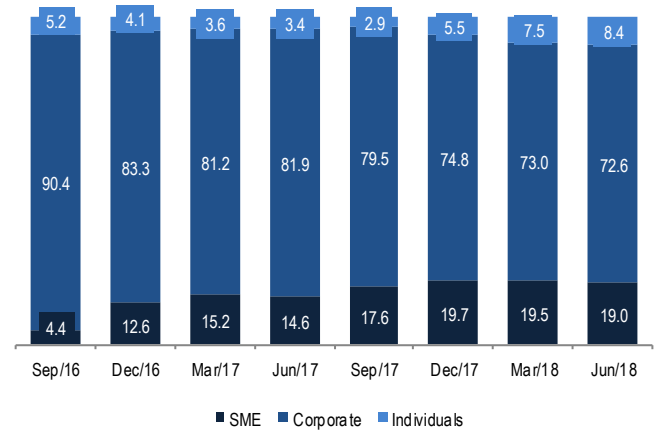


Table 124 – Dental Insurance | Client base breakdown

Client segments	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
Corporate	357,208	386,862	393,820	10.2	18
SME	63,739	103,412	102,932	615	(0.5)
Individuals	14,947	39,634	45,379	203.6	14.5
Total	435,894	529,908	542,131	24.4	2.3

■ BALANCE SHEET ANALYSIS

Table 125 – Dental Insurance | Balance sheet

R\$ thousand	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
Assets	23,862	43,446	41,672	74.6	(4.1)
Cash and cash equivalents	1,147	1,672	1,521	32.6	(9.0)
Financial assets	16,650	33,224	31,755	90.7	(4.4)
Receivables from insurance and reinsurance operations	3,439	4,964	5,195	51.0	4.6
Tax assets	352	697	819	132.8	17.6
Other assets	2,274	2,889	2,382	4.7	(17.6)
Liabilities	11,362	25,927	24,320	114.0	(6.2)
Technical reserves	5,797	14,357	16,807	189.9	17.1
Tax liabilities	332	1,985	1,197	260.4	(39.7)
Other liabilities	5,233	9,585	6,316	20.7	(34.1)
Shareholders' equity	12,500	17,519	17,352	38.8	(1.0)

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5. DISTRIBUTION

The insurance intermediation in Brazil is not required by law, but the brokerage payment is mandatory for all insurance contracts, regardless the involvement of a broker. According to the law 6,317 as of 1975, in case no broker is involved, the amount supposed to be paid as brokerage shall be directed to the Fund for Developing the Insurance Culture, managed by the Foundation National Insurance School– FUNENSEG.

At BB Seguridade the distribution of its affiliates’ products – BB MAPFRE SH1, MAPFRE BB SH2, Brasilprev, Brasilcap and Brasildental – takes place through a fully owned broker named BB Corretora de Seguros e Administradora de Bens S.A. (“BB Corretora”), which intermediates the sales of insurance, pension plans, premium bonds and dental care plans at Banco do Brasil’s distribution network.

BB Corretora is remunerated by the affiliates through the payment of commission per sale, and as a result of the usage of Banco do Brasil’s distribution network, including the workforce, IT solutions and facilities, it reimburses the costs incurred by the Bank during the selling and maintenance of insurance, pension plans, premium bonds and dental care products. This reimbursement done by BB Corretora to Banco do Brasil is governed by an agreement which will be in force until 2033.

The brokerage business in the bancassurance channel is not a complex business model, as it does not incur in the underwriting risk and has low capital needs. In addition to these factors it is worth mentioning the footprint and the strong franchise of Banco do Brasil, which provides competitive advantages to BB Seguridade.

In addition to the Banco do Brasil bancassurance channel, the insurance products of BB MAPFRE SH1 and MAPFRE BB SH2 also counts on a distribution network composed of nearly 20,000 independent brokers and 120 partnerships with other companies that comprise the affinity channel.

At the Pension Plans and Premium Bonds segments, products can also be sold, at a smaller extent, by partners, notably the ones maintained by Brasilcap to distribute premium bonds in the Post Office (“Correios”), in the Votorantim branches and in real state agencies which sell the product named Cap Fiador, which are premium bonds offered as collateral for rental contracts.

Figure 112 – Distribution | Consolidated premiums written, contributions and collection by channel¹ (R\$ million)

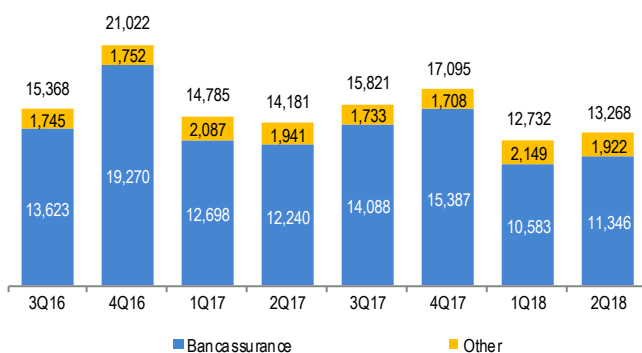
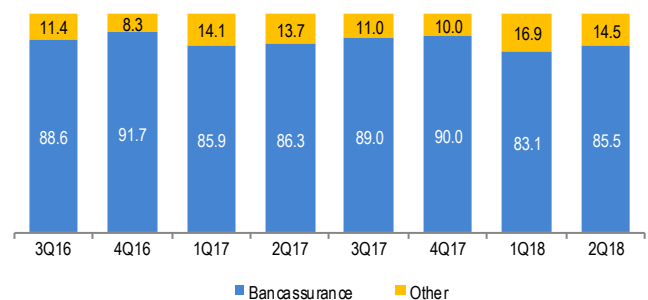


Figure 113 – Distribution | Consolidated premiums written, contributions and collection by channel¹ (%)



¹Insurance premiums written, pension plans contributions and premium bonds collection.

Figure 114 – Distribution | Premiums written of BB MAPFRE SH1 by channel (R\$ million)

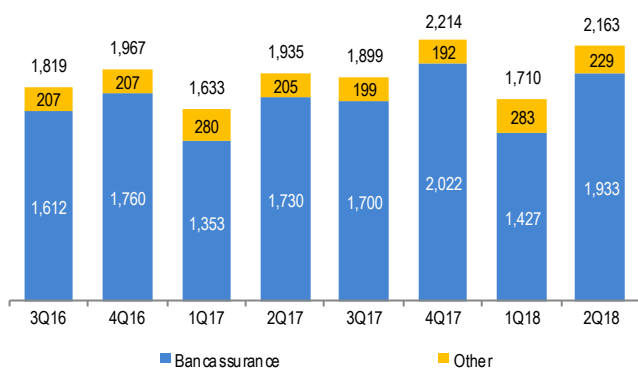


Figure 115 – Distribution | Premiums written of BB MAPFRE SH1 by channel (%)

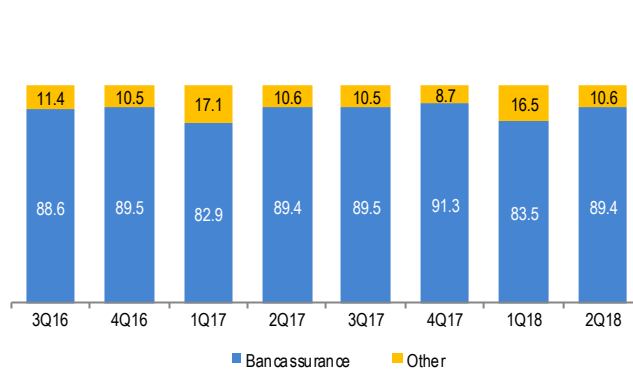


Figure 116 – Distribution | Premiums written of MAPFRE BB SH2 by channel (R\$ million)

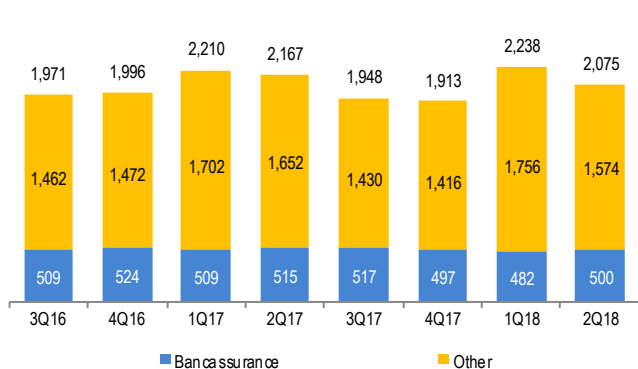


Figure 117 – Distribution | Premiums written of MAPFRE BB SH2 by channel (%)

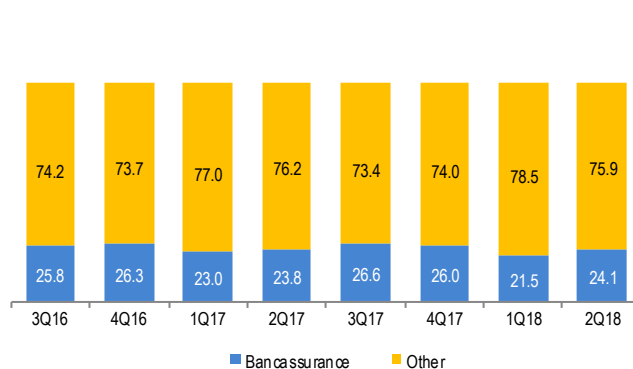


Figure 118 – Distribution | Pension plans contributions by channel (R\$ million)

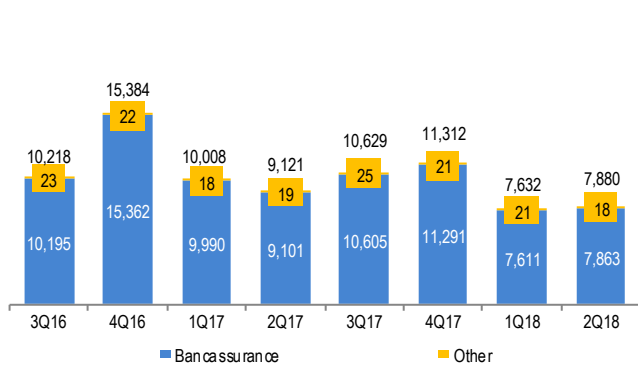


Figure 119 – Distribution | Pension plans contributions by channel (%)

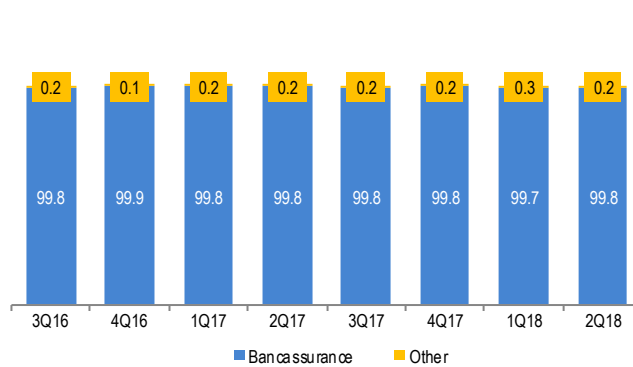


Figure 120 – Distribution | Premium bonds collections by channel (R\$ million)

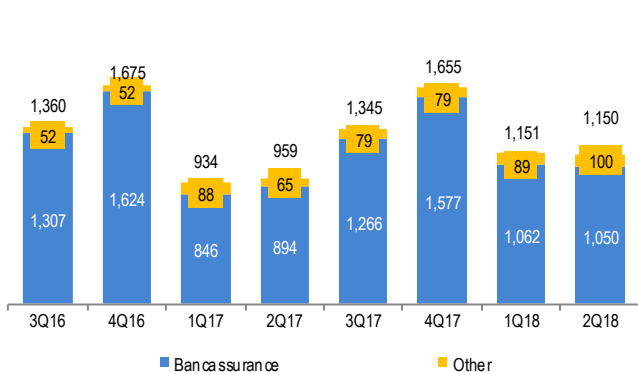
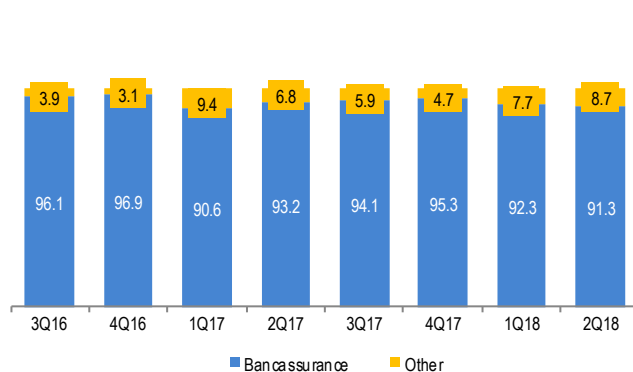


Figure 121 – Distribution | Premium bonds collections by channel (%)



5.1 BB CORRETORA

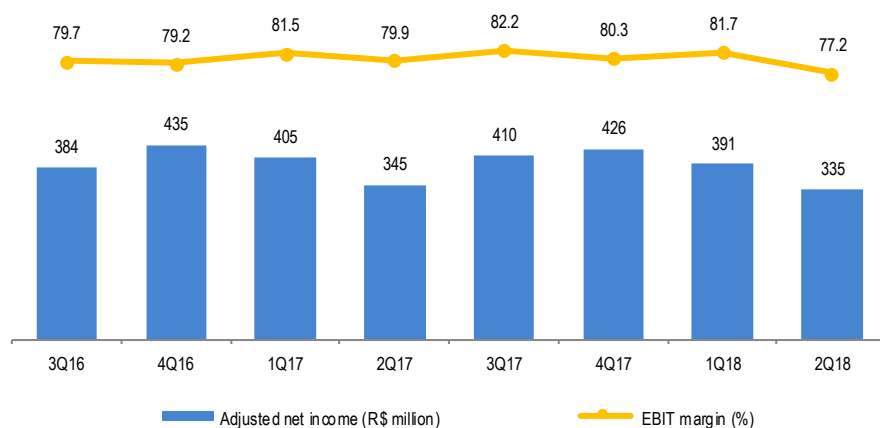
■ EARNINGS ANALYSIS

Table 126 – Brokerage | Income statement

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Brokerage revenues	602,073	697,279	625,025	3.8	(10.4)	1,293,876	1,322,305	2.2
Administrative expenses	(41,500)	(37,456)	(58,959)	42.1	57.4	(80,161)	(96,415)	20.3
Personnel expenses	(6,352)	(7,465)	(7,251)	14.2	(2.9)	(11,433)	(14,716)	28.7
Other operating income (expenses)	(2,472)	(958)	(3,131)	26.7	226.9	(4,123)	(4,088)	(0.8)
Tax expenses	(70,943)	(81,931)	(73,417)	3.5	(10.4)	(153,622)	(155,348)	1.1
Earnings before interest and taxes	480,806	569,470	482,268	0.3	(15.3)	1,044,537	1,051,738	0.7
Net investment income	39,493	22,205	23,404	(40.7)	5.4	88,507	45,609	(48.5)
Financial income	39,549	26,218	23,464	(40.7)	(10.5)	105,544	49,682	(52.9)
Financial expenses	(55)	(4,013)	(60)	8.4	(98.5)	(17,037)	(4,073)	(76.1)
Earnings before taxes	520,300	591,675	505,672	(2.8)	(14.5)	1,133,043	1,097,347	(3.2)
Taxes	(174,889)	(200,305)	(170,960)	(2.2)	(14.7)	(382,756)	(371,265)	(3.0)
Net income	345,411	391,370	334,712	(3.1)	(14.5)	750,287	726,082	(3.2)

ADJUSTED NET INCOME

Figure 122 – BB Corretora | Adjusted net income



QUARTERLY ANALYSIS

BB Corretora reported net income of R\$334.7 million in the 2Q18, down 3.1% YoY, justified mainly by the 40.7% contraction in the net investment income, which was directly related to the fall in the Selic rate.

On the other hand, the EBIT grew 0.3% YoY, supported by the 3.8% increase in brokerage revenues, partially offset by the 2.7 p.p. compression in the EBIT margin. The decrease in EBIT margin was directly related to the 133.8% YoY expansion in total items sold, as a result of the strategy adopted in May and June focused on the distribution of low ticket products (BB Proteção Familiar, a monthly payment life insurance with low price, and BB Seguro Residencial, a home insurance) as an alternative to enhance commercial performance in the current economic environment. At the time of the sale, due to the low price, there is a compression in the EBIT margin caused by the cost reimbursement of the product sold, but such effect might be diluted throughout the term of the policy.

YEAR-TO-DATE ANALYSIS

In the 1H18, BB Corretora reached a net income of R\$726.1 million, down 3.2% YoY, explained by the 48.5% reduction in net investment income.

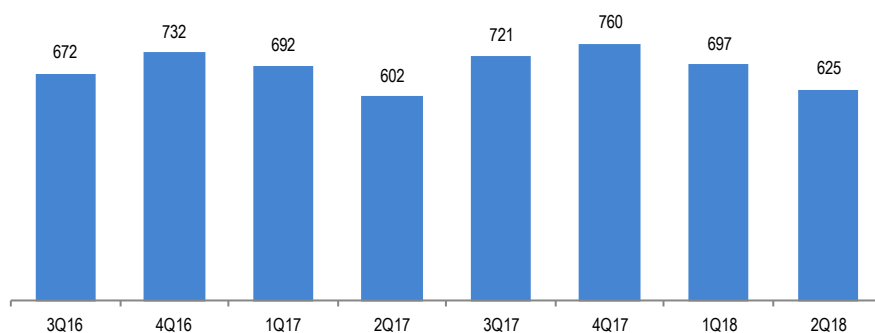
The lower net investment income was partially offset by the 0.7% growth in EBIT, driven by the 2.2% expansion in brokerage revenues, partly consumed by the 1.2 p.p. deterioration in EBIT margin.

Table 127 – BB Corretora | Managerial performance ratios

%	Quarterly Flow			Chg. (p.p.)		Half-Yearly Flow		Chg. (p.p.)
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
G&A expenses	20.1	18.3	22.8	2.7	4.5	19.3	20.5	1.2
Tax expenses	11.8	11.8	11.7	(0.0)	(0.0)	11.9	11.7	(0.1)
EBIT margin	79.9	81.7	77.2	(2.7)	(4.5)	80.7	79.5	(1.2)
Income tax rate	33.6	33.9	33.8	0.2	(0.0)	33.8	33.8	0.1
Net margin	57.4	56.1	53.6	(3.8)	(2.6)	58.0	54.9	(3.1)

BROKERAGE REVENUES

Figure 123 – BB Corretora | Brokerage revenues (R\$ million)



QUARTERLY ANALYSIS

In the 2Q18, brokerage revenues amounted to R\$625.0 million, up 3.8% from a year ago, justified:

- (i) by the 9.2% increase in brokerage revenues coming from BB MAPFRE SH1, driven by the increase in life, credit life, mortgage life and rural insurance sales; and
- (ii) by the growth of 50.4% in revenues arising from Brasilcap, as a result of a better sales volume in addition to higher commission rates.

The aforementioned effects were partially offset by the contraction in brokerage revenues arising from Brasilprev, down 24.4%, and from MAPFRE BB SH2, down 3.6%.

YEAR-TO-DATE ANALYSIS

In the 1H18, brokerage revenues grew 2.2% YoY, such performance was driven:

- (i) by the 9.7% increase in brokerage revenues coming from BB MAPFRE SH1, justified by the rise in commissions paid on some life insurance products, in force throughout the 1Q18, along with the increase in term life, credit life and mortgage life insurance sales; and
- (ii) by the growth of 59.7% in brokerage revenues arising from Brasilcap, as a result of a better sales volume in addition to higher commission rates.

These effects were partially offset by the contraction in brokerage revenues arising from Brasilprev, down 33.5%, and from MAPFRE BB SH2, down 5.1%.

Table 128 – BB Corretora | Brokerage revenues breakdown

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q 17	1Q 18	2Q 18	On 2Q 17	On 1Q 18	1H 17	1H 18	On 1H 17
BB MAPFRE SH1	370,051	469,725	404,084	9.2	(14.0)	796,358	873,809	9.7
MAPFRE BB SH2	71,377	67,422	68,832	(3.6)	2.1	143,591	136,253	(5.1)
Brasilprev	117,437	90,337	88,825	(24.4)	(17)	269,351	179,162	(33.5)
Brasilcap	41,047	67,754	61,740	50.4	(8.9)	81,073	129,494	59.7
Other	2,161	2,042	1,545	(28.5)	(24.4)	3,503	3,587	2.4
Total	602,073	697,279	625,025	3.8	(10.4)	1,293,876	1,322,305	2.2

Figure 124 – BB Corretora | Brokerage revenues breakdown (%)

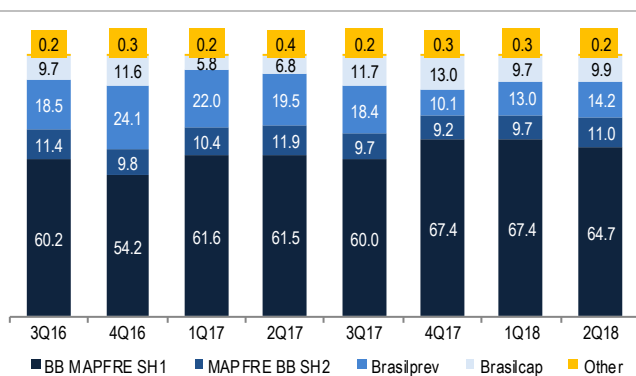
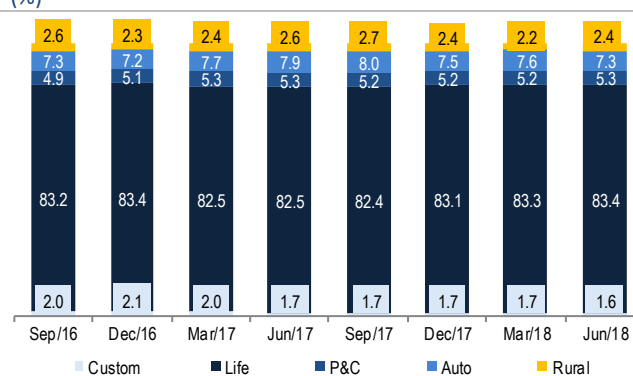
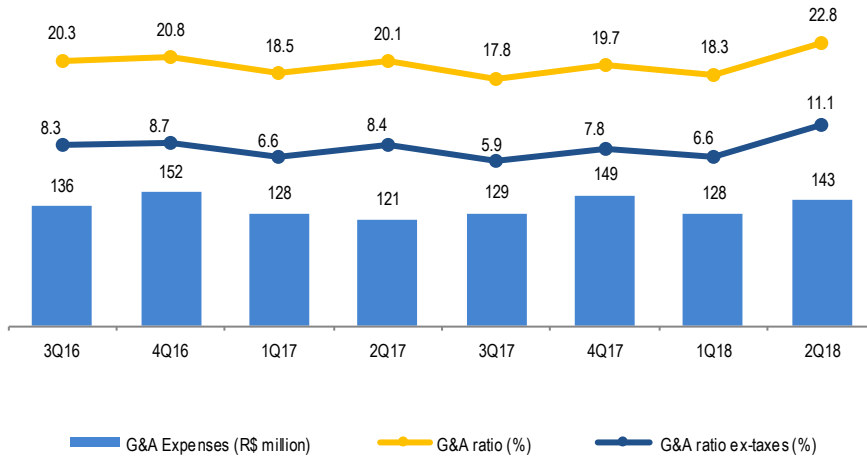


Figure 125 – BB Corretora | Unearned commissions breakdown (%)



GENERAL AND ADMINISTRATIVE EXPENSES

Figure 126 – BB Corretora | G&A expenses



QUARTERLY ANALYSIS

In 2Q18, general and administrative expenses rose 17.7% YoY, justified by the 42.1% growth in administrative expenses, which was concentrated on administrative cost of products. This increase was driven by the 133.8% expansion in total items sold, which generated a higher volume of cost reimbursement for the distribution at Banco do Brasil's distribution network.

YEAR-TO-DATE ANALYSIS

In 1H18, general and administrative expenses grew 7.2% compared with the same period of 2017, dragged by the increase in administrative cost of products along with the 28.7% growth in personnel expenses.

As mentioned above in the quarterly analysis, the variation in administrative cost of products was due to the increase in total items sold. On the other hand, the increase in personnel expenses was driven by the revision of the cost-sharing methodology between BB Seguridade and its subsidiaries, deployed in the 2Q17.

Table 129 – BB Corretora | General & Administrative expenses

R\$ thousand	Quarterly Flow			Chg. %		Half-Yearly Flow		Chg. %
	2Q17	1Q18	2Q18	On 2Q17	On 1Q18	1H17	1H18	On 1H17
Administrative expenses	(41,500)	(37,456)	(58,959)	42.1	57.4	(80,161)	(96,415)	20.3
Administrative cost of products	(10,932)	(12,497)	(30,582)	179.7	144.7	(22,040)	(43,080)	95.5
Operational support	(22,198)	(18,320)	(19,944)	(10.2)	8.9	(41,976)	(38,264)	(8.8)
Information technology	(7,618)	(5,489)	(6,886)	(9.6)	25.4	(15,024)	(12,375)	(17.6)
Other	(751)	(1,149)	(1,547)	106.0	34.6	(1,120)	(2,697)	140.7
Tax expenses	(70,943)	(81,931)	(73,417)	3.5	(10.4)	(153,622)	(155,348)	1.1
PIS/PASEP	(10,186)	(11,672)	(10,464)	2.7	(10.4)	(22,029)	(22,136)	0.5
COFINS	(47,313)	(54,027)	(48,432)	2.4	(10.4)	(102,529)	(102,459)	(0.1)
ISS	(13,440)	(16,214)	(14,521)	8.0	(10.4)	(28,779)	(30,736)	6.8
IOF	(4)	(17)	(0)	(99.5)	(99.9)	(285)	(17)	(93.9)
Personnel expenses	(6,352)	(7,465)	(7,251)	14.2	(2.9)	(11,433)	(14,716)	28.7
Other operating income (expenses)	(2,472)	(958)	(3,131)	26.7	226.9	(4,123)	(4,088)	(0.8)
G&A Expenses	(121,267)	(127,809)	(142,758)	17.7	11.7	(249,339)	(267,199)	7.2

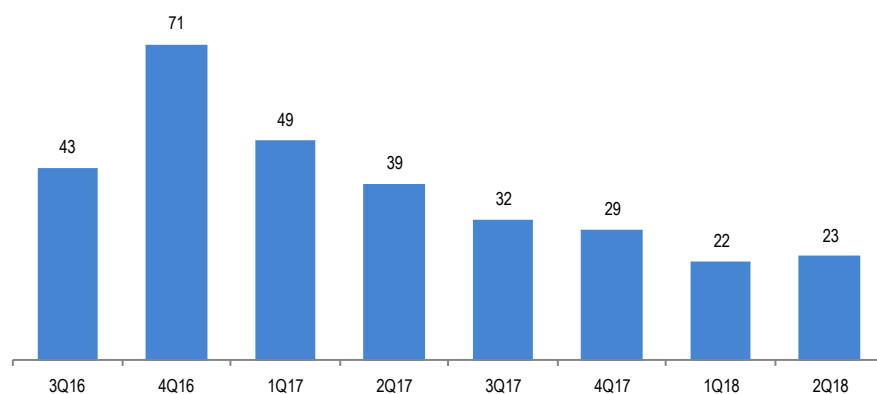
Table 130 – BB Corretora | Banco do Brasil distribution network

	Jun/17		Mar/18		Jun/18	
	Number of branches	Market share (%)	Number of branches	Market share (%)	Number of branches	Market share (%)
Banco do Brasil distribution network	4,888	21.8	4,747	21.8	4,759	21.9
Northeast	1,057	29.6	1,019	29.1	1,021	29.2
North	305	26.7	300	26.8	302	27.0
Midwest	457	25.2	459	26.1	460	26.2
South	948	22.8	940	23.4	941	23.4
Southeast	2,121	18.1	2,029	17.9	2,035	18.0

Source: Brazilian Central Bank

NET INVESTMENT INCOME

Figure 127 – BB Corretora | Net investment income (R\$ million)



QUARTERLY ANALYSIS

In the 2Q18, the net investment income declined 40.7% YoY, to R\$23.4 million. Such performance was driven by the 4.7 p.p. decline in the average yield on financial investments, as a consequence of the fall in the Selic rate.

YEAR-TO-DATE ANALYSIS

In the 1H18, net investment income declined 48.5% YoY, to R\$45.6 million. Such performance was explained by the 12.8% reduction in the average balance of interest earning assets along with a 3.9 p.p. decline in the average yield on financial investments, which was directly related to the fall in the Selic rate.

Table 131 – BB Corretora | Quarterly figures – Earning assets average balance and interest rates

R\$ thousand	2Q17			2Q18		
	Average balance	Revenues	Annualized rate (%)	Average balance	Revenues	Annualized rate (%)
Earning assets						
Cash and financial instruments	1,408,331	36,072	11.0	1,414,946	21,981	6.4
Other assets	183,886	3,049	7.0	192,094	1,483	3.1
Current tax assets	17,783	428	10.3	17,049	-	-
Total	1,610,000	39,549	10.5	1,624,089	23,464	5.9

Table 132 – BB Corretora | Quarterly figures – Interest bearing liabilities average balance and interest rates

R\$ thousand	2Q17			2Q18		
	Average balance	Expenses	Annualized rate (%)	Average balance	Expenses	Annualized rate (%)
Interest bearing liabilities						
Dividends payable	382,600	-	-	159,759	-	-
Other liabilities	430	(7)	6.6	457	(7)	5.8
Total	383,030	(7)	0.1	160,216	(7)	0.1

Table 133 – BB Corretora | Year-to-date figures – Earning assets average balance and interest rates

R\$ thousand	1H17			1H18		
	Average balance	Revenues	Annualized rate (%)	Average balance	Revenues	Annualized rate (%)
Earning assets						
Cash and financial instruments	1,797,991	87,239	10.1	1,537,996	46,402	6.2
Other assets	182,126	6,443	7.3	191,010	3,280	3.5
Current tax assets	23,254	11,863	131.1	17,614	-	-
Total	2,003,371	105,544	11.0	1,746,620	49,682	5.9

Table 134 – BB Corretora | Year-to-date figures – Interest bearing liabilities average balance and interest rates

R\$ thousand	1H17			1H18		
	Average balance	Expenses	Annualized rate (%)	Average balance	Expenses	Annualized rate (%)
Interest bearing liabilities						
Dividends payable	792,091	(16,928)	4.3	330,532	(3,951)	2.4
Other liabilities	426	(15)	6.9	2,159	(14)	1.3
Total	792,517	(16,943)	4.3	332,692	(3,965)	2.5

■ BALANCE SHEET ANALYSIS

Table 135 – Brokerage | Balance sheet

R\$ thousand	Balance			Chg. %	
	Jun/17	Mar/18	Jun/18	On Jun/17	On Mar/18
Assets	2,805,182	2,343,586	2,505,675	(10.7)	6.9
Cash and cash equivalents	778,021	483,126	533,311	(31.5)	10.4
Securities	852,865	900,621	912,921	7.0	14
Current tax assets	212,231	81,787	160,341	(24.4)	96.0
Commission receivable	776,337	684,760	707,881	(8.8)	3.4
Other assets	185,728	193,292	191,220	3.0	(1.1)
Liabilities	2,758,112	1,905,142	2,458,601	(10.9)	29.1
Dividends payable	765,200	-	319,518	(58.2)	-
Provision	13,659	16,466	16,288	19.2	(1.1)
Current tax liabilities	405,572	230,090	396,551	(2.2)	72.3
Unearned commissions	1,555,048	1,626,247	1,685,014	8.4	3.6
Other liabilities	18,633	32,339	41,230	121.3	27.5
Shareholders' equity	47,070	438,444	47,074	0.0	(89.3)

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6. DEFINITIONS

COMMON RATIOS

Quarterly adjusted ROAE annualized = (adjusted net income / average equity) x 4;

Average volume = net change - average rate

Average rate = (current period interest / average current period balance) x (average previous period balance) - (previous period interest)

Net change = current period interest - previous period interest

Assets annualized rate = interest revenues / average earning assets balance

Liabilities annualized rate = interest expenses / average interest bearing liabilities

INSURANCE

Loss Ratio = claims incurred / earned premiums;

Commission Ratio = acquisition costs / earned premiums;

Technical Margin = (earned premiums + policies issuance revenue + incurred claims + acquisition costs + result with reinsurance) / earned premiums;

G&A Ratio = (administrative expenses + tax expenses + other operating income (expenses)) / earned premiums;

Combined Ratio = (policies issuance revenue + incurred claims + acquisition costs + result with reinsurance + administrative expenses + tax expenses + other operating income (expenses)) / earned premiums;

Expanded combined ratio = (policies issuance revenue + incurred claims + acquisition costs + result with reinsurance + administrative expenses + tax expenses + other operating income (expenses)) / (earned premiums + net investment income).

MANAGERIAL

Earned Premiums = premiums written – premiums written in raw reinsurance – changes in technical reserves – changes in expenses with reinsurance provisions;

Retained claims = incurred claims – recovery of indemnity claims – recovery of claims expenses – changes in provisions for claims IBNR – salvages and reimbursed assets – changes in provision for claims IBNER provisions for claims to be settled – changes of expenses related to IBNR – changes in estimates for salvages and reimbursed assets – provisions for claims to be settled;

Commission = acquisition costs – commission return;

G&A expenses = administrative expenses + tax expenses + other operating income (expenses);

PENSION PLANS

Commission Ratio = acquisition cost / income and premiums contributions

Cost to income = (changes in other technical reserves + expenses with benefits, redemptions and claims + acquisition costs + administrative expenses + tax expenses + other operating income (expenses)) / (net revenues with contributions and VGBL premiums + revenues with management fee + earned premiums)

PREMIUM BONDS

Commission Ratio = acquisition costs / revenue with load fee quote;

G&A Ratio = (administrative expenses + tax expenses + other operating income (expenses)) / revenue with load fee quote;

Reserve quote = change in provision for redemption / premium bonds collection

Lottery quote = expenses with constitution of provisions for lottery / premium bonds collection

Bonus quote = expenses with constitution of provisions for bonus / premium bonds collection

Load fee quote = revenue with load fee quote / premium bonds collection

Premium Bond Margin = result with premium bonds / net revenue with premium bonds;

Spread = average yield on interest earning assets – average yield on interest bearing liabilities

REINSURANCE

Claim Ratio = incurred claims / earned premiums;

Commission Ratio = acquisition costs / earned premiums;

Technical Margin = (incurred claims + acquisition costs + result with reinsurance) / earned premiums;

G&A Ratio = (administrative expenses + tax expenses + other operating income (expenses)) / earned premiums;

Combined Ratio = (incurred claims + acquisition costs + result with reinsurance + administrative expenses + tax expenses + other operating income (expenses)) / earned premiums;

Expanded combined ratio = (incurred claims + acquisition costs + result with reinsurance + administrative expenses + tax expenses + other operating income (expenses)) / (earned premiums + net investment income).

BROKERAGE

Adjusted Operational Margin = operational results / brokerage revenues;

Adjusted Net Margin = adjusted net income / brokerage revenues.