Management Report 2016

BANCO DO BRASIL
Seguridade

Dear Shareholders,

We submit for your appreciation the Management Report of BB Seguridade Participações S.A. ("BB Seguridade" or "Company") for the 2016 fiscal year in compliance with its Bylaws, the Brazilian Corporate Law and the Brazilian Securities and Exchange Commission ("CVM") rules.

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standarts (IFRS).

It is worth noting that this report presents financial information of the affiliated companies of BB Seguridade that, when compared to those disclosed by the investees, may present different information. Such differences may result from the accounting standard used or the eventual intangible amortization and elimination of results among the subsidiaries. In this context, the net income assigned to the affiliates reflects the result obtained by BB Seguridade for each business segment, according to the Explanatory Notes on investments in associates.

1) BUSINESS MODEL

BB Seguridade is a holding which operates in the insurance, pension plans, premium bonds, reinsurance and dental insurance business segments through private partnerships entered into by its wholly owned subsidiary BB Seguros Participações S.A. ("BB Seguros"). Through its own broker, the Company also acts in the distribution of these products in the bancassurance channel.

The Company's operations in the insurance segment are through a 20 years term joint venture with the Spanish group MAPFRE which started in 2010. When the partnership was established, the operations were split into two holding companies which together comprise the Grupo Segurador BB E MAPFRE:

- BB MAPFRE SH1 Participações S.A. ("BB MAPFRE SH1") – operates in the life, rural and mortgage life insurance segments.
- MAPFRE BB SH2 Participações S.A. ("MAPFRE BB SH2") – operates in the property & casualty insurance segments.

In the pension plans segment, BB Seguridade holds a partnership with Principal Financial Group since 1999 which originated Brasilprev Seguros e Previdência S.A. ("Brasilprev"). In 2009, the partnership was renewed for a 23 years term. Brasilprev's main products are PGBL and VGBL pension plans.

In the premium bonds segment, BB Seguridade operates through Brasilcap Capitalização S.A. ("Brasilcap") in partnership with Icatu Hartford and Aliança da Bahia.

In the reinssurance segment, since 2013 BB Seguridade holds stake in IRB-Brasil RE S.A. ("IRB-Brasil") composing the controlling group established in a shareholders agreement signed with the Federal Government and private partners.

In the dental care business segment, BB Seguridade holds a partnership with Odontoprev through a joint venture named Brasildental Operadora de Planos Odontológicos S.A. ("Brasildental"). The joint venture started in 2014 with a 20 years term.

Finally, the distribution of insurance, pension plans, premium bonds and dental care plans of BB Seguridade's affiliates in the bancassurance channel runs through BB Corretora de Seguros e Administradora de Bens S.A. ("BB Corretora"), a wholly owned company of BB Seguridade.

2) ECONOMIC SCENARIO AND INSURANCE MARKET

In 2016, the macroeconomic scenario was characterized by uncertainties that directly and indirectly affected the business environment.

The international economy kept on presenting a slight but unbalanced recovery.

In the United States, if on the one hand the economy showed a slight growth, with a reduction in the unemployment rate to a level near to full employment, on the other hand the result of the presidential election raised doubts about the economic prospects. In this context, the US Central Bank ("Federal Reserve") proceeded with the normalization of monetary conditions, contributing to the dollar appreciation trend against the main global currencies.

In Europe, the economic activity responded positively to the monetary stimulus promoted by the European Central Bank with GDP growth in its main economies. Added to this context, the rise of European nationalist movements that preach market closing and skepticism about the advantages of the current integration policy of countries through monetary and economic union. The British decision pro Brexit was one indication of this movement and its consequences are still not totally measured.

In the emerging market, after some turmoil earlier 2016 the uncertainties on China's economic growth have decreased. As a result, commodity prices showed an important appreciation in the international market.

The domestic and international uncertainties impacted the evolution of the Brazilian economy in a wide range of dimensions. Investments did not advance, consumption and GDP shrank in real terms and the domestic labor market and corporate financial conditions deteriorated, affecting the lending market. Even with the weak performance of the economy, inflation remained under pressure, leading the Brazilian Central Bank to keep monetary conditions tight for most of the year.

In the last quarter, with the slowdown in inflation and the trend of expectations anchoring, the monetary authority began the process of monetary easing, with the Selic being reduced to 13.75% per year by the end of 2016.

Despite of the tough scenario, the year was also marked by an important change in the economic policies, what indicates a promising prospect to the macroeconomic scenario in the next years. The new economic policy has focused on structural measures, as the fiscal adjustement. The approval of an amendment on the Brazilian Constitution that indexed the public expenses growth to the inflation was a milestone in this way.

Thereby, the Brazilian risk premium measured by the 5 year CDS registered a decrease of more than 50% compared to that observed by the end of 2015, and the industry and consumers confidence indicators changed their trends indicating good prospects of a gradual and sustainable rebound of the economic growth.

In 2016, in despite of a challenging economic environment, the insurance market has proved to be resilient, growing even in a year of GDP contraction. According to the information provided by Superintendência de Seguros Privados (SUSEP), the Brazilian Office for Private Insurance, the revenues in terms of premiums written, pension plan contributions and premium bonds collections totaled[1] R$239.4 billion, representing an increase of 8.9% when compared to the previous year.

For 2017, the expectation is of a year marked by the beginning of the resumption of economic activity in Brazil. Confirming the trends of interest rate and inflation declines is expected an improvement in the credit market and in household incomes, leading to a gradual recovery in consumption and with positive effects on the sale of insurance products.

3) FINANCIAL PERFORMANCE

As a holding company, the BB Seguridade's net income is composed basically by the equity income arising from its controlled and affiliated Companies and its other operating income (expenses) and financial income.

Below, follows BB Seguridade's statement for 2015 and 2016, in adjusted basis, setting apart the extraordinary events:

[1] Not considering health insurance, dental care plans and reinsurance revenues .

Table 1 – Financial Performance | BB Seguridade's Financial Statement

	Annual Flow		Chg.%
R$ thousand	**2015**	**2016**	**On 2015**
Equity income	**3,984,734**	**4,130,958**	**3.7**
BB MAPFRE SH1 Participações S.A.	1,223,498	1,247,177	1.9
MAPFRE BB SH2 Participações S.A.	208,171	125,186	(39.9)
Brasilprev Seguros e Previdência S.A.	646,003	756,732	17.1
Brasilcap Capitalização S.A.	252,517	292,768	15.9
IRB-Brasil RE S.A.	154,660	170,766	10.4
Brasildental Operadora de Planos Odontológicos S.A.	(200)	2,870	0.0
BB Corretora de Seguros e Administradora de Bens S.A.	1,508,195	1,609,938	6.7
Other	(8,111)	(74,479)	818.2
Other Income and Expenses	**(39,754)**	**(23,894)**	**(39.9)**
Financial income	14,381	51,015	254.7
Personnel expenses	(43,992)	(35,078)	(20.3)
Administrative expenses	(11,568)	(20,494)	77.2
Tax expenses	(2,499)	(12,941)	417.7
Other operating income/(expenses)	3,924	(6,396)	0.0
Earnings before taxes	**3,944,979**	**4,107,064**	**4.1**
Taxes	0	0	0.0
Adjusted net income	**3,944,979**	**4,107,064**	**4.1**

In 2016, the adjusted net income of BB Seguridade reached R$4.1 billion, growth of 4.1% YoY, boosted by the increase of 3.7% in the equity income. Highlighting the expansion of equity income arising from Brasilprev (+17.1%), BB Corretora (+6.7%), Brasilcap (+15.9%) and BB MAPFRE SH1 (+1.9%).

It is worth noting that the 2016 results from the affiliates of insurance, pension plans, premium bonds and reinsurance were negatively impacted in the comparison with 2015 by the increase in the income tax rate, namely the social contribution ("CSLL"), from 15% to 20% from September 2015 on, pursuant to Provisional Measure Nr. 675 ("PM 675/15"), which became Law 13,169/15 in October 6th, 2015.

In addition, the BB Corretora's income was also negatively impacted by the growth of tax expenses as a result of the rise in PIS/PASEP and COFINS tax rates on revenues, from 4.65% to 9.25% as a consequence of the publication of the Brazilian Internal Revenue Service Rule Nr. 1,628, dated as of March 17th, 2016, which changed tax regime for the insurance brokers.

Extraordinary events

BB Seguridade's net income achieved R$4.0 billion in 2016, drop of 4.6% YoY. The comparison base was impacted by extraordinary events occurred in both periods, as presented in the following table:

Table 2 – Financial Performance | BB Seguridade Extraordinary events

	Annual Flow		Chg. %
R$ thousand	**2015**	**2016**	**On 2015**
Adjusted net income	**3,944,979**	**4,107,064**	**4.1**
Extraordinary events	**262,452**	**(93,212)**	**-**
Brasilprev: reversal of provisions	220,539	-	-
BB MAPFRE SH1: Increase of the social contribution rate	21,970	-	-
MAPFRE BB SH2: Increase of the social contribution rate	19,944	-	-
BB MAPFRE SH1: Tax credit - PIS/COFINS	-	13,458	-
MAPFRE BB SH2: Tax credit - PIS/COFINS	-	9,557	-
BB Seguros: Impairment - MAPFRE BB SH2	-	(176,101)	-
BB Seguros: Impairment - MAPFRE BB SH2 - Tax effects	-	59,874	-
Net income	**4,207,432**	**4,013,852**	**(4.6)**

2015

(i) the reversal of R$514.1 million in the Supplementary Coverage Provision (“PCC”) by Brasilprev in June 2015. This provision was constituted in December 2014 to compensate the insufficiency in the technical provision determined by the Liability Adequacy Test ("TAP") held that month. On the occasion of the Liability Adequacy Test, dated as of June 2015, Brasilprev, supported by Paragraphs 2 and 3 of article 8 of SUSEP Rule 457/12, re-adopted the procedure which employs the unrealized gains of guaranteeing assets on technical provisions held to maturity to offset a possible insufficiency identified by the Liability Adequacy Test, which allowed the reversal of the balance of PCC constituted in December 2014. This reversal had a positive impact in Brasilprev’s net income of R$294.1 million, equivalent to a net equity income of R$220.5 million in BB Seguridade’s net income; and

(ii) the increase in the social contribution rate ("CSLL") from 15% to 20%, according to the Law Nr. 13,169/15, generated an update of deferred tax assets resulting in a positive impact on BB Seguridade’s net income of R$22.0 million in net equity income arising from BB MAPFRE SH1 and of R$19.9 million in net equity income from MAPFRE BB SH2.

2016

(i) change in the methodology for assessment of PIS/PASEP and COFINS expenses, which consists in constitute tax credits regarding to temporarily differences occurred in this taxation over claims to be paid provision (“PSL”), incurred but not reported claims provision (IBNR) and incurred but not enough reported claims provision (IBNER), resulting in positive net impacts of R$53.1 million in BB MAPFRE SH1 and of R$53.5 million in MAPFRE BB SH2. Considering that the change in the methodology was applied to provisions recorded in both 2016 and previous years, the amount of tax credits related to provisions recorded in previous years is considered extraordinary, which generate a positive impact of R$23.0 million in BB Seguridade’s net income; and

(ii) impairment loss in BB Seguro’s investment in MAPFRE BB SH2 which amounted to R$176.1 million, as determined by the CPC 01 (“Brazilian Accounting Standards Committee Rule”). The impairment loss was due to the challenging economic scenario, lower premiums written estimates and lower net investment income due to lower expected interest rates. The gross amount was registered as an impairment loss in BB Seguros’s other operating income/expenses, with a negative impact on BB Seguridade’s equity income that amounted to R$116.2 million, net of income taxes.

Investments in affiliates and subsidiaries

Considering the article 243 of Law 6,404/76, the following table presents the BB Seguridade's investments in its affiliates and subsidiaries, as well as the changes occurred throughout the year:

Table 3 – Financial Performance | Investments

R$ thousand	Activity	Shareholding Dec/16	Investment Balance Dec/15	Investment Balance Dec/16	Equity Income 2016
Equity investments					
BB Seguros	**Holding**	**100.00%**	**7,141,522**	**7,912,353**	**2,427,172**
BB MAPFRE SH1	Insurance	74.99%	3,020,007	3,165,316	1,260,635
MAPFRE BB SH2	Insurance	50.00%	2,230,688	2,198,335	134,743
Brasilprev	Pension Plans	74.99%	1,794,476	1,777,217	756,732
Brasilcap	Premium Bonds	66.66%	405,229	411,447	292,768
IRB-Brasil	Reinsurance	20.43%	663,819	683,710	170,766
Brasildental	Dental Care	74.99%	1,533	7,778	2,870
BB Cor[1]	**Holding**	**100.00%**	**61,749**	**-**	**1,445,679**
BB Corretora	Broker	100.00%	34,984	61,966	164,895

[1]BB Cor Participações S.A. ("BB Cor") was incorporated by BB Corretora on December 27th, 2016.

According to its Reference Form, the Company does not expect to carry out significant investments in the coming years.

Performance of the subsidiaries and affiliates

The combined revenues of the affiliates, which includes revenues from insurance, pension plans and premium bonds - excluding reinsurance and dental plans segments – totaled R$68.9 billion in 2016, growth of 14.5% when compared to 2015. Highlights to pension plans segment that presented a growth of 28.3% in total revenue with pension and insurance.

Grupo Segurador BB E MAPFRE

In the life, mortgage life and rural insurances operated by BB MAPFRE SH1, the adjusted net income recorded R$1.7 billion in 2016, 1.9% higher when compared to 2015, explained by the expansion of 7.4% in the underwriting result. The performance is directly related to the increase in the balance of earned premiums and the improvement of G&A ratio, partially offset by the deterioration of loss ratio.

The premiums written in this segment totaled to R$7.4 billion, 2.9% lower than the volume registered in 2015. The performance in 2016 was impacted by the drop of 48.2% in credit life premiums written, partially offset by the growth of 15.8% in life insurance and 14.0% in rural insurance premiums written.

The property and casualty business segment, operated by MAPFRE BB SH2, recorded adjusted net income of R$250.4 million in 2016, drop of 39.9% when compared to 2015, mainly as a result of the worsening in the underwriting result. The result in the year was negatively affected by the deterioration in loss ratio, partially offset by the improvement of the G&A ratio.

Premiums written in the segment registered R$8.4 billion in 2016, 7.4% lower YoY, mainly explained by the contraction of 18.0% in auto insurance.

In the year, the Grupo Segurador BB E MAPFRE remained the market leader of the segments where it operates, in a consolidate vision, with market share of 15.6%, according to SUSEP data.

In 2016, Grupo Segurador BB E MAPFRE invested an amount of R$194.8 million in IT and infrastructure in its headquarters and affiliates. The funds came from the companies' cash.

Brasilprev

In the pension plans segment, operated by Brasilprev, the net income achieved R$1.0 billion, 17.1% higher as compared to the adjusted net income of 2015. The performance in the year is a consequence of the growth of the non-interest operating result, due to both the increase of 25.9% in the revenues from management fees and the improvement of 2.6 p.p. in the income-to-ratio.

The total pension plans contributions amounted to R$47.4 billion in 2016, an increase of 28.3% when compared to 2015, highlighting the VBGL plans, which accounted for 93.8% of the total amount. This performance along with the improvement of 0.5 p.p. in the redemption ratio led to a growth of 24.9% in the net inflows, and a growth of 33.2% in reserves. In 2016, Brasilprev remained leader in net inflows, with 50.6% of market share, according to Quantum Axis consulting data.

Brasilprev made important investments in technology in 2016, in a total of R$28.4 million, R$12.0 million was in development of a new IT platform and R$2.4 million in software and servers for technological development. The funds used were from the company's cash.

Brasilcap

In the premium bonds business segment, operated by Brasilcap, net income reached R$439.2 million, 15.9% higher when compared to 2015. The growth was driven by the 42.1% increase in the net investment income. The amount collected from premium bonds reached R$5.6 billion, with the reserve achieving R$10.8 billion.

The Brasilcap finished 2016 in the leadership of premium bonds reserves, with 36.6% of market share, according to SUSEP data.

In 2016, Brasilcap invested R$5.0 million in facilities, equipment and computer software, in order to update and expand its IT infrastructure. The funds came from the company's cash.

Brasildental

In the dental plan segment, operated by Brasildental, the operating revenues totaled to R$21.9 million in 2016, a growth of 83.3% as compared to 2015. This improvement, along with a net investment result 166.4% higher, allowed the Company to reach a net income of R$3.8 million, offsetting the losses registered in 2015.

Brasildental achieved more than 427 thousand beneficiaries, rising 31.9% as compared to 2015. The performance let the Company reach the 11° position in the segment ranking, according to ANS (“Agência Nacional de Saúde) data.

IRB-Brasil

The net income from the reinsurance operation, operated by IRB-Brasil, reached R$836.1 million in 2016, a 10.4% growth when compared to the previous year. The evolution of the result in yearly basis is explained by the expansion of the underwriting result, greatly driven by the drop in loss ratio.

In 2016, IRB-Brasil made investments of R$39.6 million mainly for the development of software. The funds came from the company's cash.

BB Corretora

BB Corretora recorded a net income of R$1.6 billion in 2016, 6.7% higher when compared to 2015. The improvement observed in the year is explained by the growth of 8.0% in brokerage revenues and the growth of the net investment income, what was partially offset by the contraction of the operating margin, due to the rise in the PIS/PASEP and COFINS rate, which increase the tax expenses.

In 2016, the evolution observed in the brokerage revenues is explained by the growth in revenues arising from life, mortgage life and rural segments, accounting for 57.8% of total brokerage fee, and from Pension Plans segment, which accounted for 20.9% of the BB Corretora’s revenues.

4) STOCK MARKET PERFORMANCE

BB Seguridade's stocks are traded in BM&FBOVESPA under the ticker BBSE3 and closed 2016 priced at R$28.30. Based on the closing price for the year, BB Seguridade's market cap reached R$56.6 billion, ranking the Company as the 11th largest listed by market cap criteria.

In 2016, the average daily trading volume of the Company's shares was R$131.2 million, representing 2.02% of the average daily trading volume in BM&FBOVESPA.

BB Seguridade's shares comprise the following stock exchange indexes: Ibovespa, IBrX 50 and IBrX 100, IBrA, BM&FBOVESPA Financials (IFNC), High Standards of Corporate Governance Index (IGC), BM&FBOVESPA Corporate Governance Trade (IGCT), High Standards of Corporate Governance Index – Novo Mercado (IGC-NM), High Standards of Tag Along Index (ITAG), MidLarge Cap Index (MLCX) and MSCI Brazil Index.

Since March 2014, BB Seguridade established a sponsored Level I American Depositary Receipt (ADR) program, which has Deutsche Bank as its depositary bank. In this program, BB Seguridade´s shares are traded Over-the-Counter (OTC) in the USA market with a ratio between BB Seguridade common shares and the ADR of 1:1, i.e. one BB Seguridade ordinary share represents one ADR. At the end of 2016, the program registered more than 21 million ADRs outstanding, quoted at US$8.58 per receipt.

The following table, presents the main performance ratios for BB Seguridade's shares in the last two years:

Table 4 – Stocks Performance

	Unity	Annual Performance	
		2015	2016
Earnings per share	R$	1.97	2.05
Equity per share	R$	3.79	4.20
Closing price	R$	24.33	28.30
Market capitalization	R$ million	48.70	56.60
Quantity of trade carried out	thousand	3,590,061	3,537,214
Average daily volume traded	R$ million	146.61	131.17
Share on BM&FBOVESPA's average volume	%	2.45	2.02

Shareholders remuneration

The high capacity of cash generation and the maintenance of adequate levels of solvency by its affiliates, allowed BB Seguridade to set a payout ratio of 82.3% of the net income, distributing dividends that amounted to R$3.3 billion in 2015, equivalent to R$1.65 per share.

Shares Buyback Program

In October 14th, 2016 it was closed the first buyback program of BB Seguridade's shares that had been approved by the Board of Directors in October 15th, 2015. The purpose of the program was the maintenance and subsequent disposal or cancellation, without capital reduction, in order to maximize value creation for its shareholders. It was bought back 3,360,000 common shares, equivalent to 0.5% of the Company's paid-in capital, with an average price of R$24.46. The allocation of the shares will be decided in due course by the Board of Directors and communicated to the market.

Further, in October 27th, 2016, the Board of Directors approved a new Share Buyback Program, which foresees the purchase of a maximum of 10,000,000 common shares for maintenance in treasury for future sale or cancellation, without capital reduction. The program will be in force until October 26th, 2017.

5) CORPORATE GOVERNANCE

BB Seguridade's commitment to transparency in the relationship with the capital market, mainly with its minority shareholders, is ratified by its adherence to Novo Mercado of BM&FBOVESPA ("Sao Paulo Stock Exchange"), the trading list segment with the highest corporate governance standards in Brazil.

BB Seguridade's corporate governance structure, which aims to decisions making in collegiate form, regarding the authority provided in law or bylaw, is formed by:

a) the Shareholders Meeting;

b) the Board of Directors, composed of six members, including one appointed by the minority shareholders;

c) the Executive Board, composed by four Executive Officers, including the Chief Executive Officer and a Investor Relations Officer;

d) the permanent Fiscal Council, consisting of three members and three alternate members.

In addition, to complete the corporate governance structure, there are two advisory committees, as follows:

(i) the Related Party Transactions Committee, composed of three members, including one independent member with veto power; and

(ii) the Audit Committee, consisting of four sitting members, one appointed by the minority shareholder's member of the Board of Directors and the other members appointed by the remaining Board of Directors members.

6) ORGANIZATIONAL MANAGEMENT

Throughout 2016, BB Seguridade developed improvement actions in its organizational structure, aiming to achieve efficiency gains and more effective management of corporate risks.

Within the main initiatives carried out, it is worth noting the acquisition of an Enterprise Resource Planning ("ERP") solution for R$14.6 million, which is going to be provided and implemented by the consulting company Wipro do Brasil Tecnologia Ltda.

The acquisition of the tool aims to automatize the Company's backoffice processes, bringing as benefits the reduction of the operational risk and the standardization and simplification of processes, optimizing asset allocation.

Moreover, the reinforcement of the corporate control structure was carried on, with the strengthen of the Internal Control and Risk Management areas.

Today, besides the governance, fiscal and control bodies, as the Audit Committee and the Fiscal Council, BB Seguridade holds an Executive Manager of Risks, Internal Control and Compliance, responsible for develop and standardize management risk methodologies, conduct the adoption of best practices related to this theme, as well as to develop the culture of management risk, internal control and compliance of the Company.

Within the adopted practices, is the Internal Control and Compliance Program, which is biannually revised and uses integrated management of risks and internal controls in its operating model, based on the guidelines of the ERM COSO[2] and ABNT ISO 31.000 rule.

In this context, throughout 2016 were realized actions such as the revision of the Risk Management Policy and the creation of Information Security Policies, Prevention and combat to money laundering and terrorism financing and of Anti-corruption.

It was also created the Committee of Reputation Risk as an advisory body to the Board of Directors and approved by the Board of Directors, the Code of Ethics and Conduct and the creation of the Integrity Program of BB Seguridade and its subsidiaries, which presents the current and developing practices dedicated to integrity and anti-corruption.

7) NEW PRODUCTS

In 2016, BB Seguridade carried on its strategy of offering a complete and adequate portfolio of products in line with the needs of its customers by performing, in collaboration with its affiliates, the launch of new products and improvements to the existing ones, as well as expanding the offer by the digital channels.

In February, it was launched the multiannual BB Seguro Residencial, allowing the hiring or renewal for up to five years with discount in the premium for hirings with validity over one year.

In July, it was launched a new portfolio of premiums bonds, more modern, with new tickets, shorter terms and with differentials to High Income customers.

Still in July, it was also launched a new life insurance portfolio, which have as main differential coverages that guarantee benefits in life, in addition to the increase of the limits of insured capital and the age of hiring. The new insurance also counts on the decision tree, a tool that assists in the offer process, indicating more assertively the plan and the insured capital most appropriate to the client's profile.

In August, it was extended the maximum term for the credit life for Entities, resulting in the expansion of the universe of insurable credit operations. It was also extended the range of benefits for the Ourocard Elo holders, through the provision of two new insurance products. The Ourocard Elo International holders, have yet been able to hire travel insurance, which guarantee coverage for: delays and loss of luggage, medical, hospital and dental expenses, among others.

In November, the process of hiring life insurance on the internet has been totally redesigned, making the interface more friendly, intuitive and easy to navigate, highlighting the suggested plan to the client profile.

Throughout 2016, BB Seguro Auto has been the subject of a series of improvements and innovations, among which we mention: contracting insurance for fleets of up to 15 vehicles and extending the term for payment of the premium by up to 12 times on the credit card or 18 times in checking account, in the case of insurance contracted for 4 or 5 years.

8) HUMAN CAPITAL

BB Seguridade staff is composed mainly by employees ceded by Banco do Brasil. In December 31th, 2016, the Company held 149 employees ceded by Banco do Brasil, headquartered in Brasília and São Paulo, 7 Trainees and 8 outsourced persons. For ceded employees, BB Seguridade guarantees similar benefits to the ones conceded by Banco do Brasil to its employees, highlighting the supplementary pension and health insurance.

The development of its employees is a strategic priority for BB Seguridade. In 2016, it was invested around R$623 thousand (0.6% of the controlled administrative expenses budget) in courses and scholarships for undergraduate and graduate degrees and idioms development, what represented approximately of 100 hours of training per employee. The investment is oriented to the development of key competences for the company, aligned with its values: Innovation, Simplicity, Customer Respect, Owner Sentiment and Reliability.

The following table presents the investments made during the year:

Table 5 – Human Capital | Development

	Annual Flow		Chg. %
R$ thousand	**2015**	**2016**	**On 2015**
People investment (R$ thousand)	**46,318,207**	**53,702,531**	**15.9%**
Pay roll[1]	44,578,902	51,469,837	15.5%
Supplementary pension	413,547	557,775	34.9%
Health care plan	835,736	1,052,082	25.9%
Training	490,022	622,837	27.1%
Course	414,788	379,218	-8.6%
Scholarship	75,234	243,619	223.8%
Number of training hours/employee	**78**	**100**	**27.6%**

[1]Salaries, benefits and social security contributions

BB Seguridade respects and valorize diversity, developing training and communication actions related to the theme. The following table summarizes the composition and diversity of BB Seguridade employees:

Table 6 – Human Capital | Composition

R$ thousand	Annual Flow 2015	2016	Chg. % On 2015
Number of employees			
Employees	153	149	-2.6%
Outsourced	7	8	14.3%
Trainees	0	7	n.a.
Board member	22	19	-13.6%
TOTAL	**182**	**183**	**0.5%**
Gender			
Female	30%	32%	2.0%
Male	70%	68%	-2.0%
TOTAL	**100%**	**100%**	**n.a.**
Employees education			
Graduate degrees	71%	67%	-3.7%
Undergraduate degrees	26%	27%	0.9%
High school	3%	5%	2.7%
Other	0%	0%	n.a.
TOTAL	**100%**	**100%**	**n.a.**
Age range			
Under 30 years	7%	10%	3.2%
Within 30 and 50 years	82%	82%	0.1%
Above 50 years	12%	8%	-3.3%
TOTAL	**100%**	**100%**	**n.a.**

9) SOCIAL AND ENVIRONMENTAL RESPONSABILITY

BB Seguridade supports social and environmental responsibility policies set out in the public commitments of its controlling shareholder, Banco do Brasil, such as: The Ethical Code, the ESC Charter of Principles and the: Agenda 21, besides to public pacts and commitments of which Banco do Brasil is a signatory such as: UN Global Compact, Equator Principles, Green Protocol, PRI – Principles for Responsible Investments, and National Pact for the eradication of slavery and the Pact for integrality and against corruption proposed by Ethos Institute.

Throughout 2016, BB Seguridade promoted its own social environmental actions, supporting initiatives to encourage the democratization of culture and the practice of physical activities such as: the scenic projects "*Cassia Eller o Musical*"; the national tour of "*O Musical Mamonas*" and "*5X Comédia*". The 2º BB Seguridade Blues and Jazz Festival, and the sports participation project MOV – "*Família em Movimento*".

Those projects aimed to approach the families to large urban parks, with great musical and theatrical performances, encouraging the use of these places in a sustainable way as well as the practice of sports. With the scenic sponsorship, BB Seguridade took culture to 20 capitals of the country, contributing with the 24 and 28 targets of National Plan of Culture from Federal Government.

In all sponsorships, sustainable initiatives were prerequisites, such as tips for saving electricity and water, separating garbage, encouraging reuse of recyclable materials, as well as social quotas for admission and accessibility.

BB Seguridade also encourage and support projects of its affiliates, through the allocation of financial resources in projects related to the Elderly Act, the Municipal Fund for the Rights of Children and Teenagers (Fumcad), the National Support Program to Oncology (PRONON), the National Program to Support Health Care of Person with Disabilities (PRONAS), the Sports Incentive Law (LIE), the Rouanet Law and the Foundation to Childhood and Teenagers (FIA).

In BB Seguridade's subsidiaries and affiliates, the main actions related to the theme were:

Grupo Segurador BB E MAPFRE – transferred part of the stipulation revenues of six to the National Federation of AABBs, which uses the resources in the implementation and maintenance of socio-environmental programs.

Brasilprev – highlight to "Projeto de Vida na Ponta do Lápis", which aimed to disseminate the knowledge on financial education, teaching the population about the importance of saving resources for the long term through free lectures. More than 63 thousand people among students of public and private schools, neighborhood associations and other entities located in Sao Paulo and close cities, have participated of the initiative, which was recognized by the ENEF stamp – conceded by the National Strategy of Financial Education. This is an initiative led by Governmental and civil society organizations.

Brasilcap – The company celebrated its 21º Anniversary, and by taking an important step in integrating the sustainability strategy into its business, when it adhered to the Sustainability Principles for Sustainability in Insurance (PSI) in 2015, it released its Annual Report, following the GRI standard and PSI report in the English and Portuguese versions on the UNEP-FI (http://www.unepfi.org/psi/signatory-companies). Therefore, the Company publicly assumes the adoption of sustainable development objectives and its responsibility and transparency with all stakeholders. In addition, Brasilcap allocated R$8.7 million to social and environmental projects, of which R$ 3.8 million were to FBB (Banco do Brasil Foundation), for projects focused on Environment and Education.

IRB – supported two important professional development programs: the inclusion of people with disabilities, and the Young Apprentice. IRB sponsored many cultural projects, such as: Picasso exposition; Riachuelo Theater and Maison de France; and theatrical performance such as Cinderella, Céus e Nuvem de Lágrimas. In the Social level, it was established a partnership with GRAAC Hospital to help treatment centers as: the Lar Divino Amigo, the Olga Kos Institute of Social Inclusion, the Fabiana Macedo de Morais Treatment Center, the Cancer Hospital of Barretos and the Hospital Pequeno Príncipe of Curitiba.

10) MAJOR AWARDS AND ACKNOWLEDGMENTS IN THE YEAR

Controlled and Affiliates

a) BB E MAPFRE Insurance Group:

- Placed among the most sustainable companies in Brazil for the Guia Exame de Sustentabilidade - the largest and most respected survey on corporate development sustainability of the country for the fourth consecutive year. Besides being the only conglomerate in the insurance industry, it was highlighted in the Financial Institutions chapter, along with two other companies, both from the banking segment;

- Featured among the Best Companies to work in Brazil, for the fifth consecutive year in the ranking elaborated by Great Place to Work, being in the 35º position, improving 24 positions as compared to 2015;

- Most innovative Company in the country in the category “Health Insurance and Plans” from the II *Anuário Inovação Brasil*, released by *Valor Econômico* Journal in partnership with the Strategy& Consulting; and

- Second place in the general ranking *Valor 1000*, among the 20 biggest in operating net income and in net income. The Company also figures in fourth place between the 20 biggest in equity and among the 20 with highest ROE.

b) Brasilprev

- Recognized as the fifth Company more innovative in the “Health Insurance and Plans” segment from the II *Anuário Inovação Brasil*;
- Figured in the list of 150 best places to work from *Guia Você S/A*, of Exame Magazine; and
- 1º place in the 18º *Prêmio Abrasca* Annual Report, from Brazilian Association of Publicly-Held Companies, in the category closed company group 1 (net revenue equal to or above R$1.0 billion). This award aims to contribute with mechanisms for greater transparency of companies for the market and the society.

c) Brasilcap

- Segurador Brasil 2016 Award - category "Market Leader: Premium Bonds", promoted by Brasil Notícias, receiving the award for the 20th year of market leadership; and

- Empresa Cidadã certification, for the 6th consecutive year, awarded by the Regional Accounting Council of Rio de Janeiro (CRCRJ) in recognition of the best practices in Social Responsibility.

d) IRB-Brasil

- Valor 1000 Yearbook - Largest in the country, Largest operating result, Largest net income, Largest Total Assets, Largest Shareholders' Equity and Largest Income on Equity: IRB-Brasil was once again highlighted in the ranking of Finance/ Reinsurance edition of Valor 1000, produced by the newspaper Valor Econômico.

11) LEGAL INFORMATION

By the end of 2016, BB Seguridade did not registered financial debts on its financial statements. Its funding was compounded mainly by equity, besides eventual cyclical sources of funding.

The investments of its subsidiaries and affiliate companies will follow their own plans.

In compliance to CVM Instruction 381/03, BB Seguridade informs that throughout 2016, it was used the independent audit services of KPMG Auditores Independentes, through the contract signed by its controller, Banco do Brasil S.A.

Besides, BB Seguridade and its subsidiaries inform that KPMG did not render services that could affect its independence in relation to audit work in 2016, ratified by the Independence Letter presented to BB Seguridade.

In the non-audit services hiring process, BB Seguridade adopts procedures based on applicable law and internationally accepted principles that preserve the auditor's independence. These principles are: (i) the auditor should not audit its own work, and (ii) the auditor should not act managerially nor promote the interests of his client.

The following table presents a list of services provided by KPMG to BB Seguridade's subsidiaries, affiliates and controller shareholder that were in force during 2016:

Hiring Company	Contracts dates Start	End	Nature of Services Provided	Total fee (R$)
Banco do Brasil S.A.	March 21, 2016	12 months	Audit services over the financial statements of Banco do Brasil Conglomerate, prepared in accordance with IFRS and accounting practices adopted in Brazil.	13,200,000.00
Banco do Brasil S.A.	March 21, 2015	March 20, 2016	Audit services over the financial statements of Banco do Brasil Conglomerate, prepared in accordance with IFRS and accounting practices adopted in Brazil.	9,091,076.82
Banco do Brasil S.A.	September 11, 2015	March 11, 2016	Audit service including: review of the Form 20-F; compliance review of the financial statements under IFRS standards over the SEC regulation and issuing of the Consent Letter.	1,977,150.00
Brasilcap Capitalização S.A.	January 19, 2016	March 31, 2016	Actuarial audit service of the financial statements	93,150.00
Brasilcap Capitalização S.A.	December 21, 2016	March 31, 2017	Actuarial audit service of the financial statements	98,740.00
Brasilcap Capitalização S.A.	July 1, 2016	May 31, 2017	Audit service of the financial statements	508,150.00
Brasilcap Capitalização S.A.	July 1, 2015	May 15, 2016	Audit service of the financial statements	465,000.00
Brasilcap Capitalização S.A.	May 13, 2015	June 13, 2016	Prestação de serviços de auditoria para acompanhamento da série Postalcap	50,000.00
Brasilprev Seguros e Previdência S.A.	May 19, 2015	March 30, 2019	Audit: audit services, in order to issue reports in accordance to the Brazilian and international auditing standards, quarterly review atending to the shareholder BB Seguridade and pre-agreed and assurance procedures. Reports required by SUSEP.	614,219.00
Brasildental Operadora de Planos Odontológicos S.A.	May 6, 2016	March 30, 2017	Audit of 2016 financial statements	167,400.00
Brasildental Operadora de Planos Odontológicos S.A.	May 18, 2015	March 18, 2016	Audit of 2015 financial statements	158,000.00
Companhia de Seguros Aliança do Brasil S.A. MAPFRE Vida S.A. Brasilveículos Companhia de Seguros S.A. Aliança do Brasil Seguros S.A. MAPFRE Seguros Gerais S.A.	October 5, 2016	May 31, 2019	Execution of independent actuarial audit process, with the purpose of issuing audit reports and opinions of the acturial independent audit.	700,000.00
Companhia de Seguros Aliança do Brasil MAPFRE Vida S.A. Brasilveículos Companhia de Seguros S.A. Aliança do Brasil Seguros S.A. MAPFRE Seguros Gerais S.A.	December 3, 2015	May 31, 2016	Execution of independent actuarial audit process, with the purpose of issuing audit reports and opinions of the acturial independent audit.	700,000.00
BB MAPFRE SH1 Participações S.A. MAPFRE BB SH2 Participações S.A. Cia de Seguros Aliança do Brasil S.A. MAPFRE Vida S.A. Brasilveículos Companhia de Seguros S.A. Aliança do Brasil Seguros S.A. MAPFRE Seguros Gerais S.A.	January 1, 2016	December 31, 2019	Audit: audit services, in order to issue reports in accordance to the Brazilian and international auditing standards, quarterly review atending to the shareholders BB Seguridade and MAPFRE and pre-agreed and assurance procedures.	3,590,005.00
BB MAPFRE SH1 Participações S.A. MAPFRE BB SH2 Participações S.A. Cia de Seguros Aliança do Brasil S.A. MAPFRE Vida S.A. Brasilveículos Companhia de Seguros S.A. Aliança do Brasil Seguros S.A. MAPFRE Seguros Gerais S.A.	March 27, 2015	June 15, 2016	Audit: audit services, in order to issue reports in accordance to the Brazilian and international auditing standards, quarterly review atending to the shareholders BB Seguridade and MAPFRE and pre-agreed and assurance procedures.	3,540,000.00

BB Seguridade, its shareholders, Executive Officers, members of the Board of Directors and members of the Fiscal Council agree to solve any and all disputes or controversy related to the Novo Mercado Listing Rules through the Market Arbitration Chamber of BM&FBOVESPA, according to the commitment clause on article 55 of BB Seguridade's Bylaw.

Seguridade

Acknowledgments

We thank the dedication and commitment of our employees and associates, to the distribution network of Banco do Brasil, independent brokers and other partners, as well the trust of the shareholders, customers and society.

Brasília, 2017

The Management