Operator:

Good morning, ladies and gentlemen, and welcome to Porto Seguro's results conference call, referring to the 2Q17. Today, we have with us Mr. Fabio Luchetti, the CEO, Marcelo Picanço, Vice President for Financial Services and Investor Relations, Celso Damadi General Financial Director and Controller Officer, and Ricardo Fuzaro Head of Investor Relations.

We inform that this even is being recorded and simultaneously interpreted into English. All the participants will only be in listen-only mode during the Company's presentation. After Porto Seguro's remarks, there will be a questions and answer session at which further instructions will be given. Should any participant require any assistance during this call, please press *0 to reach the operator.

We have a simultaneous webcast that may be accessed through Porto Seguro's website at www.portoseguro.com.br/ri and on the platform Engage-X. On this address, you will find the banner with the title "Conference Call", which will lead you to the presentation which will be presented by the management. Questions can also be made via the webcast platform, by clicking on the "ask the speaker" icon. These questions may be sent at any time and will be answered live during this conference call.

Before proceeding, let me mention that forward-looking statements will be made under the safe harbor of the Securities Litigation Reform Act of 1996. These statements are based on beliefs and assumptions of Porto Seguro's management and on information currently available to the Company. They involve risks, uncertainties and assumptions, as they relate to future events and, therefore, depend on circumstances that may or may not occur in the future.

Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Porto Seguro and cause results to differ materially from those expressed in such forward-looking statements. Now, we would like to give the floor to the Company. Please, you may proceed.

Fabio Luchetti:

Good morning to all of you. I would like to thank all of you for your participation in the Porto Seguro conference call for the 2Q17.

We are going to slide number three, where we have a summary of our main accomplishments and highlights. We see positive changes in the insurance Company, despite the challenges in the resumption of the economy after three years of a slowdown; we had sales of new autos, which is important to support the growth of auto.

Insurance had a growth of 4% in the 1H. The insurance company has been very resilient during this crisis and it had a growth of 4% vis-à-vis 2016. In Porto Seguro, the performance of the insurance sector was better, as well as the service and financial business that had a growth in profitability.

On the other hand, we were impacted in terms of our financial results because of a drop in insurance rates. Besides the effects caused by the political instability in terms of auto insurance, price readjustment put in place enabled us to reduce our loss ratio.

The market continues to be competitive, but we realized that there are competitors that seem to be somewhat more reactionary, as the Selic rate continues to be on the drop and we do not foresee an improvement in our loss ratio.

The other insurance card, important products in our portfolio had a growth of 10%, such as health, property and casualty, life, which is quite relevant for us and, also, in terms of transportation, when it comes to expenses, we have continued with our efforts to increase productivity and, consequently, our expenses have had an evolution below inflation, despite the increase we had in collective bargaining that was approximately 6%.

During this quarter, we have changed our calendar of interest on shareholder's equity. Until last year, this was carried out solely in the 4Q. The idea was to have a more rational flow of taxes and create a tax credit for the coming year. The shareholder's equity was acknowledged in June, at R$433 million, the rest will be accounted for in the 4Q17.

I would like to conclude and say that we continue to invest in actions that will allow for the longevity of the Company, an enhancement of processes, better assistance, and we will be focusing in the quality of attention. Despite a very different economic scenario, we have been able to present positive results.

I would like to pass the floor to Marcelo to speak about the financial results.

Marcelo Picanço:

Good morning to all of you. I would like to highlight the consolidated results you see on slide number five. For us, this was a semester for recovery in terms of margins, especially in the auto insurance, which is our main products, but, also, the beginning of resumption of growth.

In terms of insurance, we had a greater growth vis-à-vis what we were having, that was a growth below our historical rates. We went from a growth of practically zero at the beginning of the year to 4%, total revenues reached 5% vis-à-vis the average for the semester of only 3%.

Once again, this growth is below our historical growth, but we see an improvement. This is viewed mainly due to a strong recomposition of prices in auto insurance, health insurance. These two products, thanks to the price enhancement, have had an improvement in their loss ratios.

Other business lines, other insurances, besides auto and financial, and service business, had an expansion over 10%; financial business with an expansion of 11% and service with an expansion of 19%.

The profit for business line also had an improvement, especially in other businesses and we ended with a return on capital of approximately 15% for the semester, 14.5%.

When we assess the evolution of our insurance operations in the following slide, we are able to see that auto insurance is growing below the others because of the maturity of this portfolio or, perhaps, due to the competitiveness that exists in the market.

Quarter-on-quarter, the growth was 4%. This is a better growth, because at the beginning of the year we had no growth whatsoever. Pension plans and life with a growth of 17% and PNC with a growth of 5%, health and dental with a growth of 7%.

It has been sometime that health insurance has not grown and we also had an improvement in the loss ratio, therefore, this semester was a recomposition for the health insurance. In combined terms, the main improvement vis-à-vis the last semester is 101%. This quarter we got to 97%, 3 p.p. reduction in terms of loss ratios, despite greater commissions of 0.8% and the other indicators maintained constant between administrative expenses and operational expenses and taxes, we were able to achieve almost 3 p.p. that are very important in terms of the number of premiums we have.

If we compare the semester, stability of 12% and an expansion in the quarters going from 10.5 to almost 14% quarter-on-quarter.

I would like to speak about a more strategic outlook and the competitive environment of auto insurance on slide number seven to position you regarding our context.

In the 1H17 we can observe that, in fact, what we focused on was recovering our margin. We maintain our external expenses between loss ratio and commissions below us in the industry.

On the other hand, we had a growth that was impacted the semester during this period and that was significantly below the average of other players. The market grew more on average and had an increase in expenses. This is when we look at the semester.

On the next slide, we show you a retrospective vision on the behavior of the main players and the general behavior of the market since 2011 up until present, we can observe that the loss ratios had an increase of 1.7 p.p. on the average in the market and that, basically, the auto insurance was the only among the ten greatest that was able to gain market share and reduce loss ratio.

This shows us that there is no magic, a much accelerated growth in this market will pay the price of the increase in the loss ratio in the five, six last years this has been a fact and in the following ten years, this is what will happen.

Therefore, we are showing you that this differential is important and that the combination of growing above the market and maintaining lower loss ratios can be very important when you think about the long run, sooner or later, the price in quotations will appear, the price of charging less will appear and the loss ratio will increase.

When we compare to the rest of the market, we can see we have always had a differential of the loss ratio without Porto and a loss ratio with Porto and its three brands that were five, six to seven points, and, at present, they are close to 9 p.p., in 2015 they reached a difference of 10 p.p.

We still have this important differential in terms of loss ratio vis-à-vis the market dynamically or strategically, when it comes to gaining market share, compares to the loss ratio.

The financial and service business results in the next slide, I am not referring to premiums, I am referring to revenues. A growth of revenue on slide number nine, double digit growth with the exception of the consumption, with a growth of 8%, monitoring 27%, credit cards and financing that have become modestly relevant to the Group with a growth of 12%, with profitability levels that certainly are interesting gaining market share in the Company's profitability and with a decrease in the default levels, despite the scenario of crisis, this has also been important.

We have a great deal of synergy among the businesses with a focus on the Company client and working strongly on synergy as you can see on slide number ten.

On slide number ten we show you what happens with these different products and synergies and the opportunities we seek with these products, the cross-selling opportunities, credit cards, home, auto, credit card insurance, ability to launch innovative products, such as "*Carro Fácil*", and others; seeking an improvement of profitability because of the use of information and full understanding of our customer base.

The level of risk that we have with our customer base is much better with known clients and this allows us to have very attractive profitability. And also looking at our clients and brokers, we intend to reinforce long-term relationships and showing to our clients that we do have a sense of purpose; and allowing gains for our partners and insurance brokers.

On page 11, the evolution of this business – and I think that this is a question that appears every once in a while referring to this growth of life products. And we still have low indices in dental and life insurance which we have had a growth of 30%, 18% and 12%.

And the idea of thinking of how much space we still have to grow. This space does exist and we can grow aligned with a healthy strategy for this business, always speaking of the cross synergy with other businesses in segments in which we have full knowledge and that will enable us to foster the way we work.

On page 12, we have two different phenomena in 2Q – a chronic and an acute phenomenon. The chronic phenomenon can be divided into two parts: a drop in the Selic rate, which is not a novelty. This is a gradual process that Brazil is undergoing. And according to the latest information from coupon, this will be done in an even greater length as the drop has been 24% vis-à-vis last year with its impacts, of course.

The extremely low inflation indexes, which are positive for the economy as a whole for operations and costs, but with an impact on financial applications, which is a relevant business that we have in our portfolio. And this impacts our revenues during that period. These are long-term allocations that have been done for more than 10 years. We will not change these applications because of the context, but this did have an impact on our results especially due to the low inflation rates.

And when we speak about the acute phenomenon, these are due to the events that took place in May 2017 – the higher market volatility impacting fixed income, applications and the pre-fixed securities that we have – our shares 2.5% and 3.5%, depending on the moment, acutely impacting us during this semester.

We are recovering gradually. This volatility does exist in an emerging market such ours; we are not going to change our applications or allocations because of this. We may basically maintain our applications with minor adjustments and we believe that we have to be prepared to work with interest rates that will be much lower in 2018.

And unequivocally this will require an adjustment in prices, which has already been done. There is no other exit, and we also have to focus on efficiency, which is a program that is ongoing for many years and that is showing a growth that is below inflation. This is something that we will continue to pursue until 2018.

On slide 13, if we look at this from a more strategic outlook, we see the profitability of the Company vis-á-vis CDI or the interbank deposit rates. How return on equity is going to operate with a scenario of low inflation. In 2018, this was approximately 8% and return on capital of 17% and 16.5% with for these two years even with lower CDI rates.

The past results are no guarantee of future results, but they show that the Company is highly concern with having balanced work between the operational and financial parts, and we consider this an integrated session. If one side operates fewer revenues, the other side will have to offset this.

This, of course, will also depend on market movements in the short term from one quarter from to the other, this recomposition of margins does not achieve instantaneous results, but in the long term, we do believe that will attain this. This is what we believe and what we will attempt to put into practice.

The higher average CDI in the last six years placed in 2016, which is when we had the lowest return on capital in six years. Therefore there is no simple correlation to see that profitability is directly related to the CDI. This also greatly depends on the operational part as well.

Having said this, I would like to go on to the question-and-answer session.

Thank you.

Thiago Kapulskis, BTG Pactual:

Good morning, everyone. Thank you for taking my questions. I have two questions.

The first refers to the performance of the auto insurance. There has been an improvement in your loss ratios in this 1H, which is very welcome. But when we look between the lines, there is a very interesting fact. We see that premium did not necessarily increase. There was a decrease in loss ratios, but we also see in other areas that the premium decreased and the loss ratios did not have an increase. If you could comment on this effect, whether it is due to volume. This would be very helpful.

My second question refers to the competitive environment. You mentioned that there has been an improvement; my doubt is if you intend to work with new price increases and if the competitive scenario shows us that your competitors are also increasing the prices. Thank you.

Marcelo Picanço:

Thiago, thank you for your question.

We were attempting to better understand your first question. The difference that you perceive in the behavior of loss ratio and revenue is associated to the different positioning. In the previous year in a certain way, we were seeking to place ourselves better and the competitive margin, we were losing market. We had high margins.

Our loss ratios were reasonable at that point and that is why we did not have a more expressive loss. As we observe in Itaú, for example, that in this more competitive scenario, took advantage to position itself in a more reasonable place in terms of profitability.

Once again, because of the competitiveness and the drop in the interest rates, it was expected therefore that Azul would have a minor effect in terms of loss ratio compared to Porto Seguro and Itaú. When it comes to the competitive environment, we have positioned ourselves as well; we are in a better situation. We attempt to analyze other insurance companies – those that are very focused on competing through price; we tried to delay their actions.

Our three brands in terms of loss ratios are all duly in a good position. What we now expect is that the market to reposition itself in terms of the interest rates and the situation of the country that has aggravated the loss ratio frequencies. It is inevitable that this will happen and there will be a different timing in terms of our price recomposition for each of our three brands.

Thiago Kapulskis:

It is very clear. Thank you for the answer.

Eduardo Nishio, Brasil Plural Bank:

Thank you.

Good morning to all. I also have two questions. I would like to refer to slide 13. We spoke about the return on investments and the combined ratios. And to put into context: the scenario that we are going through, a weak economy that prevails. What is your outlook for the evolution of these pillars?

There is a drop in CDI, a very weak economy, and you have spoken about the price, so I would like to better understand this dynamics and what will happen between this balance, between the financial part and operation. In 2017/2018, it will still be very difficult to balance these two pillars of the financial part and the operational part. Therefore, what is your opinion in terms of these two pillars? And, then, I will ask my second question.

Marcelo Picanço:

There is a very clear element that points to the difference between 2017 and 2011 – it is the economic moment that we are undergoing. Very clearly, the most important thing for us is the rationality of price. How does the economic environment impact this? The drop in the CDI extends to everybody. As we have had a growth in the market sales of autos, some players are trying to gain market simply through market share.

Now if we have a more rational macroeconomic behavior, we know that the price will drop significantly, so even though we do not have a good market expansion, we will have a good profitability. We will not attain the levels that we had reached in 2011/2012, but if we look at the latest figures of this year; in 2016, we see that the operational results are already quite poor. They are not going to become poor because of CDI; rather, because of the price practices and this should be readdressed.

The CDI simply enhances the magnitude of this problem. We do believe that the operational pillar can be improved because of two problems. The first problem which was the lack of price, and the second problem is the drop in the financial segment. We can believe that we will continue to work with low operating levels that we have now. We will not go back to the levels of 2012, so we can expect to be in the middle of both of these.

Eduardo Nishio:

I am still somewhat concerned with the growth because you have been losing some of the fleets through time. In the last quarters and semesters, you have had a reduction in the fleet. I would like to know if you are going to focus on profitability or share. If you are going to attempt to gain shares because you are faced with very aggressive players. I would like to know your opinion regarding this. If the focus this year will be profitability.

Fabio Luchetti:

Our reference here if we analyze the last 12 months, what we lost in the past cycle, what we gained in this cycle leaves us a balance of R$40,000, which is not what we would like to have, but was necessary.

There are two important variables when we analyze the market, we have a rate of 108 and we have to recompose this, we cannot continue on with this result.

With this new repositioning, part of the fleet that has left will return. If we look at this from the viewpoint of fleet, we will once again have growth. The market share that we analyze based on premium does not depend only on the growth of fleet.

We also have to focus on price and we do have an opportunity for growth, which we have had in the last brands. Our brand has grown more than the fleet and we believe that this scenario will persist during the next six months.

What we have perceived for what we have lost, and perhaps this is an optimistic vision, is that the market has taken part of our risk and the behavior has not been very good. This also has an impact on our rates of renewal and some of the risks are exacerbated, they are somewhat below average.

We see that the market has also taken part of this risk. And we may have a more sustainable profitability through time.

Eduardo:

Thank you very much.

William Mendes, Araújo Fontes (via webcast):

The income tax rate was much lower in 2Q17 compared to other quarters. Please, speak about this in detail and your outlook for the coming quarter.

Marcelo Picanço:

Good morning, William. Thank you for the question.

As Marcelo Picanço explained during the introduction, we anticipated the JCP, the shareholder equity. When we do this, we have a tax credit and during this quarter we had a tax credit that we did not have in the previous quarter. In the previous quarter, the entire tax credit was for the last quarter. This is simply an anticipation of the shareholders' equity tax credit, not a reduction in the IR aliquot.

Gustavo Lobo, JP Morgan:

Good morning to all of you. I have two questions.

My first question once again goes back to the issue of profitability and sustainable profitability. As you mentioned, the message is quite clear: it is not only the Selic that will bring you results, there is the market as well as other factors, and we do not doubt that the profitability of Porto Seguro will continue to be higher than that of the market.

What I would like to know is how long this period of transition will be, how long will it take for everybody to include this lower Selic in their private fleet that has stopped growing, this increase in the theft of automobiles. The ROI is under pressure and will continue to be under pressure.

Therefore, I would like to gain an understanding of how long you think this pressure will continue until you are able to reach a more sustainable level.

I will then ask my second question, if you allow me.

Marcelo Picanço:

Thank you for your question, Gustavo. It is a bit difficult to exactly calculate when this will happen. We have observed that some players have already positioned themselves, especially those that are against price and service differentials, and those who are taking longer, those that compete based on price.

Through our bonus management, we observed that there is a decrease and aggressiveness and that people are adjusting. I do not think that more than two or three months will go by until we have a significant movement.

The recovery curve of the insurance industry tends to be very long. Any movement made at present will only show improvements in six months. We are entering the month of August in another 60 days. We might have a more positive scenario for the market to take a stronger stand.

If we think about this six-month scenario, perhaps in March of 2018, all of these adjustments will be made, in terms of loss, financial revenues and loss ratios.

Gustavo Lobo:

Thank you.

My second question is if there is any discussion to increase dividends. I am not saying this because of your capital surplus, but theoretically because the growth has been lower compared to last year. Although there was a drop, it continues to be a ROI that allows you to have a greater pay-out. Considering the growth that you have had, therefore, is this part of your future discussions?

Marcelo Picanço:

We always look upon this and, through the years, we have been making adjustments in terms of increases or decreases. We know how important and sensitive this issue is for our investors. Once again, this is a very sensitive topic.

We are concluding some timely and important investments in the Company, especially in the field of technology for core systems, for products that have had a great deal of growth. We had systems that were quite old and were in the stage of conclusion.

In a company like ours, we have two types of capex: one for real estate, and this has been significantly reduced in the last two years, furniture, we have avoided this, because of the signals of the regulator that does not consider this as a capital base and the guarantee of reserve.

And the second part of the capex refers to technology. Basically, we are an information company and we need technology. We went through periods where we made parallel investments in business, in life, in pension plan, in food items and some other systems, such as SAP, which is very important for the governance and stability of a company with its revenues.

When this possibility comes around, which may happen in the near future, we are assessing this, and I would not like to give you a date. This may not take place in the coming quarter, but whenever it becomes possible to increase the pay-out, we would do it. We do want to allocate our capital in the most efficient way possible and if the internal projects do not generate returns for the investors, an alternative that we would consider would be an increase in dividends.

Gustavo Lobo:

Thank you.

Lucas Lopes, Credit Suisse:

Good morning to all of you and thank you for the call. I have two questions.

You talked about the increase in the sale of autos that increased in May and June. I would like to know if you have had a better result in the last two or three months and to be less pessimistic, what is happening with your insurance fleet?

I will later speak about my second question.

Fábio Luchetti:

Good morning, Lucas. Thank you for your question.

It is simple, we see that the increase of new vehicles was greater in the second quarter than in the first and there is a reflection of this on our sales map and our growth.

The growth of our premium brand, which is Porto specifically, was somewhat more optimistic, therefore, for the second semester.

Lucas Lopes:

Thank you, Fábio.

And the second question is on health. We seem to have a positive impact in terms of loss ratios. What justifies this improvement year-on-year? Which is your outlook and can we become more optimistic in terms of the macro economic outlook for health.

Marcelo Picanço:

We have two relevant effects here. The first is price; we had to make price adjustments in several of our segments. We also carried out a review of processes; we introduced new committees, such as a cost committee, new management methodologies to analyze expenses per event, beginning with a request for reimbursement and what happened within hospitals and clinics. Therefore, we have made several adjustments in this scenario.

We are also ensuring that we have less examinations and more controlled systems. All of this is due to our new management methodologies that have allowed us to improve our results.

Lucas Lopes:

Thank you very much.

Alexandre Matsuda, SSA Investments:

Good morning to you. First of all, I would like to praise you for the presentation of 2Q. It has been a very clarifying presentation. I have two questions.

The first question refers to the auto market. What do you foresee for 2H? Perhaps a greater rationality in the market? If competitors reposition their prices, will Porto Seguro also increase its prices to gain the market share that was lost in the last month?

The second question refers to your financial results. I would like to hear your outlook in terms of the CDI. You have not changed your financial position, your liabilities and others. What do you expect for 2H?

Fábio Luchetti:

Good morning, Alexandre. I will respond to your first question and then Marcelo will respond to the second question.

From the viewpoint of the auto market, we have already remarked on this: the three brands of the Company, the Porto Group, are very well positioned when it comes to profitability. In operational expenses, expenses are controlled in terms of accounting. We still have not reached the position that we would like to get to, but this indicates that our future results will be improved.

What we are basically expecting is for the market to reposition itself; this is already beginning to happen.

As for the Porto brand, we are going to look for market share, but we do not see the need to realign our prices as the market repositions itself, especially the most competitive brands. I think that we will recover part of the fleet that we ended up losing during this semester.

I will now give the floor to Marcelo to respond to your second question.

Marcelo Picanço:

In terms of our financial results, an excellent question regarding our outlook, when we carried out our allocations, and we have done this for the last 10 years, we tend to look at the final result, the nominal result, in reais. A large part of our allocations are not post-fixed. We do not think there will be a linear drop because of the Selic.

How does this happen? It happens through two instruments. We have several securities that are pegged to inflation that we purchased in the past. They pay us real interest, some of 6% or more. With greater inflation, others pay around this and even with a significant drop in Selic.

In a certain way, they will uphold our financial results, because we will have the greater nominal yield.

Compared to the CDI, we will have a cushion. We will not a have a drop that would be similar to the CDI.

The others are fixed income instruments that there were also purchases in moments of market stress, thinking of a long-term strategic position in the market. Some of these movements took place in May, where the market was undergoing a great deal of stress. We decided that this would be an opportunity of enhancing our position in pre-fixed assets, with rates above 5%.

Brazil does not have the economy to operate with rates above the 11% for the next two or three years, therefore why not allocate a relevant part of our portfolio in this for the long-term? We are long-term investors, and we think with a mentality of long-term investors, and because of this we are not traders, we allocate for the long term, and the market stress has been beneficial for us.

We are focusing on opportunities for gains above what we expect, something that will not be impacted by short-term phenomenon and events.

To sum up, we do believe that there will be a relevant drop in financial revenues, but not in the same proportion as the CDI.

Alexandre Matsuda:

Thank you.

Eduardo Nishio, Banco Brasil Plural:

Once again, thank you for taking my question. My question refers to the credit card. All of the banks have suffered due to the regulatory changes this semester. There has been a low impact in terms of credit card for you, 7% quarter on quarter, with an increase every year. If you could comment on this, which has been the impact of the regulatory changes, and if you think that this impact will extent in the coming quarters. Once again, I would appreciate if you could give remarks on this.

Marcelo Picanço:

A little bit of everything you said is true. The main impact was in June; May was part of this, because of part of our portfolio was affected by the rotating credits. When we compare our portfolio with competitors, for example, large banks that are working with broader income brackets, we focus on the higher-middle income brackets.

Of course, the client base of the banks is much greater than ours, we work with less than half of the customer base of banks, and this rotating credit is not as strong for us as it is for the larger banks. So we suffered less in this portion of our revenue.

Secondly, we still do not have a very good view of what is happening. In June the results were lower than other months; there was a full impact of this measure. So far we do not know which will be the risk behavior of our customers, who will, perhaps, opt for other types of financing.

What we do expect is that if there is a lengthening of the debt, when you leave the rotating credit, that has very high interest rates, perhaps we will go to a model where we will have moderate rates for the long terms. This will offset revenues.

On the other hand, the level of risk will drop, but to evaluate risk levels we need at least three months, and this period of time has not gone through. To have a clear view of the P&L we will have to wait for the year to end.

If we only look at the top line of our revenues, where the impact was lower, I think the impact exists, and we are working hard to offset this in other revenue lines, for example, other types of insurance that generate revenues and other activities of that type.

We are not facing a problem. Of course this leads to a reason of concern, but every week we focus on this, and adopt measures to ensure that it will not have a greater impact.

Eduardo Nishio:

Thank you very much.

Eduardo Rosman, BTG Pactual:

Good morning. You announced that you had some shares on the IRB, I believe it was 13 million, and they are now worth more than R$200 million. I would simply like to understand if this is a strategic position, or if it is something that you will do for the next months or years. This is my first question.

And secondly, I would like to know if this can lead to higher dividends. You will have a gain in your balance, your equity should increase. If this will also increase the capital available for the payout of dividends. Thank you.

Marcelo Picanço:

Eduardo, we have gone through the underwriting of this, we have the possibility of selling this. We do not have a strategic position, according to what was informed to the market. We may or may not sell this. We do not a strategic position, our stake of 2.5% does not lead us to have a strategic position in the IRB. All of this will depend on the market conditions, and expectations that we have for the share, and this will depend on our assessment.

With the sales and the impact on our results, which may be partial or total, it does not mean that we will sell 100%, we may sell only part, or not sell. Even if we sell all of our shares, the situation here is different compared to that of PIS/COFINS that we had that generated extraordinary dividends, which has doubled the profits. Even if we do this fully after taxes, this would generate R$160 million, R$150 million, 15% of the profit of the Company in a very difficult year. Therefore, we cannot conclude what we are going to do.

As I responded to another question, it will depend on our needs for CAPEX. It will be part of our general results, and we will consider this vis-à-vis our needs for investments. In an isolated form, we cannot justify this, but perhaps we will sell the shares.

Initially, we need to see if there will be a sale based on the market situation, which will be the price, and when this would be done.

Eduardo Rosman:

Thank you very much for your answer.

Marcos Perin, Informe Econômico (via Webcast):

Generally, which are the main risks that you foresee that could lead to a reduction of margins and profitability in the Company?

Marcelo Picanço:

The main risks that we foresee, considering that our greater exposure is in auto insurance, we have two: basically, price, well we are price competitive, it is difficult to anticipate, it depends on the competition; we have different visions for the Country, for market share, and this could have a significant impact in the financial results, because of the decision on the Selic. We are working with an expectation for reduction, we have included this in the price.

Abrupt market movements that would completely change our mark-to-market, generating a poor situation, and the dynamic of violence. All of this will depend on public security and the fiscal situation of the states.

Speaking very broadly, I am referring to the situation of the police, of security intelligence. We have had an increase in thefts in Brazil, this corresponds to 40% or 50% of our loss ratio, and it is a significant percentage.

Gustavo Schroden, Bank of America:

Good morning. Thank you for the opportunity. My question refers to the auto market. We have spoken about an organic growth, and I would like to speak about a growth through acquisition. The profitability of Porto is above that of other players. Considering the difficulties faced by this segment in general, do you foresee any possibility of carrying out an acquisition in the short-term? I know that this is always part of your considerations, but considering the difficulties, perhaps you now have a greater appetite to carry out an acquisition. If you could specify if this is part of your outlook, would it be more geared towards a region, or to a segment, for example, a company with focus on upper end vehicles, or the lower end vehicles? Thank you.

Fabio Luchetti:

Going forward, insurance brands that are well-positioned, those don't exist, I mean we have that care share operation we carried out last year. A second operation, we continue to work in the same states where we operate now.

To say that we are not interested and analyzing opportunities, I cannot say this. If we are proactive, we are always open to hearing about opportunities and the strategy of other insurance companies.

To carry out the acquisition of an insurance portfolio is always a very difficult issue. As I mentioned in the past, we already have three brands that are competing with different portfolio. We would need to access the portfolio of brokers, if the brokers have anything to do with us, if can renew our three brands. It is very difficult to analyze this portfolio.

There is no proactive movement in our part, but, of course, we always willing to listen to colleagues that would like to make a change in strategy.

Gustavo Schroden:

Thank you. A follow-up: you have greater profitability, and you also have a better pricing ability than other players. Perhaps you could make the most of your expertise and know-how, and bring in a portfolio that is poorly priced. Perhaps you could bring this portfolio into the Company to make it more profitable. I don't know if this would make any sense to you.

Fabio Luchetti:

It makes sense, Gustavo. The issue is that often time we have insurance companies that are part of our strategy, and they have to have a good composition of products and portfolio. If we do work with this portfolio, it is going to impact our distribution channels, and our relationship with the market.

When you think about buying a portfolio, the insurance company that takes on this will not only take on the reserves, but also the calculation of the differences of the balance. That company is not always willing to do this. It would be necessary to make various adjustments, this would extends for 12 months.

Buying a portfolio means sitting down and carefully analyzing it. If we buy that portfolio, the competitor that no longer wants to operate, we can apply our expertise, our pricing know-how, and we take on the risks of the portfolio, until the operation begins to take place. This possibility does exist, last year we made two of these movements, but this year we have nothing in the near future.

Gustavo Schroden:

Thank you very much.

Operator:

As we have no more questions, I would like to return the floor to the Company for their closing remarks.

Porto Seguro:

I would like to once again thank all of you for your participation, for the questions, for your provocation, and for your interest in our Company. Should you have any doubt, please feel free to speak to our Investor Relations area. Visit us at our site, www.portoseguro.com.br/ri.

Operator:

The Porto Seguro conference call ends here. We would like to thank all of you for your participation, and we wish you a very good day.