
# MD&A

# 4th quarter 2019

## 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.

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.



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.

## 4Q19 Earnings Conference Call

**February 10th, 2020**

**Portuguese**

**Time: 02:00 PM (Brasilia time)**

**12:00 PM (EST)**

Dial-in: Brazil +55-11-3137 8025

USA + 1-786-837 9597

UK +44-20-3318 3776

Webcast: www.bbseguridaderi.com.br

**English**

**Time: 12:00 PM (Brasilia time)**

**10:00 AM (EST)**

Dial-in: Brazil +55-11-3137 8025

USA +1-786-837 9597

UK +44-20-3318 3776

Webcast: www.bbseguridaderi.com.br/en

## Contacts

**Investor Relations**

☎ +55 (11) 4297-0730

✉ ri@bbseg.com.br

I.R. website: www.bbseguridaderi.com.br/en

Rua Alexandre Dumas, 1671 – Térreo – Ala B
Chácara Santo Antônio – São Paulo – SP
CEP: 04717-903

## Index

(This page was intentionally left blank)

## RESTRUCTURING OF THE PARTNERSHIP WITH MAPFRE

On November 30th 2018, it was concluded the restructuring of the joint-venture between BB Seguros Participações S.A. ("BB Seguros"), a wholly owned subsidiary of BB Seguridade, and MAPFRE Group, represented by MAPFRE Brasil Participações S.A. ("MAPFRE"). Within the scope of the restructuring the following corporate reorganization acts were settled:

(i) divestment of MAPFRE Vida S.A. ("MAPFRE Vida") by BB MAPFRE SH1 Participações S.A. ("BB MAPFRE SH1") through the segregation of the equity corresponding to the investment in MAPFRE Vida which was incorporated by MAPFRE BB SH2 Participações S.A. ("MAPFRE BB SH2");

(ii) divestment of Aliança do Brasil Seguros S.A. ("ABS") by MAPFRE BB SH2 through the segregation of the equity corresponding to the investment in ABS which was incorporated by BB MAPFRE SH1; and

(iii) divestment of MAPFRE BB SH2 by BB Seguros, priced at R$2.4 billion, which was sold to MAPFRE. After the price adjustment by dividends and interest on capital distributed as well as by capital reductions carried out by the insurance companies involved on the reorganization, BB Seguros got paid R$2.3 billion by MAPFRE.

As a result of the restructuring of the joint-venture, BB MAPFRE SH1 began to use the brand Brasilseg in its communications with the market and, in addition to term life, credit life, mortgage life, rural and DPVAT already underwritten by Companhia de Seguros Aliança do Brasil ("AB"), which changed its corporate name to Brasilseg Companhia de Seguros, it started to operate with home insurance and commercial lines after the incorporation of ABS. The new operation is now focused exclusively on the bancassurance channel, and eventually can sell its products through the affinity channel, and it is no longer selling its insurance products through independent brokers.

Also within the restructuring, BB Corretora de Seguros e Administradora de Bens S.A. ("BB Corretora"), the distribution arm of BB Seguridade, entered into a commercial agreement to intermediate the selling of auto and large risks insurance products underwritten by MAPFRE standalone in the bancassurance channel of Banco do Brasil. The agreement provides exclusivity to MAPFRE's products, conditioned to the fulfillment of minimum standards of service and customer satisfaction by them.

The figures below summarize the corporate and business structures of Brasilseg and MAPFRE BB SH2, which in this report will now be referred to as MAPFRE, after the restructuring:

Figure 1 – New structure of BB Seguros and MAPFRE joint-venture

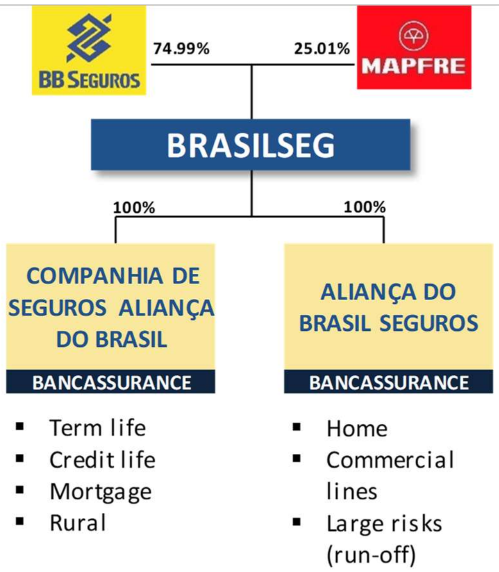
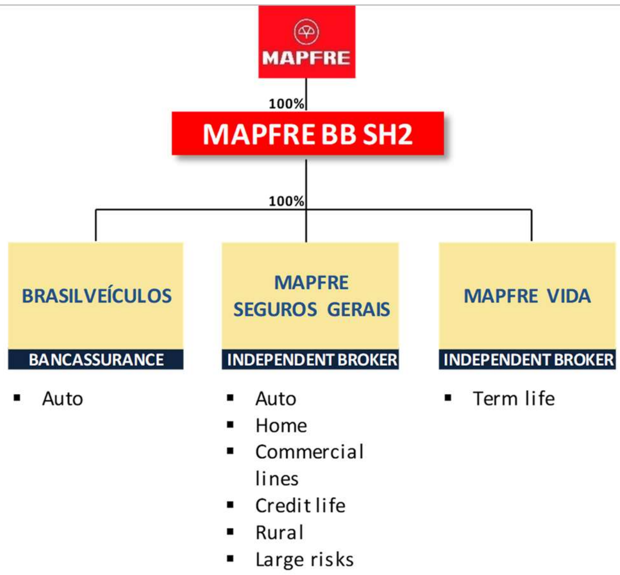



Figure 2 – New MAPFRE BB SH2 incorporated by MAPFRE after the restructuring



Due to the aforementioned movements, the figures for Brasilseg presented in this report for the 4Q19 are not directly comparable with the ones reported in the 4Q18, considering that, in the period from January to November 2018, the equity stake in MAPFRE Vida was under Brasilseg structure, and it was transferred to MAPFRE as of December 2018, at the same moment that Brasilseg incorporated the equity stake in ABS.

Therefore, in order to enable a comparative analysis between the quarters, this report provides Brasilseg's proforma statements, which simulate the effects of the restructuring for the period from 1Q17 to the 4Q18.

# 1. SUMMARY

Table 1 – Key figures

| | Unit | Quarterly Flow | | | | |
|---|---|---|---|---|---|---|
| | | 4Q18 | 1Q19 | 2Q19 | 3Q19 | 4Q19 |
| **Earnings Summary** | | | | | | |
| Underwritting and accumulation businesses | R$ thousand | 291,909 | 588,208 | 584,621 | 567,167 | 565,983 |
| Distribution businesses | R$ thousand | 544,568 | 415,623 | 465,182 | 489,099 | 542,695 |
| Other | R$ thousand | 3,352 | 9,927 | 28,590 | 24,923 | 24,248 |
| Net income | R$ thousand | 716,887 | 1,013,758 | 1,078,393 | 3,401,650 | 1,164,980 |
| Adjusted net income | R$ thousand | 839,829 | 1,013,758 | 1,078,393 | 1,081,189 | 1,132,926 |
| **Performance by company** | | | | | | |
| **Brasilseg** | | | | | | |
| Loss ratio[1] | % | 32.9 | 37.2 | 27.1 | 28.6 | 23.8 |
| Comission ratio[1] | % | 41.9 | 32.3 | 30.6 | 31.0 | 37.8 |
| G&A ratio[1] | % | 19.4 | 14.9 | 12.8 | 13.5 | 14.9 |
| Combined ratio[1] | % | 94.1 | 84.1 | 70.3 | 73.0 | 76.4 |
| Expanded combined ratio[1] | % | 86.5 | 75.1 | 69.3 | 70.2 | 73.9 |
| Adjusted ROAA | % | 5.0 | 8.8 | 10.9 | 10.8 | 9.0 |
| Solvency ratio | % | 166.7 | 157.8 | 142.3 | 147.1 | 126.3 |
| **Brasilprev** | | | | | | |
| Technical reserves | R$ million | 256,766 | 262,783 | 272,660 | 282,253 | 289,811 |
| Management fee | % | 1.08 | 1.07 | 1.05 | 1.02 | 1.02 |
| Adjusted ROAA | % | 4.4 | 9.4 | 6.7 | 7.7 | 9.2 |
| Solvency ratio | % | 168.4 | 173.4 | 163.7 | 166.9 | 157.5 |
| **Brasilcap** | | | | | | |
| Premium bonds reserves | R$ million | 9,043 | 8,842 | 8,806 | 8,547 | 8,342 |
| Net interest margin | p.p. | 3.9 | 3.3 | 3.5 | 3.6 | 3.5 |
| Adjusted ROAA | % | 1.4 | 1.2 | 0.9 | 1.1 | 0.7 |
| Solvency ratio | % | 186.8 | 191.6 | 200.2 | 205.8 | 196.1 |
| **BB Corretora** | | | | | | |
| EBIT margin | % | 82.7 | 79.7 | 80.9 | 80.6 | 80.0 |
| Net margin | % | 56.9 | 54.5 | 55.3 | 55.1 | 55.1 |

[1]Due to the reallocation in 2Q19 of reinsurance commission revenues from the “Premiums ceded to reinsurance” line to the “Retained acquisition costs” line, the indicator series of indicators has been revised since 1Q17.

## ■ ADJUSTED NET INCOME

Table 2 – Earnings Analysis | Adjusted income statement

| | Quarterly Flow | | | Chg. % | | Annual Flow | | Chg. % |
|---|---|---|---|---|---|---|---|---|
| R$ thousand | 4Q18 | 3Q19 | 4Q19 | On 4Q18 | On 3Q19 | 2018 | 2019 | On 2018 |
| **Equity income** | **815,421** | **1,058,919** | **1,102,724** | **35.2** | **4.1** | **3,482,146** | **4,217,075** | **21.1** |
| Underwritting and accumulation businesses | 291,909 | 567,167 | 565,983 | 93.9 | (0.2) | 1,911,895 | 2,305,979 | 20.6 |
| Brasilseg | 125,745 | 296,950 | 249,855 | 98.7 | (15.9) | 909,931 | 1,060,616 | 16.6 |
| MAPFRE | (55,010) | - | - | - | - | (15,461) | - | - |
| Brasilprev | 132,387 | 248,589 | 300,078 | 126.7 | 20.7 | 741,845 | 1,044,822 | 40.8 |
| IRB Brasil-RE | 60,436 | - | - | - | - | 188,268 | 118,791 | (36.9) |
| Brasilcap | 24,901 | 18,662 | 11,898 | (52.2) | (36.2) | 75,071 | 67,265 | (10.4) |
| Brasildental | 3,450 | 2,966 | 4,152 | 20.3 | 40.0 | 12,241 | 14,485 | 18.3 |
| Distribution businesses | 544,568 | 489,099 | 542,695 | (0.3) | 11.0 | 1,612,504 | 1,912,599 | 18.6 |
| Other | (21,056) | 2,653 | (5,954) | (71.7) | - | (42,252) | (1,503) | (96.4) |
| **G&A expenses** | **(5,959)** | **(6,532)** | **(6,155)** | **3.3** | **(5.8)** | **(24,871)** | **(21,627)** | **(13.0)** |
| Personnel expenses | (2,505) | (2,692) | (2,708) | 8.1 | 0.6 | (11,362) | (10,415) | (8.3) |
| Administrative expenses | (1,414) | (1,003) | (920) | (34.9) | (8.3) | (5,188) | (3,519) | (32.2) |
| Tax expenses | (2,023) | (2,696) | (2,435) | 20.4 | (9.7) | (8,200) | (9,236) | 12.6 |
| Other operating income (expenses) | (17) | (141) | (92) | 454.2 | (34.9) | (121) | 1,542 | - |
| **Net investment income** | **43,108** | **40,274** | **52,016** | **20.7** | **29.2** | **126,176** | **156,169** | **23.8** |
| Financial income | 43,275 | 56,586 | 52,068 | 20.3 | (8.0) | 162,879 | 185,974 | 14.2 |
| Financial expenses | (167) | (16,312) | (52) | (68.7) | (99.7) | (36,703) | (29,806) | (18.8) |
| **Earnings before taxes and profit sharing** | **852,570** | **1,092,661** | **1,148,584** | **34.7** | **5.1** | **3,583,452** | **4,351,617** | **21.4** |
| Taxes | (12,741) | (11,472) | (15,658) | 22.9 | 36.5 | (34,707) | (45,351) | 30.7 |
| **Adjusted net income** | **839,829** | **1,081,189** | **1,132,926** | **34.9** | **4.8** | **3,548,745** | **4,306,266** | **21.3** |

## EXTRAORDINARY EVENTS

Table 3 – Earnings Analysis | Adjusted net income

| | Quarterly Flow | | | Chg. % | | Annual Flow | | Chg. % |
|---|---|---|---|---|---|---|---|---|
| R$ thousand | 4Q18 | 3Q19 | 4Q19 | On 4Q18 | On 3Q19 | 2018 | 2019 | On 2018 |
| **Adjusted net income** | **839,829** | **1,081,189** | **1,132,926** | **34.9** | **4.8** | **3,548,745** | **4,306,266** | **21.3** |
| **Extraordinary events** | **(122,942)** | **2,320,461** | **32,054** | **-** | **(98.6)** | **(9,192)** | **2,352,515** | **-** |
| MAPFRE: MAPFRE Seguros Gerais - provisions for pending judicial claims adjustement | - | - | - | - | - | (20,889) | - | - |
| BB MAPFRE SH1: Cia. de Seguros Aliança do Brasil - compliance with the SUSEP Rule 543/16 | - | - | - | - | - | 231,771 | - | - |
| MAPFRE BB SH2: MAPFRE Seguros Gerais - claims to be recovered from reinsurance and third party deposits | - | - | - | - | - | (79,349) | - | - |
| MAPFRE BB SH2: revaluation of salvage assets | - | - | - | - | - | (17,783) | - | - |
| Brasilseg: adjustment of legal claims to be paid provisioning | (5,348) | - | - | - | - | (5,348) | - | - |
| Brasilseg: adjustment of the pending balance of banking services fees | (15,577) | - | - | - | - | (15,577) | - | - |
| Brasilseg: adjustment of reinsurance assets balance | 13,335 | - | - | - | - | 13,335 | - | - |
| Brasilseg: reversal of receivables related to the subsidies of the crop insurance | (6,768) | - | - | - | - | (6,768) | - | - |
| MAPFRE: adjustment of salvage assets calculation criteria | (4,755) | - | - | - | - | (4,755) | - | - |
| MAPFRE: adjustment of salvage assets balance | (19,098) | - | - | - | - | (19,098) | - | - |
| MAPFRE: adjustment of the criteria of legal claims to be paid provisioning | (28,966) | - | - | - | - | (28,966) | - | - |
| MAPFRE: adjustment of pending comissions balance | (16,290) | - | - | - | - | (16,290) | - | - |
| MAPFRE: reclassification of intangible assets | (14,035) | - | - | - | - | (14,035) | - | - |
| BB Seguros: results of restructuring the partnership with MAPFRE | (25,438) | - | - | - | - | (25,438) | - | - |
| BB Seguros: Divestment of IRB Brasil-RE | - | 2,320,461 | - | - | - | - | 2,320,461 | - |
| Brasilseg: reversal of provisions for unearned premiums | - | - | 12,375 | - | - | - | 12,375 | - |
| Brasilprev: reversal of provisions for related expenses | - | - | 19,679 | - | - | - | 19,679 | - |
| **Net income** | **716,887** | **3,401,650** | **1,164,980** | **62.5** | **(65.8)** | **3,539,553** | **6,658,781** | **88.1** |

**MAPFRE | MAPFRE Seguros Gerais - adjustment of provisions for pending judicial claims:** throughout the 1Q18, the accounting database of provisions for pending judicial claims was reviewed, 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.

**MAPFRE BB SH2 – revaluation of salvage assets:** during the 3Q18, MAPFRE Seguros Gerais and Brasilveículos revalued their inventory of salvaged vehicles, aiming to readjust the accounting salvage balance to the likely recovery value, given the vehicles age, along with the change in the evaluation criteria linked to the entry date of the salvaged vehicles into the salvage yard. Such revaluation negatively impacted the net income of MAPFRE BB SH2 by R$35.6 million and of BB Seguridade by R$17.8 million.

**BB MAPFRE SH1 | adjustment of legal claims to be paid provisioning:** there were identified differences between the amount of claims paid and their respective expenses with provision for legal claims to be settled, related to the period from 2013 to 2015. The settlement of the differences negatively impacted the net income of BB MAPFRE SH1, in the amount of R$7.1 million, and the net income of BB Seguridade, amounting to R$5.3 million.

**BB MAPFRE SH1 |adjustment of the pending balance of banking service fees:** after an accounting reconciliation of the expenses related to fees charged by Banco do Brasil to provide banking services for Companhia de Seguros Aliança do Brasil S.A., it was identified an amount of payments made during 2013-2015 without a counterpart of this expense in the P&L. Such expenses were recorded in December 2018, negatively impacting the net income of BB MAPFRE SH1 in the amount of R$20.8 million, and the net income of BB Seguridade in the amount of R$15.6 million.

**BB MAPFRE SH1 | adjustment of the balance of reinsurance assets:** in December 2018, credits related to reinsurance assets were recorded related to the bonus paid by the reinsurer to reimburse policyholders of crop insurance for the non-occurrence of claims during the term of the policies, within 2011-2016. Such event positively impacted the net income of BB MAPFRE SH1 in the amount of R$17.8 million, and the net income of BB Seguridade in the amount of R$13.3 million.

**BB MAPFRE SH1 | write-down of receivables related to the subsidies of the crop insurance:** after an accounting reconciliation, there were identified receivables related to the Rural Insurance Subsidy Program within 2013-2015, pending since the migration of the IT platform to SAP (Enterprise Resource Planning System – ERP) but which had already been paid. Hence, in December 2018, these assets were written-down, resulting on a negative impact of R$9.0 million in the net income of BB MAPFRE SH1 and of R$6.8 million in the net income of BB Seguridade.

**MAPFRE BB SH2 | adjustment of salvage assets calculation criteria:** it was made an adjustment in the triangle methodology used to estimate salvage assets, which is a reducer of the liability, due to the change in salvage expectations. Instead of estimating the value of the salvage using final claims, the company began to use estimated claims, resulting on an expense which negatively affected the net income of MAPFRE BB SH2 in the amount of R$9.5 million and the net income of BB Seguridade in the amount of R$4.8 million.

**MAPFRE BB SH2 | adjustment of the activation of salvage assets:** after the reconciliation of the accounting databases, there was identified an inconsistency between the operating records of sold and effectively received salvages and the balance of those assets in the accounting systems. As a result of this movement, the net income of MAPFRE BB SH2 was negatively affected by the amount of R$69.4 million, with an impact on BB Seguridade´s net income of R$19.1 million.

**MAPFRE BB SH2 | – adjustment of the criteria of the provision for legal claims to be settled:** in October 2018 the provisioning criteria changed, based on the analysis of the behavior of the legal claims settled over the last 12 months, which increased the balance of provisions for legal claims to be settled and negatively impacted the net income of MAPFRE BB SH2 in the amount of R$60.5 million and the net income of BB Seguridade in the amount of R$29.0 million.

**MAPFRE BB SH2 | adjustment of the balance of pending commissions:** adjustment made after the equalization of the operating and the accounting databases for outstanding balance of commissions pending. This adjustment occurred in October 2018, with a negative effect in the net income of MAPFRE BB SH2 amounting to R$32.6 million, which negatively affected the net income of BB Seguridade in the amount of R$16.3 million.

**MAPFRE BB SH2 | reclassification of intangible assets:** in October 2018, the work of reclassification of intangible assets related to information technology and location was completed. This adjustment presented a negative effect of R$28.1 million in the net income of MAPFRE BB SH2, which is equivalent to a negative impact of R$14.0 million in BB Seguridade´s net income.

**BB SEGUROS | results of restructuring the partnership with MAPFRE:** the restructuring of the partnership between BB Seguros and MAPFRE, whose conclusion was disclosed to the market on November 30th, 2018, resulted in a negative effect of R$25.4 million in BB Seguridade´s 4Q18 net income, led by tax effects and the expenses with the financial advisors of the operation.

**BB SEGUROS – secondary public offering of IRB Brasil-RE:** full disposal of the equity stake held by BB Seguros, which result on a net gain of R$2.3 billion, booked in the line “Other” within equity income in the adjusted income statement.

**BRASILSEG – reversal of provisions for unearned premiums:** in November 2019, the balance of provisions for unearned premiums was normalized, since the flow of policy endorsements of credit life insurance created some excess provisions. This process resulted in a reversal of R$121.1 million, of which R$44.5 million was set apart as an extraordinary event, since it was related to previous years. The R$44.5 million reversed positively affected the net income of Brasilseg and BB Seguridade by R$16.5 million and R$12.4 million, respectively.

**BRASILPREV – reversal of provisions for related expenses:** in November 2019, the assumptions underlying the calculation of the provision for related expenses were revised, in order to incorporate the result of the actuarial research on the variable that refers to the percentage of customers who decide to convert their pension plan reserve into annuities. This revision resulted on a positive impact of R$26.2 million in Brasilprev’s net income, which is equivalent to a R$19.7 million positive impact for BB Seguridade.

## ADJUSTED NET INCOME

Figure 3 – Adjusted net income

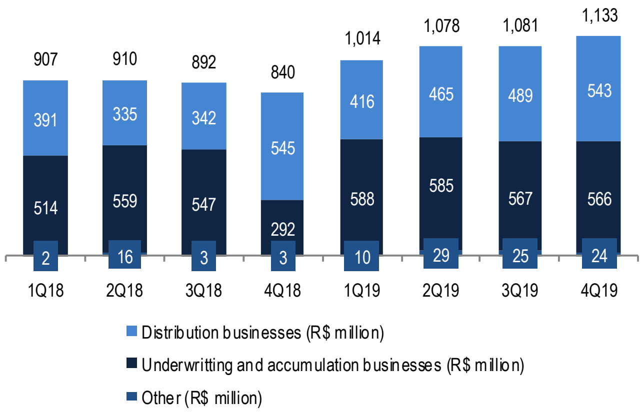
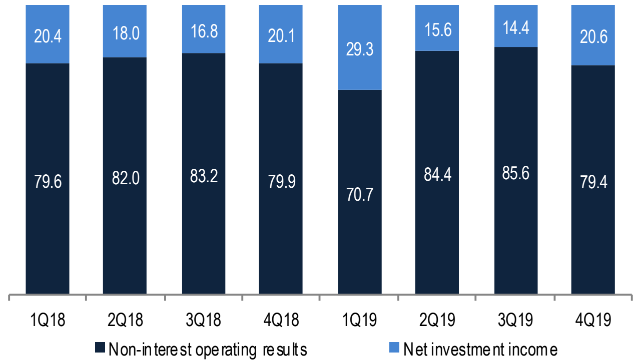



Figure 4 – Adjusted net income | Non-interest operating results vs net investment income[1] (%)




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

### QUARTERLY ANALYSIS

In the 4Q19, the adjusted net income grew 34.9% YoY, driven by:

(i) the increase in Brasilprev´s net investment income, helped by the favorable dynamics of the inflation rates that compound the assets and liabilities related to defined benefit pension plans;

(ii) the growth in earned premiums and the improvement in the combined ratio at Brasilseg; and

(iii) the help of the comparables given the divestment of the P&C segment, concluded in November 2018, since such investment presented negative results in the period of October and November 2018.

### YEAR-TO-DATE ANALYSIS

In 2019, the net income increased 21.3%, as a result of:

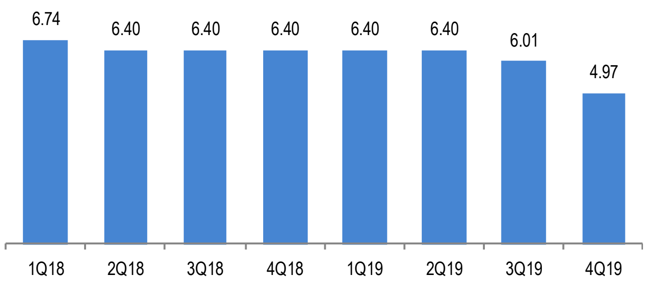
(i) the growth in brokerage revenues and the improvement in the EBIT margin at BB Corretora;

(ii) the favorable dynamics of the inflation rates that compound the assets and liabilities of defined benefit pension plans, which boosted the Brasilprev´s net investment income;

(iii) the growth in earned premiums and the lower loss ratio at Brasilseg; and

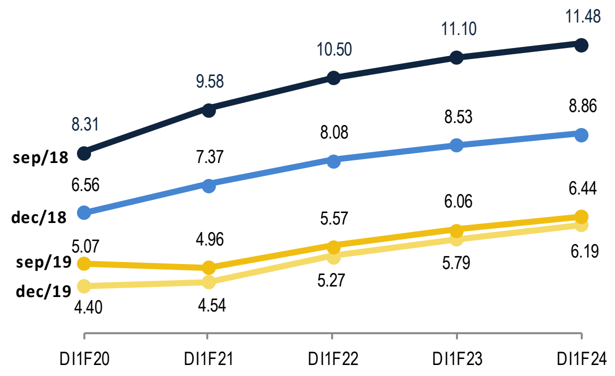
(iv) the lower effective tax rate for Brasilseg, Brasilprev and Brasilcap, since the temporary increase of the social contribution ("CSLL") reached its expiration date in December 2018, as provided in article 1 of Law 13,169/15.

Figure 5 – Earning Analysis | Average Selic rate (%)



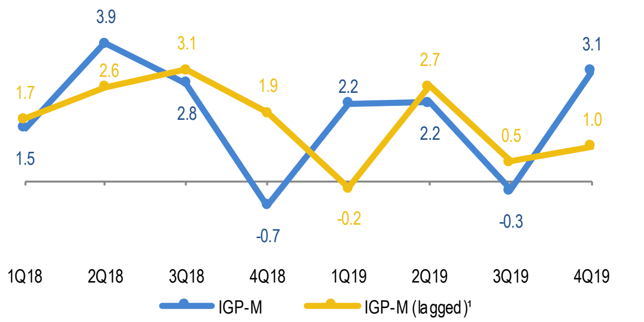

Source: Banco Central do Brasil.

Figure 6 – Earning Analysis | Forward yield curve (%)



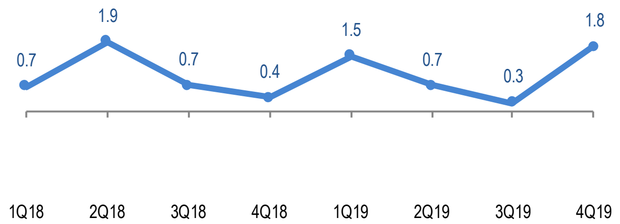

Source: ValorPro.

Figure 7 – Earning Analysis | Inflation rate – IGP-M (%)




Source: Banco Central do Brasil.
[1]Considers the IGP-M with a one-month lag, which is the average accrual index of the liabilities related to defined benefit plans at Brasilprev.

Figure 8 – Earning Analysis | Inflation rate – IPCA (%)




Source: Banco Central do Brasil.

## QUARTERLY ANALYSIS

The combined financial results of BB Seguridade and its controlled and affiliated companies grew 38.3% YoY, mainly explained:

(i) by the financial performance of Brasilprev, helped by the average one-month lag in the interest accrual period of the liabilities related to defined benefit pension plans when compared to the assets accrual period. As most of these plans are pegged to the IGP-M inflation rate, Brasilprev still has a significant portion of the assets backing these liabilities pegged to the IGP-M as well. Hence, the spike in inflation observed in December 2019 (driven by the increase in the prices of raw materials, meat and coffee beans) resulted in an increase in the average yield on the earning assets, but due to the one-month lag, the negative impact on the liabilities will come only in early 2020; and

(ii) by the increase in the financial income of the holding BB Seguridade, explained by the interest accrued on the proceeds arising from the divestment of IRB Brasil RE.

These effects were partially offset:

(i) by lower financial results at Brasilseg, given the reduction in the Selic rate and the positive balance recorded in the 4Q18 related to interest expenses with the accrual of pending claims and judicial provisions;

(ii) by lower financial results at Brasilcap, as a consequence of the reduction in the average yield on financial assets, given the lower Selic rate and the reduction in mark to market gains, in addition to the contraction in the balance of premium bond reserves; and

(iii) by the disposal of the IRB Brasil RE's shares in July 2019, and the restructuring of the partnership with MAPFRE, in November 2018, given the financial results from both companies ceased to be accounted in the income statement.

**YEAR-TO-DATE ANALYSIS**

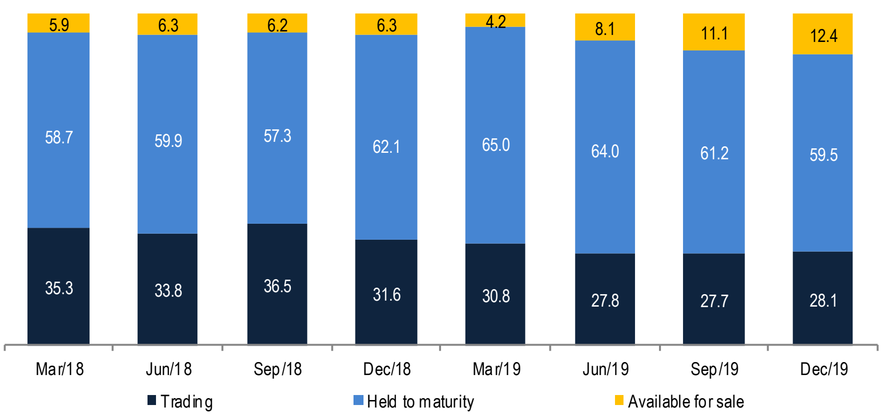
In 2019, the combined financial results of BB Seguridade and its controlled and affiliated companies grew 28.3%, justified:

(i) by the expansion of net interest margin at Brasilprev, mainly explained by the reduction in the average yield on interest bearing liabilities related to the traditional plans (defined benefit), as a result of the lower IGP-M accumulated between December 2018 and November 2019 as compared to the cumulated inflation between December 2017 and November 2018, since the index used to calculate the cost of the liabilities has a one-month lag on average;

(ii) by the increase in financial income of both holdings BB Seguridade and BB Seguros, explained by the interest accrued on the proceeds arising from the divestment of IRB Brasil RE; and

(iii) by the increase of 0.2 p.p. in the net interest margin at Brasilcap.

Figure 9 – Earning Analysis | Financial investments breakdown[1] (%)




[1] Considering the financial investments of Brasilseg (ex-BB MAPFRE SH1), MAPFRE (ex-MAPFRE BB SH2), Brasilprev (ex-P/VGBL) and Brasilcap weighted by BB Seguridade's economic stakes in each company. In Brasilseg and MAPFRE, the information of 2019 refer to data as reported, without "pro-forma" data.

Figure 10 – Earning Analysis | Breakdown of financial investments by index[1]

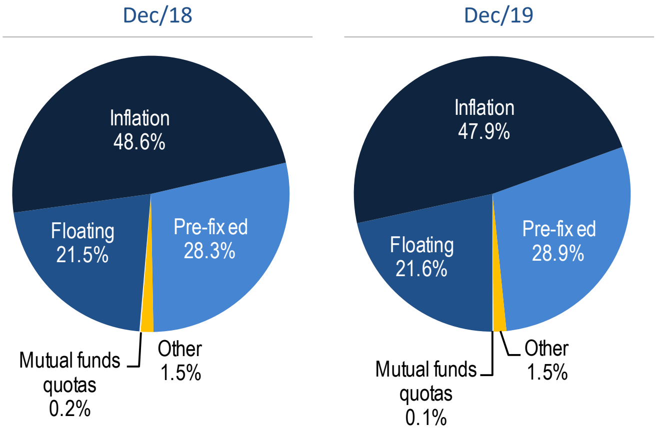
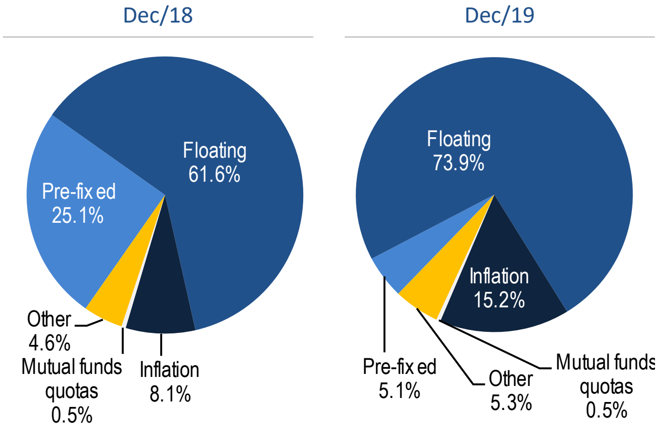



Figure 11 – Earning Analysis | Trading portfolio by index[1]



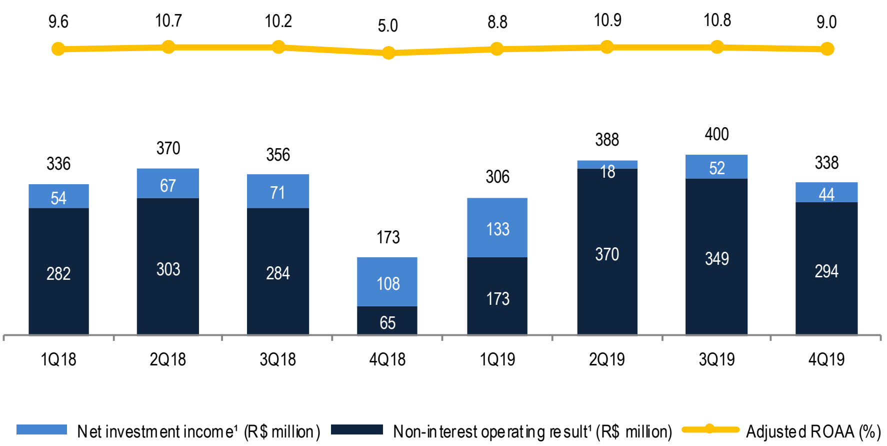

[1] Considering the financial investments of Brasilseg (ex-BB MAPFRE SH1), MAPFRE (ex-MAPFRE BB SH2), Brasilprev (ex-P/VGBL) and Brasilcap, weighted by BB Seguridade's economic stakes in each company. In case of Brasilseg and MAPFRE, the information of 2018 refer to data as reported, without "pro-forma" data..

Table 4 – Earning Analysis | Combined financial investments[1]

| | Balance | | | Chg. % | |
|---|---|---|---|---|---|
| **R$ thousand** | **Dec/18** | **Sep/19** | **Dec/19** | **On Dec/18** | **On Sep/19** |
| **Trading** | **6,758,160** | **6,162,027** | **6,284,894** | **(7.0)** | **2.0** |
| Pre-fixed | 1,696,250 | 303,657 | 319,126 | (81.2) | 5.1 |
| Floating | 4,164,972 | 4,473,978 | 4,644,533 | 11.5 | 3.8 |
| Inflation | 549,475 | 1,013,582 | 955,552 | 73.9 | (5.7) |
| Mutual funds quotas | 34,717 | 30,826 | 29,575 | (14.8) | (4.1) |
| Other | 312,745 | 339,984 | 336,108 | 7.5 | (1.1) |
| **Available for sale** | **1,341,006** | **2,477,105** | **2,776,225** | **107.0** | **12.1** |
| Pre-fixed | 390,233 | 2,018,187 | 2,557,803 | 555.5 | 26.7 |
| Floating | 425,335 | 421,366 | 180,414 | (57.6) | (57.2) |
| Inflation | 525,438 | 37,552 | 38,009 | (92.8) | 1.2 |
| Other | - | - | - | - | - |
| **Held to maturity** | **13,284,633** | **13,605,118** | **13,288,296** | **0.0** | **(2.3)** |
| Pre-fixed | 3,967,560 | 4,158,197 | 3,585,023 | (9.6) | (13.8) |
| Inflation | 9,317,073 | 9,446,921 | 9,703,273 | 4.1 | 2.7 |
| **Total** | **21,383,799** | **22,244,250** | **22,349,415** | **4.5** | **0.5** |

[1] Considering the financial investments of Brasilseg (ex-BB MAPFRE SH1), MAPFRE (ex-MAPFRE BB SH2), Brasilprev (ex-P/VGBL) and Brasilcap, weighted by BB Seguridade's economic stakes in each company. In case of Brasilseg and MAPFRE, the information of 2018 refer to data as reported, without "pro-forma" data.

Figure 12 – Brasilseg | Adjusted net income and ROAA




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

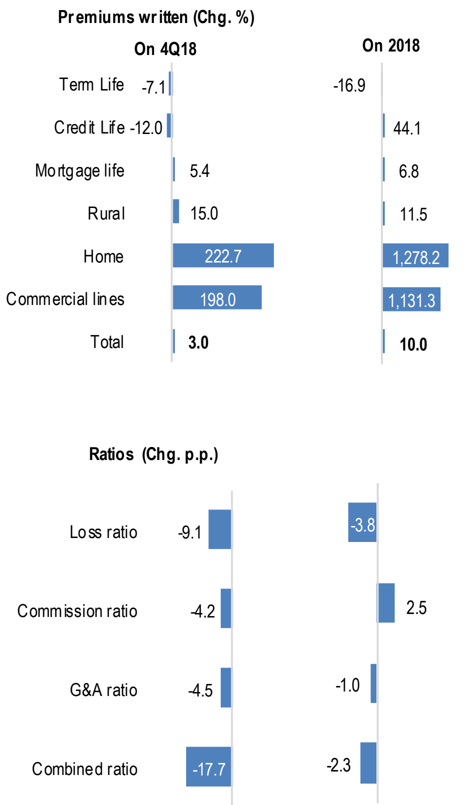
## QUARTERLY ANALYSIS

In the 4Q19, the adjusted net income from the insurance operation grew 95.6% YoY, boosted by the 11.1% increase in earned premiums along with the improvement across all performance ratios, with the spotlight on the lower loss ratio in term life and credit life.

The net investment income dropped 56.7% YoY, negatively impacted by the lower Selic rate and by higher financial expenses, given that in the 4Q18 these expenses recorded a positive balance given the reversal of the interest accrued on provisions for pending claims and on provisions for judicial claims.

Premiums written increased 3.0% YoY, driven by rural insurance (+15.0%). On the other hand, credit life premium fell 12.0% as a result of a greater focus of the sales force on term life, which grew 11.0% YoY on a proforma basis. Comparing the reported figures, it is worth noting that the decline of 7.1% in term life insurance is due to the transfer of the insurance portfolio sold through independent brokers to MAPFRE when the partnership was remodeled.

Figure 13 – Brasilseg | Key figures - Reported



### YEAR-TO-DATE ANALYSIS

In 2019, the adjusted net income from the insurance operation grew 16.0%, explained by the 5.7% increase in earned premiums along with the decline in the loss ratio in term life and in credit life. Both effects more than offset the increase in the commission ratio, which was driven by the change in the product mix after the reorganization of the partnership with MAPFRE, along with the recognition of R$446.5 million as performance bonus payable to BB Corretora for outperforming the sales targets in credit life and credit life for farmers.

Premiums written increased 10.0% in 2019, driven mainly by the increase in credit life (+44.1%) and rural (+11,5%). Considering the proforma data, premiums written grew 12.9%.

Figure 14 – Brasilseg | Key figures - Proforma

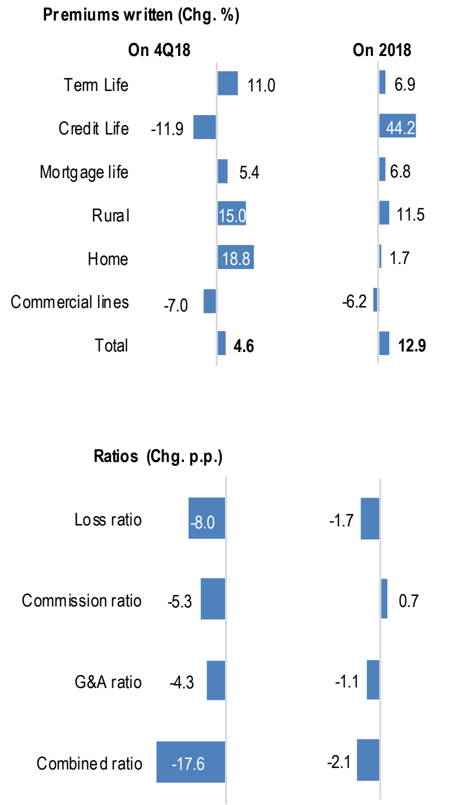
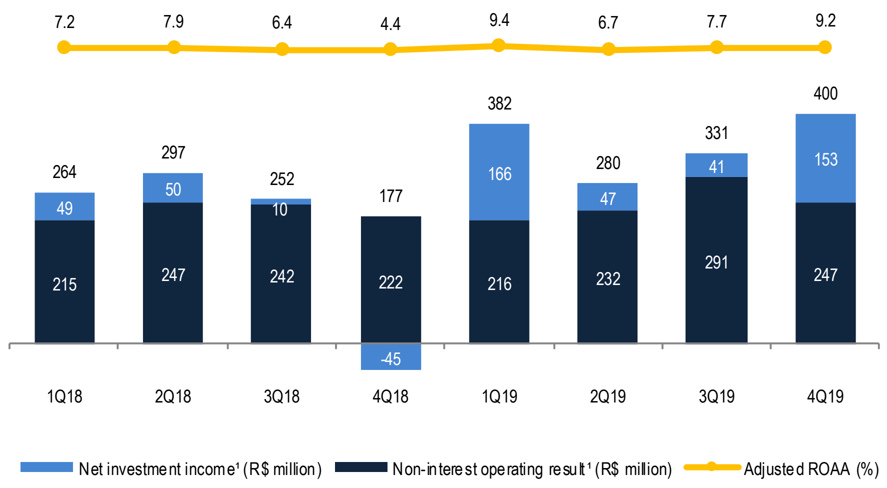
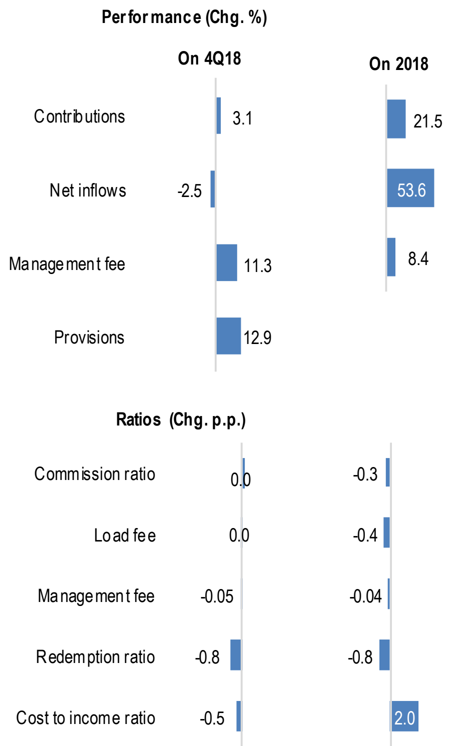


Figure 15 – Brasilprev | Adjusted net income and ROAA




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

Figure 16 – Brasilprev | Key figures




## QUARTERLY ANALYSIS

In the 4Q19, adjusted net income from the pension plans operation grew 126.7% YoY. The main factors, which explains the performance, are:

(i) a higher net investment income, as a result of the favorable dynamics of the inflation rates that accrues on the assets and the liabilities related to the traditional plans (defined benefit); and

(ii) an increase in revenues with management fee, as a consequence of the 12.9% expansion in the average balance of pension reserves.

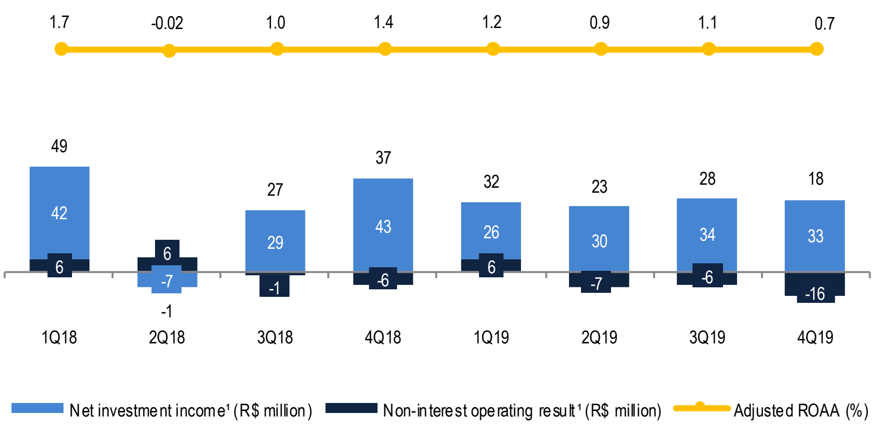
In the quarter, pension plans contributions increased 3.1% YoY, with the redemption ratio remaining at the lowest historical level. Despite of that, net inflows dropped 2.5%, impacted by a higher volume of transfers out.

## YEAR-TO-DATE ANALYSIS

The net income of the pension plans operation grew 40.8% in 2019, propelled by the net investment income, up 455.8%, and the revenues with management fee. Both effects overshadowed the negative impact of the exemption of the load fee in P/VGBL plans, which has been in force since the 4Q18.

Contributions to pension plans rose 21.5%, driving net inflows up by 53.6%, and pension reserves, up by 12.9%.

Figure 17 – Brasilcap | Net income and ROAA




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

## QUARTERLY ANALYSIS

In the 4Q19, the net income of the premium bonds operation dropped 52.2% YoY. The premium bond collection increased 32.8% YoY while the revenue with load fee grew 47.6%, driven by the change in the collection mix, which also explains the increase of 62.3% in acquisition costs and the reduction of 71.9% in results with lottery, which affected negatively the non-interest operating result.

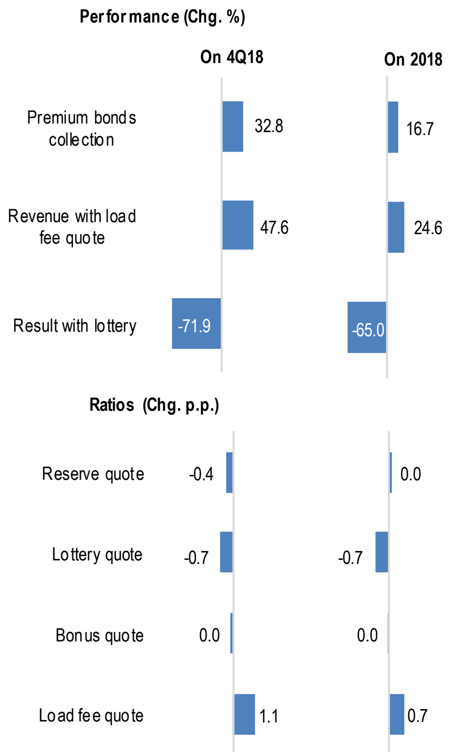
The net investment income also fell, given lower volumes and a lower yield, explained by the reduction in the Selic rate and lower mark to market gains, as the yield curve flattened less in the 4Q19.

## YEAR-TO-DATE ANALYSIS

In 2019, the net income of the premium bonds operation dropped 10.4% impacted by results with lottery, down 65.0%, and acquisition costs, up 34.1%.

Premium bonds collection rose 16.7%, as a result of the increase in the average collection from unique payment bonds. Net investment income grew 4.7%, given a wider net interest margin, boosted by mark to market gains.

Figure 18 – Brasilcap | Key figures



## BB Corretora | Brokerage

Figure 19 – BB Corretora | Adjusted net income and EBIT margin

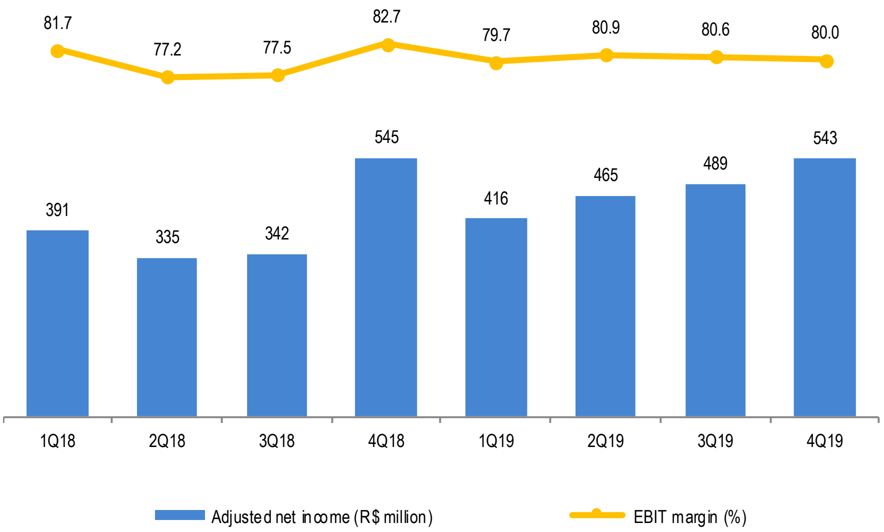
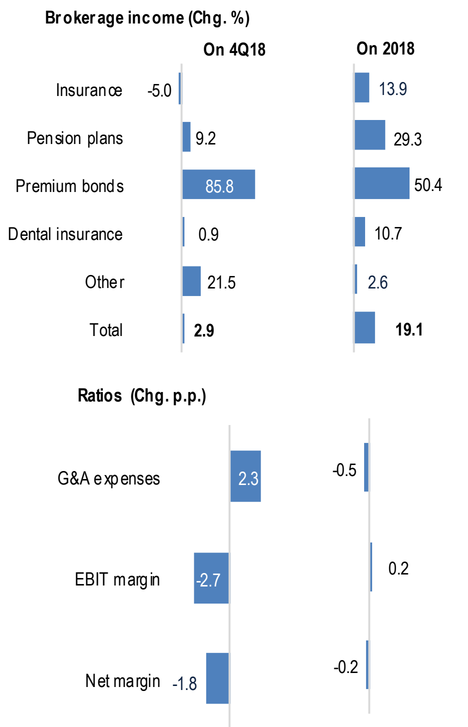



Figure 20 – BB Corretora | Key figures




### QUARTERLY ANALYSIS

In the 4Q19, BB Corretora's net income remained virtually flat YoY (-0.3%), with the 2.9% growth in brokerage revenues being overshadowed by the 2.7 p.p. deterioration in the EBIT margin.

It is worth mentioning that the periods are not directly comparable, since the cumulated performance bonus related to the period from April to December 2018 was fully recognized in the 4Q18, amounting to R$276.1 million. On the other hand, the performance bonus recorded in the 4Q19, which amounts to R$174.0 million, refers only to the sales occurred within the quarter.

Doing a simple normalization of the aforementioned effect by linearly distributing the 4Q18 bonus over the period comprised between April and December 2018, the net income would have grown 50.5%, with brokerage revenues up 27.4% and the EBIT margin registering an improvement of 1.4 p.p.

On a normalized basis, the robustness of the commercial performance was supported mainly by the brokerage revenues from insurance (+24.8%), premium bonds (+85.8%) and pension plans (+9.2%).

### YEAR-TO-DATE ANALYSIS

In 2019, BB Corretora's net income grew 18.6%, driven by the 19.1% increase in brokerage revenues, which were supported by a stronger commercial performance and by a sales mix more concentrated on products that pay higher commissions. The performance bonus for outperforming the sales targets of credit life and credit life for farmers stood out and amounted to R$446.5 million, while in 2018 there were recognized R$276.1 million as performance bonus and R$81.0 million as a temporary additional commission from term life insurance which was in force until March 2018.

## 2019 GUIDANCE

The table below presents 2019 Guidance monitor.

Table 5 – Estimates 2019

| Indicators | Observed | 2019 Estimates |
|---|---|---|
| Change of the adjusted net income of BB Seguridade | 21.3% | +13.0% to +17.0% |
| Change of the premiums written proforma of Brasilseg (ex-DPVAT) | 13.9% | +10.0% to +15.0% |
| Change of PGBL and VGBL pension plans AuM of Brasilprev | 13.2% | +9.0% to +12.0% |

In 2019, the premiums written proforma of Brasilseg (ex-DPVAT) grew 13.9%, within the guided range. On the other hand, the Company exceeded the estimates for pension plans assets under management of Brasilprev and for the adjusted net income. The explanations for outperforming the expectations are as follows:

(i) **Change of PGBL and VGBL pension plans AuM of Brasilprev:** in 2019, the balance of pension plans reserves expanded 13.2%, outperforming the range of 9.0% to 12.0%, given a better than expected return on investment funds where the pension plans reserves are invested; and

(ii) **Change of the adjusted net income of BB Seguridade:** adjusted net income increased 21.3% in 2019, exceeding the guided range of 13.0% to 17.0%. The deviation can be attributed to a better than expected performance of the combined net investment income of the companies within the conglomerate, which was driven by: (i) a favorable dynamics of the inflation rates that accrues on assets and liabilities of Brasilprev's defined benefit pension plans; and (ii) the mark-to-market gains that arose from the flattening yield curve.

## 2020 GUIDANCE

The table below presents the estimates for the 2020 Guidance:

Table 6 – Estimates 2020

| Indicators | 2019 Observed | 2020 Estimates |
|---|---|---|
| Adjusted non-interest operating result (ex-holdings)[1] | 13.3% | +7.0% to +13.0% |
| Premiums written of Brasilseg (ex-DPVAT) | 13.9% | +5.0% to +10.0% |
| PGBL and VGBL pension plans reserves of Brasilprev | 13.2% | +10.0% to +13.0% |

[1]Sum of the adjusted non-interest operating results before income taxes of Brasilseg, Brasilprev, Brasilcap, Brasildental and BB Corretora, weighted by the equity stake of BB Seguridade in each company. For Brasilseg it was adopted the proforma data of 2018.

For 2020, BB Seguridade is keeping on its Guidance the indicators "Premiums written of Brasilseg (ex-DPVAT)" and "PGBL and VGBL pension plans reserves of Brasilprev". The indicator "Change of the adjusted net income of BB Seguridade" is being replaced for the "Adjusted non-interest operating result (ex-holdings)".

The new indicator reflects the percentage change of the sum of the recurring non-interest operating results of Brasilseg, Brasilprev, Brasilcap, Brasildental and BB Corretora before income taxes (IRPJ and CSLL), weighted by the equity stake of BB Seguridade in each company, as disclosed on this report.

This change aims to highlight the expected evolution of the indicator that better translates the sustainability of the results. The table below presents the breakdown of the adjusted non-interest operating result of each company that is the basis for the indicator, weighted by the equity stake, in 2018 and 2019:

Table 7 – Breakdown of the adjusted non-interest operating result by company in 2019[1]

| R$ thousand | Total ownership (%) (a) | Non-interest operating results (b) | Weighted non-interest operating results (a) x (b) | Source |
|---|---|---|---|---|
| Brasilseg[1] | **74.99** | 1,683,674 | 1,262,587 | Table 20 |
| Brasilprev | **74.99** | 1,580,343 | 1,185,099 | Table 48 |
| Brasilcap | **66.67** | (23,308) | (15,539) | Table 65 |
| Brasildental | **74.99** | 29,270 | 21,949 | Table 84 |
| BB Corretora | **100.00** | 2,790,349 | 2,790,349 | Table 88 |
| **Total** | | **6,060,327** | **5,244,445** | |

[1] For Brasilseg it was adopted the proforma data of 2018.

## OTHER INFORMATION

Table 8 – Market share and ranking [1]

| | | Quarterly Flow | | | | |
|---|---|---|---|---|---|---|
| | Unit | 4Q18 | 1Q19 | 2Q19 | 3Q19 | 4Q19 |
| **Life [2]** | | | | | | |
| Premiums written | R$ thousand | 851,750 | 618,097 | 709,641 | 734,553 | 791,205 |
| Market-share | % | 12.8% | 11.6% | 12.7% | 13.6% | 13.6% |
| Ranking | | 2º | 1º | 1º | 1º | 1º |
| **Credit life** | | | | | | |
| Premiums written | R$ thousand | 448,499 | 504,996 | 660,659 | 550,517 | 394,836 |
| Market-share | % | 18.7% | 15.5% | 18.3% | 16.0% | 11.6% |
| Ranking | | 1º | 3º | 1º | 2º | 4º |
| **Mortgage life** | | | | | | |
| Premiums written | R$ thousand | 70,912 | 71,104 | 70,024 | 72,233 | 74,772 |
| Market-share | % | 10.0% | 7.0% | 6.7% | 7.2% | 7.0% |
| Ranking | | 4º | 4º | 4º | 4º | 4º |
| **Rural** | | | | | | |
| Premiums written | R$ thousand | 753,109 | 513,037 | 927,574 | 904,398 | 865,910 |
| Market-share | % | 77.4% | 56.5% | 63.7% | 62.1% | 64.8% |
| Ranking | | 1º | 1º | 1º | 1º | 1º |
| **Home** | | | | | | |
| Premiums written | R$ thousand | 47,031 | 56,685 | 60,713 | 65,419 | 55,885 |
| Market-share | % | 5.4% | 6.5% | 6.9% | 7.1% | 6.0% |
| Ranking | | 5º | 5º | 5º | 5º | 5º |
| **Commercial lines** | | | | | | |
| Premiums written | R$ thousand | 73,788 | 69,651 | 71,286 | 73,959 | 68,610 |
| Market-share | % | 3.4% | 3.7% | 3.3% | 3.5% | 3.2% |
| Ranking | | 11º | 10º | 11º | 11º | 11º |
| **Pension Plans** | | | | | | |
| Technical reserves | R$ thousand | 256,765,877 | 262,782,911 | 272,659,601 | 282,253,346 | 289,811,314 |
| Market-share | % | 30.4% | 30.3% | 30.4% | 30.5% | 30.3% |
| Ranking | | 1º | 1º | 1º | 1º | 1º |
| Contributions | R$ thousand | 10,510,239 | 8,103,360 | 10,713,784 | 12,324,010 | 10,831,552 |
| Market-share | % | 32.7% | 31.0% | 36.4% | 36.2% | 29.8% |
| Ranking | | 1º | 1º | 1º | 1º | 1º |
| **Premium Bonds** | | | | | | |
| Reserves | R$ thousand | 9,043,319 | 8,842,223 | 8,806,299 | 8,546,568 | 8,342,007 |
| Market-share | % | 30.7% | 29.8% | 29.1% | 28.0% | 27.1% |
| Ranking | | 1º | 1º | 1º | 2º | 2º |
| Collections | R$ thousand | 1,183,011 | 1,222,376 | 1,365,910 | 1,221,432 | 1,571,370 |
| Market-share | % | 21.7% | 22.3% | 22.6% | 20.5% | 24.3% |
| Ranking | | 2º | 2º | 2º | 2º | 2º |

[1] Market share considering the current Brasilseg structure (proforma) to historical data.
[2] Market share considering only premiums written for risk coverage, excluding premiums for accumulation components (dotal life insurance).
Source: Susep - data base December/2019

Table 9 – Stocks | Breakdown of the shareholders' base

| | Shareholders | Shares | Participation |
|---|---|---|---|
| **Banco do Brasil** | **1** | **1,325,000,000** | **66.25%** |
| **Treasury Stocks** | **1** | **3,398,833** | **0.17%** |
| **Free Float** | **97,134** | **671,601,167** | **33.58%** |
| Foreign | 1,001 | 572,615,994 | 28.63% |
| Companies | 2,537 | 60,170,783 | 3.01% |
| Individuals | 93,596 | 38,814,390 | 1.94% |
| **Total** | **97,136** | **2,000,000,000** | **100.00%** |

Table 10 – Stocks | Performance

| | | Quarterly Flow | | | | |
|---|---|---|---|---|---|---|
| | Unit | 4Q18 | 1Q19 | 2Q19 | 3Q19 | 4Q19 |
| **Stock's performance** | | | | | | |
| Earnings per share | R$ | 0.42 | 0.51 | 0.54 | 0.54 | 0.57 |
| Dividends per share | R$ | - | 2.03 | - | 0.89 | - |
| Equity per share | R$ | 3.42 | 3.90 | 3.56 | 5.29 | 2.62 |
| Closing price | R$ | 27.59 | 26.52 | 32.38 | 35.03 | 37.70 |
| Annualized dividend yield[1] | % | 6.16 | 10.06 | 9.88 | 9.86 | 8.93 |
| Market capitalization | R$ million | 55,180 | 53,040 | 64,760 | 70,060 | 75,400 |
| **Ratios** | | | | | | |
| P/E (12 month traling) | x | 15.55 | 14.51 | 16.94 | 17.46 | 17.51 |
| P/BV | x | 8.08 | 6.81 | 9.10 | 6.63 | 14.37 |
| **Business data** | | | | | | |
| Number of trades carried out | | 1,005,145 | 1,242,053 | 1,111,465 | 986,908 | 737,472 |
| Average daily volume traded | R$ million | 120 | 142 | 120 | 111 | 101 |
| Average daily volume traded - B3 | R$ million | 13,498 | 14,627 | 13,426 | 15,144 | 17,477 |
| Share on B3's average volume | % | 0.89 | 0.97 | 0.89 | 0.73 | 0.58 |

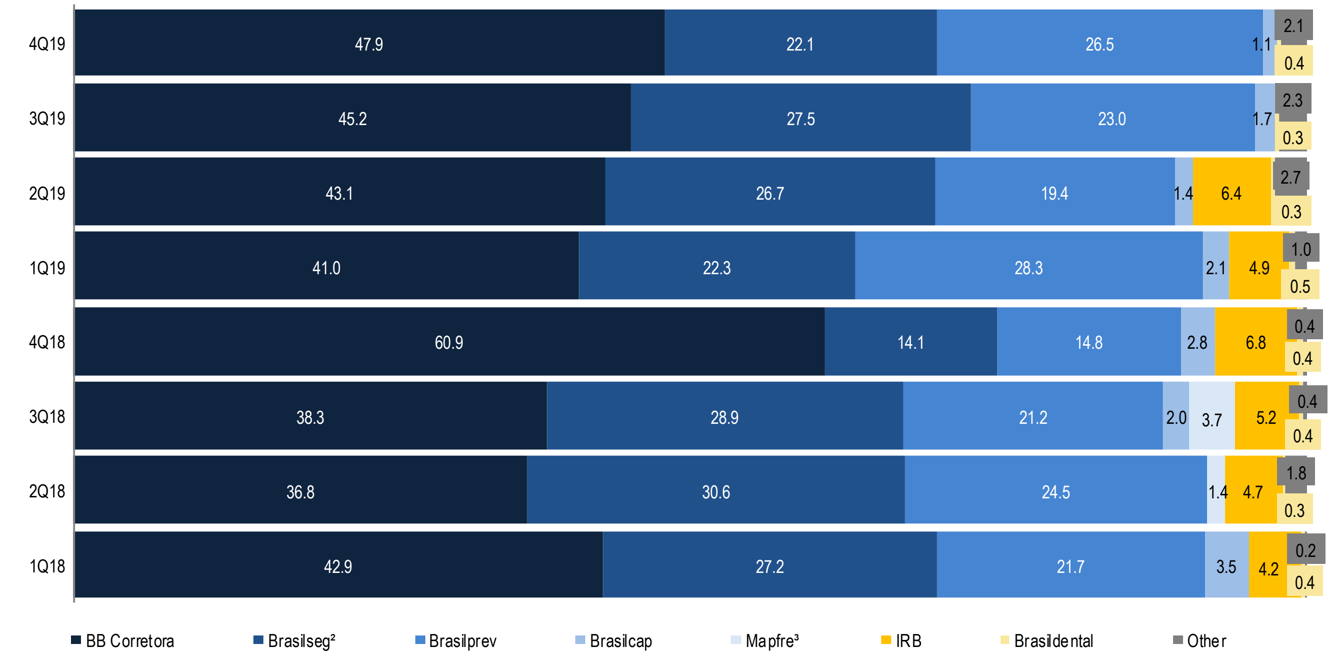
[1]Dividend yield calculated considering the dividends reported in the last 12 months divided by the average stock price in the same period.

(This page was intentionally left blank)

# 2. EARNINGS ANALYSIS

## EARNINGS BREAKDOWN

Figure 21 – Earnings Analysis | Breakdown[1] (%)




[1] Does not consider the individual results from BB Seguridade and BB Seguros holdings and the affiliates, when negative.
[2] New name adopted to BB MAPFRE SH1 after the restructuring of the partnership with MAPFRE.
[3] New name adopted to MAPFRE BB SH2, not accounted in BB Seguridade´s results since December 2018.

## NET INVESTMENT INCOME OF THE HOLDING COMPANY

Figure 22 – Earnings Analysis | Net investment income (R$ million)

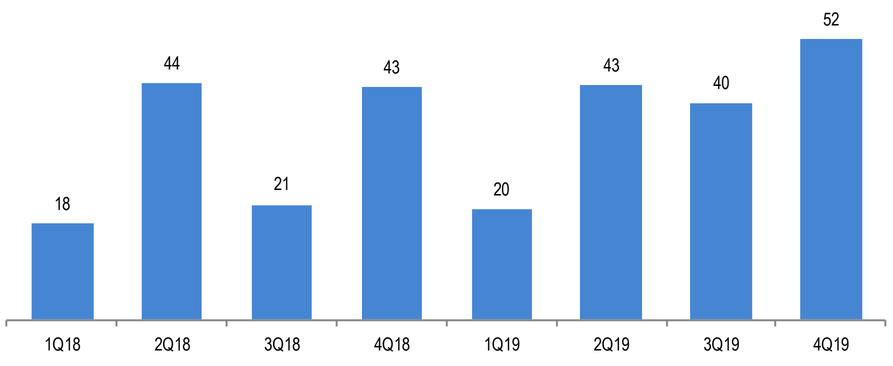
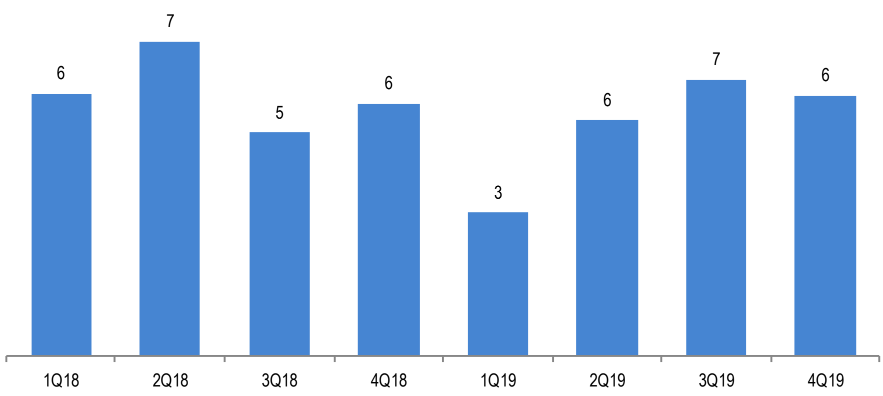


Figure 23 – Earnings Analysis | General and Administrative expenses (R$ million)




### QUARTERLY ANALYSIS

In the 4Q19, G&A expenses at the holding level increased 3.3% YoY, mostly justified by:

(i) the increase in tax expenses, up 20.4%, due to the higher taxable financial income given the interest accrued on the proceeds arising from the divestment of IRB Brasil RE's shares; and

(ii) the 8.1% growth in personnel expenses, explained by the increase of six employees in the headcount.

These effects were partially offset by the decrease in administrative expenses, down 34.9%, driven by lower expenses with systems maintenance and specialized technical services.

The consolidated expenses of the holdings and BB Corretora rose 12.0% YoY to R$49.3 million, driven by personnel expenses, given the increase in the headcount, and expenses with commercial campaigns at BB Corretora.

### YEAR-TO-DATE ANALYSIS

In 2019, the G&A expenses at the holding level fell 13.0%, driven by:

(i) the 32.2% reduction in administrative expenses, mainly due to lower expenses with advisory services to support internal projects, systems maintenance and business trip;

(ii) the 8.3% decrease in personnel expenses, mainly explained by the periodic revision of the cost-sharing methodology, which resulted on a higher allocation of expenses to BB Corretora; and

(iii) the reversal, in the 1Q19, of the provision for the acquisition of stocks to pay the deferred installments of the variable compensation programs of the board of executive officers, related to the 2014 and 2015 fiscal years, given that these programs expired in 2019.

The aforementioned effects were partially offset by higher tax expenses, explained by the increase in the taxable financial income, as explained in the quarterly analysis.

Consolidated expenses of the holdings and BB Corretora grew by 6.3%, explained by the increase in headcount and higher expenses with commercial campaigns and sponsorship and donations with tax incentives.

Table 11 – Earnings Analysis | General and administrative expenses

| | Quarterly Flow | | | Chg. % | | Annual Flow | | Chg. % |
|---|---|---|---|---|---|---|---|---|
| **R$ thousand** | **4Q18** | **3Q19** | **4Q19** | **On 4Q18** | **On 3Q19** | **2018** | **2019** | **On 2018** |
| **Administrative expenses** | **(1,414)** | **(1,003)** | **(920)** | **(34.9)** | **(8.3)** | **(5,188)** | **(3,519)** | **(32.2)** |
| Specialized technical services | (155) | (63) | (47) | (69.5) | (24.8) | (1,297) | (217) | (83.3) |
| Location and operation | (217) | (225) | (263) | 21.1 | 17.0 | (757) | (927) | 22.5 |
| Communication | (22) | (21) | (25) | 12.7 | 18.7 | (249) | (91) | (63.5) |
| Other administrative expenses | (1,020) | (694) | (585) | (42.7) | (15.7) | (2,886) | (2,284) | (20.9) |
| **Personnel expenses** | **(2,505)** | **(2,692)** | **(2,708)** | **8.1** | **0.6** | **(11,362)** | **(10,413)** | **(8.3)** |
| Compensation | (1,286) | (1,395) | (1,472) | 14.5 | 5.5 | (5,834) | (5,579) | (4.4) |
| Welfare benefits | (667) | (842) | (710) | 6.4 | (15.7) | (3,227) | (2,971) | (7.9) |
| Other compensation | (292) | (226) | (228) | (21.8) | 1.1 | (1,285) | (943) | (26.6) |
| Benefits | (260) | (230) | (297) | 14.1 | 29.2 | (1,017) | (920) | (9.5) |
| **Tax expenses** | **(2,023)** | **(2,696)** | **(2,435)** | **20.4** | **(9.7)** | **(8,200)** | **(9,236)** | **12.6** |
| COFINS | (1,718) | (2,309) | (2,068) | 20.3 | (10.4) | (6,926) | (7,821) | 12.9 |
| PIS/Pasep | (279) | (381) | (335) | 20.4 | (12.1) | (1,175) | (1,318) | 12.2 |
| IOF | (1) | (0) | (4) | 482.6 | 1,076.9 | (34) | (33) | (3.1) |
| Other | (26) | (5) | (28) | 8.2 | 473.8 | (65) | (64) | (2.0) |
| **Other operating income (expenses)** | **(17)** | **(141)** | **(92)** | **454.2** | **(34.9)** | **(121)** | **1,542** | **-** |
| **G&A expenses** | **(5,959)** | **(6,532)** | **(6,155)** | **3.3** | **(5.8)** | **(24,871)** | **(21,625)** | **(13.0)** |

(This page was intentionally left blank)

# 3. BALANCE SHEET ANALYSIS

Table 12 – Balance Sheet Analysis | Balance sheet

| | Balance | | | Chg. % | |
|---|---|---|---|---|---|
| **R$ thousand** | **Dec/18** | **Sep/19** | **Dec/19** | **On Dec/18** | **On Sep/19** |
| **Assets** | **10,892,930** | **10,598,953** | **11,748,718** | **7.9** | **10.8** |
| Cash and cash equivalents | 4,428,956 | 4,187,891 | 4,231,195 | (4.5) | 1.0 |
| Financial assets marked to market | 1,208 | 3,047 | 3,413 | 182.6 | 12.0 |
| Investments | 5,867,234 | 6,301,179 | 5,478,303 | (6.6) | (13.1) |
| Current tax assets | 51,401 | 86,178 | 55,532 | 8.0 | (35.6) |
| Deferred tax assets | 17,578 | 8,673 | 3,974 | (77.4) | (54.2) |
| Dividends receivable | 515,602 | - | 1,961,491 | 280.4 | - |
| Other assets | 5,331 | 6,834 | 8,909 | 67.1 | 30.4 |
| Intangible | 5,620 | 5,151 | 5,901 | 5.0 | 14.6 |
| **Liabilities** | **4,062,545** | **28,712** | **6,499,964** | **60.0** | **22,538.5** |
| Dividends payable | 4,052,523 | 346 | 6,490,643 | 60.2 | 1,875,808.4 |
| Current tax liabilities | 1,220 | 21,895 | 980 | (19.7) | (95.5) |
| Other liabilities | 8,802 | 6,371 | 8,238 | (6.4) | 29.3 |
| **Shareholders' equity** | **6,830,385** | **10,570,241** | **5,248,754** | **(23.2)** | **(50.3)** |

## ■ INVESTMENTS

Table 13 – Balance Sheet Analysis | Direct investments

| | | | Total ownership (%) | Investment balance | | |
|---|---|---|---|---|---|---|
| **R$ thousand** | **Activity** | **Accounting treatment** | **Dec/19** | **Dec/18** | **Sep/19** | **Dec/19** |
| **Insurance, Pension Plans and Premium Bonds** | | | | | | |
| BB Seguros Participações | *Holding* | (1) | 100.0 | 5,820,326 | 5,765,172 | 5,431,395 |
| **Insurance Brokerage** | | | | | | |
| BB Corretora de Seguros e Adm. de Bens | *Insurance Broker* | (1) | 100.0 | 46,908 | 536,007 | 46,908 |

Note: (1) Controlled companies, fully consolidated.

Table 14 – Balance Sheet Analysis | BB Seguros Participações´ investments

| R$ thousand | Activity | Accounting treatment | Total ownership (%) | Investment balance | | |
|---|---|---|---|---|---|---|
| | | | Dec/19 | Dec/18 | Sep/19 | Dec/19 |
| **Insurance** | | | | | | |
| **Brasilseg** | ***Holding*** | (1) | 74.99 | 2,174,718 | 2,203,976 | 2,028,605 |
| Brasilseg Companhia de Seguros | Insurance | | | | | |
| Aliança do Brasil Seguros | Insurance | | | | | |
| **Pension Plans** | | | | | | |
| **Brasilprev** | Insurance/ Pension | (1) | 74.99 | 2,133,724 | 2,362,352 | 2,440,155 |
| **Health** | | | | | | |
| **Brasildental** | Health | (1) | 74.99 | 10,395 | 14,728 | 12,880 |
| **Premium Bonds** | | | | | | |
| **Brasilcap** | Premium Bonds | (1) | 66.67 | 364,804 | 416,183 | 431,932 |

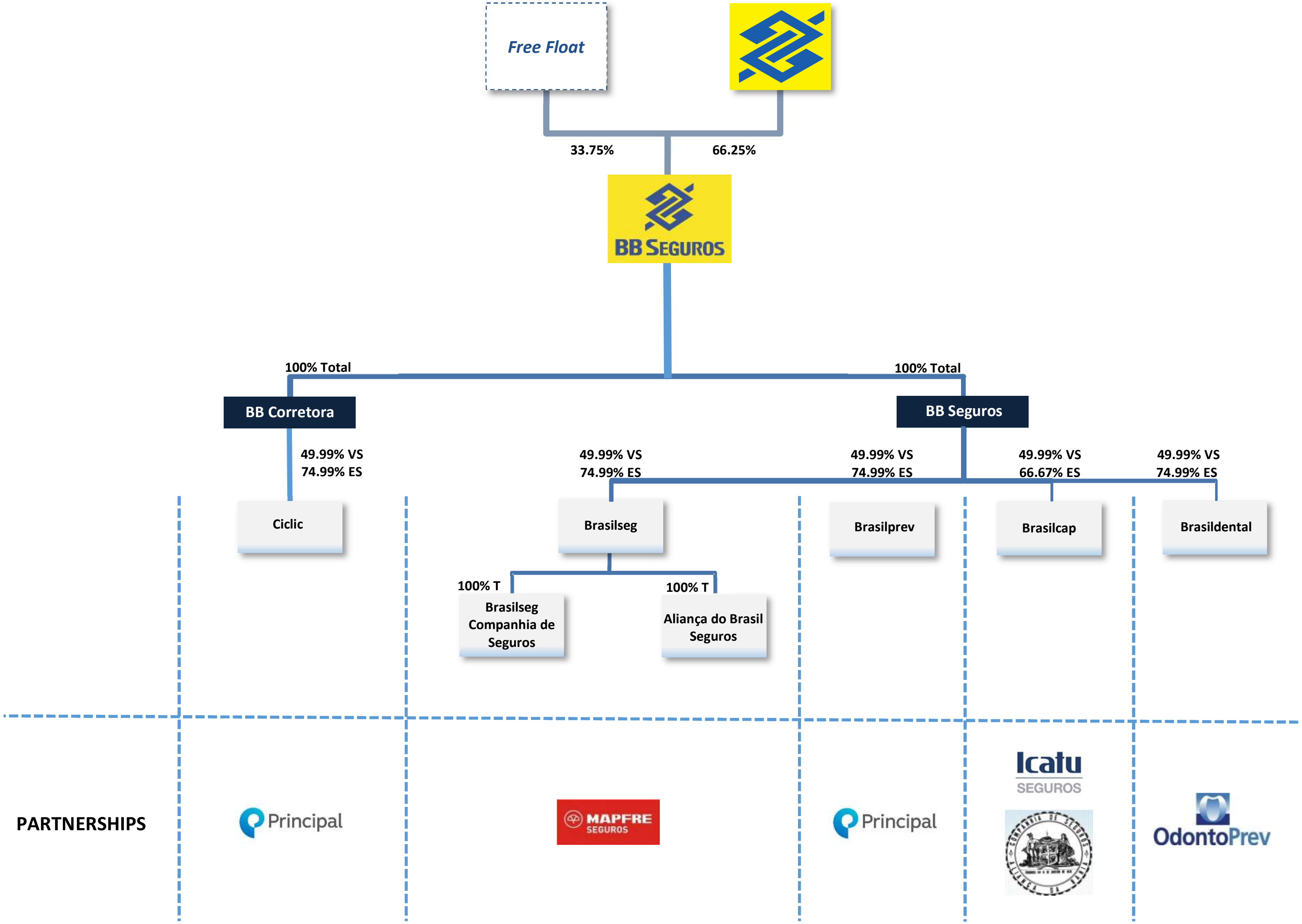
Note: (1) Affiliated companies, booked by the equity method.

Table 15 – Balance Sheet Analysis | BB Corretora's investments

| R$ thousand | Activity | Accounting treatment | Total ownership (%) | Investment balance | | |
|---|---|---|---|---|---|---|
| | | | Dec/19 | Dec/18 | Sep/19 | Dec/19 |
| **Insurance brokerage** | | | | | | |
| **Ciclic** | Digital Broker | (1) | 74.99 | 19,072 | 9,400 | 4,798 |

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

Figure 24 – Balance Sheet Analysis | Ownership structure




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

## SHAREHOLDER'S EQUITY

Table 16 – 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, 2017** | **5,646,767** | **1,277** | **3,337,198** | **(83,478)** | **-** | **(3,294)** | **8,898,470** |
| Transactions with stock payments | - | (15) | - | 27 | - | - | 12 |
| Other comprehensive income | - | - | - | - | - | 3,526 | 3,526 |
| Interim Dividends | - | - | (2,700,000) | - | - | - | (2,700,000) |
| Dividends lapsed | - | - | - | - | 42 | - | 42 |
| Net income for the period | - | - | - | - | 3,539,553 | - | 3,539,553 |
| Capital reserve | - | - | 628,377 | - | (628,377) | - | - |
| Dividends proposed in 1H18 | - | - | - | - | (1,559,140) | - | (1,559,140) |
| Dividends proposed in 2H18 | - | - | - | - | (1,352,078) | - | (1,352,078) |
| **Balance on December 31, 2018** | **5,646,767** | **1,262** | **1,265,575** | **(83,451)** | **-** | **232** | **6,830,385** |
| Changes in the Period | - | (15) | (2,071,623) | 27 | - | 3,526 | (2,068,085) |
| **Balance on December 31, 2018** | **5,646,767** | **1,262** | **1,265,575** | **(83,451)** | **-** | **232** | **6,830,385** |
| Capital Reduction | (2,700,000) | - | - | - | - | - | (2,700,000) |
| Paid-in capital increase with legal reserve | 450,000 | - | (450,000) | - | - | - | - |
| Transactions with stock payments | - | (145) | - | 145 | - | - | - |
| Other comprehensive income | - | - | - | - | - | 28,219 | 28,219 |
| Dividends lapsed | - | - | - | - | 24 | - | 24 |
| Net income for the period | - | - | - | - | 6,658,781 | - | 6,658,781 |
| Capital reserve | - | - | 1,090,150 | - | (1,090,150) | - | - |
| Dividends proposed in 1H19 | - | - | - | - | (1,778,339) | - | (1,778,339) |
| Dividends proposed in 2H19 | - | - | - | - | (3,790,316) | - | (3,790,316) |
| **Balance on December 31, 2019** | **3,396,767** | **1,117** | **1,905,725** | **(83,306)** | **-** | **28,451** | **5,248,754** |
| **Changes in the Period** | **(2,250,000)** | **(145)** | **640,150** | **145** | **-** | **28,219** | **(1,581,631)** |

# 4. UNDERWRITING AND ACCUMULATION

## BRASILSEG

BB Seguridade offers life, mortgage life and rural insurance through its affiliate company BB MAPFRE SH1, a company established under a 20-year term partnership with MAPFRE, which started in 2011 and was restructured in 2018, with Brasilseg as the new branding name defined for BB MAPFRE SH1. BB Seguridade holds, through BB Seguros, a 74.99% economic stake in Brasilseg, composed of 100% of the preferred shares and 49.99% of the common shares. The segments in which Brasilseg operates is dominated by the Brazilian banks, what reflects the strong association of this kind of products with the bancassurance channel.

The following items show a brief description of the main products offered by Brasilseg:

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 Brasilseg 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 from the loss of revenue in cases of 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.

e. **Home insurance** encompasses a set of coverages intended for the protection of individual homes against damages caused by fire, lightning and explosion, and may also include additional coverages against theft, electric damage, physical damage to the property resulting from vehicle impact, windstorm, hail rain, among others.

f. **Corporate / Commercial lines** consist of products designed to protect the assets of companies against damage to the building and its contents, such as machinery, furniture, utensils, goods and raw materials, excluding large risks.

g. **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 of victims of traffic accidents across the country, and 5% are transferred to the Ministry of Cities, for exclusive use in programs directed to the prevention of traffic accidents. The remaining 50% are 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.

## 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 BRASILSEG

## ■ EARNINGS ANALYSIS

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. Since the 2Q19, the adjustments that previously used to comprise the lines related to premiums, changes in technical reserves and claims, became to consider the acquisition costs as well. To allow the comparative analysis with previous quarters, the historical data was revised since the 1Q17.

It is important to notice that the bases for 4Q18 and 4Q19 are not comparable due to the conclusion of the reorganization of the partnership with MAPFRE on November 30, 2018, whose movements are detailed in the Summary section of this report. Proforma information will be presented throughout this section to allow a comparable analysis of the quarters.

Table 17 – Brasilseg | Managerial income statement

| | Quarterly Flow | | | Chg. % | | Annual Flow | | Chg. % |
|---|---|---|---|---|---|---|---|---|
| **R$ thousand** | **4Q18** | **3Q19** | **4Q19** | **On 4Q18** | **On 3Q19** | **2018** | **2019** | **On 2018** |
| **Premiums written** | **2,195,397** | **2,412,371** | **2,260,961** | **3.0** | **(6.3)** | **8,224,277** | **9,046,331** | **10.0** |
| Premiums ceded to reinsurance | (226,795) | (338,283) | (258,222) | 13.9 | (23.7) | (1,071,500) | (1,104,382) | 3.1 |
| **Retained premiums** | **1,968,601** | **2,074,088** | **2,002,739** | **1.7** | **(3.4)** | **7,152,776** | **7,941,948** | **11.0** |
| Changes in technical reserves - premiums | (284,855) | (309,444) | (132,752) | (53.4) | (57.1) | (531,322) | (945,389) | 77.9 |
| **Retained earned premiums** | **1,683,747** | **1,764,643** | **1,869,987** | **11.1** | **6.0** | **6,621,454** | **6,996,559** | **5.7** |
| Retained claims | (554,756) | (504,790) | (445,529) | (19.7) | (11.7) | (2,173,748) | (2,028,596) | (6.7) |
| Retained acquisition costs | (705,800) | (547,451) | (706,118) | 0.0 | 29.0 | (2,019,340) | (2,311,183) | 14.5 |
| Revenue of policies issuance | 2,015 | 3,254 | 2,031 | 0.8 | (37.6) | 13,415 | 14,192 | 5.8 |
| **Underwriting result** | **425,205** | **715,655** | **720,371** | **69.4** | **0.7** | **2,441,781** | **2,670,971** | **9.4** |
| Administrative expenses | (146,713) | (105,982) | (126,206) | (14.0) | 19.1 | (435,373) | (435,970) | 0.1 |
| Tax expenses | (65,034) | (66,825) | (72,820) | 12.0 | 9.0 | (249,093) | (255,958) | 2.8 |
| Other operating income (expenses) | (114,758) | (65,616) | (79,908) | (30.4) | 21.8 | (310,792) | (290,517) | (6.5) |
| Equity income | 2 | 268 | 564 | 25,528.5 | 110.6 | 63 | 890 | 1,320.4 |
| Gains or losses on non-current assets | (3,419) | (17) | (5,687) | 66.3 | 33,841.7 | 4,330 | (5,743) | - |
| **Non-interest operating result** | **95,284** | **477,483** | **436,313** | **357.9** | **(8.6)** | **1,450,916** | **1,683,674** | **16.0** |
| **Net investment income** | **148,127** | **69,368** | **64,100** | **(56.7)** | **(7.6)** | **445,592** | **356,859** | **(19.9)** |
| Financial income | 123,098 | 124,132 | 112,581 | (8.5) | (9.3) | 523,721 | 542,538 | 3.6 |
| Financial expenses | 25,029 | (54,764) | (48,482) | - | (11.5) | (78,129) | (185,679) | 137.7 |
| **Earnings before taxes and profit sharing** | **243,409** | **546,851** | **500,413** | **105.6** | **(8.5)** | **1,896,508** | **2,040,534** | **7.6** |
| Taxes | (66,519) | (140,601) | (156,468) | 135.2 | 11.3 | (648,588) | (588,042) | (9.3) |
| Profit sharing | (4,256) | (5,807) | (6,303) | 48.1 | 8.5 | (13,768) | (20,321) | 47.6 |
| **Adjusted net income** | **172,635** | **400,444** | **337,641** | **95.6** | **(15.7)** | **1,234,153** | **1,432,171** | **16.0** |

**Retained premiums** = Premiums written + premiums ceded to reinsurance
**Changes in technical reserves – premiums** = 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
**Retained acquisition costs** = acquisition costs – commission return + revenue with reinsurance commissions

Table 18 – Brasilseg | Adjusted net income

| | Quarterly Flow | | | Chg. % | | Annual Flow | | Chg. % |
|---|---|---|---|---|---|---|---|---|
| **R$ thousand** | **4Q18** | **3Q19** | **4Q19** | **On 4Q18** | **On 3Q19** | **2018** | **2019** | **On 2018** |
| **Adjusted net income** | **172,635** | **400,444** | **337,641** | **95.6** | **(15.7)** | **1,234,153** | **1,432,171** | **16.0** |
| **One-off events** | **(19,147)** | **-** | **16,502** | **-** | **-** | **289,922** | **16,502** | **(94.3)** |
| Cia. de Seguros Aliança do Brasil: compliance with the SUSEP Rule 543/16 | - | - | - | - | - | 589,348 | - | - |
| Cia. de Seguros Aliança do Brasil: compliance with the SUSEP Rule 543/16 - Taxes | - | - | - | - | - | (252,875) | - | - |
| Cia. de Seguros Aliança do Brasil: compliance with the SUSEP Rule 543/16 - PIS/COFINS | - | - | - | - | - | (27,405) | - | - |
| IBNER - Adjusted Provision for Judicial Claims to be Settled | (22,974) | - | - | - | - | (22,974) | - | - |
| IBNER - Taxes | 9,575 | - | - | - | - | 9,575 | - | - |
| Acquistion expenses - Agency fees | (37,767) | - | - | - | - | (37,767) | - | - |
| Acquistion expenses - Agency fees - Taxes | 16,995 | - | - | - | - | 16,995 | - | - |
| Rural bonus of reinsurance provisions | 23,312 | - | - | - | - | 23,312 | - | - |
| Rural bonus of reinsurance provisions - Taxes | (4,446) | - | - | - | - | (4,446) | - | - |
| Rural bonus of reinsurance provisions - PIS/COFINS | (1,084) | - | - | - | - | (1,084) | - | - |
| Subvention of acquisition expenses | (11,282) | - | - | - | - | (11,282) | - | - |
| Subvention of acquisition expenses - Taxes | 2,256 | - | - | - | - | 2,256 | - | - |
| Settling the balance of claims | 10,584 | - | - | - | - | 10,584 | - | - |
| Settling the balance of claims - Taxes | (4,316) | - | - | - | - | (4,316) | - | - |
| Reversal of provisions for unearned premiums | - | - | 44,490 | - | - | - | 44,490 | - |
| Reversal of provisions for unearned premiums - Acquisiton cost reversal | - | - | (14,918) | - | - | - | (14,918) | - |
| Reversal of provisions for unearned premiums - PIS/COFINS | - | - | (2,069) | - | - | - | (2,069) | - |
| Reversal of provisions for unearned premiums - Taxes | - | - | (11,001) | - | - | - | (11,001) | - |
| **Net income** | **153,486** | **400,444** | **354,143** | **130.7** | **(11.6)** | **1,524,074** | **1,448,673** | **(4.9)** |

Table 19 – Brasilseg | Managerial adjustments statement

| | Quarterly Flow | | | Annual Flow | | |
|---|---|---|---|---|---|---|
| R$ thousand | 4Q19 | Adjustments | 4Q19 adjusted | 2019 | Adjustments | 2019 adjusted |
| **Premiums written** | **2,260,961** | **-** | **2,260,961** | **9,046,331** | **-** | **9,046,331** |
| Premiums ceded reinsurance | (258,222) | - | (258,222) | (1,104,382) | - | (1,104,382) |
| **Retained premiums** | **2,002,739** | **-** | **2,002,739** | **7,941,948** | **-** | **7,941,948** |
| Changes in technical reserves - premiums | (88,262) | (44,490) | (132,752) | (900,899) | (44,490) | (945,389) |
| **Retained earned premiums** | **1,914,477** | **(44,490)** | **1,869,987** | **7,041,049** | **(44,490)** | **6,996,559** |
| Retained claims | (445,529) | - | (445,529) | (2,028,596) | - | (2,028,596) |
| Retained acquisition costs | (721,036) | 14,918 | (706,118) | (2,326,101) | 14,918 | (2,311,183) |
| Revenue of policies issuance | 2,031 | - | 2,031 | 14,192 | - | 14,192 |
| **Underwriting result** | **749,943** | **(29,572)** | **720,371** | **2,700,543** | **(29,572)** | **2,670,971** |
| Administrative expenses | (126,206) | - | (126,206) | (435,970) | - | (435,970) |
| Tax expenses | (74,889) | 2,069 | (72,820) | (258,026) | 2,069 | (255,958) |
| Other operating income (expenses) | (79,908) | - | (79,908) | (290,517) | - | (290,517) |
| Equity income | 564 | - | 564 | 890 | - | 890 |
| Gains or losses on non-current assets | (5,687) | - | (5,687) | (5,743) | - | (5,743) |
| **Non-interest operating result** | **463,816** | **(27,504)** | **436,313** | **1,711,177** | **(27,504)** | **1,683,674** |
| **Net investment income** | **64,100** | **-** | **64,100** | **356,859** | **-** | **356,859** |
| Financial income | 112,581 | - | 112,581 | 542,538 | - | 542,538 |
| Financial expenses | (48,482) | - | (48,482) | (185,679) | - | (185,679) |
| **Earnings before taxes and profit sharing** | **527,916** | **(27,504)** | **500,413** | **2,068,037** | **(27,504)** | **2,040,534** |
| Taxes | (167,470) | 11,001 | (156,468) | (599,043) | 11,002 | (588,042) |
| Profit sharing | (6,303) | - | (6,303) | (20,321) | - | (20,321) |
| **Net income** | **354,143** | **(16,502)** | **337,641** | **1,448,673** | **(16,502)** | **1,432,171** |

Table 20 – Brasilseg | Proforma managerial income statement[1,2]

| | Quarterly Flow | | | Chg. % | | Annual Flow | | Chg. % |
|---|---|---|---|---|---|---|---|---|
| R$ thousand | 4Q18 | 3Q19 | 4Q19 | On 4Q18 | On 3Q19 | 2018 | 2019 | On 2018 |
| **Premiums written** | **2,162,189** | **2,412,371** | **2,260,961** | **4.6** | **(6.3)** | **8,009,420** | **9,046,331** | **12.9** |
| Premiums ceded to reinsurance | (249,042) | (338,283) | (258,222) | 3.7 | (23.7) | (1,133,219) | (1,104,382) | (2.5) |
| **Retained premiums** | **1,913,147** | **2,074,088** | **2,002,739** | **4.7** | **(3.4)** | **6,876,202** | **7,941,948** | **15.5** |
| Changes in technical reserves - premiums | (279,791) | (309,444) | (132,752) | (52.6) | (57.1) | (547,177) | (945,389) | 72.8 |
| **Retained earned premiums** | **1,633,356** | **1,764,643** | **1,869,987** | **14.5** | **6.0** | **6,329,025** | **6,996,559** | **10.5** |
| Retained claims | (519,695) | (504,790) | (445,529) | (14.3) | (11.7) | (1,944,769) | (2,028,596) | 4.3 |
| Retained acquisition costs | (703,015) | (547,451) | (706,118) | 0.4 | 29.0 | (2,043,384) | (2,311,183) | 13.1 |
| Revenue of policies issuance | 1,972 | 3,254 | 2,031 | 3.0 | (37.6) | 13,102 | 14,192 | 8.3 |
| **Underwriting result** | **412,619** | **715,655** | **720,371** | **74.6** | **0.7** | **2,353,975** | **2,670,971** | **13.5** |
| Administrative expenses | (141,772) | (105,982) | (126,206) | (11.0) | 19.1 | (422,765) | (435,970) | 3.1 |
| Tax expenses | (64,857) | (66,825) | (72,820) | 12.3 | 9.0 | (250,569) | (255,958) | 2.2 |
| Other operating income (expenses) | (107,146) | (65,616) | (79,908) | (25.4) | 21.8 | (287,910) | (290,517) | 0.9 |
| Equity income | - | 268 | 564 | - | 110.6 | 66 | 890 | 1,244.7 |
| Gains or losses on non-current assets | (3,866) | (17) | (5,687) | 47.1 | 33,838.7 | 3,924 | (5,743) | - |
| **Non-interest operating result** | **94,978** | **477,483** | **436,313** | **359.4** | **(8.6)** | **1,396,721** | **1,683,674** | **20.5** |
| **Net investment income** | **147,782** | **69,368** | **64,100** | **(56.6)** | **(7.6)** | **453,188** | **356,859** | **(21.3)** |
| Financial income | 121,424 | 124,132 | 112,581 | (7.3) | (9.3) | 511,434 | 542,538 | 6.1 |
| Financial expenses | 26,358 | (54,764) | (48,482) | - | (11.5) | (58,246) | (185,679) | 218.8 |
| **Earnings before taxes and profit sharing** | **242,760** | **546,851** | **500,413** | **106.1** | **(8.5)** | **1,849,909** | **2,040,534** | **10.3** |
| Taxes | (66,058) | (140,601) | (156,468) | 136.9 | 11.3 | (633,460) | (588,042) | (7.2) |
| Profit sharing | (4,277) | (5,807) | (6,303) | 47.4 | 8.6 | (13,623) | (20,321) | 49.2 |
| **Adjusted net income** | **172,424** | **400,444** | **337,641** | **95.8** | **(15.7)** | **1,202,826** | **1,432,171** | **19.1** |

1 Simulation of the structure after the reorganization for the 2018 periods.

2 The retained acquisition costs is the result of the reallocation of revenues with reinsurance commissions, previously recorded in premiums ceded to reinsurance, to the former acquisition costs line.

## ADJUSTED NET INCOME

Figure 25 – Brasilseg | Adjusted net income and ROAA

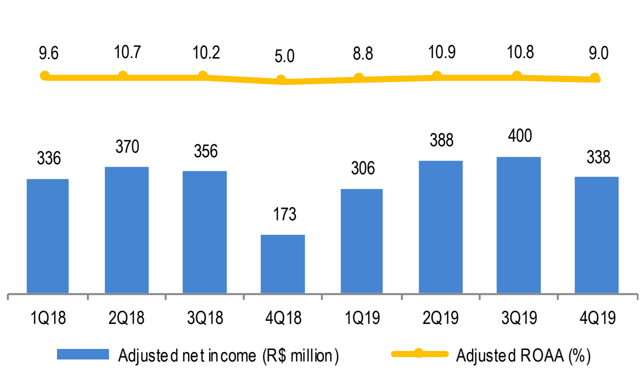
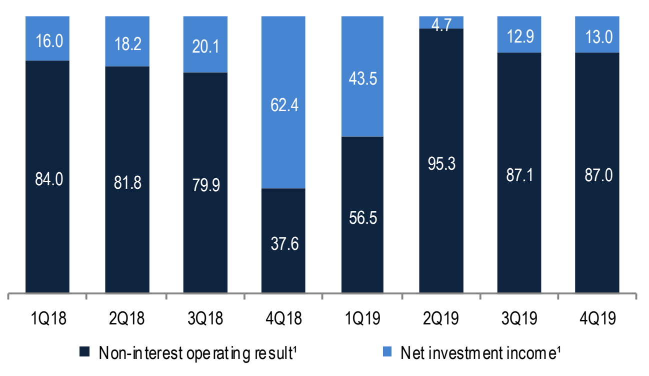



Figure 26 – Brasilseg | Adjusted net income breakdown (%)




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

Table 21 – Brasilseg | Managerial performance ratios[1]

| | Quarterly Flow | | | Chg. (p.p.) | | Annual Flow | | Chg. (p.p.) |
|---|---|---|---|---|---|---|---|---|
| % | 4Q18 | 3Q19 | 4Q19 | On 4Q18 | On 3Q19 | 2018 | 2019 | On 2018 |
| **Performance ratios** | | | | | | | | |
| Loss ratio | 32.9 | 28.6 | 23.8 | (9.1) | (4.8) | 32.8 | 29.0 | (3.8) |
| Commission ratio | 41.9 | 31.0 | 37.8 | (4.2) | 6.7 | 30.5 | 33.0 | 2.5 |
| G&A ratio | 19.4 | 13.5 | 14.9 | (4.5) | 1.4 | 15.0 | 14.0 | (1.0) |
| Combined ratio | 94.1 | 73.0 | 76.4 | (17.7) | 3.4 | 78.2 | 75.9 | (2.3) |
| **Other ratios** | | | | | | | | |
| Expanded combined ratio | 86.5 | 70.2 | 73.9 | (12.7) | 3.7 | 73.2 | 72.2 | (1.0) |
| Income tax rate | 27.3 | 25.7 | 31.3 | 3.9 | 5.6 | 34.2 | 28.8 | (5.4) |
| Adjusted ROAA | 5.0 | 10.8 | 9.0 | 4.1 | (1.8) | 8.9 | 10.0 | 1.1 |

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

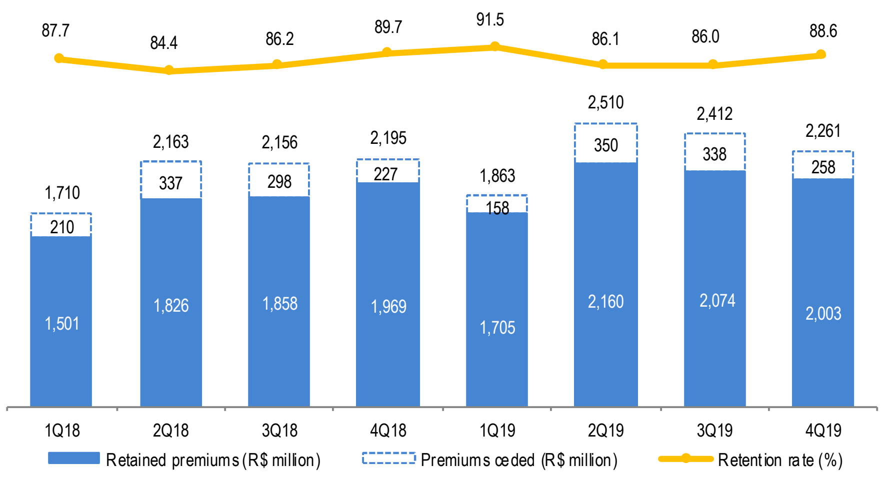
Table 22 – Brasilseg | Proforma managerial performance ratios[1]

| | Quarterly Flow | | | Chg. (p.p.) | | Annual Flow | | Chg. (p.p.) |
|---|---|---|---|---|---|---|---|---|
| % | 4Q18 | 3Q19 | 4Q19 | On 4Q18 | On 3Q19 | 2018 | 2019 | On 2018 |
| **Performance ratios** | | | | | | | | |
| Loss ratio | 31.8 | 28.6 | 23.8 | (8.0) | (4.8) | 30.7 | 29.0 | (1.7) |
| Commission ratio | 43.0 | 31.0 | 37.8 | (5.3) | 6.7 | 32.3 | 33.0 | 0.7 |
| G&A ratio | 19.2 | 13.5 | 14.9 | (4.3) | 1.4 | 15.2 | 14.0 | (1.1) |
| Combined ratio | 93.9 | 73.0 | 76.4 | (17.6) | 3.4 | 78.0 | 75.9 | (2.1) |
| **Other ratios** | | | | | | | | |
| Expanded combined ratio | 86.2 | 70.2 | 73.9 | (12.3) | 3.7 | 72.8 | 72.2 | (0.6) |
| Income tax rate | 27.2 | 25.7 | 31.3 | 4.1 | 5.6 | 34.2 | 28.8 | (5.4) |
| Adjusted ROAA | 5.2 | 10.8 | 9.0 | 3.9 | (1.8) | 9.0 | 10.0 | 1.0 |

[1] Simulation of the structure after the reorganization for 2018 periods.

## PREMIUMS WRITTEN

Figure 27 – Brasilseg | Premiums written




### QUARTERLY ANALYSIS

In the 4Q19, premiums written increased 3.0% YoY. On a proforma basis, premiums written were up 4.6% YoY, supported by term life insurance (+11.0%) and rural (+15.0%), which was boosted by crop insurance and credit life for farmers.

It is worth noting that the 7.1% reduction when comparing the reported figures for term life insurance, is explained by the transfer of the portfolio distributed through independent brokers to MAPFRE within the JV restructuring, which was concluded in November 2018.

### YEAR-TO-DATE ANALYSIS

In 2019, premiums written grew 10.0%, supported by credit life and rural insurance. On a proforma basis, premiums written rose 12.9%, also supported by the aforementioned products along with term life insurance.

Table 23 – Brasilseg | Breakdown of premiums written

| R$ thousand | Quarterly Flow 4Q18 | Quarterly Flow 3Q19 | Quarterly Flow 4Q19 | Chg. % On 4Q18 | Chg. % On 3Q19 | Annual Flow 2018 | Annual Flow 2019 | Chg. % On 2018 |
|---|---|---|---|---|---|---|---|---|
| Life | 851,750 | 734,553 | 791,205 | (7.1) | 7.7 | 3,435,862 | 2,853,496 | (16.9) |
| Credit Life | 448,499 | 550,517 | 394,836 | (12.0) | (28.3) | 1,464,976 | 2,111,009 | 44.1 |
| Mortgage Life | 70,912 | 72,233 | 74,772 | 5.4 | 3.5 | 269,808 | 288,133 | 6.8 |
| Rural | 753,109 | 904,398 | 865,910 | 15.0 | (4.3) | 2,880,080 | 3,210,919 | 11.5 |
| Crop | 241,784 | 393,803 | 308,371 | 27.5 | (21.7) | 1,148,393 | 1,295,604 | 12.8 |
| Rural lien | 230,625 | 218,536 | 229,993 | (0.3) | 5.2 | 742,053 | 818,552 | 10.3 |
| Credit life for farmers | 273,385 | 288,664 | 316,634 | 15.8 | 9.7 | 973,898 | 1,074,345 | 10.3 |
| Others | 7,315 | 3,394 | 10,912 | 49.2 | 221.5 | 15,736 | 22,418 | 42.5 |
| Home | 17,320 | 65,419 | 55,885 | 222.7 | (14.6) | 17,320 | 238,702 | 1,278.2 |
| Commercial lines | 23,025 | 73,959 | 68,610 | 198.0 | (7.2) | 23,025 | 283,507 | 1,131.3 |
| Large risks | 14,219 | 823 | 1,814 | (87.2) | 120.3 | 14,219 | 6,719 | (52.7) |
| DPVAT | 16,319 | 9,653 | 7,429 | (54.5) | (23.0) | 115,620 | 51,513 | (55.4) |
| Other | 243 | 816 | 499 | 105.6 | (38.8) | 3,367 | 2,335 | (30.6) |
| **Total** | **2,195,397** | **2,412,371** | **2,260,961** | **3.0** | **(6.3)** | **8,224,276** | **9,046,331** | **10.0** |

Table 24 – Brasilseg | Breakdown of retained premiums

| R$ thousand | Quarterly Flow 4Q18 | Quarterly Flow 3Q19 | Quarterly Flow 4Q19 | Chg. % On 4Q18 | Chg. % On 3Q19 | Annual Flow 2018 | Annual Flow 2019 | Chg. % On 2018 |
|---|---|---|---|---|---|---|---|---|
| Life | 843,880 | 732,409 | 791,087 | (6.3) | 8.0 | 3,410,941 | 2,848,729 | (16.5) |
| Credit Life | 450,067 | 550,196 | 394,876 | (12.3) | (28.2) | 1,471,920 | 2,109,074 | 43.3 |
| Mortgage Life | 71,101 | 71,816 | 74,899 | 5.3 | 4.3 | 267,564 | 286,645 | 7.1 |
| Rural | 545,892 | 570,552 | 608,568 | 11.5 | 6.7 | 1,842,288 | 2,122,474 | 15.2 |
| Crop | 36,664 | 65,533 | 52,028 | 41.9 | (20.6) | 188,164 | 223,082 | 18.6 |
| Rural lien | 230,911 | 215,050 | 231,405 | 0.2 | 7.6 | 670,387 | 815,059 | 21.6 |
| Credit life for farmers | 272,868 | 287,894 | 316,670 | 16.1 | 10.0 | 973,379 | 1,068,141 | 9.7 |
| Others | 5,448 | 2,075 | 8,466 | 55.4 | 308.0 | 10,359 | 16,192 | 56.3 |
| Home | 17,320 | 64,245 | 55,851 | 222.5 | (13.1) | 17,320 | 236,710 | 1,266.7 |
| Commercial lines | 20,302 | 73,831 | 68,658 | 238.2 | (7.0) | 20,302 | 281,061 | 1,284.4 |
| Large risks | 3,478 | 569 | 872 | (74.9) | 53.3 | 3,478 | 3,408 | (2.0) |
| DPVAT | 16,319 | 9,653 | 7,429 | (54.5) | (23.0) | 115,620 | 51,513 | (55.4) |
| Other | 243 | 816 | 499 | 105.7 | (38.8) | 3,344 | 2,335 | (30.2) |
| **Total** | **1,968,601** | **2,074,088** | **2,002,739** | **1.7** | **(3.4)** | **7,152,776** | **7,941,949** | **11.0** |

Figure 28 – Brasilseg | Breakdown of premiums written (%)

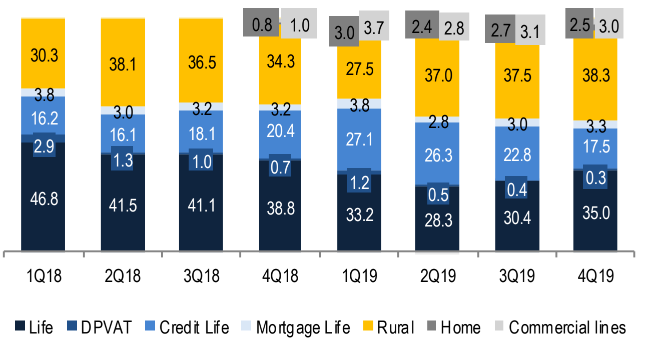



Figure 29 – Brasilseg | Breakdown of retained premiums (%)

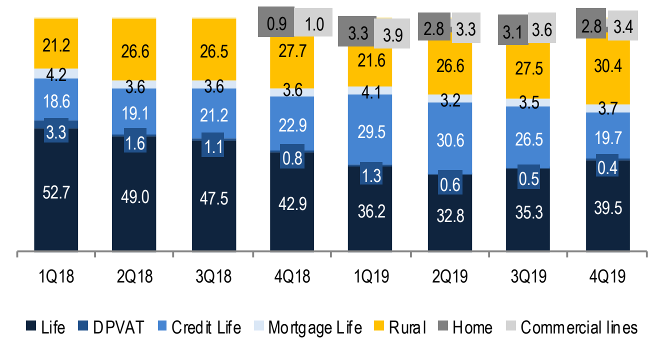


Figure 30 – Brasilseg | Premiums written proforma

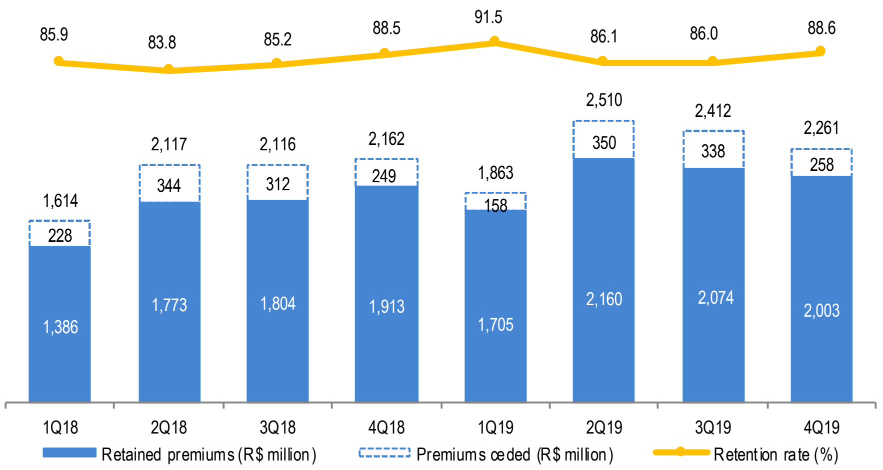



Table 25 – Brasilseg | Proforma breakdown of premiums written[1]

| | Quarterly Flow | | | Chg. % | | Annual Flow | | Chg. % |
|---|---|---|---|---|---|---|---|---|
| **R$ thousand** | **4Q18** | **3Q19** | **4Q19** | **On 4Q18** | **On 3Q19** | **2018** | **2019** | **On 2018** |
| Life | 713,014 | 734,553 | 791,205 | 11.0 | 7.7 | 2,668,371 | 2,853,496 | 6.9 |
| Credit Life | 448,322 | 550,517 | 394,836 | (11.9) | (28.3) | 1,463,920 | 2,111,009 | 44.2 |
| Mortgage Life | 70,912 | 72,233 | 74,772 | 5.4 | 3.5 | 269,808 | 288,133 | 6.8 |
| Rural | 753,109 | 904,398 | 865,910 | 15.0 | (4.3) | 2,880,080 | 3,210,919 | 11.5 |
| Crop | 241,784 | 393,803 | 308,371 | 27.5 | (21.7) | 1,148,393 | 1,295,604 | 12.8 |
| Rural lien | 230,625 | 218,536 | 229,993 | (0.3) | 5.2 | 742,053 | 818,552 | 10.3 |
| Credit life for farmers | 273,385 | 288,664 | 316,634 | 15.8 | 9.7 | 973,898 | 1,074,345 | 10.3 |
| Others | 7,315 | 3,394 | 10,912 | 49.2 | 221.5 | 15,736 | 22,418 | 42.5 |
| Home | 47,031 | 65,419 | 55,885 | 18.8 | (14.6) | 234,628 | 238,702 | 1.7 |
| Commercial lines | 73,788 | 73,959 | 68,610 | (7.0) | (7.2) | 302,278 | 283,507 | (6.2) |
| Large risks | 39,783 | 823 | 1,814 | (95.4) | 120.3 | 76,548 | 6,719 | (91.2) |
| DPVAT | 15,986 | 9,653 | 7,429 | (53.5) | (23.0) | 112,912 | 51,513 | (54.4) |
| Other | 243 | 816 | 499 | 105.7 | (38.8) | 875 | 2,335 | 167.0 |
| **Total** | **2,162,189** | **2,412,371** | **2,260,961** | **4.6** | **(6.3)** | **8,009,420** | **9,046,331** | **12.9** |

[1] Simulation of the structure after the reorganization for 2018 periods.

Table 26 – Brasilseg | Proforma breakdown of retained premiums[1]

| | Quarterly Flow | | | Chg. % | | Annual Flow | | Chg. % |
|---|---|---|---|---|---|---|---|---|
| **R$ thousand** | **4Q18** | **3Q19** | **4Q19** | **On 4Q18** | **On 3Q19** | **2018** | **2019** | **On 2018** |
| Life | 710,268 | 732,409 | 791,087 | 11.4 | 8.0 | 2,657,550 | 2,848,729 | 7.2 |
| Credit Life | 447,646 | 550,196 | 394,876 | (11.8) | (28.2) | 1,463,057 | 2,109,074 | 44.2 |
| Mortgage Life | 71,101 | 71,816 | 74,899 | 5.3 | 4.3 | 267,564 | 286,645 | 7.1 |
| Rural | 545,892 | 570,552 | 608,568 | 11.5 | 6.7 | 1,842,288 | 2,122,474 | 15.2 |
| Crop | 36,664 | 65,533 | 52,028 | 41.9 | (20.6) | 188,164 | 223,082 | 18.6 |
| Rural lien | 230,911 | 215,050 | 231,405 | 0.2 | 7.6 | 670,387 | 815,059 | 21.6 |
| Credit life for farmers | 272,868 | 287,894 | 316,670 | 16.1 | 10.0 | 973,379 | 1,068,141 | 9.7 |
| Others | 5,448 | 2,075 | 8,466 | 55.4 | 308.0 | 10,359 | 16,192 | 56.3 |
| Home | 47,031 | 64,245 | 55,851 | 18.8 | (13.1) | 234,629 | 236,710 | 0.9 |
| Commercial lines | 66,862 | 73,831 | 68,658 | 2.7 | (7.0) | 276,680 | 281,061 | 1.6 |
| Large risks | 8,119 | 569 | 872 | (89.3) | 53.3 | 20,647 | 3,408 | (83.5) |
| DPVAT | 15,986 | 9,653 | 7,429 | (53.5) | (23.0) | 112,912 | 51,513 | (54.4) |
| Other | 243 | 816 | 499 | 105.7 | (38.8) | 875 | 2,335 | 166.9 |
| **Total** | **1,913,147** | **2,074,088** | **2,002,739** | **4.7** | **(3.4)** | **6,876,202** | **7,941,948** | **15.5** |

[1] Simulation of the structure after the reorganization for 2018 periods.

## CHANGES IN TECHNICAL RESERVES - PREMIUMS

Table 27 – Brasilseg | Changes in technical reserves – premiums

| | Quarterly Flow | | | Chg. % | | Annual Flow | | Chg. % |
|---|---|---|---|---|---|---|---|---|
| **R$ thousand** | **4Q18** | **3Q19** | **4Q19** | **On 4Q18** | **On 3Q19** | **2018** | **2019** | **On 2018** |
| Provision for unearned premiums | (240,972) | (377,074) | (121,404) | (49.6) | (67.8) | (546,876) | (944,467) | 72.7 |
| Provision for benefits to be granted (except VGBL and VRGP) | (7,262) | (277) | (281) | (96.1) | 1.3 | (7,262) | 901 | - |
| Provision for administrative expenses - DPVAT | 618 | (350) | 2,506 | 305.5 | - | (703) | (2,684) | 281.8 |
| Provision for technical surplus | 3,479 | (1,328) | (1,142) | - | (14.1) | (402) | (4,422) | 1,000.3 |
| Complementary provisions of contributions | (6,750) | - | 547 | - | - | (24,897) | (9,144) | (63.3) |
| **Change in technical reserves - premiums** | **(250,887)** | **(379,030)** | **(119,773)** | **(52.3)** | **(68.4)** | **(580,140)** | **(959,816)** | **65.4** |

Table 28 – Brasilseg | Breakdown of retained earned premiums

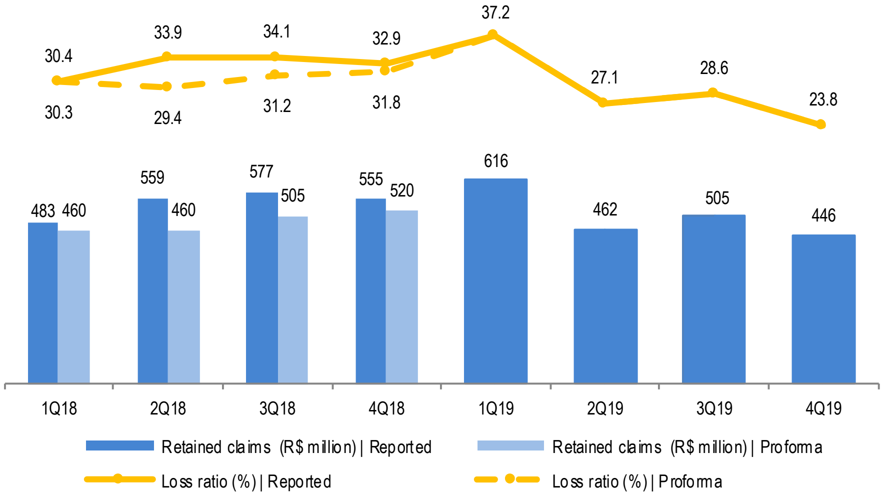
| | Quarterly Flow | | | Chg. % | | Annual Flow | | Chg. % |
|---|---|---|---|---|---|---|---|---|
| R$ thousand | 4Q18 | 3Q19 | 4Q19 | On 4Q18 | On 3Q19 | 2018 | 2019 | On 2018 |
| Life | 766,583 | 685,060 | 701,109 | (8.5) | 2.3 | 3,267,781 | 2,730,151 | (16.5) |
| Credit Life | 302,264 | 344,626 | 442,070 | 46.3 | 28.3 | 1,184,480 | 1,410,642 | 19.1 |
| Mortgage Life | 67,365 | 72,948 | 74,305 | 10.3 | 1.9 | 262,622 | 288,649 | 9.9 |
| Rural | 484,118 | 522,918 | 516,413 | 6.7 | (1.2) | 1,742,023 | 1,993,402 | 14.4 |
| Crop | 80,947 | 52,561 | 55,130 | (31.9) | 4.9 | 236,258 | 206,629 | (12.5) |
| Rural lien | 165,324 | 204,822 | 197,026 | 19.2 | (3.8) | 597,730 | 774,032 | 29.5 |
| Credit life for farmers | 235,096 | 262,680 | 259,751 | 10.5 | (1.1) | 897,966 | 999,100 | 11.3 |
| Others | 2,752 | 2,855 | 4,507 | 63.8 | 57.9 | 10,070 | 13,641 | 35.5 |
| Home | 19,972 | 57,155 | 57,927 | 190.0 | 1.3 | 19,972 | 228,602 | 1,044.6 |
| Commercial lines | 23,221 | 68,566 | 66,302 | 185.5 | (3.3) | 23,221 | 280,842 | 1,109.5 |
| Large risks | 3,092 | 3,215 | 1,432 | (53.7) | (55.5) | 3,092 | 13,271 | 329.3 |
| DPVAT | 16,937 | 9,303 | 9,935 | (41.3) | 6.8 | 114,917 | 48,829 | (57.5) |
| Other | 196 | 852 | 493 | 151.1 | (42.1) | 3,347 | 2,171 | (35.2) |
| **Total** | **1,683,747** | **1,764,643** | **1,869,987** | **11.1** | **6.0** | **6,621,454** | **6,996,559** | **5.7** |

Table 29 – Brasilseg | Proforma breakdown of retained earned premiums[1]

| | Quarterly Flow | | | Chg. % | | Annual Flow | | Chg. % |
|---|---|---|---|---|---|---|---|---|
| R$ thousand | 4Q18 | 3Q19 | 4Q19 | On 4Q18 | On 3Q19 | 2018 | 2019 | On 2018 |
| Life | 627,287 | 685,060 | 701,109 | 11.8 | 2.3 | 2,520,976 | 2,730,151 | 8.3 |
| Credit Life | 299,563 | 344,626 | 442,070 | 47.6 | 28.3 | 1,173,938 | 1,410,642 | 20.2 |
| Mortgage Life | 67,365 | 72,948 | 74,305 | 10.3 | 1.9 | 262,622 | 288,649 | 9.9 |
| Rural | 484,118 | 522,918 | 516,413 | 6.7 | (1.2) | 1,742,023 | 1,993,402 | 14.4 |
| Crop | 80,947 | 52,561 | 55,130 | (31.9) | 4.9 | 236,258 | 206,629 | (12.5) |
| Rural lien | 165,324 | 204,822 | 197,026 | 19.2 | (3.8) | 597,730 | 774,032 | 29.5 |
| Credit life for farmers | 235,096 | 262,680 | 259,751 | 10.5 | (1.1) | 897,966 | 999,100 | 11.3 |
| Others | 2,752 | 2,855 | 4,507 | 63.8 | 57.9 | 10,070 | 13,641 | 35.5 |
| Home | 58,028 | 57,155 | 57,927 | (0.2) | 1.3 | 210,307 | 228,602 | 8.7 |
| Commercial lines | 72,816 | 68,566 | 66,302 | (8.9) | (3.3) | 279,672 | 280,842 | 0.4 |
| Large risks | 7,403 | 3,215 | 1,432 | (80.7) | (55.5) | 26,455 | 13,271 | (49.8) |
| DPVAT | 16,580 | 9,303 | 9,935 | (40.1) | 6.8 | 112,194 | 48,829 | (56.5) |
| Other | 196 | 852 | 493 | 151.1 | (42.1) | 838 | 2,171 | 159.2 |
| **Total** | **1,633,356** | **1,764,643** | **1,869,987** | **14.5** | **6.0** | **6,329,025** | **6,996,559** | **10.5** |

[1] Simulation of the structure after the reorganization for 2018 periods.

Figure 31 – Brasilseg | Retained claims




### QUARTERLY ANALYSIS

In the 4Q19, the loss ratio improved by 9.1 p.p. YoY, mostly driven by lower claims in term life, credit life and rural insurance.

Comparing apples to apples, considering the proforma figures for Brasilseg, the loss ratio fell 8.0 p.p. YoY, explained by:

(i) **term life (-13.0 p.p.):** helped by the reversal of R$11.0 million in IBNER provision, resulting from the reconciliation of the outstanding balances with the leading coinsurer of a group life insurance policy. On the other hand, in the 4Q18 the loss ratio was negatively impacted by R$23.4 million in additional expenses with legal claims and R$17.3 million as an additional expense to reconcile the outstanding balance of pending claims to be paid to coinsurer, both related to a group life insurance policy. Setting apart these effects in both quarters, the loss ratio would have dropped by 5.0 p.p., justified by a lower frequency of claims reported;

(ii) **credit life (-7.7 p.p.):** explained by the lower frequency of claims reported along with the reversal of excess provisions for unearned premiums, after the reconciliation of operations endorsed in 2019, amounting to R$76.6 million. Setting apart this reversal, the loss ratio would have dropped by 3.4 p.p.; and

(iii) **rural (-2.6 p.p.):** considering that the loss ratio in the 4Q18 was impacted by a higher frequency in crop insurance and rural lien claims, due to adverse weather conditions which affected the wheat and soybean crops, along with damages to machines at the end of the winter harvest. Such events did not repeat with the same severity in the 4Q19.

The aforementioned effects were partially offset by the increase in the loss ratio for mortgage life (+7.8%), driven by the increase in high-severity claims in 4Q19.

### YEAR-TO-DATE ANALYSIS

In 2019, the loss ratio dropped by 3.8 p.p., while considering the proforma analysis, the loss ratio fell 1.7 p.p., mostly explained by:

(i) the improvement in term life insurance, due to a lower frequency of high-severity claims in the 3Q19, along with the effects which impacted both the 4Q19 and the 4Q18, as detailed in the quarterly analysis; and

(ii) the lower loss ratio for credit life insurance, explained by the reversal of provisions related to claims processing that resulted on payment rejection.

On the other hand, the aforementioned events were partially offset by:

(i) the worsening of the rural loss ratio, due to a higher frequency of reported claims in the 1Q19, as a consequence of weather events which broadly impacted the regions of the country, as a result of the El Niño phenomenon, along with damages to machinery; and

(ii) the higher volatility in the loss ratio of commercial lines, a segment with low premium volumes and, therefore, high sensibility to changes in the frequency/severity of claims.

Figure 32 – Life Insurance | Loss ratio (%)

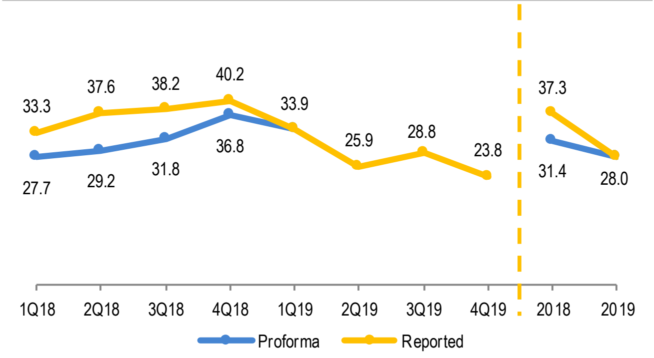



Figure 33 – Credit life insurance | Loss ratio (%)

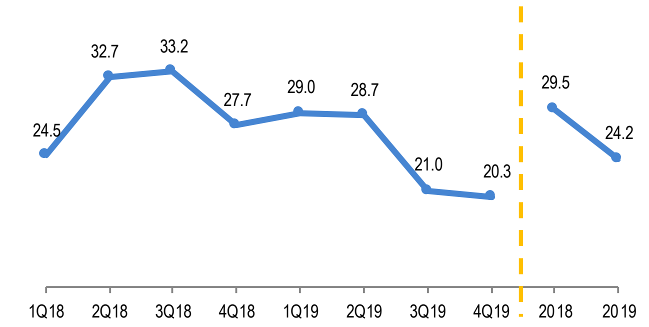



Figure 34 – Mortgage life | Loss ratio (%)

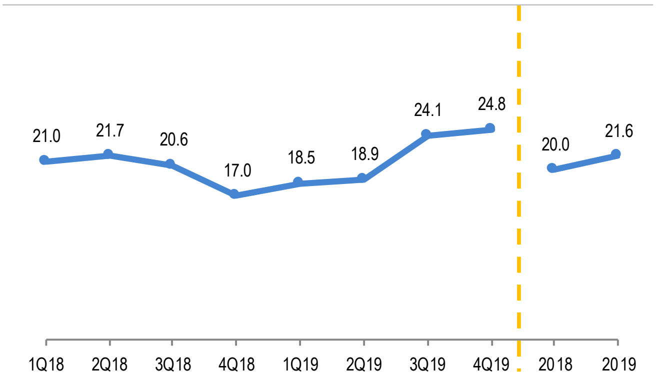



Figure 35 – Home insurance | Loss ratio (%)

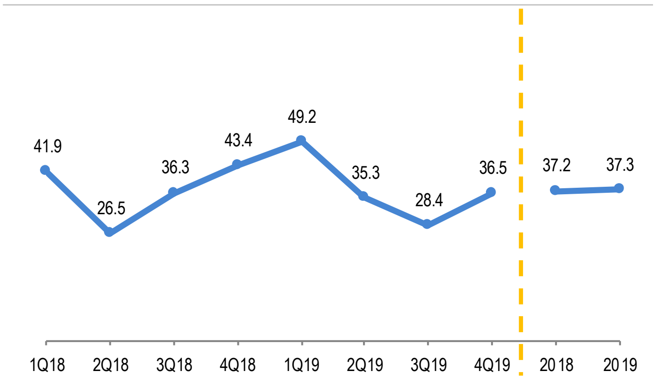



Figure 36 – Commercial lines insurance | Loss ratio (%)

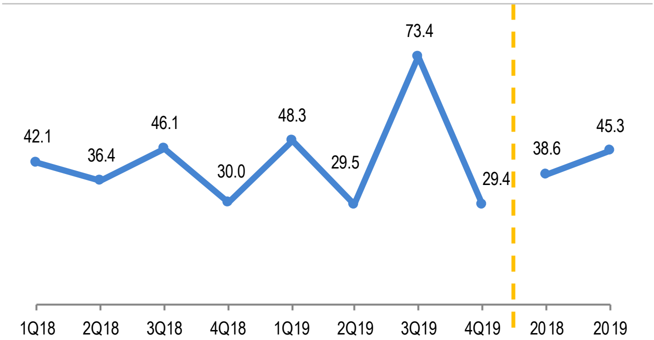



Figure 37 – Rural | Loss ratio (%)

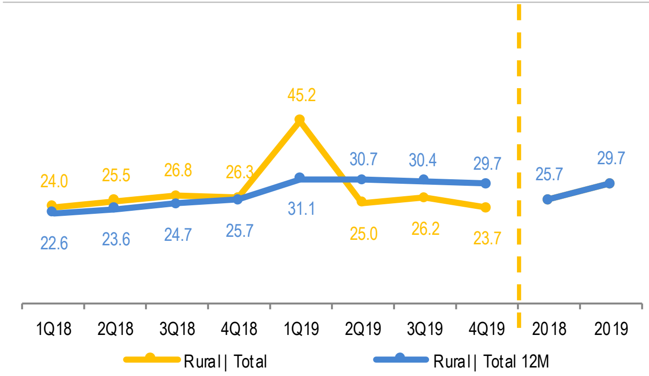



Figure 38 – Crop insurance | Loss ratio (%)

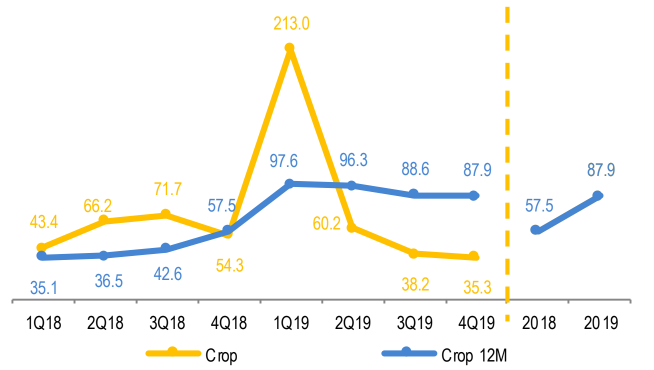



Figure 39 – Credit life for farmers and rural lien insurance | Loss ratio (%)

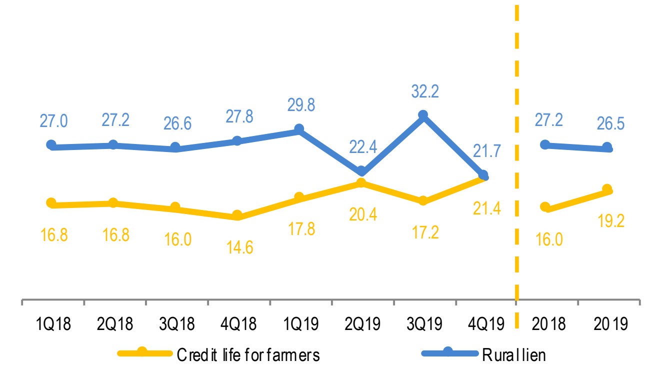
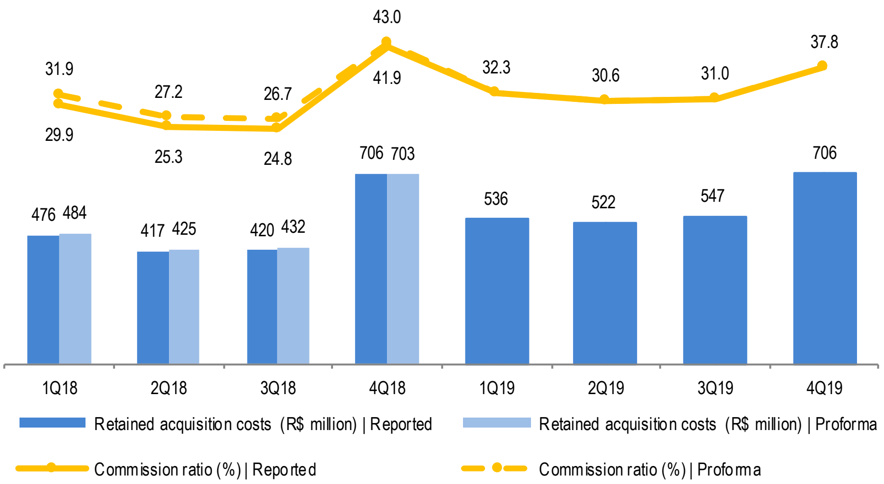


Table 30 – Brasilseg | Breakdown of retained claims

| | Quarterly Flow | | | Chg. % | | Annual Flow | | Chg. % |
|---|---|---|---|---|---|---|---|---|
| **R$ thousand** | **4Q18** | **3Q19** | **4Q19** | **On 4Q18** | **On 3Q19** | **2018** | **2019** | **On 2018** |
| **Incurred claims** | **(794,014)** | **(619,603)** | **(551,078)** | **(30.6)** | **(11.1)** | **(2,860,697)** | **(3,113,955)** | **8.9** |
| Expenses with claims | (784,858) | (598,534) | (561,793) | (28.4) | (6.1) | (2,927,892) | (3,052,540) | 4.3 |
| Changes in provisions for claims IBNR and IBNER | (16,880) | (16,255) | 8,706 | - | - | (55,819) | (50,391) | (9.7) |
| Recovery of claims - Coinsurance and reinsurance | 255,605 | 117,730 | 106,083 | (58.5) | (9.9) | 840,057 | 1,092,584 | 30.1 |
| Salvage and Reimbursements | 4,443 | 7,463 | 17,533 | 294.6 | 134.9 | 7,328 | 41,736 | 469.5 |
| Assistance services | (12,830) | (14,610) | (15,640) | 21.9 | 7.1 | (37,166) | (59,114) | 59.1 |
| Other | (235) | (586) | (418) | 77.9 | (28.6) | (256) | (871) | 239.9 |
| **Retained claims** | **(554,756)** | **(504,790)** | **(445,529)** | **(19.7)** | **(11.7)** | **(2,173,748)** | **(2,028,596)** | **(6.7)** |

Figure 40 – Brasilseg | Retained acquisition costs




### QUARTERLY ANALYSIS

In the 4Q19, the commission ratio fell 4.2 p.p. YoY. It is worth mentioning that the quarters are not directly comparable, since the cumulated performance bonus to be paid to BB Corretora related to the period from April to December 2018, for outperforming commercial targets of credit life and credit life for farmers, was fully booked in the 4Q18, when the reorganization of the partnership with MAPFRE was concluded, and amounted to R$276.1 million. On the other hand, the performance bonus recorded in the 4Q19, which amounts to R$174.0 million, refers only to the sales occurred within the quarter.

Assuming a linear distribution of the performance bonus between the 2Q18 and the 4Q18, the commission ratio in the 4Q19 would have increased by 6.8 p.p. YoY, justified by:

(i) the new product mix after the reorganization of the partnership with MAPFRE, since the portfolio absorbed by Brasilseg (home, commercial lines and large risks) pay higher commissions compared to the portfolio transferred to MAPFRE; and

(ii) the increase in the performance bonus related to the sales in the 4Q19, compared to the portion related to the 4Q18 adjusted by the linear distribution of the total amount.

### YEAR-TO-DATE ANALYSIS

In 2019, the commission ratio rose 2.5 p.p., impacted by:

(i) the new mix of products after the reorganization of the partnership with MAPFRE;

(ii) the recognition of the performance bonus amounting to R$446.5 million, which compares to an expense of R$357.1 million in 2018, which consists of the performance bonus between April and December and the temporary increase in commissions of some term life insurance products that was in force during the 1Q18; and

(iii) the recognition of expenses (R$17.2 million) in the 1Q19 related to the regularization of the balance in transitory accounts of commissions related to rural and credit life insurance.

The aforementioned effects were partially offset by the recognition of revenues amounting to R$104.9 million derived from reinsurance agreements with step-up commissions, related to rural and mortgage life.

Table 31 – Brasilseg | Retained acquisition costs

| | Quarterly Flow | | | Chg. % | | Annual Flow | | Chg. % |
|---|---|---|---|---|---|---|---|---|
| R$ thousand | 4Q18 | 3Q19 | 4Q19 | On 4Q18 | On 3Q19 | 2018 | 2019 | On 2018 |
| **Acquisition costs** | **(770,914)** | **(664,775)** | **(772,975)** | **0.3** | **16.3** | **(2,262,946)** | **(2,673,830)** | **18.2** |
| Commission charged on premiums written | (561,875) | (630,678) | (591,576) | 5.3 | (6.2) | (1,990,977) | (2,402,711) | 20.7 |
| Revenue with reinsurance commission | 65,115 | 117,323 | 66,856 | 2.7 | (43.0) | 243,606 | 362,647 | 48.9 |
| Agency commission | (10,335) | - | - | - | - | (17,269) | - | - |
| Commissions recovered - Coinsurance | 2,811 | (0) | 0 | (100.0) | - | 16,231 | (3) | - |
| Change in deferred acquisition costs | 122,430 | 117,239 | 34,566 | (71.8) | (70.5) | 191,771 | 365,373 | 90.5 |
| Other acquisition costs | (323,945) | (151,336) | (215,965) | (33.3) | 42.7 | (462,701) | (636,490) | 37.6 |
| **Retained acquisition costs** | **(705,800)** | **(547,451)** | **(706,118)** | **0.0** | **29.0** | **(2,019,340)** | **(2,311,183)** | **14.5** |

Figure 41 – Brasilseg | Breakdown of underwriting result by segment

4Q18 | 4Q19

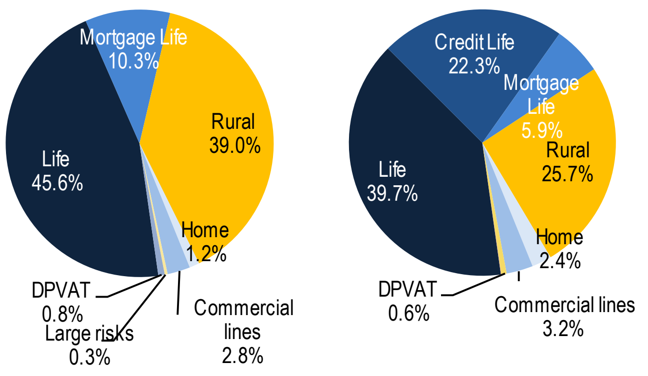



Figure 42 – Brasilseg | Breakdown of underwriting result by segment

2018 | 2019

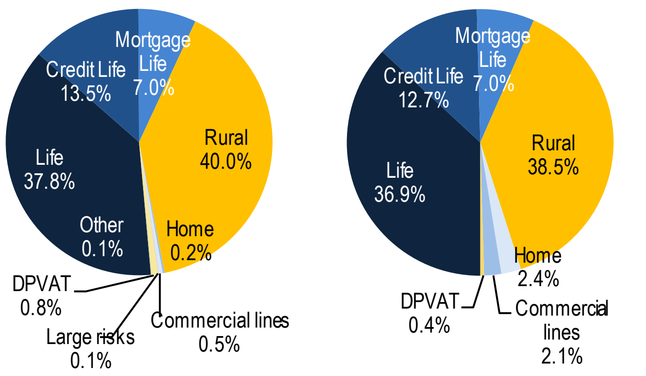



Figure 43 – Brasilseg | Proforma breakdown of underwriting result by segment[1]

4Q18 | 4Q19

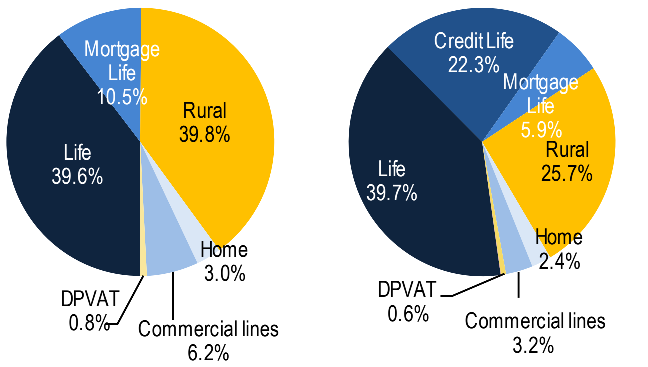
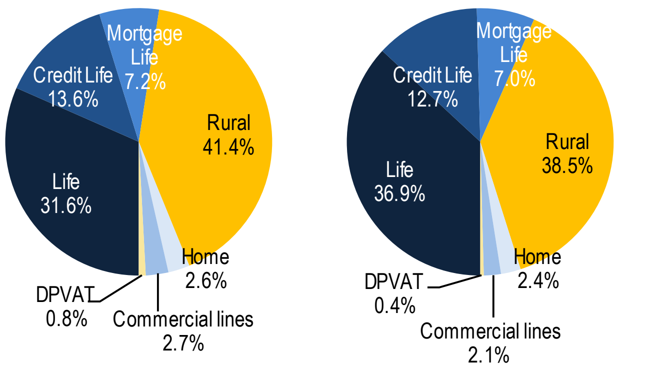



Figure 44 – Brasilseg | Proforma breakdown of underwriting result by segment [1]

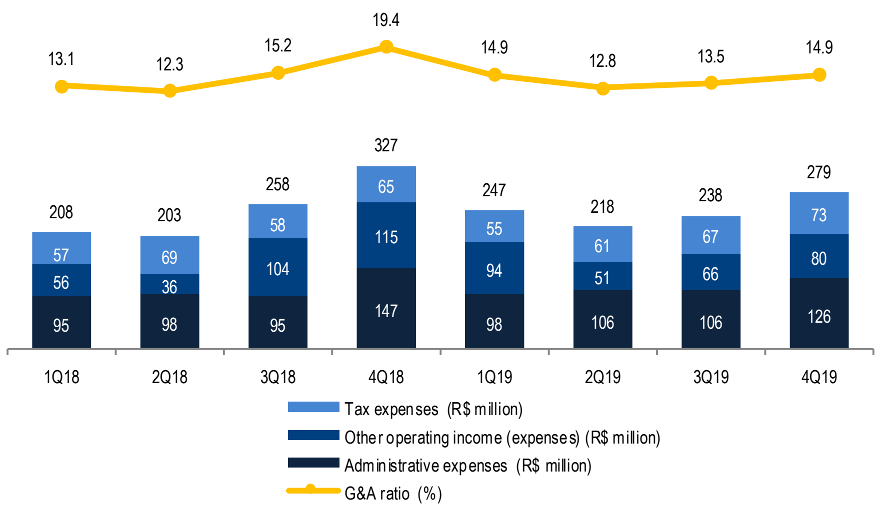
2018 | 2019




[1] Simulation of the structure after the reorganization for the 2018 periods.

[1] Simulation of the structure after the reorganization for the 2018 periods.

Figure 45 – Brasilseg | G&A expenses




### QUARTERLY ANALYSIS

In the 4Q19, the G&A ratio improved 4.5 p.p. YoY, driven by the decrease in both administrative expenses and other operating expenses, mostly explained by:

(i) lower expenses recorded in “other operating income (expenses)”, since 4Q18 was negatively impacted by the regularization of pending outstanding balances of crop insurance subsidies;

(ii) reversal, in the 4Q19, of provisions for receivable losses related to recoverable claims from coinsurance and reinsurance, which benefited the impairment line, while in the 4Q18 this provision was strengthened;

(iii) lower provisions for labor benefits, since in the 4Q18 this provision was strengthened by R$11.0 million, related to the accounting method applied on profit sharing payments when calculating the social security contributions;

(iv) lower expenses with outsourcing, since the 4Q18 was hit by higher IT costs resulting from the reversal of intangibles related to IT projects that, since then, started to be booked in the P&L; and

(v) the decrease in expenses with institutional advertisement and publicity, events and civil contingencies.

### YEAR-TO-DATE ANALYSIS

In 2019, the G&A ratio improved by 1.0 p.p., driven by the reduction in the “other operating income (expenses)” line, explained by:

(i) higher volume of reversals in provisions for receivable losses related to receivable premiums, recoverable claims and recoverable claims from coinsurance and reinsurance; and

(ii) lower operating expenses, since 2018 was negatively impacted by the regularization of the pending outstanding balances of crop insurance subsidies in the fourth quarter.

On the other hand, such improvement in the G&A ratio was partially offset by:

(i) higher expenses with contributions to the rural insurance stability fund (“FESR”), given the improvement in the underwriting result of the rural lien insurance;

(ii) the increase in expenses with endomarketing, related to sales force engagement; and

(iii) the growth in expenses with PIS and COFINS, due to the increase in the taxable income.

Table 32 – Brasilseg | General & Administrative expenses

| | Quarterly Flow | | | Chg. % | | Annual Flow | | Chg. % |
|---|---|---|---|---|---|---|---|---|
| R$ thousand | 4Q18 | 3Q19 | 4Q19 | On 4Q18 | On 3Q19 | 2018 | 2019 | On 2018 |
| **Administrative expenses** | **(146,713)** | **(105,982)** | **(126,206)** | **(14.0)** | **19.1** | **(435,373)** | **(435,970)** | **0.1** |
| Personnel | (60,657) | (45,645) | (53,127) | (12.4) | 16.4 | (186,946) | (197,726) | 5.8 |
| Outsourcing | (30,503) | (31,752) | (26,793) | (12.2) | (15.6) | (104,919) | (107,682) | 2.6 |
| Location and operation | (23,940) | (22,741) | (22,510) | (6.0) | (1.0) | (89,656) | (89,967) | 0.3 |
| Institutional advertisement and publicity | (9,310) | (714) | (4,767) | (48.8) | 568.1 | (16,833) | (8,616) | (48.8) |
| Publications | (47) | (83) | (79) | 69.0 | (5.3) | (661) | (739) | 11.7 |
| Other administrative expenses | (17,764) | (1,821) | (15,332) | (13.7) | 741.9 | (23,015) | (18,278) | (20.6) |
| DPVAT administrative expenses | (4,493) | (3,226) | (3,598) | (19.9) | 11.5 | (13,342) | (12,963) | (2.8) |
| **Other operating income (expenses)** | **(114,758)** | **(65,616)** | **(79,908)** | **(30.4)** | **21.8** | **(310,792)** | **(290,517)** | **(6.5)** |
| FESR contributions | (43,194) | (45,639) | (57,253) | 32.5 | 25.4 | (186,488) | (213,866) | 14.7 |
| Charging expenses | (4,193) | (2,835) | (3,149) | (24.9) | 11.1 | (21,965) | (12,171) | (44.6) |
| Civil contingencies | (10,900) | (5,761) | (5,898) | (45.9) | 2.4 | (24,782) | (21,229) | (14.3) |
| Expenses with events | (8,464) | (725) | (2,770) | (67.3) | 282.1 | (15,906) | (4,469) | (71.9) |
| Endomarketing | (4,310) | (11,649) | (12,156) | 182.1 | 4.4 | (19,957) | (35,852) | 79.6 |
| Impairment | (9,532) | 9,899 | 5,232 | - | (47.2) | 12,688 | 38,264 | 201.6 |
| Other operating income (expenses) | (34,166) | (8,907) | (3,913) | (88.5) | (56.1) | (54,382) | (41,192) | (24.3) |
| **Tax expenses** | **(65,034)** | **(66,825)** | **(72,820)** | **12.0** | **9.0** | **(249,094)** | **(255,958)** | **2.8** |
| COFINS | (53,462) | (55,102) | (60,150) | 12.5 | 9.2 | (206,878) | (210,733) | 1.9 |
| PIS | (9,336) | (8,977) | (10,146) | 8.7 | 13.0 | (33,107) | (34,634) | 4.6 |
| Inspection fee | (1,563) | (1,881) | (1,881) | 20.4 | 0.0 | (5,772) | (7,524) | 30.4 |
| Other tax expenses | (675) | (864) | (643) | (4.7) | (25.6) | (3,337) | (3,066) | (8.1) |
| **G&A** | **(326,506)** | **(238,423)** | **(278,934)** | **(14.6)** | **17.0** | **(995,259)** | **(982,444)** | **(1.3)** |

## ■ NET INVESTMENT INCOME

Figure 46 – Brasilseg | Net investment income (R$ million)

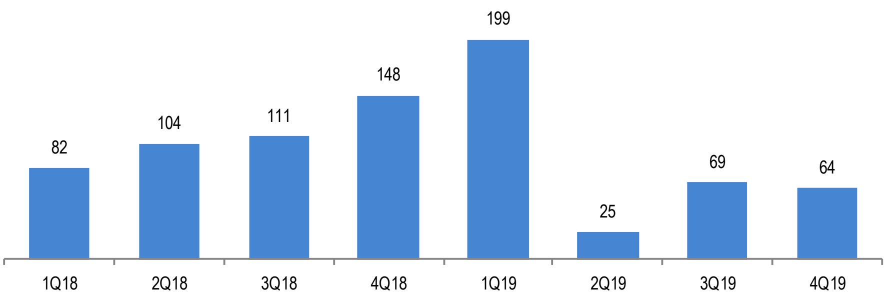



Table 33 – Brasilseg | Financial income and expenses[1]

| | Quarterly Flow | | | Chg. % | | Annual Flow | | Chg. % |
|---|---|---|---|---|---|---|---|---|
| R$ thousand | 4Q18 | 3Q19 | 4Q19 | On 4Q18 | On 3Q19 | 2018 | 2019 | On 2018 |
| **Adjusted interest revenues** | **120,841** | **122,814** | **114,008** | **(5.7)** | **(7.2)** | **500,782** | **542,372** | **8.3** |
| Revenues with mark to market financial investments | 91,493 | 89,388 | 82,565 | (9.8) | (7.6) | 355,472 | 387,731 | 9.1 |
| Revenues with held to maturity financial investments | 20,674 | 17,211 | 22,622 | 9.4 | 31.4 | 110,804 | 88,393 | (20.2) |
| Judicial deposits | 5,057 | 7,711 | 4,961 | (1.9) | (35.7) | 25,627 | 46,928 | 83.1 |
| Receivables from insurance and reinsurance operations | 3,617 | 8,504 | 3,860 | 6.7 | (54.6) | 8,878 | 19,319 | 117.6 |
| **Adjusted interest expenses** | **33,165** | **(44,927)** | **(37,255)** | **-** | **(17.1)** | **(50,904)** | **(146,359)** | **187.5** |
| Pending claims | 34,921 | (28,570) | (24,842) | - | (13.0) | (9,438) | (95,166) | 908.3 |
| Judicial provisions | 6,318 | (2,314) | (4,598) | - | 98.7 | (13,195) | (13,447) | 1.9 |
| Obligations with insurance and reinsurance operations | (8,074) | (14,043) | (7,815) | (3.2) | (44.4) | (28,271) | (37,746) | 33.5 |
| **Net interest income** | **154,006** | **77,887** | **76,753** | **(50.2)** | **(1.5)** | **449,878** | **396,012** | **(12.0)** |

[1] Managerial view.

### QUARTERLY ANALYSIS

In the 4Q19, the net interest income fell 50.2% YoY.

Adjusted interest revenues decreased 5.7%, as a result of the lower average yield on financial investments, mostly explained by the reduction in the Selic rate.

Regarding the adjusted interest expenses, the analysis was affected by the positive balance recorded in the 4Q18, which can be explained by the reversal of the balance of interest accrual on judicial provisions (R$9.5 million) and pending claims provisions (R$23.4 million), due to the payment of civil lawsuits and judicial claims related to the group life product.

### YEAR-TO-DATE ANALYSIS

In 2019, the net interest income fell 12.0%.

Adjusted interest revenues rose 8.3%, driven by:

(i) realized gains amounting to R$43.5 million with the disposal of government securities classified as available for sale in the 1Q19; and

(ii) financial revenues, amounting to R$19.5 million, arising from the interest accrual on judicial deposits, which is related to a pending balance in a transitory account which was regularized in the 1Q19.

The adjusted interest expenses grew by 187.5%, explained by higher expenses with interest accrual on provisions for judicial claims, along with the reversal of interest accrued on judicial provisions and pending claims provisions in the 4Q18, as mentioned in the quarterly analysis.

Table 34 – Brasilseg | Quarterly figures - Volume and rate analysis

| | 4Q19/4Q18 | | |
|---|---|---|---|
| **R$ thousand** | **Average volume** | **Average rate** | **Net change** |
| **Earning assets** | | | |
| Mark to Market financial investments | 7,738 | (16,666) | (8,929) |
| Held to maturity financial investments | (1,346) | 3,294 | 1,948 |
| Judicial deposits | (354) | 258 | (95) |
| Receivables from insurance and reinsurance operations | (1,560) | 1,803 | 243 |
| **Total[1]** | **5,243** | **(12,076)** | **(6,833)** |
| **Interest bearing liabilities** | | | |
| Pending claims | 1,433 | (61,196) | (59,764) |
| Judicial provisions | 139 | (11,055) | (10,916) |
| Obligations with insurance and reinsurance operations | 9,635 | (9,376) | 259 |
| **Total[1]** | **3,303** | **(73,724)** | **(70,420)** |

[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 35 – Brasilseg | Quarterly figures - Earning assets - average balance and interest rates

| | 4Q18 | | | 4Q19 | | |
|---|---|---|---|---|---|---|
| **R$ million** | **Average balance** | **Interest revenues** | **Annualized rate (%)** | **Average balance** | **Interest revenues** | **Annualized rate (%)** |
| **Earning assets** | | | | | | |
| Mark to Market financial investments | 5,611 | 91 | 6.8 | 6,191 | 83 | 5.4 |
| Held to maturity financial investments | 975 | 21 | 8.9 | 921 | 23 | 10.0 |
| Judicial deposits | 921 | 5 | 2.3 | 859 | 5 | 2.3 |
| Receivables from insurance and reinsurance operations | 304 | 4 | 4.9 | 217 | 4 | 7.2 |
| **Total** | **7,812** | **121** | **6.4** | **8,188** | **114** | **5.6** |

Table 36 – Brasilseg | Quarterly figures - Interest bearing liabilities - average balance and interest rates

| | 4Q18 | | | 4Q19 | | |
|---|---|---|---|---|---|---|
| **R$ million** | **Average balance** | **Interest expenses** | **Annualized rate (%)** | **Average balance** | **Interest expenses** | **Annualized rate (%)** |
| **Interest bearing liabilities** | | | | | | |
| Pending claims | 1,904 | 35 | (7.7) | 1,800 | (25) | 5.3 |
| Judicial provisions | 696 | 6 | (3.7) | 676 | (5) | 2.7 |
| Obligations with insurance and reinsurance operations | 186 | (8) | 16.5 | 83 | (8) | 32.2 |
| **Total** | **2,786** | **33** | **(4.9)** | **2,559** | **(37)** | **5.6** |

Table 37 – Brasilseg | Year-to-date figures - Volume and rate analysis

| R$ thousand | 2019/2018 Average volume | Average rate | Net change |
|---|---|---|---|
| **Earning assets** | | | |
| Mark to Market financial investments | 21,298 | 10,961 | 32,259 |
| Held to maturity financial investments | (17,355) | (5,056) | (22,411) |
| Judicial deposits | (1,413) | 22,713 | 21,300 |
| Receivables from insurance and reinsurance operations | 1,240 | 9,201 | 10,441 |
| **Total[1]** | **8,256** | **33,334** | **41,590** |
| **Interest bearing liabilities** | | | |
| Pending claims | 348 | (86,076) | (85,728) |
| Judicial provisions | 436 | (688) | (252) |
| Obligations with insurance and reinsurance operations | (59,154) | 49,678 | (9,475) |
| **Total[1]** | **(4,662)** | **(90,793)** | **(95,455)** |

[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 38 – Brasilseg | Year-to-date figures - Earning assets - average balance and interest rates

| R$ million | 2018 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Average balance | Interest revenues | Annualized rate (%) | Average balance | Interest revenues | Annualized rate (%) |
| **Earning assets** | | | | | | |
| Mark to Market financial investments | 5,582 | 355 | 6.4 | 5,906 | 388 | 6.5 |
| Held to maturity financial investments | 1,175 | 111 | 9.5 | 982 | 88 | 9.0 |
| Judicial deposits | 909 | 26 | 2.8 | 883 | 47 | 5.3 |
| Receivables from insurance and reinsurance operations | 254 | 9 | 3.5 | 272 | 19 | 7.1 |
| **Total** | **7,921** | **501** | **6.4** | **8,043** | **542** | **6.7** |

Table 39 – Brasilseg | Year-to-date figures - Interest bearing liabilities - average balance and interest rates

| R$ million | 2018 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Average balance | Interest expenses | Annualized rate (%) | Average balance | Interest expenses | Annualized rate (%) |
| **Interest bearing liabilities** | | | | | | |
| Pending claims | 1,804 | (9) | 0.5 | 1,797 | (95) | 5.3 |
| Judicial provisions | 694 | (13) | 1.9 | 672 | (13) | 2.0 |
| Obligations with insurance and reinsurance operations | (40) | (28) | (72.3) | 70 | (38) | 54.0 |
| **Total** | **2,458** | **(51)** | **2.1** | **2,539** | **(146)** | **5.7** |

Table 40 – Brasilseg | Financial investment portfolio

| R$ thousand | Balance | | | Chg. % | |
|---|---|---|---|---|---|
| | Dec/18 | Sep/19 | Dec/19 | On Dec/18 | On Sep/19 |
| **Trading** | **3,799,902** | **4,649,554** | **4,415,312** | **16.2** | **(5.0)** |
| Pre-fixed | 8,295 | 9,146 | 9,309 | 12.2 | 1.8 |
| Floating | 3,375,249 | 4,187,886 | 3,970,599 | 17.6 | (5.2) |
| Other | 416,358 | 452,523 | 435,404 | 4.6 | (3.8) |
| **Available for sale** | **1,740,022** | **1,460,319** | **1,857,545** | **6.8** | **27.2** |
| Pre-fixed | 520,380 | 898,423 | 1,616,961 | 210.7 | 80.0 |
| Floating | 567,189 | 561,897 | 240,584 | (57.6) | (57.2) |
| Inflation | 652,453 | - | - | - | - |
| **Held to maturity securities** | **1,032,785** | **909,294** | **931,916** | **(9.8)** | **2.5** |
| Pre-fixed | 185,013 | 150,447 | 154,428 | (16.5) | 2.6 |
| Inflation | 847,772 | 758,846 | 777,488 | (8.3) | 2.5 |
| **Total** | **6,572,709** | **7,019,167** | **7,204,774** | **9.6** | **2.6** |

Figure 47 – Brasilseg | Breakdown of financial investments by index (%)

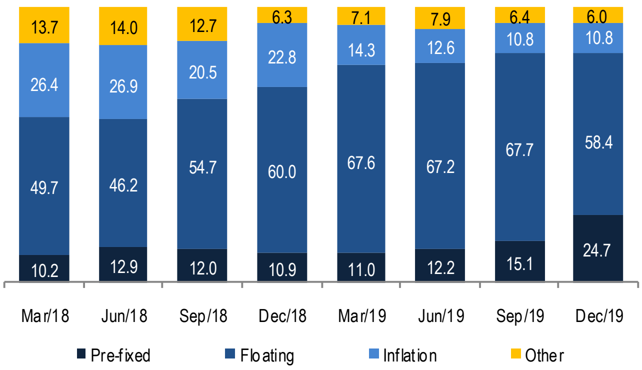
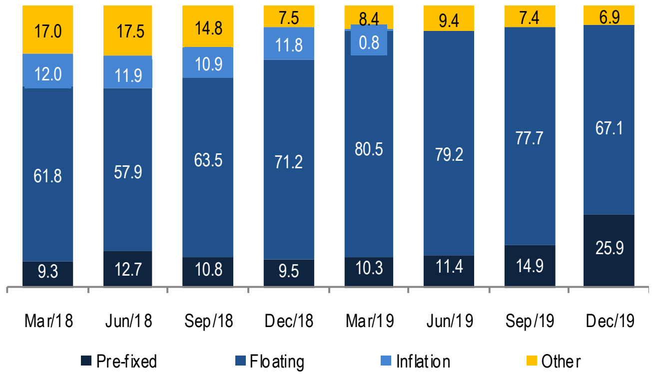



Figure 48 – Brasilseg | Breakdown of mark to market financial investments by index (%)



## BALANCE SHEET ANALYSIS

Table 41 – Brasilseg | Balance sheet

| | Balance | | | Chg. % | |
|---|---|---|---|---|---|
| R$ thousand | Dec/18 | Sep/19 | Dec/19 | On Dec/18 | On Sep/19 |
| **Assets** | **13,722,538** | **14,985,959** | **14,945,804** | **8.9** | **(0.3)** |
| Cash | 31,374 | 13,779 | 14,931 | (52.4) | 8.4 |
| Financial assets | 6,572,709 | 7,019,167 | 7,204,774 | 9.6 | 2.6 |
| Receivables from insurance and reinsurance operations | 2,606,059 | 2,996,819 | 2,806,886 | 7.7 | (6.3) |
| Reinsurance and retrocession - technical reserves | 825,268 | 769,407 | 741,772 | (10.1) | (3.6) |
| Securities and credits receivable | 1,231,619 | 1,189,444 | 1,162,138 | (5.6) | (2.3) |
| Other | 1,681 | 1,697 | 713 | (57.6) | (58.0) |
| Prepaid expenses | 9,030 | 12,042 | 8,623 | (4.5) | (28.4) |
| Deferred costs | 1,883,301 | 2,214,108 | 2,248,674 | 19.4 | 1.6 |
| Investments | 366,179 | 366,273 | 366,273 | 0.0 | - |
| Fixed assets | 55,579 | 273,465 | 259,015 | 366.0 | (5.3) |
| Intangible | 139,739 | 129,759 | 132,005 | (5.5) | 1.7 |
| **Liabilities** | **11,558,982** | **12,770,018** | **12,959,265** | **12.1** | **1.5** |
| Accounts payable | 553,242 | 545,970 | 613,367 | 10.9 | 12.3 |
| Obligations with insurance and reinsurance operations | 1,573,723 | 1,728,655 | 1,920,824 | 22.1 | 11.1 |
| Technical reserves - insurance | 8,735,233 | 9,689,996 | 9,739,102 | 11.5 | 0.5 |
| Third party deposits | 31,653 | 132,581 | 7,303 | (76.9) | (94.5) |
| Other liabilities | 665,130 | 672,816 | 678,668 | 2.0 | 0.9 |
| **Shareholders' equity** | **2,163,556** | **2,215,941** | **1,986,539** | **(8.2)** | **(10.4)** |

Table 42 – Brasilseg | Receivables from insurance and reinsurance operations

| | Balance | | | Chg. % | |
|---|---|---|---|---|---|
| R$ thousand | Dec/18 | Sep/19 | Dec/19 | On Dec/18 | On Sep/19 |
| Receivable premiums | 2,401,601 | 2,653,755 | 2,693,530 | 12.2 | 1.5 |
| Operations with insurance companies | 38,966 | 5,347 | 1,947 | (95.0) | (63.6) |
| Premiums | 23,523 | 69 | 69 | (99.7) | - |
| Claims paid | 15,390 | 4,229 | 1,593 | (89.6) | (62.3) |
| Other receivables | 53 | 1,048 | 285 | 439.6 | (72.8) |
| Operations with reinsurance companies | 222,382 | 295,403 | 100,723 | (54.7) | (65.9) |
| Claims paid | 191,259 | 294,072 | 100,079 | (47.7) | (66.0) |
| Other receivables | 31,122 | 1,331 | 644 | (97.9) | (51.6) |
| Other operating receivables | 30,982 | 103,714 | 66,592 | 114.9 | (35.8) |
| Impairment | (87,871) | (61,400) | (55,906) | (36.4) | (8.9) |
| **Receivables from insurance and reinsurance operations** | **2,606,059** | **2,996,819** | **2,806,886** | **7.7** | **(6.3)** |

Table 43 – Brasilseg | Reinsurance and retrocession – technical reserves

| | Balance | | | Chg. % | |
|---|---|---|---|---|---|
| R$ thousand | Dec/18 | Sep/19 | Dec/19 | On Dec/18 | On Sep/19 |
| Deferred premiums - PPNG | 408,425 | 422,321 | 413,464 | 1.2 | (2.1) |
| Deferred premiums - RVNE | 29,487 | 26,056 | 23,383 | (20.7) | (10.3) |
| IBNR claims | 59,897 | 72,172 | 72,872 | 21.7 | 1.0 |
| Pending claims | 321,840 | 244,090 | 225,821 | (29.8) | (7.5) |
| Provision for related expenses | 5,620 | 4,767 | 6,231 | 10.9 | 30.7 |
| **Reinsurance and retrocession - technical reserves** | **825,268** | **769,407** | **741,772** | **(10.1)** | **(3.6)** |

Table 44 – Brasilseg | Securities and credit receivable

| | Balance | | | Chg. % | |
|---|---|---|---|---|---|
| R$ thousand | Dec/18 | Sep/19 | Dec/19 | On Dec/18 | On Sep/19 |
| Securities and credits receivable | 24,976 | 31,840 | 10,342 | (58.6) | (67.5) |
| Other tax and social security receivables | 124,662 | 128,312 | 126,639 | 1.6 | (1.3) |
| Receivable tax and social security - tax loss | - | - | 14 | - | - |
| Receivable tax and social security - temporary adjustements | 156,052 | 147,268 | 148,444 | (4.9) | 0.8 |
| Tax and judicial deposits | 906,399 | 859,554 | 859,358 | (5.2) | (0.0) |
| Other receivables | 24,798 | 27,723 | 22,473 | (9.4) | (18.9) |
| Impairment | (5,268) | (5,253) | (5,134) | (2.6) | (2.3) |
| **Securities and credits receivable** | **1,231,619** | **1,189,444** | **1,162,138** | **(5.6)** | **(2.3)** |

Table 45 – Brasilseg | Accounts payable

| | Balance | | | Chg. % | |
|---|---|---|---|---|---|
| R$ thousand | Dec/18 | Sep/19 | Dec/19 | On Dec/18 | On Sep/19 |
| Payable liabilities | 96,733 | 83,488 | 106,406 | 10.0 | 27.4 |
| Deferred taxes | 19,367 | 10,569 | 10,623 | (45.1) | 0.5 |
| Social securities and taxes payable | 27,839 | 29,258 | 26,920 | (3.3) | (8.0) |
| Labor charges | 12,139 | 19,261 | 13,401 | 10.4 | (30.4) |
| Taxes and contributions | 393,637 | 128,660 | 186,455 | (52.6) | 44.9 |
| Other accounts payable | 3,526 | 274,733 | 269,562 | 7,544.6 | (1.9) |
| **Accounts payable** | **553,242** | **545,970** | **613,367** | **10.9** | **12.3** |

Table 46 – Brasilseg | Obligations with insurance and reinsurance operations

| | Balance | | | Chg. % | |
|---|---|---|---|---|---|
| R$ thousand | Dec/18 | Sep/19 | Dec/19 | On Dec/18 | On Sep/19 |
| Premiums to return | 27,552 | 36,946 | 40,577 | 47.3 | 9.8 |
| Operations with insurance companies | 5,685 | 6,464 | 4,813 | (15.3) | (25.5) |
| Operations with reinsurance companies | 354,345 | 415,916 | 335,582 | (5.3) | (19.3) |
| Insurance and reinsurance brokers | 234,305 | 272,505 | 446,457 | 90.5 | 63.8 |
| Other operating obligations | 951,836 | 996,824 | 1,093,395 | 14.9 | 9.7 |
| **Obligations with insurance and reinsurance operations** | **1,573,723** | **1,728,655** | **1,920,824** | **22.1** | **11.1** |

## SOLVENCY

Table 47 – Brasilseg | Solvency[1]

| | Balance | | | Chg. % | |
|---|---|---|---|---|---|
| **R$ thousand** | **Dec/18** | **Sep/19** | **Dec/19** | **On Dec/18** | **On Sep/19** |
| **MAPFRE Vida** | | | | | |
| **Adjusted shareholders' equity (a)** | **268,197** | **-** | **-** | **-** | **-** |
| **Minimum capital required (b)** | **183,049** | **-** | **-** | **-** | **-** |
| Additional capital for underwritting risk | 169,456 | - | - | - | - |
| Additional capital for credit risk | 17,931 | - | - | - | - |
| Additional capital for operating risk | 2,245 | - | - | - | - |
| Additional capital for market risk | 6,155 | - | - | - | - |
| Benefit of correlation between risks | (12,738) | - | - | - | - |
| **Capital adequacy (a) - (b)** | **85,148** | **-** | **-** | **-** | **-** |
| **Solvency ratio (a) / (b) - %** | **146.5** | **-** | **-** | **-** | **-** |
| **Brasilseg Companhia de Seguros[2]** | | | | | |
| **Adjusted shareholders' equity (a)** | **1,480,747** | **1,558,256** | **1,346,779** | **(9.0)** | **(13.6)** |
| **Minimum capital required (b)** | **898,274** | **1,087,182** | **1,115,100** | **24.1** | **2.6** |
| Additional capital for underwritting risk | 797,742 | 985,691 | 1,006,539 | 26.2 | 2.1 |
| Additional capital for credit risk | 107,884 | 116,506 | 104,637 | (3.0) | (10.2) |
| Additional capital for operating risk | 27,612 | 27,045 | 27,953 | 1.2 | 3.4 |
| Additional capital for market risk | 47,851 | 40,391 | 82,301 | 72.0 | 103.8 |
| Benefit of correlation between risks | (82,815) | (82,451) | (106,330) | 28.4 | 29.0 |
| **Capital adequacy (a) - (b)** | **582,473** | **471,074** | **231,678** | **(60.2)** | **(50.8)** |
| **Solvency ratio (a) / (b) - %** | **164.8** | **143.3** | **120.8** | **-44.1 p.p.** | **-22.6 p.p.** |
| **Aliança do Brasil Seguros** | | | | | |
| **Adjusted shareholders' equity (a)** | **214,227** | **176,797** | **182,774** | **(14.7)** | **3.4** |
| **Minimum capital required (b)** | **96,528** | **92,193** | **95,611** | **(0.9)** | **3.7** |
| Additional capital for underwritting risk | 82,511 | 79,855 | 81,206 | (1.6) | 1.7 |
| Additional capital for credit risk | 15,850 | 13,307 | 11,791 | (25.6) | (11.4) |
| Additional capital for market risk | 3,097 | 2,821 | 12,166 | 292.8 | 331.3 |
| Additional capital for operating risk | 4,176 | 4,126 | 3,934 | (5.8) | (4.6) |
| Benefit of correlation between risks | (9,106) | (7,916) | (13,486) | 48.1 | 70.4 |
| **Capital adequacy (a) - (b)** | **117,699** | **84,604** | **87,163** | **(25.9)** | **3.0** |
| **Solvency ratio (a) / (b) - %** | **221.9** | **191.8** | **191.2** | **-30.8 p.p.** | **-0.6 p.p.** |
| **Total Brasilseg** | | | | | |
| **Adjusted shareholders' equity (a)** | **1,963,171** | **1,735,053** | **1,529,553** | **(22.1)** | **(11.8)** |
| **Minimum capital required (b)** | **1,177,851** | **1,179,375** | **1,210,712** | **2.8** | **2.7** |
| Additional capital for underwritting risk | 1,049,709 | 1,065,546 | 1,087,745 | 3.6 | 2.1 |
| Additional capital for credit risk | 141,665 | 129,813 | 116,428 | (17.8) | (10.3) |
| Additional capital for operating risk | 34,033 | 31,171 | 31,887 | (6.3) | 2.3 |
| Additional capital for market risk | 57,103 | 43,212 | 94,468 | 65.4 | 118.6 |
| Benefit of correlation between risks | (104,659) | (90,367) | (119,816) | 14.5 | 32.6 |
| **Capital adequacy (a) - (b)** | **785,320** | **555,678** | **318,841** | **(59.4)** | **(42.6)** |
| **Solvency ratio (a) / (b) - %** | **166.7** | **147.1** | **126.3** | **-40.3 p.p.** | **-20.8 p.p.** |

[1] Information based on the accounting principles of SUSEP (SUSEP GAAP).
[2] New commercial name adopted by BB MAPFRE SH1 after the restructuring of the partnership with MAPFRE.

# 4.2 BRASILPREV

## EARNINGS ANALYSIS

Table 48 – Brasilprev | Income statement

| | Quarterly Flow | | | Chg. % | | Annual Flow | | Chg. % |
|---|---|---|---|---|---|---|---|---|
| R$ thousand | 4Q18 | 3Q19 | 4Q19 | On 4Q18 | On 3Q19 | 2018 | 2019 | On 2018 |
| **Total revenue from pension and insurance** | **10,510,239** | **12,324,010** | **10,831,552** | **3.1** | **(12.1)** | **34,558,757** | **41,972,706** | **21.5** |
| Provision for benefits to be granted | (10,503,720) | (12,318,439) | (10,825,217) | 3.1 | (12.1) | (34,392,272) | (41,949,696) | 22.0 |
| **Net revenue from pension and insurance** | **6,517** | **5,572** | **6,334** | **(2.8)** | **13.7** | **166,485** | **23,010** | **(86.2)** |
| Management fee | 665,803 | 741,145 | 740,902 | 11.3 | (0.0) | 2,623,629 | 2,844,147 | 8.4 |
| Changes in other technical reserves | (1,577) | (53,296) | (13,165) | 734.7 | (75.3) | (46,477) | (124,060) | 166.9 |
| Expenses with benefits, redemptions and claims | (10,025) | 43,376 | 7,308 | - | (83.2) | (21,451) | 54,619 | - |
| Acquisition costs | (164,689) | (167,907) | (173,509) | 5.4 | 3.3 | (648,428) | (672,080) | 3.6 |
| Earned premiums | 46,701 | 46,792 | 44,790 | (4.1) | (4.3) | 189,364 | 184,763 | (2.4) |
| Administrative expenses | (116,728) | (104,182) | (132,391) | 13.4 | 27.1 | (397,901) | (435,201) | 9.4 |
| Tax expenses | (50,350) | (55,550) | (56,750) | 12.7 | 2.2 | (201,044) | (214,290) | 6.6 |
| Other operating income (expenses) | (12,995) | (22,050) | (20,434) | 57.3 | (7.3) | (51,582) | (71,493) | 38.6 |
| Gains or losses on non-current assets | 36 | 0 | (8,603) | - | - | (79) | (9,073) | 11,357.2 |
| **Non-interest operating result** | **362,694** | **433,900** | **394,483** | **8.8** | **(9.1)** | **1,612,516** | **1,580,343** | **(2.0)** |
| **Net investment income** | **(74,135)** | **59,944** | **241,032** | **-** | **302.1** | **117,534** | **653,296** | **455.8** |
| Financial income | 5,370,380 | 4,799,867 | 4,438,524 | (17.4) | (7.5) | 14,785,401 | 20,566,347 | 39.1 |
| Financial expenses | (5,444,515) | (4,739,923) | (4,197,493) | (22.9) | (11.4) | (14,667,867) | (19,913,051) | 35.8 |
| **Earnings before taxes and profit sharing** | **288,558** | **493,844** | **635,515** | **120.2** | **28.7** | **1,730,047** | **2,233,640** | **29.1** |
| Taxes | (112,342) | (159,336) | (232,663) | 107.1 | 46.0 | (732,055) | (828,332) | 13.2 |
| Profit sharing | 309 | (3,035) | (2,722) | - | (10.3) | (8,801) | (12,120) | 37.7 |
| **Adjusted net income** | **176,525** | **331,473** | **400,130** | **126.7** | **20.7** | **989,191** | **1,393,188** | **40.8** |
| **One-off events** | **-** | **-** | **26,243** | **-** | **-** | **-** | **26,243** | **-** |
| Reversal of technical provision - PDR | - | - | 44,739 | - | - | - | 44,739 | - |
| Reversal of technical provision - PDR - IR/CSLL | - | - | (16,482) | - | - | - | (16,482) | - |
| Reversal of technical provision - PDR - PIS/COFINS | - | - | (2,015) | - | - | - | (2,015) | - |
| **Net income** | **176,525** | **331,473** | **426,372** | **141.5** | **28.6** | **989,191** | **1,419,429** | **43.5** |

Figure 49 – Brasilprev | Adjusted net income and ROAA

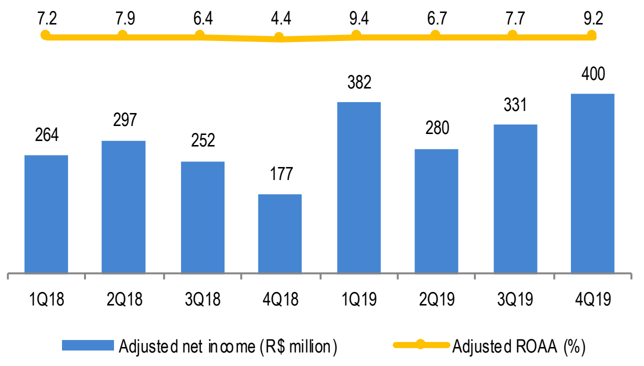
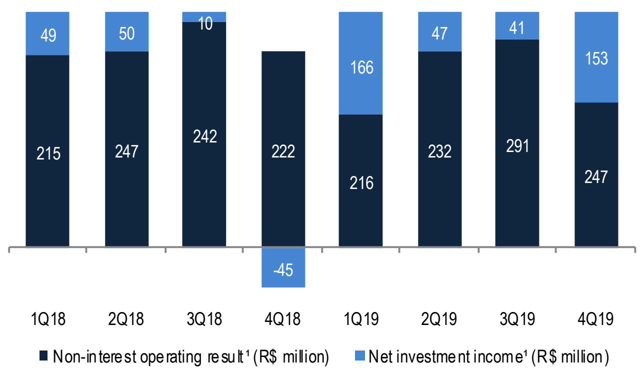



Figure 50 – Brasilprev | Adjusted net income breakdown (R$ million)




[1] Net of taxes considering the effective tax rate

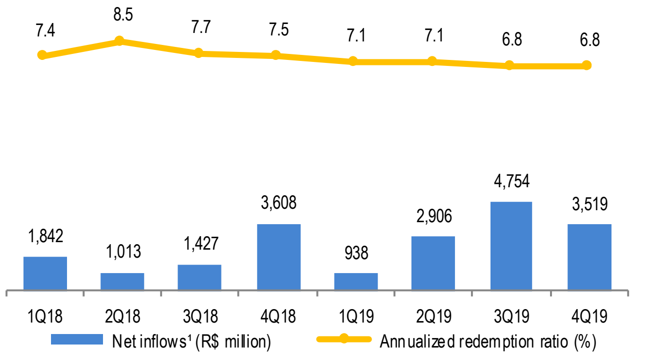
Table 49 – Brasilprev | Performance ratios

| | Quarterly Flow | | | Chg. (p.p.) | | Annual Flow | | Chg. (p.p.) |
|---|---|---|---|---|---|---|---|---|
| % | 4Q18 | 3Q19 | 4Q19 | On 4Q18 | On 3Q19 | 2018 | 2019 | On 2018 |
| Commission ratio | 1.6 | 1.4 | 1.6 | 0.0 | 0.2 | 1.9 | 1.6 | (0.3) |
| Load fee | 0.1 | 0.0 | 0.1 | (0.0) | 0.0 | 0.5 | 0.1 | (0.4) |
| Management fee | 1.08 | 1.02 | 1.02 | (0.05) | (0.00) | 1.08 | 1.04 | (0.04) |
| Redemption ratio | 7.5 | 6.8 | 6.8 | (0.8) | (0.0) | 7.8 | 6.9 | (0.8) |
| Cost to income ratio | 49.6 | 45.3 | 49.1 | (0.5) | 3.8 | 45.9 | 47.9 | 2.0 |
| Income tax rate | 38.9 | 32.3 | 36.6 | (2.3) | 4.3 | 42.3 | 37.1 | (5.2) |
| Adjusted ROAA | 4.4 | 7.7 | 9.2 | 4.8 | 1.4 | 6.4 | 8.3 | 1.9 |

## CONTRIBUTIONS

Figure 51 – Brasilprev | Contributions (R$ million)


Figure 52 – Brasilprev | Net inflows and redemption ratio




[1]Source: Quantum Axis

### QUARTERLY ANALYSIS

In the 4Q19, pension plans contributions increased 3.1% YoY.

The annualized redemption ratio, which measures the redemption flow as a percentage of the average balance of assets under management of VGBL and PGBL, decreased 0.8 p.p., remaining at the lowest historical level. Despite that, net inflows dropped 2.5% YoY, impacted by a higher volume of transfers out.

### YEAR-TO-DATE ANALYSIS

In 2019, pension plans contributions grew by 21.5%, as a result of the increase in both the average contribution and the number of pension plans outstanding.

Net inflows grew 53.6%, supported by the increase in contributions along with the 0.8 p.p. decline in the redemption ratio.

Figure 53 – Brasilprev | Contributions breakdown (%)

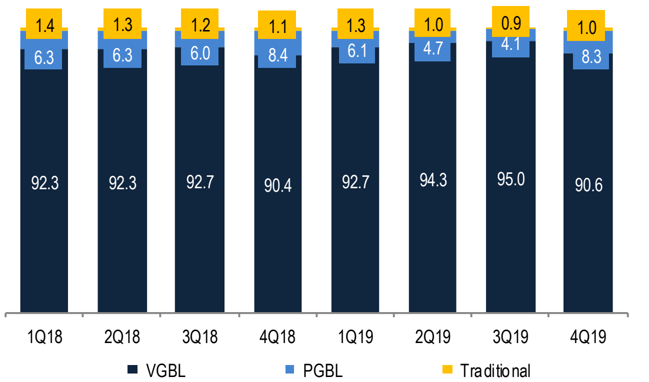
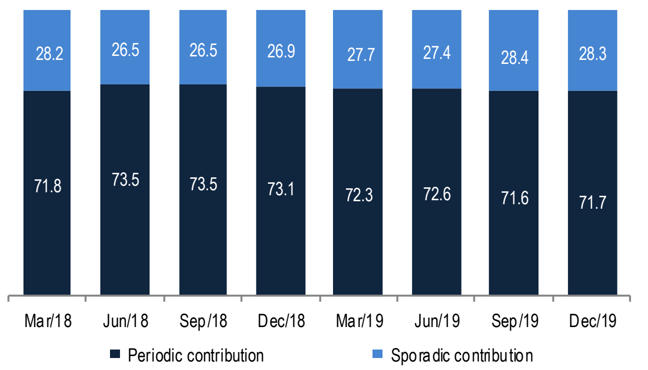



Figure 54 – Brasilprev | Pension plans outstanding (%)



The volume of technical reserves expanded 12.9% in 2019, to R$289.8 billion. The balance of PGBL and VGBL reserves grew 13.2%, which can be attributed to the increase in the net inflows and to the strong returns of the investment funds where the pension plans reserves are invested.

In 2019, outstanding active plans increased by 688 thousand and the number of clients rose by 168 thousand, with the spotlight on the Junior marketing campaign in October 2019, which resulted on 81.7 thousand new plans sold.

Figure 55 – Brasilprev | Technical reserves (R$ billion)

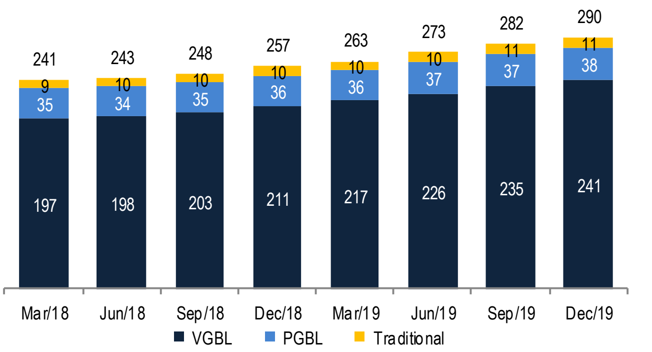



Figure 56 – Brasilprev | Technical reserves (%)

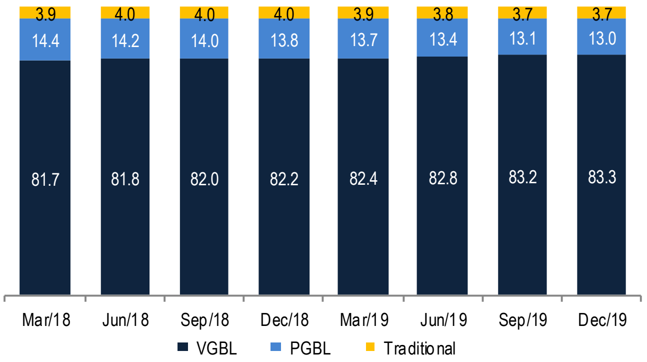



Figure 57 – Brasilprev | Active plans (thousand)

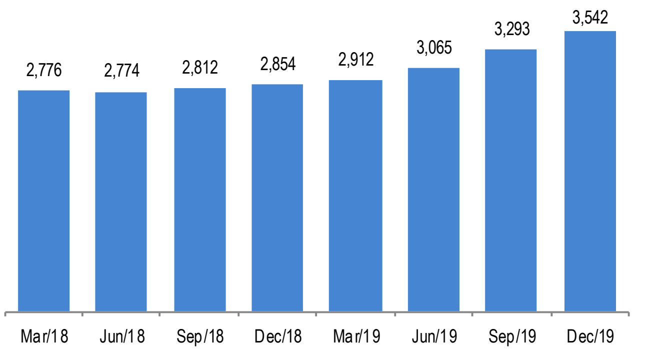



Figure 58 – Brasilprev | CPFs (thousand)

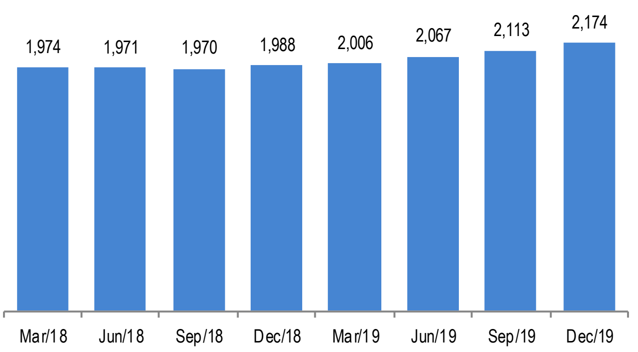


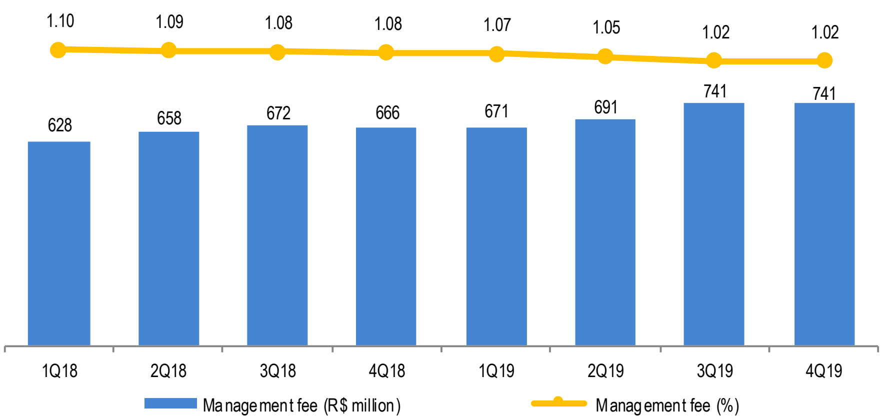
Table 50 – Brasilprev | Changes in technical reserves and provisions for insurance and pension plans

| | Balance | | | Chg. % | |
|---|---|---|---|---|---|
| **R$ thousand** | **Dec/18** | **Sep/19** | **Dec/19** | **On Dec/18** | **On Sep/19** |
| **Benefits to be granted** | | | | | |
| **Initial balance** | **243,693,459** | **268,124,811** | **277,510,493** | **13.9** | **3.5** |
| Constitution | 3,717,073 | 5,113,449 | 3,590,793 | (3.4) | (29.8) |
| Reversal | (193,751) | (400,367) | (134,960) | (30.3) | (66.3) |
| Restatement | 5,349,522 | 4,672,600 | 4,116,040 | (23.1) | (11.9) |
| **Final balance** | **252,566,303** | **277,510,493** | **285,082,366** | **12.9** | **2.7** |
| **Benefits granted** | | | | | |
| **Initial balance** | **2,892,016** | **3,224,069** | **3,283,458** | **13.5** | **1.8** |
| Constitution | 279,158 | 198,445 | 156,229 | (44.0) | (21.3) |
| Reversal | (255,670) | (207,355) | (162,352) | (36.5) | (21.7) |
| Restatement | 89,606 | 68,300 | 81,302 | (9.3) | 19.0 |
| **Final balance** | **3,005,109** | **3,283,458** | **3,358,637** | **11.8** | **2.3** |
| **Other provisions** | | | | | |
| **Initial balance** | **1,433,899** | **1,310,722** | **1,459,395** | **1.8** | **11.3** |
| Constitution | 121,175 | 207,342 | 155,490 | 28.3 | (25.0) |
| Reversal | (376,473) | (70,189) | (257,664) | (31.6) | 267.1 |
| Restatement | 15,864 | 11,520 | 13,091 | (17.5) | 13.6 |
| **Final balance** | **1,194,464** | **1,459,395** | **1,370,312** | **14.7** | **(6.1)** |
| **Total Provisions** | **256,765,877** | **282,253,346** | **289,811,314** | **12.9** | **2.7** |

Table 51 – Brasilprev | Changes in technical reserves and provisions for insurance and pension plans by product

| | Balance | | | Chg. % | |
|---|---|---|---|---|---|
| **R$ thousand** | **Dec/18** | **Sep/19** | **Dec/19** | **On Dec/18** | **On Sep/19** |
| **P\|VGBL Reserves** | | | | | |
| **Initial balance** | **238,052,183** | **262,168,493** | **271,684,564** | **14.1** | **3.6** |
| Constitution | 3,993,575 | 5,412,644 | 3,833,419 | (4.0) | (29.2) |
| Reversal | (621,146) | (437,342) | (373,067) | (39.9) | (14.7) |
| Restatement | 5,136,852 | 4,540,769 | 3,958,037 | (22.9) | (12.8) |
| **Final balance** | **246,561,464** | **271,684,564** | **279,102,953** | **13.2** | **2.7** |
| **Traditional Reserves** | | | | | |
| **Initial balance** | **9,967,190** | **10,491,108** | **10,568,782** | **6.0** | **0.7** |
| Constitution | 123,831 | 106,592 | 69,093 | (44.2) | (35.2) |
| Reversal | (204,748) | (240,569) | (181,909) | (11.2) | (24.4) |
| Restatement | 318,140 | 211,651 | 252,396 | (20.7) | 19.3 |
| **Final balance** | **10,204,413** | **10,568,782** | **10,708,361** | **4.9** | **1.3** |
| **Total Provisions** | **256,765,877** | **282,253,346** | **289,811,314** | **12.9** | **2.7** |

Figure 59 – Brasilprev | Management fee




## QUARTERLY ANALYSIS

In the 4Q19, revenues with management fee grew 11.3% YoY, helped by the 13.4% expansion in the average balance of pension reserves and by more working days. These effects were partially offset by the 0.05 p.p. decrease in the annualized average management fee.

## YEAR-TO-DATE ANALYSIS

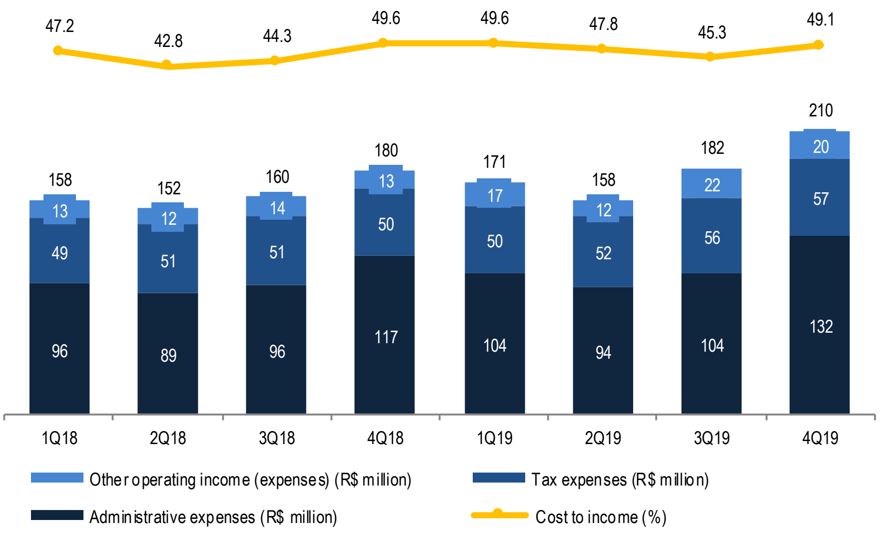
In 2019, revenues with management fee increased 8.4%, due to the 11.5% increase in the average volume of pension reserves and more working days, partially offset by the 0.04 p.p. decrease in the annualized average management fee.

Table 52 – Brasilprev | Management fee breakdown[1,2]

| | Quarterly Flow | | | Chg. % | | Annual Flow | | Chg. % |
|---|---|---|---|---|---|---|---|---|
| **R$ thousand** | **4Q18** | **3Q19** | **4Q19** | **On 4Q18** | **On 3Q19** | **2018** | **2019** | **On 2018** |
| Management fee | 665,803 | 741,145 | 740,902 | 11.3 | (0.0) | 2,623,629 | 2,844,147 | 8.4 |
| Average volume of reserves | 252,540,519 | 277,477,335 | 286,256,729 | 13.4 | 3.2 | 244,621,215 | 272,805,350 | 11.5 |
| Working days | 62 | 66 | 64 | 2 w.d. | -2 w.d. | 250 | 253 | 3 w.d. |
| **Annualized average management fee (%)** | **1.08** | **1.02** | **1.02** | **(0.05) p.p.** | **(0.00) p.p.** | **1.08** | **1.04** | **(0.04) p.p.** |

[1]Management fee annualized considering the total of 252 working days.
[2]Working days calculated based on the holidays table provided by ANBIMA.

Figure 602 – Brasilprev | G&A expenses and cost to income ratio




**QUARTERLY ANALYSIS**

In the 4Q19, G&A expenses were up 16.4% YoY, while the cost to income ratio improved 0.5 p.p. The increase in the G&A expenses is mainly explained by:

(i) the increase in variable expenses related to the expansion of the assets under management and to the tax expenses, due to the increase in taxable income of PIS, COFINS and ISS;

(ii) higher outsourcing expenses, given the increase in expenses with advisory services related to the implementation of a software to improve communication with customers and the increase in the number of people working in the call center; and

(iii) the increase in other operating expenses, mostly explained by the growth in provisions for receivable losses related to plans with contributions for risk coverage and by higher expenses with endomarketing, which is related to sales force engagement.

**YEAR-TO-DATE ANALYSIS**

In 2019, G&A expenses rose 10.8%, while the cost to income ratio deteriorated by 2.0 p.p., mainly due to the action adopted to cut load fees on P/VGBL plans to zero, in force since the 4Q18. The growth in the G&A expenses is justified by:

(i) higher variable expenses related to the expansion of the assets under management;

(ii) the increase in outsourcing, driven by higher expenses with digital transformation projects, by costs with annual license and advisory services for software aiming at improving the communication with clients, and by the increase in the number of people working in the call center;

(iii) the growth in other operating expenses, mostly explained by the increase in provisions for receivable losses related to plans with contributions for risk coverage;

(iv) the growth of expenses with location and operation backing travel costs of the commercial advisors, who supports sales and customer relationship; and

(v) the increase of expenses with marketing, related to sales support materials, strategic marketing campaigns and media.

Table 53 – Brasilprev | G&A expenses

| | Quarterly Flow | | | Chg. % | | Annual Flow | | Chg. % |
|---|---|---|---|---|---|---|---|---|
| R$ thousand | 4Q18 | 3Q19 | 4Q19 | On 4Q18 | On 3Q19 | 2018 | 2019 | On 2018 |
| **Administrative expenses** | **(116,728)** | **(104,182)** | **(132,391)** | **13.4** | **27.1** | **(397,901)** | **(435,201)** | **9.4** |
| Personnel | (34,191) | (31,959) | (35,179) | 2.9 | 10.1 | (133,931) | (134,580) | 0.5 |
| Outsourcing | (47,239) | (50,997) | (59,915) | 26.8 | 17.5 | (176,100) | (200,018) | 13.6 |
| Location and operation | (13,807) | (15,135) | (15,467) | 12.0 | 2.2 | (54,538) | (59,307) | 8.7 |
| Marketing | (14,877) | (4,789) | (14,720) | (1.1) | 207.4 | (26,250) | (30,838) | 17.5 |
| Other | (6,614) | (1,302) | (7,110) | 7.5 | 446.1 | (7,082) | (10,458) | 47.7 |
| **Other operating income (expenses)** | **(12,995)** | **(22,050)** | **(20,434)** | **57.3** | **(7.3)** | **(51,582)** | **(71,493)** | **38.6** |
| Expenses on sales incentive | (6,580) | (6,734) | (8,277) | 25.8 | 22.9 | (29,810) | (27,893) | (6.4) |
| Charging expenses | (3,735) | (3,983) | (3,985) | 6.7 | 0.1 | (14,949) | (15,554) | 4.0 |
| Contingencies | (643) | (893) | (806) | 25.3 | (9.7) | 249 | (537) | - |
| Provision for loan losses | (83) | (4,505) | (2,747) | 3,209.6 | (39.0) | (194) | (10,137) | 5,119.9 |
| Other operating income (expenses) | (1,953) | (5,935) | (4,619) | 136.5 | (22.2) | (6,877) | (17,372) | 152.6 |
| **Tax expenses** | **(50,350)** | **(55,550)** | **(56,750)** | **12.7** | **2.2** | **(201,044)** | **(214,290)** | **6.6** |
| Federal and municipal taxes | (13,630) | (15,120) | (15,210) | 11.6 | 0.6 | (53,748) | (58,124) | 8.1 |
| COFINS | (30,347) | (33,615) | (33,876) | 11.6 | 0.8 | (122,637) | (129,658) | 5.7 |
| PIS/PASEP | (4,932) | (5,462) | (5,504) | 11.6 | 0.8 | (19,929) | (21,069) | 5.7 |
| Inspection fee | (1,083) | (1,084) | (1,083) | - | (0.1) | (4,335) | (4,335) | - |
| Other tax expenses | (358) | (269) | (1,076) | 200.6 | 300.0 | (395) | (1,103) | 179.2 |
| **General and administrative expenses** | **(180,072)** | **(181,782)** | **(209,575)** | **16.4** | **15.3** | **(650,527)** | **(720,984)** | **10.8** |

Table 54 – Brasilprev | Cost to income ratio

| | Quarterly Flow | | | Chg. % | | Annual Flow | | Chg. % |
|---|---|---|---|---|---|---|---|---|
| R$ thousand | 4Q18 | 3Q19 | 4Q19 | On 4Q18 | On 3Q19 | 2018 | 2019 | On 2018 |
| **Revenues - [ a ]** | **719,021** | **793,508** | **792,026** | **10.2** | **(0.2)** | **2,979,478** | **3,051,920** | **2.4** |
| Net revenue from pension and insurance | 6,517 | 5,572 | 6,334 | (2.8) | 13.7 | 166,485 | 23,010 | (86.2) |
| Management fee | 665,803 | 741,145 | 740,902 | 11.3 | (0.0) | 2,623,629 | 2,844,147 | 8.4 |
| Earned premiums | 46,701 | 46,792 | 44,790 | (4.1) | (4.3) | 189,364 | 184,763 | (2.4) |
| **Expenses - [ b ]** | **356,363** | **359,609** | **388,940** | **9.1** | **8.2** | **1,366,883** | **1,462,504** | **7.0** |
| Changes in other technical reserves | 1,577 | 53,296 | 13,165 | 734.7 | (75.3) | 46,477 | 124,060 | 166.9 |
| Expenses with benefits, redemptions and claims | 10,025 | (43,376) | (7,308) | - | (83.2) | 21,451 | (54,619) | - |
| Acquisition costs | 164,689 | 167,907 | 173,509 | 5.4 | 3.3 | 648,428 | 672,080 | 3.6 |
| Administrative expenses | 116,728 | 104,182 | 132,391 | 13.4 | 27.1 | 397,901 | 435,201 | 9.4 |
| Tax expenses | 50,350 | 55,550 | 56,750 | 12.7 | 2.2 | 201,044 | 214,290 | 6.6 |
| Other operating income (expenses) | 12,995 | 22,050 | 20,434 | 57.3 | (7.3) | 51,582 | 71,493 | 38.6 |
| **Cost to income ratio (%) - [ b / a ]** | **49.6** | **45.3** | **49.1** | **(0.5) p.p.** | **3.8 p.p.** | **45.9** | **47.9** | **2.0 p.p.** |

## NET INVESTMENT INCOME

Figure 61 – Brasilprev | Net investment income (R$ million)

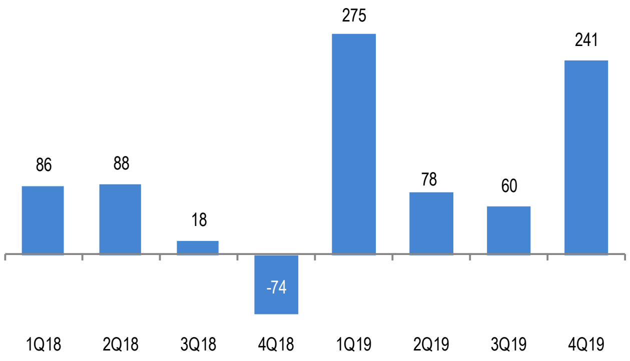
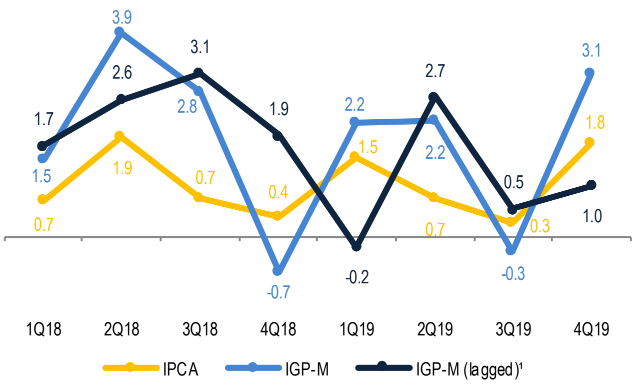



Figure 62 – Brasilprev | Inflation rates (%)




Source: Banco Central do Brasil

[1] Considers the IGP-M with a lag of one month, which is the average to accrual the interest bearing liabilities of Brasilprev's defined benefit plans.

Table 55 – Brasilprev | Financial income and expenses

| | Quarterly Flow | | | Chg. % | | Annual Flow | | Chg. % |
|---|---|---|---|---|---|---|---|---|
| R$ thousand | 4Q18 | 3Q19 | 4Q19 | On 4Q18 | On 3Q19 | 2018 | 2019 | On 2018 |
| **Adjusted interest revenues** | **247,351** | **270,327** | **496,286** | **100.6** | **83.6** | **1,469,214** | **1,669,739** | **13.6** |
| Revenues with mark to market financial investments | (20,222) | (41,229) | 28,471 | - | - | 26,173 | 99,379 | 279.7 |
| Revenues with held to maturity financial investments | 267,573 | 311,556 | 467,815 | 74.8 | 50.2 | 1,443,041 | 1,570,360 | 8.8 |
| **Adjusted interest expenses** | **(321,487)** | **(210,382)** | **(255,255)** | **(20.6)** | **21.3** | **(1,351,681)** | **(1,016,443)** | **(24.8)** |
| Interest accrual on technical reserves | (321,487) | (210,382) | (255,255) | (20.6) | 21.3 | (1,351,681) | (1,016,443) | (24.8) |
| **Net investment income** | **(74,135)** | **59,944** | **241,032** | **-** | **302.1** | **117,534** | **653,296** | **455.8** |

### QUARTERLY ANALYSIS

In the 4Q19, the net investment income totaled R$241.0 million, compared to a R$74.1 million financial loss in the 4Q18.

Adjusted interest revenues rose 100.6% YoY, given the 6.3 p.p. increase in the average yield, mainly explained by the higher inflation posted by the IPCA and the IGP-M, which are the indexes that compose the remuneration of great part of the securities classified as held to maturity.

Adjusted interest expenses dropped 20.6% YoY, driven mostly by the 2.9 p.p. contraction in the average cost of the interest bearing liabilities related to the technical reserves of the traditional plans (defined benefit). Considering that the interest accrual on interest bearing liabilities, most of them pegged to the IGP-M, presents an average lag of one month, the reduction in the cumulated IGP-M inflation between September 2019 and November 2019 helped the interest expenses as compared to the equivalent period of the previous year.

### YEAR-TO-DATE ANALYSIS

In 2019, net investment income increased 455.8%, due to the expansion of 4.1 p.p. in the net interest margin between the earning assets and the interest bearing liabilities of the company. Such increase in the net interest margin can be primarily explained by the reduction in the cost of the liabilities related to the traditional plans (defined benefit), as a result of the lower IGP-M accumulated between December 2018 and November 2019, as compared to the cumulated inflation between December 2017 and November 2018, considering that the accrual presents an average lag of one month.

Table 56 – Brasilprev | Quarterly figures - Volume and rate analysis

| | 4Q19/4Q18 | | |
|---|---|---|---|
| R$ thousand | Average volume | Average rate | Net change |
| **Earning assets** | | | |
| Mark to market financial investments | 5,721 | 42,972 | 48,694 |
| Held to maturity financial investments | 20,390 | 179,851 | 200,242 |
| **Total[1]** | **38,700** | **210,235** | **248,935** |
| **Interest bearing liabilities** | | | |
| Technical reserves | (15,462) | 81,693 | 66,231 |
| **Total** | **(15,462)** | **81,693** | **66,231** |

[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 57 – Brasilprev | Quarterly figures - Earning assets - average balance and interest rates[1]

| | 4Q18 | | | 4Q19 | | |
|---|---|---|---|---|---|---|
| R$ million | Average balance | Interest revenues | Annualized rate (%) | Average balance | Interest revenues | Annualized rate (%) |
| **Earning assets** | | | | | | |
| Mark to market financial investments | 2,581 | (20) | (3.1) | 3,230 | 28 | 3.5 |
| Held to maturity financial investments | 11,045 | 268 | 10.2 | 11,548 | 468 | 16.9 |
| **Total** | **13,626** | **247** | **7.6** | **14,778** | **496** | **13.9** |

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

Table 58 – Brasilprev | Quarterly figures - Interest bearing liabilities - average balance and interest rates[1]

| | 4Q18 | | | 4Q19 | | |
|---|---|---|---|---|---|---|
| R$ million | Average balance | Interest expenses | Annualized rate (%) | Average balance | Interest expenses | Annualized rate (%) |
| **Interest bearing liabilities** | | | | | | |
| Technical reserves | 11,459 | (321) | 10.9 | 12,198 | (255) | 8.0 |
| **Total** | **11,459** | **(321)** | **10.9** | **12,198** | **(255)** | **8.0** |

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

Table 59 – Brasilprev | Year-to-date figures - Volume and rate analysis

| R$ thousand | 2019/2018 Average volume | Average rate | Net change |
|---|---|---|---|
| **Earning assets** | | | |
| Mark to market financial investments | 22,246 | 50,960 | 73,206 |
| Held to maturity financial investments | 86,362 | 40,957 | 127,319 |
| **Total[1]** | **147,891** | **52,634** | **200,525** |
| **Interest bearing liabilities** | | | |
| Technical reserves | (73,233) | 408,470 | 335,237 |
| **Total** | **(73,233)** | **408,470** | **335,237** |

[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 60 – Brasilprev | Year-to-date figures - Earning assets - average balance and interest rates[1]

| R$ million | 2018 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Average balance | Interest revenues | Annualized rate (%) | Average balance | Interest revenues | Annualized rate (%) |
| **Earning assets** | | | | | | |
| Mark to market financial investments | 2,197 | 26 | 1.2 | 2,830 | 99 | 3.5 |
| Held to maturity financial investments | 10,776 | 1,443 | 13.5 | 11,403 | 1,570 | 13.7 |
| **Total** | **12,973** | **1,469** | **11.4** | **14,233** | **1,670** | **11.7** |

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

Table 61 – Brasilprev | Year-to-date figures - Interest bearing liabilities - average balance and interest rates[1]

| R$ million | 2018 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Average balance | Interest expenses | Annualized rate (%) | Average balance | Interest expenses | Annualized rate (%) |
| **Interest bearing liabilities** | | | | | | |
| Technical reserves | 10,965 | (1,352) | 12.4 | 11,817 | (1,016) | 8.6 |
| **Total** | **10,965** | **(1,352)** | **12.4** | **11,817** | **(1,016)** | **8.6** |

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

Table 62 – Brasilprev | Financial investments portfolio breakdown (except PGBL and VGBL funds)

| | Balance | | | Chg. % | |
|---|---|---|---|---|---|
| R$ thousand | Dec/18 | Sep/19 | Dec/19 | On Dec/18 | On Sep/19 |
| **Held to maturity securities** | **11,094,692** | **11,384,341** | **11,711,696** | **5.6** | **2.9** |
| Pre-fixed | 79,694 | 81,014 | 83,390 | 4.6 | 2.9 |
| Inflation | 11,014,998 | 11,303,327 | 11,628,306 | 5.6 | 2.9 |
| **Mark to market securities** | **2,544,634** | **3,343,872** | **3,115,945** | **22.5** | **(6.8)** |
| Pre-fixed | 82,749 | 395,784 | 250,722 | 203.0 | (36.7) |
| Floating | 1,800,430 | 1,635,676 | 1,598,825 | (11.2) | (2.3) |
| Inflation | 661,455 | 1,312,412 | 1,266,398 | 91.5 | (3.5) |
| **Total** | **13,639,326** | **14,728,213** | **14,827,640** | **8.7** | **0.7** |

Figure 63 – Brasilprev | Financial investments breakdown by index - except PGBL and VGBL funds (%)

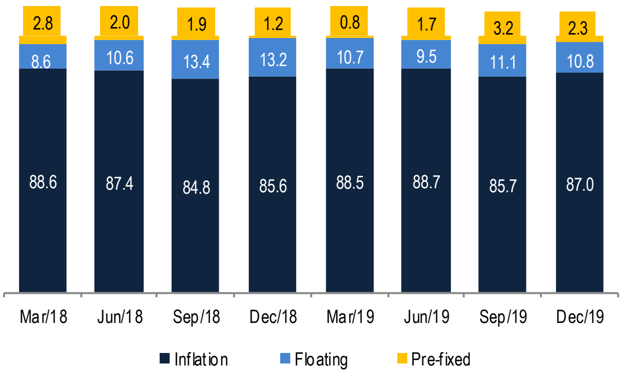
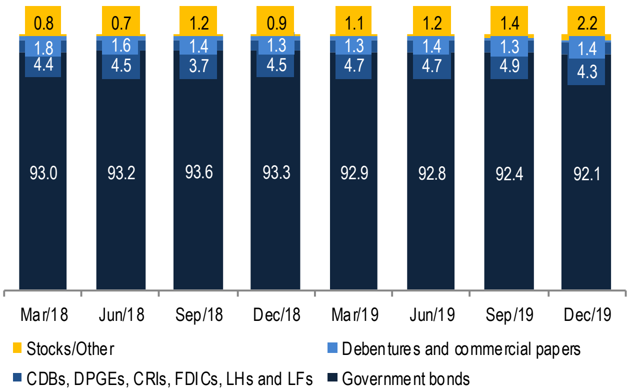



Figure 64 – Brasilprev | Assets allocation (%)



## BALANCE SHEET ANALYSIS

Table 63 – Brasilprev | Balance sheet

| R$ thousand | Balance | | | Chg. % | |
|---|---|---|---|---|---|
| | Dec/18 | Sep/19 | Dec/19 | On Dec/18 | On Sep/19 |
| **Assets** | **261,419,298** | **287,459,211** | **295,174,199** | **12.9** | **2.7** |
| Cash and cash equivalents | 3,174 | 11,843 | 3,908 | 23.1 | (67.0) |
| Financial assets | 258,957,024 | 284,771,005 | 292,454,051 | 12.9 | 2.7 |
| Receivables from insurance and reinsurance operations | 2,756 | 6,324 | 4,716 | 71.1 | (25.4) |
| Securities and credits receivable | 994,479 | 1,169,352 | 1,201,254 | 20.8 | 2.7 |
| Prepaid expenses | 5,335 | 4,765 | 5,031 | (5.7) | 5.6 |
| Deferred costs | 1,215,970 | 1,261,505 | 1,277,091 | 5.0 | 1.2 |
| Credits from private pension transactions | 670 | 224 | 98 | (85.4) | (56.3) |
| Investments | 75 | 83 | 75 | - | (8.8) |
| Fixed assets | 29,723 | 25,824 | 25,873 | (13.0) | 0.2 |
| Intangible | 210,091 | 208,287 | 202,101 | (3.8) | (3.0) |
| **Liabilities** | **258,543,700** | **284,278,755** | **291,889,999** | **12.9** | **2.7** |
| Accounts payable | 617,507 | 594,980 | 875,264 | 41.7 | 47.1 |
| Obligations with insurance and reinsurance operations | 5,146 | 13,483 | 10,438 | 102.8 | (22.6) |
| Debts from private pension transactions | 2,406 | 994 | 3,131 | 30.1 | 214.8 |
| Third party deposits | 115,075 | 289,350 | 22,348 | (80.6) | (92.3) |
| Technical reserves - insurance | 211,011,798 | 234,823,036 | 241,476,384 | 14.4 | 2.8 |
| Technical reserves - private pension | 45,754,078 | 47,430,309 | 48,334,930 | 5.6 | 1.9 |
| Other liabilities | 1,037,689 | 1,126,602 | 1,167,505 | 12.5 | 3.6 |
| **Shareholders' equity** | **2,875,598** | **3,180,455** | **3,284,200** | **14.2** | **3.3** |

## SOLVENCY

Table 64 – Brasilprev | Solvency[1]

| R$ thousand | Balance | | | Chg. % | |
|---|---|---|---|---|---|
| | Dec/18 | Sep/19 | Dec/19 | On Dec/18 | On Sep/19 |
| **Adjusted shareholder's equity (a)** | **3,368,294** | **3,736,889** | **4,003,807** | **18.9** | **7.1** |
| **Minimum capital requirement (b)** | **1,999,649** | **2,238,399** | **2,542,866** | **27.2** | **13.6** |
| Additional capital for underwritting risk | 1,394,709 | 1,459,493 | 1,480,985 | 6.2 | 1.5 |
| Additional capital for credit risk | 105,974 | 99,670 | 80,808 | (23.7) | (18.9) |
| Additional capital for market risk | 745,449 | 994,752 | 1,391,048 | 86.6 | 39.8 |
| Additional capital for operating risk | 205,413 | 225,803 | 231,849 | 12.9 | 2.7 |
| Correlation risk reduction | (451,896) | (541,319) | (641,824) | 42.0 | 18.6 |
| **Capital adequacy (a) - (b)** | **1,368,645** | **1,498,490** | **1,460,941** | **6.7** | **(2.5)** |
| **Solvency ratio (a) / (b) - %** | **168.4** | **166.9** | **157.5** | **-11.0 p.p.** | **-9.5 p.p.** |

[1]Information based on the accounting principles adopted by SUSEP.

# 4.3 BRASILCAP

## ■ EARNINGS ANALYSIS

The table below shows a managerial view built from the reallocation of expenses relates 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 65 – Brasilcap | Managerial income statement

| | Quarterly Flow | | | Chg. % | | Annual Flow | | Chg. % |
|---|---|---|---|---|---|---|---|---|
| **R$ thousand** | **4Q18** | **3Q19** | **4Q19** | **On 4Q18** | **On 3Q19** | **2018** | **2019** | **On 2018** |
| **Premium bonds collection** | **1,183,011** | **1,221,432** | **1,571,370** | **32.8** | **28.6** | **4,609,885** | **5,381,088** | **16.7** |
| Changes in provisions for redemption | (1,038,273) | (1,073,419) | (1,372,802) | 32.2 | 27.9 | (4,019,860) | (4,693,481) | 16.8 |
| Changes in provisions for lottery and bonus | (26,688) | (22,068) | (24,333) | (8.8) | 10.3 | (112,490) | (92,378) | (17.9) |
| **Revenue with load fee** | **118,050** | **125,945** | **174,235** | **47.6** | **38.3** | **477,535** | **595,229** | **24.6** |
| Changes in other technical reserves | (6,569) | (3,507) | (5,592) | (14.9) | 59.5 | (14,238) | (18,857) | 32.4 |
| Result with lottery | 9,482 | 2,837 | 2,668 | (71.9) | (6.0) | 43,299 | 15,151 | (65.0) |
| Acquisition costs | (98,059) | (109,883) | (159,178) | 62.3 | 44.9 | (378,906) | (508,006) | 34.1 |
| Administrative expenses | (22,470) | (18,216) | (26,692) | 18.8 | 46.5 | (81,288) | (85,159) | 4.8 |
| Tax expenses | (6,581) | (6,887) | (9,027) | 37.2 | 31.1 | (27,265) | (31,525) | 15.6 |
| Other operating income (expenses) | 766 | 2,999 | 3,995 | 421.6 | 33.2 | 3,317 | 9,844 | 196.8 |
| Gains or losses on non-current assets | - | 3 | 4 | - | 33.3 | - | 7 | - |
| Equity income | (37) | (5) | 1 | - | - | (90) | 8 | - |
| **Non-interest operating result** | **(5,419)** | **(6,714)** | **(19,587)** | **261.4** | **191.7** | **22,363** | **(23,308)** | **-** |
| **Net investment income** | **55,986** | **54,862** | **46,024** | **(17.8)** | **(16.1)** | **184,054** | **192,787** | **4.7** |
| Financial income | 226,324 | 272,760 | 204,336 | (9.7) | (25.1) | 911,266 | 933,149 | 2.4 |
| Financial expenses | (170,338) | (217,897) | (158,312) | (7.1) | (27.3) | (727,212) | (740,362) | 1.8 |
| **Earnings before taxes and profit sharing** | **50,567** | **48,150** | **26,437** | **(47.7)** | **(45.1)** | **206,418** | **169,480** | **(17.9)** |
| Taxes | (11,371) | (18,627) | (7,262) | (36.1) | (61.0) | (88,168) | (63,231) | (28.3) |
| Profit sharing | (1,842) | (1,528) | (1,327) | (28.0) | (13.2) | (5,632) | (5,341) | (5.2) |
| **Net income** | **37,354** | **27,995** | **17,848** | **(52.2)** | **(36.2)** | **112,617** | **100,907** | **(10.4)** |

## NET INCOME

Figure 65 – Brasilcap | Net income and ROAA

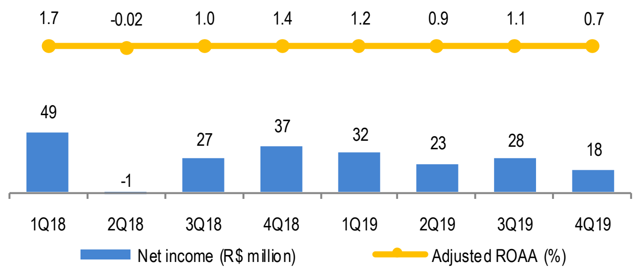
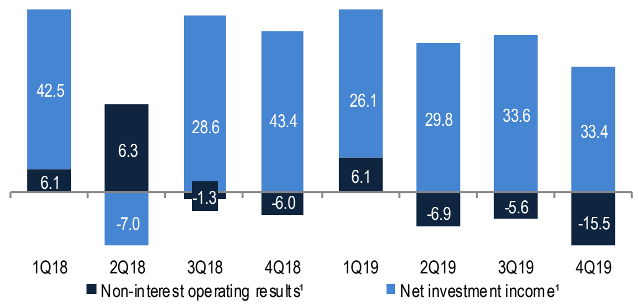



Figure 66 – Brasilcap | Net income composition (R$ million)




1. Net of taxes considering the effective tax rate.

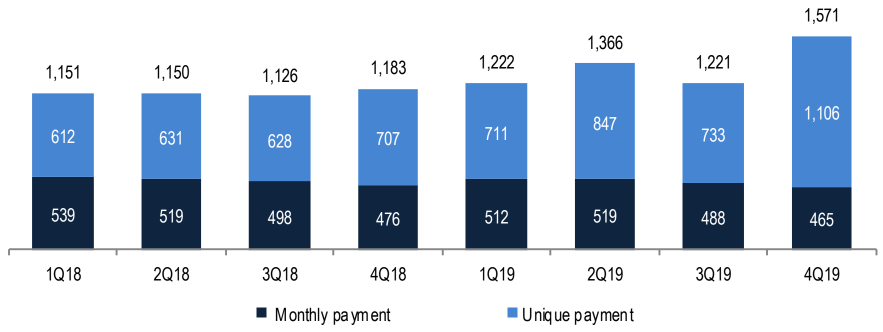
Table 66 – Brasilcap | Performance ratios

| | Quarterly Flow | | | Chg. (p.p.) | | Annual Flow | | Chg. (p.p.) |
|---|---|---|---|---|---|---|---|---|
| % | 4Q18 | 3Q19 | 4Q19 | On 4Q18 | On 3Q19 | 2018 | 2019 | On 2018 |
| **Average quotes** | | | | | | | | |
| Reserve quote | 87.8 | 87.9 | 87.4 | (0.4) | (0.5) | 87.2 | 87.2 | 0.0 |
| Lottery quote | 2.2 | 1.8 | 1.5 | (0.7) | (0.2) | 2.4 | 1.7 | (0.7) |
| Bonus quote | 0.1 | 0.0 | 0.0 | (0.0) | (0.0) | 0.1 | 0.0 | (0.0) |
| Load fee quote | 10.0 | 10.3 | 11.1 | 1.1 | 0.8 | 10.4 | 11.1 | 0.7 |
| **Load fee consumption** | | | | | | | | |
| Commission ratio | 83.1 | 87.2 | 91.4 | 8.3 | 4.1 | 79.3 | 85.3 | 6.0 |
| G&A ratio | 24.0 | 17.6 | 18.2 | (5.8) | 0.7 | 22.0 | 17.9 | (4.1) |
| **Financial** | | | | | | | | |
| Net interest margin (p.p.) | 3.9 | 3.6 | 3.5 | (0.4) | (0.1) | 2.9 | 3.1 | 0.2 |
| **Other** | | | | | | | | |
| Premium bonds margin | (3.7) | (4.5) | (9.9) | (6.1) | (5.3) | 3.8 | (3.4) | (7.2) |
| Income tax rate | 22.5 | 38.7 | 27.5 | 5.0 | (11.2) | 42.7 | 37.3 | (5.4) |
| Adjusted ROAA | 1.4 | 1.1 | 0.7 | (0.7) | (0.4) | 1.0 | 1.0 | (0.0) |

## ■ NON-INTEREST OPERATING RESULT ANALYSIS

### PREMIUM BONDS COLLECTION

Figure 67 – Brasilcap | Collection (R$ million)




**QUARTERLY ANALYSIS**

In the 4Q19, premium bonds collection grew 32.8% YoY, as a result of the 56.3% increase in the collection from unique payment bonds.

**YEAR-TO-DATE ANALYSIS**

Premium bonds collection increased 16.7% in 2019, as a result of the 31.8% expansion in the collection from unique payment bonds.

Figure 68 – Brasilcap | Collections by product (%)

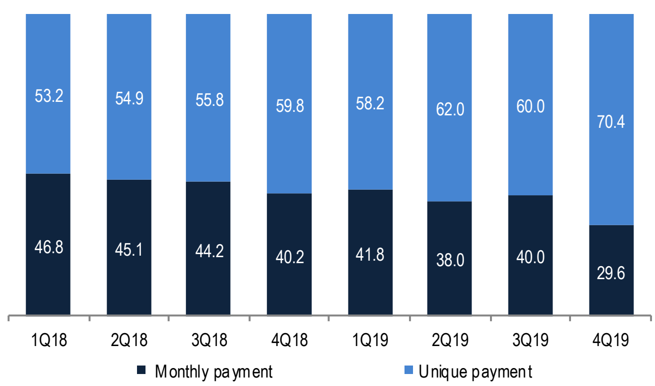
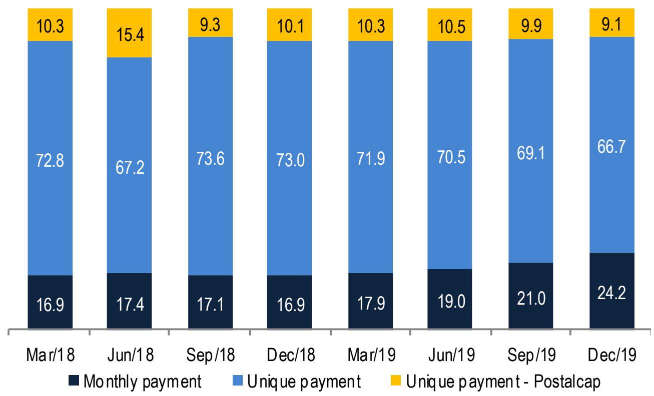
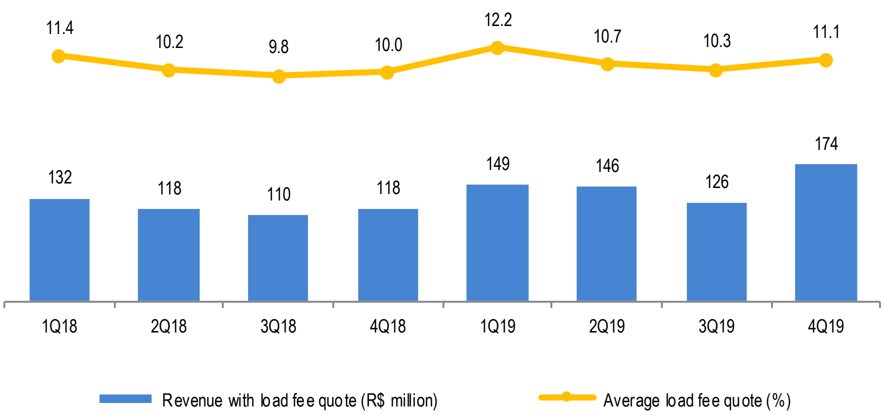



Figure 69 – Brasilcap | Bonds outstanding by product (%)



## REVENUE WITH LOAD FEE

Figure 70 – Brasilcap | Changes in revenue with load fee quote and average load fee quote




### QUARTERLY ANALYSIS

In the 4Q19, revenue with load fee quote was up 47.6% YoY, given the growth in collections and the increase of 1.1 p.p. of the average load fee quote, which is mainly explained by:

(i) the increase in the average duration of the unique payment bonds, with a lower share of the 12-month bonds and an increase in the share of 24 and 36-month bonds, which have a load fee quote twice as high as in the shorter one; and

(ii) the reduction in the frequency and volume of lottery prizes in the current portfolio, which have lower lottery quote compared to the former portfolio, leading to higher load fee quote for bonds with the same duration.

### YEAR-TO-DATE ANALYSIS

The revenues with load fee increased 24.6% in 2019, propelled by the 16.7% growth in collections and by the 0.7 p.p. increase in the average load fee quote. The higher average load fee quote is explained by the same reasons mentioned in the quarterly analysis, and by the higher concentration of the first installments of monthly payment bonds in the mix of collections, considering that these installments have higher load fee quotes when compared to the recurring installments and to the unique payment bonds.

Figure 71 – Brasilcap | Changes in provisions for redemption and average reserve quote

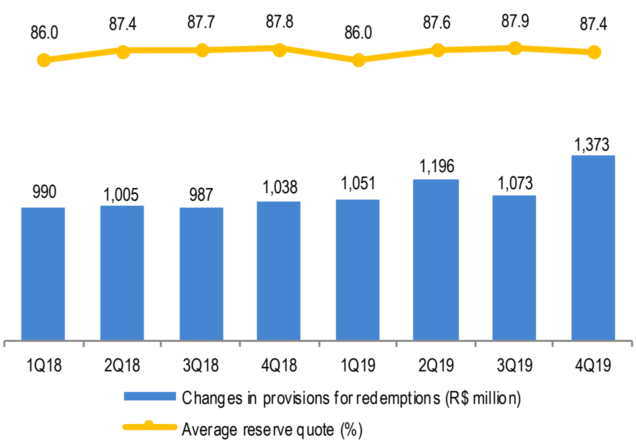



Figure 72 – Brasilcap | Changes in provisions for lottery and bonus and average lottery and bonus quotes

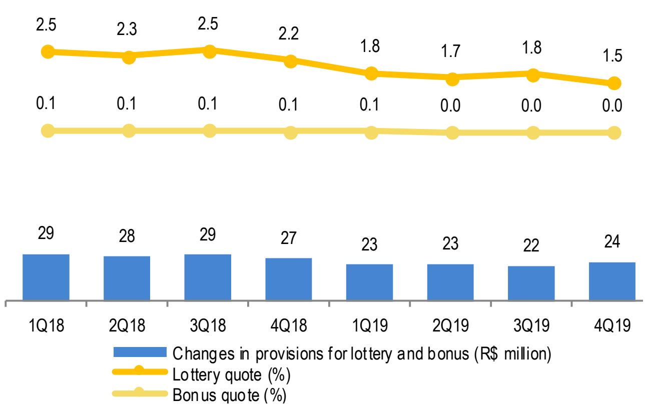


Table 67 – Brasilcap | Changes in premium bonds provision

| | Balance | | | Chg. % | |
|---|---|---|---|---|---|
| **R$ thousand** | **Dec/18** | **Sep/19** | **Dec/19** | **On Dec/18** | **On Sep/19** |
| **Premium bonds provision** | | | | | |
| **Initial balance** | **8,726,728** | **8,130,979** | **7,891,264** | **(9.6)** | **(2.9)** |
| Constitution | 1,041,973 | 1,077,244 | 1,378,795 | 32.3 | 28.0 |
| Cancellations | (3,731) | (3,814) | (5,996) | 60.7 | 57.2 |
| Transfers | (1,493,315) | (1,430,628) | (1,710,650) | 14.6 | 19.6 |
| Interest accrual | 126,221 | 117,483 | 114,560 | (9.2) | (2.5) |
| **Final balance** | **8,397,876** | **7,891,264** | **7,667,973** | **(8.7)** | **(2.8)** |

Table 68 – Brasilcap | Changes in provisions for redemption[1]

| | Balance | | | Chg. % | |
|---|---|---|---|---|---|
| **R$ thousand** | **Dec/18** | **Sep/19** | **Dec/19** | **On Dec/18** | **On Sep/19** |
| **Provision for redemption** | | | | | |
| **Initial balance** | **460,161** | **508,569** | **498,242** | **8.3** | **(2.0)** |
| Transfers | 1,500,782 | 1,435,941 | 1,716,116 | 14.3 | 19.5 |
| Payments | (1,501,537) | (1,444,451) | (1,691,555) | 12.7 | 17.1 |
| Interest accrual | 168 | 47 | 44 | (73.5) | (5.7) |
| Premium bonds expiration | (1,355) | (1,865) | (2,198) | 62.2 | 17.9 |
| **Final balance** | **458,219** | **498,242** | **520,650** | **13.6** | **4.5** |

[1] Provision's flow does not pass through income statement

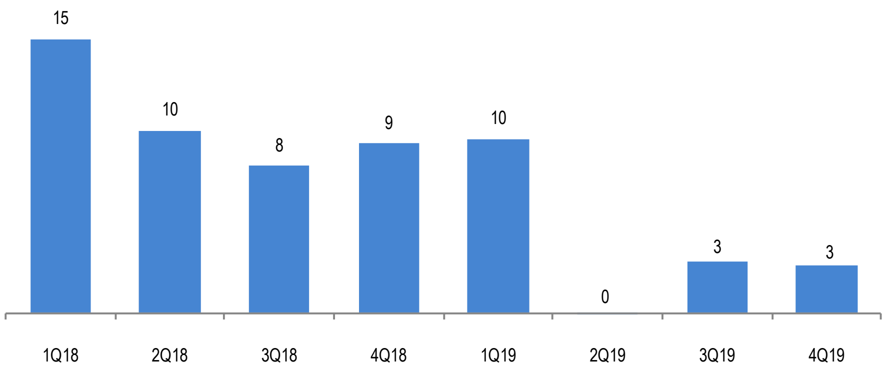
Table 69 – Brasilcap | Changes in provision for lottery to be held

| | Balance | | | Chg. % | |
|---|---|---|---|---|---|
| **R$ thousand** | **Dec/18** | **Sep/19** | **Dec/19** | **On Dec/18** | **On Sep/19** |
| **Provision for lottery to be held** | | | | | |
| **Initial balance** | **123,820** | **95,482** | **92,118** | **(25.6)** | **(3.5)** |
| Constitution | 25,913 | 21,609 | 23,951 | (7.6) | 10.8 |
| Reversal | (37,179) | (25,596) | (26,724) | (28.1) | 4.4 |
| Cancellations | (54) | (57) | (71) | 30.5 | 24.6 |
| Interest accrual | 1,243 | 680 | 616 | (50.4) | (9.4) |
| **Final balance** | **113,743** | **92,118** | **89,890** | **(21.0)** | **(2.4)** |

Table 70 – Brasilcap | Changes in provision for draws to be paid

| | Balance | | | Chg. % | |
|---|---|---|---|---|---|
| **R$ thousand** | **Dec/18** | **Sep/19** | **Dec/19** | **On Dec/18** | **On Sep/19** |
| **Provision for draws to be paid** | | | | | |
| **Initial balance** | **11,576** | **13,327** | **9,343** | **(19.3)** | **(29.9)** |
| Constitution | 27,693 | 22,760 | 22,849 | (17.5) | 0.4 |
| Payments | (26,001) | (26,418) | (22,278) | (14.3) | (15.7) |
| Interest accrual | 4 | - | 15 | 258.9 | - |
| Premium bonds expiration | (6) | (326) | (282) | 4,348.5 | (13.5) |
| **Final balance** | **13,266** | **9,343** | **9,647** | **(27.3)** | **3.3** |

Figure 73 – Brasilcap | Result with lottery (R$ million)




### QUARTERLY ANALYSIS

In the 4Q19, the result with lottery decreased 71.9% YoY. The performance is mainly explained by the lower reversals of the lottery provision, partially offset by the contraction in lottery expenses. Both movements are related to the reduction in the frequency and volume of lottery prizes in the current portfolio, which reduce the amount of lottery provisions built up as well as the expenses with lottery prizes.

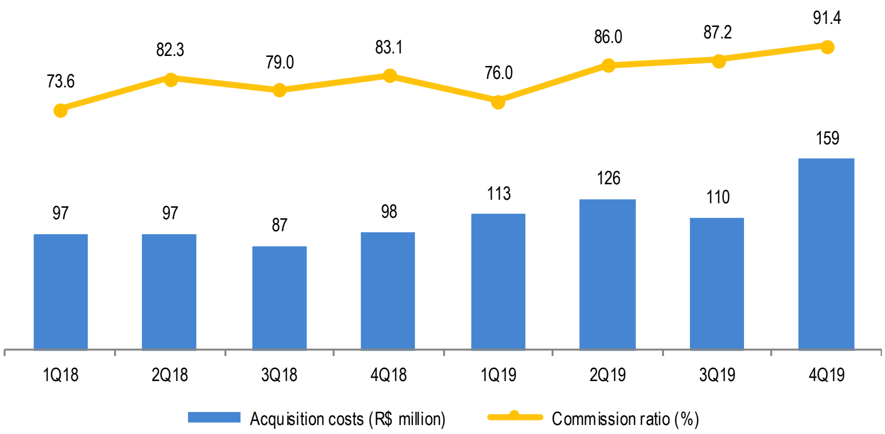
### YEAR-TO-DATE ANALYSIS

The result with lottery fell 65.0% in 2019, justified by the drop in lottery provision reversals, partially offset by lower lottery expenses, due to the same reasons explained in the quarterly analysis.

Table 71 – Brasilcap | Result with lottery

| | Quarterly Flow | | | Chg. % | | Annual Flow | | Chg. % |
|---|---|---|---|---|---|---|---|---|
| R$ thousand | 4Q18 | 3Q19 | 4Q19 | On 4Q18 | On 3Q19 | 2018 | 2019 | On 2018 |
| **Result with lottery** | **9,482** | **2,837** | **2,668** | **(71.9)** | **(6.0)** | **43,299** | **15,151** | **(65.0)** |
| Lottery provision reversal | 37,179 | 25,597 | 26,724 | (28.1) | 4.4 | 167,309 | 117,151 | (30.0) |
| Lottery expenses | (27,697) | (22,760) | (24,056) | (13.1) | 5.7 | (124,010) | (102,000) | (17.7) |

Figure 74 – Brasilcap | Acquisition costs




### QUARTERLY ANALYSIS

Acquisition costs were up 62.3% YoY in the 4Q19, driven by the 72.5% growth in brokerage expenses, which was supported by the increase in collections along with a higher commission ratio, which was up 8.3 p.p. YoY.

The increase in the commission ratio is explained:

(i) by the increased participation of the most recently launched premium bonds in the overall collections, since higher commissions are charged on these products when compared to the former portfolio; and

(ii) by the increase in the average duration of the unique payment bonds, with a higher concentration on 24 and 36-month bonds, which pay higher commissions than the 12-month bonds.

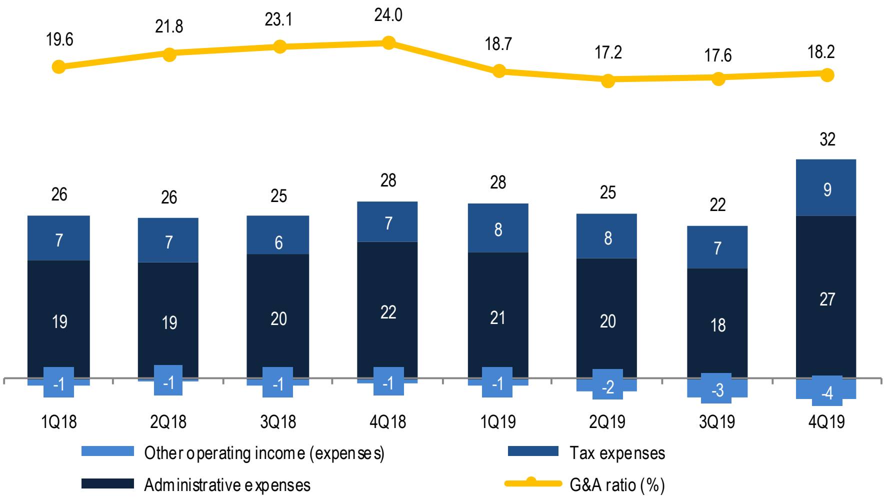
### YEAR-TO-DATE ANALYSIS

In 2019, the acquisition costs increased 34.1%, justified by the growth in collections and the rise of 6.0 p.p. in the commission ratio. The higher commission ratio is explained by the same effects mentioned in the quarterly analysis, along with an increased share of the first installments of monthly payment bonds in the mix of collections, which pay higher commissions than the recurring installments.

Table 72 – Brasilcap | Changes in Acquisition Costs

| | Quarterly Flow | | | Chg. % | | Annual Flow | | Chg. % |
|---|---|---|---|---|---|---|---|---|
| R$ thousand | 4Q18 | 3Q19 | 4Q19 | On 4Q18 | On 3Q19 | 2018 | 2019 | On 2018 |
| **Acquisition costs** | **98,058** | **109,883** | **159,178** | **62.3** | **44.9** | **378,905** | **508,006** | **34.1** |
| Brokerage | 79,066 | 95,703 | 136,418 | 72.5 | 42.5 | 308,080 | 439,894 | 42.8 |
| Sales cost | 18,992 | 14,180 | 22,760 | 19.8 | 60.5 | 70,826 | 68,112 | (3.8) |

Figure 75 – Brasilcap | G&A expenses (R$ million)




## QUARTERLY ANALYSIS

In the 4Q19, G&A expenses increased 12.1% YoY. The performance is mainly explained by:

(i) the growth in outsourcing expenses, due to the increased charges related to IT services and software licenses to support the improvements in the IT structure;

(ii) the increase in institutional advertisement and publicity expenses, due to the intensification of social media campaigns and the development of a new website;

(iii) higher personnel expenses, justified by the increase in the headcount and employee training; and

(iv) higher tax expenses, led by the increase in the taxable income for PIS/PASEP and COFINS tax collection.

The growth of these expenses was partially offset by the rise in other operating income, due to higher revenues with penalties charged on bonds redeemed before the grace period and by the increase in revenue with premium bonds which expired more than five years ago.

## YEAR-TO-DATE ANALYSIS

In 2019, G&A expenses grew 1.5%, below the inflation rate. The main drivers of this increase in expenses are related to the improvement of the IT structure, the higher taxable income for PIS/PASEP and COFINS tax collection, and the growth in personnel expenses.

These negative impacts were partially offset by the 44.8% increase in revenues with premium bonds that expired more than five years ago, as well as higher revenues with penalties charged on bonds redeemed before the grace period.

Table 73 – Brasilcap | General & Administrative expenses

| | Quarterly Flow | | | Chg. % | | Annual Flow | | Chg. % |
|---|---|---|---|---|---|---|---|---|
| R$ thousand | 4Q18 | 3Q19 | 4Q19 | On 4Q18 | On 3Q19 | 2018 | 2019 | On 2018 |
| **Administrative expenses** | **(22,470)** | **(18,216)** | **(26,692)** | **18.8** | **46.5** | **(81,289)** | **(85,159)** | **4.8** |
| Personnel | (11,266) | (11,840) | (12,278) | 9.0 | 3.7 | (47,546) | (49,512) | 4.1 |
| Location and operation | (1,700) | (1,709) | (1,735) | 2.1 | 1.5 | (7,847) | (7,512) | (4.3) |
| Outsourcing | (6,057) | (4,132) | (8,354) | 37.9 | 102.2 | (18,047) | (21,964) | 21.7 |
| Institutional advertisement and publicity | (1,724) | (142) | (2,755) | 59.8 | 1,842.8 | (3,688) | (3,421) | (7.3) |
| Leasing | (76) | (53) | (99) | 30.5 | 88.5 | (926) | (309) | (66.7) |
| Other | (1,648) | (340) | (1,471) | (10.7) | 332.3 | (3,234) | (2,442) | (24.5) |
| **Other operating income (expenses)** | **765** | **2,999** | **3,995** | **422.0** | **33.2** | **3,316** | **9,847** | **196.9** |
| Printing and mailing | (327) | (234) | (200) | (38.8) | (14.5) | (1,615) | (1,252) | (22.5) |
| Legal provisions | (231) | (86) | (707) | 206.2 | 725.6 | (803) | (952) | 18.6 |
| Other operating income (expenses) | (5) | 1,143 | 2,417 | - | 111.4 | 36 | 3,794 | 10,572.1 |
| Revenue with premium bonds prescription | 1,329 | 2,175 | 2,485 | 87.0 | 14.3 | 5,699 | 8,254 | 44.8 |
| **Tax expenses** | **(6,582)** | **(6,887)** | **(9,027)** | **37.1** | **31.1** | **(27,266)** | **(31,524)** | **15.6** |
| COFINS | (5,201) | (5,495) | (7,336) | 41.1 | 33.5 | (21,633) | (25,355) | 17.2 |
| PIS/PASEP | (845) | (893) | (1,192) | 41.1 | 33.5 | (3,515) | (4,120) | 17.2 |
| Inspection fee | (471) | (471) | (471) | - | - | (1,884) | (1,882) | (0.1) |
| Other tax expenses | (65) | (29) | (28) | (57.4) | (3.9) | (235) | (167) | (29.0) |
| **G&A Expenses** | **(28,287)** | **(22,105)** | **(31,723)** | **12.1** | **43.5** | **(105,238)** | **(106,837)** | **1.5** |

## NET INVESTMENT INCOME

Figure 76 – Brasilcap | Net investment income (R$ million)

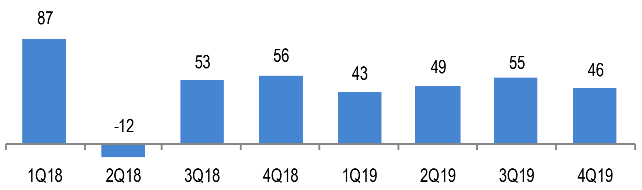



Figure 77 – Brasilcap | Annualized average interest rates and spread

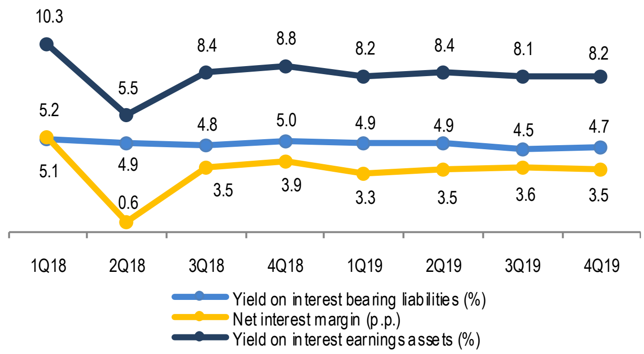



Table 74 – Brasilcap | Financial income and expenses

| | Quarterly Flow | | | Chg. % | | Annual Flow | | Chg. % |
|---|---|---|---|---|---|---|---|---|
| R$ thousand | 4Q18 | 3Q19 | 4Q19 | On 4Q18 | On 3Q19 | 2018 | 2019 | On 2018 |
| **Interest revenues** | **221,808** | **209,361** | **200,438** | **(9.6)** | **(4.3)** | **857,905** | **810,759** | **(5.5)** |
| Revenues with mark to market financial investments | 87,633 | 118,495 | 61,925 | (29.3) | (47.7) | 348,245 | 356,743 | 2.4 |
| Expenses with mark to market financial investments | (4,516) | (63,399) | (3,898) | (13.7) | (93.9) | (53,360) | (122,390) | 129.4 |
| Revenues with held to maturity financial investments | 138,117 | 147,373 | 136,911 | (0.9) | (7.1) | 560,493 | 562,843 | 0.4 |
| Interest accrual on judicial deposits | 574 | 6,892 | 5,501 | 858.3 | (20.2) | 2,527 | 13,563 | 436.7 |
| **Interest expenses** | **(128,303)** | **(118,796)** | **(115,913)** | **(9.7)** | **(2.4)** | **(529,974)** | **(476,627)** | **(10.1)** |
| Interest accrual on technical reserves | (127,739) | (118,341) | (115,308) | (9.7) | (2.6) | (526,773) | (474,322) | (10.0) |
| Other | (564) | (455) | (606) | 7.4 | 33.2 | (3,201) | (2,305) | (28.0) |
| **Net interest income** | **93,505** | **90,565** | **84,525** | **(9.6)** | **(6.7)** | **327,931** | **334,132** | **1.9** |

### QUARTERLY ANALYSIS

In the 4Q19, the net interest income decreased 9.6% YoY while the net interest margin narrowed 0.4 p.p.

Interest revenue dropped 9.6%, largely explained by the 5.5% decrease in the average balance of financial investments along with the 0.7 p.p. reduction in the average yield on interest earning assets. The lower average yield is justified by the reduction in the Selic rate and by lower mark to market gains on pre-fixed securities classified for trading, as the yield curve flattened less in the 4Q19 than in the 4Q18.

The interest expenses dropped 9.7%, justified by the reduction in the average balance of technical reserves, and by the lower yield on interest bearing liabilities.

### YEAR-TO-DATE ANALYSIS

In 2019, net interest income grew 1.9%, helped by the net interest margin, which widened by 0.2 p.p.

The interest revenues fell 5.5%, due to the lower balance of the financial assets, since the average yield remained flat.

The interest expenses decreased 10.1%, helped by the reduction in the average balance of technical reserves and by the decline of 0.2 p.p. in the average yield on interest bearing liabilities.

Table 75 – Brasilcap | Quarterly figures - Volume and rate analysis

| | 4Q19/4Q18 | | |
|---|---|---|---|
| **R$ thousand** | **Average volume** | **Average rate** | **Net change** |
| **Earning assets** | | | |
| Mark to market financial investments | (8,422) | (16,669) | (25,090) |
| Held to maturity financial investments | (6,147) | 4,940 | (1,206) |
| Judicial deposits | 391 | 4,536 | 4,927 |
| **Total[1]** | **(11,770)** | **(9,599)** | **(21,370)** |
| **Interest bearing liabilities** | | | |
| Technical reserves - premium bonds | 10,495 | 1,936 | 12,431 |
| Other | (34) | (8) | (42) |
| **Total[1]** | **8,528** | **3,862** | **12,390** |

[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 76 – Brasilcap | Quarterly figures – Earning assets – average balance and interest rates

| | 4Q18 | | | 4Q19 | | |
|---|---|---|---|---|---|---|
| **R$ thousand** | **Average balance** | **Interest revenues** | **Annualized rate (%)** | **Average balance** | **Interest revenues** | **Annualized rate (%)** |
| **Earnings assets** | | | | | | |
| Mark to market financial investments | 3,066,164 | 83,117 | 11.5 | 2,677,566 | 58,027 | 8.8 |
| Held to maturity financial investments | 6,420,282 | 138,117 | 9.0 | 6,144,422 | 136,911 | 9.1 |
| Judicial deposits | 1,047,422 | 574 | 0.2 | 1,127,609 | 5,501 | 1.9 |
| **Total** | **10,533,869** | **221,808** | **8.8** | **9,949,597** | **200,438** | **8.2** |

Table 77 – Brasilcap | Quarterly figures – Interest bearing liabilities – average balance and interest rates

| | 4Q18 | | | 4Q19 | | |
|---|---|---|---|---|---|---|
| **R$ thousand** | **Average balance** | **Interest expenses** | **Annualized rate (%)** | **Average balance** | **Interest expenses** | **Annualized rate (%)** |
| **Interest bearing liabilities** | | | | | | |
| Technical reserves - premium bonds | 9,212,891 | (127,739) | 5.5 | 8,444,288 | (115,308) | 5.3 |
| Other | 1,072,470 | (564) | 0.2 | 1,136,250 | (606) | 0.2 |
| **Total** | **10,285,361** | **(128,303)** | **5.0** | **9,580,538** | **(115,913)** | **4.7** |

Table 78 – Brasilcap | Year-to-date figures - Volume and rate analysis

| R$ thousand | 2019/2018 | | |
|---|---|---|---|
| | Average volume | Average rate | Net change |
| **Earning assets** | | | |
| Mark to market financial investments | (82,883) | 22,350 | (60,532) |
| Held to maturity financial investments | 25,691 | (23,341) | 2,350 |
| Judicial deposits | 1,218 | 9,818 | 11,036 |
| **Total[1]** | **(56,296)** | **9,150** | **(47,146)** |
| **Interest bearing liabilities** | | | |
| Technical reserves - premium bonds | 43,931 | 8,521 | 52,451 |
| Other | (155) | 1,052 | 896 |
| **Total[1]** | **35,498** | **17,850** | **53,348** |

[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 79 – Brasilcap | Year-to-date figures – Earning assets – average balance and interest rates

| R$ thousand | 2018 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Average balance | Interest revenues | Annualized rate (%) | Average balance | Interest revenues | Annualized rate (%) |
| **Earnings assets** | | | | | | |
| Mark to market financial investments | 4,118,704 | 294,885 | 7.2 | 3,042,626 | 234,353 | 7.7 |
| Held to maturity financial investments | 5,723,763 | 560,493 | 9.9 | 5,997,517 | 562,843 | 9.3 |
| Judicial deposits | 997,966 | 2,527 | 0.3 | 1,096,439 | 13,563 | 1.2 |
| **Total** | **10,840,433** | **857,905** | **8.0** | **10,136,582** | **810,759** | **8.0** |

Table 80 – Brasilcap | Year-to-date figures – Interest bearing liabilities – average balance and interest rates

| R$ thousand | 2018 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Average balance | Interest expenses | Annualized rate (%) | Average balance | Interest expenses | Annualized rate (%) |
| **Interest bearing liabilities** | | | | | | |
| Technical reserves - premium bonds | 9,497,760 | (526,773) | 5.6 | 8,692,663 | (474,322) | 5.4 |
| Other | 1,037,001 | (3,201) | 0.3 | 1,111,888 | (2,305) | 0.2 |
| **Total** | **10,534,760** | **(529,974)** | **5.1** | **9,804,551** | **(476,627)** | **4.8** |

Table 81 – Brasilcap | Financial investments portfolio breakdown

| R$ thousand | Balance | | | Chg. % | |
|---|---|---|---|---|---|
| | Dec/18 | Sep/19 | Dec/19 | On Dec/18 | On Sep/19 |
| **Trading** | **3,054,681** | **307,948** | **1,012,768** | **(66.8)** | **228.9** |
| Pre-fixed | 2,441,842 | - | 186,184 | (92.4) | - |
| Floating | 425,575 | 160,326 | 701,997 | 65.0 | 337.9 |
| Inflation | 134,414 | 100,430 | 65,829 | (51.0) | (34.5) |
| Equity funds | 52,073 | 46,237 | 44,360 | (14.8) | (4.1) |
| Other | 777 | 956 | 14,398 | 1,753.7 | 1,406.9 |
| **Available for sale** | **-** | **2,016,589** | **2,017,764** | - | 0.1 |
| Pre-fixed | - | 2,016,589 | 2,017,764 | - | 0.1 |
| **Held to maturity securities** | **6,285,043** | **6,578,852** | **5,709,992** | **(9.1)** | **(13.2)** |
| Pre-fixed | 5,653,301 | 5,976,638 | 5,109,769 | (9.6) | (14.5) |
| Inflation | 631,742 | 602,215 | 600,223 | (5.0) | (0.3) |
| **Total** | **9,339,724** | **8,903,389** | **8,740,525** | **(6.4)** | **(1.8)** |

Figure 78 – Brasilcap | Asset allocation (%)

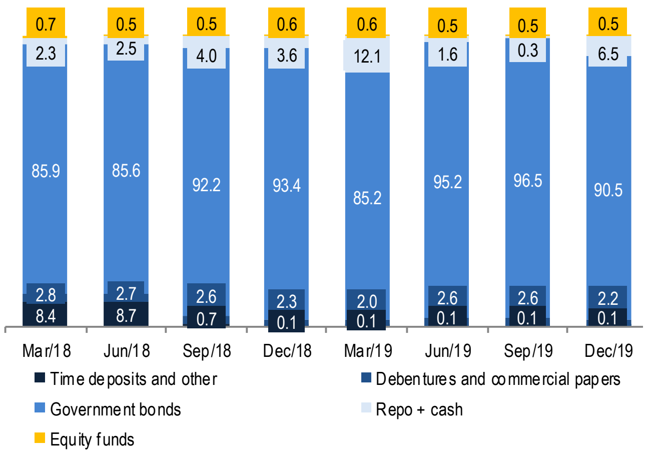
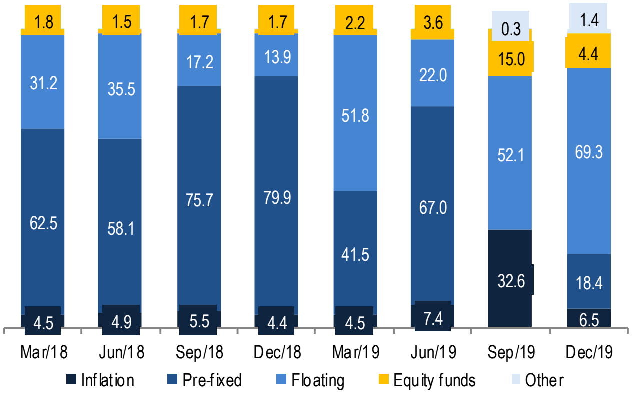



Figure 79 – Brasilcap | Financial investments breakdown by index (%)



## BALANCE SHEET ANALYSIS

Table 82 – Brasilcap | Balance sheet

| | Balance | | | Chg. % | |
|---|---|---|---|---|---|
| **R$ thousand** | **Dec/18** | **Sep/19** | **Dec/19** | **On Dec/18** | **On Sep/19** |
| **Assets** | **10,586,912** | **10,200,194** | **10,051,037** | **(5.1)** | **(1.5)** |
| Cash and cash equivalents | 55 | 16 | 14 | (74.9) | (14.3) |
| Financial assets | 9,339,724 | 8,903,413 | 8,740,563 | (6.4) | (1.8) |
| Securities and credits receivable | 1,237,851 | 1,284,904 | 1,303,412 | 5.3 | 1.4 |
| Prepaid expenses | 1,391 | 6,266 | 1,168 | (16.1) | (81.4) |
| Investments | 1,162 | 1,146 | 1,140 | (1.9) | (0.5) |
| Fixed assets | 2,319 | 1,876 | 1,942 | (16.2) | 3.5 |
| Intangible | 1,105 | 652 | 547 | (50.5) | (16.1) |
| Other assets | 3,306 | 1,921 | 2,250 | (31.9) | 17.2 |
| **Liabilities** | **10,205,791** | **9,741,997** | **9,569,213** | **(6.2)** | **(1.8)** |
| Accounts payable | 75,695 | 58,736 | 71,457 | (5.6) | 21.7 |
| Premium bonds operations debits | 4,342 | 5,980 | 10,523 | 142.4 | 76.0 |
| Technical reserves - premium bonds | 9,043,319 | 8,546,568 | 8,342,007 | (7.8) | (2.4) |
| Other liabilities | 1,082,435 | 1,130,713 | 1,145,226 | 5.8 | 1.3 |
| **Shareholders' equity** | **381,120** | **458,197** | **481,823** | **26.4** | **5.2** |

## SOLVENCY

Table 83 – Brasilcap | Solvency[1]

| | Balance | | | Chg. % | |
|---|---|---|---|---|---|
| **R$ thousand** | **Dec/18** | **Sep/19** | **Dec/19** | **On Dec/18** | **On Sep/19** |
| **Adjusted shareholders' equity (a)** | **442,199** | **585,395** | **598,880** | **35.4** | **2.3** |
| **Minimum capital required (b)** | **236,756** | **284,491** | **305,364** | **29.0** | **7.3** |
| Additional capital for underwritting risk | 34,580 | 35,003 | 38,101 | 10.2 | 8.9 |
| Additional capital for credit risk | 52,728 | 46,704 | 52,479 | (0.5) | 12.4 |
| Additional capital for operating risk | 23,464 | 23,755 | 28,273 | 20.5 | 19.0 |
| Additional capital for market risk | 178,599 | 231,286 | 243,977 | 36.6 | 5.5 |
| Benefit of correlation between risks | (52,615) | (52,257) | (57,466) | 9.2 | 10.0 |
| **Capital adequacy (a) - (b)** | **205,443** | **300,904** | **293,516** | **42.9** | **(2.5)** |
| **Solvency ratio (a) / (b) - %** | **186.8** | **205.8** | **196.1** | **9.3 p.p.** | **(9.6) p.p.** |

[1]Information based on the accounting principles adopted by SUSEP.

# 4.4 BRASILDENTAL

## ■ EARNINGS ANALYSIS

Table 84 – Brasildental | Income statement

| | Quarterly Flow | | | Chg. % | | Annual Flow | | Chg. % |
|---|---|---|---|---|---|---|---|---|
| R$ thousand | 4Q18 | 3Q19 | 4Q19 | On 4Q18 | On 3Q19 | 2018 | 2019 | On 2018 |
| **Gross operating revenues** | **30,411** | **29,720** | **29,869** | **(1.8)** | **0.5** | **114,773** | **120,025** | **4.6** |
| Taxes on revenues | (1,414) | (965) | (1,209) | (14.5) | 25.2 | (5,449) | (3,507) | (35.6) |
| **Net operating revenues** | **28,997** | **28,755** | **28,660** | **(1.2)** | **(0.3)** | **109,324** | **116,518** | **6.6** |
| Cost of services | (13,667) | (14,618) | (13,122) | (4.0) | (10.2) | (51,757) | (55,246) | 6.7 |
| **Gross income** | **15,330** | **14,137** | **15,538** | **1.4** | **9.9** | **57,566** | **61,273** | **6.4** |
| Acquisition costs | (2,349) | (1,966) | (1,967) | (16.3) | 0.1 | (9,472) | (8,139) | (14.1) |
| Administratives expenses | (4,520) | (4,752) | (5,396) | 19.4 | 13.5 | (17,354) | (19,873) | 14.5 |
| Tax expenses | (249) | (219) | (220) | (11.5) | 0.4 | (930) | (966) | 3.8 |
| Other revenues (expenses) | (969) | (1,490) | 436 | - | - | (4,552) | (3,025) | (33.5) |
| **Earnings before interest and taxes** | **7,243** | **5,709** | **8,390** | **15.8** | **47.0** | **25,259** | **29,270** | **15.9** |
| **Net investment income** | **170** | **176** | **75** | **(55.9)** | **(57.5)** | **592** | **429** | **(27.4)** |
| Financial income | 578 | 557 | 427 | (26.1) | (23.3) | 2,122 | 2,023 | (4.7) |
| Financial expenses | (409) | (381) | (352) | (13.7) | (7.4) | (1,530) | (1,594) | 4.2 |
| **Earnings before taxes and profit sharing** | **7,413** | **5,885** | **8,466** | **14.2** | **43.9** | **25,851** | **29,700** | **14.9** |
| Taxes | (2,549) | (1,867) | (2,849) | 11.8 | 52.7 | (8,822) | (10,043) | 13.8 |
| Profit sharing | (262) | (64) | (81) | (69.2) | 26.7 | (707) | (343) | (51.6) |
| **Net income** | **4,602** | **3,955** | **5,536** | **20.3** | **40.0** | **16,322** | **19,314** | 18.3 |

Table 85 – Brasildental | Performance ratios

| | Quarterly Flow | | | Chg. (p.p.) | | Annual Flow | | Chg. (p.p.) |
|---|---|---|---|---|---|---|---|---|
| % | 4Q18 | 3Q19 | 4Q19 | On 4Q18 | On 3Q19 | 2018 | 2019 | On 2018 |
| **Performance ratios** | | | | | | | | |
| Loss ratio | 47.1 | 50.8 | 45.8 | (1.3) | (5.0) | 47.3 | 47.4 | 0.1 |
| Comission ratio | 8.1 | 6.8 | 6.9 | (1.2) | 0.0 | 8.7 | 7.0 | (1.7) |
| G&A ratio | 19.8 | 22.5 | 18.1 | (1.7) | (4.4) | 20.9 | 20.5 | (0.4) |
| EBITDA margin | 25.0 | 19.9 | 29.3 | 4.3 | 9.4 | 23.1 | 25.1 | 2.0 |
| ROAA | 42.1 | 33.3 | 49.7 | 7.6 | 16.4 | 41.9 | 45.4 | 3.5 |

Figure 80 – Brasildental | Clients by segment (thousand)

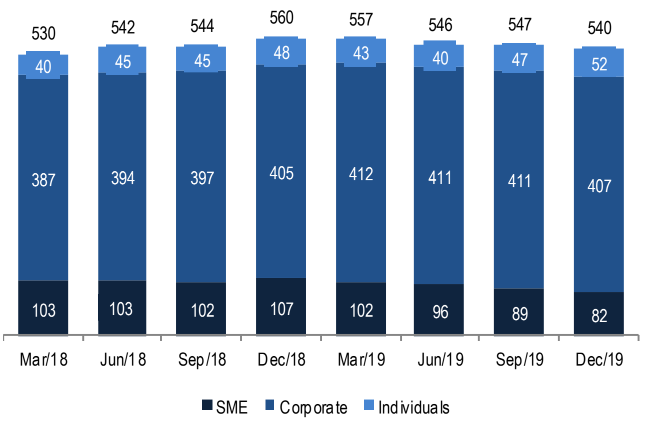



Figure 81 – Brasildental | Clients by segment (%)

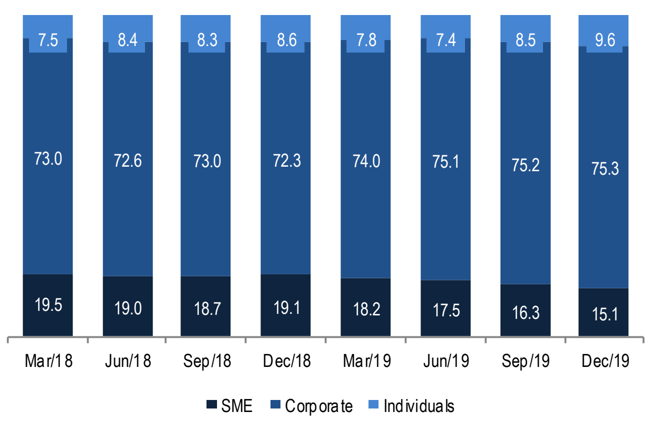



Table 86 – Brasildental | Client base breakdown

| | Balance | | | Chg. % | |
|---|---|---|---|---|---|
| | Dec/18 | Sep/19 | Dec/19 | On Dec/18 | On Sep/19 |
| **Client segments** | | | | | |
| Corporate | 404,837 | 411,314 | 406,812 | 0.5 | (1.1) |
| SME | 106,982 | 88,898 | 81,687 | (23.6) | (8.1) |
| Individuals | 48,033 | 46,551 | 51,789 | 7.8 | 11.3 |
| **Total** | **559,852** | **546,763** | **540,288** | **(3.5)** | **(1.2)** |

## BALANCE SHEET ANALYSIS

Table 87 – Brasildental | Balance sheet

| | Balance | | | Chg. % | |
|---|---|---|---|---|---|
| R$ thousand | Dec/18 | Sep/19 | Dec/19 | On Dec/18 | On Sep/19 |
| **Assets** | **41,348** | **45,330** | **43,827** | **6.0** | **(3.3)** |
| Cash and cash equivalents | 2,136 | 2,564 | 2,238 | 4.8 | (12.7) |
| Financial assets | 29,877 | 35,177 | 32,144 | 7.6 | (8.6) |
| Receivables from insurance and reinsurance operations | 6,257 | 4,658 | 5,402 | (13.7) | 16.0 |
| Tax assets | 1,203 | 1,699 | 1,795 | 49.2 | 5.7 |
| Other assets | 1,875 | 1,232 | 2,248 | 19.9 | 82.5 |
| **Liabilities** | **27,488** | **25,692** | **26,654** | **(3.0)** | **3.7** |
| Technical reserves | 17,769 | 17,090 | 18,218 | 2.5 | 6.6 |
| Tax liabilities | 2,149 | 1,572 | 2,338 | 8.8 | 48.7 |
| Other liabilities | 7,571 | 7,030 | 6,097 | (19.5) | (13.3) |
| **Shareholders' equity** | **13,860** | **19,638** | **17,173** | **23.9** | **(12.6)** |

# 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 – Brasilseg, 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.

Also BB Corretora sells auto and large risk insurance products which are underwritten by MAPFRE Insurance Company, the partner of BB Seguridade in Brasilseg. This relation is established in a commercial agreement signed by BB Corretora within the partnership reorganization, which provides exclusivity for MAPFRE to access the distribution channel.

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.

Beside to the Banco do Brasil´s bancassurance channel, Brasilseg can eventually distribute insurance in the affinity channel, which is comprised of BB's business partners. 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.

Additionally, seeking to expand the scope of its digital strategy and to explore new alternatives to offer products to the public that is currently unattended by Banco do Brasil, on September 10th 2018, BB Corretora made a capital contribution of R$20.2 million to Ciclic Corretora de Seguros S.A., in a joint venture with PFG do Brasil 2 Participações, (a Principal Financial Group subsidiary), initially to distribute pension plans. BB Corretora holds 74.99% of the economic stake, by holding 100% preferred shares and 49.99% of the common shares. Ciclic´s earnings are recorded as equity income in BB Corretora´s Income Statement.

Figure 82 – Distribution | Consolidated premiums written, contributions and collection by channel[1,2] (R$ million)

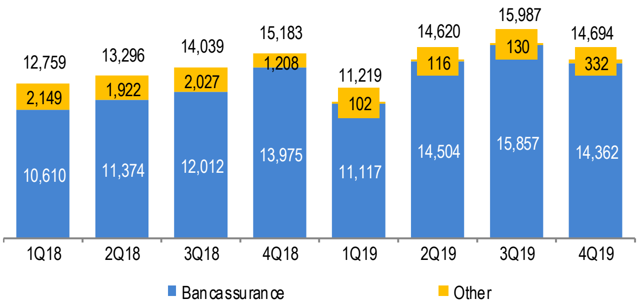
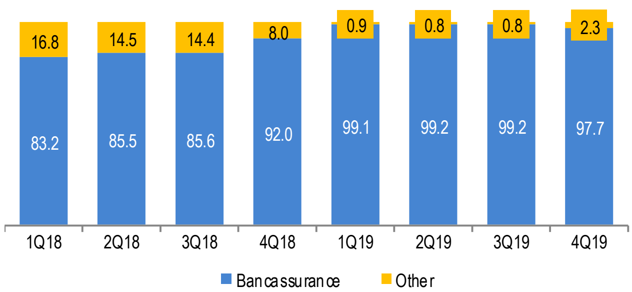



Figure 83 – Distribution | Consolidated premiums written, contributions and collection by channel[1,2] (%)




[1] Insurance premiums written, pension plans contributions, premium bonds collection and dental care revenues.
[2] After the partnership restructuring with MAPFRE, the distribution of insurance is exclusively through the bancassurance channel.

Figure 84 – Distribution | Insurance premiums written of Brasilseg[1] by channel (R$ million)

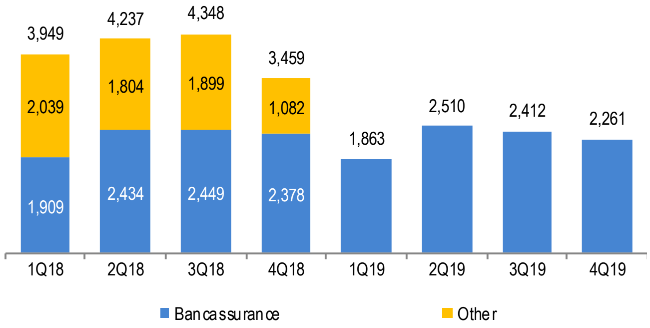
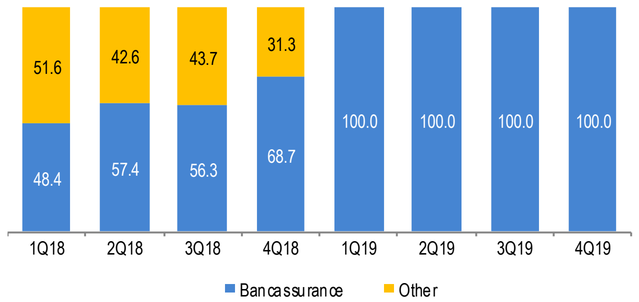



Figure 85 – Distribution | Insurance premiums written of Brasilseg[1] by channel (%)




[1] After the partnership restructuring with MAPFRE, the distribution is exclusively through the bancassurance channel.

Figure 86 – Distribution | Brasilprev pension plans contributions by channel (R$ million)

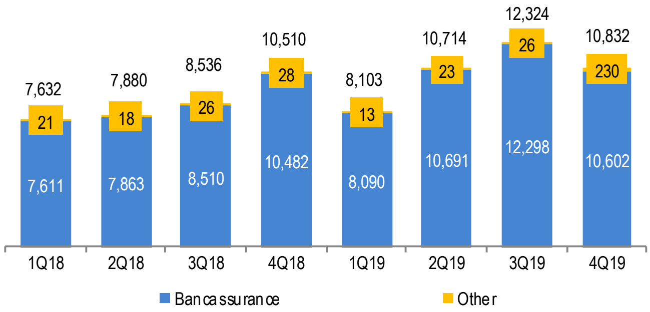



Figure 87 – Distribution | Brasilprev pension plans contributions by channel (%)

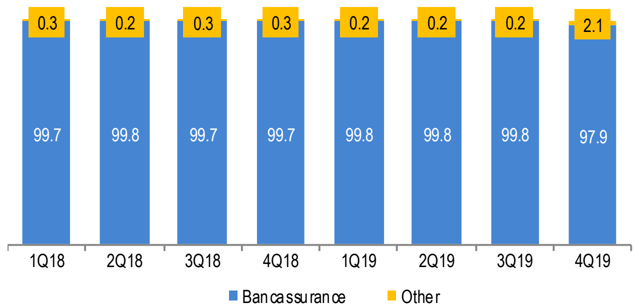



Figure 88 – Distribution | Brasilcap premium bonds collections by channel (R$ million)

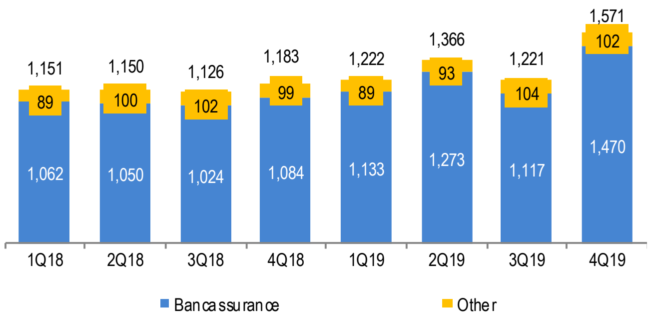



Figure 89 – Distribution | Brasilcap premium bonds collections by channel (%)

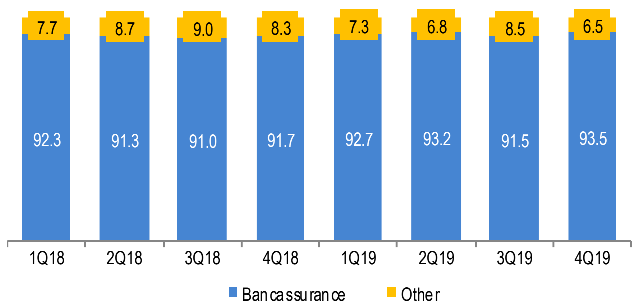



Figure 90 – Distribution | Brasildental dental insurance revenues (R$ million)

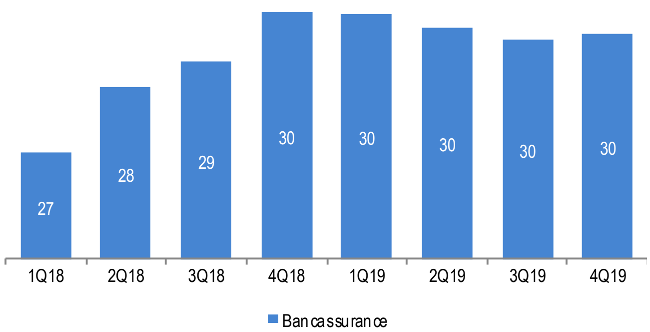



Figure 91 – Distribution | Brasildental dental insurance revenues (%)

# 5.1 BB CORRETORA

## EARNINGS ANALYSIS

Table 88 – BB Corretora | Income statement

| | Quarterly Flow | | | Chg. % | | Annual Flow | | Chg. % |
|---|---|---|---|---|---|---|---|---|
| R$ thousand | 4Q18 | 3Q19 | 4Q19 | On 4Q18 | On 3Q19 | 2018 | 2019 | On 2018 |
| **Brokerage revenues** | **956,399** | **888,038** | **984,183** | **2.9** | **10.8** | **2,917,620** | **3,474,987** | **19.1** |
| Administrative expenses | (40,735) | (50,633) | (53,790) | 32.0 | 6.2 | (192,525) | (199,729) | 3.7 |
| Personnel expenses | (8,820) | (9,400) | (11,419) | 29.5 | 21.5 | (32,069) | (37,332) | 16.4 |
| Other operating income (expenses) | (9,023) | (3,958) | (10,791) | 19.6 | 172.6 | (17,906) | (19,430) | 8.5 |
| Tax expenses | (105,594) | (103,914) | (115,980) | 9.8 | 11.6 | (335,899) | (413,873) | 23.2 |
| Equity income | (1,000) | (4,774) | (4,602) | 360.2 | (3.6) | (1,010) | (14,274) | 1,313.8 |
| **Earnings before interest and taxes** | **791,227** | **715,359** | **787,602** | **(0.5)** | **10.1** | **2,338,211** | **2,790,349** | **19.3** |
| **Net investment income** | **27,424** | **26,048** | **27,954** | **1.9** | **7.3** | **96,854** | **101,625** | **4.9** |
| Financial income | 27,487 | 28,678 | 28,022 | 1.9 | (2.3) | 103,173 | 109,933 | 6.6 |
| Financial expenses | (64) | (2,630) | (68) | 6.9 | (97.4) | (6,319) | (8,308) | 31.5 |
| **Earnings before taxes** | **818,651** | **741,407** | **815,556** | **(0.4)** | **10.0** | **2,435,065** | **2,891,974** | **18.8** |
| Taxes | (274,082) | (252,308) | (272,861) | (0.4) | 8.1 | (822,561) | (979,375) | 19.1 |
| **Net income** | **544,568** | **489,099** | **542,695** | **(0.3)** | **11.0** | **1,612,504** | **1,912,599** | **18.6** |

Figure 92 – BB Corretora | Adjusted net income

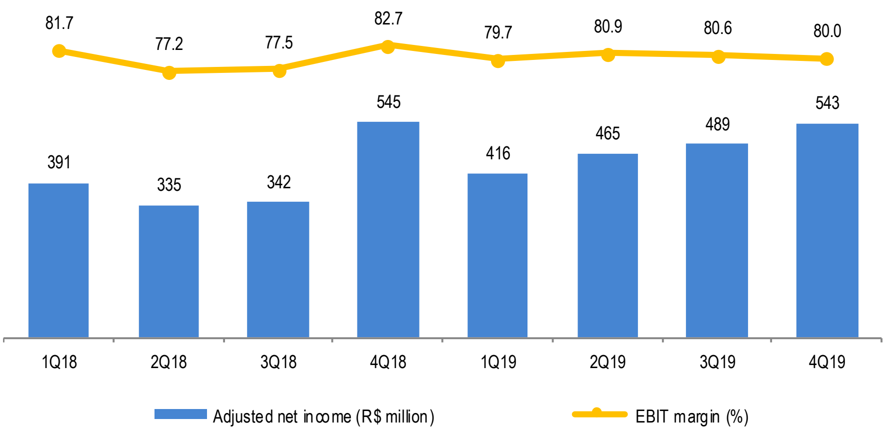
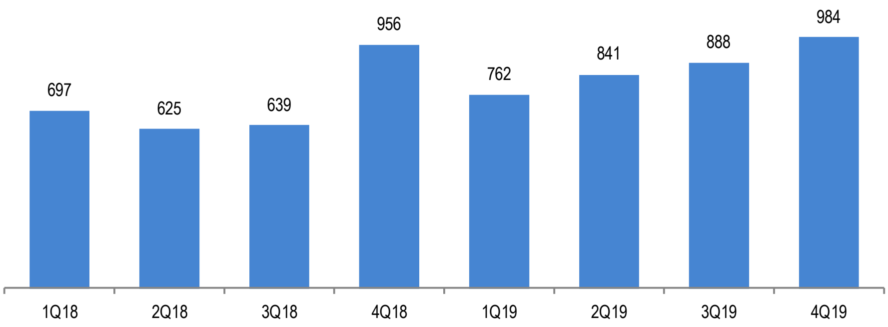



Table 89 – BB Corretora | Managerial performance ratios

| | Quarterly Flow | | | Chg. (p.p.) | | Annual Flow | | Chg. (p.p.) |
|---|---|---|---|---|---|---|---|---|
| % | 4Q18 | 3Q19 | 4Q19 | On 4Q18 | On 3Q19 | 2018 | 2019 | On 2018 |
| G&A expenses | 17.2 | 18.9 | 19.5 | 2.3 | 0.6 | 19.8 | 19.3 | (0.5) |
| Tax expenses | 11.0 | 11.7 | 11.8 | 0.7 | 0.1 | 11.5 | 11.9 | 0.4 |
| EBIT margin | 82.7 | 80.6 | 80.0 | (2.7) | (0.5) | 80.1 | 80.3 | 0.2 |
| Income tax rate | 33.5 | 34.0 | 33.5 | (0.0) | (0.6) | 33.8 | 33.9 | 0.1 |
| Net margin | 56.9 | 55.1 | 55.1 | (1.8) | 0.1 | 55.3 | 55.0 | (0.2) |

Figure 93 – BB Corretora | Brokerage revenues (R$ million)




**QUARTERLY ANALYSIS**

In the 4Q19, brokerage revenues increased by 2.9% YoY, mostly explained by:

(i) the increase of 85.8% in brokerage revenues from premium bonds, given the growth in Brasilcap´s collections as well as the mix more concentrated in products that pay higher commissions; and

(ii) the 9.2% expansion in brokerage revenues from pension plans, propelled by the growth in Brasilprev's contribution and by the increased sales of new plans, which led to a higher participation of the first installments of periodic contributions in the mix, considering that such contributions pay higher commissions when compared to both the recurring and the sporadic contributions.

The growth in brokerage revenues arising from premium bonds and pension plans was partially offset by the 5.0% decline in brokerage revenues from insurance sales. It is worth noting that revenues are not directly comparable YoY, since the performance bonus amounting to R$276.1 million, related to the sales of credit life and credit life for farmers cumulated from April to December 2018, was fully booked in the 4Q18. On the other hand, the performance bonus recorded in the 4Q19, which amounts to R$174.0 million, refers only to the sales occurred within the quarter.

Considering a linear distribution of the performance bonus registered in the 4Q18 throughout the 2Q18, 3Q18 and 4Q18, the brokerage revenues would have grown 27.4% YoY, with the revenues from the insurance operations increasing 24.8%.

**YEAR-TO-DATE ANALYSIS**

In 2019, brokerage revenues grew 19.1%. It is worth noting that in 2018 it was recognized an amount of R$357.1 million as additional brokerage, of which: i) R$81.0 million related to the temporary increase of commissions for some term life insurance products sold in the 1Q18; and ii) R$276.1 million of performance bonus for outperforming the sales targets in credit life and credit life for farmers. On the other hand, R$446.5 million as performance bonus was recorded in 2019.

The brokerage revenues arising from pension plans and premium bonds also posted a good performance, growing 29.3% and 50.4%, respectively. Such performance can be attributed to the increase in contributions, as well as the mix more concentrated in modalities that pay higher commissions.

Table 90 – BB Corretora | Brokerage revenues breakdown

| | Quarterly Flow | | | Chg. % | | Annual Flow | | Chg. % |
|---|---|---|---|---|---|---|---|---|
| R$ thousand | 4Q18 | 3Q19 | 4Q19 | On 4Q18 | On 3Q19 | 2018 | 2019 | On 2018 |
| Insurance | 768,724 | 647,719 | 729,928 | (5.0) | 12.7 | 2,258,046 | 2,570,846 | 13.9 |
| Pension plans | 120,998 | 158,283 | 132,113 | 9.2 | (16.5) | 399,847 | 517,023 | 29.3 |
| Premium bonds | 64,409 | 79,934 | 119,659 | 85.8 | 49.7 | 251,431 | 378,237 | 50.4 |
| Dental insurance | 1,322 | 1,211 | 1,334 | 0.9 | 10.2 | 4,572 | 5,060 | 10.7 |
| Other | 946 | 892 | 1,149 | 21.5 | 28.9 | 3,724 | 3,821 | 2.6 |
| **Total** | **956,399** | **888,038** | **984,183** | **2.9** | **10.8** | **2,917,620** | **3,474,987** | **19.1** |

Figure 94 – BB Corretora | Brokerage revenues breakdown (%)

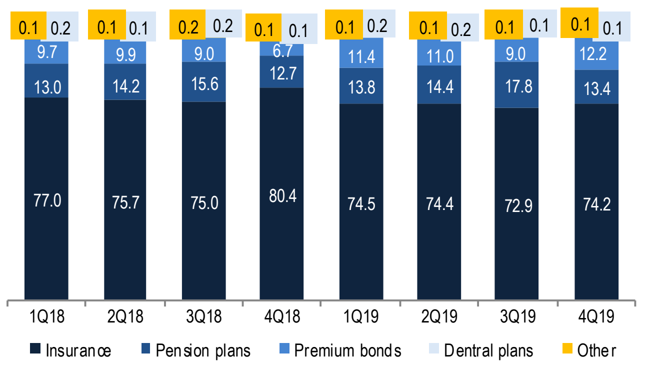



Figure 95 – BB Corretora | Unearned commissions breakdown (%)

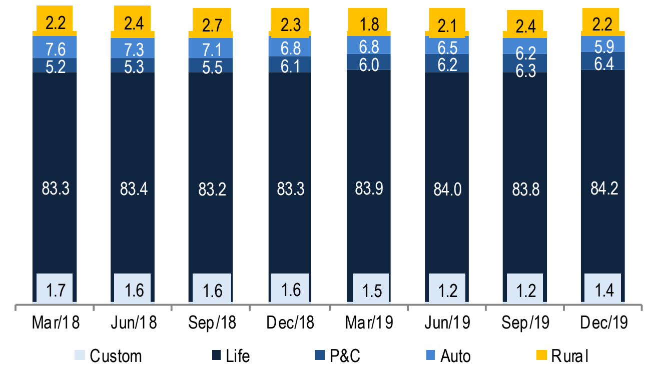
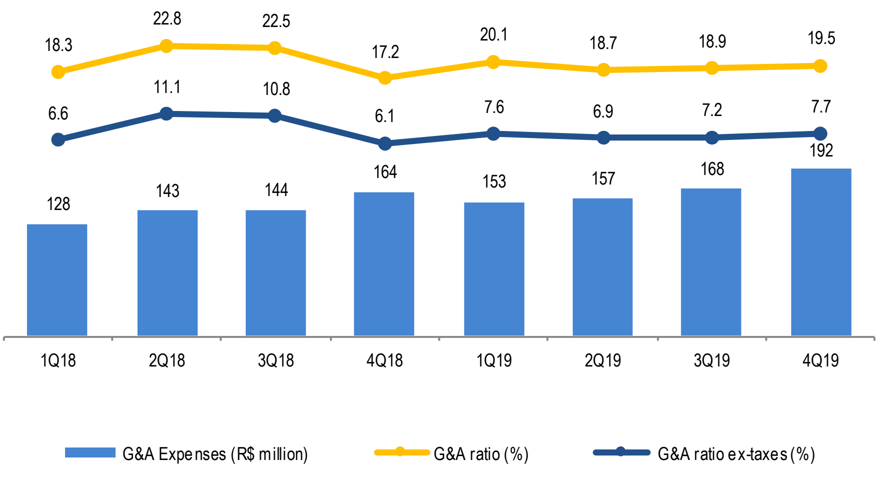


Figure 96 – BB Corretora | G&A expenses




### QUARTERLY ANALYSIS

In the 4Q19, G&A expenses grew 16.9% YoY, mostly explained by:

(i) the increase in administrative cost of products, due to the sales mix more concentrated in products with higher unit costs of reimbursement to Banco do Brasil for the usage of personnel and IT infrastructure;

(ii) the growth in other operating expenses, negatively impacted by higher costs with commercial campaigns;

(iii) higher tax expenses, in line with the growth in brokerage revenues; and

(iv) the increase in personnel expenses, justified by the periodic revisions of the cost-sharing methodology between the holding BB Seguridade and its subsidiaries BB Corretora and BB Seguros, along with an increase in headcount (for further information on consolidated expenses of the holding and its subsidiaries please refer to the Earnings Analysis section).

### YEAR-TO-DATE ANALYSIS

G&A expenses grew 15.9% in 2019, propelled mainly by the increase in tax expenses, by the expansion in personnel expenses and by the growth in administrative cost of products as explained in the quarterly analysis.

Table 91 – BB Corretora | General & Administrative expenses

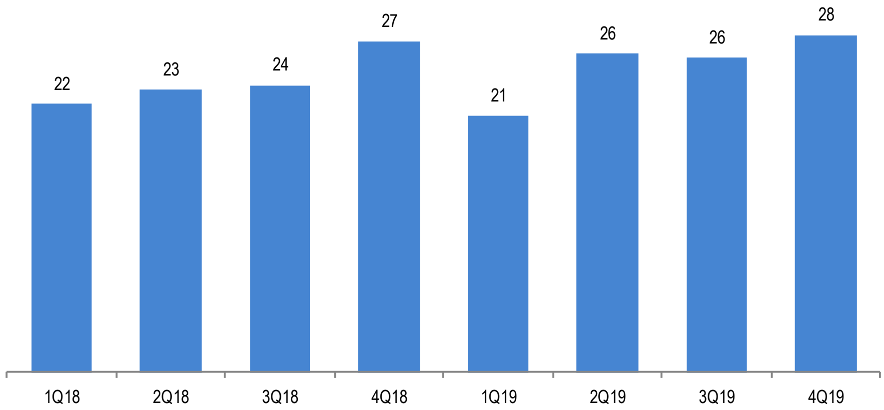
| R$ thousand | Quarterly Flow 4Q18 | 3Q19 | 4Q19 | Chg. % On 4Q18 | On 3Q19 | Annual Flow 2018 | 2019 | Chg. % On 2018 |
|---|---|---|---|---|---|---|---|---|
| **Administrative expenses** | **(40,735)** | **(50,633)** | **(53,790)** | **32.0** | **6.2** | **(192,525)** | **(199,729)** | **3.7** |
| Administrative cost of products | (9,371) | (22,461) | (25,447) | 171.6 | 13.3 | (76,657) | (90,944) | 18.6 |
| Operational support | (22,100) | (19,170) | (17,790) | (19.5) | (7.2) | (83,112) | (75,463) | (9.2) |
| Information technology | (6,272) | (5,209) | (3,948) | (37.1) | (24.2) | (25,320) | (19,299) | (23.8) |
| Other | (2,993) | (3,792) | (6,606) | 120.7 | 74.2 | (7,436) | (14,022) | 88.6 |
| **Tax expenses** | **(105,594)** | **(103,914)** | **(115,980)** | **9.8** | **11.6** | **(335,899)** | **(413,873)** | **23.2** |
| PIS/PASEP | (15,950) | (14,831) | (16,412) | 2.9 | 10.7 | (48,791) | (58,018) | 18.9 |
| COFINS | (73,796) | (68,599) | (75,879) | 2.8 | 10.6 | (225,824) | (268,341) | 18.8 |
| ISS | (15,848) | (20,484) | (23,688) | 49.5 | 15.6 | (61,266) | (87,513) | 42.8 |
| IOF | (0.0) | - | - | - | - | (17) | (0) | (100.0) |
| **Personnel expenses** | **(8,820)** | **(9,400)** | **(11,419)** | **29.5** | **21.5** | **(32,069)** | **(37,332)** | **16.4** |
| **Other operating income (expenses)** | **(9,023)** | **(3,958)** | **(10,791)** | **19.6** | **172.6** | **(17,906)** | **(19,430)** | **8.5** |
| **G&A Expenses** | **(164,174)** | **(167,905)** | **(191,979)** | **16.9** | **14.3** | **(578,400)** | **(670,364)** | **15.9** |

Table 92 – BB Corretora | Banco do Brasil distribution network

| | Dec/18 Number of branches | Dec/18 Market share (%) | Sep/19 Number of branches | Sep/19 Market share (%) | Dec/19 Number of branches | Dec/19 Market share (%) |
|---|---|---|---|---|---|---|
| **Banco do Brasil distribution network** | **4,722** | **21.9** | **4,303** | **20.6** | **4,356** | **21.0** |
| Northeast | 1,014 | 29.1 | 912 | 27.2 | 921 | 27.5 |
| North | 300 | 26.7 | 289 | 25.8 | 290 | 25.9 |
| Midwest | 459 | 26.1 | 425 | 24.9 | 428 | 25.3 |
| South | 934 | 23.4 | 877 | 22.6 | 900 | 23.3 |
| Southeast | 2,015 | 17.9 | 1,800 | 16.5 | 1,817 | 17.0 |

Source: Brazilian Central Bank

Figure 97 – BB Corretora | Net investment income (R$ million)




**QUARTERLY ANALYSIS**

In the 4Q19, the net investment income of BB Corretora grew 1.9% YoY, explained by the increase of 31.1% in the average balance of interest earning assets, partially offset by the lower average yield on financial investments, which was a result of the lower Selic rate.

**YEAR-TO-DATE ANALYSIS**

The net investment income grew 4.9% in 2019, helped by the 21.2% increase in the average balance of financial investments, which was partially offset by the lower average yield and the increase in the balance of dividends payable.

Table 93 – BB Corretora | Quarterly figures – Earning assets average balance and interest rates

| R$ thousand | 4Q18 | | | 4Q19 | | |
|---|---|---|---|---|---|---|
| | Average balance | Revenues | Annualized rate (%) | Average balance | Revenues | Annualized rate (%) |
| **Earning assets** | | | | | | |
| Cash and financial instruments | 1,610,081 | 25,842 | 6.7 | 2,165,440 | 26,642 | 4.9 |
| Other assets | 193,339 | 1,630 | 3.5 | 204,374 | 1,379 | 2.7 |
| Current tax assets | 17,799 | 15 | 0.3 | 17,154 | 1 | 0.0 |
| **Total** | **1,821,219** | **27,487** | **6.3** | **2,386,968** | **28,022** | **4.7** |

Table 94 – BB Corretora | Quarterly figures – Interest bearing liabilities average balance and interest rates

| R$ thousand | 4Q18 | | | 4Q19 | | |
|---|---|---|---|---|---|---|
| | Average balance | Expenses | Annualized rate (%) | Average balance | Expenses | Annualized rate (%) |
| **Interest bearing liabilities** | | | | | | |
| Dividends payable | 257,801 | - | - | 515,897 | - | - |
| Other liabilities | 471 | (7) | 5.9 | 495 | (4) | 3.4 |
| **Total** | **258,272** | **(7)** | **0.1** | **516,392** | **(4)** | **0.1** |

Table 95 – BB Corretora | Year-to-date figures – Earning assets average balance and interest rates

| R$ thousand | 2018 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Average balance | Revenues | Annualized rate (%) | Average balance | Revenues | Annualized rate (%) |
| **Earning assets** | | | | | | |
| Cash and financial instruments | 1,717,957 | 96,491 | 5.7 | 2,120,430 | 102,966 | 4.8 |
| Other assets | 192,343 | 6,667 | 3.5 | 198,733 | 6,960 | 3.5 |
| Current tax assets | 17,997 | 15 | 0.1 | 17,449 | 7 | 0.0 |
| **Total** | **1,928,298** | **103,173** | **5.4** | **2,336,612** | **109,933** | **4.7** |

Table 96 – BB Corretora | Year-to-date figures – Interest bearing liabilities average balance and interest rates

| R$ thousand | 2018 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Average balance | Expenses | Annualized rate (%) | Average balance | Expenses | Annualized rate (%) |
| **Interest bearing liabilities** | | | | | | |
| Dividends payable | 428,575 | (6,003) | 1.4 | 773,698 | (8,048) | 1.0 |
| Other liabilities | 2,166 | (93) | 1.3 | 486 | (22) | 4.6 |
| **Total** | **430,741** | **(6,096)** | **1.5** | **774,184** | **(8,070)** | **1.1** |

## ■ BALANCE SHEET ANALYSIS

Table 97 – Brokerage | Balance sheet

| | Balance | | | Chg. % | |
|---|---|---|---|---|---|
| **R$ thousand** | **Dec/18** | **Sep/19** | **Dec/19** | **On Dec/18** | **On Sep/19** |
| **Assets** | **3,079,196** | **3,475,129** | **4,034,461** | **31.0** | **16.1** |
| Cash and cash equivalents | 877,938 | 925,246 | 1,453,569 | 65.6 | 57.1 |
| Securities | 928,299 | 971,127 | 981,339 | 5.7 | 1.1 |
| Equity investments | 19,072 | 9,400 | 4,798 | (74.8) | (49.0) |
| Current tax assets | 53,212 | 294,642 | 50,280 | (5.5) | (82.9) |
| Commission receivable | 1,006,939 | 1,069,314 | 1,340,315 | 33.1 | 25.3 |
| Other assets | 193,737 | 205,400 | 204,160 | 5.4 | (0.6) |
| **Liabilities** | **3,032,288** | **2,939,122** | **3,987,554** | **31.5** | **35.7** |
| Dividends payable | 515,602 | - | 1,031,794 | 100.1 | - |
| Provision | 17,880 | 17,218 | 16,552 | (7.4) | (3.9) |
| Current tax liabilities | 606,483 | 747,763 | 671,197 | 10.7 | (10.2) |
| Unearned commissions | 1,856,437 | 2,129,214 | 2,220,012 | 19.6 | 4.3 |
| Other liabilities | 35,886 | 44,928 | 47,998 | 33.8 | 6.8 |
| **Shareholders' equity** | **46,908** | **536,007** | **46,908** | **-** | **(91.2)** |

(This page was intentionally left blank)

# 6. DEFINITIONS

## COMMON RATIOS

**Quarterly adjusted ROAA annualized** = (adjusted net income / average total assets) 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** = retained acquisition costs / earned premiums;

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

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

## INSURANCE MANAGERIAL

**Earned premiums** = premiums written – raw premiums ceded to 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;

**Retained acquisition costs** = acquisition costs – commission return + revenue with reinsurance commissions

**Commission** = acquisition costs – commission return;

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

## PENSION PLANS

**Quarterly adjusted ROAA annualized** = (adjusted net income / average total assets ex-P/VGBL) x 4;

**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

## BROKERAGE

**Adjusted operational margin** = operational results / brokerage revenues;

**Adjusted net margin** = adjusted net income / brokerage revenues.