BB SEGUROS


# Summary

# 3rd quarter 2020

## 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.

# 1. SUMMARY

## ADJUSTED NET INCOME ANALYSIS

Table 1 – Income statement of the holding

| | Quarterly Flow | | | Chg. % | | 9 Months Flow | | Chg. % |
|---|---|---|---|---|---|---|---|---|
| **R$ thousand** | **3Q19** | **2Q20** | **3Q20** | **On 3Q19** | **On 2Q20** | **9M19** | **9M20** | **On 9M19** |
| **Equity income** | **1,058,919** | **979,049** | **1,094,029** | **3.3** | **11.7** | **3,114,351** | **2,941,307** | **(5.6)** |
| Underwritting and accumulation businesses | 567,167 | 523,805 | 555,533 | (2.1) | 6.1 | 1,739,996 | 1,473,183 | (15.3) |
| Brasilseg | 296,950 | 278,612 | 258,346 | (13.0) | (7.3) | 810,761 | 779,726 | (3.8) |
| Brasilprev | 248,589 | 209,656 | 265,045 | 6.6 | 26.4 | 744,744 | 595,899 | (20.0) |
| IRB Brasil-RE | - | - | - | - | - | 118,791 | - | - |
| Brasilcap | 18,662 | 30,193 | 28,715 | 53.9 | (4.9) | 55,367 | 84,155 | 52.0 |
| Brasildental | 2,966 | 5,344 | 3,427 | 15.6 | (35.9) | 10,333 | 13,403 | 29.7 |
| Distribution businesses | 489,099 | 455,711 | 546,594 | 11.8 | 19.9 | 1,369,904 | 1,480,436 | 8.1 |
| Other | 2,653 | (467) | (8,097) | - | 1,633.6 | 4,451 | (12,313) | - |
| **G&A expenses** | **(6,532)** | **(4,183)** | **(4,022)** | **(38.4)** | **(3.9)** | **(15,471)** | **(15,019)** | **(2.9)** |
| **Net investment income** | **40,274** | **8,375** | **6,987** | **(82.7)** | **(16.6)** | **104,153** | **44,194** | **(57.6)** |
| **Earnings before taxes and profit sharing** | **1,092,661** | **983,240** | **1,096,995** | **0.4** | **11.6** | **3,203,033** | **2,970,482** | **(7.3)** |
| Taxes | (11,472) | (1,427) | (976) | (915) | (316) | (29,693) | (9,929) | (66.6) |
| **Adjusted net income** | **1,081,189** | **981,813** | **1,096,018** | **1.4** | **11.6** | **3,173,340** | **2,960,552** | **(6.7)** |

In the **3Q20**, BB Seguridade´s adjusted net income amounted to R$1.1 billion (+1.4% YoY | +11.6% QoQ), even in a still challenging scenario, with the economic activity recovering gradually and financial results under pressure.

The R$14.8 million increase YoY in adjusted net income, is explained by:

- **BB Corretora (+R$57.5 million)**: on higher brokerage revenues (+12.5%), given the rebound in sales, along with an improvement in the EBIT margin;
- **Brasilprev (+R$16.5 million)**: given the increase in revenues with management fee (+5.8%), a lower cost to income ratio and better financial results;
- **Brasilcap (+R$10.1 million)**: driven by the increase in collections, with a mix more favorable operationally, and better financial results;
- **Brasilseg (-R$38,6 million)**: since the 20.4% increase in premiums were not enough to offset the deterioration of the loss ratio and lower financial results; and
- **Net investment income at the holding level (-R$20.9 million)**: as a result of the lower Selic rate and also lower volumes, given the capital returned to shareholders and the distribution of the proceeds from the IRB Brasil RE divestment.

In the **9M20**, the adjusted net income reduced the pace of decline from -10.9% YTD June to -6.7% (-R$212.8 million). Such reduction in the bottom line is mainly explained by:

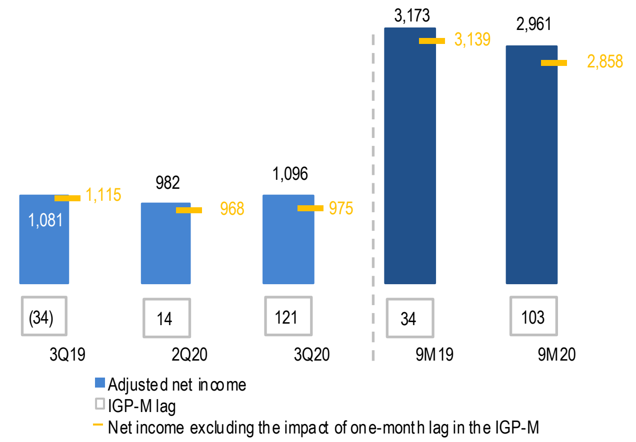
- **Brasilprev (-R$148.8 million):** dragged down by lower financial results;
- **Equity income of IRB Brasil RE (-R$118.8 million):** since the divestment was concluded in July 2019; and
- **Net investment income at the holding level (-R$60.0 million):** on lower volumes, given the capital returned to shareholders, and also lower average Selic rate.

Figure 1 – Non-interest operating results (R$ million)[1]

| | Chg. On 3Q19 | Chg. On 9M19 |
|---|---|---|
| Brasilseg | (10.7%) | (14%) |
| Brasilprev | 9.7% | 8.2% |
| Brasilcap | - | - |
| Brasildental | 27.3% | 33.9% |
| BB Corretora | 14.4% | 10.4% |
| Total | 7.9% | 7.6% |

[1]Non-interest operating results before taxes, weighted by the equity stake

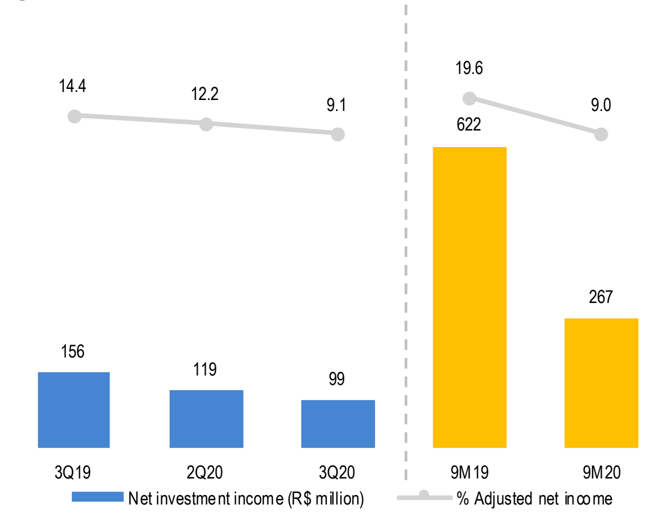
Figure 2 – Impact of Brasilprev's net investment income to the adjusted net income (R$ million)[1]




[1]Impact of the one-month lag in the IGP-M accrual on liabilities

# NET INVESTMENT INCOME ANALYSIS

Figure 3 – Consolidated investment income

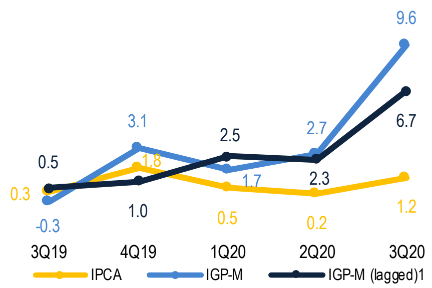



In the **3Q20**, the combined net investment income of BB Seguridade and its investees decreased 36.3% YoY, mostly owed to:

- the reduction of the Selic rate and a steeper nominal/real yield curves; and
- the lower financial volumes at the holdings (BB Seguridade and BB Seguros), with a retraction of 48.0% in the average balance of financial investments after the return of capital to shareholders and the distribution of the proceeds from the divestment of IRB Brasil RE.

The combined net investment income of BB Seguridade and its investees fell 57.0% **year-to-date**, explained by the same reasons mentioned in the quarterly analysis, in addition to the fact that IRB Brasil RE had contributed with R$69.9 million to the combined net investment income until July 2019, when the disposal of the equity stake was completed.

Figure 4 – Inflation rate (%)




1. IGP-M with a lag of one month.

Figure 5 – Average Selic rate (%)

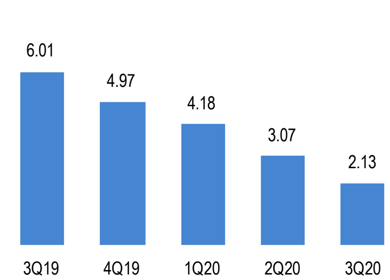



Figure 6 – Forward yield curve (%)

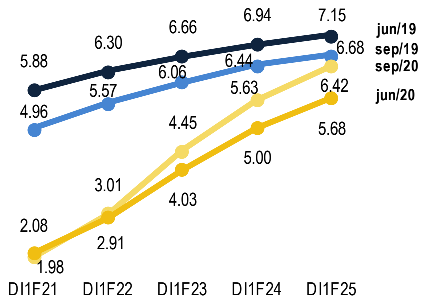



Figure 7 – Financial investments (%)

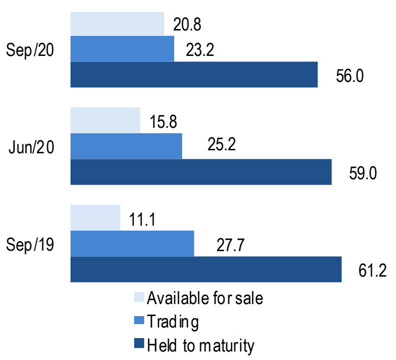



Figure 8 – Financial investments by index (%)

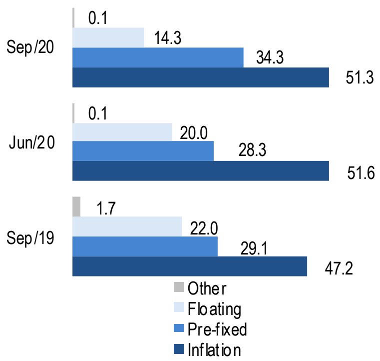
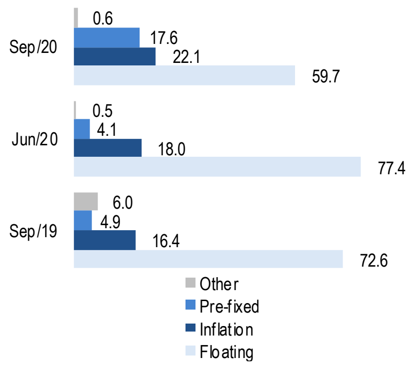



Figure 9 – Trading portfolio by index (%)



## EXTRAORDINARY EVENTS

Table 2 – Extraordinary events

| R$ thousand | Quarterly Flow 3Q19 | Quarterly Flow 2Q20 | Quarterly Flow 3Q20 | Chg. % On 3Q19 | Chg. % On 2Q20 | 9 Months Flow 9M19 | 9 Months Flow 9M20 | Chg. % On 9M19 |
|---|---|---|---|---|---|---|---|---|
| **Adjusted net income** | **1,081,189** | **981,813** | **1,096,018** | **1.4** | **11.6** | **3,173,340** | **2,960,552** | **(6.7)** |
| **Extraordinary events** | **2,320,461** | **(25,016)** | **(1,384)** | **-** | **(94.5)** | **2,320,461** | **(26,400)** | **-** |
| BB Seguros: Divestment of IRB Brasil-RE | 2,320,461 | - | - | - | - | 2,320,461 | - | - |
| BB Corretora: donation to fight Covid-19 | - | (25,016) | (1,384) | - | (94.5) | - | (26,400) | - |
| **Net income** | **3,401,650** | **956,797** | **1,094,634** | **(67.8)** | **14.4** | **5,493,801** | **2,934,152** | **(46.6)** |

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

**BB Corretora – donation against Covid-19:** in order to help the society with the responses to the impact of the pandemic, the Board of Directors approved a donation capped at R$40 million by BB Corretora to Banco do Brasil Foundation (FBB), with the exclusive purpose of acquiring food and hygiene, cleaning and personal protection supply necessary for the social aid to the most affected people. Until June 2020, FBB demanded from BB Corretora the disbursement of R$37.9 million, and the balance of R$2.1 million was disbursed in July and August. Total impact to the net income was of R$26.4 million.

## Brasilseg | Insurance (for further details, please refer to the page 26)

Table 3 – Summarized income statement

| | Quarterly Flow | | | Chg. % | | 9 Months Flow | | Chg. % |
|---|---|---|---|---|---|---|---|---|
| R$ thousand | 3Q19 | 2Q20 | 3Q20 | On 3Q19 | On 2Q20 | 9M19 | 9M20 | On 9M19 |
| **Premiums written** | **2,412,371** | **2,576,624** | **2,905,044** | **20.4** | **12.7** | **6,785,370** | **7,640,082** | **12.6** |
| Changes in technical reserves and premiums ceded | (647,728) | (709,803) | (900,737) | 39.1 | 26.9 | (1,658,798) | (1,933,062) | 16.5 |
| **Retained earned premiums** | **1,764,643** | **1,866,821** | **2,004,307** | **13.6** | **7.4** | **5,126,572** | **5,707,020** | **11.3** |
| Retained claims | (504,790) | (585,904) | (648,346) | 28.4 | 10.7 | (1,583,067) | (1,780,332) | 12.5 |
| Retained acquisition costs | (547,451) | (621,393) | (693,971) | 26.8 | 11.7 | (1,605,065) | (1,958,135) | 22.0 |
| G&A | (238,423) | (230,923) | (236,205) | (0.9) | 2.3 | (703,510) | (739,680) | 5.1 |
| Other | 3,504 | 494 | 497 | (85.8) | 0.7 | 12,431 | 1,194 | (90.4) |
| **Non-interest operating result** | **477,483** | **429,096** | **426,281** | **(10.7)** | **(0.7)** | **1,247,361** | **1,230,067** | **(1.4)** |
| Net investment income | 69,368 | 76,986 | 38,969 | (43.8) | (49.4) | 292,759 | 204,086 | (30.3) |
| **Earnings before taxes and profit sharing** | **546,851** | **506,082** | **465,250** | **(14.9)** | **(8.1)** | **1,540,121** | **1,434,154** | **(6.9)** |
| Taxes and profit sharing | (146,408) | (129,970) | (116,163) | (20.7) | (10.6) | (445,591) | (380,641) | (14.6) |
| **Adjusted net income** | **400,443** | **376,112** | **349,087** | **(12.8)** | **(7.2)** | **1,094,530** | **1,053,513** | **(3.7)** |

In the **3Q20,** the **net income** of the insurance business fell 12.8% YoY, since the combined ratio worsened by 5.8 p.p. and financial results dropped 43.8%. Such effects were partially offset by the increase in retained earned premiums (+13.6%) and a lower tax rate.

**Premiums written** were up 20.4% YoY in Q3, propelled mainly by a solid performance of the rural insurance (+27.9%), given the increase in the federal subsidy to the insurance premium and initiatives adopted by the company to expand its client base – Pronaf (National Program for Strengthening Family Farming) and crops not financed by BB. Credit life also stood out (+24.7%) and term life insurance posted a very good performance as well (+7.7% vs. 3Q19 | +9.8% vs. 2Q20), with average daily premiums written improving even when compared to the period before the pandemic, helped by a robust commercial performance of the new portfolio launched in May 2020.

**Loss ratio** was up 3.7 p.p. YoY, on a higher frequency of reported claims in life related products, as a result of Covid-19, which particularly affected credit life (+19.0 p.p.) and, to a lesser extent, mortgage life (+5.1 p.p.), credit life for farmers (+4.9 p.p.) and term life (+1.2 p.p.). Setting apart the Covid-19 related claims, loss ratio would be almost flat YoY.

The **commission ratio** rose 3.6 p.p. YoY, impacted by the higher expenses with the performance bonus owed to BB Corretora for outperforming the sales targets of term life and credit life, and by the lower revenue with reinsurance commissions, since in 3Q19 the company recognized R$53.1 million as additional revenue from reinsurance agreements with step-up commissions for rural insurance.

Finally, the fall in the **net investment income** on the year-on-year comparison is explained by a lower interest revenue, mostly justified by the reduction in the average Selic rate and by a lower balance of financial assets. This effect was partially the reduction on interest expenses, due to lower debts with insurance and reinsurance operations, related to the interest accrual expenses on DPVAT liabilities, which has been classified as equity income since the 1Q20.

In the **9M20**, the **net income** was down 3.7%, owed to a lower net investment income along with an increase in the combined ratio (+2.8 p.p.). These effects were partially offset by the increase in retained earned premiums (+11.3%) and the lower tax rate (-2.5 p.p.).

**Premiums written** grew 12.6% year-to-date, boosted by rural (+23.9%), credit life (+12.3%) and term life (+4.5%).

Figure 10 – Key performance indicators

| | Chg. On 3Q19 | Chg. On 9M19 |
|---|---|---|
| **Breakdown of premiums written** | | |
| Rural | 27.9% | 23.9% |
| Term Life | 7.7% | 4.5% |
| Credit Life | 24.7% | 12.3% |
| Others | 21.4% | (1.6%) |
| **Performance ratios** | | |
| Loss ratio | 3.7 p.p. | 0.3 p.p. |
| Commission ratio | 3.6 p.p. | 3.0 p.p. |
| G&A ratio | (1.7 p.p.) | (0.8 p.p.) |
| Combined ratio | 5.8 p.p. | 2.8 p.p. |

Regarding to the operational performance indicators, the **loss ratio** was slightly up (+0.3 p.p.). Setting apart the Covid-19 related claims, loss ratio would have been down 2.0 p.p. year-to-date. On its turn, the **commission ratio** increased 3.0 p.p. in the first nine months of the year, explained by the same reasons described in the quarterly analysis.

The **net investment income** retracted 30.3%, mostly due to the reduction in the average Selic rate and a lower IPCA, partially offset by the decrease in interest expenses.

## **Brasilprev | Pension plans** (for further details, see page 45)

Table 4 - Summarized income statement[1]

| | Quarterly Flow | | | Chg. % | | 9 Months Flow | | Chg. % |
|---|---|---|---|---|---|---|---|---|
| **R$ thousand** | **3Q19** | **2Q20** | **3Q20** | **On 3Q19** | **On 2Q20** | **9M19** | **9M20** | **On 9M19** |
| **Total revenue from pension and insurance** | **12,324,010** | **6,783,496** | **11,951,968** | **(3.0)** | **76.2** | **31,141,154** | **28,865,480** | **(7.3)** |
| Provision for benefits to be granted | (12,318,439) | (6,778,414) | (11,945,739) | (3.0) | 76.2 | (31,124,479) | (28,848,945) | (7.3) |
| **Net revenue from pension and insurance** | **5,572** | **5,082** | **6,229** | **11.8** | **22.6** | **16,676** | **16,535** | **(0.8)** |
| Management fee | 717,360 | 689,905 | 758,861 | 5.8 | 10.0 | 2,038,070 | 2,160,104 | 6.0 |
| Acquisition costs | (167,907) | (157,621) | (166,247) | (1.0) | 5.5 | (498,571) | (493,996) | (0.9) |
| Earned premiums | 46,792 | 42,241 | 41,643 | (11.0) | (1.4) | 139,973 | 127,028 | (9.2) |
| G&A | (157,999) | (150,041) | (150,781) | (4.6) | 0.5 | (446,235) | (463,840) | 3.9 |
| Other | (9,919) | (14,534) | (13,528) | 36.4 | (6.9) | (64,053) | (62,898) | (1.8) |
| **Non-interest operating result** | **433,900** | **415,032** | **476,177** | **9.7** | **14.7** | **1,185,860** | **1,282,933** | **8.2** |
| Net investment income | 59,944 | 48,385 | 83,378 | 39.1 | 72.3 | 412,265 | 18,985 | (95.4) |
| **Earnings before taxes and profit sharing** | **493,844** | **463,417** | **559,555** | **13.3** | **20.7** | **1,598,125** | **1,301,919** | **(18.5)** |
| Taxes and profit sharing | (162,371) | (183,606) | (211,840) | 30.5 | 15.4 | (605,068) | (510,310) | (15.7) |
| **Adjusted net income** | **331,473** | **279,811** | **347,715** | **4.9** | **24.3** | **993,057** | **791,609** | **(20.3)** |

1. Considering the reallocation of variable expenses related to administration fees, from administrative expenses to revenue with management fee for the 2019 periods.

In the **3Q20**, the **net income** of the pension plans segment grew 4.9% YoY, given the 5.8% increase in revenues with management fee and the improvement of the cost to income ratio. The balance of pension plans **reserves** expanded 5.4% over the last twelve months, to R$297.6 billion. The **average management fee** improved slightly to 1,0% in the quarter, as a result of the 62.8% growth in the balance of reserves invested in multimarket funds in the last 12 months.

**Pension plans contributions** fell 3.0% YoY in Q3 and posted a sharp rebound on a QoQ basis (+76.2%).

The **redemption ratio** reached 7.8% in the 3Q20 (+1.0 p.p. YoY), which is a still low level as compared to historical data.

The **net inflow** was down 20.0% when compared to the same period of last year, reaching R$3.8 billion. However, it is worth noting the strong improvement as compared to the 2Q20, when the net inflow amounted to R$489 million.

The **net investment income** increased 39.1% YoY, positively impacted by the time mismatch between the interest accrual period of the assets and liabilities related to the defined benefit pension plans, an effect that was partially offset by mark-to-market losses on fixed-income securities, due to a steeper nominal/real yield curve.

It is worth noting that the improvement in earnings before taxes, explained by the aforementioned effects, was partially offset by a higher effective tax rate YoY, since in the 3Q19 there was a recognition of R$20.0 million in tax credit arising from the tax benefit of the “Lei do Bem” (Law Nr. 11,196 / 05), which is a tax incentive granted to companies that invest in Research & Development and technological innovation, while in 3Q20 the benefits related to the same tax incentive amounted to R$8.1 million.

Figure 11 – Key performance indicators

| | 3Q20 | Chg. On 3Q19 | 9M20 | Chg. On 9M19 |
|---|---|---|---|---|
| Net inflows (R$ billion) | 3,804 | (20.0%) | 5,904 | (31.3%) |
| Reserves (R$ billion) | 298 | 5.4% | - | - |
| Management fee (%) | 1.00 | 0.00 p.p. | 0.99 | (0.02 p.p.) |
| Redemption ratio (%) | 7.8 | 1.0 p.p. | 7.9 | 0.9 p.p. |
| Cost to income ratio (%) | 41.0 | (2.7 p.p.) | 44.3 | (1.6 p.p.) |

**Year-to-date**, the **net income** was down 20.3%, given the 95.4% decrease in net investment income, which is explained the differential on inflation rates that accrued on assets and liabilities of the defined benefit plans, along with mark-to-market losses on long-term fixed-income securities.

In **net inflows**, the 7.3% decline in contributions and the increase of 0.9 p.p. in the redemption ratio, which was more concentrated between the end of March and the beginning of April, contributed to a 31.3% retraction in net inflows in the period.

The **revenues with management fee** grew 6.0% in the 9M20, driven by the increase in reserves, while the annualized average management fee retracted 0.02 p.p., at a slower pace than the one observed in previous years, which is explained by an increase in the allocation of client’s resources in multimarket funds.

## **Brasilcap | Premium Bonds** (for further details, see page 58)

Table 5 - Summarized income statement

| R$ thousand | Quarterly Flow 3Q19 | 2Q20 | 3Q20 | Chg. % On 3Q19 | On 2Q20 | 9 Months Flow 9M19 | 9M20 | Chg. % On 9M19 |
|---|---|---|---|---|---|---|---|---|
| **Premium bonds collection** | **1,221,432** | **1,044,818** | **1,456,335** | **19.2** | **39.4** | **3,809,718** | **3,524,931** | **(7.5)** |
| Changes in provisions for redemption, lottery and bonus | (1,095,487) | (927,536) | (1,273,140) | 16.2 | 37.3 | (3,388,725) | (3,094,259) | (8.7) |
| **Revenue with load fee** | **125,945** | **117,281** | **183,195** | **45.5** | **56.2** | **420,994** | **430,672** | **2.3** |
| Result with lottery | 2,837 | 590 | 648 | (77.2) | 9.8 | 12,483 | 5,066 | (59.4) |
| Acquisition costs | (109,883) | (92,552) | (146,283) | 33.1 | 58.1 | (348,828) | (347,225) | (0.5) |
| G&A | (22,104) | (20,605) | (24,179) | 9.4 | 17.3 | (75,115) | (66,019) | (12.1) |
| Other | (3,509) | (8,692) | (934) | (73.4) | (89.2) | (13,256) | 4,054 | - |
| **Non-interest operating result** | **(6,714)** | **(3,978)** | **12,446** | **-** | **-** | **(3,722)** | **26,548** | **-** |
| Net investment income | 54,862 | 80,096 | 60,681 | 10.6 | (24.2) | 146,763 | 187,053 | 27.5 |
| **Earnings before taxes and profit sharing** | **48,150** | **76,117** | **73,127** | **51.9** | **(3.9)** | **143,041** | **213,601** | **49.3** |
| Taxes and profit sharing | (20,155) | (30,824) | (30,049) | 49.1 | (2.5) | (59,983) | (87,356) | 45.6 |
| **Net income** | **27,995** | **45,293** | **43,078** | **53.9** | **(4.9)** | **83,058** | **126,246** | **52.0** |

In the **3Q20**, the **net income** of the premium bonds operation increased 53.9% YoY, driven by the growth in collections, with higher revenues with load fee, and the improvement of the financial result.

**Premium bonds collection** were up 19.2% YoY (+39.4% vs. 2Q20), registering the second highest quarterly collection of the last two years. During the period, the highlights were the commercial campaigns in BB's distribution network named "Semana do Brasil" and "Semana do Cliente" (Brazil Week and Customer Week, respectively) and the launching of the new portfolio for individuals in September, with longer terms and an increase in lottery prizes. These factors have contributed to reverse the declining trend of the reserves balance that have been followed over the last years. At the end of September, the reserve balance reached R$8.2 billion, up 3.8% as compared to June.

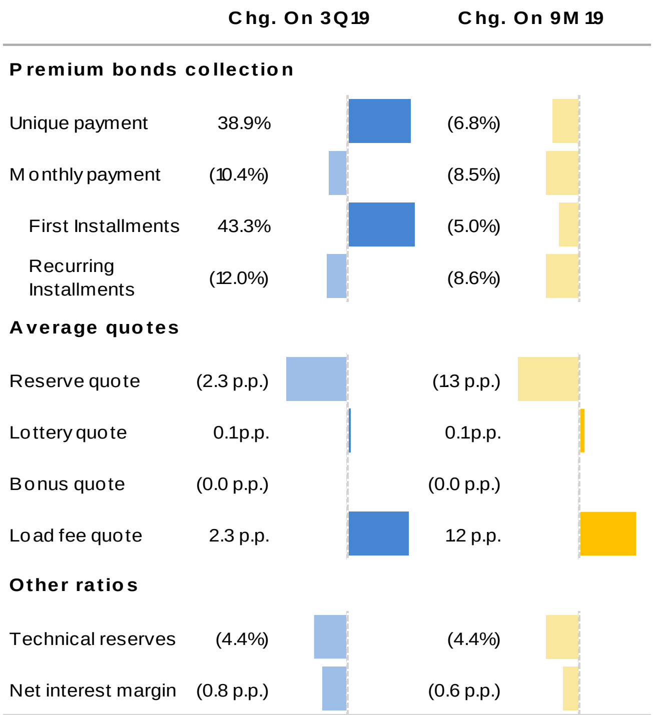
The **average load fee** rose 2.3 p.p. compared to the 3Q19, as a result of the concentration of sales in longer term bonds, such as the 36 and 48-month products, and in monthly payments bonds, which present higher load fee on the first installments than the one charged on recurring installments and on single payment bonds.

Regarding to the **net investment income**, the growth is explained by lower expenses with asset management fees. Additionally, it is worth to highlight the success in short-term tactical operations using fixed income securities, which resulted on realized capital gains amounting to R$26.5 million in the 3Q20, and contributed to reduce the impact of the lower Selic rate.

In the **9M20**, the **net income** increased 52.0%, helped by lower G&A expenses (-12.1%) and better financial results (+27.5%), justified by the reduction in expenses with asset management fees.

The **premium bonds collection** dropped 7.5% year-to-date, given weaker sales volume in the beginning of the second quarter, during the worst moment of the Covid-19 crisis. Despite of the reduction in collections, the **revenue with load fee** rose 2.3%, explained by the increase in the duration of the portfolio and by the higher share of the first installments of monthly payments, which led to a 1.2 p.p. growth in the average load fee.

Figure 12 – Key performance indicators



## BB Corretora | Brokerage (for further details, see page 77)

Table 6 - Summarized income statement

| | Quarterly Flow | | | Chg. % | | 9 Months Flow | | Chg. % |
|---|---|---|---|---|---|---|---|---|
| R$ thousand | 3Q19 | 2Q20 | 3Q20 | On 3Q19 | On 2Q20 | 9M19 | 9M20 | On 9M19 |
| **Brokerage revenues** | **888,038** | **834,449** | **999,055** | **12.5** | **19.7** | **2,490,803** | **2,716,145** | **9.0** |
| G&A | (167,905) | (152,789) | (177,050) | 5.4 | 15.9 | (478,384) | (493,110) | 3.1 |
| Equity income | (4,774) | (4,349) | (3,323) | (30.4) | (23.6) | (9,673) | (12,758) | 31.9 |
| **Earnings before interest and taxes** | **715,359** | **677,311** | **818,682** | **14.4** | **20.9** | **2,002,747** | **2,210,277** | **10.4** |
| Net investment income | 26,048 | 15,271 | 11,314 | (56.6) | (25.9) | 73,671 | 39,074 | (47.0) |
| **Earnings before taxes** | **741,407** | **692,582** | **829,995** | **11.9** | **19.8** | **2,076,418** | **2,249,351** | **8.3** |
| Taxes | (252,308) | (236,871) | (283,401) | 12.3 | 19.6 | (706,514) | (768,914) | 8.8 |
| **Adjusted net income** | **489,099** | **455,711** | **546,594** | **11.8** | **19.9** | **1,369,904** | **1,480,437** | **8.1** |

In the **3Q20**, BB Corretora´s **adjusted net income** grew 11.8% YoY, propelled by the increase in **brokerage revenues** (+12.5%) along with a higher EBIT margin.

The sustained recovery trend initiated in the 2Q20 in term life and premium bonds sales, the resilience of rural and credit life insurance premiums, that were virtually not affected by the Covid-19 pandemic, and the increase in revenues with the performance bonus for outperforming the sales targets of term life and credit life, were the main factors that contributed to the increase in brokerage revenues.

BB Corretora´s **EBIT margin** improved 1.4 p.p. YoY, mostly driven by the increase in brokerage revenues, which contains an important component of the accrual of unearned commissions related to sales occurred in previous periods, therefore, did not generate reimbursement costs for the sales process to Banco do Brasil, in addition to the increase of the performance bonus.

The **net investment income** fell 56.6% YoY, impacted by the reduction in the average Selic rate. On the other hand, the amendment in BB Corretora's Bylaws which eliminated the interest accrual on intermediary dividends related to the 1H20 contributed to the reduction of financial expenses.

In the **9M20**, the **adjusted net income** rose 8.1%, supported by the increase in brokerage revenues (+9.0%) and the higher EBIT margin (+1.0 p.p.).

The growth in brokerage revenues year-to-date is a result of the solid commercial performance in rural, credit life and term life, along with higher revenues with the performance bonus for outperforming the sales targets in term life and in credit life.

Figure 13 – Key performance indicators

| | Chg. On 3Q19 | Chg. On 9M19 |
|---|---|---|
| **Breakdown of brokerage revenues** | | |
| Insurance | 14.2% | 13.8% |
| Pension plans | (11.5%) | (10.7%) |
| Premium bonds | 46.1% | 4.6% |
| Other[1] | 6.6% | (1.8%) |
| **Performance ratios** | | |
| EBIT Margin | 14 p.p. | 10 p.p. |
| Net Margin | (0.4 p.p.) | (0.5 p.p.) |

1. Include dental plans and other revenues.

## OTHER INFORMATION

Table 7 – Market share and ranking[1]

| | Unit | Quarterly Flow | | | 8 Months Flow | |
|---|---|---|---|---|---|---|
| | | 3Q19 | 2Q20 | 3Q20 | 8M19 | 8M20 |
| **Life[2]** | | | | | | |
| Premiums written | R$ thousand | 734,553 | 720,685 | 791,275 | 2,062,291 | 2,155,997 |
| Market-share | % | 13.6% | 13.4% | 14.0% | 12.6% | 13.0% |
| Ranking | | 1º | 1º | 1º | 1º | 1º |
| **Credit life** | | | | | | |
| Premiums written | R$ thousand | 550,517 | 584,695 | 686,222 | 1,716,172 | 1,927,355 |
| Market-share | % | 16.0% | 19.7% | 16.6% | 16.7% | 18.3% |
| Ranking | | 2º | 1º | 2º | 2º | 1º |
| **Mortgage life** | | | | | | |
| Premiums written | R$ thousand | 72,233 | 72,103 | 72,232 | 213,361 | 216,806 |
| Market-share | % | 7.2% | 6.5% | 6.4% | 6.9% | 6.5% |
| Ranking | | 4º | 4º | 5º | 4º | 4º |
| **Rural** | | | | | | |
| Premiums written | R$ thousand | 904,398 | 1,074,696 | 1,157,033 | 2,345,009 | 2,905,522 |
| Market-share | % | 57.5% | 62.3% | 52.8% | 59.6% | 56.7% |
| Ranking | | 1º | 1º | 1º | 1º | 1º |
| **Home** | | | | | | |
| Premiums written | R$ thousand | 65,419 | 59,215 | 77,261 | 182,817 | 189,513 |
| Market-share | % | 7.1% | 7.3% | 7.5% | 6.8% | 6.8% |
| Ranking | | 5º | 5º | 5º | 5º | 5º |
| **Commercial lines** | | | | | | |
| Premiums written | R$ thousand | 73,959 | 63,421 | 120,892 | 214,896 | 242,452 |
| Market-share | % | 3.5% | 3.1% | 3.0% | 3.6% | 3.0% |
| Ranking | | 11º | 9º | 11º | 11º | 11º |
| **Pension Plans** | | | | | | |
| Technical reserves | R$ thousand | 282,253,346 | 292,748,911 | 297,605,456 | - | - |
| Market-share | % | 30.5% | 30.1% | 30.1% | - | - |
| Ranking | | 1º | 1º | 1º | - | - |
| Contributions | R$ thousand | 12,324,010 | 6,783,496 | 11,951,968 | 31,141,154 | 28,865,480 |
| Market-share | % | 36.2% | 30.2% | 33.7% | 34.7% | 33.1% |
| Ranking | | 1º | 1º | 1º | 1º | 1º |
| **Premium Bonds** | | | | | | |
| Reserves | R$ thousand | 8,546,568 | 7,872,046 | 8,173,699 | - | - |
| Market-share | % | 28.0% | 25.4% | 25.3% | - | - |
| Ranking | | 2º | 2º | 2º | - | - |
| Collections | R$ thousand | 1,221,432 | 1,044,818 | 1,456,335 | 3,809,718 | 3,524,931 |
| Market-share | % | 20.5% | 20.7% | 21.6% | 22.0% | 20.0% |
| Ranking | | 2º | 2º | 2º | 2º | 2º |

1. Source: Susep – data base August/2020.
2. Market share considering only premiums written for risk coverage, excluding premiums for accumulation components (dotal and life insurance).

Table 8 – Stocks | Breakdown of the shareholders' base

| | Shareholders | Shares | Participation |
|---|---|---|---|
| **Banco do Brasil** | **1** | **1,325,000,000** | **66.3%** |
| **Treasury Stocks** | **1** | **3,365,319** | **0.2%** |
| **Free Float** | **221,354** | **671,634,681** | **33.6%** |
| Foreign investors | 869 | 532,486,207 | 26.6% |
| Companies | 2,877 | 61,892,091 | 3.1% |
| Individuals | 217,608 | 77,256,383 | 3.9% |
| **Total** | **221,356** | **2,000,000,000** | **100.0%** |

Table 9 – Stocks | Performance

| | | Quarterly Flow | | | | |
|---|---|---|---|---|---|---|
| | Unit | 3Q19 | 4Q19 | 1Q20 | 2Q20 | 3Q20 |
| **Stock's performance** | | | | | | |
| Earnings per share | R$ | 0.54 | 0.57 | 0.44 | 0.49 | 0.55 |
| Dividends per share | R$ | 0.89 | - | 3.25 | - | 0.87 |
| Equity per share | R$ | 5.29 | 2.62 | 3.05 | 2.67 | 3.18 |
| Closing price | R$ | 35.03 | 37.70 | 24.85 | 27.27 | 24.27 |
| Annualized dividend yield[1] | % | 9.86 | 8.93 | 16.10 | 13.86 | 13.89 |
| Market capitalization | R$ million | 70,060 | 75,400 | 49,700 | 54,540 | 48,540 |
| **Ratios** | | | | | | |
| P/E (12 month traling) | x | 17.46 | 17.51 | 11.90 | 13.37 | 11.86 |
| P/BV | x | 6.63 | 14.37 | 8.15 | 10.20 | 7.64 |
| **Business data** | | | | | | |
| Number of trades carried out | | 986,908 | 737,472 | 1,454,642 | 1,329,823 | 1,288,604 |
| Average daily volume traded | R$ million | 111 | 96 | 172 | 132 | 118 |
| Average daily volume traded - B3 | R$ million | 15,144 | 16,560 | 25,957 | 26,123 | 26,898 |
| Share on B3's average volume | % | 0.73 | 0.58 | 0.66 | 0.51 | 0.44 |

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