Protecting goods, achievements and projects

Summary

4th 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).

In the investees, since 2020, Brasilseg's financial statements were prepared in compliance with the International Financial Reporting Standards – IRFS, while for Brasilprev, Brasilcap and Brasildental the accounting standard of the respective regulator was adopted.

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

R$ thousand	Quarterly Flow			Chg. %		Annual Flow		Chg. %
	4Q19	3Q20	4Q20	On 4Q19	On 3Q20	2019	2020	On 2019
Equity income	**1,102,724**	**1,094,029**	**918,478**	**(16.7)**	**(16.0)**	**4,217,075**	**3,859,784**	**(8.5)**
Underwritting and accumulation businesses	565,983	555,533	423,222	(25.2)	(23.8)	2,305,979	1,896,405	(17.8)
Brasilseg	249,855	258,346	306,817	22.8	18.8	1,060,616	1,086,543	2.4
Brasilprev	300,078	265,045	90,480	(69.8)	(65.9)	1,044,822	686,379	(34.3)
IRB Brasil-RE	-	-	-	-	-	118,791	-	-
Brasilcap	11,898	28,715	21,625	81.8	(24.7)	67,265	105,780	57.3
Brasildental	4,152	3,427	4,299	3.5	25.4	14,485	17,702	22.2
Distribution businesses	542,695	546,594	515,068	(5.1)	(5.8)	1,912,599	1,995,505	4.3
Other	(5,954)	(8,097)	(19,812)	232.8	144.7	(1,503)	(32,125)	2,037.5
G&A expenses	**(6,155)**	**(4,022)**	**(4,088)**	**(33.6)**	**1.7**	**(21,627)**	**(19,107)**	**(11.6)**
Net investment income	**52,016**	**6,987**	**1,327**	**(97.4)**	**(81.0)**	**156,169**	**45,521**	**(70.9)**
Earnings before taxes and profit sharing	**1,148,584**	**1,096,995**	**915,716**	**(20.3)**	**(16.5)**	**4,351,617**	**3,886,198**	**(10.7)**
Taxes	(15,658)	(976)	903	-	-	(45,351)	(9,026)	(80.1)
Adjusted net income	**1,132,926**	**1,096,018**	**916,619**	**(19.1)**	**(16.4)**	**4,306,266**	**3,877,171**	**(10.0)**

In the **4Q20**, the **adjusted net income** of BB Seguridade decreased R$216.3 million (-19.1% YoY), impacted by the drop in the net investment income, partially offset by the 7.0% growth of the non-interest operating results, which proved its resilience once again.

The main factors that explain the net income variation as compared to the same period of 2019 are:

- **Brasilprev (-R$209.6 million):** due to net investment loss led by the differential in inflation rates that accrued the assets (IPCA and IGP-M of the current period) and the liabilities (IGP-M with one month lag on average) of the defined benefit pension plans;
- **Net investment income at the holding level (-R$33.4 million):** impacted by the lower volume of financial assets after the capital reduction and the distribution of the proceeds that rose from IRB Brasil divestment, and by the reduction in Selic rate;
- **BB Corretora (-R$27.6 million):** justified by the lower revenue with performance bonus and the reduction of premium bonds collections, as well as the lower net investment income;
- **Brasilseg (+R$57.0 million):** with the growth of earned premiums, the retraction of administrative expenses and the drop of the effective tax rate; and
- **Brasilcap (+R$9.7 million):** due to lower commission of long term premium bonds, and higher revenues with bonds redeemed within the grace period and with bonds that expired but was not claimed by the holders, as well as the growth of net investment income.

In **2020**, the adjusted net income retracted R$429.1 million (-10.0% YoY). Highlights to the following variations:

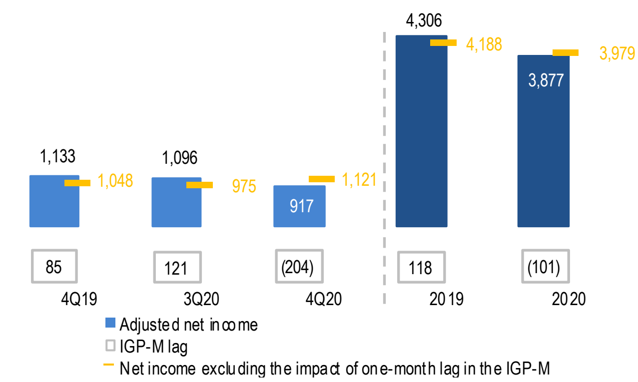
- **Brasilprev (-R$358.4 million):** explained by the negative net investment income, for the same reason mentioned in the quarterly analysis;
- **Equity income of IRB Brasil (-R$118.8 million):** since the divestment was concluded in July 2019;
- **Net investment income at the holding (-R$73.6 million):** impacted by both the lower volumes and the reduction in the interest rate;
- **BB Corretora (+R$82.9 million):** with the increase in brokerage revenues and the improvement in the EBIT margin;

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

	Chg. On 4Q19	Chg. On 2019
Brasilseg	17.3%	3.5%
Brasilprev	14.8%	9.8%
Brasilcap	-	-
Brasildental	5.8%	25.8%
BB Corretora	(1.9%)	6.9%
Total	7.0%	7.5%

[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]

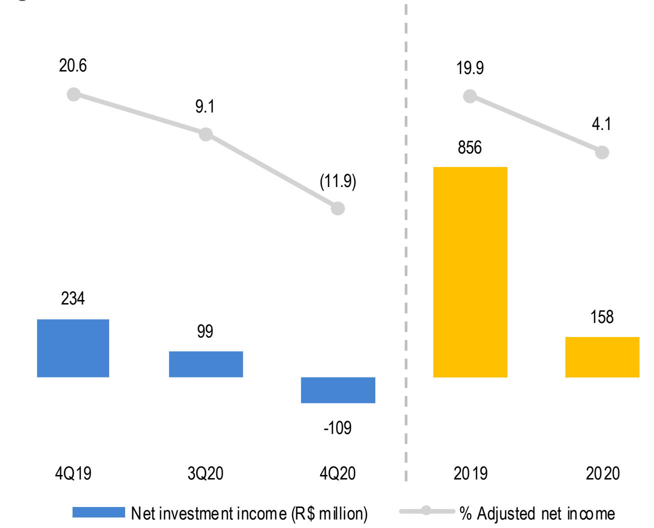


[1]Impact of the one-month lag in the IGP-M accrual on liabilities

- **Brasilcap (+R$38.5 million):** propelled by lower commission expenses, and higher revenues with load fee, with bonds redeemed within the grace period and with bonds that expired but was not claimed by the holders, as well as the growth of net investment income; and
- **Brasilseg (+R$25.9 million):** justified by the growth in earned premium and lower operating expenses.

■ NET INVESTMENT INCOME ANALYSIS

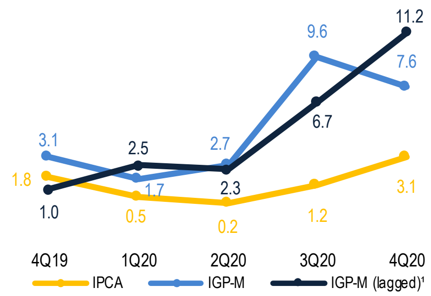
Figure 3 – Consolidated investment income



In the **4Q20**, the consolidated net investment income of BB Seguridade and its investees was R$109.2 million negative, highly impacted by the mismatches of inflation indexes and accrual period of the assets and liabilities related to defined benefit pension plans in Brasilprev. Additionally, the drop of the average Selic rate and the 64.1% retraction of the financial assets volumes at the holdings (BB Seguridade e BB Seguros), after the capital reduction and the distribution of the proceeds raised with the disposal of IRB Brasil shares, also contributed to the reduction of the net investment income YoY.

In **2020**, the combined net investment income of the companies fell 81.5%, reaching the lower historical level of contribution to the net income. Besides the effects mentioned in the quarterly analysis, it is worth noting that IRB Brasil had contributed with R$69.9 million to the combined net investment income of the 1H19. After that, the disposal of the equity stake was concluded, impacting the comparative analysis of the periods.

Figure 4 – Inflation rate (%)



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

Figure 5 – Average Selic rate (%)

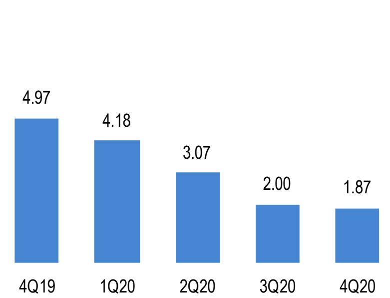


Figure 6 – Forward yield curve (%)

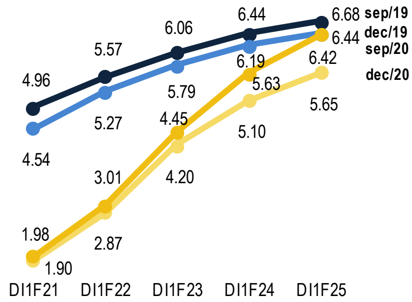


Figure 7 – Financial investments (%)

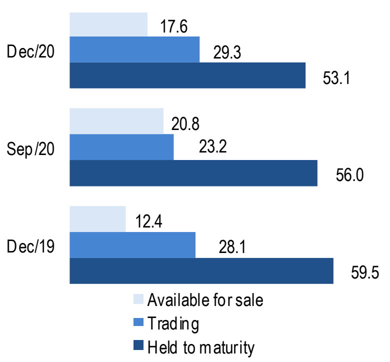


Figure 8 – Financial investments by index (%)

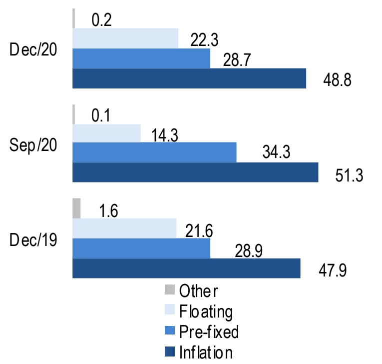
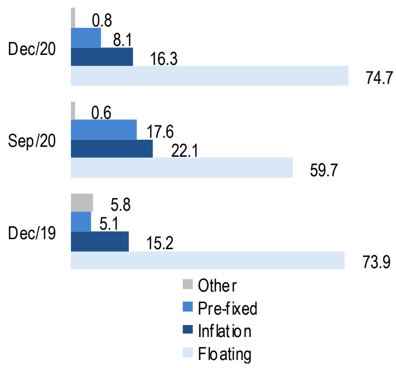


Figure 9 – Trading portfolio by index (%)



EXTRAORDINARY EVENTS

Table 2 – Extraordinary events

	Quarterly Flow			Chg. %		Annual Flow		Chg. %
R$ thousand	**4Q19**	**3Q20**	**4Q20**	**On 4Q19**	**On 3Q20**	**2019**	**2020**	**On 2019**
Adjusted net income	**1,132,926**	**1,096,018**	**916,619**	**(19.1)**	**(16.4)**	**4,306,266**	**3,877,171**	**(10.0)**
Extraordinary events	**32,054**	**(1,384)**	**-**	**-**	**-**	**2,352,515**	**(26,400)**	**-**
BB Seguros: Divestment of IRB Brasil-RE	-	-	-	-	-	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	-	-
BB Corretora: donation to fight Covid-19	-	(1,384)	-	-	-	-	(26,400)	-
Net income	**1,164,980**	**1,094,634**	**916,619**	**(21.3)**	**(16.3)**	**6,658,781**	**3,850,771**	**(42.2)**

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.

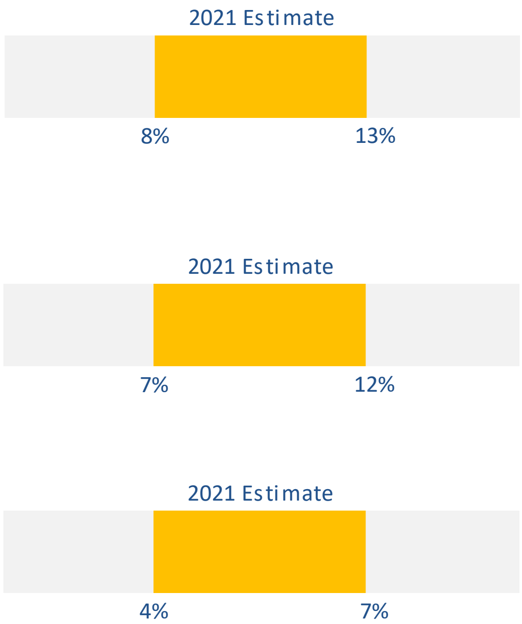
Brasilprev – reversal of provisions for related expenses: in November 2019, the assumptions underlying the calculation of the provision for related expenses were revised, in order to incorporate the result of the actuarial research on the variable that refers to the percentage of customers who decide 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.

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.

2021 GUIDANCE

For the 2021 Guidance, BB Seguridade kept the same indicators released in 2020 Guidance, which was suspended because of the uncertainties that rose after the pandemic decree. The projected ranges for 2021, the results reported in 2020 and the explanation of the indicators are informed in the table below:

Figure 10 – 2021 estimates



Non-interest operating result (ex-holding)

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 and adjusted by extraordinary events

Premiums written of Brasilseg

Percentage change of the premiums written reported by Brasilseg, adjusted by extraordinary events.

PGBL and VGBL pension plans reserves of Brasilprev

Percentage change of PGBL and VGBL pension plans reserves, adjusted by extraordinary events.

To facilitate the understanding of the indicator "Non-interest operating results (ex-holding)", the calculation of the indicator is demonstrated below based on the 2020 results:

Table 3 – Breakdown of the non-interest operating result in 2020

R$ thousand	Total ownership (%) (a)	Non-interest operating result (b)	Weighted non-interest operating result (a) x (b)	Source
Brasilseg	74.99	1,742,074	1,306,381	Table 17
Brasilprev	74.99	1,735,851	1,301,714	Table 41
Brasilcap	66.67	26,477	17,652	Table 58
Brasildental	74.99	36,829	27,618	Table 77
BB Corretora	100.00	2,982,753	2,982,753	Table 81
Total		**6,523,984**	**5,636,119**	

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

Table 4 – Summarized income statement

	Quarterly Flow			Chg. %		Annual Flow		Chg. %
R$ thousand	**4Q19**	**3Q20**	**4Q20**	**On 4Q19**	**On 3Q20**	**2019**	**2020**	**On 2019**
Premiums written	**2,260,961**	**2,905,044**	**2,746,081**	**21.5**	**(5.5)**	**9,046,331**	**10,386,163**	**14.8**
Changes in technical reserves and premiums ceded	(390,974)	(900,737)	(747,119)	91.1	(17.1)	(2,049,772)	(2,680,181)	30.8
Retained earned premiums	**1,869,987**	**2,004,307**	**1,998,962**	**6.9**	**(0.3)**	**6,996,559**	**7,705,982**	**10.1**
Retained claims	(445,529)	(648,346)	(581,787)	30.6	(10.3)	(2,028,596)	(2,362,119)	16.4
Retained acquisition costs	(706,118)	(693,971)	(639,451)	(9.4)	(7.9)	(2,311,183)	(2,597,586)	12.4
G&A	(278,934)	(236,205)	(266,331)	(4.5)	12.8	(982,444)	(1,006,011)	2.4
Other	(3,092)	497	614	-	23.4	9,339	1,808	(80.6)
Non-interest operating result	**436,313**	**426,281**	**512,006**	**17.3**	**20.1**	**1,683,674**	**1,742,074**	**3.5**
Net investment income	64,100	38,969	57,561	(10.2)	47.7	356,859	261,647	(26.7)
Earnings before taxes and profit sharing	**500,413**	**465,250**	**569,567**	**13.8**	**22.4**	**2,040,534**	**2,003,721**	**(1.8)**
Taxes and profit sharing	(162,772)	(116,163)	(155,843)	(4.3)	34.2	(608,363)	(536,484)	(11.8)
Adjusted net income	**337,641**	**349,087**	**413,724**	**22.5**	**18.5**	**1,432,171**	**1,467,237**	**2.4**

In the **4Q20**, the **adjusted net income** of insurance business grew 22.5% YoY, with the improvement of the combined ratio (-2.0 p.p.) and the reduction of the tax rate. Such effects were partially offset by the 10.2% decrease in financial results.

The **premiums written** grew 21.5% YoY, propelled by credit life (+63.9%), helped by the new portfolio launched in October and the lower level of cancellations; and by the rural insurance (+19.3%), still benefited by the increase in the federal subsidy to the insurance premium, by the expansion of the targeted clients and the diversification of distribution channels for the crop insurance. The term life insurance maintained the recovery path initiated at the end of 2Q20 (+6.9% vs 4Q19 | +6.9% vs 3Q20) and recorded the best 4Q of premiums originated by the bancassurance channel.

Loss ratio was up 5.3 p.p. YoY, mainly due to the higher frequency and severity in the rural segment (+5.4 p.p.), as consequence of the drought in the beginning of the summer crop ocurred several regions of the country and caused by the La Niña phenomenon, as well as the higher frequency of claims on products with life coverage, because of the Covid-19 pandemic.

The **commission ratio** dropped 5.8 p.p. YoY, impacted by lower expenses with performance bonus for outperforming the sales targets in the quarter, in addition to a higher participation of crop insurance in the earned premiums, which have a lower commission ratio.

The fall in the **net investment income** compared to the 4Q19 is mostly explained by the reduction in the average Selic rate. The decrease in interest expenses had partially offset the drop in interest revenues, explained by the lower interest accrual on provisions for claims to be settled, due to the reversal of provisions for lawsuits won by the insurance company.

In **2020**, the **adjusted net income** was up 2.4%, justified by the 10.1% increase in retained earned premiums and lower tax rate.

The **premiums written** rose 14.8%, despite the challenges that rose with the pandemic, highlighting: rural insurance (+22.7%), with the diversification of distribution channels and expansion of the addressable client basis; credit life (+22.0%), helped by the launch of the new product in October; and term life (+5.2%), with the new portfolio launched in May.

Figure 11 – Key performance indicators

	Chg. On 4Q19	Chg. On 2019
Breakdown of premiums written		
Credit Life	63.9%	22.0%
Rural	19.3%	22.7%
Term Life	6.9%	5.2%
Others	5.3%	0.1%
Performance ratios		
Loss ratio	5.3 p.p.	1.7 p.p.
Commission ratio	(5.8 p.p.)	0.7 p.p.
G&A ratio	(1.6 p.p.)	(1.0 p.p.)
Combined ratio	(2.0 p.p.)	1.6 p.p.

Regarding to the operational performance, the **loss ratio** was up 1.7 p.p., with higher frequency and severity of claims in products with life coverage, due to the pandemic. Setting apart the Covid-19 related claims, loss ratio would have been down 0.6 p.p. in 2020.

The **commission ratio** rose 0.7 p.p., explained by the higher volume of expenses with performance bonus for outperforming the sales target of term life and credit life, and by lower revenues with reinsurance commissions, since in 2019 the company recognized R$104.9 million as additional revenue from reinsurance agreements with step-up commissions for rural insurance, while in 2020 this revenue was not triggered.

The **net investment income** contracted 26.7%, mainly due to the average Selic rate drop, partially offset by the decrease in interest expenses.

Brasilprev | Pension plans (for further details, see page 46)

Table 5 - Summarized income statement[1]

R$ thousand	Quarterly Flow 4Q19	3Q20	4Q20	Chg. % On 4Q19	On 3Q20	Annual Flow 2019	2020	Chg. % On 2019
Total revenue from pension and insurance	**10,831,552**	**11,951,968**	**12,103,705**	**11.7**	**1.3**	**41,972,706**	**40,969,185**	**(2.4)**
Provision for benefits to be granted	(10,825,217)	(11,945,739)	(12,095,918)	11.7	1.3	(41,949,696)	(40,944,862)	(2.4)
Net revenue from pension and insurance	**6,334**	**6,229**	**7,788**	**23.0**	**25.0**	**23,010**	**24,323**	**5.7**
Management fee	716,019	758,861	748,846	4.6	(1.3)	2,754,089	2,908,950	5.6
Acquisition costs	(173,509)	(166,247)	(165,948)	(4.4)	(0.2)	(672,080)	(659,944)	(1.8)
Earned premiums	44,790	41,643	44,479	(0.7)	6.8	184,763	171,507	(7.2)
G&A	(184,691)	(150,781)	(156,088)	(15.5)	3.5	(630,927)	(619,928)	(1.7)
Other	(14,460)	(13,528)	(26,160)	80.9	93.4	(78,513)	(89,058)	13.4
Non-interest operating result	**394,483**	**476,177**	**452,917**	**14.8**	**(4.9)**	**1,580,343**	**1,735,851**	**9.8**
Net investment income	241,032	83,378	(297,546)	-	-	653,296	(278,561)	-
Earnings before taxes and profit sharing	**635,515**	**559,555**	**155,371**	**(75.6)**	**(72.2)**	**2,233,640**	**1,457,290**	**(34.8)**
Taxes and profit sharing	(235,384)	(211,840)	(34,976)	(85.1)	(83.5)	(840,452)	(545,286)	(35.1)
Adjusted net income	**400,130**	**347,715**	**120,396**	**(69.9)**	**(65.4)**	**1,393,188**	**912,004**	**(34.5)**

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 **4Q20**, the **adjusted net income** of pension plans segment fell 69.9% YoY, given the **net investment loss** (-R$297.5 million), impacted by the mismatches of accrual periods and inflation indexes of assets and liabilities of the defined benefit pension plans.

The interest revenues grew 121.4%, with higher inflation rates (IGP-M +7.6% and IPCA +3.1%), which positively impacted the yield on held to maturity securities and, to a lesser extent, with a higher mark to market gains, as the real yield curve flattened. On the other hand, the interest expenses increased 473.8% YoY, as a result of the IGP-M (+11.2%) in the period that ranges from September to November, considering the average one-month lag of the inflation accrual on these liabilities.

On the other hand, the **non-interest operating result** grew 14.8%, sustained by the revenues with management fee 4.6% higher, as well as the improvement in the income ratio improvement. The pension plans **reserves** expanded 6.3% over the last twelve months, to R$308.2 billion, and the **average management fee** reached 1.0%, remaining stable compared to the 3Q20 and improving 0.01 p.p. YoY.

The volume of **contributions** in the 4Q20 was the highest since 2016 for a last quarter of the year and increased 11.7% YoY, maintaining the upward trend observed since the end of the first half of 2020.

The **redemption ratio** reached 8.6% (+1.9 p.p. YoY), with a higher volume of redemptions in October, but with consecutive improvements in November and December.

The higher redemptions led to a contraction of 13.4% in **net inflow**, which was partially offset by the increase in contributions in the quarter.

Figure 12 – Key performance indicators

	4Q20	Chg. On 4Q19	2020	Chg. On 2019
Net inflows (R$ billion)	3,049	(13.4%)	8,952	(26.1%)
Reserves (R$ billion)	308	6.3%	-	-
Management fee (%)	1.00	0.01 p.p.	0.99	(0.02 p.p.)
Redemption ratio (%)	8.6	1.9 p.p.	8.1	1.2 p.p.
Cost to income ratio (%)	43.3	(4.2 p.p.)	44.0	(2.3 p.p.)

In **2020**, the **adjusted net income** fell 34.5%, given the **net investment loss** (-R$278.6 million), justified by the dynamic of interest accrual of the assets and liabilities related to the defined benefit pension plans, as explained in the quarterly analysis.

The 2.4% decline in contributions and the increase of 1.2 p.p. in the redemption ratio, both movements resulting from the adversities imposed by the pandemic, contributed to a 26.1% retraction in **net inflows**.

The **revenues with management fee** grew 5.6% in 2020, driven by the expansion in reserves, while the average management fee contracted 0.02 p.p., at a slower pace than the one observed in previous years, explained by an increase in the allocation of client's resources in more sophisticated funds, many of them launched in 2020 with strategies that generate greater potential for return in the long term. The **net inflow to multimarket funds** grew 27.8% in the year, increasing the share in total assets under management from 9.3% in 2019 to 13.1%.

Brasilcap | Premium Bonds (for further details, see page 60)

Table 6 - Summarized income statement

R$ thousand	Quarterly Flow 4Q19	3Q20	4Q20	Chg. % On 4Q19	On 3Q20	Annual Flow 2019	2020	Chg. % On 2019
Premium bonds collection	**1,571,370**	**1,456,335**	**1,255,980**	**(20.1)**	**(13.8)**	**5,381,088**	**4,780,911**	**(11.2)**
Changes in provisions for redemption, lottery and bonus	(1,397,135)	(1,273,140)	(1,087,740)	(22.1)	(14.6)	(4,785,859)	(4,182,000)	(12.6)
Revenue with load fee	**174,235**	**183,195**	**168,239**	**(3.4)**	**(8.2)**	**595,229**	**598,911**	**0.6**
Result with lottery	2,668	648	654	(75.5)	1.0	15,151	5,721	(62.2)
Acquisition costs	(159,178)	(146,283)	(133,842)	(15.9)	(8.5)	(508,006)	(481,067)	(5.3)
G&A	(31,724)	(24,179)	(27,362)	(13.7)	13.2	(106,839)	(93,381)	(12.6)
Other	(5,587)	(934)	(7,760)	38.9	730.4	(18,842)	(3,706)	(80.3)
Non-interest operating result	**(19,586)**	**12,446**	**(71)**	**(99.6)**	**-**	**(23,308)**	**26,478**	**-**
Net investment income	46,024	60,681	52,008	13.0	(14.3)	192,787	239,061	24.0
Earnings before taxes and profit sharing	**26,437**	**73,128**	**51,938**	**96.5**	**(29.0)**	**169,479**	**265,539**	**56.7**
Taxes and profit sharing	(8,589)	(30,049)	(19,383)	125.7	(35.5)	(68,573)	(106,738)	55.7
Net income	**17,848**	**43,078**	**32,555**	**82.4**	**(24.4)**	**100,907**	**158,801**	**57.4**

In the **4Q20,** the **net income** of premium bond business grew 82.4% YoY, boosted by the commission ratio retraction, the increase of revenues with bonds redeemed within the grace periods and with bonds expired but not claimed by the holder, as well as the 13.0% growth in financial results.

Premium bonds collection fell 20.1% compared to the same period of 2019, due to the drop of unique payment bonds sold and higher sales of monthly bonds, which have a lower average ticket.

In the quarter, the **average load fee** rose 2.3 p.p., with a concentration of sales in monthly payment bonds, which present a higher load fee on the first installments than the one charged on recurring installments and on the unique payment, in addition to a mix more concentrated in longer term bonds, such as 36, 48 and 60-month products, with a load fee higher than 12 and 24-month 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 in realized capital gains amounting to R$22.3 million in the 4Q20 and contributed to reduce the impact of the lower Selic rate.

In **2020**, the **net income** increased 57.4%, helped by lower commission ratio, higher revenues with bonds redeemed within the grace period and with bonds expired but not claimed by the holder, as well as the growth of 24.0% in financial results, justified by lower expenses with asset management fees.

The **premium bonds collection** dropped 11.2%, mainly driven by weaker sales of new unique payment bonds and by the reduction in average collection of monthly payment bonds, due to the pandemic crisis that affected the commercial performance especially in the 2Q20. Despite the reduction in collections, the **revenue with load fee** rose 0.6%, with the improvement of 1.5 p.p. in the average load fee, justified by the increase in the duration of the portfolio and by the higher share of monthly payment bonds in sales mix.

Figure 13 – Key performance indicators

	Chg. On 4Q19	Chg. On 2019
Premium bonds collection		
Unique payment	(26.1%)	(13.1%)
Monthly payment	(5.8%)	(7.8%)
First Installments	37.0%	1.8%
Recurring Installments	(7.3%)	(8.3%)
Average quotes		
Reserve quote	(2.8 p.p.)	(1.7 p.p.)
Lottery quote	0.5 p.p.	0.2 p.p.
Bonus quote	(0.01 p.p.)	(0.02 p.p.)
Load fee quote	2.3 p.p.	1.5 p.p.
Other ratios		
Technical reserves	(1.0%)	(1.0%)
Net interest margin	(1.1 p.p.)	(0.7 p.p.)

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Table 7 - Summarized income statement

	Quarterly Flow			Chg. %		Annual Flow		Chg. %
R$ thousand	**4Q19**	**3Q20**	**4Q20**	**On 4Q19**	**On 3Q20**	**2019**	**2020**	**On 2019**
Brokerage revenues	**984,183**	**999,055**	**960,827**	**(2.4)**	**(3.8)**	**3,474,987**	**3,676,972**	**5.8**
G&A	(191,979)	(177,050)	(185,194)	(3.5)	4.6	(670,364)	(678,304)	1.2
Equity income	(4,602)	(3,323)	(3,156)	(31.4)	(5.0)	(14,274)	(15,914)	11.5
Earnings before interest and taxes	**787,602**	**818,682**	**772,477**	**(1.9)**	**(5.6)**	**2,790,349**	**2,982,753**	**6.9**
Net investment income	27,954	11,314	10,178	(63.6)	(10.0)	101,625	49,252	(51.5)
Earnings before taxes	**815,556**	**829,995**	**782,654**	**(4.0)**	**(5.7)**	**2,891,974**	**3,032,005**	**4.8**
Taxes	(272,861)	(283,401)	(267,587)	(1.9)	(5.6)	(979,375)	(1,036,500)	5.8
Adjusted net income	**542,695**	**546,594**	**515,068**	**(5.1)**	**(5.8)**	**1,912,599**	**1,995,505**	**4.3**

In the **4Q20**, BB Corretora's **net income** fell 5.1% YoY, impacted by the 2.4% drop in brokerage revenues, as well as the decrease in the **net investment income**.

The drop in **brokerage revenues** is explained by a reduction of the performance bonus for outperforming the sales targets of credit life and term life insurance, and by the lower volume of premium bonds collections. It is worth mentioning that in 2020 there was a change in the products eligible for the performance bonus, from credit life for farmers to term life insurance. The better performance of credit life for farmers in the 4Q19 when compared to term life insurance in the 4Q20 explains the decrease in the performance bonus revenues this quarter. On the other hand, the strong commercial performance in pension plans, the sustained trend of improvement in term life insurance and the resilient sales of rural and credit life partially offset the negative effects of premium bonds and performance bonus.

BB Corretora's **EBIT margin** improved 0.4 p.p. YoY, mostly driven by the contraction in G&A expenses, specifically those related to sponsorships and donations.

The **net investment income** was down 63.6% YoY, impacted by the reduction of both average Selic rate and average balance of financial investments.

In **2020**, the **adjusted net income** grew 4.3%, boosted by the increase in brokerage revenues (+5.8%) and by the 0.8 p.p. improvement in EBIT margin, effects that were partially offset by the 51.5% drop in net investment income, due to the lower average Selic rate.

The increase in brokerage revenues is explained by the good commercial performance of rural insurance, credit life and term life, as well as higher performance bonus for outperforming the sales target of term life and credit life insurance in the year.

Figure 14 – Key performance indicators

	Chg. On 4Q19	Chg. On 2019
Breakdown of brokerage revenues		
Insurance	(2.9%)	9.1%
Pension plans	10.5%	(5.3%)
Premium bonds	(13.2%)	(1.0%)
Other[1]	(5.1%)	(2.7%)
Performance ratios		
EBIT Margin	0.4 p.p.	0.8 p.p.
Net Margin	(1.5 p.p.)	(0.8 p.p.)

1. Include dental plans and other revenues.

OTHER INFORMATION

Table 8 – Market share and ranking[1]

		Quarterly Flow			Annual Flow	
	Unit	4Q19	3Q20	4Q20	2019	2020
Life[2]						
Premiums written	R$ thousand	791,205	791,275	846,064	2,853,496	2,155,997
Market-share	%	13.6%	13.3%	14.2%	12.9%	13.1%
Ranking		1º	1º	1º	1º	1º
Credit life						
Premiums written	R$ thousand	394,836	686,222	647,117	2,111,009	1,927,355
Market-share	%	11.6%	16.4%	16.5%	15.4%	17.7%
Ranking		4º	2º	2º	2º	2º
Mortgage life						
Premiums written	R$ thousand	74,772	72,232	72,470	288,133	216,806
Market-share	%	7.0%	6.3%	6.1%	7.0%	6.4%
Ranking		4º	5º	5º	4º	5º
Rural						
Premiums written	R$ thousand	865,910	1,157,033	1,032,723	3,210,919	2,905,522
Market-share	%	64.8%	52.4%	55.8%	60.9%	55.9%
Ranking		1º	1º	1º	1º	1º
Home						
Premiums written	R$ thousand	55,885	77,261	68,113	238,702	189,513
Market-share	%	6.0%	7.3%	6.6%	6.6%	6.8%
Ranking		5º	5º	5º	5º	6º
Commercial lines						
Premiums written	R$ thousand	68,610	120,892	78,286	283,507	242,452
Market-share	%	3.2%	5.0%	3.2%	3.4%	3.6%
Ranking		11º	6º	11º	11º	9º
Pension Plans						
Technical reserves	R$ thousand	289,811,314	297,605,456	308,210,266	-	-
Market-share	%	30.3%	30.0%	30.0%	-	-
Ranking		1º	1º	1º	-	-
Contributions	R$ thousand	10,831,552	11,951,968	12,103,705	41,972,706	28,865,480
Market-share	%	29.8%	32.8%	35.8%	33.3%	33.3%
Ranking		1º	1º	1º	1º	1º
Premium Bonds						
Reserves	R$ thousand	8,342,007	8,173,699	8,261,132	-	-
Market-share	%	27.1%	25.5%	25.6%	-	-
Ranking		2º	2º	2º	-	-
Collections	R$ thousand	1,571,370	1,456,335	1,255,980	5,381,088	3,524,931
Market-share	%	24.3%	23.0%	20.7%	22.5%	21.0%
Ranking		2º	1º	2º	2º	2º

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

Table 9 – 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	**255,693**	**671,634,681**	**33.6%**
Foreign investors	875	535,963,486	26.8%
Companies	2,832	52,168,196	2.6%
Individuals	251,986	83,502,999	4.2%
Total	**255,695**	**2,000,000,000**	**100.0%**

Table 10 – Stocks | Performance

		Quarterly Flow				
	Unit	4Q19	1Q20	2Q20	3Q20	4Q20
Stock's performance						
Earnings per share	R$	0.57	0.44	0.49	0.55	0.46
Dividends per share	R$	-	3.25	-	0.87	-
Equity per share	R$	2.62	3.05	2.67	3.18	3.19
Closing price	R$	37.70	24.85	27.27	24.27	29.63
Annualized dividend yield[1]	%	8.93	16.10	13.86	13.89	12.24
Market capitalization	R$ million	75,400	49,700	54,540	48,540	59,260
Ratios						
P/E (12 month traling)	x	17.51	11.90	13.37	11.86	15.28
P/BV	x	14.37	8.15	10.20	7.64	9.27
Business data						
Number of trades carried out		737,472	1,454,642	1,329,823	1,288,604	1,176,303
Average daily volume traded	R$ million	96	172	132	118	122
Average daily volume traded - B3	R$ million	16,560	25,957	26,123	26,898	26,201
Share on B3's average volume	%	0.58	0.66	0.51	0.44	0.47

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