Summary

1Q21

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 the fourth quarter of 2020, the financial statements are prepared in compliance with the accounting standard of the respective regulator, except when mentioned in a different accounting standard.

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

NET INCOME ANALYSIS

Table 1 – Income statement of the holding

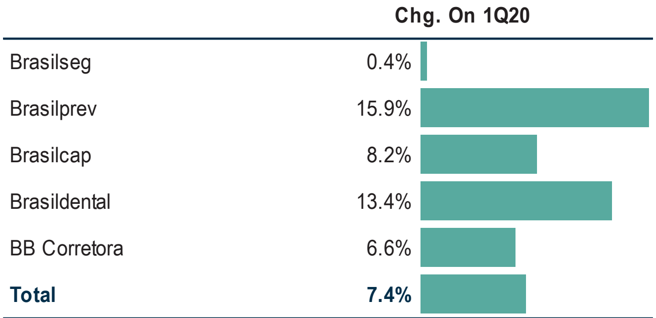
	Quarterly Flow			Chg. %	
R$ thousand	**1Q20**	**4Q20**	**1Q21**	**On 1Q20**	**On 4Q20**
Equity income	**868,229**	**918,478**	**971,349**	**11.9**	**5.8**
Underwritting and accumulation businesses	393,845	423,222	474,285	20.4	12.1
Brasilseg	242,768	306,817	245,079	1.0	(20.1)
Brasilprev	121,199	90,480	191,874	58.3	112.1
Brasilcap	25,247	21,625	32,244	27.7	49.1
Brasildental	4,632	4,299	5,088	9.8	18.3
Distribution businesses	478,132	515,068	506,371	5.9	(1.7)
Other	(3,749)	(19,812)	(9,306)	148.3	(53.0)
G&A expenses	**(6,814)**	**(4,088)**	**(4,274)**	**(37.3)**	**4.5**
Net investment income	**28,832**	**1,327**	**12,514**	**(56.6)**	**843.2**
Earnings before taxes and profit sharing	**890,247**	**915,716**	**979,589**	**10.0**	**7.0**
Taxes	(7,526)	903	(2,527)	(66.4)	-
Net income	**882,721**	**916,619**	**977,062**	**10.7**	**6.6**

In the 1Q21, the net income of BB Seguridade increased R$94.3 million (+10.7% YoY), maintaining a solid growth trend of the non-interest operating results in the investees (+7.4%), a very strong performance considering that the 1Q20 was a period less impacted by the adversities arising from the Covid-19 pandemic, while the 1Q21 was fully affected.

The main factors that explain the net income variation as compared to the same period of 2020 are:

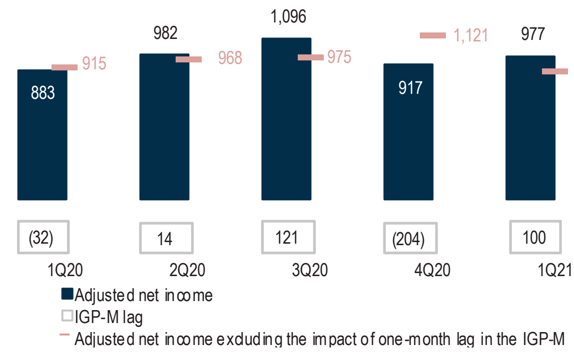
- Brasilprev (+R$70.7 million): boosted by the growth of net investment income which was led by the spike in inflation rates that accrued the assets of the defined benefit plan in a higher pace than the observed in inflation rates pegged to the liabilities, as well as the raise in non-interest operating result, sustained both by the higher revenues with management fee and the improvement in cost to income ratio;
- BB Corretora (+R$28.2 million): justified by the 5.2% growth in the brokerage revenues, with increases in the main segments (insurance, pension plans and premium bonds), combined with the improvement in the EBIT margin;
- Brasilcap (+R$7.0 million): propelled by the increase in both, the net investment income and the revenue with load fee, the second effect explained by the mix of collections more concentrated in longer term bonds, which presents a higher load fee than the shorter ones;
- Brasilseg (+R$2.3 million): with the growth of earned premiums and lower effective tax rate, effects that were partially offset by the worsening in the loss ratio due to the deterioration of the pandemic scenario, and by the drop of the net investment income; and
- Net investment income at the holding (-R$10.8 million): impacted by lower volume of financial assets, due to the capital reduction held on April 2020, and by the decrease of the Selic rate.

Figure 1 – Non-interest operating results[1]



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

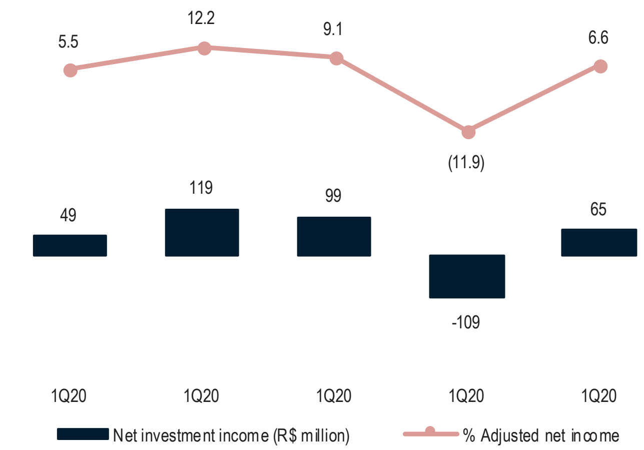
Figure 2 – Impact of Brasilprev's net investment income to the adjusted net income (R$ million)[1]



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

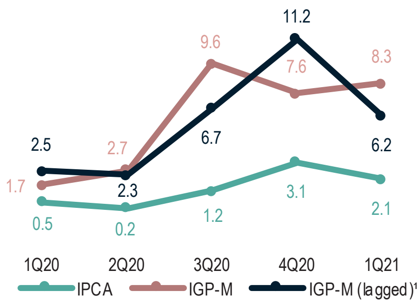
NET INVESTMENT INCOME ANALYSIS

Figure 3 – Consolidated investment income



In the **1Q21**, the consolidated net investment income of BB Seguridade and its investees grew 33.0% YoY. The increase is mostly explained by the improvement in the net investment income of Brasilprev which, besides the negative balance of R$25.1 million registered in the quarter led by the differential in inflation rates that accrued the assets and the liabilities of the traditional plans, reduced the losses in comparison with 1Q20 (-R$112.8 million), since the inflation rates that accrued the assets increased in a higher pace than those pegged to liabilities. Despite the increase of the combined net investment income of the companies, the contribution of this component for the net income stayed close to the historical lows, representing only 6.6% of the 1Q21 results. On the negative side, the combined net investment income of the companies was impacted by the reduction of the average Selic rate, by mark to market losses due to the steepening yield curve both in nominal and real rates, and by the contraction in the average balance of the financial investments of the holdings (BB Seguridade and BB Seguros), after the return of capital to shareholders, concluded on April 30, 2020.

Figure 4 – Inflation rate (%)



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

Figure 5 – Average Selic rate (%)

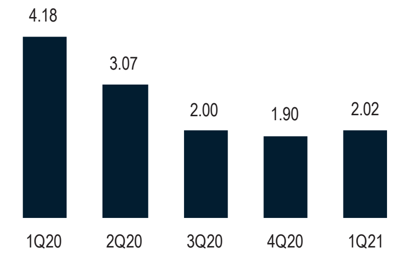


Figure 6 – Forward yield curve (%)

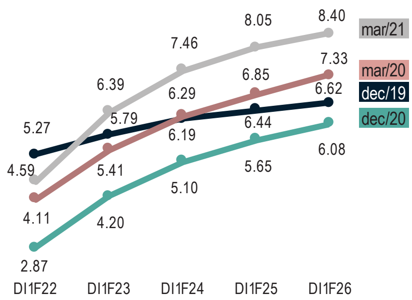


Figure 7 – Financial investments (%)

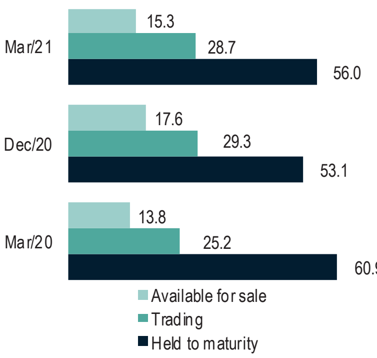


Figure 8 – Financial investments by index (%)

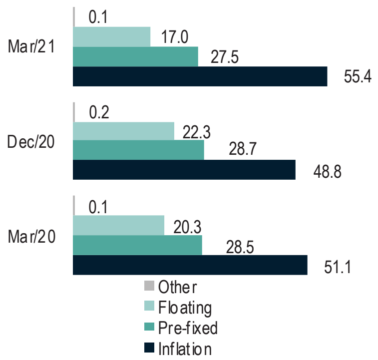
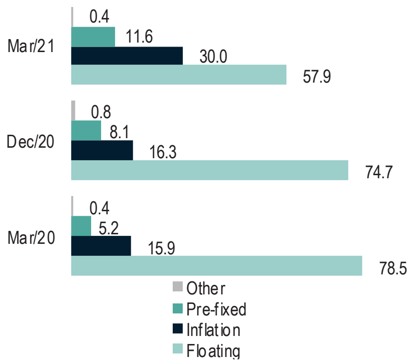


Figure 9 – Trading portfolio by index (%)

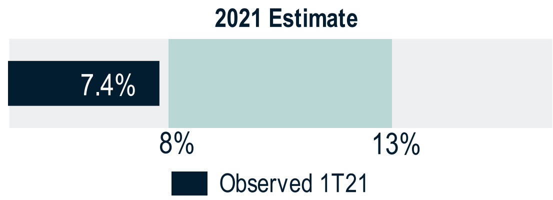


■ 2021 GUIDANCE

The table below shows the 2021 Guidance monitor:

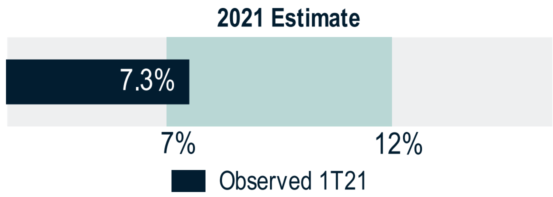
Figure 10 – 2021 estimates

Non-interest operating result (ex-holding)



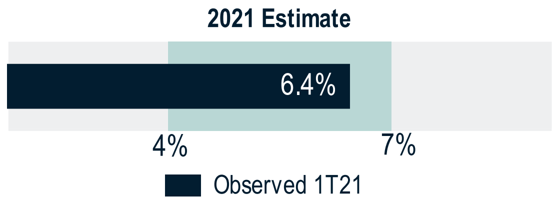
Percentage variation of the combined recurring non-interest operating results of Brasilseg, Brasilprev, Brasilcap, Brasildental and BB Corretora, before income taxes (IRPJ and CSLL), weighted by the equity stake held in each company and adjusted by extraordinary events.

Premiums written of Brasilseg



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

PGBL and VGBL pension plans reserves of Brasilprev



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

Table 2 – Breakdown of the non-interest operating result by company

	Quarterly Flow		Chg. %
R$ thousand	**1Q20**	**1Q21**	**On 1Q20**
Non-interest operating result	**1,308,273**	**1,405,377**	**7.4**
Brasilseg	280,980	282,056	0.4
Brasilprev	293,754	340,557	15.9
Brasilcap	12,054	13,036	8.2
Brasildental	7,201	8,165	13.4
BB Corretora	714,284	761,563	6.6

In the 1Q21, Brasilseg´s total premiums written grew 7.3% YoY, while PGBL and VGBL pension plans reserves of Brasilprev expanded 6.4% over the last twelve months, aligned with the estimates of 2021 Guidance.

On the other hand, the increase in the non-interest operating result (ex-holding) of 7.4% in the 1Q21 compared to the same period of the previous year, stayed below the projected growth range of 8% to 13% for the year. The deviation from the estimates is largely explained by two factors: (i) the higher than expected loss ratio, justified by the worsening of the Covid-19 pandemic, which raised the number of reported claims for products with death coverage; and (ii) lower volume of brokerage revenues with performance bonus in BB Corretora, due to the fall in the premiums written of credit life insurance.

It is worth noting that the impacts arising with the pandemic impacted 1Q21 in its entirety, while the 1Q20 was less affected, making the periods not perfectly comparable. The expected progress of the immunization of the population over the coming months tends to contribute to the reduction in the number of deaths by Covid-19 and allow a resumption of the economic activity, which favors the commercial performance and the loss ratios.

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

Table 3 – Summarized income statement

R$ thousand	Quarterly Flow 1Q20	4Q20	1Q21	Chg. % On 1Q20	On 4Q20
Premiums written	**2,158,415**	**2,746,081**	**2,315,691**	**7.3**	**(15.7)**
Changes in technical reserves and premiums ceded	(322,522)	(747,119)	(293,285)	(9.1)	(60.7)
Retained earned premiums	**1,835,892**	**1,998,962**	**2,022,406**	**10.2**	**1.2**
Retained claims	(546,081)	(581,787)	(764,607)	40.0	31.4
Retained acquisition costs	(642,771)	(639,451)	(620,791)	(3.4)	(2.9)
G&A	(272,552)	(266,331)	(261,413)	(4.1)	(1.8)
Other	202	614	531	162.9	(13.5)
Non-interest operating result	**374,690**	**512,006**	**376,125**	**0.4**	**(26.5)**
Net investment income	88,131	57,561	65,502	(25.7)	13.8
Earnings before taxes and profit sharing	**462,821**	**569,567**	**441,627**	**(4.6)**	**(22.5)**
Taxes and profit sharing	(134,509)	(155,843)	(109,762)	(18.4)	(29.6)
Net income	**328,312**	**413,724**	**331,865**	**1.1**	**(19.8)**

In the 1Q21, the net income of insurance business grew 1.1% YoY, with increase in the retained earned premiums (+10.2%) and the reduction of the tax rate (-3.6 p.p.), offsetting the loss ratio expansion (+8.1 p.p.) and the 25.7% retraction of the net investment income.

The premiums written increased 7.3% propelled by: the rural insurance (+29.4%), benefited by the early release of funding in the 2021/2022 harvest with a volume available higher than the pre-funding of the 2020/2021 harvest; the term life insurance (+14.6%), boosted by the growth in new sales and the increase in premiums from renewed policies, due to the spike in inflation rates that adjusted the prices; and by the home insurance (+28.2%), boosted by the sales improvement of the retail segment. On the other hand, the credit life retracted 28.3%, mainly explained by the decrease in the covered capital, by hard comp with the 1Q20 and by the increase of cancellation in the moment of credit renegotiation.

Loss ratio deteriorated 8.1 p.p. YoY, mainly by the higher frequency on reported claims related to products with death coverage due to the worsening of the Covid-19 pandemic, and the strengthening of provisions balance. On the other hand, the lower losses in the summer harvest contributed to the improvement in the rural insurance loss ratio.

The commission ratio dropped 4.3 p.p YoY, mainly explained by lower expenses with performance bonus, as a result of the decrease of credit life written premiums.

Net investment income decreased mainly by the reduction of the average Selic rate.

Figure 11 – Key performance indicators

	Chg. On 1Q20
Breakdown of premiums written	
Rural	29.4%
Term Life	14.6%
Credit Life	(28.3%)
Others	27.8%
Performance ratios	
Loss ratio	8.1 p.p.
Commission ratio	(4.3 p.p.)
G&A ratio	(1.9 p.p.)
Combined ratio	1.8 p.p.

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

Table 4 - Summarized income statement[1]

R$ thousand	Quarterly Flow 1Q20	4Q20	1Q21	Chg. % On 1Q20	On 4Q20
Total revenue from pension and insurance	**10,130,016**	**12,103,705**	**10,769,021**	**6.3**	**(11.0)**
Provision for benefits to be granted	(10,124,791)	(12,095,918)	(10,761,494)	6.3	(11.0)
Net revenue from pension and insurance	**5,225**	**7,788**	**7,527**	**44.1**	**(3.3)**
Management fee	711,337	748,846	747,708	5.1	(0.2)
Acquisition costs	(170,128)	(165,948)	(166,322)	(2.2)	0.2
Earned premiums	43,145	44,479	41,245	(4.4)	(7.3)
G&A	(163,018)	(156,088)	(146,780)	(10.0)	(6.0)
Other	(34,836)	(26,160)	(29,242)	(16.1)	11.8
Non-interest operating result	**391,725**	**452,917**	**454,136**	**15.9**	**0.3**
Net investment income	(112,778)	(297,546)	(25,142)	(77.7)	(91.6)
Earnings before taxes and profit sharing	**278,947**	**155,371**	**428,994**	**53.8**	**176.1**
Taxes and profit sharing	(114,865)	(34,976)	(173,145)	50.7	395.0
Net income	**164,082**	**120,396**	**255,849**	**55.9**	**112.5**

In the 1Q21, the net income of pension plans segment grew 55.9% YoY.

The non-interest operating result increase of 15.9% was sustained by the revenues with management fee 5.1% higher, as well as the improvement in the cost to income ratio. The pension plans reserves expanded 7.3% over the last twelve months, to R$307.3 billion. The average management fee reached 1.01%, up 0.01 p.p. compared both to the 1Q20 and the 4Q20, reflecting the 71.2% evolution in the inflow to multimarket funds. With the multimarket collection increase, the participation of this type of funds in the amount of asset under management increased from 7.5% in March 2020 to 14.3% in March 2021.

In the quarter, the pension plans contributions were up 6.3% YoY, even in a deteriorated scenario of the sanitary crisis with effects in the economic environment of the country.

The redemption ratio decreased 0.2 p.p. YoY and increased 0.6 p.p. on the 4Q20, also a result of the economic impacts generated by the more aggressive second wave of the pandemic in the beginning of 2021.

Besides the increase in the contributions and the slightly improvement of the redemption ratio as compared to the same period of 2020, the net inflow contracted 43.8%, mostly explained by the higher volume of benefits paid, which includes the payment of the reserve balance to the beneficiary appointed in the pension plan in case of death of the holder that grew due to claims related to the Covid-19.

Figure 12 – Key performance indicators

	1Q21	Chg. On 1Q20
Net inflows (R$ billion)	905	(43.8%)
Reserves (R$ billion)	307	7.3%
Management fee (%)	1.01	0.01 p.p.
Redemption ratio (%)	9.2	(0.2 p.p.)
Cost to income ratio (%)	43.0	(5.5 p.p.)

Despite the still negative net investment income in the 1Q21 (-R$25.1 million), mainly consequence of the mismatches of inflation indexes pegged to the assets and liabilities of the defined benefit pension plans, there was a significant improvement compared to the 1Q20, when the negative balance reached R$112.8 million. The interest revenues grew 209.5%, with higher inflation indexes (IGP-M +8.3% and IPCA +2.1%) which positively impacted the yield on held to maturity securities pegged to inflation. On the other hand, the interest expenses were up at lower pace (+131.7% YoY), because of the IGP-M (+6.2%) in the period from December to February, considering the average one-month lag of the inflation accrual on these liabilities.

Brasilcap | Premium Bonds (for further details, see page 57)

Table 5 - Summarized income statement

	Quarterly Flow			Chg. %	
R$ thousand	**1Q20**	**4Q20**	**1Q21**	**On 1Q20**	**On 4Q20**
Premium bonds collection	**1,023,778**	**1,255,980**	**1,103,168**	**7.8**	**(12.2)**
Changes in provisions for redemption, lottery and bonus	(893,583)	(1,087,740)	(956,288)	7.0	(12.1)
Revenue with load fee	**130,195**	**168,239**	**146,880**	**12.8**	**(12.7)**
Result with lottery	3,828	654	3,782	(1.2)	477.9
Acquisition costs	(108,390)	(133,842)	(112,176)	3.5	(16.2)
G&A	(21,235)	(27,362)	(19,149)	(9.8)	(30.0)
Other	13,681	(7,760)	217	(98.4)	-
Non-interest operating result	**18,080**	**(71)**	**19,554**	**8.2**	**-**
Net investment income	46,276	52,008	62,362	34.8	19.9
Earnings before taxes and profit sharing	**64,357**	**51,938**	**81,916**	**27.3**	**57.7**
Taxes and profit sharing	(26,482)	(19,383)	(33,546)	26.7	73.1
Net income	**37,874**	**32,555**	**48,370**	**27.7**	**48.6**

In the 1Q21, the net income of premium bonds business grew 27.7% YoY, driven by the net investment income up 34.8%, as well the increase in the revenue with load fee.

Premium bonds collection was up 7.8% compared to the same period of 2020, due to the sound evolution of the average collection of unique payment bonds, almost doubling in the period.

In the quarter, the average load fee rose 0.6 p.p., as a consequence of the shift in the collection mix, now more concentrated in longer term bonds, such as 36, 48 and 60-month products, which have a higher load fee than the shorter bonds.

Regarding to the increase in the net investment income, this is mainly explained by the 0.8 p.p. growth in the net interest margin, propelled mostly by the higher average yield on held to maturity securities due to the increase in the inflation ratio and the higher reinvestment interest with the steepening in the yield curve.

Figure 13 – Key performance indicators

	Chg. On 1Q20
Premium bonds collection	
Unique payment	21.2%
Monthly payment	(7.3%)
First Installments	(29.7%)
Recurring Installments	(5.2%)
Average quotes	
Reserve quote	(0.5 p.p.)
Lottery quote	(0.1p.p.)
Bonus quote	(0.01p.p.)
Load fee quote	0.6 p.p.
Other ratios	
Technical reserves	2.2%
Net interest margin	0.8 p.p.

Table 6 - Summarized income statement

	Quarterly Flow			Chg. %	
R$ thousand	**1Q20**	**4Q20**	**1Q21**	**On 1Q20**	**On 4Q20**
Brokerage revenues	**882,641**	**960,827**	**928,113**	**5.2**	**(3.4)**
G&A	(163,271)	(185,194)	(162,789)	(0.3)	(12.1)
Equity income	(5,087)	(3,156)	(3,762)	(26.1)	19.2
Earnings before interest and taxes	**714,284**	**772,477**	**761,563**	**6.6**	**(1.4)**
Net investment income	12,489	10,178	7,594	(39.2)	(25.4)
Earnings before taxes	**726,773**	**782,654**	**769,157**	**5.8**	**(1.7)**
Taxes	(248,641)	(267,587)	(262,786)	5.7	(1.8)
Net income	**478,132**	**515,068**	**506,371**	**5.9**	**(1.7)**

In the 1Q21, BB Corretora´s net income grew 5.9% YoY, boosted by the 5.2% increase in brokerage revenues and the 1.1 p.p. improvement of the EBIT margin.

The growth in brokerage revenues is mainly explained by the solid commercial performance in almost all the business lines (rural, term life and home insurances, pension plans and premium bonds), even in a more difficult environment when compared to the same period last year, due to the pandemic impacts to the economy.

On the other hand, the net investment income retracted 39.2%, justified by the lower average Selic rate.

Figure 14 – Key performance indicators

	Chg. On 1Q20
Breakdown of brokerage revenues	
Insurance	3.6%
Pension plans	4.3%
Premium bonds	19.0%
Other¹	2.5%
Performance ratios	
EBIT Margin	1.1p.p.
Net Margin	0.4 p.p.

1. Include dental plans and other revenues.

OTHER INFORMATION

Table 7 – Market share and ranking[1]

	Unit	1Q20	4Q20	1Q21
		Quarterly Flow		
Life²				
Premiums written	R$ thousand	644,037	846,064	738,037
Market-share	%	11.8%	13.8%	12.7%
Ranking		1º	1º	1º
Credit life				
Premiums written	R$ thousand	656,438	647,117	470,725
Market-share	%	18.4%	16.0%	11.2%
Ranking		1º	2º	2º
Mortgage life				
Premiums written	R$ thousand	72,470	72,470	71,209
Market-share	%	6.7%	6.2%	5.7%
Ranking		4º	5º	5º
Rural				
Premiums written	R$ thousand	673,792	1,032,723	871,625
Market-share	%	53.6%	59.8%	54.9%
Ranking		1º	1º	1º
Home				
Premiums written	R$ thousand	53,037	68,113	67,989
Market-share	%	5.8%	6.5%	6.1%
Ranking		5º	5º	5º
Commercial lines				
Premiums written	R$ thousand	58,140	78,286	95,208
Market-share	%	2.8%	3.1%	2.9%
Ranking		13º	11º	11º
Pension Plans				
Technical reserves	R$ thousand	286,494,397	308,210,266	307,271,819
Market-share	%	30.4%	30.0%	29.9%
Ranking		1º	1º	1º
Contributions	R$ thousand	10,130,016	12,103,705	10,769,021
Market-share	%	34.7%	33.5%	33.4%
Ranking		1º	1º	1º
Premium Bonds				
Reserves	R$ thousand	7,863,074	8,261,132	8,035,850
Market-share	%	25.6%	25.5%	24.9%
Ranking		2º	2º	2º
Collections	R$ thousand	1,023,778	1,255,980	1,103,168
Market-share	%	18.2%	21.2%	18.9%
Ranking		2º	1º	2º

1. Source: Susep – data as of February/2021.
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**	**3,342,858**	**0.2%**
Free Float	**300,533**	**671,657,142**	**33.6%**
Foreign investors	838	502,268,755	25.1%
Companies	3,080	60,843,965	3.0%
Individuals	296,615	108,544,422	5.4%
Total	**300,535**	**2,000,000,000**	**100.0%**

Table 9 – Stocks | Performance

		Quarterly Flow				
	Unit	**1Q20**	**2Q20**	**3Q20**	**4Q20**	**1Q21**
Stock's performance						
Earnings per share	R$	0.44	0.49	0.55	0.46	0.49
Dividends per share	R$	3.25	-	0.87	-	0.47
Equity per share	R$	3.05	2.67	3.18	3.19	3.58
Closing price	R$	24.85	27.27	24.27	29.63	24.25
Annualized dividend yield[1]	%	16.10	13.86	13.89	12.24	5.49
Market capitalization	R$ million	49,700	54,540	48,540	59,260	48,500
Ratios						
P/E (12 month traling)	x	11.90	13.37	11.86	15.28	12.21
P/BV	x	8.15	10.20	7.64	9.27	6.77
Business data						
Number of trades carried out		1,454,642	1,329,823	1,288,604	1,176,303	1,311,009
Average daily volume traded	R$ million	172	132	118	122	159
Average daily volume traded - B3	R$ million	25,957	26,123	26,898	26,201	32,008
Share on B3's average volume	%	0.66	0.51	0.44	0.47	0.50

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