

## Earnings Summary

### Adjusted Net Income of R\$4.6 billion

Banco do Brasil adjusted net income was R\$4.6 billion in the 4Q19, up 1.8% over 3Q19. This performance was explained mainly due to the increase in NII and the decrease in Net Allowance for Loan Losses. In 4Q19, personnel expenses increased, mainly driven by the additional payment to Cassi (BB's employees health care plan), due to the statutory amendment. The Bank's payment is referred to the whole 2019 year and was already estimated in the guidance

In the 2019/2018 comparison, the adjusted net income grew 32.1%, driven by the NII increase, associated with the reduction of net ALLL expenses and the fee income growing nominally above administrative expenses.

In 4Q19, due to the increase of the CSLL rate from 15% to 20%, according to Constitutional Amendment No. 103, of November 2019, there was the activation of tax credit (DTA) referring to previous periods that resulted in an extraordinary event of R\$4.97 billion. In contrast, an extraordinary prudential ALLL (R\$2.93 billion), an extraordinary provision for lawsuits (R\$2.19 billion) and a provision for lawsuits related to economic plans (R\$1.27 billion) were constituted.

The market ROE grew to 17.7% from 15.4% in the comparison with the 4Q18 and from 13.9% to 17.3% in the 2019/2018 comparison, reinforcing the commitment to increase profitability in a sustainable way.

**Table 1.** Net Income – R\$ million

	4Q18	3Q19	4Q19	Chg. %		2018	2019	Chg. % On 2018
				On 4Q18	On 3Q19			
<b>Net Interest Income</b>	<b>12,570</b>	<b>13,260</b>	<b>14,024</b>	<b>11.6</b>	<b>5.8</b>	<b>49,911</b>	<b>53,086</b>	<b>6.4</b>
Net Allowance for Loan Losses	(3,168)	(3,316)	(2,999)	(5.3)	(9.6)	(14,221)	(13,003)	(8.6)
ALLL Expenses - Credit Risk	(4,788)	(5,037)	(4,804)	0.3	(4.6)	(20,229)	(19,748)	(2.4)
Credit Recovery	1,620	1,721	1,805	11.4	4.9	6,008	6,745	12.3
<b>Net Financial Margin</b>	<b>9,402</b>	<b>9,944</b>	<b>11,025</b>	<b>17.3</b>	<b>10.9</b>	<b>35,689</b>	<b>40,084</b>	<b>12.3</b>
Fee income	7,236	7,466	7,508	3.8	0.6	27,452	29,209	6.4
<b>Contribution Margin</b>	<b>15,480</b>	<b>16,456</b>	<b>17,278</b>	<b>11.6</b>	<b>5.0</b>	<b>58,552</b>	<b>64,834</b>	<b>10.7</b>
Administrative Expenses	(7,923)	(7,710)	(8,611)	8.7	11.7	(30,679)	(31,537)	2.8
<b>Commercial Income</b>	<b>7,430</b>	<b>8,629</b>	<b>8,543</b>	<b>15.0</b>	<b>(1.0)</b>	<b>27,332</b>	<b>32,799</b>	<b>20.0</b>
Other Operating Income	395	(340)	(661)	0.0	94.2	(90)	(728)	704.8
<b>Income Before Taxes</b>	<b>6,604</b>	<b>6,398</b>	<b>6,570</b>	<b>(0.5)</b>	<b>2.7</b>	<b>23,319</b>	<b>25,038</b>	<b>7.4</b>
Income and Social Contribution Taxes	(1,989)	(850)	(868)	(56.4)	2.1	(6,696)	(3,140)	(53.1)
Corporate Profit Sharing	(488)	(584)	(614)	25.8	5.1	(1,715)	(2,347)	36.8
<b>Adjusted Net Income</b>	<b>3,845</b>	<b>4,543</b>	<b>4,625</b>	<b>20.3</b>	<b>1.8</b>	<b>13,513</b>	<b>17,848</b>	<b>32.1</b>
One-Off Items	(42)	(287)	1,069	0.0	0.0	(651)	315	-
<b>Net Income</b>	<b>3,803</b>	<b>4,256</b>	<b>5,694</b>	<b>49.7</b>	<b>33.8</b>	<b>12,862</b>	<b>18,162</b>	<b>41.2</b>
<b>Market ROE - %</b>	<b>15.4</b>	<b>18.0</b>	<b>17.7</b>			<b>13.9</b>	<b>17.3</b>	
<b>Adjusted ROE - %</b>	<b>13.7</b>	<b>15.0</b>	<b>14.7</b>			<b>12.2</b>	<b>14.7</b>	
<b>Shareholders' ROE - %</b>	<b>16.7</b>	<b>19.6</b>	<b>19.2</b>			<b>15.1</b>	<b>18.8</b>	

The annualized ROE is calculated using the annualization on a linear basis, this means the multiplication of quarterly results by four. This methodology was used since the release of the 1Q19 results.

### Market Indicators

The increase in the adjusted earnings per share stands out, from R\$1.34 in 4Q18 to R\$1.99 in 4Q19.

## Earnings Summary 4Q19

**Table 2.** Market Indicators

	4Q18	4Q19	2018	2019
<b>Earnings per Share - R\$</b>	<b>1.34</b>	<b>1.99</b>	<b>4.54</b>	<b>6.39</b>
Adjusted Earnings per Share - R\$	1.38	1.62	4.85	6.26
Dividend Yield <sup>1</sup> - %	3.99	3.31	3.99	3.31
Price/Earnings 12 months	10.07	8.29	10.07	8.29
Price/Book Value	1.27	1.39	1.27	1.39

(1) Dividends and Interest on Shareholders' Equity (12 months) / Market Capitalization.

## Net Interest Income up 5.8%

The NII's main highlights in the quarter were:

- I Growth in Revenues from loans to individuals, driven by payroll loans and consumer loans. The decrease in income from loan operations by R\$65 million was mainly affected by the wholesale loan portfolio reduction and the average Selic rate (TMS) change;
- II Funding expenses were affected by the decrease in TMS, that also drove institutional funding lower expenses, especially in borrowing, assignment and onlendings, and financial letters.
- III Treasury income was influenced by the TMS change and its effects over the floating rates securities portfolio, and also by the lower volume of securities negotiation.

**Table 3.** NII and Net Interest Margin(NIM)

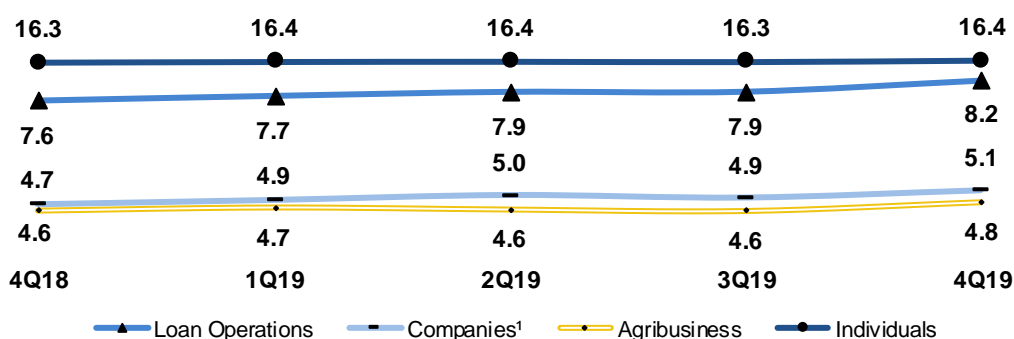
R\$ million	4Q18	3Q19	4Q19	Chg. %		2018	2019	Chg. % On 2018
				On 4Q18	On 3Q19			
<b>Net Interest Income</b>	<b>12,570</b>	<b>13,260</b>	<b>14,024</b>	<b>11.6</b>	<b>5.8</b>	<b>49,911</b>	<b>53,086</b>	<b>6.4</b>
Loan Operations income	18,533	18,222	18,157	(2.0)	(0.4)	73,969	73,411	(0.8)
Funding Expenses	(6,437)	(6,213)	(5,308)	(17.5)	(14.6)	(24,594)	(24,481)	(0.5)
Financial Expense for Institutional Funding <sup>1</sup>	(2,576)	(2,458)	(2,429)	(5.7)	(1.2)	(10,887)	(9,863)	(9.4)
Treasury Income <sup>2</sup>	3,051	3,710	3,604	18.1	(2.9)	11,422	14,020	22.7
<b>NIM - %<sup>3</sup></b>	<b>4.0</b>	<b>4.0</b>	<b>4.3</b>					
<b>Risk Adjusted NIM - %</b>	<b>3.0</b>	<b>3.0</b>	<b>3.4</b>					

(1) It includes senior bonds, subordinated debt, and hybrid instruments in Brazil and abroad.

(2) It includes the result from interest, tax hedging, derivatives, and other financial instruments that offset the effects of the exchange rate variation on result;

(3) NII/Earning Assets average, annualized.

**Figure 1.** Managerial Net Interest Margin by Segment<sup>2</sup> – %



(1) It does not include transactions with the Government;

(2) Revised historical data in 3Q19.

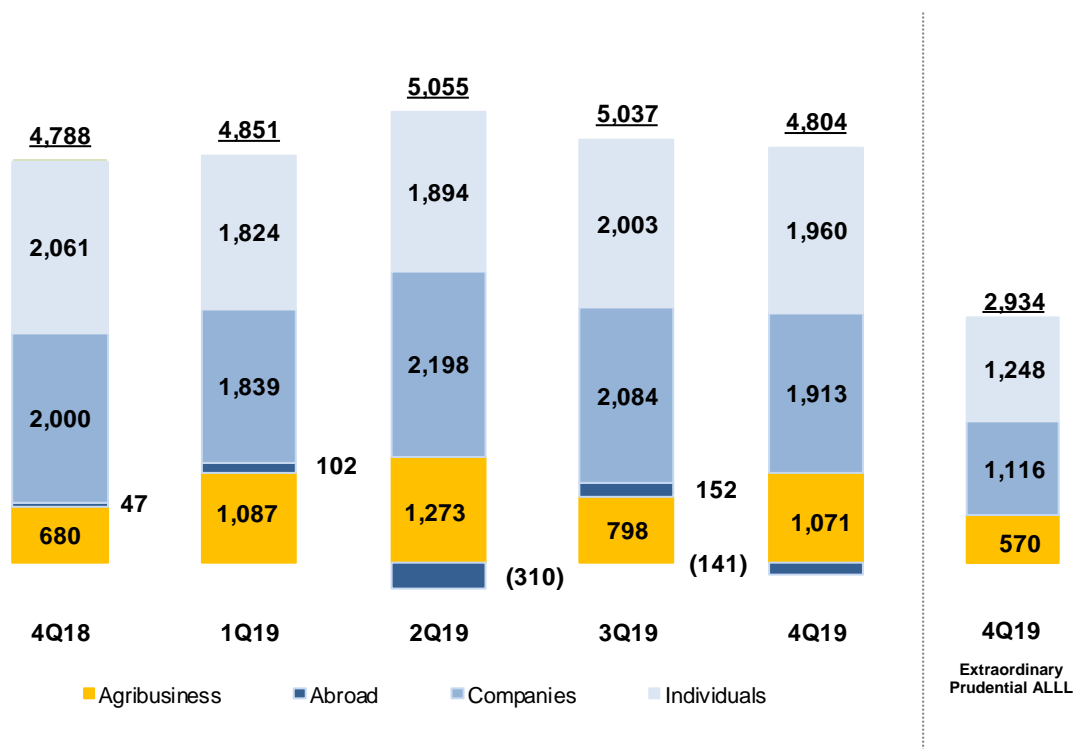
## ALLL expenses down 4.6%

In 4Q19, the ALLL expenses – Credit Risk was R\$4.8 billion, down 4.6% over 3Q19.

In the quarter an R\$2.93 billion extraordinary prudential ALLL was constituted, as follows: R\$1.2 billion for individuals, R\$1.1 billion for companies and R\$570 million for agroindustry.

The net ALLL expenses, which considers credit recovery, was 9.6% down if compared to the 3Q19, mainly due to the growth of 4.9% in the credit recovery volume (+R\$83.7 million).

**Figure 2.** ALLL Expenses by Segment – R\$ million<sup>1</sup>



(1) It does not consider the credit recovery.

## Fee Income up 0.6%

The Fee Income increased 0.6% over 3Q19, and 6.4% in comparison to 2018, as a result of the strategy centered on relationship with customers and constant improvement on customer experience.

In 4Q19, the increase of R\$92.9 million on 'insurance, pension and premium bonds' is a highlight, mainly in the insurance segment, driven by sales volume increase and the payment of performance fees at BB Corretora. In 2019, 'insurance, pension and premium bonds' increase was R\$581.2 million (+18.0%).

Also noteworthy was the result on 'capital markets', up 21.6% QoQ, and up 23.7% YoY, an R\$50.1 million and R\$186.5 million increase respectively, influenced by the strategy of meeting Large Companies' demands through Capital Markets and by income increase from commissions on securities placement through BB Banco de Investimento.

'Checking account fees' up 2.5% (+R\$49.6 million) over 3Q19, explained by the expansion on the retail customer base. In the year, the growth was R\$460.2 million (+6.3%). In 2019 Banco do Brasil improved the strategy of specializing relationships with investors, self-employed and managing partners, in addition to farmers and high-income customers, reinforcing the Bank's commitment on offering the best solutions, suited to customer's profile, improving their experience and promoting an increase in the satisfaction score.

## Earnings Summary 4Q19

'Asset management fees' was R\$1,528 million, down 11.8% over 3Q19, explained by the review on companies (including government) fund management fees and lower business days, compared to the previous quarter. In the annual view, up R\$375.8 million (+6.2%) due to the increase on assets under management, which was R\$1.1 trillion compared to R\$941 billion in Dec/18, up 12.2%.

**Table 4.** Fee Income – R\$ million

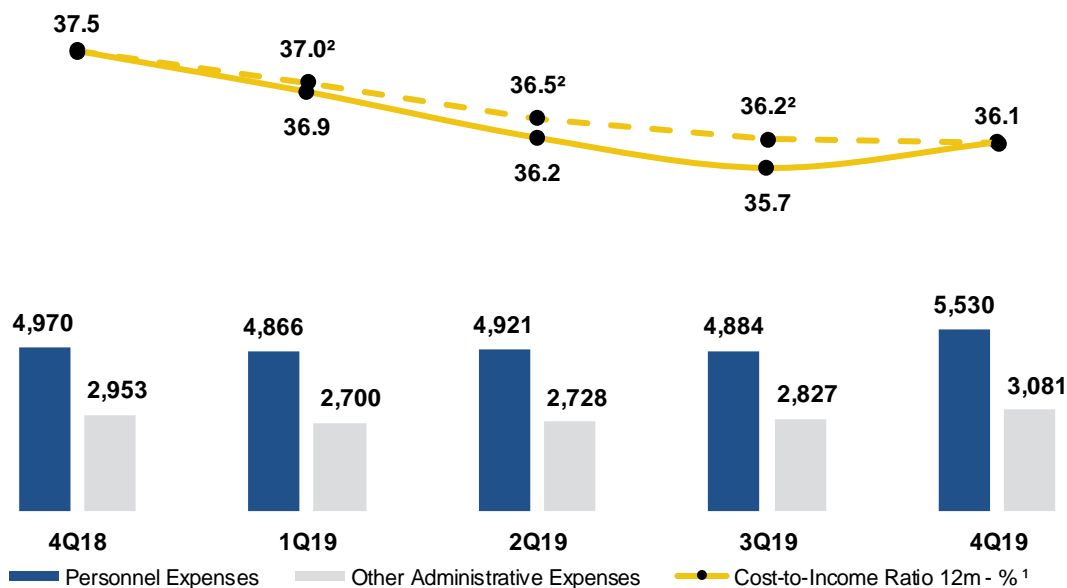
	4Q18	3Q19	4Q19	Chg. %		2018	2019	Chg. % On 2018
				On 4Q18	On 3Q19			
<b>Fee Income</b>	<b>7,236</b>	<b>7,466</b>	<b>7,508</b>	<b>3.8</b>	<b>0.6</b>	<b>27,452</b>	<b>29,209</b>	<b>6.4</b>
Checking Account	1,902	1,987	2,037	7.1	2.5	7,331	7,791	6.3
Asset Management	1,487	1,733	1,528	2.8	(11.8)	6,023	6,399	6.2
Insurance, P. Plans and Premium Bonds	1,039	970	1,063	2.3	9.6	3,221	3,802	18.0
Credit/Debit Cards	507	499	489	(3.6)	(2.2)	1,942	2,047	5.4
Brazil	426	430	428	0.4	(0.4)	1,657	1,771	6.9
Loan Fees	558	461	438	(21.4)	(4.8)	1,999	1,798	(10.0)
Collections	312	346	344	10.2	(0.5)	1,290	1,325	2.7
Consortium	275	308	328	19.1	6.5	942	1,223	29.9
Capital Market	188	231	281	49.8	21.6	788	974	23.7
Billings	283	276	274	(3.2)	(0.7)	1,116	1,108	(0.7)
Contract Processing	115	132	184	60.5	39.2	427	641	50.2
Subsidiaries Abroad	181	143	152	(16.4)	5.7	759	626	(17.6)
Foreign Exchange Services	91	92	93	2.2	1.5	346	371	7.1
Nat. Treasury and Manag. of Official Funds	110	110	83	(24.2)	(24.2)	605	396	(34.6)
Other	189	177	213	13.0	20.4	664	707	6.5

## Cost-to-Income Ratio was 36.1%

The administrative expenses increased 11.7% over 3Q19, and 2.8% YoY. The accumulated cost-to-income ratio (in the last twelve months) was 36.1%, improvement of 139bps over 4Q18.

Cassi's new proposal for a statutory reform, approved by the associates in process of voting on November 18th to 28<sup>th</sup>, increased personnel expenses by R\$514 million in 4Q19. The Bank's payment is retroactive to the whole year and was already estimated in the guidance.

Figure 3. Administrative Expenses – R\$ million



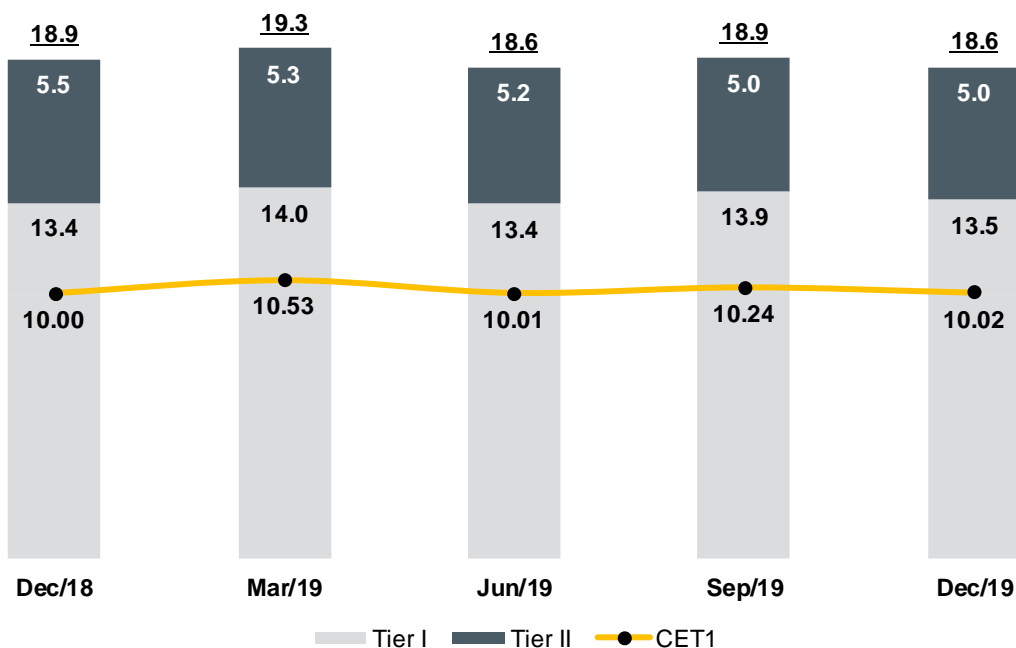
(1) Cost-to-Income ratio: Administrative Expenses/Operating Revenues. Data from Income Statement with Reallocations.  
 (2) It considers the Cassis's extraordinary expenses of 4Q19 appropriated throughout the whole year.

### BIS Ratio was 18.6%

Banco do Brasil has a three-year prospective Capital Plan and considers (a) the Declaration of Appetite and Risk Tolerance, (b) the Corporate Strategy and (c) the Corporate Budget.

In December/19, the BIS Ratio was 18.6% and the Tier I was 13.5%, being 10.02% of Common Equity Tier 1 (CET1), flat over December/18. In addition, following the Risk Appetite Statement and Capital Plan, for January 2022, the goal is to maintain at least 11% of CET1.

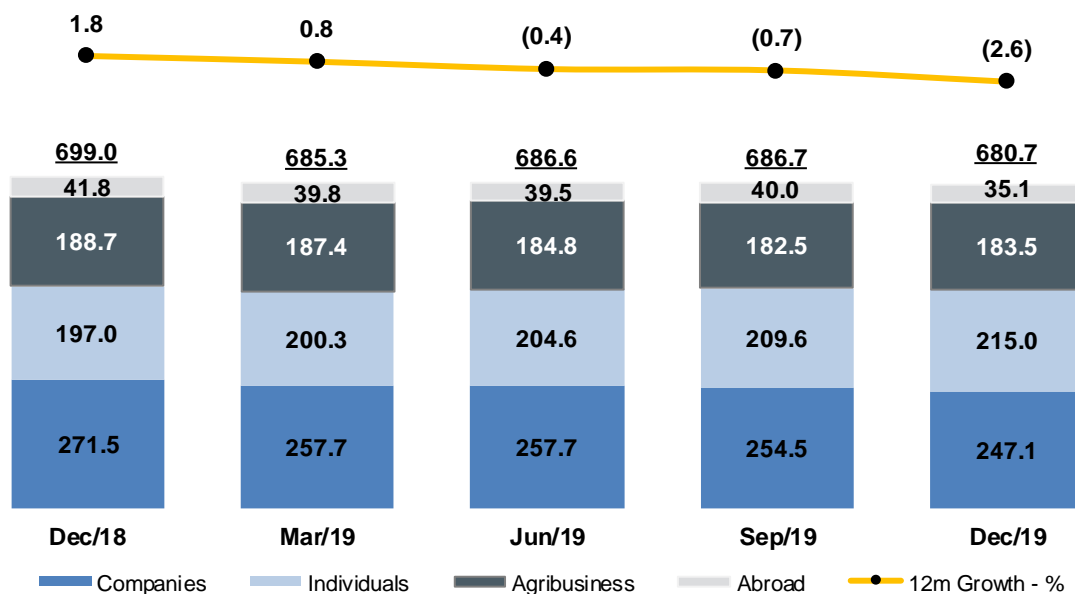
Figure 4. BIS Ratio – %



## Loan Portfolio

Loan portfolio (expanded view) was R\$680.7 billion, down 2.6% if compared to Dec/18.

**Figure 5. Loan Portfolio Expanded View – R\$ billion**



The Individuals classified portfolio was 8.9% up over Dec/18 (+R\$17.4 billion), due to the positive performance in payroll loans (+R\$10.2 billion) and consumer finance (+R\$3.3 billion).

The Companies classified portfolio was 10.9% down (-R\$24.1 billion) over Dec/18, mainly due to the amortization in the large corporate segment (-R\$28.9 billion). Highlight for the SME recovery in the year, up 8.5%. The bank's strategy in this segment is to focus on operations with guarantees and receivables and shorter duration. That way, the working capital was up 28.4% over Dec/18 (+R\$6.3 billion).

The rural credit down 1.0% over Dec/18 (-R\$1.7 billion), reduction of R\$5.6 billion in the agricultural selling, partially offset by the increase in the FCO Rural (+R\$2.0 billion) and agricultural investments (+R\$2.3 billion).

### Green Portfolio

As part of the Banking Industry, Banco do Brasil has a crucial responsibility: drive the investment of resources and assisting in the transition from a high-impact economy to a green, low-carbon and inclusive economy, with correct risk management and innovative models of fund raising. The Bank's activities range from microcredit operations to financial solutions for large corporate, capital markets and government customers, with an especially prominent position in agribusiness lending.

The commitment to develop business solutions with a socio-environmental orientation is set out in the Socio-environmental Responsibility Policy (Política de Responsabilidade Socioambiental – PRSA). It is also supported by the Sustainability Guidelines for Credit.

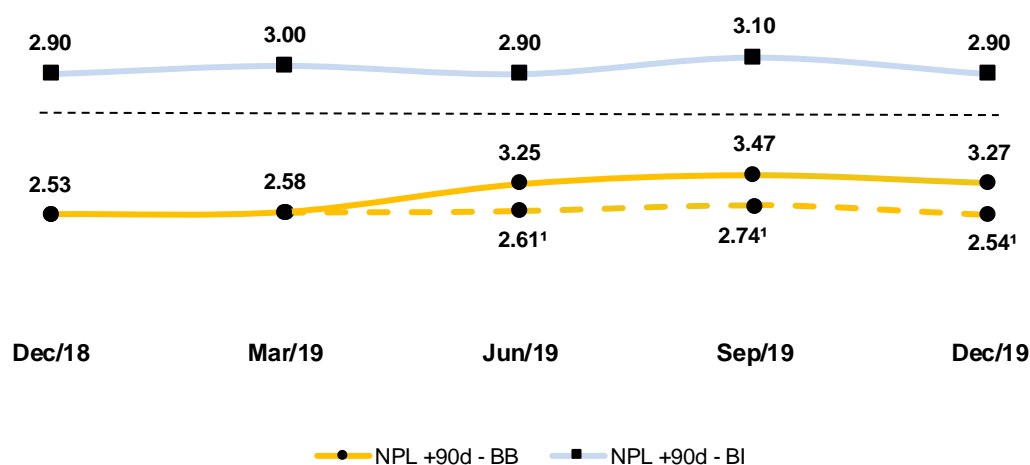
Based on a methodology developed by the Brazilian Federation of Banks (Federação Brasileira de Bancos – FEBRABAN) that deals with the measurement and identification of funding allocated to sectors of the Green Economy, the balance of the green business portfolio was R\$188.5 billion in Dec/2019.

### Credit Quality

The NPL +90d (ratio between transactions more than 90 days overdue and the classified loan portfolio balance), was 3.27% in December/19. Excluding a specific case the NPL +90d would have been 2.54%.

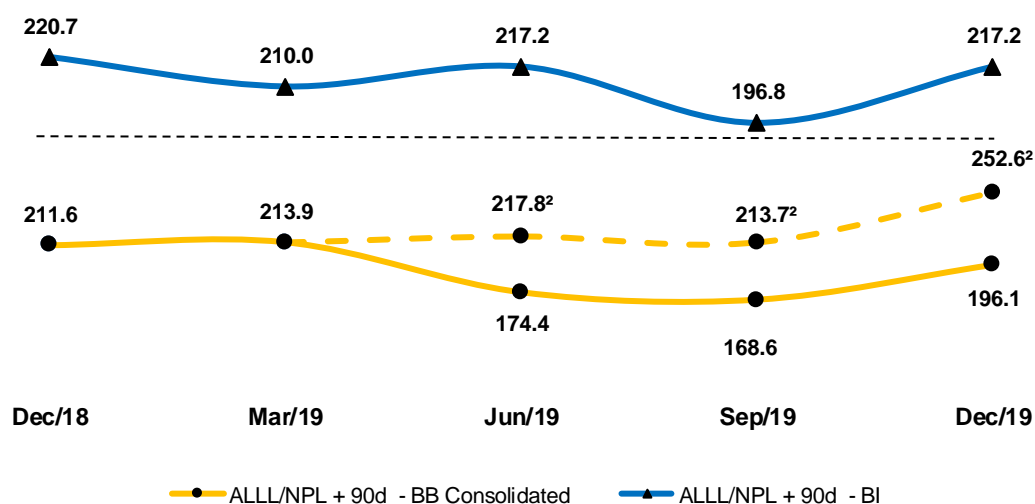
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Figure 6. NPL +90 days – %



(1) Ex specific case.

Figure 7. Coverage<sup>1</sup> – %



(1) Ratio between the total balance of the provision (required plus additional) and the balance of operations more than 90 days overdue.

(2) Ex-specific case.

(3) It considers the 4Q19 extraordinary prudential ALLL.

The Bank maintains coverage compatible with the risk profile of its portfolio. The coverage index was 196.1% in December/19. Excluding a specific case the index would have been 252.6%.

Table 5. Coverage by Segment – %

	Dec/18	Mar/19	Jun/19	Sep/19	Dec/19
<b>Individuals</b>	194.4	186.5	184.2	177.8	199.4
<b>Companies</b>	228.8	247.0	202.3	202.3	261.7
Companies ex specific case	-	-	240.4	259.5	354.1
<b>Agribusiness</b>	194.5	192.1	113.6	109.5	117.2
Agribusiness ex specific case	-	-	228.0	210.6	215.9

(1) It considers the 4Q19 extraordinary prudential ALLL.

## Binding Agreement BB and UBS

Banco do Brasil released Material Fact on November 06, 2019 informing that BB-BI and UBS executed a binding agreement (“Agreement”) to establish a strategic partnership to provide investment banking services and institutional securities brokerage in Brazil and in select countries in South America (“Partnership”).

BB’s commercial relationship with its customers, through its branch network and the wholesale relationship offices, will continue to be one of the main channels for business origination. The Partnership will carry out the structuring and distribution of the business originated by BB commercial area. With the purpose to offer an integrated solution in products on corporate and investment banking, BB’s relationship managers will jointly work with the Partnership’s professionals to offer a comprehensive portfolio of products and services.

BB and UBS believe that the strategic partnership creates a comprehensive investment bank platform, combining the relationship network and the financial strength of BB in Brazil with the expertise and global distribution of UBS.

The effective implementation of the partnership is subject to the successful conclusion of the conditions precedent as well as the regulatory and other customary approvals for transactions with these characteristics.

On December/19, the Administrative Council for Economic Defense (“CADE”) approved, unrestricted, the strategic partnership. The effective implementation of the partnership is subject to the successful conclusion of the precedent conditions, as well as the Central Bank of Brazil and other competent authorities approvals.

## Organizational Architecture Revision

Banco do Brasil released Material Fact on December 11, 2019 informing that the Board of Directors approved an Organizational Architecture revision by the reduction of the Executive Board and the reorganization of their assignments, in accordance with the limits provided for in BB's Bylaws.

Due to approved adjustments, BB's Board of Officers is now composed by the CEO and seven Chief Officers and the number of Executive Officers was reduced to 26 (twenty six). The reduction and reorganization of the Executive Board is based on the Corporate Strategy for 2020 - 2024.

## Sustainability Awards and Recognition

Banco do Brasil was considered the most sustainable bank in the world in the Global 100 ranking of 2019, by Corporate Knights. The announcement, made at the World Economic Forum in Davos, Switzerland, listed Banco do Brasil in first place in the financial segment and in eighth place in the world ranking, among more than 7,500 companies from 21 different countries. One of the highlights for the ranking was the allocation in sectors of the Green Economy in 2018, values identified using the methodology of the Federação Brasileira de Bancos (FEBRABAN) and in credit lines with specific purposes.

In 2019, the Bank joined the New York Stock Exchange's Dow Jones Sustainability Index (DJSI) in the World portfolios and were ratified for the 7th consecutive year in the Emerging Markets portfolio. The index brings together companies with the best sustainability practices from around the world, and is a reference for resource management institutions, which use this index for their investment decisions.

Banco do Brasil was listed for the fourth consecutive year on the FTSE4 Good Index Series, a London stock exchange index that evaluates and ranks companies with best environmental, social and corporate governance (ESG) practices and, for the 15th consecutive year, listed on the B3 Corporate Sustainability (ISE) for 2020, which brings together shares of publicly traded companies with the best practices in corporate sustainability.

## Digital Strategy

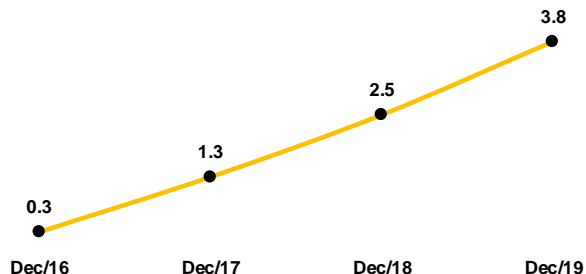
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The digital age affected consumer habits and behaviors, therefore its demands increased. Owners of unprecedented power, consumers demand dialogue, commitment and transparency from companies. In this context, instead of watching the change happening, Banco do Brasil has the ability to become a protagonist in digital channels as well, turning to the new without giving up values and identity.

The number of native digital clients, who started their relationship with the Bank, through digital channels, grew by 56.0% in 12 months. Of these clients, 83.1% are under 40 years old.

This increase reinforces the Bank's commitment to expand its business volume, with new customers (mainly the young).

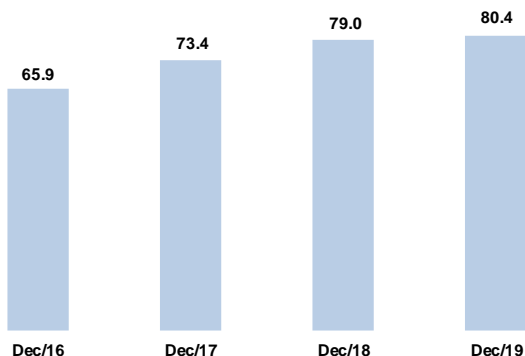
**Figure 8. Native Digital Clients – Million**



In 2019, internet and mobile service channels represented 80.4% of transactions carried out by Banco do Brasil customers

Mobile had 14.1 million recurring users, who used the app in the last 3 months. Of these users, on average, 5.0 million access the app daily. Satisfaction on this channel reached 88.44 with a rating of 4.6 on Google play and 4.7 on Apple Store.

**Figure 9. Transactions by Internet + Mobile Channel – %**



Digital channels (internet and mobile) accounted for 48% of disbursements in consumer loans, 10.9% in payroll loans, 26% of investments and redemptions in investment funds and 40% in the number of transactions in services (checking accounts, service packages, investment funds, cards, premium bonds, insurance and consortium).

**Figure 10. Digital Channels Participation in Banking Operations – %**

