

Earnings Conference Call First Quarter of 2020

May, 06th 2020
10:00 AM (EDT)



The forward-looking statements in the conference call are based on the beliefs and assumptions of Porto Seguro's management, and on currently available information.

It involves risks, uncertainties and assumptions related to future events and therefore depend on circumstances that may or may not occur in the time ahead.

Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Porto Seguro and cause results to differ materially from those expressed in such forward-looking statements.

 ***Executive Summary***

 ***Consolidated Results***

 ***Insurance Results***

 ***Financial Businesses and Services Results***

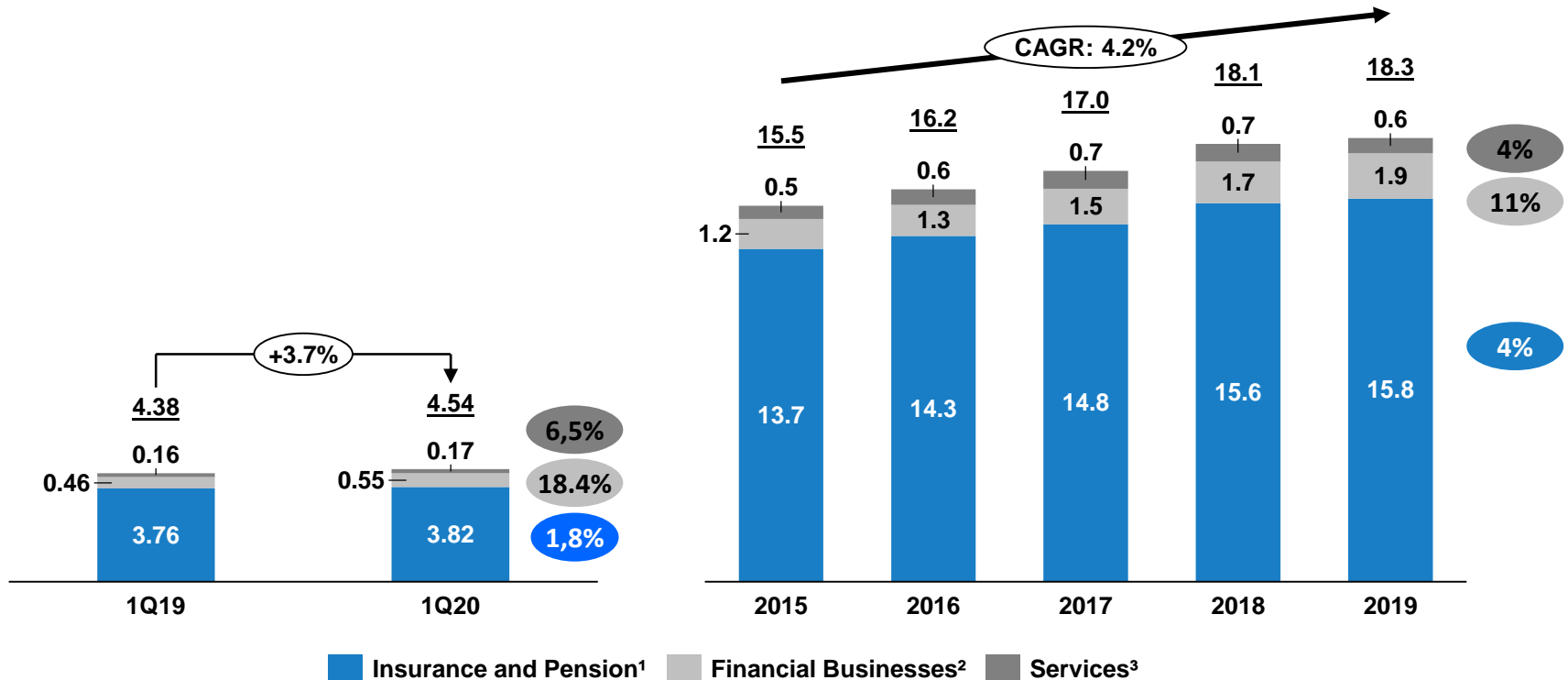
 ***Financial Investments Results***

 ***Initiatives taken in response to the Covid-19 pandemic***

- In the first quarter of 2020, Porto Seguro expanded its operational result by 52.0%, mitigating part of the impacts on equity investments, as a result of the Covid-19 virus
- Premiums (ex DPVAT¹) increased 2.3% (vs. 1Q19), mainly due to the growth in Health (+19.6%), Life (+12.3%), Financial Risks (+29.6%) and P&C (+5.6%), whilst Auto insurance decreased 2.8% in the period, affected by higher competition
- The expenses ratio (G&A + O.E.) decreased 0.5 p.p. in 1Q20 (vs. 1Q19), reaching the best level for a first quarter in more than 10 years, reflecting the intensification of efforts to enhance operational efficiency and leverage business growth
- The Combined Ratio improved 1.1 p.p. in 1Q20 (vs. 1Q19), reaching the second best result when considering only the first quarters of the last 10 years
- The Financial Businesses and Services reached an ROAE of 36.7% in the quarter, due to the consistency of the Financial Businesses, the improvement in Services and the non-recurring results from the divestment of the Home Monitoring portfolio
- Net earnings decreased 23.8% (vs. 1Q19), impacted by the reduction in the financial result
- Despite the current health and economic crisis, the Company has a solid structure to face this scenario, having ended the quarter with a capital excess of R\$ 2.3 billion
- Porto Seguro took several commercial actions to protect its clients portfolio and has maintained high renewal rates
- Comprehensive support measures were taken for Employees, Brokers, Service Providers, Clients, Hospitals and Assistance Entities

In 1Q20, Porto Seguro improved its revenues by 3.7% related to 1Q19, mainly due to the Financial Businesses, which have grown 18.4% in the period.

Revenues by Business Lines (R\$ billion)



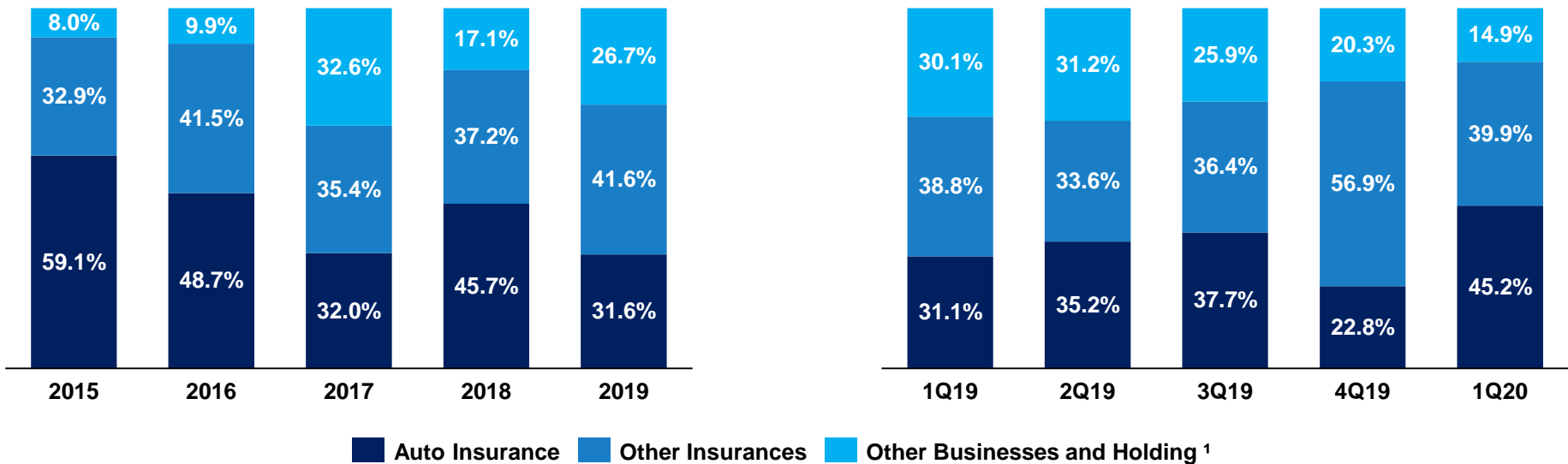
¹ Considering Written Premiums and Pension contributions. The quarterly revenues does not include DPVAT, which in January 2020 started to be accounted in a net manner in the Other Insurance Operational Revenues/Expenses

² Represents the revenues of Financial Products: Consortium, Credit Card, Financing and Asset Management

³ Represents the revenues of Services: Monitoring Services, Medical Services, H4Pet, Porto Carro Fácil etc

Porto Seguro has achieved solid results in the Auto insurance while other segments increased in a faster pace, improving the diversification of businesses

Net Earnings Breakdown per segment (% of Net Earnings)



¹ Includes results of Financial Businesses, Services and Holding

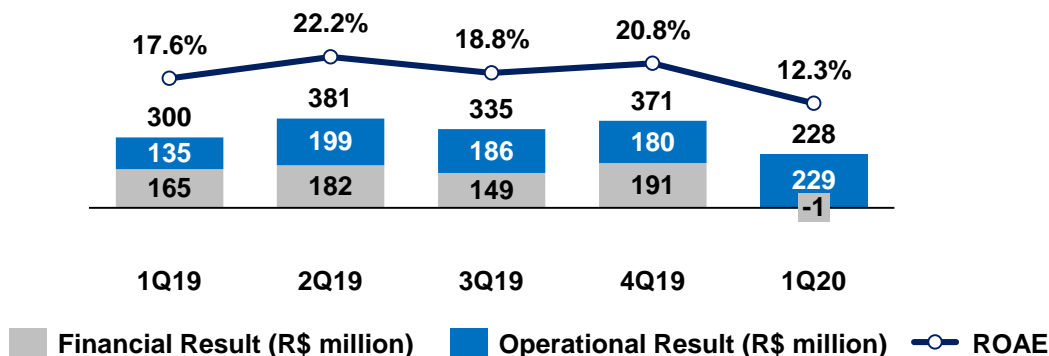


**PORTO
SEGURO**

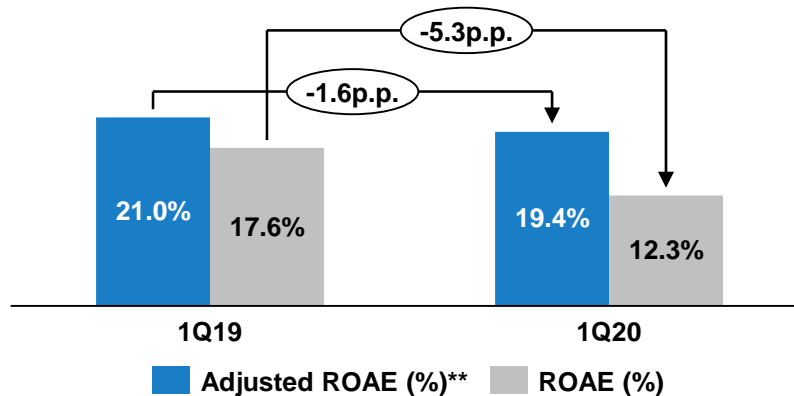
Consolidated – Profitability 1Q20

The quarterly net earnings were impacted by the drop in the financial result, yet offset by the significant growth in the operational result, which reached the highest historical level for a first quarter

Quarterly Profitability*



Quarterly ROAE

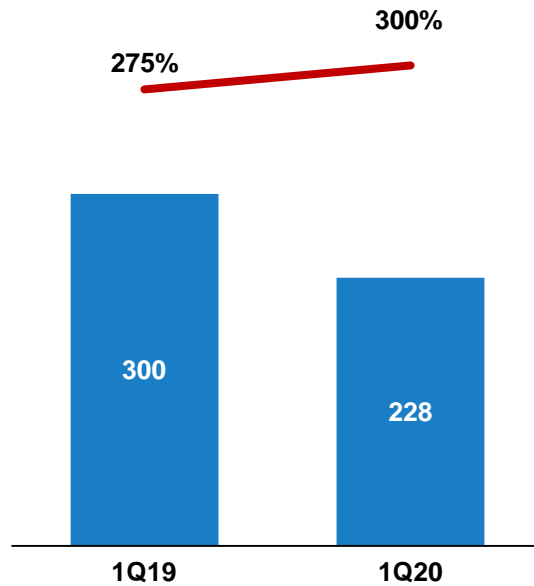


* The effective tax was applied to the financial result calculation, while the operational result is the difference between the net income (w/o business combination) and the financial result net of taxes

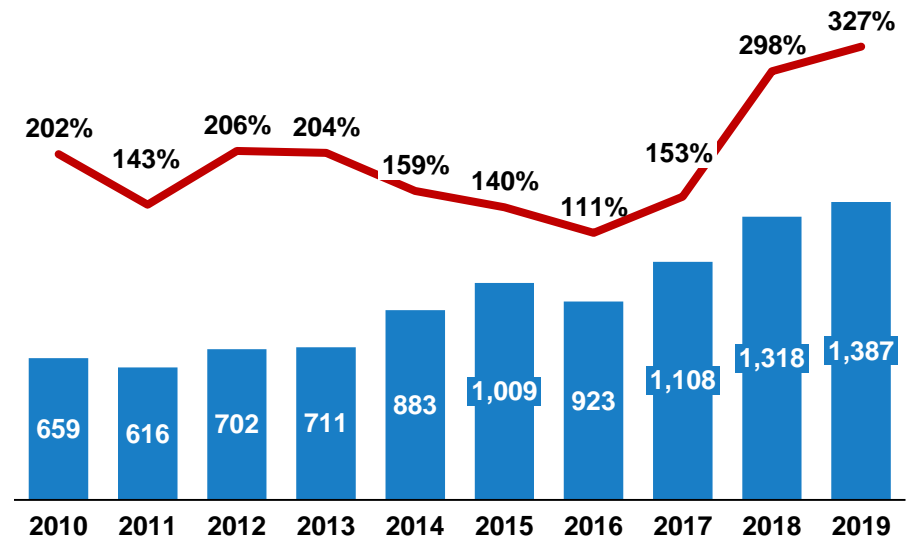
** Profitability of the Company's businesses with adjusted capital (without capital surplus) while considering an investment return of 100% of CDI

Porto Seguro has presented consistent results, despite the fluctuations in interest rates – the ROAE of the first quarter was 3 times bigger when compared to the CDI

Quarterly Profitability



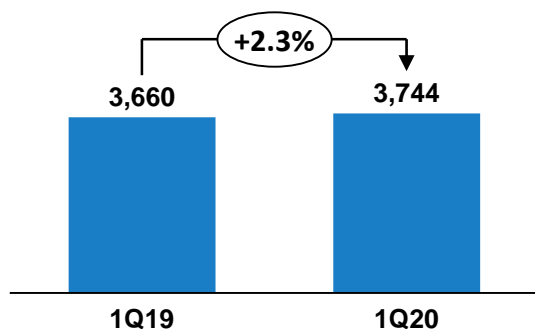
Historical Profitability



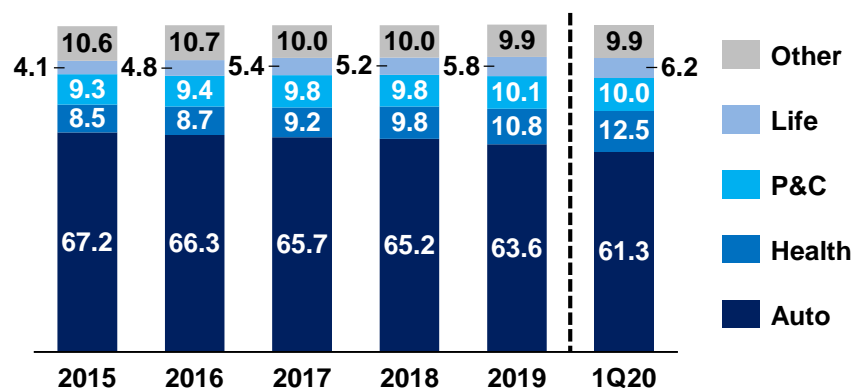
■ Net Earnings (R\$ million) - Recurring — Profitability vs. CDI*

In 1Q20, premiums increased 2.3% (vs. 1Q19), driven by insurances ex-Auto, which represents 40% of the insurance operation and expanded 11.6% in the period - Auto insurance went down 2.8% chiefly due to the higher competition

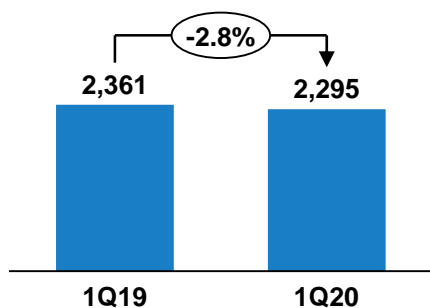
Total¹
Premiums (R\$ million)



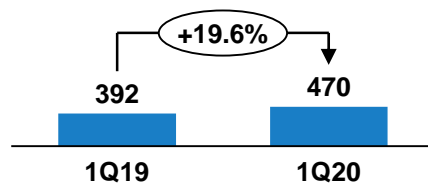
**Insurance Written Premiums
Breakdown (%)**



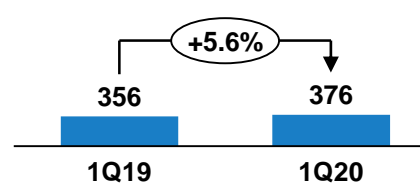
Auto
Premiums (R\$ million)



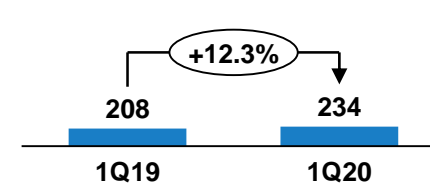
Health
Premiums (R\$ million)



P&C
Premiums (R\$ million)

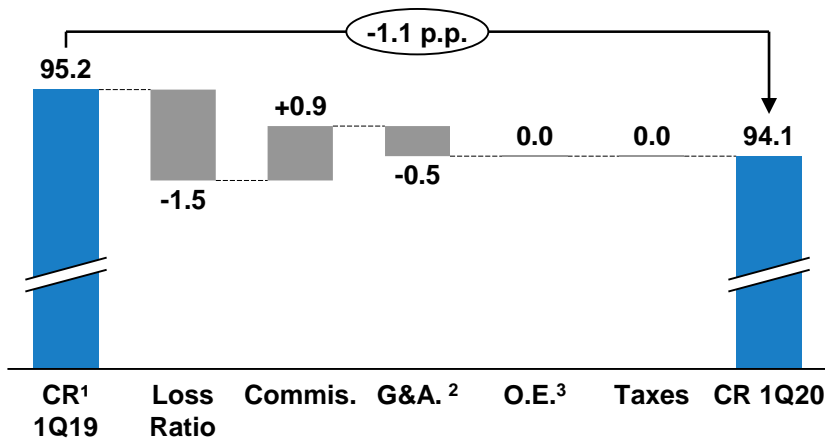


Life
Premiums (R\$ million)

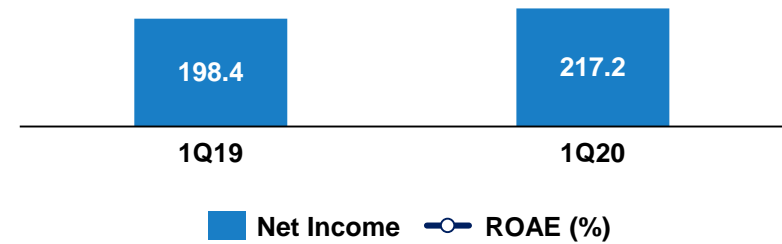


Combined Ratio improved 1.1 p.p. (vs. 1Q19), remaining 3.9 p.p. below the average of the first quarters of the last 10 years – the downfall in the ratio is explained by the financial result

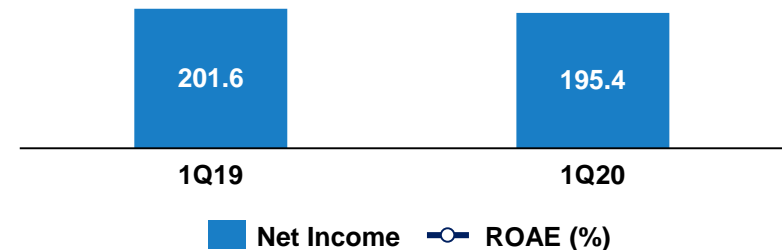
Combined Ratio 1Q20 (%)



Adjusted Insurance Results⁴ (%)



Insurance Results⁵ (%)



¹ Combined Ratio

² General and Administrative Expenses Ratio

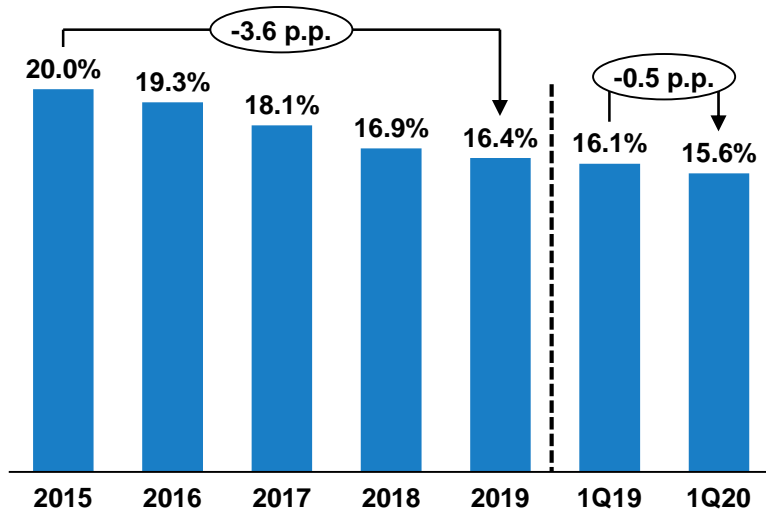
³ Other Expenses Ratio (Total other operational revenues and expenses / earned premium)

⁴ Profitability of the Company's businesses, excluding Pension and Holding, with adjusted capital (without capital surplus) while considering an investment return of 100% of CDI

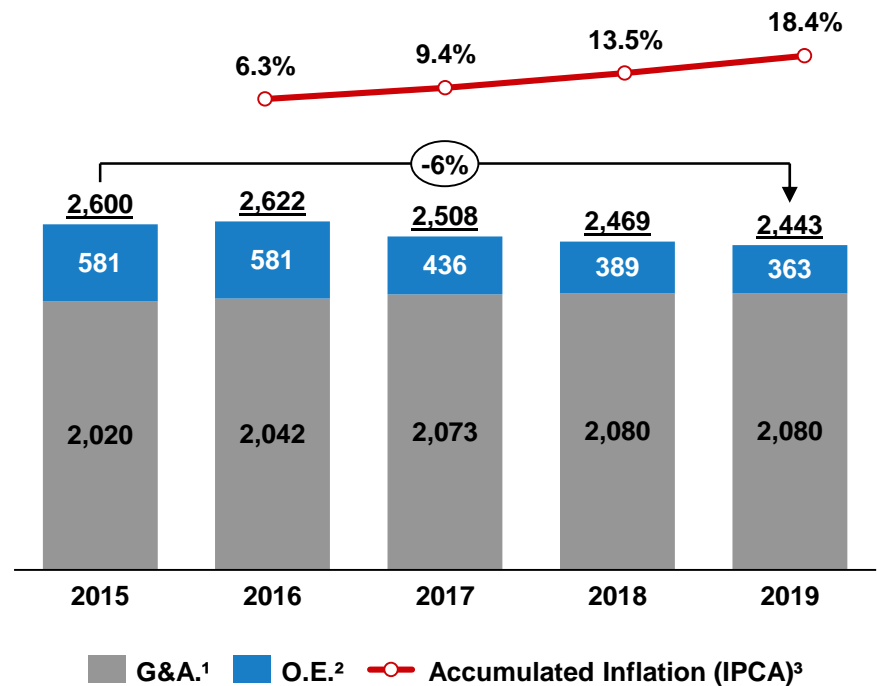
⁵ Includes only results of the insurance operation, Pension and Capitalization (does not include result of the Holding)

The quarterly Administrative and Operational Expenses ratio reduced 0.5 p.p. (vs. 1Q19), continuing the trend of significant increase in operational efficiency gains over the last 5 years

G&A¹ + O.E.² Ratio – Porto Seguro



Insurance G&A¹ and Other Operational Expenses (O.E.)² – (R\$ million)



■ G&A.¹ ■ O.E.² —○— Accumulated Inflation (IPCA)³

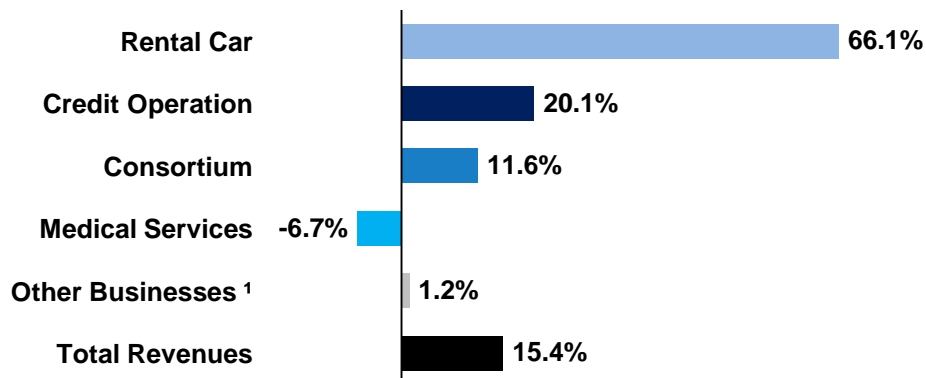
¹ G&A = General and Administrative Expenses (Excluding profit sharing)

² O.E = Other Revenues – Operational Expenses

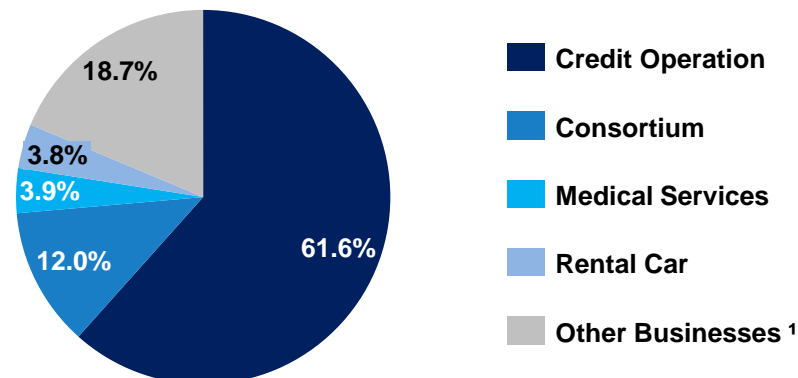
³ Source: IBGE

Financial Businesses and Services results doubled in the quarter (vs. 1Q19), mainly propelled by the consistent performance of Financial Businesses, by the improvement in Service and the non-recurring results from the divestment of the Home Monitoring portfolio

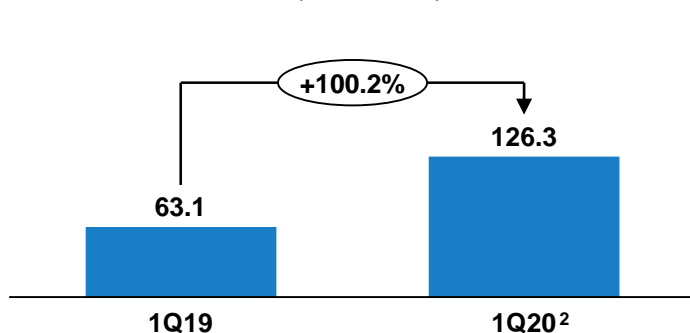
Revenues Evolution – 1Q20 vs. 1Q19



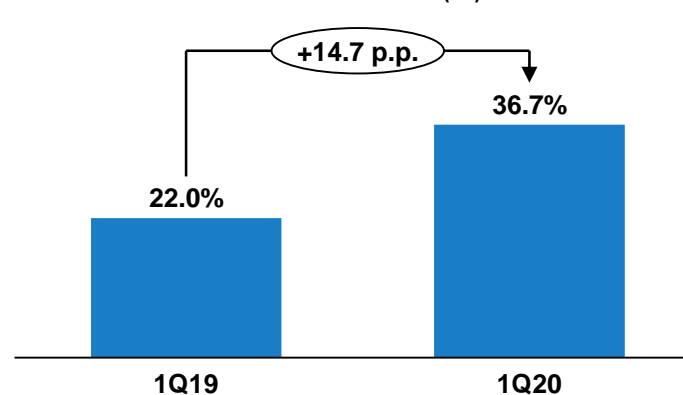
Revenues Distribution – 1Q20



Net Earnings
(R\$ million)



ROAE (%)



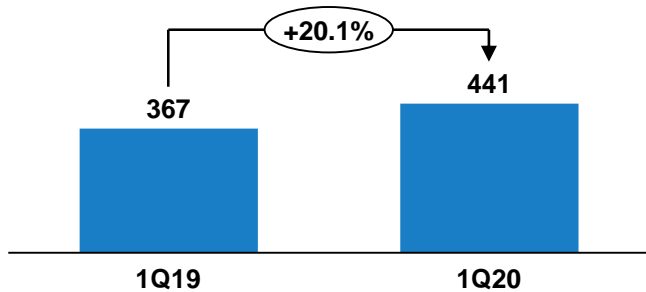
¹ Mostly represents the revenues from Asset Management, Call Center and Monitoring Services

² Includes the result from the divestment of the home monitoring portfolio (transaction concluded in January, 2020)

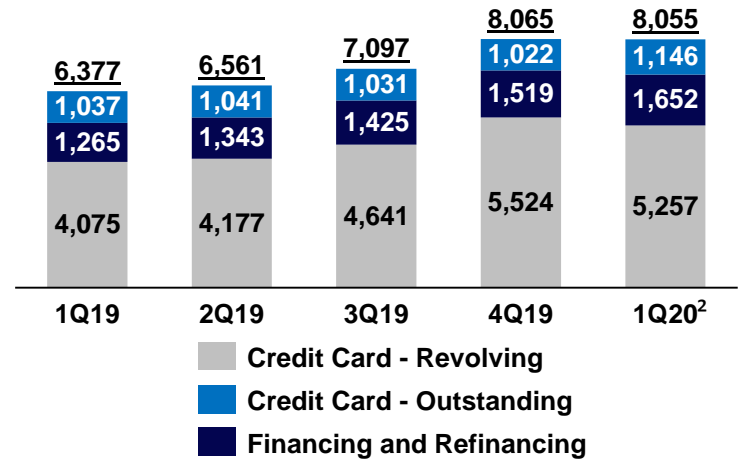
The revenues from Credit Operations boosted 20.1% in 1Q20 (vs. 1Q19), mainly driven by the expansion in revenues from Credit Card interest income and by the increase in revenues from Vehicle Financing – the number of Credit Cards increased 33.2% (vs. 1Q19), leveraged by commercial campaigns

Revenues of Credit Card and Financing

(R\$ million)

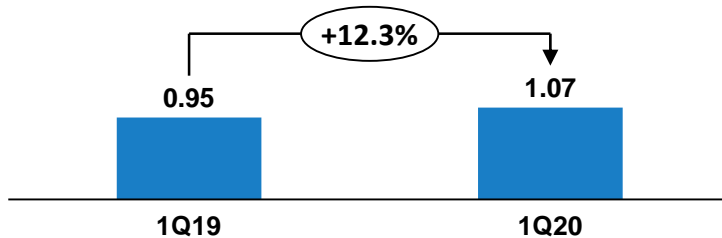


Credit Operation Portfolio¹ (R\$ million)



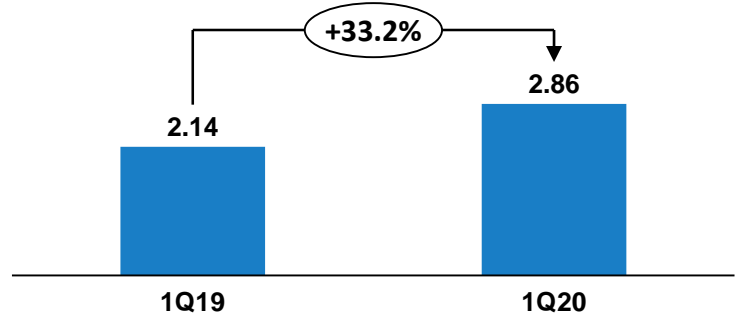
Active Credit Cards³

(million of units)



Total Credit Cards⁴

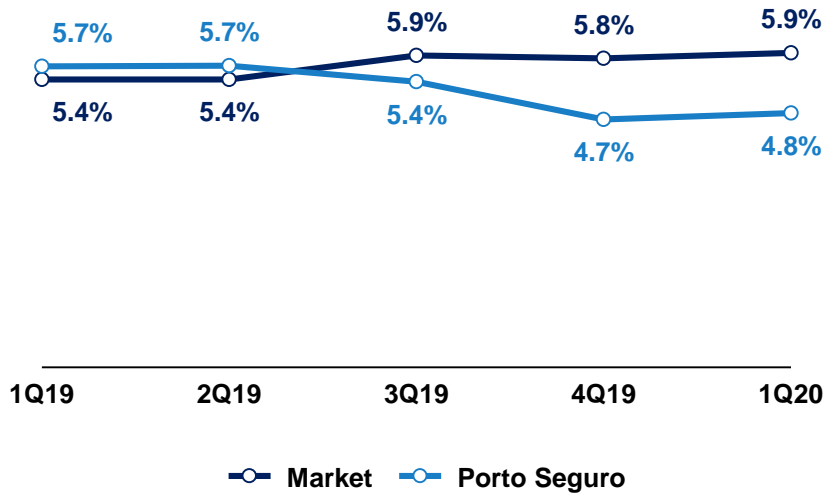
(million of units)



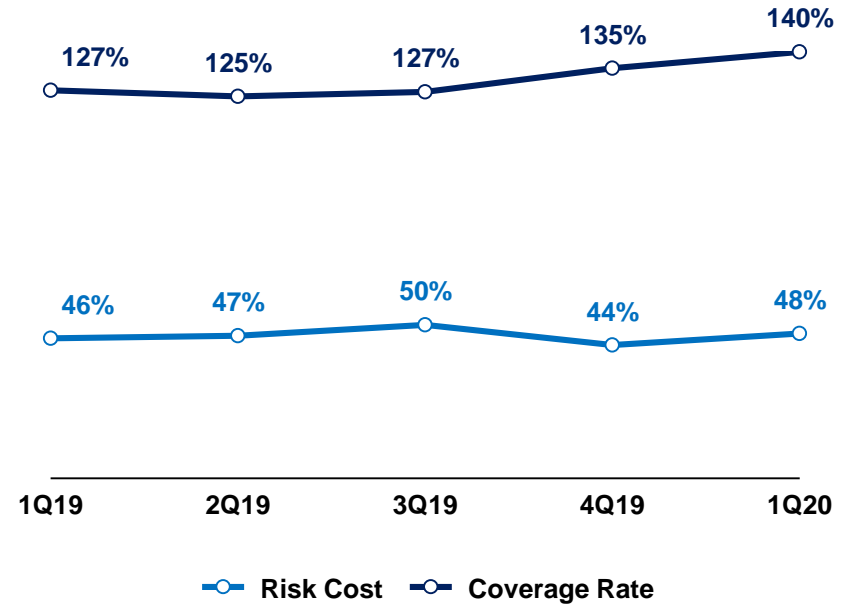
¹ The balance of credit card operations portfolio (excluding private label operations) amounted R\$ 7,066 MM (R\$ 5,763 MM in 1Q19) / ² The balance of credit card operations portfolio – excluding accrual operations, according to IFRS9, amounted to R\$ 8.01 MM (R\$ 6,353 MM in 2018) / ³ Cards that made transactions in the last 30 days / ⁴ Cards apt for use, including card holders and additional

The quarterly Credit Portfolio improved with risk under control, resulting in a stable NPL (over 90 days) compared to the end of 2019

NPL over 90 days¹



Coverage Rate² and Risk Cost³



¹ According with Resolution 2.682 of the Central Bank, which establishes that the balance of agreement operations related to late payments are not considered delinquent

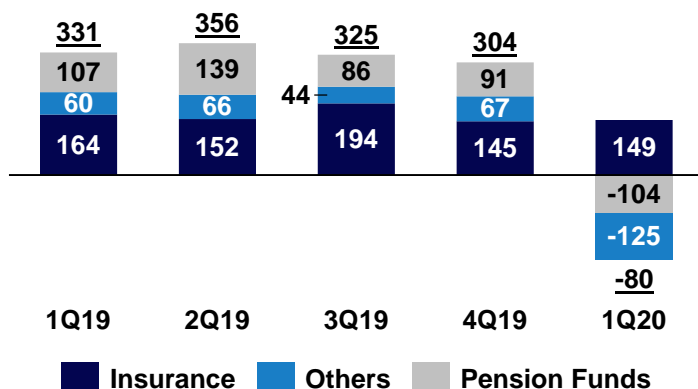
² A result of loan loss provisions balance related to the balance of overdue payments operation – considering late payments over 90 days within the active portfolio.

³ Credit Loss (Provision Costs + Credit Loss) / Net Revenues from Financial Intermediation

The results from financial investments were mainly impacted by the drop in equities performance in the quarter, reflecting one of the biggest and fastest declines in the history of the stock exchange, as a result of the effects of the Covid-19 pandemic

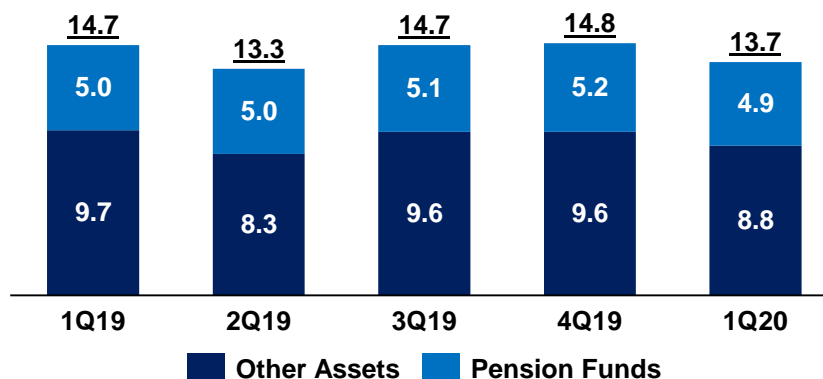
Revenue from Investments Assets

(R\$ million)

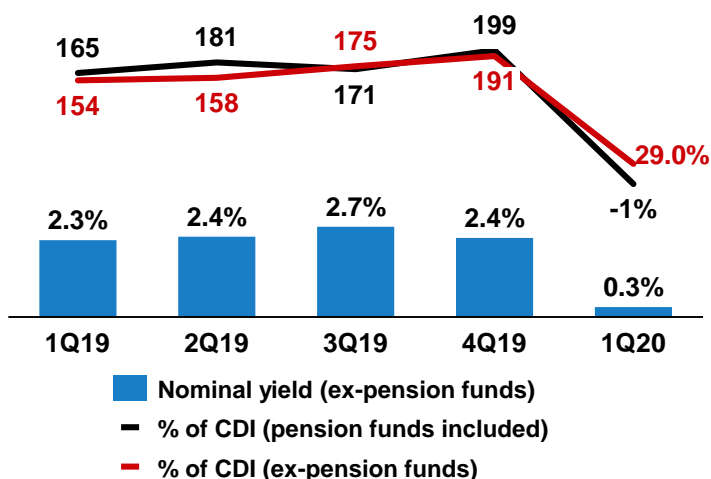


Investments Portfolio

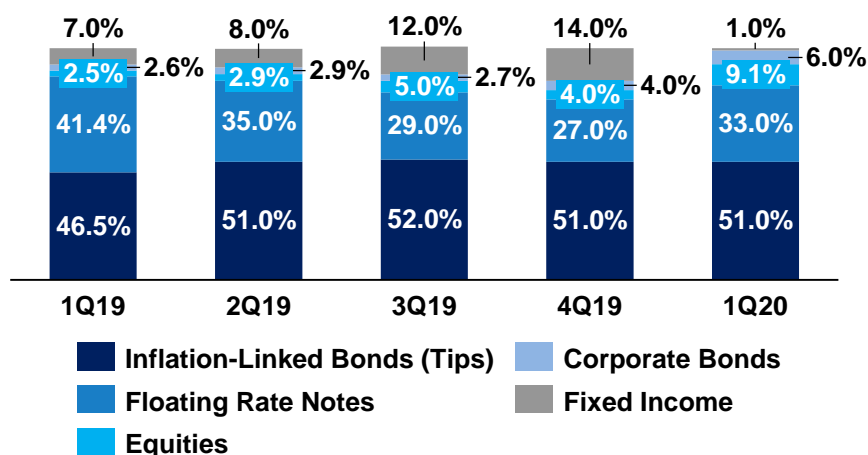
(R\$ billion)



Quarterly Performance



Allocation¹ (ex-Pension Funds)



¹ Includes exposure in derivatives (future markets)

Porto Seguro quickly responded to the pandemic Covid-19, by having taken initiatives and giving support to its stakeholders

Main Initiatives

- 📌 **Employees:** measures related to health care (i.e. 95% of the employees working home-office) and job protection (adherence to the manifest #donotfire)
- 📌 **Brokers:** Credit line, postponement of commission reversal, customer portfolio protection measures
- 📌 **Service Providers:** Advance payment of services to supplement income, creation of a credit line, free access to Fleury/ Santecorp call center to receive guidance related to Covid-19, preservation of providers who are over 60 years of age and those who are in the group of risk
- 📌 **Merchants around the Headquarters:** Partnership with some merchants in the neighborhood, disclosing advance sales vouchers to Porto Seguro employees, guidance on finance to support Entrepreneurs in this challenging time
- 📌 **Social:** Donation of almost 40 tons of food and personal hygiene items, production of masks to be donated to providers and customers by the Porto Seguro Institute, generating income for dressmakers participating in the project
- 📌 **Health:** Donation of materials to hospitals, partnership with Raízen (Shell) and Natura for the distribution of alcohol gel to people in social vulnerability, provision of the Porto Seguro ambulance to serve the Pacaembu field hospital

Investor Relations

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