



MD&A
3rd quarter 2019

■ 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.

Back to November 2012, Banco do Brasil S.A. (BB) announced its intention to create BB Seguridade, a fully owned subsidiary responsible for consolidating, under a single holding company, all activities related to insurance, private pension plans, premium bonds, and others. In the same document, BB disclosed its intention to promote an IPO of the holding company BB Seguridade at the Brazilian stock exchange.

The bookbuilding of the aforementioned public offering was concluded on April 25th, 2013 and the price was set at R\$17.00 per share. The shares began to be traded on April 29th, 2013. In the offering, the controlling shareholder (Banco do Brasil) sold 675 million shares, in a transaction that involved approximately R\$11.5 billion, with 500 million shares sold in the base offering, 100 million in the hot issue, and 75 million in the greenshoe. The announcement of the offering closing was published on May 17th, 2013.

The consolidated financial statements were prepared in compliance with the International Financial Reporting Standards – IFRS.

All the analyses in this report are based on IFRS Financial Statements, but are occasionally supplemented by managerial data, besides other information calculated based on accounting principles determined by the Superintendência de Seguros Privados – SUSEP (the regulator of the insurance industry in Brazil).

■ ON-LINE ACCESS

This MD&A is available at BB Seguridade's IR website, where additional information about the Company is also available such as: corporate structure, corporate governance, historical data, among other important information for shareholders and investors. The company's website can be accessed through www.bbseguridaderi.com.br.

This report makes references and statements about expectations, expected synergies, growth estimates, earnings forecasts and future strategies regarding BB Seguridade. Such statements are based on current expectations, estimates and projections of the Management about future events and financial trends that may affect the businesses that the company is involved in.

These forward looking statements are not guarantee of future performance and involve risks and uncertainties that could overextend the control of the management, and thus can result in balances and values different from those anticipated and discussed in this report. The expectations and projections depend on market conditions (technological changes, competitive constraints on products, prices, etc.), on the country's macroeconomic performance (interest and exchange rates, political and economic changes, inflation, changes in tax rules, etc.) and on international markets.

Future expectations based on this report should consider the risks and uncertainties that involve BB Seguridade's businesses. BB Seguridade has no responsibility to update any estimate contained either in this report or in previously published reports.

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.

3Q19 Earnings Conference Call

November 05th, 2019

Portuguese

Time: 09:00 AM (Brasilia time)

07:00 AM (EST)

Dial-in: Brazil +55-11-3137 8025

USA + 1-786-837 9597

UK +44-20-3318 3776

Webcast: www.bbseguridaderi.com.br

English

Time: 11:00 AM (Brasilia time)

09:00 AM (EST)

Dial-in: Brazil +55-11-3137 8025

USA +1-786-837 9597

UK +44-20-3318 3776

Webcast: www.bbseguridaderi.com.br/en

Contacts

Investor Relations

☎ +55 (11) 4297-0730

✉ ri@bbseg.com.br

I.R. website: www.bbseguridaderi.com.br/en

Rua Alexandre Dumas, 1671 – Térreo – Ala B
Chácara Santo Antônio – São Paulo – SP
CEP: 04717-903

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■ RESTRUCTURING OF THE PARTNERSHIP WITH MAPFRE

On November 30th 2018, it was concluded the restructuring of the joint-venture between BB Seguros Participações S.A. (“BB Seguros”), a wholly owned subsidiary of BB Seguridade, and MAPFRE Group, represented by MAPFRE Brasil Participações S.A. (“MAPFRE”). Within the scope of the restructuring the following corporate reorganization acts were settled:

- (i) divestment of MAPFRE Vida S.A. (“MAPFRE Vida”) by BB MAPFRE SH1 Participações S.A. (“BB MAPFRE SH1”) through the segregation of the equity corresponding to the investment in MAPFRE Vida which was incorporated by MAPFRE BB SH2 Participações S.A. (“MAPFRE BB SH2”);
- (ii) divestment of Aliança do Brasil Seguros S.A. (“ABS”) by MAPFRE BB SH2 through the segregation of the equity corresponding to the investment in ABS which was incorporated by BB MAPFRE SH1; and
- (iii) divestment of MAPFRE BB SH2 by BB Seguros, priced at R\$2.4 billion, which was sold to MAPFRE. After the price adjustment by dividends and interest on capital distributed as well as by capital reductions carried out by the insurance companies involved on the reorganization, BB Seguros got paid R\$2.3 billion by MAPFRE.

As a result of the restructuring of the joint-venture, BB MAPFRE SH1 began to use the brand Brasilseg in its communications with the market and, in addition to term life, credit life, mortgage life, rural and DPVAT already underwritten by Companhia de Seguros Aliança do Brasil (“AB”), which changed its corporate name to Brasilseg Companhia de Seguros, it started to operate with home insurance and commercial lines after the incorporation of ABS. The new operation is now focused exclusively on the bancassurance channel, and eventually can sell its products through the affinity channel, and it is no longer selling its insurance products through independent brokers.

Also within the restructuring, BB Corretora de Seguros e Administradora de Bens S.A. (“BB Corretora”), the distribution arm of BB Seguridade, entered into a commercial agreement to intermediate the selling of auto and large risks insurance products underwritten by MAPFRE standalone in the bancassurance channel of Banco do Brasil. The agreement provides exclusivity to MAPFRE’s products, conditioned to the fulfillment of minimum standards of service and customer satisfaction by them.

The figures below summarize the corporate and business structures of Brasilseg and MAPFRE BB SH2, which in this report will now be referred to as MAPFRE, after the restructuring:

Figure 1 – New structure of BB Seguros and MAPFRE joint-venture

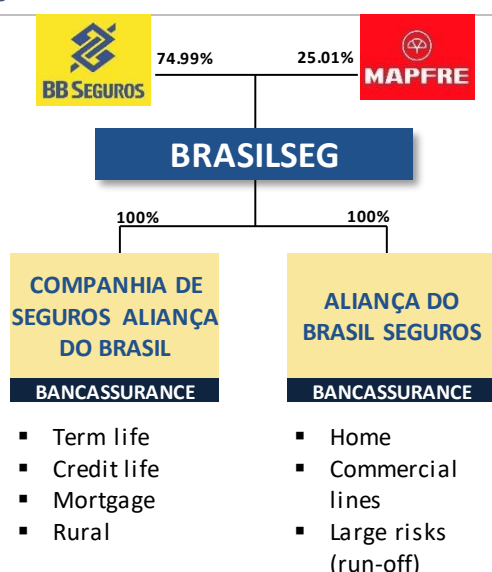
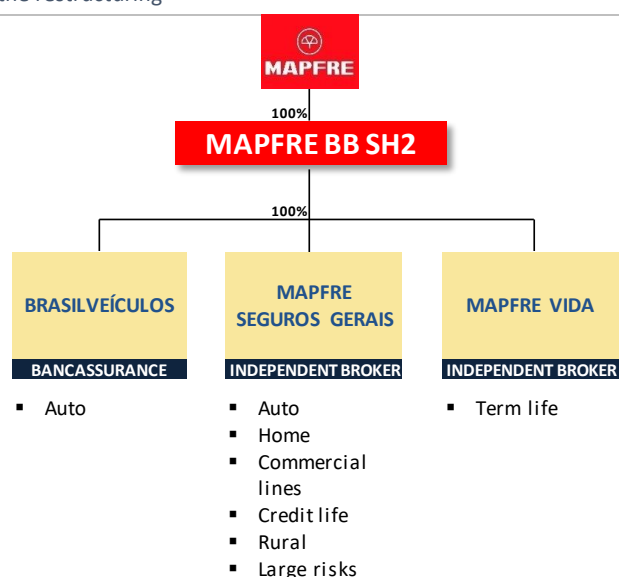


Figure 2 – New MAPFRE BB SH2 incorporated by MAPFRE after the restructuring



Due to the aforementioned movements, the figures for Brasilseg presented in this report for the 3Q19 are not directly comparable with the ones reported in the 3Q18, considering that, in the period from January to November 2018, the equity stake in MAPFRE Vida was under Brasilseg structure, and it was transferred to MAPFRE as of December 2018, at the same moment that Brasilseg incorporated the equity stake in ABS.

Therefore, in order to enable a comparative analysis between the quarters, this report provides Brasilseg's proforma statements, which simulate the effects of the restructuring for the period from 1Q17 to the 4Q18.

1. SUMMARY

Table 1 – Key figures

	Unit	Quarterly Flow				
		3 Q 18	4 Q 18	1 Q 19	2 Q 19	3 Q 19
Earnings Summary						
Underwriting and accumulation businesses	R\$ thousand	546,542	291,910	588,208	584,621	567,167
Distribution businesses	R\$ thousand	341,853	544,569	415,623	465,182	489,099
Other	R\$ thousand	3,167	3,350	9,927	28,590	24,923
Net income	R\$ thousand	873,779	716,888	1,013,758	1,078,393	3,401,650
Adjusted net income	R\$ thousand	891,562	839,829	1,013,758	1,078,393	1,081,189
Performance by company						
Brasilseg						
Loss ratio ¹	%	34.1	32.9	37.2	27.1	28.6
Comission ratio ¹	%	24.8	41.9	32.3	30.6	31.0
G&A ratio ¹	%	15.2	19.4	14.9	12.8	13.5
Combined ratio ¹	%	73.9	94.1	84.1	70.3	73.0
Expanded combined ratio ¹	%	69.4	86.5	75.1	69.3	70.2
Adjusted ROAA	%	10.2	5.0	8.8	10.9	10.8
Solvency ratio	%	170.2	166.7	157.8	142.3	147.1
Brasilprev						
Technical reserves	R\$ million	248,019	256,766	262,783	272,660	282,253
Management fee	%	1.08	1.08	1.07	1.05	1.02
Adjusted ROAA	%	6.4	4.4	9.4	6.7	7.7
Solvency ratio	%	196.7	168.4	173.4	163.7	166.9
Brasilcap						
Premium bonds reserves	R\$ million	9,382	9,043	8,842	8,806	8,547
Net interest margin	p.p.	3.5	3.9	3.3	3.5	3.6
Adjusted ROAA	%	10	14	12	0.9	1.1
Solvency ratio	%	207.9	186.8	191.6	200.2	205.8
BB Corretora						
EBIT margin	%	77.5	82.7	79.7	80.9	80.6
Net margin	%	53.5	56.9	54.5	55.3	55.1

²Due to the reallocation in 2Q19 of reinsurance commission revenues from the "Premiums ceded to reinsurance" line to the "Retained acquisition costs" line, the indicator series of indicators has been revised since 1Q17.

■ ADJUSTED NET INCOME

Table 2 – Earnings Analysis | Adjusted income statement

R \$ thousand	Quarterly Flow			Chg. %		9 Months Flow		Chg. %
	3 Q 18	2 Q 19	3 Q 19	On 3 Q 18	On 2 Q 19	9 M 18	9 M 19	On 9 M 18
Equity income	880,954	1,053,393	1,058,919	20.2	0.5	2,666,725	3,114,351	16.8
Underwriting and accumulation businesses	546,542	584,621	567,167	3.8	(3.0)	1,619,987	1,739,996	7.4
Brasileg	257,341	287,600	296,950	15.4	3.3	784,186	810,761	3.4
MAPFRE BB SH2	32,620	-	-	-	-	39,549	-	-
Brasilprev	188,830	209,621	248,589	31.6	18.6	609,458	744,744	22.2
IRB Brasil-RE	46,337	69,348	-	-	-	127,831	118,791	(7.1)
Brasilcap	18,220	15,294	18,662	2.4	22.0	50,171	55,367	10.4
Brasildental	3,194	2,758	2,966	(7.1)	7.5	8,791	10,333	17.5
Distribution businesses	341,854	465,182	489,099	43.1	5.1	1,067,936	1,369,904	28.3
Other	(7,442)	3,590	2,653	-	(26.1)	(21,197)	4,451	-
G&A expenses	(5,269)	(5,567)	(6,532)	24.0	17.3	(18,911)	(15,471)	(18.2)
Personnel expenses	(2,489)	(2,533)	(2,692)	8.2	6.3	(8,856)	(7,706)	(13.0)
Administrative expenses	(1,096)	(640)	(1,003)	(8.5)	56.7	(3,774)	(2,599)	(31.1)
Tax expenses	(1,653)	(2,374)	(2,696)	63.1	13.5	(6,177)	(6,800)	10.1
Other operating income (expenses)	(30)	(20)	(141)	362.9	614.0	(104)	1,634	-
Net investment income	21,440	43,448	40,274	87.8	(7.3)	83,068	104,153	25.4
Financial income	35,817	43,493	56,586	58.0	30.1	119,604	133,906	12.0
Financial expenses	(14,378)	(44)	(16,312)	13.5	36,696.5	(36,535)	(29,753)	(18.6)
Earnings before taxes and profit sharing	897,125	1,091,274	1,092,661	21.8	0.1	2,730,882	3,203,033	17.3
Taxes	(5,563)	(12,881)	(11,472)	106.2	(10.9)	(21,966)	(29,693)	35.2
Adjusted net income	891,562	1,078,393	1,081,189	21.3	0.3	2,708,916	3,173,340	17.1

■ EXTRAORDINARY EVENTS

Table 3 – Earnings Analysis | Adjusted net income

R \$ thousand	Quarterly Flow			Chg. %		9 Months Flow		Chg. %
	3 Q 18	2 Q 19	3 Q 19	On 3 Q 18	On 2 Q 19	9 M 18	9 M 19	On 9 M 18
Adjusted net income	891,562	1,078,393	1,081,189	21.3	0.3	2,708,916	3,173,340	17.1
Extraordinary events	(17,783)	-	2,320,461	-	-	113,750	2,320,461	1,940.0
MAPFRE: MAPFRE Seguros Gerais - provisions for pending judicial claims adjustment	-	-	-	-	-	(20,889)	-	-
BB MAPFRE SH1: Cia. de Seguros Aliança do Brasil - compliance with the SUSEP Rule 543/16	-	-	-	-	-	231,771	-	-
MAPFRE BB SH2: MAPFRE Seguros Gerais - claims to be recovered from reinsurance and third party deposits	-	-	-	-	-	(79,349)	-	-
MAPFRE BB SH2: revaluation of salvage assets	(17,783)	-	-	-	-	(17,783)	-	-
BB Seguros: Divestment of IRB Brasil-RE	-	-	2,320,461	-	-	-	2,320,461	-
Net income	873,779	1,078,393	3,401,650	289.3	215.4	2,822,666	5,493,801	94.6

MAPFRE | MAPFRE Seguros Gerais - adjustment of provisions for pending judicial claims:

throughout the 1Q18, the accounting database of provisions for pending judicial claims was reviewed, and there was identified the need to strengthen those provisions at MAPFRE Seguros Gerais S.A.. The need for additional provisioning was estimated at R\$108.0 million, which after the deduction of R\$32.0 million in provisions for claims incurred but not enough reported (IBNER) and fiscal effects have generated a negative impact of R\$20.9 million on BB Seguridade's net income.

BB MAPFRE SH1 | Companhia de Seguros Aliança do Brasil – compliance with the SUSEP

Rule 543/16: in October 2015, SUSEP published the SUSEP Rule 517, which was modified in 2016 by the SUSEP Rule 543, and with this regulation the flows within the Liability Adequacy Test should outweigh each other. It means that the products recording surplus shall offset products recording deficit when they are part of the same calculation group of Not Registered Premiums. Such group comprises all the products in which the premium is registered differently from the individual risk term of the insurance policy, and in case of insufficiency the unrealized gains of the financial investments must be deducted. As a consequence of the compliance with the new rule, the net income of BB MAPFRE SH1 was positively impacted by R\$309.1 million in June 2018, which is equivalent to an impact on BB Seguridade's net income amounting to R\$231.8 million.

MAPFRE BB SH2 | MAPFRE Seguros Gerais – reinstatement of the balance of claims to be recovered from reinsurance / equalization of the balance of third party deposits:

with the work in progress of reinstatement of the accounting balances of claims to be recovered from reinsurance and equalization of the balance of third party deposits at MAPFRE Seguros Gerais, a fully owned subsidiary of MAPFRE BB SH2, there was identified the need to write-down R\$172.7 million in credits of operations with insurance and reinsurance and to increase the balance of third party deposits by R\$115.9 million. Such moves negatively affected the net income of MAPFRE BB SH2 by R\$158.7 million and of BB Seguridade by R\$79.4 million.

MAPFRE BB SH2 – revaluation of salvage assets: during the 3Q18, MAPFRE Seguros Gerais and Brasilveículos revalued their inventory of salvaged vehicles, aiming to readjust the accounting salvage balance to the likely recovery value, given the vehicles age, along with the change in the evaluation criteria linked to the entry date of the salvaged vehicles into the salvage yard. Such revaluation negatively impacted the net income of MAPFRE BB SH2 by R\$35.6 million and of BB Seguridade by R\$17.8 million.

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.

■ ADJUSTED NET INCOME

Figure 3 – Adjusted net income

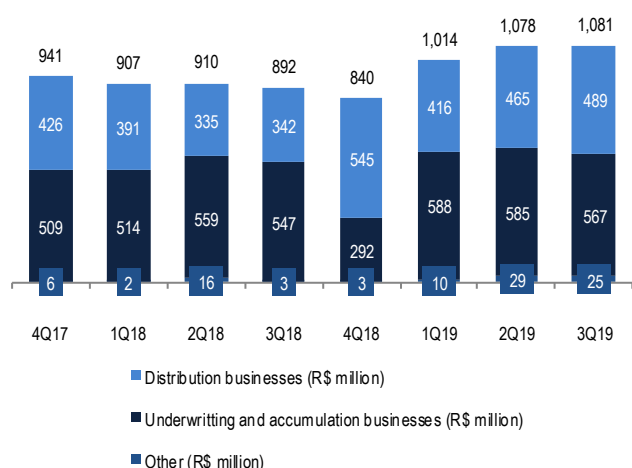
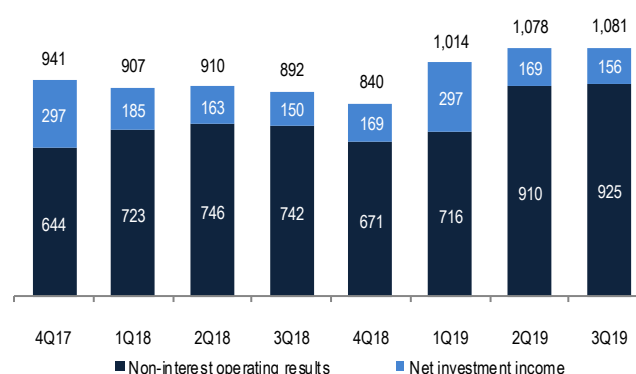
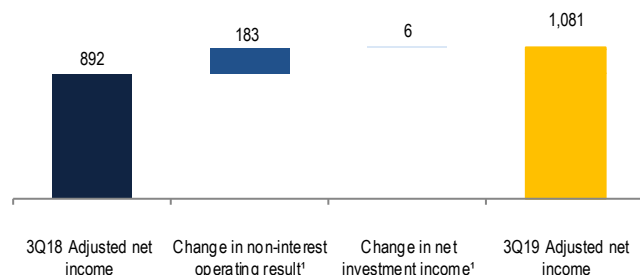


Figure 4 – Adjusted net income | Earnings breakdown¹ (R\$ million)



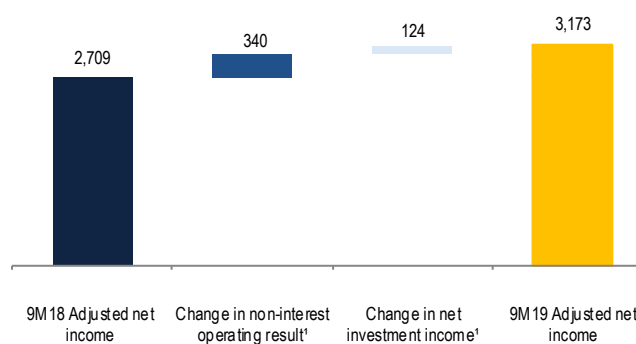
¹Calculated based on the sum of the non-interest operating result and net investment income of all BB Seguridade's controlled and affiliate Companies, net of income taxes, considering the effective tax rate of each Company for the period under analysis.

Figure 5 – Net income | Quarterly evolution breakdown (R\$ million)



¹Calculated based on the sum of the non-interest operating result and net investment income of all BB Seguridade's controlled and affiliate Companies, net of income taxes, considering the effective tax rate of each Company for the period under analysis.

Figure 6 – Net income | Year-to-date evolution breakdown (R\$ million)



QUARTERLY ANALYSIS

In the 3Q19, the adjusted net income increased 21.3% YoY, to R\$1.1 billion, propelled by:

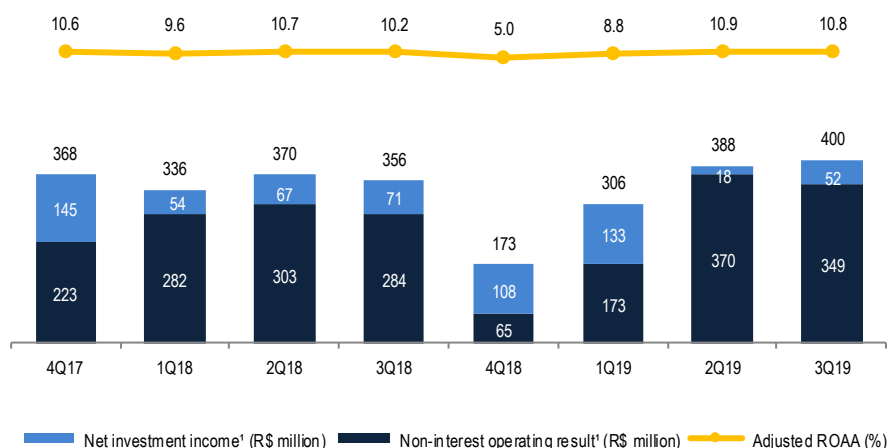
- (i) the growth of 44.4% in BB Corretora's EBIT, due to the strong commercial performance, boosted by the bonus for outperforming the sales targets in credit life and credit life for farmers, along with the 3.0 p.p. expansion in the EBIT margin;
- (ii) the lower effective tax rate in Brasilseg, Brasilprev and Brasilcap, due to the expiration date provided in the Article 1 of Law 13,169/15 in which the income tax rate, namely social contribution ("CSLL"), of these companies was temporarily increased;
- (iii) the 6.1% improvement in the Brasilseg's non-interest operating result, mostly explained by the increase in earned premiums and a lower loss ratio; and
- (iv) the growth of Brasilprev's net investment income, helped by the favorable dynamics of the inflation indexes on assets and liabilities of defined benefit pension plans.

YEAR-TO-DATE ANALYSIS

In the 9M19, the adjusted net income increased 17.1%, to R\$3.2 billion, driven by:

- (i) the 29.5% growth in BB Corretora's non-interest operating result, due to both the increase in brokerage revenues and the improvement in the EBIT margin;
- (ii) the lower effective tax rate in Brasilseg, Brasilprev and Brasilcap, due to the expiration date provided for in article 1 of Law 13,169/15 in which the income tax rate, namely social contribution ("CSLL"), of these companies was temporarily increased;
- (iii) flattening yield curve, which positively impacted Brasilcap's net investment income; and
- (iv) the favorable dynamics of the inflation indexes on assets and liabilities of Brasilprev's defined benefit pension plans.

Figure 7 – Brasileg | Adjusted net income and ROAA



¹Net of income taxes considering the Company’s effective tax rate for the period under analysis.

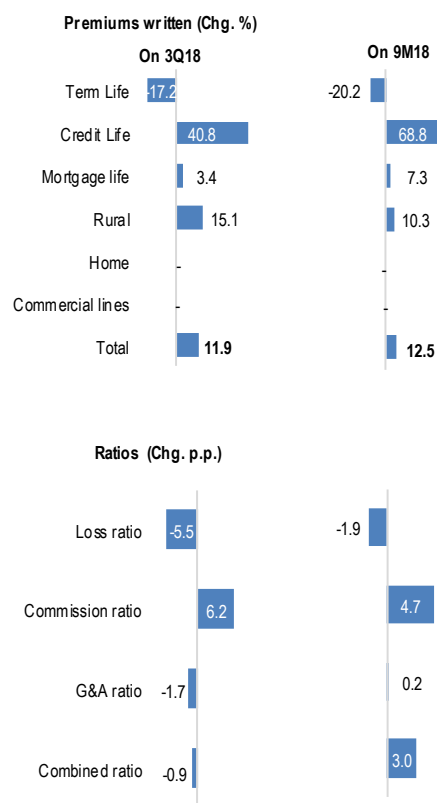
QUARTERLY ANALYSIS

The net income from the insurance operation grew 12.5% YoY, boosted by the increase in non-interest operating result, which was driven by earned premiums up 4.1% and loss ratio down 5.5 p.p. helped by lower claims in term life and in credit life.

The net investment income dropped 37.4% YoY, negatively impacted by the lower yield on interest earning assets and the higher volume of interest accrual on provisions for judicial claims to be settled (“PSLJ”).

Premiums written increased 11.9% YoY, with the highlights to credit life (+40.8%) and rural (+15.1%), while term life fell 17.2%, negatively impacted by the transfer of the term life portfolio distributed through independent brokers to MAPFRE within the JV restructuring, which was concluded in November 2018. Considering the proforma data for Brasileg, premiums written grew 14.0%, with term life portfolio increasing 6.2% YoY.

Figure 8 – Brasileg | Key figures - Reported



YEAR-TO-DATE ANALYSIS

In the 9M19, the net income from the insurance operation increased 3.1%, due to a lower effective tax rate as compared to the same period of 2018. Year-to-date, the non-interest operating result decreased 8.0%, while the net investment income dropped 1.6%.

The reduction in the non-interest operating result is mostly explained by the increase of 4.7 p.p. in the commission ratio, due to the new product mix after the reorganization of the partnership with MAPFRE, along with the recognition of the performance bonus resulting from outperforming the sales targets in credit life and credit life for farmers in the bancassurance channel.

Premiums written rose 12.5% YoY, propelled by credit life (+68.8%) and rural (+10.3%). Considering the proforma data, premiums written grew 16.0%.

Figure 9 – Brasilseg | Key figures - Proforma

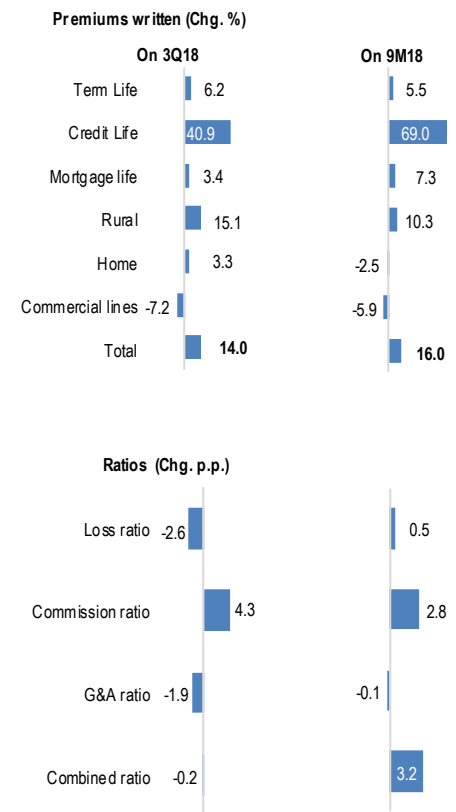
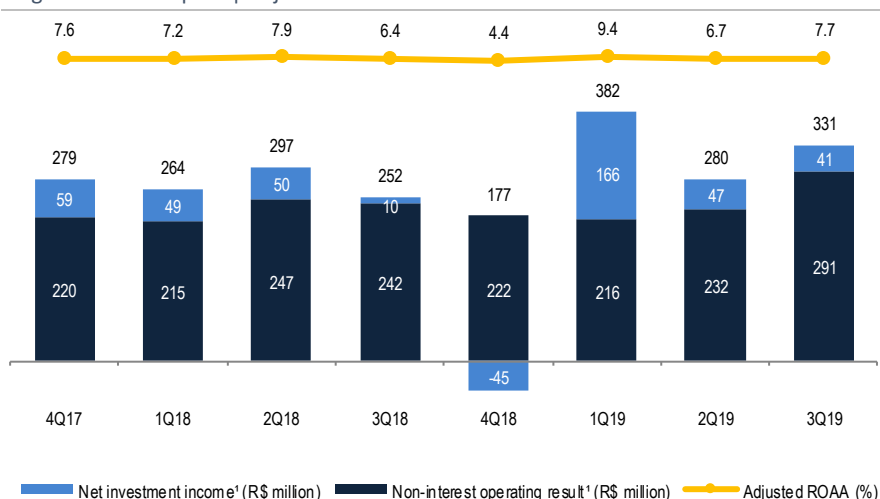


Figure 10 – Brasilprev | Adjusted net income and ROAA



*Net of income taxes considering the Company's effective tax rate.

QUARTERLY ANALYSIS

In the 3Q19, net income from the pension plans operation grew 31.6% YoY, given:

- (i) the increase of 234.5% in the net investment income, due to a lower IGP-M inflation rate accumulated between June 2019 and August 2019 as compared to the cumulated index in the period June-August 2018; and
- (ii) the lower tax rate in the quarter, with the recognition of R\$20.0 million in tax credit arising from the tax benefit of "Lei do Bem" (Law 11,196/05), which is a tax incentive granted to companies that invest in Research & Development and technological innovation.

Pension plans contributions increased 44.4% YoY, while net inflows rose 233.1% and drove technical reserve to an expansion of 13.8%, to R\$282.3 billion.

YEAR-TO-DATE ANALYSIS

The net income of the pension plans operation grew 22.2% in the 9M19, driven by the net investment income, up 115.1%, which was helped by the favorable dynamics of the inflation indexes on assets and liabilities of defined benefit pension plans.

Year-to-date, gross contributions to pension plans rose 29.5%, to R\$31.1 billion.

Figure 11 – Brasilprev | Key figures

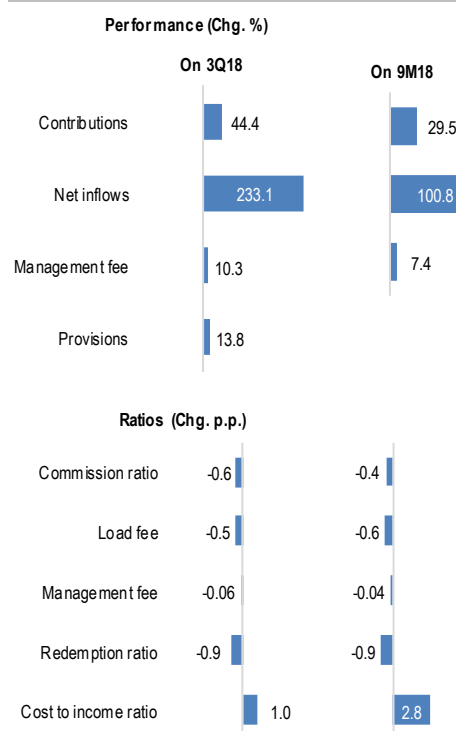
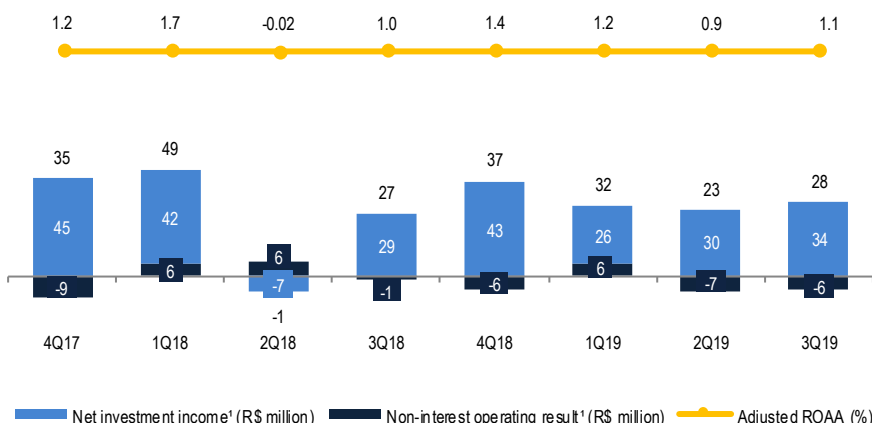


Figure 12 – Brasilcap | Net income and ROAA



*Net of income taxes considering the Company's effective tax rate.

QUARTERLY ANALYSIS

In the 3Q19, the net income from the premium bonds operation rose 2.4% YoY, driven by the net investment income, up 4.1%, as a result of the reduction in the average balance of technical reserves, and a lower yield on interest bearing liabilities.

On the other hand, the non-interest operating result recorded a loss of R\$5.6 million, explained by the increase in acquisition costs, up 26.3%, in addition to lower results with lottery, which more than offset the 14.4% growth in revenues with load fees.

Premium bonds collection grew 8.5% in the 3Q19, as a result of a higher average ticket in unique payment bonds.

YEAR-TO-DATE ANALYSIS

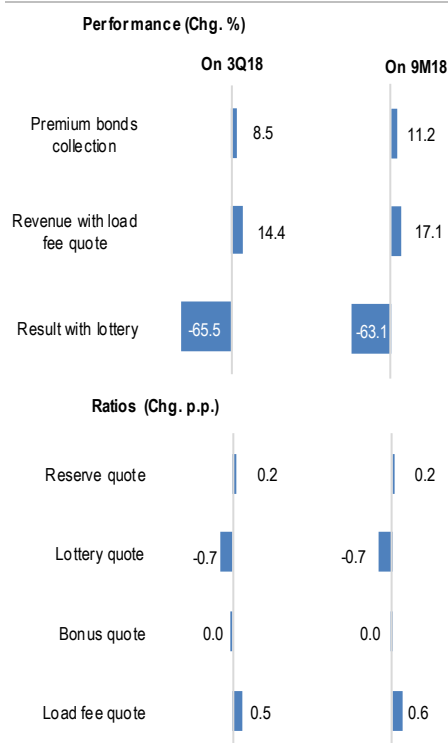
In the 9M19, the net income from the premium bonds operation rose 10.4%, driven by the net investment income up 14.6% and the lower effective tax rate as compared to the same period last year.

The improvement in the net investment income is explained by the 0.4 p.p. expansion in the net interest margin, which was helped by the flattening yield curve, which resulted on higher mark to market gains on trading securities, in addition to the reduction on the average balance and on the cost of the liabilities.

On the other hand, the non-interest operating result was R\$3.7 million negative, justified by the 24.2% increase in acquisition costs, along with the 63.1% drop in result with lottery. These effects more than offset the 17.1% growth in revenues with load fees.

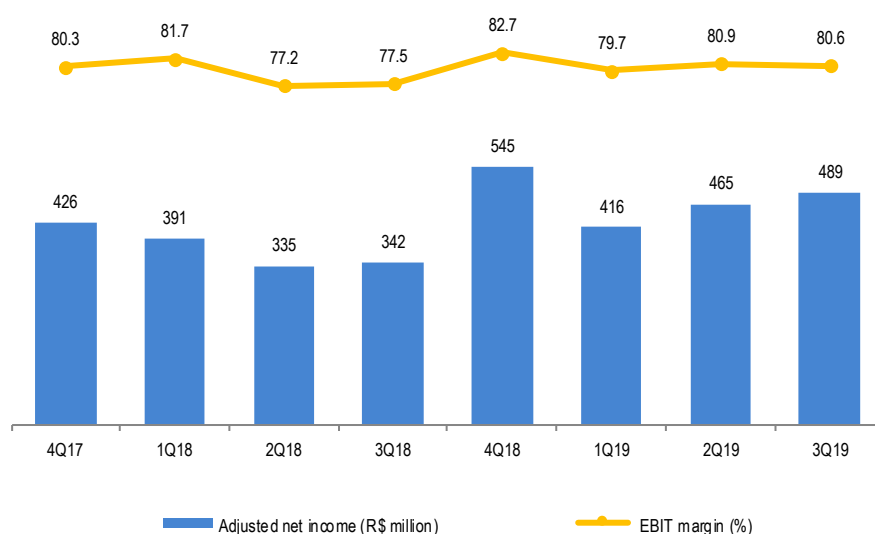
In the 9M19, premium bonds collections increased 11.2%, as a result of the higher average ticket in unique payment bonds.

Figure 13 – Brasilcap | Key figures



BB Corretora | Brokerage

Figure 14 – BB Corretora | Adjusted net income and EBIT margin



QUARTERLY ANALYSIS

In the 3Q19, BB Corretora’s net income grew 43.1% YoY. The performance is explained by the increase in brokerage revenues, +34.0%, by the improvement in the EBIT margin, +3.0 p.p., and by the expansion in net investment income, +9.3%.

The robust commercial performance across the main business lines, boosted by the performance bonus, which amounted to R\$102.8 million in the quarter as a consequence of outperforming the sales targets in credit life and credit life for farmers, were the main factors that contributed to the increase in brokerage revenues.

The net investment income was helped by the 21.0% expansion in the average balance of interest earning assets, an effect that was partially offset by the 0.8 p.p. contraction in the yield on these investments and the 24.8% expansion in the average balance of dividends payable.

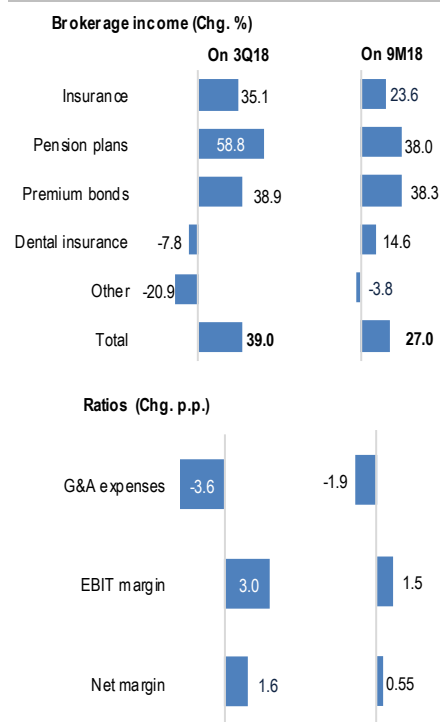
YEAR-TO-DATE ANALYSIS

In the 9M19, BB Corretora’s net income grew 28.3%, given the 27.0% increase in brokerage revenues, the 1.5 p.p. expansion in the EBIT margin and the 6.1% growth in net investment income.

Year-to-date, R\$272.4 million was recorded as performance bonus for outperforming the sales targets in credit life and credit life for farmers, while in the 9M18 R\$81.0 million were recorded as additional commissions in term life insurance, registered in the 1Q18. Setting apart the effects in both periods, brokerage revenues would have increased 18.0%, due to a stronger commercial performance as well as the mix concentration in products that pay higher commissions.

The improvement in the net investment income was explained by the 19.4% growth in the average balance of financial investments, which was partially offset by the 0.6 p.p. retraction in the average yield on these assets, along with the increase of 51.0% in the balance of dividends payable.

Figure 15 – BB Corretora | Key figures



■ 2019 GUIDANCE

The table below presents the estimates monitoring for the 2019 Guidance.

Table 4 – Estimates 2019

Indicators	Observed	2019 Revised estimates	2019 Previous estimates
Change of the adjusted net income of BB Seguridade	17.1%	13.0% to 17.0%	8.0% to 13.0%
Change of the premiums written proforma of Brasilseg (ex-DPVAT)	17.2%	Maintained	10.0% to 15.0%
Change of the AuM of PGBL and VGBL pension plans of Brasilprev	14.1%	Maintained	9.0% to 12.0%

Year-to-date performance exceeded all estimates included in the 2019 Guidance. The explanations for outperforming the expectations are as follows:

- (i) **Change of premiums written proforma of Brasilseg (Ex-DPVAT):** in the 9M19, premiums written grew 17.2%, exceeding the 10.0% to 15.0% range. Although the increase in premiums exceeded the estimates, the growth pace reduced over the 3Q19 and is in line with the expected pace of convergence to the estimated range;
- (ii) **Change of AuM of PGBL and VGBL pension plans of Brasilprev:** in September 2019, the balance of pension plans reserves expanded 14.1% in the last 12 months, outperforming the range of 9.0% to 12.0%. Such performance resulted from the outperformance net inflows and better than estimated return on investment funds where the pension plans reserves are invested. Despite the observed growth has exceeded the estimates, it is expected that, according to current interest rate estimates, the growth of pension plans reserves will converge to the guided range; and
- (iii) **Change of the adjusted net income of BB Seguridade:** adjusted net income increased 17.1% YoY, exceeding the 8.0% to 13.0% estimated range. The deviation is due to a better than expected performance of the combined net investment income of all companies within the conglomerate, mainly explained by: (i) a favorable dynamics of the inflation indexes on assets and liabilities of Brasilprev's defined benefit pension plans; and (ii) mark-to-market gains arising from the flattening yield curve.

In this context, the Company reinforces its estimates for **Change of premiums written proforma of Brasilseg (Ex-DPVAT)** and **Change of AuM of PGBL and VGBL pension plans of Brasilprev** and expects them to converge to the guided ranges over the last quarter of 2019.

On the other hand the Company decided to revise its estimates for the **Change of the adjusted net income of BB Seguridade**, after considering the year-to-date performance, the updated assumptions for the macroeconomic scenario and the expected commercial performance for the last quarter.

■ OTHER INFORMATION

Table 5 – Market share and ranking ¹

	Unit	Quarterly Flow				3 Q 19
		3 Q 18	4 Q 18	1 Q 19	2 Q 19	
Life ²						
Premiums written	R\$ thousand	886,851	851,750	618,097	709,641	734,553
Market-share	%	13.2%	12.8%	11.6%	12.7%	13.6%
Ranking		1º	2º	1º	1º	1º
Credit life						
Premiums written	R\$ thousand	391,119	448,499	504,996	660,659	550,517
Market-share	%	17.9%	18.7%	15.5%	18.3%	16.0%
Ranking		2º	1º	3º	1º	2º
Mortgage life						
Premiums written	R\$ thousand	69,865	70,912	71,104	70,024	72,233
Market-share	%	7.1%	10.0%	7.0%	6.7%	7.2%
Ranking		4º	4º	4º	4º	4º
Rural						
Premiums written	R\$ thousand	786,012	753,109	513,037	927,574	904,398
Market-share	%	67.7%	77.4%	56.5%	63.7%	62.1%
Ranking		1º	1º	1º	1º	1º
Home						
Premiums written	R\$ thousand	92,255	79,073	56,685	60,713	65,419
Market-share	%	11.8%	10.3%	7.3%	6.9%	7.1%
Ranking		3º	4º	5º	5º	5º
Commercial lines						
Premiums written	R\$ thousand	79,726	73,788	69,651	71,286	73,959
Market-share	%	4.2%	3.4%	3.7%	3.3%	3.5%
Ranking		8º	11º	10º	11º	11º
Pension Plans						
Technical reserves	R\$ thousand	248,019,373	256,765,877	262,782,911	272,659,601	282,253,346
Market-share	%	30.4%	30.4%	30.3%	30.4%	30.4%
Ranking		1º	1º	1º	1º	1º
Contributions	R\$ thousand	8,536,350	10,510,239	8,103,360	10,713,784	12,324,010
Market-share	%	32.8%	32.7%	31.0%	36.4%	36.2%
Ranking		1º	1º	1º	1º	1º
Premium Bonds						
Reserves	R\$ thousand	9,382,463	9,043,319	8,842,223	8,806,299	8,546,568
Market-share	%	32.0%	30.7%	29.8%	29.1%	28.0%
Ranking		1º	1º	1º	1º	2º
Collections	R\$ thousand	1,125,598	1,183,011	1,222,376	1,365,910	1,221,432
Market-share	%	21.4%	21.7%	22.3%	22.6%	20.5%
Ranking		2º	2º	2º	2º	2º

¹ Market share considering the current Brasilseg structure (proforma) to historical data.

² Market share considering only premiums written for risk coverage, excluding premiums for accumulation components (dotal life insurance).

Source: Susep - data base September/2019

Table 6 – Stocks | Breakdown of the shareholders' base

	Shareholders	Shares	Participation
Banco do Brasil	1	1,325,000,000	66.25%
Treasury Stocks	1	3,398,833	0.17%
Free Float	92,251	671,601,167	33.58%
Foreign	921	577,993,957	28.90%
Companies	2,498	54,989,607	2.75%
Individuals	88,832	38,617,603	1.93%
Total	92,253	2,000,000,000	100.00%

Table 7 – Stocks | Performance

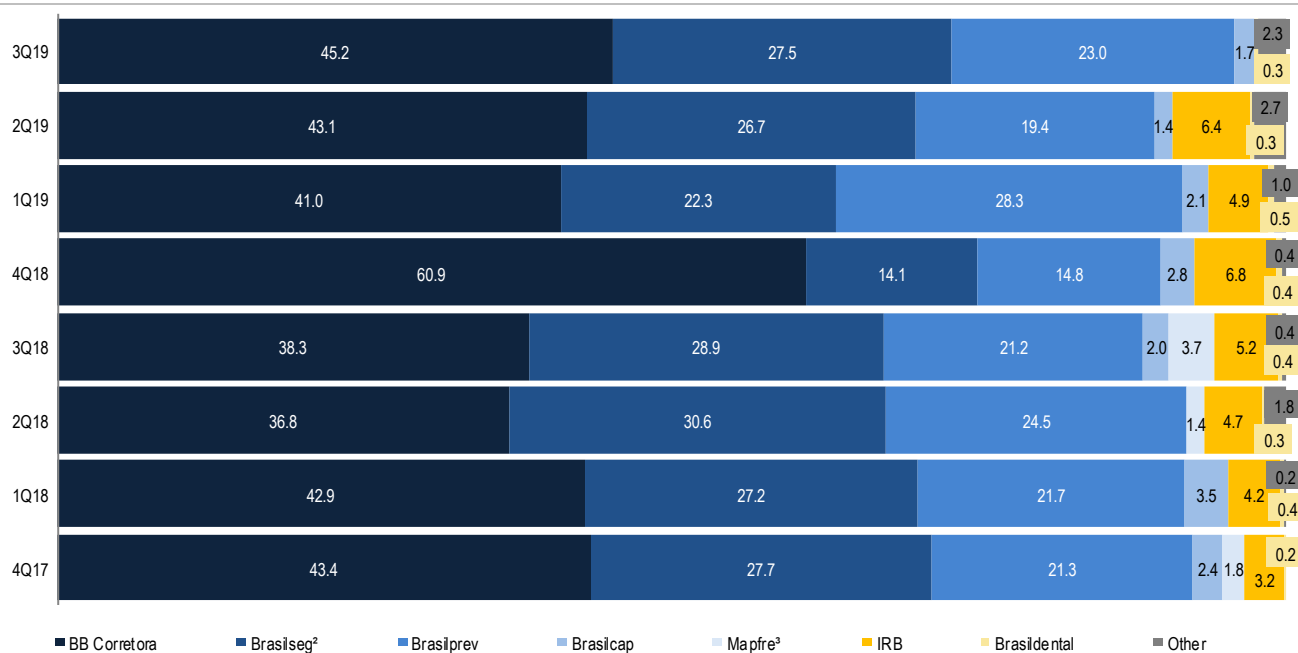
	Unit	Quarterly Flow				3 Q 19
		3 Q 18	4 Q 18	1 Q 19	2 Q 19	
Stock's performance						
Earnings per share	R\$	0.45	0.42	0.51	0.54	0.54
Dividends per share	R\$	0.78	-	2.03	-	0.89
Equity per share	R\$	5.07	3.42	3.90	3.56	5.29
Closing price	R\$	24.10	27.59	26.52	32.38	35.03
Annualized dividend yield ¹	%	6.55	6.16	10.06	9.88	9.86
Market capitalization	R\$ million	48,200	55,180	53,040	64,760	70,060
Ratios						
P/E (12 month trailing)	x	13.21	15.55	14.51	16.94	17.46
P/BV	x	4.76	8.08	6.81	9.10	6.63
Business data						
Number of trades carried out		677,899	1,005,145	1,242,053	1,111,465	986,908
Average daily volume traded	R\$ million	78	122	142	120	111
Average daily volume traded - B3	R\$ million	9,048	13,720	14,627	13,426	15,144
Share on B3's average volume	%	0.86	0.89	0.97	0.89	0.73

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

2. EARNINGS ANALYSIS

■ EARNINGS BREAKDOWN

Figure 16 – Earnings Analysis | Breakdown¹ (%)



¹ Does not consider the individual results from BB Seguridade and BB Seguros holdings and the affiliates, when negative.

² New commercial name adopted by BB MAPFRE SH1 after the restructuring of the partnership with MAPFRE.

³ New name adopted to refer to MAPFRE BB SH2, not accounted in BB Seguridade's results since December 2018.

■ NET INVESTMENT INCOME OF THE HOLDING COMPANY

Figure 17 – Earnings Analysis | Net investment income (R\$ million)

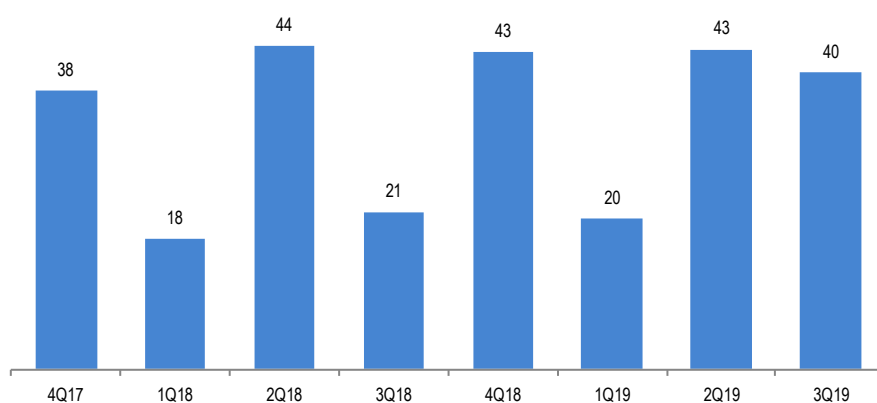
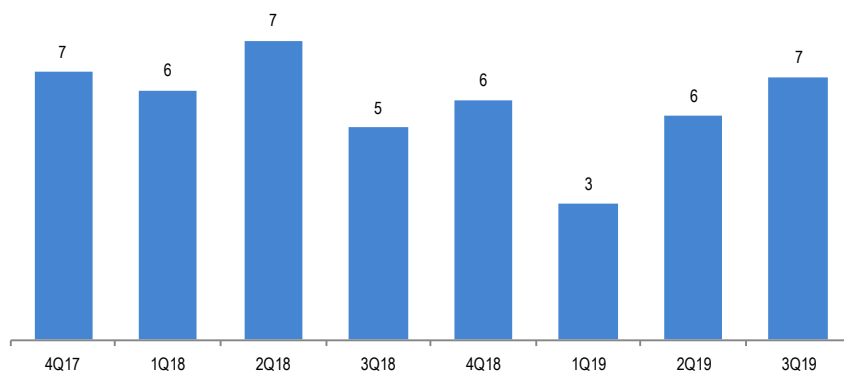


Figure 18 – Earnings Analysis | General and Administrative expenses (R\$ million)



QUARTERLY ANALYSIS

In the 3Q19, G&A expenses at the holding level increased by 24.0% YoY, mostly justified by the increase in tax expenses, up 63.1%, due to the higher taxable financial income related to the investment of the proceeds arising from the disposal of the IRB shares.

The consolidated expenses of the holdings and BB Corretora increased 24.2%. In addition to the aforementioned growth in tax expenses of BB Seguridade and BB Seguros, there was an increase in administrative expenses at BB Corretora, justified by higher costs with commercial incentives.

YEAR-TO-DATE ANALYSIS

In the 9M19, the G&A expenses fell by 18.2%, driven mostly by:

- (i) the decrease in personnel expenses, -13.0%, mainly explained by the periodic revision of the cost-sharing methodology, which resulted on a higher allocation of expenses to BB Corretora;
- (ii) the 85.2% reduction in expenses with specialized technical services, registered in administrative costs, driven by lower expenses with advisory services to support internal projects, in addition to a higher allocation of these expenses to BB Seguros and BB Corretora; and
- (iii) the positive result in “Other operating income (expenses)” arising from the reversal of the provision for the acquisition of stocks to pay the deferred installments of the variable compensation programs, related to the 2014 and 2015 fiscal years, for the board of executive officers, given these programs expired in the first quarter.

These effects were partially offset by higher tax expenses, explained by the increase in the taxable financial income, as explained in quarterly analysis.

The consolidated expenses of the holdings and BB Corretora increased 2.4% in the 9M19, explained by:

- (i) the increase in administrative expenses, +19.7%, driven mainly by higher expenses at BB Corretora with commercial incentives and with sponsorship and donations with tax benefits, along with higher location expenses allocated on BB Seguros; and
- (ii) the 6.0% growth in tax expenses given the increase in the taxable financial income.

These effects were partially offset by the reversal of provisions related to the variable compensation programs for the board of executive officers, related to 2014 and 2015 fiscal years, and by the net reversal of provisions for lawsuits in BB Corretora, while in the 9M18 there was an increase in these provisions.

Table 8 – Earnings Analysis | General and administrative expenses

R \$ thousand	Quarterly Flow			Chg. %		9 Months Flow		Chg. %
	3Q 18	2Q 19	3Q 19	On 3Q 18	On 2Q 19	9M 18	9M 19	On 9M 18
Administrative expenses	(1,096)	(640)	(1,003)	(8.5)	56.7	(3,774)	(2,599)	(31.1)
Specialized technical services	(414)	(44)	(63)	(84.8)	42.8	(1,142)	(169)	(85.2)
Location and operation	(191)	(214)	(225)	17.7	5.1	(540)	(664)	23.1
Communication	(18)	(15)	(21)	12.9	38.7	(228)	(66)	(70.8)
Other administrative expenses	(472)	(367)	(694)	47.1	89.1	(1,866)	(1,699)	(8.9)
Personnel expenses	(2,489)	(2,533)	(2,692)	8.2	6.3	(8,856)	(7,706)	(13.0)
Compensation	(1,323)	(1,335)	(1,395)	5.4	4.5	(4,548)	(4,107)	(9.7)
Welfare benefits	(700)	(727)	(842)	20.3	15.8	(2,560)	(2,261)	(11.7)
Other compensation	(249)	(269)	(226)	(9.4)	(15.9)	(993)	(715)	(28.0)
Benefits	(217)	(202)	(230)	5.8	13.8	(756)	(623)	(17.6)
Tax expenses	(1,653)	(2,374)	(2,696)	63.1	13.5	(6,177)	(6,800)	10.1
COFINS	(1,422)	(1,964)	(2,309)	62.4	17.6	(5,207)	(5,753)	10.5
PIS/Pasep	(231)	(354)	(381)	65.4	7.7	(897)	(983)	9.6
IOF	-	(29)	(0)	-	(98.8)	(33)	(29)	(13.5)
Other	(0)	(28)	(5)	1,789.4	(82.5)	(39)	(36)	(8.7)
Other operating income (expenses)	(30)	(20)	(141)	362.9	614.0	(104)	1,634	-
G&A expenses	(5,269)	(5,567)	(6,532)	24.0	17.3	(18,911)	(15,471)	(18.2)

EARNINGS SOURCES

Figure 19 – Earnings Analysis | Non-interest operating results vs net investment income (R\$ million)¹

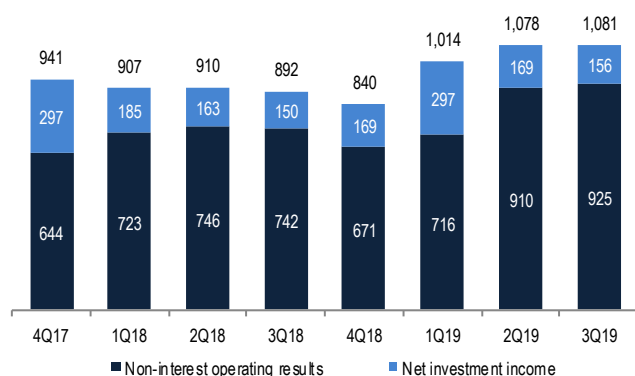
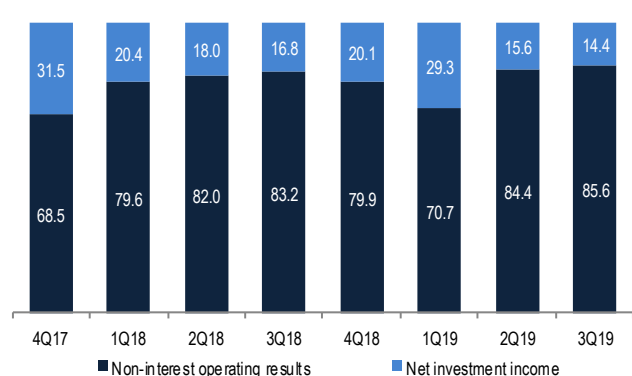


Figure 20 – Earnings Analysis | Non-interest operating results vs net investment income (%)¹



¹Net of taxes considering the companies effective tax rate.

Table 9 – Earnings Analysis | Non-interest operating results vs net investment income¹

R\$ thousand	Quarterly Flow			Chg. %		9 Months Flow		Chg. %
	3Q 18	2Q 19	3Q 19	On 3Q 18	On 2Q 19	9M 18	9M 19	On 9M 18
Non-interest operating results	742,050	909,760	925,255	24.7	1.7	2,211,032	2,551,484	15.4
Brasilseg ²	203,806	273,944	258,304	26.7	(5.7)	639,748	658,648	3.0
MAPFRE ³	18,301	-	-	-	-	(30,504)	-	-
Brasilprev	181,168	174,263	218,138	20.4	25.2	527,548	554,648	5.1
Brasilcap	(844)	(4,579)	(3,764)	345.8	(17.8)	7,424	(4,300)	-
IRB	25,821	22,206	-	-	-	84,039	48,864	(41.9)
Brasildental	3,081	2,684	2,875	(6.7)	7.1	8,582	10,156	18.4
Holdings and BB Corretora	310,718	441,241	449,702	44.7	1.9	974,196	1,283,467	31.7
Net investment income	149,512	168,633	155,933	4.3	(7.5)	497,884	621,856	24.9
Brasilseg ²	53,536	13,655	38,645	(27.8)	183.0	144,439	152,111	5.3
MAPFRE ³	14,320	-	-	-	-	70,054	-	-
Brasilprev	7,664	35,359	30,449	297.3	(13.9)	81,913	190,094	132.1
Brasilcap	19,064	19,873	22,427	17.6	12.9	42,747	59,668	39.6
IRB	20,517	47,141	-	-	-	43,793	69,926	59.7
Brasildental	113	73	90	(20.3)	23.0	209	176	(15.9)
Holdings and BB Corretora	34,297	52,532	64,323	87.5	22.4	114,730	149,881	30.6
Adjusted net income	891,562	1,078,393	1,081,189	21.3	0.3	2,708,916	3,173,340	17.1

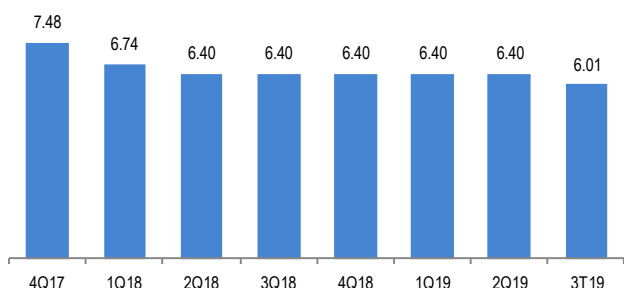
¹ Net of taxes considering the companies effective tax rate.

² New commercial name adopted by BB MAPFRE SH1 after the restructuring of the partnership with MAPFRE.

³ New name adopted to refer to MAPFRE BB SH2, not accounted in BB Seguridade's results since December 2018.

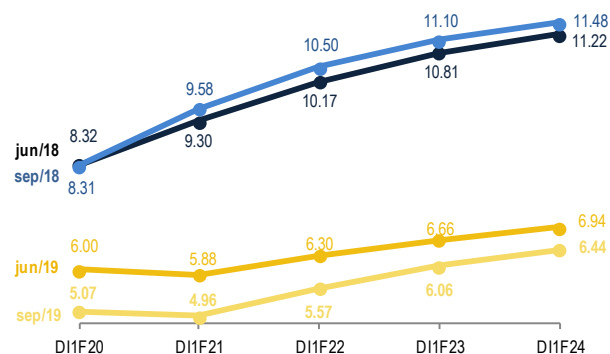
NET INVESTMENT INCOME

Figure 21 – Earnings Analysis | Average Selic rate (%)



Source: Banco Central do Brasil.

Figure 22 – Earnings Analysis | Forward yield curve (%)



Source: ValorPro.

QUARTERLY ANALYSIS

The combined net investment income of BB Seguridade and its controlled and affiliated companies increased 4.3% YoY. Such performance is mainly explained by:

- (i) the increase in financial income of both holdings BB Seguridade and BB Seguros, explained by the investment of the proceeds arising from the disposal of IRB shares; and
- (ii) the reduction in the yield on the liabilities of defined benefit pension plans, due to the lower IGP-M inflation rate accumulated from June 2019 to August 2019 as compared to June 2018 to August 2018.

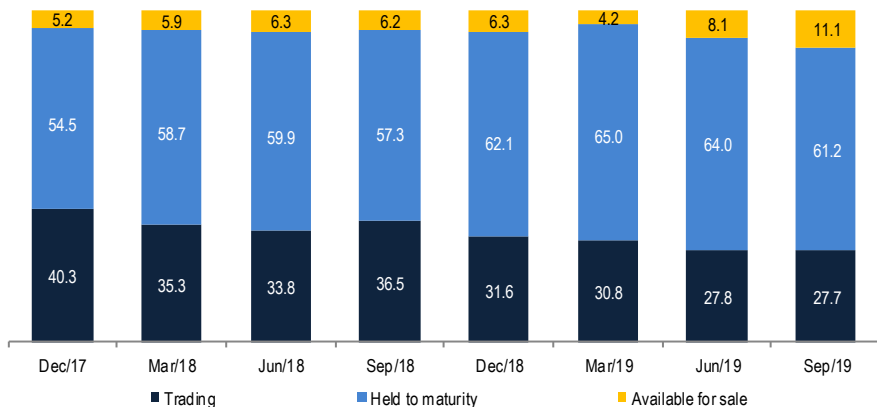
These effects were partially offset by the reduction of the financial results at Brasilseg given the reduction lower yield on financial investments and higher expenses with interest accrual on provisions for judicial claims to be settled.

YEAR-TO-DATE ANALYSIS

In the 9M19, the combined financial results of BB Seguridade and its controlled and affiliated companies rose 24.9%, given:

- (i) the reduction in the average yield on liabilities related to the defined benefit pension plans, as a consequence of the lower IGP-M inflation rate, the main index that remunerates these liabilities, cumulated from December 2018 to August 2019 as compared to the cumulated index from December 2017 to August 2018;
- (ii) the increase in the financial incomes of both holdings BB Seguridade and BB Seguros, explained by investment of the IRB's offering proceeds; and
- (iii) the flatten yield curve that generated mark-to-market gains from trading securities, mainly in Brasilcap.

Figure 23 – Earnings Analysis | Financial investments breakdown¹ (%)



¹Considering the financial investments of Brasilseg (ex-BB MAPFRE SH1), MAPFRE (ex-MAPFRE BB SH2), Brasilprev (ex-P/VGBL) and Brasilcap weighted by BB Seguridade’s economic stakes in each company. In Brasilseg and MAPFRE, the information of 2019 refer to data as reported, without “pro-forma” data.

Figure 24 – Earnings Analysis | Breakdown of financial investments by index¹

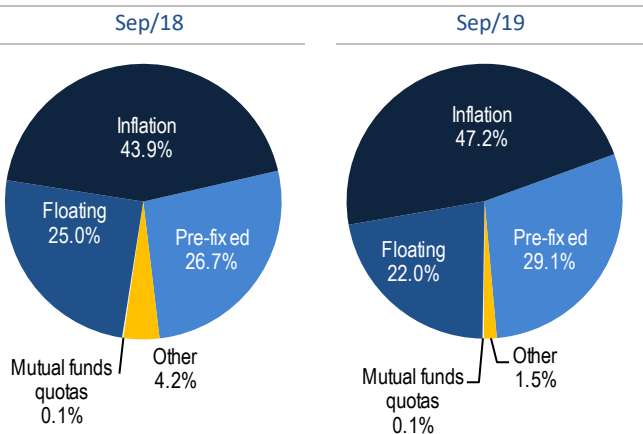
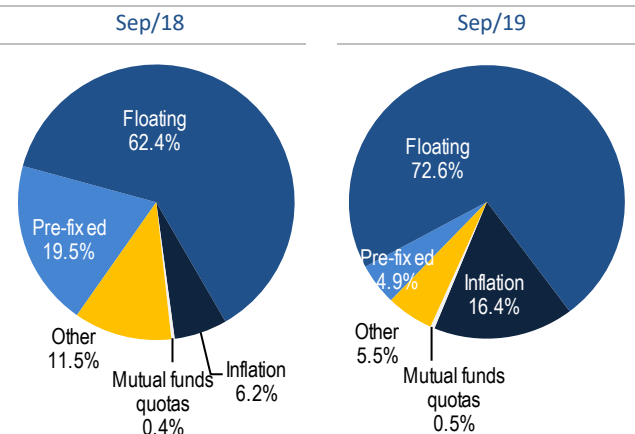


Figure 25 – Earnings Analysis | Trading portfolio by index¹



¹ Considering the financial investments of Brasilseg (ex-BB MAPFRE SH1), MAPFRE (ex-MAPFRE BB SH2), Brasilprev (ex-P/VGBL) and Brasilcap, weighted by BB Seguridade’s economic stakes in each company. In case of Brasilseg and MAPFRE, the information of 2018 refer to data as reported, without “pro-forma” data.

Table 10 – Earnings Analysis | Combined financial investments¹

R\$ thousand	Balance			Chg. %	
	Sep/18	Jun/19	Sep/19	On Sep/18	On Jun/19
Trading	8,793,296	5,930,113	6,162,027	(29.9)	3.9
Pre-fixed	1,717,061	730,055	303,657	(82.3)	(58.4)
Floating	5,488,013	3,852,382	4,473,978	(18.5)	16.1
Inflation	545,850	952,745	1,013,582	85.7	6.4
Mutual funds quotas	34,361	32,260	30,826	(10.3)	(4.4)
Other	1,008,010	362,671	339,984	(66.3)	(6.3)
Available for sale	1,481,903	1,736,608	2,477,105	67.2	42.6
Pre-fixed	442,841	1,273,559	2,018,187	355.7	58.5
Floating	539,351	424,878	421,366	(219)	(0.8)
Inflation	496,703	38,171	37,552	(92.4)	(16)
Other	3,008	-	-	-	-
Held to maturity	13,801,114	13,652,802	13,605,118	(1.4)	(0.3)
Pre-fixed	4,274,632	4,152,977	4,158,197	(2.7)	0.1
Inflation	9,526,482	9,499,825	9,446,921	(0.8)	(0.6)
Total	24,076,313	21,319,523	22,244,250	(7.6)	4.3

¹Considering the financial investments of Brasilseg (ex-BB MAPFRE SH1), MAPFRE (ex-MAPFRE BB SH2), Brasilprev (ex-P/VGBL) and Brasilcap, weighted by BB Seguridade's economic stakes in each company. In case of Brasilseg and MAPFRE, the information of 2018 refer to data as reported, without "pro-forma" data.

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3. BALANCE SHEET ANALYSIS

Table 11 – Balance Sheet Analysis | Balance sheet

R\$ thousand	Balance			Chg. %	
	Sep/18	Jun/19	Sep/19	On Sep/18	On Jun/19
Assets	10,159,617	8,916,936	10,598,953	4.3	18.9
Cash and cash equivalents	2,102,745	2,401,322	4,187,891	99.2	74.4
Financial assets marked to market	757	2,333	3,047	302.5	30.6
Investments	7,948,964	5,901,129	6,301,179	(20.7)	6.8
Current tax assets	74,636	75,496	86,178	15.5	14.1
Deferred tax assets	21,402	12,108	8,673	(59.5)	(28.4)
Dividends receivable	-	514,736	-	-	-
Other assets	5,337	4,505	6,834	28.0	51.7
Intangible	5,776	5,307	5,151	(10.8)	(2.9)
Liabilities	24,136	1,797,564	28,712	19.0	(98.4)
Dividends payable	448	1,778,627	346	(22.8)	(100.0)
Current tax liabilities	15,849	13,265	21,895	38.1	65.1
Other liabilities	7,839	5,672	6,371	(18.7)	12.3
Shareholders' equity	10,135,481	7,119,372	10,570,241	4.3	48.5

■ INVESTMENTS

Table 12 – Balance Sheet Analysis | Direct investments

R\$ thousand	Activity	Accounting treatment	Total ownership (%)	Investment balance		
			Sep/19	Sep/18	Jun/19	Sep/19
Insurance, Pension Plans and Premium Bonds						
BB Seguros Participações	<i> Holding </i>	(1)	100.0	7,742,331	5,854,221	5,765,172
Insurance Brokerage						
BB Corretora de Seguros e Adm. de Bens	<i> Insurance Broker </i>	(1)	100.0	206,633	46,908	536,007

Note: (1) Controlled companies, fully consolidated.

Table 13 – Balance Sheet Analysis | BB Seguros Participações' investments

R\$ thousand	Activity	Accounting treatment	Total ownership (%)	Investment balance		
			Sep/19	Sep/18	Jun/19	Sep/19
Insurance						
Brasilseg	 Holding 	 (1) 	 74.99 	 2,467,755 	 2,127,852 	 2,203,976
Brasilseg Companhia de Seguros	Insurance					
Aliança do Brasil Seguros	Insurance					
Pension Plans						
Brasilprev	 Insurance/ Pension 	 (1) 	 74.99 	 2,116,572 	 2,253,481 	 2,362,352
Health						
Brasil dental	 Health 	 (1) 	 74.99 	 16,208 	 17,762 	 14,728
Premium Bonds						
Brasilcap	 Premium Bonds 	 (1) 	 66.67 	 353,862 	 414,183 	 416,183

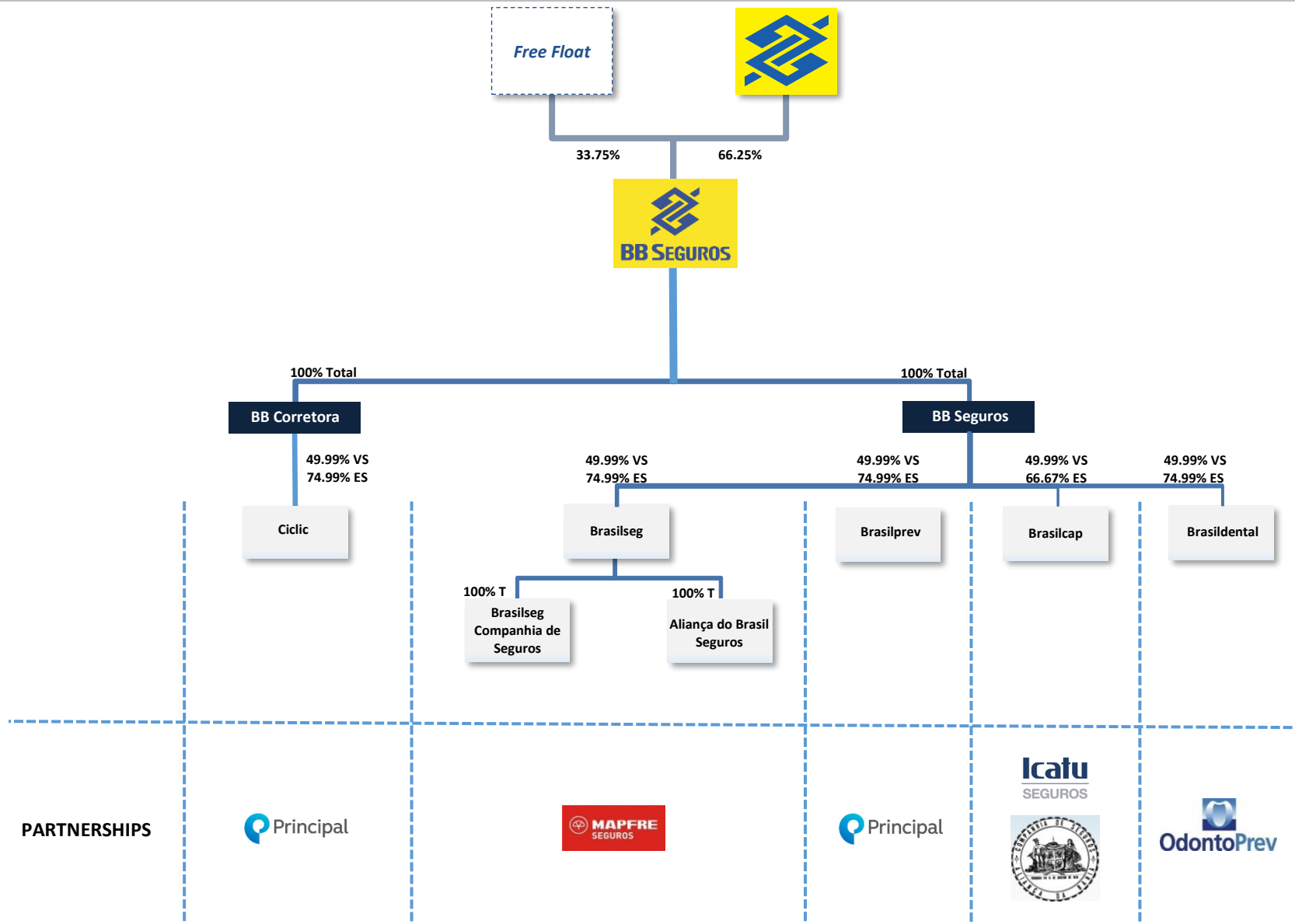
Note: (1) Affiliated companies, booked by the equity method.

Table 14 – Balance Sheet Analysis | BB Corretora's investments

R\$ thousand	Activity	Accounting treatment	Total ownership (%)	Investment balance		
			Sep/19	Sep/18	Jun/19	Sep/19
Insurance brokerage						
Ciclic	 Digital Broker 	 (1) 	 74.99 	 20,072 	 14,173 	 9,400

Note: (1) Affiliated companies, booked by the equity method.

Figure 26 – Balance Sheet Analysis | Ownership structure



Note: VS = Voting Stake; ES = Economic Stake; T = Total

■ SHAREHOLDER'S EQUITY

Table 15 – Balance Sheet Analysis | Statement of changes in equity

R\$ thousand	Capital	Capital Reserve	Legal and statutory reserve	Treasury stock	Retained earnings (losses)	Accumulated other comprehensive income	Total
Balance on December 31, 2017	5,646,767	1,277	3,337,198	(83,478)	-	(3,294)	8,898,470
Transactions with stock payments	-	(14)	-	14	-	-	-
Other comprehensive income	-	-	-	-	-	(26,557)	(26,557)
Dividends lapsed	-	-	-	-	42	-	42
Net income for the period	-	-	-	-	2,822,666	-	2,822,666
Capital reserve	-	-	389,777	-	(389,777)	-	-
Dividends proposed in 1H 18	-	-	-	-	(1,559,140)	-	(1,559,140)
Balance on September 30TH, 2018	5,646,767	1,263	3,726,975	(83,464)	873,791	(29,851)	10,135,481
Changes in the Period	-	(14)	389,777	14	873,791	(26,557)	1,237,011
Balance on December 31, 2018	5,646,767	1,262	1,265,575	(83,451)	-	232	6,830,385
Transactions with stock payments	-	(145)	-	145	-	-	-
Other comprehensive income	-	-	-	-	-	24,383	24,383
Dividends lapsed	-	-	-	-	11	-	11
Net income for the period	-	-	-	-	5,493,801	-	5,493,801
Capital reserve	-	-	313,823	-	(313,823)	-	-
Dividends proposed in 1H 19	-	-	-	-	(1,778,339)	-	(1,778,339)
Balance on September 30TH, 2019	5,646,767	1,117	1,579,398	(83,306)	3,401,650	24,615	10,570,241
Changes in the Period	-	(145)	313,823	145	3,401,650	24,383	3,739,856

4. UNDERWRITING AND ACCUMULATION

■ BRASILSEG

BB Seguridade offers life, mortgage life and rural insurance through its affiliate company BB MAPFRE SH1, a company established under a 20-year term partnership with MAPFRE, which started in 2011 and was restructured in 2018, with Brasilseg as the new branding name defined for BB MAPFRE SH1. BB Seguridade holds, through BB Seguros, a 74.99% economic stake in Brasilseg, composed of 100% of the preferred shares and 49.99% of the common shares. The segments in which Brasilseg operates is dominated by the Brazilian banks, what reflects the strong association of this kind of products with the bancassurance channel.

The following items show a brief description of the main products offered by Brasilseg:

- a. **Life insurance** is a product focused on individuals which assures financial protection to the beneficiaries, chosen by the policyholder, in case of death (natural or accidental), or permanent disability of the insured. If a claim occurs, the insurance company pays the amount agreed in the insurance policy to the beneficiary. Differently from the products sold in other countries, the life insurance sold by Brasilseg is a term life insurance without accumulation. If the customer fails to make the monthly payments, the coverage is suspended without any amount being reverted to the policyholder.
- b. **Credit life insurance** is a life insurance policy intended to pay off a borrower's loan in case of death of the insured. This type of product is designed to protect both the lender and the insured dependents, preventing them to inherit this liability. This product is already quite widespread in Brazil and it is expected to grow with the expansion of the loan portfolio. The main beneficiary of this type of product is the lender.
- c. **Mortgage life insurance** is an insurance policy intended to pay off a mortgage in case of death or disability of the insured. The insurance policy gives the guarantee that his family will keep the property and the bank will receive the full payment of the mortgage outstanding debt. A mortgage life insurance also protects against physical damage to the insured property. The premium is calculated on a monthly basis and varies according to the outstanding loan balance and the borrower's age.
- d. **Rural insurance** encompasses a group of three main products: (i) the crop insurance, which protects the farmers from weather hazards and from the loss of revenue in cases of falling prices of the crop; (ii) the rural lien insurance, which protects the asset given as collateral for a rural loan; and (iii) the rural producer credit life insurance, which is an insurance designed for farmers intended to pay off the rural loan in case the insured dies.
- e. **Home insurance** encompasses a set of coverages intended for the protection of individual homes against damages caused by fire, lightning and explosion, and may also include additional coverages against theft, electric damage, physical damage to the property resulting from vehicle impact, windstorm, hail rain, among others.
- f. **Corporate / Commercial lines** consist of products designed to protect the assets of companies against damage to the building and its contents, such as machinery, furniture, utensils, goods and raw materials, excluding large risks.
- g. **DPVAT** is a mandatory insurance in Brazil that covers personal injury caused by vehicles to passengers, drivers or pedestrians. DPVAT offers coverage for three natures of damage: death, permanent disability, and reimbursement for medical and hospital expenses. DPVAT is funded by vehicles owners through annual payments. Out of the amount collected, 45% is transferred to the Ministry of Health (SUS), to fund the hospital care of victims of traffic accidents across the country, and 5% are transferred to the Ministry of Cities, for exclusive use in programs directed to the prevention of traffic accidents. The remaining 50% are directed to the payment of claims.

■ PENSION PLANS

BB Seguridade operates in the private pension plans segment through its affiliate Brasilprev in partnership with the American company Principal Financial Group (PFG). Brasilprev was established in 1993 as a partnership between Banco do Brasil and a group of insurance companies. After going through a series of corporate restructuring, within 1999-2000, PFG, through its subsidiary in Brazil, Principal Financial Group do Brasil, acquired an economic stake in the company and established a partnership with Banco do Brasil. In 2010, BB Seguros and PFG renewed their partnership, extending it for 23 years more. As a result of this new agreement, Banco do Brasil increased its stake in Brasilprev from 49.99% to 74.99%. Pension plans are growing in popularity in Brazil, due to increasing life expectancy, level of financial education and tax benefits.

Brasilprev has three main sources of revenue: the load fee, which can be charged on contributions and redemptions, the management fee on assets under management, and the premiums paid to cover risks.

The following topics provide a brief description of the products offered by Brasilprev:

- a. **Free Benefit Generator Plan (PGBL)** is recommended for people who fill their income tax statement in the complete form, as the contributions are tax deductible up to the limit of 12% of the annual gross taxable income. In this modality, in case of redemption or benefit received, income taxes are calculated on the amount redeemed or income received.

In Brazil, there are two alternatives for an individual to present the tax statements, the simple form or the complete form. In the complete form, a Brazilian citizen can inform not only the income but also deductible expenses, such as expenses with healthcare, education, investments in PGBL, and other. In addition, the participant may choose to be taxed either in the progressive tax system or in the regressive tax system when buying a pension plan.

- (i) In the progressive tax system, the annuity is taxed when money is received according to the “Tabela Progressiva Mensal” (Monthly Progressive Table) made available by the Brazilian Internal Revenue Service. The tax brackets can vary from zero to 27.5% according to the annual wages with adjustment in the income tax declaration. Redemptions are taxed at 15% in anticipation regardless the amount redeemed, with adjustment in the income tax statement according to the Monthly Progressive Table.
- (ii) In the regressive tax system, in the event of redemption or annuity received, tax is withheld and is definitive, with no possibility of adjustment in the annual tax statement. The rates are determined by the length of stay of each inflow in the plan, starting at 35%, with gradual reduction every two years, reaching a level of 10% after 10 years.

- b. **Free Benefit Generator Life Plan (VGBL)** is recommended for those who fill their income tax statement in the simplified form or is exempt, since the contributions are not tax deductible. As in PGBL, the customer can choose either the progressive or the regressive tax system. In VGBL, in case of redemption or annuity received, income tax will be charged on interest earned only. The main advantage of the VGBL is its simplicity of the process related to the inheritance transmission, being suitable for customers who wish to make a succession planning. In this product, the customer can determine who will be the beneficiaries after his death and, unlike other assets, funds invested in VGBL are not part of the inventory, which is a process with legal costs and attorney's fees that can consume from 6% to 20% of the wealth received by the heirs.
- c. **Traditional Plan** guarantees a fixed interest of 6% plus inflation (IGP-M) or Taxa Referencial (TR) per year. These plans are no longer sold.

■ PREMIUM BONDS

BB Seguridade offers premium bonds through its affiliate company Brasilcap, in a partnership with Icatu and Aliança da Bahia. Premium bonds are very peculiar to the

Brazilian market, but there are also quite similar products in United Kingdom and in other countries.

Premium bonds are mainly sold through the bancassurance channel and it is an alternative way to accumulate reserves, with term and interest rate previously determined, entitling the bondholder to participate in lotteries. Premiums are distributed through periodic draws, being most frequent the usage of a combination of numbers in pre-determined series, based on the Brazilian Official Lottery.

Depending on the type of premium bond and the payment method chosen, the load fee and lottery quotas can exceed 10% of the amount collected. The amount intended to cover lottery, administrative expenses, and operational and acquisition costs is covered by these quotas.

In case of early redemption, the bondholder must obey a grace period (12 months in most products). Beyond the grace period, penalties will be applied if the bondholder decides for early redemption, which will decrease as the bond approaches to maturity.

■ DENTAL INSURANCE

BB Seguridade offers dental insurance through its affiliate company Brasildental. The Company was established in 2014, by a 20-year term partnership with Odontoprev. In this partnership BB Seguridade holds a 74.99% economic stake, being 49.99% of the common shares.

Brasildental's dental insurance plans are sold under the BB Dental brand, with exclusivity of the bancassurance channel of Banco do Brasil, to individuals and companies, and counts on a wide network of specialized clinics and professionals all over the country.

The following sections show a deeper analysis of the controlled and affiliate companies of BB Seguridade including income statement, balance sheet and performance ratios.

It is worth mentioning that these information are influenced by the investor company accounting entries, e.g., changes in goodwill. Therefore, the statements are not necessarily reconcilable with those published by the Companies.

4.1 BRASILSEG

■ EARNINGS ANALYSIS

To provide a better analysis, the following table shows a managerial view built considering the reallocation of the result with reinsurance to the other accounts that compose the Income Statement. This reallocation allows the analysis of the performance ratios already considering the reinsurance effects. Since the 2Q19, the adjustments that previously used to comprise the lines related to premiums, changes in technical reserves and claims, became to consider the acquisition costs as well. To allow the comparative analysis with previous quarters, the historical data was revised since the 1Q17.

It is important to notice that the bases for 3Q18 and 3Q19 are not comparable due to the conclusion of the reorganization of the partnership with MAPFRE on November 30, 2018, whose movements are detailed in the Summary section of this report. Proforma information will be presented throughout this section to allow a comparable analysis of the quarters.

Table 16 – Brasilseg | Managerial income statement

R\$ thousand	Quarterly Flow			Chg. %		9 Months Flow		Chg. %
	3Q18	2Q19	3Q19	On 3Q18	On 2Q19	9M18	9M19	On 9M18
Premiums written	2,155,925	2,510,065	2,412,371	11.9	(3.9)	6,028,880	6,785,370	12.5
Premiums ceded to reinsurance	(297,933)	(349,993)	(338,283)	13.5	(3.3)	(844,705)	(846,161)	0.2
Retained premiums	1,857,992	2,160,071	2,074,088	11.6	(4.0)	5,184,175	5,939,209	14.6
Changes in technical reserves - premiums	(163,446)	(455,106)	(309,444)	89.3	(32.0)	(246,467)	(812,637)	229.7
Retained earned premiums	1,694,546	1,704,965	1,764,643	4.1	3.5	4,937,707	5,126,572	3.8
Retained claims	(577,100)	(462,096)	(504,790)	(12.5)	9.2	(1,618,992)	(1,583,067)	(2.2)
Retained acquisition costs	(419,804)	(521,977)	(547,451)	30.4	4.9	(1,313,541)	(1,605,065)	22.2
Revenue of policies issuance	2,568	2,806	3,254	26.7	15.9	11,401	12,160	6.7
Underwriting result	700,212	723,698	715,655	2.2	(1.1)	2,016,575	1,950,600	(3.3)
Administrative expenses	(95,474)	(105,609)	(105,982)	11.0	0.4	(288,659)	(309,763)	7.3
Tax expenses	(58,108)	(60,933)	(66,825)	15.0	9.7	(184,059)	(183,137)	(0.5)
Other operating income (expenses)	(104,190)	(51,484)	(65,616)	(37.0)	27.5	(196,034)	(210,609)	7.4
Equity income	(1)	58	268	-	358.4	60	326	439.4
Gains or losses on non-current assets	7,382	(33)	(17)	-	(49.3)	7,749	(56)	-
Non-interest operating result	449,821	505,698	477,483	6.1	(5.6)	1,355,632	1,247,361	(8.0)
Net investment income	110,874	24,615	69,368	(37.4)	181.8	297,465	292,759	(1.6)
Financial income	135,106	120,776	124,132	(8.1)	2.8	400,623	429,956	7.3
Financial expenses	(24,232)	(96,161)	(54,764)	126.0	(43.1)	(103,159)	(137,197)	33.0
Earnings before taxes and profit sharing	560,694	530,313	546,851	(2.5)	3.1	1,653,097	1,540,121	(6.8)
Taxes	(199,665)	(138,010)	(140,601)	(29.6)	1.9	(582,068)	(431,574)	(25.9)
Profit sharing	(5,231)	(4,327)	(5,807)	11.0	34.2	(9,511)	(14,017)	47.4
Adjusted net income	355,798	387,976	400,444	12.5	3.2	1,061,517	1,094,530	3.1

Retained premiums = Premiums written + premiums ceded to reinsurance

Changes in technical reserves – premiums = Changes in technical provisions + changes in technical provisions on reinsured operations

Retained claims = Incurred claims - recovery of indemnity claims - recovery of claims expenses - changes in provisions for claims IBNR - salvages and reimbursed assets - changes in provision for claims IBNER provisions for claims to be settled - changes of expenses related to IBNR - changes in estimates for salvages and reimbursed assets - provisions for claims to be settled

Retained acquisition costs = acquisition costs – commission return + revenue with reinsurance commissions

Table 17 – Brasilseg | Adjusted net income

R\$ thousand	Quarterly Flow			Chg. %		9 Months Flow		Chg. %
	3Q18	2Q19	3Q19	On 3Q18	On 2Q19	9M 18	9M 19	On 9M 18
Adjusted net income	355,798	387,976	400,444	12.5	3.2	1,061,517	1,094,530	3.1
One-off events	-	-	-	-	-	309,069	-	-
Cia. de Seguros Aliança do Brasil: compliance with the SUSEP Rule 543/16	-	-	-	-	-	589,348	-	-
Cia. de Seguros Aliança do Brasil: compliance with the SUSEP Rule 543/16 - Taxes	-	-	-	-	-	(252,875)	-	-
Cia. de Seguros Aliança do Brasil: compliance with the SUSEP Rule 543/16 - PIS/COFINS	-	-	-	-	-	(27,405)	-	-
Net income	355,798	387,976	400,444	12.5	3.2	1,370,588	1,094,530	(20.1)

Table 18 – Brasilseg | Proforma managerial income statement^{1,2}

R\$ thousand	Quarterly Flow			Chg. %		9 Months Flow		Chg. %
	3Q18	2Q19	3Q19	On 3Q18	On 2Q19	9M 18	9M 19	On 9M 18
Premiums written	2,116,255	2,510,065	2,412,371	14.0	(3.9)	5,847,231	6,785,370	16.0
Premiums ceded to reinsurance	(312,488)	(349,993)	(338,283)	8.3	(3.3)	(884,177)	(846,161)	(4.3)
Retained premiums	1,803,767	2,160,071	2,074,088	15.0	(4.0)	4,963,054	5,939,209	19.7
Changes in technical reserves - premiums	(185,172)	(455,106)	(309,444)	67.1	(32.0)	(267,386)	(812,637)	203.9
Retained earned premiums	1,618,595	1,704,965	1,764,643	9.0	3.5	4,695,668	5,126,572	9.2
Retained claims	(505,090)	(462,096)	(504,790)	(0.1)	9.2	(1,425,074)	(1,583,067)	11.1
Retained acquisition costs	(431,944)	(521,977)	(547,451)	26.7	4.9	(1,340,369)	(1,605,065)	19.7
Revenue of policies issuance	2,493	2,806	3,254	30.5	16.0	11,130	12,160	9.3
Underwriting result	684,055	723,698	715,655	4.6	(1.1)	1,941,356	1,950,600	0.5
Administrative expenses	(94,055)	(105,609)	(105,982)	12.7	0.4	(280,993)	(309,763)	10.2
Tax expenses	(58,667)	(60,933)	(66,825)	13.9	9.7	(185,712)	(183,137)	(14)
Other operating income (expenses)	(96,275)	(51,484)	(65,616)	(31.8)	27.5	(180,764)	(210,609)	16.5
Equity income	2	58	268	17,057.8	358.4	66	326	392.7
Gains or losses on non-current assets	7,393	(33)	(17)	-	(49.5)	7,790	(56)	-
Non-interest operating result	442,454	505,698	477,483	7.9	(5.6)	1,301,743	1,247,361	(4.2)
Net investment income	116,340	24,615	69,368	(40.4)	181.8	305,407	292,759	(4.1)
Financial income	131,768	120,776	124,132	(5.8)	2.8	390,010	429,956	10.2
Financial expenses	(15,428)	(96,161)	(54,764)	255.0	(43.1)	(84,604)	(137,197)	62.2
Earnings before taxes and profit sharing	558,794	530,313	546,851	(2.1)	3.1	1,607,150	1,540,121	(4.2)
Taxes	(194,223)	(138,010)	(140,601)	(27.6)	1.9	(567,402)	(431,574)	(23.9)
Profit sharing	(5,005)	(4,328)	(5,807)	16.0	34.2	(9,346)	(14,017)	50.0
Adjusted net income	359,566	387,976	400,444	11.4	3.2	1,030,402	1,094,530	6.2

¹Simulation of the structure after the reorganization for the 2018 periods.

²The retained acquisition costs is the result of the reallocation of revenues with reinsurance commissions, previously recorded in premiums ceded to reinsurance, to the former acquisition costs line.

ADJUSTED NET INCOME

Figure 27 – Brasilseg | Adjusted net income and ROAA

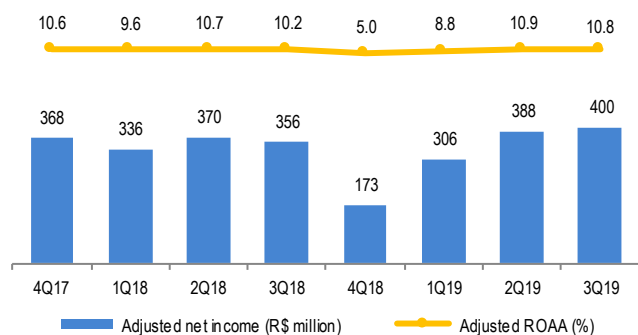
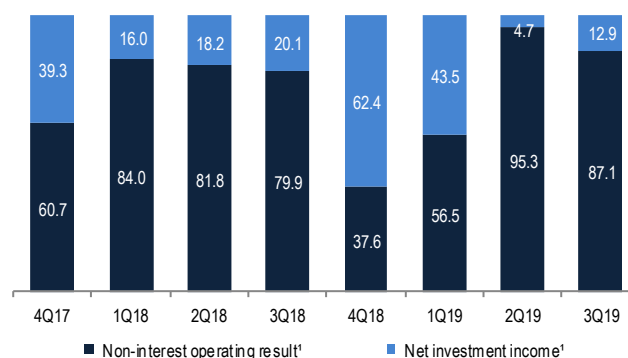


Figure 28 – Brasilseg | Adjusted net income breakdown (%)



¹ Net of taxes considering the Company's effective tax rate.

Table 19 – Brasilseg | Managerial performance ratios¹

%	Quarterly Flow			Chg. (p.p.)		9 Months Flow		Chg. (p.p.)
	3 Q 18	2 Q 19	3 Q 19	On 3 Q 18	On 2 Q 19	9 M 18	9 M 19	On 9 M 18
Performance ratios								
Loss ratio	34.1	27.1	28.6	(5.5)	1.5	32.8	30.9	(1.9)
Commission ratio	24.8	30.6	31.0	6.2	0.4	26.6	31.3	4.7
G&A ratio	15.2	12.8	13.5	(1.7)	0.7	13.5	13.7	0.2
Combined ratio	73.9	70.3	73.0	(0.9)	2.6	72.7	75.7	3.0
Other ratios								
Expanded combined ratio	69.4	69.3	70.2	0.8	0.9	68.6	71.6	3.0
Income tax rate	35.6	26.0	25.7	(9.9)	(0.3)	35.2	28.0	(7.2)
Adjusted ROAA	10.2	10.9	10.8	0.7	(0.0)	10.0	10.2	0.1

¹ Performance ratios calculated based on the managerial income statement, considering the reinsurance effects.

Table 20 – Brasilseg | Proforma managerial performance ratios¹

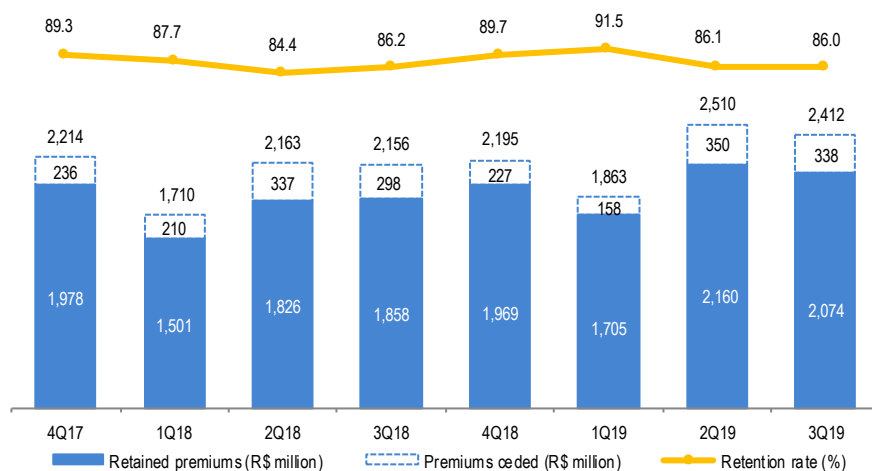
%	Quarterly Flow			Chg. (p.p.)		9 Months Flow		Chg. (p.p.)
	3 Q 18	2 Q 19	3 Q 19	On 3 Q 18	On 2 Q 19	9 M 18	9 M 19	On 9 M 18
Performance ratios								
Loss ratio	31.2	27.1	28.6	(2.6)	1.5	30.3	30.9	0.5
Commission ratio	26.7	30.6	31.0	4.3	0.4	28.5	31.3	2.8
G&A ratio	15.4	12.8	13.5	(1.9)	0.7	13.8	13.7	(0.1)
Combined ratio	73.1	70.3	73.0	(0.2)	2.6	72.4	75.7	3.2
Other ratios								
Expanded combined ratio	68.2	69.3	70.2	2.0	0.9	68.0	71.6	3.6
Income tax rate	34.8	26.0	25.7	(9.0)	(0.3)	35.3	28.0	(7.3)
Adjusted ROAA	11.2	10.9	10.8	(0.4)	(0.0)	10.6	10.2	(0.4)

¹ Simulation of the structure after the reorganization for 2018 periods.

■ NON-INTEREST OPERATING RESULT ANALYSIS

PREMIUMS WRITTEN

Figure 29 – Brasilseg | Premiums written



QUARTERLY ANALYSIS

In the 3Q19, premiums written increased 11.9% YoY, supported by:

- (i) credit life (+40.8%), boosted by the strong credit origination to individuals; and
- (ii) rural (+15.1%), with a robust commercial performance across the three main segments.

On the other hand, term life insurance was down 17.2%, explained by the transfer of the term life portfolio distributed through independent brokers to MAPFRE within the JV restructuring that was concluded in November 2018.

Considering the proforma data for Brasilseg, premiums written grew by 14.0% YoY, and term life insurance was up 6.2%.

YEAR-TO-DATE ANALYSIS

In the 9M19, premiums written grew by 12.5%, propelled by credit life (+68.8%) and rural (10.3%). On a proforma basis, premiums written rose 16.0%.

Table 21 – Brasilseg | Breakdown of premiums written

R\$ thousand	Quarterly Flow			Chg. %		9 Months Flow		Chg. %
	3Q 18	2Q 19	3Q 19	On 3Q 18	On 2Q 19	9M 18	9M 19	On 9M 18
Life	886,851	709,641	734,553	(17.2)	3.5	2,584,111	2,062,291	(20.2)
Credit Life	391,119	660,659	550,517	40.8	(16.7)	1,016,477	1,716,172	68.8
Mortgage Life	69,865	70,024	72,233	3.4	3.2	198,895	213,361	7.3
Rural	786,012	927,574	904,398	15.1	(2.5)	2,126,971	2,345,009	10.3
Crop	353,255	397,837	393,803	11.5	(1.0)	906,609	987,233	8.9
Rural lien	189,734	222,791	218,536	15.2	(1.9)	511,428	588,559	15.1
Credit life for farmers	239,626	303,022	288,664	20.5	(4.7)	700,513	757,711	8.2
Others	3,398	3,923	3,394	(0.1)	(13.5)	8,421	11,506	36.6
Home	-	60,713	65,419	-	7.8	-	182,817	-
Commercial lines	-	71,286	73,959	-	3.8	-	214,896	-
Large risks	-	(2,706)	823	-	-	-	4,905	-
DPVAT	21,076	12,244	9,653	(54.2)	(21.2)	99,301	44,084	(55.6)
Other	1,001	631	816	(18.5)	29.3	3,124	1,835	(41.3)
Total	2,155,925	2,510,065	2,412,371	11.9	(3.9)	6,028,880	6,785,370	12.5

Table 22 – Brasilseg | Breakdown of retained premiums

R\$ thousand	Quarterly Flow			Chg. %		9 Months Flow		Chg. %
	3Q 18	2Q 19	3Q 19	On 3Q 18	On 2Q 19	9M 18	9M 19	On 9M 18
Life	882,808	708,788	732,409	(17.0)	3.3	2,567,062	2,057,642	(19.8)
Credit Life	392,997	660,641	550,196	40.0	(16.7)	1,021,852	1,714,198	67.8
Mortgage Life	67,530	69,714	71,816	6.3	3.0	196,463	211,747	7.8
Rural	492,602	574,862	570,552	15.8	(0.7)	1,296,396	1,513,906	16.8
Crop	68,626	49,706	65,533	(4.5)	31.8	151,499	171,054	12.9
Rural lien	182,306	222,792	215,050	18.0	(3.5)	439,475	583,655	32.8
Credit life for farmers	239,623	300,126	287,894	20.1	(4.1)	700,511	751,471	7.3
Others	2,047	2,237	2,075	1.3	(7.3)	4,911	7,726	57.3
Home	-	60,657	64,245	-	5.9	-	180,859	-
Commercial lines	-	71,644	73,831	-	3.1	-	212,403	-
Large risks	-	890	569	-	(36.1)	-	2,536	-
DPVAT	21,076	12,244	9,653	(54.2)	(21.2)	99,301	44,084	(55.6)
Other	978	630	816	(16.6)	29.4	3,101	1,835	(40.8)
Total	1,857,992	2,160,071	2,074,088	11.6	(4.0)	5,184,174	5,939,209	14.6

Figure 30 – Brasilseg | Breakdown of premiums written (%)

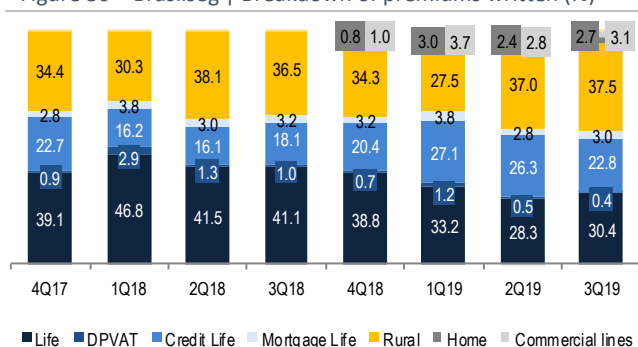


Figure 31 – Brasilseg | Breakdown of retained premiums (%)

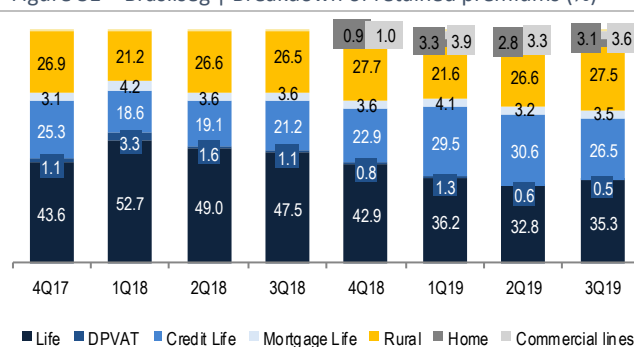


Figure 32 – Brasilseg | Premiums written proforma

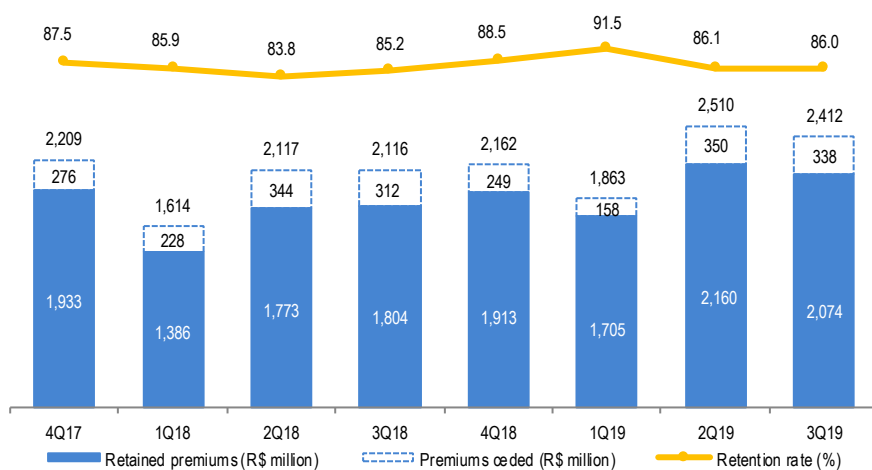


Table 23 – Brasilseg | Proforma breakdown of premiums written¹

R\$ thousand	Quarterly Flow			Chg. %		9 Months Flow		Chg. %
	3Q18	2Q19	3Q19	On 3Q18	On 2Q19	9M 18	9M 19	On 9M 18
Life	691,538	709,641	734,553	6.2	3.5	1,955,356	2,062,291	5.5
Credit Life	390,781	660,659	550,517	40.9	(16.7)	1,015,598	1,716,172	69.0
Mortgage Life	69,865	70,024	72,233	3.4	3.2	198,895	213,361	7.3
Rural	786,012	927,574	904,398	15.1	(2.5)	2,126,971	2,345,009	10.3
Crop	353,255	397,837	393,803	11.5	(10)	906,609	987,233	8.9
Rural lien	189,734	222,791	218,536	15.2	(19)	511,428	588,559	15.1
Credit life for farmers	239,626	303,022	288,664	20.5	(4.7)	700,513	757,711	8.2
Others	3,398	3,923	3,394	(0.1)	(13.5)	8,421	11,506	36.6
Home	63,352	60,713	65,419	3.3	7.8	187,598	182,817	(2.5)
Commercial lines	79,726	71,286	73,959	(7.2)	3.8	228,491	214,896	(5.9)
Large risks	14,295	(2,706)	823	(94.2)	-	36,765	4,905	(86.7)
DPVAT	20,462	12,244	9,653	(52.8)	(212)	96,926	44,084	(54.5)
Other	224	631	816	264.7	29.3	632	1,835	190.2
Total	2,116,255	2,510,065	2,412,371	14.0	(3.9)	5,847,231	6,785,370	16.0

¹Simulation of the structure after the reorganization for 2018 periods.

Table 24 – Brasilseg | Proforma breakdown of retained premiums¹

R\$ thousand	Quarterly Flow			Chg. %		9 Months Flow		Chg. %
	3Q18	2Q19	3Q19	On 3Q18	On 2Q19	9M 18	9M 19	On 9M 18
Life	691,009	708,788	732,409	6.0	3.3	1,947,282	2,057,642	5.7
Credit Life	390,587	660,641	550,196	40.9	(16.7)	1,015,411	1,714,198	68.8
Mortgage Life	67,530	69,714	71,816	6.3	3.0	196,463	211,747	7.8
Rural	492,602	574,862	570,552	15.8	(0.7)	1,296,396	1,513,906	16.8
Crop	68,626	49,706	65,533	(4.5)	31.8	151,499	171,054	12.9
Rural lien	182,306	222,792	215,050	18.0	(3.5)	439,475	583,655	32.8
Credit life for farmers	239,623	300,126	287,894	20.1	(4.1)	700,511	751,471	7.3
Others	2,047	2,237	2,075	1.3	(7.3)	4,911	7,726	57.3
Home	63,336	60,657	64,245	1.4	5.9	187,598	180,859	(3.6)
Commercial lines	72,334	71,644	73,831	2.1	3.1	209,818	212,403	1.2
Large risks	5,684	890	569	(90.0)	(36.1)	12,528	2,536	(79.8)
DPVAT	20,462	12,244	9,653	(52.8)	(21.2)	96,926	44,084	(54.5)
Other	224	630	816	264.7	29.5	632	1,835	190.4
Total	1,803,767	2,160,071	2,074,088	15.0	(4.0)	4,963,054	5,939,209	19.7

¹Simulation of the structure after the reorganization for 2018 periods.

CHANGES IN TECHNICAL RESERVES - PREMIUMS

Table 25 – Brasilseg | Changes in technical reserves – premiums

R\$ thousand	Quarterly Flow			Chg. %		9 Months Flow		Chg. %
	3Q18	2Q19	3Q19	On 3Q18	On 2Q19	9M18	9M19	On 9M18
Provision for unearned premiums	(198,981)	(533,910)	(377,074)	89.5	(29.4)	(305,903)	(823,064)	169.1
Provision for benefits to be granted (except VGBL and VRGP)	-	2,733	(277)	-	-	-	1,182	-
Provision for administrative expenses - DPVAT	2,344	(121)	(350)	-	189.7	(1,321)	(5,190)	292.9
Provision for technical surplus	(1,396)	(1,788)	(1,328)	(4.8)	(25.7)	(3,881)	(3,281)	(15.5)
Complementary provisions of contributions	-	(9,691)	-	-	-	(18,147)	(9,691)	(46.6)
Change in technical reserves - premiums	(198,034)	(542,777)	(379,030)	91.4	(30.2)	(329,253)	(840,043)	155.1

RETAINED EARNED PREMIUMS

Table 26 – Brasilseg | Breakdown of retained earned premiums

R \$ thousand	Quarterly Flow			Chg. %		9 Months Flow		Chg. %
	3Q18	2Q19	3Q19	On 3Q18	On 2Q19	9M18	9M19	On 9M18
Life	857,151	680,834	685,060	(20.1)	0.6	2,501,198	2,029,042	(18.9)
Credit Life	295,383	320,917	344,626	16.7	7.4	882,216	968,572	9.8
Mortgage Life	68,710	68,859	72,948	6.2	5.9	195,257	214,344	9.8
Rural	448,845	489,834	522,918	16.5	6.8	1,257,905	1,476,988	17.4
Crop	51,680	44,939	52,561	1.7	17.0	155,311	151,499	(2.5)
Rural lien	156,785	195,837	204,822	30.6	4.6	432,406	577,006	33.4
Credit life for farmers	238,066	245,789	262,680	10.3	6.9	662,870	739,349	11.5
Others	2,314	3,269	2,855	23.4	(12.7)	7,318	9,134	24.8
Home	-	57,250	57,155	-	(0.2)	-	170,675	-
Commercial lines	-	70,344	68,566	-	(2.5)	-	214,540	-
Large risks	-	4,382	3,215	-	(26.6)	-	11,839	-
DPVAT	23,420	12,124	9,303	(60.3)	(23.3)	97,980	38,894	(60.3)
Other	1,037	421	852	(17.9)	102.2	3,151	1,678	(46.8)
Total	1,694,546	1,704,965	1,764,643	4.1	3.5	4,937,707	5,126,572	3.8

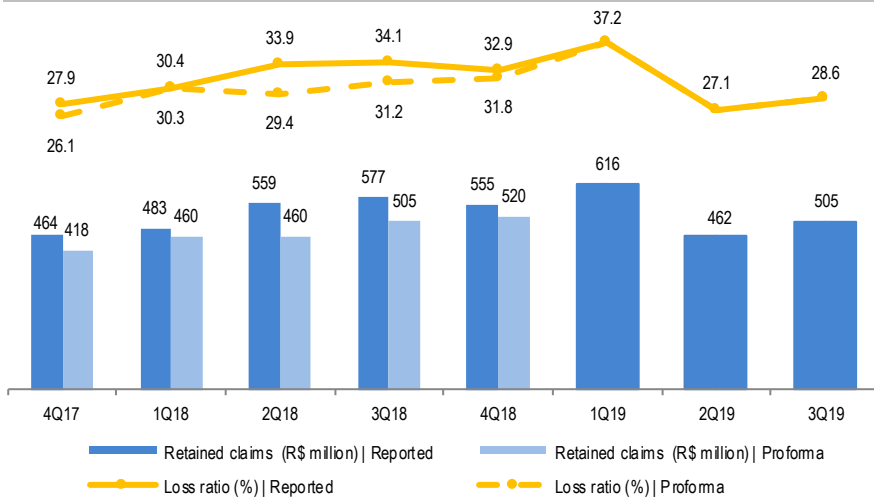
Table 27 – Brasilseg | Proforma breakdown of retained earned premiums¹

R \$ thousand	Quarterly Flow			Chg. %		9 Months Flow		Chg. %
	3Q18	2Q19	3Q19	On 3Q18	On 2Q19	9M18	9M19	On 9M18
Life	653,924	680,834	685,060	4.8	0.6	1,893,688	2,029,042	7.1
Credit Life	292,589	320,917	344,626	17.8	7.4	874,376	968,572	10.8
Mortgage Life	68,710	68,859	72,948	6.2	5.9	195,257	214,344	9.8
Rural	448,845	489,834	522,918	16.5	6.8	1,257,905	1,476,988	17.4
Crop	51,680	44,939	52,561	1.7	17.0	155,311	151,499	(2.5)
Rural lien	156,785	195,837	204,822	30.6	4.6	432,406	577,006	33.4
Credit life for farmers	238,066	245,789	262,680	10.3	6.9	662,870	739,349	11.5
Others	2,314	3,269	2,855	23.4	(12.7)	7,318	9,134	24.8
Home	57,885	57,250	57,155	(1.3)	(0.2)	152,279	170,675	12.1
Commercial lines	67,798	70,344	68,566	1.1	(2.5)	206,856	214,540	3.7
Large risks	5,865	4,382	3,215	(45.2)	(26.6)	19,052	11,839	(37.9)
DPVAT	22,737	12,124	9,303	(59.1)	(23.3)	95,615	38,894	(59.3)
Other	242	421	852	251.8	102.2	641	1,678	161.6
Total	1,618,595	1,704,965	1,764,643	9.0	3.5	4,695,668	5,126,572	9.2

¹Simulation of the structure after the reorganization for 2018 periods.

RETAINED CLAIMS

Figure 33 – Brasilseg | Retained claims



QUARTERLY ANALYSIS

In the 3Q19, the reported loss ratio improved by 5.5 p.p. YoY, helped by lower claims in term life, credit life and rural.

Considering the proforma figures for Brasilseg, the loss ratio dropped 2.6 p.p. YoY, explained by:

- (i) **term life (-3.0 p.p.):** justified by the lower frequency of high-severity claims;
- (ii) **credit life (-12.4 p.p.):** explained by the decrease in both the frequency and the severity of the claims reported, as well as a higher reversal of provisions related to claims that were previously denied; and
- (iii) **rural (-0.5 p.p.):** considering that the loss ratio in the 3Q18 was impacted by the drought which affected the corn crop. Such improvement was limited by the increase in claims related to the rural lien insurance, explained by damages to machinery at the beginning of the summer crop, and in crop insurance, impacted by frost and drought that affected the wheat crop in Parana and Sao Paulo in the 3Q19.

The aforementioned effects were partially offset by the increase in the loss ratio in:

- (i) **commercial lines (+27.3 p.p.):** segment with a low premium volume and, therefore, high sensibility to changes in the frequency/severity of claims;
- (ii) **large risks (+203.4 p.p.):** explained by the recorded provisions for judicial claims to be settled related to fines, interest and moral damages not covered by reinsurance contracts; and
- (iii) **mortgage life (+3.5 p.p.):** due to the increase in high-severity claims reported.

YEAR-TO-DATE ANALYSIS

In the 9M19, the loss ratio fell 1.9 p.p. On the other hand, considering the proforma analysis, the loss ratio increased 0.5 p.p., mostly driven by:

- (i) the worsening of the rural loss ratio, due to a higher frequency of reported claims, as a consequence of weather events which broadly impacted the regions of the country, as a result of the El Niño phenomenon, along with damages to machinery; and
- (ii) the increase in the frequency of home insurance claims in the 1Q19, due to rain and windstorm in South and Southeast.

The aforementioned effects were partially offset by the lower loss ratio in credit life.

Figure 34 – Life Insurance | Loss ratio (%)

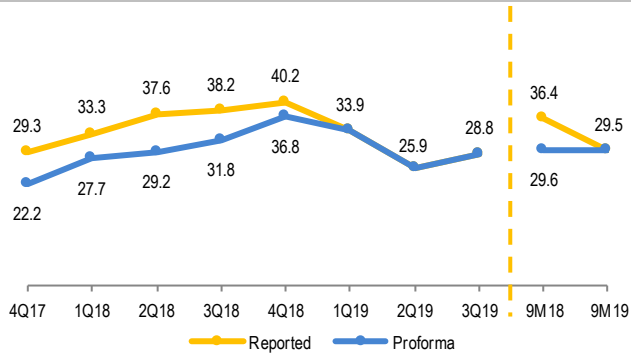


Figure 35 – Credit life insurance | Loss ratio (%)

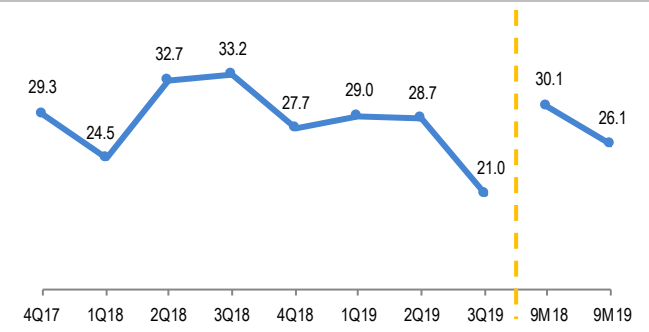


Figure 36 – Mortgage life | Loss ratio (%)

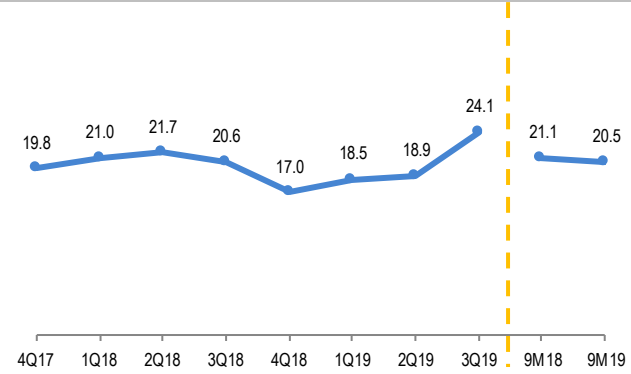


Figure 37 – Home insurance | Loss ratio (%)

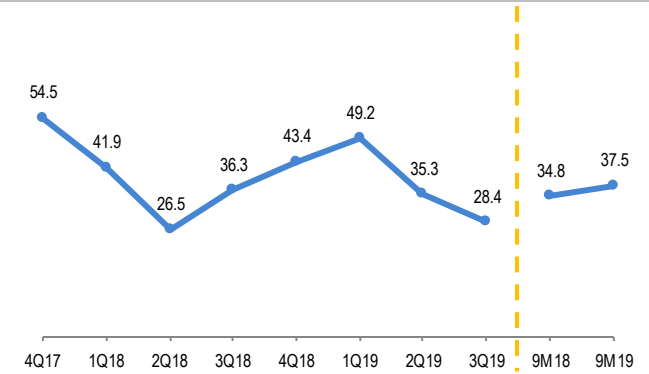


Figure 38 – Commercial lines insurance | Loss ratio (%)

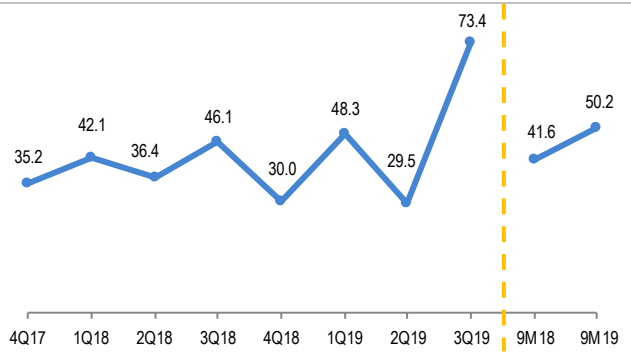


Figure 39 – Rural | Loss ratio (%)

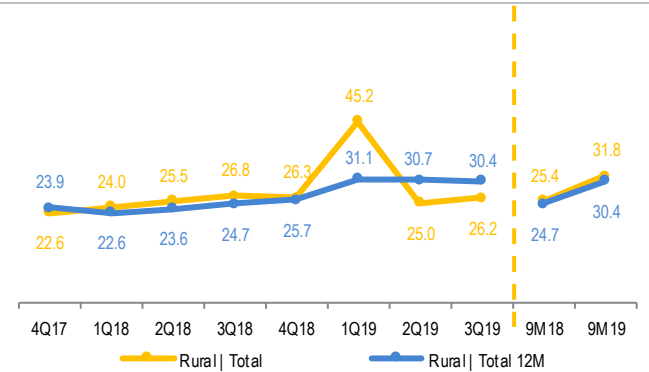


Figure 40 – Rural | Loss ratio (%)

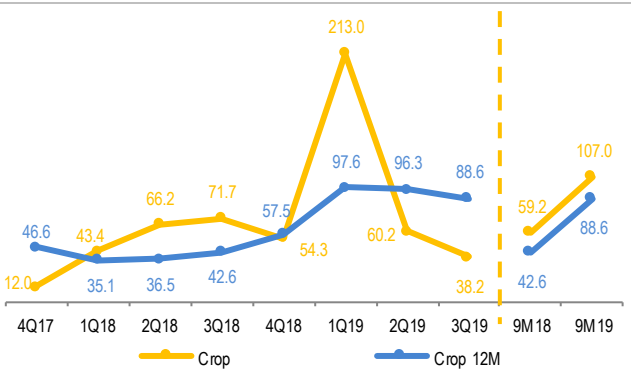


Figure 41 – Rural | Loss ratio (%)

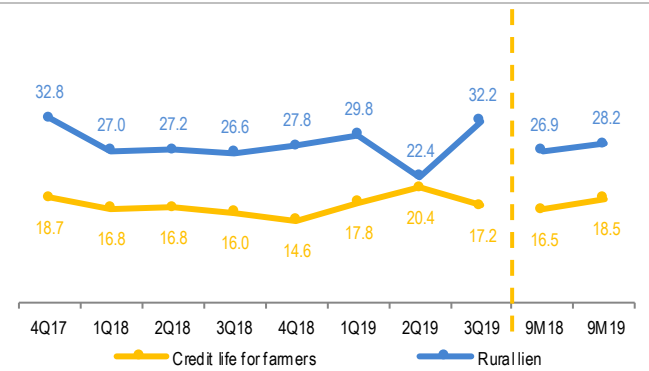
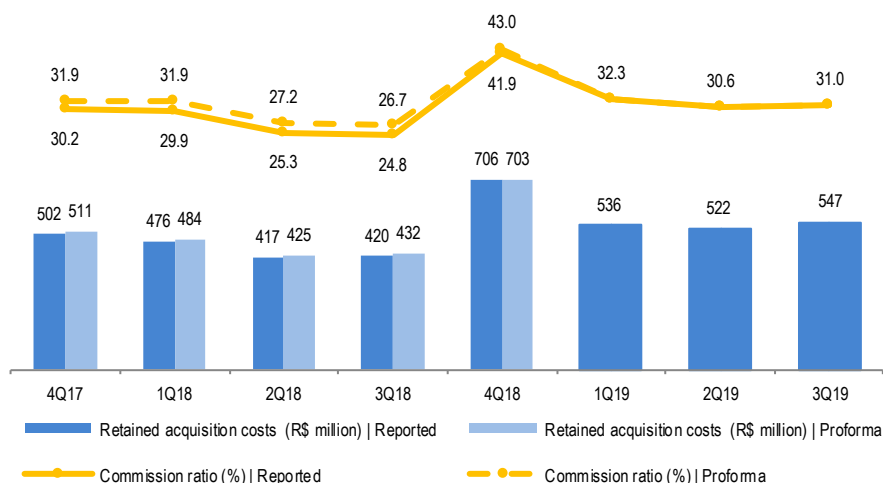


Table 28 – Brasilseg | Breakdown of retained claims

R\$ thousand	Quarterly Flow			Chg. %		9 Months Flow		Chg. %
	3Q18	2Q19	3Q19	On 3Q18	On 2Q19	9M18	9M19	On 9M18
Incurred claims	(716,624)	(637,157)	(619,603)	(13.5)	(2.8)	(2,066,683)	(2,562,877)	24.0
Expenses with claims	(732,182)	(611,109)	(598,534)	(18.3)	(2.1)	(2,143,035)	(2,490,747)	16.2
Changes in provisions for claims IBNR and IBNER	(21,404)	(25,891)	(16,255)	(24.1)	(37.2)	(38,939)	(59,098)	51.8
Recovery of claims - Coinsurance and reinsurance	184,897	177,608	117,730	(36.3)	(33.7)	584,452	986,501	68.8
Salvage and Reimbursements	1,319	11,918	7,463	465.8	(37.4)	2,886	24,203	738.7
Assistance services	(8,746)	(14,638)	(14,610)	67.0	(0.2)	(24,335)	(43,474)	78.6
Other	(984)	17	(586)	(40.5)	-	(21)	(453)	2,034.7
Retained claims	(577,100)	(462,096)	(504,790)	(12.5)	9.2	(1,618,992)	(1,583,067)	(2.2)

RETAINED ACQUISITION COSTS

Figure 42 – Brasilseg | Retained acquisition costs



QUARTERLY ANALYSIS

In the 3Q19, the commission ratio increased 6.2 p.p. YoY, mostly explained by:

- (i) the new product mix after the reorganization of the partnership with MAPFRE, since the portfolio absorbed by Brasilseg (home, commercial lines and large risks insurances) pay higher commissions compared to the portfolio transferred to MAPFRE; and
- (ii) the recognition of the performance bonus, amounting to R\$102.8 million, to be paid to BB Corretora for outperforming commercial targets of credit life and credit life for farmers in the quarter, as negotiated in the reorganization of the partnership with MAPFRE.

The aforementioned effects were partially offset by the recognition of reinsurance commissions amounting to R\$53.1 million from reinsurance agreements with step-up commissions for rural insurance.

YEAR-TO-DATE ANALYSIS

In the 9M19, the commission ratio rose 4.7 p.p., as a result of:

- (i) the new mix of products after the reorganization of the partnership with MAPFRE;
- (ii) the recognition of the performance bonus amounting to R\$272.4 million; and
- (iii) the recognition of expenses amounting to R\$17.2 million in the 1Q19, due to the regularization of the balance in transitory accounts of commissions related to rural and credit life segments.

The aforementioned effects were partially offset by the recognition of revenues amounting to R\$104.9 million derived from reinsurance agreements with step-up commissions, related to rural and mortgage life.

It is worth noting that the 9M18 was impacted by an increase in commissions of some term life insurance products that was in force from the 3Q17 to the 1Q18, which led to an additional commission expense of R\$81.0 million in the first quarter of last year.

Table 29 – Brasilseg | Retained acquisition costs

R\$ thousand	Quarterly Flow			Chg. %		9 Months Flow		Chg. %
	3Q18	2Q19	3Q19	On 3Q18	On 2Q19	9M18	9M19	On 9M18
Acquisition costs	(481,683)	(634,886)	(664,775)	38.0	4.7	(1,492,032)	(1,900,855)	27.4
Commission charged on premiums written	(487,216)	(658,464)	(630,678)	29.4	(4.2)	(1,429,102)	(1,811,134)	26.7
Revenue with reinsurance commission	61,879	112,909	117,323	89.6	3.9	178,491	295,791	65.7
Agency commission	(2,860)	-	-	-	-	(6,935)	-	-
Commissions recovered - Coinsurance	4,264	(4)	(0)	-	(99.7)	13,420	(3)	-
Change in deferred acquisition costs	52,513	172,473	117,239	123.3	(32.0)	69,341	330,807	377.1
Other acquisition costs	(48,384)	(148,892)	(151,336)	212.8	16	(138,756)	(420,525)	203.1
Retained acquisition costs	(419,804)	(521,977)	(547,451)	30.4	4.9	(1,313,541)	(1,605,065)	22.2

UNDERWRITING RESULT

Figure 43 – Brasilseg | Breakdown of underwriting result by segment

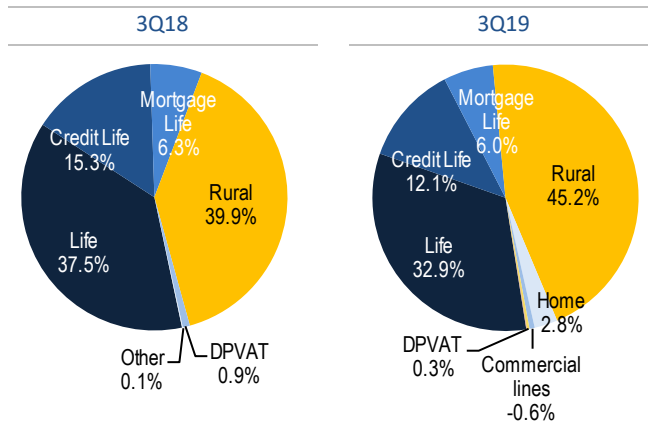


Figure 44 – Brasilseg | Breakdown of underwriting result by segment

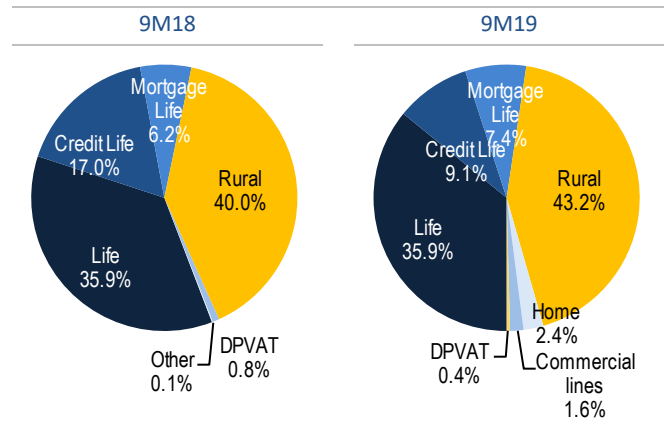


Figure 45 – Brasilseg | Proforma breakdown of underwriting result by segment¹

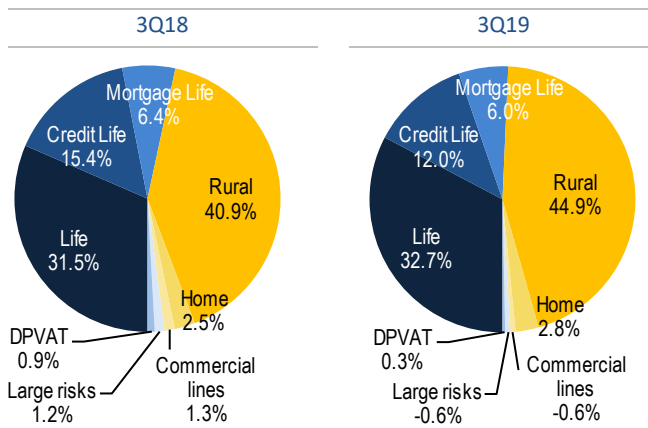
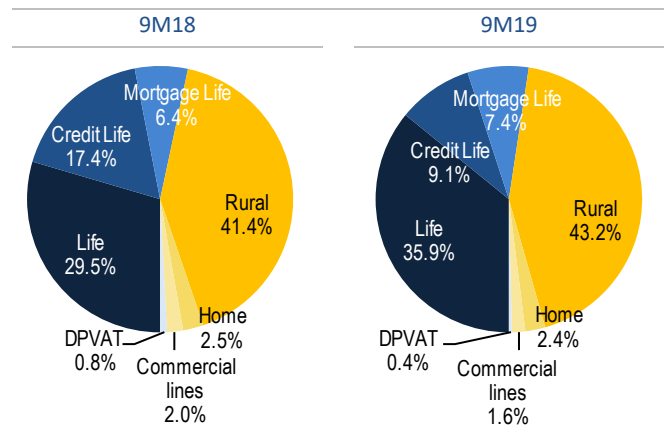


Figure 46 – Brasilseg | Proforma breakdown of underwriting result by segment¹

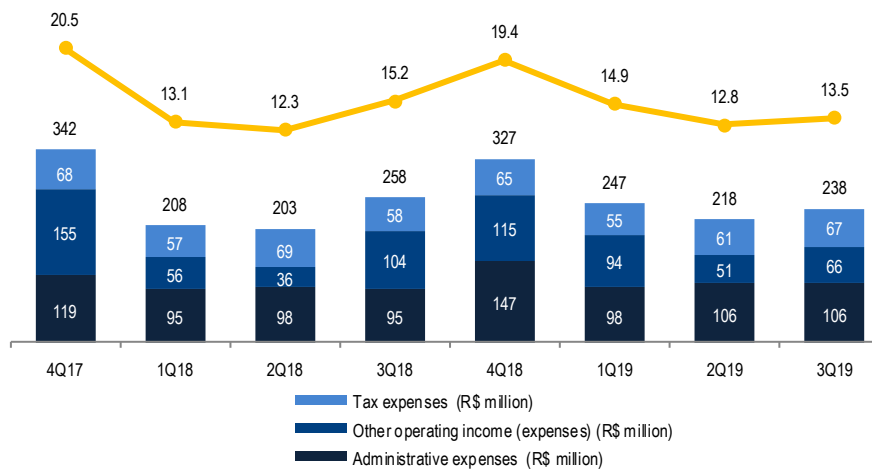


¹Simulation of the structure after the reorganization for the 2018 periods.

¹Simulation of the structure after the reorganization for the 2018 periods.

GENERAL & ADMINISTRATIVE EXPENSES

Figure 47 – Brasilseg | G&A expenses



QUARTERLY ANALYSIS

In the 3Q19, the G&A ratio fell 1.7 p.p. YoY, driven mainly by lower expenses with impairment, which was negatively impacted in the 3Q18 by expenses with provisions for losses from receivable premiums and recoverable claims.

On the other hand, the G&A ratio was negatively impacted by:

- (i) the growth in personnel expenses, due to the transfer of employees within the scope of the corporate reorganization of the partnership with MAPFRE, in addition to expenses with provisions for profit sharing with employees;
- (ii) higher expenses with outsourcing, as a result of higher expenses with technical services related to software maintenance and advisory services;
- (iii) the increase in expenses with endomarketing related to sales force engagement; and
- (iv) higher expenses with PIS and COFINS, due to the increase in the taxable income.

YEAR-TO-DATE ANALYSIS

In the 9M19, the G&A ratio increased 0.2 p.p., mostly explained by:

- (i) the growth in personnel expenses, due to the transfer of employees within the scope of the corporate reorganization of the partnership with MAPFRE, in addition to expenses with provisions for profit sharing with employees;
- (ii) higher expenses with contributions to the rural insurance stability fund ("FESR"), due to the improvement in the underwriting result of the rural lien insurance; and
- (iii) the increase in expenses registered in other operating income (expenses) line, related to the regularization of transitory accounts of judicial deposits in the 1Q19.

On the other hand, the 9M19 was positively affected by higher reversals of provisions for losses from receivable premiums and recoverable claims, recorded in the impairment line.

Table 30 – Brasilseg | General & Administrative expenses

R\$ thousand	Quarterly Flow			Chg. %		9 Months Flow		Chg. %
	3Q 18	2Q 19	3Q 19	On 3Q 18	On 2Q 19	9M 18	9M 19	On 9M 18
Administrative expenses	(95,474)	(105,609)	(105,982)	11.0	0.4	(288,659)	(309,763)	7.3
Personnel	(40,263)	(51,785)	(45,645)	13.4	(11.9)	(126,289)	(144,599)	14.5
Outsourcing	(24,050)	(26,155)	(31,752)	32.0	21.4	(74,416)	(80,888)	8.7
Location and operation	(21,928)	(22,390)	(22,741)	3.7	1.6	(65,716)	(67,456)	2.6
Institutional advertisement and publicity	(2,281)	(1,809)	(714)	(68.7)	(60.6)	(7,523)	(3,849)	(48.8)
Publications	(72)	(86)	(83)	16.5	(3.7)	(614)	(660)	7.4
Other administrative expenses	(3,648)	(435)	(1,821)	(50.1)	318.4	(5,251)	(2,947)	(43.9)
DPVAT administrative expenses	(3,233)	(2,948)	(3,226)	(0.2)	9.4	(8,849)	(9,365)	5.8
Other operating income (expenses)	(104,190)	(51,484)	(65,616)	(37.0)	27.5	(196,034)	(210,609)	7.4
FESR contributions	(46,976)	(51,769)	(45,639)	(2.8)	(11.8)	(143,295)	(156,614)	9.3
Charging expenses	(6,066)	(2,692)	(2,835)	(53.3)	5.3	(17,773)	(9,023)	(49.2)
Civil contingencies	(6,145)	(3,447)	(5,761)	(6.2)	67.2	(13,882)	(15,331)	10.4
Expenses with events	(1,271)	(472)	(725)	(43.0)	53.7	(7,441)	(1,699)	(77.2)
Endomarketing	(4,310)	(3,047)	(11,649)	170.3	282.3	(15,648)	(23,696)	51.4
Impairment	(28,513)	18,296	9,899	-	(45.9)	22,220	33,032	48.7
Other operating income (expenses)	(10,910)	(8,352)	(8,907)	(18.4)	6.6	(20,216)	(37,279)	84.4
Tax expenses	(58,108)	(60,933)	(66,825)	15.0	9.7	(184,059)	(183,137)	(0.5)
COFINS	(48,311)	(49,953)	(55,102)	14.1	10.3	(153,416)	(150,583)	(1.8)
PIS	(7,889)	(8,215)	(8,977)	13.8	9.3	(23,771)	(24,487)	3.0
Inspection fee	(1,403)	(1,881)	(1,881)	34.1	(0.0)	(4,210)	(5,643)	34.1
Other tax expenses	(504)	(885)	(864)	71.3	(2.3)	(2,662)	(2,424)	(8.9)
G&A	(257,772)	(218,026)	(238,423)	(7.5)	9.4	(668,753)	(703,510)	5.2

■ NET INVESTMENT INCOME

Figure 48 – Brasilseg | Net investment income (R\$ million)

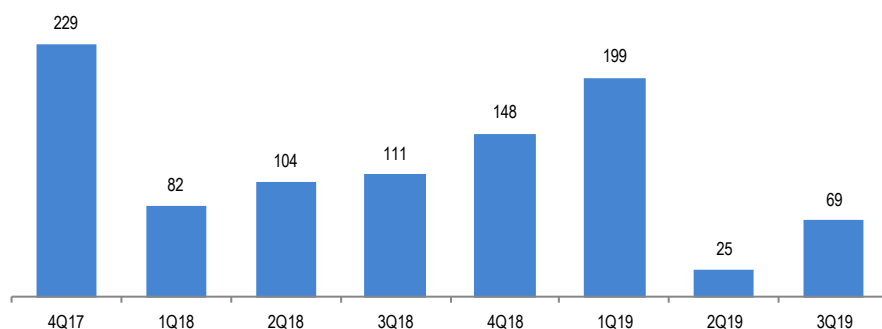


Table 31 – Brasilseg | Financial income and expenses¹

R\$ thousand	Quarterly Flow			Chg. %		9 Months Flow		Chg. %
	3Q 18	2Q 19	3Q 19	On 3Q 18	On 2Q 19	9M 18	9M 19	On 9M 18
Adjusted interest revenues	127,210	120,769	122,810	(3.5)	1.7	379,941	428,285	12.7
Revenues with mark to market financial investments	89,945	86,517	89,384	(0.6)	3.3	263,979	305,088	15.6
Revenues with held to maturity financial investments	29,692	24,283	17,211	(42.0)	(29.1)	90,130	65,771	(27.0)
Judicial deposits	6,634	6,702	7,711	16.2	15.1	20,571	41,967	104.0
Receivables from insurance and reinsurance operations	938	3,267	8,504	806.4	160.3	5,261	15,459	193.9
Adjusted interest expenses	(14,409)	(87,106)	(44,927)	211.8	(48.4)	(84,069)	(109,104)	29.8
Pending claims	(8,483)	(76,820)	(28,570)	236.8	(62.8)	(44,360)	(70,324)	58.5
Judicial provisions	(3,941)	(2,929)	(2,314)	(41.3)	(21.0)	(19,513)	(8,849)	(54.7)
Obligations with insurance and reinsurance operations	(1,986)	(7,357)	(14,043)	607.2	90.9	(20,197)	(29,931)	48.2
Net interest income	112,801	33,663	77,883	(31.0)	131.4	295,872	319,181	7.9

¹ Managerial view.

QUARTERLY ANALYSIS

In the 3Q19, the net interest income decreased 31.0% YoY.

Adjusted interest revenues were down 3.5%, as a result of a lower average yield on financial investments, mostly explained by the reduction in the Selic rate.

Adjusted interest expenses grew by 211.8%, mostly driven by a higher volume of interest accruals on provisions for judicial claims to be settled, as a result of the change in the criteria used to record these expenses after the migration to the new software that controls the lawsuits.

YEAR-TO-DATE ANALYSIS

In the 9M19, the net interest income rose 7.9%, boosted by the increase in adjusted interest revenues.

Adjusted interest revenues grew by 12.7%, justified by:

- (i) realized gains amounting to R\$43.5 million with the disposal of government securities classified as available for sale in the 1Q19; and
- (ii) financial revenues amounting to R\$19.5 million with the interest accrual on judicial deposits, which is related to a pending balance in a transitory account which was regularized in the 1Q19.

The adjusted interest expenses grew by 29.8%, mostly explained by higher expenses with interest compounding on judicial provisions, which affected the 3Q19, as explained in the quarterly analysis.

Table 32 – Brasilseg | Quarterly figures - Volume and rate analysis

R\$ thousand	3 Q 19/3 Q 18		
	Average volume	Average rate	Net change
Earning assets			
Mark to Market financial investments	2,911	(3,472)	(561)
Held to maturity financial investments	(3,819)	(8,662)	(12,481)
Judicial deposits	(664)	1,741	1,077
Receivables from insurance and reinsurance operations	3,325	4,241	7,566
Total¹	1,347	(5,747)	(4,400)
Interest bearing liabilities			
Pending claims	(1,160)	(18,927)	(20,087)
Judicial provisions	187	1,440	1,627
Obligations with insurance and reinsurance operations	58,207	(70,265)	(12,058)
Total¹	3,715	(34,233)	(30,518)

¹ Calculated with the same methodology of the parts. Due to the different weights of the elements which compose it, the total does not reflect the sum of the parts.

Table 33 – Brasilseg | Quarterly figures - Earning assets - average balance and interest rates

R\$ million	3 Q 18			3 Q 19		
	Average balance	Interest revenues	Annualized rate (%)	Average balance	Interest revenues	Annualized rate (%)
Earning assets						
Mark to Market financial investments	5,452	90	6.7	5,636	89	6.2
Held to maturity financial investments	1,118	30	10.9	915	17	7.4
Judicial deposits	935	7	2.8	861	8	3.5
Receivables from insurance and reinsurance operations	281	1	13	461	9	7.2
Total	7,786	127	6.6	7,872	123	6.1

Table 34 – Brasilseg | Quarterly figures - Interest bearing liabilities - average balance and interest rates

R\$ million	3 Q 18			3 Q 19		
	Average balance	Interest expenses	Annualized rate (%)	Average balance	Interest expenses	Annualized rate (%)
Interest bearing liabilities						
Pending claims	1,984	(8)	17	2,068	(29)	5.2
Judicial provisions	726	(4)	2.1	672	(2)	13
Obligations with insurance and reinsurance operations	325	(2)	2.4	63	(14)	618
Total	3,035	(14)	1.9	2,803	(45)	6.0

Table 35 – Brasilseg | Year-to-date figures - Volume and rate analysis

R\$ thousand	9M 19/9M 18		
	Average volume	Average rate	Net change
Earning assets			
Mark to Market financial investments	8,995	32,114	41,109
Held to maturity financial investments	(9,941)	(14,418)	(24,359)
Judicial deposits	(1,939)	23,334	21,396
Receivables from insurance and reinsurance operations	3,495	6,703	10,199
Total¹	2,603	45,741	48,344
Interest bearing liabilities			
Pending claims	3,892	(29,856)	(25,964)
Judicial provisions	738	9,926	10,664
Obligations with insurance and reinsurance operations	22,205	(31,939)	(9,734)
Total¹	8,571	(33,606)	(25,035)

¹ Calculated with the same methodology of the parts. Due to the different weights of the elements which compose it, the total does not reflect the sum of the parts.

Table 36 – Brasilseg | Year-to-date figures - Earning assets - average balance and interest rates

R\$ million	9M 18			9M 19		
	Average balance	Interest revenues	Annualized rate (%)	Average balance	Interest revenues	Annualized rate (%)
Earning assets						
Mark to Market financial investments	5,653	264	6.3	5,825	305	7.0
Held to maturity financial investments	1,118	90	11.0	971	66	9.1
Judicial deposits	924	21	3.0	883	42	6.4
Receivables from insurance and reinsurance operations	220	5	3.2	284	15	7.3
Total	7,915	380	6.5	7,963	428	7.2

Table 37 – Brasilseg | Year-to-date figures - Interest bearing liabilities - average balance and interest rates

R\$ million	9M 18			9M 19		
	Average balance	Interest expenses	Annualized rate (%)	Average balance	Interest expenses	Annualized rate (%)
Interest bearing liabilities						
Pending claims	1,905	(44)	3.1	1,805	(70)	5.2
Judicial provisions	725	(20)	3.6	669	(9)	1.8
Obligations with insurance and reinsurance operations	102	(20)	25.7	58	(30)	61.7
Total	2,731	(84)	4.1	2,532	(109)	5.7

Table 38 – Brasilseg | Financial investment portfolio

R\$ thousand	Balance			Chg. %	
	Sep/18	Jun/19	Sep/19	On Sep/18	On Jun/19
Trading	3,995,957	4,013,993	4,649,554	16.4	15.8
Pre-fixed	37,486	8,892	9,146	(75.6)	2.9
Floating	3,117,216	3,521,845	4,187,886	34.3	18.9
Other	841,255	483,256	452,523	(46.2)	(6.4)
Available for sale	1,686,394	1,147,314	1,460,319	(13.4)	27.3
Pre-fixed	577,147	580,734	898,423	55.7	54.7
Floating	491,659	566,580	561,897	14.3	(0.8)
Inflation	617,608	-	-	-	-
Other	(20)	-	-	-	-
Held to maturity securities	917,960	921,404	909,294	(0.9)	(1.3)
Pre-fixed	180,345	153,769	150,447	(16.6)	(2.2)
Inflation	737,615	767,635	758,846	2.9	(11)
Total	6,600,311	6,082,711	7,019,167	6.3	15.4

Figure 49 – Brasilseg | Breakdown of financial investments by index (%)

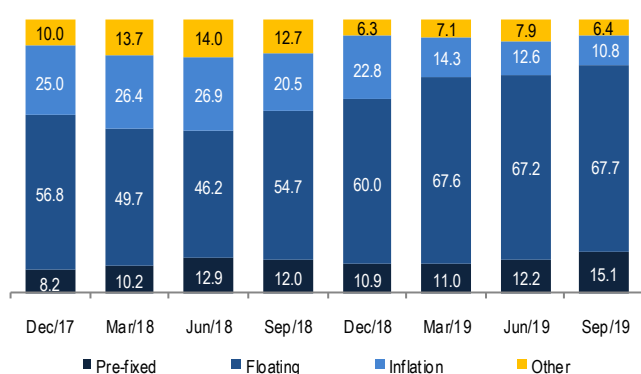
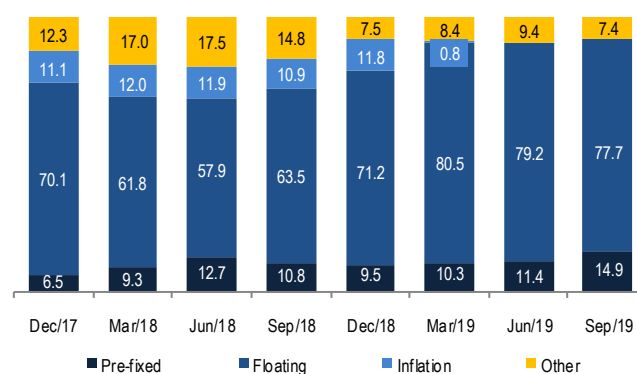


Figure 50 – Brasilseg | Breakdown of mark to market financial investments by index (%)



■ BALANCE SHEET ANALYSIS

Table 39 – Brasilseg | Balance sheet

R\$ thousand	Balance			Chg. %	
	Sep/18	Jun/19	Sep/19	On Sep/18	On Jun/19
Assets	14,134,198	14,571,435	14,985,959	6.0	2.8
Cash	31,106	53,857	13,779	(55.7)	(74.4)
Financial assets	6,600,311	6,082,711	7,019,167	6.3	15.4
Receivables from insurance and reinsurance operations	2,867,467	3,208,868	2,996,819	4.5	(6.6)
Reinsurance and retrocession - technical reserves	698,724	1,166,063	769,407	10.1	(34.0)
Securities and credits receivable	1,525,336	1,191,234	1,189,444	(22.0)	(0.2)
Other	949	1,495	1,697	78.8	13.5
Prepaid expenses	23,240	13,957	12,042	(48.2)	(13.7)
Deferred costs	1,696,750	2,096,869	2,214,108	30.5	5.6
Investments	456,138	366,273	366,273	(19.7)	0.0
Fixed assets	75,781	259,282	273,465	260.9	5.5
Intangible	158,396	130,826	129,759	(18.1)	(0.8)
Liabilities	11,711,686	12,461,462	12,770,018	9.0	2.5
Accounts payable	1,025,013	507,109	545,970	(46.7)	7.7
Obligations with insurance and reinsurance operations	1,352,036	1,462,841	1,728,655	27.9	18.2
Technical reserves - insurance	8,575,595	9,806,435	9,689,996	13.0	(12)
Third party deposits	30,442	14,167	132,581	335.5	835.8
Other liabilities	728,600	670,910	672,816	(7.7)	0.3
Shareholders' equity	2,422,512	2,109,973	2,215,941	(8.5)	5.0

Table 40 – Brasilseg | Receivables from insurance and reinsurance operations

R\$ thousand	Balance			Chg. %	
	Sep/18	Jun/19	Sep/19	On Sep/18	On Jun/19
Receivable premiums	2,408,105	2,753,113	2,653,755	10.2	(3.6)
Operations with insurance companies	91,315	13,059	5,347	(94.1)	(59.1)
Premiums	12,848	5,859	69	(99.5)	(98.8)
Claims paid	48,825	6,929	4,229	(91.3)	(39.0)
Other receivables	29,642	271	1,048	(96.5)	286.3
Operations with reinsurance companies	273,699	383,952	295,403	7.9	(23.1)
Claims paid	255,321	381,288	294,072	15.2	(22.9)
Other receivables	18,378	2,664	1,331	(92.8)	(50.0)
Other operating receivables	179,982	134,855	103,714	(42.4)	(23.1)
Impairment	(85,634)	(76,112)	(61,400)	(28.3)	(19.3)
Receivables from insurance and reinsurance operations	2,867,467	3,208,868	2,996,819	4.5	(6.6)

Table 41 – Brasilseg | Reinsurance and retrocession – technical reserves

R\$ thousand	Balance			Chg. %	
	Sep/18	Jun/19	Sep/19	On Sep/18	On Jun/19
Deferred premiums - PPNG	415,707	371,720	422,321	1.6	13.6
Deferred premiums - RVNE	25,369	26,218	26,056	2.7	(0.6)
IBNR claims	52,550	71,754	72,172	37.3	0.6
Pending claims	202,180	690,964	244,090	20.7	(64.7)
Provision for related expenses	2,919	5,408	4,767	63.3	(11.8)
Reinsurance and retrocession - technical reserves	698,724	1,166,063	769,407	10.1	(34.0)

Table 42 – Brasilseg | Securities and credit receivable

R\$ thousand	Balance			Chg. %	
	Sep/18	Jun/19	Sep/19	On Sep/18	On Jun/19
Securities and credits receivable	86,119	32,211	31,840	(63.0)	(12)
Other tax and social security receivables	137,210	132,951	128,312	(6.5)	(3.5)
Receivable tax and social security - tax loss	137,923	-	-	-	-
Receivable tax and social security - temporary adjustments	201,272	148,226	147,268	(26.8)	(0.6)
Tax and judicial deposits	934,902	862,073	859,554	(8.1)	(0.3)
Other receivables	28,320	21,026	27,723	(2.1)	31.8
Impairment	(411)	(5,253)	(5,253)	1,178.5	-
Securities and credits receivable	1,525,336	1,191,234	1,189,444	(22.0)	(0.2)

Table 43 – Brasilseg | Accounts payable

R\$ thousand	Balance			Chg. %	
	Sep/18	Jun/19	Sep/19	On Sep/18	On Jun/19
Payable liabilities	490,361	71,742	83,488	(83.0)	16.4
Deferred taxes	(0)	8,181	10,569	-	29.2
Social securities and taxes payable	14,788	28,804	29,258	97.9	1.6
Labor charges	18,125	17,507	19,261	6.3	10.0
Taxes and contributions	494,513	103,097	128,660	(74.0)	24.8
Other accounts payable	7,226	277,779	274,733	3,701.9	(11)
Accounts payable	1,025,013	507,109	545,970	(46.7)	7.7

Table 44 – Brasilseg | Obligations with insurance and reinsurance operations

R\$ thousand	Balance			Chg. %	
	Sep/18	Jun/19	Sep/19	On Sep/18	On Jun/19
Premiums to return	23,901	24,241	36,946	54.6	52.4
Operations with insurance companies	22,019	5,782	6,464	(70.6)	11.8
Operations with reinsurance companies	495,612	342,665	415,916	(16.1)	21.4
Insurance and reinsurance brokers	24,784	150,199	272,505	999.5	81.4
Other operating obligations	785,721	939,954	996,824	26.9	6.1
Obligations with insurance and reinsurance operations	1,352,036	1,462,841	1,728,655	27.9	18.2

■ SOLVENCY

Table 45 – Brasilseg | Solvency¹

R\$ thousand	Balance			Chg. %	
	Sep/18	Jun/19	Sep/19	On Sep/18	On Jun/19
MAPFRE Vida					
Adjusted shareholders' equity (a)	259,148	-	-	-	-
Minimum capital required (b)	169,899	-	-	-	-
Additional capital for underwriting risk	156,099	-	-	-	-
Additional capital for credit risk	18,256	-	-	-	-
Additional capital for operating risk	2,196	-	-	-	-
Additional capital for market risk	6,155	-	-	-	-
Benefit of correlation between risks	(12,807)	-	-	-	-
Capital adequacy (a) - (b)	89,249	-	-	-	-
Solvency ratio (a) / (b) - %	152.5	-	-	-	-
Brasilseg Companhia de Seguros²					
Adjusted shareholders' equity (a)	1,455,942	1,393,341	1,558,256	7.0	11.8
Minimum capital required (b)	837,824	1,045,007	1,087,182	29.8	4.0
Additional capital for underwriting risk	722,159	934,009	985,691	36.5	5.5
Additional capital for credit risk	128,595	128,858	116,506	(9.4)	(9.6)
Additional capital for operating risk	27,434	26,526	27,045	(14)	2.0
Additional capital for market risk	53,865	48,254	40,391	(25.0)	(16.3)
Benefit of correlation between risks	(94,229)	(92,640)	(82,451)	(12.5)	(11.0)
Capital adequacy (a) - (b)	618,118	348,334	471,074	(23.8)	35.2
Solvency ratio (a) / (b) - %	173.8	133.3	143.3	-30.4 p.p.	10.0 p.p.
Aliança do Brasil Seguros					
Adjusted shareholders' equity (a)	-	230,939	176,797	-	(23.4)
Minimum capital required (b)	-	96,799	92,193	-	(4.8)
Additional capital for underwriting risk	-	83,591	79,855	-	(4.5)
Additional capital for credit risk	-	14,515	13,307	-	(8.3)
Additional capital for market risk	-	3,059	2,821	-	(7.8)
Additional capital for operating risk	-	4,220	4,126	-	(2.2)
Benefit of correlation between risks	-	(8,586)	(7,916)	-	(7.8)
Capital adequacy (a) - (b)	-	134,140	84,604	-	(36.9)
Solvency ratio (a) / (b) - %	-	238.6	191.8	-	-46.8 p.p.
Total Brasilseg					
Adjusted shareholders' equity (a)	1,715,090	1,624,280	1,735,053	1.2	6.8
Minimum capital required (b)	1,007,723	1,141,806	1,179,375	17.0	3.3
Additional capital for underwriting risk	878,258	1,017,600	1,065,546	213	4.7
Additional capital for credit risk	146,851	143,373	129,813	(116)	(9.5)
Additional capital for operating risk	29,630	30,746	31,171	5.2	14
Additional capital for market risk	60,020	51,313	43,212	(28.0)	(15.8)
Benefit of correlation between risks	(107,036)	(101,226)	(90,367)	(15.6)	(10.7)
Capital adequacy (a) - (b)	707,367	482,474	555,678	(21.4)	15.2
Solvency ratio (a) / (b) - %	170.2	142.3	147.1	-23.1 p.p.	4.9 p.p.

¹ Information based on the accounting principles of SUSEP (SUSEP GAAP).

² New commercial name adopted by BB MAPFRE SH1 after the restructuring of the partnership with MAPFRE.

4.2 BRASILPREV

■ EARNINGS ANALYSIS

Table 46 – Brasilprev | Income statement

R\$ thousand	Quarterly Flow			Chg. %		9 Months Flow		Chg. %
	3Q 18	2Q 19	3Q 19	On 3Q 18	On 2Q 19	9M 18	9M 19	On 9M 18
Total revenue from pension and insurance	8,536,350	10,713,784	12,324,010	44.4	15.0	24,048,519	31,141,154	29.5
Provision for benefits to be granted	(8,486,058)	(10,707,895)	(12,318,439)	45.2	15.0	(23,888,551)	(31,124,479)	30.3
Net revenue from pension and insurance	50,292	5,888	5,572	(88.9)	(5.4)	159,968	16,676	(89.6)
Management fee	672,108	690,752	741,145	10.3	7.3	1,957,826	2,103,245	7.4
Changes in other technical reserves	(20,446)	(35,426)	(53,296)	160.7	50.4	(44,900)	(110,894)	147.0
Expenses with benefits, redemptions and claims	3,767	2,505	43,376	10514	16315	(11,427)	47,311	-
Acquisition costs	(163,816)	(164,459)	(167,907)	2.5	2.1	(483,739)	(498,571)	3.1
Earned premiums	47,307	46,996	46,792	(1.1)	(0.4)	142,663	139,973	(1.9)
Administrative expenses	(95,543)	(94,179)	(104,182)	9.0	10.6	(281,173)	(302,810)	7.7
Tax expenses	(51,340)	(52,141)	(55,550)	8.2	6.5	(150,694)	(157,540)	4.5
Other operating income (expenses)	(13,507)	(11,924)	(22,050)	63.2	84.9	(38,587)	(51,059)	32.3
Gains or losses on non-current assets	(83)	(460)	0	-	-	(115)	(470)	309.1
Non-interest operating result	428,739	387,553	433,900	1.2	12.0	1,249,821	1,185,860	(5.1)
Net investment income	17,918	77,722	59,944	234.5	(22.9)	191,669	412,265	115.1
Financial income	3,953,493	6,578,523	4,799,867	214	(27.0)	9,415,021	16,127,823	71.3
Financial expenses	(3,935,575)	(6,500,801)	(4,739,923)	20.4	(27.1)	(9,223,352)	(15,715,558)	70.4
Earnings before taxes and profit sharing	446,657	465,275	493,844	10.6	6.1	1,441,490	1,598,125	10.9
Taxes	(191,897)	(183,008)	(159,336)	(17.0)	(12.9)	(619,714)	(595,670)	(3.9)
Profit sharing	(2,970)	(2,754)	(3,035)	2.2	10.2	(9,111)	(9,398)	3.2
Net income	251,790	279,513	331,473	31.6	18.6	812,665	993,057	22.2

NET INCOME

Figura 51 – Brasilprev | Adjusted net income and ROAA

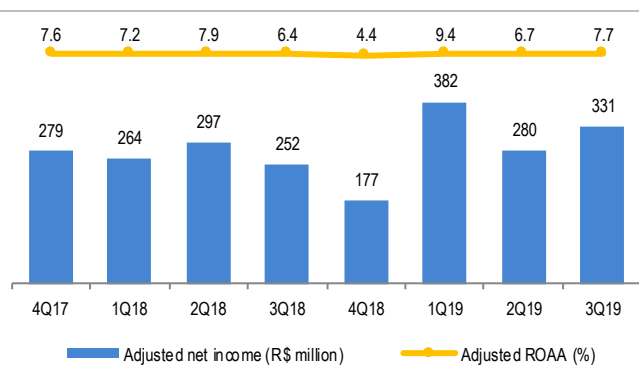
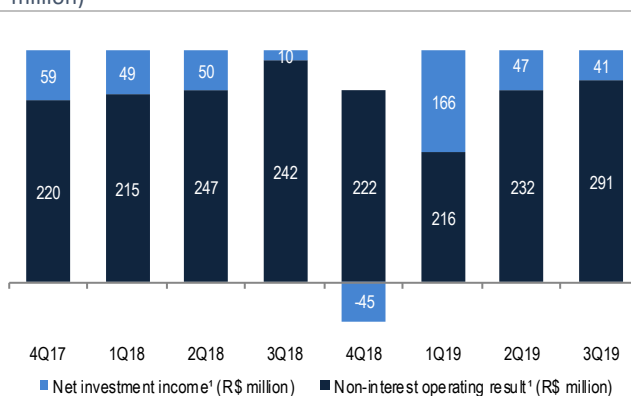


Figura 52 – Brasilprev | Adjusted net income breakdown (R\$ million)



¹ Net of taxes considering the effective tax rate

Tabela 47 – Brasilprev | Performance ratios

%	Quarterly Flow			Chg. (p.p.)		9 Months Flow		Chg. (p.p.)
	3Q18	2Q19	3Q19	On 3Q18	On 2Q19	9M18	9M19	On 9M18
Commission ratio	19	15	14	(0.6)	(0.2)	2.0	1.6	(0.4)
Load fee	0.6	0.1	0.0	(0.5)	(0.0)	0.7	0.1	(0.6)
Management fee	108	105	102	(0.06)	(0.03)	109	105	(0.04)
Redemption ratio	7.7	7.1	6.8	(0.9)	(0.3)	7.9	7.0	(0.9)
Cost to income ratio	44.3	47.8	45.3	1.0	(2.5)	44.7	47.5	2.8
Income tax rate	43.0	39.3	32.3	(10.7)	(7.1)	43.0	37.3	(5.7)
Adjusted ROAA	6.4	6.7	7.7	1.3	1.0	7.0	7.9	0.9

■ RESULT WITH PENSION PLANS AND INSURANCE ANALYSIS

CONTRIBUTIONS

Figure 53 – Brasilprev | Contributions (R\$ million)

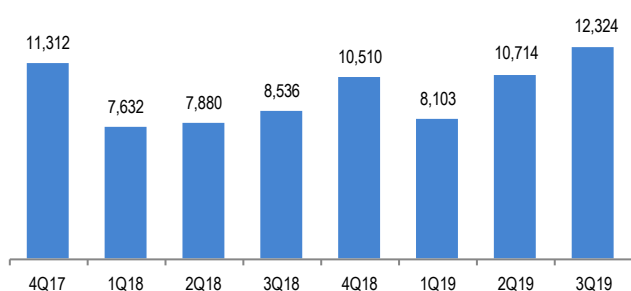
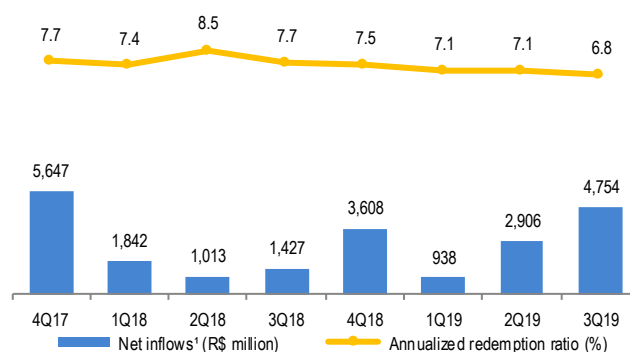


Figure 54 – Brasilprev | Net inflows and redemption ratio



¹Source: Quantum Axis

QUARTERLY ANALYSIS

In the 3Q19, pension contributions grew 44.4% YoY, as a result of the 9.5% expansion in outstanding pension plans and the higher average contribution from both sporadic and periodic plans.

Net inflows rose 233.1% YoY, propelled by the increase in contributions and the reduction in the annualized redemption ratio, down 0.9 p.p., which measures the redemption flow as a percentage of the average balance of assets under management of VGBL and PGBL plans, reaching the lowest level of the historical data.

YEAR-TO-DATE ANALYSIS

Year-to-date, pension contributions rose 29.5%, as a result of the increase in both the average contribution and in the number of pension plans outstanding.

Net inflows grew 100.8%, boosted by both the increase in contributions and the 0.9 p.p. decline in the redemption ratio.

Figure 55 – Brasilprev | Contributions breakdown (%)

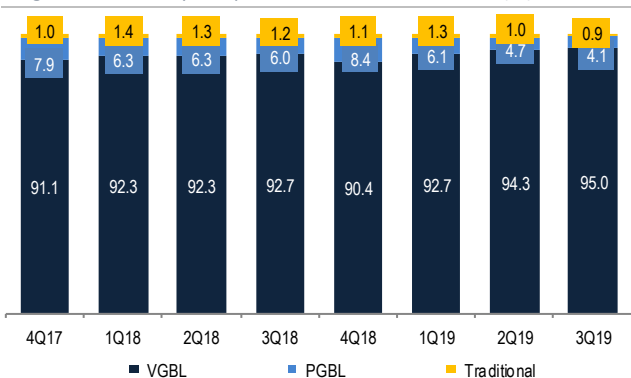
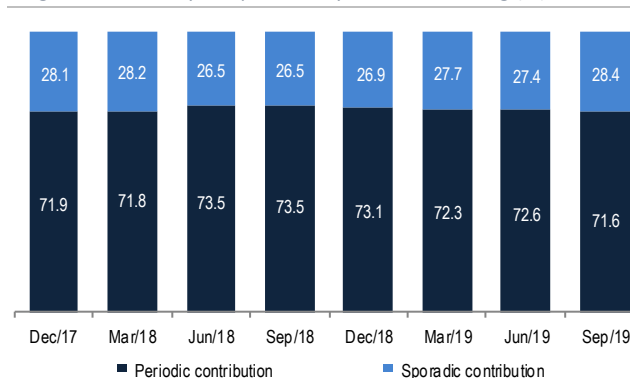


Figure 56 – Brasilprev | Pension plans outstanding (%)



TECHNICAL RESERVES

By the end of September 2019, the volume of technical reserves reached R\$282.3 billion, up 13.8% YoY. The balance of PGBL and VGBL reserves grew 14.1% YoY to R\$271.7 billion, which can be attributed to the increase in the net inflows and to the higher returns on the investment funds where the pension plans reserves are invested.

Figure 57 – Brasilprev | Technical reserves (R\$ billion)

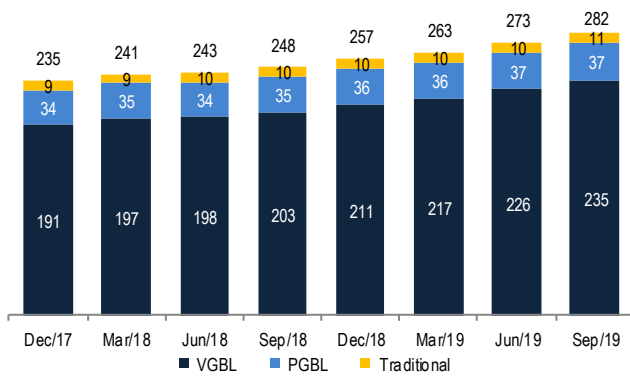


Figure 58 – Brasilprev | Technical reserves (%)

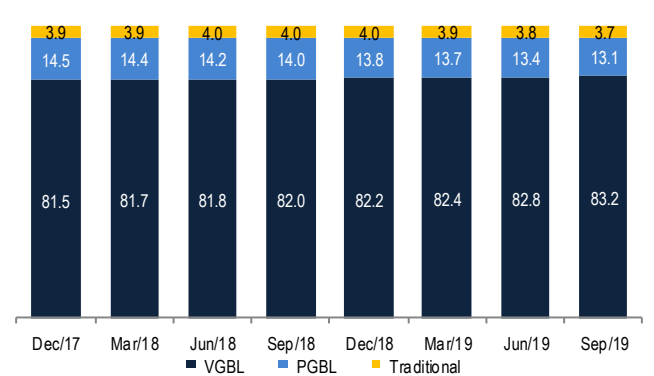


Figure 59 – Brasilprev | Active plans¹ (thousand)

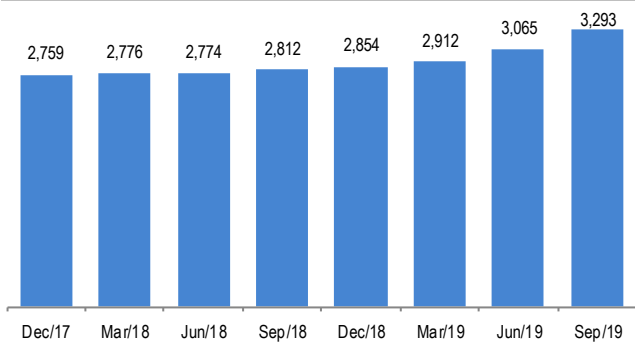
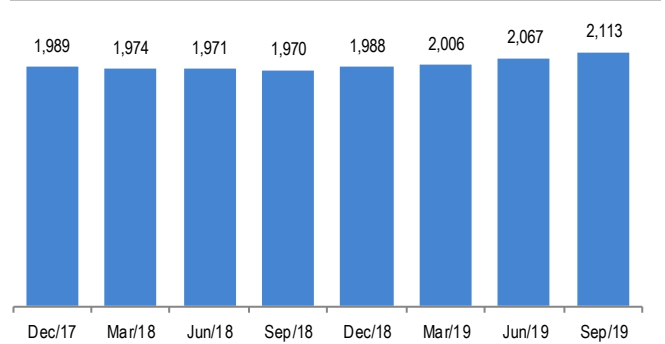


Figure 60 – Brasilprev | CPFs (thousand)



¹In the 4Q17 the database of active plans was revised and pension plans previously considered active but with an outstanding balance close to zero were excluded. Therefore, the 2016 and 2017 historical series were revised to provide better comparables.

Table 48 – Brasilprev | Changes in technical reserves and provisions for insurance and pension plans

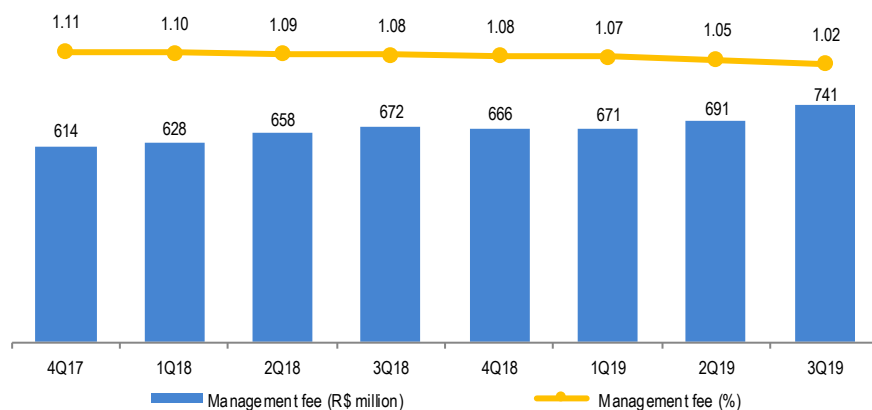
R\$ thousand	Balance			Chg. %	
	Sep/18	Jun/19	Sep/19	On Sep/18	On Jun/19
Benefits to be granted					
Initial balance	238,545,292	258,288,049	268,124,811	12.4	3.8
Constitution	1,766,712	3,855,953	5,113,449	189.4	32.6
Reversal	(427,094)	(394,044)	(400,367)	(6.3)	16
Restatement	3,808,550	6,374,854	4,672,600	22.7	(26.7)
Final balance	243,693,459	268,124,811	277,510,493	13.9	3.5
Benefits granted					
Initial balance	2,737,270	3,085,837	3,224,069	17.8	4.5
Constitution	261,448	280,837	198,445	(24.1)	(29.3)
Reversal	(218,177)	(258,286)	(207,355)	(5.0)	(19.7)
Restatement	111,474	115,681	68,300	(38.7)	(41.0)
Final balance	2,892,016	3,224,069	3,283,458	13.5	1.8
Other provisions					
Initial balance	1,253,965	1,409,026	1,310,722	4.5	(7.0)
Constitution	205,827	109,632	207,342	0.7	89.1
Reversal	(45,359)	(226,614)	(70,189)	54.7	(69.0)
Restatement	19,465	18,677	11,520	(40.8)	(38.3)
Final balance	1,433,899	1,310,722	1,459,395	1.8	11.3
Total Provisions	248,019,374	272,659,601	282,253,346	13.8	3.5

Table 49 – Brasilprev | Changes in technical reserves and provisions for insurance and pension plans by product

R\$ thousand	Balance			Chg. %	
	Sep/18	Jun/19	Sep/19	On Sep/18	On Jun/19
P VGBL Reserves					
Initial balance	232,870,530	252,552,097	262,168,493	12.6	3.8
Constitution	2,122,727	4,122,232	5,412,644	155.0	31.3
Reversal	(477,546)	(625,776)	(437,342)	(8.4)	(30.1)
Restatement	3,536,472	6,119,940	4,540,769	28.4	(25.8)
Final balance	238,052,183	262,168,493	271,684,564	14.1	3.6
Traditional Reserves					
Initial balance	9,665,997	10,230,815	10,491,108	8.5	2.5
Constitution	111,260	124,190	106,592	(4.2)	(14.2)
Reversal	(213,084)	(253,169)	(240,569)	12.9	(5.0)
Restatement	403,017	389,272	211,651	(47.5)	(45.6)
Final balance	9,967,190	10,491,108	10,568,782	6.0	0.7
Total Provisions	248,019,373	272,659,601	282,253,346	13.8	3.5

MANAGEMENT FEE

Figure 61 – Brasilprev | Management fee



QUARTERLY ANALYSIS

In the 3Q19, revenues with management fee were up 10.3% YoY, propelled by the 13.0% expansion in the average volume of reserves and by more working days. On the other hand, the annualized average management fee decreased 0.06 p.p. explained by the introduction of a ceiling on the management fee paid on VGBL and PGBL plans.

YEAR-TO-DATE ANALYSIS

Revenues with management fee were up 7.4% year-to-date, as a result of the increase of 11.0% in the average volume of reserves and more working days, partially offset by the 0.04 p.p. reduction in the annualized average management fee.

Table 50 – Brasilprev | Management fee breakdown^{1,2}

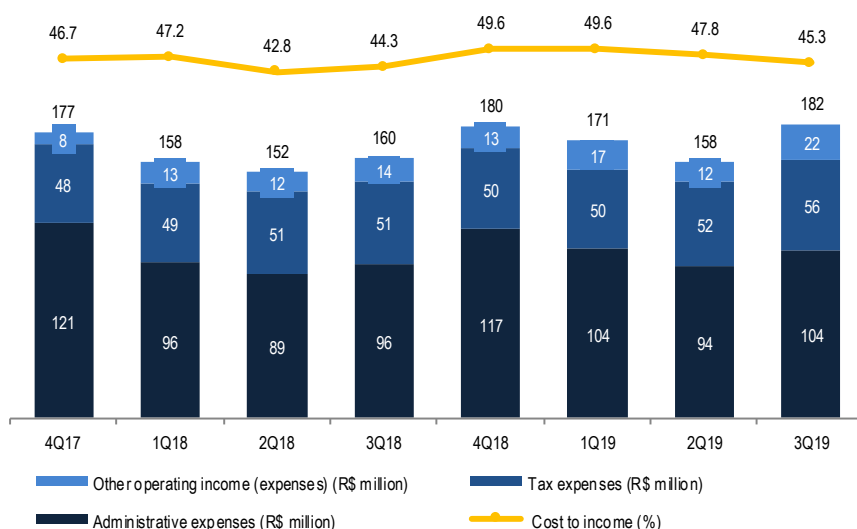
R\$ thousand	Quarterly Flow			Chg. %		9 Months Flow		Chg. %
	3 Q 18	2 Q 19	3 Q 19	On 3 Q 18	On 2 Q 19	9 M 18	9 M 19	On 9 M 18
Management fee	672,108	690,752	741,145	10.3	7.3	1,957,826	2,103,245	7.4
Average volume of reserves	245,559,327	267,263,694	277,477,335	13.0	3.8	241,793,309	268,369,598	11.0
Working days	64	62	66	2 w.d.	4 w.d.	188	189	1w.d.
Annualized average management fee (%)	1.08	1.05	1.02	(0.06) p.p.	(0.03) p.p.	1.09	1.05	(0.04) p.p.

¹Management fee annualized considering the total of 252 working days.

²Working days calculated based on the holidays table provided by ANBIMA.

GENERAL & ADMINISTRATIVE EXPENSES

Figure 622 – Brasilprev | G&A expenses and cost to income ratio



QUARTERLY ANALYSIS

In the 3Q19, G&A expenses increased 13.3% YoY, driven mainly by:

- (i) the increase in expenses with outsourcing, mainly justified by the renewal of software licenses, by the increase in variable expenses related to the expansion of assets under management, and by the growth in the number of people working in the call center;
- (ii) the higher expenses recorded as other operating income (expenses), mostly explained by the increase in provisions for losses related to plans with risk coverage contributions; and
- (iii) higher marketing expenses.

These effects were partially offset by lower expenses with personnel and with location and operation.

YEAR-TO-DATE ANALYSIS

In the 9M19, G&A expenses increased 8.7%, driven mainly by:

- (i) the increase in expenses with outsourcing, boosted by variable expenses related to the expansion of assets under management, by higher expenses with digital transformation projects, by the purchase of a marketing tool annual license for communication with customers, and by the growth in the number of people working in the call center;
- (ii) the higher expenses recorded as other operating income (expenses), mostly explained by the increase in provisions for losses related to plans with risk coverage contributions;
- (iii) the increase in expenses with marketing and with sponsorship with tax benefits; and
- (iv) the growth of expenses with location and operation, as a result of the development of new systems and the acquisition of new IT hardware and software.

These effects were partially offset by lower expenses with sales incentive (endomarketing).

Table 51 – Brasilprev | G&A expenses

R\$ thousand	Quarterly Flow			Chg. %		9 Months Flow		Chg. %
	3Q 18	2Q 19	3Q 19	On 3Q 18	On 2Q 19	9M 18	9M 19	On 9M 18
Administrative expenses	(95,543)	(94,179)	(104,182)	9.0	10.6	(281,173)	(302,810)	7.7
Personnel	(33,638)	(30,743)	(31,959)	(5.0)	4.0	(99,740)	(99,401)	(0.3)
Outsourcing	(44,020)	(43,483)	(50,997)	15.8	17.3	(128,861)	(140,103)	8.7
Location and operation	(15,826)	(14,298)	(15,135)	(4.4)	5.9	(40,731)	(43,840)	7.6
Marketing	(2,249)	(4,484)	(4,789)	112.9	6.8	(11,373)	(16,118)	41.7
Other	190	(1,171)	(1,302)	-	11.2	(468)	(3,348)	615.4
Other operating income (expenses)	(13,507)	(11,924)	(22,050)	63.2	84.9	(38,587)	(51,059)	32.3
Expenses on sales incentive	(7,126)	(3,017)	(6,734)	(5.5)	123.2	(23,230)	(19,616)	(15.6)
Charging expenses	(3,701)	(3,862)	(3,983)	7.6	3.1	(11,214)	(11,569)	3.2
Contingencies	(829)	843	(893)	7.7	-	892	269	(69.8)
Provision for loan losses	208	(2,172)	(4,505)	-	107.4	(111)	(7,390)	6,545.7
Other operating income (expenses)	(2,059)	(3,716)	(5,935)	188.2	59.7	(4,924)	(12,753)	159.0
Tax expenses	(51,340)	(52,141)	(55,550)	8.2	6.5	(150,694)	(157,540)	4.5
Federal and municipal taxes	(13,743)	(14,062)	(15,120)	10.0	7.5	(40,118)	(42,914)	7.0
COFINS	(31,710)	(31,622)	(33,615)	6.0	6.3	(92,290)	(95,782)	3.8
PIS/PASEP	(5,153)	(5,139)	(5,462)	6.0	6.3	(14,997)	(15,565)	3.8
Inspection fee	(1,084)	(1,084)	(1,084)	-	-	(3,252)	(3,252)	-
Other tax expenses	350	(234)	(269)	-	15.0	(37)	(27)	(27.0)
General and administrative expenses	(160,390)	(158,244)	(181,782)	13.3	14.9	(470,454)	(511,409)	8.7

Table 52 – Brasilprev | Cost to income ratio

R\$ thousand	Quarterly Flow			Chg. %		9 Months Flow		Chg. %
	3Q 18	2Q 19	3Q 19	On 3Q 18	On 2Q 19	9M 18	9M 19	On 9M 18
Revenues - [a]	769,707	743,637	793,508	3.1	6.7	2,260,457	2,259,893	(0.0)
Net revenue from pension and insurance	50,292	5,888	5,572	(88.9)	(5.4)	159,968	16,676	(89.6)
Management fee	672,108	690,752	741,145	10.3	7.3	1,957,826	2,103,245	7.4
Earned premiums	47,307	46,996	46,792	(1)	(0.4)	142,663	139,973	(1.9)
Expenses - [b]	340,886	355,624	359,609	5.5	1.1	1,010,520	1,073,564	6.2
Changes in other technical reserves	20,446	35,426	53,296	160.7	50.4	44,900	110,894	147.0
Expenses with benefits, redemptions and claims	(3,767)	(2,505)	(43,376)	1,051.4	1,631.5	11,427	(47,311)	-
Acquisition costs	163,816	164,459	167,907	2.5	2.1	483,739	498,571	3.1
Administrative expenses	95,543	94,179	104,182	9.0	10.6	281,173	302,810	7.7
Tax expenses	51,340	52,141	55,550	8.2	6.5	150,694	157,540	4.5
Other operating income (expenses)	13,507	11,924	22,050	63.2	84.9	38,587	51,059	32.3
Cost to income ratio (%) - [b / a]	44.3	47.8	45.3	1.0 p.p.	(2.5) p.p.	44.7	47.5	2.8 p.p.

■ NET INVESTMENT INCOME

Figure 63 – Brasilprev | Net investment income (R\$ million)

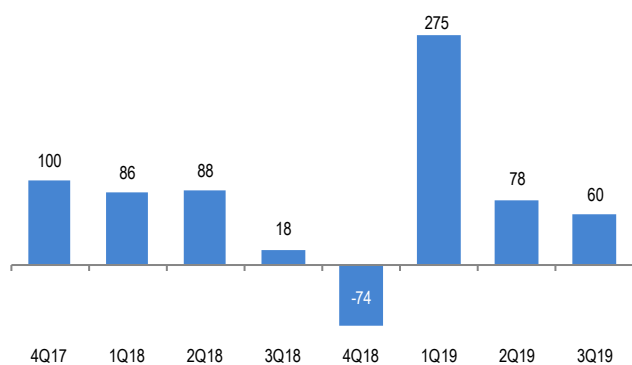


Figure 64 – Brasilprev | Inflation rates (%)

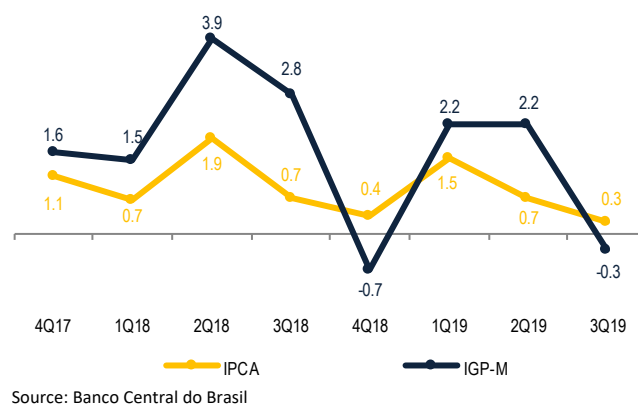


Table 53 – Brasilprev | Financial income and expenses

R\$ thousand	Quarterly Flow			Chg. %		9 Months Flow		Chg. %
	3Q 18	2Q 19	3Q 19	On 3Q 18	On 2Q 19	9M 18	9M 19	On 9M 18
Adjusted interest revenues	436,352	480,505	270,327	(38.0)	(43.7)	1,221,863	1,173,453	(4.0)
Revenues with mark to market financial investments	10,938	71,591	(41,229)	-	-	46,395	70,908	52.8
Revenues with held to maturity financial investments	425,414	408,913	311,556	(26.8)	(23.8)	1,175,468	1,102,545	(6.2)
Adjusted interest expenses	(418,434)	(402,783)	(210,382)	(49.7)	(47.8)	(1,030,194)	(761,188)	(26.1)
Interest accrual on technical reserves	(418,434)	(402,783)	(210,382)	(49.7)	(47.8)	(1,030,194)	(761,188)	(26.1)
Net investment income	17,918	77,722	59,944	234.5	(22.9)	191,669	412,265	115.1

QUARTERLY ANALYSIS

In the 3Q19, the net interest margin improved 1.1 p.p. and led the net investment income to grow 234.6% YoY.

Adjusted interest revenues decreased 38.0% YoY, impacted by the 6.3 p.p. reduction in the average yield, given the lower inflation posted by the IPCA and IGP-M, which are the indexes that compose the remuneration of great part of securities classified as held to maturity. On the other hand, the reduction in the adjusted interest revenues were partially offset by the 9.4% increase in the average balance of financial investments.

Adjusted interest expenses fell 49.7% YoY, driven mostly by the 7.4 p.p. decline in the average yield on the interest bearing liabilities related to the technical reserves of the traditional plans (defined benefit), helped by the reduction in the cumulated IGP-M inflation between June 2019 and August 2019, as compared to the equivalent period a year ago. On the other hand, the lower yield was partially offset by the 7.6% increase in the average balance of interest bearing liabilities.

YEAR-TO-DATE ANALYSIS

Net investment income increased 115.1% year-to-date, as a result of the expansion of 2.2 p.p. in the net interest margin between the earning assets and the interest bearing liabilities of the company. Such increase in the net interest margin can be primarily explained by the reduction in the average yield on interest bearing liabilities related to the traditional plans (defined benefit), as a result of the lower IGP-M accumulated between December 2018 and August 2019 as compared to the cumulated inflation between December 2017 and August 2018, since the index used to calculate the cost of the liabilities has a one-month lag on average.

Table 54 – Brasilprev | Quarterly figures - Volume and rate analysis

R\$ thousand	3Q 19/3Q 18		
	Average volume	Average rate	Net change
Earning assets			
Mark to market financial investments	(10,151)	(42,016)	(52,167)
Held to maturity financial investments	13,522	(127,380)	(113,859)
Total¹	23,282	(189,308)	(166,026)
Interest bearing liabilities			
Technical reserves	(14,843)	222,896	208,052
Total	(14,843)	222,896	208,052

¹ Calculated with the same methodology of the parts. Due to the different weights of the elements which compose it, the total does not reflect the sum of the parts.

Table 55 – Brasilprev | Quarterly figures - Earning assets - average balance and interest rates¹

R\$ million	3Q 18			3Q 19		
	Average balance	Interest revenues	Annualized rate (%)	Average balance	Interest revenues	Annualized rate (%)
Earning assets						
Mark to market financial investments	2,298	11	1.9	3,048	(41)	(5.1)
Held to maturity financial investments	10,925	425	16.2	11,420	312	10.8
Total	13,222	436	13.6	14,468	270	7.3

¹Guaranteeing assets and free assets of Traditional plans and guaranteeing assets of the P/VGBL plans in the granting stage.

Table 56 – Brasilprev | Quarterly figures - Interest bearing liabilities - average balance and interest rates¹

R\$ million	3Q 18			3Q 19		
	Average balance	Interest expenses	Annualized rate (%)	Average balance	Interest expenses	Annualized rate (%)
Interest bearing liabilities						
Technical reserves	11,213	(418)	13.9	12,065	(210)	6.5
Total	11,213	(418)	13.9	12,065	(210)	6.5

¹ Technical reserves of Traditional and P/VGBL plans in the granting stage.

Table 57 – Brasilprev | Year-to-date figures - Volume and rate analysis

R\$ thousand	9M 19/9M 18		
	Average volume	Average rate	Net change
Earning assets			
Mark to market financial investments	17,130	7,382	24,512
Held to maturity financial investments	50,367	(123,290)	(72,923)
Total¹	101,325	(149,736)	(48,411)
Interest bearing liabilities			
Technical reserves	(54,921)	323,927	269,006
Total	(54,921)	323,927	269,006

¹ Calculated with the same methodology of the parts. Due to the different weights of the elements which compose it, the total does not reflect the sum of the parts.

Table 58 – Brasilprev | Year-to-date figures - Earning assets - average balance and interest rates¹

R\$ million	9M 18			9M 19		
	Average balance	Interest revenues	Annualized rate (%)	Average balance	Interest revenues	Annualized rate (%)
Earning assets						
Mark to market financial investments	2,233	46	2.8	2,944	71	3.2
Held to maturity financial investments	10,726	1,175	15.0	11,240	1,103	13.3
Total	12,959	1,222	12.8	14,184	1,173	11.2

¹ Guaranteeing assets and free assets of Traditional plans and guaranteeing assets of the P/VGBL plans in the granting stage.

Table 59 – Brasilprev | Year-to-date figures - Interest bearing liabilities - average balance and interest rates¹

R\$ million	9M 18			9M 19		
	Average balance	Interest expenses	Annualized rate (%)	Average balance	Interest expenses	Annualized rate (%)
Interest bearing liabilities						
Technical reserves	10,976	(1,030)	12.4	11,829	(761)	8.5
Total	10,976	(1,030)	12.4	11,829	(761)	8.5

¹ Technical reserves of Traditional and P/VGBL plans in the granting stage.

Table 60 – Brasilprev | Financial investments portfolio breakdown (except PGBL and VGBL funds)

R\$ thousand	Balance			Chg. %	
	Sep/18	Jun/19	Sep/19	On Sep/18	On Jun/19
Held to maturity securities	10,994,675	11,456,480	11,384,341	3.5	(0.6)
Pre-fixed	77,484	81,368	81,044	4.6	(0.4)
Inflation	10,917,191	11,375,112	11,303,327	3.5	(0.6)
Mark to market securities	2,617,109	2,752,224	3,343,872	27.8	21.5
Pre-fixed	176,176	166,063	395,784	124.7	138.3
Floating	1,818,066	1,352,880	1,635,676	(10.0)	20.9
Inflation	622,867	1,233,282	1,312,412	110.7	6.4
Total	13,611,784	14,208,704	14,728,213	8.2	3.7

Figure 65 – Brasilprev | Financial investments breakdown by index - except PGBL and VGBL funds (%)

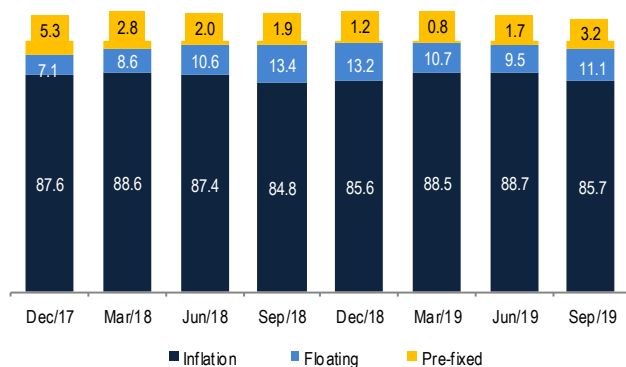
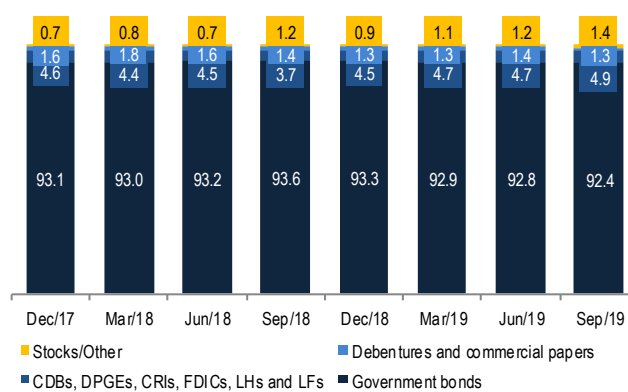


Figure 66 – Brasilprev | Assets allocation (%)



■ BALANCE SHEET ANALYSIS

Table 61 – Brasilprev | Balance sheet

R\$ thousand	Balance			Chg. %	
	Sep/18	Jun/19	Sep/19	On Sep/18	On Jun/19
Assets	252,606,794	277,543,502	287,459,211	13.8	3.6
Cash and cash equivalents	6,936	8,204	11,843	70.7	44.3
Financial assets	250,161,626	274,949,624	284,771,005	13.8	3.6
Receivables from insurance and reinsurance operations	3,161	5,233	6,324	100.1	20.9
Securities and credits receivable	972,648	1,129,093	1,169,352	20.2	3.6
Prepaid expenses	14,024	4,695	4,765	(66.0)	15
Deferred costs	1,214,176	1,210,176	1,261,505	3.9	4.2
Credits from private pension transactions	456	1,893	224	(50.9)	(88.2)
Investments	75	75	83	9.7	9.7
Fixed assets	28,482	26,387	25,824	(9.3)	(2.1)
Intangible	205,210	208,122	208,287	15	0.1
Liabilities	249,754,067	274,508,219	284,278,755	13.8	3.6
Accounts payable	524,525	543,184	594,980	13.4	9.5
Obligations with insurance and reinsurance operations	4,973	6,652	13,483	171.1	102.7
Debts from private pension transactions	894	993	994	112	0.1
Third party deposits	196,890	196,898	289,350	47.0	47.0
Technical reserves - insurance	203,417,053	225,628,616	234,823,036	15.4	4.1
Technical reserves - private pension	44,602,321	47,030,985	47,430,309	6.3	0.8
Other liabilities	1,007,411	1,100,891	1,126,602	11.8	2.3
Shareholders' equity	2,852,727	3,035,283	3,180,455	11.5	4.8

■ SOLVENCY

Table 62 – Brasilprev | Solvency¹

R\$ thousand	Balance			Chg. %	
	Sep/18	Jun/19	Sep/19	On Sep/18	On Jun/19
Adjusted shareholder's equity (a)	3,736,913	3,617,545	3,736,889	(0.0)	3.3
Minimum capital requirement (b)	1,900,243	2,209,413	2,238,399	17.8	1.3
Additional capital for underwriting risk	1,371,713	1,440,357	1,459,493	6.4	1.3
Additional capital for credit risk	144,785	91,201	99,670	(31.2)	9.3
Additional capital for market risk	589,787	994,614	994,752	68.7	0.0
Additional capital for operating risk	198,415	218,127	225,803	13.8	3.5
Correlation risk reduction	(404,457)	(534,886)	(541,319)	33.8	12
Capital adequacy (a) - (b)	1,836,670	1,408,132	1,498,490	(18.4)	6.4
Solvency ratio (a) / (b) - %	196.7	163.7	166.9	-29.7 p.p.	3.2 p.p.

¹Information based on the accounting principles adopted by SUSEP.

4.3 BRASILCAP

■ EARNINGS ANALYSIS

The table below shows a managerial view built from the reallocation of expenses relates to the formation of lottery and bonus provisions. This reallocation aims to isolate and present the revenue with load fee, which is the source used to cover general & administrative expenses and acquisition costs.

Table 63 – Brasilcap | Managerial income statement

R \$ thousand	Quarterly Flow			Chg. %		9 Months Flow		Chg. %
	3Q18	2Q19	3Q19	On 3Q18	On 2Q19	9M18	9M19	On 9M18
Premium bonds collection	1,125,598	1,365,910	1,221,432	8.5	(10.6)	3,426,874	3,809,718	11.2
Changes in provisions for redemption	(986,739)	(1,196,300)	(1,073,419)	8.8	(10.3)	(2,981,587)	(3,320,680)	11.4
Changes in provisions for lottery and bonus	(28,725)	(23,271)	(22,068)	(23.2)	(5.2)	(85,802)	(68,045)	(20.7)
Revenue with load fee	110,134	146,339	125,945	14.4	(13.9)	359,485	420,994	17.1
Changes in other technical reserves	(5,818)	(4,264)	(3,507)	(39.7)	(17.8)	(7,669)	(13,265)	73.0
Result with lottery	8,213	(123)	2,837	(65.5)	-	33,817	12,483	(63.1)
Acquisition costs	(86,983)	(125,909)	(109,883)	26.3	(12.7)	(280,847)	(348,828)	24.2
Administrative expenses	(20,358)	(19,589)	(18,216)	(10.5)	(7.0)	(58,819)	(58,467)	(0.6)
Tax expenses	(6,132)	(7,515)	(6,887)	12.3	(8.4)	(20,684)	(22,498)	8.8
Other operating income (expenses)	1,005	1,929	2,999	198.4	55.5	2,551	5,850	129.3
Equity income	(13)	20	(5)	(63.3)	-	(53)	(16)	(69.2)
Non-interest operating result	49	(9,112)	(6,714)	-	(26.3)	27,782	(3,722)	-
Net investment income	52,702	48,588	54,862	4.1	12.9	128,068	146,763	14.6
Financial income	229,888	212,061	272,760	18.6	28.6	684,942	728,813	6.4
Financial expenses	(177,186)	(163,474)	(217,897)	23.0	33.3	(556,874)	(582,050)	4.5
Equity income	(13)	20	(5)	(63.3)	-	(53)	(16)	(69.2)
Gains or losses on non-current assets	-	-	3	-	-	-	26	-
Earnings before taxes and profit sharing	52,751	39,476	48,150	(8.7)	22.0	155,850	143,041	(8.2)
Taxes	(24,128)	(15,255)	(18,627)	(22.8)	22.1	(76,797)	(55,969)	(27.1)
Profit sharing	(1,290)	(1,275)	(1,528)	18.5	19.8	(3,790)	(4,014)	5.9
Net income	27,333	22,943	27,995	2.4	22.0	75,263	83,058	10.4

NET INCOME

Figure 67 – Brasilcap | Net income and ROAA

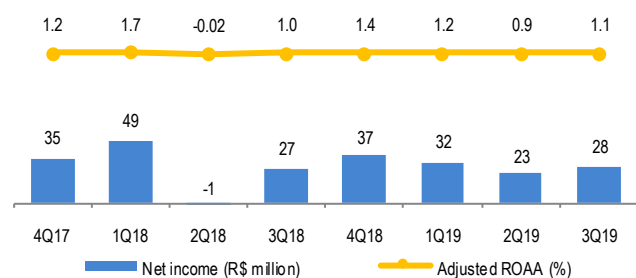
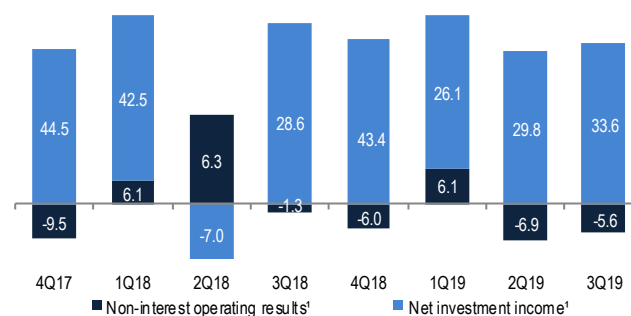


Figure 68 – Brasilcap | Net income composition (R\$ million)



1. Net of taxes considering the effective tax rate.

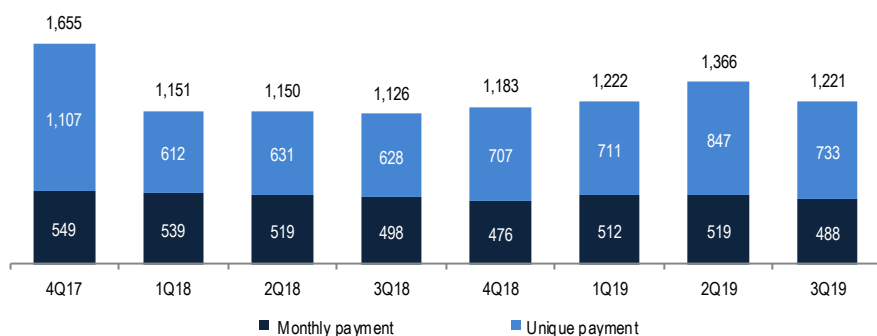
Table 64 – Brasilcap | Performance ratios

%	Quarterly Flow			Chg. (p.p.)		9 Months Flow		Chg. (p.p.)
	3 Q 18	2 Q 19	3 Q 19	On 3 Q 18	On 2 Q 19	9 M 18	9 M 19	On 9 M 18
Average quotes								
Reserve quote	87.7	87.6	87.9	0.2	0.3	87.0	87.2	0.2
Lottery quote	2.5	1.7	1.8	(0.7)	0.1	2.4	1.7	(0.7)
Bonus quote	0.1	0.0	0.0	(0.0)	(0.0)	0.1	0.0	(0.0)
Load fee quote	9.8	10.7	10.3	0.5	(0.4)	10.5	11.1	0.6
Load fee consumption								
Commission ratio	79.0	86.0	87.2	8.3	1.2	78.1	82.9	4.7
G&A ratio	23.1	17.2	17.6	(5.6)	0.3	21.4	17.8	(3.6)
Financial								
Net interest margin (p.p.)	3.5	3.5	3.6	0.0	0.1	2.8	3.2	0.4
Other								
Premium bonds margin	0.0	(5.4)	(4.5)	(4.6)	0.8	6.2	(0.8)	(7.0)
Income tax rate	45.7	38.6	38.7	(7.1)	0.0	49.3	39.1	(10.1)
Adjusted ROAA	1.0	0.9	1.1	0.1	0.2	0.9	1.1	0.2

■ NON-INTEREST OPERATING RESULT ANALYSIS

PREMIUM BONDS COLLECTION

Figure 69 – Brasilcap | Collection (R\$ million)



QUARTERLY ANALYSIS

In the 3Q19, premium bonds collection grew 8.5% YoY, as a result of the 30.9% increase in the average collection from unique payment bonds.

YEAR-TO-DATE ANALYSIS

Premium bonds collection increased 11.2% in the 9M19, as a result of the 22.2% increase in the average collection from unique payment bonds.

Figure 70 – Brasilcap | Collections by product (%)

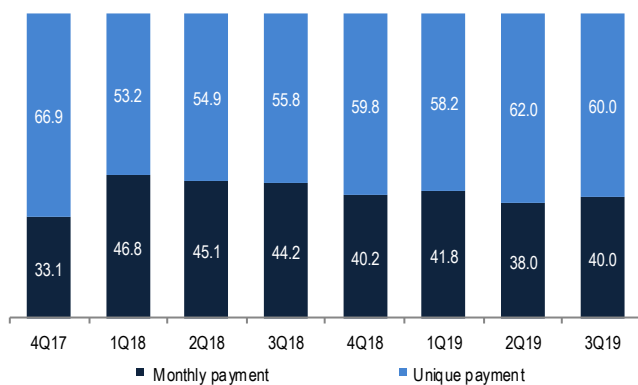
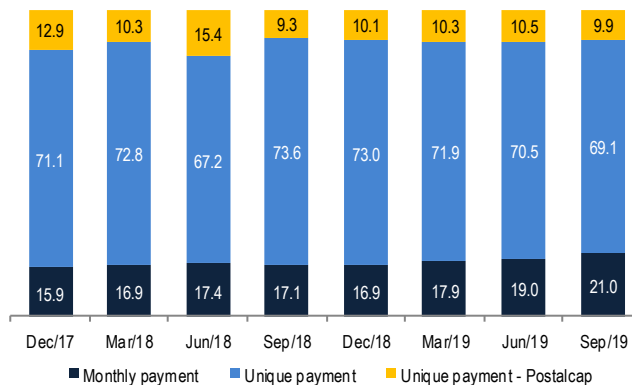
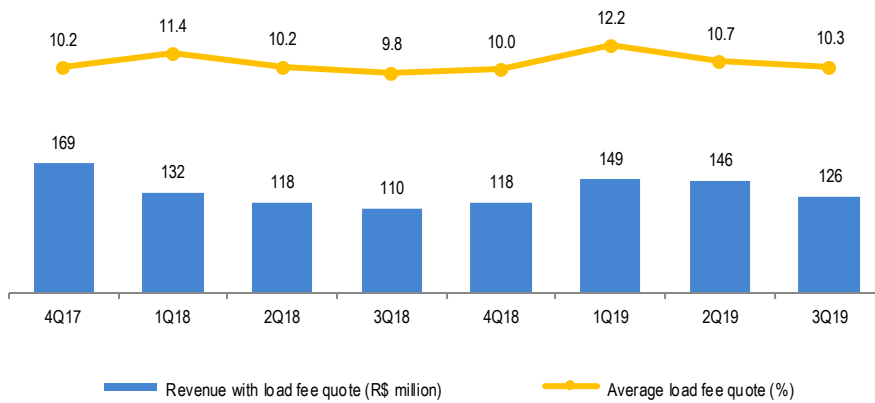


Figure 71 – Brasilcap | Bonds outstanding by product (%)



REVENUE WITH LOAD FEE

Figure 72 – Brasilcap | Changes in revenue with load fee quote and average load fee quote



QUARTERLY ANALYSIS

In the 3Q19, revenues with load fee quote were up 14.4% YoY, given the increase in collections and the 0.5 p.p. expansion in the average load fee quote, which is mainly explained by:

- (i) the increase in the average duration of the unique payment bonds, with a reduced share of the 12-month bonds and a larger proportion of 24-month bonds, which have a load fee quote twice as high as the shorter one; and
- (ii) the reduction in the frequency and volume of lottery prizes in the current portfolio, which have lower lottery quote compared to the former portfolio, leading to higher load fee quote for bonds with the same duration.

YEAR-TO-DATE ANALYSIS

In the first nine months of 2019, revenues with load fee increased 17.1%, propelled by the growth in collections, +11.2%, and by the increase in the average load fee quote, +0.6 p.p., which is explained by the same reasons mentioned in the quarterly analysis along with a larger proportion of the first installments of monthly payment bonds in the total collection, which have higher load fee quotes when compared to the recurring installments of these bonds or to the unique payment bonds.

Figure 73 – Brasilcap | Changes in provisions for redemption and average reserve quote

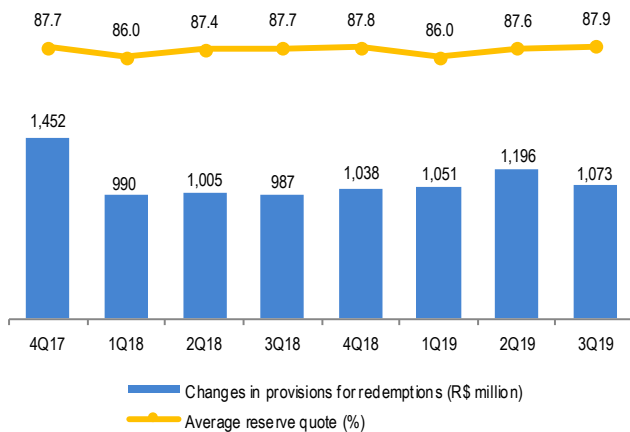


Figure 74 – Brasilcap | Changes in provisions for lottery and bonus and average lottery and bonus quotes

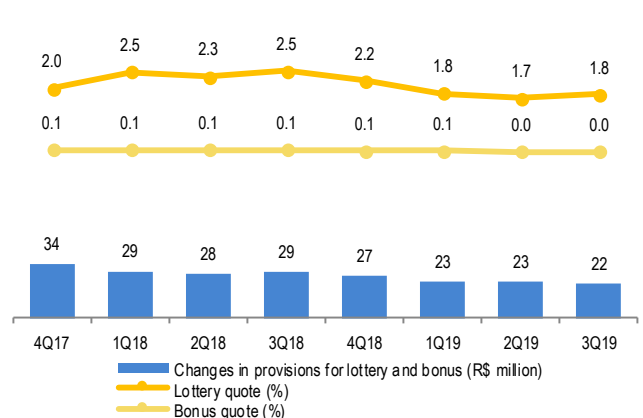


Table 65 – Brasilcap | Changes in premium bonds provision

R\$ thousand	Balance			Chg. %	
	Sep/18	Jun/19	Sep/19	On Sep/18	On Jun/19
Premium bonds provision					
Initial balance	8,846,326	8,188,495	8,130,979	(8.1)	(0.7)
Constitution	989,959	1,200,123	1,077,244	8.8	(10.2)
Cancellations	(3,271)	(3,844)	(3,814)	16.6	(0.8)
Transfers	(1,235,156)	(1,373,119)	(1,430,628)	15.8	4.2
Interest accrual	128,870	119,322	117,483	(8.8)	(15)
Final balance	8,726,728	8,130,979	7,891,264	(9.6)	(2.9)

Table 66 – Brasilcap | Changes in provisions for redemption¹

R\$ thousand	Balance			Chg. %	
	Sep/18	Jun/19	Sep/19	On Sep/18	On Jun/19
Provision for redemption					
Initial balance	453,127	480,726	508,569	12.2	5.8
Transfers	1,243,491	1,378,969	1,435,941	15.5	4.1
Payments	(1,234,664)	(1,349,031)	(1,444,451)	17.0	7.1
Interest accrual	(10)	23	47	-	105.1
Premium bonds expiration	(1,783)	(2,117)	(1,865)	4.6	(11.9)
Final balance	460,161	508,569	498,242	8.3	(2.0)

¹ Provision's flow does not pass through income statement

Table 67 – Brasilcap | Changes in provision for lottery to be held

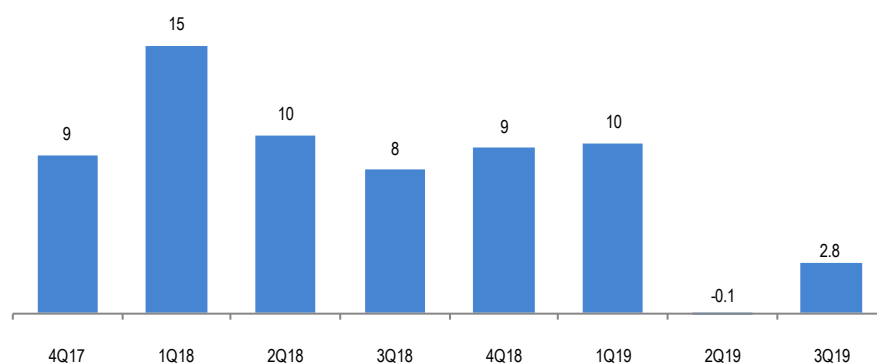
R\$ thousand	Balance			Chg. %	
	Sep/18	Jun/19	Sep/19	On Sep/18	On Jun/19
Provision for lottery to be held					
Initial balance	136,033	103,484	95,482	(29.8)	(7.7)
Constitution	27,833	22,726	21,609	(22.4)	(4.9)
Reversal	(41,468)	(31,518)	(25,596)	(38.3)	(18.8)
Cancellations	(60)	(53)	(57)	(5.0)	7.5
Interest accrual	1,482	843	680	(54.1)	(19.3)
Final balance	123,820	95,482	92,118	(25.6)	(3.5)

Table 68 – Brasilcap | Changes in provision for draws to be paid

R\$ thousand	Balance			Chg. %	
	Sep/18	Jun/19	Sep/19	On Sep/18	On Jun/19
Provision for draws to be paid					
Initial balance	11,025	10,530	13,327	20.9	26.6
Constitution	33,251	31,643	22,760	(31.6)	(28.1)
Payments	(32,691)	(28,848)	(26,418)	(19.2)	(8.4)
Interest accrual	-	2	-	-	-
Premium bonds expiration	(9)	-	(326)	3,522.2	-
Final balance	11,576	13,327	9,343	(19.3)	(29.9)

RESULT WITH LOTTERY

Figure 75 – Brasilcap | Result with lottery (R\$ million)



QUARTERLY ANALYSIS

In the 3Q19, the result with lottery decreased 65.5% YoY. The performance is justified by the 38.3% reduction of lottery provision reversals, partially offset by the 31.6% contraction in lottery expenses. Both movements are related to the reduction in the frequency and volume of lottery prizes in the current portfolio.

YEAR-TO-DATE ANALYSIS

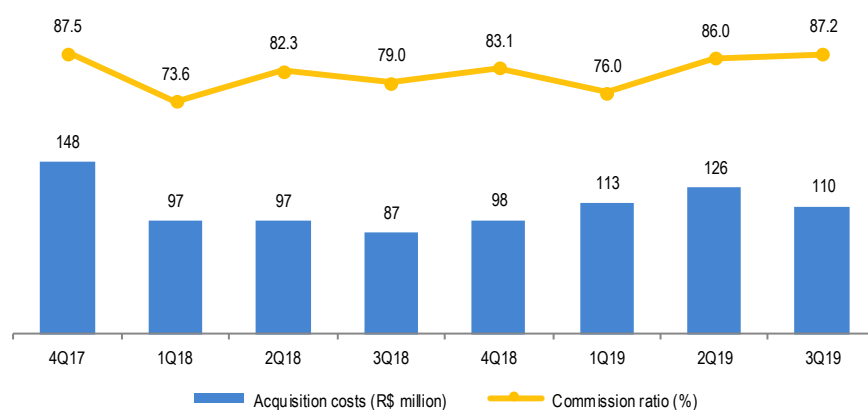
Result with lottery fell 63.1% year-to-date justified by the 30.5% reduction in lottery provision reversals, partially offset by lower lottery expenses, down 19.1%, due to the same reasons explained in the quarter analysis.

Table 69 – Brasilcap | Result with lottery

R\$ thousand	Quarterly Flow			Chg. %		9 Months Flow		Chg. %
	3Q18	2Q19	3Q19	On 3Q18	On 2Q19	9M18	9M19	On 9M18
Result with lottery	8,213	(123)	2,837	(65.5)	-	33,817	12,483	(63.1)
Lottery provision reversal	41,467	31,518	25,597	(38.3)	(18.8)	130,130	90,427	(30.5)
Lottery expenses	(33,254)	(31,641)	(22,760)	(31.6)	(28.1)	(96,313)	(77,944)	(19.1)

ACQUISITION COSTS

Figure 76 – Brasilcap | Acquisition costs



QUARTERLY ANALYSIS

Acquisition costs were 26.3% up in the 3Q19, driven mainly by the growth in brokerage expenses, +34.5%, which was propelled by both the increase in collections and the higher commission ratio, which was up 8.3 p.p. YoY.

The increase in the commission ratio is explained:

- (i) by the higher proportion of the most recently launched premium bonds in the overall collections, since higher commissions are charged on these products when compared to the former portfolio; and
- (ii) by the increase in the average duration of the unique payment bonds, with an increased proportion of the 24-month bonds in the portfolio which have a higher commission than the 12-month bonds.

YEAR-TO-DATE ANALYSIS

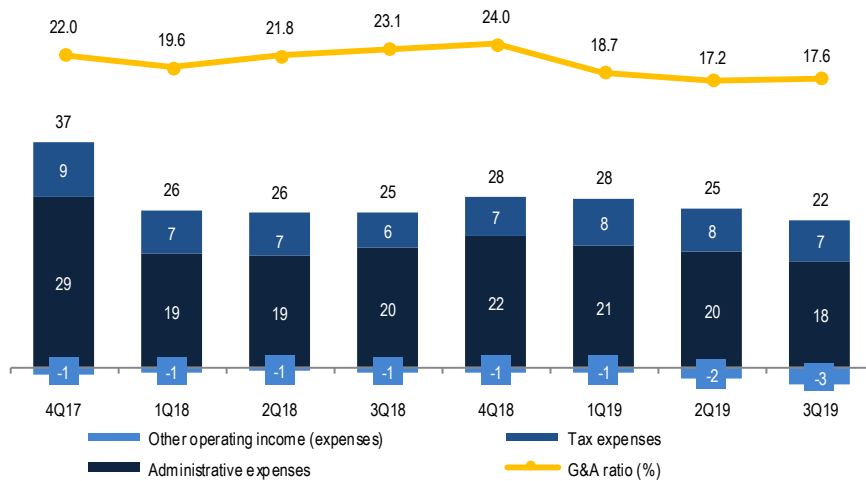
Year-to-date, acquisition costs increased 24.2%, pushed by the 32.5% expansion in brokerage expenses, justified by the growth in collections along with an increase of 4.7 p.p. in the commission ratio. The rise in the commission ratio is explained by the collection mix, as detailed in the quarterly analysis.

Table 70 – Brasilcap | Changes in Acquisition Costs

R\$ thousand	Quarterly Flow			Chg. %		9 Months Flow		Chg. %
	3Q18	2Q19	3Q19	On 3Q18	On 2Q19	9M18	9M19	On 9M18
Acquisition costs	86,983	125,909	109,883	26.3	(12.7)	280,847	348,828	24.2
Brokerage	71,131	106,829	95,703	34.5	(10.4)	229,014	303,475	32.5
Sales cost	15,853	19,080	14,180	(10.6)	(25.7)	51,834	45,353	(12.5)

GENERAL & ADMINISTRATIVE EXPENSES

Figure 77 – Brasilcap | G&A expenses (R\$ million)



QUARTERLY ANALYSIS

In the 3Q19, G&A expenses decreased 13.3% YoY. The performance is mainly explained by:

- (i) the 20.2% reduction in outsourcing expenses, mainly explained by the renegotiation of advisory and technology services contracts;
- (ii) a higher net positive other operating income (expenses) due to higher revenues with penalties for redemption of bonds before the grace period;
- (iii) the decrease of 27.0% in location and operation expenses, mostly explained by the savings generated by the transfer of the company's data center, in addition to software amortization expenses recorded in 3Q18 which did not happen in the 3Q19;
- (iv) the 79.9% reduction in institutional advertisement and publicity expenses, due to the hiring of new communication agencies which charge lower fees as compared to the former contracts; and
- (v) the increase of 23.2% in revenue with premium bonds that expired more than five years ago.

The aforementioned effects were partially offset by higher tax expenses, led by higher taxable income.

YEAR-TO-DATE ANALYSIS

In the 9M19, G&A expenses dropped 2.4%, as a result of the decrease in institutional advertisement and publicity expenses, higher net positive other operating income (expenses) and the growth in revenue with premium bonds prescription, as explained in the quarterly analysis.

The aforementioned positive effects were partially offset by:

- (i) the increase of 13.5% in expenses with outsourcing related to IT services;
- (ii) the growth of 8.8% in tax expenses, due to the increase in taxable income; and
- (iii) the 2.6% expansion in personnel expenses, due to the reclassification of the probability of losses on labor lawsuits from possible to probable in addition to labor terminations occurred in the 1Q19.

Table 71 – Brasilcap | General & Administrative expenses

R\$ thousand	Quarterly Flow			Chg. %		9 Months Flow		Chg. %
	3Q 18	2Q 19	3Q 19	On 3Q 18	On 2Q 19	9M 18	9M 19	On 9M 18
Administrative expenses	(20,358)	(19,589)	(18,216)	(10.5)	(7.0)	(58,819)	(58,467)	(0.6)
Personnel	(11,878)	(11,616)	(11,840)	(0.3)	19	(36,280)	(37,234)	2.6
Location and operation	(2,340)	(2,133)	(1,709)	(27.0)	(19.8)	(6,147)	(5,777)	(6.0)
Outsourcing	(5,178)	(5,201)	(4,132)	(20.2)	(20.5)	(11,990)	(13,610)	13.5
Institutional advertisement and publicity	(704)	(184)	(142)	(79.9)	(23.1)	(1,964)	(666)	(66.1)
Leasing	62	(81)	(53)	-	(34.8)	(850)	(209)	(75.4)
Other	(319)	(375)	(340)	6.7	(9.1)	(1,587)	(971)	(38.8)
Other operating income (expenses)	1,005	1,929	2,999	198.4	55.5	2,551	5,850	129.3
Printing and mailing	(763)	(329)	(234)	(69.3)	(28.9)	(1,288)	(1,051)	(18.4)
Legal provisions	(15)	(46)	(86)	470.9	84.3	(572)	(245)	(57.1)
Other operating income (expenses)	18	191	1,143	6,251.4	497.1	41	1,376	3,256.8
Revenue with premium bonds prescription	1,765	2,110	2,175	23.2	3.1	4,370	5,769	32.0
Tax expenses	(6,132)	(7,515)	(6,887)	12.3	(8.4)	(20,684)	(22,498)	8.8
COFINS	(4,839)	(6,034)	(5,495)	13.6	(8.9)	(16,432)	(18,019)	9.7
PIS/PASEP	(786)	(981)	(893)	13.6	(8.9)	(2,670)	(2,928)	9.7
Inspection fee	(471)	(471)	(471)	(0.1)	-	(1,413)	(1,412)	(0.1)
Other tax expenses	(37)	(30)	(29)	(21.7)	(2.7)	(170)	(139)	(18.0)
G&A Expenses	(25,485)	(25,175)	(22,105)	(13.3)	(12.2)	(76,952)	(75,114)	(2.4)

■ NET INVESTMENT INCOME

Figure 78 – Brasilcap | Net investment income (R\$ million)

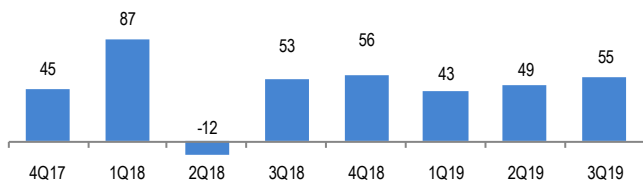


Figure 79 – Brasilcap | Annualized average interest rates and spread

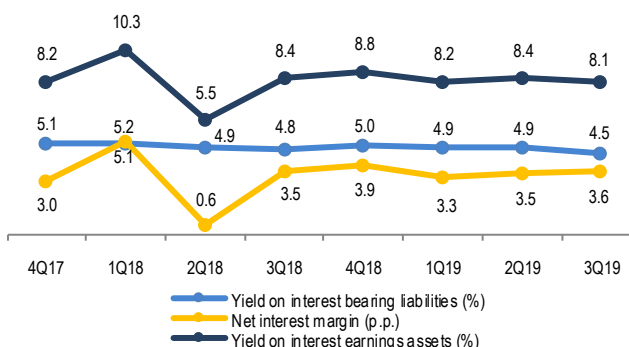


Table 72 – Brasilcap | Financial income and expenses

R\$ thousand	Quarterly Flow			Chg. %		9 Months Flow		Chg. %
	3Q18	2Q19	3Q19	On 3Q18	On 2Q19	9M18	9M19	On 9M18
Interest revenues	221,335	203,933	209,361	(5.4)	2.7	636,097	610,320	(4.1)
Revenues with mark to market financial investments	76,960	68,694	118,495	54.0	72.5	260,612	294,818	13.1
Expenses with mark to market financial investments	(8,553)	(8,128)	(63,399)	641.3	680.0	(48,844)	(118,492)	142.6
Revenues with held to maturity financial investments	152,436	142,725	147,373	(3.3)	3.3	422,376	425,932	0.8
Interest accrual on judicial deposits	492	641	6,892	1300.8	974.8	1,953	8,062	312.8
Interest expenses	(131,340)	(120,893)	(118,796)	(9.6)	(1.7)	(401,671)	(360,713)	(10.2)
Interest accrual on technical reserves	(130,420)	(120,307)	(118,341)	(9.3)	(1.6)	(399,034)	(359,014)	(10.0)
Other	(920)	(585)	(455)	(50.6)	(22.3)	(2,637)	(1,699)	(35.6)
Net interest income	89,995	83,040	90,565	0.6	9.1	234,426	249,607	6.5

QUARTERLY ANALYSIS

In the 3Q19, the net interest income rose 0.6% YoY while the net interest margin remained steady.

Interest revenue dropped 5.4%, largely explained by the 5.5% decrease in the average balance of financial investments along with the reduction of 0.3 p.p. in the average yield, which was driven by the lower reinvestment yield on held to maturity securities.

On the other hand, the lower interest revenues were offset by the 9.6% decrease in interest expenses, as a result of the 8.1% reduction in the average balance of technical reserves along with the 0.2 p.p. contraction in the average balance of interest bearing liabilities.

YEAR-TO-DATE ANALYSIS

In the first nine months of 2019, net interest income grew 6.5% propelled by the 0.2 p.p. expansion in the net interest margin. The wider net interest margin is explained by the flattening yield curve, which generated market to market gains on securities classified as trading, along with the reduction in the average balance of technical reserves and the lower cost of the liabilities.

Table 73 – Brasilcap | Quarterly figures - Volume and rate analysis

R\$ thousand	3Q 19/3Q 18		
	Average volume	Average rate	Net change
Earning assets			
Mark to market financial investments	(17,050)	3,739	(13,311)
Held to maturity financial investments	1916	(6,979)	(5,063)
Judicial deposits	506	5,894	6,400
Total¹	(12,286)	312	(11,974)
Interest bearing liabilities			
Technical reserves - premium bonds	10,487	1,592	12,079
Other	(29)	495	465
Total¹	8,437	4,108	12,544

¹ Calculated with the same methodology of the parts. Due to the different weights of the elements which compose it, the total does not reflect the sum of the parts.

Table 74 – Brasilcap | Quarterly figures – Earning assets – average balance and interest rates

R\$ thousand	3Q 18			3Q 19		
	Average balance	Interest revenues	Annualized rate (%)	Average balance	Interest revenues	Annualized rate (%)
Earnings assets						
Mark to market financial investments	3,223,221	68,407	8.6	2,461,481	55,096	8.8
Held to maturity financial investments	6,481,857	152,436	9.6	6,567,232	147,373	8.8
Judicial deposits	1,028,144	492	0.2	1,109,560	6,892	2.4
Total	10,733,222	221,335	8.4	10,138,274	209,361	8.1

Table 75 – Brasilcap | Quarterly figures – Interest bearing liabilities – average balance and interest rates

R\$ thousand	3Q 18			3Q 19		
	Average balance	Interest expenses	Annualized rate (%)	Average balance	Interest expenses	Annualized rate (%)
Interest bearing liabilities						
Technical reserves - premium bonds	9,445,302	(130,420)	5.3	8,676,434	(118,341)	5.1
Other	1,051,635	(920)	0.3	1,124,445	(455)	0.2
Total	10,496,937	(131,340)	4.8	9,800,879	(118,796)	4.5

Table 76 – Brasilcap | Year-to-date figures - Volume and rate analysis

R\$ thousand	9M 19/9M 18		
	Average volume	Average rate	Net change
Earning assets			
Mark to market financial investments	(94,440)	58,998	(35,442)
Held to maturity financial investments	37,941	(34,385)	3,556
Judicial deposits	737	5,372	6,109
Total¹	(45,921)	20,144	(25,777)
Interest bearing liabilities			
Technical reserves - premium bonds	35,611	4,409	40,020
Other	(122)	1,060	938
Total¹	28,875	12,083	40,958

¹ Calculated with the same methodology of the parts. Due to the different weights of the elements which compose it, the total does not reflect the sum of the parts.

Table 77 – Brasilcap | Year-to-date figures – Earning assets – average balance and interest rates

R\$ thousand	9M 18			9M 19		
	Average balance	Interest revenues	Annualized rate (%)	Average balance	Interest revenues	Annualized rate (%)
Earnings assets						
Mark to market financial investments	4,130,188	211,768	6.9	2,689,621	176,326	8.8
Held to maturity financial investments	5,859,002	422,376	9.8	6,431,948	425,932	8.9
Judicial deposits	988,554	1,953	0.3	1,088,005	8,062	1.0
Total	10,977,744	636,097	7.8	10,209,573	610,320	8.0

Table 78 – Brasilcap | Year-to-date figures – Interest bearing liabilities – average balance and interest rates

R\$ thousand	9M 18			9M 19		
	Average balance	Interest expenses	Annualized rate (%)	Average balance	Interest expenses	Annualized rate (%)
Interest bearing liabilities						
Technical reserves - premium bonds	9,667,332	(399,034)	5.5	8,794,944	(359,014)	5.4
Other	1,027,036	(2,637)	0.3	1,106,797	(1,699)	0.2
Total	10,694,368	(401,671)	5.0	9,901,740	(360,713)	4.8

Table 79 – Brasilcap | Financial investments portfolio breakdown

R\$ thousand	Balance			Chg. %	
	Sep/18	Jun/19	Sep/19	On Sep/18	On Jun/19
Trading	3,077,648	1,341,380	307,948	(90.0)	(77.0)
Pre-fixed	2,328,381	898,240	-	-	-
Floating	528,715	295,225	160,326	(69.7)	(45.7)
Inflation	168,472	99,112	100,430	(40.4)	13
Equity funds	51,539	48,387	46,237	(10.3)	(4.4)
Other	541	416	956	76.6	129.8
Available for sale	-	1,257,037	2,016,589	-	60.4
Pre-fixed	-	1,257,037	2,016,589	-	60.4
Held to maturity securities	6,555,521	6,555,612	6,578,852	0.4	0.4
Pre-fixed	5,918,207	5,964,675	5,976,638	10	0.2
Inflation	637,314	590,938	602,215	(5.5)	19
Total	9,633,170	9,154,029	8,903,389	(7.6)	(2.7)

Figure 80 – Brasilcap | Asset allocation (%)

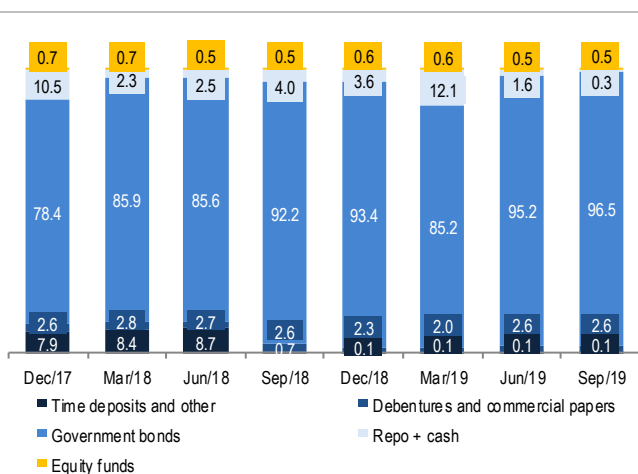
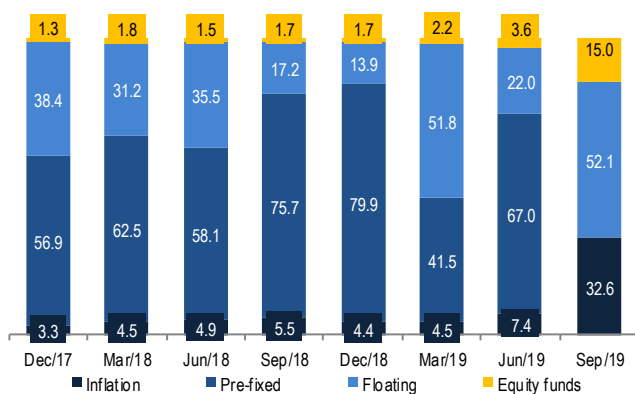


Figure 81 – Brasilcap | Financial investments breakdown by index (%)



■ BALANCE SHEET ANALYSIS

Table 80 – Brasilcap | Balance sheet

R\$ thousand	Balance			Chg. %	
	Sep/18	Jun/19	Sep/19	On Sep/18	On Jun/19
Assets	10,879,390	10,456,892	10,200,194	(6.2)	(2.5)
Cash and cash equivalents	8	78	16	100.7	(79.5)
Financial assets	9,633,170	9,154,014	8,903,413	(7.6)	(2.7)
Securities and credits receivable	1,233,439	1,285,368	1,284,904	4.2	(0.0)
Prepaid expenses	5,804	11,055	6,266	8.0	(43.3)
Investments	1,169	1,151	1,146	(2.0)	(0.5)
Fixed assets	2,442	1,998	1,876	(23.2)	(6.1)
Intangible	1,331	805	652	(51.0)	(19.0)
Other assets	2,027	2,423	1,921	(5.2)	(20.7)
Liabilities	10,514,684	10,001,695	9,741,997	(7.3)	(2.6)
Accounts payable	64,774	70,082	58,736	(9.3)	(16.2)
Premium bonds operations debits	4,942	7,582	5,980	21.0	(21.1)
Technical reserves - premium bonds	9,382,463	8,806,299	8,546,568	(8.9)	(2.9)
Other liabilities	1,062,505	1,117,732	1,130,713	6.4	12
Shareholders' equity	364,706	455,197	458,197	25.6	0.7

■ SOLVENCY

Table 81 – Brasilcap | Solvency¹

R\$ thousand	Balance			Chg. %	
	Sep/18	Jun/19	Sep/19	On Sep/18	On Jun/19
Adjusted shareholders' equity (a)	473,034	571,496	585,395	23.8	2.4
Minimum capital required (b)	227,557	285,522	284,491	25.0	(0.4)
Additional capital for underwriting risk	38,309	35,382	35,003	(8.6)	(11)
Additional capital for credit risk	64,216	49,793	46,704	(27.3)	(6.2)
Additional capital for operating risk	31,194	23,155	23,755	(23.8)	2.6
Additional capital for market risk	150,902	231,286	231,286	53.3	-
Benefit of correlation between risks	(57,064)	(54,094)	(52,257)	(8.4)	(3.4)
Capital adequacy (a) - (b)	245,477	285,974	300,904	22.6	5.2
Solvency ratio (a) / (b) - %	207.9	200.2	205.8	(2.1) p.p.	5.6 p.p.

¹Information based on the accounting principles adopted by SUSEP.

4.4 BRASILDENTAL

■ EARNINGS ANALYSIS

Table 82 – Brasildental | Income statement

R\$ thousand	Quarterly Flow			Chg. %		9 Months Flow		Chg. %
	3Q 18	2Q 19	3Q 19	On 3Q 18	On 2Q 19	9M 18	9M 19	On 9M 18
Gross operating revenues	29,142	30,042	29,720	2.0	(1.1)	84,362	90,156	6.9
Taxes on revenues	(1,312)	(1,036)	(965)	(26.4)	(6.8)	(4,035)	(2,298)	(43.1)
Net operating revenues	27,829	29,006	28,755	3.3	(0.9)	80,327	87,858	9.4
Cost of services	(13,850)	(14,306)	(14,618)	5.5	2.2	(38,091)	(42,123)	10.6
Gross income	13,980	14,700	14,137	1.1	(3.8)	42,237	45,735	8.3
Acquisition costs	(2,322)	(2,176)	(1,966)	(15.4)	(9.6)	(7,122)	(6,171)	(13.4)
Administratives expenses	(3,904)	(4,756)	(4,752)	21.7	(0.1)	(12,834)	(14,477)	12.8
Tax expenses	(224)	(265)	(219)	(2.0)	(17.2)	(681)	(746)	9.4
Other revenues (expenses)	(1,062)	(1,710)	(1,490)	40.3	(12.8)	(3,583)	(3,461)	(3.4)
Earnings before interest and taxes	6,467	5,794	5,709	(11.7)	(1.5)	18,016	20,879	15.9
Net investment income	226	153	176	(21.9)	15.4	423	353	(16.4)
Financial income	64	548	557	(9.2)	17	1,544	1,595	3.4
Financial expenses	(388)	(395)	(381)	(19)	(3.6)	(1,121)	(1,242)	10.8
Earnings before taxes and profit sharing	6,693	5,947	5,886	(12.1)	(1.0)	18,438	21,234	15.2
Taxes	(2,216)	(2,140)	(1,867)	(15.8)	(12.8)	(6,272)	(7,194)	14.7
Profit sharing	(219)	(130)	(64)	(70.8)	(51.0)	(445)	(262)	(41.1)
Net income	4,258	3,677	3,955	(7.1)	7.6	11,721	13,778	17.6

Table 83 – Brasildental | Performance ratios

%	Quarterly Flow			Chg. (p.p.)		9 Months Flow		Chg. (p.p.)
	3Q 18	2Q 19	3Q 19	On 3Q 18	On 2Q 19	9M 18	9M 19	On 9M 18
Performance ratios								
Loss ratio	49.8	49.3	50.8	1.1	15	47.4	47.9	0.5
Comission ratio	8.3	7.5	6.8	(15)	(0.7)	8.9	7.0	(18)
G&A ratio	18.7	23.2	22.5	3.8	(0.7)	21.3	21.3	(0.0)
EBITDA margin	23.2	20.0	19.9	(3.4)	(0.1)	22.4	23.8	13
ROAA	38.8	30.8	33.3	(5.5)	2.5	37.8	42.4	4.6

Figure 82 – Brasildental | Clients by segment (thousand)

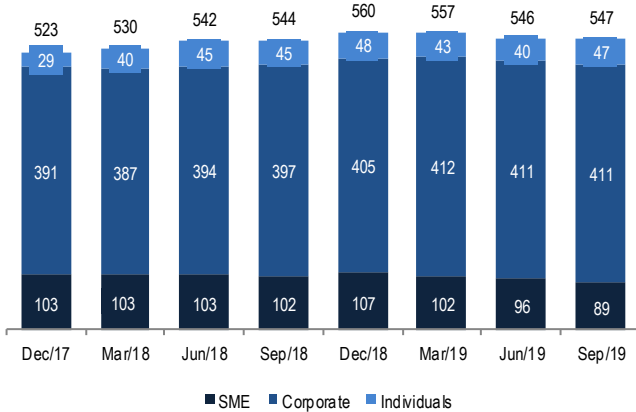


Figure 83 – Brasildental | Clients by segment (%)

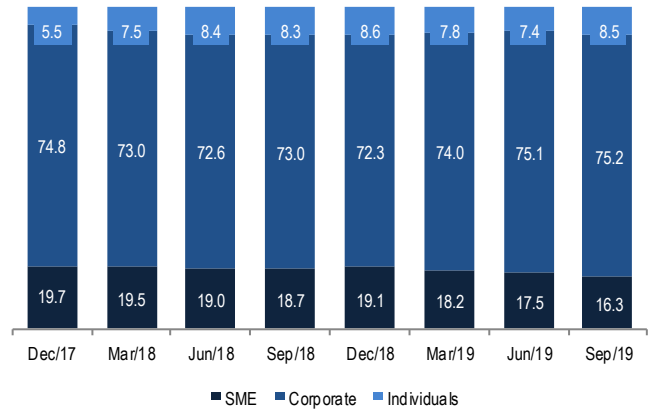


Table 84 – Brasildental | Client base breakdown

Client segments	Balance			Chg. %	
	Sep/18	Jun/19	Sep/19	On Sep/18	On Jun/19
Corporate	397,208	410,522	411,314	3.6	0.2
SME	10,176	95,585	88,898	(12.6)	(7.0)
Individuals	45,437	40,307	46,551	2.5	15.5
Total	544,411	546,414	546,763	0.4	0.1

■ BALANCE SHEET ANALYSIS

Table 85 – Brasildental | Balance sheet

R\$ thousand	Balance			Chg. %	
	Sep/18	Jun/19	Sep/19	On Sep/18	On Jun/19
Assets	46,092	49,734	45,330	(1.7)	(8.9)
Cash and cash equivalents	2,931	2,017	2,564	(12.5)	27.1
Financial assets	35,571	39,068	35,177	(1.1)	(10.0)
Receivables from insurance and reinsurance operations	4,698	5,442	4,658	(0.8)	(14.4)
Tax assets	1,086	1,640	1,699	56.4	3.6
Other assets	1,806	1,566	1,232	(31.8)	(21.3)
Liabilities	24,482	26,050	25,692	4.9	(1.4)
Technical reserves	15,688	17,469	17,090	8.9	(2.2)
Tax liabilities	1,568	1,452	1,572	0.3	8.3
Other liabilities	7,225	7,129	7,030	(2.7)	(14)
Shareholders' equity	21,610	23,683	19,638	(9.1)	(17.1)

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5. DISTRIBUTION

The insurance intermediation in Brazil is not required by law, but the brokerage payment is mandatory for all insurance contracts, regardless the involvement of a broker. According to the law 6,317 as of 1975, in case no broker is involved, the amount supposed to be paid as brokerage shall be directed to the Fund for Developing the Insurance Culture, managed by the Foundation National Insurance School– FUNENSEG.

At BB Seguridade the distribution of its affiliates’ products – Brasilseg, Brasilprev, Brasilcap and Brasildental – takes place through a fully owned broker named BB Corretora de Seguros e Administradora de Bens S.A. (“BB Corretora”), which intermediates the sales of insurance, pension plans, premium bonds and dental care plans at Banco do Brasil’s distribution network.

BB Corretora is remunerated by the affiliates through the payment of commission per sale, and as a result of the usage of Banco do Brasil’s distribution network, including the workforce, IT solutions and facilities, it reimburses the costs incurred by the Bank during the selling and maintenance of insurance, pension plans, premium bonds and dental care products. This reimbursement done by BB Corretora to Banco do Brasil is governed by an agreement, which will be in force until 2033.

Also BB Corretora sells auto and large risk insurance products which are underwritten by MAPFRE Insurance Company, the partner of BB Seguridade in Brasilseg. This relation is established in a commercial agreement signed by BB Corretora within the partnership reorganization, which provides exclusivity for MAPFRE to access the distribution channel.

The brokerage business in the bancassurance channel is not a complex business model, as it does not incur in the underwriting risk and has low capital needs. In addition to these factors, it is worth mentioning the footprint and the strong franchise of Banco do Brasil, which provides competitive advantages to BB Seguridade.

Beside to the Banco do Brasil’s bancassurance channel, Brasilseg can eventually distribute insurance in the affinity channel, which is comprised of BB’s business partners. At the Pension Plans and Premium Bonds segments, products can also be sold, at a smaller extent, by partners, notably the ones maintained by Brasilcap to distribute premium bonds in the Post Office (“Correios”), in the Votorantim branches and in real state agencies which sell the product named Cap Fiador, which are premium bonds offered as collateral for rental contracts.

Additionally, seeking to expand the scope of its digital strategy and to explore new alternatives to offer products to the public that is currently unattended by Banco do Brasil, on September 10th 2018, BB Corretora made a capital contribution of R\$20.2 million to Ciclic Corretora de Seguros S.A., in a joint venture with PFG do Brasil 2 Participações, (a Principal Financial Group subsidiary), initially to distribute pension plans. BB Corretora holds 74.99% of the economic stake, by holding 100% preferred shares and 49.99% of the common shares. Ciclic’s earnings are recorded as equity income in BB Corretora’s Income Statement.

Figure 84 – Distribution | Consolidated premiums written, contributions and collection by channel^{1,2} (R\$ million)

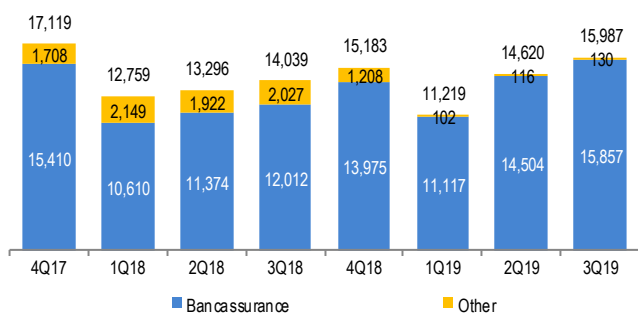
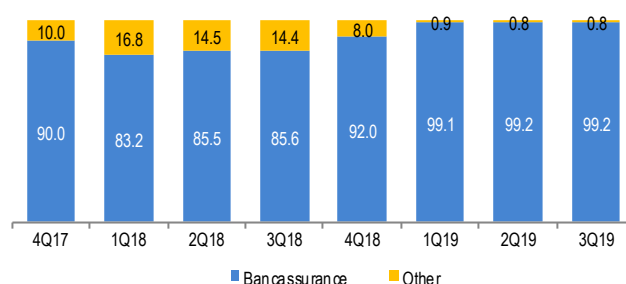


Figure 85 – Distribution | Consolidated premiums written, contributions and collection by channel^{1,2} (%)



¹ Insurance premiums written, pension plans contributions, premium bonds collection and dental care revenues.

² After the partnership restructuring with MAPFRE, the distribution of insurance is exclusively through the bancassurance channel.

Figure 86 – Distribution | Insurance premiums written of Brasilseg¹ by channel (R\$ million)

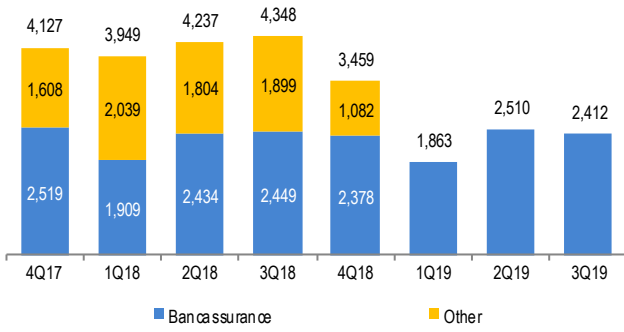
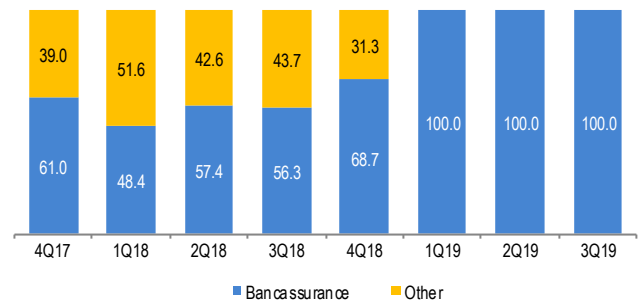


Figure 87 – Distribution | Insurance premiums written of Brasilseg¹ by channel (%)



¹ After the partnership restructuring with MAPFRE, the distribution is exclusively through the bancassurance channel.

Figure 88 – Distribution | Brasilprev pension plans contributions by channel (R\$ million)

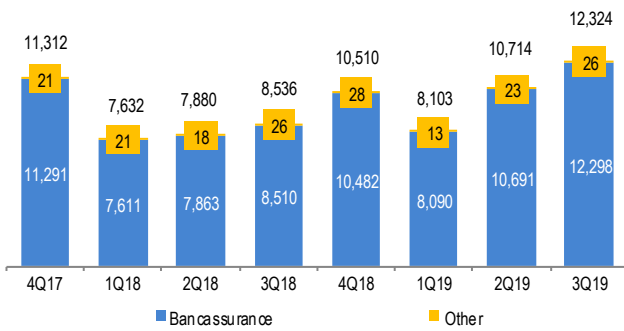


Figure 89 – Distribution | Brasilprev pension plans contributions by channel (%)

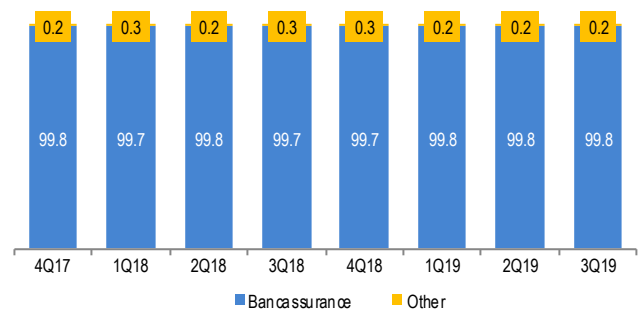


Figure 90 – Distribution | Brasilcap premium bonds collections by channel (R\$ million)

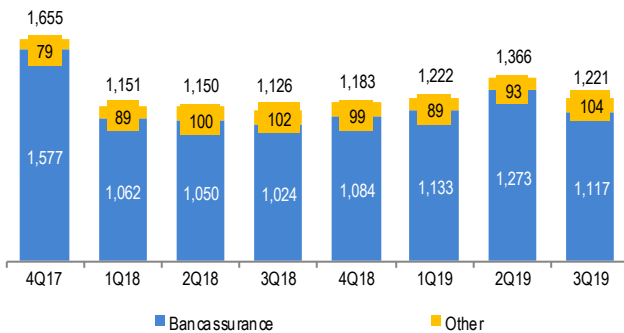


Figure 91 – Distribution | Brasilcap premium bonds collections by channel (%)

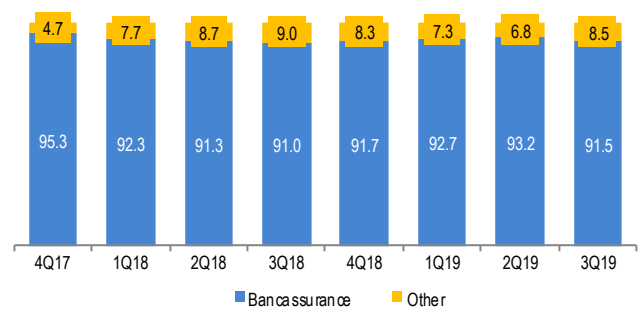


Figure 92 – Distribution | Brasildental dental insurance revenues (R\$ million)

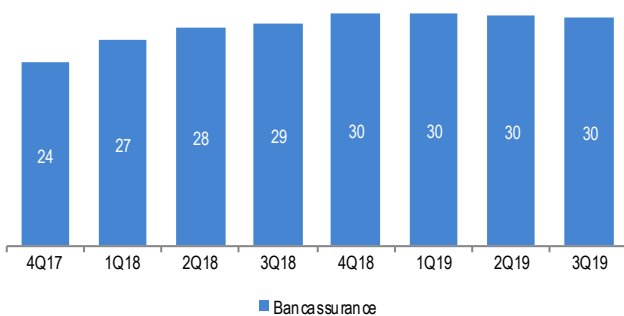


Figure 93 – Distribution | Brasildental dental insurance revenues (%)



5.1 BB CORRETORA

■ EARNINGS ANALYSIS

Table 86 – BB Corretora | Income statement

R\$ thousand	Quarterly Flow			Chg. %		9 Months Flow		Chg. %
	3Q 18	2Q 19	3Q 19	On 3Q 18	On 2Q 19	9M 18	9M 19	On 9M 18
Brokerage revenues	638,916	840,586	888,038	39.0	5.6	1,961,220	2,490,803	27.0
Administrative expenses	(55,374)	(49,826)	(50,633)	(8.6)	16	(151,789)	(145,939)	(3.9)
Personnel expenses	(8,534)	(8,452)	(9,400)	10.1	112	(23,250)	(25,913)	11.5
Other operating income (expenses)	(4,795)	(101)	(3,958)	(17.4)	3,811.0	(8,883)	(8,638)	(2.8)
Tax expenses	(74,957)	(98,724)	(103,914)	38.6	5.3	(230,305)	(297,894)	29.3
Equity income	(10)	(3,363)	(4,774)	49,401.2	419	(10)	(9,673)	100,194.3
Earnings before interest and taxes	495,246	680,120	715,359	44.4	5.2	1,546,984	2,002,747	29.5
Net investment income	23,821	26,378	26,048	9.3	(1.2)	69,430	73,671	6.1
Financial income	26,004	26,435	28,678	10.3	8.5	75,686	81,911	8.2
Financial expenses	(2,183)	(57)	(2,630)	20.5	4,514.2	(6,256)	(8,240)	31.7
Earnings before taxes	519,067	706,498	741,407	42.8	4.9	1,616,414	2,076,418	28.5
Taxes	(177,213)	(241,316)	(252,308)	42.4	4.6	(548,479)	(706,514)	28.8
Net income	341,854	465,182	489,099	43.1	5.1	1,067,935	1,369,904	28.3

ADJUSTED NET INCOME

Figure 94 – BB Corretora | Adjusted net income

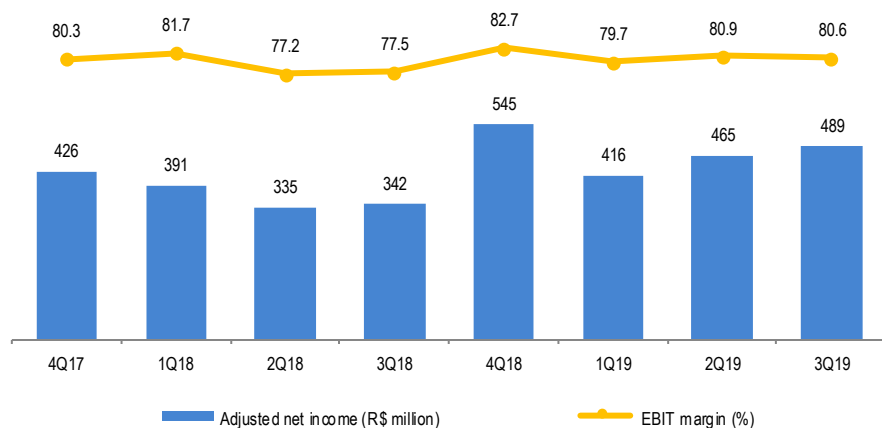
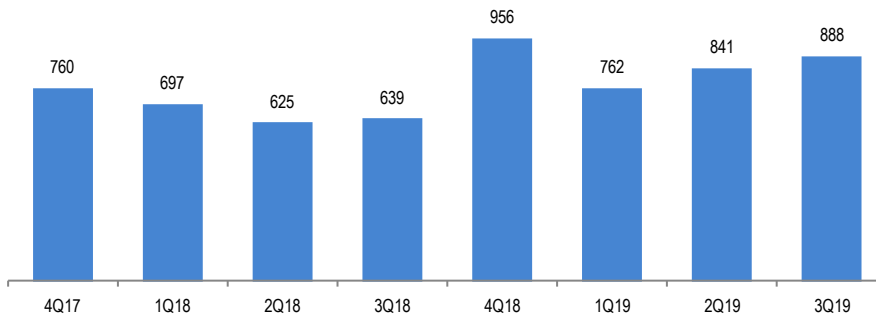


Table 87 – BB Corretora | Managerial performance ratios

%	Quarterly Flow			Chg. (p.p.)		9 Months Flow		Chg. (p.p.)
	3 Q 18	2 Q 19	3 Q 19	On 3 Q 18	On 2 Q 19	9 M 18	9 M 19	On 9 M 18
G&A expenses	22.5	18.7	18.9	(3.6)	0.2	21.1	19.2	(1.9)
Tax expenses	11.7	11.7	11.7	(0.0)	(0.0)	11.7	12.0	0.2
EBIT margin	77.5	80.9	80.6	3.0	(0.4)	78.9	80.4	1.5
Income tax rate	34.1	34.2	34.0	(0.1)	(0.1)	33.9	34.0	0.1
Net margin	53.5	55.3	55.1	1.6	(0.3)	54.5	55.0	0.5

BROKERAGE REVENUES

Figure 95 – BB Corretora | Brokerage revenues (R\$ million)



QUARTERLY ANALYSIS

In the 3Q19, brokerage revenues increased by 39.0% YoY, driven mostly by:

- (i) the 35.1% increase in brokerage revenues from the insurance operations, explained by the recognition of a performance bonus amounting to R\$102.8 million, for outperforming the sales targets in credit life and credit life for farmers, as well as the improvement in sales of other rural insurance products and term life;
- (ii) the growth of 58.8% in brokerage revenues arising from pension plans, driven by a robust sales performance along with an increase in contribution from existing plans, combined with a mix with a lower proportion of recurring contributions from periodic plans, which pay lower commissions as compared to the first contributions of periodic plans or to the sporadic plans; and
- (iii) the brokerage revenues arising from premium bonds, up 38.9%, due to the higher volume of collections as well as the mix concentration on products that pay higher commissions.

YEAR-TO-DATE ANALYSIS

In the first nine months of 2019, brokerage revenues grew 27.0%. It is worth noting that revenues are not directly comparable to 2018, since in the 1Q18 R\$81.0 million were recorded as additional commissions related to term life insurance, and in the 9M19 it was recorded an amount of R\$272.4 million as performance bonus for outperforming the sales targets in credit life and credit life for farmers.

Setting apart these effects, brokerage revenues would have increased by 18.0%, propelled by revenues arising from insurance (+11.4%), pension plans (+38.0%), and premium bonds (+38.3%), due to the improvement in the commercial performance in these segments and the sales mix, as mentioned in the quarterly analysis.

Table 88 – BB Corretora | Brokerage revenues breakdown

R\$ thousand	Quarterly Flow			Chg. %		9 Months Flow		Chg. %
	3 Q 18	2 Q 19	3 Q 19	On 3 Q 18	On 2 Q 19	9 M 18	9 M 19	On 9 M 18
Insurance	479,260	625,074	647,719	35.1	3.6	1,489,322	1,840,918	23.6
Pension plans	99,687	121,318	158,283	58.8	30.5	278,849	384,909	38.0
Premium bonds	57,528	92,063	79,934	38.9	(13.2)	187,022	258,579	38.3
Dental insurance	1,314	1,295	1,211	(7.8)	(6.5)	3,250	3,725	14.6
Other	1,127	837	892	(20.9)	6.6	2,777	2,672	(3.8)
Total	638,916	840,586	888,038	39.0	5.6	1,961,220	2,490,803	27.0

Figure 96 – BB Corretora | Brokerage revenues breakdown (%)

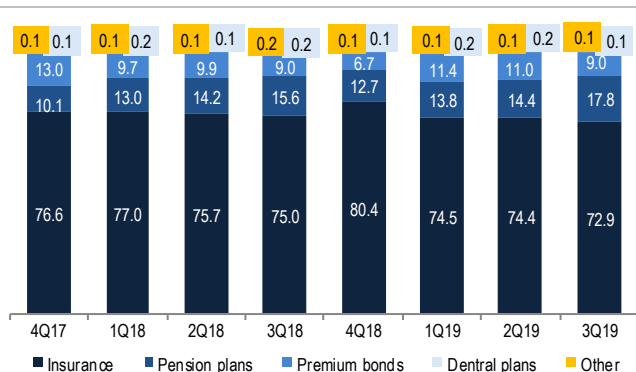
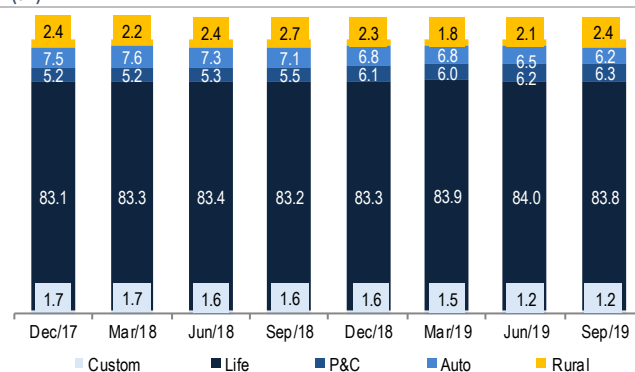
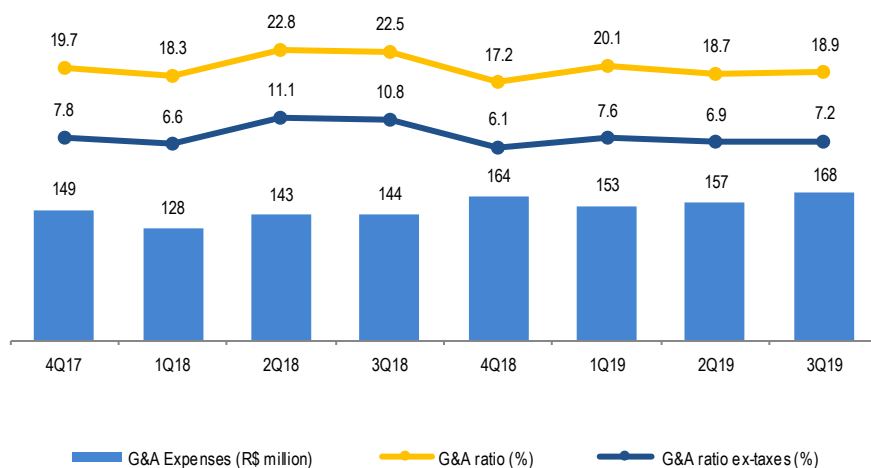


Figure 97 – BB Corretora | Unearned commissions breakdown (%)



GENERAL AND ADMINISTRATIVE EXPENSES

Figure 98 – BB Corretora | G&A expenses



QUARTERLY ANALYSIS

In the 3Q19, G&A expenses grew 16.9% YoY, mostly explained by:

- (i) the 38.6% increase in tax expenses, in-line with the growth in brokerage revenues; and
- (ii) the growth of 10.1% in personnel expenses, justified by periodic revisions of the cost-sharing methodology between the holding BB Seguridade and its subsidiaries BB Corretora and BB Seguros, in addition to the increase in headcount (for further information on consolidated expenses of the holding and its subsidiaries please refer to the Earnings Analysis section).

The aforementioned effects were partially offset by the 8.6% retraction in administrative expenses, mostly explained by the reductions in administrative cost of products, operational support and information technology, which comprise the reimbursement to Banco do Brasil for the use of its sales force, facilities and IT structure. It is worth noting that, in the 3Q18, these costs were higher, reflecting the increase in the sales of low ticket products, as a result of the strategy used to boost the commercial performance in a challenging economic environment.

On the other hand, the administrative expenses were negatively impacted by higher expenses related to incentives paid to the sales force, which are registered in “other”.

YEAR-TO-DATE ANALYSIS

Year-to-date, G&A expenses grew 15.5%, justified by both the 29.3% increase in tax expenses and the growth of 11.5% in personnel expenses.

As explained in the quarterly analysis, the increase in tax expenses was driven by the growth in brokerage revenues, while the higher personnel expenses can be justified by the periodic revisions of the cost-sharing methodology between the holding and its subsidiaries BB Corretora and BB Seguros (for further information on consolidated expenses of the holding and its subsidiaries please refer to the Earnings Analysis section).

Table 89 – BB Corretora | General & Administrative expenses

R\$ thousand	Quarterly Flow			Chg. %		9 Months Flow		Chg. %
	3Q 18	2Q 19	3Q 19	On 3Q 18	On 2Q 19	9M 18	9M 19	On 9M 18
Administrative expenses	(55,374)	(49,826)	(50,633)	(8.6)	1.6	(151,789)	(145,939)	(3.9)
Administrative cost of products	(24,206)	(23,403)	(22,461)	(7.2)	(4.0)	(67,286)	(65,497)	(2.7)
Operational support	(22,748)	(19,319)	(19,170)	(5.7)	(0.8)	(61,012)	(57,673)	(5.5)
Information technology	(6,674)	(5,292)	(5,209)	(21.9)	(1.6)	(19,049)	(15,352)	(19.4)
Other	(1,746)	(1,812)	(3,792)	117.1	109.3	(4,443)	(7,416)	66.9
Tax expenses	(74,957)	(98,724)	(103,914)	38.6	5.3	(230,305)	(297,894)	29.3
PIS/PASEP	(10,705)	(14,033)	(14,831)	38.5	5.7	(32,841)	(41,606)	26.7
COFINS	(49,569)	(64,904)	(68,599)	38.4	5.7	(152,028)	(192,462)	26.6
ISS	(14,683)	(19,786)	(20,489)	39.5	3.6	(45,419)	(63,830)	40.5
IOF	(0.0)	(0.0)	-	-	-	(17)	(0)	(100.0)
Personnel expenses	(8,534)	(8,452)	(9,400)	10.1	11.2	(23,250)	(25,913)	11.5
Other operating income (expenses)	(4,795)	(101)	(3,958)	(17.4)	3,811.0	(8,883)	(8,638)	(2.8)
G&A Expenses	(143,660)	(157,102)	(167,905)	16.9	6.9	(414,227)	(478,385)	15.5

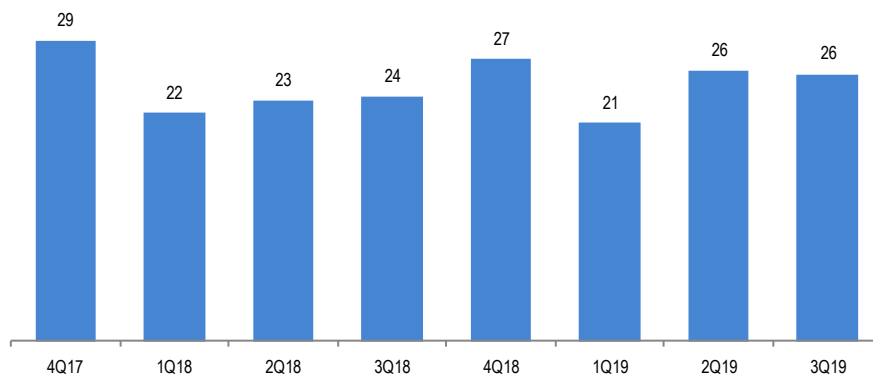
Table 90 – BB Corretora | Banco do Brasil distribution network

	Sep/18		Jun/19		Sep/19	
	Number of branches	Market share (%)	Number of branches	Market share (%)	Number of branches	Market share (%)
Banco do Brasil distribution network	4,765	22.0	4,711	22.1	4,303	20.6
Northeast	1,021	29.2	1,008	29.3	912	27.2
North	301	26.8	300	26.6	289	25.8
Midwest	460	26.1	458	26.3	425	24.9
South	941	23.4	932	23.6	877	22.6
Southeast	2,042	18.1	2,013	18.2	1,800	16.5

Source: Brazilian Central Bank

NET INVESTMENT INCOME

Figure 99 – BB Corretora | Net investment income (R\$ million)



QUARTERLY ANALYSIS

In the 3Q19, the net investment income rose 9.3% YoY, justified by the 21.0% expansion in the average balance of interest earning assets. On the other hand, financial results were negatively impacted by the average yield on financial investments, which declined 0.8 p.p., and by the 24.8% expansion in the average balance of dividends payable.

YEAR-TO-DATE ANALYSIS

In the 9M19, the net investment income grew 6.1%. The performance was pushed by the increase of 19.4% in the average balance of interest earning assets, partially offset by the 0.6 p.p. retraction in the average yield on financial investments and by the growth of 51.0% in the balance of dividends payable.

Table 91 – BB Corretora | Quarterly figures – Earning assets average balance and interest rates

R\$ thousand	3Q 18			3Q 19		
	Average balance	Revenues	Annualized rate (%)	Average balance	Revenues	Annualized rate (%)
Earning assets						
Cash and financial instruments	1,430,120	24,246	6.8	1,761,956	26,953	6.0
Other assets	192,005	1,758	3.7	204,010	1,722	3.3
Current tax assets	17,416	-	-	17,178	3	0.1
Total	1,639,542	26,004	6.4	1,983,144	28,678	5.6

Table 92 – BB Corretora | Quarterly figures – Interest bearing liabilities average balance and interest rates

R\$ thousand	3Q 18			3Q 19		
	Average balance	Expenses	Annualized rate (%)	Average balance	Expenses	Annualized rate (%)
Interest bearing liabilities						
Dividends payable	159,759	(2,052)	5.0	199,420	(2,561)	4.8
Other liabilities	464	(73)	48.9	489	(8)	6.4
Total	160,223	(2,124)	5.3	199,909	(2,569)	4.9

Table 93 – BB Corretora | Year-to-date figures – Earning assets average balance and interest rates

R\$ thousand	9M 18			9M 19		
	Average balance	Revenues	Annualized rate (%)	Average balance	Revenues	Annualized rate (%)
Earning assets						
Cash and financial instruments	1,521,885	70,648	6.3	1,851,164	76,324	5.5
Other assets	191,969	5,037	3.5	199,353	5,581	3.8
Current tax assets	17,987	-	-	17,515	6	0.0
Total	1,731,841	75,686	5.9	2,068,032	81,912	5.3

Table 94 – BB Corretora | Year-to-date figures – Interest bearing liabilities average balance and interest rates

R\$ thousand	9M 18			9M 19		
	Average balance	Expenses	Annualized rate (%)	Average balance	Expenses	Annualized rate (%)
Interest bearing liabilities						
Dividends payable	170,774	(6,003)	4.7	257,801	(8,048)	4.1
Other liabilities	2,163	(86)	5.3	484	(18)	5.0
Total	172,936	(6,089)	4.8	258,285	(8,066)	4.2

■ BALANCE SHEET ANALYSIS

Table 95 – Brokerage | Balance sheet

R\$ thousand	Balance			Chg. %	
	Sep/18	Jun/19	Sep/19	On Sep/18	On Jun/19
Assets	2,590,521	2,992,089	3,475,129	34.1	16.1
Cash and cash equivalents	494,923	671,989	925,246	86.9	37.7
Securities	919,196	955,847	971,127	5.6	1.6
Equity investments	20,071	14,174	9,400	(53.2)	(33.7)
Current tax assets	244,250	188,237	294,642	20.6	56.5
Commission receivable	719,089	958,741	1,069,314	48.7	11.5
Other assets	192,992	203,101	205,400	6.4	1.1
Liabilities	2,383,888	2,945,182	2,939,122	23.3	(0.2)
Dividends payable	-	398,841	-	-	-
Provision	17,853	17,129	17,218	(3.6)	0.5
Current tax liabilities	573,743	491,204	747,763	30.3	52.2
Unearned commissions	1,754,586	1,996,036	2,129,214	21.4	6.7
Other liabilities	37,706	41,972	44,928	19.2	7.0
Shareholders' equity	206,633	46,908	536,007	159.4	1,042.7

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6. DEFINITIONS

COMMON RATIOS

Quarterly adjusted ROAA annualized = (adjusted net income / average total assets) x 4;

Average volume = net change - average rate;

Average rate = (current period interest / average current period balance) x (average previous period balance) - (previous period interest);

Net change = current period interest - previous period interest;

Assets annualized rate = interest revenues / average earning assets balance;

Liabilities annualized rate = interest expenses / average interest bearing liabilities.

INSURANCE

Loss ratio = claims incurred / earned premiums;

Commission ratio = retained acquisition costs / earned premiums;

Technical margin = (earned premiums + policies issuance revenue + incurred claims + retained acquisition costs + result with reinsurance) / earned premiums;

G&A Ratio = (administrative expenses + tax expenses + other operating income (expenses)) / earned premiums;

Combined ratio = (policies issuance revenue + incurred claims + retained acquisition costs + result with reinsurance + administrative expenses + tax expenses + other operating income (expenses)) / earned premiums;

Expanded combined ratio = (policies issuance revenue + incurred claims + retained acquisition costs + result with reinsurance + administrative expenses + tax expenses + other operating income (expenses)) / (earned premiums + net investment income).

INSURANCE MANAGERIAL

Earned premiums = premiums written – raw premiums ceded to reinsurance – changes in technical reserves – changes in expenses with reinsurance provisions;

Retained claims = incurred claims – recovery of indemnity claims – recovery of claims expenses – changes in provisions for claims IBNR – salvages and reimbursed assets – changes in provision for claims IBNER provisions for claims to be settled – changes of expenses related to IBNR – changes in estimates for salvages and reimbursed assets – provisions for claims to be settled;

Retained acquisition costs = acquisition costs – commission return + revenue with reinsurance commissions

Commission = acquisition costs – commission return;

G&A expenses = administrative expenses + tax expenses + other operating income (expenses);

PENSION PLANS

Quarterly adjusted ROAA annualized = (adjusted net income / average total assets ex-P/VGBL) x 4;

Commission ratio = acquisition cost / income and premiums contributions

Cost to income = (changes in other technical reserves + expenses with benefits, redemptions and claims + acquisition costs + administrative expenses + tax expenses + other operating income (expenses)) / (net revenues with contributions and VGBL premiums + revenues with management fee + earned premiums)

PREMIUM BONDS

Commission ratio = acquisition costs / revenue with load fee quote;

G&A ratio = (administrative expenses + tax expenses + other operating income (expenses)) / revenue with load fee quote;

Reserve quote = change in provision for redemption / premium bonds collection

Lottery quote = expenses with constitution of provisions for lottery / premium bonds collection

Bonus quote = expenses with constitution of provisions for bonus / premium bonds collection

Load fee quote = revenue with load fee quote / premium bonds collection

Premium bond margin = result with premium bonds / net revenue with premium bonds;

Spread = average yield on interest earning assets – average yield on interest bearing liabilities

BROKERAGE

Adjusted operational margin = operational results / brokerage revenues;

Adjusted net margin = adjusted net income / brokerage revenues.