

## Earnings Summary

### Adjusted Net Income of R\$4.2 billion in 1Q19

Banco do Brasil delivered R\$4.2 billion in 1Q19, an increase of 40.3% to 1Q18. This performance was primarily due to the increase in NII, decrease in ALLL, increase in fee income, and the administrative expenses growth below inflation. In the comparison with 4Q18, the highlights were the positive performance of the NII, the ALLL and administrative expenses that contributed to a 10.5% growth in adjusted net income in the period.

The ROE grew to 16.8%, from 12.6% in 1Q18, strengthening the commitment to increase profitability.

**Table 1.** Net Income – R\$ million

| R\$ million                          | 1Q18          | 4Q18          | 1Q19          | Chg. %      |              |
|--------------------------------------|---------------|---------------|---------------|-------------|--------------|
|                                      |               |               |               | On 1Q18     | On 4Q18      |
| <b>Net Interest Income</b>           | <b>11,962</b> | <b>12,490</b> | <b>12,711</b> | <b>6.3</b>  | <b>1.8</b>   |
| Net Allowance for Loan Losses        | (4,244)       | (3,168)       | (3,126)       | (26.3)      | (1.3)        |
| ALLL Expenses - Credit Risk          | (5,449)       | (4,788)       | (4,851)       | (11.0)      | 1.3          |
| Credit Recovery                      | 1,205         | 1,620         | 1,725         | 43.2        | 6.5          |
| <b>Net Financial Margin</b>          | <b>7,718</b>  | <b>9,322</b>  | <b>9,585</b>  | <b>24.2</b> | <b>2.8</b>   |
| Fee income                           | 6,548         | 7,236         | 6,795         | 3.8         | (6.1)        |
| <b>Contribution Margin</b>           | <b>13,105</b> | <b>15,399</b> | <b>15,208</b> | <b>16.0</b> | <b>(1.2)</b> |
| Administrative Expenses              | (7,432)       | (7,923)       | (7,557)       | 1.7         | (4.6)        |
| <b>Commercial Income</b>             | <b>5,543</b>  | <b>7,350</b>  | <b>7,523</b>  | <b>35.7</b> | <b>2.4</b>   |
| Other Operating Income               | (78)          | 476           | 225           | 0.0         | (52.7)       |
| <b>Income Before Taxes</b>           | <b>4,776</b>  | <b>6,604</b>  | <b>6,034</b>  | <b>26.3</b> | <b>(8.6)</b> |
| Income and Social Contribution Taxes | (1,004)       | (1,989)       | (852)         | (15.2)      | (57.2)       |
| Corporate Profit Sharing             | (388)         | (488)         | (544)         | 40.2        | 11.5         |
| <b>Adjusted Net Income</b>           | <b>3,026</b>  | <b>3,845</b>  | <b>4,247</b>  | <b>40.3</b> | <b>10.5</b>  |
| One-Off Items                        | (277)         | (42)          | (242)         | (12.7)      | 480.2        |
| <b>Net Income</b>                    | <b>2,749</b>  | <b>3,803</b>  | <b>4,005</b>  | <b>45.7</b> | <b>5.3</b>   |
| <b>Market ROE - %</b>                | <b>12.6</b>   | <b>15.4</b>   | <b>16.8</b>   |             |              |
| <b>Shareholders' ROE - %</b>         | <b>13.7</b>   | <b>16.7</b>   | <b>18.3</b>   |             |              |

The ROE methodologies are presented in the Glossary. From 1Q19 on, the ROE annualization methodology changed from exponentiation to simple multiplication.

### Market Indicators

The increase in the adjusted earnings per share stands out, with an increase from R\$1.09 in 1Q18 to R\$1.52 in 1Q19.

**Table 2. Market Indicators**

|                                   | 1Q18  | 1Q19 | 2019 E <sup>1</sup> | 2020 E <sup>1</sup> |
|-----------------------------------|-------|------|---------------------|---------------------|
| Earnings per Share - R\$          | 0.98  | 1.41 | 5.93                | 6.80                |
| Adjusted Earnings per Share - R\$ | 1.09  | 1.52 | 5.89                | 6.73                |
| Dividend Yield <sup>2</sup> - %   | 2.92  | 4.37 | 4.53                | 5.34                |
| Price/Earnings 12 months          | 10.10 | 9.62 | 8.61                | 7.54                |
| Price/Book Value                  | 1.13  | 1.29 | 1.33                | 1.21                |

1 Bloomberg estimate, on May, 08 2019 at 17.00PM, based on the average projections of market analysts. BB takes no responsibility for this information.

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

### Net Interest Income

- I Decrease of R\$103 million in loans revenue, mainly affected by the reduction in agribusiness credit revenues and loans abroad. The lower number of days in the quarter also negatively affects the revenue of some credit lines. A positive highlight for the individual's loan portfolio revenues growth.
- II Funding expenses were positively affected by the reduction in TMS (lower number of business days), which reduced expenses with savings deposits, time deposits and letters of credit. Banco Patagonia's time deposit expenses also decreased (R\$100 million), while judicial deposit expenses increased R\$134 million due to the increase in the deposits average balance. The decrease in institutional funding expenses was mainly due to the decrease of R\$113 million in expenses with financial letters, due to the decrease in its balance.
- III Treasury income was positively affected by the derivatives result, mainly influenced by the exchange rate, while the result of securities decreased due to the change in the mix and lower number of business days, partially offset by positive results of negotiations in quarter.

**Table 3. NII – R\$ Million and NIM (%)**

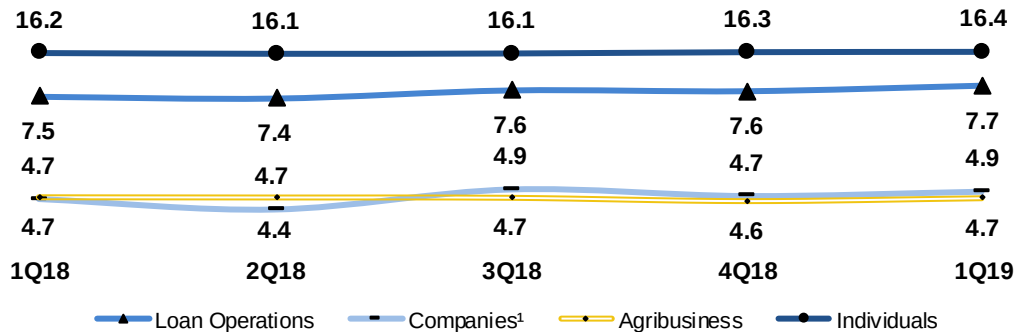
| R\$ million                                              | Quarterly Flow |               |               | Chg. %     |            |
|----------------------------------------------------------|----------------|---------------|---------------|------------|------------|
|                                                          | 1Q18           | 4Q18          | 1Q19          | 1Q18       | 4Q18       |
| <b>Net Interest Income</b>                               | <b>11,962</b>  | <b>12,490</b> | <b>12,711</b> | <b>6.3</b> | <b>1.8</b> |
| Loan Operations income                                   | 18,360         | 18,452        | 18,349        | (0.1)      | (0.6)      |
| Funding Expenses                                         | (6,000)        | (6,437)       | (6,379)       | 6.3        | (0.9)      |
| Financial Expense for Institutional Funding <sup>1</sup> | (2,815)        | (2,576)       | (2,412)       | (14.3)     | (6.4)      |
| Treasury Income <sup>2</sup>                             | 2,417          | 3,051         | 3,152         | 30.4       | 3.3        |
| <b>NIM - %<sup>3</sup></b>                               | <b>3.8</b>     | <b>4.0</b>    | <b>4.0</b>    |            |            |
| <b>Risk Adjusted NIM</b>                                 | <b>2.5</b>     | <b>3.0</b>    | <b>3.0</b>    |            |            |

1 - It includes senior bonds, subordinated debt, and Hybrid Instruments in Brazil and abroad;

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

3 - NII/Earning Assets average, annualized.

**Figure 1.** Managerial net interest margin by Segment – %<sup>2</sup>



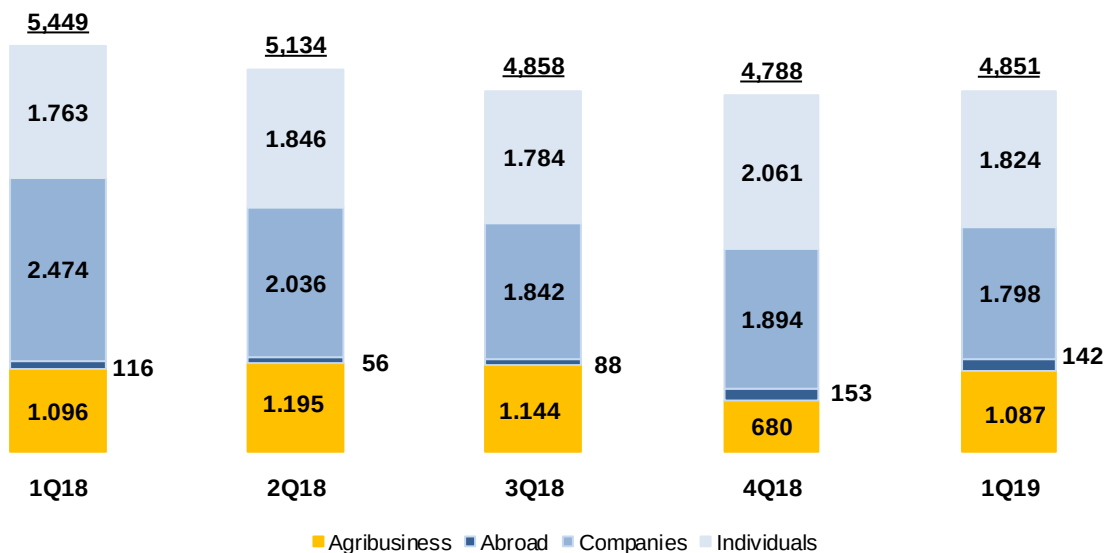
1 – It does not include transactions with the Government;  
2 – Series revised.

## ALLL continues on downward trajectory

The ALLL – Credit Risk decreased 11.0% over 1Q18 at R\$4.9 billion with the highlight to the ALLL decrease (R\$676 million or 27.3%) in the Companies portfolio.

The ALLL with credit recovery decreased 26.3% if compared to 1Q18, reaching R\$3.1 billion in the quarter, due to the greater credit recovery volume (43.2% growth).

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



1 – Does not consider the credit recovery

## Fee Income increased by 3.8%

Checking Account fees grew 5.4% in relation to 1Q18 mainly due to the increase of customer and service packages' prices adjustments.

The growth in Asset Management fees reflects the increase from R\$906.8 billion in March/18 to R\$ 981.8 billion in March/19 in the volume of assets under management, growth of 8.3% in 12 months. Highlight in the period for the Fixed Income line, with net funding of R\$28.1 billion. In the quarter, assets under management increased by R\$40.7 billion (4.3%).

The increase in insurance, pension plans and premium bonds fees, compared to 1Q18, was due to the higher volume of operations contracted in the period. The annual performance bonus paid in 4Q18 by BB MAPFRE SH1 to BB, in the amount of R\$ 276.1 million, positively influenced that quarter, a fact that did not occur in 1Q19.

**Table 4. Fee Income – R\$ million**

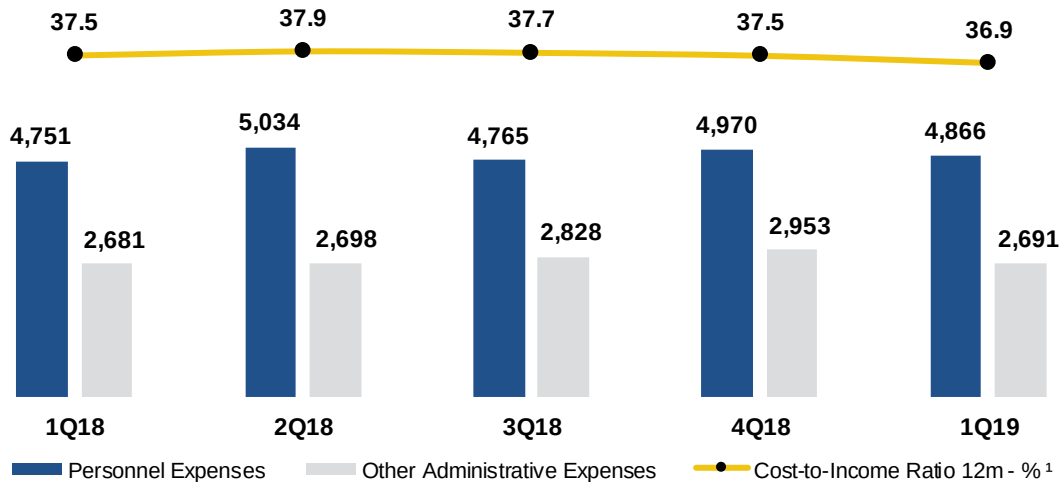
|                                            | 1Q18         | 4Q18         | 1Q19         | Chg. %     |              |
|--------------------------------------------|--------------|--------------|--------------|------------|--------------|
|                                            |              |              |              | On 1Q18    | On 4Q18      |
| <b>Fee Income</b>                          | <b>6,548</b> | <b>7,236</b> | <b>6,795</b> | <b>3.8</b> | <b>(6.1)</b> |
| Checking Account                           | 1,754        | 1,902        | 1,849        | 5.4        | (2.8)        |
| Asset Management                           | 1,421        | 1,487        | 1,520        | 6.9        | 2.2          |
| Insurance, P. Plans and Premium Bonds      | 771          | 1,039        | 841          | 9.1        | (19.0)       |
| Credit/Debit Cards                         | 462          | 507          | 521          | 12.7       | 2.8          |
| Brazil <sup>1</sup>                        | 398          | 426          | 443          | 11.2       | 3.8          |
| Loan Fees <sup>2</sup>                     | 464          | 558          | 403          | (13.1)     | (27.7)       |
| Collections                                | 334          | 312          | 308          | (7.7)      | (1.4)        |
| Billings                                   | 270          | 283          | 276          | 2.1        | (2.6)        |
| Consortium                                 | 206          | 275          | 275          | 33.5       | (0.1)        |
| Subsidiaries Abroad                        | 194          | 181          | 173          | (10.9)     | (4.6)        |
| Capital Market                             | 228          | 188          | 151          | (34.0)     | (19.8)       |
| Contract Processing                        | 78           | 115          | 133          | 70.7       | 16.3         |
| Nat. Treasury and Manag. of Official Funds | 144          | 110          | 103          | (28.5)     | (6.4)        |
| Foreign Exchange Services                  | 76           | 91           | 89           | 17.4       | (1.9)        |
| Other                                      | 147          | 189          | 154          | 5.3        | (18.3)       |

1 - Fee Income earned in the country.

2 - Revised in the 3Q18

#### Administrative Expenses grew 1.7% in 12 months

The administrative expenses grew below inflation, resulting in a cost-to-income ratio of 36.9% in 1Q19, improvement of 60bps if compared to 1Q18.

**Figure 3. Administrative Expenses – R\$ million**

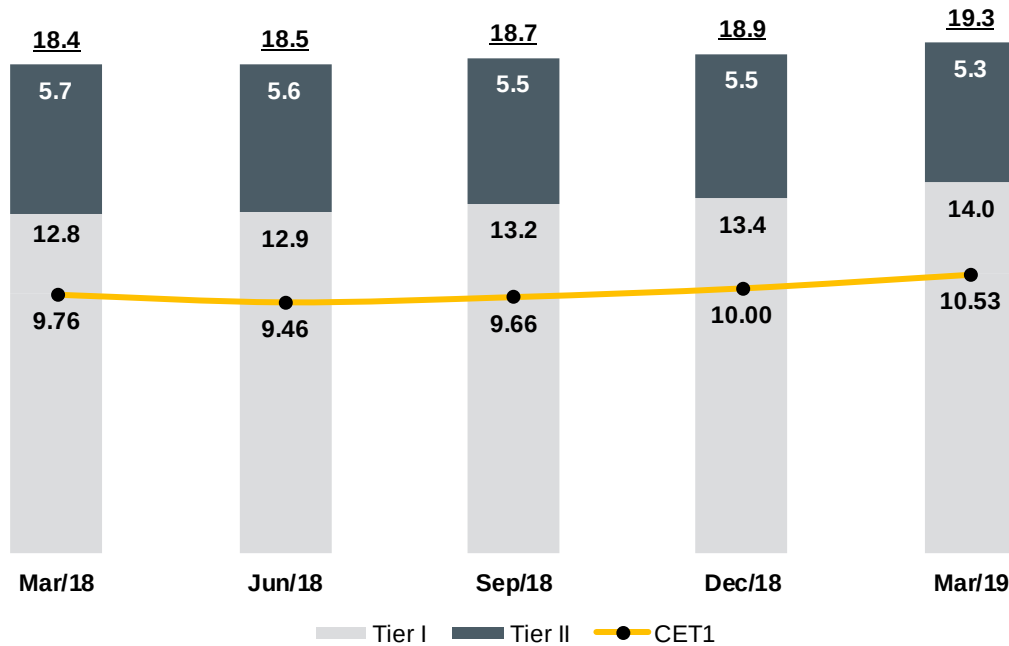
1 Cost-to-Income ratio: Administrative Expenses/Operating Revenues. Data from Income Statement with Reallocations.

#### BIS Ratio to 19.26%

Banco do Brasil has a three-year prospective Capital Plan incorporating the effects defined by future regulatory and prudential and considering (a) the Declaration of Appetite and Risk Tolerance, (b) the Corporate Strategy and (c) the Corporate Budget.

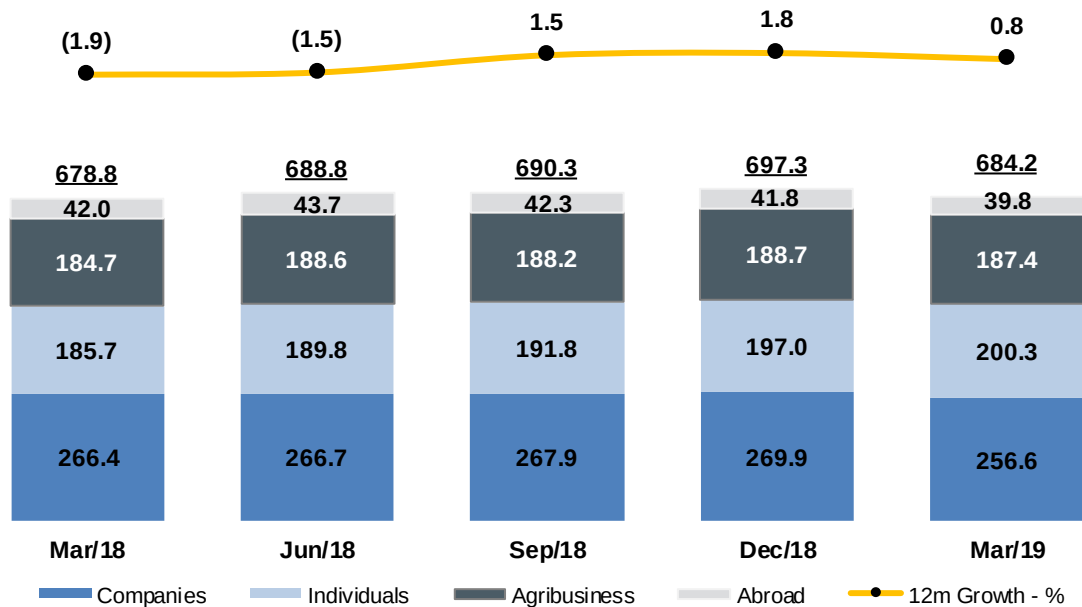
The BIS Ratio reached 19.26% in March 2019. The Tier I was 14.00%, 10.53% of CET1 and reference equity reached R\$134.9 billion.

As a goal, the objective is to enlarge the capital base to achieve at least 11.0% of CET1 in January 2022, according to the Declaration of Appetite and Risk Tolerance and the Capital Plan of the Bank. The focus is on organic capital generation with profit growth supported by lower capital consumption lines and better risk and return allocation.

**Figure 4. Basel – %**

### Loan Portfolio

The Expanded View loan portfolio grew 0.8% in compared to March/18, with highlight to the individuals and agribusiness portfolio growth of 7.8% and 1.5% respectively.

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

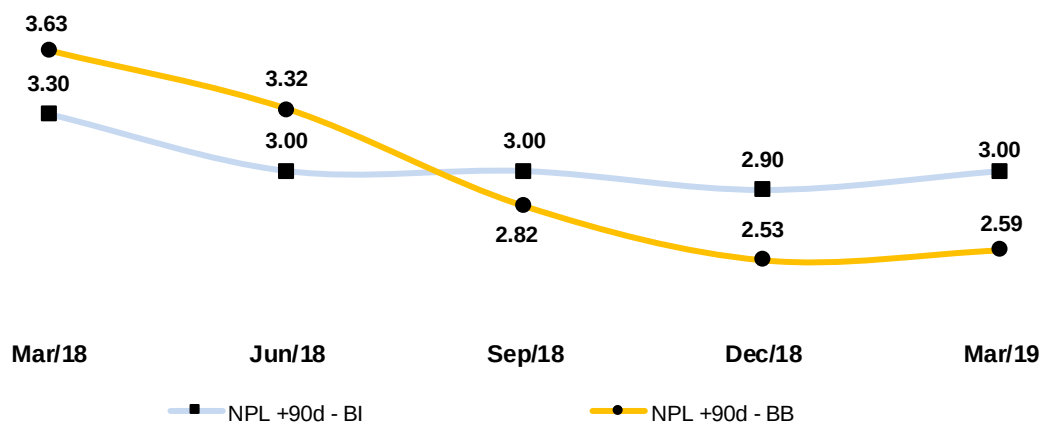
The individuals organic portfolio increased by 8.9% in 12 months (R\$15.8 billion), due to the positive performance in payroll loans (R\$5.0 billion), and the 7.1% increase in mortgage (R\$3.2 billion). Highlight to Personal Loans, that grew to R\$8.5 billion (85.9%) because of the evolution in the non-payroll loan growth strategy within BB's customer base.

The companies expanded portfolio decreased by 3.7% in 12 months. Considering the portfolio dynamics by segmentation, the main reduction occurred with Large Companies (13.0%) or R\$15.7 billion, which is related to early payment operations by clients in the Large Corporate segment. Considering the SME clients, those with annual revenues up to R\$200 million, highlight to the 26.4% growth (R\$4.9 billion) in the working capital line. The balance for Government clients grew R\$ 3.5 billion if compared to March/2018.

The rural credit (table 72, 1Q19 MD&A) registered a positive performance of 3.2% or R\$5.1 billion in 12 months, especially on FCO Rural (R\$3.9 billion), Agricultural Investments (R\$2.8 billion) and Pronaf (R\$731 million), which was offset by the R\$1.7 billion in Pronamp. Considering the disbursement in the first nine months of the 2018/2019 crop, growth was 3.3% (R\$1.9 billion) compared to the same period of the 2017/2018 crop.

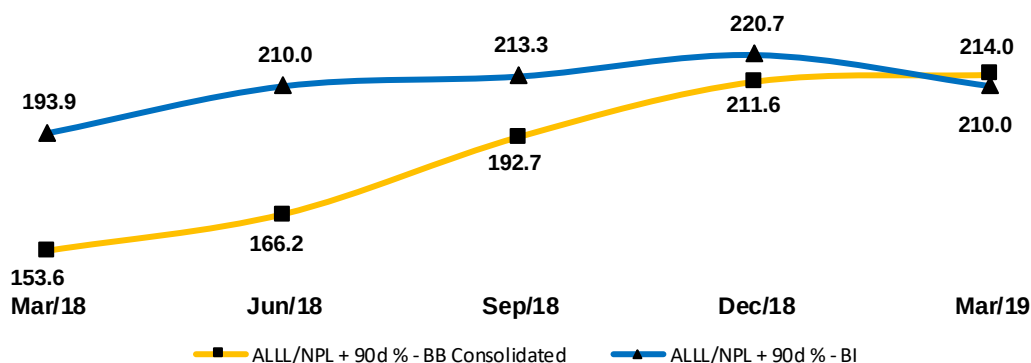
The NPL +90d (ratio between transactions more than 90 days overdue and the classified loan portfolio balance), was 2.59% in March/2019 with a highlight, for the fall of 265 bps in the Companies portfolio and 17 bps in the agro.

**Figure 6. NPL +90 days – %**



The Bank maintains coverage compatible with the risk profile of its portfolio. The index presented a relevant evolution, due to the lower NPL in the period. BB coverage is higher than the BI.

**Figure 7. Coverage<sup>1</sup>**



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

In the case of the Companies coverage, growth has been consistent due to the fall in the NPL balance in this portfolio.

**Figure 8.** Coverage by Segment – %