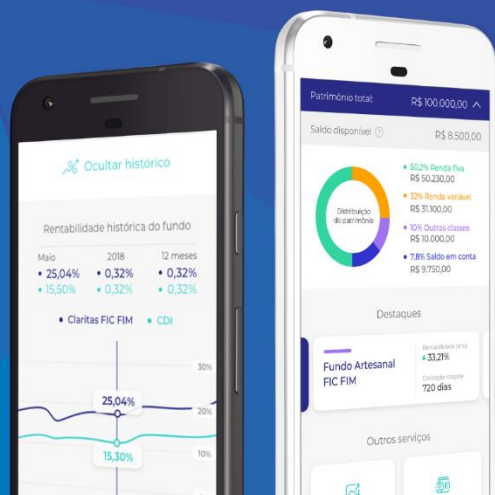


Earnings Release 4Q19



bs2.
Banco

BANCO BS2 PRESENTS ITS 4Q19 CONSOLIDATED EARNINGS

Belo Horizonte, February 19, 2020 - Banco BS2 SA ("Bank"), a multiple bank, with exchange, commercial and credit, financing and investment portfolios, focused on credit operations, credit rights, foreign exchange services and means of payment, announces its results for the quarter and year ended as of December 31, 2019. The financial information, except when otherwise stated, is related to the controlling company (BS2), expressed in millions of Brazilian Reais.

HIGHLIGHTS

In 2019, we launched our digital platform for individuals - BS2 Hub app and for companies - companies.bs2.com. Throughout the year, we increased our offer with several solutions integrated with the digital account, such as the open investment platform, the purchase of paper money, the opening of an international account, the management of bank slips and acquiring (machine) for companies. It took months of great construction to put at the service of our customers solutions that simplify their financial life. We ended the year with approximately 294 thousand digital accounts opened.

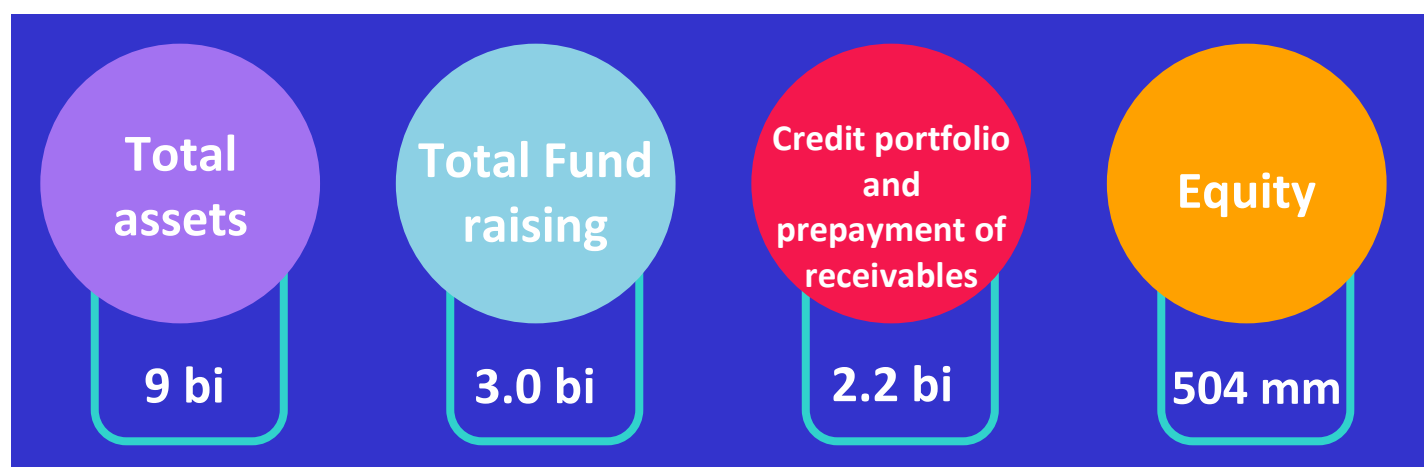
Aligned with its growth strategy, in May 2019, the Bank announced the master sponsorship of Flamengo, with national and global reach, which brought greater visibility and appreciation of the brand, in addition to a significant expansion of the customer base.

The last release of the year was the international account BS2, which, through a simple and integrated journey in the same app, allows the opening of an account in dollars, with instant transfers any day of the week.

Banco BS2 has an approximately 30% interest in Butiá Gestão de Investimentos, an independent Asset that, on December 31, 2019 had R\$ 638 million in assets under management.

In September, it launched its startup Blu by BS2, a fully digital financial education platform for parents and children.

Main Numbers



Overview

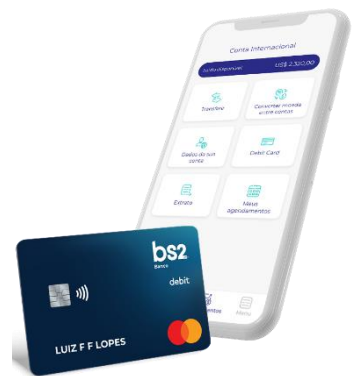


Individual



Complete digital account with 100% online opening, debit and credit card, open investment platform, purchase of dollar and euro through the app and delivery to capitals SP, RJ and BH and monitoring of currency prices.

International account with 100% digital onboarding and no bureaucracy. Operations are carried out using the same platform as the current account, with no monthly fees and fees for specific transactions. BS2 was the first bank in Brazil to issue a card outside the country, this debit card for purchases and withdrawals at ATM and Mastercard network.



Open investment platform with financial advisory, investment indications according to the profile of each client, application and total control by the app. More than 100 product options including fixed income (CDB / LCI / LCA), investment funds, variable income, direct treasury, private pension and life insurance.

Legal Entity



BS2 Companies Account brings financial solutions to companies with 100% digital registration, checking account with issue of slips, Electronic Transfers (TEDs), payments, multi-user access, APIs with systems integration and the card machine “BS2 Pay”.

In addition to the solutions offered at BS2 HUB, Banco BS2 maintains its focus on four areas, which are its pillars of support:

- **Acquisition of credit rights** - In large part, it refers to the purchase of Federal and State court-ordered debt payments, a market in which BS2 has expertise and a profitable operation since 2012;
- **Enterprise BS2** - brings working capital solutions to medium-sized companies;
- **Foreign Exchange** - Exchange solutions for wholesale and retail;
- **Means of Payment** - Acquisition operation. In this segment, BS2 has been operating in the physical world since 2017 and in the digital world since 2016, and its main partner is Adyen.

Main Indicators

	2019	2018	Var.	4Q19	3Q19	Var.	4Q18	Var.
Gross income of financial intermediation	82.4	78.5	4.9%	22.0	15.8	39.2%	31.5	-30.1%
Net income	11.5	32.3	-64.4%	1.2	8.9	-86.3%	11.5	-89.4%
Net worth	504.1	309.1	63.1%	504.1	504.6	-0.1%	309.1	63.1%
Total assets	8,993.9	5,890.9	52.7%	8,993.9	8,061.0	11.6%	5,890.9	52.7%
Credit Portfolio	798.9	723.1	10.5%	798.9	718.8	11.1%	723.1	10.5%
Prepaid receivables	1,447.9	376.0	285.1%	1,447.9	1,906.2	-24.0%	376.0	285.1%
Total Fund Raising	3,010.6	2,354.2	27.9%	3,010.6	2,594.8	16.0%	2,354.2	27.9%

Performance Indexes

	2019	2018	Var.	4Q19	3Q19	Var.	4Q18	Var.
ROAE (p.a)	2.8%	11.9%	-9.1 p.p.	0.2%	2.0%	-1.8 p.p.	3.7%	-3.5 p.p.
ROAA (p.a)	0.2%	0.7%	-0.5 p.p.	0.0%	0.1%	-0.1 p.p.	0.2%	-0.2 p.p.
Efficiency index	94.8%	76.9%	17.9 p.p.	117.6%	87.8%	29.8 p.p.	74.3%	43.3 p.p.
Basel Index	11.6%	11.5%	0.1 p.p.	11.6%	11.3%	0.2 p.p.	11.5%	0.1 p.p.
Net financial margin (p.a)	7.2%	9.6%	-2.5 p.p.	5.3%	8.2%	-2.9 p.p.	11.0%	-5.7 p.p.
Default	0.8%	0.3%	0.5 p.p.	0.8%	0.6%	0.2 p.p.	0.3%	0.5 p.p.

The ROAE was reduced due to the investment in technology for the Hub construction, which also influenced the efficiency index. Both situations were expected, as was the reduction of the Basel index, which reflects the position of the largest credit and debit card issuers in Brazil (large banks) in means of payment transactions, which does not necessarily mean higher exposure to credit risk; quite the opposite.

Financial and operational performance

Financial intermediation income

	2019	2018	Var.	4Q19	3Q19	Var.	4Q18	Var.
Credit operations	64.2	70.5	-8.9%	16.2	20.2	-19.6%	20.4	-20.5%
TVM and Interf. liquidity inv. income	84.5	54.3	55.6%	15.9	18.4	-14.0%	20.1	-21.1%
Derivatives Income	20.0	40.6	-50.7%	(5.8)	14.8	-139.4%	6.3	-193.0%
Foreign exchange operations income	106.6	87.8	21.4%	26.1	31.4	-17.0%	20.0	30.3%
Sale or transfer op. of financial assets	17.9	3.6	398.0%	0.3	4.7	-94.5%	0.0	n.a.
Financial intermediation revenue	293.3	256.8	14.2%	52.6	89.5	-41.3%	66.8	-21.3%
Market funding operations	(204.9)	(167.2)	-22.6%	(30.9)	(68.7)	55.0%	(30.9)	0.0%
Loans, assignments and transfers	(0.2)	(2.1)	90.3%	(0.0)	(0.1)	79.8%	0.0	n.a.
Sale or transfer op. of financial assets	(0.0)	(0.6)	97.2%	0.0	0.0	n.a.	(0.1)	100.0%
Provision for doubtful accounts	(5.8)	(8.4)	30.7%	0.4	(4.9)	108.5%	(4.3)	109.7%
Financial intermediation expenses	(210.9)	(178.3)	-18.3%	(30.5)	(73.7)	58.5%	(35.3)	13.4%
Financial intermediation gross income	82.4	78.5	4.9%	22.0	15.8	39.2%	31.5	-30.1%

Gross profit from financial intermediation reached R\$ 82.4 million in 2019, 4.9% higher compared to 2018. The increase was mainly due to the result from securities and interbank investments, the result of sales operations or transfers of financial assets and the result of foreign exchange operations that met the increase in funding expenses in the market.

Other operating revenue and expenses

	2019	2018	Var.	4Q19	3Q19	Var.	4Q18	Var.
Services provision revenues	120.7	56.1	115.2%	45.2	32.9	37.3%	15.9	184.4%
Bank fee revenues	4.6	2.0	127.5%	2.1	0.8	159.9%	0.2	769.9%
Personnel expenses	(95.8)	(72.8)	-31.5%	(26.4)	(24.9)	-6.3%	(15.2)	-74.3%
Other administrative expenses	(255.3)	(138.6)	-84.2%	(84.3)	(59.8)	-41.0%	(42.8)	-97.0%
Tax expenses	(33.2)	(23.3)	-42.5%	(8.9)	(8.6)	-3.6%	(5.8)	-52.7%
Income from interest in associated/affiliated companies	0.2	0.0	n.a.	0.2	0.0	n.a.	0.0	n.a.
Other operating revenues	204.2	212.2	-3.8%	30.5	57.8	-47.2%	47.6	-36.0%
Other operating expenses	(44.7)	(63.2)	29.2%	(6.3)	(13.8)	54.6%	(15.9)	60.8%
Other operating income (expenses)	(99.5)	(27.7)	-259.7%	(48.0)	(15.6)	-208.3%	(16.0)	-200.0%

Other operating income and expenses reached a negative net result of R \$ 99.5 million in 2019. This impact was mainly due to the 84.2% increase in administrative expenses in 2019 compared to 2018, due investments in technology for the construction of the digital platform - BS2 HUB and expenses with advertising and publicity for the expansion of the brand, a move that was already expected and in line with BS2's strategic planning.

Revenue from services rendered ended the year 2019 with R\$ 120.7 million, an increase of 115.2% compared to 2018, a fact reached by the acquisition operations and by the income for anticipating payment transaction values classified in this line as determined by the monetary authority.

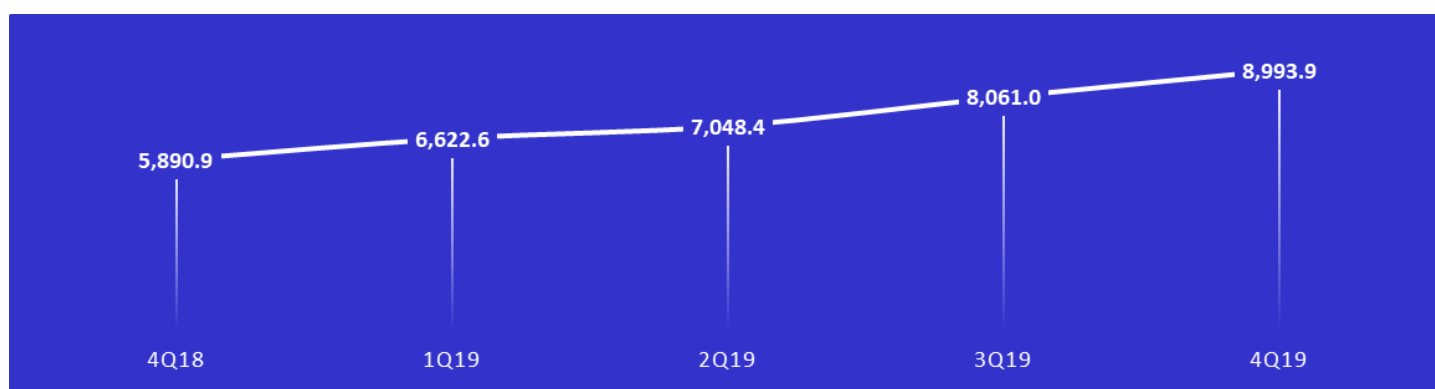
Net financial margin

	2019	2018	Var.	4Q19	3Q19	Var.	4Q18	Var.
Income from financial interm. before PDD	88.2	86.9	1.5%	21.6	20.7	4.4%	35.8	-39.6%
Other operating revenues and expenses	159.5	149.0	7.0%	24.2	44.0	-44.9%	31.7	-23.5%
Average profitable assets	3,443.3	2,446.4	40.8%	3,443.3	3,142.3	9.6%	2,446.4	40.8%
Net financial margin (p.a)	7.2%	9.6%	-2.5 p.p.	5.3%	8.2%	-2.9 p.p.	11.0%	-5.7 p.p.

Efficiency index

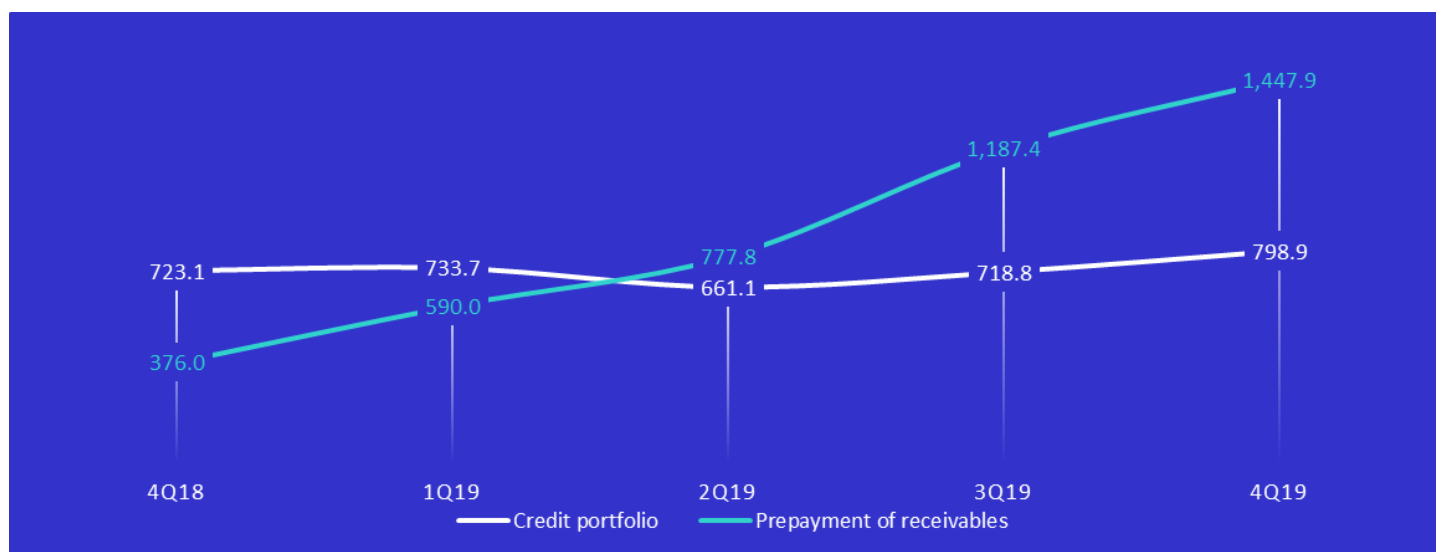
	2019	2018	Var.	4Q19	3Q19	Var.	4Q18	Var.
Personnel expenses	95.8	72.8	31.5%	26.4	24.9	6.3%	15.2	74.3%
Other administrative expenses	255.3	138.6	84.2%	84.3	59.8	41.0%	42.8	97.0%
Other operating expenses	44.7	63.2	-29.2%	6.3	13.8	-54.6%	15.9	-60.8%
Total Expenses	395.8	274.6	44.1%	117.0	98.4	18.9%	73.9	58.3%
Income from financ. interm. before PDD	88.2	86.9	1.5%	21.6	20.7	4.4%	35.8	-39.6%
Services provision revenues	120.7	56.1	115.2%	45.2	32.9	37.3%	15.9	184.4%
Bank fee revenues	4.6	2.0	127.5%	2.1	0.8	159.9%	0.2	769.9%
Other operating revenues	204.2	212.2	-3.8%	30.5	57.8	-47.2%	47.6	-36.0%
Income from interest in associated/affiliated companies	0.2	0.0	n.a.	0.2	0.0	n.a.	0.0	n.a.
Total revenue	417.7	357.2	17.0%	99.5	112.1	-11.3%	99.5	0.0%
Efficiency Index (%)	94.8%	76.9%	17.9 p.p.	117.6%	87.8%	29.8 p.p.	74.3%	43.3 p.p.

Assets evolution



The total assets of Consolidated BS2 reached R\$ 9 billion in 2019, 52.7% higher compared to 2018. Such increase has been due to the growth in acquiring operations, carried out by the subsidiary Adiq Soluções de Pagamento SA (“Adiq Payment Solutions”), consolidating it in a payment institution, which operates mainly in the accreditation segments.

Credit portfolio and prepayment of receivables



The credit portfolio, which is composed of credit operations and other credits with credit characteristics, registered an increase of 10.5% in 2019 compared to 2018, such increase mainly in the Enterprise portfolio. The Prepayment of Receivables portfolio ended 2019 with R\$ 1.4 billion, representing an increase of 285.1% compared to 2018.

Following, the opening of the credit portfolio and prepayment of receivables:

	4Q18	1T19	2T19	3Q19	4Q19
Payroll-deductible loans	8.0	5.5	4.6	3.9	3.1
Personal loans not deductible in payrolls	9.3	18.6	18.2	20.0	14.8
Enterprise	294.4	288.6	280.0	328.9	396.1
Court-ordered debt payments	410.8	412.8	350.0	357.1	376.1
Other	0.6	8.2	8.3	8.9	8.8
Credit Portfolio	723.1	733.7	661.1	718.8	798.9
Prepayment of Receivables	376.0	590.0	777.8	1,187.4	1,447.9
Credit Portfolio and Prepayment of Receivables	1,099.1	1,323.7	1,438.9	1,906.2	2,246.8

Credit portfolio quality

Rating	Required Provision (%)	4Q19			3Q19			4Q18		
		Credit Portfolio	%	Provision	Credit Portfolio	%	Provision	Credit Portfolio	%	Provision
AA		66.9	8.4%		55.6	7.7%		79.8	11.0%	
A	0.5	537	67.2%	2.7	480.6	66.9%	2.4	529.2	73.2%	2.6
B	1.0	84.4	10.6%	0.8	85.5	11.9%	0.9	58.1	8.0%	0.6
C	3.0	63.6	8.0%	1.9	49	6.8%	1.5	30.9	4.3%	0.9
D	10.0	22.3	2.8%	2.2	19.4	2.7%	1.9	3.2	0.4%	0.3
E	30.0	9.9	1.2%	3.0	3.7	0.5%	1.1	1.3	0.2%	0.4
F	50.0	3.6	0.5%	1.8	13.4	1.9%	6.7	13.4	1.9%	6.7
G	70.0	4.4	0.6%	3.1	10.3	1.4%	7.2	4.7	0.6%	3.3
H	100.0	6.8	0.9%	6.8	1.3	0.2%	1.3	2.5	0.3%	2.5
Total		798.9	100.0%	22.3	718.8	100.0%	23.0	723.1	100.0%	17.3
AA - D		774.2	96.9%	7.6	690.1	96.0%	6.7	701.2	97.0%	4.4
E - H		24.7	3.1%	14.7	28.7	4.0%	16.3	21.9	3.0%	12.9

Default

BS2 ended 2019 with a default rate of 0.8% on the credit portfolio and prepayment of receivables portfolio. Following, the opening of the credit portfolio and prepayment of receivables:



Fund Raising

	4Q19	3Q19	Var.	4Q18	Var.
Time deposits	2,321.8	1,824.8	27.2%	1,786.5	30.0%
Other deposits	311.6	312.7	-0.4%	249.6	24.8%
Fund raising in the open market	12.8	74.9	-82.9%	0.0	n.a.
Resources for accepting and issuing bonds	74.0	78.4	-5.6%	85.2	-13.1%
Foreign fund raising	243.8	258.2	-5.6%	232.8	4.7%
Equity-eligible debt instruments	46.6	45.8	1.7%	0.0	n.a.
Total Fund Raising	3,010.6	2,594.8	16.0%	2,354.2	27.9%

Total fund raising increased 27.9% in 2019 compared to 2018, reaching R\$ 3 billion. This increase was mainly due to time deposits, necessary to cover the growth of the loan portfolio and receivables advances, with an average cost appropriate to our reality, very efficient in relation to the market and adequately remunerating our investors.

Liquidity

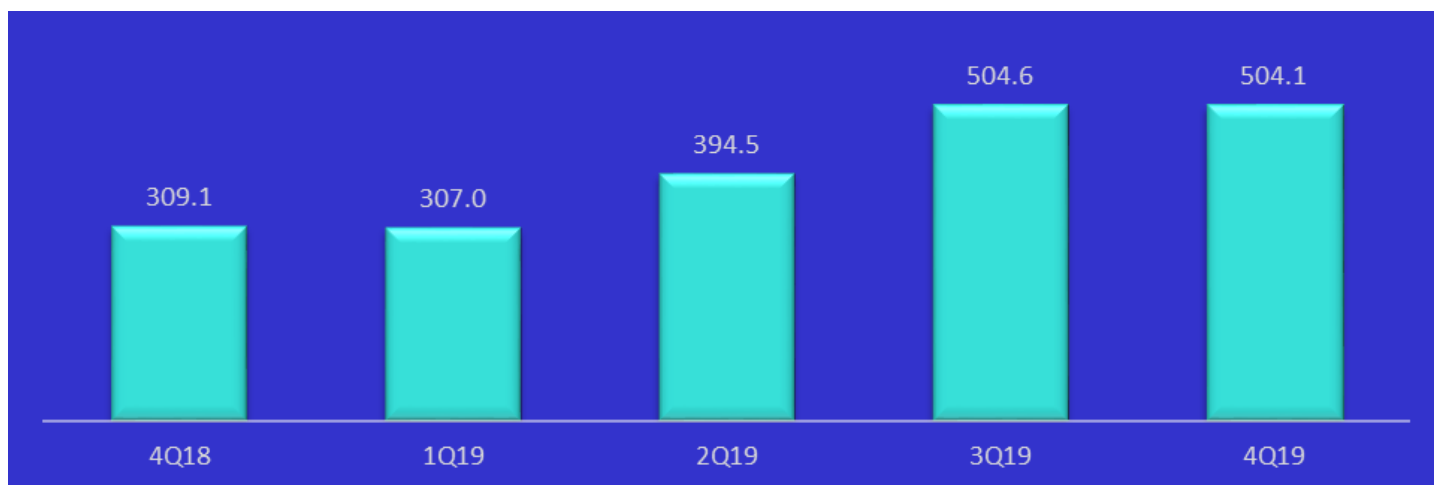
Market risk and liquidity management

In accordance with CMN Resolution no. 4555/17, the Bank and the Consolidated BS2 defined its market and liquidity risk management structure compatible with the nature of its operations and the complexity of its products and services, considering its portfolio of payroll loans, credit for small and medium-sized companies (Business) and foreign exchange transactions and its operations in the Treasury.

The structure defines the bodies involved and their respective attributions and responsibilities, the unit responsible for the market risk and liquidity management of the Bank and the Consolidated BS2 and the statutory director responsible for each of the risks with the Central Bank of Brazil (*Bacen*), as well as describing the process of market risk and liquidity management.

Information on Market Risk and Liquidity Management is disclosed by the Bank on its Corporate Governance website under the section "Estrutura de Gerenciamento de Riscos e Capital" (*Risk and Capital Management Structure*) (www.bs2.com/governanca-corporativa).

Net equity



BS2's net equity totaled R\$ 504.1 million in 2019, an increase of 63.1% compared to 2018, composed of the result for the period and capital contributions, in the amounts of R\$ 85 million, R\$ 100 million and R\$ 11.9 million, effective by its shareholders on April 29, 2019, September 30, 2019 and December 17, 2019, respectively, what, once again, affirmed full support in the execution of the Bank's digital strategy.

Basel Index



BS2 closed 2019 with the Basel III Index (adjusted to the Required Reference Equity) at 11.6%, in line with the recommended by the Brazilian Central Bank "Bacen" (Basel + ACP Index) in accordance with CMN Resolution N. 4193 / 2013. Such a move was expected due to the increase in our payment methods processing, for the largest card issuers in Brazil, mostly formed by large banks, with low credit risk.



Balance sheet (in thousands of BRL R\$)

	4Q19	3Q19	4Q18
Asset			
Availabilities	81,807	195,970	61,763
Liquidity financial investments	719,992	189,999	1,018,540
Bonds and securities and derivatives	1,000,850	1,113,397	667,486
Interbank Transactions	6,061,433	5,378,062	2,996,331
Credit operations	283,003	214,712	171,889
Assignment-related credit operations	0	0	1,188
Provision for doubtful accounts	(10,696)	(9,754)	(6,597)
Other credits	321,086	306,052	302,219
Other amounts and assets	29,125	31,702	17,779
Current assets	8,486,600	7,420,140	5,230,598
Liquidity financial investments	0	0	55
Bonds and securities and derivatives	0	156,150	133,830
Credit operations	130,984	138,022	138,613
Provision for doubtful accounts	(8,079)	(11,060)	(9,108)
Other credits	271,333	244,420	324,488
Other amounts and assets	3,796	4,532	4,485
Noncurrent receivables	398,034	532,064	592,363
Investments in affiliates and subsidiaries in the country	554	443	173
Other Investments	1,906	1,856	1,707
Fixed asset	41,249	36,114	30,056
Intangible Asset	65,603	70,389	36,039
Permanent	109,312	108,802	67,975
Total Assets	8,993,946	8,061,006	5,890,936

Balance sheet (in thousands of BRL R\$)

	4Q19	3Q19	4Q18
Liabilities			
Deposits	795,602	703,204	763,744
Funding in the open market	12,792	74,893	0
Acceptance resources and bond issue	66,054	66,955	69,532
Interbank Transactions	0	76,766	0
Interbranch Transactions	47,078	46,181	37,913
Liabilities for loans and transfers	7	0	0
Financial derivative instruments	90	0	22
Other liabilities	5,615,681	4,782,278	3,131,958
Current Assets	6,537,304	5,750,277	4,003,169
Deposits	1,837,754	1,434,342	1,272,419
Acceptance resources and bond issue	7,982	11,434	15,671
Other liabilities	96,819	351,579	284,577
Long-term liabilities	1,942,555	1,797,355	1,572,667
Revenues of future periods	3,898	2,554	4,013
Non-controlling interest	6,071	6,187	2,028
Share Capital	458,621	446,721	261,721
Capital reserves	1,939	1,655	0
Profit reserves	43,422	46,160	46,159
Adjustment to market value - TVM	136	261	1,179
Accumulated Profits	0	9,836	0
Net equity	504,118	504,633	309,059
Total liabilities and net equity	8,993,946	8,061,006	5,890,936

Statement of income (in thousands of BRL)

	2019	2018	4Q19	3Q19	4Q18
Credit operations	64,241	70,530	16,216	20,175	20,406
Income of operations with TVM and interbank investments	84,529	54,325	15,853	18,439	20,081
Income with derivative financial instruments	19,987	40,554	(5,836)	14,819	6,275
Foreign exchange operations income	106,579	87,789	26,062	31,386	19,995
Sale or transfer of financial assets operations	17,922	3,599	257	4,665	0
Financial intermediation revenue	293,258	256,797	52,552	89,484	66,757
Market fund raising operations	(204,856)	(167,154)	(30,937)	(68,709)	(30,937)
Loan and transfers operations	(207)	(2,139)	(20)	(99)	0
Sale or transfer of financial assets operations	(17)	(598)	0	0	(66)
Allowance for doubtful accounts	(5,814)	(8,394)	416	(4,866)	(4,280)
Financial intermediation expenses	(210,894)	(178,285)	(30,541)	(73,674)	(35,283)
Financial intermediation gross income	82,364	78,512	22,011	15,810	31,474
Services revenue	120,660	56,081	45,170	32,887	15,881
Bank fees revenue	4,550	2,000	2,053	790	236
Personnel expenses	(95,799)	(72,825)	(26,449)	(24,882)	(15,172)
Other administrative expenses	(255,303)	(138,610)	(84,303)	(59,796)	(42,793)
Tax expenses	(33,200)	(23,305)	(8,881)	(8,574)	(5,817)
Equity income in subsidiaries and affiliated companies	179	0	179	0	0
Other operating revenues	204,167	212,191	30,485	57,775	47,608
Other operating expenses	(44,704)	(63,182)	(6,250)	(13,767)	(15,940)
Other operating revenues (expenses)	(99,450)	(27,650)	(47,996)	(15,567)	(15,997)
Operating income	(17,086)	50,862	(25,985)	243	15,477
Non-operating income	10,990	779	(209)	10,738	1,219
Operational income before Tax on profit and equity	(6,096)	51,641	(26,194)	10,981	16,696
Income tax and social contribution	25,968	(10,661)	27,373	(196)	3,572
Profit sharing	(8,376)	(8,722)	42	(1,889)	(8,722)
Net income for the period	11,496	32,258	1,221	8,896	11,546
Income attributable to controlling shareholders	11,263	32,782	1,427	8,681	12,260
Income attributable to non-controlling shareholders	233	(524)	(206)	215	(714)

Ratings

FitchRatings BBB+(bra) | Foreign Currency: B+ (November 2019)

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bs2.
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