

# **B3 – Business Review and 2019 Annual Shareholders Meeting**

April 2019

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The verbs "anticipate," "believe," "estimate," "expect," "forecast," "plan," "predict," "project," "target" and other similar verbs are intended to identify these forward-looking statements, which involve risks and uncertainties that could cause actual results to differ materially from those projected in this presentation and do not guarantee any future B3 performance.

The factors that might affect performance include, but are not limited to: (i) market acceptance of B3 services; (ii) volatility related to (a) the Brazilian economy and securities markets and (b) the highly-competitive industries in which B3 operates; (iii) changes in (a) domestic and foreign legislation and taxation and (b) government policies related to the financial and securities markets; (iv) increasing competition from new entrants to the Brazilian markets; (v) ability to keep up with rapid changes in technological environment, including the implementation of enhanced functionality demanded by B3 customers; (vi) ability to maintain an ongoing process for introducing competitive new products and services, while maintaining the competitiveness of existing ones; (vii) ability to attract new customers in domestic and foreign jurisdictions; (viii) ability to expand the offer of B3 products in foreign jurisdictions.

All forward-looking statements in this presentation are based on information and data available as of the date they were made, and B3 undertakes no obligation to update them in light of new information or future development.

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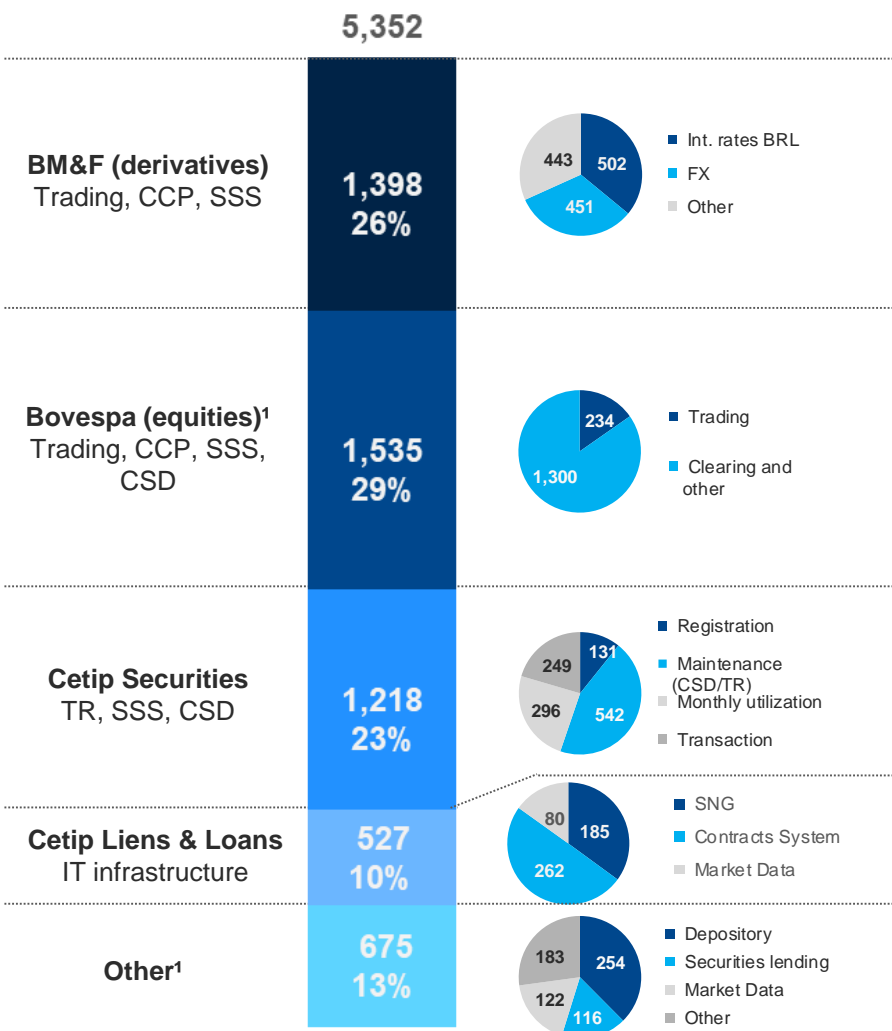
# B3 at a Glance – Revenue Breakdown & Key Drivers



Main services and drivers in each business line

## 2018 revenues, services and products

(B3); (R\$ Millions)



## Main drivers

Main drivers	Exposure to economy and credit	
	Positive scenario	Negative scenario
Interest rate and FX volatility		
Risk appetite and sophistication of investors	+	+
Credit outstanding	+	+
Cross-border transactions (funding and export/import)		
Outlook for the economy and companies		
Volatility	++	-
Interest rate level	++	-
Risk appetite and sophistication of investors		
Credit outstanding and risk appetite		
Volatility and risk aversion	+	=
Interest rates (trade-off: new issuances vs. volume outstanding)	+	=
Vehicle sales and financing penetration	++	-
Electronification of processes	++	-
Fees for packages of services, maintenance or custody volume (market data, listing and depository)	+	=
Risk appetite of investors (securities lending)	+	=

Note – CCP: Central counterparty; SSS: Settlement; CSD: Central depository; TR: Trade repository

<sup>1</sup> The CSD services within the Bovespa segment is related to the delivery of the shares in the settlement process, while the CSD services within Other is related to the maintenance of accounts.

# B3 at a Glance – Key Numbers

Operational & financial

[B]<sup>3</sup>

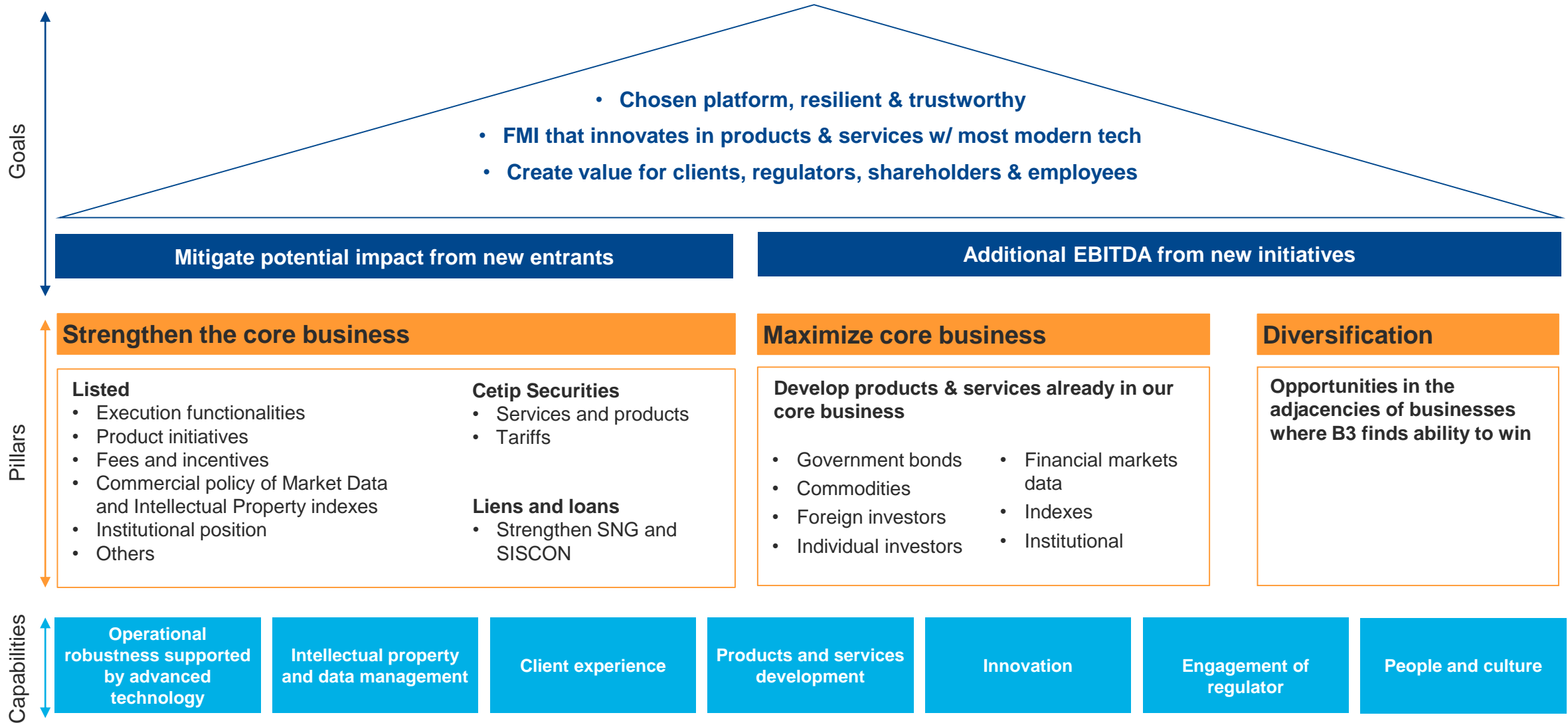
Operational	2018	2018/2017	Revenue change 2018/2017
<b>BM&amp;F Segment</b>			
ADV (mn)	3.7	20.8%	26.2%
RPC (R\$)	1.522	7.3%	
<b>Bovespa Segment</b>			
ADTV (R\$ bn)	12.3	41.1%	35.1%
Margin (bps)	4.973	-3.4%	
<b>Securities Segment</b>			
Value outstanding (daily avg in R\$ tri)	7.1	12.0%	10.5%
<b>Liens and Loans Seg.</b>			
Vehicles financed (mn)	5.5	7.5%	24.3%
CS <sup>1</sup> market share (%)	62.7	-870bps	

Financials (R\$ mn)	2018	2018/2017
Net revenue	4,831.9	20.6%
Adj. expenses <sup>2</sup>	984.7	1.3%
Recur. EBITDA <sup>3</sup>	3,424.5	28.8%
Recur. EBITDA margin <sup>3</sup>	70.9%	317bps
Financial result	-53.7	187.9mi
Recur. net income <sup>4</sup>	2,634.5	26.4%

<sup>1</sup> CS stands for Contract System. <sup>2</sup> Adjusted by: (i) depreciation and amortization; (ii) long term stock-based compensation; (iii) related to the combination with Cetip; (iv) provisions and; (v) revenue-linked expenses. <sup>3</sup> Adjusted by: (i) expenses related to the combination with Cetip; (ii) non-recurring provisions. <sup>4</sup> Adjusted by: (i) expenses related to the combination with Cetip; (ii) non-recurring provisions; (iii) impairment; (iv) amortization of intangible assets from combination with Cetip; (iv) amortization of intangibles assets from combination with GRV; (v) taxes refinancing (REFIS/PERT)

# B3 at a Glance – Strategy

Focus on clients, services and products in the core business



# B3 at a Glance – Corporate Culture and Main Achievements

Client centricity and products development



## Corporate culture

### B3 core values

Right attitude for today, tomorrow and always

Openness and collaboration

**Client satisfaction and proximity**

**Operational resilience and credibility**

Ideal environment for people to develop

## Main achievements

### Product development

**2017** Redesigning of key areas: Client coverage; Products; PMO

**1H18** Products pipeline prioritization aligned with clients

**Aug'18** Release of a roadmap with more than 40 products to be deployed by YE19; already working with clients to prioritize the developments for 2020

### Customer service

New operational customer service model to be implemented in 1H19

### Small and selective M&A

**BLK:** trading screens and execution algorithms for the buy-side and sell-side

**Portal de Documentos:** supports banks in the credit process

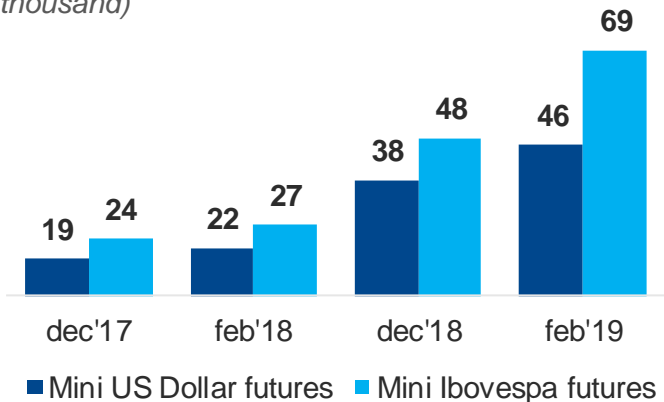
# B3 at a Glance – Greater Market Sophistication in Brazil

Growth in different market segments

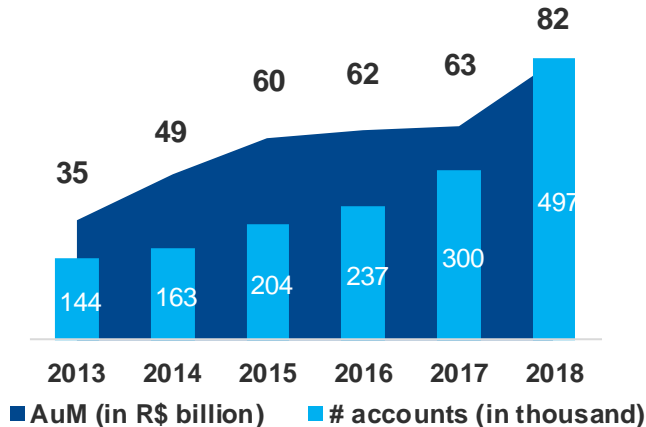


## # Investors – mini contracts

(in thousand)

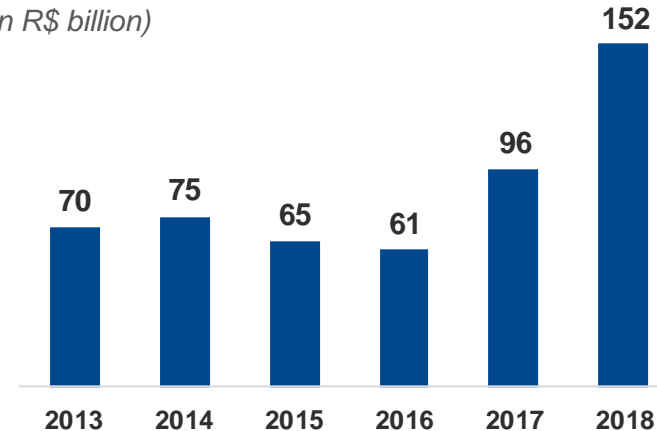


## REITs<sup>1</sup>



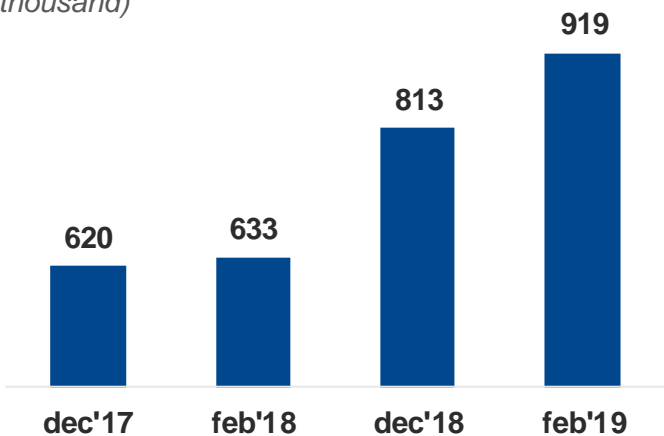
## Value of debentures issued<sup>1</sup>

(in R\$ billion)

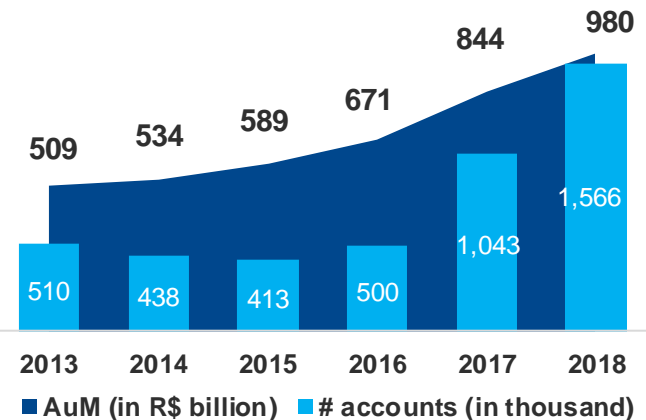


## Individual's accounts – equity depository

(in thousand)

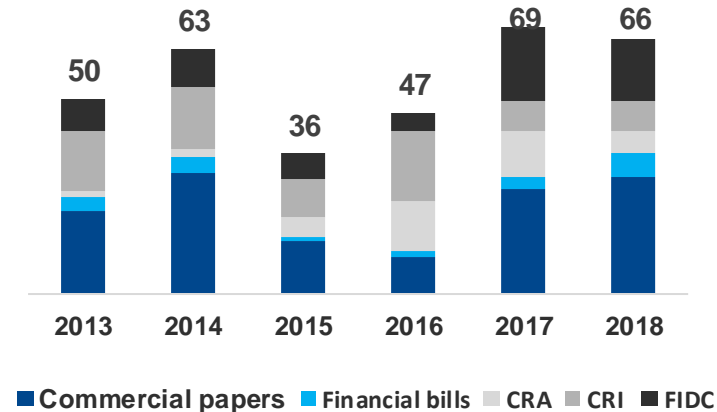


## Hedge funds<sup>1</sup>



## Value of others instruments issued<sup>1</sup>

(in R\$ billion)



<sup>1</sup>Source: ANBIMA.



# Corporate Governance – Board of Directors Experience

Expertise, reputation and seniority



	Age	Board Member since	1981 - 1990	1991 - 2000	2001 - 2005	2006 - 2010	2011 - 2015	2016 - 2019	
Antonio Quintella (Chairman)	53	2015		Credit Suisse – Head of IB, CEO for Brazil and Credit Suisse Global Executive Board			Canvas Capital co-founder and CEO		
Eduardo Vassimon <sup>1</sup>	61	2015	C-Level positions at Itaú BBA (Inv. Bank), Itaú Unibanco and Itaú Unibanco Hld				Head of Itaú Unibanco Commercial and Investment Bank; Chairman of Votorantim		
Edgar Ramos	71	2009	Partner of brokerage houses (Stock DTVM and Senior DTVM), Board member of Cetip (2000 – 2009), Chairman at Cetip (2009 – 2017), CEO at Andima (1994 – 2009), Board Member at BM&F (1995 – 2002), shareholder of XP (brokerage house); current Chairman of ANCORD <sup>2</sup>						
Florian Bartunek	50	2017	Nacional Bank	Partner at Pactual Bank	Partner and CIO at Constellation Investimentos, Board Member at Abril Educacional (2015 – 2017)				
Guilherme Ferreira	68	2017	Teorema founder and Partner, Board member at Sul América (2010 – 2012), Gafisa (2011 – 2017), Valid (2012 – 2017), Arezzo (2013 – 2017), Time for Fun. (2015 – 2017) and Petrobras (2015 – 2017)						
José Berenguer <sup>1</sup>	53	2013		Officer at ING and BBA (Inv. Bank)	Officer at ABN and Santander		JP Morgan Brazil CEO		
José Lucas de Melo	63	2014		CVM Director and Partner of PWC and Global Control	Executive Director and VP at Unibanco		Board member at Dufry (2010 – 2016), IMC (2011 – 2017), Restoque (2013 – 2016), DASA (2009 – 2012) and Cetip (2014 – 2017)		
José Roberto Machado <sup>1</sup>	51	2012		Engineer at Keumkang Limited, manager at Banco CCF Brasil; Executive officer at Banco Rabobank and Banco Real			Executive officer at Banco Santander and Board Member at Cetip		
Ana Carla Abrão Costa	50	-				Chief Economist at Tendência Consult. Integrada	Managing Director at Itaú Unibanco	Finance Secretary (Government)	Market Leader at Oliver Wyman
Cassiano Ricardo Scarpelli <sup>1</sup>	50	-	Bradesco - Executive Director, Managing Director						
Claudia Farkouh Prado	56	-	Partner of Trench, Rossi e Watanabe (1992 – 2013), Member of the Executive Committee, Chair Latin America Region, Senior Advisor to the Global Executive Committee at Baker McKenzie (2013 – 2019)						

**New nominees in the slate  
(Shareholders Meeting of April 29<sup>th</sup>, 2019)**

Note: current board members Luiz Nelson Carvalho, Denise Pavarina, Laércio Cosentino, Luiz Campos and Luiz Figueiredo expected to leave the Board of Directors on Apr 29<sup>th</sup>, 2019.

<sup>1</sup> Linked to market participant. <sup>2</sup> ANCORD: stockbrokers trade group.

# Corporate Governance – Board of Directors Composition and Committees

Diversity of experiences and contribution to the BoD and well functioning committees



## Board of Directors composition considerations:

- ✓ Advisory by Russel Reynolds
- ✓ All members are independent (no controlling shareholders; no former management)
- ✓ Balance of skills and relevant stakeholders / experiences
  - 3 financial conglomerates
  - 2 shareholders in B3
  - 1 global investment banking
  - 1 accounting / tax specialist
  - 1 brokerage house
  - 1 economist / government experience
  - 1 buy-side / asset management
  - 1 legal counsel

## Corporate Governance Profile - Board of Directors & Committees summary (2018)

	Board	Committees				
		Audit	Corp. Gov. and Nomination	People and Compensation	Finance and Risk	Product and Pricing
# Members	13	4	3	3	6	8
Independent Board	9	1	2	3	3	2
Market participant + Board	4	-	1	-	3	-
Independent Non-Board	-	3	-	-	-	3
Market participant Non-Board	-	-	-	-	-	4

Note: The table above reflects the Board Advisory Committees composition of 2018. Only after the election of the Board of Directors the composition for 2019 will be defined according to the By-laws.

\* Include external non-Board Members

☐ Depends on ASM approval

# Compensation – Board of Directors

Moving to a new compensation model for the BoD – market practice and more previsibility



Components	Previous model	Transition Period		New model
		2019	2020	
<b>Short-term componente (fixed)</b>	<p>Same fixed compensation among all members</p> <p>Additional compensation for participation in Committees</p> <p>Additional semi-annual fixed compensation for the Chairman and Vice-Chairman</p>	<p>Jan-Apr/19: 13 members in the old model</p> <p>Mai-Dec/19: 11 members in the new model</p>	100% new model	<p>~80% of the total compensation (short term + long term)</p> <p>Additional compensation for participation in Committees</p> <p>Removal of semi-annual fixed compensation</p>
<b>Long-term component<sup>1</sup></b>	<p>Fixed number shares per member defined in the Stock Plan</p> <p>Grant at the end of each year (Jan'19 for year 2018)</p>	<p>Grant at the end of the year as per the number of shares defined in the previous model</p>	<p>Two grants as per financial targets and percentages defined in the new model</p> <ul style="list-style-type: none"> <li>• End of the first year-term</li> <li>• Beginning of the second year-term</li> </ul>	<p>Financial target in R\$ representing ~20% of the total compensation (short term + long term)</p> <p>Grant at the beginning of year-term (May'19 for May'19 – May'20 term)</p>
<b>Benefits</b>	Use of Company car	Removal of the benefit	-	Removal of the benefit

<sup>1</sup> Long-term component for the BoD is not linked to any performance metric.

# Compensation – Management Short-term Compensation Strategy

Strategy to achieve short-term alignment

**Profit Sharing  
(PLR) Pool  
Formation**

**Bottom-up Analysis**  
Compensation Target and PLR (“market value”) for the set of employees of the Company considering their performance



**Company’s global performance indicators**

- Adjusted EBIT
- Customer Satisfaction (NPS)
- Operational Availability
- Projects

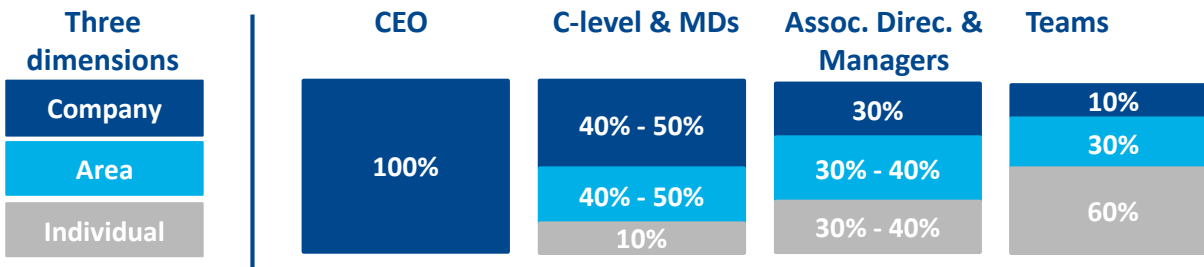
**Performance assessed in three dimensions...**

Company goals

Area goals

Individual goals

**... and weighted differently among the employees**



**Teams are graded on a forced curve system**

**10%** Consistently exceeds

**20%** Frequently exceeds

**60%** Consistently performs

**7%** Partially performs

**3%** Do not perform

# Compensation – Management and Corporate Goals

B3's short-term corporate objectives



## Company's value drivers and performance goals



# Compensation – Board of Directors and Management Compensation Proposal

Subject to approval in the shareholders meeting of April 29 2019

[B]<sup>3</sup>

Board of Directors Compensation (R\$ thds)							
Payroll taxes	Year	Average number of members	Fixed compensation	Benefits	Short-term component	Long-term component	Total
<b>Include</b>	<b>2019 Proposal</b>	11.67	12,427	-	-	5,778	<b>18,204</b>
<b>Does not include</b>	<b>2019 Proposal</b>	11.67	10,355	-	-	4,815	<b>15,169</b>
	<b>2018 Actual</b>	13.42	10,147	-	-	4,127	<b>14,274</b>

2019 proposal impacted by the transition to a new compensation model for the BoD

Management Compensation (R\$ thds)							
Payroll taxes	Year	Average number of members	Fixed compensation	Benefits	Short-term component	Long-term component	Total
<b>Include</b>	<b>2019 Proposal</b>	6.00	14,805	1,264	21,533	43,900	<b>81,502</b>
<b>Does not include</b>	<b>2019 Proposal</b>	6.00	11,247	1,264	21,533	26,996	<b>61,040</b>
	<b>2018 Actual</b>	6.00	9,409	1,099	18,095	23,621	<b>52,224</b>

Short-term compensation proposal considers an optimistic scenario (corporate targets and global performance indicators are exceeded)

- Long-term stock-based incentives for the management: i) regular program and ii) matching program; 4 years vesting period (lock-up of shares bought for the matching program)
- Long-term component for the BoD is not linked to any performance metric
- The 2019 proposal includes payroll taxes. In the case of the long-term component, payroll taxes will be calculated considering the market price of B3SA3 and the tax rate in effect at the day the shares are transferred, which may differ from the estimates adopted in the proposal
- The combined global 2018 compensation (BoD + Management) was payed out within the amount approved at the April 2018 AGM. However the management compensation line exceeded the limit approved by 1.6% (actual of R\$52.224 thousand versus proposal of R\$51.385 thousand), therefore requiring ratification by shareholders in this year's AGM



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