May 12, 2025

IRB reported a **recurring net income** of **R$ 118 million** in 1Q25, up **+5.5% QoQ** and **+50.0% YoY**, supported by a strong financial result. **Return on Equity (ROE) reached 10.5%**, with a slight increase of **+0.3 pp QoQ** and **+3.0 pp YoY**, although it remains at a historically low level. Despite the positive trend in earnings and ROE, net income came in below expectations — **5% lower than our estimates** and **2% below consensus**, signaling weakness in technical performance.

After three consecutive quarters of operational improvement, IRB once again posted a **combined ratio above 100% (103.7%)**, driven by deterioration in the **loss ratio (67%)**, **commissioning ratio (20.7%)**, and **tax and expense ratio (4.4%)**. The sharp **decline in premium issuance** (-13.3% YoY) underscores the company's more cautious underwriting stance but also highlights **significant growth constraints**, particularly in Brazil. Nevertheless, the **strong financial result** — boosted by high interest rates and favorable foreign exchange effects — **offset the weak operational performance**, helping to sustain the company's earnings recovery trajectory.

IRB (Re)
(IRBR3 BZ Equity)

Recommendation: HOLD

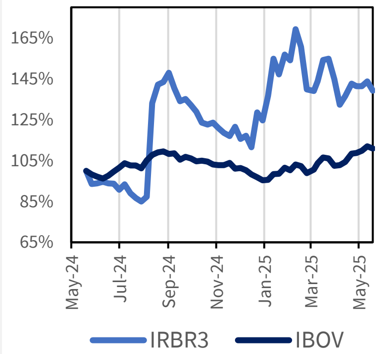
Equity Value (R$ mn):
4.155

Outstanding Shares (mn):
82

Target Price 12M:
R$ 50,80

Current Price (R$):
45,52

Upside:
11,60%



Financials Team:

Eduardo Nishio
eduardo.nishio@genial.com.vc

Luis Degaspari
luis.degaspari@genial.com.vc

Nina Mirazon
nina.mirazon@genial.com.vc

On a YoY comparison, performance was driven by two key factors: **(i) normalization of the commissioning ratio**, which fell **-7.1 pp YoY** following the termination of a Life segment contract, and **(ii) a +48.4% YoY increase in financial result**, supported by the high-interest rate environment and positive FX effects.

The **premium dynamic remains weak**, reflecting the company's increased selectivity in underwriting risks. In 1Q25, **written premiums totaled R$ 1.2 billion**, representing declines of **-21.1% QoQ** and **-13.3% YoY**, with the **Life segment standing out negatively** (-52.2% YoY). As a consequence of lower issuance in prior quarters, **earned premiums also declined** (-21.7% QoQ; -7.0% YoY), although at a more moderate pace due to **lower PPNG** (unearned premium reserve) **allocations**.

The **loss ratio rose again**, reaching **67.0%** (+3.0 pp QoQ; +9.0 pp YoY), with the pressure **concentrated in the domestic market** (78.8%), which was impacted by high-severity claims in the Property and Special Risks (Energy) segments.

On the other hand, **IRB's solvency position remained solid**, with **adjusted shareholders' equity coverage at 207%**, well above the regulatory minimum and showing an increase of **+24 pp QoQ** and **+38 pp YoY**.

Despite the more challenging quarter, we maintain a **positive outlook for IRB's trajectory in 2025**, supported by two main pillars:

- **Gradual improvement in operational performance**, with gains in commissioning, administrative expenses, and claims ratios;
- **Strong financial results**, favored by the current high interest rate environment.

Valuation Still Not Compelling Given Returns Below Cost of Capital

With an ROE of **10.5%** and a **ROTE (Return on Tangible Equity)** of **14.3%**, we acknowledge that IRB's profitability **remains below its cost of capital**, despite its ongoing recovery trajectory. While valuation multiples may appear attractive at first glance — with the stock trading at **6.2x 2025e P/E**, **5.0x 2026e P/E**, **0.8x 2024e P/BV**, and **1.15x P/Tangible Book** — we still believe current price levels **do not offer a sufficient margin of safety**, given the return profile.

As such, we **reiterate our HOLD recommendation**, with a **target price of R$ 50.80**, implying an **upside potential of +11.6%**.

Figure 1: IRB Re (IRBR3) | 1Q25: Robust Financial Performance Offsets Weaker Operational Results

Review (R$m)	1Q25E	1Q25	4Q24	1Q24	Vs. Est	t/t	a/a
Reported Net Income	**124,0**	**118,6**	**112,4**	**79,1**	**-4,4%**	**5,5%**	**50,0%**
Recurring Net Income	**124,0**	**118,6**	**112,4**	**79,1**	**-4,4%**	**5,5%**	**50,0%**
EPS (R$)	**1,5**	**1,4**	**1,4**	**1,0**	**-4,4%**	**5,5%**	**50,0%**
Income Statement Summary							
Written Premiums	**1.428**	**1.248**	**1.582**	**1.440**	**-12,6%**	**-21,1%**	**-13,3%**
Retrocession Costs	-307	-274	-688	-316	-10,7%	-60,2%	-13,1%
Retained Premiums	**1.121**	**974**	**893**	**1.124**	**-13,2%**	**9,0%**	**-13,4%**
Change in Technical Provisions	-168	-129	186	-215	-23,5%	-169,2%	-40,3%
Earned Premiums	**953**	**845**	**1.079**	**909**	**-11,3%**	**-21,7%**	**-7,0%**
Claims	**-610**	**-562**	**-691**	**-529**	**-7,8%**	**-18,7%**	**6,3%**
Acquisition Costs	-186	-175	-200	-253	-5,9%	-12,6%	-30,7%
Underwriting Result	**148**	**103**	**178**	**122**	**-30,1%**	**-42,0%**	**-15,7%**
Other Revenues/Expenses	-10	-5	-10	-5	-49,6%	-53,4%	-11,1%
Fees and Charges	-36	-37	-11	-38	1,6%	240,7%	-3,9%
Administrative Expenses	-105	-98	-164	-75	-7,0%	-40,5%	30,2%
EBIT	**7**	**-31**	**3**	**9**	**n.a.**	**n.a.**	**n.a.**
Financial Result	**185**	**210**	**109**	**142**	**13,9%**	**92,7%**	**48,4%**
EBT	**191**	**179**	**112**	**151**	**-6,3%**	**59,6%**	**18,8%**
Tax	-60	-59	7	-61	-2,7%	n.a.	-4,2%
Effective Tax Rate (%)	31,6%	32,8%	-6,2%	40,7%	1,2pp	39,1pp	-7,9pp
Balance Sheet Summary							
Total Assets	19.123	21.432	20.872	20.811	12,1%	2,7%	3,0%
Investments	9.295	10.138	8.664	8.228	9,1%	17,0%	23,2%
Shareholders' Equity	4.529	4.595	4.449	4.216	1,4%	3,3%	9,0%
Profitability							
Net Margin	13,0%	14,0%	10,4%	8,7%	1,0pp	3,6pp	5,3pp
Return on Equity (ROE)	11,1%	10,5%	10,2%	7,5%	-0,6pp	0,3pp	3,0pp
Return on Assets (ROA)	2,5%	2,2%	2,2%	1,5%	-0,2pp	0,1pp	0,7pp
Underwriting Ratios							
Loss Ratio	**64,0%**	**66,5%**	**64,0%**	**58,2%**	**2,5pp**	**2,5pp**	**8,4pp**
Commissioning Ratio	19,5%	20,7%	18,5%	27,8%	1,2pp	2,2pp	-7,1pp
Administrative Expense Ratio	11,0%	11,5%	15,2%	8,2%	0,5pp	-3,6pp	3,3pp
Other Operating Expenses Ratio	1,0%	0,6%	1,0%	0,6%	-0,4pp	-0,4pp	0,0pp
Tax and Charges Expense Ratio	3,8%	4,4%	1,0%	4,2%	0,6pp	3,4pp	0,1pp
Combined Ratio	**99,3%**	**103,7%**	**99,7%**	**99,0%**	**4,4pp**	**4,0pp**	**4,7pp**
Expanded Combined Ratio	**83,2%**	**83,0%**	**90,6%**	**85,6%**	**-0,2pp**	**-7,5pp**	**-2,6pp**

Source: IRB and Genial

Quarterly Highlights

Premiums: Weak Commercial Performance Highlights Growth Challenges

Total written premiums amounted to R$ 1.2 billion in 1Q25, down by **-21.1% QoQ** and **-13.3% YoY**. The drop reflects, above all, a **strategic repositioning in the Life segment**, where IRB has been avoiding the renewal of unprofitable contracts, in line with the company's strategy of prioritizing profitability over growth.

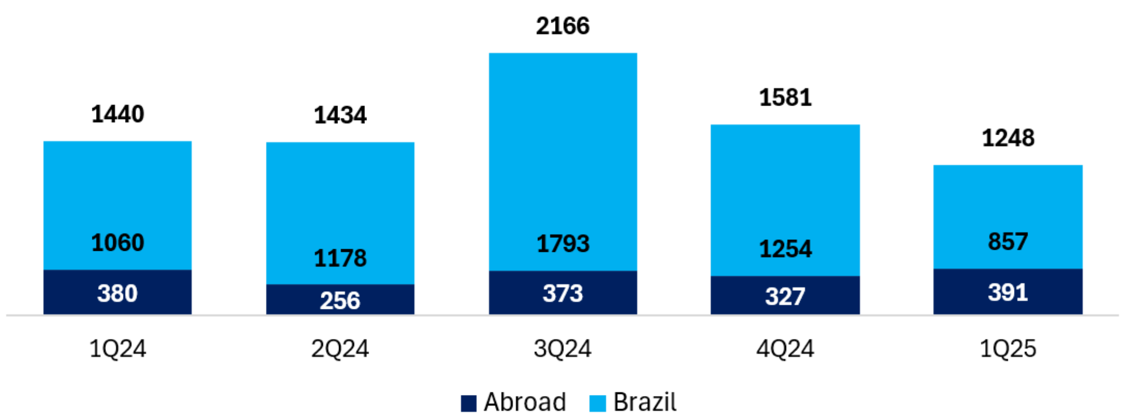
Brazil

In the domestic market, **written premiums** totaled **R$ 857 million** (-31.6% QoQ and -19.1% YoY), with negative highlights in the **Property (-14.2% YoY)** and **Rural (-13.5% YoY)** segments, and most notably, **Life (-61.8% YoY)**, consistent with the aforementioned strategy.

International

Abroad, **written premiums** reached **R$ 391 million**, up by **+19.3% QoQ** and **+2.9% YoY**, driven by growth in the **Rural segment (+112.5% YoY)** and **Special Risks (+13.9% YoY)**.

Figure 2: Written Premiums (R$ million): On the Decline

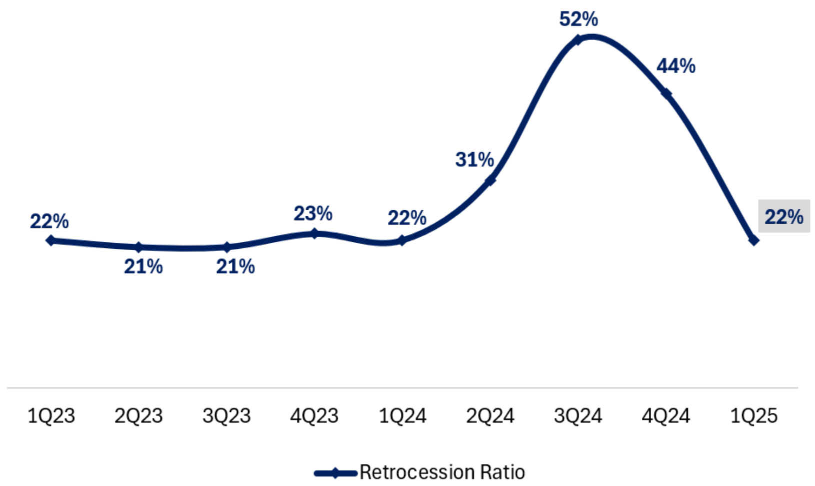


Source: IRB and Genial

Retrocession: Expenses Continue to Decline

Retrocession expenses totaled **-R$ 274 million**, a **sharp drop** of **-60.2% QoQ** and **-13.1% YoY**, in line with the reduction in premium volume. The **retrocession ratio fell** to **22.0%**, showing a **notable improvement** of **-22 pp QoQ**, while remaining flat on a year-over-year basis.

Figure 3: Retrocession Ratio (%): Down QoQ

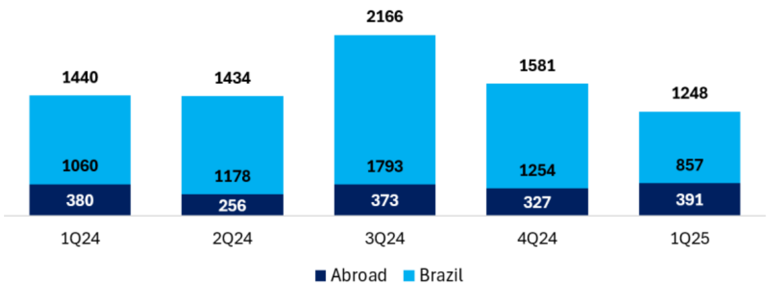


Source: IRB and Genial

Earned Premiums: More Moderate Decline

Earned premiums decreased by **-21.7% QoQ** and **-7.0% YoY**, though the drop was less steep than that of written premiums, due to lower allocations to the unearned premium reserve (PPNG) during the period.

Figure 4: Earned Premiums (R$ million): Sharp Sequential Drop



Source: IRB and Genial

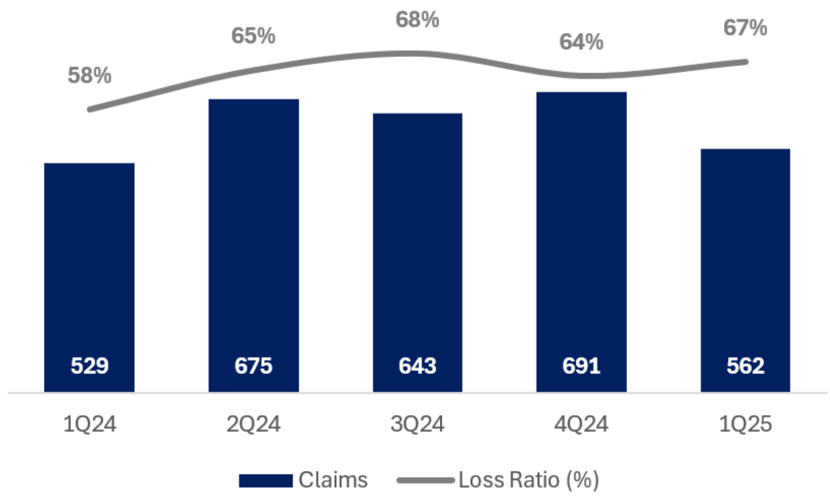
Loss Ratio: Significant Deterioration in Brazil

IRB's **loss ratio** ended 1Q25 at **66.5%**, representing a **deterioration** of **+2.5 pp QoQ** and **+8.4 pp YoY**, with a notably **weak performance in the Brazilian operations.**

In the **domestic market**, the ratio reached **78.8%**, reflecting a sharp increase of **+34.1 pp YoY**, driven by high-severity claims in the Property and Special Risks (Energy) segments.

Conversely, the **international operation** showed **positive momentum**, with the **loss ratio** improving to **41.8%** (vs. 93.3% in 1Q24), supported by better performance in the Property and Rural segments, along with a reversal of provisions in Special Risks.

Figure 5: Loss Ratio: Weaker Both QoQ and YoY

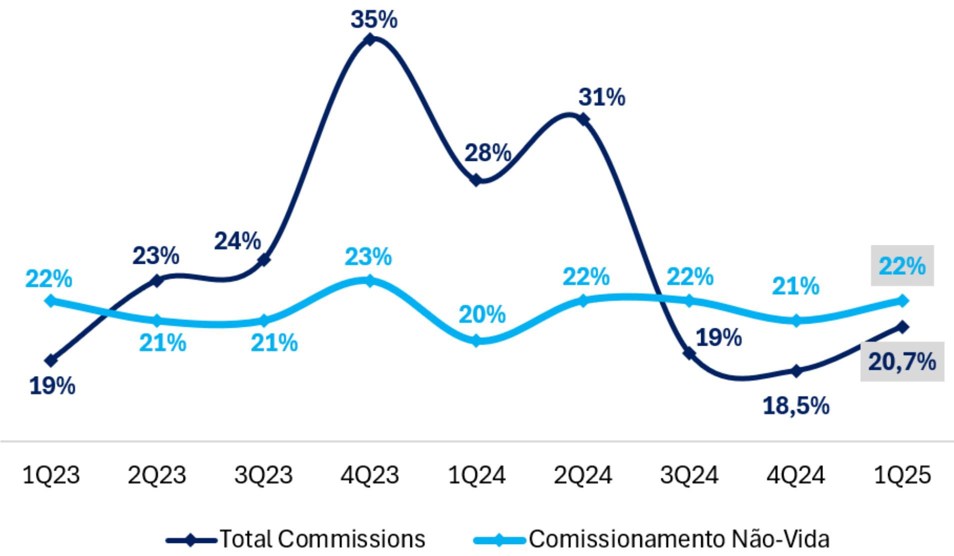


Source: IRB and Genial

Commissioning: Normalization Trend with Sharp YoY Drop

The **commissioning ratio** reached **20.7%** in 1Q25, showing an **increase** of **+2.2 pp QoQ**, but **improving significantly on a year-over-year basis (-7.1 pp YoY)**. The annual improvement is mainly due to the termination of a specific Life segment contract in June 2024.

Figure 6: Non-Life vs. Total Commissioning: Slight Increase, but at More Normalized Levels



Source: IRB and Genial

Administrative Expenses: Significant Quarterly Decline, but Still Increasing YoY

Administrative expenses totaled **R$ 98 million** in 1Q25, marking a **sharp decline** of **-40.5% QoQ**, but a **significant increase** of **+30.2% YoY**. The annual growth was mainly driven by an +8.0% YoY increase in personnel expenses and an +84.0% YoY rise in other expenses, a category that includes depreciation of IFRS 17-related investments and Digital Transformation initiatives.

As a result, the administrative expense ratio fell -3.6 pp QoQ, but rose +3.3 pp YoY, reaching 11.5%.

The company noted that it has taken steps to mitigate expense pressures, including:

- **Workforce reduction**, with 23 employees joining the Voluntary Termination Program (PDV), which may generate savings throughout 2025;
- **Renegotiation of service contracts**;

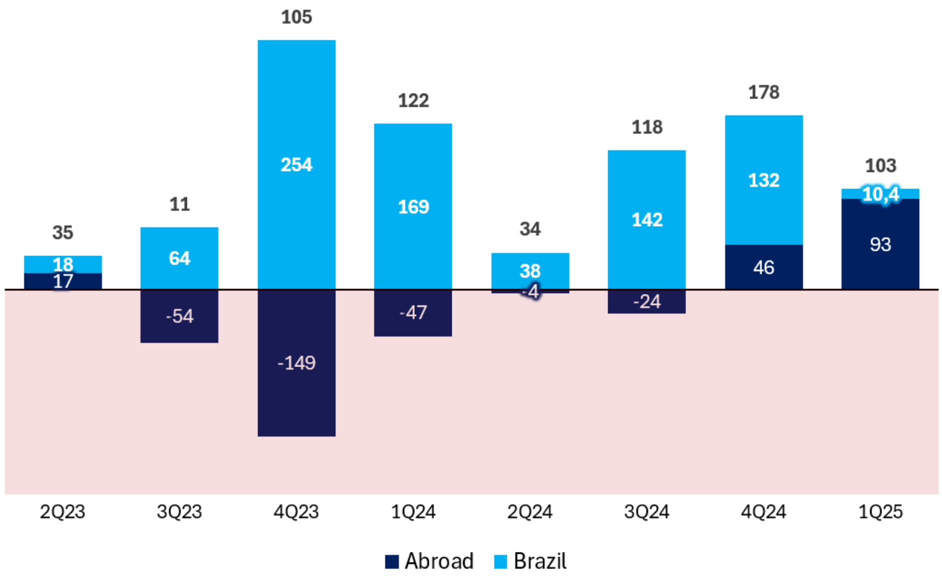
- **Review of internal processes**.

Underwriting Result: Pressured by Domestic Operation

The **underwriting result totaled R$ 103 million** in 1Q25, a **drop** of **-42.0% QoQ** and **-15.7% YoY**. The negative performance was mainly driven by a **sharp deterioration in Brazil** (-93.8% YoY), impacted by significant claims during the quarter.

In contrast, the **international business** reported a **positive result** of **R$ 93 million**, reversing the **loss of -R$ 47 million in 1Q24**, supported by the reversal of provisions in the Special Risks segment.

Figure 7: Underwriting Result (R$ million) – Brazil vs. International: High Volatility



Source: IRB and Genial

Combined Ratio: Returns Above 100% Amid Operational Pressure

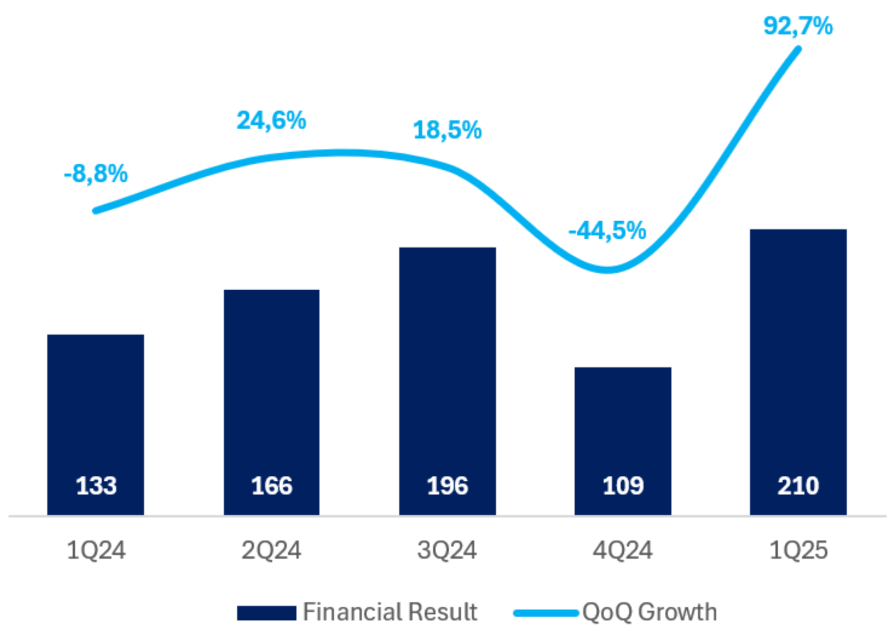
The **combined ratio reached 103.7%** in 1Q25, reflecting a **deterioration** of **+4.0 pp QoQ** and **+4.7 pp YoY**. This movement was driven by the **worsening of the loss and administrative expense ratios**, which more than offset the positive annual impact from the improved commissioning ratio.

Financial and Investment Result: Boosted by High Interest Rates

The **financial and investment result** totaled **R$ 210 million** in 1Q25, showing a **strong increase** of **+92.7% QoQ** and **+48.4% YoY**. The performance was mainly supported by **foreign exchange gains** (+R$ 45 million) and **high interest rates**, which positively impacted the return on the onshore investment portfolio.

On the other hand, the **partial sale of a sovereign debt position had a negative impact of -R$ 17 million** on the quarter's results.

Figure 8: Financial and Investment Result (R$ million): Strong QoQ Growth



Source: IRB and Genial

Tax: Benefited by Use of Tax Loss Carryforwards

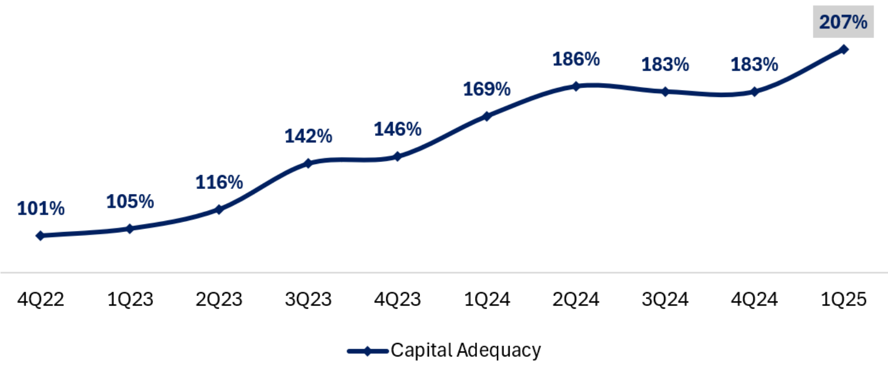
The **effective tax rate was 32.8% in 1Q25**, supported by the use of tax losses from previous years to reduce the tax base.

Capital Sufficiency: Comfortably Above the Minimum Requirements

Adjusted shareholders' equity coverage reached **207%** in 1Q25, representing a significant increase of **+24 pp QoQ** and **+38 pp**

YoY, and remaining **well above the regulatory minimum of 100%**.

Figure 9: Capital Sufficiency: Strong Increase QoQ and YoY



Source: IRB and Genial

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	Definition	Coverage
Buy	Expected return above +10% in relation to the Company's sector average	49%
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under Review	Under review	5%

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