

(A free translation of the original in Portuguese)

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# ***Banco BOCOM BBM S.A.***

***Consolidated financial statements  
of the Prudential Conglomerate at  
June 30, 2019  
and independent auditor's report***





(A free translation of the original in Portuguese)

## ***Independent auditor's report on the consolidated financial statements of the Prudential Conglomerate***

To the Board of Directors and Stockholders  
Banco BOCOM BBM S.A.

### **Opinion**

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We have audited the accompanying consolidated financial statements of the Prudential Conglomerate of Banco BOCOM BBM S.A. (the "Bank" or "Prudential Conglomerate"), which comprise the consolidated balance sheet as at June 30, 2019 and the statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information. These special purpose consolidated financial statements were prepared in accordance with specified procedures as established in Resolution nº 4,280, from October 31, 2013, issued by National Monetary Council (CMN), and supplementary regulations of the Brazilian Central Bank (BACEN), described in Note 2.

In our opinion, the consolidated financial statements of the Prudential Conglomerate referred to above present fairly, in all material respects, the financial position of the consolidated Prudential Conglomerate of Banco BOCOM BBM S.A. as at June 30, 2019, and the consolidated financial performance and cash flows, for the six-month period then ended, in accordance with the provisions for the preparation of consolidated financial statements of the Prudential Conglomerate established by Resolution 4,280 of the CMN and supplementary regulations of BACEN, for the preparation of these special purpose consolidated financial statements, as described in the Note 2.

### **Basis for opinion**

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We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements of the Prudential Conglomerate. We are independent of the Bank and companies of the Prudential Conglomerate in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Emphasis of matter**

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#### **Basis of preparation of the consolidated financial statements of the Prudential Conglomerate**

Without modifying our opinion, we draw attention to the Note 2, which discloses that the consolidated financial statements of the Prudential Conglomerate were prepared by management to comply with the



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requirements of Resolution nº 4,280 of the CMN, and supplementary regulations of BACEN. Consequently, our report on these consolidated financial statements of the Prudential Conglomerate was prepared exclusively for the compliance with these specific requirements and, accordingly, may not be suitable for another purpose.

## **Other matters**

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### **Financial statements of parent company and consolidated financial statements**

Banco BOCOM BBM S.A. prepared a set of parent company and consolidated financial statements for general purposes referring to six-month period then ended in June 30, 2019, in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN). Our independent auditor's report on those statements, dated August 12, 2019, was unmodified.

### **Other information accompanying the consolidated financial statements of the Prudential Conglomerate and the independent auditor's report**

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The Bank's management is responsible for the other information that comprises the Management Report.

Our opinion on the consolidated financial statements of the Prudential Conglomerate does not cover the Management Report, and we do not express any form of audit conclusion thereon.

In connection with the audit of the consolidated financial statements of the Prudential Conglomerate, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of management and those charged with governance for the consolidated financial statements of the Prudential Conglomerate**

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Management is responsible for the preparation and fair presentation of the consolidated financial statements of the Prudential Conglomerate of Banco BOCOM BBM S.A. in accordance with Resolution nº 4,280 of the National Monetary Council (CMN), and supplementary regulations of the Brazilian Central Bank (BACEN), whose main criteria and accounting policies are disclosed in the notes 2 and 3, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements of the Prudential Conglomerate that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements of the Prudential Conglomerate, management is responsible for assessing the Bank the ability to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance in the Bank and companies of the Prudential Conglomerate are responsible for overseeing the financial reporting process.



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### **Auditor's responsibilities for the audit of the consolidated financial statements of the Prudential Conglomerate**

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Our objectives are to obtain reasonable assurance about whether the consolidated financial statements of the Prudential Conglomerate, prepared in accordance with Resolution nº 4,280 of the National Monetary Council (CMN), and supplementary regulations of the Brazilian Central Bank (BACEN), as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, whereas the NBC TA 800 (Special Conditions - Audit Financial Statements in accordance with special purpose accounting conceptual structures), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Bank and companies of the Prudential Conglomerate.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as going concerns.
- Evaluate the overall presentation, structure and content of the consolidated financial statements of the Prudential Conglomerate, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements of the Prudential Conglomerate. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Rio de Janeiro, August 12, 2019

A handwritten signature in blue ink that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5

A handwritten signature in blue ink that reads "Claudia Eliza Medeiros de Miranda".

Claudia Eliza Medeiros de Miranda  
Contadora CRC 1RJ087128/O-0

## Management's Report

### Who We Are

Recognized for tradition and excellence, Banco BOCOM BBM is controlled by one of China's five largest commercial banks, Bank of Communications, which owns 80% of its equity. Brazilian shareholders own the rest.

Always dedicated to delivering the best solutions to clients, our institution aims to meet the credit and financial service needs of corporations established in Brazil, as well as offering wealth management services for individuals and families.

We have expanded operations in the local debt capital market (DCM) by originating, structuring and distributing debt instruments with the aim of offering clients a differentiated funding alternative and enhancing their debt profile.

### Management Message

In the first half of 2019 the Brazilian economy repeated the dynamics of previous years, with initial optimism giving way to more timid growth projections. GDP growth appears set to come in under 1% in 2019.

The inflation outlook remained favorable. Projections for 2019 and 2020 are below the midpoint of the target band, and potential drivers of upside pressure are weak or nonexistent: the output gap has not closed, i.e. economic growth remains below potential, and the negative supply shocks in food and gasoline are dissipating.

Evidence that a new equilibrium has been reached, with lower neutral rates, has accumulated in recent months, reinforcing the conclusion that monetary policy is not very stimulative.

On the external front, the global economy continues to decelerate, causing a reversal of the monetary policy outlook in several countries. The Fed lowered its policy rate at the July meeting of the FOMC in order to protect US growth. In Europe, the ECB indicated that it might push its rate even further into negative territory. Other central banks have also loosened policy or are about to do so.

The combination of weak activity, inflation below target, a lower neutral rate and burgeoning global liquidity enabled the Central Bank of Brazil to cut its policy rate (Selic) from 6.5% to 6.0% p.a. We expect more cuts in the months ahead, taking the Selic to 5.0% p.a., the lowest ever in Brazil.

Finally, pension reform proceedings moved towards a positive outcome: the reform was approved in the lower house of Congress and is now in the Senate, which is expected to maintain the current format that generate savings of BRL 930 billion in ten years. The reduction in this uncertainty and lower rates make room for a gradual resumption of economic growth in the quarters ahead.

### Performance of Prudential Conglomerate

The Prudential Conglomerate posted equity of R\$ 620 million and net income of R\$ 38 million at June 30, 2019, which corresponds to annual profitability of 12.49% calculated based on the average equity for the period.

Total assets in the first half of 2019 amounted to R\$ 6,927 million. The volume raised in the domestic and foreign markets totaled R\$ 5,750 million at the period end, an increase of 24% compared to June 30, 2018. The Bank's Basel Capital Adequacy Ratio was 16.32% at the end of the semester.

### Credit for companies

The Bank's extended credit portfolio (including advances on foreign exchange contracts and guarantees provided through sureties and collateral) totaled R\$ 5,487 million at the end of the semester, an increase of 32% compared to June 30, 2018.

Capitalizing on the expertise developed over the years, both by the commercial team and the Products and Treasury areas, the Bank operates on a dynamic and selective basis, seeking to ensure that its products suit its clients' needs, adjusting flows and guarantees.

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## Management's Report

### Wealth Management

Banco BOCOM BBM's Wealth Management area uses constantly updated tools for asset management of Brazilian and foreign clients, through diversified financial products in an open platform, meeting the long-term objectives. In the past year our Assets under advisory increased 35% from R\$ 5,780 million in June 30, 2018 to R\$ 7,777 million in June 30, 2019.

### Financial Services

BOCOM BBM offers financial services, including the structuring and distribution of securities, derivative operations and other products. In order to better meet the needs of our customers, the continuous increase in the scope of financial services and products is a priority in BOCOM BBM's expansion strategy.

In the first semester in 2019, the Bank coordinated issuances of R\$ 432 million in securities, of which R\$ 385 million in Debentures and Promissory Notes and R\$ 47 million in CRI. Our service revenue of structuring and distribution of securities has increased to more than 34%, comparing to 2018.

### People

Banco BOCOM BBM is a center for identification and training of talents, which values the systematic pursuit of the latest knowledge and honors professionals who want to achieve their professional ambitions while adding value to the Group. We are in close contact with the academic environment, investing in the identification and qualification of talent, making partnerships with the most renowned universities of Brazil, offering scholarships and awards to essays and thesis. We provide ideal conditions for practical learning, once it offers a direct contact with the financial market day-to-day dynamics through a broad exchange of knowledge inside a highly qualified professional and teamwork environment.

### Credit Rating

In Banco BOCOM BBM's view, rating agencies' ratings are an important source of transparent and independent assessment of the quality of our credit.

Moody's Investors Service reaffirmed the ratings of Banco BOCOM BBM on April 26, 2019. On a global scale, "Ba1" rating was assigned to our senior unsecured local currency debts, with a notch above the sovereign rating ("Ba2") and stable perspective. In the national scale Banco BOCOM BBM was rated as "Aaa.br", the best possible credit rating in this category.

In addition, on October 19, 2018, the rating process was completed by Fitch. Nationwide was awarded the long-term rating "AAA (bra)", the highest possible rating in this category. On a global scale, long-term issuer default ratings (IDRs) "BB" and "BB+" were assigned in foreign currency and local currency respectively, being above the sovereign rating ("BB-"). The perspective for these ratings is stable.

## Balance sheets

Assets	Note	In R\$ thousand	
		Prudential Conglomerate	
		06/30/2019	06/30/2018
<b>Current assets</b>		<b>3,492,731</b>	<b>2,895,551</b>
<b>Cash and cash equivalents</b>	<b>4</b>	<b>38,713</b>	<b>37,289</b>
Cash		3	3
Free reserves		164	265
Funds in foreign currency		38,546	37,021
<b>Short-term interbank investments</b>	<b>5</b>	<b>681,201</b>	<b>381,662</b>
Open market investments	<b>4</b>	553,080	185,016
Interbank deposits		3,574	-
Investments in foreign currencies	<b>4</b>	124,547	196,646
<b>Marketable securities and derivative financial instruments</b>	<b>6</b>	<b>246,840</b>	<b>312,305</b>
Bank portfolio		5,355	177,767
Subject to repurchase agreements		12,476	3,921
Linked to guarantees given		207,222	58,017
Derivative financial instruments	<b>20</b>	21,787	72,599
<b>Interbank accounts</b>		<b>13,152</b>	<b>7,341</b>
Check Payment Services and Other Papers		218	-
Deposits – Central Bank of Brazil		1,650	1,479
Correspondent banks		11,284	5,862
<b>Loan transactions</b>	<b>7</b>	<b>1,823,352</b>	<b>1,341,721</b>
Discounted securities and loans		1,065,297	789,090
Financing		562,393	343,077
Rural and agroindustrial financing		211,916	242,345
Allowance for loans		(16,254)	(32,791)
<b>Other receivables</b>		<b>644,252</b>	<b>778,204</b>
Foreign exchange portfolio	<b>8</b>	460,693	687,104
Unearned income		6,666	5,000
Trading and brokerage		1,555	2,979
Honoured guarantee and surety	<b>7</b>	-	19,954
Sundry	<b>13</b>	134,442	36,452
Tax credits	<b>23</b>	51,197	53,055
Allowance for other receivables	<b>7</b>	(10,301)	(26,340)
<b>Other assets</b>	<b>14</b>	<b>45,221</b>	<b>37,030</b>

See accompanying notes.



**Balance sheets**

Assets	Note	In R\$ thousand	
		Prudential Conglomerate	
		06/30/2019	06/30/2018
<b>Noncurrent assets</b>			
<b>Long-term assets</b>		<b>3,409,803</b>	<b>2,727,042</b>
<b>Short-term interbank investments</b>	<b>5</b>	<b>-</b>	<b>3,361</b>
Interbank deposits		-	3,361
<b>Marketable securities and derivative financial instruments</b>	<b>6</b>	<b>1,531,482</b>	<b>1,189,518</b>
Bank portfolio		979,363	828,990
Linked to repurchase agreements		381,566	168,158
Linked to guarantees given		147,124	187,553
Derivative financial instruments	<b>20</b>	23,791	4,818
Provisions for marketable securities		(362)	-
<b>Loan transactions</b>	<b>7</b>	<b>1,847,912</b>	<b>1,454,271</b>
Discounted securities and loans		1,020,460	842,125
Financing		428,200	270,467
Rural and agroindustrial financing		417,502	359,652
Allowance for loans		(18,250)	(17,973)
<b>Other receivables</b>		<b>30,409</b>	<b>79,892</b>
Unearned income		4,062	2,115
Sundry	<b>13</b>	6,212	54,133
Tax credits	<b>23</b>	20,883	23,644
Allowance for other receivables	<b>7</b>	(748)	-
<b>Permanent assets</b>		<b>24,304</b>	<b>9,690</b>
<b>Investments</b>		<b>226</b>	<b>-</b>
Other investments		2,854	2,628
Provision for losses		(2,628)	(2,628)
<b>Property and equipment in use</b>		<b>10,454</b>	<b>4,623</b>
<b>Intangible assets</b>		<b>13,624</b>	<b>5,067</b>
<b>Total assets</b>		<b>6,926,838</b>	<b>5,632,283</b>

See accompanying notes.

## Balance sheets

Liabilities	Note	In R\$ thousand	
		Prudential Conglomerate	
		06/30/2019	06/30/2018
<b>Current liabilities</b>		<b>3,950,802</b>	<b>2,974,808</b>
<b>Deposits</b>	<b>9</b>	<b>1,303,136</b>	<b>797,023</b>
Demand deposits		120,325	133,912
Time deposits		1,180,782	658,556
Interbank deposits		2,029	4,555
<b>Repurchase agreements</b>	<b>10</b>	<b>376,633</b>	<b>69,208</b>
Bank portfolio		376,633	69,208
<b>Funds from acceptance and issue of securities</b>	<b>11</b>	<b>1,777,922</b>	<b>1,661,304</b>
Liabilities from issue of agribusiness credit bills		942,986	1,123,891
Liabilities from issue of real estate credit bills		23,963	72,344
Liabilities from issue of credit bills		810,973	465,069
<b>Interbank accounts</b>		<b>1,094</b>	<b>55</b>
Receipts and payments to be settled		1,094	55
<b>Interbranch accounts</b>		<b>78,017</b>	<b>101,007</b>
Third-party funds in transit		78,017	101,007
<b>Borrowings</b>	<b>12</b>	<b>279,604</b>	<b>148,970</b>
Loans abroad		279,604	148,970
<b>Lending Obligations - Official Institutions</b>	<b>12</b>	<b>10,727</b>	<b>1,551</b>
Other institutions		10,727	1,551
<b>Derivative financial instruments</b>	<b>6 and 20</b>	<b>13,370</b>	<b>24,231</b>
Derivative financial instruments		13,370	24,231
<b>Other liabilities</b>		<b>110,299</b>	<b>171,458</b>
Collection of similar taxes		147	887
Foreign exchange portfolio	<b>8</b>	43,501	98,764
Statutory		19,018	20,303
Tax and social security		26,250	16,796
Securities trading		1	8
Allowance for financial guarantees	<b>7 and 25</b>	779	966
Sundry		20,603	33,734

See accompanying notes.

## Balance sheets

Liabilities	Note	In R\$ thousand	
		Prudential Conglomerate	
		06/30/2019	06/30/2018
<b>Noncurrent liabilities</b>			
<b>Long-term payables</b>		<b>2,342,826</b>	<b>2,051,726</b>
<b>Deposits</b>	<b>9</b>	<b>428,093</b>	<b>303,299</b>
Time deposits		428,093	302,956
Interbank deposits		-	343
<b>Funds from acceptance and issue of securities</b>	<b>11</b>	<b>1,362,578</b>	<b>1,277,209</b>
Liabilities from issue of agribusiness credit bills		502,711	278,887
Liabilities from issue of real estate credit bills		55,842	15,660
Liabilities from issue of credit bills		598,387	982,662
Liabilities from issue of credit bills subordinated debts		205,638	-
<b>Borrowings</b>	<b>12</b>	<b>396,294</b>	<b>387,038</b>
Loans abroad		396,294	387,038
<b>Derivative financial instruments</b>	<b>6 and 20</b>	<b>70,570</b>	<b>30,767</b>
Derivative financial instruments		70,570	30,767
<b>Other liabilities</b>		<b>85,291</b>	<b>53,415</b>
Social		33,149	16,119
Statutory		21,435	10,698
Tax and social security		18,850	11,502
Sundry	<b>7 and 25</b>	11,826	14,810
Allowance for financial guarantees		31	286
<b>Deferred income</b>	<b>26 b</b>	<b>13,049</b>	<b>11,093</b>
<b>Equity</b>	<b>15</b>	<b>620,161</b>	<b>594,656</b>
<b>Share Capital</b>		<b>469,300</b>	<b>469,300</b>
Domiciled in Brazil		469,300	469,300
<b>Market value adjustment of securities and derivatives</b>		<b>58</b>	<b>(1,492)</b>
Securities held for sale		58	(1,492)
<b>Income reserves</b>		<b>332,642</b>	<b>308,687</b>
<b>Treasury stock</b>		<b>(181,839)</b>	<b>(181,839)</b>
<b>Total liabilities and equity</b>		<b>6,926,838</b>	<b>5,632,283</b>

See accompanying notes.

**Income Statement**

		In R\$ thousand	
		Prudential Conglomerate	
	Note	06/30/2019	06/30/2018
<b>Financial income</b>		<b>254,823</b>	<b>335,747</b>
Loan transactions		158,322	144,396
Income from marketable securities transactions	<b>5 and 6</b>	85,399	50,086
Result of exchange operations	<b>16</b>	11,102	118,306
Gain on derivative financial instruments	<b>20</b>	-	22,959
<b>Financial expenses</b>		<b>(145,971)</b>	<b>(222,738)</b>
Market funding operations	<b>16</b>	(127,842)	(139,314)
Income from derivative financial instruments	<b>20</b>	(150)	-
Loans, assignments and onlending operations	<b>16</b>	(7,048)	(62,348)
Set up of allowance doubtful accounts	<b>7</b>	(10,569)	(21,076)
(Provisions) for marketable securities	<b>6</b>	(362)	-
<b>Gross financial income</b>		<b>108,852</b>	<b>113,009</b>
<b>Other operating income (expenses)</b>		<b>(32,688)</b>	<b>(35,684)</b>
Service revenues	<b>17</b>	43,485	31,748
Personnel expenses		(36,919)	(32,755)
Other administrative expenses	<b>18</b>	(29,661)	(27,947)
Tax expenses		(10,476)	(7,633)
Other operating income		935	1,013
Other operating expenses		(52)	(112)
<b>Operating income</b>		<b>76,164</b>	<b>77,325</b>
<b>Non-operating expenses</b>		<b>(312)</b>	<b>(2,908)</b>
<b>Income before income taxes and profit sharing</b>		<b>75,852</b>	<b>74,416</b>
<b>Income and social contributions taxes</b>	<b>23</b>	<b>(15,647)</b>	<b>(15,889)</b>
Provision for income tax		(11,308)	(6,532)
Provision for social contribution tax		(6,407)	(4,048)
Deferred tax asset/(liabilities)		2,068	(5,309)
<b>Profit sharing – management and employees</b>		<b>(22,070)</b>	<b>(19,685)</b>
<b>Net income</b>		<b>38,135</b>	<b>38,842</b>
<b>Earnings per outstanding share</b>		<b>0.19</b>	<b>0.19</b>

See accompanying notes.

**Statements of changes in equity of Banco BOCOM BBM S.A.**

Capital	Income reserves		In R\$ thousand Market value adjustment of securities and derivatives	Treasury shares	Retained earnings	Total
	Legal	Statutory	Bank			

**Six-month period ended June 30, 2018**

<b>Balances at January 1, 2018</b>	<b>469,300</b>	<b>28,489</b>	<b>260,319</b>	<b>(1,356)</b>	<b>(181,839)</b>	<b>-</b>	<b>574,914</b>
Market value adjustments - marketable securities				(136)			(136)
Net income for the semester						38,842	38,842
Allocations:							
- Reserves		1,942	17,936			(19,878)	
- Interest on equity (R\$ 1.06 per share)						(18,964)	(18,964)
<b>Balances at June 30, 2018</b>	<b>469,300</b>	<b>30,431</b>	<b>278,255</b>	<b>(1,492)</b>	<b>(181,839)</b>		<b>594,656</b>
<b>Changes in the period</b>	-	1,942	17,936	(136)	-		19,742

**Six-month period ended June 30, 2019**

<b>Balances at January 1, 2019</b>	<b>469,300</b>	<b>31,672</b>	<b>282,066</b>	<b>48</b>	<b>(181,839)</b>		<b>601,247</b>
Market value adjustments - marketable securities				10			10
Net income for the semester						38,135	38,135
Allocations:							
- Reserves		1,907	16,997			(18,904)	
- Interest on equity (R\$ 0.07 per share)						(19,231)	(19,231)
<b>Balances at June 30, 2019</b>	<b>469,300</b>	<b>33,579</b>	<b>299,063</b>	<b>58</b>	<b>(181,839)</b>		<b>620,161</b>
<b>Changes in the period</b>	-	1,907	16,997	10	-		18,914

See accompanying notes.

**Statement of Cash Flow**

	<b>In R\$ thousand</b>	
	<b>Prudential Conglomerate</b>	
	<b>06/30/2019</b>	<b>06/30/2018</b>
<b>Cash flow statements</b>		
<b>Net income</b>	<b>38,135</b>	<b>38,842</b>
<b>Adjustments to net income:</b>	<b>20,471</b>	<b>22,406</b>
Allowance for doubtful accounts	10,569	21,076
Depreciation and amortization	2,613	1,064
Expenses from civil, labor and tax allowances	312	(1,286)
Deferred income and social contribution taxes	(2,068)	5,309
Unrealized gains/losses on marketable securities and derivatives	9,035	(3,756)
Market value adjustments - marketable securities	10	-
<b>Adjusted net income</b>	<b>58,606</b>	<b>61,249</b>
(Increase) in short-term interbank investments	(108)	(103)
(Increase) in marketable securities and derivative financial instruments	(316,466)	(15,757)
Increase/(Decrease) in interbank and interbranch accounts	(12,307)	13,701
(Increase) in loan and lease transactions	(461,552)	(407,069)
Increase in deposits	488,430	143,213
(Decrease) in open market funding	(219,451)	(34,638)
Increase in securities issue resources	202,442	504,136
Increase/(Decrease) in borrowings and onlending	50,236	(155,817)
Increase in deferred income	2,927	2,057
(Increase) in other assets	(187,139)	(151,005)
Increase in other liabilities	35,991	109,960
<b>Net cash flow from (used in) operating activities</b>	<b>(416,996)</b>	<b>8,678</b>
<b>Cash flow from investing activities:</b>		
(Increase) in investments	(54)	(136)
Property and equipment for use and leased acquisition	(9,968)	(3,632)
<b>Net cash provided by (used in) investing activities</b>	<b>(10,022)</b>	<b>(3,768)</b>
<b>Cash flow from financing activities:</b>		
Dividends and interest on equity paid	-	(17,484)
<b>Net cash used in financing activities</b>	<b>-</b>	<b>(17,484)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(368,412)</b>	<b>48,674</b>
At beginning of period	1,084,752	370,277
At end of period	716,340	418,951
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(368,412)</b>	<b>48,674</b>
<b>Non-monetary transaction</b>		
Interest on equity	19,231	18,964

See accompanying notes.

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**Notes to the financial statements as at June 30, 2019 and 2018****1. Operations**

Banco BOCOM BBM ("Bank") is the leading institution of the Prudential Conglomerate (Note 2) and is authorized to operate as finance bank across the following portfolios:

- Commercial
- Investment
- Loan, Financing and Investment
- Foreign Exchange

Prudential Conglomerate operates in the context of a group of institutions which operate together in the financial market, with certain operations involving co-participation or intermediation of associated institutions which are part of Banco BOCOM BBM Financial Group. The benefits from services rendered between such institutions and the costs of the Financial Group's operating and administrative structures in common are fully or individually absorbed, on a basis that is practical and reasonable in the circumstances.

On February 2016, the People's Republic of China approved the transfer of the shareholding control from Banco BBM S.A. To the Bank of Communications Co. Ltd. and on November 2016, it was approved by the Central Bank of Brazil.

After the regulatory approvals, on November 30, 2016 the Bank of Communications Co. Ltd. ("BoCom"), acquired 80% of the total outstanding common shares of Banco BBM and 80% of the total outstanding preferred shares of Banco BBM which, as a result, accounted for 80% of total outstanding shares of Banco BBM. Around 20% of the Bank's shares continued to be held by the previous controlling group of Banco BBM.

On February 20, 2017, the transfer of the shareholding control was published in the "Diário Oficial" (Federal Government's official journal) by the Central Bank of Brazil.

On February 2, 2018, the change of the corporate name to Banco BOCOM BBM S.A. was approved the Central Bank of Brazil.

## Notes to the financial statements as at June 30, 2019 and 2018

### 2. Presentation of the Financial Statements and Consolidation Criteria

The financial statements of the Prudential Conglomerate were prepared in accordance with the Resolution No. 4,280/2013, from the Brazilian National Monetary Board (CMN) and Circular Letter N. 3,701/2015 of the Central Bank of Brazil (BACEN), which are elaborated from the accounting guidelines arising from the Laws No. 4,595/64 (National Financial System Law) and No. 6,404/76 (Corporation Law), including the amendments introduced by the Laws No.11,638/07 and No. 11,941/09, in compliance with the standards and instructions from CMN, BACEN, Federal Accounting Council(CFC) and the accounting practices adopted in Brazil applicable to financial institutions regulated by the BACEN.

The preparation of these statements in accordance with the accounting practices adopted in Brazil, applicable to financial institutions, requires management to use judgment in the determination and recording of accounting estimates, when applicable. Significant assets and liabilities subject to these estimates and assumptions include: provision for doubtful accounts, realization of deferred tax assets, provision for labor, tax and civil claims, valuation of financial instruments and other provisions. The definitive values of the transactions involving these estimates will only be known at the time of their settlement.

The prudential conglomerate financial statements were prepared in accordance with the consolidation criteria stated by Resolution No. 4,280/2013 from BACEN, which includes financial institutions and other institutions authorized to operate by the Central Bank of Brazil.

In the consolidation process of the entities members of the Prudential Conglomerate, it was adjusted, at the base date, in order that the same classifications, criteria, procedures and accounting practices used in the lead institution are applied in the evaluation and recognition of the assets, liabilities, revenues and expenses, with the following eliminations:

- Capital share, reserves and accumulated results held between the institutions (it also should be noted that there is no intercompany transactions);
- Balances of current accounts and other Assets and/or Liabilities between the institutions, whose balance sheets were consolidated; and
- The effects on profit or loss arising from significant transactions between these institutions.

The Prudential Conglomerate financial statements comprise the financial statements at June 30, 2019 and 2018 of the following institutions:

Banco BOCOM BBM S.A. and Nassau branch

BBM Bank Ltd. (a)

BOCOM BBM Corretora de Câmbio e Valores Mobiliários S.A. (b) (c)

Bahia Fund (a)

The Southern Atlantic Investments (b)

Jiang Fundo de Investimento Multimercado Credito Privado Investimento no Exterior (b)

Haitan Fund (a)

- (a) The indirect participation of 100% of Banco BOCOM BBM in the social capital of BBM Bank Ltd. were eliminated from the Prudential Conglomerate.
- (b) Banco BOCOM BBM directly holds 100% of the capital of these entities. The consolidation of The Southern Atlantic Investments Ltd occurred as from August 2017 and the consolidation of Jiang FIM CPIE occurred as from March 2018.
- (c) On February 22, 2018, the change of the corporate name of Bacor Corretora de Câmbio e Valores Mobiliários S.A to BOCOM BBM Corretora de Câmbio e Valores Mobiliários S.A was approved by the JUCESP ("Junta Comercial do Estado de São Paulo").



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**Notes to the financial statements as at June 30, 2019 and 2018****3. Significant Accounting Practices****(a) Results of Operations**

Determined on an accrual basis.

**(b) Marketable Securities and Derivative Financial Instruments**

In accordance with BACEN Circular Letter No. 3,068, securities are classified into the following categories:

I- Trading securities;

II- Securities held for sale;

III- Securities held up to maturity.

Securities classified in categories I and II are adjusted to market value, being the adjustment of the former directly accounted in the result and the adjustment of the latter in specific equity account, net of tax effects. Securities classified as "held up to maturity" are evaluated based on the cost plus the earnings.

Derivative financial instruments are adjusted to market value, in accordance with BACEN Circular Letter No. 3,082.

Investment fund shares are restated monthly based on the share value disclosed by the funds Administrators where funds are invested. The appreciation and depreciation of investment fund quotas are presented in "Result from transactions with marketable securities".

**(c) Current and non-current assets**

These are presented at their realization amounts, including, when applicable, the earnings and monetary variations (on a pro rata basis) and foreign exchange variations, less corresponding proceeds from future realization and/or provision for losses. Balances maturing within 12 months (or 360 days) are classified as current assets.

**(d) Permanent assets**

These are stated at cost, plus the following aspects:

- Evaluation of the significant investments in subsidiaries on an equity accounting basis.
- Depreciation of property and equipment in use and lease calculated on a straight-line basis, based on annual rates that reflect the economic useful life of the assets, being properties in use - 4%; furniture and utensils - 10% and data processing - 20%.
- Amortization of intangible assets calculated according to the economic useful life of the asset.

In accordance with CMN Resolution No. 4,534/16, financial institutions and institutions authorized to operate by BACEN cannot record Deferred Assets. Balances recorded as deferred assets at the date this resolution became effective, except for lease losses to amortize, must be:

I- Reclassified to the proper asset accounts, according to the operation nature, when they refer to items that constitute an asset, according to the effective regulation; and

II- Amortized on a straight-line basis up to December 31, 2019, in the other cases.

**(e) Current Liabilities and Long-term Liabilities**

These are stated at their known or calculable values including, whenever applicable, the charges and the monetary (on a daily pro rata basis) and exchange variations, less the corresponding expenses to be allocated. Balances maturing within 12 months (or 360 days) are classified as Current Liabilities.

**Notes to the financial statements as at June 30, 2019 and 2018****3. Significant Accounting Practices (Continued)****(f) Income Tax and Social Contribution**

The provision for income tax is set up based on the taxable profit, at 15% rate, plus 10% surcharge on annual taxable profit exceeding R\$ 240 thousand. The provision for social contribution tax is set up at the rate of 20%.

The deferred tax assets and liabilities arising from temporary differences were recognized in accordance with CMN Resolution No. 3,059 issued on December 20, 2002, and CMN Resolution No. 3.355, issued on March 31, 2006, and take into account the history of profitability and the expected generation of future taxable income supported by technical feasibility studies. The deferred taxes were constituted based on the expected income tax of 25% and social contribution rates of 15% and 20%, since used while the rate is effective.

In May 2015, Provisional Measure No. 675 was issued, amending the rate of Social Contribution on Net Income (CSLL) of financial institutions from 15% to 20%. According to the Provisional Measure, this rate increase became effect as from September 2015 and it remained in force up to December 2018.

**(g) Swaps, futures, forwards and options**

The nominal amounts of contracts are recorded in offsetting accounts. Daily adjustments of transactions conducted in the future market are recorded as effective income or expense as they are incurred. Premiums paid or received upon the realization of operations in the options market are recorded in the respective equity accounts at cost value, adjusted to market value as a counterparty to the result. The market value of swap and term operations are individually recorded in asset and liability equity accounts, as a counterparty to the respective income and expense accounts.

**(h) Earnings per share**

These are calculated based on the number of outstanding shares at the balance sheet dates.

**(i) Impairment of assets**

In accordance with CPC 1, as approved by CMN Resolution 3,566/08 of May 29, 2008, and based on management's analysis, if the book value of the assets of the Bank and others Prudential Conglomerate institutions exceed their recoverable value, an impairment loss is recognized in the result.

**(j) Contingent assets and liabilities and legal obligations**

The recognition, measurement and disclosure of contingent assets and liabilities, and legal obligations are made pursuant to the criteria defined below:

Contingent assets - these are not recognized in the financial statements, except when there are evidences that offer guarantees of their realization, with no appeals.

Contingent liabilities - these are recognized in the financial statements when, based on the opinion of the legal advisors and of management, the loss of a lawsuit or administrative proceeding is evaluated as probable and whenever the amounts involved can be measured with sufficient reliability. The contingent liabilities classified as possible losses by legal advisors are not recorded and are just disclosed in the notes to the financial statements and those classified as remote loss do not require any provision disclosure. Regarding the labor suits with loss probability classified as possible by the external lawyers, management will consider some assumptions such as: procedure stage, involved right, losses background, deal possibility. Accordingly, we can have provision, even if the suits are classified as possible.

Legal obligations - tax and social security - these refer to lawsuits contesting the legality and constitutionality of some taxes and contributions. The discussed amount is quantified and accounted for.

**(k) Short-term Interbank Investments**

Interbank investments are stated at the acquisition, investment or release cost, plus foreign exchange, monetary and interest variations, as contractually defined. When the market value is lower, a provision for the adjustment of an asset to its realization value is made.

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**Notes to the financial statements as at June 30, 2019 and 2018****3. Significant Accounting Practices (Continued)****(l) Loan Transactions**

Credit operations are stated at the acquisition, investment or release cost, plus foreign exchange, monetary and interest variations, as contractually defined. When the market value is lower, a provision for the adjustment of an asset to its realization value is made. An allowance for doubtful accounts is set at an amount considered sufficient to cover any losses, and it considers, in addition to past experience, the assessment of debtors and their guarantors, as well as the specific characteristics of transactions, in accordance with the requirements of Brazilian Central Bank Resolution No. 2,682. These are recorded at present value on a daily pro rata basis, based on the index variation and the agreed-upon interest rate, restated up to the 59th day in arrears at the financial companies, observing the estimated receipt date. After the 60th day, the recognition in results occurs on the effective receipt of the installments. The renegotiated operations are maintained, at least, at the same level in which they were classified previously to the renegotiation and, if they have already been written-off against the provision, they are classified as level H; the gains are recognized in income upon the effective receipt.

Credit assignments without risk retention result in the write-off of the financial assets that are the object of the operation, which are then kept in an offsetting account. The result of the assignment is fully recognized when it is realized. As of January 2012, as determined by CMN Resolution 3,533/2008 and CMN Resolution 3,895/2010, all credit assignments with risk retention are recognized in the remaining terms of operations, and the financial assets subject to assignment are recorded as credit operations and the amount received as obligations for sales or transfer of financial assets.

**(m) Cash and cash equivalents**

These represent cash and cash equivalents, unlinked balances with the Central Bank of Brazil and financial assets of high liquidity with maturities within three months, subject to an immaterial risk of changes in their fair values, which are used by the Group to manage short term commitments. See Note 4.

**(n) Other values and assets**

The operations classified as Other values and assets represent operations arising from the execution of loan guarantees, which are initially valued at the remaining balance of the debt, and which are valued at fair value based on valuation reports prepared by professional entities with recognized qualifications, using evaluation techniques limited to remaining balance of the debt.

**(o) Hedge Accounting**

The Bank allocated derivative financial assets to hedge principal amounts raised and the corresponding interest due.

Derivative financial instruments used to mitigate risks arising from exposure to variations in the market values of financial assets and liabilities, and that are highly correlated regarding changes in its market value in relation to the market value of the item that is being protected, at the beginning and during the life of the contract and considered effective in reducing the risk associated to the exposure to be protected, are considered protection instruments (hedges) and are classified based on their nature:

## Notes to the financial statements as at June 30, 2019 and 2018

### 3. Significant Accounting Practices (Continued)

- (a) Market risk hedge: the financial instruments classified under this category, as well as their related financial assets and liabilities, which are the hedge objects, are recorded at fair value and have their gains/losses, whether realized or not, reflected in the result; and
- (b) Cash flow hedge: the financial instruments classified in this category are marked at fair value, being the effective parcel of appreciation or depreciation registered, net of tax effects, in a specific account on equity. The ineffective portion of the respective hedge is recognized directly in the result.

If the hedging instrument expires or is sold, cancelled or exercised, or when the hedging position does not fall under hedge accounting conditions, the hedging relationship ends.

The risk management objectives of this operation, as well as the strategy of protection against such risks during the operation, are duly documented, as well as it is documented the evaluation, both at the beginning of the protection operation and on an ongoing basis, that the derivative financial instruments are highly effective in offsetting the variations of the fair value (mark-to-market) of the hedged item. A hedge is expected to be highly effective if the variation in the fair value or cash flow attributable to the risk being hedged during the hedge relation period nulls from 80% to 125% of the risk variation.

Derivative instruments used for hedging purposes, as well as the marked-to-market value of the hedged object are disclosed in **Note 20**.

### (p) Deposits and Funding in the Open Market

The deposits and funding in the open market are recognized at the amounts of the liabilities, and the charges payable, when applicable, are recorded on a daily "pro rata" basis.

### 4. Cash and cash equivalents

	In R\$ thousand	
	Prudential Conglomerate	
	06/30/2019	06/30/2018
Interbank investments (a)	553,080	185,016
Investments in foreign currencies	124,547	196,646
Funds in foreign currency	38,546	37,021
Free reserves in cash with the Central Bank	164	265
Cash	3	3
<b>Total</b>	<b>716,340</b>	<b>418,951</b>

- (a) Committed transactions maturing within 90 days, on the date of application.

## Notes to the financial statements as at June 30, 2019 and 2018

### 5. Short-term Interbank Investments

Short-term interbank investments are as follows:

	In R\$ thousand	
	Prudential Conglomerate	
	06/30/2019	06/30/2018
<b>Open market investments</b>	<b>553,080</b>	<b>185,016</b>
<b>Self-funded position</b>	<b>553,080</b>	<b>185,016</b>
National Treasury Bills	300,050	100,009
Financial Treasury Bills	83,005	15,003
National Treasury Notes – B series	170,025	70,004
<b>Interbank deposits</b>	<b>3,574</b>	<b>3,361</b>
<b>Investments in foreign currencies (*)</b>	<b>124,547</b>	<b>196,646</b>
	<b>681,201</b>	<b>385,023</b>
Current assets	681,201	381,662
Long-term receivables	-	3,361
<b>Total</b>	<b>681,201</b>	<b>385,023</b>

(\*) The investments in foreign currencies in the Prudential Conglomerate in June 30, 2019 and 2018, basically refer to Overnight operations with first-tier banks.

At June 30, 2019 and 2018, the collateral received through repurchase agreements amounted to R\$ 561,366 thousand and R\$ 187,897 thousand respectively, in the Prudential Conglomerate. The collateral provided amounted to R\$ 170,227 thousand and R\$ 4,400 thousand during the same periods.

The results of short-term interbank investments in the Prudential Conglomerate are as follows:

	In R\$ thousand	
	Prudential Conglomerate	
	06/30/2019	06/30/2018
Open market investments	10,689	4,894
Investments in foreign currencies	2,226	1,946
Interbank deposits	106	103
<b>Income from marketable securities transactions</b>	<b>13,021</b>	<b>6,943</b>

**Notes to the financial statements as at June 30, 2019 and 2018**
**6. Marketable Securities and Derivative Financial Instruments**

	In R\$ thousand			
	Prudential Conglomerate			
	Cost	Market	Cost	Market
	06/30/2019		06/30/2018	
<b>I - Marketable securities</b>	<b>1,732,566</b>	<b>1,732,744</b>	<b>1,427,097</b>	<b>1,424,406</b>
<b>Securities for trading (*)</b>	<b>85,431</b>	<b>85,514</b>	<b>48,369</b>	<b>48,379</b>
<b>Own Portfolio</b>	<b>4,024</b>	<b>4,105</b>	<b>34,260</b>	<b>34,270</b>
<b>Fixed income securities</b>	<b>4,024</b>	<b>4,105</b>	<b>34,260</b>	<b>34,270</b>
Financial Treasury Bills	1,721	1,721		
National Treasury Notes – B series	2,303	2,384	34,260	34,270
<b>Linked to guarantees given</b>	<b>81,407</b>	<b>81,409</b>	<b>14,109</b>	<b>14,109</b>
Financial Treasury Bills	62,114	62,116		
Fund quotas given as guarantee	19,293	19,293	14,109	14,109
<b>Securities held for sale (*)</b>	<b>962,655</b>	<b>962,750</b>	<b>775,523</b>	<b>772,822</b>
<b>Bank portfolio</b>	<b>360,057</b>	<b>360,107</b>	<b>543,662</b>	<b>540,925</b>
<b>Fixed-income securities</b>	<b>360,057</b>	<b>360,107</b>	<b>543,662</b>	<b>540,925</b>
Financial Treasury Bills	6,373	6,373	291,034	291,125
National Treasury Notes – B series	1,832	1,883	9,893	9,825
Bond Argentina			132,982	130,214
Debentures	351,852	351,851	106,087	106,094
CRA			3,666	3,667
<b>Subject to repurchase agreements</b>	<b>393,982</b>	<b>394,042</b>	<b>64,922</b>	<b>64,977</b>
Financial Treasury Bills	186,995	187,003		
Debentures	206,987	207,039	64,922	64,977
<b>Linked to guarantees given</b>	<b>208,616</b>	<b>208,601</b>	<b>166,939</b>	<b>166,920</b>
Financial Treasury Bills	208,616	208,601	166,939	166,920
<b>Securities held up to maturity</b>	<b>684,480</b>	<b>684,480</b>	<b>603,205</b>	<b>603,205</b>
<b>Bank portfolio</b>	<b>620,506</b>	<b>620,506</b>	<b>431,562</b>	<b>431,562</b>
<b>Fixed-income securities</b>	<b>547,856</b>	<b>547,856</b>	<b>431,562</b>	<b>431,562</b>
National Treasury Notes – F series	547,856	547,856	431,562	431,562
<b>Marketable securities abroad</b>	<b>72,650</b>	<b>72,650</b>		
Other marketable securities abroad	72,650	72,650		
<b>Subject to repurchase agreements</b>			<b>107,102</b>	<b>107,102</b>
National Treasury Notes – F series			107,102	107,102
<b>Linked to guarantees given</b>	<b>64,336</b>	<b>64,336</b>	<b>64,541</b>	<b>64,541</b>
National Treasury Notes – F series	64,336	64,336	64,541	64,541
<b>Provision for marketable securities</b>	<b>(362)</b>	<b>(362)</b>		
Other marketable securities abroad	(362)	(362)		
<b>II - Derivative financial instruments</b>	<b>28,257</b>	<b>45,578</b>	<b>76,765</b>	<b>77,417</b>
Swap operations	20,882	32,726	4,892	5,227
Term	4,959	10,436	12	227
Options premium			31	133
Futures	2,416	2,416	71,830	71,830
<b>Total marketable securities and derivative financial instruments</b>	<b>1,760,823</b>	<b>1,778,322</b>	<b>1,503,862</b>	<b>1,501,823</b>
<b>Segregation of portfolio by maturity range:</b>				
<b>No maturity</b>				
<b>Up to 3 months</b>	99,841	100,196	269,239	267,074
<b>From 3 to 12 months</b>	143,537	146,644	45,219	45,230
<b>Over 12 months</b>	1,517,445	1,531,482	1,189,404	1,189,518
<b>Total</b>	<b>1,760,823</b>	<b>1,778,322</b>	<b>1,503,862</b>	<b>1,501,823</b>

**Notes to the financial statements as at June 30, 2019 and 2018**
**6. Marketable Securities and Derivative Financial Instruments (Continued)**

	In R\$ thousand			
	Prudential Conglomerate			
	Cost	Market	Cost	Market
	06/30/2019		06/30/2018	
<b>III-Derivative financial instruments</b>				
Swap Operations	38,292	68,282	47,687	43,137
Term	5,447	3,672	12,542	11,861
Futures	11,986	11,986		
<b>Purchased position</b>	<b>55,725</b>	<b>83,940</b>	<b>60,229</b>	<b>54,998</b>
<b>Segregation by maturity range:</b>				
<b>Up to 3 motnths</b>	4,464	4,390	10,432	10,471
<b>From 3 to 12 months</b>	9,378	8,980	14,026	13,760
<b>Over 12 months</b>	41,883	70,570	35,771	30,767
<b>Total</b>	<b>55,725</b>	<b>83,940</b>	<b>60,229</b>	<b>54,998</b>

The results of Marketable Securities in the Prudential Conglomerate are as follows:

	In R\$ thousand	
	Prudential Conglomerate	
	06/30/2019	06/30/2018
Investment funds quotas	563	456
Government bonds	53,122	33,272
Private securities	18,693	9,415
<b>Income from marketable securities</b>	<b>72,378</b>	<b>43,143</b>
	In R\$ thousand	
	Prudential Conglomerate	
	06/30/2019	06/30/2018
Provision for marketable securities	(362)	-
<b>Result of provision for marketable securities</b>	<b>(362)</b>	<b>-</b>

The market values of marketable securities and derivative financial instruments are determined based on market price quotations at the balance sheet date, when available, or through price valuation models.

(\*) Securities classified as "Securities for trading" maturing in more than 12 months and which, at June 30, 2019, amount to R\$ 66,221 thousand in the Prudential Conglomerate (June 30, 2018 - R\$ 16,143 thousand), are stated in current assets, according to BACEN Circular Letter No. 3,068/01. Securities classified as "Held for sale", maturing in more than 12 months, in the amount of R\$ 823,211 thousand on June 30, 2019 (June 30, 2018 - R\$ 581,496 thousand), in the Prudential Conglomerate, are stated as Long-term receivable assets, according to BACEN Circular Letter No. 3.068/01, regardless its liquidity level. The effect of this classification in net current capital is shown in Note 21 - Liquidity risk.

There was no transfers between securities categories on June 30, 2019 and 2018.

**Notes to the financial statements as at June 30, 2019 and 2018**
**7. Loan Transactions, Sureties and Guarantees**

At June 30, 2019 and 2018, loans and guarantees provided through sureties or guarantee agreements in the Prudential Conglomerate, classified according to the clients' economic activities, are as follows:

In R\$ thousand				
Prudential Conglomerate				
	06/30/2019		06/30/2018	
Sugar and Ethanol	782,071	15.87%	716,917	18.00%
Agriculture	470,280	9.54%	489,298	12.29%
Building and Real Estate	393,901	7.99%	257,014	6.45%
Retail market	331,171	6.72%	194,316	4.88%
Capital Goods	319,693	6.49%	179,361	4.50%
Utilities (energy)	252,358	5.12%	153,564	3.86%
Specialized Services	198,896	4.04%	208,744	5.24%
Foods - Sundry	181,224	3.68%	187,889	4.72%
Heavy Construction	162,745	3.30%	25,335	0.64%
Pharmaceutics	138,543	2.81%	105,826	2.66%
Civil Aviation	138,427	2.81%	89,738	2.25%
Meat Industry	123,578	2.51%	46,082	1.16%
Pulp and Paper	120,244	2.44%	110,459	2.77%
Textile and Leathers	115,383	2.34%	104,317	2.62%
Transportation and Logistics	104,868	2.13%	73,656	1.85%
Chemical and Petrochemical	94,413	1.92%	75,554	1.90%
Banks and Insurers	92,198	1.87%	42,797	1.07%
Construction Material	79,386	1.61%	106,929	2.68%
Others (*)	199,778	4.05%	322,774	8.10%
<b>Private Sector</b>	<b>4,299,157</b>	<b>87%</b>	<b>3,490,570</b>	<b>88%</b>
Utilities (energy)	236,385	4.80%	205,734	5.17%
Public	191,915	3.89%	97,826	2.46%
Oil & Gas	131,925	2.68%	132,152	3.32%
Banks and Insurers	69,157	1.40%	26,107	0.66%
Others (*)	-	0.00%	30,221	0.76%
<b>Public Sector</b>	<b>629,382</b>	<b>13%</b>	<b>492,040</b>	<b>12%</b>
<b>Total</b>	<b>4,928,539</b>	<b>100%</b>	<b>3,982,611</b>	<b>100%</b>

(\*) The activities classified within Others include all economic sectors that individually represent less than 1% of the total active loan portfolio at the base date of June 30, 2019.



## Notes to the financial statements as at June 30, 2019 and 2018

### 7. Loan Transactions, Sureties and Guarantees (Continued)

Loans transactions are stated in the Prudential Conglomerate balance sheet as follows:

	In R\$ thousand	
	Prudential Conglomerate	
	06/30/2019	06/30/2018
<b>Current assets</b>		
<b>Loan transactions</b>	<b>1,839,606</b>	<b>1,374,512</b>
Private sector	1,702,849	1,227,961
Public sector	136,757	146,551
<b>Other receivables</b>	<b>36,906</b>	<b>50,314</b>
Foreign exchange portfolio – receivables (a)	11,578	15,991
Securities and credits receivable (b)	25,328	34,323
<b>Noncurrent assets</b>		
<b>Loan transactions</b>	<b>1,866,162</b>	<b>1,472,244</b>
Private sector	1,682,562	1,268,091
Public sector	183,600	204,153
<b>Other receivables</b>	<b>2,494</b>	<b>-</b>
Securities and credits receivable (b)	2,494	-
<b>Current liabilities</b>		
<b>Other liabilities</b>	<b>407,983</b>	<b>493,003</b>
Foreign exchange portfolio - Advances on exchange contracts (a)	407,983	493,003
<b>Subtotal</b>	<b>4,153,151</b>	<b>3,390,073</b>
Co-obligations and risks in guarantees provided (c)	775,388	592,537
<b>Total</b>	<b>4,928,539</b>	<b>3,982,610</b>

(a) The Advances on Exchange Contracts are classified as reduction accounts of Other Liabilities – Exchange Portfolio and as Other Receivables – Exchange Portfolio, respectively, as shown in Note 8.

(b) Refers to Advances on Foreign Exchange Contracts written off in the period.

(c) These refer to guarantees granted through sureties and guarantees. The granted guarantees are recorded in offsetting accounts and the respective earnings are classified as Results for Future Years and appropriated to the result according to the guarantees' contractual terms. There also include, in the Bank, guarantees give for credit operations of the BBM Bank Limited, which are eliminated in the Prudential Conglomerate.

The provision for loan transactions was calculated according to the criteria established by the CMN Resolutions No. 2,682 and 2,697, based on the risk classification of the transactions and on their level of arrears.

The classification of the loan transactions in the Prudential Conglomerate is as follows:

**Notes to the financial statements as at June 30, 2019 and 2018**

In R\$ thousand													
06/30/2019										06/30/2018			
Risk level	Overdue – days					Falling due – days							
	Within 14	15 to 60	61 to 90	91 to 180	181 to 360	Within 90	From 91 to 180	From 181 to 360	Over 360 days	Total	PDD	Total	PDD
AA						419,245	462,423	749,354	745,415	2,376,437		1,345,473	
A	361					187,028	315,078	363,930	714,759	1,581,156	7,905	1,673,334	8,367
B						135,240	161,785	130,206	355,778	783,009	7,830	698,782	6,988
C	522					27,668	27,529	28,585	48,592	132,896	3,987	200,343	6,010
D	263	262	263			788	1,280		394	3,250	325		
E			22,472			2,495			2,495	27,462	8,239	5	2
F		10,192								10,216	5,108	15,796	9,948
G	103					631	747	1,645	10,711	13,837	12,694	11,344	9,509
H					276					276	276	37,532	37,532
<b>Total</b>	<b>1,249</b>	<b>10,454</b>	<b>22,735</b>	<b>300</b>	<b>-</b>	<b>773,095</b>	<b>968,842</b>	<b>1,273,720</b>	<b>1,878,144</b>	<b>4,928,539</b>	<b>46,363</b>	<b>3,982,610</b>	<b>78,356</b>

## Notes to the financial statements as at June 30, 2019 and 2018

### 7. Loan Transactions, Sureties and Guarantees (Continued)

The allowance below is presented in the Prudential Conglomerate balance sheets as follows:

	In R\$ thousand	
	06/30/2019	06/30/2018
<b>Allowance for loan losses</b>	<b>34,504</b>	<b>50,764</b>
Current assets	16,254	32,791
Noncurrent assets	18,250	17,973
<b>Provision for other credits</b>	<b>11,049</b>	<b>26,340</b>
<b>Securities and credits receivable</b>	<b>8,240</b>	<b>21,650</b>
Current assets	7,492	21,650
Noncurrent assets	748	
<b>Provision for advances on exchange contracts</b>	<b>2,809</b>	<b>4,690</b>
Current assets	2,809	4,690
<b>Provision for co-obligations and risks in guarantees provided (*)</b>	<b>810</b>	<b>1,252</b>
Current Liability	779	966
Noncurrent Liability	31	286
<b>Total</b>	<b>46,363</b>	<b>78,356</b>

Changes in allowances are as follows:

	In R\$ thousand	
	06/30/2019	06/30/2018
<b>Balance at January 1</b>	<b>48,111</b>	<b>79,976</b>
Set up / (reversal)	10,569	21,076
Write-offs to loss	(12,317)	(22,696)
<b>Total</b>	<b>46,363</b>	<b>78,356</b>

In the six-month period ended June 30, 2019, no loan transactions were renegotiated in the Prudential Conglomerate (in the first period ended June 30, 2018 – R\$ 8,421 thousand).

In the six-month period ended June 30, 2019, there was a recovery of losses on loan transactions in the amount of R\$ 81 thousand (in the first period ended June 30, 2018 - R\$ 4,421 thousand).

## Notes to the financial statements as at June 30, 2019 and 2018

### 7. Loan Transactions, Sureties and Guarantees (Continued)

The breakdown of sales or transfers of assets without the substantial retention of risks and rewards in the periods ended June 30, 2019 and 2018 was as follows:

	In R\$ thousand	
	06/30/2019	06/30/2018
Number of contracts	-	3
Assignment amount	-	3,013
Provision net book value	-	2,974
<b>Revenue from assignments</b>	<b>-</b>	<b>39</b>

The credit risk concentration in the Prudential Conglomerate statements is as follows:

	In R\$ thousand			
	06/30/2019	%	06/30/2018	%
Top debtor	236,385	4.8%	132,152	3.3%
Top 10 debtors	1,212,314	24.6%	965,437	24.2%
Top 20 debtors	1,866,495	37.9%	1,485,346	37.3%
Top 50 debtors	3,032,693	61.5%	2,412,296	60.6%
Top 100 debtors	4,104,160	83.3%	3,329,023	83.6%

The breakdown of the Prudential Conglomerate credit portfolio by type is as follows:

	In R\$ thousand	
	06/30/2019	06/30/2018
Working capital	2,491,043	2,127,923
Trade Finance	691,060	598,073
Export credit notes	784,865	538,373
Co-obligations and risks in guarantees provided	775,388	592,538
Others	186,183	125,703
<b>Total</b>	<b>4,928,539</b>	<b>3,982,610</b>

## Notes to the financial statements as at June 30, 2019 and 2018

### 8. Foreign Exchange Portfolio

	In R\$ thousand	
	06/30/2019	06/30/2018
<b>Other receivables – Foreign exchange portfolio</b>		
Foreign exchange purchases pending settlement	443,914	575,694
Rights on foreign exchange sales	5,201	95,420
Income receivable from advances granted <b>(a)</b>	11,578	15,990
<b>Total</b>	<b>460,693</b>	<b>687,104</b>
<b>Other payables – Foreign exchange portfolio</b>		
Foreign exchange sales pending settlement	5,201	98,117
Exchange purchase obligations	446,283	493,650
Advances on foreign exchange contracts granted <b>(a)</b>	(407,983)	(493,003)
<b>Total</b>	<b>43,501</b>	<b>98,764</b>

**(a)** See Note 7.

On June 30, 2019, the Company made deposits of federal government securities securing foreign exchange transactions with B3 in the amount of R\$ 72,163 thousand (June 30, 2018 – R\$ 60,525 thousand).

**Notes to the financial statements as at June 30, 2019 and 2018**
**9. Deposits**

Maturity range	in R\$ thousand			
	Time deposits	Interbank deposits	Total 06/30/2019	Total 06/30/2018
Within 1 month	56,860	651	57,511	46,328
From 1 to 3 months	227,389	1,279	228,668	307,381
From 3 to 6 months	866,305	0	866,305	223,493
From 6 to 12 months	30,228	99	30,327	85,909
More than 12 months	428,093	-	428,093	303,299
<b>Subtotal</b>	<b>1,608,875</b>	<b>2,029</b>	<b>1,610,904</b>	<b>966,410</b>
<b>Cash deposits and other deposits</b>			120,325	133,912
<b>Total</b>			<b>1,731,229</b>	<b>1,100,322</b>

The average term of interbank and time deposits, for outstanding transactions at June 30, 2019 is 624 and 395 days (June 30, 2018 - 829 and 427 days), respectively.

Maturities upon issuance	In R\$ thousand			
	Time deposits	Interbank deposits	Total 06/30/2019	Total 06/30/2018
Within 1 month	5,057	-	5,057	1,191
From 1 to 3 months	6,257	-	6,257	106,997
From 3 to 6 months	687,108	-	687,108	76,210
From 6 to 12 months	421,511	-	421,511	416,596
More than 12 months	488,942	2,029	490,971	365,416
<b>Subtotal</b>	<b>1,608,875</b>	<b>2,029</b>	<b>1,610,904</b>	<b>966,410</b>
<b>Cash deposits</b>			120,325	133,912
<b>Total</b>			<b>1,731,229</b>	<b>1,100,322</b>

The breakdown per segment of the Prudential Conglomerate is as follows:

	In R\$ thousand									
	Demand deposits		Time deposits		Interbank deposits		Total			
	06/30/2019	06/30/2018	06/30/2019	06/30/2018	06/30/2019	06/30/2018	06/30/2019		06/30/2018	
BOCOM	-	188	1,158,798	416,063	-	-	1,158,798	66.94%	416,251	37.83%
Corporate	110,749	124,766	269,950	376,457	-	-	380,699	21.99%	501,223	45.55%
Institutional	137	495	180,127	168,954	2,029	4,898	182,293	10.53%	174,347	15.85%
Wealth Management	9,439	8,463	-	38	-	-	9,439	0.55%	8,501	0.77%
<b>Total</b>	<b>120,325</b>	<b>133,912</b>	<b>1,608,875</b>	<b>961,512</b>	<b>2,029</b>	<b>4,898</b>	<b>1,731,229</b>	<b>100%</b>	<b>1,100,322</b>	<b>100%</b>

## Notes to the financial statements as at June 30, 2019 and 2018

### 9. Deposits (Continued)

		In R\$ thousand			
		06/30/2019		06/30/2018	
Top depositor	1,125,402	65.01%	388,207	35.28%	
Top 10 depositors	1,471,089	84.97%	831,456	75.56%	
Top 20 depositors	1,560,996	90.17%	943,818	85.78%	
Top 50 depositors	1,676,464	96.84%	1,058,828	96.23%	
Top 100 depositors	1,720,830	99.40%	1,095,944	99.60%	

### 10. Repurchase Agreements

The obligations from repurchase agreements in the Prudential Conglomerate are as follows:

		In R\$ thousand	
		Prudential Conglomerate	
		06/30/2019	06/30/2018
<b>Own Portfolio</b>		<b>376,633</b>	<b>69,208</b>
Debentures		206,611	64,901
Financial Treasury Bills		170,022	-
National Treasury Notes – B series		-	4,307
		<b>376,633</b>	<b>69,208</b>

## Notes to the financial statements as at June 30, 2019 and 2018

### 11. Funds from Acceptance and Issue of Securities and Real Estate Bills

On June 30, 2019 and 2018, fundraising through Agribusiness Credit Bills (LCA), Housing Credit Bills (LCI), Financial Bills (LF) were segregated by maturity range as follows:

In R\$ thousand								
Prudential Conglomerate								
	LCA (a)		LCI (b)		LF (c)		LF - Subordinated Debt (d)	
Maturity	06/30/2019	06/30/2018	06/30/2019	06/30/2018	06/30/2019	06/30/2018	06/30/2019	06/30/2017
Within 1 month	42,309	53,735	4,197	1,583	28,778	17,720	-	-
From 1 to 3 months	78,915	68,387	4,270	14,584	146,000	34,475	-	-
From 3 to 6 months	383,870	480,757	5,295	14,771	174,938	116,276	-	-
From 6 to 12 months	437,892	521,012	10,201	41,406	461,257	296,598	-	-
More than 12 months	502,711	278,887	55,842	15,660	598,387	982,662	205,638	-
<b>Total</b>	<b>1,445,697</b>	<b>1,402,778</b>	<b>79,805</b>	<b>88,004</b>	<b>1,409,360</b>	<b>1,447,731</b>	<b>205,638</b>	<b>-</b>

- (a) Agribusiness Credit Bills (LCA) are issued by the Bank and registered with the B3, according to the Law No. 11,076/2004 and Law No. 11,311/2006 and subsequent amendments.
- (b) Housing Credit Bills (LCI) are nominative securities created by Provisional Measure No. 2,223 on September 4, 2011, which resulted in Law No. 10,931 of August 2, 2004.
- (c) Financial Bills (LCA) are issued by the Bank and registered with the B3 - according to the Law No. 12,249/10 (Section II, articles 37 to 43), and ruled by CMN (Law No. 3,836).
- (a) The Financial Bill (LF) - Subordinated Debt has perpetual term and repurchase option as from 5 years with semester windows. The Bank uses the raised amount as complementary capital in order to compose the institution's Level I capital. The issue was private and carried out together with the Bank's shareholders.

### 12. Borrowings and onlendings

#### a) Borrowings abroad

Borrowings abroad in the Prudential Conglomerate are as follows:

In R\$ thousand		
Prudential Conglomerate		
	06/30/2019	06/30/2018
Obligations with borrowings abroad (*)	396,294	387,038
Export credit facility	264,263	144,260
Import credit facility	15,341	4,710
	<b>675,898</b>	<b>536,008</b>
Current liabilities	279,604	148,970
Long-term payables	396,294	387,038
	<b>675,898</b>	<b>536,008</b>

(\*) The amount of R\$ 396,294 thousand on June 30, 2019 (R\$ 387,038 thousand on June 30, 2018), classified as Borrowings Abroad, refers to the fundraising in U.S. dollars with Bank of Communications with final maturity in September 2022.



## Notes to the financial statements as at June 30, 2019 and 2018

### 12. Borrowings and onlendings (Continued)

#### b) Onlendings in the Country

Banco BOCOM BBM has funding line operations with resources from the Fund for Defense of the Coffee Economy (Funcafé) for coffee growers, their cooperative and the agribusiness companies to use for storage and acquisition of coffee and working capital, as following:

	In R\$ thousand					
	06/30/2019					06/30/2018
	Within 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 12 months	Total
Funcafé - FAC	9,185		771			9,956
Funcafé - Working capital	-		771			771
<b>Total</b>	<b>9,185</b>	<b>-</b>	<b>1,542</b>	<b>-</b>	<b>-</b>	<b>10,727</b>
						<b>1,551</b>

**Notes to the financial statements as at June 30, 2019 and 2018**
**13. Other Receivables/ Sundry**

In R\$ thousand		
Prudential Conglomerate		
	06/30/2019	06/30/2018
<b>Sundry</b>		
Debtors Deposits on warranty	52,144	50,639
Sundry debtors – foreign	28,548	1,418
Securities and credits receivable (*)	27,823	14,369
Taxes and contributions to offset	23,351	14,811
Sundry debtors – domestic	7,330	8,146
Advances – Salaries and constructions	1,458	1,202
	<b>140,654</b>	<b>90,585</b>
Current Asset	134,442	36,452
Long-term Asset	6,212	54,133
	<b>140,654</b>	<b>90,585</b>

(\*) Refers to Advances on Foreign Exchange Contracts written off in the period.

**14. Other Values and Assets**

In R\$ thousand		
Prudential Conglomerate		
	06/30/2019	06/30/2018
<b>Other Values and Goods</b>		
Properties	44,011	36,198
Others	1,210	832
	<b>45,221</b>	<b>37,030</b>
Current asset (a)	45,221	37,030
	<b>45,221</b>	<b>37,030</b>

(a) In December 2018, the amount of R\$ 44,011 thousand, classified as current assets, refers mainly to the execution of guarantee of properties, recorded as properties not for own use (BNDU), according to independent appraisal report, limited to remaining balance of the debt.

## Notes to the financial statements as at June 30, 2019 and 2018

### 15. Equity

#### (a) Capital - Banco BOCOM BBM S.A.

At June 30, 2019 and 2018, the capital is comprised of 282,201,085 registered shares with a par value of R\$ 1.60 each, divided into 188,626,652 common shares and 93,574,433 preferred shares. Each common share is entitled to 1 (one) vote in resolutions of the General Meeting. Preferred shares have no voting rights.

#### (b) Legal reserve

This reserve is calculated at the rate of 5% of the net income at each balance sheet date, up to the limit determined by the Corporation Law of 20% of Capital.

#### (c) Statutory reserve

In accordance with the articles of incorporation, this reserve represents the remaining balance of net income at each balance sheet date, after the legal allocations.

#### (d) Treasury stock

On June 30, 2019 and 2018, Banco BOCOM BBM has 76,296,769 shares to hold in treasury in the amount of R\$ 181,839 thousand.

#### (e) Interest on Equity

According to article 9 of Law No. 9,249/95 and its subsequent amendments, Banco BOCOM BBM S.A., at the end of the semester in 2019, declared interest on equity of R\$ 19,231 thousand (June 30, 2018 - R\$ 18,964 thousand), with the retention of withholding income tax of R\$ 2,885 thousand (June 30, 2018 - R\$ 2,845 thousand), calculated at the rate of 15%. This amount was determined based on the legal limits in force.

For the purpose of the publication of the statement of operations, as established by BACEN Resolution No. 4,706 of 12/19/2018, Banco BOCOM BBM S.A. recognized as other obligations, as a counterparty for the adequate retained earnings account, the stated capital compensation configured by the present obligation at the balance date.

Interest on equity proposed at the end of the semester in 2019 reduced tax burden by R\$ 7,728 thousand (June 30, 2018 - R\$ 8,534 thousand).

#### (f) Carrying value adjustments

In the six-month period ended June 30, 2019, the carrying value adjustments are comprised by the market adjustment variation of the securities held for sale in the amount of R\$ 3 thousand (June 30, 2018 - (R\$ 1,627 thousand)), by the variation of the cash flow hedges in the amount of R\$ 0 thousand (June 30, 2018 - R\$ 1,491 thousand), by the variation of foreign investments hedging instruments in the amount of R\$ 550 thousand (June 30, 2018 - R\$ 0 thousand), by the foreign exchange variation in investment abroad in the amount of (R\$ 543 thousand) (June 30, 2018 - R\$ 0 thousand), net of tax effects.

**Notes to the financial statements as at June 30, 2019 and 2018**
**16. Financial Intermediation Expenses and Foreign Exchange Gains (Losses)**

	In R\$ thousand	
	Prudential Conglomerate	
	06/30/2019	06/30/2018
<b>Open market funding</b>		
Financial Bills	(62,423)	(49,851)
Agriculture Credit Bills	(40,263)	(38,779)
Time deposits	(25,563)	(16,236)
Repurchase agreements	(3,558)	(3,220)
Real Estate Credit Bills	(2,332)	(2,075)
Credit Guarantee Fund	(1,016)	(1,275)
Interbank deposits	(71)	(379)
Deposits Previous Notice	(29)	(82)
Foreign exchange variation (a)	7,413	(27,417)
	<b>(127,842)</b>	<b>(139,314)</b>
<b>Loans, assignments and onlending operations</b>		
Loan expenses abroad	(16,131)	6,329
Other expenses	(337)	(69)
Foreign exchange variation (a)	9,420	(68,609)
	<b>(7,048)</b>	<b>(62,348)</b>
<b>Foreign exchange transactions</b>		
Revenue from Advances on Exchange Contracts (ACC)	14,274	22,348
Foreign exchange variations and interest differences	(2,997)	96,241
Other expenses	(175)	(283)
	<b>11,102</b>	<b>118,306</b>

(a) This substantially represents the effects of foreign exchange variations on loans raised by the Bank from its branch abroad through the transfer of funds raised in foreign currency.

**Notes to the financial statements as at June 30, 2019 and 2018**
**17. Service Revenue**

	In R\$ thousand	
	Prudential Conglomerate	
	06/30/2019	06/30/2018
<b>Service Revenue</b>		
Structuring Commission	12,926	11,075
Management and performance fees of investment funds	11,739	7,223
Other services (*)	11,572	6,319
Guarantees commission and letter of credit	7,248	7,131
<b>Total</b>	<b>43,485</b>	<b>31,748</b>

(\*) This refers mainly to revenue from bank fees.

**18. Other Administrative Expenses**

	In R\$ thousand	
	Prudential Conglomerate	
	06/30/2019	06/30/2018
Data processing	(4,351)	(3,094)
Rentals	(3,451)	(3,272)
Specialized technical services	(3,228)	(1,244)
Financial system services (a)	(2,648)	(2,039)
Amortization and depreciation	(2,613)	(1,064)
Travel	(2,459)	(2,148)
Other administrative expenses	(2,120)	(1,505)
Third-party services	(1,760)	(2,759)
Communications	(1,697)	(1,487)
Property maintenance and upkeep	(1,410)	(867)
Registry	(1,394)	(2,409)
Condominium	(1,009)	(782)
Promotion/ Advertising/ Publications	(512)	(759)
Water, energy and gas	(510)	(469)
Transportation	(345)	(258)
Material	(107)	(68)
Insurance	(21)	(5)
Fines (b)	(18)	(3,704)
Surveillance and security services	(8)	(14)
	<b>(29,661)</b>	<b>(27,947)</b>

**(a)** In the six-month period ended June 30, 2019, this includes brokerage expenses, charges and commission related to guarantee transactions and derivative financial instruments of R\$ 891 thousand. (June 30, 2018 - R\$ 999 thousand).

**(b)** In June 2018, the amount of R\$ 3,651 thousand, refers to expenses with pre-settlement of the contract with IFC.

**Notes to the financial statements as at June 30, 2019 and 2018**
**19. Related-parties Significant Transactions**

- a) The transactions between related-parties were carried out using the average rates practiced by the market, effective on the operations dates, as follows:

	In R\$ thousand	
	Prudential Conglomerate	
	06/30/2019	06/30/2018
<b>Asset</b>		
<b>Cash and cash equivalents</b>	<b>29</b>	<b>-</b>
Bank of Communications Co., Ltd	29	-
<b>Detivative financial instruments</b>	<b>31</b>	<b>-</b>
Other relates individual/legal entities	31	-
<b>Liabilities</b>		
<b>Demand deposits</b>	<b>886</b>	<b>1,575</b>
Évora S.A.	14	10
Bahia AM Renda Fixa Ltda	5	-
Bahia AM Renda Variável Ltda	5	472
Bocom Brazil Holding Company Ltda	81	188
Bahia Holding S.A.	16	-
Bahia Adm. de Recursos DTVM S.A.	-	519
Other related individuals/legal entities	765	385
<b>Interbank deposits</b>		<b>3,180</b>
Bahia Adm. de Recursos DTVM S.A.	-	3,180
<b>Time deposits</b>	<b>1,274,929</b>	<b>545,951</b>
Bahia Holding S.A.	32,501	126,765
Évora S.A.	3,316	3,123
Bank of Communications Co., Ltd	1,125,402	388,207
Bocom Brazil Holding Company Ltda	33,397	27,856
Other related individuals/legal entities	80,313	-
<b>Repurchase agreements - Debentures</b>	<b>29,452</b>	<b>10,856</b>
Other related individuals/legal entities	29,452	10,856
<b>Agriculture Credit Bills</b>	<b>307,757</b>	<b>274,425</b>
Other related individuals/legal entities	307,757	274,425
<b>Real Estate Credit Bills</b>	<b>75,147</b>	<b>43,933</b>
Other related individuals/legal entities	75,147	43,933
<b>Derivative Financial Instruments</b>	<b>582</b>	<b>-</b>
Bocom Brazil Holding Company Ltda	582	-
<b>Subordinated debt</b>	<b>205,638</b>	<b>-</b>
Bocom Brazil Holding Company Ltda	165,153	-
Other related individuals/legal entities	40,485	-
<b>Liabilities on Loans abroad</b>	<b>396,294</b>	<b>387,038</b>
Bank of Communications Co., Ltd	396,294	387,038
<b>Dividends and bonuses payable</b>	<b>33,149</b>	<b>16,119</b>
Interest on capital credited to shareholders	33,149	16,119

**Notes to the financial statements as at June 30, 2019 and 2018**
**19. Related-parties Significant Transactions (Continued)**

	In R\$ thousand	
	Prudential Conglomerate	
	06/30/2019	06/30/2018
<b>Result</b>		
<b>Result with derivative financial instruments</b>	<b>(1,285)</b>	<b>84</b>
The Southern Atlantic Investments Ltd	-	84
Bocom Brazil Holding Company Ltda	(1,291)	
Other relates individual/legal entities	6	
<b>Open market funding</b>	<b>(32,052)</b>	<b>(55,864)</b>
<b>Time deposits expenses</b>	<b>(15,510)</b>	<b>(8,015)</b>
Évora S.A.	(97)	84
Bank of Communications Co., Ltd.	(10,768)	(4,569)
Bocom Brazil Holding Company Ltda	(1,000)	(201)
Bahia Holding S.A.	(1,131)	(3,329)
Other related individuals/legal entities	(2,514)	-
<b>Repurchase agreements - Debentures expenses</b>	<b>(572)</b>	<b>(233)</b>
Other related individuals/legal entities	(572)	(233)
<b>Agriculture credit bills expenses</b>	<b>(8,326)</b>	<b>(6,551)</b>
Other related individuals/legal entities	(8,326)	(6,551)
<b>Real estate credit bills expenses</b>	<b>(2,005)</b>	<b>(1,046)</b>
Other related individuals/legal entities	(2,005)	(1,046)
<b>Expenses with securities abroad</b>	<b>-</b>	<b>(40,019)</b>
The Southern Atlantic Investments Ltd	-	(27,417)
BBM Nassau Branch	-	(12,601)
<b>Financial Bills</b>	<b>(5,639)</b>	<b>-</b>
Bocom Brazil Holding Company Ltda	(4,529)	-
Other related individuals/legal entities	(1,110)	-
<b>Loans expenses abroad</b>	<b>(8,323)</b>	<b>(60,479)</b>
Bank of Communications Co., Ltd.	(8,323)	(60,479)
<b>Expenses with dividends and bonuses</b>	<b>(19,231)</b>	<b>(18,964)</b>
Interest on capital credited to shareholders	(19,231)	(18,964)
<b>Total</b>	<b>(60,891)</b>	<b>(135,223)</b>

The transactions between related-parties were carried out at the average rates practiced by the market, effective on the transactions dates.

## Notes to the financial statements as at June 30, 2019 and 2018

### 19. Related-parties Significant Transactions (Continued)

#### b) Key Management Compensation

The total compensation will be calculated as follows:

##### I) Fixed and variable compensation

The total compensation of the Participants will be comprised of fixed and variable part. The variable compensation of the Participants will be paid as follows:

- (a) The amount equivalent to, at most, 50% (fifty percent) of the variable compensation will be paid in cash, immediately available for the Participant ("Short-term compensation"); and
- (b) The amount equivalent to, at least, 50% (fifty percent) of the variable compensation will be deferred for payment within 3 (three) years, considering the provisions below ("Deferred Compensation" together with "Short-term Compensation" and "Variable Compensation");

The minimum and maximum amounts of the Variable Compensation of the Participants will be fixed by the Administrative Council of Banco Bocom BBM.

##### II) Deferred compensation

The payment of the deferred Compensation will be carried out on a scaled basis, every six months, in shares proportional to the deferral period ("Deferred Compensation Shares"), and all the deferred shares should be updated by the ROE of the Banco Bocom BBM.

ROE is the profit for the period before tax divided by the Equity at the beginning of the period.

In R\$ thousand		
Prudential Conglomerate		
	06/30/2019	06/30/2018
<b>Liabilities</b>		
<b>Statutory</b>	<b>17,111</b>	<b>13,090</b>
Management Variable Compensation - Short Term	6,088	4,853
Deferred Management Variable Compensation - Long Term	11,023	8,237

In R\$ thousand		
Prudential Conglomerate		
	06/30/2019	06/30/2018
<b>Result</b>	<b>(12,516)</b>	<b>(11,624)</b>
Fixed compensation	(4,631)	(4,830)
Variable compensation	(7,885)	(6,794)



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**Notes to the financial statements as at June 30, 2019 and 2018****20. Derivative Financial Instruments**

The Bank and the other institutions of the Prudential Conglomerate participate in transactions involving derivative financial instruments to meet their own needs as well as on behalf of their clients.

Derivative financial instruments are classified according to management's intent at the inception of the transaction, taking into consideration whether or not the purpose is to hedge risks.

In accordance with BACEN Circular Letter No. 3,082, the derivative financial instruments assigned to offset, in whole or in part, exposure to risks from assets, liabilities, commitments or projected future transactions (hedged items), since they are considered effective in reducing the risk associated with the exposure to be hedged, are classified according to their nature:

These transactions are traded, recorded or held on B3. In the Prudential Conglomerate, international derivatives transactions are traded and recorded in the OTC market, at the Chicago Board of Trade (CBOT) or Chicago Mercantile Exchange (CME).

The criteria used to calculate the market values of the derivative financial instruments are:

- Futures: value of daily adjustments to the transactions;
- Swap and term transactions: Cash flow is estimated for each part discounted to present value according to the corresponding interest rate curves, obtained based on B3 prices or on the assets' prices;
- Options: average trading price on the calculation date or, when not available, estimated price based on pricing models, such as Black & Scholes.

At June 30, 2019, the guarantees for the transactions involving derivative financial instruments are represented mainly by government securities in the total amount of R\$ 182,604 thousand (June 30, 2018 - R\$ 164,727 thousand) and fund quotas in the total amount of R\$ 9,644 thousand (June 30, 2018 - R\$ 7,055 thousand).

**Notes to the financial statements as at June 30, 2019 and 2018**
**a.) Recorded in offsetting and equity accounts**

The commitments arising from these financial instruments, recorded in offsetting accounts, on June 30, 2019, within maturity up to July 2024 (June 30, 2018 - up to January 2023) are as follows:

	In R\$ thousand					
	Prudential Conglomerate					
	06/30/2019					06/30/2018
	Up to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total	Total
<b>Future market</b>						
Purchased position						
Foreign exchange coupon	43,072	328,835	262,922	1,168,978	1,803,807	1,236,757
Interest rate	9,912	7,377	28,417	435,058	480,764	286,137
Foreign currency	419,542	88,000	14,000	33,000	554,542	470,774
IPCA	-	-	-	19,855	19,855	17,386
Sold position						
Foreign exchange coupon	88,694	38,083	222,915	262,416	612,108	1,047,395
Interest rate	24,934	74,780	171,616	98,814	370,144	354,531
Foreign currency	390,875	145,000	423,000	1,169,000	2,127,875	76,726
IPCA	-	-	-	41,698	41,698	478,036
<b>Non-deliverable forward - NDF</b>						
Asset position						
Currency	372,490	54,798	-	158,239	585,527	226
Liability position						
Currency	42,967	57,152	3,478	343,857	447,454	11,861
<b>Swaps</b>						
Asset position						
Interest rate	94,168	289,684	274,994	543,938	1,202,784	1,228,977
Liability position						
Interest rate	42,478	401,355	204,134	2,022,763	2,670,730	1,195,057
<b>Options market</b>						
Asset position						
Currency	-	-	-	-	-	133

**Notes to the financial statements as at June 30, 2019 and 2018**
**b.) At cost and market value**

	<b>In R\$ thousand</b>						
	<b>Prudential Conglomerate</b>						
	<b>06/30/2019</b>						<b>06/30/2018</b>
	<b>Cost</b>	<b>Market</b>	<b>Up to 3 months</b>	<b>From 3 to 6 months</b>	<b>From 6 to 12 months</b>	<b>More than 1 year</b>	<b>Total</b>
<b>Future market</b>							
Purchased position	2,416	2,416	1,652	100	130	534	2,011,054
Sold position	11,986	11,986	2,294	620	1,940	7,132	1,956,688
<b>Swaps</b>							
Asset position	20,882	32,726	5,622	(679)	9,309	18,474	1,228,977
Liability position	38,292	68,282	7	4,283	1,619	62,373	1,195,057
<b>Non-deliverable forward - NDF</b>							
Asset position	4,959	10,436	2,431	3,222	-	4,783	226
Liability position	5,447	3,672	2,089	640	(122)	1,065	11,861
<b>Options market</b>							
Asset position							133

**Notes to the financial statements as at June 30, 2019 and 2018**
**c.) Notional value per counterparty**

	In R\$ thousand						
	Prudential Conglomerate						
	06/30/2019						06/30/2018
	Financial Institutions	Related-parties	Legal entities	Stock exchanges	Institutional customers	Individuals	Total
<b>Future market</b>							
Purchased position	273,000			2,585,968			<b>2,858,968</b>
Sold position	2,025,000			1,126,825			<b>3,151,825</b>
<b>Swaps</b>							
Asset position	160,952	316,478	725,354				<b>1,202,784</b>
Liability position	1,728,960	316,478	625,292				<b>2,670,730</b>
<b>Non-deliverable forward - NDF</b>							
Asset position	380,336	158,737	46,454			-	<b>585,527</b>
Liability position	52,357	350,854	42,375			1,868	<b>447,454</b>
<b>Options market</b>							
Asset position							<b>133</b>

## Notes to the financial statements as at June 30, 2019 and 2018

### 20. Derivative Financial Instruments (Continued)

The future market includes the following positions maturing on the first business day of the subsequent month:

- Purchased foreign exchange coupon contracts (DDI) in the amount of R\$ 24,137 thousand (June 30, 2018 – purchased foreign exchange coupon (DDI) in the amount of R\$ 0 thousand);
- Sold foreign exchange coupon contracts (DDI) in the amount of R\$ 88,694 thousand (June 30, 2018 – sold foreign exchange coupon (DDI) in the amount of R\$ 0 thousand);
- Purchased interest contracts (DI1) in the amount of R\$ 0 thousand; (June 30, 2018 – R\$ 36,901 thousand);
- Sold interest contracts (DI1) in the amount of R\$ 19,495 thousand; (June 30, 2018 – R\$ 85,479 thousand);
- Purchased currency contracts (DOL) in the amount of R\$ 76,644 thousand; (June 30, 2018 – Purchased currency contracts (DOL) in the amount of R\$ 293,041 thousand);
- Sold currency contracts (DOL) in the amount of R\$ 13,413 thousand (June 30, 2018 – Sold currency contracts (DOL) in the amount of R\$ 0 thousand);

Net gains (losses) on derivative financial instruments are as follows:

	R\$ thousand	
	Prudential Conglomerate	
	06/30/2019	06/30/2018
Future contracts	(4,927)	30,627
Options contracts	-	102
Swap and term contracts	4,777	(7,771)
<b>Total</b>	<b>(150)</b>	<b>22,959</b>

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**Notes to the financial statements as at June 30, 2019 and 2018****20. Derivative Financial Instruments (Continued)****d.) Hedge Accounting****Fundraising hedge (I)**

During the 3rd quarter of 2017, Banco BOCOM BBM entered into loan contracts in US dollars with the Bank of Communications Shanghai Branch, in order to provide funding. On September 6, 2017, in the amount of USD 35,000 thousand, with payment of interest fixed in 2.05% p.a. On September 11, 2017, in the amount of USD 35,000 thousand, with payment of interest fixed in 2.05% p.a. On September 18, 2017, in the amount of USD 30,000 thousand, with payment of interest fixed in 2.06% p.a.

In order to peg this cash flows to the CDI, a series of foreign exchange coupon transactions were performed with BM&F, in accordance with the maturities and exposures of the available FRC contracts and the maturity of the operations. The cash outlays were in US Dollars and, upon cash receipt, a market risk hedge was contracted, designating a derivative financial instruments portfolio, comprised of DDI, DOL and ED contracts for total hedge, considering the foreign exchange exposure and interest rates risks. With a view to equalizing the effects of the marking-to-market of derivative financial instruments designated as hedges, the amount of the hedge principal, plus interest due, is stated at fair value and also marked to market.

Due to the fact that the hedge object flows, and hedge derivatives results are gathered, the effectiveness of the transaction remained close to 102.65%.

**Fundraising Hedge (II)**

In June 2017, Banco BOCOM BBM assigned a portfolio of derivative financial instruments constituted by DI1 and DAP contracts, in order to index to CDI a portion of its fundraising portfolio indexed to IPCA. To equalize the effects of the marking to market of the derivative financial instruments assigned as hedges, the amount of the fundraising portfolio indexed to IPCA is stated at fair value and it is also marked to market.

Because the flows of the hedge object and the results of the hedge derivatives are gathered, the effectiveness of the transaction remained close to 105.09%.

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**Notes to the financial statements as at June 30, 2019 and 2018****20. Derivative Financial Instruments (Continued)****Loan Transactions Hedge**

In August 2017, Banco BOCOM BBM designated a derivative financial instruments portfolio constituted by future contracts in U.S. Dollar and Euro in order to hedge the U.S. Dollar short term interest rate variations. In order to equalize the effects of the marking to market of the derivative financial instruments assigned as hedge, the amount of USD 29,761 thousand from the loan transaction released in August 2017 by Banco BOCOM BBM Nassau Branch, with interest rate fixed in 4.28% p.a., is stated at fair value and also marked to market.

Because the flows of the hedge object and the results of the hedge derivatives are gathered, the effectiveness of the transaction remained close to 90.06%.

In November 2018, Banco BOCOM BBM designated a derivative financial instruments portfolio constituted by future contracts in U.S. Dollar and Euro in order to hedge the U.S. Dollar short term interest rate variations. In order to equalize the effects of the marking to market of the derivative financial instruments assigned as hedge, the amount of USD 32,500 thousand from the loan transaction released in November 2018 by Banco BOCOM BBM Nassau Branch, with interest rate fixed in 5.00% p.a., is stated at fair value and also marked to market.

Because the flows of the hedge object and the results of the hedge derivatives are gathered, the effectiveness of the transaction remained close to 117.51%.

**Investment Hedge Abroad**

In September 2016, CMN edited the Resolution No. 4,524, establishing the criteria to record the transactions with financial instruments contracted in order to mitigate the risks associated to the foreign exchange exposure of the investments abroad.

In January 2017, Banco BOCOM BBM assigned a derivative financial instruments portfolio constituted by DI1 and DOL contracts, with the purpose of hedging the foreign exchange rate risk of its investment abroad in the amount of USD 5,000,000, which is consolidated in the Prudential Conglomerate.

Because the flows of the hedge object and the results of the hedge derivatives are gathered, the effectiveness of the transaction remained close to 100%.

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## Notes to the financial statements as at June 30, 2019 and 2018

### 21. Risks Management

#### Market Risk

Banco BOCOM BBM was a pioneer in terms of quantifying market risk in Brazil, and developed a proprietary system in 1997 which became a benchmark for the industry. The market risk management structure includes the following: a) the Executive Board, responsible for reviewing risk management policies and proposing risk management operating limits, submitting these for the approval of the Board of Directors at least once a year; b) the Board of Directors, which approves the risk policies and limits at least once a year; c) the Market Risk area, subordinated to the Risk Officer, is responsible for identifying, measuring, monitoring and reporting online to the Executive Board the Bank's market risk, ensuring compliance with the market risk management policy, as well as guaranteeing that operational limits are observed; d) the Price department, which among other duties is responsible for defining the price models and sources used in mark-to-market adjustments of traded products, independently of management departments; e) Internal Audit, which is responsible for ensuring the adequacy of procedures and the consistency between market risk management policies and the structure actually implemented.

The market risk is monitored through daily calculations of the Value at Risk (VaR), a statistical tool that measures the institution's maximum potential loss at a given confidence level over a given investment horizon. A VaR limit is established, which may be allocated by the Chief Treasury Officer among the various risk factors. The VaR calculation model is submitted to periodical back testing. Furthermore, scenarios are analyzed daily, and these scenarios are quarterly defined by the Risk Committee, independently of the management departments. A full description of the Bank's market risk management structure is available on Banco BOCOM BBM's website ([www.bancobocombbm.com.br](http://www.bancobocombbm.com.br)).

\*VaR = Maximum potential risk, given the level of reliability and the investment scenario. For Banco BBM, the limit is established based on a 95% likelihood of loss at a maximum of 2% of equity in 1 day.

#### Liquidity Risk

Banco BOCOM BBM's liquidity target is to ensure that at any given time the Bank has sufficient cash to meet all its liabilities and other commitments. It is the responsibility of the Liquidity Risk area to monitor whether there is a sufficient free cash position to guarantee the continuity of the bank's operations in a severe stress scenario, following the limits and guidelines defined by the Risk Committee and approved by the Board of Directors.

Liquidity risk is managed based on cash flow forecasts, considering different scenarios for funding, loan and treasury operations. These cash flow analyses take into consideration: (a) the implicit risk of each client, (b) possible additional cash for compulsory deposits, (c) derivative adjustments; and (d) other existing obligations. The general principle is to ensure that the Bank's commitments are aligned with its equity and the current policies for fundraising, credit and treasury.

Banco BOCOM BBM has a liquidity risk management structure comprised of the following agents, with their respective assignments: a) Liquidity Risk area, subordinated to the Risk Director, which is responsible for centralizing and measuring the information referring to liquidity risk management, ensuring that operational limits are observed and disclosing reports to support decision making on liquidity risk; b) Internal Audit, which is responsible for ensuring the adequacy of the procedures and the consistency between the liquidity risk management policies and the effectively implemented structure. A full description of the Bank's liquidity risk management structure is available on the website of Banco BOCOM BBM ([www.bocombbm.com.br](http://www.bocombbm.com.br)).



## Notes to the financial statements as at June 30, 2019 and 2018

### 21. Risks Management (Continued)

	In R\$ thousand	
	Prudential Conglomerate	
	06/30/2019	06/30/2018
Current assets	3,492,731	2,895,551
Current liabilities	(3,950,802)	(2,974,808)
<b>Working capital, net</b>	<b>(458,070)</b>	<b>(79,257)</b>
Short term securities available for sale presented in long-term receivables	823,211	581,496
	<b>365,140</b>	<b>502,239</b>

#### Credit Risk

Banco BOCOM BBM has a credit risk management structure comprised of the following elements and respective duties: a) the Credit Committee, responsible for defining credit limits of the economic groups and for monitoring and evaluating the consolidated portfolio position, its concentration and risk level. It is also responsible for establishing the terms for solving default on credit operations or with a certain level of deterioration of the guarantees and deciding whether or not to initiate judicial collection proceedings, as applicable; b) Board of Directors, responsible for approving the risk policies and limits, at least once a year; c) Credit Risk area, subordinated to the Risk Director, is responsible for centralizing and evaluating information related to the individual and consolidated credit risk management, per operation, ensuring that operating limits are complied with, disclosing reports facilitating decision making related to credit limits approved by the Credit Committee. It is also the responsibility of the risk area to previously evaluate new operational genres related to credit risk; d) Credit Analysis area, responsible for assessing the credit risk of economic groups with which the Bank maintains or intends to maintain credit relationships; e) Internal Audit, which carries out periodic audits of the business units and of the Credit processes of the Group; f) Legal Department, responsible for analyzing the contracts entered into by Banco BOCOM BBM and its clients, as well as coordinating measures to recover credits or protect the Bank's rights; and g) Contracts Department, responsible for checking the adherence of operations to the parameters established in the Credit Limit Proposal ("PLC"), as well as the making of adequate guarantees. It is also responsible for issuing contracts to be entered into by Banco BOCOM BBM and the client. A full description of the credit risk management structure is available on the website of Banco BOCOM BBM ([www.bocombbm.com.br](http://www.bocombbm.com.br)).

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**Notes to the financial statements as at June 30, 2019 and 2018****21. Risks Management (Continued)****Operational Risk**

Banco BOCOM BBM has implemented an operational risk management structure based on market best practices and in compliance with the regulatory requirements in force. The structure is documented in the internal manual "Policy on Operational Risk Management" which defines the methodology, management process, roles and responsibilities, categories, information storage and documentation procedures, and also the disclosure process in order to ensure the transparency of management activities.

The Operational Risk Department is an independent organizational unit segregated from the Internal Audit department, subordinated to the Chief Internal Control, Capital and Risk Officer. This area is responsible for working with the other components of the operational risk structure to ensure the compliance with the guidelines established by the mentioned Policy. A full description of the operational risk management structure is available on the website of Banco BOCOM BBM ([www.bocombbm.com.br](http://www.bocombbm.com.br)).

**Capital Management**

Banco BOCOM BBM manages its capital through a structure composed of the following bodies: Board of Directors, Executive Board, Internal Control, Capital and Risk Board, Treasury Board, Fund Raising Board, Back Office, Business Units and Audit Board. The Board of Directors is the highest body within this structure, in charge of monitoring the capital adequacy. The Executive Board must review the documents to be submitted to the Board of Directors, as well as approving the methodologies to be used for the management and monitoring of the capital adequacy. Capital management and centralization is the responsibility of the Capital and Risk Board, which must continuously work to improve and oversee the institution's compliance with the capital management policy and its capital plan. The Treasury and Fundraising Boards are responsible for planning the issuance of equity instrument, if necessary. The capital management department periodically generates reports on the capital adequacy, which are sent to the Executive Board and the Board of Directors.

These reports comprise simulations of severe events and extreme market conditions. The Business Units must provide all information that the Internal Control, Capital and Risk Board deems necessary for effective capital management. The Audit department is responsible for evaluating, from time to time, the effectiveness of the capital management process. The description of the capital management structure is available on the website of Banco BOCOM BBM ([www.bocombbm.com.br](http://www.bocombbm.com.br)).

**Notes to the financial statements as at June 30, 2019 and 2018**
**22. Operating Limits**

In October 2013, the new rules related to capital measurement became effective. The financial institutions and similar entities have to maintain minimum equity of 8.00% of their assets, weighted by grades of risk to expositions in gold, foreign exchange and operations subject to the operating risk and to the variations in: foreign exchange, interest rate, price of commodities and price of shares classified as held in portfolio for trade, according to BACEN's rules and instructions. The Prudential Conglomerate of Banco BOCOM BBM is within this operational limit on June 30, 2019.

	In R\$ thousand	
	Prudential Conglomerate	
	06/30/2019	06/30/2018
<b>Reference Equity Level I</b>	<b>803,258</b>	<b>575,076</b>
Ajusted Equity (*)	825,827	594,662
Decrease in intangible / deferred assets according to CMN Resolution No. 4,192	22,569	19,586
<b>Reference Equity (PR)</b>	<b>803,258</b>	<b>575,076</b>
<b>Risk-Weighted Assets (RWA)</b>	<b>393,854</b>	<b>345,269</b>
Portion referring to:		
Credit risk (RWACPAD)	345,272	308,898
Foreign exchange risk (PCAM)	13,443	8,690
Interest rate risk (RWAMPAD)	337	1,541
Operating Risk (RWAOPAD)	34,802	26,140
<b>Margin or Insufficiency Value (PR - RWA)</b>	<b>409,404</b>	<b>229,806</b>
<b>Risk Factor – 8.00% of PR</b>	<b>64,261</b>	<b>49,600</b>
<b>Basel Rate (Risk Factor / RWA)</b>	<b>16.32%</b>	<b>14.37%</b>
RBAN	113,399	79,268
ACP Required	123,079	75,059
<b>Reference Equity Margin + RBAN</b>	<b>172,926</b>	<b>75,479</b>

(\*) The increase in the Level I capital is mainly due to the raising of R\$ 200,000 thousand that took place on January 30, 2019 through the issue of subordinated financial bills carried out together with the Bank's shareholders and approved by the Central Bank.

## Notes to the financial statements as at June 30, 2019 and 2018

### 23. Income Tax and Social Contribution

Changes in tax credits and provision for deferred taxes on temporary differences are as follows:

	In R\$ Thousand	
	Prudential Conglomerate	
	06/30/2019	06/30/2018
<b>Asset tax Credit:</b>		
<b>Balance at January 1</b>	<b>70,340</b>	<b>76,035</b>
Constitution (Reversal)		
- With effects in the result	2,068	(5,309)
- With effects in equity		
(Securities held for sale)	(328)	5,973
<b>Balance at June 30</b>	<b>72,080</b>	<b>76,699</b>
<b>Provision for deferred taxes: (*)</b>		
<b>Balance at January 1</b>	<b>20,926</b>	<b>12,371</b>
Constitution (Reversal)		
- With effects in the result	7,941	2,365
- With effects in equity		
(Securities held for sale)	-	1,230
<b>Balance at June 30</b>	<b>28,867</b>	<b>15,966</b>

(\*) The amount of provision for deferred taxes is recorded as Other tax and social security obligations.

## Notes to the financial statements as at June 30, 2019 and 2018

### 23. Income Tax and Social Contribution (Continuing)

The breakdown of tax credits and provision for deferred taxes is as follows:

In R\$ Thousand		
Prudential Conglomerate		
	06/30/2019	06/30/2018
<b>Asset tax Credit:</b>		
<b>Temporary differences (a)</b>		
- Provision for loan transactions	29,065	43,722
- Market value adjustment - marketable securities and derivatives	21,675	8,586
- Provision for Contingencies (Note 25)	3,753	3,620
- Others	8,643	6,251
<b>Social Contribution Negative Basis</b>	2,483	4,778
<b>Tax loss</b>	6,461	9,742
<b>Total</b>	<b>72,080</b>	<b>76,699</b>
<b>Provision for deferred taxes:</b>		
<b>Temporary differences (a)</b>		
- Market adjustment of securities and derivatives	80	1,348
- Others	28,787	14,618
<b>Total</b>	<b>28,867</b>	<b>15,966</b>

(a) It is expected that these tax credits will be realized up to the end of 2022 for income tax and social contribution, with a present value of R\$ 21 million and R\$ 28 million, respectively. The social contribution on the tax credits was calculated considering the new effective rate.

**Notes to the financial statements as at June 30, 2019 and 2018**
**23. Income Tax and Social Contribution (Continuing)**

The conciliation of the expense calculated using the tax rates and the expense of income tax and social contribution accounted for in the Bank is as follows:

	In R\$ Thousand			
	06/30/2019		06/30/2018	
	IRPJ	CSLL	IRPJ	CSLL
<b>Income before taxes</b>	<b>29,840</b>	<b>29,840</b>	<b>31,332</b>	<b>31,332</b>
Bank's net income	38,135	38,135	38,842	38,842
(-) Interest on bank's Capital	(19,231)	(19,231)	(18,964)	(18,964)
(-/+ ) Income tax and social contribution	(10,936)	(10,936)	(11,454)	(11,454)
<b>Tax rate</b>	<b>25%</b>	<b>15%</b>	<b>25%</b>	<b>20%</b>
<b>Income tax and social contribution</b>				
At tax rate	(7,460)	(4,476)	(7,833)	(6,266)
<b>Permanent additions</b>	<b>21,325</b>	<b>13,440</b>	<b>30,223</b>	<b>23,429</b>
Non-deductible expenses	8,246	361	6,969	176
Addition on profit abroad	13,079	13,079	23,254	23,254
<b>Permanent exclusions</b>	<b>9,367</b>	<b>9,367</b>	<b>30,279</b>	<b>30,279</b>
Tax-free revenues	12	12	7,692	7,691
Equity in the result of subsidiaries	9,355	9,355	22,587	22,587
<b>Temporary additions/ exclusions</b>	<b>(4,304)</b>	<b>(2,508)</b>	<b>(8,558)</b>	<b>(6,617)</b>
<b>Tax basis</b>	<b>37,493</b>	<b>31,405</b>	<b>22,719</b>	<b>17,866</b>
<b>Utilization of tax loss and negative basis</b>	<b>(11,248)</b>	<b>(9,421)</b>	<b>(6,816)</b>	<b>(5,360)</b>
<b>Tax basis with usage of tax loss and negative basis</b>	<b>26,245</b>	<b>21,983</b>	<b>15,904</b>	<b>12,506</b>
<b>Income tax and social contribution (a)</b>	<b>(6,549)</b>	<b>(3,297)</b>	<b>(3,964)</b>	<b>(2,501)</b>
<b>Utilization of tax incentives and taxes of subsidiaries abroad</b>	<b>297</b>	<b>-</b>	<b>(613)</b>	<b>-</b>
<b>Income tax and social contribution in the result for the semester</b>	<b>(6,252)</b>	<b>(3,297)</b>	<b>(4,577)</b>	<b>(2,501)</b>
DIPJ adjustment	115	-	7	10
Liability deferred taxes	(4,951)	(2,970)	(1,346)	(1,050)
<b>Income tax and social contributions in the result for the semester - Banco BOCOM BBM</b>	<b>(11,088)</b>	<b>(6,268)</b>	<b>(5,915)</b>	<b>(3,541)</b>
Income tax and social contribution of other institutions of the Prudential Conglomerate	(220)	(140)	(617)	(507)
<b>Income tax and social contribution in the result for the semester - Prudential Conglomerate</b>	<b>(11,308)</b>	<b>(6,408)</b>	<b>(6,532)</b>	<b>(4,048)</b>

(a) In May 2015, Provisional Measure No. 675 was issued, amending the rate of Social Contribution on Net Income (CSLL) of financial institutions from 15% to 20%. According to the Provisional. Measure, this rate increase became effect as from September 2015 and it remained in force up to December 2018.

## Notes to the financial statements as at June 30, 2019 and 2018

### 24. Provisions and liabilities for legal obligation

The Bank and the Prudential Conglomerate are a party to lawsuits and administrative proceedings arising from the normal course of operations, involving tax, labor and civil matters among others.

#### a) Breakdown of provisions

Based on information from its legal counsels and an analysis of the pending legal and civil proceedings and labor suits, considering previous experience related to the claimed amounts, management recorded a provision in an amount considered sufficient to cover the estimated losses expected in connection with ongoing litigation, as follows:

		In R\$ thousand	
		Prudential Conglomerate	
		06/30/2019	06/30/2018
Labor		8,637	7,811
Civil		633	477
<b>Total - Provisions for contingencies</b>		<b>9,270</b>	<b>8,288</b>

These provisions are recorded as "Other liabilities - sundry" under Long-term liabilities.

#### b) Liabilities for legal obligations

Based on a preliminary injunction issued on April 2018, Bank BOCOM BBM and BOCOM BBM Corretora de Valores Mobiliários S.A. have ensured the exclusion of ISS (a municipal tax levied on services) from the taxable basis of Social Integration Program Contribution (PIS/Pasep) and Contribution for Social Security Financing as well as the reimbursement of the values already paid along with future compensations whenever applicable. Consequently, Bank BOCOM BBM and BOCOM BBM Corretora de Valores Mobiliários S.A. adjusted the calculation method of aforesaid Social Contribution disregarding the municipal tax from its respective taxable basis and have acknowledged a current liability up to December 2018, comprehending in "Other Sundry Obligations" under Long-term liabilities, as follows":

		In R\$ thousand	
		Prudential Conglomerate	
		06/30/2019	06/30/2018
Social Integration Program (PIS) and Social Contribution on Revenues (COFINS)		118	-
<b>Total - Liabilities for legal obligations</b>		<b>118</b>	<b>-</b>

#### c) Others

On December 5, 2016, Banco BOCOM BBM S.A. was named by the Brazilian Administrative Council for Economic Defense (CADE) in an administrative proceeding investigating alleged anticompetitive practices in relation to the onshore foreign exchange market between 2008 and 2012. Banco BOCOM BBM, together with its legal advisors, has already presented its administrative defense, which has not been judged yet.

**Notes to the financial statements as at June 30, 2019 and 2018**
**25. Allowance for Financial Guarantees**

The Allowance for doubtful in account related with financial guarantees are based on the analysis of operations according to the type of obligation provided, past experience, future expectations and management's risk assessment policy. They are reviewed periodically, as established by CMN Resolution No. 4,512/2016.

	In R\$ thousand	
	Prudential Conglomerate	
	06/30/2019	06/30/2018
<b>Guarantee</b>		
Linked to international trade	3,303	10,700
Linked to bids, auctions, service render or construction	199,638	244,827
Surety or guarantee in lawsuits and administrative procedures	422,008	182,621
Other sureties	142,772	114,564
<b>Total</b>	<b>767,721</b>	<b>552,712</b>
<b>Changes in allowance for financial guarantees</b>		
<b>Beginning balance</b>	<b>1,161</b>	<b>538</b>
Constitution	6,338	7,603
Reversal (*)	(6,689)	(6,889)
<b>Ending balance</b>	<b>810</b>	<b>1,252</b>

(\*) Refers to the reclassification of the provision of external credit operations, transferred to the group of the provision for credit operations.



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**Notes to the financial statements as at June 30, 2019 and 2018****26. Other information****(a) Compensatory and settlement of obligations arrangement**

Banco BOCOM BBM has a compensatory and settlement of obligations arrangement within the scope of the National Financial System, according to CMN Resolution No. 3,263/05, resulting in more guarantee to settle its debits with financial institutions with which it has this kind of arrangement. On June 30, 2019, the total assets mitigated by compensatory arrangement was of R\$ 392,066 thousand (June 30, 2018 - R\$ 519,468 thousand).

**(b) Deferred Income**

Deferred Income refers mainly to the earnings of guarantees granted (Note 7(b)) and its increase in the period ended June 30, 2019 is aligned with the variation of the guarantees.

**(c) Marketable Securities Portfolio**

On June 28, 2019, based on Resolution No. 3,181 of Central Bank of Brazil, considering the positive inclination in the nominal rates of the government bonds, particularly the NTN-F nominal rate 01/2025 that was 40 base points above the NTN-F rate 01/2023, the NTN-F nominal rate NTN-F 01/2025 that was near 7.00%, the forward rate between the maturities of the NTN-Fs that was slightly higher than 8% p.a., with the Bank SELIC projection for 2025 in 6.5% p.a. and the budget and business plan for the next years to which the predictability is important to avoid decrease in revenues, the executive Committee of the Bank unanimously approved the continuity of the process of lengthening of the portfolio of nominal bonds held to maturity, selling R\$ 137,845 thousand in NTN-F 01/2023 and purchasing R\$ 137,882 thousand in NTN-F 01/2025, which gave rise to an effect in the result of R\$ 10,842 thousand.

At the end of the period, Banco BOCOM BBM had R\$ 684,842 thousand in marketable securities classified as "held to maturity", according to Circular Letter No. 3,068/01 of Central Bank of Brazil. Banco BOCOM BBM has financial capacity and intention to hold them to maturity.

\* \* \*

Aline Gomes – Controller  
CRC 087.989/0-9 "S"- BA