

(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, 2020  
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 Shareholders  
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"), which comprise the consolidated balance sheet of the Prudential Conglomerate as at June 30, 2020 and the consolidated statements of income, comprehensive 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 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 Prudential Conglomerate of Banco BOCOM BBM S.A. as at June 30, 2020, 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.

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

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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 requirements of Resolution nº 4,280 of the CMN, and supplementary regulations of BACEN.

Consequently, our report on these consolidated financial statements was prepared exclusively for the compliance with these specific requirements and, accordingly, may not be suitable for another purpose.



Banco BOCOM BBM S.A.

## **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, 2020, in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN), on which we issue an unmodified audit report, dated August 19, 2020.

### **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 consolidated financial statements of the Prudential Conglomerate 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 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.

### **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



Banco BOCOM BBM S.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 of the Prudential Conglomerate, 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 consolidated financial statements of Prudential Conglomerate 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.
- 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.

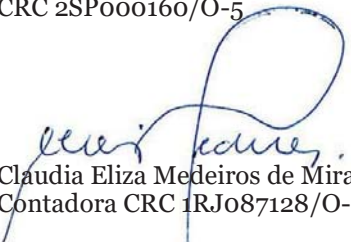


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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Rio de Janeiro, August 19, 2020

*PricewaterhouseCoopers*  
PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5

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

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***Banco BOCOM***

***BBM S.A.***

***Consolidated financial statements -***

***Prudential Conglomerate***

***June 30, 2020 and independent auditor's  
report***

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## Management's Report

### Who We Are

Innovation and enhancement are attitudes that are part of Banco BOCOM BBM's essence. Always attentive to the continuous change in the financial environment, we invest our efforts in the pursuit of solutions to achieve our clients' and employees' goals. Our skills to spot and develop talent is recognized. Our highly qualified team excels in creating and refining products and processes, always in accordance with our group's ethical standards. Our strategy focuses on the use of the best techniques to meet the needs of companies in Brazil for credit and financial services with agility and transparency. In wealth management for individual clients, we use methods and knowledge acquired and successfully tested over decades. Since December 2019, we have been offering credit funds focusing on private credit through our Credit Funds area.

### Message from Management

The Covid-19 pandemic overshadowed everything else in the first half of 2020, severely affecting the global economy. The novel coronavirus emerged in China in January and quickly spread around the world in March, leading to the imposition of social distancing measures and lockdowns on all continents. The restrictions on mobility were necessary to minimize transmission of the virus and deaths from the disease, but they brought economic activity to an abrupt halt, reversing growth projections for the year and causing a worldwide recession equivalent to an annual GDP contraction of about 3.5%.

Brazil was not immune to the virus and its economic impact. We project a GDP contraction of 5.8% this year, followed by a rebound of almost 4% in 2021. Besides the fall in activity, the pandemic will continue to affect the economy in the coming quarters. In particular, unemployment will remain higher and the tax situation will be worse than before the pandemic. With a debt-to-GDP ratio of almost 100%, the highest of any emerging-market economy, Brazil urgently needs to resume its tax consolidation and structural reform agenda. This agenda will guarantee the predictability and stability required to motivate the much-needed investment in the economy and hence a return to more robust growth.

Banco BOCOM BBM has surmounted the challenges posed by the pandemic rapidly and effectively. Our staff has been instructed to work from home since mid-March, assuring the same level of productivity and efficiency in all services while keeping everyone safe. Always mindful of our community, we set out to contribute to the safety of healthcare workers by donating isolation gowns (personal protective equipment covering torso and upper leg) to the Paulo Niemeyer State Brain Institute (IECPN), a front-ranking public hospital located in Rio de Janeiro and temporarily dedicated to treating COVID-19 patients.

### Performance of Prudential Conglomerate

The Prudential Conglomerate recorded equity of R\$ 680 million and net income of R\$ 14 million on June 30, 2020, which corresponds to annual profitability of 4.33%, calculated based on the average equity for the period.

Total assets in the first half of 2020 amounted to R\$ 9,159 million. The amount raised in the domestic and foreign markets totaled R\$ 7,578 million at the period end, an increase of 19% compared to December 31, 2019. The Bank's Basel Capital Adequacy Ratio was 13.87% at the end of the six-month period.

### Corporate Credit

The expanded credit portfolio (including export and import financing, endorsements and other guarantees) totaled BRL 7,005 million at end-June 2020, an increase of 16% compared to December 31, 2019.

Drawing on the expertise developed over the year by the sales team and by Products and Treasury for clients area, Banco BOCOM BBM operates dynamically and selectively, seeking to fit its products to the needs of each client, and adjusting flows and guarantees.

### Wealth Management

The Wealth Management area uses constantly updated tools to manage the assets of Brazilian and foreign clients, through diversified financial products on an open platform, meeting their long-term objectives. Our assets under advisory in June 2020 totaled R\$ 8.19 billion.

### Credit Funds

Created in December 2019, the new area offers private credit funds with medium- and long-term horizons. Our main differentials are experience in fund management, research and credit monitoring. In June 2020, six months after becoming available on the market, the funds held more than BRL 300 million in client investments.

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## Management's Report

### Financial Services

BOCOM BBM offers financial services related to structuring and distribution of securities, derivatives and other products. To completely meet the needs of our clients, the priority of our expansion strategy is to increase the scope of our financial services and products.

### People

We are a talent identification and training center that values the systematic search for cutting-edge knowledge and that favours people who want to achieve their professional ambitions, adding value to the company. We are permanently in contact with the academic environment, establishing partnerships with the main universities in the country, offering scholarships and awarding master's dissertations and doctoral theses. We provide the ideal conditions for practical learning, enabling direct contact with the dynamic daily life of the financial market, from a wide exchange of knowledge within a highly qualified professional environment and team integration.

### Credit Rating

In our point of view, the classification of the rating agencies 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 17, 2020. On a global scale, "Ba1" rating was assigned to local currency deposits, with a notch above the Brazilian rating ("Ba2") and "Ba3" for deposits in foreign currency, and "stable perspective". In the national scale, an "Aaa.br" rating was assigned, the best possible credit rating in this category.

In addition, on April 29, 2020, Fitch Ratings assigned the long-term national rating "AAA (bra)", the highest possible rating in this category. On a global scale, long-term issuer default ratings (IDR) "BB" and "BB+" were assigned in foreign currency and local currency, respectively, keeping above the sovereign rating ("BB-"). The perspective for these ratings is stable.



**Balance sheets**

Assets	Note	In R\$ thousand	
		Prudential Conglomerate	
		06/30/2020	12/31/2019
<b>Current assets</b>		<b>3,692,476</b>	<b>4,392,087</b>
<b>Cash and cash equivalents</b>	<b>4</b>	<b>551,013</b>	<b>253,443</b>
Cash		3	3
Free reserves		401	367
Funds in foreign currency		550,609	253,073
<b>Short-term interbank investments</b>	<b>5</b>	<b>586,789</b>	<b>1,718,711</b>
Open market investments	<b>4</b>	584,599	1,557,483
Investments in foreign currencies	<b>4</b>	2,190	161,228
<b>Marketable securities and derivative financial instruments</b>	<b>6</b>	<b>350,710</b>	<b>165,761</b>
Bank portfolio		187,996	18,763
Subject to repurchase agreements		9,198	4,453
Linked to guarantees given		148,949	131,017
Derivative financial instruments	<b>20</b>	4,618	-
Allowance for marketable securities		(51)	11,528
<b>Interbank accounts</b>		<b>15,041</b>	<b>21,623</b>
Correspondent banks		12,109	19,312
Deposits – Central Bank of Brazil		2,925	2,311
Check Payment Services and Other Papers		7	-
<b>Loan transactions</b>	<b>7</b>	<b>1,782,339</b>	<b>1,737,383</b>
Discounted securities and loans		1,148,897	1,035,521
Financing		321,259	515,802
Rural and agroindustrial financing		351,977	206,548
Allowance for loans		(39,794)	(20,488)
<b>Other receivables</b>		<b>377,923</b>	<b>455,997</b>
Foreign exchange portfolio	<b>8</b>	337,297	394,246
Unearned income		4,820	5,404
Trading and brokerage		2	2
Honoured guarantee and surety	<b>7 b</b>	4,143	4,143
Sundry	<b>13</b>	40,527	59,499
Allowance for other receivables	<b>7</b>	(8,866)	(7,297)
<b>Other assets</b>	<b>14</b>	<b>28,661</b>	<b>39,169</b>

The accompanying notes are an integral part of these financial statements.

**Balance sheets**

Assets	Note	In R\$ thousand	
		Prudential Conglomerate	
		06/30/2020	12/31/2019
<b>Noncurrent assets</b>			
<b>Long-term assets</b>		<b>5,433,610</b>	<b>4,235,929</b>
<b>Short-term interbank investments</b>	<b>5</b>	<b>172,353</b>	<b>-</b>
Interbank deposits		172,353	-
<b>Marketable securities and derivative financial instruments</b>	<b>6</b>	<b>3,057,338</b>	<b>2,029,729</b>
Bank portfolio		2,101,246	542,365
Linked to repurchase agreements		185,260	1,190,562
Linked to guarantees given		676,254	255,193
Derivative financial instruments	<b>20</b>	95,268	41,728
Allowance for marketable securities		(690)	(119)
<b>Loan transactions</b>	<b>7</b>	<b>1,964,083</b>	<b>2,069,895</b>
Discounted securities and loans		1,129,293	1,202,559
Financing		500,848	485,905
Rural and agroindustrial financing		368,546	400,071
Allowance for loans		(34,604)	(18,640)
<b>Other receivables</b>		<b>239,836</b>	<b>136,007</b>
Foreign exchange portfolio	<b>8</b>	32,676	-
Unearned income		8,524	7,472
Sundry	<b>13</b>	77,320	60,243
Tax credits	<b>23</b>	121,466	68,292
Allowance for other receivables	<b>7</b>	(150)	-
<b>Other assets</b>	<b>14</b>	<b>-</b>	<b>298</b>
<b>Permanent assets</b>		<b>33,069</b>	<b>30,383</b>
<b>Investments</b>		<b>429</b>	<b>300</b>
Other investments		3,057	2,928
Provision for losses		(2,628)	(2,628)
<b>Property and equipment in use</b>		<b>10,736</b>	<b>10,937</b>
Furniture and equipment		12,379	14,660
(-) Furniture and Equipment Depreciation		(5,401)	(7,719)
Improvements in Third Party Real Estate		6,903	6,903
(-) Depreciation in Improvement in Third Parties Properties		(3,146)	(2,908)
Land		1	1
<b>Intangible assets</b>		<b>21,904</b>	<b>19,146</b>
Data Processing Systems		27,775	23,553
(-) Amortization in Data Processing Systems		(9,340)	(6,964)
Communication and Security Systems		922	922
(-) Amortization in Communication and Security Systems		(355)	(268)
Licenses and Copyright and Use Rights		4,024	2,752
(-) Amortization in Licenses and Copyright and Use Rights		(1,122)	(849)
<b>Total assets</b>		<b>9,159,155</b>	<b>8,658,400</b>

The accompanying notes are an integral part of these financial statements.

**Balance sheets**

Liabilities	Note	In R\$ thousand	
		Prudential Conglomerate	
		06/30/2020	12/31/2019
<b>Current liabilities</b>		<b>5,299,572</b>	<b>5,600,344</b>
<b>Deposits</b>	<b>9</b>	<b>984,982</b>	<b>483,901</b>
Demand deposits		214,357	185,588
Time deposits		769,086	296,682
Interbank deposits		1,539	1,631
<b>Repurchase agreements</b>	<b>10</b>	<b>188,551</b>	<b>1,696,479</b>
Bank portfolio		188,551	1,196,479
Third-party portfolio		-	500,000
<b>Funds from acceptance and issue of securities</b>	<b>11</b>	<b>1,392,194</b>	<b>1,345,045</b>
Liabilities from issue of agribusiness credit bills - LCA		839,381	659,643
Liabilities from issue of real estate credit bills - LCI		74,266	70,641
Liabilities from issue of credit bills - LF		478,547	614,761
<b>Interbank accounts</b>		<b>151</b>	<b>-</b>
Receipts and payments to be settled		151	-
<b>Interbranch accounts</b>		<b>50,934</b>	<b>86,517</b>
Third-party funds in transit		50,934	86,517
<b>Borrowings</b>	<b>12</b>	<b>2,361,477</b>	<b>1,711,403</b>
Loans abroad		2,361,477	1,711,403
<b>Derivative financial instruments</b>	<b>6 and 20</b>	<b>109,221</b>	<b>39,107</b>
Derivative financial instruments		109,221	39,107
<b>Other liabilities</b>		<b>212,062</b>	<b>237,892</b>
Collection of similar taxes		54	457
Foreign exchange portfolio	<b>8</b>	3,740	81,086
Social		48,410	48,410
Statutory		13,507	27,507
Tax and social security		8,822	47,569
Securities trading		210	11,948
Allowance for financial guarantees	<b>7 and 25</b>	18,548	789
Sundry	<b>13</b>	118,771	20,126

The accompanying notes are an integral part of these financial statements.

**Balance sheets**

Liabilities	Note	In R\$ thousand	
		Prudential Conglomerate	
		06/30/2020	12/31/2019
<b>Noncurrent liabilities</b>			
<b>Long-term payables</b>		<b>3,163,564</b>	<b>2,388,962</b>
<b>Deposits</b>	<b>9</b>	<b>283,801</b>	<b>376,408</b>
Time deposits		283,801	376,408
<b>Repurchase agreements</b>	<b>10</b>	<b>4,962</b>	-
Bank portfolio		4,962	-
<b>Funds from acceptance and issue of securities</b>	<b>11</b>	<b>1,282,465</b>	<b>1,367,680</b>
Liabilities from issue of agribusiness credit bills - LCA		362,796	454,358
Liabilities from issue of real estate credit bills - LCI		45,183	81,618
Liabilities from issue of credit bills - LF		671,407	626,744
Liabilities from issue of credit bills subordinated debts		203,079	204,960
<b>Borrowings</b>	<b>12</b>	<b>1,093,583</b>	<b>542,754</b>
Loans abroad		1,093,583	542,754
<b>Derivative financial instruments</b>	<b>6 and 20</b>	<b>402,078</b>	<b>52,705</b>
Derivative financial instruments		402,078	52,705
<b>Other liabilities</b>		<b>96,675</b>	<b>49,415</b>
Statutory		9,741	20,645
Tax and social security		68,763	11,532
Sundry	<b>13</b>	17,209	16,939
Allowance for financial guarantees	<b>7 and 25</b>	962	299
<b>Deferred income</b>	<b>26 b</b>	<b>15,544</b>	<b>15,911</b>
<b>Equity</b>	<b>15</b>	<b>680,475</b>	<b>653,183</b>
<b>Share Capital</b>		<b>469,300</b>	<b>469,300</b>
Domiciled in Brazil		469,300	469,300
<b>Income reserves</b>		<b>379,502</b>	<b>365,072</b>
<b>Market value adjustment of securities and derivative financial instruments</b>		<b>13,512</b>	<b>650</b>
Securities held for sale		13,512	650
<b>Treasury stock</b>		<b>(181,839)</b>	<b>(181,839)</b>
<b>Total liabilities and equity</b>		<b>9,159,155</b>	<b>8,658,400</b>

The accompanying notes are an integral part of these financial statements.

**Income Statement**

	Note	In R\$ thousand	
		Prudential Conglomerate	
		06/30/2020	06/30/2019
<b>Financial income</b>		<b>760,974</b>	<b>254,823</b>
Loan transactions		192,637	158,322
Income from marketable securities transactions	<b>5 and 6</b>	125,187	85,399
Result of exchange operations	<b>16</b>	163,462	11,102
Gain on derivative financial instruments	<b>20</b>	279,688	-
<b>Financial expenses</b>		<b>(670,048)</b>	<b>(145,971)</b>
Market funding operations	<b>16 and 2.1</b>	(141,736)	(117,074)
Income from derivative financial instruments	<b>20</b>	-	(150)
Loans, assignments and onlending operations	<b>16 and 2.1</b>	(462,227)	(17,816)
Set up of allowance doubtful accounts	<b>7</b>	(65,333)	(10,569)
(Provisions) for marketable securities	<b>6</b>	(752)	(362)
<b>Gross financial income</b>		<b>90,926</b>	<b>108,852</b>
<b>Other operating income (expenses)</b>		<b>(45,445)</b>	<b>(32,688)</b>
Service revenues	<b>17</b>	30,991	43,485
Personnel expenses		(40,180)	(36,919)
Other administrative expenses	<b>18</b>	(31,017)	(29,661)
Tax expenses		(7,264)	(10,476)
Other operating income		2,156	935
Other operating expenses		(131)	(52)
<b>Operating income</b>		<b>45,481</b>	<b>76,164</b>
<b>Non-operating expenses</b>		<b>(1,095)</b>	<b>(312)</b>
<b>Income before income taxes and profit sharing</b>		<b>44,386</b>	<b>75,852</b>
<b>Income and social contributions taxes</b>	<b>23</b>	<b>(17,456)</b>	<b>(15,647)</b>
Provision for income tax		(36,889)	(11,308)
Provision for social contribution tax		(23,461)	(6,407)
Deferred tax asset/(liabilities)		42,894	2,068
<b>Profit sharing – management and employees</b>		<b>(12,500)</b>	<b>(22,070)</b>
<b>Net income</b>		<b>14,430</b>	<b>38,135</b>
<b>Earnings per outstanding share</b>		<b>0.07</b>	<b>0.19</b>

The accompanying notes are an integral part of these financial statements.

**Comprehensive Income Statement**

	<b>In R\$ thousand</b>
	<b>Prudential</b>
	<b>Conglomerate</b>
	<b>06/30/2020</b>
<b>Net income</b>	<b>14,430</b>
<b>Market adjustment variation of the securities</b>	<b>12,866</b>
Securities Available for Sale	22,467
Tax effects	(9,601)
<b>Exchange Variation of Investments Abroad</b>	<b>25,848</b>
<b>Derivative Financial Instruments Used for Hedging</b>	<b>(25,852)</b>
Derivative Financial Instruments	(45,734)
Tax effects	19,882
<b>Comprehensive income for the six-month period</b>	<b><u>27,292</u></b>

The accompanying notes are an integral part of these financial statements.

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

	In R\$ thousand							
	Capital	Income reserves		Market value adjustment of securities	Foreign Investment Hedge	Treasury shares	Retained earnings	Total
		Legal	Statutory	Bank				
<b>Six-Month period ended June 30, 2019</b>								
<b>Balances at January 1, 2019</b>	<b>469,300</b>	<b>31,672</b>	<b>282,066</b>	<b>55</b>	<b>(7)</b>	<b>(181,839)</b>	<b>-</b>	<b>601,247</b>
Market value adjustments - marketable securities				3				3
Exchange Variation of Investments Abroad					(543)			(543)
Derivative Financial Instruments Used for Hedging					550			550
Net income for the six-month period							38,135	38,135
Allocations:								
- Reserves		1,907	16,997				(18,904)	
- Interest on equity R\$ 0,09 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>-</b>	<b>(181,839)</b>	<b>-</b>	<b>620,161</b>
<b>Changes in the period</b>	<b>-</b>	<b>1,907</b>	<b>16,997</b>	<b>3</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>18,914</b>
<b>Six-Month period ended June 30, 2020</b>								
<b>Balances at January 1, 2020</b>	<b>469,300</b>	<b>36,098</b>	<b>328,974</b>	<b>650</b>	<b>-</b>	<b>(181,839)</b>	<b>-</b>	<b>653,183</b>
Market value adjustments - marketable securities				12,866				12,866
Exchange Variation of Investments Abroad					25,848			25,848
Derivative Financial Instruments Used for Hedging					(25,852)			(25,852)
Net income for the six-month period							14,430	14,430
Allocations:								
- Reserves		722	13,708				(14,430)	
<b>Balances at June 30, 2020</b>	<b>469,300</b>	<b>36,820</b>	<b>342,682</b>	<b>13,516</b>	<b>(4)</b>	<b>(181,839)</b>	<b>-</b>	<b>680,475</b>
<b>Changes in the period</b>	<b>-</b>	<b>722</b>	<b>13,708</b>	<b>12,866</b>	<b>(4)</b>	<b>-</b>	<b>-</b>	<b>27,292</b>

The accompanying notes are an integral part of these financial statements.

**Statement of Cash Flow**

	In R\$ thousand	
	Prudential Conglomerate	
	06/30/2020	06/30/2019
<b>Cash Flow from Operating Activities</b>		<b>See note 2.1</b>
<b>Net income</b>	<b>14,430</b>	<b>38,135</b>
<b>Adjustments to net income:</b>	<b>31,783</b>	<b>20,461</b>
Allowance for doubtful accounts	65,333	10,569
Depreciation and amortization	3,559	2,613
Expenses from civil, labor and tax allowances	2,998	312
Deferred income and social contribution taxes	(42,894)	(2,068)
Unrealized gains/losses on marketable securities and derivatives	2,787	9,035
<b>Adjusted net income</b>	<b>46,213</b>	<b>58,596</b>
Decrease in short-term interbank investments	(172,353)	(108)
Decrease in marketable securities and derivative financial instruments	(795,858)	(316,466)
Decrease in interbank and interbranch accounts	(28,850)	(12,307)
Decrease in loan and lease transactions	(4,477)	(461,552)
Increase/(Decrease) in deposits	408,474	(636,972)
(Decrease) in open market funding	(1,502,966)	(219,451)
Increase/(Decrease) in securities issue resources	(38,066)	202,442
Increase in borrowings and onlending	1,200,903	1,175,638
Increase/(Decrease) in deferred income	(367)	2,927
(Increase)/Decrease in other assets	27,945	(187,139)
Increase in other liabilities	18,433	35,991
Increase in market value adjustments - marketable securities	12,862	10
<b>Net cash flow from operating activities</b>	<b>(874,320)</b>	<b>(416,986)</b>
<b>Cash flow from investing activities:</b>		
(Increase) in investments	(129)	(54)
Property and equipment for use and leased acquisition	(6,116)	(9,968)
<b>Net cash used in investing activities</b>	<b>(6,245)</b>	<b>(10,022)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(834,352)</b>	<b>(368,412)</b>
At the beginning of the six-month period	1,972,154	1,084,752
Changes in of the six-month period	(938,210)	(383,790)
Exchange Variation for the six-month period	103,858	15,378
At the end of the six-month period	1,137,802	716,340
<b>Net increase in cash and cash equivalents</b>	<b>(834,352)</b>	<b>(368,412)</b>
<b>Non-monetary transaction</b>		
Unpaid Interest on equity	-	19,231

The accompanying notes are an integral part of these financial statements.



## Notes to the financial statements as at June 30, 2020

### 1. Operations

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

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

Prudential Conglomerate operates as 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 of services rendered by such institutions and the costs of the Financial Group's shared operating and administrative structures are fully or individually absorbed, which is practical and reasonable in the circumstances.

### 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, of the Brazilian National Monetary Council (CMN), and Circular Letter No. 3,701/2015 of the Central Bank of Brazil (BACEN), which are elaborated based on 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: allowance 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.

As of January 2020, the amendments to CMN Resolution No. 4,720/19 and Bacen Circular Letter No. 3,959/19 were included in Banco Bocom BBM's consolidated financial statements. The main objective of these standards is to comply with the guidelines for the presentation of financial statements in accordance with international accounting standards, International Financial Reporting Standards (IFRS). The main changes implemented were: the Balance Sheet balances for the period are presented in comparison with the end of the immediately preceding year and the other statements are compared with the same periods of the previous year for which they were presented; and the inclusion of the Statement of Comprehensive Income. The changes implemented by the new standards had no impact in the Net Income or Shareholders' Equity.

Based on CMN Resolution 4,720 and BACEN Circular 3,959, Tax Credits must be presented in full over the long term, for balance sheet purposes. The comparative balance as of December 31, 2019 was reclassified for comparison purposes.

#### 2.1 Reclassification of compared balances

In 2019, the Bank identified some obligations with foreign loan characteristics that were classified at Banco BOCOM BBM S.A. Nassau Branch as time deposits. Thus, for purposes of better presentation and to maintain comparability between the years presented, the Bank reclassified:

- On June 30, 2019, the amount of R\$ 1,125,402 affected the lines "Deposits" and "Borrowings and onlendings" presented as operating activities in the statements of cash flow. Additionally, in the statements of income for the six-month period ended June 30, 2019, R\$ 10,768 thousand were reclassified from the "Market funding operations" account to "Loan, assignments and onlendings operations" account.

#### 2.2 Consolidation

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 participating in the Prudential Conglomerate, at the base date, there was an adjustment 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:

## Notes to the financial statements as at June 30, 2020

### 2.2 Consolidation (Continued)

- 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, 2020, June 30, 2019 and December 31, 2019 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)

Tai Yang Fund (a)

- (a) The indirect participation of 100% of Banco BOCOM BBM in the social capital of BBM Bank Ltd., Bahia Fund, Haitan Fund and Tai Yang Fund were eliminated from the Prudential Conglomerate.
- (b) Banco BOCOM BBM directly holds 100% of the capital of these entities. The consolidation of Jiang FIM CPIE occurred as of March 2018.

### 3. Significant Accounting Practices

#### (a) Results of operations

Calculated 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 Administrators of the funds in which 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.

**Notes to the financial statements as at June 30, 2020****3. Significant Accounting Practices (Continued)****(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, are as following: 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 June 30, 2020, 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.

**(f) Income tax and social contribution**

The provision for income tax is set up based on the taxable profit, at a 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 Resolutions No. 3,059 of December 20, 2002, and No. 3.355, of March 31, 2006, and they 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. For 2019, the current rate for CSLL was 15%, however, the deferred tax assets and liabilities have already been recognized considering the definitive increase in this rate to 20%, after the publication of the Proposal for Amendment to Constitution No. 6, in June 2019, which later became the Amendment to Constitution No. 103. It should also be noted that according to EC No. 103/2019, this increase is definitive and exclusive for banks.

**(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, 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 No. 3,566/08 of May 29, 2008, and based on management analysis, if the carrying amount of the assets of the Bank and of others institutions of the Prudential Conglomerate exceed their recoverable value, an impairment is recognized in the statement of operations.

**Notes to the financial statements as at June 30, 2020****3. Significant Accounting Practices (Continued)****(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, even if the suits are classified as possible, they may be provided 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.

**(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 the 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 the result 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 as 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. In January 2012, as determined by CMN Resolutions No. 3,533/2008 and No. 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 the value of the debt.

**Notes to the financial statements as at June 30, 2020**
**3. Significant Accounting Practices (Continued)**
**(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 classified based on their nature:

- (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 installment of appreciation or depreciation recorded, 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 objectives of the risk management 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**

These 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	
	06/30/2020	12/31/2019
Interbank investments (a)	584,599	1,557,483
Funds in foreign currency	550,609	253,073
Investments in foreign currencies	2,190	161,228
Free reserves in cash with the Central Bank	401	367
Cash	3	3
<b>Total</b>	<b>1,137,802</b>	<b>1,972,154</b>

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

**Notes to the financial statements as at June 30, 2020**
**5. Short-term Interbank Investments**

Short-term interbank investments are as follows:

	In R\$ thousand	
	Prudential Conglomerate	
	06/30/2020	12/31/2019
<b>Open market investments</b>	<b>584,599</b>	<b>1,557,483</b>
<b>Self-funded position</b>	<b>584,599</b>	<b>1,057,483</b>
National Treasury Bills	273,600	723,079
National Treasury Notes – B series	300,001	316,921
Financial Treasury Bills	10,998	17,483
<b>Funded Position</b>	<b>-</b>	<b>500,000</b>
National Treasury Bills	-	440,001
National Treasury Notes – B series	-	59,999
<b>Interbank deposits (*)</b>	<b>172,353</b>	<b>-</b>
<b>Investments in foreign currencies</b>	<b>2,190</b>	<b>161,228</b>
	<b>759,142</b>	<b>1,718,711</b>
Current assets	586,789	1,718,711
Long-term receivables	172,353	-
<b>Total</b>	<b>759,142</b>	<b>1,718,711</b>

(\*) The interbank deposits in the Prudential Conglomerate in June 2020 basically refer to Time Deposits with Special Guarantees. In the six-month period ended June 30, 2020, their maturities are: July 2021, August 2021, November 2021, December 2021, February 2022, May 2022 and June 2022.

At June 30, 2020 and December 31, 2019, the collateral received through repurchase agreements amounted to R\$ 604,003 thousand and R\$ 1,571,177 thousand, respectively, in the Prudential Conglomerate. The provided collateral amounted to R\$ 10,082 thousand and R\$ 1,164,526 thousand during the same periods.

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

	In R\$ thousand	
	Prudential Conglomerate	
	06/30/2020	06/30/2019
Open market investments	13,872	10,689
Investments in foreign currencies	1,692	2,226
Interbank deposits	355	106
<b>Income from marketable securities transactions</b>	<b>15,919</b>	<b>13,021</b>

**Notes to the financial statements as at June 30, 2020**
**6. Marketable Securities and Derivative Financial Instruments**

	In R\$ thousand			
	Prudential Conglomerate			
	Cost	Market	Cost	Market
	06/30/2020		12/31/2019	
<b>I - Marketable securities</b>	<b>3,285,995</b>	<b>3,308,162</b>	<b>2,141,343</b>	<b>2,142,234</b>
<b>Securities for trading (*)</b>	<b>32,823</b>	<b>32,934</b>	<b>88,013</b>	<b>88,090</b>
<b>Own Portfolio</b>	<b>5,313</b>	<b>5,394</b>	<b>4,227</b>	<b>4,303</b>
<b>Fixed income securities</b>	<b>5,313</b>	<b>5,394</b>	<b>4,227</b>	<b>4,303</b>
Financial Treasury Bills	3,580	3,579	1,853	1,853
National Treasury Notes – B series	1,733	1,815	2,374	2,450
<b>Subject to repurchase agreements</b>	<b>955</b>	<b>985</b>	<b>94</b>	<b>94</b>
Financial Treasury Bills	330	330	94	94
National Treasury Notes – B series	625	655	-	-
<b>Linked to guarantees given</b>	<b>26,555</b>	<b>26,555</b>	<b>83,692</b>	<b>83,693</b>
Financial Treasury Bills	-	-	63,860	63,861
Fund quotas given as guarantee	26,555	26,555	19,832	19,832
<b>Securities held for sale (*)</b>	<b>2,093,662</b>	<b>2,115,718</b>	<b>1,347,596</b>	<b>1,348,410</b>
<b>Bank portfolio</b>	<b>1,209,826</b>	<b>1,232,822</b>	<b>406,385</b>	<b>406,566</b>
<b>Fixed-income securities</b>	<b>1,026,473</b>	<b>1,049,469</b>	<b>385,776</b>	<b>385,955</b>
Financial Treasury Bills	80,100	80,096	36,147	36,149
National Treasury Bills	956	984	934	927
National Treasury Notes – B series	1,861	1,878	1,851	1,908
Promissory note	149,178	149,181	101,662	101,686
Debentures	691,258	714,211	129,026	129,127
CRA	-	-	15,441	15,442
Rural product note	103,120	103,119	100,715	100,716
<b>Marketable securities abroad</b>	<b>183,353</b>	<b>183,353</b>	<b>20,609</b>	<b>20,611</b>
Other marketable securities abroad (a)	183,353	183,353	20,609	20,611
<b>Subject to repurchase agreements</b>	<b>192,193</b>	<b>193,473</b>	<b>696,432</b>	<b>697,043</b>
Financial Treasury Bills	9,755	9,752	150,022	150,045
Debentures	182,438	183,721	546,410	546,998
<b>Linked to guarantees given</b>	<b>691,643</b>	<b>689,423</b>	<b>244,779</b>	<b>244,801</b>
Financial Treasury Bills	271,758	271,744	244,779	244,801
Debentures	419,885	417,679	-	-
<b>Securities held up to maturity</b>	<b>1,159,510</b>	<b>1,159,510</b>	<b>705,734</b>	<b>705,734</b>
<b>Bank portfolio</b>	<b>1,051,026</b>	<b>1,051,026</b>	<b>150,260</b>	<b>150,260</b>
<b>Fixed-income securities</b>	<b>541,251</b>	<b>541,251</b>	<b>68,596</b>	<b>68,596</b>
National Treasury Notes – F series	541,251	541,251	68,596	68,596
<b>Marketable securities abroad</b>	<b>509,775</b>	<b>509,775</b>	<b>81,664</b>	<b>81,664</b>
Other marketable securities abroad (a)	509,775	509,775	81,664	81,664
<b>Subject to repurchase agreements</b>			<b>497,878</b>	<b>497,878</b>
National Treasury Notes – F series	-	-	497,878	497,878
<b>Linked to guarantees given</b>	<b>109,225</b>	<b>109,225</b>	<b>57,715</b>	<b>57,715</b>
National Treasury Notes – F series	109,225	109,225	57,715	57,715
<b>Provision for marketable securities</b>	<b>(741)</b>	<b>(741)</b>	<b>(119)</b>	<b>(119)</b>
Other marketable securities abroad (a)	(741)	(741)	(119)	(119)
<b>II - Derivative financial instruments</b>	<b>78,122</b>	<b>99,886</b>	<b>34,804</b>	<b>53,256</b>
Swap operations	10,081	42,807	23,707	41,585
Term	64,378	53,416	9,778	10,352
Futures	3,663	3,663	1,319	1,319
<b>Total marketable securities and derivative financial instruments</b>	<b>3,364,117</b>	<b>3,408,048</b>	<b>2,176,147</b>	<b>2,195,490</b>
<b>Segregation of portfolio by maturity range:</b>				
<b>No maturity</b>				
<b>Up to 3 months</b>	83,239	85,048	138,889	139,722
<b>From 3 to 12 months</b>	269,349	265,662	25,187	26,039
<b>Over 12 months</b>	3,011,529	3,057,338	2,012,073	2,029,729
<b>Total</b>	<b>3,364,117</b>	<b>3,408,048</b>	<b>2,176,149</b>	<b>2,195,490</b>

(a) The amount in other securities abroad in the Prudential Conglomerate in June 2020 refers to Eurobonds, of which R\$ 509,774 thousand are classified as "Securities held to Maturity" and R\$ 183,353 thousand as "Securities Available for Sale". As of June 30, 2020, our operations are mainly with the National Treasury.

**Notes to the financial statements as at June 30, 2020**
**6. Marketable Securities and Derivative Financial Instruments (Continued)**

	In R\$ thousand			
	Prudential Conglomerate			
	Cost	Market	Cost	Market
	06/30/2020		12/31/2019	
<b>III-Derivative financial instruments</b>				
Swap Operations	291,545	341,400	47,955	81,764
Term	147,959	128,822	9,752	532
Options			120	334
Futures	41,077	41,077	9,182	9,182
<b>Purchased position</b>	<b>480,581</b>	<b>511,299</b>	<b>67,009</b>	<b>91,812</b>
<b>Segregation by maturity range:</b>				
<b>Up to 3 months</b>	18,291	18,016	20,365	30,645
<b>From 3 to 12 months</b>	90,430	91,205	7,194	8,462
<b>Over 12 months</b>	371,860	402,078	39,450	52,705
<b>Total</b>	<b>480,581</b>	<b>511,299</b>	<b>67,009</b>	<b>91,812</b>

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

	In R\$ thousand	
	Prudential Conglomerate	
	06/30/2020	06/30/2019
Investment funds quotas	382	563
Government bonds	70,094	53,122
Private securities	46,049	18,693
Exchange Variation	(7,257)	-
<b>Income from marketable securities</b>	<b>109,268</b>	<b>72,378</b>
<b>Income from marketable securities</b>		
	In R\$ thousand	
	Prudential Conglomerate	
	06/30/2020	06/30/2019
Provision for marketable securities	(752)	(362)
<b>Result of provision for marketable securities</b>	<b>(752)</b>	<b>(362)</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, on June 30, 2020, amount to R\$ 6,049 thousand in the Prudential Conglomerate (December 31, 2019 - R\$ 65,484 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\$ 1,837,780 thousand on June 30, 2020 (December 31, 2019 - R\$ 1,198,619 thousand), in the Prudential Conglomerate, are stated as long-term receivables, 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, 2020.



**Notes to the financial statements as at June 30, 2020**
**7. Loan Transactions, Sureties and Honored Guarantees**

At June 30, 2020 and December 31, 2019, 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			
	06/30/2020		12/31/2019	
Sugar and Ethanol	816,782	16.30%	900,887	17.38%
Agriculture	600,870	11.99%	522,318	10.08%
Building and Real State	385,710	7.70%	444,732	8.58%
Retail Market	330,629	6.60%	203,305	3.92%
Specialized Services	241,594	4.82%	249,701	4.82%
Civil aviation	220,953	4.41%	248,655	4.80%
Capital Goods	215,104	4.29%	102,571	1.98%
Pharmaceutics	208,844	4.17%	142,395	2.75%
Utilities Energy	179,706	3.59%	162,198	3.13%
Vehicles and parts	172,332	3.44%	136,199	2.63%
Diversified Holdings	157,084	3.14%	121,531	2.35%
Meat Industry	153,749	3.07%	121,169	2.34%
Foods - Sundry	150,920	3.01%	153,641	2.96%
Transportation and Logistics	114,038	2.28%	120,726	2.33%
Heavy Construction	104,853	2.09%	125,454	2.42%
Construction Material	83,914	1.67%	45,454	0.88%
Banks and Insurers	72,812	1.45%	304,096	5.87%
Chemical and Petrochemical	54,947	1.10%	77,595	1.50%
Others (*)	293,368	5.86%	414,802	8.00%
<b>Private sector</b>	<b>4,558,209</b>	<b>91%</b>	<b>4,597,428</b>	<b>89%</b>
Utilities Energy	265,161	5.29%	279,122	5.39%
Public	83,757	1.67%	158,247	3.05%
Oil & Gas	59,501	1.19%	72,506	1.40%
Others (*)	43,824	0.87%	75,050	1.45%
<b>Public Sector</b>	<b>452,243</b>	<b>9%</b>	<b>584,925</b>	<b>11%</b>
<b>Total</b>	<b>5,010,452</b>	<b>100%</b>	<b>5,182,353</b>	<b>100%</b>

(\*) The activities classified as Others include all economic sectors that individually represent less than 1% of the total active loan portfolio at the base date June 30, 2020 and December 31, 2019.

**Notes to the financial statements as at June 30, 2020**
**7. Loan Transactions, Sureties and honored Guarantees (Continued)**

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

	In R\$ Thousand	
	Prudential Conglomerate	
	06/30/2020	12/31/2019
<b>Current Assets</b>		
<b>Loan Transactions</b>	<b>1,822,133</b>	<b>1,757,871</b>
Private Sector	1,733,481	1,642,630
Public Sector	88,652	115,241
<b>Other Receivables</b>	<b>23,930</b>	<b>16,398</b>
Foreign Exchange Portfolio - Receivables <b>(a)</b>	10,931	9,254
Securities and Credits Receivable <b>(b)</b>	12,999	7,144
<b>Noncurrent Assets</b>		
<b>Loan Transactions</b>	<b>1,998,687</b>	<b>2,088,535</b>
Private Sector	1,930,303	2,011,404
Public Sector	68,384	77,131
<b>Other Receivables</b>	19,341	-
Securities and Credits Receivable <b>(b)</b>	19,341	-
<b>Current Liabilities</b>		
<b>Other Liabilities</b>	<b>285,146</b>	<b>303,671</b>
Foreign Exchange Portfolio - Advances on exchange contracts <b>(a)</b>	285,146	303,671
<b>Subtotal</b>	<b><u>4,149,237</u></b>	<b><u>4,166,475</u></b>
Co-obligations and risks in guarantees provided <b>(c)</b>	861,215	1,015,878
<b>Total</b>	<b><u>5,010,452</u></b>	<b><u>5,182,353</u></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.

(a) Refers to the honorable guarantee portfolio. Registered in “Other credits” accounts, , which represented R\$ 4,143 of the total amount reported on June 30, 2020.

(b) 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. The Bank also includes guarantees provided for BBM Bank Limited's credit operations, which are eliminated in the Prudential Conglomerate.

**Notes to the financial statements as at June 30, 2020**
**7. Loan Transactions, Sureties and honored Guarantees (Continued)**

The provision for loan transactions was calculated according to the criteria established by the CMN Resolutions No. 2,682 and No. 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:

In R\$ Thousand													
06/30/2020												12/31/2019	
Risk Level	Overdue - days					Falling due - days				Total	Allowance	Total	Allowance
	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				
AA	-	-	-	-	-	293,845	354,884	677,470	782,993	2,109,192	717	2,679,577	-
A	-	-	-	-	-	161,375	92,430	282,246	678,688	1,214,739	7,505	1,589,705	7,949
B	-	-	-	-	-	173,479	76,516	199,032	531,643	980,670	17,073	728,461	7,285
C	171	68	-	-	-	126,670	166,707	107,133	124,148	524,897	36,094	134,873	4,046
D	-	1,828	-	-	-	23,717	22,765	27,585	46,531	122,426	12,243	-	-
E	429	196	196	-	-	15,401	3,668	1,400	20,476	41,766	12,530	29,005	8,701
F	-	-	-	-	-	-	-	-	-	-	-	-	-
G	-	-	-	-	-	-	-	-	-	-	-	10,762	9,562
H	-	3,791	10	2,201	4,240	-	-	769	5,751	16,762	16,762	9,970	9,970
	<b>600</b>	<b>5,883</b>	<b>206</b>	<b>2,201</b>	<b>4,240</b>	<b>794,487</b>	<b>716,970</b>	<b>1,295,635</b>	<b>2,190,230</b>	<b>5,010,452</b>	<b>102,924</b>	<b>5,182,353</b>	<b>47,513</b>

Considering the uncertainty of the economic scenario related to the impacts of COVID-19, we decided to make an additional provision in the credit operations for the clients who operate in the sectors most affected by the pandemic. It is important to note that we carried out a careful individual analysis of the portfolio's clients, mainly those "renegotiated due to COVID-19", under the terms of Resolution No. 4,803/2020, and their scores were reclassified.

In R\$ Thousand			
06/30/2020			
Risk Level	Specific Allowance	Additional Allowance	Total
AA	-	717	<b>717</b>
A	6,074	1,431	<b>7,505</b>
B	9,807	7,266	<b>17,073</b>
C	15,747	20,347	<b>36,094</b>
D	12,243	-	<b>12,243</b>
E	12,530	-	<b>12,530</b>
F	-	-	-
G	-	-	-
H	16,762	-	<b>16,762</b>
	<b>73,163</b>	<b>29,761</b>	<b>102,924</b>

**Notes to the financial statements as at June 30, 2020**
**7. Loan Transactions, Sureties and honored Guarantees (Continued)**

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

	In R\$ Thousand	
	06/30/2020	12/31/2019
<b>Allowance for loan losses</b>	<b>74,398</b>	<b>39,128</b>
Current Assets	39,794	20,488
Noncurrent Assets	34,604	18,640
<b>Provision for Other Credits</b>	<b>9,016</b>	<b>7,297</b>
<b>Securities and Credits Receivable</b>	<b>4,568</b>	<b>5,096</b>
Current Assets	4,418	5,096
Noncurrent Assets	150	-
<b>Provision for Advances on Exchange Contracts</b>	<b>4,448</b>	<b>2,201</b>
Current Assets	4,448	2,201
<b>Provision for Co-obligations and Risks in Guarantees Provided (*)</b>	<b>19,510</b>	<b>1,088</b>
Current Liability	18,548	789
Noncurrent Liabilities	962	299
<b>Total</b>	<b>102,924</b>	<b>47,513</b>

Changes in allowances are as follows:

	In R\$ Thousand	
	06/30/2020	12/31/2019
<b>Balance at January 1</b>	<b>47,513</b>	<b>48,111</b>
Set up / (reversal)	65,333	11,719
Write-offs to loss	(9,922)	(12,317)
<b>Total</b>	<b>102,924</b>	<b>47,513</b>

In the six-month period ended June 30, 2020, loan transactions were renegotiated in the Prudential Conglomerate in the amount of R\$ 34,825 thousand (December 31, 2019 – R\$ 27,684)

In the six-month period ended June 30, 2020, there was a recovery of losses on loan transactions in the amount of R\$ 1,690 thousand (December 31, 2019 - R\$ 295 thousand).

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

	In R\$ Thousand			
	06/30/2020	%	12/31/2019	%
Top debtor	265,161	5.3%	279,122	5.4%
Top 10 debtors	1,366,795	27.3%	1,191,935	23.0%
Top 20 debtors	1,949,634	38.9%	1,850,254	35.7%
Top 50 debtors	3,096,968	61.8%	3,018,569	58.2%
Top 100 debtors	4,240,525	84.6%	4,186,467	80.8%

**Notes to the financial statements as at June 30, 2020**
**7. Loan Transactions, Sureties and honored Guarantees (Continued)**

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

	In R\$ Thousand	
	06/30/2020	12/31/2019
Working Capital	2,910,666	2,565,758
Co-obligations and Risk in Guarantees Provided	861,215	1,015,878
Export Credit Notes	684,273	778,891
Trade Finance	411,649	724,838
Others	142,649	96,988
<b>Total</b>	<b>5,010,452</b>	<b>5,182,353</b>

**8. Foreign Exchange Portfolio**

	In R\$ thousand	
	Prudential Conglomerate	
	06/30/2020	12/31/2019
<b>Other receivables – Foreign exchange portfolio</b>		
Foreign exchange purchases pending settlement	357,771	384,562
Income receivable from advances granted <b>(a)</b>	10,931	9,255
Rights on foreign exchange sales	1,271	627
(-) Advances in national currency received	-	(198)
<b>Total</b>	<b>369,973</b>	<b>394,246</b>
<b>Other payables – Foreign exchange portfolio</b>		
Exchange purchase obligations	285,150	384,136
Foreign exchange sales pending settlement	1,304	620
Advances on foreign exchange contracts granted <b>(a)</b>	(285,146)	(303,670)
Others	2,432	-
<b>Total</b>	<b>3,740</b>	<b>81,086</b>

**(a)** See Note 7.

On June 30, 2020, there were federal government securities deposited securing foreign exchange transactions with B3 in the amount of R\$ 44,099 thousand (December 31, 2019 – R\$ 51,703 thousand).

**Notes to the financial statements as at June 30, 2020**
**9. Deposits**

Maturity range	In R\$ thousand			
	Time deposits	Interbank deposits	Total 06/30/2020	Total 12/31/2019
Within 1 month	177,973	-	177,973	5,304
From 1 to 3 months	83,802	1,539	85,341	55,836
From 3 to 6 months	111,494	-	111,494	107,340
From 6 to 12 months	395,817	-	395,817	129,833
More than 12 months	283,801	-	283,801	376,408
<b>Subtotal</b>	<b>1,052,887</b>	<b>1,539</b>	<b>1,054,426</b>	<b>674,721</b>
<b>Demand Deposits</b>			214,357	185,588
<b>Total</b>			<b>1,268,783</b>	<b>860,309</b>

The average term of interbank and time deposits, for outstanding transactions at June 30, 2020 is 366 days and 557 days (December 31, 2019 - 458 and 839 days), respectively.

Maturities upon issuance	In R\$ thousand			
	Time deposits	Interbank deposits	Total 06/30/2020	Total 12/31/2019
Within 1 month	55,733	-	55,733	5,294
From 1 to 3 months	32,948	-	32,948	9
From 3 to 6 months	122,815	-	122,815	144,290
From 6 to 12 months	169,773	-	169,773	63,433
More than 12 months	671,618	1,539	673,157	461,695
<b>Subtotal</b>	<b>1,052,887</b>	<b>1,539</b>	<b>1,054,426</b>	<b>674,721</b>
<b>Cash deposits</b>			214,357	185,588
<b>Total</b>			<b>1,268,783</b>	<b>860,309</b>

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

	In R\$ thousand									
	Demand deposits		Time deposits		Interbank deposits		Total			
	06/30/2020	12/31/2019	06/30/2020	12/31/2019	06/30/2020	12/31/2019	06/30/2020	12/31/2019		
Legal entities	188,277	164,741	643,387	421,297	-	-	831,665	65.55%	586,038	68.12%
Institutional customers	4	8	295,087	-	1,539	1,528	296,630	23.38%	1,536	0.18%
Group	12,424	1,392	113,546	169,060	-	-	125,970	9.93%	170,452	19.81%
Financial institutions	-	-	-	80,877	-	103	-	0.00%	80,980	9.41%
Individuals	13,651	19,447	867	1,856	-	-	14,519	1.14%	21,303	2.48%
<b>Total</b>	<b>214,357</b>	<b>185,588</b>	<b>1,052,887</b>	<b>673,090</b>	<b>1,539</b>	<b>1,631</b>	<b>1,268,783</b>	<b>100%</b>	<b>860,309</b>	<b>100%</b>

**Notes to the financial statements as at June 30, 2020**
**9. Deposits (Continued)**

	In R\$ thousand			
	06/30/2020		12/31/2019	
Top depositor	94,356	7.44%	82,491	9.59%
Top 10 depositors	528,673	41.67%	451,594	52.49%
Top 20 depositors	774,921	61.08%	612,489	71.19%
Top 50 depositors	1,066,724	84.07%	769,152	89.40%
Top 100 depositors	1,217,636	95.97%	832,462	96.76%

**10. Repurchase Agreements**

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

	In R\$ thousand	
	Prudential Conglomerate	
	06/30/2020	12/31/2019
<b>Own Portfolio</b>	<b>193,513</b>	<b>1,196,479</b>
Debentures	183,478	546,434
National Treasury Notes – F series	-	500,050
Financial Treasury Bills	10,035	149,995
<b>Third-party Portfolio</b>	<b>-</b>	<b>500,000</b>
National Treasury Bills	-	440,076
(-) Expenses to be allocated - LTN	-	(75)
National Treasury Notes – B series	-	60,009
(-) Expenses to be allocated - NTN-B	-	(10)
	<b>193,513</b>	<b>1,696,479</b>

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

On June 30, 2020 and December 31, 2019, fundraising through Agribusiness Credit Bills (LCA), Housing Credit Bills (LCI), Financial Bills (LF) and Financial Bills – Subordinated Debt were segregated by maturity range as follows:

Maturity	In R\$ thousand							
	Prudential Conglomerate							
	LCA (a)		LCI (b)		LF (c)		LF - Subordinated debt (d)	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Within 1 month	35,469	76,735	1,383	-	21,940	69,947	-	-
From 1 to 3 months	70,104	121,343	14,727	161	48,553	179,937	-	-
From 2 to 6 months	309,475	242,093	41,646	10,256	63,148	225,166	-	-
From 6 to 12 months	424,333	219,472	16,510	60,224	344,906	139,711	-	-
More than 12 months	362,796	454,358	45,183	81,618	671,407	626,744	203,079	204,960
Total	<b>1,202,177</b>	<b>1,114,001</b>	<b>119,449</b>	<b>152,259</b>	<b>1,149,954</b>	<b>1,241,505</b>	<b>203,079</b>	<b>204,960</b>

- (a) Agribusiness Credit Bills (LCA) are issued by the Bank and registered with B3, according to Laws No. 11,076/2004 and 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, 2001, which resulted in Law No. 10,931 of August 2, 2004.
- (c) Financial Bills (LF) are issued by the Bank and registered with B3 - according to the Law No. 12,249/10 (Section II, articles 37 to 43), and ruled by CMN (Law No. 3,836).
- (d) Financial Bill (LF) - Subordinated Debt has a perpetual term and a repurchase option starting within 5 semiannual windows. The Bank uses the amount raised as complementary capital in order to make up the institution's Level I capital. The issue was private and carried out with the Bank's shareholder base.

**Notes to the financial statements as at June 30, 2020**
**12. Borrowings and onlendings**
**a) Borrowings abroad**

Borrowings abroad in the Prudential Conglomerate are as follows:

	In R\$ thousand	
	Prudential Conglomerate	
	06/30/2020	12/31/2019
Obligations with borrowings abroad (*)	3,142,426	1,972,882
Export credit facility	308,444	280,635
Import credit facility	4,190	640
	<b>3,455,060</b>	<b>2,254,157</b>
Current liabilities	2,361,477	1,711,403
Long-term payables	1,093,583	542,754
	<b>3,455,060</b>	<b>2,254,157</b>

(\*) The amount of R\$ 3,142,426 thousand on June 30, 2020 (December 31, 2019 – R\$ 1,972,882 thousand), classified as Borrowings Abroad, refers to the fundraising in U.S. dollars with Bank of Communications with final maturity until September 2022, , representing the amount of R\$ 1,080.888, money market operations in dollars and renminbi, taken with the Bank of Communications GMC with maturities of less than 365 days, representing R\$ 1,676.406 and working capital operations with maturities up to February 2021, representing R\$ 385,132 thousand.

**13. Sundry**

	In R\$ thousand	
	Prudential Conglomerate	
	06/30/2020	12/31/2019
<b>Other receivables - Sundry</b>		
Debtors Deposits on warranty	53,037	52,583
Securities and credits receivable (a)	28,197	3,000
Taxes and contributions to offset	16,685	35,081
Sundry debtors – domestic	13,233	4,382
Sundry debtors – foreign	5,186	23,946
Advances – Salaries and constructions	1,509	750
	<b>117,847</b>	<b>119,742</b>
Current Asset	40,527	59,499
Long-term Asset	77,320	60,243
	<b>117,847</b>	<b>119,742</b>



**Notes to the financial statements as at June 30, 2020**
**13. Sundry**

	In R\$ thousand	
	Prudential Conglomerate	
	06/30/2020	12/31/2019
<b>Other payables - Sundry</b>		
Sundry Debtors – Abroad	108.056	2.787
Allowance for contingent liabilities	12.429	9.645
Allowance for Payments to be Made	9.420	11.026
Sundry Debtors – Domestic	5.351	12.737
Administrative Checks	724	724
Payables for Acquisition of Goods and Rights	-	146
	<b>135.980</b>	<b>37.065</b>
Current Liabilities	118.771	20.126
Non-current Liabilities	17.209	16.939
	<b>135.980</b>	<b>37.065</b>

(a) This refers to Advances on Foreign Exchange Contracts written off in the period.

(b) It mainly refers to the prepayment of a letter of credit.

**14. Other Values and Assets**

	In R\$ thousand	
	Prudential Conglomerate	
	06/30/2020	12/31/2019
<b>Other Values and Goods</b>		
Properties	25,955	37,743
Others	2,706	1,725
	<b>28,661</b>	<b>39,468</b>
Current asset (a)	28,661	39,170
Long-term Assets	-	298
	<b>28,661</b>	<b>39,468</b>

(a) In June 30, 2020 the amount of R\$ 25,955 thousand, classified as current assets, refers mainly to the execution of guarantee of properties, recorded as properties not for use (BNDU), according to independent appraisal report, limited to the value of debt. In the six-month period ended June 30, 2020, Banco BOCOM BBM sold one of the farms received as collateral for credit operations, generating a result of R\$ 1,961 thousand, of which 2,767 thousand related to the reversal of the provision for the property and R\$ (806) thousand of loss at the time of the sale.

**Notes to the financial statements as at June 30, 2020**
**15. Equity**
**(a) Capital - Banco BOCOM BBM S.A.**

The capital comprises 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 of 20% of capital, as determined by the Corporation Law.

**(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**

As of June 30, 2020, the Bank BOCOM BBM has 76,296,769 shares to be held in treasury in the amount of R\$ 181,839 thousand.

**16. Financial Intermediation Expenses, Result of Foreign Exchange Operations, Loans, Assignments and Transfers**

	In R\$ thousand	
	Prudential Conglomerate	
	06/30/2020	06/30/2019
		See note 2.1
<b>Open market funding</b>		
Expenses with securities abroad	(61,332)	-
Financial Bills	(34,966)	(62,423)
Agriculture Credit Bills	(18,601)	(40,263)
Time deposits	(17,018)	(14,795)
Repurchase agreements	(6,078)	(3,558)
Real Estate Credit Bills	(2,427)	(2,332)
Credit Guarantee Fund	(1,142)	(1,016)
Interbank deposits	(35)	(71)
Deposits Previous Notice	(141)	(29)
Foreign exchange variation (a)	4	7,413
	<b>(141,736)</b>	<b>(117,074)</b>
<b>Loans, assignments and onlending operations</b>		
Foreign exchange variation (a)	(436,704)	9,420
Loan expenses abroad	(25,523)	(26,899)
Other expenses	-	(337)
	<b>(462,227)</b>	<b>(17,816)</b>
<b>Foreign exchange transactions</b>		
Foreign exchange variations and interest differences	150,068	(2,997)
Revenue from Advances on Exchange Contracts (ACC)	13,725	14,274
Other expenses	(331)	(175)
	<b>163,462</b>	<b>11,102</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. In the six-month period ended June 30, 2020, the high increase of the dollar justifies the cost of exchange variation.

**Notes to the financial statements as at June 30, 2020**
**17. Service Revenue**

	In R\$ thousand	
	Prudential Conglomerate	
	06/30/2020	06/30/2019
<b>Service Revenue</b>		
Bank fee income	9,663	9,691
Management and performance fees of investment funds	9,990	11,739
Structuring Commission	1,118	12,926
Guarantees commission and letter of credit	8,120	7,248
Other services	2,100	1,881
<b>Total</b>	<b>30,991</b>	<b>43,485</b>

**18. Other Administrative Expenses**

	In R\$ thousand	
	Prudential Conglomerate	
	06/30/2020	06/30/2019
Data processing	(4,634)	(4,351)
Specialized technical services	(3,272)	(3,228)
Rentals	(3,762)	(3,451)
Amortization and depreciation	(3,559)	(2,613)
Travel	(1,051)	(2,459)
Financial system services (a)	(2,645)	(2,648)
Third-party services	(1,286)	(1,760)
Communications	(2,430)	(1,697)
Property maintenance and upkeep	(994)	(1,410)
Registry	(859)	(1,394)
Condominium	(1,306)	(1,009)
Promotion/ Advertising/ Publications	(490)	(512)
Water, energy and gas	(607)	(510)
Transportation	(240)	(345)
Surveillance and security services	(543)	(8)
Material	(186)	(107)
Fines	(18)	(18)
Insurance	(22)	(21)
Other administrative expenses	(3,113)	(2,120)
	<b>(31,017)</b>	<b>(29,661)</b>

(a) In the six-month period ended June 30, 2020, this includes brokerage expenses, charges and commission related to guarantee transactions and derivative financial instruments of R\$ 823 thousand (June 30, 2019 - R\$ 891 thousand).

**Notes to the financial statements as at June 30, 2020**
**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	
	06/30/2020	12/31/2019
<b>Asset</b>		
<b>Cash and cash equivalents</b>	<b>126</b>	<b>29</b>
Bank of Communications Co., Ltd	40	29
Bocom Macau	86	-
<b>Derivative Financial Instruments</b>	<b>73,621</b>	<b>25,785</b>
Bocom Brazil Holding Company Ltda	73,621	25,785
<b>Liabilities</b>		
<b>Demand Deposits</b>	<b>12,434</b>	<b>1,393</b>
Évora S.A.	756	38
Bahia AM Renda Fixa Ltda	5	5
Bahia AM Renda Variável Ltda	92	5
Bocom Brazil Holding Company Ltda	1	290
Bahia Holding S.A.	1	1
Other related individuals/legal entities	11,569	1,054
<b>Time Deposits</b>	<b>113,545</b>	<b>169,060</b>
Bahia Holding S.A.	17,949	55,042
Évora S.A.	3,464	3,406
Bocom Brazil Holding Company Ltda	24,011	28,122
Other related individuals/legal entities	68,121	82,490
<b>Debentures Agreements - Debentures</b>	<b>48,456</b>	<b>50,896</b>
Other related individuals/legal entities	48,456	50,896
<b>Agriculture Credit Bills</b>	<b>308,536</b>	<b>260,869</b>
Other related individuals/legal entities	308,536	260,869
<b>Real Estate Credit Bills</b>	<b>74,519</b>	<b>99,298</b>
Other related individuals/legal entities	74,519	99,298
<b>Obligations for Securities Abroad</b>		
<b>Derivative Financial Instruments</b>	<b>144,192</b>	<b>10,075</b>
Bocom Brazil Holding Company Ltda	144,192	10,075
<b>Subordinated Debt</b>	<b>203,079</b>	<b>204,960</b>
Bocom Brazil Holding Company Ltda	163,098	164,609
Other related individuals/legal entities	39,981	40,351
<b>Liabilities on Loans Abroad</b>	<b>2,757,294</b>	<b>1,972,882</b>
Bank of Communications Co., Ltd	1,080,888	574,645
Bocom Macau	15,960	11,746
Bank of Communications - GMC	1,660,446	1,386,491
<b>Dividends and Bonuses Payable</b>	<b>48,410</b>	<b>48,410</b>
Interest on Capital Credited to Shareholders	48,410	48,410

**Notes to the financial statements as at June 30, 2020**
**19. Related-parties' Significant Transactions (Continued)**

	In R\$ Thousand	
	Prudential Conglomerate	
	06/30/2020	06/30/2019
		See note 2.1
<b>Result</b>		
<b>Income from Investments Abroad</b>		
<b>Expenses with Banks Abroad</b>		
<b>Result with Derivative Financial Instruments</b>	<b>70,026</b>	<b>(1,285)</b>
Bocom Brazil Holding Company Ltda	70,026	(1,291)
Other related individuals/legal entities	-	6
<b>Open Market Funding</b>	<b>(13,161)</b>	<b>(21,284)</b>
<b>Time Deposits Expenses</b>	<b>(2,539)</b>	<b>(4,742)</b>
Évora S.A.	(59)	(97)
Bocom Brazil Holding Company Ltda	(418)	(1,000)
Bahia Holding S.A.	(811)	(1,131)
Other related individuals/legal entities	(1,251)	(2,514)
<b>Repurchase Agreements - Debentures Expenses</b>	<b>(640)</b>	<b>(572)</b>
Other related individuals/legal entities	(640)	(572)
<b>Agriculture Credit Bills Expenses</b>	<b>(4,636)</b>	<b>(8,326)</b>
Other related individuals/legal entities	(4,636)	(8,326)
<b>Real Estate Credit Bills Expenses</b>	<b>(1,456)</b>	<b>(2,005)</b>
Other related individuals/legal entities	(1,456)	(2,005)
<b>Subordinated Debt</b>	<b>(3,890)</b>	<b>(5,639)</b>
Bocom Brazil Holding Company Ltda	(3,093)	(4,529)
Other related individuals/legal entities	(797)	(1,110)
<b>Loans Expenses Abroad</b>	<b>(313,684)</b>	<b>(19,091)</b>
Bank of Communications Co., Ltd.	(296,509)	(19,091)
Bocom Macau	(2)	-
Bank of Communications - GMC	(17,173)	-
<b>Other Operational Income</b>		
<b>Expenses with Dividends and Bonuses</b>		<b>(19,231)</b>
Interest on Equity		(19,231)
<b>Total</b>	<b>(256,819)</b>	<b>(60,891)</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, 2020**
**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 comprised 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 Banco Bocom BBM. In the six-month period ended June 30, 2020, the payment of Deferred Remuneration occurred through repurchase agreements backed by public securities.

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

	In R\$ Thousand	
	Prudential Conglomerate	
	06/30/2020	12/31/2019
<b>Liabilities</b>		
<b>Statutory</b>	<b>5,411</b>	<b>21,814</b>
Management Variable Compensation - Short Term	2,529	7,952
Deferred Management Variable Compensation - Long Term	2,882	13,862

	In R\$ Thousand	
	Prudential Conglomerate	
	06/30/2020	06/30/2019
<b>Result</b>	<b>(10,444)</b>	<b>(12,516)</b>
Fixed Compensation	(5,358)	(4,631)
Variable Compensation Provision	(5,086)	(7,885)

In November 2019, Banco BOCOM BBM S.A. was charged by the Brazilian Federal Revenue with: (i) social security contributions allegedly due to PLR (profit sharing) in the amount of \$ 5.5 million and (ii) social security contributions allegedly due to food in the amount of R\$ 1.1 million, both corresponding to payments made in 2015. The Bank discusses the assessments in the administrative sphere. In the opinion of our legal advisors, the chances of loss in these cases are possible.

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**Notes to the financial statements as at June 30, 2020****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, 2020, the guarantees for the transactions involving derivative financial instruments are represented mainly by government securities in the total amount of R\$ 339,984 thousand (December 31, 2019 - R\$ 242,403 thousand and fund quotas in the total amount of R\$ 26,555 thousand (December 31, 2019 - R\$ 9,916 thousand)).

**Notes to the financial statements as at June 30, 2020**
**20. Derivative Financial Instruments (Continued)**
**a) At cost and market value**

	<b>In R\$ thousand</b>						
	Prudential Conglomerate						
	06/30/2020						12/31/2019
	Cost	Market	Up to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total
<b>Future market</b>							
Purchased position	3,663	3,663	684	584	1,138	1,257	1,319
Sold position	41,077	41,077	6,089	5,629	10,183	19,176	9,182
<b>Swaps</b>							
Asset position	10,081	42,807	(94)	317	1,950	40,634	41,585
Liability position	291,545	341,400	4,552	10,569	53,366	272,913	81,764
<b>Non-deliverable forward - NDF</b>							
Asset position	64,378	53,416	(1,037)	891	185	53,377	10,352
Liability position	147,959	128,822	7,375	10,148	1,310	109,989	532
<b>Options market</b>							
Liability position	-	-	-	-	-	-	334



**Notes to the financial statements as at June 30, 2020**
**20. Derivative Financial Instruments (Continued)**

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

- Purchased foreign exchange coupon contracts (DDI) of R\$ 3,121,458 thousand (December 31, 2019 – purchased foreign exchange coupon (DDI) of R\$ 1,911,246 thousand);
- Sold foreign exchange coupon contracts (DDI) of R\$ 777,484 thousand (December 31, 2019 – sold foreign exchange coupon (DDI) of R\$ 636,896 thousand);
- Purchased interest contracts (DI1) of R\$ 390,506 thousand; (December 31, 2019 – R\$ 424,490 thousand);
- Sold interest contracts (DI1) of R\$ 583,665 thousand; (December 31, 2019 – R\$ 578,855 thousand);
- Purchased currency contracts (DOL) of R\$ 408,156 thousand; (December 31, 2019 – Purchased currency contracts (DOL) of R\$ 366,043 thousand);
- Sold currency contracts (DOL) of R\$ 834,465 thousand (December 31, 2019 – Sold currency contracts (DOL) of R\$ 176,110 thousand);
- Purchased currency contracts (DAP) of R\$ 21,327 thousand; (December 31, 2019 – R\$ 20,862 thousand);
- Sold currency contracts (DAP) of R\$ 132,909 thousand (December 31, 2019 – R\$ 197,215 thousand).

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

	In R\$ thousand	
	Prudential Conglomerate	
	06/30/2020	06/30/2019
Future contracts	665,465	(4,927)
Options contracts	84	-
Swap and term contracts	(385,861)	4,777
<b>Total</b>	<b>279,688</b>	<b>(150)</b>

The main factor of the variation in the result of derivatives is due to the devaluation of Brazilian real against U.S. dollar, taking into account that most of our derivatives are used as hedging instruments.

**Notes to the financial statements as at June 30, 2020****20. Derivative Financial Instruments (Continued)****d) Hedge Accounting****Fundraising hedge (I)**

During the 3rd quarter of 2017, Banco BOCOM BBM entered into loan agreements in U.S. dollars with Bank of Communications Shanghai Branch with the objective of providing funding. They are as follows:

- On September 6, 2017 in the amount of USD 35,000 thousand with payment of pre-fixed interest of 2.05% p.a..
- On September 11, 2017 in the amount of USD 35,000 thousand with payment of pre-fixed interest of 2.05% p.a..
- On September 18, 2017 in the amount of USD 30,000 thousand with payment of fixed interest of 2.06% p.a..
- On November 13, 2019 in the amount of USD 40,000 thousand with payment of fixed interest 2.04% p.a..
- On January 7, 2020 in the amount of USD 30,000 thousand with payment of fixed interest 2.40% p.a..
- On March 25, 2020 in the amount of USD 67,500 thousand with payment of fixed interest 2.03% p.a..

In order to index these flows to the CDI, a series of exchange coupon operations were carried out at B3, in accordance with the maturities and exposures of the available FRC contracts and the maturity of the operations. Disbursements were made in U.S. dollars and, upon cash receipt, a market risk hedge was contracted, designating a portfolio of derivative financial instruments, comprising DDI, DOL and ED contracts for total hedge, considering the foreign exchange exposure and interest rate risks. In order to equalize the mark-to-market effects of derivative financial instruments designated as hedge, the amount of the hedge principal, plus interest due, is stated at fair value and also marked to market.

Due to the fact that there is a matching of hedge object flows and the results of hedge derivatives, the effectiveness of the operation remains close to 122.33%.

**Fundraising Hedge (II)**

In June 2017, Banco BOCOM BBM designated a portfolio of derivative financial instruments constituted by DI1 and DAP contracts, with the objective of indexing to the CDI part of its funding portfolio indexed to the IPCA. In order to equalize the effects of mark-to-market derivative financial instruments designated as hedge, the value of the funding portfolio indexed to the IPCA is stated at fair value and also marked to market.

Due to the fact that there is a matching of hedge object flows and the results of hedge derivatives, the effectiveness of the operation remains close to 100.09%.

**Credit Operations Hedge**

In August 2017, Banco BOCOM BBM designated a portfolio of derivative financial instruments comprising Euro Dollar Futures contracts (ED), in order to hedge the U.S. Dollar short term interest rate variations. In order to equalize the effects of the mark to market of the derivative financial instruments assigned as hedge, the amount of USD 29,761 thousand of the credit operation released in August 2017 by Banco BOCOM BBM SA Nassau Branch, with a fixed interest rate of 4.28 % p.a., is stated at fair value and also marked to market.

Due to the fact that there is a matching of hedge object flows and the results of hedge derivatives, the effectiveness of the operation remains close to 96.72%.

**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.

Due to the fact that there is a matching of hedge object flows and the results of hedge derivatives, the effectiveness of the transaction remained close to 100.00%.

## Notes to the financial statements as at June 30, 2020

### 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 the 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)).

Market Risk means the risk arising from fluctuations in the values of assets and derivatives resulting from changes in market prices and rates, such as interest, stocks, currencies and commodities. Market Risk control is based on the calculation of VaR - Value at Risk, a statistical tool that measures the maximum potential loss of BOCOM BBM for a given confidence level and investment horizon. BOCOM BBM's daily VaR limit calculated with 95% confidence is 2% of Equity. The model used to calculate the VaR limit is the parametric one. The variance-covariance matrix is reestimated daily using GARCH models. This model captures the presence of volatility groupings and, according to the daily estimated parameters, gives more weight to the most recent past. It should be noted that other VaR models are available, such as Monte Carlo Simulation and Historical Simulation. The effectiveness of the risk model is tested annually through back-testing, which consists in comparing the VaR estimates with the actual daily results.

\*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.

Reference date	VaR (In R\$ Millions)
06/30/2020	4.0
12/31/2019	2.1
06/28/2019	3.2

#### 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 comprising 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, 2020**
**21. Risks Management (Continued)**
**Liquidity Risk (Continued)**

	Prudential Conglomerate	
	06/30/2020	12/31/2019
Current assets	3,692,476	4,392,087
Current liabilities	(5,299,572)	(5,600,344)
<b>Working capital, net</b>	<b>(1,607,096)</b>	<b>(1,208,257)</b>
Short term securities available for sale presented in long-term receivables	1,837,780	1,198,619
	<b>230,684</b>	<b>(9,638)</b>

Based on CMN Resolution 4,720 and BACEN Circular 3,959, Tax Credits were presented at December 31, 2019 in full over the long term for comparison purposes, which justifies the negative liquidity presented on that date.

**Credit Risk**

Banco BOCOM BBM has a credit risk management structure comprising the following elements and respective duties: a) the Credit Committee, responsible for defining the economic groups' credit limits and 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 that make it easy to make a decision 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 providing the 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)).

**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 comprising 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

## Notes to the financial statements as at June 30, 2020

### 21. Risks Management (Continued)

#### Capital Management (Continued)

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)).

### 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 8.0% 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, 2020.

	In R\$ thousand	
	Prudential Conglomerate	
	06/30/2020	12/31/2019
<b>Reference Equity Level I</b>	<b>855,783</b>	<b>836,998</b>
Ajusted Equity (*)	883,551	858,131
Decrease in intangible / deferred assets according to CMN Resolution No. 4,192	27,768	21,133
<b>Reference Equity (PR)</b>	<b>855,783</b>	<b>836,998</b>
<b>Risk-Weighted Assets (RWA)</b>	<b>493,762</b>	<b>443,442</b>
Portion referring to:		
Credit risk (RWACPAD)	440,851	391,703
Foreign exchange risk (PCAM)	4,024	11,520
Interest rate risk (RWAMPAD)	40	60
Operating Risk (RWAOPAD)	48,847	40,159
<b>Margin or Insufficiency Value (PR - RWA)</b>	<b>362,021</b>	<b>393,556</b>
<b>Risk Factor – 8.00% of PR</b>	<b>68,463</b>	<b>66,960</b>
<b>Basel Rate (Risk Factor / RWA)</b>	<b>13.87%</b>	<b>15.10%</b>
<b>Fixed Asset Ratio</b>		
RBAN	151,677	127,480
ACP Required	77,150	138,575
<b>Reference Equity Margin + RBAN</b>	<b>133,194</b>	<b>127,501</b>

(\*) The increase in Level I capital is mainly due to R\$ 200,000 thousand raised on January 30, 2019 through the issuance of subordinated financial bills carried out with the Bank's shareholder base and approved by the Central Bank.

**Notes to the financial statements as at June 30, 2020**
**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	
	06/30/2020	12/31/2019
<b>Asset credit tax:</b>		
<b>Balance at January 1</b>	<b>68,292</b>	<b>70,340</b>
Constitution (Reversal)		
- With effects in the result	42,894	(3,317)
- With effects in equity (Securities held for sale)	10,280	1,269
<b>Balance at June 30</b>	<b><u>121,466</u></b>	<b><u>68,292</u></b>
<b>Provision for deferred taxes: (*)</b>		
<b>Balance at January 1</b>	<b>19,198</b>	<b>20,926</b>
Constitution (Reversal)		
- With effects in the result	49,564	(1,710)
- With effects in equity (Securities held for sale)	-	32
<b>Balance at June 30</b>	<b><u>68,762</u></b>	<b><u>19,248</u></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, 2020**
**23. Income Tax and Social Contribution (Continued)**

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

	In R\$ Thousand	
	Prudential Conglomerate	
	06/30/2020	12/31/2019
<b>Asset Tax Credit:</b>		
<b>Temporary differences (a)</b>		
- Provision for loan transactions	50,781	26,742
- Market value adjustment - marketable securities and derivatives	50,606	21,765
- Provisions for Contingencies (Note 25a)	5,588	4,338
- Others	8,627	13,460
<b>Social Contribution Negative Basis</b>	2,542	785
<b>Tax loss</b>	3,322	1,202
<b>Total</b>	<b>121,466</b>	<b>68,292</b>
<b>Provision for deferred taxes</b>		
<b>Temporary differences (a)</b>		
- Market adjustment of securities and derivatives	68,724	7,778
- Others	38	11,470
<b>Total</b>	<b>68,762</b>	<b>19,248</b>

(a) It is expected that these tax credits will be realized up to the end of 2023 for income tax and social contribution, with a present value of R\$ 18 million and R\$ 12 million, respectively. The Social Contribution on tax credits was calculated considering a new rate in force of 20%, after publication of PEC No. 6, 2019.

**Notes to the financial statements as at June 30, 2020**
**23. Income Tax and Social Contribution (Continued)**

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			
	06/30/2020		06/30/2019	
	IRPJ	CSLL	IRPJ	CSLL
<b>Income before taxes</b>	<b>24,469</b>	<b>24,469</b>	<b>29,840</b>	<b>29,840</b>
Bank's net profit	14,423	14,423	38,135	38,135
(-) Interest on Bank's Capital	-	-	(19,231)	(19,231)
(-/+ ) Income tax and social contribution	(10,046)	(10,046)	(10,936)	(10,936)
<b>Tax rate</b>	<b>25%</b>	<b>20%</b>	<b>25%</b>	<b>15%</b>
<b>Income tax and social contribution</b>				
At tax rate	(6,117)	(4,894)	(7,460)	(4,476)
<b>Permanent additions</b>	<b>35,259</b>	<b>30,645</b>	<b>21,325</b>	<b>13,440</b>
Non-deductible expenses	5,506	892	8,246	361
Addition on profit abroad	29,753	29,753	13,079	13,079
<b>Permanent exclusions</b>	<b>19,863</b>	<b>19,863</b>	<b>9,367</b>	<b>9,367</b>
Tax-free revenues			12	12
Equity in the result of investees (Bank)	19,863	19,863	9,355	9,355
<b>Temporary additions / exclusions</b>	<b>(20,657)</b>	<b>(31,009)</b>	<b>(4,304)</b>	<b>(2,508)</b>
<b>Tax basis</b>	<b>19,208</b>	<b>4,243</b>	<b>37,493</b>	<b>31,405</b>
<b>Use of tax loss and negative basis</b>	-	-	<b>(11,248)</b>	<b>(9,421)</b>
<b>Tax basis with use of tax loss and negative basis</b>	<b>19,208</b>	<b>4,243</b>	<b>26,245</b>	<b>21,983</b>
<b>Income tax and social contribution (a)</b>	<b>(4,790)</b>	<b>(849)</b>	<b>(6,549)</b>	<b>(3,297)</b>
<b>Use of tax incentives and taxes of subsidiaries abroad</b>	<b>178</b>		<b>297</b>	
<b>Income tax and social contribution in the six-month period result</b>	<b>(4,612)</b>	<b>(849)</b>	<b>(6,252)</b>	<b>(3,297)</b>
DIPJ adjustment	(5,153)	-	115	-
Provision Deferred Tax Liabilities	(27,001)	(22,562)	(4,951)	(2,970)
<b>Income tax and social contribution in the result for the six-month period - Banco BOCOM BBM</b>	<b>(36,766)</b>	<b>(23,411)</b>	<b>(11,088)</b>	<b>(6,268)</b>
Income tax and social contribution of other institutions of the Prudential Conglomerate	(124)	(50)	(220)	(140)
<b>Income tax and social contribution in the result for the six-month period - Prudential Conglomerate</b>	<b>(36,889)</b>	<b>(23,461)</b>	<b>(11,308)</b>	<b>(6,408)</b>

- (a) In May 2015, the 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 remains in force up to December 2018. For the year 2019, the effective tax rate for CSLL was 15%, however, deferred tax assets and liabilities have already been recognized considering the definitive increase of said rate to 20%, after the publication of the Proposed Amendment to Constitution No. 6, June 2019, subsequently transformed into Amendment to Constitution No. 103. It should also be noted that, according to said EC No. 103, 2019, this increase is definitive and exclusive for banks.



**Notes to the financial statements as at June 30, 2020**
**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 on 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	
	06/30/2020	12/31/2019
Labor	11,548	8,804
Civil	633	633
<b>Total - Provisions for contingencies</b>	<b>12,181</b>	<b>9,437</b>

These provisions are recorded as "Other liabilities - sundry" under Long-term liabilities. During the six-month period ended June 30, 2020, R\$ 2,953 thousand was provided for contingencies in the Prudential Conglomerate.

**b) Liabilities for legal obligations**

Based on the preliminary injunction obtained, Banco BOCOM BBM and BOCOM BBM Corretora de Câmbio e Valores Mobiliários SA ensured the suspension of the requirement for PIS/Pasep and COFINS tax credits that are determined, with the incidence of ISS in their calculation bases, as well as their respective bookkeeping for timely and future compensation, if applicable, with the respective ISS deductibility from the calculation bases of the mentioned contributions. Based on that preliminary injunction, Banco BOCOM BBM and BOCOM BBM Corretora de Valores Mobiliários SA started to collect, in November 2018, PIS/Pasep and COFINS disregarding the municipal tax in their respective calculation bases, having been constituted a liability for the remaining balance until December 2019, included in the item "Other Sundry Liabilities" in Long-Term Liabilities, as follows:

	In R\$ thousand	
	Prudential Conglomerate	
	06/30/2020	12/31/2019
PIS and COFINS	248	208
<b>Total - Liabilities for legal obligations</b>	<b>248</b>	<b>208</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. The Bank, together with its legal advisors, has already presented its administrative defense, still pending judgment.

In November 2019, Banco BOCOM BBM SA received assessments from the Federal Revenue of Brazil with the purpose of: (i) Social security contributions allegedly due on PLR (Profit Sharing or Results) in the amount of \$ 5.5 million and (ii) social security contributions allegedly due on food in the amount of R \$ 1.1 million, both correspond to payments made in 2015. The Bank discusses the assessments at the administrative level. In the opinion of our legal advisors, the chances of loss in these cases are possible.

**Notes to the financial statements as at June 30, 2020**
**25. Allowance for Financial Guarantees**

The allowance for doubtful accounts related to financial guarantees is 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	
	06/30/2020	12/31/2019
<b>Guarantee</b>		
Other sureties	102,281	164,232
Surety or guarantee in lawsuits and administrative procedures	336,379	480,743
Linked to bids, auctions, service render or construction	363,047	327,654
Linked to international trade	161	1,171
<b>Total</b>	<b>801,868</b>	<b>973,800</b>
<b>Changes in allowance for financial guarantees</b>		
<b>Opening balance</b>	<b>1,232</b>	<b>1,161</b>
Constitution	67,210	10,990
Reversal	(48,932)	(11,063)
<b>Closing balance</b>	<b>19,510</b>	<b>1,088</b>

**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, 2020, the total assets mitigated by compensatory arrangement was of R\$ 301,253 thousand (December 31, 2019 - R\$ 801,302 thousand).

**(b) Result for future years**

Result for future years refers mainly to the earnings of guarantees granted (Note 7(b)) and its increase in the six-month period ended June 30, 2020 is aligned with the variation of the guarantees.

**(c) Marketable securities portfolio**

In the first six-month period of 2020, based on the Resolution No. 3,181 of the Central Bank of Brazil, considering the positive slope presented by the government securities' nominal rates, mainly that the nominal rate of NTN-F 01/2025 was above the rate of NTN-F 01/2023, and that for the budget and business plan of the coming years, it is important to have predictability and to avoid decrease in revenues, the Bank's Executive Committee unanimously approved to continue the process of extending the portfolio of nominal securities held to maturity, selling R\$ 359,890 thousand in NTN-F 01/2023 and buying R\$ 359,890 thousand in NTN-F 01/2025, which generated an effect in the result of R\$ 31,187 thousand.

At the end of the six-month period, Banco BOCOM BBM had R\$ 1,159,510 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.

**(d) Impacts of Covid19**

The Covid-19 pandemic shook 2020, spreading all over the world during the first half of the year. Measures of social isolation and limitation of circulation were adopted in most of the affected countries, leading to a sudden halt in the global economy. The synchronized nature of the interruption in economic activity accentuated the impact of the pandemic itself, leading the world to a recession greater than that observed after the Great Financial Crisis and to unprecedented tax and monetary interventions in both developed and emerging countries. These interventions sought to mitigate the impacts in terms of market liquidity and corporate income, in a scenario of high uncertainty, and they should imply in a scenario of extremely low interest rates in the world for the next quarters. Despite the recovery expected with the end of the restrictive measures, major challenges and uncertainties remain from the economic point of view, particularly the high levels of government leverage, the uneven impact on the services and tourism sector and unemployment levels that should remain high for some time to come. Still in early March 2020, when the World Health

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**Notes to the financial statements as at June 30, 2020****26. Other information (Continued)****(d) Impacts of Covid19 (Continued)**

Organization officially declared a global pandemic, BOCOM BBM, acting quickly and responsibly, took some actions to ensure the safety and well-being of all employees; it also effectively collaborated to help the health segment, at that time, lacking PPE for the protection of its professionals, thus enabling a better service to the population affected by the virus. In addition, counting on the involvement of employees, we contributed to meet the basic needs of less privileged people, residents of communities in Rio de Janeiro.

Social responsibility:

- Financial contribution to hospital of the Rio de Janeiro State University (Hospital Pedro Ernesto da UERJ), which had all its assistance focused on the treatment of the new virus. The amount was used according to the hospital's needs.
- Donation of 45,000 disposable isolation gowns (individual protection equipment for doctors) to the State Brain Institute - enough for 3 months.
- In partnership with our employees, we donated food baskets to people of a community in Rio de Janeiro called Morro da Providência.

\* \* \*  
Aline Gomes – Controller  
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