

(A free translation of the original in Portuguese)

www.pwc.com.br

Banco BOCOM BBM S.A.

***Financial statements at
December 31, 2020 and
independent auditor's report***





(A free translation of the original in Portuguese)

Independent auditor's report

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

Opinion

We have audited the accompanying parent company financial statements of Banco BOCOM BBM S.A. (the "Bank"), which comprise the balance sheet as at December 31, 2020 and the statements of income, comprehensive income, changes in equity and cash flows for the year and six-month period then ended, as well as the accompanying consolidated financial statements of Banco BOCOM BBM S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2020 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year and six-month period then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banco BOCOM BBM S.A. and of Banco BOCOM BBM S.A. and its subsidiaries as at December 31, 2020, and the parent company financial performance and cash flows, as well as the consolidated financial performance and cash flows, for the year and six-month period then ended, in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN).

Basis for opinion

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 Parent Company and Consolidated Financial Statements section of our report. We are independent of the Bank and its subsidiaries 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.

Other information accompanying the parent company and consolidated financial statements and the auditor's report

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

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

In connection with the audit of the parent company and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is



Banco BOCOM BBM S.A.

materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the parent company and consolidated financial statements

Management is responsible for the preparation and fair presentation of these parent company and consolidated financial statements in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company and consolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, 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 are responsible for overseeing the financial reporting process of the Bank and its subsidiaries.

Auditor's responsibilities for the audit of the parent company and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the parent company and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Bank and its subsidiaries.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Banco BOCOM BBM S.A.

- 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's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, 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. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Rio de Janeiro, February 26, 2021

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

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

A handwritten signature in blue ink that reads "Caio Fernandes Arantes".

Caio Fernandes Arantes
Contador CRC 1SP222767/O-3

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 are 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 global economic recovery was the highlight of second-half 2020, following the easing of restrictive measures imposed to combat the pandemic worldwide, and above all thanks to state monetary, fiscal and credit support in the United States, Europe, China and Brazil. The rapid development of effective COVID-19 vaccines inspires optimism regarding further improvement in 2021. Considering a benign external scenario, we project 3.6% GDP growth for Brazil in 2021, after a contraction of about 4.5% in 2020. However, the Brazilian economy continues to face daunting challenges in the current year, including a high unemployment rate, the prospect of another wave of infections, a sharp fall in government income support, and a complex fiscal situation that makes resumption of the fiscal consolidation and structural reform agenda a pressing priority. Completing this agenda will guarantee the predictable and stable environment required for the much-needed investment in the economy, and consequently a return to more robust economic growth in the years ahead.

Here at BOCOM BBM we are striving to act coherently with the exceptional conditions prevailing during this half and year without deviating from our values and knowledge, which have been defined and tested throughout our trajectory in the Brazilian financial markets.

First of all, we efficiently and effectively maintained protocols for communication and reaction to risks of contamination by SARS-CoV-2, including maintenance of working from home for all staff who took this option.

Our highlights this half included growth of our credit portfolio and of our presence in the corporate and sovereign bond markets, with a positive influence on our net income as well as aiding market stabilization. A noteworthy factor in this portfolio growth was our engagement in the Emergency Credit Access Program (PEAC), whereby we also shared credit risk with the BNDES Investment Guarantee Fund and extended the average maturity of our portfolio. This extension was matched by foreign and domestic funding, complying with the parameters of our liquidity policy.

Throughout the year we also strove to optimize the use of our knowledge of credit analysis and risk analysis generally, creating four new investment funds: BOCOM BBM Corporate Credit High Yield, BOCOM BBM Corporate Credit, BOCOM BBM ESG, and BOCOM BBM China. Income from these funds and other income from services totaled BRL 105 million, or 23.3% of total income in the period.

The impact of the pandemic on GDP and debt in Asian countries clearly diminished in the second half for several reasons, and the capital markets in our controlling shareholder's home region became more dynamic as a result. This competitive advantage led us to seek opportunities and mechanisms for integration of the Brazilian and Asian, especially Chinese, markets. Our participation in Bond Connect, the leading platform for the purchase of bonds on the local Chinese market by foreigners, takes us in this direction. BOCOM BBM is the first Latin American bank to join the initiative.

We ended an extraordinary year with the sense that we acted with efficacy and achieved positive results in a business environment that swung from pessimism to optimism and back again. As always, we held steady at the wheel, confident that our values and experience enable our team to roll out innovative solutions in any environment.

Performance of Financial Group

Banco BOCOM BBM Financial Group recorded equity of R\$ 764 million and net income of R\$ 117 million on December 31, 2020, which corresponds to annual profitability of 16.45%, calculated based on the average equity for the period.

Total assets in 2020 amounted to R\$ 12,705 million. The amount raised in the domestic and foreign markets totaled R\$ 10,549 million at end of the year, an increase of 65.5% compared to December 31, 2019. The Bank's Basel Capital Adequacy Ratio was 14.37% at the end of the year.

Corporate Credit

The expanded credit portfolio reached BRL 9.29 billion, including export-import finance and guarantees such as sureties and avals, and we participated actively in the extension of credit facilities as part of the measures implemented to mitigate the economic impact of the pandemic via PEAC and BNDES, for a total of BRL 2.9 billion.

Management's Report

Wealth Management

Using constantly updated tools to manage the assets of Brazilian and foreign clients, we offer a range of financial products via an open platform and global investment opportunities suited to long-term objectives. Assets under management totaled BRL 9.01 billion at end-2020.

Asset Management

Set up a year ago, the area offers private credit funds and other investment funds with medium- and long-term horizons. We recently launched global ESG and China equity funds with a focus on sustainability and sharing in Chinese companies' profit respectively. Our differentiators are fund management experience, macroeconomic research, equity research, and credit monitoring. The net asset value of our funds surpassed BRL 516 million in December 2020.

People

We are a hub for identifying and training talented people. We place a high value on the systematic pursuit of advanced knowledge, prioritizing people who aim to achieve their material and intellectual goals with the support of practical and academic experience. We are aware of the importance of teaching and motivating those who join us, not least so that each day we can discover new ways of doing our jobs better. In order to prosper, we are committed to maintaining a meritocratic, dynamic, transparent and diverse workplace in accordance with our Code of Ethics and Conduct.

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 raised the ratings of Banco BOCOM BBM on December 15, 2020. On a global scale, "Ba1" rating was assigned to local and foreign currency deposits, with a notch above the Brazilian rating ("Ba2") and "Ba1" 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 January 5, 2021, 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-"). BOCOM BBM's long-term IDR prospects reflect those of sovereign ratings.

Securities Portfolio

In the year ended December 31, 2020, BOCOM BBM's Executive Committee unanimously approved a reorganization of the bank's business units. The Sales & Trading area is now responsible for managing and negotiating corporate securities. The scope of this business unit includes the active negotiation of corporate securities in the secondary market, thus, together with the reorganization, the transfer of "held to maturity" securities to the "available for sale" category was also unanimously approved, at the time of the preparation of this balance sheet, in accordance with Circular Letter No. 3,068/01 of the Central Bank of Brazil. The total amount reclassified was of R\$ 274,921 thousand for other securities abroad.

Balance Sheet

Assets

	Note	In R\$ thousands			
		Bank		Operational	Consolidated
		12/31/2020	12/31/2019	12/31/2020	12/31/2019
Current assets		5,962,320	4,894,324	5,431,644	4,719,503
Cash	4	613,564	141,063	666,823	251,257
Cash		3	3	3	3
Free reserves		11,469	364	11,469	364
Bank deposits in foreign currencies		602,092	140,696	655,351	250,890
Short-term interbank investments	5	1,566,672	2,416,873	600,326	1,718,711
Open market investments	4	540,007	1,557,483	540,007	1,557,483
Interbank deposits		58,240	-	58,240	-
Investments in foreign currencies	4	968,425	859,390	2,079	161,228
Marketable securities and derivative financial instruments	6	1,527,840	276,798	1,682,677	493,058
Bank portfolio		1,197,755	132,457	1,197,755	132,457
Subject to repurchase agreements		23,482	4,453	23,482	4,453
Derivative financial instruments		296,491	131,016	296,526	131,016
Linked to guarantees given	21	10,113	8,872	164,915	225,132
Allowance for marketable securities		(1)	-	(1)	-
Interbank accounts		63,684	21,624	63,684	21,624
Correspondent banks		85	19,313	85	19,313
Deposits – Central Bank of Brazil		63,599	2,311	63,599	2,311
Loan transactions	7	1,945,902	1,558,573	2,166,505	1,737,382
Discounted securities and loans		1,366,306	856,711	1,588,784	1,035,520
Financing		286,086	515,802	286,086	515,802
Rural and agroindustrial financing		308,175	206,548	308,175	206,548
Allowance for loans		(14,665)	(20,488)	(16,540)	(20,488)
Other receivables		228,725	440,224	235,696	458,302
Foreign exchange portfolio	8	157,708	394,245	157,708	394,245
Unearned income		9,125	5,572	8,748	5,406
Trading and brokerage		2	2	2	2
Credit assignment	7	8,577	-	8,577	-
Honoured guarantee and surety	7	-	4,143	-	4,143
Sundry	14	53,974	43,559	61,322	61,803
Allowance for other receivables	7	(661)	(7,297)	(661)	(7,297)
Other assets	15	15,933	39,169	15,933	39,169

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

Balance Sheet

Assets	Note	In R\$ thousands			
		Bank		Operational Consolidated	
		12/31/2020	12/31/2019	12/31/2020	12/31/2019
Noncurrent assets					
Long-term assets		6,961,250	3,954,084	7,066,110	4,181,297
Short-term interbank investments	5	168,397	-	168,397	-
Interbank deposits		168,397	-	168,397	-
Marketable securities and derivative financial instruments	6	2,308,898	1,965,671	2,334,338	1,975,098
Bank portfolio		1,270,107	540,742	1,270,107	540,742
Linked to repurchase agreements		260,312	1,190,562	260,312	1,190,562
Linked to guarantees given		672,911	191,332	675,114	191,332
Derivative financial instruments		105,687	43,154	128,924	52,581
Provisions for marketable securities		(119)	(119)	(119)	(119)
Loan transactions	7	4,227,487	1,854,107	4,305,133	2,069,895
Discounted securities and loans		3,471,071	986,771	3,549,123	1,202,559
Financing		448,480	485,905	448,480	485,905
Rural and agroindustrial financing		328,731	400,071	328,731	400,071
Allowance for loans		(20,795)	(18,640)	(21,201)	(18,640)
Other receivables		256,468	134,009	258,242	136,007
Foreign exchange portfolio	8	65,770	-	65,770	-
Unearned income		10,411	7,472	10,411	7,472
Credit assignment	7	17,360	-	17,360	-
Sundry	14	57,780	60,050	57,976	60,243
Tax credits	24	105,754	66,487	107,332	68,292
Allowance for other receivables	7	(607)	-	(607)	-
Other assets	15	-	297	-	297
Permanent assets		452,739	429,568	207,275	127,371
Investments		416,833	399,490	171,332	97,288
Income from interest in subsidiaries					
In Brazil	9	12,226	11,547	-	-
Abroad	9	403,960	387,643	170,685	96,988
Other investments		2,457	2,110	3,276	2,929
Provision for losses		(1,810)	(1,810)	(2,629)	(2,629)
Property and equipment in use		10,970	10,932	11,007	10,937
Furniture and equipment		11,816	13,678	11,876	14,660
(-) Furniture and equipment depreciation		(4,418)	(6,742)	(4,441)	(7,719)
Improvements in third party real estate		6,936	6,903	6,936	6,903
(-) Depreciation in improvement in third parties properties		(3,365)	(2,908)	(3,365)	(2,908)
Lands		1	1	1	1
Intangible assets		24,936	19,146	24,936	19,146
Data processing systems		33,715	23,553	33,715	23,553
(-) Amortization in data processing systems		(12,171)	(6,964)	(12,171)	(6,964)
Communication and security systems		922	922	922	922
(-) Amortization in communication and security systems		(441)	(268)	(441)	(268)
Licenses and copyright and use rights		4,405	2,752	4,405	2,752
(-) Amortization in licenses and copyright and use rights		(1,494)	(849)	(1,494)	(849)
Total assets		13,376,309	9,277,976	12,705,029	9,028,171

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

Balance Sheet

Liabilities	Note	In R\$ thousands			
		Bank		Operational Consolidated	
		12/31/2020	12/31/2019	12/31/2020	12/31/2019
Current liabilities		8,054,761	6,126,213	7,359,023	5,866,604
Deposits	10	2,701,526	810,503	1,852,740	588,686
Demand deposits		1,577,334	501,120	738,262	290,373
Time deposits		1,026,179	12,701	1,026,179	1,631
Interbank deposits		98,013	296,682	88,299	296,682
Repurchase agreements	11	282,049	1,713,255	282,049	1,713,255
Bank portfolio		282,049	1,213,255	282,049	1,213,255
Third-party portfolio		-	500,000	-	500,000
Funds from acceptance and issue of securities	12	2,283,421	1,467,092	2,283,421	1,467,092
Liabilities – marketable securities abroad		153,599	122,047	153,599	122,047
Liabilities from issue of agribusiness credit bills - LCA		728,646	659,643	728,646	659,643
Liabilities from issue of housing credit bills - LCI		56,983	70,641	56,983	70,641
Liabilities from issue of financial bills - LF		502,721	614,761	502,721	614,761
Liabilities from financial letter with guarantee - LFG		841,472	-	841,472	-
Interbranch accounts		60,097	86,517	60,097	86,517
Third-party funds in transit		60,097	86,517	60,097	86,517
Borrowings	13	2,313,174	1,769,975	2,313,174	1,711,403
Loans abroad		2,313,174	1,769,975	2,313,174	1,711,403
Derivative financial instruments	6 and 21	89,362	40,784	235,775	42,467
Derivative financial instruments		89,362	40,784	235,775	42,467
Other liabilities		325,132	238,087	331,767	257,184
Collection of similar taxes		32	458	32	458
Foreign exchange portfolio	8	1,301	81,085	1,301	81,085
Social		27,023	48,410	27,023	48,410
Statutory		33,203	26,740	34,002	27,506
Tax and social security		70,574	46,900	71,359	47,569
Securities trading		5,597	11,948	5,597	11,948
Allowance for financial guarantees	7 and 26	15,546	789	13,671	789
Sundry	14	171,856	21,757	178,782	39,419

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

Balance Sheet

Liabilities	Note	In R\$ thousands			
		Bank		Operational	Consolidated
		12/31/2020	12/31/2019	12/31/2020	12/31/2019
Noncurrent liabilities					
Long-term payables		4,537,320	2,482,669	4,561,778	2,492,473
Deposits	10	1,058,535	376,408	1,058,535	376,408
Time deposits		507,666	-	507,666	-
Interbank deposits		550,869	376,408	550,869	376,408
Repurchase agreements	11	14,712	-	14,712	-
Own portfolio		14,712	-	14,712	-
Funds from acceptance and issue of securities	12	1,888,430	1,459,625	1,888,430	1,459,625
Liabilities – marketable securities abroad		-	91,944	-	91,944
Liabilities from issue of agribusiness credit bills - LCA		722,183	454,358	722,183	454,358
Liabilities from issue of financial bills - LF		954,028	626,745	954,028	626,745
Liabilities from issue of real estate credit bills - LCI		10,459	81,618	10,459	81,618
Liabilities from issue of financial bills subordinated debts		201,760	204,960	201,760	204,960
Borrowings	13	1,149,642	542,754	1,149,642	542,754
Loans abroad		1,149,642	542,754	1,149,642	542,754
Derivative financial instruments	6 and 21	324,407	54,843	348,528	64,270
Derivative financial instruments		324,407	54,843	348,528	64,270
Other liabilities		101,594	49,039	101,931	49,416
Social		-	-	-	-
Statutory		21,717	20,312	22,272	20,646
Tax and social security		58,892	11,489	58,935	11,532
Sundry	14	19,510	16,939	19,655	16,939
Allowance for financial guarantees	7 and 26	1,475	299	1,069	299
Deferred income	27	19,900	15,911	19,900	15,911
Equity	16	764,328	653,183	764,328	653,183
Capital		469,300	469,300	469,300	469,300
Domiciled in Brazil		469,300	469,300	469,300	469,300
Income reserves		449,852	365,072	449,852	365,072
Market value adjustment - marketable securities and financial instruments		27,015	650	27,015	650
Securities available for sale		27,015	650	27,015	650
Treasury stock		(181,839)	(181,839)	(181,839)	(181,839)
Total liabilities and equity		13,376,309	9,277,976	12,705,029	9,028,171

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

Income Statement

		In R\$ thousands				
		Bank			Operational Consolidated	
Note		Second half of 2020	12/31/2020	12/31/2019	Second half of 2020	12/31/2020 12/31/2019
Financial income		114,835	861,486	554,474	122,400	886,209 583,969
Loan transactions		123,640	303,412	303,557	131,472	324,109 321,543
Income from marketable securities transactions	5 and 6	108,679	235,076	186,057	106,673	231,469 185,368
Result of exchange operations	17	14,686	148,775	56,173	14,892	149,125 53,264
Gain/(Loss) on derivative financial instruments	21	(132,170)	174,223	8,687	(130,637)	181,506 23,794
Financial expenses		102,306	(570,413)	(332,287)	101,945	(569,988) (329,810)
Market funding operations	17	(53,234)	(197,017)	(247,275)	(53,595)	(197,216) (246,705)
Loans, assignments and onlending operations	17	117,226	(345,625)	(72,931)	117,226	(345,001) (71,024)
(Provisions)/Set up of allowance doubtful account	7	38,408	(26,925)	(11,719)	38,408	(26,925) (11,719)
(Provisions) for marketable securities	6	(94)	(846)	(362)	(94)	(846) (362)
Gross financial income		217,141	291,073	222,187	224,345	316,221 254,159
Other operating income (expenses)		(12,507)	(44,770)	(52,100)	(16,418)	(62,766) (78,204)
Service revenues	18	71,093	100,157	84,370	74,682	105,974 88,130
Personnel expenses		(47,588)	(85,588)	(72,667)	(49,848)	(90,028) (75,043)
Other administrative expenses	19	(28,406)	(57,605)	(60,137)	(29,787)	(60,491) (62,536)
Tax expenses		(15,921)	(22,019)	(20,372)	(16,097)	(22,901) (21,220)
Income from interest in subsidiaries	9	7,232	17,209	13,881	3,538	1,560 (10,480)
Other operating income		5,218	7,337	2,882	5,230	7,387 3,056
Other operating expenses		(4,135)	(4,261)	(57)	(4,136)	(4,267) (111)
Operating income		204,634	246,303	170,087	207,927	253,455 175,955
Non-operating expenses		(6,303)	(7,445)	(6,422)	(6,303)	(7,445) (6,422)
Income before income taxes and profit sharing		198,331	238,858	163,665	201,624	246,010 169,533
Income and social contributions taxes	24	(59,194)	(73,264)	(27,936)	(62,158)	(79,614) (32,651)
Provision for income tax		(23,367)	(56,956)	(12,025)	(25,970)	(62,859) (16,365)
Provision for social contribution tax		(19,490)	(42,901)	(12,356)	(19,661)	(43,122) (12,560)
Deferred tax asset/(liability)		(16,337)	26,593	(3,555)	(16,527)	26,367 (3,726)
Profit sharing – management and employees		(36,995)	(49,022)	(47,208)	(37,324)	(49,824) (48,361)
Net income		102,142	116,572	88,521	102,142	116,572 88,521
Earnings per outstanding share		0.50	0.57	0.43	0.50	0.57 0.43

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

Statement of Comprehensive Income

	In R\$ thousands		
	Bank/ Operational Consolidated		
	Second half of 2020	12/31/2020	12/31/2019
Net income	102,142	116,572	88,521
Market adjustment variation of the securities	13,770	26,636	650
Securities available for sale	7,097	29,564	975
Tax effects	6,673	(2,928)	(325)
Exchange variation of investments abroad	(5,499)	20,349	8,631
Derivative financial instruments used for hedging	5,232	(20,620)	(8,631)
Derivative financial instruments	9,513	(36,221)	(15,347)
Tax effects	(4,281)	15,601	6,716
Comprehensive income for the six-month period/year	115,645	142,937	89,171

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

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

In R\$ thousands							
Capital	Income reserves		Market value adjustment of securities and derivatives	Hedge of Investments Abroad	Treasury shares	Retained earnings	Total
	Legal	Statutory	Bank				
Year Ended December 31, 2019							
Balances at January 1, 2019	469,300	31,672	282,066	48	-	(181,839)	-
Market value adjustments - marketable securities			602				602
Exchange variation of investments abroad				8,631			8,631
Derivatives financial instruments used for hedging				(8,631)			(8,631)
Net income for the year						88,521	88,521
- Reserves	4,426	46,908				(51,334)	-
- Interest on equity (R\$ 0.18 per share)						(37,187)	(37,187)
Balances at December 31, 2019	469,300	36,098	328,974	650	-	(181,839)	-
Changes in the year	-	4,426	46,908	602	-	-	51,936
Year Ended December 31, 2020							
Balances at January 1, 2020	469,300	36,098	328,974	650	-	(181,839)	-
Market value adjustments - marketable securities			26,636				26,636
Exchange variation of investments abroad				20,349			20,349
Derivatives financial instruments used for hedging				(20,620)			(20,620)
Net income for the year						116,572	116,572
- Reserves	5,829	78,951				(84,780)	-
- Interest on equity (R\$ 0.15 per share)						(31,792)	(31,792)
Balances at December 31, 2020	469,300	41,927	407,925	27,286	(271)	(181,839)	-
Changes in the year	-	5,829	78,951	26,636	(271)	-	111,145
Balances at July 1, 2020	469,300	36,820	342,682	13,516	(4)	(181,839)	-
Market value adjustments - marketable securities			13,770				13,770
Exchange variation of investments abroad				(5,499)			(5,499)
Derivatives financial instruments used for hedging				5,232			5,232
Net income for the semester						102,142	102,142
- Reserves	5,107	65,243				(70,350)	-
- Interest on equity (R\$ 0.15 per share)						(31,792)	(31,792)
Balances at December 31, 2020	469,300	41,927	407,925	27,286	(271)	(181,839)	-
Changes in the six-month period	-	5,107	65,243	13,770	(267)	-	83,853

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

Statement of Cash Flows

	In R\$ thousands					
	Bank			Operational Consolidated		
	Second half of 2020	12/31/2020	12/31/2019	Second half of 2020	12/31/2020	12/31/2019
Cash flows from operating activities						
Net income	102,142	116,572	88,521	102,142	116,572	88,521
Adjustments to net income:	(35,733)	30,780	12,316	(30,366)	48,141	36,849
Allowance/Reversion for doubtful accounts	(38,408)	26,924	11,719	(38,408)	26,924	11,719
Depreciation and amortization	4,147	7,703	5,720	4,149	7,708	5,723
Expenses from civil, labor and tax allowances	841	3,864	508	841	3,864	508
Income from interest in subsidiaries	(7,232)	(17,209)	(13,881)	(3,538)	(1,560)	10,480
Deferred income and social contribution taxes	16,337	(26,593)	3,555	16,527	(26,367)	3,726
Gain/losses on fair value adjustment on marketable securities and derivatives	(11,418)	36,091	4,695	(9,937)	37,572	4,693
Adjusted net income	66,409	147,352	100,837	71,776	164,713	125,370
(Increase)/Decrease in short-term interbank investments	(54,284)	(226,637)	3,466	(54,284)	(226,637)	3,466
Decrease in marketable securities and derivative financial instruments	(393,622)	(1,312,218)	(728,919)	(236,529)	(1,108,865)	(734,519)
Decrease in interbank and interbranch accounts	(39,631)	(68,480)	(13,371)	(39,631)	(68,480)	(13,372)
Decrease in loan and lease transactions	(2,815,160)	(2,787,634)	(390,181)	(2,686,808)	(2,691,285)	(598,715)
(Decrease)/Increase in deposits	1,624,425	2,573,150	(1,444,641)	1,294,836	1,946,181	(1,542,206)
(Increase)/Decrease in open market funding	102,598	(1,416,494)	1,099,357	103,248	(1,416,494)	1,099,357
(Increase)/Decrease in securities issue resources	1,330,469	1,245,134	(219,497)	1,330,469	1,245,134	(219,497)
Increase in borrowings and onlending	7,756	1,150,087	2,801,742	7,756	1,208,659	2,743,171
Increase in deferred income	4,356	3,989	5,789	4,356	3,989	5,789
(Increase)/Decrease in other assets	139,984	139,167	(89,538)	205,474	150,271	(102,719)
Increase in other liabilities	39,909	55,534	115,491	33,994	43,032	128,950
Increase in market value adjustments - marketable securities	13,503	26,365	602	13,503	26,365	602
Net cash flow from (used in) operating activities	(39,697)	(618,037)	1,140,299	(23,616)	(888,130)	770,307
Cash flows from investing activities:						
Increase in investments	(3)	(134)	39	(11,568)	(72,484)	10,141
Property and equipment for use and leased acquisition	(7,417)	(13,531)	(19,082)	(7,452)	(13,568)	(19,084)
Net cash provided by (used in) investing activities	(7,420)	(13,665)	(19,043)	(19,020)	(86,052)	(8,943)
Cash flows from financing activities:						
Dividends and interest on equity paid	48,410	48,410	-	48,410	48,410	-
Net cash used in financing activities	48,410	48,410	-	48,410	48,410	-
Net increase in cash and cash equivalents	67,702	(435,940)	1,222,093	77,550	(761,059)	886,734
At the beginning of the six-month period/year	2,054,294	2,557,936	1,335,843	1,131,359	1,969,968	1,083,234
Changes for the six-month period/year	39,125	(452,384)	1,210,886	48,767	(777,644)	878,438
Exchange variation for the six-month period/year	28,577	16,444	11,207	28,783	16,585	8,296
At the end of the six-month period/year	2,121,996	2,121,996	2,557,936	1,208,909	1,208,909	1,969,968
Net increase in cash and cash equivalents	67,702	(435,940)	1,222,093	77,550	(761,059)	886,734
Non-monetary transaction						
Unpaid interest on equity	31,792	31,792	37,187	31,792	31,792	37,187

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

Notes to the financial statements

1. Operations

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

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

The Bank and the Financial Group 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 Bank and the Financial Group 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 May 2020, the amendments to CMN Resolution No. 4,818/20 and BACEN Resolution No. 2/20 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 No. 4,818/20 and BACEN Resolution No. 2/20, 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 Consolidation

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

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

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

Notes to the financial statements

The Operating Consolidation comprises the financial statements at December 31, 2020 and 2019 of the following institutions:

2.1 Consolidation (Continued)

Banco BOCOM BBM S.A. and Nassau branch

BBM Bank Ltd. (a)

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

- (a) The indirect participation of 100% of Banco BOCOM BBM in the social capital of BBM Bank Ltd. was eliminated from the Operating Consolidate.
- (b) Banco BOCOM BBM directly holds 100% of the capital of this entity.

3. Significant Accounting Practices

(a) Results of Operations

Calculated on an accrual basis.

According to BACEN Resolution No. 2/20, recurring and non-recurring results were presented separately.

	In R\$ Thousand		
	Bank/Operational Consolidated		
	Second Half of 2020	12/31/2020	12/31/2019
Recurring Net Income	102,915	120,930	92,136
Extraordinary Events	(773)	(4,358)	(3,615)
Fines	(161)	(178)	(150)
Provisions for contingencies	(605)	(3,603)	(479)
Provision for devaluation of properties not for use (BNDU)	(2,600)	(2,600)	(6,268)
Result from sale of properties not for use (BNDU)	1,961	(1,540)	324
Income tax and social contribution	632	3,564	2,958
Net Income	102,142	116,572	88,521

(b) Marketable securities and derivative financial instruments

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

I- Trading securities;

II- Securities held for sale;

III- Securities held up to maturity.

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

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

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

(c) Current and non-current assets

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

Notes to the financial statements

(d) **Permanent assets**

These are stated at cost, plus the following aspects:

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

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

- I- Reclassified to the proper asset accounts, according to the operation nature, when they refer to items that constitute an asset, according to the effective regulation; and
- II- Amortized on a straight-line basis up to December 31, 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 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 issued on December 20, 2002, and No. 3.355, issued on March 31, 2006, and take into account the history of profitability and the expected generation of future taxable income supported by technical feasibility studies. The deferred taxes were constituted based on the expected income tax of 25% and social contribution rates of 15% and 20%, since used while the rate is effective.

In May 2015, Provisional Measure No. 675 was issued, amending the rate of Social Contribution on Net Income (CSLL) of financial institutions from 15% to 20%. According to the Provisional Measure, this rate increase became effect as from September 2015 and it remains in force up to December 2018. For 2019, the current rate for CSLL was 15%, however, the deferred active and passive taxes 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, 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 value, adjusted to market value as a counterparty to the result. The market value of swap and term operations are individually recorded in asset and liability equity accounts, as a counterparty to the respective income and expense accounts

(h) **Earnings per share**

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

(i) **Impairment of assets**

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

Notes to the financial statements

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, we can have provision, even if the suits are classified as possible.

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

(k) Short-term interbank investments

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

(l) Loan transactions

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

Credit assignments without risk retention result in the write-off of the financial assets that are the object of the operation, which are then kept in an offsetting account. The result of the assignment is fully recognized when it is realized. As of January 2012, as determined by CMN 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.

Notes to the financial statements

3. Significant Accounting Practices (Continued)

(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.

(o) Hedge Accounting

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

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

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

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

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

Derivative instruments used for hedging purposes, as well as the marked-to-market value of the hedged object are disclosed in Note 21.

(p) Deposits and Funding in the Open Market

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

(q) Intangible assets

These correspond to the acquired rights that aim at assets incorporated into the maintenance of the entity or exercised with this condition, in accordance with CMN Resolution No. 4,534, of November 24, 2016. It consists of (i) licenses and copyrights and use and (ii) Software. Intangible assets with defined useful lives are amortized on a straight-line basis over the period of their useful lives in which the rights generate benefits.

Notes to the financial statements

4. Cash and cash equivalent

	In R\$ thousands			
	Bank		Operational Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Bank deposits in foreign currencies	602,092	140,696	655,351	250,890
Open market investments (a)	540,007	1,557,483	540,007	1,557,483
Free reserves	11,469	364	11,469	364
Investments in foreign currencies	968,425	859,390	2,079	161,228
Cash	3	3	3	3
Total	2,121,996	2,557,936	1,208,909	1,969,968

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

5. Short-term interbank investments

Short-term interbank investments are as follows:

	In R\$ thousands			
	Bank		Operational Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Open market investments				
Self-funded position	540,007	1,057,483	540,007	1,057,483
National treasury bills	380,001	723,078	380,001	723,078
National treasury notes – B series	100,002	316,922	100,002	316,922
Financial treasury bills	60,004	17,483	60,004	17,483
Funded position	-	500,000	-	500,000
National treasury bills	-	440,001	-	440,001
National treasury notes – B series	-	59,999	-	59,999
Interbank deposits	226,637	-	226,637	-
Investments in foreign currencies	968,425	859,390	2,079	161,228
	1,735,069	2,416,873	768,723	1,718,711
Current assets	1,566,672	2,416,873	600,326	1,718,711
Long-term receivables	168,397	-	168,397	-
	1,735,069	2,416,873	768,723	1,718,711

Notes to the financial statements

5. Short-term interbank investments (Continued)

(a) The amount in investments in foreign currency at the Bank and in the Operating Consolidated in December 2020 and December 2019 basically refers to deposits with group companies.

(b) The interbank deposits in the Bank and in the Operational Consolidated in December 2020 basically refer to Time Deposits with Special Guarantees. In the year ended December 31, 2020, their maturities are: July 2021, August 2021, November 2021, December 2021, February 2022, March 2022, May 2022 and June 2022.

At December 31, 2020 and December 31, 2019, the collateral received through repurchase agreements amounted to R\$ 542,414 thousand and R\$ 1,571,177 thousand, respectively, in the Prudential Conglomerate. The provided collateral amounted to R\$ 15,075 thousand and R\$ 1,164,526 thousand during the same periods.

The results of short-term interbank investments in the Bank and in the Operational Consolidated are as follows:

	In R\$ thousands					
	Bank			Operational Consolidated		
	Second half of 2020	12/31/2020	12/31/2019	Second half of 2020	12/31/2020	12/31/2019
Open market investments	12,732	26,604	23,294	12,732	26,604	23,294
Interbank deposits	4,491	4,845	201	4,491	4,846	201
Investments in foreign currencies	2,231	5,541	5,836	210	1,897	5,147
Income from marketable securities transactions	19,454	36,990	29,331	17,433	33,347	28,642

Notes to the financial statements

6. Marketable securities and derivative financial instruments

	In R\$ thousand				In R\$ thousand			
	Bank		Operational Consolidated		Bank		Operational Consolidated	
	Cost	Market	Cost	Market	Cost	Market	Cost	Market
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
I- Marketable securities	3,687,525	3,720,938	2,189,555	2,190,443	3,689,763	3,723,176	2,189,555	2,190,443
Securities for trading (*)	959,486	962,943	136,222	136,298	961,724	965,181	136,222	136,298
Bank portfolio	910,068	913,499	116,296	116,372	910,068	913,499	116,296	116,372
Fixed-income securities	764,934	768,365	2,604	2,680	764,934	768,365	2,604	2,680
Financial Treasury Bills	406,727	407,381	230	230	406,727	407,381	230	230
National Treasury Bills	274,431	276,982	-	-	274,431	276,982	-	-
National Treasury Notes - B series	83,776	84,002	2,374	2,450	83,776	84,002	2,374	2,450
Investment funds quotas	145,134	145,134	113,692	113,692	145,134	145,134	113,692	113,692
Multimarket fund quotas	145,134	145,134	113,692	113,692	145,134	145,134	113,692	113,692
Subject to repurchase agreements	5,604	5,616	94	94	5,604	5,616	94	94
Financial Treasury Bills	-	-	94	94	-	-	94	94
National Treasury Notes - B series	5,604	5,616	-	-	5,604	5,616	-	-
Linked to guarantees given	43,814	43,828	19,832	19,832	46,052	46,066	19,832	19,832
Financial Treasury Bills	19,329	19,343	-	-	19,329	19,343	-	-
Fund quotas given as guarantee	24,485	24,485	19,832	19,832	26,723	26,723	19,832	19,832
Securities available for sale (*)	1,899,815	1,929,771	1,347,599	1,348,411	1,899,815	1,929,771	1,347,599	1,348,411
Bank portfolio	947,138	969,981	406,388	406,567	947,138	969,981	406,388	406,567
Fixed-income securities	318,046	318,163	385,777	385,956	318,046	318,163	385,777	385,956
Financial Treasury Bills	58,050	58,042	36,147	36,149	58,050	58,042	36,147	36,149
National Treasury Bills	980	1,000	934	927	980	1,000	934	927
National Treasury Notes - B series	7	7	1,851	1,908	7	7	1,851	1,908
Promissory notes	142,618	142,621	101,662	101,686	142,618	142,621	101,662	101,686
Debentures	1,525	1,489	129,027	129,128	1,525	1,489	129,027	129,128
CRA	13,934	14,072	15,441	15,442	13,934	14,072	15,441	15,442
Rural product note	100,932	100,932	100,715	100,716	100,932	100,932	100,715	100,716
Marketable securities abroad	629,092	651,818	20,611	20,611	629,092	651,818	20,611	20,611
Eurobonds (a)	629,092	651,818	20,611	20,611	629,092	651,818	20,611	20,611
Subject to repurchase agreements	276,926	278,178	696,432	697,043	276,926	278,178	696,432	697,043
Financial Treasury Bills	9,504	9,459	150,022	150,045	9,504	9,459	150,022	150,045
Debentures	267,422	268,719	546,410	546,998	267,422	268,719	546,410	546,998
Linked to guarantees given	675,751	681,612	244,779	244,801	675,751	681,612	244,779	244,801
Financial Treasury Bills	274,462	274,350	244,779	244,801	274,462	274,350	244,779	244,801
Debentures	401,289	407,262	-	-	401,289	407,262	-	-
Securities held up to maturity	828,224	828,224	705,734	705,734	828,224	828,224	705,734	705,734
Bank portfolio	584,382	584,382	150,260	150,260	584,382	584,382	150,260	150,260
Fixed-income securities	400,237	400,237	68,596	68,596	400,237	400,237	68,596	68,596
National Treasury Notes - F series	400,237	400,237	68,596	68,596	400,237	400,237	68,596	68,596
Marketable securities abroad	184,145	184,145	81,664	81,664	184,145	184,145	81,664	81,664
Eurobonds (a)	184,145	184,145	81,664	81,664	184,145	184,145	81,664	81,664
Subject to repurchase agreements	-	-	497,878	497,878	-	-	497,878	497,878
National Treasury Notes - F series	-	-	497,878	497,878	-	-	497,878	497,878
Linked to guarantees given	243,962	243,962	57,715	57,715	243,962	243,962	57,715	57,715
National Treasury Notes - F series	243,962	243,962	57,715	57,715	243,962	243,962	57,715	57,715
Provision for marketable securities	(120)	(120)	(119)	(119)	(120)	(120)	(119)	(119)
Eurobonds (a)	(120)	(120)	(119)	(119)	(120)	(120)	(119)	(119)
II-Derivative financial instruments	91,835	115,800	33,615	52,026	269,873	293,839	259,303	277,713
Sw ap operations	35,421	63,433	25,865	43,704	212,196	240,210	249,059	266,897
Term	54,073	50,137	7,453	8,025	54,993	51,056	9,947	10,519
Options premium	1,158	1,047	-	-	1,501	1,390	-	-
Futures	1,183	1,183	297	297	1,183	1,183	297	297
Total marketable securities and								
Derivative financial instruments	3,779,360	3,836,738	2,223,170	2,242,469	3,959,636	4,017,015	2,448,858	2,468,156
Segregation of portfolio by maturity range:								
No maturity								
Up to 3 months	1,178,661	1,187,080	136,491	137,368	1,277,714	1,286,133	258,077	258,955
From 3 to 12 months	324,129	340,760	138,511	139,430	379,912	396,544	233,186	234,103
More than 12 months	2,276,570	2,308,898	1,948,168	1,965,671	2,302,010	2,334,338	1,957,595	1,975,098
Total	3,779,360	3,836,738	2,223,170	2,242,469	3,959,636	4,017,015	2,448,858	2,468,156

(a) The amount refers to Eurobonds, of which R\$ 184,025 thousand are classified as "Securities held to Maturity" with final maturity up to May 2027, and R\$ 651,818 thousand as "Securities Available for Sale" with final maturity up to June 2030. As of December 31, 2020, our operations are mainly with the National Treasury.

Notes to the financial statements

6. Marketable Securities and Derivative Financial Instruments (Continued)

(*) Securities classified as "Securities for trading" maturing in more than 12 months and which, on December 31, 2020, amount to R\$ 0 in the Bank and Operational Consolidated (December 31, 2019 - R\$ 2,774 thousand), are stated in current assets, according to BACEN Circular Letter No. 3,068/01. Securities classified as "Available for sale", maturing in more than 12 months, in the amount of R\$ 1,354,338 thousand on December 31, 2020 (December 31, 2019 - R\$ 1,198,619 thousand), in the Bank and Operational Consolidated, 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.

In the year ended December 31, 2020, in accordance with Circular Letter No. 3,068/01 of the Central Bank of Brazil BOCOM, BBM's Executive Committee unanimously approved the transfer of "held to maturity" securities to the "available for sale". The total amount reclassified was of R\$ 274,921 for Marketable securities abroad and the effect on the result was R\$ 18,322 thousand.

	In R\$ thousand				In R\$ thousand			
	Bank				Operational Consolidated			
	Cost	Market	Cost	Market	Cost	Market	Cost	Market
	12/31/2020		13/31/2019		12/31/2020		13/31/2019	
III-Derivative financial instruments	332,449	413,769	59,337	95,627	502,982	584,303	70,446	106,737
Swap operations	193,624	284,553	38,998	84,248	217,743	308,673	48,424	93,674
Term	114,194	104,678	12,087	2,913	115,068	105,552	13,770	4,598
Futures	24,193	24,193	8,132	8,132	24,193	24,193	8,132	8,131
Options	438	345	120	334	145,978	145,885	120	334
Liability position	332,449	413,769	59,337	95,627	502,982	584,303	70,446	106,737
Segregatio by maturity range:								
Up to 3 months	27,621	31,717	22,427	32,754	174,034	178,130	24,109	34,437
From 3 to 12 months	56,694	57,645	6,739	8,030	56,694	57,645	6,739	8,030
More than 12 months	248,134	324,407	30,171	54,843	272,254	348,528	39,598	64,270
Total	332,449	413,769	59,337	95,627	502,982	584,303	70,446	106,737

The results of Marketable Securities in the Bank and in the Operational Consolidated are as follows:

	In R\$ thousand					
	Bank			Operational Consolidated		
	Second half of 2020	12/31/2020	12/31/2019	Second half of 2020	12/31/2020	12/31/2019
Investment funds quotas	1,138	1,957	4,000	1,152	1,992	4,000
Government bonds	33,773	103,022	103,627	33,773	103,022	103,627
Private securities	100,816	146,866	49,249	100,816	146,866	49,249
Exchange Variation	(46,501)	(53,758)	(150)	(46,501)	(53,758)	(150)
Income from marketable securities	89,226	198,087	156,726	89,240	198,122	156,726
	In R\$ thousand					
	Bank			Operational Consolidated		
	Second half of 2020	12/31/2020	12/31/2019	Second half of 2020	12/31/2020	12/31/2019
Provision for marketable securities	(94)	(846)	(362)	(94)	(846)	(362)
Result of provision for marketable securities	(94)	(846)	(362)	(94)	(846)	(362)

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.

Notes to the financial statements

7. Loan Transactions, Sureties and Guarantees

At December 31, 2020 and 2019, loans and guarantees provided through sureties or guarantee agreements in the Bank and in the Operational Consolidated, classified according to the clients' economic activities, are as follows:

In R\$ Thousand				
Bank/Operational Consolidated				
	12/31/2020		12/31/2019	
Sugar and Ethanol	1,158,216	14.60%	900,887	17.38%
Agriculture	888,006	11.19%	522,318	10.08%
Building and Real State	611,331	7.70%	444,732	8.58%
Utilities Energy	570,491	7.19%	162,198	3.13%
Retail Market	513,970	6.48%	203,305	3.92%
Banks and Insurers	444,854	5.61%	304,096	5.87%
Transportation and Logistics	292,597	3.69%	120,726	2.33%
Foods - Sundry	277,560	3.50%	153,641	2.96%
Vehicles and parts	256,961	3.24%	136,199	2.63%
Pharmaceutics	249,452	3.14%	142,395	2.75%
Paper And Cellulose	222,367	2.80%	45,454	0.88%
Chemical and Petrochemical	218,285	2.75%	77,595	1.50%
Specialized Services	198,480	2.50%	249,701	4.82%
Health	171,160	2.16%	-	0.00%
Capital Goods	168,466	2.12%	102,571	1.98%
Civil Aviation	163,639	2.06%	248,655	4.80%
Meat Industry	162,630	2.05%	121,169	2.34%
Diversified Holdings	124,250	1.57%	121,531	2.35%
Construction Material	112,166	1.41%	103,425	2.00%
Heavy Construction	101,990	1.29%	125,454	2.42%
Telecommunication	100,970	1.27%	27,964	0.54%
Metallurgy	95,127	1.20%	23,694	0.46%
Others (*)	434,478	5.48%	259,718	5.01%
Private sector	7,537,446	95%	4,597,428	89%
Utilities Energy	271,563	3.42%	279,122	5.39%
Oil & Gas	-	0.00%	158,247	3.05%
Banks and Insurers	-	0.00%	75,050	1.45%
Public Sector	-	0.00%	72,506	1.40%
Others (*)	125,724	1.58%	-	0.00%
Public Sector	397,287	5%	584,925	11%
Total	7,934,733	100%	5,182,353	100%

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

Notes to the financial statements

7. Loan Transactions, Sureties and Guarantees (Continued)

Loans transactions are stated in the Bank and in the Operational Consolidated balance sheet as follows:

	In R\$ Thousand			
	Bank		Operational Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Current Assets				
Loan Transactions	1,960,567	1,579,061	2,183,045	1,757,871
Private Sector	1,931,947	1,463,820	2,154,425	1,642,630
Public Sector	28,620	115,241	28,620	115,241
Other Receivables	13,864	16,398	13,864	16,398
Foreign Exchange Portfolio - Receivables (a)	5,287	9,254	5,287	9,254
Securities and Credits Receivable (b)	8,577	7,144	8,577	7,144
Noncurrent Assets				
Loan Transactions	4,248,282	1,872,747	4,326,334	2,088,535
Private Sector	4,198,602	1,795,616	4,276,654	2,011,404
Public Sector	49,680	77,131	49,680	77,131
Other Receivables	17,360	-	17,360	-
Securities and Credits Receivable (b)	17,360	-	17,360	-
Current Liabilities				
Other Liabilities	210,121	303,671	210,121	303,671
Foreign Exchange Portfolio - Advances on exchange contract	210,121	303,671	210,121	303,671
Subtotal	6,450,194	3,771,877	6,750,724	4,166,475
Co-obligations and risks in guarantees provided (c)	1,484,539	1,410,746	1,184,009	1,015,878
Total	7,934,733	5,182,353	7,934,733	5,182,353

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

(b) Refers to credit assignment. recorded in “Other credits” accounts.

(c) These refer to guarantees granted through sureties and guarantees. The granted guarantees are recorded in offsetting accounts and the respective earnings are classified as deferred income and appropriated to the result according to the guarantees’ contractual terms. Includes also, the guarantees provided for BBM Bank Limited and Nassau Branch, which are eliminated in the Operating Consolidated.

Notes to the financial statements

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 2,697, based on the risk classification of the transactions and on their level of arrears.

The classification of the loan transactions in the Bank and in the Operational Consolidated is as follows:

In R\$ Thousand													
12/31/2020												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	60	-	-	-	-	823,906	495,382	582,524	2,241,915	4,143,787	-	2,679,577	-
A	53	-	-	-	-	190,729	110,375	541,992	1,748,768	2,591,917	12,960	1,589,705	7,949
B	-	628	-	-	-	52,716	84,136	160,676	557,409	855,565	8,846	728,461	7,285
C	-	-	-	-	-	48,205	21,650	148,995	97,646	316,496	19,761	134,873	4,046
D	-	-	-	-	-	-	-	-	-	-	-	-	-
E	-	1,637	179	-	-	-	-	1,708	14,500	18,024	5,407	29,005	8,701
F	-	-	-	-	-	-	2,050	2,289	-	4,339	2,170	-	-
G	-	-	-	-	-	-	-	-	-	-	-	10,762	9,562
H	-	-	-	-	4,605	-	-	-	-	4,605	4,605	9,970	9,970
	113	2,265	179	-	4,605	1,115,556	713,593	1,438,184	4,660,238	7,934,733	53,749	5,182,353	47,513

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 clients portfolio, mainly those "renegotiated due to COVID-19", under the terms of Resolution No. 4,803/2020, and their scores were reclassified.

In R\$ Thousand			
12/31/2020			
Risk Level	Specific Allowance	Additional Allowance	Total
AA	-	-	-
A	12,960	-	12,960
B	8,556	290	8,846
C	9,494	10,267	19,761
D	-	-	-
E	5,407	-	5,407
F	2,170	-	2,170
G	-	-	-
H	4,605	-	4,605
	43,192	10,557	53,749

Notes to the financial statements

7. Loan Transactions, Sureties and Guarantees (Continued)

The allowance below is presented in the Operational Consolidated balance sheets as follows:

	In R\$ Thousand			
	Bank		Operational Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Allowance for loan losses	35,460	39,128	37,741	39,128
Current Assets	14,665	20,488	16,540	20,488
Noncurrent Assets	20,795	18,640	21,201	18,640
Provision for Other Credits	1,268	7,297	1,268	7,297
Securities and Credits Receivable	607	5,096	607	5,096
Current Assets	-	5,096	-	5,096
Noncurrent Assets	607	-	607	-
Provision for Advances on Exchange Contracts	661	2,201	661	2,201
Current Assets	661	2,201	661	2,201
Provision for Co-obligations and Risks in Guarantees Provided	17,021	1,088	14,740	1,088
Current Liability	15,546	789	13,671	789
Noncurrent Assets	1,475	299	1,069	299
Total	53,749	47,513	53,749	47,513

Changes in allowances are as follows:

	In R\$ Thousand	
	12/31/2020	12/31/2019
Balance at January 1	47,513	48,111
Increase / (reversal)	26,925	11,719
Write-offs to loss	(20,689)	(12,317)
Total	53,749	47,513

At the year ended December 31, 2019, loan transactions were renegotiated in the Bank and in the Operational Consolidated in the amount of R\$ 34,825 thousand (December 31, 2019 – R\$ 27,684)

At the year ended December 31, 2019, there was a recovery of losses on loan transactions in the amount of R\$ 5,815 thousand (December 31, 2019 - R\$ 295 thousand).

Notes to the financial statements

7. Loan Transactions, Sureties and Guarantees (Continued)

The credit risk concentration in the Operational Consolidated is as follows:

	In R\$ Thousand			
	12/31/2020	%	12/31/2019	%
Top debtor	271,563	3.4%	279,122	5.4%
Top 10 debtors	1,385,395	17.5%	1,191,935	23.0%
Top 20 debtors	2,113,933	26.6%	1,850,254	35.7%
Top 50 debtors	3,591,012	45.3%	3,018,569	58.2%
Top 100 debtors	5,120,335	64.5%	4,186,467	80.8%

The breakdown of the Operational Consolidated credit portfolio by type is as follows:

	In R\$ Thousand	
	12/31/2020	12/31/2019
Working Capital	5,433,410	2,565,758
Co-obligations and Risk in Guarantees Provided	1,184,009	1,015,878
Export Credit Notes	710,066	778,891
Trade Finance	551,635	724,838
Others	55,613	96,988
Total	7,934,733	5,182,353

Notes to the financial statements

8. Foreign exchange portfolio

	In R\$ thousands			
	Bank		Operational Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Other receivables – Foreign exchange portfolio				
Foreign exchange purchases pending settlement	216,889	384,562	216,889	384,562
Income receivable from advances granted (a)	5,287	9,255	5,287	9,255
Rights on foreign exchange sales	1,302	627	1,302	627
(-) Advances in national currency received	-	(199)	-	(199)
Total	223,478	394,245	223,478	394,245
Other payables – Foreign exchange portfolio				
Exchange purchase obligations	210,121	384,136	210,121	384,136
Foreign exchange sales pending settlement	1,301	620	1,301	620
Advances on foreign exchange contracts granted (a)	(210,121)	(303,671)	(210,121)	(303,671)
Total	1,301	81,085	1,301	81,085

(a) See Note 7.

On December 31, 2020, there were federal government securities deposited securing foreign exchange transactions with B3 in the amount of R\$ 65,101 thousand (December 31, 2019 – R\$ 51,703 thousand).

Notes to the financial statements

9. Investments – Interest in Subsidiaries

a) Bank

	BOCOM BBM CCVM S.A.	The Southern Atlantic Investments Ltd.	Total
At December 31, 2020:			
Number of issued shares	127,374	229,201,370	
Common shares	63,687	229,201,370	
Preferred nominative shares	63,687		
Direct interest	100%	100%	
Capital – R\$ thousand	8,755	229,201	237,956
Equity – R\$ thousand	12,226	403,960	416,186
Net income for the year – R\$ thousand	838	6,394	7,232
Dividends, Interest on Equity or Capital reduction	211		211
Book value of investments – R\$ thousand			
December 31, 2020	12,226	403,960	416,186
Income from interest in subsidiaries – R\$ thousand			
Second half of 2020	838	6,394	7,232
Year ended 2020	890	16,319	17,209
At December 31, 2020			
Number of issued shares	127,374	229,201,370	
Common nominative shares	63,687	229,201,370	
Preferred nominative shares	63,687		
Direct interest	100%	100%	
Capital – R\$ thousand	8,755	229,201	237,956
Equity – R\$ thousand	11,547	387,643	399,190
Net income for the year – R\$ thousand	700	13,181	13,881
Dividends, Interest on Equity or Capital reduction – R\$ thousand	166		166
Book value of investments – R\$ thousand			
December 31, 2019	11,547	387,643	399,190
Income from interest in subsidiaries – R\$ thousand			
First half of 2019	(115)	10,328	10,213
Year ended 2019	700	13,181	13,881

Notes to the financial statements

9. Investments – Interest in Subsidiaries (Continued)

b) Operational Consolidated

	In R\$ thousand				
	Investment book value		Income from interests in subsidiaries		
	12/31/2020	12/31/2019	Second half of 2020	12/31/2020	12/31/2019
The Southern Atlantic Investments Ltd. (a)	170,685	96,988	3,538	1,560	(10,480)
Total	170,685	96,988	3,538	1,560	(10,480)

The indirect participation of 100% of Banco BOCOM BBM in the social capital of BBM Bank Ltd. was eliminated in the Operational Consolidated as "Interest in Subsidiaries - The Southern Atlantic Investments Ltd.". For the year ended December 31, 2020, this elimination gave rise to the following effects in the Operational Consolidated: decrease in the permanent investment of R\$ 233,257 thousand (December 31, 2019 - R\$ 290,644 thousand) and decrease in the equity result of R\$ 2,855 thousand (December 31, 2019 - R\$ 23,648 thousand). The Bank holds 100% of the Capital in The Southern Atlantic Investments, a non-financial holding company located at Shirley House, 50 Shirley Street, Nassau, Bahamas.

10. Deposits

Maturity range	in R\$ thousand							
	Time deposits		Interbank deposits		Total 12/31/2020		Total 12/31/2019	
	Bank	Operational Consolidated	Bank	Operational Consolidated	Bank	Operational Consolidated	Bank	Operational Consolidated
Within 1 month	410,615	410,615	81,845	80,287	492,460	490,902	6,673	5,304
From 1 to 3 months	314,405	314,405	8,012	8,012	322,417	322,417	55,836	55,836
From 3 to 6 months	109,642	109,642	505	-	110,147	109,642	107,752	107,340
From 6 to 12 months	191,517	191,517	7,651	-	199,168	191,517	139,122	129,833
More than 12 months	507,666	507,666	550,869	550,869	1,058,535	1,058,535	376,408	376,408
Subtotal	1,533,845	1,533,845	648,882	639,168	2,182,727	2,173,013	685,791	674,721
Cash deposits					1,577,334	738,262	501,120	290,373
Total					3,760,061	2,911,275	1,186,911	965,094

The average term of interbank and time deposits, for outstanding transactions at December 31, 2020, in the Operational Consolidated, is 640 and 605 days (December 31, 2019 - 458 and 839 days), respectively.

Notes to the financial statements

10. Deposits (Continued)

Maturities upon issuance	In R\$ thousand							
	Time deposits		Interbank deposits		Total 12/31/2020		Total 12/31/2019	
	Bank	Operational Consolidated	Bank	Operational Consolidated	Bank	Operational Consolidated	Bank	Operational Consolidated
Within 1 month	69,189	69,189	-	-	69,189	69,189	5,295	5,295
From 1 to 3 months	226,364	226,364	88,299	88,299	314,663	314,663	9	9
From 3 to 6 months	127,898	127,898	-	-	127,898	127,898	144,290	144,290
From 6 to 12 months	106,859	106,859	1,007	-	107,866	106,859	63,432	63,433
More than 12 months	1,003,535	1,003,535	559,576	550,869	1,563,111	1,554,404	472,765	461,694
Subtotal	1,533,845	1,533,845	648,882	639,168	2,182,727	2,173,013	685,791	674,721
Cash deposits					1,577,334	738,262	501,120	290,373
Total					3,760,061	2,911,275	1,186,911	965,094

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

	In R\$ thousand									
	Cash deposits		Time deposits		Interbank deposits		Total			
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019		
Legal entities	554,523	172,692	1,140,506	421,295	121,773	-	1,816,801	62.41%	593,987	61.55%
Group	157,782	98,227	107,504	169,061	-	-	265,286	9.11%	267,288	27.70%
Individuals	25,953	19,446	4,002	1,857	-	-	29,956	1.03%	21,303	2.21%
Institucional customers	4	8	281,833	-	180,907	1,528	462,745	15.89%	1,536	0.16%
Financial Institutions	-	-	-	80,877	336,488	103	336,488	11.56%	80,980	8.39%
Total	738,262	290,373	1,533,845	673,090	639,168	1,631	2,911,275	100%	965,094	100%

The concentration of our main customers of the Operational Consolidated is as follows:

	In R\$ thousand			
	12/31/2020		12/31/2019	
Top depositor	301,392	10.35%	82,491	8.55%
10 top depositors	911,911	31.32%	506,282	52.46%
20 top depositors	1,257,365	43.19%	686,112	71.09%
50 top depositors	1,846,311	63.42%	864,530	89.58%
100 top depositors	2,340,892	80.41%	934,815	96.86%

Notes to the financial statements

11. Repurchase agreements

The obligations from repurchase agreements in the Operational Consolidated are as follows:

	In R\$ thousands			
	Bank		Operational Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Own portfolio	296,761	1,213,255	296,761	1,213,255
Debentures	281,578	546,434	281,578	546,434
Financial treasury bills	9,630	149,995	9,630	149,995
National treasury notes – F series	5,553	516,826	5,553	516,826
	-	-	-	-
Third-party portfolio	-	500,000	-	500,000
National treasury bills	-	440,076	-	440,076
(-) Expenses to be allocated - LTN	-	(75)	-	(75)
National treasury notes – B series	-	60,009	-	60,009
(-) Expenses to be allocated - NTN-B	-	(10)	-	(10)
	296,761	1,713,255	296,761	1,713,255
Current liabilities	282,049	1,713,255	282,049	1,713,255
Noncurrent liabilities	14,712	-	14,712	-
	296,761	1,713,255	296,761	1,713,255

12. Funds from Acceptance and Issue of Securities and Real Estate Bills

Banco BOCOM BBM has a Eurobond issue in the amount of R\$ 153,599 thousand in December 2020 (December 2019 R\$ 122,047 thousand), acquired by The Southern Atlantic Investments Ltd, a company not consolidated in the Operational Consolidated. On April 23, 2019, R\$ 39,800 thousand were issued with maturity on April 24, 2023, on July 15, 2019, R\$ 4,619 thousand were issued with maturity on December 15, 2021, on November 29 of 2019, R\$ 34,301 thousand were issued with maturity on March 29, 2022, on April 14, 2020, R\$ 21,497 thousand were issued with maturity on May 17, 2021 and on June 12, 2020, 10,271 thousand were issued maturing on November 10, 2021.

On December 31, 2020 and 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:

	In R\$ thousand									
	Bank/ Operational Consolidated									
	LCA (a)		LCI (b)		LF (c)		LFG (d)		LF - Subordinated debt (e)	
Maturity	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Within 1 month	107,225	76,735	2,647	-	26,045	69,947	-	-	-	-
From 1 to 3 months	155,825	121,343	6,298	161	18,886	179,937	-	-	-	-
From 2 to 6 months	229,523	242,093	7,720	10,256	101,896	225,166	92,045	-	-	-
From 6 to 12 months	236,073	219,472	40,318	60,224	355,894	139,711	749,427	-	-	-
More than 12 months	722,183	454,358	10,459	81,618	954,028	626,744	-	-	201,760	204,960
	-	-	-	-	-	-	-	-	-	-
Total	1,450,829	1,114,001	67,442	152,259	1,456,749	1,241,505	841,472	-	201,760	204,960

- (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. The range between rates used for this operation are 82% of DI – 123% of DI and 100% of pre-set.

Notes to the financial statements

- (b) Housing Credit Bills (LCI) are nominative securities created by Provisional Measure No. 2,223 on September 4, 2011, which resulted in Law No. 10,931 of August 2, 2004. The range between rates used for this operation are 82% of DI – 120.7% of DI.

12. Funds from Acceptance and Issue of Securities and Real Estate Bills (Continued)

- (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). The range between rates used for this operation are 100% of DI – 129% DI, 100% of pre-set and 100% of IPCA.
- (d) Financial Letter with Guarantee (LFG) is regulated by Resolution No. 4,795 through which the Central Bank of Brazil is authorized to carry out loan operations under specific conditions through direct acquisition, in the primary market, of Financial Bills with financial assets or securities as guarantees. The rates used for this operation are 100% of SELIC.
- (e) 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. The rates used for this operation are 110% of SELIC.

13. Borrowings and onlendings

a) Borrowings abroad

Borrowings abroad in the Bank and in the Operational Consolidated are as follows:

	In R\$ thousand			
	Bank		Operational Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Obligations with borrowings abroad (*)	3,300,574	2,031,454	3,300,574	1,972,882
Export credit facility	146,673	280,635	146,673	280,635
Import credit facility	15,569	640	15,569	640
	3,462,816	2,312,729	3,462,816	2,254,157
Current liabilities	2,313,174	1,769,975	2,313,174	1,711,403
Long-term payables	1,149,642	542,754	1,149,642	542,754
	3,462,816	2,312,729	3,462,816	2,254,157

(*) The amount of R\$ 3,300,574 thousand on December 31, 2020 (December 31, 2019 – R\$ 1,972,882 thousand), classified as Borrowings Abroad, refers:

1 - To the fundraising in U.S. dollars with Bank of Communications with final maturity up to September 2022 and March 2023 representing the amount of R\$ 873,917;

2 - Money market operations in dollars and renminbi, taken with the Bank of Communications GMC with maturities of less than 365 days representing R\$ 1,574,162 and maturities up to July 2022 and September 2023 representing R\$ 276,011 and;

3 - Working capital operations with maturities up to February and March 2021 representing R\$ 576,484 thousand.

Notes to the financial statements

14. Sundry

	In R\$ thousands			
	Bank		Operational Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Sundry				
Debtors deposits on warranty	53,069	52,445	53,209	52,583
Taxes and contributions to offset	34,654	34,711	35,127	35,081
Sundry debtors – domestic	15,144	4,818	15,355	4,439
Sundry debtors – foreign	8,077	7,871	14,794	26,193
Securities and credits receivable	-	3,000	-	3,000
Advances – Salaries and constructions	798	749	813	750
Receivables from related parties	12	15	-	-
	111,754	103,609	119,298	122,046
Current asset	53,974	43,559	61,322	61,803
Long-term asset	57,780	60,050	57,976	60,243
	111,754	103,609	119,298	122,046

	In R\$ thousands			
	Bank		Operational Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Other payables - Sundry				
Sundry Debtors – Abroad (a)	153,381	4,937	159,881	22,106
Allowance for contingent liabilities	13,356	12,699	13,356	12,732
Allowance for payments to be made	13,186	9,637	13,201	9,645
Sundry debtors – Domestic	10,720	10,553	11,276	11,005
Administrative checks	723	724	723	724
Payables for acquisition of goods and rights	-	146	-	146
	191,366	38,696	198,437	56,358
Current liabilities	171,856	21,757	178,782	39,419
Noncurrent liabilities	19,510	16,939	19,655	16,939
	191,366	38,696	198,437	56,358

(a) It mainly refers to the prepayment of a letter of credit. The original maturity date of these contracts were April 8, 2021 and November 8, 2021.

15. Other assets

	In R\$ thousands			
	Bank		Operational Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Other Values and Goods				
Properties	13,454	37,743	13,454	37,743
Others	2,479	1,723	2,479	1,723
	15,933	39,466	15,933	39,466
Current asset (a)	15,933	39,169	15,933	39,169
Long-term assets	-	297.00	-	297.00
	15,933	39,466	15,933	39,466

(a) On December 31, 2020, the amount of R\$ 13,454 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) thousands of loss at the time of the sale. In the second half of 2020, Banco BOCOM BBM sold more real estate received as collateral for credit operations, generating a result of R\$ (3,501) thousand, of which R\$ 3,648 thousand related to the reversal of the real estate provision and R\$ (7,149) thousands of losses at the time of the sale (mainly due to a market slowdown in the property region).

Notes to the financial statements

16. Equity

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

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

(b) Legal reserve

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

(c) Statutory reserve

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

(d) Treasury stock

On December 31, 2019, Banco BOCOM BBM has 76,296,769 shares to hold in treasury in the amount of R\$ 181,839 thousand.

(e) Interest on Equity

According to article 9 of Law No. 9.249/95 and its subsequent amendments, Banco BOCOM BBM S.A., at the end of 2020, declared interest on equity of R\$ 31,792 thousand (2019 - R\$ 37,187 thousand), with withholding income tax of R\$ 4,769 thousand (2019 - R\$ 5,578 thousand), calculated at a 15% rate. The amount of interest on equity was determined based on the legal limits in force and classified in the group's official records as "Other Operating Expenses".

For the purposes of the publication of the statement of operations, as established by CMN Resolution No. 4,706, BOCOM BBM S.A., recognized as other obligations, in counterpart for the appropriate retained earnings account, the declared capital remuneration set by the obligation at balance sheet date.

Interest on equity proposed at the end of 2020 reduced tax burden by R\$ 14,306 thousand (2019 - R\$ 14,875 thousand).

In the year ended December 31, 2020, R\$ 48,410 was paid as interest on equity.

(f) Dividends

	In R\$ thousands	
	12/31/2020	12/31/2019
Net income - Banco BBM S.A.	116,572	88,521
(-) Legal reserve	(5,829)	(4,426)
Calculation basis	110,743	84,095
Minimum mandatory dividends (a)	25%	25%
	27,686	21,024
Interest on own capital (b)	31,792	37,187
Total	31,792	38,730

(a) The minimum mandatory dividends were decided as Interest on Equity.

(b) Dividends above mandatory dividends were approved by the shareholders and will be ratified at the Annual Shareholders' Meeting

Notes to the financial statements

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

	In R\$ thousands					
	Bank			Operational Consolidated		
	Second half of 2020	12/31/2020	12/31/2019	Second half of 2020	12/31/2020	12/31/2019
Open market funding						
Expenses with securities abroad	(25,252)	(88,304)	(25,558)	(25,252)	(88,304)	(25,559)
Financial bills	(22,472)	(57,438)	(115,000)	(22,472)	(57,438)	(115,000)
Agriculture credit bills	(14,684)	(33,285)	(76,590)	(14,684)	(33,285)	(76,590)
Time deposits	(13,676)	(30,694)	(27,068)	(13,676)	(30,694)	(27,068)
Interbank deposits	(3,553)	(3,755)	(719)	(3,465)	(3,500)	(113)
Repurchase agreements	(2,809)	(9,059)	(13,071)	(2,809)	(9,059)	(13,071)
Credit guarantee fund	(2,424)	(3,566)	(2,463)	(2,424)	(3,566)	(2,463)
Real estate credit bills	(959)	(3,386)	(4,490)	(959)	(3,386)	(4,490)
Deposits previous notice	(130)	(261)	(17)	(579)	(715)	(52)
Foreign exchange variation (a)	32,725	32,731	17,701	32,725	32,731	17,701
	(53,234)	(197,017)	(247,275)	(53,595)	(197,216)	(246,705)
Loans, assignments and onlending operations						
Foreign exchange variation (a)	149,376	(287,328)	(15,995)	149,376	(287,328)	(15,996)
Loan expenses abroad	(32,150)	(58,297)	(56,472)	(32,150)	(57,673)	(54,564)
Other expenses	-	-	(464)	-	-	(464)
	117,226	(345,625)	(72,931)	117,226	(345,001)	(71,024)
Foreign exchange transactions						
Revenue from Advances on Exchange Contracts (ACC)	9,033	22,758	30,062	9,033	22,758	30,062
Foreign exchange variations and interest differences	5,919	126,614	26,541	6,126	126,964	23,632
Other expenses	(266)	(597)	(430)	(267)	(597)	(430)
	14,686	148,775	56,173	14,892	149,125	53,264

(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 year ended December 31, 2020, the high increase of the dollar justifies the cost of exchange variation.

Notes to the financial statements

18. Service Revenues

	In R\$ thousands					
	Bank			Operational Consolidated		
	Second Half of 2020	12/31/2020	12/31/2019	Second Half of 2020	12/31/2020	12/31/2019
Service Revenue						
Bank fee income	43,360	53,023	20,033	43,360	53,023	27,275
Management and performance fees of investment funds	10,779	18,384	23,552	14,916	25,206	21,514
Guarantees commission and letter of credit	9,212	17,332	15,640	9,212	17,332	20,033
Structuring commission	4,798	5,917	20,675	4,798	5,917	15,639
Other services	2,944	5,501	4,470	2,396	4,496	3,669
Total	71,093	100,157	84,370	74,682	105,974	88,130

19. Other Administrative Expenses

	In R\$ thousands					
	Bank			Operational Consolidated		
	Second Half of 2020	12/31/2020	12/31/2019	Second Half of 2020	12/31/2020	12/31/2019
Data processing	(4,973)	(9,506)	(9,649)	(5,094)	(9,728)	(9,870)
Amortization and depreciation	(4,147)	(7,703)	(5,720)	(4,149)	(7,708)	(5,723)
Specialized technical services	(3,950)	(7,201)	(7,364)	(3,907)	(7,174)	(7,339)
Rentals	(3,705)	(7,066)	(6,137)	(4,128)	(7,890)	(6,717)
Financial system services (a)	(2,608)	(4,823)	(4,243)	(2,936)	(5,420)	(4,561)
Communications	(2,159)	(4,567)	(3,526)	(2,180)	(4,610)	(3,550)
Third-party services	(1,058)	(2,049)	(3,747)	(1,263)	(2,437)	(4,155)
Condominium	(743)	(2,049)	(2,012)	(743)	(2,049)	(2,012)
Registry	(699)	(1,557)	(2,035)	(701)	(1,560)	(2,050)
Property maintenance and upkeep	(651)	(1,640)	(2,443)	(652)	(1,646)	(2,451)
Travel	(211)	(1,260)	(5,126)	(211)	(1,262)	(5,152)
Promotion/ Advertising/ Publications	(729)	(1,161)	(1,350)	(770)	(1,260)	(1,492)
Water, energy and gas	(249)	(856)	(1,024)	(249)	(856)	(1,024)
Surveillance and security services	(227)	(771)	(291)	(227)	(772)	(291)
Transportation	(174)	(414)	(740)	(174)	(414)	(740)
Material	(69)	(241)	(210)	(74)	(260)	(217)
Fines	(159)	(177)	(150)	(160)	(178)	(150)
Insurance	(18)	(40)	(30)	(18)	(40)	(30)
Other administrative expenses	(1,877)	(4,524)	(4,340)	(2,151)	(5,227)	(5,012)
	(28,406)	(57,605)	(60,137)	(29,787)	(60,491)	(62,536)

(a) For the year ended December 31, 2020, this includes brokerage expenses, charges and commission related to guarantee transactions and derivative financial instruments of R\$ 1,683 thousand (December 31, 2019 - R\$ 1,293 thousand).

Notes to the financial statements

20. Related-parties Significant Transactions

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

	In R\$ thousands					
	Bank		Operational Consolidated			
	Rate	12/31/2020	12/31/2019	Rate	12/31/2020	12/31/2019
Asset						
Cash and cash equivalents		531	30		531	30
Bank of Communications Co., Ltd		90	30		90	30
Bocom Hong Kong		40			40	
Bocom Macau		401			401	
Short-term interbank investments						
Investments in foreign currencies		966,362	835,610			
BBM Bank Limited		966,362	835,610			
Invesments Funds Quotes		145,134	113,692		145,134	113,692
Jiang Fundo De Investimento Multimercado C PIE		145,134	113,692		145,134	113,692
Dividends and bonuses receivables		377	166			
BOCOM BBM CCVM S.A.		377	166			
Other Receivables		3,993	43		10,461	28
BOCOM BBM CCVM S.A.		13	15			
Évora S/A		3,944			10,425	
Bahia Fund		36	28		36	28
Derivative Financial Instruments		95,494	25,951		272,151	166
Bocom Brazil Holding Company Ltda		64,323	25,785		64,323	
BBM Bank Limited		25				
The Southern Atlantic Investments Ltd					153,539	
Jiang Fundo De Investimento Multimercado C PIE		2,304	166		2,304	166
Haitan Fund		28,842			51,985	

Notes to the financial statements

20. Related-parties Significant Transactions (Continued)

	In R\$ thousands					
	Bank			Operational Consolidated		
	Rate	12/31/2020	12/31/2019	Rate	12/31/2020	12/31/2019
Liabilities						
Demand deposits		996,854	324,204		157,782	106,175
Évora S.A.		10	38		10	38
Ravenala Participações S.A.		1	1		1	1
Haitan Fund		95,065	29,478		95,065	29,478
BBM Bank Limited		850,590	291,621			
BOCOM BBM CCVM S.A.		61	101			
Bahia Fund						65,744
Tai Yang Fund		2,299	1,612		2,299	1,612
The Southern Atlantic Investments Ltd					11,579	7,949
Bocom Brazil Holding Company Ltda		39,087	290		39,087	290
Bahia Holding S.A.		5	1		5	1
Bahia AM Renda Fixa Ltda		5	5		5	5
Bahia AM Renda Variável Ltda		4	5		4	5
Other related individuals/legal entities		9,727	1,052		9,727	1,052
Interbank deposits		9,714	11,071			
BOCOM BBM CCVM S.A.	100% DI	9,714	11,071			
Time deposits		107,504	169,061		107,504	169,061
Bahia Holding S.A.	97% DI-97.2% DI	18,101	55,042	97% DI-97.2% DI	18,101	55,042
Évora S.A.	97% DI	3,445	3,406	97% DI	3,445	3,406
Bocom Brazil Holding Company Ltda	97% DI	22,264	28,122	97% DI	22,264	28,122
Aleutas S.A.	97.2% DI	54,812	82,490	97.2% DI	54,812	82,490
Colares Participações S/A	97% DI	8,882		97% DI	8,882	
Repurchase agreements - Debentures		27,023	50,896		27,023	50,896
Other related individuals/legal entities	50%-100% DI	27,023	50,896	50%-100% DI	27,023	50,896
Letras Financeiras		5,554			5,554	
Outras pessoas físicas/jurídicas ligadas	100% IPCA	5,554		100% IPCA	5,554	
Agriculture Credit Bills		239,984	260,869		239,984	260,869
Other related individuals/legal entities	85%-123% DI	239,984	260,869	85%-123% DI	239,984	260,869
Real Estate Credit Bills		59,581	99,298		59,581	99,298
Other related individuals/legal entities	85%-120.7% DI	59,581	99,298	85%-120.7% DI	59,581	99,298
Obligations for securities abroad		153,599	213,991		153,599	213,991
The Southern Atlantic Investments Ltd	0.2%-2.38%	153,599	213,991	0.2%-2.38%	153,599	213,991
Derivative Financial Instruments		188,380	12,457		189,254	4,065
Bocom Brazil Holding Company Ltda		121,313	10,075		121,313	
BBM Bank Limited		1,816			1,816	
The Southern Atlantic Investments Ltd		567	536		1,441	2,219
Jiang Fundo De Investimento Multimercado CPIPE		64,684	1,846		64,684	1,846
Subordinated Debt		201,760	204,961		201,760	204,961
Bocom Brazil Holding Company Ltda	110% SELIC	162,039	164,609	110% SELIC	162,039	164,609
Other related individuals/legal entities	110% SELIC	39,721	40,352	110% SELIC	39,721	40,352
Liabilities on Loans abroad		2,724,090	1,972,882		2,724,090	1,972,882
Bank of Communications Co., Ltd	1.03%-1.06%	873,917	574,645	1.03%-1.06%	873,917	574,645
Bocom Macau	3.05%	16,121	11,746	3.05%	16,121	11,746
Bank of Communications - GMC	0.95%-1.03%	1,574,162	1,386,491	0.95%-1.03%	1,574,162	1,386,491
Bocom Hong Kong	1.1%	259,890		1.1%	259,890	
Dividends and bonuses payable		27,023	48,410		27,023	48,410
Interest on capital credited to shareholders		27,023	48,410		27,023	48,410
Sundry		4,010	3,993		10,467	19,579
The Southern Atlantic Investments Ltd		3,930	3,993		10,387	19,579
Haitan		80			80	

Notes to the financial statements

20. Related-parties Significant Transactions (Continued)

	In R\$ Thousand					
	Bank			Operational Consolidated		
	Second half of 2020	12/31/2020	12/31/2019	Second half of 2020	12/31/2020	12/31/2019
Result						
Investment Income Abroad	2,123	4,394	4,450			
BBM Bank Limited	2,123	4,394	4,450			
Result with Derivative Financial Instruments	26,240	129,426	(5,082)	33,538	248,562	9,093
The Southern Atlantic Investments Ltd	(7,452)	18,028	7,090	(23,331)	113,021	(110,778)
Bocom Brazil Holding Company Ltda	60,600	130,626	(5,808)	60,600	130,626	(5,808)
BBM Bank Limited	(5,700)	(5,543)				131,245
Bahia Fund-DRE	(247)	(3,566)	8,263	(247)	(3,566)	8,263
Jiang Fundo de Investimento Multimercado C PIE	(29,297)	(45,093)	(14,633)	(29,297)	(45,093)	(14,633)
Haitan Fund-DRE	8,420	35,058		25,897	53,658	797
Other related individuals/legal entities	(84)	(84)	6	(84)	(84)	6
Earnings from investments funds	984	1,442	2,898	984	1,442	2,898
Jiang Fundo de Investimento Multimercado C PIE-DRE-RendaAplic.	984	1,442	2,898	984	1,442	2,898
Open market funding	2,138	(74,234)	(62,737)	2,226	(73,980)	(62,131)
Expenses from investments funds	7,473	(55,572)	(7,858)	7,473	(55,572)	(7,858)
The Southern Atlantic Investments Ltd	7,473	(55,572)	(7,858)	7,473	(55,572)	(7,858)
Repurchase agreements - Debentures expenses	(399)	(1,039)	(1,854)	(399)	(1,039)	(1,854)
Other related individuals/legal entities	(399)	(1,039)	(1,854)	(399)	(1,039)	(1,854)
Repurchase agreements - Securities	(59)	(59)	(1,012)	(59)	(59)	(1,012)
Jiang Fundo de Investimento Multimercado C PIE	(59)	(59)	(1,012)	(59)	(59)	(1,012)
Interbank deposits expenses	(88)	(254)	(606)			
BOCOM BBM CCVM S.A.	(88)	(254)	(606)			
Time deposits expenses	(1,036)	(3,575)	(19,488)	(1,036)	(3,575)	(19,488)
Évora S.A.	(32)	(91)	(187)	(32)	(91)	(187)
Bocom Brazil Holding Company Ltda	(211)	(629)	(1,769)	(211)	(629)	(1,769)
Bahia Holding S.A.	(167)	(978)	(2,072)	(167)	(978)	(2,072)
Bank of Communications Co., Ltd			(10,768)			(10,768)
Aleutas S.A.	(544)	(1,705)	(4,692)	(544)	(1,705)	(4,692)
Colares Participações S/A	(82)	(172)		(82)	(172)	
Agriculture credit bills expenses	(2,221)	(6,857)	(16,151)	(2,221)	(6,857)	(16,151)
Other related individuals/legal entities	(2,221)	(6,857)	(16,151)	(2,221)	(6,857)	(16,151)
Real estate credit bills expenses	(147)	(1,603)	(3,978)	(147)	(1,603)	(3,978)
Other related individuals/legal entities	(147)	(1,603)	(3,978)	(147)	(1,603)	(3,978)
Subordinated Debt	(1,385)	(5,275)	(11,790)	(1,385)	(5,275)	(11,790)
Bocom Brazil Holding Company Ltda	(1,112)	(4,205)	(9,470)	(1,112)	(4,205)	(9,470)
Other related individuals/legal entities	(273)	(1,070)	(2,320)	(273)	(1,070)	(2,320)
Loans expenses abroad	(25,215)	(46,704)	(35,202)	(25,215)	(46,704)	(35,202)
Bank of Communications Co., Ltd	(14,579)	(18,658)	(17,930)	(14,579)	(18,658)	(17,930)
Bocom Macau	(235)	(472)	(166)	(235)	(472)	(166)
Bank of Communications - GMC	(9,644)	(26,817)	(17,106)	(9,644)	(26,817)	(17,106)
Bocom Hong Kong	(757)	(757)		(757)	(757)	
Foreign Exchange Variation with Loans Abroad	48,013	(244,182)	(9,858)	48,013	(244,182)	(9,858)
Bank of Communications Co., Ltd	51,923	(240,507)	(10,003)	51,923	(240,507)	(10,003)
Bocom Macau	(3,910)	(3,675)	145	(3,910)	(3,675)	145
Expenses with banks abroad	(12,537)	(63,526)	(17,979)	(12,537)	(12,537)	(16,076)
Bank of Communications Co., Ltd	(12,537)	(63,526)	(17,979)	(12,537)	(12,537)	(16,076)
Other administrative expenses	(54)	(104)	(79)	2	2	(26)
Services provisions	(54)	(104)	(79)	2	2	(26)
BBM Bank Limited	(54)	(104)	(79)	2	2	(26)
Other operating income	836	1,365	1,158	272	272	300
BBM Bank Limited	489	943	710			2
BOCOM BBM CCVM S.A.	75	150	150			
Bahia Fund	272	272	298	272	272	298
Key management compensation			(12,880)			(12,880)
Expenses with dividends and bonuses	(31,792)	(31,792)	(37,187)	(31,792)	(31,792)	(37,187)
Interest on capital credited to shareholders	(31,792)	(31,792)	(37,187)	(31,792)	(31,792)	(37,187)
Total	10,736	(323,915)	(172,498)	15,491	(158,917)	(161,069)

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

20. Related-parties Significant Transactions (Continued)

b) Key Management Compensation

The total compensation will be calculated as follows:

I) Fixed and variable compensation

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

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

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

II) Deferred compensation

The payment of the deferred Compensation will be carried out on a scaled basis, every six months, in shares proportional to the deferral period ("Deferred Compensation Shares"), and all the deferred shares should be updated by the ROE of the Banco Bocom BBM. In the year ended in December 31, 2020, the payment of Deferred Compensation occurred through repurchase agreements backed by public securities.

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

	In R\$ Thousand			
	Bank		Operational Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Liabilities				
Statutory	14,354	21,011	15,254	21,814
Management Variable Compensation - Short Term	7,177	7,550	7,410	7,952
Deferred Management Variable Compensation - Long Term	7,177	13,462	7,844	13,862

	In R\$ Thousand					
	Bank			Operational Consolidated		
	Second half of 2020	12/31/2020	12/31/2019	Second half of 2020	12/31/2019	12/31/2018
Result	(19,693)	(29,267)	(27,042)	(20,417)	(27,911)	(27,911)
Fixed compensation	(5,344)	(10,305)	(9,169)	(5,741)	(9,235)	(9,235)
Variable compensation	(14,349)	(18,962)	(17,874)	(14,676)	(18,677)	(18,677)

Notes to the financial statements

21. Derivative financial instruments

The Bank and the other institutions of the Operational Consolidated 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 Operational Consolidated, 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 December 31, 2020, the guarantees for the transactions involving derivative financial instruments are represented mainly by government securities in the total amount of R\$ 460,987 thousand (December 31, 2019 - R\$ 242,403 thousand) and fund quotas in the total amount of R\$ 26,723 thousand (December 31, 2019 - R\$ 9,916 thousand).

Notes to the financial statements

a.) At cost and market value

	In R\$ thousand						
	Bank						
	12/31/2020						12/31/2019
	Cost	Market	Up to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total
Future market							
Purchased position	1,184	1,184	298	432	306	148	297
Sold position	24,193	24,193	4,366	4,129	7,500	8,198	8,131
Swaps							
Asset position	35,421	63,433	(165)	1,606	1,655	60,337	45,447
Liability position	193,624	284,553	10,525	33,206	11,620	229,202	84,248
Non-deliverable forward - NDF							
Asset position	54,073	50,138	1,527	12	3,397	45,202	8,025
Liability position	114,194	104,678	16,481	86	1,104	87,007	2,913
Options market							
Asset position	1,158	1,047	1,047	-	-	-	-
Liability position	438	345	345	-	-	-	334

	In R\$ thousand						
	Operational Consolidated						
	12/31/2020						12/31/2019
	Cost	Market	Up to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total
Future market							
Purchased position	1,183	1,183	298	432	306	147	297
Sold position	24,193	24,193	4,366	4,129	7,500	8,198	8,131
Swaps							
Asset position	212,196	240,210	97,588	57,391	1,655	83,576	266,897
Liability position	217,743	308,673	10,525	33,206	11,620	253,322	93,674
Non-deliverable forward - NDF							
Asset position	54,993	51,056	2,447	12	3,396	45,201	10,519
Liability position	115,068	105,552	17,354	86	1,104	87,008	4,598
Options market							
Asset position	1,501	1,390	1,390	-	-	-	-
Liability position	145,978	145,885	145,885	-	-	-	334

Notes to the financial statements

21. 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\$ 2,597,208 thousand (December 31, 2019 – purchased foreign exchange coupon (DDI) of R\$ 1,911,246 thousand);
- Sold foreign exchange coupon contracts (DDI) of R\$ 341,744 thousand (December 31, 2019 – sold foreign exchange coupon (DDI) of R\$ 636,896 thousand);
- Purchased interest contracts (DI1) of R\$ 466,131 thousand; (December 31, 2019 – R\$ 424,490 thousand);
- Sold interest contracts (DI1) of R\$ 1,010,341 thousand; (December 31, 2019 – R\$ 578,855 thousand);
- Purchased currency contracts (DOL) of R\$ 392,716 thousand; (December 31, 2019 – Purchased currency contracts (DOL) of R\$ 366,043 thousand);
- Sold currency contracts (DOL) of R\$ 782,117 thousand (December 31, 2019 – Sold currency contracts (DOL) of R\$ 176,110 thousand);
- Purchased currency contracts (DAP) of R\$ 43,404 thousand; (December 31, 2019 – R\$ 20,862 thousand);
- Sold currency contracts (DAP) of R\$ 131,633 thousand (December 31, 2019 – R\$ 197,215 thousand).

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

	In R\$ thousand					
	Bank			Operational Consolidated		
	Second half of 2020	12/31/2020	12/31/2019	Second half of 2020	12/31/2020	12/31/2019
Futures contracts	(2,561,689)	(5,213,613)	(1,166,590)	(2,561,689)	(5,213,613)	(1,166,590)
Option contracts	574	658	(214)	1,121	1,205	33
Swap and term agreements	2,428,945	5,387,178	1,175,491	2,429,931	5,393,914	1,190,351
Total	(132,170)	174,223	8,687	(130,637)	181,506	23,794

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

21. Derivative Financial Instruments (Continued)

d.) Hedge Accounting

Fundraising hedge (I)

During the 3rd quarter of 2017 and the 1st quarter of 2020, 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 1.06% p.a..
- On September 18, 2017 in the amount of USD 30,000 thousand with payment of fixed interest of 1.03% p.a..
- On September 11, 2017 in the amount of USD 35,000 thousand with payment of fixed interest 1.04% p.a..
- On March 25, 2020 in the amount of USD 67,500 thousand with payment of fixed interest 1.05% 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 90.34%.

In R\$ Thousand			
Bank/Operational Consolidated			
13/31/2020			
Hedge object	Result of the object	Result of the hedge instrument	Effectiveness
Fundraising (I)	142,642	128,868	90.34%

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.

In December 2018, 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 pre-fixed funding portfolio. In order to equalize the effects of mark-to-market derivative financial instruments designated as hedge, the value of the pre-fixed funding portfolio 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 102.37% to LF IPCA and 99.97% to LF PRÉ.

In R\$ Thousand			
Bank/Operational Consolidated			
13/31/2020			
Hedge object	Result of the object	Result of the hedge instrument	Effectiveness
Fundraising (II) - LF IPCA	759	777	102.37%
Fundraising (II) - LF PRÉ	9,753	9,750	99.97%

Notes to the financial statements

21. Derivative Financial Instruments (Continued)

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 95.66%.

In R\$ Thousand			
Bank/Operational Consolidated			
13/31/2020			
Hedge object	Result of the object	Result of the hedge instrument	Effectiveness
Credit Operations	339	325	95.66%

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 101.34%.

In R\$ Thousand			
Bank/Operational Consolidated			
13/31/2020			
Hedge object	Result of the object	Result of the hedge instrument	Effectiveness
Investment Abroad	20,349	20,621	101.34%

Hedge of the Bonds Held to Maturity Abroad

In June 2020, Banco BOCOM BBM designated a portfolio of derivative financial instruments consisting of Libor flat swap contracts vs. fixed rate in USD, in order to cover the risk of fluctuations in the external profitability of bonds classified as "held to maturity" as spread over Libor due to fluctuations in the forward structure of the Libor curve. Because of the matching between the flows of the hedge object and the results of the derivatives intended for hedge, the effectiveness of the operation was of 100.77%.

In R\$ Thousand			
Bank/Operational Consolidated			
13/31/2020			
Hedge object	Result of the object	Result of the hedge instrument	Effectiveness
Bonds Held to Maturity Abroad	114	115	100.77%

Notes to the financial statements

22. 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).

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)
12/31/2020	6.1
06/30/2020	4.0
12/31/2019	2.1
06/28/2019	3.2

In addition to VaR, stress tests are calculated based on the stress scenarios provided by B3. Based on the envelope scenarios for each risk factor, one optimistic and one pessimistic scenario are defined, considering a holding period of 3 business days. For risk factors in which there is no shock defined by the B3 scenarios, shocks from related risk factors are used. Thus, based on the exposure of the Bank's portfolio to each of the risk factors, the consolidated financial loss of the portfolio under stress is calculated for each of the two scenarios. Finally, the scenario with the greatest financial loss is used as a reference.

Reference date	B3 Stress (In R\$ Millions)
12/31/2020	-20.2

Notes to the financial statements

22. Risks Management (Continued)

Liquidity Risk

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

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

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

	In R\$ thousands			
	Bank		Operational Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Current assets	5,962,320	4,894,324	5,431,644	4,719,503
Current liabilities	(8,054,761)	(6,126,213)	(7,359,023)	(5,866,604)
Working capital, net	(2,092,441)	(1,231,889)	(1,927,379)	(1,147,101)
Short term securities available for sale presented in long-term receivables	1,354,338	1,198,619	1,354,338	1,198,619
Loans abroad	1,574,162	1,254,949	1,574,162	1,254,949
	836,059	1,221,679	1,001,121	1,306,467

Based on CMN Resolution 4,818 and BACEN Resolution 2/20, Tax Credits were presented at December 31, 2019 in full over the long-term for comparison purpose.

Banco BOCOM BBM's current liabilities are higher than its current assets calculated according to the nominal maturity of its operations. However, part of the current liabilities are loans made to the parent company in the total amount of R\$ 1,574,162 thousand which, despite having a maturity of less than 1 year, are systematically renewed.

Notes to the financial statements

22. Risks Management (Continued)

Credit Risk

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

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).

Capital Management

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

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

Notes to the financial statements

23. Operating Limits

In October 2013, the new rules related to capital measurement became effective. The financial institutions and similar entities have to maintain minimum equity of 8.00% of their assets, weighted by grades of risk to expositions in gold, foreign exchange and operations subject to the operating risk and to the variations in: foreign exchange, interest rate, price of commodities and price of shares classified as held in portfolio for trade, according to BACEN's rules and instructions. The Operational Consolidated of Banco BOCOM BBM is within this operational limit on December 31, 2020.

	In R\$ thousands	
	Operational Consolidated	
	12/31/2020	12/31/2019
Reference Equity Level I	935,748	836,998
Ajusted equity	966,087	858,131
Decrease in intangible / deferred assets according to CMN Resolution No. 4,192	30,339	21,133
Reference Equity (PR)	935,748	836,998
Risk-Weighted Assets (RWA)	521,100	443,442
Portion referring to:		
Credit risk (RWACPAD)	447,457	391,703
Foreign exchange risk (PCAM)	10,353	11,520
Interest rate risk (RWAMPAD)	4,360	60
Operating risk (RWAOPAD)	58,930	40,159
Margin or Insufficiency Value (PR - RWA)	414,648	393,556
Risk Factor – 8.00% of PR	74,860	66,960
Basel Rate (Risk Factor / RWA)	14.37%	15.10%
RBAN	62,754	127,480
ACP required	81,422	138,575
Reference Equity Margin + RBAN	270,472	127,501

Notes to the financial statements

24. Income Tax and Social Contribution

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

	In R\$ thousands			
	Bank		Operational Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Asset credit tax:				
Balance at January 1	66,487	68,364	68,292	70,340
Constitution (Reversal)	-	-	-	-
- With effects in the result	26,593	(3,146)	26,367	(3,317)
- With effects in equity	-	-	-	-
(Securities available for sale)	12,673	1,269	12,673	1,269
Balance at December 31	105,753	66,487	107,332	68,292
	-	-	-	-
Provision for deferred taxes: (*)				
Balance at January 1	19,156	20,872	19,199	20,926
Constitution (Reversal)	-	-	-	-
- With effects in the result	39,736	(1,748)	39,736	(1,759)
- With effects in equity	-	-	-	-
(Securities available for sale)	-	32	-	32
Balance at December 31	58,892	19,156	58,935	19,199

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

Notes to the financial statements

24. Income Tax and Social Contribution (Continuing)

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

	In R\$ thousands			
	Bank		Operational Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Asset Tax Credit:				
Temporary differences (a)				
- Provision for loan transactions	33,497	26,742	33,497	26,742
- Market value adjustment - marketable securities and derivatives	49,607	21,765	49,607	21,765
- Provisions for contingencies	5,934	4,337	5,934	4,338
- Others	12,598	13,234	12,890	13,460
Social Contribution Negative Basis	1,830	182	2,339	785
Tax loss	2,287	227	3,065	1,202
Total	105,753	66,488	107,332	68,292
Provision for deferred taxes				
Temporary differences (a)				
- Market adjustment of securities and derivatives	58,855	19,118	58,898	19,161
- Others	37	38.00	37	38
Total	58,892	19,156	58,935	19,199

a) It is expected that these tax credits will be realized up to the end of 2025 for income tax and social contribution, with a present value of R\$ 23 million and R\$ 15 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., for the additions and exclusions as of March 1, 2020.

Notes to the financial statements

24. Income Tax and Social Contribution (Continuing)

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

	In R\$ thousands			
	12/31/2020		12/31/2019	
	IRPJ	CSLL	IRPJ	CSLL
Income before taxes	151,105	151,106	72,153	72,154
Bank's net profit	116,564	116,564	88,521	88,521
(-) Interest on Bank's Capital	(31,792)	(31,792)	(37,187)	(37,186)
(-/+) Income tax and social contribution	(66,333)	(66,333)	(20,819)	(20,819)
Tax rate	25%	20%	25%	15%
Income tax and social contribution				
At tax rate	(37,776)	(30,221)	(18,038)	(10,823)
Permanent additions	71,744	52,782	66,384	48,510
Non-deductible expenses	20,905	1,943	19,638	1,764
Addition on profit abroad	50,839	50,839	46,746	46,746
Permanent exclusions	38,102	38,102	34,097	34,097
Tax-free revenues	-	-	12	12
Equity in the result of investees (Bank)	38,102	38,102	34,085	34,085
Temporary additions / exclusions	(36,705)	(42,989)	12,603	16,839
Tax basis	148,043	122,797	117,044	103,407
Use of tax loss and negative basis	-	-	(32,886)	(21,767)
Tax basis with use of tax loss and negative basis	148,043	122,797	84,156	81,637
Income tax and social contribution (a)	(36,987)	(24,719)	(21,015)	(12,246)
Use of tax incentives and taxes of subsidiaries abroad	1,260	14	1,630	-
Income tax and social contribution in the period result	(35,727)	(24,706)	(19,385)	(12,246)
DIPJ adjustment	(5,154)	-	1,362	-
Provision Deferred Tax Liabilities	(21,541)	(18,195)	1,886	(138)
Income tax and social contribution in the result for the period - Banco BOCOM BBM	(62,422)	(42,901)	(15,978)	(12,354)
Income tax and social contribution of other institutions of the Prudential Conglomerate	(437)	(221)	(387)	(204)
Income tax and social contribution in the result for the period - Prudential Conglomerate	(62,859)	(43,122)	(16,365)	(12,560)

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

On April 28, 2020, the Brazilian Federal Revenue (RFB) Normative Instruction No. 1,942 was published, amending RFB Normative Instruction No. 1,700/2017, which provides for the determination and payment of income tax and social contribution for legal entities and regulates the tax treatment of PIS/COFINS with regard to the amendments introduced by Law No. 12,973/2014. The impact for Banco BOCOM BBM was only with the maintenance of the social contribution rate at 20%, except in the period between 1/1/2019 and 2/29/2020, in which the rate was maintained at 15%. The Normative Instruction No. 1,942/2020, in its Articles 30-A and 30-B, details the entire procedure for proportion calculation. Therefore, the social contribution due in 2020 occurred according to the proportionality indicated in Normative Instruction No. 1,942/2020 due to the rate differential.

Notes to the financial statements

25. Provisions and liabilities for legal obligation

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

a) Breakdown of provisions

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

	In R\$ thousands			
	Bank		Operational Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Labor	12,154	8,804	12,154	8,804
Civil	633	633	633	633
Total - Provisions for contingencies	12,787	9,437	12,787	9,437

These provisions are recorded as "Other liabilities - sundry" under Long-term liabilities. During the year ended December 31, 2020, a provision was made in the amount of R\$ 3,603 thousand of provisions for contingencies in the Operational consolidated

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 tax credits of PIS/Pasep and COFINS 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 of 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, as of 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\$ thousands			
	Bank		Operational Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
PIS and COFINS	400	201	414	208
Total - Liabilities for legal obligations	400	201	414	208

c) Others

On December 5, 2016, the Brazilian Administrative Council for Economic Defense (CADE) files an administrative proceeding against Banco BOCOM BBM S.A. 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 \$ 5.6 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

26. Allowance for financial guarantees

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

	In R\$ thousands			
	Bank		Operational Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Guarantee				
Other sureties	531,545	558,814	231,015	164,232
Surety or guarantee in lawsuits and administrative procedures	364,728	480,743	364,728	480,743
Linked to bids, auctions, service render or construction	307,213	327,654	307,213	327,654
Linked to international trade	9,205	1,171	9,205	1,171
Total	1,212,691	1,368,382	912,161	973,800
Changes in allowances for financial guarantees				
Beginning balance	1,088	1,161	1,088	1,161
Exchange variation	117	-	117	-
Constitution / (Reversal)	15,816	(73)	13,535	(73)
Ending balance	17,021	1,088	14,740	1,088

The raise of the provision for guarantee provided is due to our provision policy to sectors that were directly impacted by the Covid Crisis.

Notes to the financial statements

27. 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 December 31, 2020, the total assets mitigated by compensatory arrangement was of R\$ 203,053 thousand (December 31, 2019 - R\$ 801,302 thousand).

(b) Deferred income

Deferred income refers mainly to the earnings of guarantees granted and its increase in the period ended December 31 is aligned with the variation of the guarantees.

(c) Marketable Securities Portfolio

In the first half of 2020, based on Resolution 3,181 of the Central Bank of Brazil, considering the trend of positive effect on the nominal rates of government bonds, in particular 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 avoid revenue reductions, the Bank's Executive Committee unanimously approved to continue the process of stretching 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 on the result of R\$ 31,187 thousand.

At the end of the semester, Banco BOCOM BBM had R\$ 1,159,510 thousand in bonds and securities classified under "held to maturity" category, according to Central Bank Circular No. 3,068 / 01. Banco BOCOM BBM has the financial capacity and intention to maintain them until maturity.

At the end of the period, Banco BOCOM BBM had R\$ 828,224 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 second half of 2020 was characterized by the beginning of the global economic recovery, following the easing of restrictive measures imposed to combat the pandemic worldwide. The timely development of effective vaccines against the Sars-CoV-2 virus encourages expectations of further progress in 2021, in a benign external scenario for Brazil, which is expected to grow 3.6% this year after seeing a drop in its GDP by about 4.5% in 2020. However, the Brazilian economy will still face major challenges this new year: a high unemployment rate, in a scenario of a new wave of infections and the end of the government aid, and a complex tax framework that makes it urgent to resume the tax consolidation and structural reforms agenda.

Throughout the year, we kept most of our employees in the remote work system with great efficiency and success, thus cherishing everybody's safety. For greater comfort, we offered ergonomic chairs and monitors for those who requested.

Social responsibility:

- Donation of 45,000 disposable isolation gowns (individual protection equipment for doctors) to the State Brain Institute - enough for 3 months. Total value of R\$ 581 thousands.
- In partnership with our employees, we donated food baskets to people of a community in Rio de Janeiro called "Morro da Providência", a value of R\$ 39 thousands.
- We took part in a campaign for donation of food to vulnerable people, called "Natal de Emoções", which our employees also took part, the value of contribution was R\$ 19 thousands.

* * *

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