



年度报告

2019



交通銀行
BANK OF COMMUNICATIONS

B
BM

目录

我们是谁	3
2019年	6
我们的优势	8
▪ 数字	
▪ 业务	
▪ 员工	
我们如何组织	14
1. 我们做什么	16
▪ 公司信贷	
▪ 财富管理	
▪ 金融服务	
2. 我们如何为业务融资	26
3. 我们如何风控	30
4. 我们如何决策	34
▪ 公司治理	
▪ 我们的员工	
5. 释义	42
6. 财务报表	46
交行全球业务	105



我们是谁

创新和完善是BOCOM BBM银行的核心组成部分。我们始终关注金融环境的不断变化，尽力寻找能够实现我们客户目标的解决方案。

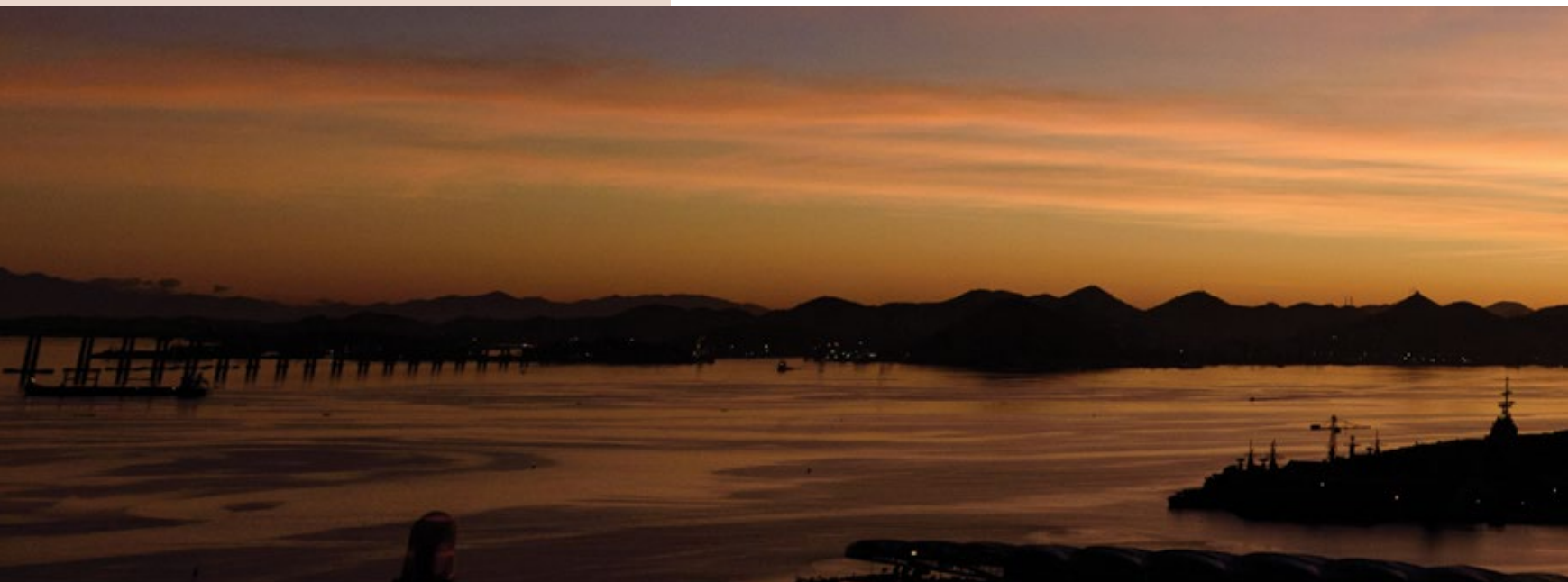
我们以发现和培养人才而闻名。我们的团队擅长创建和完善其产品及流程。

我们的战略重点是采用最佳技术，以敏捷和透明的方式来满足巴西所处公司对信贷和金融服务的需求。运用数十年来获得的成功检验和专业知识为个人客户提供财富管理和咨询服务。



通过以下方式成为帮助利益相关者实现其目标的最佳金融机构：

- 通过透明，互惠，精准和灵活的方式处理我们与客户，员工，股东和供应商的关系；
- 持续提高股东资本和中巴一体化的盈利能力；
- 为员工在职业生涯，物质和智力发展方面创造机会并提供指导，始终鼓励他们寻求最前沿的知识，尤其是在金融和技术领域；
- 重视与尊重与我们互动的社会群体，保持良好的相处状态。



价值观

我们的团队是我们的主要资产

竭尽所能不断发现人才，并创建一个可以充分发挥其潜力的环境。

生产力与创新

在与我们业务相关的所有认知领域中，不断研究并寻求实施最佳方案，模式，创新，机会和风险控制。

专注于卓越和可持续的绩效导向

通过广泛的内部和外部分析，系统地寻找商机。关注客户的需求，通过我们具有竞争力的产品，以最佳方式积极地了解和满足他们的需求。

概念化，设计，执行和控制

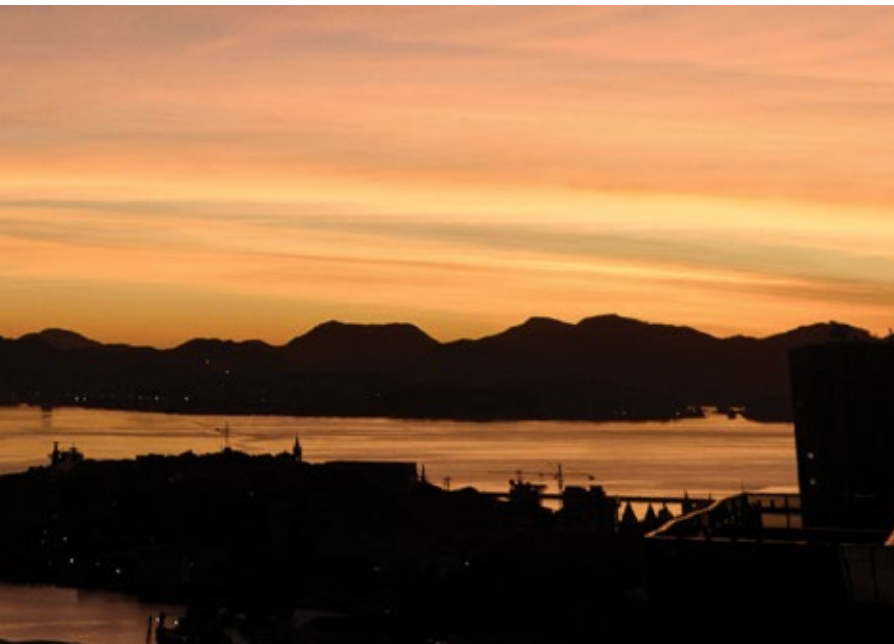
从概念上，计划中，执行力方面把控我们程序，流程和内外部的关系的精确性。

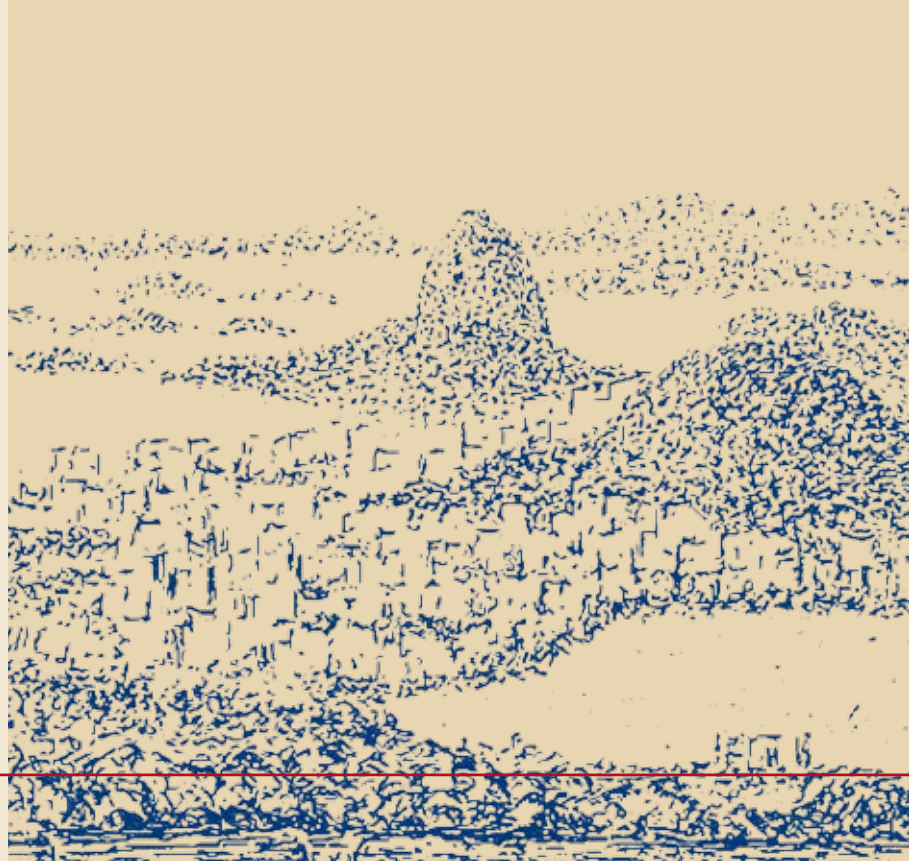
尊重他人

在坚持原则的同时，牢记主观评估和多样性对于与人和机构关系的重要性。

互惠与忠诚

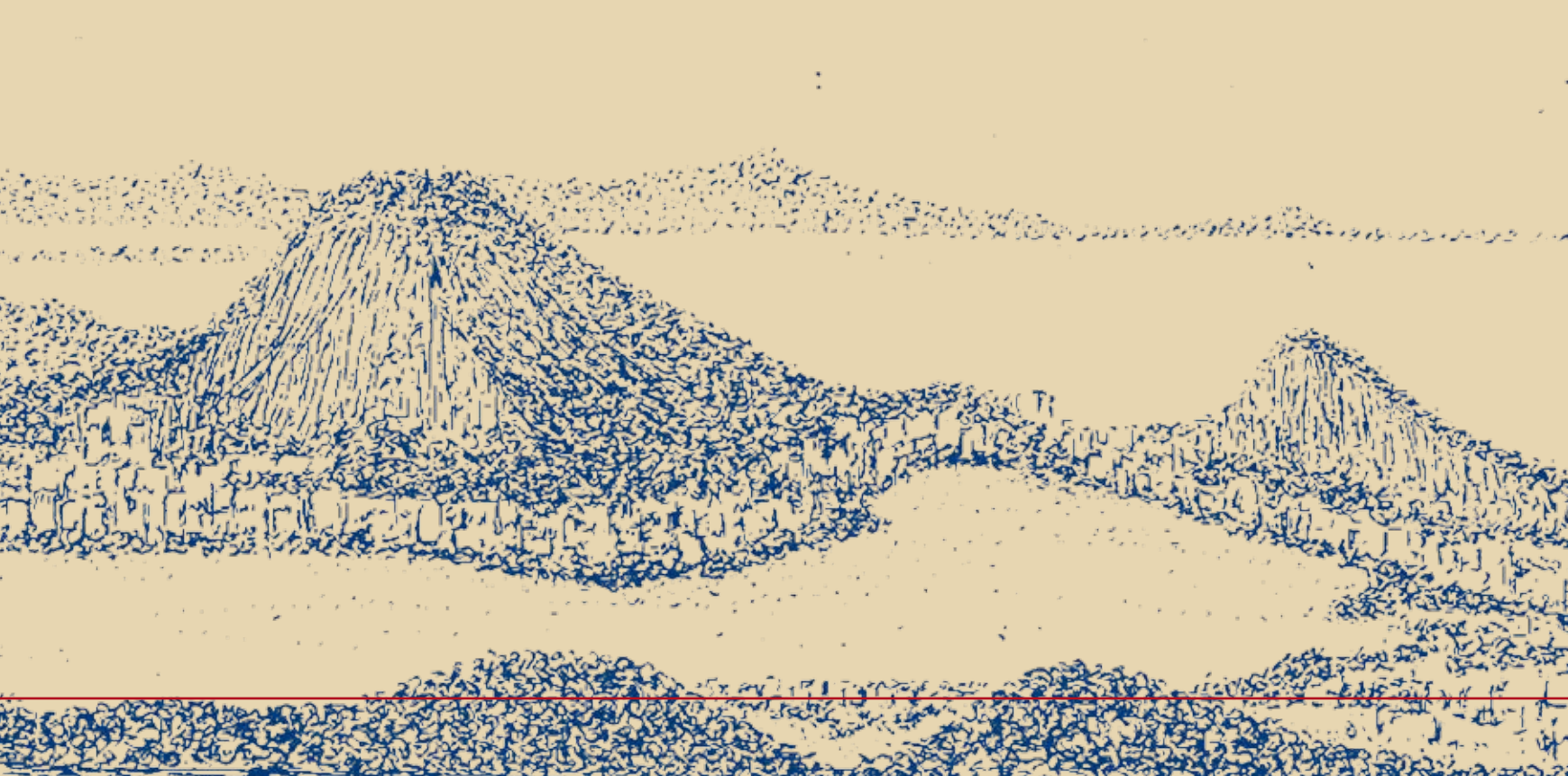
牢记与我们互动的所有人员和机构间互惠和忠诚的概念。





2019年

2019年是巴西经济观念经历重要变化的一年。强有力的社保改革提案的批准，更有效地调整强制性公共预算支出，低通货膨胀率，加快了下半年经济增长速度。年底达到1.3%，特别是家庭消费和投资的增长，分别达到了1.8%和2.3%。关于新财政巩固措施改革，税制改革的讨论被推迟到2020年。2019年年底国家的财政和债务前景相对于近几年有更好的趋势。失业率下降，年底失业率降至11.7%（经季节性调整），为2015年以来最低。



货币政策是结构改善的另一个向量，基准利率（Selic）到2019年末年均4.5%，是历史最低水平。除了改善财政前景外，全球低利率环境，通货膨胀目标（下降）的较高信誉度以及较高的闲置产能为永久性降低利率开辟了空间。由于暂时的食品压力，通货膨胀在年底达到4.3%，但到2020年将回落至通货膨胀目标的中点以下。

年底达到1.3%，反映了家庭消费和投资的增长，分别增长了1.8%和2.3%。

我们的优势

数字

净利润

R\$ 89

百万

股东权益

R\$ 653

百万

融资总额

R\$ 6,373

百万

平均净资产收益率

14.1%

巴塞尔指数资本充足率

15.1%

贷款总额

R\$ 6,061

百万

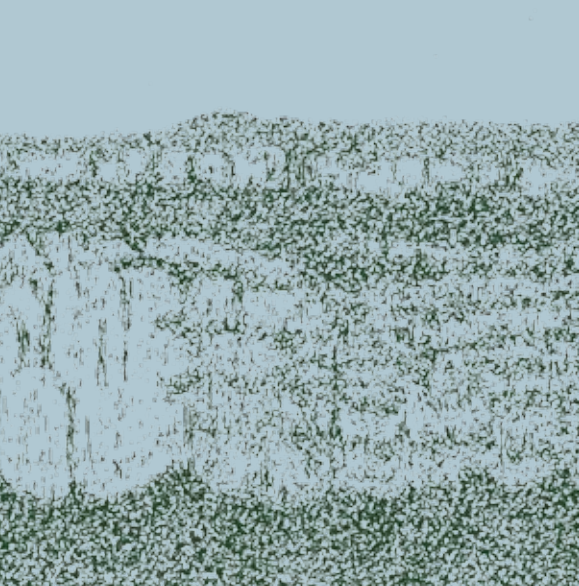
截至到12月31日

2016 2017 2018 2019

财务状况（百万雷亚尔）

净利润	32	43	64	89
股东权益	574	575	601	653
平均净资产收益率（ROAE）（年化）	5.6%	7.5%	10.8%	14.1%
贷款总额*	2,171	3,668	4,408	6,061
融资总额	2,964	4,085	4,897	6,373
巴塞尔指数资本充足率	21.3%	16.1%	14.5%	15.1%

* 包括担保、保证、信用证和有信用风险的业务（债券和本票）。



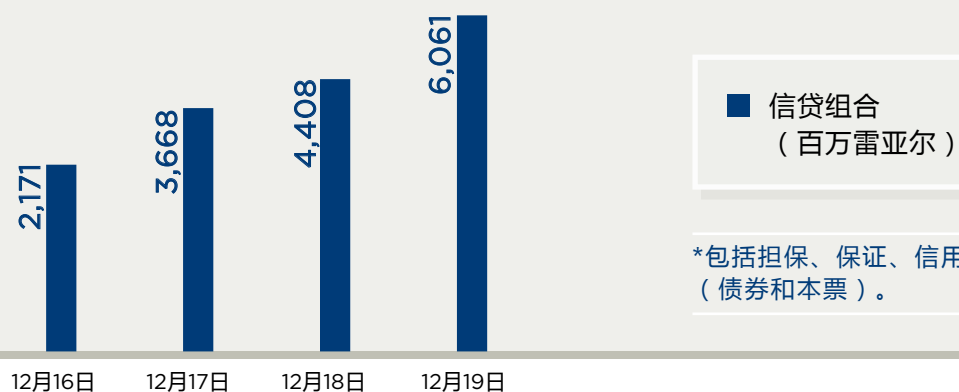
评级

交行BBM	
穆迪的投资者服务 MOODY'S INVESTORS SERVICE 10月19日	惠誉 FITCH 4月19日
国内信用评级	国内信用评级
Aaa.Br	AAA (bra)
全球信用评级量表	全球信用评级量表
Ba1	BB+

交通银行		
穆迪的投资者服务 MOODY'S INVESTORS SERVICE	标普 S&P	惠誉 FITCH
长期*	长期*	长期*
A3	A-	A
短期*	短期*	短期*
P-2	A-2	F1

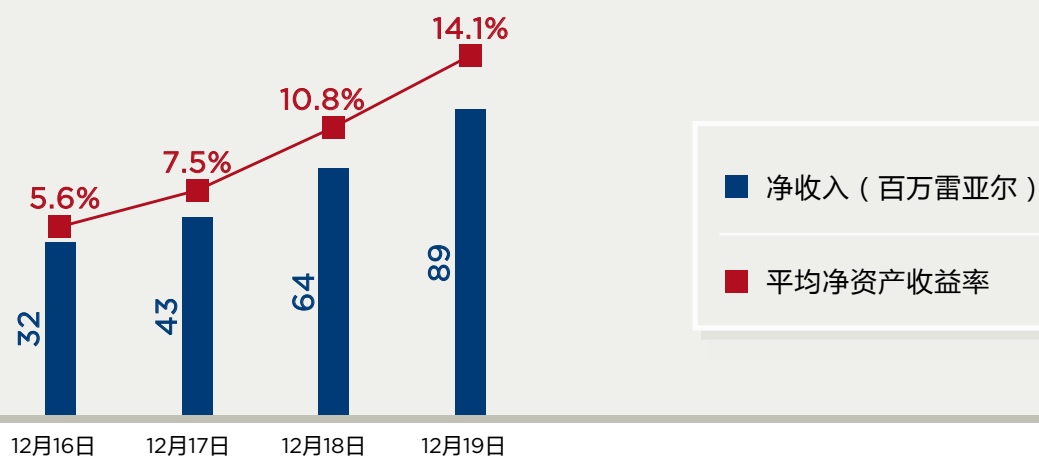
*外币存款。

扩展的信贷组合*

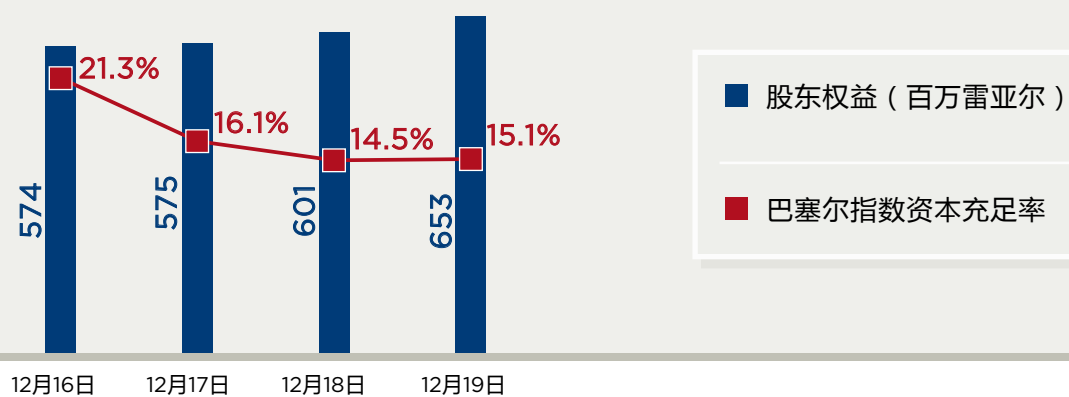


*包括担保、保证、信用证和有信用风险的业务
(债券和本票)。

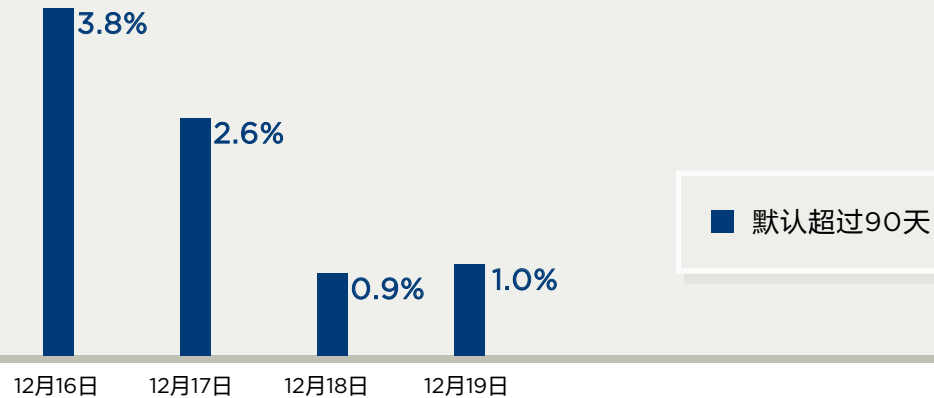
净收入&投平均净资产收益率



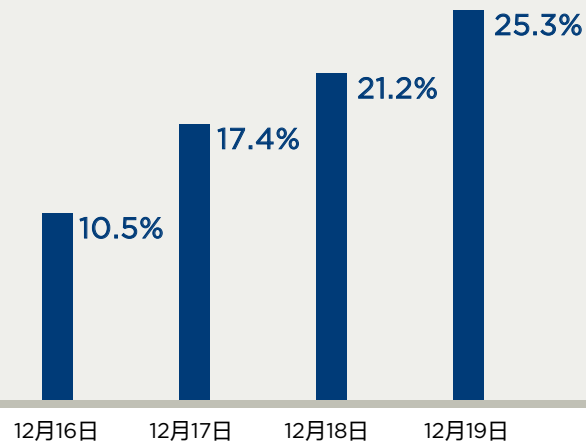
股权&巴塞尔指数资本充足率



违约（不良贷款/ 扩展信贷组合）

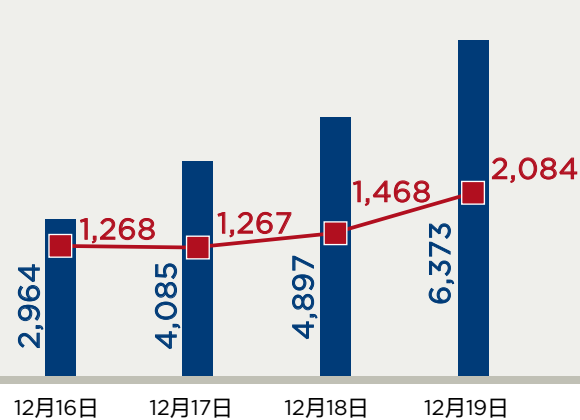


金融服务收入（占总收入的百分比）*



* 扣除贷款损失+服务收入+股权收益准备金的金融中介总收入。

总融资和自由现金流*



*自由现金流=现金和现金等价物+银行间市场短期投资（银行头寸，同业存款，外币头寸）+固定收益证券（不包括承诺和保证相关的资产）+30天内可变现的开放式基金投资+变动收益证券（不包括基金份额）。

我们的优势 业务

证券发行的协调

我们在2019年底的总收入为20.66亿雷亚尔。与2018年相比，增长了30%以上。

财富管理

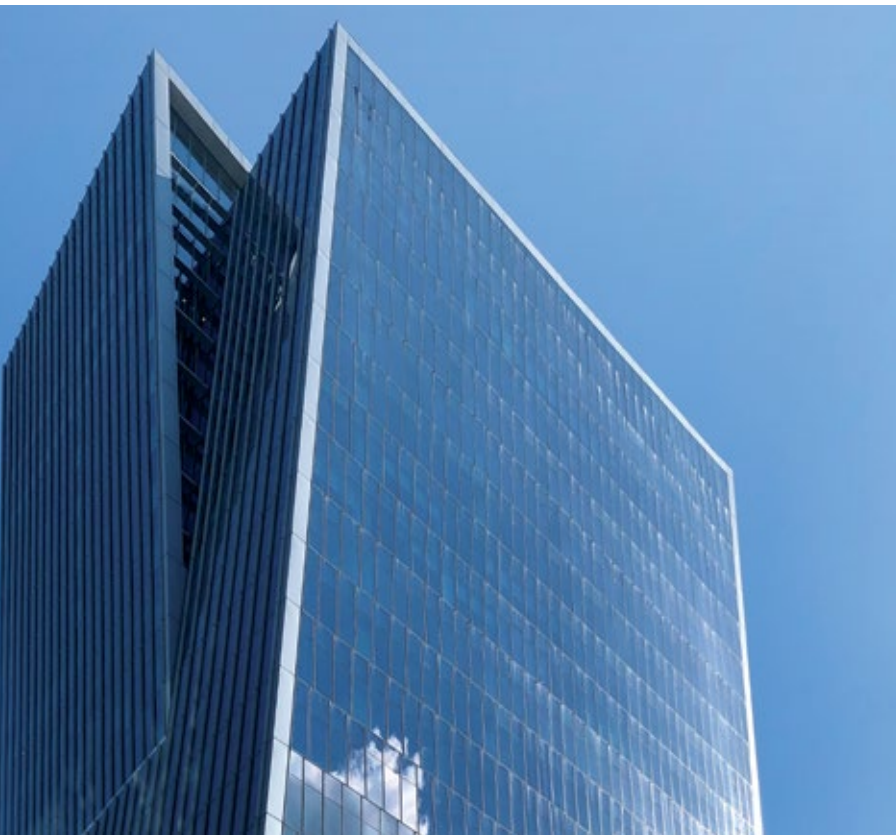
去年，巴西和国外客户的资产组合增长了19%。
2019年12月达到85亿雷亚尔。

公司信贷

12个月内余额增加了37%。
我们于2019年12月以60.61亿雷亚尔收盘。



我们的优势 员工



当代总部

迁址到里约港口区（Porto Maravilha）振兴项目核心位置，提高了与我们共事每个人的幸福和安全感。我们加大基础设施投资，寻求更大的空间和舒适度来提高生产率。我们拥有最新的技术，更完善的会议室，更新的食物选择。同时增加了建筑物及周边地区停车位。新环境，增进了员工和客户之间的关系。

整合

宜人的工作环境对于我们员工的生活质量至关重要。我们谨记这一点的同时，力求通过开展协同合作，休闲放松，健康和福祉的多样活动，增强团队的凝聚力。为生产力和专业发展创造了一个和谐，舒适和更有利的工作空间。

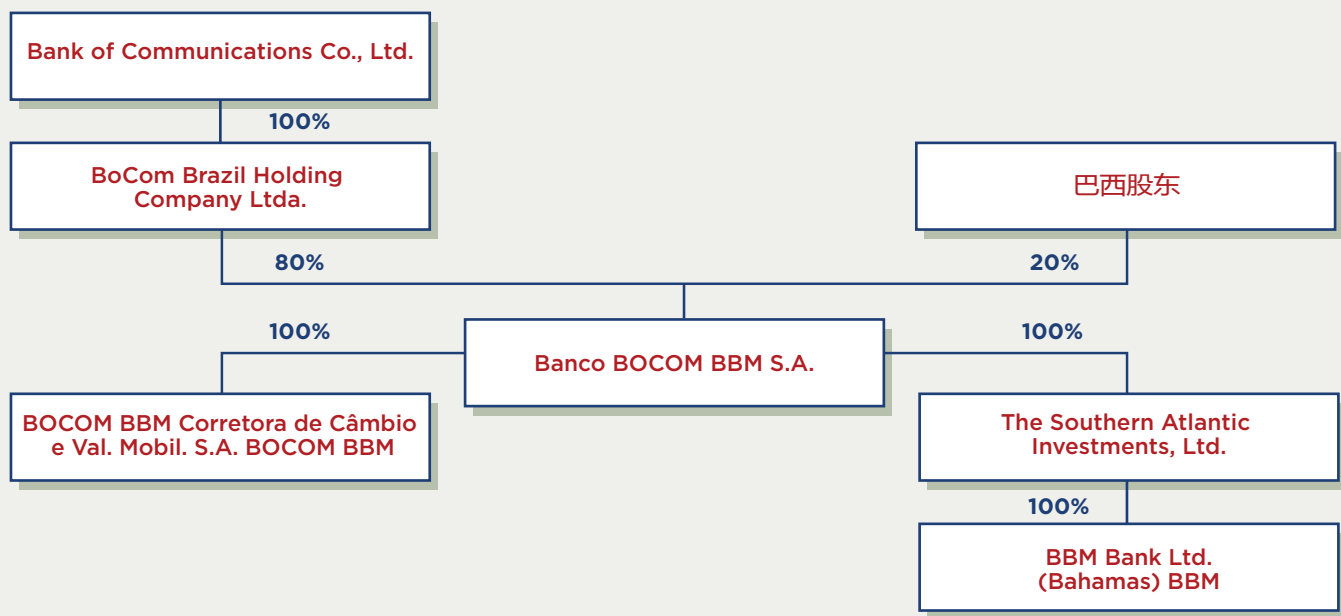
2019年，我们举办了第四届熊猫杯，这是一场员工之间的友好足球比赛。

我们的团队还参加了港口半马（Meia do Porto）比赛。

今年，我们还在里约热内卢和圣保罗的办公室庆祝了首个交通银行BBM家庭日。接待了我们的孩子，以便他们对我们的日常工作有所了解。

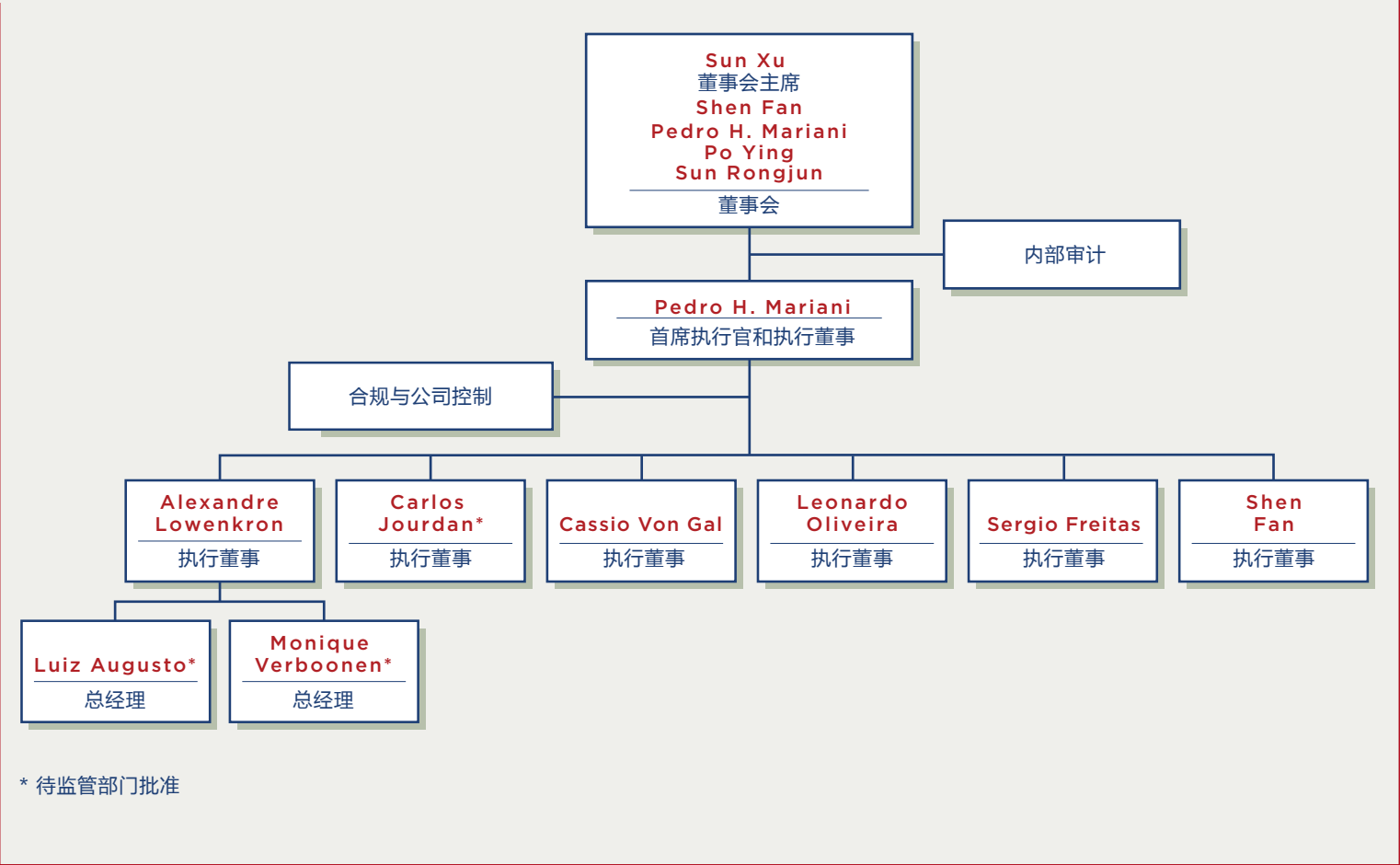
我们如何组织

股权架构



已发行股份的预计百分比。
低于0.001%的股权不包括在组织结构图中，并且此金额已由控制人四舍五入。

组织架构图





1

我们所做的

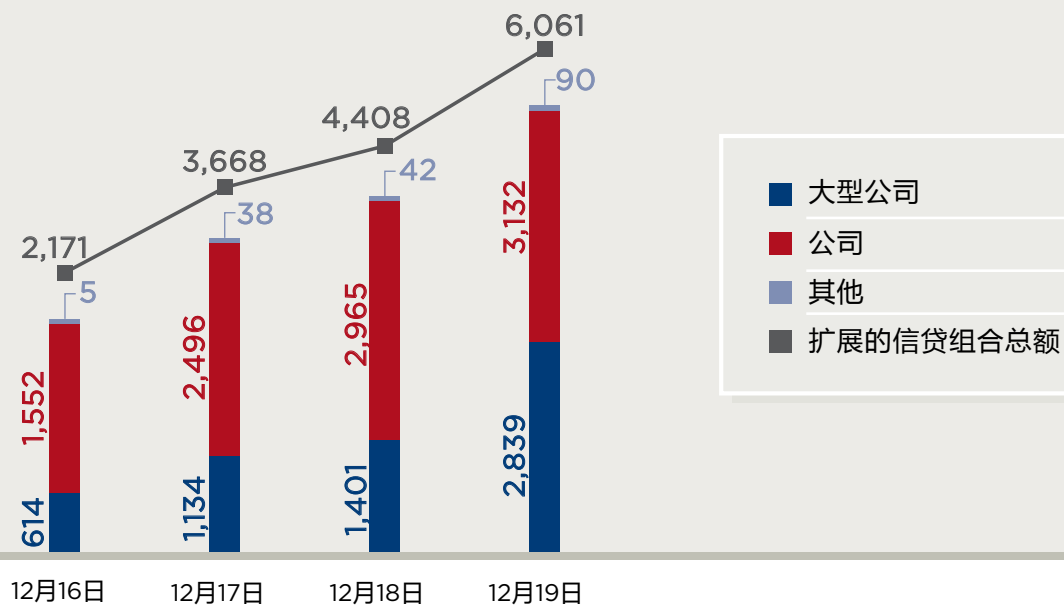
公司信贷

我们采用最好的技术，以敏捷和透明的方式满足巴西所处公司的信贷，金融和衍生服务需求。

我们与企业集团（年收入在2亿雷亚尔到30亿雷亚尔之间）和大型企业（每年超过30亿雷亚尔，或在中国企业控股下）合作，提供抵押担保贷款，外汇合同预付款和私人证券购买服务。去年，我们在12个月内余额增长了37%，截至2019年12月，余额为60.61亿雷亚尔。

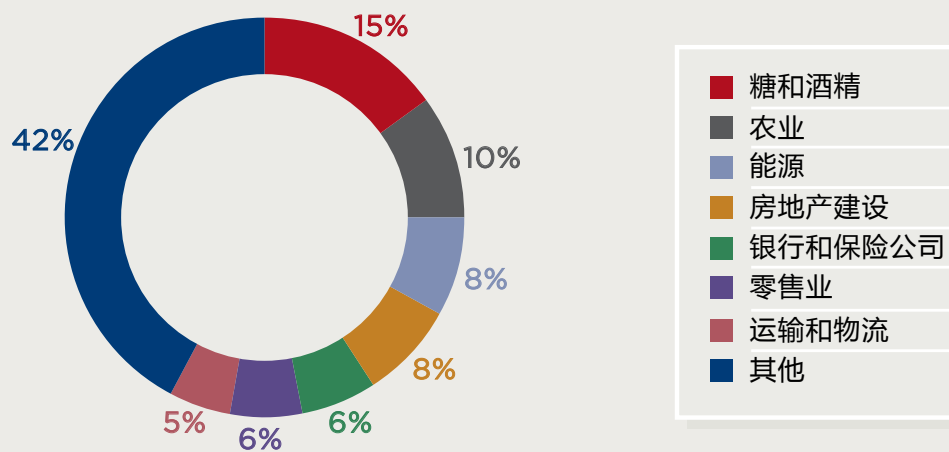
我们采用最好的技术，以敏捷和透明的方式满足巴西所处公司的信贷，金融和衍生服务需求。

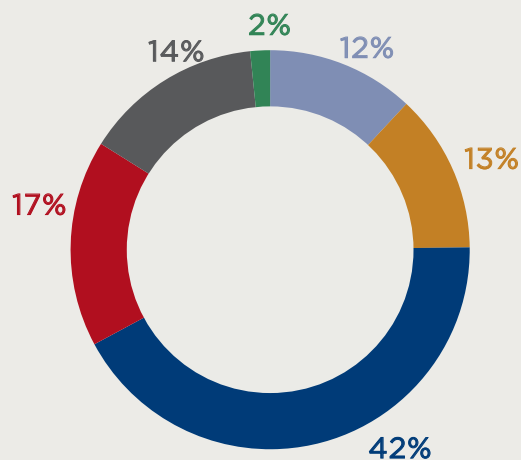
扩展的信贷组合 | 公司和大型公司（百万雷亚尔）



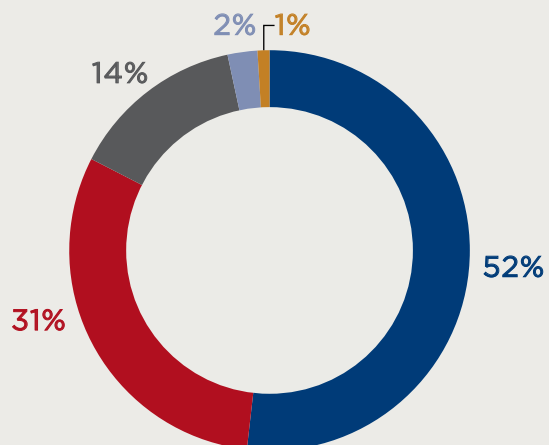
扩展的信贷组合 | 行业构成

12月19日





- 金融贸易
- 名义现金支出
(NOTIONAL CASH EXPENDITURE)
- 营运资金
- 背书和保证
- 私人证券
- 其他



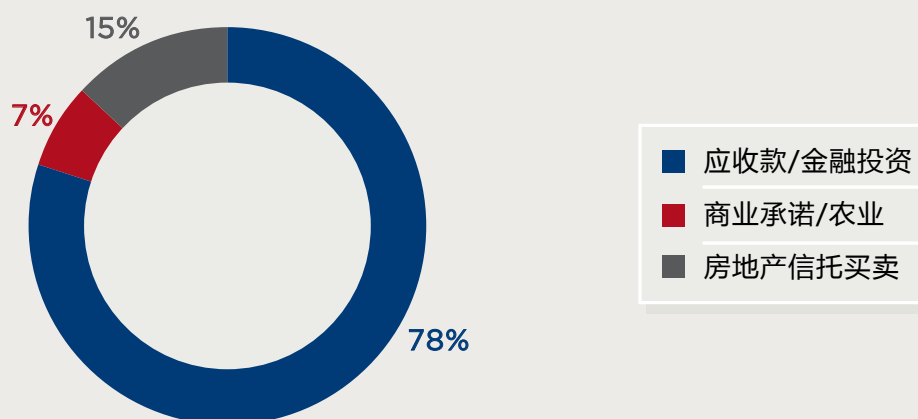
- AA
- A
- B
- C
- (E-H)

*根据中央银行第2682/99号决议分类的信贷组合。

**在2019年12月的基准日期，我们的信贷组合中没有归类为D的信贷。

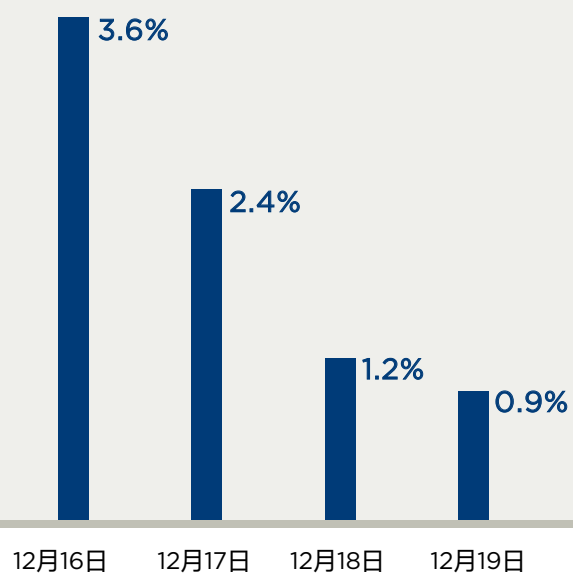
混合担保* | 提供的贷款和担保

12月19日



*在12月19日，合同余额的44.47%持有某种类型的担保。

贷款损失



财富管理

我们提供金融咨询，并以数十年成功积累的独家经验方法管理资金。我们通过基于开放平台模型的多元化金融产品，帮助客户实现长期投资目标。去年，巴西和外国客户的资产组合增长了19%，在2019年12月达到85亿雷亚尔。

我们专注于拥有合并财富或正在建立强大资产基础的个人和家庭。我们提供个性化服务，力求了解每个客户的最佳方案和分配，同时考虑到他们的风险承受能力，流动性程度，现金产生量和资产规模。

我们拥有一支训练有素且经过认证的专业团队，专注于提供优质服务以及在资产配置方面的丰富经验。与交行BBM其他领域的协同作用使我们能够以稳健的方式和更高的质量为客户提供建议。

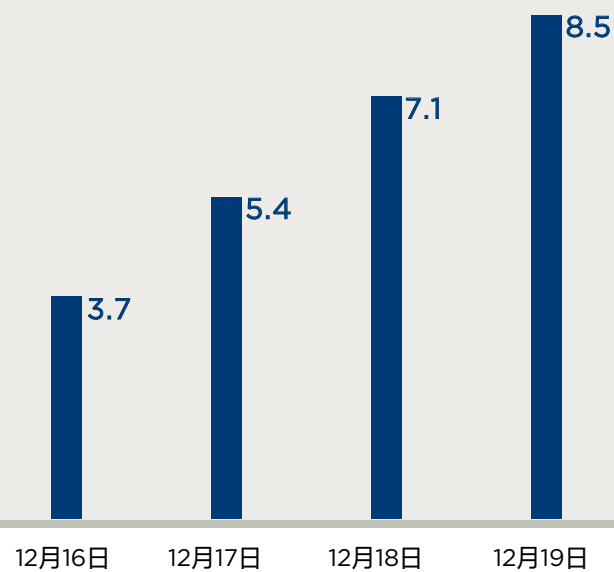
我们制定策略以促进客户资产组合的动态增长和可持续增长。采取独家管理/受限的资金形式或为个人提供最佳投资机会的建议。在资金，固定收益，股票和结构性产品之间分配。只有经过内部分分析和批准流程（包括严格的尽职调查）后，资产才分配给客户资产组合。

我们提供个性化服务，力求了解每个客户的最佳特点和分配方式，同时考虑到他们的风险承受能力，流动性程度，现金产生量和资产规模。

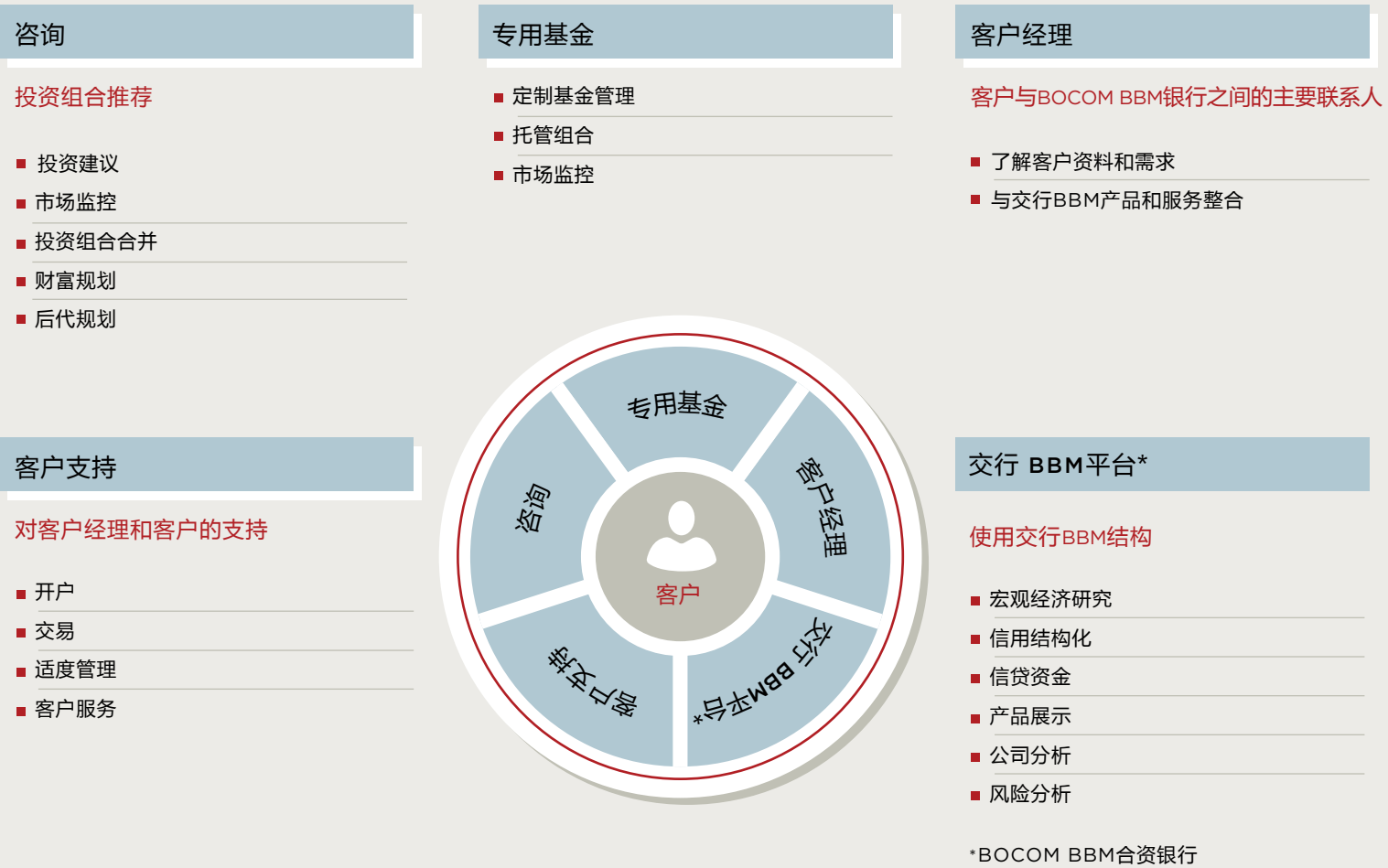
分配给客户投资组合的所有资产
均经过批准程序和内部审核，包
括严格的尽职调查程序。

受托管理资产

(十亿雷亚尔)



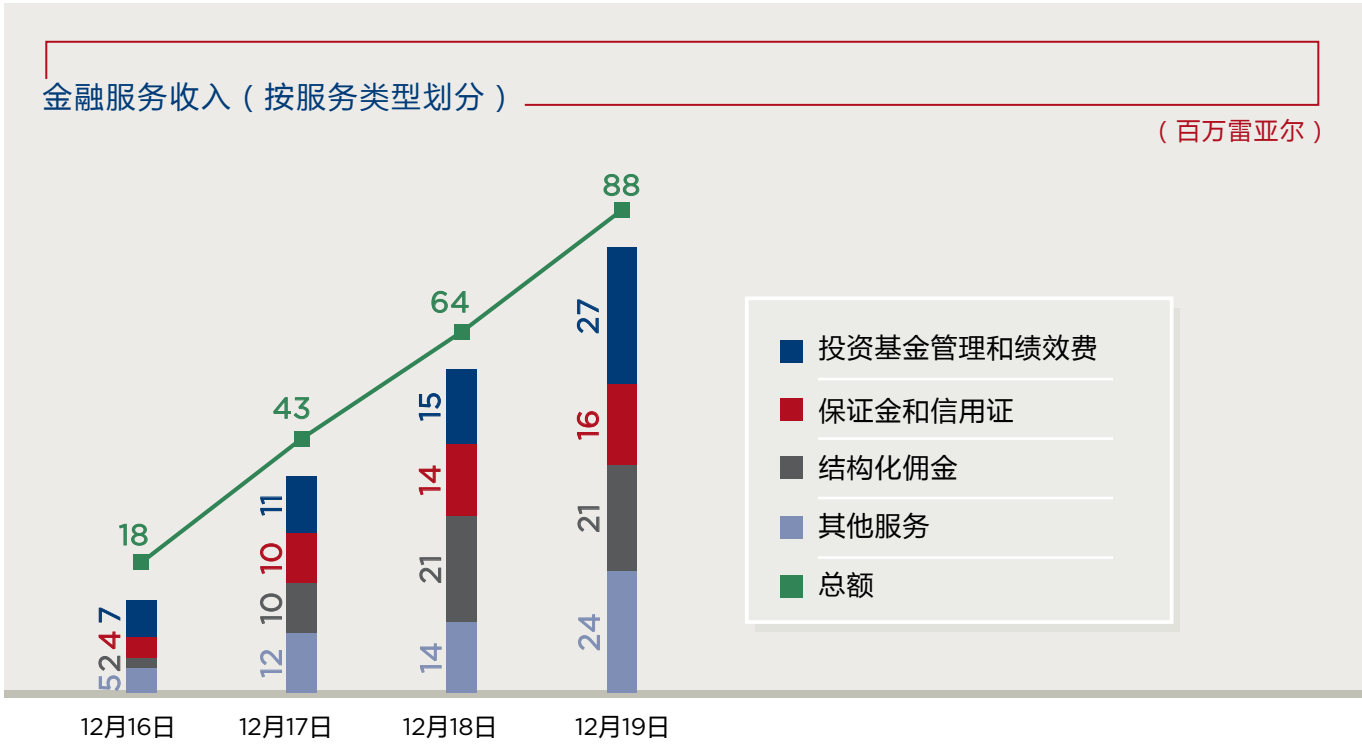
财富管理架构



金融服务

结构化

除了为衍生产品定价外，我们还为客户提供各种产品，例如在资本市场发行公司债券和证券化的咨询服务（“发行”）。我们与“企业信贷”部门一起确定能够进行公开发行的客户，并提出新的筹集资金的方式。我们协助客户准备文件，包括潜在投资者的销售材料（路演），结构讨论，与监管机构的接口以及与服务提供商（例如法律顾问和托管银行）的合同签订等。



资本市场

我们增加了金融产品和服务的选择，以更好地满足客户的需求。我们提供证券结构和分销服务以及衍生产品交易。截至2019年，我们在证券发行方面的总额为20.66亿雷亚尔-与2018年相比，这些服务的收入增长了30%以上。

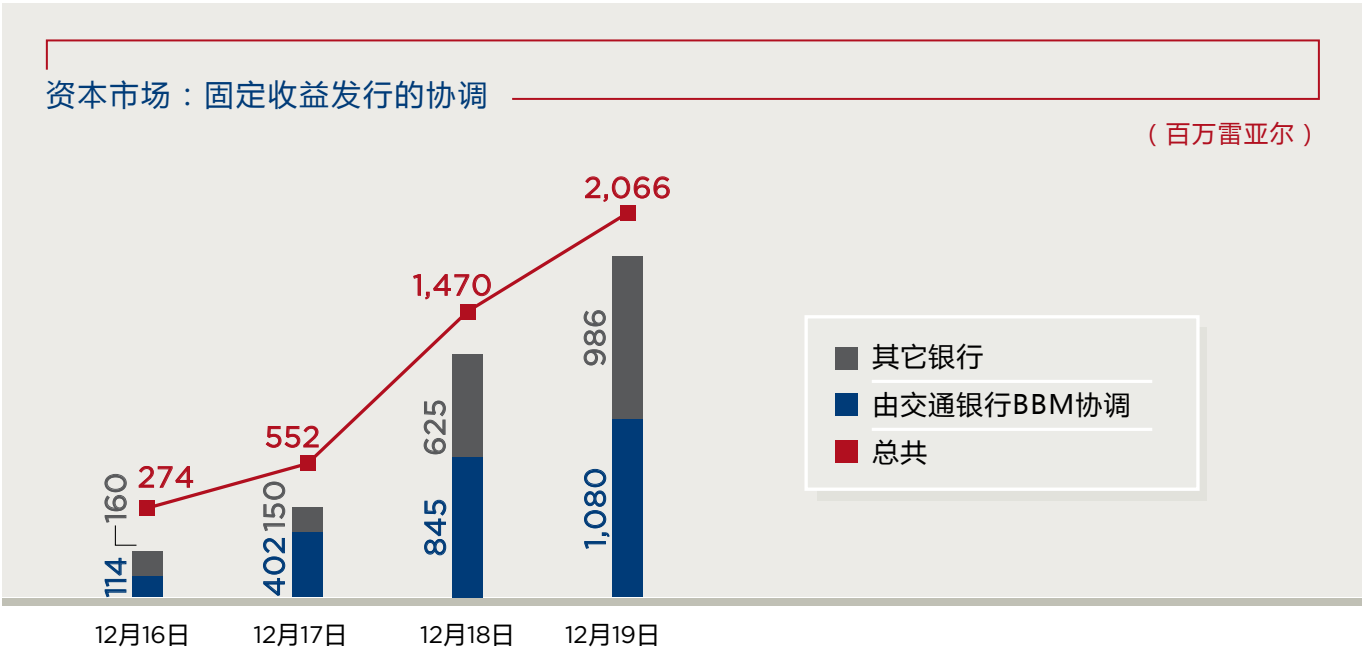
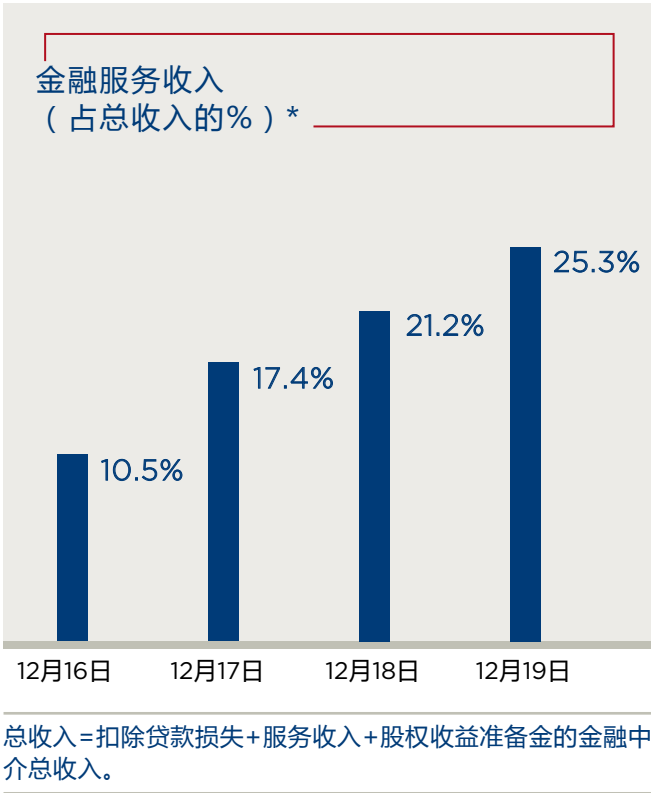
金融市场产品服务支持

客户库存现金管理部门致力于企业信贷，为客户构建和定价衍生产品和其他产品，在面临市场风险的情况下，旨在为公司资产和负债提供可替代方案。

提供的产品，包括衍生产品，以防范如下风险：

- 汇率变动；
- 利率；
- 价格指数。

此外，我们开展各种类型的外汇交易。



2

我们如何为业务融资

在当地市场，银行向机构客户（银行，公司，资产管理公司和保险公司）和财富管理客户发行固定收益证券，主要是存款证（CDB），农业信贷票据（LCA），房地产证（LCI）和金融债券（LF）。

国际市场上，我们与世界一流的金融机构建立了联系，共同开展融资和担保业务，让国际性业务在银行融资和资源多样性方面发挥重要作用。

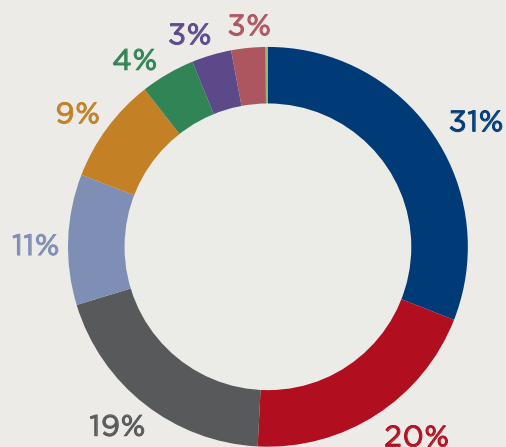
惠誉（Fitch）和穆迪（Moody's）机构于2019年4月和10月再次确认了交行BBM S.A.的长期全国规模评估信用等级，分别为AAA（bra）和Aaa.br。全球规模范围，我们获得了同样机构的BB+和Ba1评级。

我们拥有多元化的投资组合，根据资产情况可以提供更有吸引力条款和宽松期限进入当地和国际市场。

惠誉（Fitch）
和穆迪（Moody's）机构于
2019年4月和10月再次确认了交
行BBM S.A.的信用等级，分别
为AAA（bra）和Aaa.br，全
国规模评估信用等级最高级别

融资来源

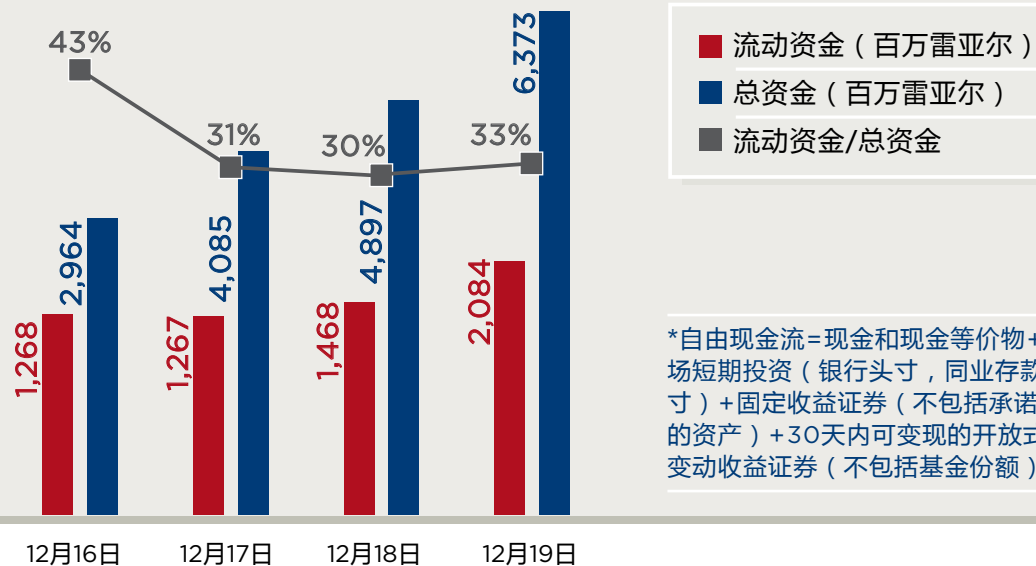
12月19日



- 交通银行
- 农业综合信用证 (LCAs)
房地产信用证 (LCIs)
- 固定收益证券
- 定期存款
- 其他
- 外线
- 次级债务
- 活期存款
- 银行同业存款

	12月16日	12月17日	12月18日	12月19日
融资 (百万雷亚尔)				
交通银行	232	772	911	1,973
农业综合信用证(LCA) 房地产信用证(LCI)	715	1,260	1,444	1,266
固定收益证券	480	1,175	1,494	1,241
定期存款	910	418	609	673
其他	331	257	119	546
外线	161	96	203	281
次级债务				205
活期存款	27	88	115	186
银行同业存款	108	19	2	2
融资总额金	2,964	4,085	4,897	6,373

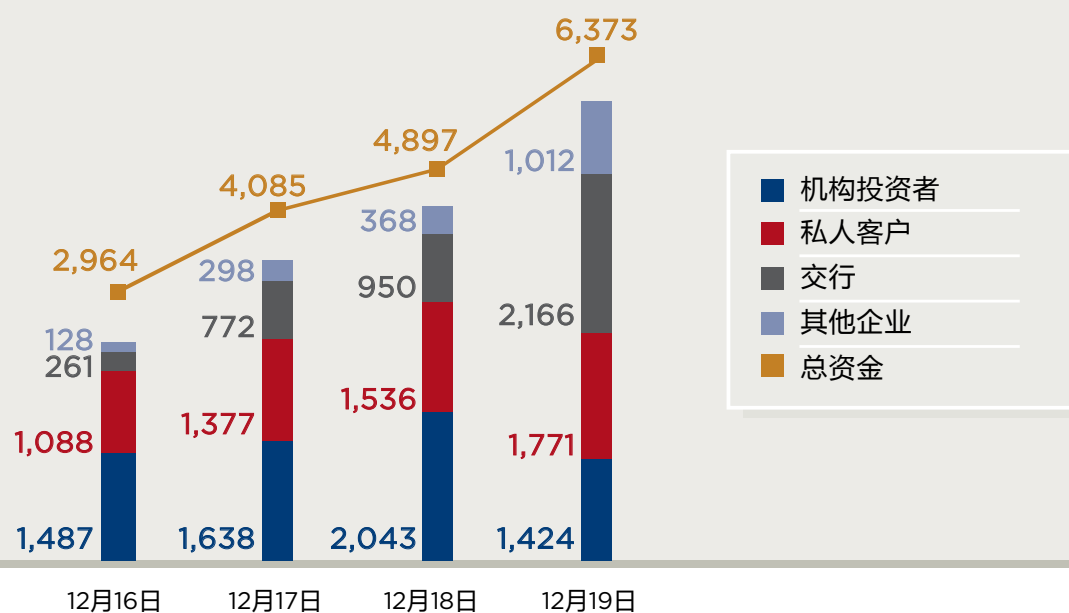
流动资金*和融资总额



*自由现金流=现金和现金等价物+银行间市场短期投资（银行头寸，同业存款，外币头寸）+固定收益证券（不包括承诺和保证相关的资产）+30天内可变现的开放式基金投资+变动收益证券（不包括基金份额）。

投资者类型的资金

(百万雷亚尔)





3

我们如何控制风险

以审慎为核心，适当进行风险量化是BOCOM BBM银行最重要的经营理念。在决策过程中，人员和流程均深受风险管理文化的影响，风险管理结构的主要目的是保护和有效分配资本。BOCOM BBM银行的风险管理方法基于不断开发和应用金融行业前沿的独特的方法和模式，用以适应巴西的商业环境。风险管理工具和指导方针完全与BOCOM BBM的管理相结合，是业务决策的一个组成部分，例如授信和流动性管理。

在过去25年中不断探求独家的风险管理方法，始终处于行业前沿。

在决策过程中，人员和流程均深受风险管理文化的影响，风险管理结构的主要目的是保护和有效分配资本。

决策整合

在日常业务活动中，所有部门均将风险监控，评估和控制与决策结合在一起。风险模型和参数被并入治理过程和决策中，例如经济资本的计算，融资政策，信贷组合的发起和管理。

我们的控制政策和实践与董事会制定的风险承受能力声明相一致，建立了管理层使用的方针，职责和模型。同样，资本管理政策和策略会建立机制和程序，使资本与我们承受的风险保持一致。

信用风险

我们的信用风险管理结构由多个部门组成，下面将介绍其主要职责。

授信风险领域由风险总监指导，负责集中和评估与每笔交易的个人信用风险管理以及与合并信用风险信息，以确保符合操作要求。负责报告，以支持信贷委员会批准的授信限额决策。

贷审会负责综合投资组合的监测和评估工作，包括集中度和风险水平，还有责任解决拖欠信贷业务或对担保情况恶化等问题设定期限，并在必要时决定启动司法追讨。董事会负责至少每年一次批准风险政策和限制。

授信分析部负责评估与银行维持或计划建立信用关系的企业的信用风险。

法律部负责分析银行与客户之间签订的所有合同，此外还负责协调采取措施以收回信贷，保护我们的权益。

合同控制部门，负责签发BOCOM BBM银行与客户之间合同，同时确保操作是否符合信用限额提案（PLC）中规定的参数，正确构成担保，并与客户签约。

最后，内部审计负责对业务部门和银行信贷流程进行定期审计。

市场风险

我们是巴西市场风险量化的先驱之一，早在1997年就开发出一种自主管理体系，成为行业内的标杆。风险主管管理，负责识别，衡量，监控并向风险委员会和执行委员会报告我们所承受的市场风险。

我们的结构由几个部门组成。风险委员会负责审查政策，并提出至少每年一次提交董事会批准的风险管理操作限制。

除其他功能外，定价部定义了定价模型和用于市场营销产品的价格来源，并独立于管理领域。

内部审计负责确保程序的充分性和市场风险管理政策的一致性。

风险监控是通过每天计算风险价值（VaR）来进行的，这是一种统计工具，可以在一定的投资范围内以一定的置信度来衡量机构的潜在损失。我们设定了VaR限制，可以由财务总监在各种风险因素之间分配。VaR计算模型要接受定期的追溯评估测试，称为回测。此外，我们每天分析压力情景，以独立于管理领域的方式由风险委员会每季度定义一次。

流动风险

我们的流动性目标是确保在任何时候都有足够的现金来偿还所有的债务和兑现承诺。

通过综合风险管理，我们保证即使在严重压力的情况下，也要有足够的自由现金头寸，以确保本行的业务连续性，并遵守风险委员会定义并经董事会批准的限制和准则。

任何情况下我们都根据现金流量预测来管理流动性风险，以应对资金，信贷业务和金库的变化。在这些分析中，除了经营亏损外，我们还考虑了每个客户的隐性风险，用于支付法定存款，衍生工具调整和其他现有义务的任何其他现金。

流动性风险领域由风险总监管管理，负责集中和分析与流动性风险管理相关的信息，确保遵守操作限制并发布报告以帮助决策。我们还有一个内部审计区域，负责确保程序的充分性，政策与有效实施的结构之间的一致性。

操作风险

我们拥有符合市场惯例和现行法规的最佳操作风险管理架构。我们的准则在“操作风险管理政策”文档中进行了形式化，其中规定了管理方法和流程，角色和职责，类别，文档和信息存储程序，此外还规定了披露流程。确保管理活动的透明度。操作风险区域是内部审计的独立单位，由风险和内部控制总监负责。

4

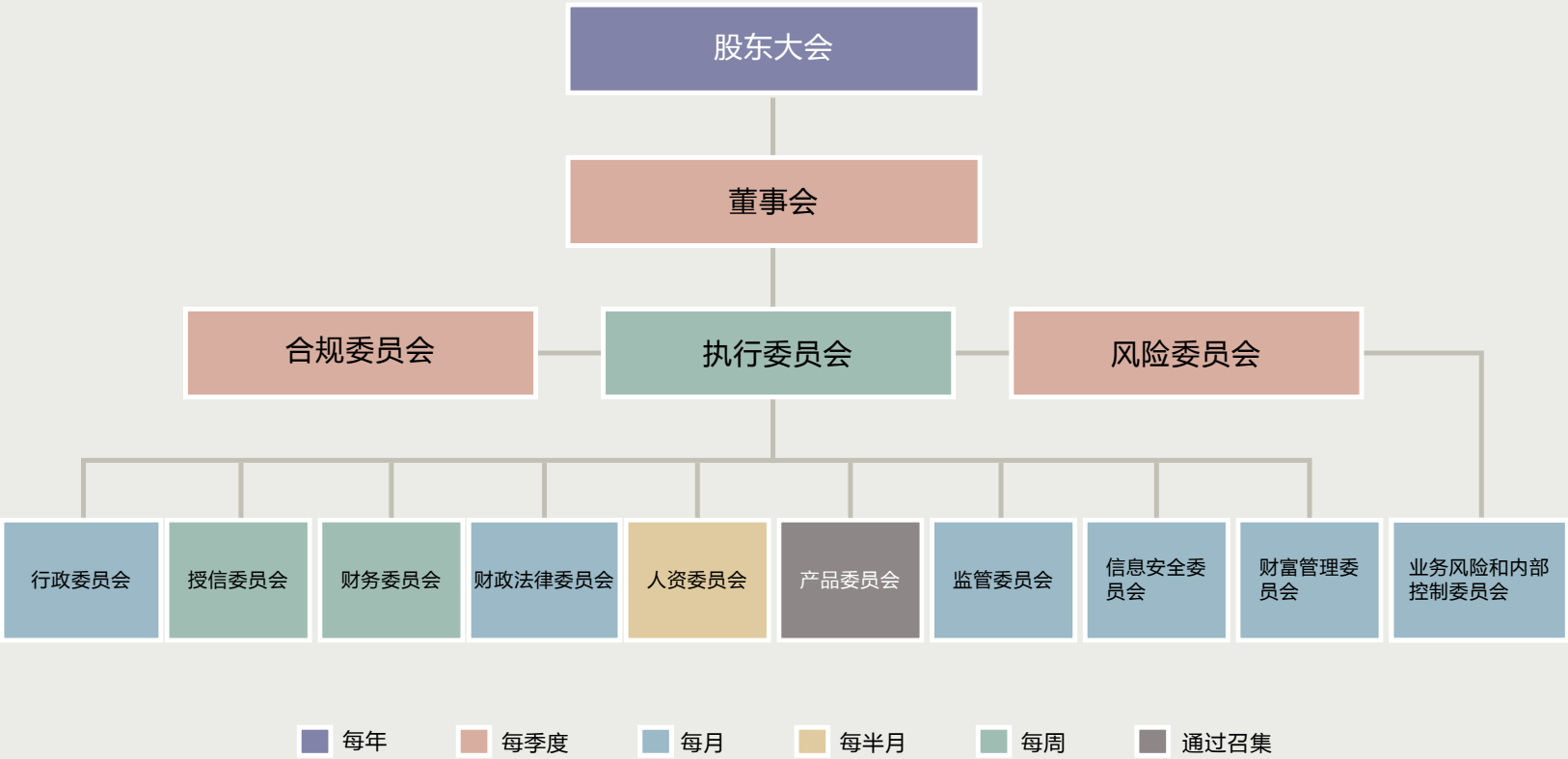
我们如何决定



公司治理

我们的治理模式由委员会整合，以对透明，道德，敏捷，有效和安全的决策的承诺为指导，与最佳市场惯例保持一致，并以不断更新的信息为后盾。

该结构由以下主体组成：



股东大会

这是由我们的股东组成的机构最大的审议机构。它每年至少开会一次，或在有需要时开会。

董事会

这里讨论战略决策。董事会由四名控股股东代表和一名少数股东代表组成，对执行委员会的提案进行分析，批准或在必要时将其提交股东大会批准。每年至少开两次会议。

执行委员会

它由执行官组成，每周开会一次，以处理主要业务决策，监督银行的活动并分析各专门委员会的建议。

风险和合规委员会通过执行委员会向董事会报告。

专家委员会

这些专门从事某些商业或运营活动的委员会具有极大的自治权，其决定要报告给执行委员会或转交给执行委员会进行审议。

风险委员会

讨论和监控市场，信贷，流动性和操作风险的主要来源。分析和定义压力情景，保护我们免受突然的市场变化影响。此外，它用于验证计算风险指标的定量模型。

它由董事会主席，执行委员会协调员，首席财务官和企业信贷，财富管理部，金融机构部，风险部，宏观经济研究部，整合部，信息安全部，企业财务等部门主管和合规董事组成。它每季度开会一次，或者在业务环境发生重大变化时开会。

合规委员会

批准并监督年度合规计划，讨论并响应巴西中央银行，证券交易委员会和自我监管机构的法规要求，并确定我们在防止洗钱和资助恐怖主义方面的谨慎决策。

董事会主席，执行委员会协调员，合规官，风控主管和CFO是委员会的成员，每季度或按要求开会。

授信委员会

分析潜在有信贷需求的公司，评估其财务能力和运营保证。根据我们在信贷市场的长期经验中积累的数据库，使用定性和定量方法，维持具有良好风险/回报率的业务组合，并由委员会定期进行监控。

该委员会每周开会一次，由董事会主席，执行委员会协调员，首席财务官以及风险，宏观经济研究，法律，信贷，信贷控制和金融机构的董事组成。

在特定的会议上以最低的半年度频率对财务交易对手进行评估，定义出最大允许的风险敞口。

财富管理委员会

讨论和监督与咨询个人资产有关的行为。使与会人员了解与金融和资本市场相关的可能干扰业务的具体问题。

该委员会由执行委员会协调员以及合规，财富管理，风险和运营总监组成。

产品委员会

分析新产品的经济可行性，评估风险，法律和运营方面以及现有产品的任何变化。

由产品，风险和宏观经济研究领域的负责人组成，根据产品需要按需开会。

人资委员会

讨论和决定与选拔，招聘，培训和薪酬有关的以及整个团队福祉相关的问题。

每两周举行一次会议，执行委员会协调员以及负责人力资源，人事和信息技术领域的主管出席会议。

监管委员会

监控巴西金融和资本市场的监管变化，分析其对银行活动的影响，并提出必要的调整措施，确保合规。

负责风险，信用控制和信息技术领域的董事是委员会的成员，每月举行一次会议。

财务委员会

讨论经济情况并监督分配我们的负债和资产的现金流量。

成员为本行董事会主席，执行委员会协调员和其他董事，每周开会。

行政委员会

管理预算和行政成本。

每月开会一次，参加者为信息技术，信用控制，风险和管理领域的主管。

业务风险和内部控制委员会

直接向风险委员会报告，监督有关操作风险管理准则的执行情况。

信息技术，授信控制，风险和管理领域的主管参加其每月会议。

我们的治理模式由委员会整合，
以对透明，道德，敏捷，有效和
安全的决策的承诺为指导，与最
佳市场惯例保持一致，并以不断
更新的信息为后盾。

我们的员工

识别和发展人才是我们战略的基本组成部分。我们重视对前沿知识的搜索，选择在实践和学术经验支持下有决心实现物质和知识目标的人员。我们知道团队积累经验的重要性，因此教导和激励加入我们的成员不断发现新方法来更好地开展工作。我们的价值就是为实现业务的可持续增长而努力工作的员工的价值。为了蓬勃发展，我们致力于根据《行为和道德守则》唯才是用，保持动态，透明和多样化的工作环境。

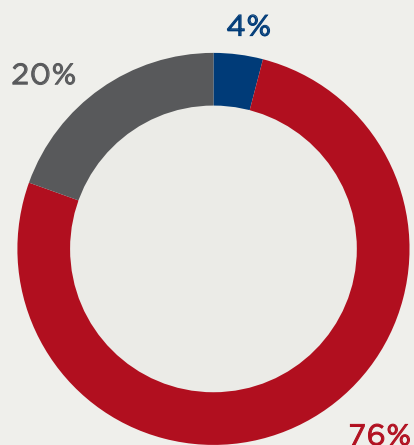
职业发展

管理人员密切关注员工的职业发展，而增长的可能性是我们团队动力和承诺的主要因素之一。

我们会根据政策评估专业人员的绩效，该政策使员工的职业发展轨迹与公司的长期绩效保持一致。薪酬包括与个人绩效挂钩的半年度可变奖金。

我们重视对前沿知识的追求，我们选择在实践和学术经验支持下有决心实现其物质和知识目标的人员。

学历



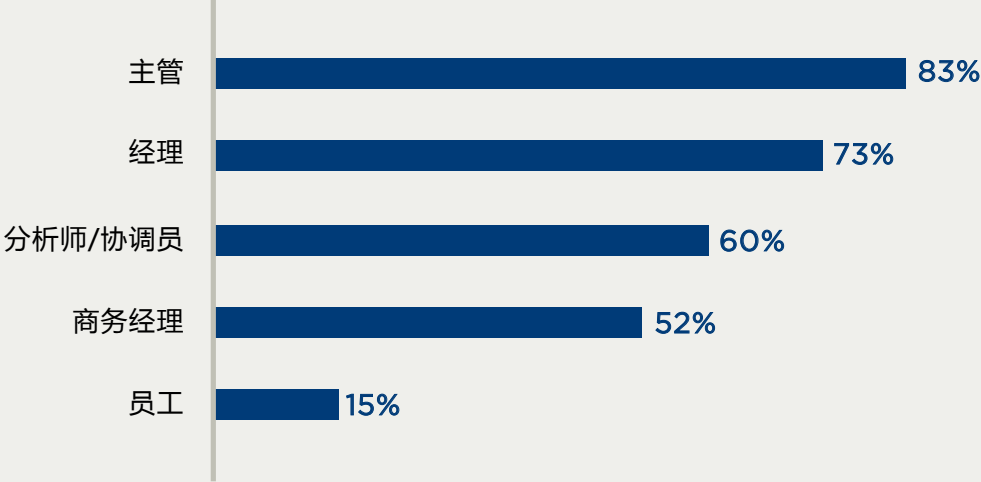
- 中学
- 大学毕业
- 研究生课程

吸引高素质的专业人员

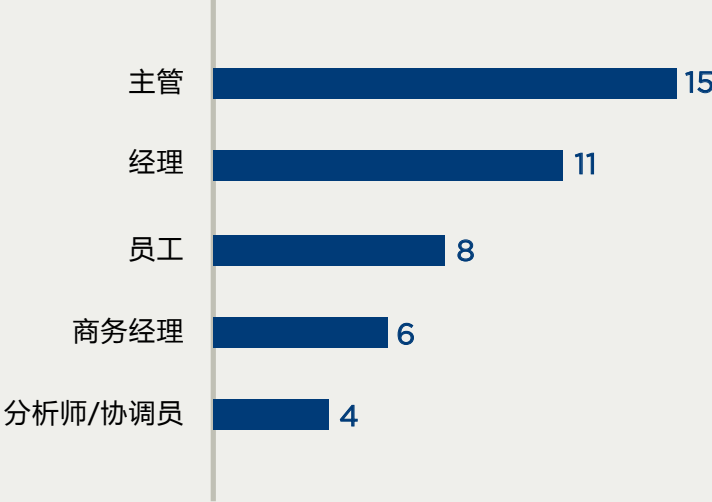
我们一直在寻找最优秀的人才，与学术环境保持紧密和直接的联系，在全国最好的大学开展活动，投资人才的鉴定和培养。

通过与优秀的大学建立合作伙伴关系来鼓励和支持项目，并为本科和硕士学位提供奖学金。另外我们也对发表的文章和论文给予奖励。

交行BBM金融部门职业的开始



在BOCOM BBM时间 (年)



分配

分配可用于投资不同资产的资源，以最小的风险获得最大的收益。

净资产

可转让和可转换的商品和权利。

回测

根据过去的财务模型来验证财务模型的过程。通过给定模型在过去的性能来评估该模型在未来的表现。

流动资金

由现金和现金等价物，回购操作投资，银行同业存款投资，外币投资和归类为自由现金的公共证券组成。

总融资

包括活期存款，定期存款，银行同业存款，金融票据，农业信贷，房地产证，外国贷款义务和预出口。

扩展的信用组合

信贷业务和具有信贷风险的业务（债券，本票，农业信贷债券和债券）。

银行存款证明（CDB）

金融机构向客户提供的所有权，作为一种投资选择，其报酬可以是固定的或非固定的。

CFO

首席财务官。

合规

遵守法律，法规，政策和准则，确保道德，透明的行为。

适宜性控制

控制投资者资料，以确保对要求的金融资产的投资与他的目标和风险承受能力兼容。

同业存款

固定收益私人证券仅在金融机构之间进行交易。通常，银行用作筹集资金或运用盈余资金的工具。

衍生产品

具有从资产价格，参考汇率甚至市场指数得出价格的金融工具。

类型1

远期合同：承诺在谈判时以预先确定的价格购买一定数量的商品或金融资产，在规定日期结算。它可能会或可能不会进行定期调整。

类型2

期货合约：它们类似于远期合约，区别在于结算模式。在期货合约中，存在每日调整，即每天根据合约参考资产的未来价格从一天到第二天的变化来调整操作。

类型3

期权：是指在将来的某个日期以固定价格买卖资产的权利。为了获得这项权利，有必要向出售它的人支付一定金额。

类型4

掉期交易：两个投资者协商两个资产或利率之间的获利能力交换的协议。

可用性

它们组成流动资金，由资产负债表上流动性最高的资产组成。

敞口基金

配额持有人可以随时请求赎回其股票的一种

巴塞尔指数资本充足率

衡量金融机构杠杆程度的指数。

农业信用证（LCA）

金融机构发行的证券，投资时在指定时期内为投资者提供报酬，是农业综合企业参与者的资金来源。投资者将其贷款借出以在将来获得回报。

房地产信用证（LCI）

它的工作方式与LCA相同，但是它是针对抵押市场的。

固定收益证券（LF）

LF的目的是延长金融机构的融资期限。它们可以由多家银行，商业银行，开发银行，投资银行，信贷，融资和投资公司，储蓄银行，抵押公司和房地产信贷公司发行，也可以由国家经济和社会发展银行（BNDES）发行。回报可以采用固定或浮动利率；允许在至少180天的时间间隔内定期付款。它们的最小发布期为24个月。

操作限制

机构所受的所有限制，以满足监管要求或需遵守的内部政策。

卖出回购

银行出售或购买资产并承诺在将来的某个日期以交易当天的价格加利率转售或购回同一资产的交易。它们相当于一种担保存款。

负债

某个公司所欠的一组债务，例如债务，应付账款和递延收入。

PDD

它代表呆账准备金。相当于因客户违约而导致的预期资产损失。

银行头寸

- 银行的自有投资组合，是以固定收益证券中登记的最终购买或回购所产生的可自由交易的剩余证券为代表的；
- 自有资金投资组合由与回购无关具有回购承诺的证券组成，即与公开市场相关的机构自身投资组合的证券，记录在固定收益证券中，与回购相关；
- 银行第三方投资组合是由具有转售承诺且未转让（即不以回购承诺出售）的证券组成，并记录在要结算的转售商中-银行头寸；
- 融资第三方投资组合包括以转售承诺方式购买并转让（即以回购承诺方式出售）的证券，并记录在要结算的转售商中-融资头寸。

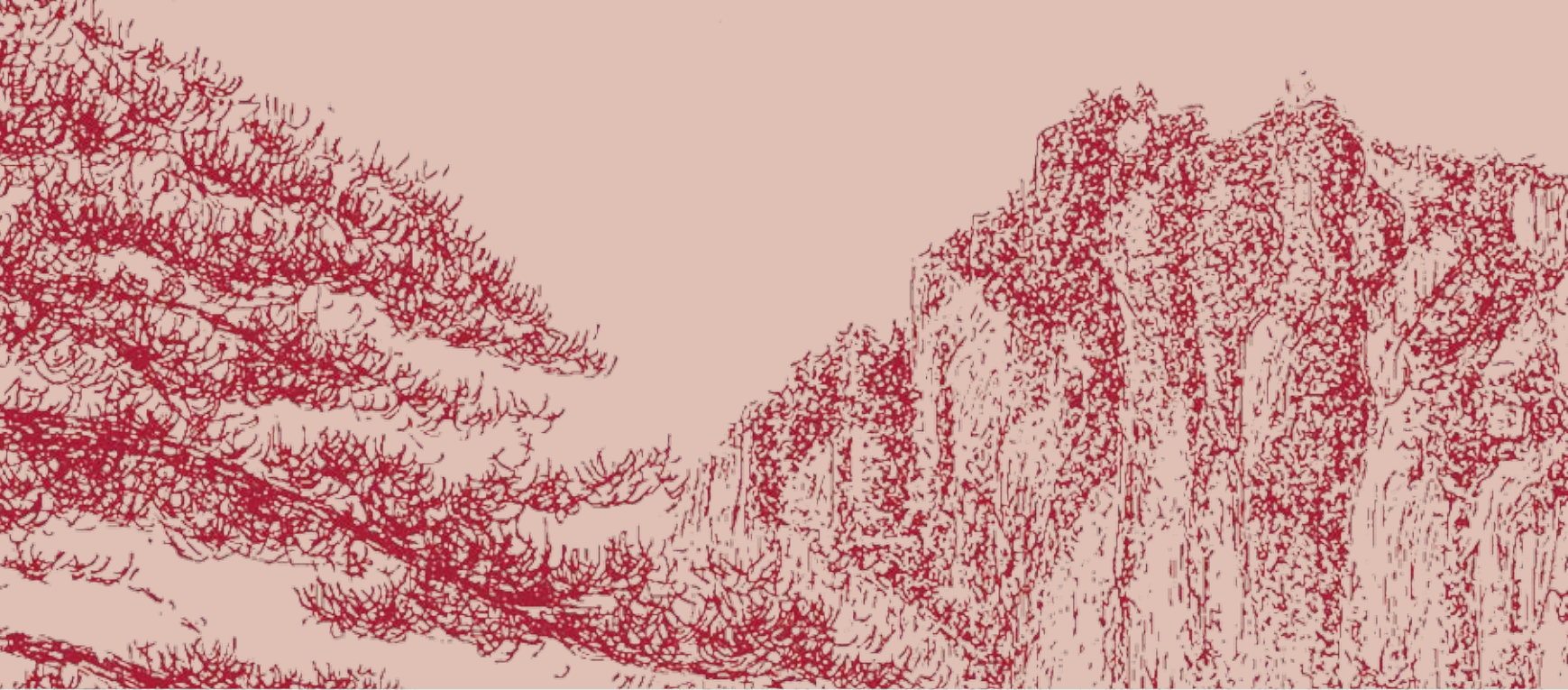
尽职调查程序

对于特定证券或投资基金的风险分析，发生在对这些资产进行资源投资之前。

平均权益回报率（ROAE）

ROAE是英文术语“平均权益回报率”的缩写。是衡量公司利用自身资源和投资者的钱增值能力的指标。

是净收入的总回报，以股东权益的百分比衡量。



6

财务报表

以下完整的财务报表已用英语审核.

CREDIT RATING

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

Moody's Investors Service reaffirmed the ratings of Banco BOCOM BBM on October 17, 2019. On a global scale, "Ba1" rating was assigned to local currency deposits, with a notch above the Brazilian rating ("Ba2"), and "stable perspective". In the national scale, an "Aaa.br" rating was assigned, the best possible credit rating in this category.

In addition, on April 30, 2019, Fitch Ratings assigned the long-term national rating "AAA (bra)", the highest possible rating in this category. On a global scale, long-term issuer default ratings (IDR) "BB" and "BB+" were assigned in foreign currency and local currency, respectively, keeping above the sovereign rating ("BB-"). The perspective for these ratings is stable.

ASSETS

	Note	In R\$ thousand	
		Prudential Conglomerate	
		12/31/2019	12/31/2018
Current assets		4,430,964	3,345,385
Cash and cash equivalents	4	253,443	67,922
Cash		3	3
Free reserves		367	385
Funds in foreign currency		253,073	67,534
Short-term interbank investments	5	1,718,711	1,020,296
Open market investments	4	1,557,483	919,766
Interbank deposits		-	3,466
Investments in foreign currencies	4	161,228	97,064
Marketable securities and derivative financial instruments	6	165,761	188,976
Bank portfolio		18,763	57,378
Subject to repurchase agreements		4,453	1,575
Linked to guarantees given		131,017	108,200
Derivative financial instruments	20	11,528	21,823
Interbank accounts		21,623	1,275
Deposits - Central Bank of Brazil		2,311	1,252
Correspondent banks		19,312	23
Loan transactions	7	1,737,383	1,625,860
Discounted securities and loans		1,035,521	826,588
Financing		515,802	458,727
Rural and agroindustrial financing		206,548	362,837
Allowance for loans		(20,488)	(22,293)
Other receivables		494,874	400,932
Foreign exchange portfolio	8	394,246	333,525
Unearned income		5,404	4,566
Trading and brokerage		2	1,700
Honoured guarantee and surety	7	4,143	-
Sundry	13	59,499	29,755
Tax credits	23	38,877	37,607
Allowance for other receivables	7	(7,297)	(6,221)
Other assets	14	39,169	40,124

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

ASSETS

ASSETS

		In R\$ thousand	
	Note	Prudential Conglomerate	
		12/31/2019	12/31/2018
Noncurrent assets			
Long-term assets		4,197,052	2,935,282
Marketable securities and derivative financial instruments	6	2,029,729	1,251,243
Bank portfolio		542,365	426,135
Linked to repurchase agreements		1,190,562	606,326
Linked to guarantees given		255,193	207,833
Derivative financial instruments	20	41,728	10,949
Provisions for marketable securities		(119)	-
Loan transactions	7	2,069,895	1,594,420
Discounted securities and loans		1,202,559	910,100
Financing		485,905	396,968
Rural and agroindustrial financing		400,071	305,080
Allowance for loans		(18,640)	(17,728)
Other receivables		97,130	89,620
Unearned income		7,472	2,329
Sundry	13	60,243	55,267
Tax credits	23	29,415	32,732
Allowance for other receivables	7	-	(708)
Other assets	14	298	-
Permanent assets		30,383	16,895
Investments		300	172
Other investments		2,928	2,800
Provision for losses		(2,628)	(2,629)
Property and equipment in use		10,937	5,557
Intangible assets		19,146	11,166
Total assets		8,658,400	6,297,562

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

LIABILITIES

	Note	In R\$ thousand	
		Prudential Conglomerate	
		12/31/2019	12/31/2018
Current liabilities		5,600,344	3,503,090
Deposits	9	483,901	404,395
Demand deposits		185,588	115,372
Time deposits	2.1	296,682	286,758
Interbank deposits		1,631	2,265
Repurchase agreements	10	1,696,479	596,084
Bank portfolio		1,196,479	596,084
Third-party portfolio		500,000	-
Funds from acceptance and issue of securities	11	1,345,045	1,697,665
Liabilities from issue of agribusiness credit bills - LCA		659,643	998,810
Liabilities from issue of real estate credit bills - LCI		70,641	57,024
Liabilities from issue of credit bills - LF		614,761	641,831
Interbranch accounts		86,517	79,540
Third-party funds in transit		86,517	79,540
Borrowings	12 and 2.1	1,711,403	609,120
Loans abroad		1,711,403	609,120
Lending obligations - official institutions	12	-	21,040
Other institutions		-	21,040
Derivative financial instruments	6 and 20	39,107	12,266
Derivative financial instruments		39,107	12,266
Other liabilities		237,892	82,980
Collection of similar taxes		457	429
Foreign exchange portfolio	8	81,086	1,750
Social		48,410	-
Statutory		27,507	27,995
Tax and social security		47,569	19,602
Securities trading		11,948	3,694
Allowance for financial guarantees	7 and 25	789	1,030
Sundry		20,126	28,480

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

LIABILITIES

		In R\$ thousand	
		Prudential Conglomerate	
		12/31/2019	12/31/2018
Noncurrent liabilities			
Long-term payables		2,388,962	2,183,103
Deposits	9	376,408	322,530
Time deposits	2.1	376,408	322,435
Interbank deposits		-	95
Funds from acceptance and issue of securities	11	1,367,680	1,240,394
Liabilities from issue of agribusiness credit bills - LCA		454,358	349,176
Liabilities from issue of real estate credit bills - LCI		81,618	38,929
Liabilities from issue of credit bills - LF		626,744	852,289
Liabilities from issue of credit bills subordinated debts		204,960	-
Borrowings	12 and 2.1	542,754	522,103
Loans abroad		542,754	522,103
Derivative financial instruments	6 and 20	52,705	41,001
Derivative financial instruments		52,705	41,001
Other liabilities		49,415	57,075
Social		-	16,802
Statutory		20,645	8,381
Tax and social security		11,532	14,924
Sundry		16,939	16,837
Allowance for financial guarantees	7 and 25	299	131
Deferred income	26b	15,911	10,122
Equity	15	653,183	601,247
Share Capital		469,300	469,300
Domiciled in Brazil		469,300	469,300
Income reserves		365,072	313,738
Market value adjustment of securities and derivative financial instruments		650	48
Securities held for sale		650	48
Treasury stock		(181,839)	(181,839)
Total liabilities and equity		8,658,400	6,297,562

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

		In R\$ thousand		
		Prudential Conglomerate		
	Note	Second half of 2019	12/31/2019	12/31/2018
Financial income		315,394	570,067	583,246
Loan transactions		163,222	321,544	286,497
Income from marketable securities transactions	5 and 6	99,881	185,280	93,455
Result of exchange operations	16	46,525	57,627	148,470
Gain on derivative financial instruments	20	5,766	5,616	54,824
Financial expenses		(178,766)	(324,587)	(372,232)
Market funding operations	16 and 2.1	(124,409)	(241,483)	(251,813)
Loans, assignments and onlending operations	16 and 2.1	(53,207)	(71,024)	(92,056)
Set up of allowance doubtful accounts	7	(1,150)	(11,719)	(28,363)
(Provisions) for marketable securities	6	-	(362)	-
Gross financial income		136,628	245,480	211,014
Other operating income (expenses)		(36,837)	(69,525)	(77,977)
Service revenues	17	44,374	87,859	64,496
Personnel expenses		(38,124)	(75,043)	(70,852)
Other administrative expenses	18	(33,475)	(63,136)	(57,237)
Tax expenses		(11,712)	(22,188)	(15,766)
Other operating income		2,159	3,094	1,678
Other operating expenses		(59)	(111)	(296)
Operating income		99,791	175,955	133,037
Non-operating expenses		(6,110)	(6,422)	(3,860)
Income before income taxes and profit sharing		93,681	169,533	129,177
Income and social contributions taxes	23	(17,003)	(32,651)	(26,323)
Provision for income tax		(5,056)	(16,365)	(10,814)
Provision for social contribution tax		(6,153)	(12,560)	(6,033)
Deferred tax asset/(liabilities)		(5,794)	(3,726)	(9,476)
Profit sharing - management and employees		(26,292)	(48,361)	(39,194)
Net income		50,386	88,521	63,660
Earnings per outstanding share		0.24	0.43	0.31

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

	In R\$ thousand						
	Capital	Income reserves		Market value adjustment of securities and derivative instruments	Treasury shares	Retained earnings	Total
		Legal	Statutory	Bank			
Year ended December 31, 2018							
Balances at January 1, 2018	469,300	28,489	260,319	(1,356)	(181,839)	-	574,913
Market value adjustments – marketable securities				1,404			1,404
Net income for the year						63,660	63,660
Allocations:							
- Reserves		3,183	21,747			(24,930)	-
- Interest on equity (R\$ 0.19 per share)						(38,730)	(38,730)
Balances at December 31, 2018	469,300	31,672	282,066	48	(181,839)	-	601,247
Changes in the year	-	3,183	21,747	1,404	-	-	26,334
Year ended December 31, 2019							
Balances at January 1, 2019	469,300	31,672	282,066	48	(181,839)	-	601,247
Market value adjustments – marketable securities				602			602
Net income for the year						88,521	88,521
Allocations:							
- 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)	-	653,183
Changes in the year	-	4,426	46,908	602	-	-	51,936
Balances at July 1, 2019							
Balances at July 1, 2019	469,300	33,579	299,063	58	(181,839)	-	620,161
Market value adjustments – marketable securities				592			592
Net income for the semester						50,386	50,386
Allocations:							
- Reserves		2,519	29,911			(32,430)	-
- Interest on equity (R\$ 0.09 per share)						(17,956)	(17,956)
Balances at December 31, 2019	469,300	36,098	328,974	650	(181,839)	-	653,183
Changes in the period	-	2,519	29,911	592	-	-	33,022

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

	In R\$ thousand		
	Prudential Conglomerate		
	Second half of 2019	12/31/2019	12/31/2018
Cash flow from operating activities		See note 2.1	See note 2.1
Net income	50,386	88,521	63,660
Adjustments to net income	6,301	26,772	48,447
Allowance for doubtful accounts	1,150	11,719	28,363
Depreciation and amortization	3,110	5,723	3,242
Expenses from civil, labor and tax allowances	196	508	1,972
Deferred income and social contribution taxes	5,794	3,726	9,476
Unrealized gains/losses on marketable securities and derivatives	(4,541)	4,494	3,990
Market value adjustments - marketable securities	592	602	1,404
Adjusted net income	56,687	115,293	112,107
(Increase)/Decrease in short-term interbank investments	3,574	3,466	(208)
(Increase)/Decrease in marketable securities and derivative financial instruments	(404,755)	(721,220)	36,370
(Increase) in interbank and interbranch accounts	(1,064)	(13,371)	(1,753)
(Increase) in loan and lease transactions	(137,164)	(598,716)	(838,646)
(Decrease) in deposits	(870,921)	(1,507,893)	(230,185)
(Increase) in open market funding	1,319,846	1,100,395	492,238
(Increase)/Decrease in securities issue resources	(427,775)	(225,333)	503,683
Increase in borrowings and onlending	1,567,533	2,743,171	458,889
Increase in deferred income	2,861	5,788	1,085
Increase/(Decrease) in other assets	82,615	(104,524)	209,276
Increase in other liabilities	73,563	109,555	18,238
Net cash flow from operating activities	1,208,313	791,318	648,987
Cash flow from investing activities			
(Increase) in investments	(74)	(128)	(172)
Property and equipment for use and leased acquisition	(9,114)	(19,082)	(12,843)
Net cash used in investing activities	(9,188)	(19,210)	(13,015)
Cash flow from financing activities			
Dividends and interest on equity paid	-	-	(33,604)
Net cash used in financing activities	-	-	(33,604)
Net increase in cash and cash equivalents	1,255,812	887,401	714,475
At beginning of year/semester	716,340	1,084,752	370,277
At end of the year/semester	1,972,154	1,972,154	1,084,752
Net increase in cash and cash equivalents	1,255,814	887,402	714,475
Non-monetary transaction			
Unpaid Interest on equity	17,956	37,187	38,730

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

1. Operations

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

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

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

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

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

On February 20, 2017, the transfer of the shareholding control was published in the Federal Government's Official Journal by the Central Bank of Brazil.

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

2. Presentation of the financial statements and consolidation criteria

the financial statements of the Prudential Conglomerate were prepared in accordance with the Resolution No. 4,280/2013, of the Brazilian National Monetary Board (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: provision for doubtful accounts, realization of deferred tax assets, provision for labor, tax and civil claims, valuation of financial instruments and other provisions. The definitive values of the transactions involving these estimates will only be known at the time of their settlement.

2.1. Reclassification of compared balances

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

- In December 31, 2018 the amount of R\$ 389,261 thousand from the “Time deposits” account to the “Loans abroad” account, both in current liabilities, and R\$ 126,614 thousand from the “Time deposits” account under noncurrent liabilities to the “Loans abroad” account also under noncurrent liabilities. The total amount of R\$ 515,875 affected the respective lines of “Deposits” and “Borrowings and onlendings” in the statements of cash flow from operating activities on December 31, 2018. Additionally, in the statements of income for the year 2018, the amount of R\$ 10,678 thousand was reclassified from the “Market funding operations” account to “Loan, assignments and onlendings operations” account.
- In June 30, 2019, the amount of R\$ 1,000,226 thousand from the “Time Deposits” account to the “Loans abroad” account, both in current liabilities, and R\$ 125,176 thousand from the “Time deposits” account under noncurrent liabilities to the “Loans abroad” account also noncurrent liabilities. The total amount of R\$ 1,125,402 affected the respective lines of “Deposits” and “Borrowings and onlendings” in the statements of cash flow of operating activities on June 30, 2019. Additionally, in the statements of income for the semester ended June 30, 2019, the amount of R\$ 10,768 thousand was reclassified from the “Market funding operations” account to “Loan, assignments and onlendings operations” account.

The reclassifications aforementioned refer to contracts signed during 2018 and, therefore, do not affect the opening balances of 2018, which is why the balance sheet with the opening balances has not been resubmitted. The reclassifications have no impact on the Bank's net income and equity, they are not significant compared to the total of its assets and liabilities, and they do not affect its main financial indexes and Basel.

2.2. Consolidation

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

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

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

The Prudential Conglomerate financial statements comprise the financial statements at December 31, 2019 and 2018 of the following institutions:

Banco BOCOM BBM S.A. and Nassau Branch

BBM Bank Ltd. (a)

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

Bahia Fund (a)

The Southern Atlantic Investments (b)

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

Haitan Fund (a)

Tai Yang Fund (a)

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

3. Significant accounting practices

(a) Results of operations

Calculated on an accrual basis.

(b) Marketable securities and derivative financial instruments

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

- I - Trading securities;
- II - Securities held for sale;
- III - Securities held up to maturity.

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

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

Investment fund shares are restated monthly based on the share value disclosed by the 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 noncurrent assets

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

(d) Permanent assets

These are stated at cost, plus the following aspects:

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

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

- I – Reclassified to the proper asset accounts, according to the operation nature, when they refer to items that constitute an asset, according to the effective regulation; and
- II – Amortized on a straight-line basis up to December 31, 2019, in the other cases.

(e) Current liabilities and long-term liabilities

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

(f) Income tax and social contribution

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

The deferred tax assets and liabilities arising from temporary differences were recognized in accordance with CMN Resolutions No. 3,059, 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 effective as from September 2015 and it remained in force up to December 2018. For 2019, the current rate for CSLL was 15%, however, the deferred 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 the Amendment,, 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 No. 3,566/08 of May 29, 2008, and based on management analysis, if the book value of the assets of the Bank and of others institutions of the Prudential Conglomerate exceed their recoverable value, an impairment is recognized in the income statement.

(j) Contingent assets and liabilities and legal obligations

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

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

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

(k) Short-term interbank investments

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

(l) Loan transactions

Credit operations are stated at the acquisition, investment or release cost, plus foreign exchange, monetary and interest variations, as contractually defined. When the market value is lower, a provision for the adjustment of an asset to its realization value is made. An allowance for doubtful accounts is set at an amount considered sufficient to cover any losses, and it considers, in addition to past experience, the assessment of debtors and their guarantors, as well as the specific characteristics of 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).

(n) Other values and assets

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

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

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

(p) Deposits and funding in the open market

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

4. Cash and cash equivalents

	In R\$ thousand	
	Prudential Conglomerate	
	12/31/2019	12/31/2018
Interbank investments (a)	1,557,483	919,766
Funds in foreign currency	253,073	67,534
Investments in foreign currencies	161,228	97,064
Free reserves	367	385
Cash	3	3
Total	1,972,154	1,084,752

(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\$ thousand	
	Prudential Conglomerate	
	12/31/2019	12/31/2018
Open market investments	1,557,483	919,766
Self-funded position	1,057,483	919,766
National Treasury Bills	723,079	419,618
National Treasury Notes – B series	316,921	500,148
Financial Treasury Bills	17,483	-
Funded Position	500,000	-
National Treasury Bills	440,001	-
National Treasury Notes – B series	59,999	-
Interbank deposits	-	3,466
Investments in foreign currencies (*)	161,228	97,064
	1,718,711	1,020,296
Current assets	1,718,711	1,020,296
Total	1,718,711	1,020,296

(*) The investments in foreign currencies in the Prudential Conglomerate in December 2019 and 2018 basically refer to overnight operations with first-tier banks.

At December 31, 2019 and 2018, the collateral received through repurchase agreements amounted R\$ 1,571,177 thousand and R\$ 949,518 thousand respectively, in the Prudential Conglomerate. The collateral provided amounted R\$ 1,164,526 thousand and R\$ 525,935 thousand during the same periods.

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

	In R\$ thousand		
	Prudential Conglomerate		
	Second half of 2019	12/31/2019	12/31/2018
Open market investments	12,672	23,361	15,394
Investments in foreign currencies	2,935	5,161	5,246
Interbank deposits	94	200	208
Income from marketable securities transactions	15,701	28,722	20,848

6. Marketable securities and derivative financial instruments

	In R\$ thousand			
	Prudential Conglomerate			
	Cost	Market	Cost	Market
	12/31/2019		12/31/2018	
I - Marketable securities	2,141,343	2,142,234	1,407,320	1,407,447
Securities for trading (*)	88,013	88,090	115,086	115,112
Own portfolio	4,227	4,303	36,755	36,781
Fixed income securities	4,227	4,303	36,755	36,781
Financial Treasury Bills	1,853	1,853	2,352	2,352
National Treasury Notes – B series	2,374	2,450	34,403	34,429
Subject to repurchase agreements	94	94	-	-
Financial Treasury Bills	94	94		
Linked to guarantees given	83,692	83,693	78,331	78,331
Financial Treasury Bills	63,860	63,861	60,261	60,261
Fund quotas given as guarantee	19,832	19,832	18,070	18,070
Securities held for sale (*)	1,347,596	1,348,410	689,750	689,851
Bank portfolio	406,385	406,566	335,060	335,102
Fixed-income securities	385,776	385,955	335,060	335,102
Financial Treasury Bills	36,147	36,149	164,609	164,645
National Treasury Bills	934	927		
National Treasury Notes – B series	1,851	1,908	6,357	6,357
Promissory note	101,662	101,686	-	-
Debentures	129,026	129,127	164,094	164,100
CRA	15,441	15,442	-	-
Rural product note	100,715	100,716		
Marketable securities abroad	20,609	20,611		
Other marketable securities abroad	20,609	20,611		
Subject to repurchase agreements	696,432	697,043	181,456	181,511
Financial Treasury Bills	150,022	150,045	85,138	85,166
Debentures	546,410	546,998	96,318	96,345
Linked to guarantees given	244,779	244,801	173,234	173,238
Financial Treasury Bills	244,779	244,801	173,234	173,238

continued

	In R\$ thousand			
	Prudential Conglomerate			
	Cost	Market	Cost	Market
	12/31/2019		12/31/2018	
Securities held up to maturity	705,734	705,734	602,484	602,484
Bank portfolio	150,260	150,260	111,630	111,630
Fixed-income securities	68,596	68,596	111,630	111,630
National Treasury Notes – F series	68,596	68,596	111,630	111,630
Marketable securities abroad	81,664	81,664		
Other marketable securities abroad	81,664	81,664		
Subject to repurchase agreements	497,878	497,878	426,390	426,390
National Treasury Notes – F series	497,878	497,878	426,390	426,390
Linked to guarantees given	57,715	57,715	64,464	64,464
National Treasury Notes – F series	57,715	57,715	64,464	64,464
Provision for marketable securities	(119)	(119)		
Other marketable securities abroad	(119)	(119)		
II - Derivative financial instruments	34,804	53,256	27,303	32,772
Swap operations	23,707	41,585	16,196	20,475
Term	9,778	10,352	3,283	4,473
Futures	1,319	1,319	7,824	7,824
Total marketable securities and derivative financial instruments	2,176,147	2,195,490	1,434,623	1,440,219
Segregation of portfolio by maturity range				
No maturity				
Up to 3 months	138,889	139,722	162,660	162,977
From 3 to 12 months	25,187	26,039	25,070	25,999
Over 12 months	2,012,073	2,029,729	1,246,893	1,251,243
Total	2,176,149	2,195,490	1,434,623	1,440,219

	In R\$ thousand			
	Prudential Conglomerate			
	Cost	Market	Cost	Market
	12/31/2019		12/31/2018	
III - Derivative financial instruments				
Swap operations	47,955	81,764	42,059	49,323
Term	9,752	532	3,396	3,405
Options	120	334		
Futures	9,182	9,182	539	539
Purchased position	67,009	91,812	45,994	53,267
Segregation by maturity range				
Up to 3 months	20,365	30,645	6,053	6,005
From 3 to 12 months	7,194	8,462	5,439	6,261
Over 12 months	39,450	52,705	34,502	41,001
Total	67,009	91,812	45,994	53,267

The results of marketable securities in the Prudential Conglomerate are as follows:

	In R\$ thousand		
	Prudential Conglomerate		
	Second half of 2019	12/31/2019	12/31/2018
Investment funds quotas	(395)	168	915
Government bonds	54,168	107,290	52,657
Private securities	30,407	49,100	19,035
Income from marketable securities	84,180	156,558	72,607

	In R\$ thousand		
	Prudential Conglomerate		
	Second half of 2019	12/31/2019	12/31/2018
Provision for marketable securities		(362)	
Result of provision for marketable securities	-	(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.

(*) Securities classified as “Securities for trading” maturing in more than 12 months and which, on December 31, 2019, amount to R\$ 65,484 thousand in the Prudential Conglomerate (December 31, 2018 – R\$ 64,872 thousand), are stated in current assets, according to BACEN Circular Letter No. 3,068/01. Securities classified as “Held for sale”, maturing in more than 12 months, in the amount of R\$ 1,198,619 thousand on December 31, 2019 (December 31, 2018 – R\$ 637,810 thousand), in the Prudential Conglomerate, are stated as long-term receivable assets, according to BACEN Circular Letter No. 3,068/01, regardless its liquidity level. The effect of this classification in net current capital is shown in Note 21 – Liquidity risk.

There were no transfers between securities categories on December 31, 2019

7. Loan transactions, sureties and honored guarantees

At December 31, 2018 and 2017, loans and guarantees provided through sureties or guarantee agreements in the Prudential Conglomerate, classified according to the clients’ economic activities, are as follows:

	In R\$ thousand			
	Prudential Conglomerate			
	12/31/2019		12/31/2018	
Sugar and ethanol	900,887	17.38%	670,063	16.16%
Agriculture	522,318	10.08%	428,289	10.33%
Building and real state	444,732	8.58%	307,580	7.42%
Banks and insurers	304,096	5.87%		
Specialized services	249,701	4.82%	208,005	5.02%
Civil aviation	248,655	4.80%	85,423	2.06%
Retail market	203,305	3.92%	243,640	5.87%
Utilities energy	162,198	3.13%	197,149	4.75%
Foods – sundry	153,641	2.96%	247,571	5.97%
Pharmaceutics	142,395	2.75%	106,495	2.57%
Vehicles and parts	136,199	2.63%		
Heavy construction	125,454	2.42%		
Diversified holdings	121,531	2.35%	78,769	1.90%
Meat industry	121,169	2.34%	56,595	1.36%
Transportation and logistics	120,726	2.33%	144,437	3.48%
Construction material	103,425	2.00%	95,035	2.29%
Capital goods	102,571	1.98%	152,127	3.67%
Chemical and petrochemical	77,595	1.50%	98,508	2.38%
Textile and leathers	67,504	1.30%	124,401	3.00%
Others (*)	289,326	5.58%	358,448	8.64%
Private sector	4,597,428	89%	3,602,535	87%
Utilities energy	279,122	5.39%	109,483	2.64%
Oil & gas	158,247	3.05%	135,808	3.27%
Banks and insurers	75,050	1.45%	-	0.00%
Public	72,506	1.40%	216,097	5.21%
Water and sanitation concessions	-	-	50,201	1.21%
Others (*)	-	-	32,973	0.80%
Public sector	584,925	11%	544,562	13%
Total	5,182,353	100%	4,147,097	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, 2019 and 2018.

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

	In R\$ thousand	
	Prudential Conglomerate	
	12/31/2019	12/31/2018
Current assets		
Loan transactions	1,757,871	1,648,152
Private sector	1,642,630	1,500,947
Public sector	115,241	147,205
Other receivables	16,398	14,602
Foreign exchange portfolio – receivables (a)	9,254	9,537
Securities and credits receivable (b)	7,144	5,065
Noncurrent assets		
Loan transactions	2,088,535	1,612,148
Private sector	2,011,404	1,387,046
Public sector	77,131	225,102
Other receivables	-	2,361
Securities and credits receivable (b)	-	2,361
Current liabilities		
Other liabilities	303,671	307,009
Foreign exchange portfolio – advances on exchange contracts (a)	303,671	307,009
Subtotal	4,166,475	3,584,272
Co-obligations and risks in guarantees provided (c)	1,015,878	562,825
Total	5,182,353	4,147,097

(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 the honorable guarantee portfolio. Registered 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 results for future years and appropriated to the result according to the guarantees’ contractual terms. The Bank also includes guarantees provided for BBM Bank Ltd.’s credit operations, which are eliminated in the Prudential Conglomerate.

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

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

In R\$ thousand													
12/31/2019												12/31/2018	
Risk level	Overdue - days					Falling due - days							
	Within 14	15 to 60	61 to 90	91 to 180	181 to 360	Within 90	From 91 to 180	From 181 to 360	Over 360	Total	Allowance	Total	Allowance
AA	11,910					570,833	459,659	584,890	1,052,285	2,679,577		1,720,326	
A	3,621					202,232	169,188	399,473	815,191	1,589,705	7,949	1,547,894	7,739
B	319					86,105	182,121	177,195	282,721	728,461	7,285	711,440	7,114
C	1,193	1,156				17,459	15,389	44,322	55,354	134,873	4,046	129,585	3,888
D													
E		9,789						3,105	16,111	29,005	8,701	4,722	1,417
F													
G		4,144				98			6,520	10,762	9,562	20,814	15,637
H					9,970					9,970	9,970	12,316	12,316
Total	17,043	15,089	-	-	9,970	876,727	826,357	1,208,985	2,228,182	5,182,353	47,513	4,147,097	48,111

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

In R\$ thousand		
	12/31/2019	12/31/2018
Allowance for loan losses	39,128	40,021
Current assets	20,488	22,293
Noncurrent assets	18,640	17,728
Provision for other credits	7,297	6,929
Securities and credits receivable	5,096	4,113
Current assets	5,096	3,405
Noncurrent assets	-	708
Provision for advances on exchange contracts	2,201	2,816
Current assets	2,201	2,816
Provision for co-obligations and risks in guarantees provided (*)	1,088	1,161
Current liability	789	1,030
Noncurrent liability	299	131
Total	47,513	48,111

Changes in allowances are as follows:

	In R\$ thousand	
	12/31/2019	12/31/2018
Balance at January 1	48,111	79,976
Set up/(reversal)	11,719	28,363
Write-offs to loss	(12,317)	(60,228)
Total	47,513	48,111

For the year ended December 31, 2019, loan transactions were renegotiated in the Prudential Conglomerate in the amount of R\$ 27,684 thousand (for the year ended December 31, 2018 - R\$ 13,691).

For the year ended December 31, 2019, there was a recovery of losses on loan transactions in the amount of R\$ 295 thousand (for the year ended December 31, 2018 - R\$ 10,952 thousand).

The breakdown of sales or transfers of assets without the substantial retention of risks and rewards in the periods ended December 31, 2019 and 2018 was as follows:

	In R\$ thousand	
	12/31/2019	12/31/2018
Number of contracts	-	5
Assignment amount	-	3,556
Provision net book value	-	4,333
Revenue from assignments	-	(777)

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

	In R\$ thousand			
	12/31/2019	%	12/31/2018	%
Top debtor	279,122	5.4%	135,808	3.3%
Top 10 debtors	1,191,935	23.0%	1,039,004	25.1%
Top 20 debtors	1,850,254	35.7%	1,604,590	38.7%
Top 50 debtors	3,018,569	58.2%	2,618,125	63.1%
Top 100 debtors	4,186,467	80.8%	3,478,539	83.9%

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

	In R\$ thousand	
	12/31/2019	12/31/2018
Working capital	2,565,758	1,718,898
Co-obligations and risks in guarantees provided	1.015.878	562.825
Export credit notes	778,891	740,750
Trade finance	724.838	379.239
Others	96,988	745,385
Total	5,182,353	4,147,097

8. Foreign exchange portfolio

	In R\$ thousand	
	12/31/2019	12/31/2018
Other receivables – Foreign exchange portfolio		
Foreign exchange purchases pending settlement	384,562	322,914
Income receivable from advances granted (a)	9,254	9,537
Rights on foreign exchange sales	627	1,074
(-) Advances in national currency received	(197)	-
Total	394,246	333,525
Other payables – Foreign exchange portfolio		
Exchange purchase obligations	384,136	307,689
Foreign exchange sales pending settlement	620	1,070
Advances on foreign exchange contracts granted (a)	(303,670)	(307,009)
Total	81,086	1,750

(a) See Note 7.

On December 31, 2019, there were federal government securities deposited securing foreign exchange transactions with B3 in the amount of R\$ 51,703 thousand (December 31, 2018 – R\$ 66,525 thousand).

9. Deposits

Maturity range	In R\$ thousand			
	Time deposits	Interbank deposits	Total 12/31/2019	Total 12/31/2018
				See note 2.1
Within 1 month	5,304		5,304	48,540
From 1 to 3 months	55,733	103	55,836	134,608
From 3 to 6 months	107,340		107,340	33,640
From 6 to 12 months	128,305	1,528	129,833	72,235
More than 12 months	376,408		376,408	322,530
Subtotal	673,090	1,631	674,721	611,553
Demand deposits			185,588	115,372
Total			860,309	726,925

The average term of interbank and time deposits for outstanding transactions at December 31, 2019 is 458 days and 839 days (December 31, 2018 – 802 and 504 days), respectively.

Maturities upon issuance	In R\$ thousand			
	Time deposits	Interbank deposits	Total 12/31/2019	Total 12/31/2018
				See note 2.1
Within 1 month	5,294		5,294	2,543
From 1 to 3 months	9		9	5,884
From 3 to 6 months	144,290		144,290	118,821
From 6 to 12 months	63,433		63,433	75,418
More than 12 months	460,064	1,631	461,695	408,886
Subtotal	673,090	1,631	674,721	611,553
Demand deposits			185,588	115,372
Total			860,309	726,925

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

In R\$ thousand										
Demand deposits		Time deposits		Interbank deposits		Total				
12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2018
			See note 2.1						See note 2.1	
Legal entities	164,741	97,085	421,297	255,201		-	586,038	68.12%	352,286	48.46%
Institutional customers	8	4	-		1,528	1,619	1,536	0.18%	1,623	0.22%
Group	1,392	397	169,060	201,462		-	170,452	19.81%	201,859	27.77%
Financial institutions	-	-	80,877	151,600	103	741	80,980	9.41%	152,341	20.96%
Individuals	19,447	17,886	1,856	930		-	21,303	2.48%	18,816	2.59%
Total	185,588	115,372	673,090	609,193	1,631	2,360	860,309	100%	726,925	100%

In R\$ thousand				
		12/31/2019	12/31/2018	
Top depositor	82,491	9.59%	97,754	13.45%
Top 10 depositors	451,594	52.49%	508,386	69.94%
Top 20 depositors	612,489	71.19%	576,252	79.27%
Top 50 depositors	769,152	89.40%	676,050	93.00%
Top 100 depositors	832,462	96.76%	720,655	99.14%

10. Repurchase agreements

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

In R\$ thousand		
Prudential Conglomerate		
	12/31/2019	12/31/2018
Own portfolio	1,196,479	596,084
Debentures	546,434	95,970
National Treasury Notes - F series	500,050	415,093
Financial Treasury Bills	149,995	85,021
Third-party Portfolio	500,000	-
National Treasury Bills	440,076	
(-) Expenses to be allocated - LTN	(75)	
National Treasury Notes - B series	60,009	
(-) Expenses to be allocated - NTN-B	(10)	
	1,696,479	596,084

11. Funds from acceptance and issue of securities and real estate bills

on December 31, 2019 and 2018, 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								
Prudential Conglomerate								
Maturity	LCA (a)		LCI (b)		LF (c)		LF – Subordinated debt (d)	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Within 1 month	76,735	130,051		7,423	69,947	87,430		
From 1 to 3 months	121,343	181,844	161	30,810	179,937	138,085		
From 2 to 6 months	242,093	299,185	10,256	5,135	225,166	77,601		
From 6 to 12 months	219,472	387,730	60,224	13,656	139,711	338,715		
More than 12 months	454,358	349,176	81,618	38,929	626,744	852,289	204,960	
Total	1,114,001	1,347,986	152,259	95,953	1,241,505	1,494,120	204,960	

(a) Agribusiness Credit Bills (LCA) are issued by the Bank and registered with the B3, according to Laws No. 11,076/2004 and No. 11,311/2006 and subsequent amendments.

(b) Housing Credit Bills (LCI) are nominative securities created by Provisional Measure No. 2,223 on September 4, 2011, which resulted in Law No. 10,931 of August 2, 2004.

(c) Financial Bills (LF) are issued by the Bank and registered with the B3 – according to the Law No. 12,249/10 (Section II, articles 37 to 43), and ruled by CMN (Law No. 3,836).

(d) Financial Bill (LF) – Subordinated Debt has a perpetual term and a repurchase option starting within 5 with semiannual windows. The Bank uses the amount raised as complementary capital in order to compose the institution's Level I capital. The issue was private and carried out with the Bank's shareholder base.

12. Borrowings and onlendings

(a) Borrowings abroad

Borrowings abroad in the Prudential Conglomerate are as follows:

	In R\$ thousand	
	Prudential Conglomerate	
	12/31/2019	12/31/2018
		See note 2.1
Obligations with borrowings abroad (*)	1,972,882	911,364
Export credit facility	280,635	203,217
Import credit facility	640	16,642
	2,254,157	1,131,223
Current liabilities	1,711,403	609,120
Long-term payables	542,754	522,103
	2,254,157	1,131,223

(*) The amount of R\$ 1,972,882 thousand on December 31, 2019 (December 31, 2018 - R\$ 911,364 thousand) classified as "Borrowings abroad", refers to the fundraising in U.S. dollars with Bank of Communications with final maturity until September 2022.

(b) Onlendings in the country

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

	In R\$ thousand						
	12/31/2019						12/31/2018
	Within 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 12 months	Total	Total
Funcafé – FAC	-	-	-	-	-	-	1,512
Funcafé – working capital	-	-	-	-	-	-	19,528
Total	-	-	-	-	-	-	21,040

13. Other receivables/sundry

	In R\$ thousand	
	Prudential Conglomerate	
	12/31/2019	12/31/2018
Sundry		
Debtors deposits on warranty	52,583	51,904
Taxes and contributions to offset	35,081	18,341
Sundry debtors - foreign	23,946	2,433
Sundry debtors - domestic	4,382	4,626
Securities and credits receivable (*)	3,000	7,426
Advances - salaries and constructions	750	292
	119,742	85,022
Current asset	59,499	29,755
Long-term asset	60,243	55,267
	119,742	85,022

(*) Refers to advances on foreign exchange contracts written off in the year.

14. Other values and assets

	In R\$ thousand	
	Prudential Conglomerate	
	12/31/2019	12/31/2018
Other values and goods		
Properties	37,743	40,020
Others	1,725	104
	39,468	40,124
Current asset (a)	39,169	40,124
Long-term assets	298	-
	39,468	40,124

(a) In December 31, 2019 the amount of R\$ 37,743 thousand, classified as current assets, refers mainly to the execution of guarantee of properties, recorded as properties not for own use (BNDU), according to independent appraisal report, limited to the value of debt.

15. 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**

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

(e) **Interest on capital**

According to article 9 of Law No. 9,249/95 and its subsequent amendments, Banco BOCOM BBM S.A., at the end of 2019, declared interest on capital of R\$ 37,187 thousand (December 31, 2018 – R\$ 38,730 thousand), with withholding income tax of R\$ 5,578 thousand (December 31, 2018 – R\$ 5,810 thousand), calculated at the rate of 15%. This amount was determined based on the legal limits in force.

For the purposes of preparing the statement of income, as established by BACEN Resolution No. 4,706 of 12/19/2018, Banco 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 the balance sheet date. Interest on equity proposed at the end of the year 2019 reduced tax charge by R\$ 14,875 thousand (December 31, 2018 – R\$ 17,429 thousand).

(f) **Carrying value adjustments**

For the year ended December 31, 2019, the carrying value adjustments are comprised by the market adjustment variation of the securities held for sale in the amount of R\$ 602 thousand (December 31, 2018 – R\$ 87 thousand), by the variation of foreign investments hedge instruments in the amount of R\$ 2,275 thousand (December 31, 2018 – R\$ 5,884 thousand), by the foreign exchange variation in investment abroad in the amount of R\$ 2,282 thousand (December 31, 2018 – R\$ 5,884 thousand), net of tax effects.

(g) Dividends

In accordance with the Bank's articles of incorporation, the shareholders are entitled to minimum mandatory dividends of 25% of net income for the year, after specific allocations.

	In R\$ thousand	
	Prudential Conglomerate	
	12/31/2019	12/31/2018
Net income - Banco BBM S.A.	88,521	63,660
(-) Legal reserve	(4,426)	(3,183)
Calculation basis	84,095	60,477
Minimum mandatory dividends (a)	25%	25%
	21,024	15,119
Interest on own capital (b)	37,187	38,730
	37,187	38,730

(a) Minimum mandatory dividends were approved as interest on equity.

(b) The dividends higher than the mandatory dividends were approved by the shareholders and will be ratified in Ordinary General Meeting.

16. Financial intermediation expenses, result of foreign exchange operations, loans, assignments and transfer

	In R\$ thousand		
	Prudential Conglomerate		
	Second half of 2019	12/31/2019	12/31/2018 See note 2.1
Open market funding			
Financial bills	(52,577)	(115,000)	(105,263)
Agriculture credit bills	(36,327)	(76,590)	(77,031)
Time deposits	(12,273)	(27,068)	(25,835)
Expenses with securities abroad	(21,292)	(21,292)	(41,068)
Repurchase agreements	(8,558)	(12,116)	(6,880)
Real estate credit bills	(2,158)	(4,490)	(4,931)
Credit guarantee fund	(1,447)	(2,463)	(2,437)
Interbank deposits	(41)	(113)	(504)
Deposits previous notice	(23)	(52)	(169)
Foreign exchange variation (a)	10,287	17,701	12,305
	(124,409)	(241,483)	(251,813)
Loans, assignments and onlending operations			
Loan expenses abroad	(27,665)	(54,563)	(22,860)
Foreign exchange variation (a)	(25,415)	(15,997)	(68,817)
Other expenses	(127)	(464)	(379)
	(53,207)	(71,024)	(92,056)
Foreign exchange transactions			
Foreign exchange variations and interest differences	30,992	27,995	109,493
Revenue from advances on exchange contracts (ACC)	15,787	30,061	39,578
Other expenses	(254)	(429)	(601)
	46,525	57,627	148,470

(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.

17. Service revenue

	In R\$ thousand		
	Prudential Conglomerate		
	Second Half of 2019	12/31/2019	12/31/2018
Service revenue			
Management and performance fees of investment funds	15,265	27,004	14,824
Bank fee income	10,342	20,033	10,663
Structuring commission	8,588	21,514	21,222
Guarantees commission and letter of credit	8,391	15,639	14,447
Other services	1,788	3,669	3,340
Total	44,374	87,859	64,496

18. Other Administrative Expenses

	In R\$ thousand		
	Prudential Conglomerate		
	Second half of 2019	12/31/2019	12/31/2018
Data processing	(5,520)	(9,871)	(6,763)
Specialized technical services	(4,119)	(7,347)	(4,241)
Rentals	(3,266)	(6,717)	(6,761)
Amortization and depreciation	(3,110)	(5,723)	(3,242)
Travel	(2,692)	(5,151)	(4,838)
Financial system services (a)	(2,280)	(4,928)	(4,574)
Third-party services	(2,611)	(4,371)	(4,858)
Communications	(1,853)	(3,550)	(3,134)
Property maintenance and upkeep	(1,041)	(2,451)	(2,788)
Registry	(655)	(2,049)	(3,146)
Condominium	(1,003)	(2,012)	(1,824)
Promotion/Advertising/Publications	(980)	(1,492)	(1,881)
Water, energy and gas	(513)	(1,023)	(972)
Transportation	(395)	(740)	(574)
Surveillance and security services	(283)	(291)	(27)
Material	(110)	(217)	(158)
Fines (b)	(132)	(150)	(4,008)
Insurance	(9)	(30)	(20)
Other administrative expenses	(2,903)	(5,023)	(3,428)
	(33,475)	(63,136)	(57,237)

(a) For the year ended December 31, 2019, this includes brokerage expenses, charges and commission related to guarantee transactions and derivative financial instruments of R\$ 1,449 thousand (December 31, 2018 – R\$ 1,775 thousand).

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

19. Related-parties significant transactions

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

	In R\$ thousand	
	Prudential Conglomerate	
	12/31/2019	12/31/2018
Asset		See note 2.1
Cash and cash equivalents	29	30
Bank of Communications Co. Ltd.	29	30
Detivative financial instruments	25,785	-
Bocom Brazil Holding Company Ltda.	25,785	-
Liabilities		
Demand deposits	1,393	764
Évora S.A.	38	64
Bahia AM Renda Fixa Ltda.	5	5
Bahia AM Renda Variável Ltda.	5	5
Bocom Brazil Holding Company Ltda.	290	301
Bahia Holding S.A.	1	6
Other related individuals/legal entities	1,054	383
Time deposits	169,060	201,462
Bahia Holding S.A.	55,042	69,850
Évora S.A.	3,406	3,219
Bocom Brazil Holding Company Ltda.	28,122	38,516
Other related individuals/legal entities	82,490	89,877
Repurchase agreements - debentures	50,896	37,256
Other related individuals/legal entities	50,896	37,256
Agriculture credit bills	260,869	275,647
Other related individuals/legal entities	260,869	275,647
Real estate credit bills	99,298	67,020
Other related individuals/legal entities	99,298	67,020
Obligations for securities abroad		
Derivative financial instruments	10,075	-
Bocom Brazil Holding Company Ltda.	10,075	-
Subordinated debt	204,960	-
Bocom Brazil Holding Company Ltda.	164,609	-
Other related individuals/legal entities	40,351	-
Liabilities on loans abroad	1,972,882	907,326
Bank of Communications Co. Ltd.	574,645	907,326
Bocom Macau	11,746	
Bank of Communications - GMC	1,386,491	
Dividends and bonuses payable	48,410	16,802
Interest on capital credited to shareholders	48,410	16,802

	In R\$ thousand		
	Prudential Conglomerate		
	Second Half of 2019	12/31/2019	12/31/2018
Result	See note 2.1		
Income from investments abroad			
Expenses with banks abroad			
Result with derivative financial instruments	(4,517)	(5,802)	-
Bocom Brazil Holding Company Ltda.	(4,517)	(5,808)	-
Other relates individual/legal entities		6	-
Open market funding	(21,209)	(53,261)	(37,155)
Time deposits expenses	(3,977)	(19,487)	(18,787)
Évora S.A.	(90)	(187)	(10)
Bank of Communications Co. Ltd.	-	(10,768)	(10,677)
Bocom Brazil Holding Company Ltda.	(769)	(1,769)	(976)
Bahia Holding S.A.	(940)	(2,071)	(5,547)
Other related individuals/legal entities	(2,178)	(4,692)	(1,577)
Repurchase agreements - Debentures expenses	(1,283)	(1,855)	(788)
Bocom Brazil Holding Company Ltda.		-	(5)
Other related individuals/legal entities	(1,283)	(1,855)	(783)
Agriculture credit bills expenses	(7,825)	(16,151)	(14,657)
Other related individuals/legal entities	(7,825)	(16,151)	(14,657)
Real estate credit bills expenses	(1,974)	(3,979)	(2,923)
Other related individuals/legal entities	(1,974)	(3,979)	(2,923)
Expenses with banks abroad	-	-	(3,195)
BBM Bank Limited	-	-	(3,531)
BBM Nassau Branch	-	-	336
Subordinated debt	(6,150)	(11,789)	-
Bocom Brazil Holding Company Ltda.	(4,940)	(9,469)	-
Other related individuals/legal entities	(1,210)	(2,320)	-
Loans expenses abroad	(36,737)	(45,060)	(86,936)
Bank of Communications Co. Ltd.	(36,737)	(45,060)	(86,936)
Other operational income			
Expenses with dividends and bonuses	(17,956)	(37,187)	(38,730)
Interest on equity	(17,956)	(37,187)	(38,730)
Total	(80,419)	(141,309)	(166,016)

(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. It is currently under analysis the adoption of repurchased agreements with sovereign bonds to formalize the payment of deferred compensation as of next semester (ending in June 30th, 2020).

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

In R\$ thousand	
Prudential Conglomerate	
12/31/2019	12/31/2018

Liabilities

Statutory	21,814	14,329
Management variable compensation - short-term	7,952	5,103
Deferred management variable compensation - long-term	13,862	9,226

	In R\$ thousand		
	Prudential Conglomerate		
	Second half of 2019	12/31/2019	12/31/2018
Result	(15,396)	(27,912)	(22,911)
Fixed compensation	(4,604)	(9,235)	(10,031)
Variable compensation	(10,792)	(18,677)	(12,880)

In November 2019, Banco BOCOM BBM S.A. 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 R\$ 5.5 million and (ii) social security contributions allegedly due on food in the amount of R\$ 1.1 million; both correspond to payments made in 2015. The Bank discusses the assessments at the administrative level. In the opinion of our legal advisors, the chances of loss in these cases are possible.

20. Derivative financial instruments

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

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

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

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

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

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

At December 31, 2019, the guarantees for the transactions involving derivative financial instruments are represented mainly by government securities in the total amount of R\$ 242,403 thousand (December 31, 2018 – R\$ 170,976 thousand) and fund quotas in the total amount of R\$ 9,916 thousand (December 31, 2018 – R\$ 9,033 thousand).

(a) Recorded in offsetting and equity accounts

The commitments arising from these financial instruments, recorded in offsetting accounts, on December 31, 2019, within maturity up to January 2024 (December 31, 2018 – up to January 2023) are as follows:

	In R\$ thousand					
	Prudential Conglomerate					
	12/31/2019					12/31/2018
	Up to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total	Total
Future market						
Purchased position						
Foreign exchange coupon	267,950	210,914	23,761	1,408,621	1,911,246	2,050,607
Interest rate	13,495	15,828	64,549	330,618	424,490	400,438
Foreign currency	444,043	107,000	130,000	277,000	958,043	678,752
IPCA	-	-	-	20,862	20,862	18,673
Sold position						
Foreign exchange coupon	204,891	91,526	118,263	222,216	636,896	857,716
Interest rate	161,384	80,608	56,715	280,148	578,855	297,305
Foreign currency	478,110	223,000	402,000	894,000	1,997,110	445,700
IPCA	-	-	153,319	43,896	197,215	247,624
Non-deliverable forward - NDF						
Asset position						
Currency	121,483	290,005	10,083	333,519	755,090	651,323
Liability position						
Currency	93,429	-	3,440	165,138	262,007	526,291
Swaps						
Asset position						
Interest rate	87,006	274,838	137,516	985,719	1,485,079	668,518
Liability position						
Interest rate	82,689	49,984	56,550	1,935,408	2,124,631	780,752
Options market						
Liability position						
Currency	334				334	

(b) At cost and market value

	In R\$ thousand						
	Prudential Conglomerate						
	12/31/2019						12/31/2018
	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	1,319	1,319	106	209	282	722	7,824
Sold position	9,182	9,182	962	931	1,976	5,313	539
Swaps							
Asset position	23,707	41,585	1,902	2,518	1,550	35,615	20,475
Liability position	47,955	81,764	29,209	500	4,950	47,105	49,324
Non-deliverable forward – NDF							
Asset position	9,778	10,352	3,927	14	1,020	5,391	4,474
Liability position	9,752	532	141	–	105	286	3,405
Options market							
Liability position	120	334	334	–	–	–	–

(c) Notional value per counterparty

	In R\$ thousand							
	Prudential Conglomerate							
	12/31/2019							12/31/2018
	Financial institutions	Related parties	Legal entities	Stock exchanges	Institutional customers	Individuals	Total	Total
Future market								
Purchased position	592,000	-	-	2,722,641	-	-	3,314,641	3,148,470
Sold position	1,820,666	-	-	1,589,410	-	-	3,410,076	1,848,345
Swaps								
Asset position	423,224	426,242	635,613	-	-	-	1,485,079	668,518
Liability position	397,024	1,009,235	718,372	-	-	-	2,124,631	780,752
Non-deliverable forward - NDF								
Asset position	383,723	333,518	37,849	-	-	-	755,090	651,323
Liability position	-	262,007	-	-	-	-	262,007	526,291
Options market								
Liability position	334	-	-	-	-	-	334	-

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

- Purchased foreign exchange coupon contracts (DDI) in the amount of R\$ 1,911,246 thousand (December 31, 2018 – purchased foreign exchange coupon (DDI) in the amount of R\$ 2,050,607 thousand);
- Sold foreign exchange coupon contracts (DDI) in the amount of R\$ 636,896 thousand (December 31, 2018 – R\$ 857,716 thousand);
- Purchased interest contracts (DI1) in the amount of R\$ 424,490 thousand; (December 31, 2018 – R\$ 394,038 thousand);
- Sold interest contracts (DI1) in the amount of R\$ 578,855 thousand (December 31, 2018 – R\$ 297,305 thousand);
- Purchased currency contracts (DOL) in the amount of R\$ 366,043 thousand (December 31, 2018 – R\$ 678,752 thousand);
- Sold currency contracts (DOL) in the amount of R\$ 176,110 thousand (December 31, 2018 – R\$ 445,700 thousand);
- Purchased currency contracts (DAP) in the amount of R\$ 20,862 thousand (December 31, 2018 – R\$ 18,673 thousand);
- Sold currency contracts (DAP) in the amount of R\$ 197,215 thousand (December 31, 2018 – R\$ 247,624 thousand).

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

	R\$ mil		
	Prudential Conglomerate		
	Second half of 2019	12/31/2019	12/31/2018
Future contracts	26,482	21,555	48,622
Options contracts	(214)	(214)	(31)
Swap and term contracts	(20,502)	(15,725)	6,233
Total	5,766	5,616	54,824

d.) Hedge accounting

Fundraising hedge (I)

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

- On September 6, 2017 in the amount of USD 35,000 thousand with payment of pre-fixed interest of 2.05% p.a.
- On September 11, 2017 in the amount of USD 35,000 thousand with payment of pre-fixed interest of 2.05% p.a.
- On September 18, 2017 in the amount of USD 30,000 thousand with payment of fixed interest of 2.06% p.a.
- On November 13, 2019 in the amount of USD 40,000 thousand with payment of fixed interest 2.04% p.a.

In order to index these flows to the CDI, a series of exchange coupon operations were carried out at BM&F, in accordance with the maturities and exposures of the available FRC contracts and the maturity of the operations. Disbursements were made in US dollars and, upon cash receipt, a market risk hedge was contracted, designating a portfolio of derivative financial instruments, consisting of 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 102.74%.

Fundraising hedge (II)

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

Due to the fact that there is a matching of hedge object flows and the results of hedge derivatives, the effectiveness of the operation remains close to 97.6%.

Credit operations hedge

In August 2017, Banco BOCOM BBM designated a portfolio of derivative financial instruments consisting of 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 S.A. 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 87.46%.

In November 2018, Banco BOCOM BBM designated a portfolio of derivative financial instruments consisting of 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 32,500 thousand of the credit operation released in November 2018 by Banco BOCOM BBM S.A. Nassau Branch, with a fixed interest rate of 5.00% p.a. is stated at fair value and also marked to market.

In 2019, by decision of the executive board, this hedge was discontinued.

Investment hedge abroad

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

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

Due to the fact that there is a matching of hedge object flows and the results of hedge derivatives, the effectiveness of the transaction remained close to 100%.

21. Risk management

Market risk

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

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

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

Liquidity risk

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

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

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

	In R\$ thousand	
	Prudential Conglomerate	
	12/31/2019	12/31/2018
Current assets	4,430,964	3,345,385
Current liabilities	(5,600,344)	(3,503,090)
Working capital, net	(1,169,380)	(157,705)
Short-term securities available for sale presented in long-term receivables	1,198,619	637,810
	29,239	480,105

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).

22. Operating limits

In October 2013, the new rules related to capital measurement became effective. The financial institutions and similar entities have to maintain minimum equity of 8.0% of their assets, weighted by grades of risk to expositions in gold, foreign exchange and operations subject to the operating risk and to the variations in: foreign exchange, interest rate, price of commodities and price of shares classified as held in portfolio for trade, according to BACEN's rules and instructions. The Prudential Conglomerate of Banco BOCOM BBM is within this operational limit on December 31, 2019.

	In R\$ thousand	
	Prudential Conglomerate	
	12/31/2019	12/31/2018
Reference equity level I	836,998	576,753
Ajusted equity (*)	858,131	601,253
Decrease in intangible/deferred assets according to CMN Resolution No. 4,192	21,133	24,500
Reference equity (PR)	836,998	576,753
Risk-weighted assets (RWA)	443,442	344,288
Portion referring to:		
Credit risk (RWACPAD)	391,703	304,769
Foreign exchange risk (PCAM)	11,520	7,563
Interest rate risk (RWAMPAD)	60	1,378
Operating risk (RWAOPAD)	40,159	30,578
Margin or insufficiency value (PR - RWA)	393,557	232,465
Risk factor - 8.00% of PR	66,960	49,745
Basel rate (risk factor/RWA)	15.10%	14.45%
Fixed asset ratio		
RBAN	127,480	80,255
ACP required	138,576	74,845
Reference equity margin + RBAN	127,501	77,365

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

23. Income tax and social contribution

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

	In R\$ thousand	
	Prudential Conglomerate	
	12/31/2019	12/31/2018
Asset credit tax		
Balance at January 1	70,340	76,036
Constitution (Reversal)		
- With effects in the result	(3,317)	(9,476)
- With effects in equity		
(Securities held for sale)	1,269	3,554
- Credit assignment/Write-off of tax debits	-	226
Balance at December 31	68,292	70,340
Provision for deferred taxes (*)		
Balance at January 1	20,926	12,371
Constitution (Reversal)		
- With effects in the result	(1,710)	8,666
- With effects in equity		
(Securities held for sale)	32	(111)
Balance at December 31	19,248	20,926

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

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

	In R\$ thousand	
	Prudential Conglomerate	
	12/31/2019	12/31/2018
Asset tax credit		
Temporary differences (a)		
- Provision for loan transactions	26,742	37,171
- Market value adjustment - marketable securities and derivatives	21,765	8,623
- Provisions for contingencies (Note 25a)	4,338	3,595
- Others	13,460	7,617
Social contribution negative basis	785	3,958
Tax loss	1,202	9,376
Total	68,292	70,340
Current	38,877	37,608
Noncurrent	29,415	32,732
Provision for deferred taxes (*)		
Temporary differences (a)		
- Market adjustment of securities and derivatives	7,778	7,880
- Interest rate over deposit in court	11,470	13,046
Total	19,248	20,926
Current	7,778	7,880
Noncurrent	11,470	13,046

(a) It is expected that these tax credits will be realized up to the end of 2023 for income tax and social contribution, with a present value of R\$ 18 million and R\$ 12 million, respectively. The Social Contribution on tax credits was calculated considering a new rate in force of 20%, after publication of PEC No. 6, 2019, for the additions and exclusions as of March 1, 2020.

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

	In R\$ thousand			
	12/31/2019		12/31/2018	
	IRPJ	CSLL	IRPJ	CSLL
Income before taxes	72,153	72,154	42,865	42,865
Bank's net profit	88,521	88,521	63,660	63,660
(-) Interest on Bank's capital	(37,187)	(37,186)	(38,730)	(38,730)
(-/+) Income tax and social contribution	(20,819)	(20,819)	(17,756)	(17,756)
Tax rate	25%	15%	25%	20%
Income tax and social contribution				
At tax rate	(18,038)	(10,823)	(10,671)	(8,537)
Permanent additions	66,384	48,510	53,744	40,865
Non-deductible expenses	19,638	1,764	15,394	2,515
Addition on profit abroad	46,746	46,746	38,350	38,350
Permanent exclusions	34,097	34,097	44,725	44,725
Tax-free revenues	12	12	10,648	10,648
Equity in the result investees (Bank)	34,085	34,085	34,077	34,077
Temporary additions/exclusions	12,603	16,839	(26,230)	(23,301)
Tax basis	117,044	103,407	25,475	15,524
Utilization of tax loss and negative basis	(32,886)	(21,767)	(7,642)	(4,657)
Tax basis with usage of tax loss and negative basis	84,156	81,637	17,832	10,867
Income tax and social contribution (a)	(21,015)	(12,246)	(4,434)	(2,173)
Utilisation of tax incentives and taxes of subsidiaries abroad	1,630		219	
Income tax and social contribution in the result for the year	(19,385)	(12,246)	(4,215)	(2,173)
DIPJ adjustment	1,362	-	7	10
Liability deferred taxes	1,886	(138)	(5,598)	(3,046)
Income tax and social contribution in the result for the year - Banco BOCOM BBM	(15,978)	(12,354)	(9,806)	(5,210)
Income tax and social contribution of other institutions of the Prudential Conglomerate	(387)	(204)	(1,008)	(823)
Income tax and social contribution in the result for the year - Prudential Conglomerate	(16,365)	(12,560)	(10,814)	(6,033)

- (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 effective as from September 2015 and it remained 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 the Amendment, this increase is definitive and exclusive for banks.

24. Provisions and liabilities for legal obligation

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

(a) Breakdown of provisions

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

	In R\$ thousand	
	Prudential Conglomerate	
	12/31/2019	12/31/2018
Labor	8,804	8,325
Civil	633	633
Total – Provisions for contingencies	9,437	8,958

These provisions are recorded as “Other liabilities – sundry” under Long-term liabilities. During the year ended December 31, 2019, a provision was made in the amount of R\$ 479 thousand of provisions for contingencies in the Prudential Conglomerate.

(b) Liabilities for legal obligations

Based on the preliminary injunction obtained, Banco BOCOM BBM and BOCOM BBM Corretora de Câmbio e Valores Mobiliários S.A. 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 S.A. 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\$ thousand	
	Prudential Conglomerate	
	12/31/2019	12/31/2018
PIS and COFINS	208	29
Total – Liabilities for legal obligations	208	29

c) Others

On December 5, 2016, Banco BOCOM BBM S.A. was named by the Brazilian Administrative Council for Economic Defense (CADE) in an administrative proceeding investigating alleged anticompetitive practices in relation to the onshore foreign exchange market between 2008 and 2012. The Bank, together with its legal advisors, has already presented its administrative defense, still pending judgment.

In November 2019, Banco BOCOM BBM S.A. 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 R\$ 5.5 million and (ii) social security contributions allegedly due on food in the amount of R\$ 1.1 million; both correspond to payments made in 2015. The Bank discusses the assessments at the administrative level. In the opinion of our legal advisors, the chances of loss in these cases are possible.

25. Allowance for financial guarantees

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

	In R\$ thousand	
	Prudential Conglomerate	
	12/31/2019	12/31/2018
Guarantee		
Other sureties	164,232	122,068
Surety or guarantee in lawsuits and administrative procedures	480,743	256,526
Linked to bids, auctions, service render or construction	327,654	180,939
Linked to international trade	1,171	3,053
Total	973,800	562,585
Changes in allowance for financial guarantees		
Beginning balance	1,161	538
Constitution	10,990	15,478
Reversal (*)	(11,063)	(14,855)
Ending balance	1,088	1,161

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

26. Other information

(a) Compensatory and settlement of obligations arrangement

Banco BOCOM BBM has a compensatory and settlement of obligations arrangement within the scope of the National Financial System, according to CMN Resolution No. 3,263/05, resulting in more guarantee to settle its debits with financial institutions with which it has this kind of arrangement. On December 31, 2018, the total assets mitigated by compensatory arrangement was of R\$ 801,302 thousand (December 31, 2018 - R\$ 810,442 thousand).

(b) Result for future years

Result for future years refers mainly to the earnings of guarantees granted (Note 7b) and its increase in the period ended December 31, 2019 is aligned with the variation of the guarantees.

(c) Marketable securities portfolio

In the year of 2019, based on the Resolution No. 3,181 of the Central Bank of Brazil, considering the positive incline of the government bonds nominal rates, mainly that the nominal rate of NTN-F 01/2025 was above the rate of NTN-F 01/2023, and that for the budget and business plan of the coming years, it is important to have predictability and to avoid decrease in revenues, the Bank's Executive Committee unanimously approved to continue the process of extending the portfolio of nominal securities held to maturity, selling R\$ 288,630 thousand in NTN-F 01/2023 and buying R\$ 288,668 thousand in NTN-F 01/2025, which generated an effect in the result of R\$ 24,009 thousand.

At the end of the period, Banco BOCOM BBM had R\$ 705,734 thousand in marketable securities classified as "held to maturity", according to Circular Letter No. 3,068/01 of Central Bank of Brazil. Banco BOCOM BBM has financial capacity and intention to hold them to maturity.

ALINE GOMES - CONTROLLER
CRC 087.989/0-9 "S"- BA

Rio de Janeiro

AV. BARÃO DE TEFÉ, 34 | 20º E 21º ANDARES
PORTO MARAVILHA | CEP: 20220-460 | RIO DE JANEIRO | RJ
+ 55 (21) 2514-8448 | + 55 (21) 2514-8293

São Paulo

AV. BRIGADEIRO FARIA LIMA, 3311 | 15º ANDAR
ITAIM BIBI | CEP: 04538-133 | SÃO PAULO | SP
+ 55 (11) 3704-0500 | + 55 (11) 4064-4700 | + 55 (11) 3704-0502

Salvador

RUA MIGUEL CALMON, 398 | 7º ANDAR - PARTE
COMÉRCIO | CEP: 40015-010 | SALVADOR | BA
+ 55 (71) 3326-4721 | + 55 (71) 3254-2703

Nassau

SHIRLEY HOUSE, 50 SHIRLEY STREET
2ND FLOOR | PO N-7507
(1) (242) 356-6584 | (1) (242) 356-6015



全球业务



交通銀行
BANK OF COMMUNICATIONS