



2020

年度报告

交流融通 共创未来



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秉承“交流融通”，交通银行巴西子行将来自于巴西、中国、亚洲乃至全世界的300名专业工作人员紧密联系在一起。我们相互理解、团结努力、致力于在达成公司经营目标的同时，持续提升每位员工价值，实现公司与员工队伍的共同成长。

中国和巴西，都是当前世界上经济增长最快的区域之一。交通银行巴西子行将这两个重要区域的市场和业务联系在一起。我们积极探索新理念、新技术、新机遇，增强内部交流，在实践中不断提升团队中每一位员工的能力。

我们坚持创新，持续优化金融产品和服务，稳步提升科技水平，不断满足包括中、巴两国在内的来自世界各国客户的业务需求。

我们高度关注个人客户财富管理，创新管理理念，在保持客户回报优异的同时，不断增强我行财富管理服务的透明度和业务监控的有效性。

我们拓展新业务领域，2020年将资产管理纳入子行实际运营。我行充分发挥在量化、宏观、信贷风险管控等领域的独特优势，为客户提供专项基金投资产品。

我们积极倡导可持续、多元化和包容性的发展理念，坚持传播社会责任发展理念，致力于与全社会共同发展，携手各方，共创未来。

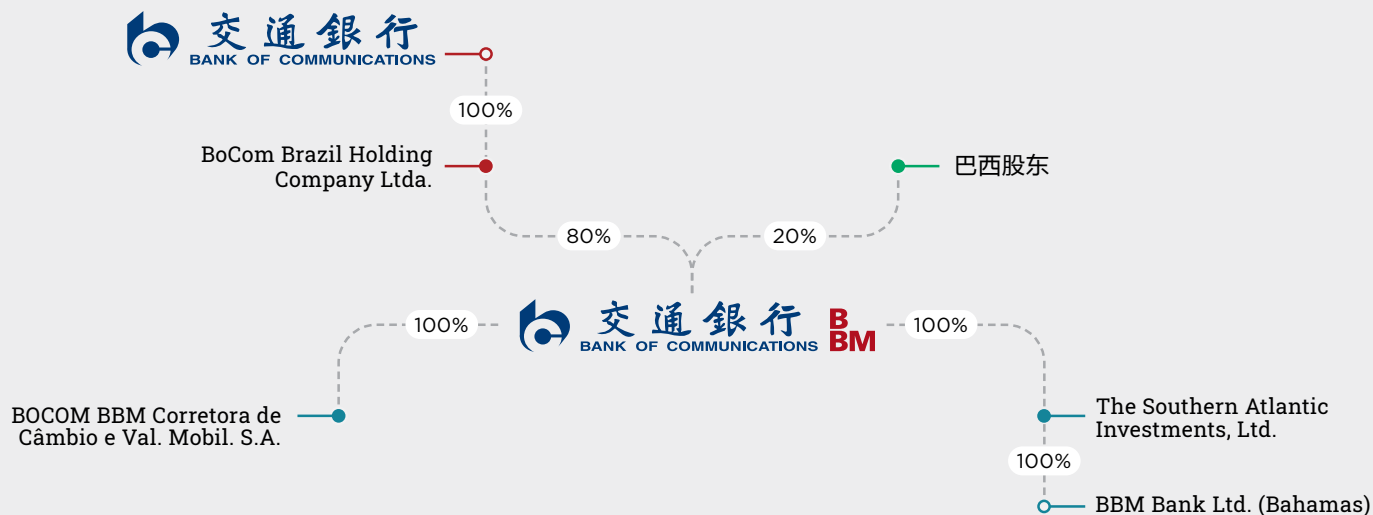


- 交通银行是中国五大商业银行之一，也是中国历史最悠久的银行之一，国际化水平在国内银行业中居于前列，全球服务能力日趋完善。交通银行巴西子行是交通银行国际化进程中的重要布局之一，是完善交通银行全球服务能力的重要机构之一。
- 依托交通银行日趋完善的境内外经营网络布局，交通银行巴西子行与包括中国、日本、新加坡、越南、韩国、澳大利亚、美国、加拿大、英国、德国、捷克、法国、卢森堡、意大利、南非在内的多个国家保持紧密的业务联系，为巴西与亚洲、大洋洲、北美以及欧洲市场搭建了重要的金融交易与业务往来桥梁。



公司经营管理情况

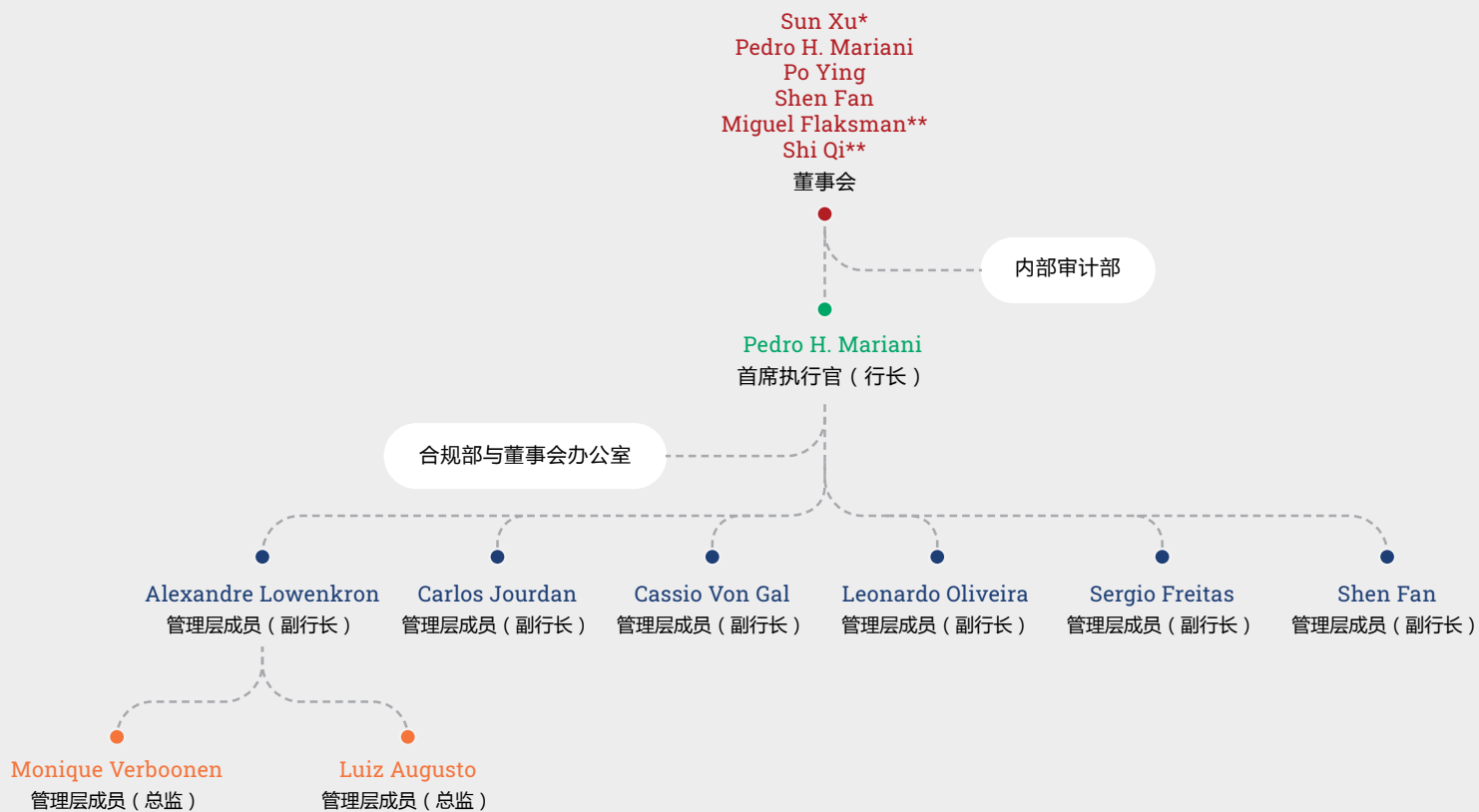
● 股权结构



已发行股票的百分比。

股权结构图未详细标注股权持有量低于0.001%的股东，其股权持有量四舍五入统一计入巴西股东股权持有量。

● 组织架构图



*董事会主席

**于2021年5月由巴西中央银行批准。待商业登记处登记。



愿景

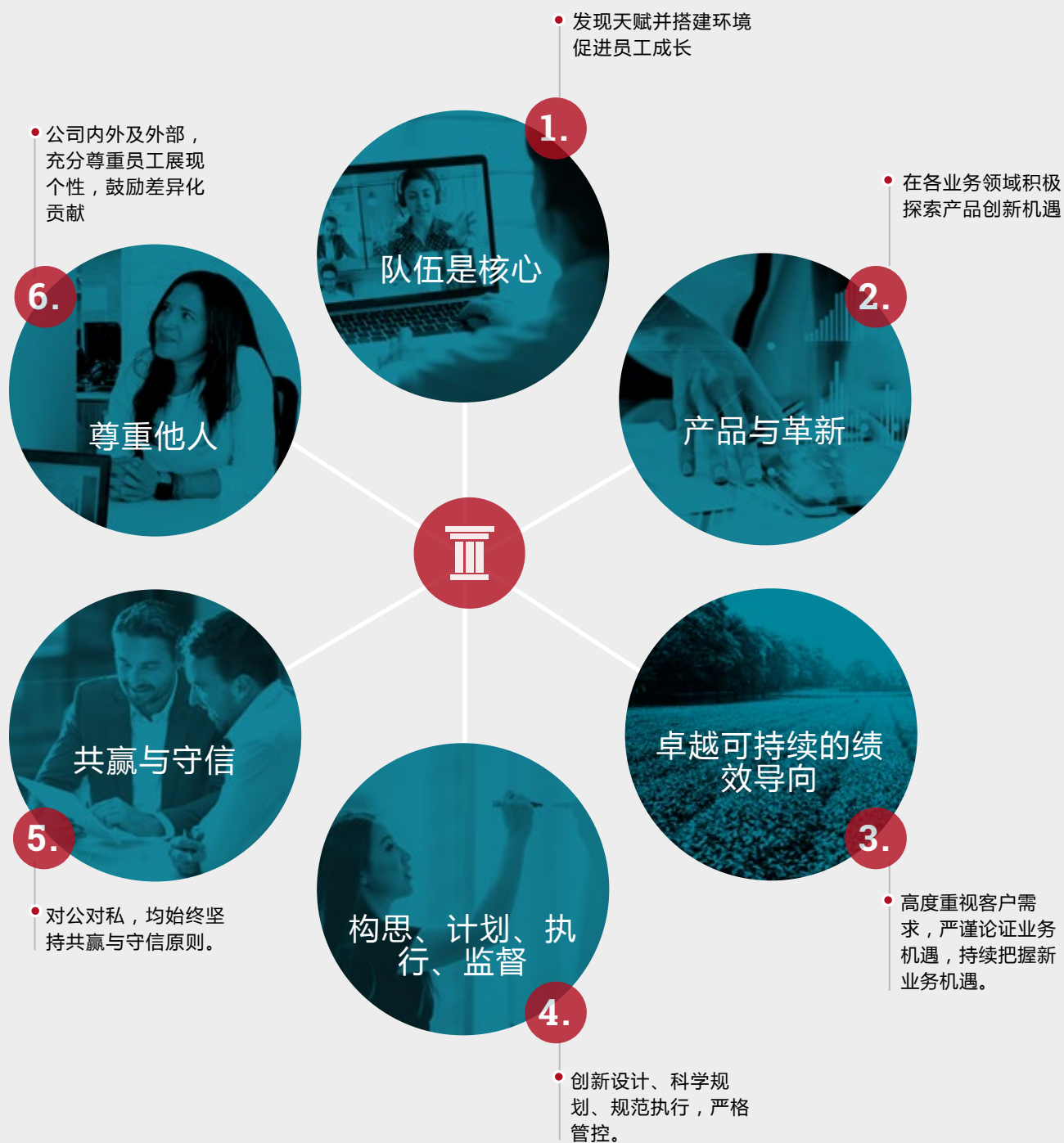


成为巴西最佳金融机构，达成利益相关方各项目标。

- 流程管理透明、高效，实现与员工、客户、股东及供应商的多方共赢。
- 不断增强股东盈利能力，持续推进中巴一体化进程。
- 为员工创造环境，有效引导员工成长，鼓励员工在金融、科技等领域不断提升业务能力和知识储备。
- 高度关注社会群体尊严及福祉，并依此践行企业社会责任。



公司价值文化





2020 年公司概览

2020年，新冠肺炎疫情骤然来袭并肆虐全球。伴随各国实施各项防疫防控措施，全球经济受到巨大挑战。

下半年，在全球管控措施适度放松的背景下，美国、欧洲、中国和巴西等国加大了货币、财政和信贷领域的政策支持力度，全球经济有所复苏。疫苗的及时研发，更让我们对2021年充满希望。乐观估计，2021年巴西GDP预计可实现3.6%的正增长。但同时，巴西经济仍面临一系列重大挑战：失业率居高不下、新一轮感染潮涌现、政府援助大幅缩减以及迫在眉睫的财政结构性改革议程。尤其是财政改革议程，对于未来巴西能否维持环境的稳定，持续吸引投资、保持经济增长至关重要。

2020年，交通银行巴西子行始终坚持企业价值观不动摇，积极应对疫情。我们制订了并实施了针对新冠病毒的应急预案，确保业务连续性安全；对大部分员工实施远程办公，保障人员安全。

特别值得强调的是，尽管面临异常困难的外部环境，2020年我行依然取得了骄人的经营业绩。我们积极参与巴西PEAC项目，信贷规模快速增长；准确把握债券市场机遇，经营绩效显著增强；加强与投资担保基金FGI业务合作，风险缓释能力提升；资产与负债久期继续保持良好相关性，确保我行流动性安全。

众所周知，下半年疫情对亚洲国家的影响逐渐减弱，中国资本市场也展现出更强的活力。中资股东背景使我行有机会更好地参与中国市场投资，并在未来的巴西与亚洲市场的整体投资安排上具备更强竞争力。“债券通”平台是当前海外机构参与中国债券市场的主要渠道，具备良好的发展前景。2020年下半年，交通银行巴西子行顺利完成对中国债券市场的投资，并成为整个拉美地区首个落地“债券通”交易的金融机构。

我行积极创新，努力探索优化我行在信用风险分析及风险管控领域的专业特长，提升综合收益。我行新开发设立了一系列基金产品，包括：公司信用高收益基金、公司信用基金、ESG主题基金和中国主题基金。当年实现收益1.05亿雷亚尔（含公司板块相关收入），占我行总收入23.3%。

回顾不平凡的2020年，尽管外部环境瞬息万变，悲观与乐观不停交替，交通银行巴西子行仍然保持了定力和稳健，我们不断实现突破，取得了优异的成绩。

我们将一如既往，坚持我行价值观和愿景，对未来充满信心。我们将继续发挥我行专业优势、不断创新，持续为社会各界提供更多更好的金融服务。



平均净资产收益率
(ROAE)

16.4%

广义信贷资产总额

R\$ 93

亿雷亚尔

资金来源总额

R\$ 105

亿雷亚尔

资产总额

R\$ 122

亿雷亚尔

净息差 (NIM)
(计提拨备前)

4.7%

中间业务收入占比

23.3%

财富管理规模

R\$ 90

亿雷亚尔

财务摘要

(百万 雷亚尔)

	16 年 12 月	17 年 12 月	18 年 12 月	19 年 12 月	20 年 12 月
总资产	4,004	4,976	6,298	8,658	12,215
一级资本	557	560	577	837	936
所有者权益	574	575	601	653	764
净利润	32	43	64	89	117
综合收益	27	45	65	90	143
广义信贷资产总额 ¹	2,171	3,668	4,408	6,061	9,292
资金来源总额	2,964	4,085	4,897	6,373	10,549
平均净资产收益率 (ROAE)	5.6%	7.5%	10.8%	14.1%	16.4%
平均总资产收益率 (ROAA)	0.8%	1.0%	1.1%	1.2%	1.1%
净息差 (NIM) (计提拨备前) ²³	5.3%	5.8%	5.5%	5.2%	4.7%
巴塞尔一级资本充足率	21.3%	16.1%	14.5%	15.1%	14.4%
流动资产	1,268	1,267	1,468	2,084	2,705
成本收入比	60.2%	61.4%	57.8%	57.2%	46.5%
中间业务收入占比 ⁴	10.5%	17.4%	21.2%	25.3%	23.3%

评级

	国内信用评级	全球信用评级		巴西主权评级
	当地货币	当地货币	外币	
Moody's	Aaa.br	Ba1	Ba1	Ba2
Fitch	AAA(bra)	BB+	BB	BB-

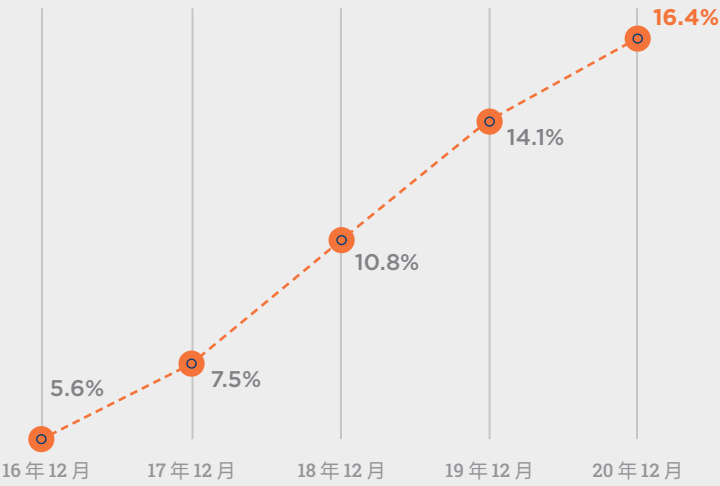
1 包括担保，信用证和其它承担信用风险的业务（债券，本票和海外债券）

2 包括股权投资收入。

3 包括中间业务收入及公开市场操作调整。

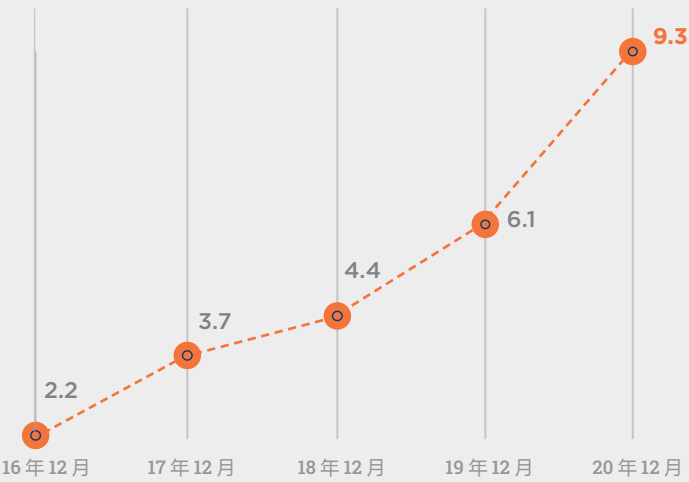
4 拨备前利息收入+中间业务收入+股权投资收入。

平均净资产收益率



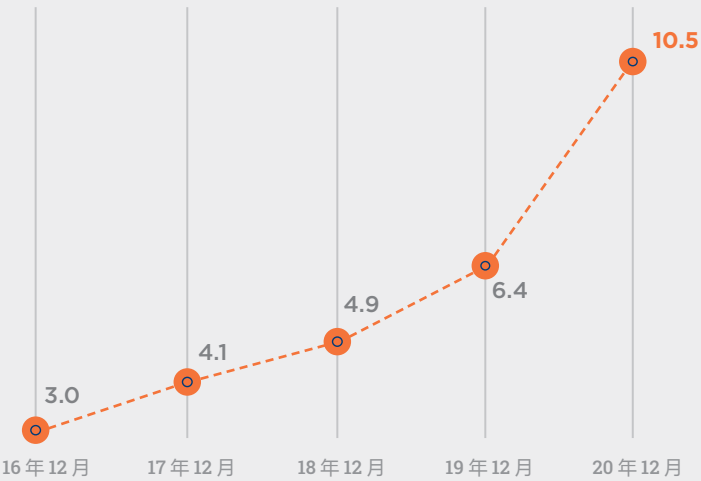
广义信贷资产总额
(单位:10亿雷亚尔)

43.8%
年均增长率

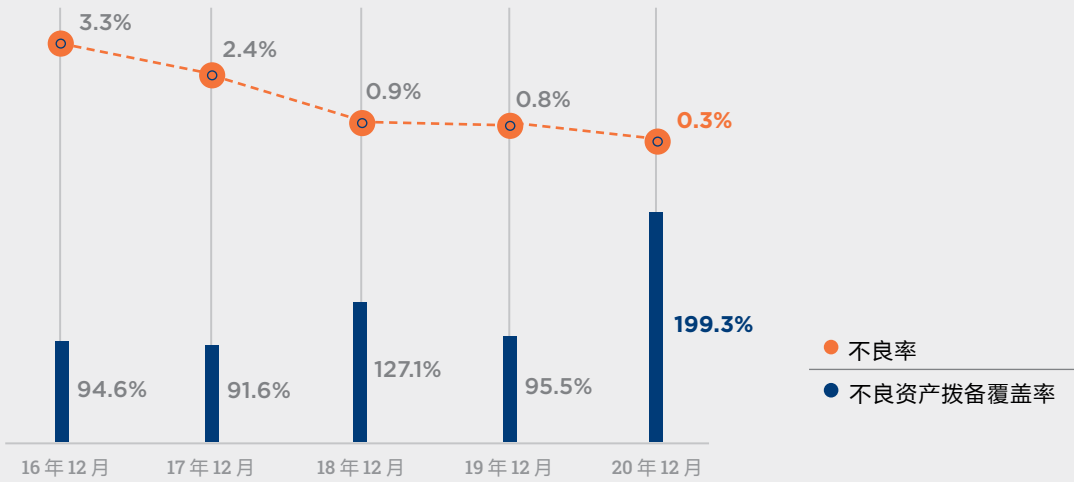


资金来源总额
(单位:10亿雷亚尔)

37.4%
年均增长率

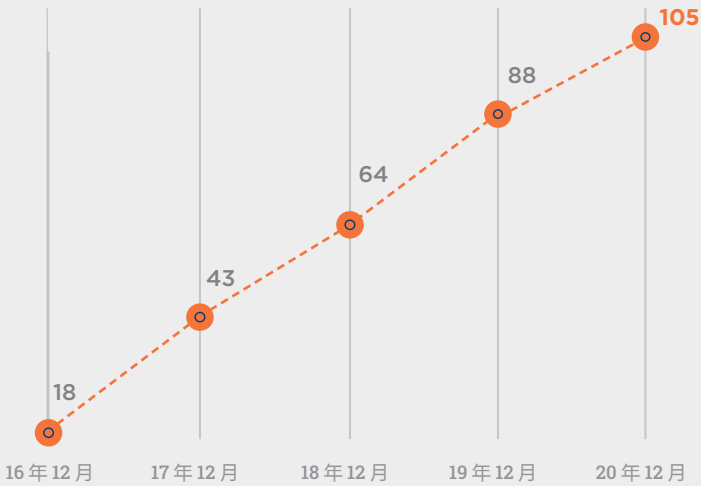


不良率+不良资产拨备覆盖率

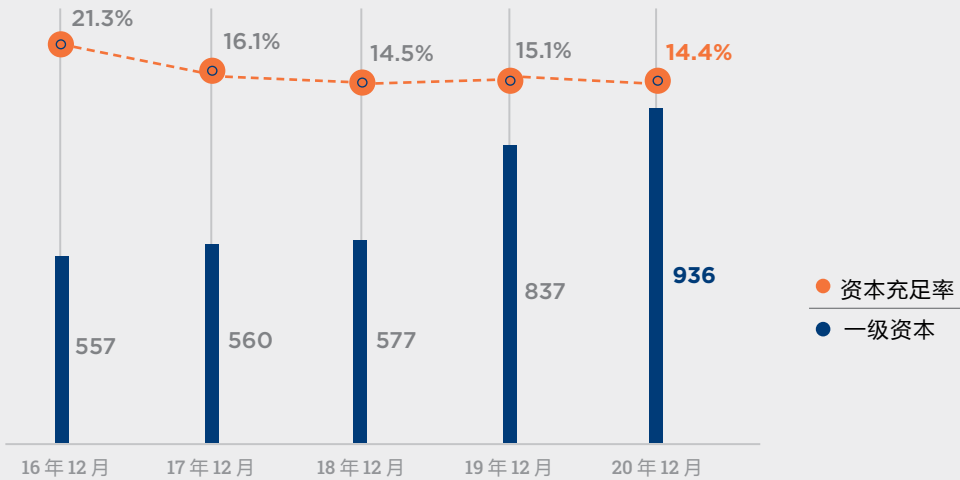


中间业务收入
(百万雷亚尔)

55.4%
年均增长率



资本充足率 (%) +
一级资本 (百万雷亚尔)





2020

年经营亮点

业务

公司信贷

2020年末, 广义信贷总额达93亿雷亚尔。



PEAC 项目

信贷纾困项目, 帮助巴西
中小企业渡过疫情难关

我行积极参与由巴西政策性银行主导的PEAC(紧急信贷支持)项目, 通过为中小企业提供特殊条件信贷支持, 助力巴西经济复苏。

发挥我行熟悉农业行业及客户的专长, 充分运用BNDES在业务期限及担保方式的政策灵活性, 持续优化我行PEAC项目业务交易流程和产品结构。



债券通

我行成为拉美地区首家获准参与 "债券通" 的银行, "债券通" 是当前海外机构投资中国固定收益市场的主要平台。这将使我行获得更多的为客户提供投资服务的机遇。

财富管理

2020年咨询总资产(财富管理规模)
达到90亿雷亚尔。



企业社会责任

绿色建筑

我行里约总部大楼通过雨水收集等方式实现资源再利用，提升能效、有益社会环境，获得巴西绿色建筑委员会（GBC）以及国际金级leed认证。



社会责任政策

社会责任实践

我行制订了持续的社会责任政策，用以指导业务运营管理及员工行为。

目的是获得积极的社会影响，降低环境和社会风险，提高员工及客户满意度，健全公开、透明的公司管理制度，确保合规。



抗击新冠疫情

支援医疗一线人员

向保罗-尼迈耶国立脑科研究所捐赠了45000个防护设备，并向医院一线工作团队捐赠了个人防护装备。



人才

BOCOM BBM 2020创意周

在青创企业中心的支持下，我行举办青年企业家线上活动，探讨金融行业创新的应用开发，共同探索如何面对当前挑战。



居家办公

3月起，我行采取大部分员工远程办公的方式降低感染风险。并强化网络管理和线上联络，确保业务连续、运营高效。





公司主要业务

1.

公司信贷

新冠病毒疫情肆虐的2020年，需要更为高效的金融服务能力。

我们不断提高业务响应速度，提升运营效率，增强业务透明度，以充分满足国内外客户的信贷、金融服务和衍生品等各类金融需求。

我行向公司客户提供包括担保贷款、打包贷款等多项融资服务。其中：

中小企业，年收入7000万雷亚尔至5亿雷亚尔，需提供流动性抵质押

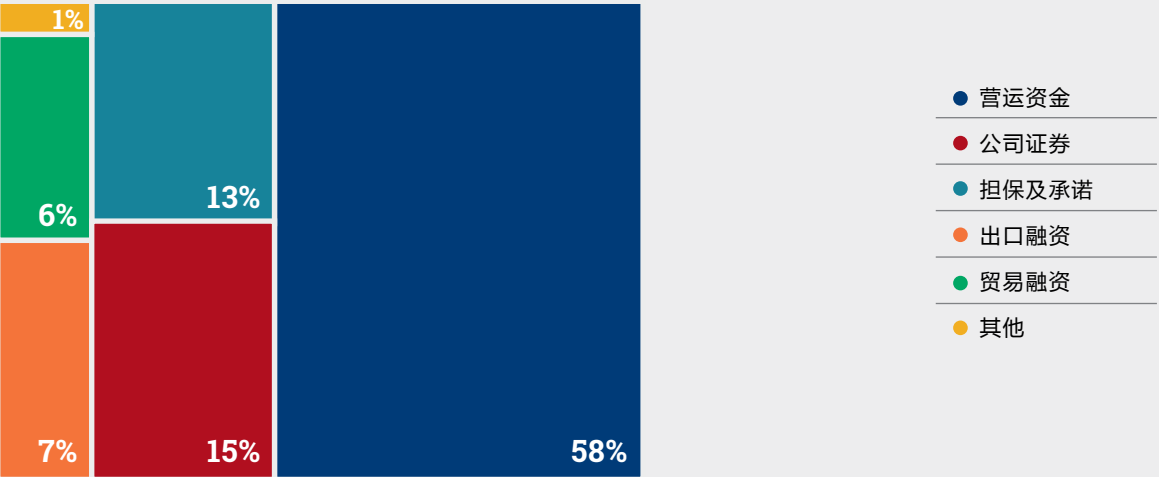
中型企业，年收入2亿雷亚尔至30亿雷亚尔

大型企业，年收入30亿雷亚尔以上或隶属于中资控股集团。

我行迅速响应政府号召，积极参与BNDES的PEAC项目，应对新冠疫情冲击。2020年我行发放PEAC项下贷款29亿雷亚尔，年末广义信贷总额达93亿雷亚尔。

广义信贷资产 | 产品分类

(20年12月)

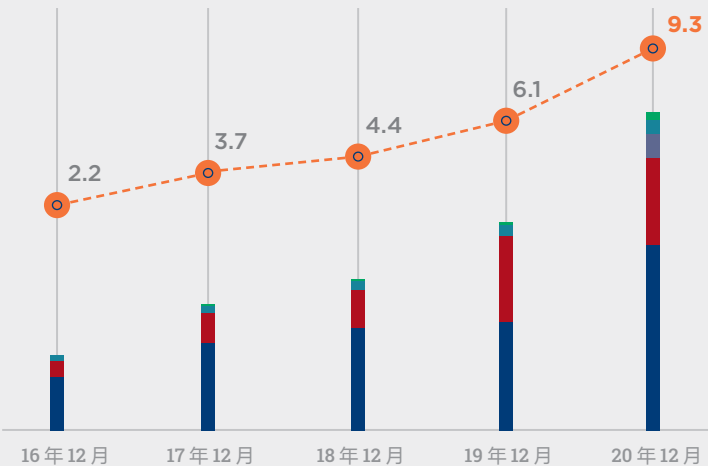


广义信贷资产

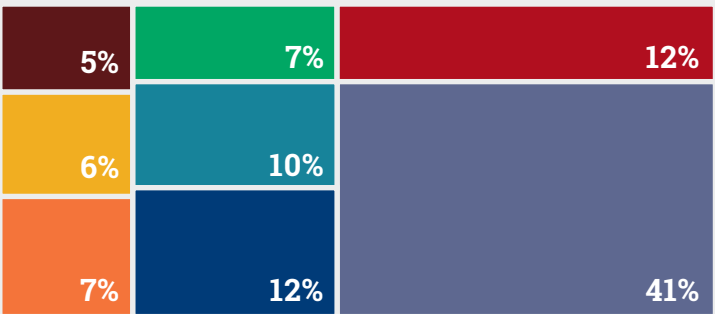
(单位百万雷亚尔)

	16 年 12 月	17 年 12 月	18 年 12 月	19 年 12 月	20 年 12 月
● 中型企业	1,521	2,496	2,953	3,132	5,359
● 大型企业	518	903	1,148	2,522	2,577
● 中小企业	-	-	-	-	698
● 中资集团客户	127	231	264	317	430
● 其他	5	38	42	90	228
● 合计	2,171	3,668	4,408	6,061	9,292

(单位:10亿雷亚尔)



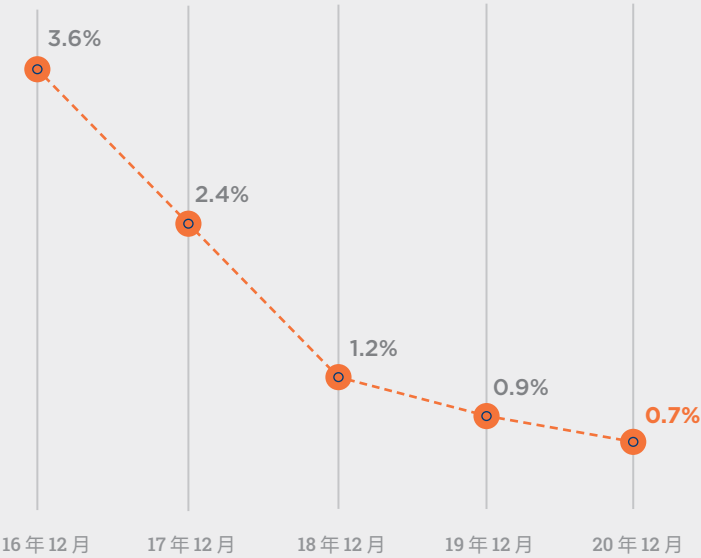
广义信贷资产 | 行业分布
(20年12月)



- 银行及保险业
- 运输和物流业
- 建筑业和房地产
- 零售业
- 农业
- 能源及公用事业
- 制糖和乙醇
- 其他

与农业相关的信贷投放（糖和乙醇，食品和农业）占信贷组合的 25.7%。

拨备余额在信贷总敞口中占比



抵质押物* | 贷款及担保
(20年12月)



- 应收账款
- 房地产
- 存货及农产品

* 年末抵质押占比为33.66%

贷款及担保业务* | 资产质量分类

(20年12月)



* 根据巴西央行1999年第2682号决议进行分类。

2.

财富管理

我们围绕长期升值目标，为国内外客户提供财富管理服务；我们不断更新产品组合，寻求最佳风险收益比率；**我们坚持高效、灵活、透明，通过开放的平台提供不断完善的产品和服务。**

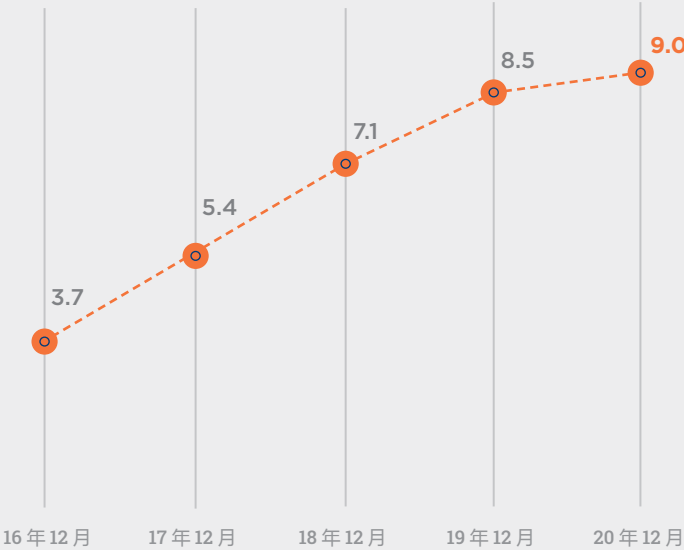
我行专注财富管理（包括财务顾问和专项基金）业务数十年，管理模式不断完善，经营业绩突出。我行根据投资者差异提供个性化服务。我们充分了解客户资产总额、流动性，现金流及与投资相关的各个方面信息，综合分析客户风险承受能力，并在此基础上制订专业财富管理方案。

我行财富管理团队均获得专业认证，训练有素；具有长期从事金融及资本市场相关业务经历，资产配置经验丰富，能够为客户持续提供优质的财富管理服务。

我行财富管理业务旨在确保客户财富的可持续增长，始终如一。我们通过专属基金和直接投资方式满足客户各类资产配置需求。并通过严格的内部分析审批流程控制，确保操作安全合规。**2020年末，我行财富管理规模总额达90亿雷亚尔。**



财富管理规模
(单位:10亿雷亚尔)



3.

资产管理



经过长期积累准备，我行于2019年正式设立资产业务板块，目前运营已满一年。我行资产管理业务涵盖宏观经济研究、信贷风险管控、市场风险及流动性风险分析模型等多个方面。

我行资产管理业务目前共有四项投资基金产品。包括两只不同风险偏好的专注于投资私人信贷策略的主动管理型基金：公司信用高收益基金和公司信用基金，目前运营已超过一年。



2020年我行新推出ESG主题基金和中国主题基金，分别投资于具有可持续性发展潜力的公司以及中国企业。

我行资产管理业务将始终如一地为客户提供可实现稳定高于市场利率的中长期回报方案。2020年底，我行资产管理业务规模为5.16亿雷亚尔。

4.

金融服务

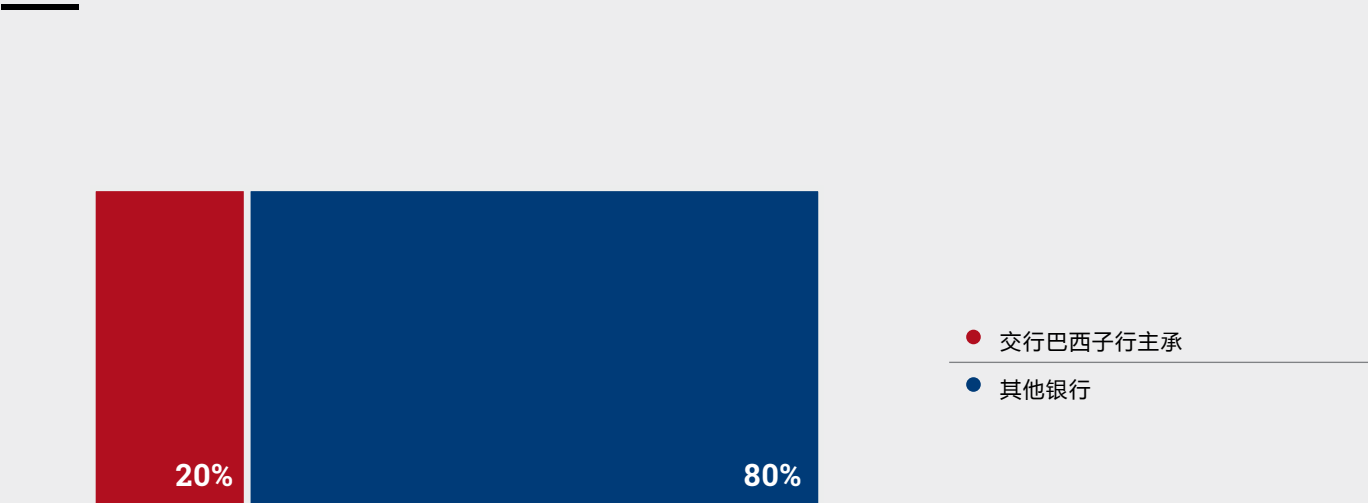
- 资本市场

我行整合客户直接融资及间接融资需求。在传统信贷业务基础上，为客户提供包括一级市场发行、分销、衍生品交易等各项资本市场金融服务，满足客户各类资金需求。

为满足资本市场发行业务需求，我行为客户提供路演宣传、结构设计、市场监测、对接监管机构、协调律所、托管银行等第三方机构的各项服务。

2020年，巴西资本市场受到巨大冲击。各类金融工具发行量较上年下降了37%，投资基金市场销售额下降了67%。尽管外部环境不利，我行仍然实现了逆势增长的良好业绩，全年资本市场累计发行额达7.53亿雷亚尔。

资本市场: 我行主承固定收益证券
(20年12月)



● 代客衍生品交易

我行市场交易团队协同公司信贷业务部门，共同为我行公司类客户提供金融衍生品业务服务。我们根据客户业务需求设计对冲交易结构、制订价格策略，为客户防范市场风险。

我行为客户提供挂钩外汇、利率、通胀等要素的各类金融衍生品服务，帮助客户对冲各类市场风险。



公司经营管理情况

1.

我行资金来源情况

我行始终坚持可持续发展，丰富的资金来源渠道、与资产业务高度协同的期限结构，为我行国、内外各项业务保持高质量发展奠定了坚实基础。

巴西国内，我行向机构客户（包括银行、资产管理公司、保险）、企业客户和个人投资者发行CDs（存款证）、LCA(农业信贷凭证)、LCI(房地产信贷凭证)和LF(金融业收益凭证)等固定收益证券获得稳定资金来源。

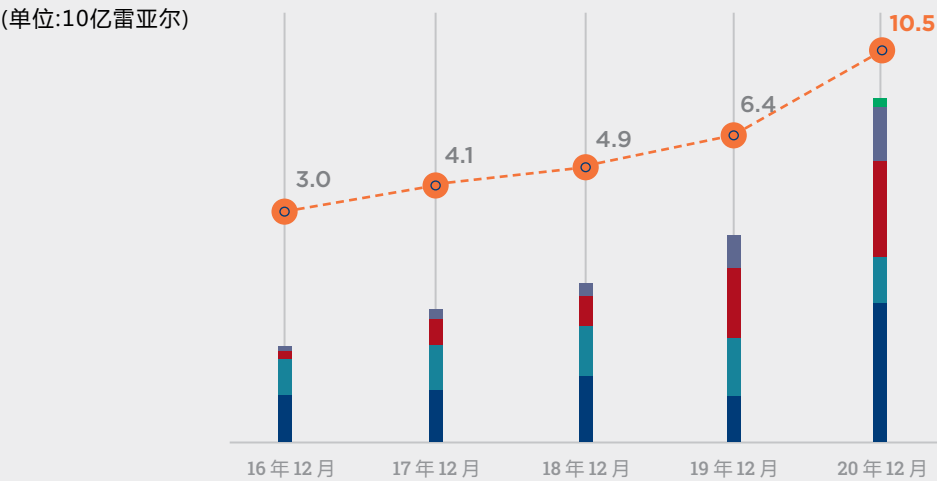
国际市场上，除大股东提供稳定资金支持外，我行长期与世界一流银行保持业务联系，并通过灵活、有竞争力的交易方式为我行提供重要的海外资金补充。

与我行稳定的资金来源状况一致，全球最大评级机构给予我行积极评价。2020年4月，惠誉（Fitch）和穆迪（Moody）分别维持我行AAA和Aaa的巴西最高评级；2020年12月，惠誉（Fitch）和穆迪（Moody）分别给予我行BB +和Ba1的国际评级。

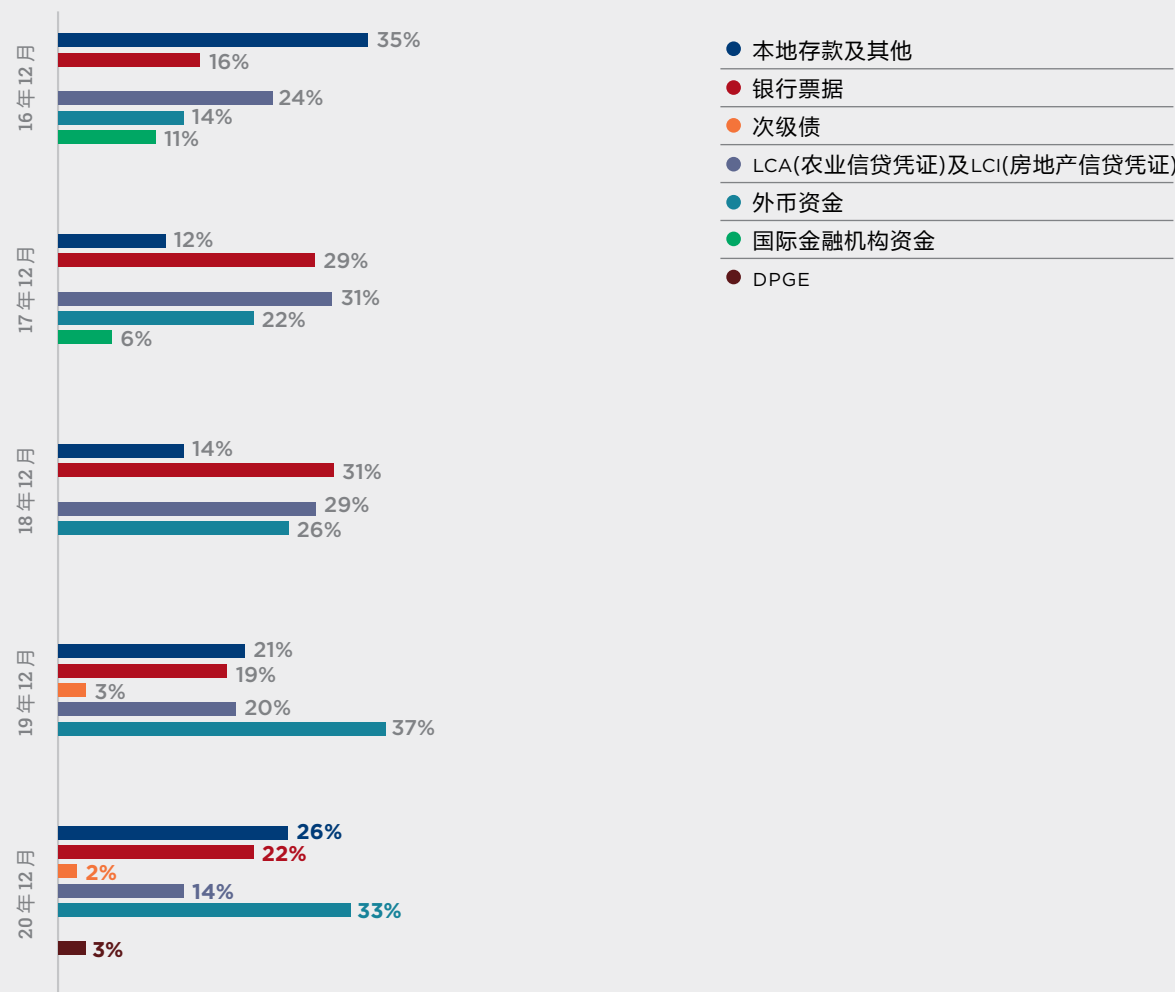
资金来源结构

(单位：百万雷亚尔)

	16年12月	17年12月	18年12月	19年12月	20年12月
● 机构投资者	1,487	1,638	2,043	1,424	4,307
● 财富管理客户	1,088	1,377	1,536	1,771	1,417
● 交通银行	261	772	950	2,166	2,908
● 企业客户	128	298	368	1,012	1,662
● 大型企业客户	-	-	-	-	254
● 合计	2,964	4,085	4,897	6,373	10,549



资金来源



我行资金来源管理高效、结构合理、竞争性强、来源稳定，为我行各项业务持续发展奠定了坚实的基础。

2.

风险防控管理

高度重视风险防控是我行经营管理的核心，我行始终坚持将“谨慎”原则贯穿于各类风险量化管控过程。

高效、量化的风险防控及资本配置方式贯穿我行各项经营决策活动。实践中，我行使用高度贴合巴西经营环境实际的风险管控模型，为我行各项经营决策管理提供依据，有效防范信贷及流动性风险。

多年来，我们持续强化风险管理模型自主研发，不断提升模型管控效果，风险管理始终保持行业领先水平。

一体化决策管理

风险监测、评估和控制是我行综合经营管理决策的重要组成部分。风险管控模型及相关风控参数与我行日常经营高度融合，充分运用于我行经济资本计量、资金来源、经营策略、信贷管理等各项业务。

我行风险偏好（RAS）须经董事会审批确认。内容包括：风险管控政策、操作准则、责任认定及管理模式等。

我行综合经营策略、整体决策机制、资本审慎管理要求、业务流程方案均与我行风险偏好保持一致。

信用风险

定义

指交易对手无法按照合同约定履行承诺的风险。

管控措施

我行风险管理架构包括贷审会、董事会以及五个专业管理部门。具体包括：

信用风险管理部门。集中管理和评估单笔交易风险以及合并信贷组合风险，确保信用风险定量分析准确，相应限额管理要求规范执行。

该部门由首席风险官领导，出具的风险评估报告需提交给贷审会作为信贷额度审批参考。

董事会审议制订我行风险政策及风险管理限额。每年不少于一次。

贷审会审批信贷额度；监控、评估信贷业务整体风险状况和集中度情况；

确定逾期贷款及担保物不足贷款的处理期限；对于涉及司法追偿的业务，由贷审会确定诉讼日期。

信贷分析部门对我行信贷客户或潜在客户进行信贷风险分析并确定客户风险程度。

法律部门审核贷款合同，协助业务相关部门贷款清收，确保我行债权不受损失。

信贷控制部门确保信贷业务操作及抵质押物符合贷审会审批要求，并负责出具贷款合同。

内部审计部门定期监控并评估信贷业务操作全流程。



●— 定义

指因汇率、利率等市场价格变动导致经济损失的风险。

●— 管控措施

市场风险量化管理是我行重要专业板块之一，目前保持该领域行业领先地位。我行早在1997年即自主完成市场风险量化系统开发并成为行业基准。市场风险管理部门由首席风险官领导，负责对我行市场风险敞口进行识别、计量和监测，并将相关信息提交给风险委员会和管理层执行委员会作为决策参考。

市场风险管理架构：

- 风险委员会，每年至少召开一次会议。确定我行风险管理策略及风险限额，形成提案提交董事会审批。
- 市场风险管理部门，负责市场风险日常监测管理，确保风险可控。
- 定价管理部门，独立于其他部门，负责金融市场产品定价模型及相关市场数据维护。
- 内部审计部门确保我行市场风险政策执行有序，流程合规。

我行通过每日监测VaR（风险价值）对市场风险进行限额管理，即在给定置信水平和时间下，计算价格波动潜在损失，相应市场风险限额由首席交易员根据不同风险因素间进行分配。

我行VaR计算模型定期进行回溯测试，确保模型准确。

风险委员会按季度设置压力情景，市场风险管理部门据此进行压力测试，对给定压力情景下的损失金额进行每日监测。



流动性风险

定义

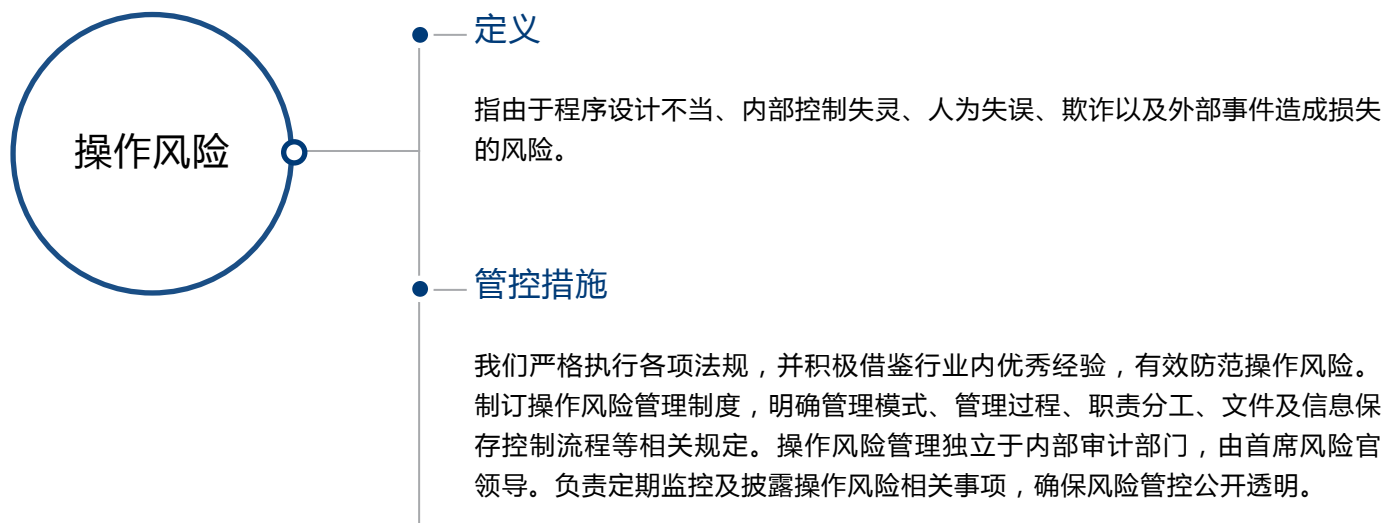
指在不影响日常运营且不造成重大损失的前提下，无法有效履行支付义务（包括预期或未预期债务）的风险。

管控措施

我行始终坚持审慎经营策略，确保在极端压力情景下仍持有充足现金，保证各项业务连续性不受影响。流动性风险同样遵循审慎原则，通过设立最低资金限额，确保我行在任一时刻均持有足够资金可支付全部债务及付款承诺。最低资金限额由风险委员会制定并须经董事会审批通过。

我行流动性风险管理基于对不同情景（正常情景和压力情景）下的现金流测算。测算变量包括：单一客户隐性风险、清偿债务中的额外支出、操作损失、衍生品盯市价格波动、追加保证金及其它偿付义务。

流动性风险管理部门由首席风险官领导，负责集中分析管理流动性风险相关信息，确保限额符合规定；形成相关分析报告供管理层决策参考。内部审计部门确保流动性管理程序完善、相关操作符合我行风险管控整体要求。



合规管理

我行坚持“诚信、透明、责任、卓越”，将其作为我行道德与行为准则，指导我行各项经营管理。

合规部门直接向CEO报告。我行赋予合规部门管理独立性，确保各项业务始终遵守各项法律、法规，并遵循业内最高道德及专业标准。

合规部门负责制定符合现行法规及市场惯例的政策和流程，强化反洗钱管理，有效防范恐怖主义融资，积极防控各领域腐败行为。

在管理层的支持和积极参与下，定期对员工进行培训，持续传播合规文化。

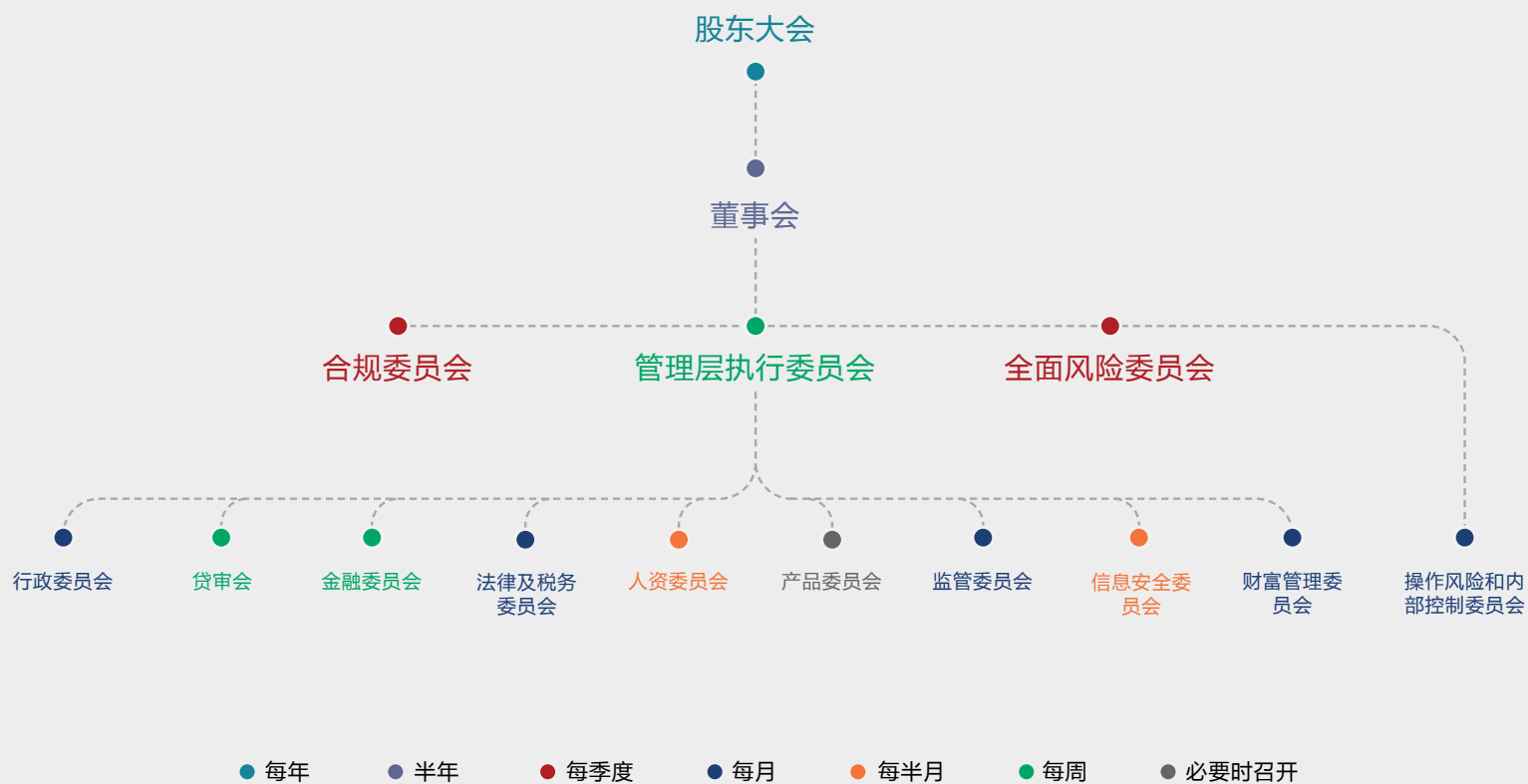
3.

决策管理机制

● 公司治理

我行由股东大会、董事会、管理层执行委员及其它十二个专项委员会共同进行管理。我行管理宗旨为：透明、道德、迅速、有效、安全。我行借鉴行业优秀管理经验，积极践行并不断完善公司治理。

我们的组织结构如下：



股东大会 ●

成员： 股东。

职能： 最高决策机构。

会议频率： 每年至少一次或必要时召开。

董事会 ●

成员： 本行控股股东代表4人，小股东代表1人。

职能： 确定指导银行活动的战略方针；监督执行委员会的活动；分析和决定执行委员会的提案，必要时提交股东大会最终批准。

会议频率： 每年至少两次或必要时召开。

管理层执行委员会 ●

成员： 管理层及董事长。

职能： 研究重要事项，监控我行经营业绩；审议各专项委员会提案。

会议频率： 每周一次。

专项委员会

我行设有12个专项委员会。均具有较强自主性，在各自专项领域独立运作。其中风险与合规委员会通过管理层执行委员会向董事会报告。其它委员会向管理层执行委员会报告。

为增强我行决策管理灵活性，各专项委员会至少有两名管理层人员参与；部分委员会成员包括CEO和董事会成员。

● 全面风险委员会

职能： 监测、分析监控我行市场风险、信用风险、流动性风险和操作风险情况；研究确定各压力情景，防范突发变化；评估风险定量模型；研究操作风险和内部控制委员提交的相关事项。

会议频率： 每季度召开或有重大风险事项时根据需要召开。

● 合规委员会

职能： 制订年度合规方案并监督执行情况；研究并落实巴西中央银行、证券交易委员会和银行业自律机构的相关要求；制订行内反洗钱和反恐怖主义融资规定。

会议频率： 每季度召开或根据需要召开。

● 贷审会

职能： 分析讨论授信客户财务情况及抵质押物情况，确保信贷业务风险回报保持在合理区间；贷审会充分运用我行长期积累的信贷业务数据，采取定性和定量相结合的方法进行信用评估。

会议频率： 每周一次；同时至少每半年需召开一次同业客户专题会议，确定交易对手敞口限额。

● 财富管理委员会

职能：研究高净值客户财富管理相关业务；监测并及时更新与财富管理业务相关的金融及资本信息。

会议频率：每月一次。

● 产品委员会

职能：对潜在业务机会进行可行性分析，包括：财务预期、风险研判、法律合规及操作流程等各方面。

会议频率：根据需要召开。

● 人资委员会

职能：研究讨论有关人员选拔、招聘、培训、薪酬以及其它涉及员工队伍福祉的事项。

会议频率：双周一次。

● 监管委员会

职能：监测金融市场监管政策变化；研究对我行影响，并提出应对方案。

会议频率：每月一次。

● 金融委员会

职能：分析讨论经济形势，分析资产负债结构及流动性情况。

会议频率：每周一次。

● 行政委员会

职能：管理预算和行政费用。

会议频率：每月一次。

● 操作风险及内部控制委员会

职能：分析操作风险情况，讨论全面风险委员会相关政策执行情况；直接向全面风险委员会报告相关信息。

会议频率：每月一次。

● 信息安全委员会

职能：分析信息安全相关事项；讨论数据处理及云计算等外包事项。

会议频率：双周一次。

● 法律及税务委员会

职能：识别并分析影响业务的法律和监管事件；并及时更新相关法律判例或监管规则信息。

会议频率：每月一次。

4.

员工队伍建设

发现人才并长期持续培养是我行重要的长期战略之一。我们重点关注与我行价值观保持一致、不断追求前沿专业知识和实践能力、具有良好发展潜力的员工。

我行始终坚持尽可能多地为初入职场的年轻人提供进入金融领域的工作机遇，并与学术界保持紧密联系。同时，具备创新知识能力的新鲜血液不断加入也使我行始终保持与时俱进的价值判断能力。

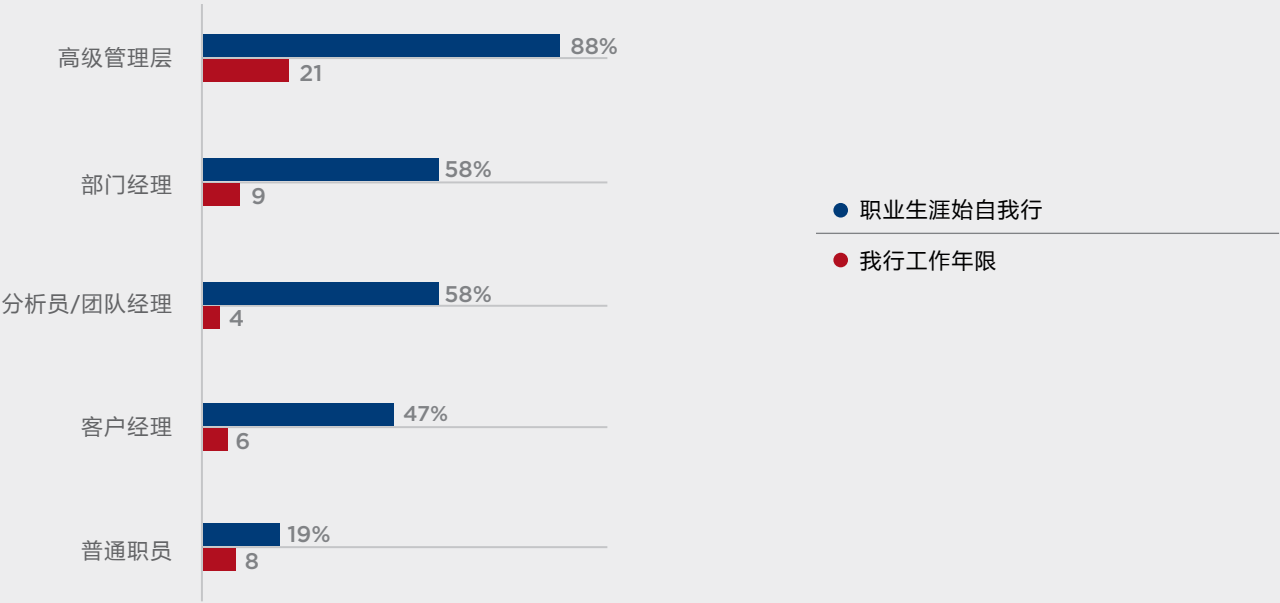
所有新员工都可以在各自团队中学到实践知识并持续获得关心激励。我们全体员工将共同努力，持续创新，与我行一起，不断发展进步。

● 职业生涯成长

我们致力于培养并提升员工，积极激励员工不断获得更好的发展机遇。从我行中、高级管理人员机构可以发现，目前我行50%以上的中层管理人员和80%以上的高层管理人员的职业生涯都始自我行。

我们致力于培养人才，始终密切关注员工队伍成长。我们努力创造并保持公开透明、充满活力、任人唯贤的工作环境，使每个人都公平公正的成长机会。我行半年进行一次个人业绩评定，并进行相应绩效激励。在准确评价员工贡献的同时确保个人收入与我行业绩始终保持高度一致性。

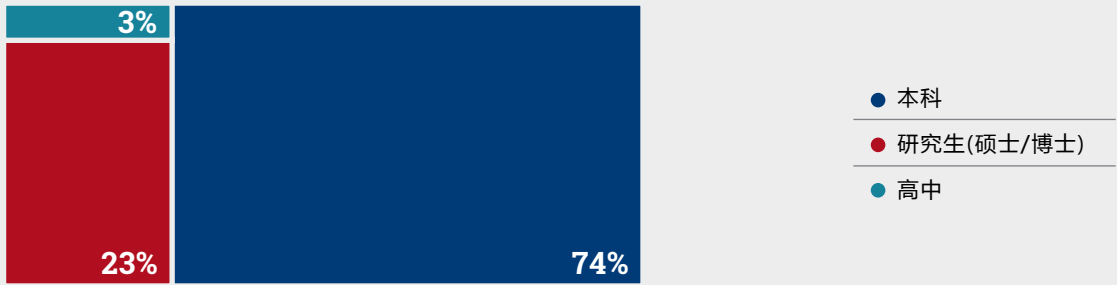
成长路径



● 人才投资建设

我们与国内一流大学长期合作，通过投资的方式持续选拔和培养优秀专业人才。我行目前与巴西主要的教学及研究中心均保持紧密联系，可合作开展各类项目。我行提供包括新生入学、本科和硕士学位在内多项奖学金，赞助各类与新兴技术相关的展览会、研讨会活动。我们深深感受到“追求卓越”永无止境。我们为员工提供在巴西国内一流机构继续参加课程学习以及研究生项目的机会，并为员工提供高度灵活的时间安排；我行向有需要的员工提供财务支持，确保员工实现可以工作和持续学习的有机平衡。

学历



释义



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。

回溯

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。

CAGR

年复合增长率。

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）。

CDB

巴西商业银行发行的短期固定收益凭证，即存款证。

同业存单

同业存单是金融机构发行的用于相互之间进行贷款交易的证券，期限很短，通常为一天。

CEO

首席执行官是执行董事的英文名词。CEO是公司最高权力的人，这个职位在机构的最高层。

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。

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。

Debentures

巴西公司类企业在巴西国内资本市场发行的中长期债务凭证，通常为固定利率。

风险评估制度 (Risk Appetite Statement - RAS)

风险评估制度正式规定了该机构在开展活动时面临的风险类型，以及对每种风险的承受能力。目标是建立一个有效的治理程序，以使机构的利益与有效的风险相一致。

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。

本地存款及其他

对应于有从属条款的债务工具，即当发行机构清算或破产时，这些证券的债权人只有在所有其他债权人得到偿付后才能获得其债权。

DPGE

特种担保定期存款，系巴西金融机构募集资金的固定收益产品，由FGC（巴西信用担保基金）提供担保。巴西商业银行、开发银行、投资银行、信贷、融资和投资公司以及储蓄银行均获准发行该产品。

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。

LCA

巴西商业银行发行的以对农业客户债权作为还款来源的固定收益凭证。

LCI

巴西商业银行发行的以对房地产行业客户债权作为还款来源的固定收益凭证。

LF

巴西商业银行发行的长期限（2年以上）固定收益凭证。

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。

金融债券

这些机构也被称为多边机构，是由世界主要国家创建的实体，其目标是共同致力于人类活动的不同领域：政治、经济、卫生、安全和基础设施的全面发展。包括联合国、世界卫生组织、美洲开发银行、国际金融公司、法国国家开发银行和德国投资与开发有限公司。

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。

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。



以下完整的财务报表已用英语审核.

财务报表

CREDIT RATING

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

Moody's Investors Service raised the ratings of Banco BOCOM BBM on December 15, 2020. On a global scale, "Ba1" rating was assigned to local and foreign currency deposits, with a notch above the Brazilian rating ("Ba2") and "Ba1" for deposits in foreign currency, and "stable perspective". In the national scale, an "Aaa.br" rating was assigned, the best possible credit rating in this category.

In addition, on January 5, 2021, Fitch Ratings assigned the long-term national rating "AAA (bra)", the highest possible rating in this category. On a global scale, long-term issuer default ratings (IDR) "BB" and "BB+" were assigned in foreign currency and local currency, respectively, keeping above the sovereign rating ("BB-"). BOCOM BBM's long-term IDR prospects reflect those of sovereign ratings.

SECURITIES PORTFOLIO

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

ASSETS	Note	In R\$ thousands	
		Prudential Conglomerate	
		12/31/2020	12/31/2019
Current assets		5,162,336	4,392,087
Cash	4	666,826	253,443
Bank deposits		2	-
Cash		3	3
Free reserves		11,470	367
Bank deposits in foreign currencies		655,351	253,073
Short-term interbank investments	5	600,326	1,718,711
Open market investments	4	540,007	1,557,483
Interbank deposits		58,240	-
Investments in foreign currencies	4	2,079	161,228
Marketable securities and derivative financial instruments	6	1,422,999	165,761
Bank portfolio		1,094,677	18,763
Subject to repurchase agreements		23,482	4,453
Linked to guarantees given		296,526	131,017
Derivative financial instruments	20	8,315	11,528
Allowance for marketable securities		(1)	-
Interbank accounts		63,684	21,623
Correspondent banks		85	19,312
Deposits – Central Bank of Brazil		63,599	2,311
Loan transactions	7	2,166,505	1,737,383
Discounted securities and loans		1,588,784	1,035,521
Financing		286,086	515,802
Rural and agroindustrial financing		308,175	206,548
Allowance for loans		(16,540)	(20,488)
Other receivables		226,062	455,997
Foreign exchange portfolio	8	157,708	394,246
Unearned income		8,746	5,404
Trading and brokerage		2	2
Credit assignment	7	8,577	-
Honoured guarantee and surety	7	-	4,143
Sundry	13	51,690	59,499
Allowance for other receivables	7	(661)	(7,297)
Other assets	14	15,934	39,169

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

ASSETS	Note	In R\$ thousands	
		Prudential Conglomerate	
		12/31/2020	12/31/2019
Noncurrent assets			
Long-term assets		7,015,587	4,235,929
Short-term interbank investments	5	168,397	-
Interbank deposits		168,397	-
Marketable securities and derivative financial instruments	6	2,283,815	2,029,729
Bank portfolio		1,270,107	542,365
Linked to repurchase agreements		260,312	1,190,562
Linked to guarantees given		675,114	255,193
Derivative financial instruments	20	78,401	41,728
Provisions for marketable securities		(119)	(119)
Loan transactions	7	4,305,133	2,069,895
Discounted securities and loans		3,549,123	1,202,559
Financing		448,480	485,905
Rural and agroindustrial financing		328,731	400,071
Allowance for loans		(21,201)	(18,640)
Other receivables		258,242	136,007
Foreign exchange portfolio	8	65,770	-
Unearned income		10,411	7,472
Credit assignment	7	17,360	-
Sundry	13	57,976	60,243
Tax credits	23	107,332	68,292
Allowance for other receivables	7	(607)	-
Other assets	14	-	298
Permanent assets		36,590	30,383
Investments		647	300
Other investments		3,275	2,928
Provision for losses		(2,628)	(2,628)
Property and equipment in use		11,007	10,937
Furniture and equipment		11,876	14,660
(-) Furniture and equipment depreciation		(4,441)	(7,719)
Improvements in third party real estate		6,936	6,903
(-) Depreciation in improvement in third parties properties		(3,365)	(2,908)
Lands		1	1
Intangible assets		24,936	19,146
Data processing systems		33,715	23,553
(-) Amortization in data processing systems		(12,171)	(6,964)
Communication and security systems		922	922
(-) Amortization in communication and security systems		(441)	(268)
Licenses and copyright and use rights		4,405	2,752
(-) Amortization in licenses and copyright and use rights		(1,494)	(849)
Total assets		12,214,513	8,658,400

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

LIABILITIES	Note	In R\$ thousands	
		Prudential Conglomerate	
		12/31/2020	12/31/2019
Current liabilities		6,919,320	5,600,344
Deposits	9	1,743,798	483,901
Demand deposits		629,320	185,588
Time deposits		1,026,179	296,682
Interbank deposits		88,299	1,631
Repurchase agreements	10	276,496	1,696,479
Own portfolio		276,496	1,196,479
Third-party portfolio		-	500,000
Funds from acceptance and issue of securities	11	2,129,822	1,345,045
Liabilities from issue of agribusiness credit bills – LCA		728,646	659,643
Liabilities from issue of housing credit bills – LCI		56,983	70,641
Liabilities from issue of financial bills – LF		502,721	614,761
Liabilities from financial letter with guarantee – LFG		841,472	-
Interbranch accounts		60,097	86,517
Third-party funds in transit		60,097	86,517
Borrowings	12	2,313,174	1,711,403
Loans abroad		2,313,174	1,711,403
Derivative financial instruments	6 and 20	73,068	39,107
Derivative financial instruments		73,068	39,107
Other liabilities		322,865	237,892
Collection of similar taxes		32	457
Foreign exchange portfolio	8	2,779	81,086
Social		27,023	48,410
Statutory		34,001	27,507
Tax and social security		71,359	47,569
Securities trading		5,597	11,948
Allowance for financial guarantees	7 and 25	13,671	789
Sundry	13	168,403	20,126

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

LIABILITIES	Note	In R\$ thousands	
		Prudential Conglomerate	
		12/31/2020	12/31/2019
Noncurrent liabilities			
Long-term payables		4,510,965	2,388,962
Deposits	9	1,058,535	376,408
Time deposits		507,666	376,408
Interbank deposits		550,869	-
Repurchase agreements	10	14,712	-
Own portfolio		14,712	-
Funds from acceptance and issue of securities	11	1,888,430	1,367,680
Liabilities from issue of agribusiness credit bills – LCA		722,183	454,358
Liabilities from issue of real estate credit bills – LCI		10,459	81,618
Liabilities from issue of financial bills – LF		954,028	626,744
Liabilities from issue of financial bills subordinated debts		201,760	204,960
Borrowings	12	1,149,642	542,754
Loans abroad		1,149,642	542,754
Derivative financial instruments	6 and 20	297,722	52,705
Derivative financial instruments		297,722	52,705
Other liabilities		101,924	49,415
Statutory		22,270	20,645
Tax and social security		58,935	11,532
Sundry	13	19,650	16,939
Allowance for financial guarantees	7 and 25	1,069	299
Deferred income	26b	19,900	15,911
Equity	15	764,328	653,183
Share Capital		469,300	469,300
Domiciled in Brazil		469,300	469,300
Income reserves		449,852	365,072
Market value adjustment of securities and derivative financial instruments		27,015	650
Securities available for sale		27,015	650
Treasury stock		(181,839)	(181,839)
Total liabilities and equity		12,214,513	8,658,400

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

	Note	In R\$ thousands		
		Prudential Conglomerate		
		Second half of 2020	12/31/2020	12/31/2019
Financial income		125,828	886,802	570,067
Loan transactions		131,472	324,109	321,544
Income from marketable securities transactions	5 and 6	105,866	231,053	185,280
Result of exchange operations	16	3,520	166,982	57,627
Gain/(Loss) on derivative financial instruments	20	(115,030)	164,658	5,616
Financial expenses		102,828	(567,220)	(324,588)
Market funding operations	16	(52,712)	(194,448)	(241,483)
Loans, assignments and onlending operations	16	117,226	(345,001)	(71,024)
(Provisions)/Reversal of allowance doubtful accounts	7	38,408	(26,925)	(11,719)
(Provisions) for marketable securities	6	(94)	(846)	(362)
Gross financial income		228,656	319,582	245,480
Other operating income (expenses)		(20,734)	(66,179)	(69,525)
Service revenues	17	74,464	105,455	87,859
Personnel expenses		(49,848)	(90,028)	(75,043)
Other administrative expenses	18	(30,126)	(61,143)	(63,136)
Tax expenses		(16,318)	(23,582)	(22,188)
Other operating income		5,230	7,386	3,094
Other operating expenses		(4,136)	(4,267)	(111)
Operating income		207,922	253,403	175,955
Non-operating expenses		(6,298)	(7,393)	(6,422)
Income before income taxes and profit sharing		201,624	246,010	169,533
Income and social contributions taxes	23	(62,158)	(79,614)	(32,651)
Provision for income tax		(25,970)	(62,859)	(16,365)
Provision for social contribution tax		(19,661)	(43,122)	(12,560)
Deferred tax asset/(liabilities)		(16,527)	26,367	(3,726)
Profit sharing – management and employees		(37,324)	(49,824)	(48,361)
Net income		102,142	116,572	88,521
Earnings per outstanding share		0.50	0.57	0.43

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

Statement of comprehensive income

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

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

	In R\$ thousands							
	Capital	Income reserves		Market value adjustment of securities and derivatives	Hedge of investments abroad	Treasury shares	Retained	Total
		Legal	Statutory	Bank				
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
Exchange variation of investments abroad					8,631			8,631
Derivatives financial instruments used for hedging					(8,631)			(8,631)
Net income for the year							88,521	88,521
– Reserves		4,426	46,908				(51,334)	-
– Interest on equity (R\$ 0.18 per share)							(37,187)	(37,187)
Balances at December 31, 2019	469,300	36,098	328,974	650	-	(181,839)	-	653,183
Changes in the year	-	4,426	46,908	602	-	-	-	51,936
Year ended December 31, 2020								
Balances at January 1, 2020	469,300	36,098	328,974	650	-	(181,839)	-	653,183
Market value adjustments – marketable securities				26,636				26,636
Exchange variation of investments abroad					20,349			20,349
Derivatives financial instruments used for hedging					(20,620)			(20,620)
Net income for the year							116,572	116,572
– Reserves		5,829	78,951				(84,780)	-
– Interest on equity (R\$ 0.15 per share)							(31,792)	(31,792)
Balances at December 31, 2020	469,300	41,927	407,925	27,286	(271)	(181,839)	-	764,328
Changes in the year	-	5,829	78,951	26,636	(271)	-	-	111,145
Balances at July 1, 2020	469,300	36,820	342,682	13,516	(4)	(181,839)	-	680,475
Market value adjustments – marketable securities				13,770				13,770
Exchange variation of investments abroad					(5,499)			(5,499)
Derivatives financial instruments used for hedging					5,232			5,232
Net income for the semester							102,142	102,142
– Reserves		5,107	65,243				(70,350)	-
– Interest on equity (R\$ 0.15 per share)							(31,792)	(31,792)
Balances at December 31, 2020	469,300	41,927	407,925	27,286	(271)	(181,839)	-	764,328
Changes in the six-month period	-	5,107	65,243	13,770	(267)	-	-	83,853

See accompanying notes.

	In R\$ thousands		
	Prudential Conglomerate		
	Second half of 2020	12/31/2020	12/31/2019
Cash flow from operating activities			
Net income	102,142	116,572	88,521
Adjustments to net income	(16,091)	15,692	26,170
Allowance/Reversion for doubtful accounts	(38,408)	26,925	11,719
Depreciation and amortization	4,149	7,708	5,723
Expenses from civil, labor and tax allowances	605	3,603	508
Deferred income and social contribution taxes	16,527	(26,367)	3,726
Gain/Losses on fair value adjustment on marketable securities and derivatives	1,036	3,823	4,494
Adjusted net income	86,051	132,264	114,691
(Increase)/Decrease in short-term interbank investments	(54,284)	(226,637)	3,466
Decrease in marketable securities and derivative financial instruments	(440,311)	(1,236,169)	(721,220)
Decrease in interbank and interbranch accounts	(39,631)	(68,481)	(13,371)
Decrease in loan and lease transactions	(2,686,808)	(2,691,285)	(598,716)
(Decrease)/Increase in deposits	1,533,550	1,942,024	(1,507,893)
(Increase)/Decrease in open market funding	97,695	(1,405,271)	1,100,395
(Increase)/Decrease in securities issue resources	1,343,593	1,305,527	(225,333)
Increase in borrowings and onlending	7,756	1,208,659	2,743,171
Increase in deferred income	4,356	3,989	5,788
(Increase)/Decrease in other assets	129,655	157,600	(104,524)
Increase in other liabilities	35,245	53,678	109,555
Increase in market value adjustments – marketable securities	13,503	26,365	602
Net cash flow from operating activities	(55,681)	(930,001)	791,920
Cash flow from investing activities			
Increase in investments	(218)	(347)	(128)
Property and equipment for use and leased acquisition	(7,452)	(13,568)	(19,082)
Net cash used in investing activities	(7,670)	(13,915)	(19,210)
Cash flow from financing activities			
Dividends and interest on equity paid	48,410	48,410	-
Net cash used in financing activities	48,410	48,410	-
Net increase in cash and cash equivalents	71,110	(763,242)	887,401
At the beginning of the six-month period/year	1,137,802	1,972,154	1,084,752
Changes for the six-month period/year	(99,692)	(1,037,902)	784,032
Exchange variation for the six-month period/year	170,802	274,660	103,370
At the end of the six-month period/year	1,208,912	1,208,912	1,972,154
Net increase in cash and cash equivalents	71,110	(763,242)	887,402
Non-monetary transaction			
Unpaid interest on equity	31,792	31,792	37,187

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 finance bank with the following portfolios:

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

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

2. PRESENTATION OF THE FINANCIAL STATEMENTS AND CONSOLIDATION CRITERIA

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

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

As of May 2020, the amendments to CMN Resolution No. 4,818/20 and BACEN Resolution No. 2/20 were included in Banco Bocom BBM's consolidated financial statements. The main objective of these standards is to comply with the guidelines for the presentation of financial statements in accordance with international accounting standards, International Financial Reporting Standards (IFRS). The main changes implemented were: the Balance Sheet balances for the period are presented in comparison

with the end of the immediately preceding year and the other statements are compared with the same periods of the previous year for which they were presented; and the inclusion of the Statement of Comprehensive Income. The changes implemented by the new standards had no impact in the Net Income or Shareholders' Equity.

Based on CMN Resolution No. 4,818/20 and BACEN Resolution No. 2/20, Tax Credits must be presented in full over the long term, for balance sheet purposes. The comparative balance as of December 31, 2019 was reclassified for comparison purposes.

2.1 CONSOLIDATION

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

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

- 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 and June 30, 2020 and December 31, 2019 of the following institutions:

Banco BOCOM BBM S.A. and Nassau branch

BBM Bank Ltd. (a)

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

Bahia Fund (c)

The Southern Atlantic Investments (b)

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

Haitan Fund (a)

Tai Yang Fund (a)

- (a) The indirect participation of 100% of Banco BOCOM BBM in the social capital of BBM Bank Ltd., Bahia Fund, Haitan Fund and Tai Yang Fund were eliminated from the Prudential Conglomerate.
- (b) Banco BOCOM BBM directly holds 100% of the capital of these entities. The consolidation of Jiang FIM CPE has started at March 2018.
- (c) Bahia Fund is currently going through dissolution in the Cayman Islands. The fund still exists as of yet, but all of its shares have already been redeemed by The Southern Atlantic Investments, Ltd.

3.

SIGNIFICANT ACCOUNTING PRACTICES

(a) Results of operations

Calculated on an accrual basis.

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

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

(b) Marketable securities and derivative financial instruments

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

- I – Trading securities;
- II – Securities available 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 quotas are restated monthly based on the quota value disclosed by the Administrators of the funds in which funds are invested. The appreciation and depreciation of investment fund quotas are presented in "Result from transactions with marketable securities".

(c) Current and non-current assets

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

(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, is as following: properties in use – 4%; furniture and utensils – 10% and data processing – 20%;
- Amortization of intangible assets calculated according to the economic useful life of the asset.

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

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

II – Amortized on a straight-line basis up to December 31, 2020, in the other cases.

(e) Current liabilities and long-term liabilities

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

(f) Income tax and social contribution

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

The deferred tax assets and liabilities arising from temporary differences were recognized in accordance with CMN Resolutions No. 3,059 of December 20, 2002, and No. 3,355, of March 31, 2006, and they take into account the history of profitability and the expected generation of future taxable income supported by technical feasibility studies. The deferred taxes were constituted based on the expected income tax of 25% and social contribution rates of 15% and 20%, since used while the rate is effective.

In May 2015, Provisional Measure No. 675 was issued, amending the rate of Social Contribution on Net Income (CSLL) of financial institutions from 15% to 20%. According to the Provisional Measure, this rate increase became effect as from September 2015 and it remained in force up to December 2018. For 2019, the current rate for CSLL was 15%, however, the deferred tax assets and liabilities have already been recognized considering the definitive increase in this rate to 20%, after the publication of the Proposal for Amendment to Constitution No. 6, in June 2019, which later became the Amendment to Constitution No. 103/2019. It should also be noted that according to this 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, adjusted to market value as a counterparty to the result. The market value of swap and term operations are individually recorded in asset and liability equity accounts, as a counterparty to the respective income and expense accounts.

(h) Earnings per share

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

(i) Impairment of assets

In accordance with CPC 1, as approved by CMN Resolution No. 3,566/08 of May 29, 2008, and based on management analysis, if the carrying amount of the assets of the Bank and of others institutions of the Prudential Conglomerate exceed their recoverable value, an impairment is recognized in the statement of operations.

(j) Contingent assets and liabilities and legal obligations

The recognition, measurement and disclosure of contingent assets and liabilities, and legal obligations are as follows:

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

Credit assignments without risk retention result in the write-off of the financial assets that are the object of the operation, which are then kept in an offsetting account. The result of the assignment is fully recognized when it is realized. In January 2012, as determined by CMN Resolutions No. 3,533/2008 and No. 3,895/2010, all credit assignments with risk retention are recognized in the remaining terms of operations, and the financial assets subject to assignment are recorded as credit operations and the amount received as obligations for sales or transfer of financial assets.

(m) Cash and cash equivalents

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

(n) Other values and assets

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

(o) Hedge accounting

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

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

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

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

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

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

(p) Deposits and funding in the open market

These are recognized at the amounts of the liabilities, and the charges payable, when applicable, are recorded on a daily pro rata basis.

(q) Intangible assets

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

4. CASH

	In R\$ thousands	
	Prudential Conglomerate	
	12/31/2020	12/31/2019
Bank deposits in foreign currencies	655,351	253,073
Open market investments (a)	540,007	1,557,483
Free reserves	11,470	367
Investments in foreign currencies	2,079	161,228
Cash	3	3
Bank deposits	2	-
Total	1,208,912	1,972,154

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



SHORT-TERM INTERBANK INVESTMENTS

Short-term interbank investments are as follows:

	In R\$ thousands	
	Prudential Conglomerate	
	12/31/2020	12/31/2019
Open market investments	540,007	1,557,483
Self-funded position	540,007	1,057,483
National treasury bills	380,001	723,079
National treasury notes – B series	100,002	316,921
Financial treasury bills	60,004	17,483
Funded position	–	500,000
National treasury bills	–	440,001
National treasury notes – B series	–	59,999
Interbank deposits (*)	226,637	–
Investments in foreign currencies	2,079	161,228
	768,723	1,718,711
Current assets	600,326	1,718,711
Long-term receivables	168,397	–
Total	768,723	1,718,711

(*) The interbank deposits in the Prudential Conglomerate in December 2020 basically refer to time deposits with special guarantees. In the year ended December 31, 2020, their maturities are: July 2021, August 2021, November 2021, December 2021, February 2022, March 2022, May 2022 and June 2022.

At December 31, 2020 and December 31, 2019, the collateral received through repurchase agreements amounted to R\$ 542,414 thousand and R\$ 1,571,177 thousand, respectively, in the Prudential Conglomerate. The provided collateral amounted to R\$ 9,459 thousand and R\$ 1,164,526 thousand during the same periods.

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

	In R\$ thousands		
	Prudential Conglomerate		
	Second half of 2020	12/31/2020	12/31/2019
Open market investments	12,789	26,661	23,361
Interbank deposits	4,491	4,846	200
Investments in foreign currencies	210	1,902	5,161
Income from marketable securities transactions	17,490	33,409	28,722



MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

	In R\$ thousands			
	Prudential Conglomerate			
	Cost	Market	Cost	Market
	12/31/2020		12/31/2019	
I – Marketable securities	3,586,691	3,620,098	2,141,343	2,142,234
Securities for trading (*)	858,652	862,103	88,013	88,090
Bank portfolio	806,996	810,421	4,227	4,303
Fixed income securities	806,996	810,421	4,227	4,303
Financial treasury bills	448,789	449,437	1,853	1,853
National treasury bills	274,431	276,982	-	-
National treasury notes – B series	83,776	84,002	2,374	2,450
Subject to repurchase agreements	5,604	5,616	94	94
Financial treasury bills	-	-	94	94
National treasury notes – B series	5,604	5,616	-	-
Linked to guarantees given	46,052	46,066	83,692	83,693
Financial treasury bills	19,329	19,343	63,860	63,861
Fund quotas given as guarantee	26,723	26,723	19,832	19,832
Securities available for sale (*)	1,899,815	1,929,771	1,347,596	1,348,410
Bank portfolio	947,138	969,981	406,385	406,566
Fixed-income securities	318,046	318,163	385,776	385,955
Financial treasury bills	58,050	58,042	36,147	36,149
National treasury bills	980	1,000	934	927
National treasury notes – B series	7	7	1,851	1,908
Promissory note	142,618	142,621	101,662	101,686
Debentures	1,525	1,489	129,026	129,127
CRA	13,934	14,072	15,441	15,442
Rural product note	100,932	100,932	100,715	100,716
Marketable securities abroad	629,092	651,818	20,609	20,611
Eurobonds (a)	629,092	651,818	20,609	20,611
Subject to repurchase agreements	276,926	278,178	696,432	697,043
Financial treasury bills	9,504	9,459	150,022	150,045
Debentures	267,422	268,719	546,410	546,998
Linked to guarantees given	675,751	681,612	244,779	244,801
Financial treasury bills	274,462	274,350	244,779	244,801
Debentures	401,289	407,262	-	-

to be continued

	In R\$ thousands			
	Prudential Conglomerate			
	Cost	Market	Cost	Market
	12/31/2020		12/31/2019	
Securities held up to maturity	828,224	828,224	705,734	705,734
Bank portfolio	584,382	584,382	150,260	150,260
Fixed-income securities	400,237	400,237	68,596	68,596
National treasury notes – F series	400,237	400,237	68,596	68,596
Marketable securities abroad	184,145	184,145	81,664	81,664
Eurobonds (a)	184,145	184,145	81,664	81,664
Subject to repurchase agreements	-	-	497,878	497,878
National treasury notes – F series	-	-	497,878	497,878
Linked to guarantees given	243,962	243,962	57,715	57,715
National treasury notes – F series	243,962	243,962	57,715	57,715
Provision for marketable securities	(120)	(120)	(119)	(119)
Eurobonds (a)	(120)	(120)	(119)	(119)
II – Derivative financial instruments	64,739	86,716	34,804	53,256
Swap operations	8,833	36,162	23,707	41,585
Term	53,222	47,981	9,778	10,352
Options premium	1,501	1,390	-	-
Futures	1,183	1,183	1,319	1,319
Total marketable securities and derivative financial instruments	3,651,430	3,706,814	2,176,147	2,195,490
Segregation of portfolio by maturity range				
No maturity				
Up to 3 months	1,132,346	1,139,570	138,889	139,722
From 3 to 12 months	267,199	283,429	25,185	26,039
Over 12 months	2,251,885	2,283,815	2,012,073	2,029,729
Total	3,651,430	3,706,814	2,176,147	2,195,490

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

(*) Securities classified as “Securities for trading” maturing in more than 12 months and which, on December 31, 2020, amount to R\$ 0 in the Prudential Conglomerate (December 31, 2019 – R\$ 65,484 thousand), are stated in current assets, according to BACEN Circular Letter No. 3,068/01. Securities classified as “Available for sale”, maturing in more than 12 months, in the amount of R\$ 1,354,338 thousand on December 31, 2020 (December 31, 2019 – R\$ 1,198,619 thousand), in the Prudential Conglomerate, are stated as long-term receivables, according to BACEN Circular Letter No. 3,068/01, regardless its liquidity level. The effect of this classification in net current capital is shown in Note 21 – Liquidity risk.

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

	In R\$ thousands			
	Prudential Conglomerate			
	Cost	Market	Cost	Market
	12/31/2020		12/31/2019	
III – Derivative financial instruments				
Swap operations	211,417	258,402	47,955	81,764
Term	99,184	87,816	9,752	532
Futures	24,193	24,193	9,182	9,182
Options	473	379	120	334
Liability position	335,267	370,790	67,009	91,812
Segregation by maturity range				
Up to 3 months	14,157	16,467	20,365	30,645
From 3 to 12 months	56,319	56,601	7,194	8,462
Over 12 months	264,791	297,722	39,450	52,705
Total	335,267	370,790	67,009	91,812

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

In R\$ thousands			
Prudential Conglomerate			
	Second half of 2020	12/31/2020	12/31/2019
Private securities	100,917	146,966	49,250
Government bonds	33,790	103,884	107,290
Investment funds quotas	170	552	168
Exchange variation	(46,501)	(53,758)	(150)
Income from marketable securities	88,376	197,644	156,558

In R\$ thousands			
Prudential Conglomerate			
	Second half of 2020	12/31/2020	12/31/2019
Provision for marketable securities	(94)	(846)	(362)
Result of provision for marketable securities	(94)	(846)	(362)

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



LOAN TRANSACTIONS, SURETIES AND HONORED GUARANTEES

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

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

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

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

	In R\$ thousands	
	Prudential Conglomerate	
	12/31/2020	12/31/2019
Current assets		
Loan transactions	2,183,045	1,757,871
Private sector	2,154,425	1,642,630
Public sector	28,620	115,241
Other receivables	13,864	16,398
Foreign exchange portfolio – receivables (a)	5,287	9,254
Securities and credits receivable (b)	8,577	7,144
Noncurrent Assets		
Loan transactions	4,326,334	2,088,535
Private sector	4,276,654	2,011,404
Public sector	49,680	77,131
Other receivables	17,360	-
Securities and credits receivable (b)	17,360	-
Current Liabilities		
Other liabilities	210,121	303,671
Foreign exchange portfolio – advances on exchange contracts (a)	210,121	303,671
Subtotal	6,750,724	4,166,475
Co-obligations and risks in guarantees provided (c)	1,184,009	1,015,878
Total	7,934,733	5,182,353

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

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

(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 Limited’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\$ thousands													
Risk level	12/31/2020										12/31/2019		
	Overdue - days					Falling due - days							
	Within 14	15 to 60	61 to 90	91 to 180	181 to 360	Within 90	From 91 to 180	From 181 to 360	Over 360 days	Total	Allowance	Total	Allowance
AA	60	-	-	-	-	823,906	495,382	582,524	2,241,915	4,143,787	-	2,679,577	-
A	53	-	-	-	-	190,729	110,375	541,992	1,748,768	2,591,917	12,960	1,589,705	7,949
B	-	628	-	-	-	52,716	84,136	160,676	557,409	855,565	8,846	728,461	7,285
C	-	-	-	-	-	48,205	21,650	148,995	97,646	316,496	19,761	134,873	4,046
D	-	-	-	-	-	-	-	-	-	-	-	-	-
E	-	1,637	179	-	-	-	-	1,708	14,500	18,024	5,407	29,005	8,701
F	-	-	-	-	-	-	2,050	2,289	-	4,339	2,170	-	-
G	-	-	-	-	-	-	-	-	-	-	-	10,762	9,562
H	-	-	-	-	4,605	-	-	-	-	4,605	4,605	9,970	9,970
	113	2,265	179	-	4,605	1,115,556	713,593	1,438,184	4,660,238	7,934,733	53,749	5,182,353	47,513

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

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

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

	In R\$ thousands	
	12/31/2020	12/31/2019
Allowance for loan losses	37,741	39,128
Current assets	16,540	20,488
Noncurrent assets	21,201	18,640
Provision for other credits	1,268	7,297
Securities and credits receivable	607	5,096
Current assets	-	5,096
Noncurrent assets	607	-
Provision for advances on exchange contracts	661	2,201
Current assets	661	2,201
Provision for co-obligations and risks in guarantees provided	14,740	1,088
Current liability	13,671	789
Noncurrent assets	1,069	299
Total	53,749	47,513

Changes in allowances are as follows:

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

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

In the year ended December 31, 2020, there was a recovery of losses on loan transactions in the amount of R\$ 5,815 thousand (December 31, 2019 – R\$ 295 thousand).

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

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

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

	In R\$ thousands	
	12/31/2020	12/31/2019
Working capital	5,433,410	2,565,758
Co-obligations and risk in guarantees provided	1,184,009	1,015,878
Export credit notes	710,066	778,891
Trade finance	551,635	724,838
Others	55,613	96,988
Total	7,934,733	5,182,353

8

FOREIGN EXCHANGE PORTFOLIO

	In R\$ thousands	
	Prudential Conglomerate	
	12/31/2020	12/31/2019
Other receivables – Foreign exchange portfolio		
Foreign exchange purchases pending settlement	216,889	384,562
Income receivable from advances granted (a)	5,287	9,255
Rights on foreign exchange sales	1,302	627
(-) Advances in national currency received	-	(198)
Total	223,478	394,246
Other payables – Foreign exchange portfolio		
Exchange purchase obligations	210,121	384,136
Foreign exchange sales pending settlement	1,301	620
Others	1478	-
Advances on foreign exchange contracts granted (a)	(210,121)	(303,670)
Total	2,779	81,086

(a) See Note 7.

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

9

DEPOSITS

Maturity range	In R\$ thousands			
	Time deposits	Interbank deposits	Total 12/31/2020	Total 12/31/2019
Within 1 month	410,615	80,287	490,902	5,304
From 1 to 3 months	314,405	8,012	322,417	55,836
From 3 to 6 months	109,642	-	109,642	107,340
From 6 to 12 months	191,517	-	191,517	129,833
More than 12 months	507,666	550,869	1,058,535	376,408
Subtotal	1,533,845	639,168	2,173,013	674,721
Demand deposits			629,320	185,588
Total			2,802,333	860,309

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

Maturities upon issuance	In R\$ thousands			
	Time deposits	Interbank deposits	Total 12/31/2020	Total 12/31/2019
Within 1 month	69,189	-	69,189	5,294
From 1 to 3 months	226,364	88,299	314,663	9
From 3 to 6 months	127,898	-	127,898	144,290
From 6 to 12 months	106,859	-	106,859	63,433
More than 12 months	1,003,535	550,869	1,554,404	461,695
Subtotal	1,533,845	639,168	2,173,013	674,721
Cash deposits			629,320	185,588
Total			2,802,333	860,309

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

	In R\$ thousands									
	Demand deposits		Time deposits		Interbank deposits		Total			
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Legal entities	554,524	164,741	1,140,506	421,297	121,773	-	1,816,803	64.83%	586,038	68.12%
Institutional customers	4	8	281,833	-	180,907	1,528	462,744	16.51%	1,536	0.18%
Group	48,839	1,392	107,504	169,060	-	-	156,343	5.58%	170,452	19.81%
Financial institutions	-	-	-	80,877	336,488	103	336,488	12.01%	80,980	9.41%
Individuals	25,953	19,447	4,002	1,856	-	-	29,955	1.07%	21,303	2.48%
Total	629,320	185,588	1,533,845	673,090	639,168	1,631	2,802,333	100%	860,309	100%

	In R\$ thousands			
	12/31/2020		12/31/2019	
Top depositor	301,392	10.76%	82,491	9.59%
Top 10 depositors	862,198	30.77%	451,594	52.49%
Top 20 depositors	1,191,485	42.52%	612,489	71.19%
Top 50 depositors	1,764,153	62.95%	769,152	89.40%
Top 100 depositors	2,251,511	80.34%	832,462	96.76%

10. REPURCHASE AGREEMENTS

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

	In R\$ thousands	
	Prudential Conglomerate	
	12/31/2020	12/31/2019
Own portfolio	291,208	1,196,479
Debentures	281,578	546,434
Financial treasury bills	9,630	149,995
National treasury notes – F series	-	500,050
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)
	291,208	1,696,479
Current liabilities	276,496	1,696,479
Noncurrent liabilities	14,712	-
Total	291,208	1,696,479

11.

FUNDS FROM ACCEPTANCE AND ISSUE OF SECURITIES

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

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

(a) Agribusiness Credit Bills (LCA) are issued by the Bank and registered with B3, according to Laws No. 11,076/2004 and No. 11,311/2006 and subsequent amendments. The range between rates used for this operation are 82% of DI – 123% of DI and 100% of pre-set.

(b) Housing Credit Bills (LCI) are nominative securities created by Provisional Measure No. 2,223 on September 4, 2001, which resulted in Law No. 10,931 of August 2, 2004. The range between rates used for this operation are 82% of DI – 120.7% of DI.

(c) Financial Bills (LF) are issued by the Bank and registered with B3 – according to the Law No. 12,249/10 (Section II, articles 37 to 43), and ruled by CMN (Law No. 3,836). The range between rates used for this operation are 100% of DI – 129% DI, 100% of pre-set and 100% of IPCA.

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

(e) Financial Bill (LF) – Subordinated Debt has a perpetual term and a repurchase option starting within 5 semiannual windows. The Bank uses the amount raised as complementary capital in order to make up the institution's Level I capital. The issue was private and carried out with the Bank's shareholder base. The rates used for this operation are 110% of SELIC.

12. BORROWINGS AND ONLENDINGS

Borrowings abroad in the Prudential Conglomerate are as follows:

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

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

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

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

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

13. SUNDRY

	In R\$ thousands	
	Prudential Conglomerate	
	12/31/2020	12/31/2019
Other receivables – Sundry		
Debtors deposits on warranty	53,209	52,583
Taxes and contributions to offset	35,127	35,081
Securities and credits receivable	-	3,000
Sundry debtors – domestic	16,185	4,382
Sundry debtors – foreign	4,332	23,946
Advances – Salaries and constructions	813	750
	109,666	119,742
Current asset	51,690	59,499
Long-term asset	57,976	60,243
	109,666	119,742
	In R\$ thousands	
	Prudential Conglomerate	
	12/31/2020	12/31/2019
Other payables – Sundry		
Sundry debtors – Abroad (a)	149,466	2,787
Sundry debtors – Domestic	13,361	12,737
Allowance for contingent liabilities	13,201	9,645
Allowance for payments to be made	11,301	11,026
Administrative checks	724	724
Payables for acquisition of goods and rights	-	146
	188,053	37,065
Current liabilities	168,403	20,126
Non-current liabilities	19,650	16,939
	188,053	37,065

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

14. OTHER ASSETS

	In R\$ thousands	
	Prudential Conglomerate	
	12/31/2020	12/31/2019
Other values and goods		
Properties	13,454	37,743
Others	2,480	1,724
	15,934	39,467
Current asset (a)	15,934	39,169
Long-term assets	-	298
	15,934	39,467

(a) On December 31, 2020, the amount of R\$ 13,454 thousand, classified as current assets, refers mainly to the execution of guarantee of properties, recorded as properties not for use (BNDU), according to independent appraisal report, limited to the value of debt. In the six-month period ended June 30, 2020, Banco BOCOM BBM sold one of the farms received as collateral for credit operations, generating a result of R\$ 1,961 thousand, of which 2,767 thousand related to the reversal of the provision for the property and R\$ (806) thousand of loss at the time of the sale. In the second half of 2020, Banco BOCOM BBM sold more real estate received as collateral for credit operations, generating a result of R\$ (3,501) thousand, of which R\$ 3,648 thousand related to the reversal of the real estate provision and R\$ (7,149) thousand of losses at the time of the sale (mainly due to a market slowdown in the property region).

15. EQUITY

(a) Capital – Banco BOCOM BBM S.A.

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

(b) Legal reserve

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

(c) Statutory reserve

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

(d) Treasury stock

As of December 31, 2020, the Bank BOCOM BBM has 76,296,769 shares to be held in treasury in the amount of R\$ 181,839 thousand.

(e) Interest on equity

According to article 9 of Law No. 9,249/95 and its subsequent amendments, Banco BOCOM BBM S.A., at the end of 2020, declared interest on equity of R\$ 31,792 thousand (2019 – R\$ 37,187 thousand), with withholding income tax of R\$ 4,769 thousand (2019 – R\$ 5,578 thousand), calculated at a 15% rate. The amount of interest on equity was determined based on the legal limits in force and classified in the group's official records as "Other Operating Expenses".

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

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

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

(f) Dividends

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

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

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

16.

FINANCIAL INTERMEDIATION EXPENSES, RESULT OF FOREIGN EXCHANGE OPERATIONS, LOANS, ASSIGNMENTS AND TRANSFERS

	In R\$ thousands		
	Prudential Conglomerate		
	Second half of 2020	12/31/2020	12/31/2019
Market funding operations			
Expenses with securities abroad	(24,368)	(85,700)	(21,292)
Financial bills	(22,472)	(57,438)	(115,000)
Agriculture credit bills	(14,684)	(33,285)	(76,590)
Time deposits	(13,676)	(30,694)	(27,068)
Repurchase agreements	(2,809)	(8,887)	(12,116)
Credit guarantee fund	(2,424)	(3,566)	(2,463)
Interbank deposits	(3,465)	(3,500)	(113)
Real estate credit bills	(959)	(3,386)	(4,490)
Deposits previous notice	(581)	(722)	(52)
Foreign exchange variation (a)	32,726	32,730	17,701
	(52,712)	(194,448)	(241,483)
Loans, assignments and onlending operations			
Foreign exchange variation (a)	149,376	(287,328)	(15,997)
Loan expenses abroad	(32,150)	(57,673)	(54,563)
Other expenses	-	-	(464)
	117,226	(345,001)	(71,024)
Foreing Exchange Transactions			
Foreign exchange variations and interest differences	(5,246)	144,822	27,995
Revenue from Advances on Exchange Contracts (ACC)	9,033	22,758	30,061
Other expenses	(267)	(598)	(429)
	3,520	166,982	57,627

(a) This substantially represents the effects of foreign exchange variations on loans raised by the Bank from its branch abroad through the transfer of funds raised in foreign currency. In the year ended December 31, 2020, the high increase of the dollar justifies the cost of exchange variation.

17. SERVICE REVENUE

	In R\$ thousands		
	Prudential Conglomerate		
	Second half of 2020	12/31/2020	12/31/2019
Service revenue			
Bank fee income	43,360	53,023	20,033
Management and performance fees of investment funds	14,697	24,687	27,004
Guarantees commission and letter of credit	9,212	17,332	15,639
Structuring commission	4,799	5,917	21,514
Other services	2,396	4,496	3,669
Total	74,464	105,455	87,859

18. OTHER ADMINISTRATIVE EXPENSES

	In R\$ thousands		
	Prudential Conglomerate		
	Second half of 2020	12/31/2020	12/31/2019
Data processing	(5,094)	(9,728)	(9,871)
Rentals	(4,128)	(7,890)	(6,717)
Amortization and depreciation	(4,149)	(7,708)	(5,723)
Specialized technical services	(3,964)	(7,236)	(7,347)
Financial system services (a)	(3,092)	(5,737)	(4,928)
Communications	(2,180)	(4,610)	(3,550)
Third-party services	(1,388)	(2,674)	(4,371)
Condominium	(743)	(2,049)	(2,012)
Property maintenance and upkeep	(651)	(1,645)	(2,451)
Registry	(701)	(1,560)	(2,049)
Travel	(211)	(1,262)	(5,151)
Promotion/ Advertising/ Publications	(770)	(1,260)	(1,492)
Water, energy and gas	(249)	(856)	(1,023)
Surveillance and security services	(228)	(771)	(291)
Transportation	(174)	(414)	(740)
Material	(74)	(260)	(217)
Fines	(160)	(178)	(150)
Insurance	(18)	(40)	(30)
Other administrative expenses	(2,152)	(5,265)	(5,023)
	(30,126)	(61,143)	(63,136)

(a) In the year ended December 31, 2020, this includes brokerage expenses, charges and commission related to guarantee transactions and derivative financial instruments of R\$ 1,692 thousand (December 31, 2019 – R\$ 1,449 thousand).

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\$ thousands		
	Prudential Conglomerate		
	Rate	12/31/2020	12/31/2019
Asset			
Cash and cash equivalents		531	29
Bank of Communications Co., Ltd.		90	29
Bocom Hong Kong		40	-
Bocom Macau		401	-
Derivative financial instruments		64,323	25,785
Bocom Brazil Holding Company Ltda.		64,323	25,785
Liabilities			
Demand deposits		48,839	1,393
Évora S.A.		10	38
Bahia AM Renda Fixa Ltda.		5	5
Bahia AM Renda Variável Ltda.		4	5
Bocom Brazil Holding Company Ltda.		39,087	290
Bahia Holding S.A.		5	1
Other related individuals/legal entities		9,728	1,054
Time deposits		107,504	169,060
Bahia Holding S.A.	97% DI/97.2% DI	18,101	55,042
Évora S.A.	97% DI	3,445	3,406
Aleutas S.A.	97.2% DI	54,812	82,490
Colares Participações S.A.	97% DI	8,882	-
Bocom Brazil Holding Company Ltda.	97% DI	22,264	28,122
Debentures agreements – Debentures		27,023	50,896
Other related individuals/legal entities	50%-100% DI	27,023	50,896
Agriculture credit bills		239,984	260,869
Other related individuals/legal entities	85%-123% DI	239,984	260,869
Real Estate credit bills		59,581	99,298
Other related individuals/legal entities	85%-120.7% DI	59,581	99,298
Derivative financial instruments		121,313	10,075
Bocom Brazil Holding Company Ltda.		121,313	10,075
Subordinated debt		201,760	204,960
Bocom Brazil Holding Company Ltda.	110% SELIC	162,039	164,609
Other related individuals/legal entities	110% SELIC	39,721	40,351
Liabilities on loans abroad		2,724,090	1,972,882
Bank of Communications Co., Ltd.	1.03%-1.06%	873,917	574,645
Bocom Macau	3.05%	16,121	11,746
Bank of Communications – GMC	0.95%-1.03%	1,574,162	1,386,491
Bocom Hong Kong	1.1%	259,890	-
Dividends and bonuses payable		27,023	48,410
Interest on capital credited to shareholders		27,023	48,410

	In R\$ thousands		
	Prudential Conglomerate		
	Second half of 2020	12/31/2020	12/31/2019
Result			
Income from investments abroad			
Expenses with banks abroad			
Result with derivative financial instruments	60,516	130,542	(5,802)
Bocom Brazil Holding Company Ltda.	60,600	130,626	(5,808)
Other related individuals/legal entities	(84)	(84)	6
Open market funding	(5,188)	(18,349)	(53,261)
Time deposits expenses	(1,036)	(3,575)	(19,487)
Évora S.A.	(32)	(91)	(187)
Bank of Communications Co., Ltd.	-	-	(10,768)
Bocom Brazil Holding Company Ltda.	(211)	(629)	(1,769)
Bahia Holding S.A.	(167)	(978)	(2,071)
Aleutas S.A.	(544)	(1,705)	(4,692)
Colares Participações S.A.	(82)	(172)	-
Repurchase agreements – Debentures expenses	(399)	(1,039)	(1,855)
Other related individuals/legal entities	(399)	(1,039)	(1,855)
Agriculture credit bills expenses	(2,221)	(6,857)	(16,151)
Other related individuals/legal entities	(2,221)	(6,857)	(16,151)
Real estate credit bills expenses	(147)	(1,603)	(3,979)
Other related individuals/legal entities	(147)	(1,603)	(3,979)
Subordinated debt	(1,385)	(5,275)	(11,789)
Bocom Brazil Holding Company Ltda.	(1,112)	(4,205)	(9,469)
Other related individuals/legal entities	(273)	(1,070)	(2,320)
Loans expenses abroad	(25,215)	(46,704)	(35,202)
Bank of Communications Co., Ltd.	(14,579)	(18,658)	(17,930)
Bocom Macau	(235)	(472)	(166)
Bank of Communications – GMC	(9,644)	(26,817)	(17,106)
Bocom Hong Kong	(757)	(757)	-
Foreign exchange variation with loans abroad	48,013	(244,182)	(9,858)
Bank of Communications Co., Ltd.	51,923	(240,507)	(10,003)
Bocom Macau	(3,910)	(3,675)	145
Expenses with dividends and bonuses	(31,792)	(31,792)	(37,187)
Interest on equity	(31,792)	(31,792)	(37,187)
Total	46,334	(210,485)	(141,309)

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

(b) Key Management Compensation

The total compensation will be calculated as follows:

I) Fixed and variable compensation

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

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

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

II) Deferred compensation

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

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

	In R\$ thousands	
	Prudential Conglomerate	
	12/31/2020	12/31/2019
Liabilities		
Statutory	15,254	21,814
Management variable compensation – short-term	7,410	7,952
Deferred management variable Compensation – long-term	7,844	13,862

	In R\$ thousands		
	Prudential Conglomerate		
	Second half of 2020	12/31/2020	12/31/2019
Result	(20,417)	(30,861)	(27,911)
Fixed compensation	(5,741)	(11,099)	(9,235)
Variable compensation provision	(14,676)	(19,762)	(18,677)

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

(a) At cost and market value

	In R\$ thousands						
	Prudential Conglomerate						
	12/31/2020						12/31/2019
	Cost	Market	Up to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total
Future market							
Purchased position	1,183	1,183	297	432	306	148	1,319
Sold position	24,193	24,193	4,366	4,129	7,500	8,198	9,182
Swaps							
Asset position	8,833	36,162	(99)	955	807	34,499	41,585
Liability position	211,417	258,402	10,525	32,643	11,230	204,004	81,764
Non-deliverable forward – NDF							
Asset position	53,222	47,981	906	12	3,309	43,754	10,352
Liability position	99,184	87,816	1,197	86	1,013	85,520	532
Options market							
Asset position	1,501	1,390	1,390	-	-	-	-
Liability position	473	379	379	-	-	-	334

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

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

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

	R\$ thousands		
	Prudential Conglomerate		
	Second half of 2020	12/31/2020	12/31/2019
Future contracts	(168,555)	496,910	21,555
Options contracts	12,389	12,473	(214)
Swap and term contracts	41,136	(344,725)	(15,725)
Total	(115,030)	164,658	5,616

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

(b) Hedge accounting

Fundraising hedge (I)

During the 3rd quarter of 2017 and the 1st quarter of 2020, Banco BOCOM BBM entered into loan agreements in U.S. dollars with Bank of Communications Shanghai Branch with the objective of providing funding. They are as follows:

- On September 6, 2017 in the amount of USD 35,000 thousand with payment of pre-fixed interest of 1.06% p.a.;
- On September 18, 2017 in the amount of USD 30,000 thousand with payment of fixed interest of 1.03% p.a.;
- On September 11, 2017 in the amount of USD 35,000 thousand with payment of fixed interest 1.04% p.a.;
- On March 25, 2020 in the amount of USD 67,500 thousand with payment of fixed interest 1.05% p.a.

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

Due to the fact that there is a matching of hedge object flows and the results of hedge derivatives, the effectiveness of the operation remains close to 90.34%.

	In R\$ thousands		
	Prudential Conglomerate		
	12/31/2020		
	Result of the object	Result of the hedge instrument	Effectiveness
Hedge object			
Fundraising (I)	142,642	128,868	90.34%

Fundraising hedge (II)

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

In December 2018, Banco BOCOM BBM designated a portfolio of derivative financial instruments constituted by DI1 and DAP contracts, with the objective of indexing to the CDI part of its pre-fixed funding portfolio. In order to equalize the effects of mark-to-market derivative financial instruments designated as hedge, the value of the pre-fixed funding portfolio is stated at fair value and also marked to market.

Due to the fact that there is a matching of hedge object flows and the results of hedge derivatives, the effectiveness of the operation remains 102.37% to LF IPCA and 99.97% to LF PRÉ.

	In R\$ thousands		
	Prudential Conglomerate		
	12/31/2020		
	Result of the object	Result of the hedge instrument	Effectiveness
Hedge object			
Fundraising (II) – LF IPCA	759	777	102.37%
Fundraising (II) – LF PRÉ	9,753	9,750	99.97%

Credit operations hedge

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

Due to the fact that there is a matching of hedge object flows and the results of hedge derivatives, the effectiveness of the operation remains close to 95.66%.

In R\$ thousands			
Prudential Conglomerate			
12/31/2020			
Hedge object	Result of the object	Result of the hedge instrument	Effectiveness
Credit operations	339	325	95.66%

Investment hedge abroad

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

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

Due to the fact that there is a matching of hedge object flows and the results of hedge derivatives, the effectiveness of the transaction remained close to 101.34%.

In R\$ thousands			
Prudential Conglomerate			
12/31/2020			
Hedge object	Result of the object	Result of the hedge instrument	Effectiveness
Investment abroad – BBM Nassau Branch	20,349	20,621	101.34%

Hedge of the bonds held to maturity abroad

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

In R\$ thousands			
Prudential Conglomerate			
12/31/2020			
Hedge object	Result of the object	Result of the hedge instrument	Effectiveness
Bonds held to maturity abroad	114	115	100.77%

21.
RISKS MANAGEMENT

Market risk

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

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

Market Risk means the risk arising from fluctuations in the values of assets and derivatives resulting from changes in market prices and rates, such as interest, stocks, currencies and commodities. Market Risk control is based on the calculation of VaR – Value at Risk, a statistical tool that measures the maximum potential loss of BOCOM BBM for a given confidence level and investment horizon. BOCOM BBM's daily VaR limit calculated with 95% confidence is 2% of Equity. The model used to calculate the VaR limit is the parametric one. The variance-covariance matrix is reestimated daily using GARCH models. This model captures the presence of volatility groupings and, according to the daily estimated parameters, gives more

weight to the most recent past. It should be noted that other VaR models are available, such as Monte Carlo Simulation and Historical Simulation. The effectiveness of the risk model is tested annually through back-testing, which consists in comparing the VaR estimates with the actual daily results.

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

Reference date	VaR (In R\$ millions)
12/31/2020	6,1
06/30/2020	4,0
12/31/2019	2,1
06/28/2019	3,2

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

Reference date	B3 Stress (In R\$ millions)
12/31/2020	-20,2

Liquidity risk

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

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

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

	In R\$ thousands	
	Prudential Conglomerate	
	12/31/2020	12/31/2019
Current assets	5,162,336	4,392,087
Current liabilities	(6,919,320)	(5,600,344)
Working capital, net	(1,756,984)	(1,208,257)
Short-term securities available for sale presented in long-term receivables	1,354,338	1,198,619
Loans abroad	1,574,162	1,254,949
	1,171,516	1,245,311

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

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

Credit risk

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

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 comprising the following bodies: Board of Directors, Executive Board, Internal Control, Capital and Risk Board, Treasury Board, Fund Raising Board, Back Office, Business Units and Audit Board. The Board of Directors is the highest body within this structure, in charge of monitoring the capital adequacy. The Executive Board must review the documents to be submitted to the Board of Directors, as well as approving the methodologies 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, 2020.

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

23.

INCOME TAX AND SOCIAL CONTRIBUTION

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

	In R\$ thousands	
	Prudential Conglomerate	
	12/31/2020	12/31/2019
Asset credit tax:		
Balance at January 1	68,292	70,340
Constitution (Reversal)		
– With effects in the result	26,367	(3,317)
– With effects in equity		
(Securities available for sale)	12,673	1,269
Balance at December 31	107,332	68,292
Provision for deferred taxes: (*)		
Balance at January 1	19,199	20,926
Constitution (Reversal)		
– With effects in the result	39,736	(1,759)
– With effects in equity		
(Securities available for sale)	–	32
Balance at December 31	58,935	19,199

(*) 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\$ thousands	
	Prudential Conglomerate	
	12/31/2020	12/31/2019
Asset tax credit		
Temporary differences (a)		
– Provision for loan transactions	33,497	26,742
– Market value adjustment – marketable securities and derivatives	49,607	21,765
– Provisions for contingencies (Note 25a)	5,934	4,338
– Others	12,890	13,460
Social contribution negative basis	2,339	785
Tax loss	3,065	1,202
Total	107,332	68,292
Provision for deferred taxes		
Temporary differences (a)		
– Market adjustment of securities and derivatives	58,898	19,161
– Others	37	38
Total	58,935	19,199

(a) It is expected that these tax credits will be realized up to the end of 2025 for income tax and social contribution, with a present value of R\$ 23 million and R\$ 15 million, respectively. The Social Contribution on tax credits was calculated considering a new rate in force of 20%, after publication of the Proposed Amendment to Constitution No. 6/2019, for additions or exclusions from 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\$ thousands			
	12/31/2020		12/31/2019	
	IRPJ	CSLL	IRPJ	CSLL
Income before taxes	151,105	151,106	72,153	72,154
Bank's net profit	116,564	116,564	88,521	88,521
(-) Interest on Bank's capital	(31,792)	(31,792)	(37,187)	(37,186)
(-/+) Income tax and social contribution	(66,333)	(66,333)	(20,819)	(20,819)
Tax rate	25%	20%	25%	15%
Income tax and social contribution				
At tax rate	(37,776)	(30,221)	(18,038)	(10,823)
Permanent additions	71,744	52,782	66,384	48,510
Non-deductible expenses	20,905	1,943	19,638	1,764
Addition on profit abroad	50,839	50,839	46,746	46,746
Permanent exclusions	38,102	38,102	34,097	34,097
Tax-free revenues	-	-	12	12
Equity in the result of investees (Bank)	38,102	38,102	34,085	34,085
Temporary additions / exclusions	(36,705)	(42,989)	12,603	16,839
Tax basis	148,043	122,797	117,044	103,407
Use of tax loss and negative basis	-	-	(32,886)	(21,767)
Tax basis with use of tax loss and negative basis	148,043	122,797	84,156	81,637
Income tax and social contribution (a)	(36,987)	(24,719)	(21,015)	(12,246)
Use of tax incentives and taxes of subsidiaries abroad	1,260	14	1,630	-
Income tax and social contribution in the period result	(35,727)	(24,706)	(19,385)	(12,246)
DIPJ adjustment	(5,154)	-	1,362	-
Provision deferred tax liabilities	(21,541)	(18,195)	1,886	(138)
Income tax and social contribution in the result for the period - Banco BOCOM BBM	(62,422)	(42,901)	(15,978)	(12,354)
Income tax and social contribution of other institutions of the Prudential Conglomerate	(437)	(221)	(387)	(204)
Income tax and social contribution in the result for the period - Prudential Conglomerate	(62,859)	(43,122)	(16,365)	(12,560)

(a) In May 2015, the Provisional Measure No. 675 was issued, amending the rate of Social Contribution on Net Income (CSLL) of financial institutions from 15% to 20%. According to the Provisional Measure, this rate increase became effective as from September 2015 and it remains in force up to December 2018. For 2019, the effective tax rate for CSLL was 15%, however, deferred tax assets and liabilities have already been recognized considering the definitive increase of the said rate to 20%, after the publication of the Proposed Amendment to Constitution No. 6, of June 2019, which subsequently became Amendment to Constitution No. 103. It should also be noted that, according to this Amendment No. 103/2019, this increase is definitive and exclusive for banks.

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

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\$ thousands	
	Prudential Conglomerate	
	12/31/2020	12/31/2019
Labor	12,154	8,804
Civil	633	633
Total – Provisions for contingencies	12,787	9,437

These provisions are recorded as "Other liabilities – sundry" under Long-term liabilities. During the period ended December 31, 2020, R\$ 3,603 thousand was provided for contingencies in the Prudential Conglomerate.

(b) Liabilities for legal obligations

Based on the preliminary injunction obtained, Banco BOCOM BBM and BOCOM BBM Corretora de Câmbio e Valores Mobiliários SA ensured the suspension of the requirement for PIS/Pasep and COFINS tax credits that are determined, with the incidence of ISS in their calculation bases, as well as their respective bookkeeping for timely and future compensation, if applicable, with the respective ISS deductibility from the calculation bases of the mentioned contributions. Based on that preliminary injunction, Banco BOCOM BBM and BOCOM BBM Corretora de Valores Mobiliários SA started to collect, in November 2018, PIS/Pasep and COFINS disregarding the municipal tax in their respective calculation bases, having been constituted a liability for the remaining balance until December 2020, included in the item "Other Sundry Liabilities" in Long-Term Liabilities, as follows:

	In R\$ thousands	
	Prudential Conglomerate	
	12/31/2020	12/31/2019
PIS and COFINS	414	208
Total – Liabilities for legal obligations	414	208

(c) Others

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

In November 2019, Banco BOCOM BBM SA received assessments from the Federal Revenue of Brazil with the purpose of: (i) Social security contributions allegedly due on PLR (Profit Sharing or Results) in the amount of R\$ 5.6 million and (ii) social security contributions allegedly due on food in the amount of R\$ 1.1 million, both correspond to payments made in 2015. The Bank discusses the assessments at the administrative level. In the opinion of our legal advisors, the chances of loss in these cases are possible.

25.

ALLOWANCE FOR FINANCIAL GUARANTEES

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

	In R\$ thousands	
	Prudential Conglomerate	
	12/31/2020	12/31/2019
Guarantee		
Surety or guarantee in lawsuits and administrative procedures	364,728	480,743
Linked to bids, auctions, service render or construction	307,213	327,654
Other sureties	231,015	164,232
Linked to international trade	9,205	1,171
Total	912,161	973,800
Changes in allowance for financial guarantees		
Opening balance	1,088	1,161
Exchange variation	117	-
Constitution / (Reversal)	13,535	(73)
Closing balance	14,740	1,088

The raise of the provision for guarantee provided is due to our provision policy to sectors that were directly impacted by the Covid-19 Crisis.

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

(b) Result for future years

Result for future years refers mainly to the earnings of guarantees granted, and its increase in the period ended December 31, 2020 is aligned with the variation of the guarantees.

(c) Marketable securities portfolio

In the first half of 2020, based on Resolution 3,181 of the Central Bank of Brazil, considering the trend of positive effect on the nominal rates of government bonds, in particular that the nominal rate of NTN-F 01/2025 was above the rate of NTN-F 01/2023, and that for the budget and business plan of the coming years, it is important to have predictability and avoid revenue reductions, the Bank's Executive Committee unanimously approved to continue the process of stretching the portfolio of nominal securities held to maturity selling R\$ 359,890 thousand in NTN-F 01/2023 and buying R\$ 359,890 thousand in NTN-F 01/2025, which generated an effect on the result of R\$ 31,187 thousand.

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

At the end of the period, Banco BOCOM BBM had R\$ 828,224 thousand in marketable securities classified as "held to maturity", according to Circular Letter No. 3,068 /01 of Central Bank of Brazil. Banco BOCOM BBM has financial capacity and intention to hold them to maturity.

(d) Impacts of Covid-19

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

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

Social responsibility:

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

ALINE GOMES – CONTROLLER

CRC 087.989/0-9 "S" – BA





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