



2020

Annual Report

Connected and
committed to
a better future



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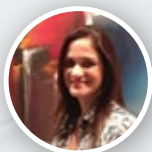
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BOCOM BBM connects 300 professionals with each other, with Brazil, China, Asia and the world. As we see it, connectivity is about finding ways to understand and be understood by one another. That is how we can participate in an effective and transparent way in the journeys of individuals, companies and societies toward their goals.

We connect Brazil with markets and business ventures in China and Asia, the world's fastest-growing macroregion. Our goal is to develop the best talents in each of our team members, as well as their capacity to learn and to teach. That's why we are always striving to identify new concepts, opportunities and technologies, sharing ideas to enable each individual with whom we interact inside or outside our organization to achieve their objectives.

To meet the needs of companies established in Brazil and abroad, we offer a selection of credit products and financial services that embody solutions and techniques tried and tested for decades, while constantly adding innovations.

We also manage the funds of individual clients, combining transparency, concepts, techniques and governance to deliver the excellent results they expect, and in a way that can be easily tracked.

Asset Management, a new area established in 2020, deploys all the practices that guide our other activities. We offer investment funds with the distinctive advantage of our experience in quantitative risk, macroeconomic research, and credit analysis and monitoring.

Our ethics defines our goals and limits in a transparent way, always aligned with sustainable development, social responsibility, diversity, and inclusion.

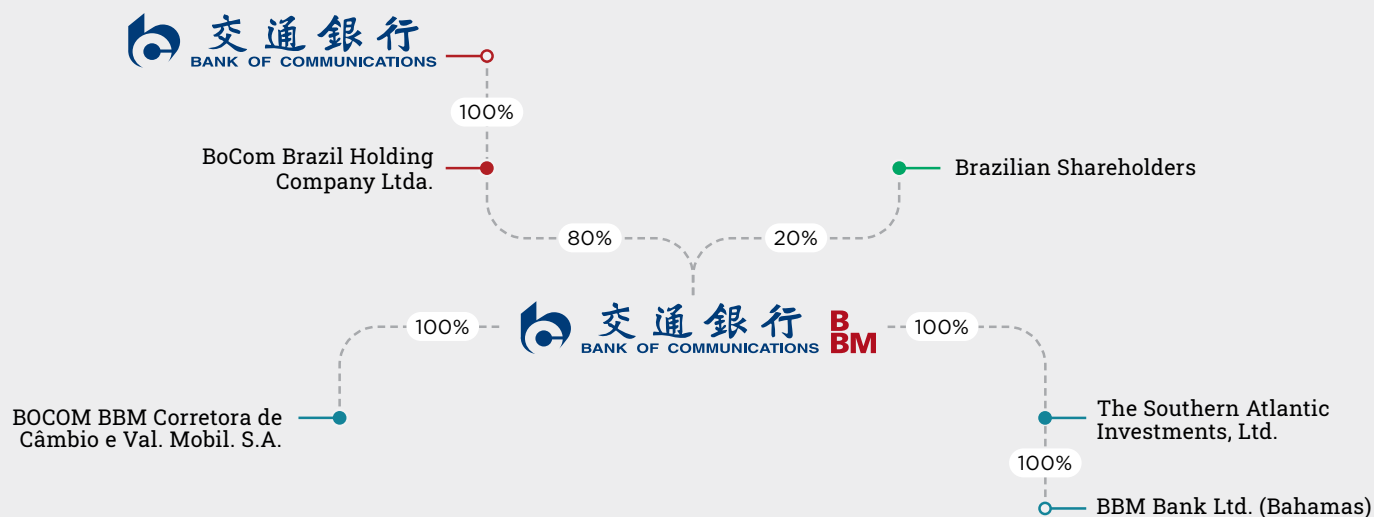


- BOCOM BBM is part of the global network of Bank of Communications, one of the five largest commercial banks in the People's Republic of China.
- We connect Brazil to important markets in Asia, Oceania, North America and Europe. We have strong links with China, Japan, Singapore, Vietnam, South Korea, Australia, the United States, Canada, the United Kingdom, Germany, Czech Republic, France, Luxembourg and Italy.



HOW WE ORGANIZE

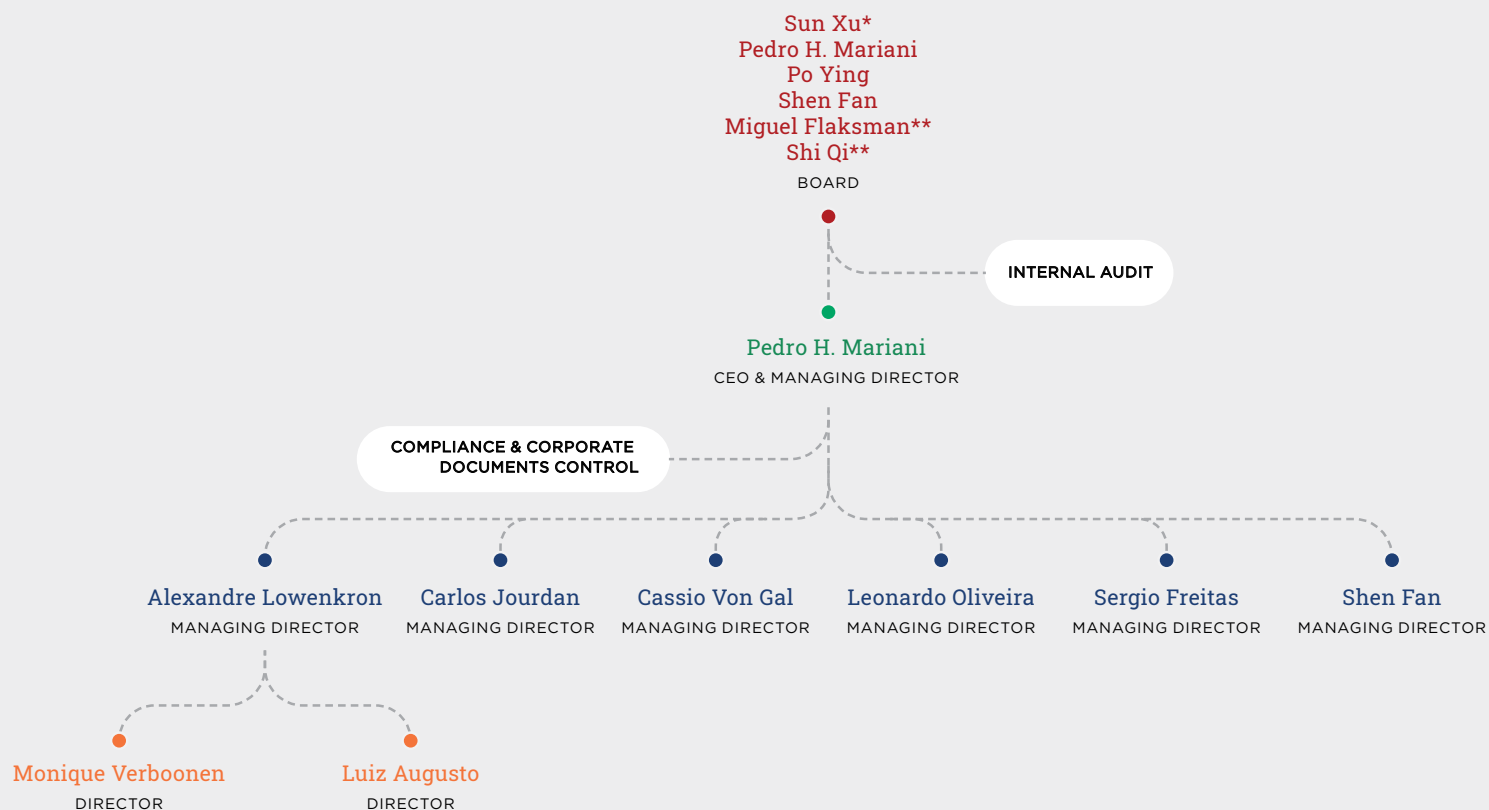
OWNERSHIP STRUCTURE



Percentages considered excluding shares held in treasury.

Participation of less than 0.001% were excluded from this organizational chart and the value was rounded to the controlling company.

ORGANIZATION FLOWCHART



* Chairman of the board.

** Approved in May 2021 by the Central Bank of Brazil. Awaiting registration by the commercial register.



VISION



We aim to be the best financial institution in Brazil and meet the objectives of our stakeholders:

- By means of transparent procedures, reciprocity, accuracy and agility in our relationships with clients, employees, shareholders and suppliers;
- By sustainably increasing the profitability of our shareholders' capital and Brazil-China integration;
- By creating opportunities for and guiding the professional, material and intellectual development of our employees, and always encouraging the search for cutting-edge knowledge, especially in the financial and technological areas;
- By assuming an ethical position that takes into account the dignity and well-being of the social groups with which we interact.



VALUES





ABOUT 2020

The highlight of 2020 was the COVID-19 pandemic with the resulting global economic challenges. Implementation of the measures required to halt contagion and deaths from the disease affected economic activity worldwide.

A global economic recovery began in second-half 2020, however, as the restrictions imposed to combat the pandemic throughout the world were eased, and above all thanks to fiscal, monetary and credit support from governments in the United States, Europe, China and Brazil. The rapid deployment of effective vaccines against the novel coronavirus SARS-CoV-2 gives reasonable grounds for optimism regarding additional progress in 2021. Assuming a benign scenario for 2021, Brazil's GDP could grow 3.6% in the year, after contracting about 4.5% in 2020. However, the Brazilian economy continues to face daunting challenges, including high unemployment, a fresh wave of infections, a sharp reduction in government aid, and a complex fiscal situation demanding resumption of the fiscal consolidation and structural reform agenda. Only completion of this agenda can guarantee a business climate with sufficient predictability and stability to make possible the level of investment in the economy required to drive more robust growth in the years ahead.

In 2020 we worked hard to act coherently in light of the exceptional conditions, without deviating from our values and the expertise defined and tested throughout our history in the Brazilian banking industry. First and foremost, we adopted efficient and effective protocols for communication and response to risks of catching COVID-19, including working from home for all employees who so desired.

We should stress in regard to the second half the growth of our credit portfolio and our presence on the corporate and government bond market, with a positive influence on our result and on the stabilization of the markets on which we operate.

Our engagement in the Emergency Credit Access Program (PEAC) contributed to this growth. Credit risk was shared with the Investment Guarantee Fund (FGI-BNDES), and the average maturity of our portfolio increased in line with the term of our domestic and foreign borrowings, hence complying with the parameters of our liquidity policy.

For several reasons, the impact of the pandemic on Asian countries' GDP growth and debt-to-GDP ratios was mitigated in the second half.

The capital markets in our controlling shareholder's region became more dynamic as a result. This competitive advantage led us to pursue opportunities and mechanisms to integrate the Brazilian and Asian markets, with China in the forefront. For example, we were the first Latin American bank to participate in Bond Connect, the main platform for foreign investment in fixed-income securities on the Chinese market.

Throughout the year we also pursued optimization of the use of our expertise in credit analysis and risk control generally, setting up the investment funds BOCOM BBM Corporate Credit High Yield, BOCOM BBM Corporate Credit, BOCOM BBM ESG, and BOCOM BBM China. Revenue from these funds and from other services totaled BRL 105 million, or 23.3% of our total revenue in the year.

We ended this extraordinary year feeling we have acted with efficacy and achieved positive results in a business environment that swung between extremes of pessimism and optimism. As always, we remain firmly committed to our vision and values, confident that our experience and expertise permit innovative solutions in any context.



ROAE

16.4%

Total Expanded
Credit Portfolio

BRL **9.3**
billion

Total Funding

BRL **10.5**
billion

Total Assets

BRL **12.2**
billion

Expanded NIM

4.7%

Service Revenues
(% of the Total Revenues)

23.3%

Funds under
Advisory Wealth
Management

BRL **9.0**
billion

FINANCIAL HIGHLIGHTS

(BRL million)

	DEC 16	DEC 17	DEC 18	DEC 19	DEC 20
Total Assets	4,004	4,976	6,298	8,658	12,215
Capital Tier 1	557	560	577	837	936
Shareholders' Equity	574	575	601	653	764
Net Income	32	43	64	89	117
Comprehensive Income	27	45	65	90	143
Total Expanded Credit Portfolio ¹	2,171	3,668	4,408	6,061	9,292
Total Funding	2,964	4,085	4,897	6,373	10,549
Return on Average Equity (p.a.)	5.6%	7.5%	10.8%	14.1%	16.4%
Return on Average Assets (p.a.)	0.8%	1.0%	1.1%	1.2%	1.1%
Expanded NIM (Before Allowances for loan losses) ²³ (p.a.)	5.3%	5.8%	5.5%	5.2%	4.7%
Basel Ratio (Core Tier 1)	21.3%	16.1%	14.5%	15.1%	14.4%
Liquid Assets	1,268	1,267	1,468	2,084	2,705
Efficiency Ratio (ER)	60.2%	61.4%	57.8%	57.2%	46.5%
Service Revenues (% of the Total Revenues) ⁴	10.5%	17.4%	21.2%	25.3%	23.3%

RATINGS

	DOMESTIC	GLOBAL		BRAZIL SOVEREIGN RATING
	Local Currency	Local Currency	Foreign Currency	
Moody's	Aaa.br	Ba1	Ba1	Ba2
Fitch	AAA(bra)	BB+	BB	BB-

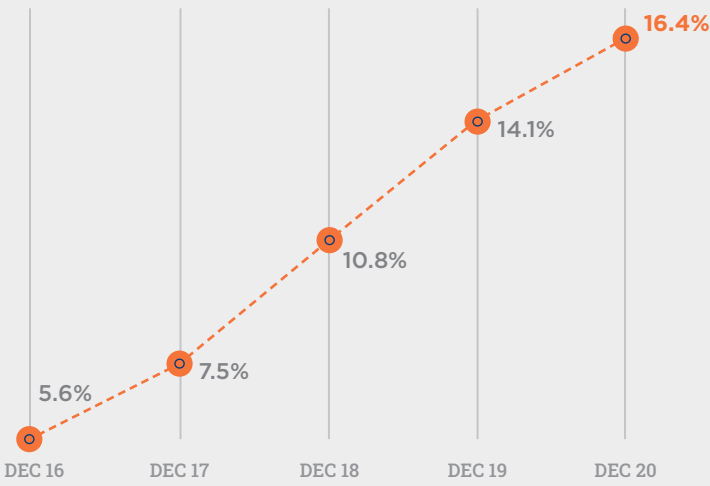
1 Includes guarantees, letters of credit and operations bearing credit risk (debentures, promissory notes and overseas bonds).

2 Includes the result of equity pickup.

3 Including services fees and adjustment in open market operations.

4 Gross Financial Income before Allowances for Loan Losses + Service Revenue + Result of Equity Pickup.

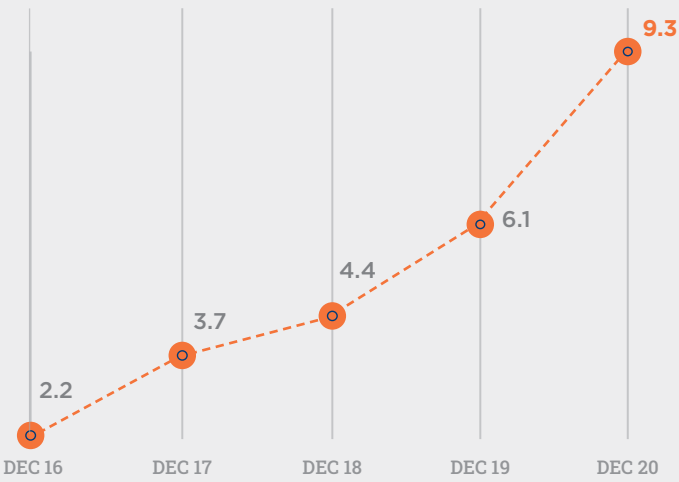
ROAE



Total Expanded Credit Portfolio

(BRL billion)

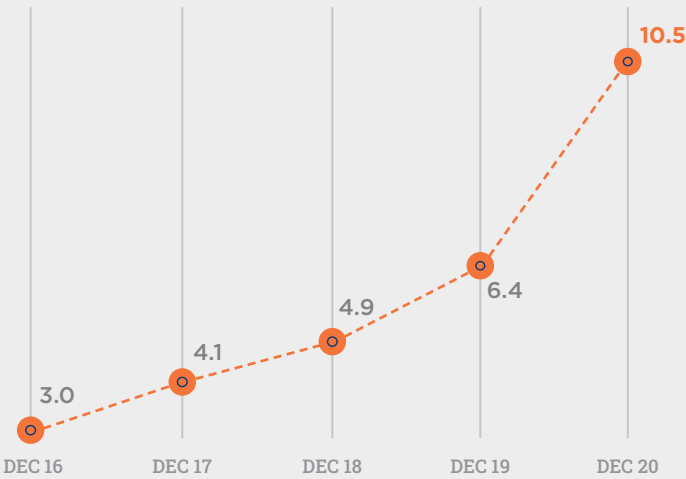
43.8%
CAGR



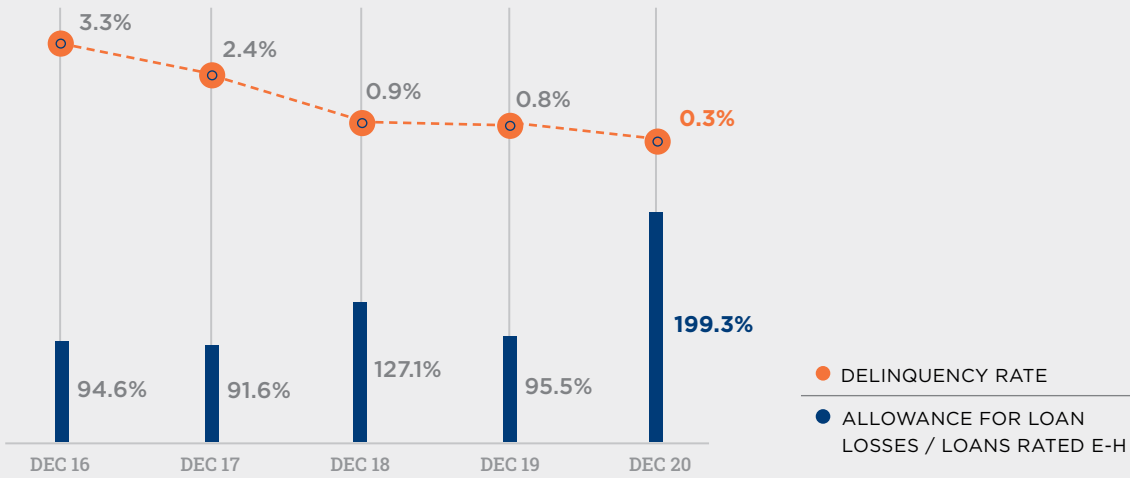
Total Funding

(BRL billion)

37.4%
CAGR

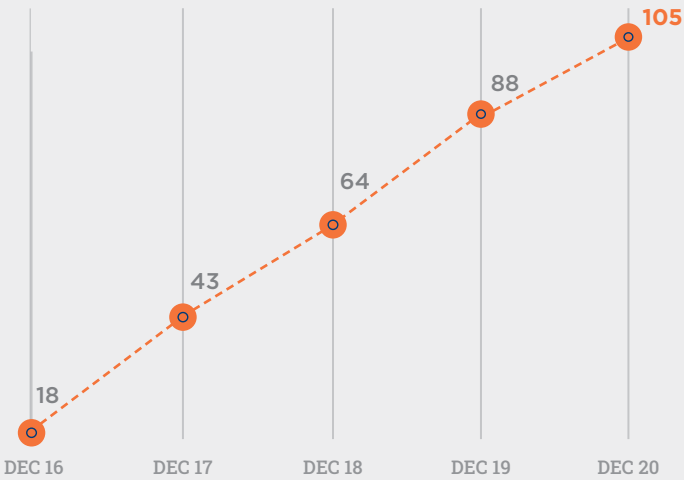


Delinquency Rate + Allowance for Loan Losses / Loans Rated E-H

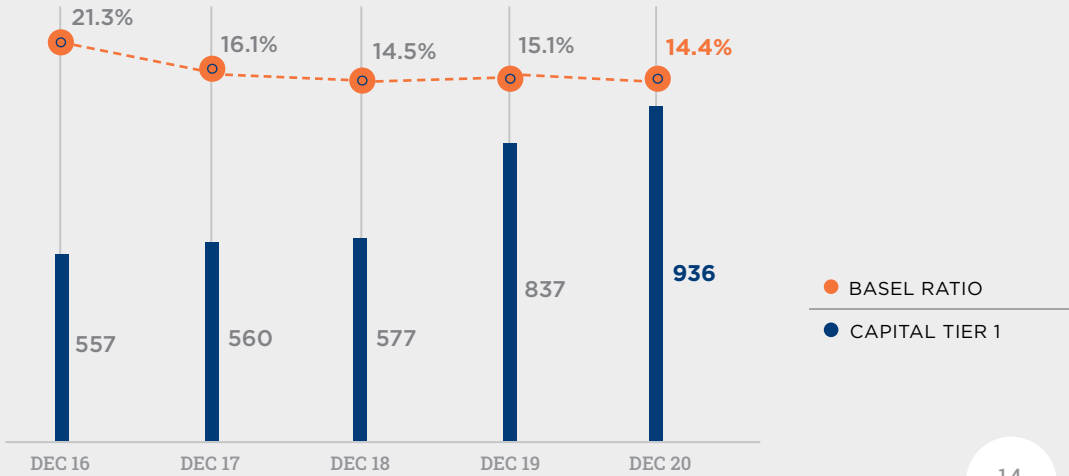


Service Revenues
(BRL million)

55.4%
CAGR



**Basel Ratio (%) +
Capital Tier 1 (BRL million)**





HIGHLIGHTS

2020

BUSINESS

Corporate credit

The expanded credit portfolio stood at **BRL 9.3 billion** at end-2020.



PEAC

SPECIAL CREDIT FACILITIES TO SUPPORT COMPANIES DURING THE CRISIS CAUSED BY THE PANDEMIC

In 2020 we worked with the Emergency Credit Access Program (PEAC) run by BNDES, Brazil's national development bank, offering corporate credit lines with special terms and conditions. This was an important initiative to facilitate the economic recovery.

Our agribusiness expertise and closeness to clients streamlined transaction design and the development of structured products for each profile. We thereby shared the benefits offered by BNDES in the form of more flexible maturities and collateral requirements.



Bond Connect

BOCOM BBM became the first bank in Latin America authorized to participate in Bond Connect, the main platform for foreign investment in fixed-income securities on the Chinese market. Access to this tool opens up a window of investment opportunities for our partners and clients.

Wealth Management

Funds under advisory totaled **BRL 9.0 billion** at end-2020.





Green building

The Green Building Council (GBC Brazil) awarded LEED C&S Gold certification to our head office building in Rio de Janeiro, recognizing the economic, social and environmental benefits of the project, especially its energy efficiency and economic use of resources such as rainwater collection and reuse.



ESG POLICIES

ENVIRONMENTAL, SOCIAL AND GOVERNANCE PRACTICES



BOCOM BBM's ESG policy establishes sustainability principles, guidelines and procedures that orient its business activities and those of its employees.

These principles are designed to produce a positive socio-environmental impact, mitigate environmental and social risks, foster the well-being of our employees and the satisfaction of our clients, promote solid and transparent governance, and assure compliance with the applicable laws and regulations.



ACTIONS TO COMBAT COVID-19



Support for health workers

One of the bank's actions to contribute to society as we all combat the COVID-19 pandemic was the donation of 45,000 isolation gowns to the Paulo Niemeyer State Brain Institute (IEC). Through partnerships we found a solution to the scarcity of inputs, and connected production and logistics. The PPE donated to the hospital helped maintain the safety of its front-line staff.



PEOPLE

BOCOM BBM 2020 Ideation Week

The young entrepreneurs who took part in this online event discussed ideas about financial industry innovations, receiving support from consultant Fábrica de Startups to create solutions to actual challenges faced by the bank.



Working from home

We offered staff the option of working from home in March 2020 as part of our effort to assure the safety of our team. Always connected, we maintained the excellence and efficiency of our activities.





WHAT WE DO

1.

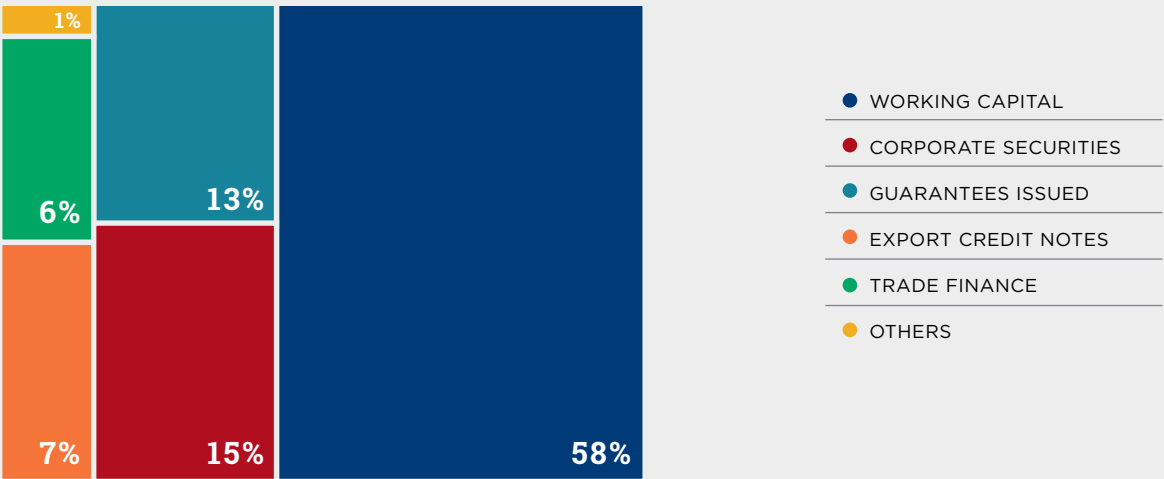
CORPORATE CREDIT

2020 was an atypical year. The COVID-19 pandemic demanded rapid local and global credit solutions. We sought to meet our clients' needs in credit, financial services and derivatives with agility and transparency.

We provide services to three groups of corporate clients: SME (annual revenue between BRL 70 million and BRL 500 million, with liquid collateral), Corporate (annual revenue between BRL 200 million and BRL 3 billion) and Large Corporate (annual revenue above BRL 3 billion or part of a Chinese-controlled conglomerate). We offer loans with a range of collaterals, and pre-shipment export finance.

Connected to government action and private initiatives, we participated in the PEAC emergency credit program run by BNDES, Brazil's national development bank, lending BRL 2.9 billion to Brazilian companies to mitigate the economic impact of the public health crisis. [Our expanded credit portfolio totaled BRL 9.3 billion at end-2020.](#)

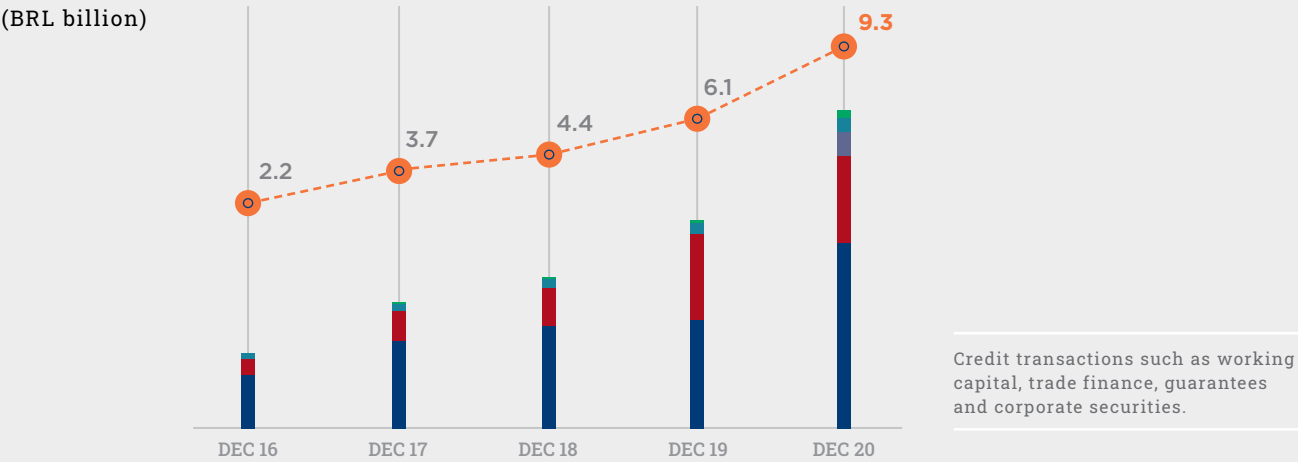
Total Expanded Credit Portfolio | Breakdown by Transaction
(DEC 20)



Total Expanded Credit Portfolio

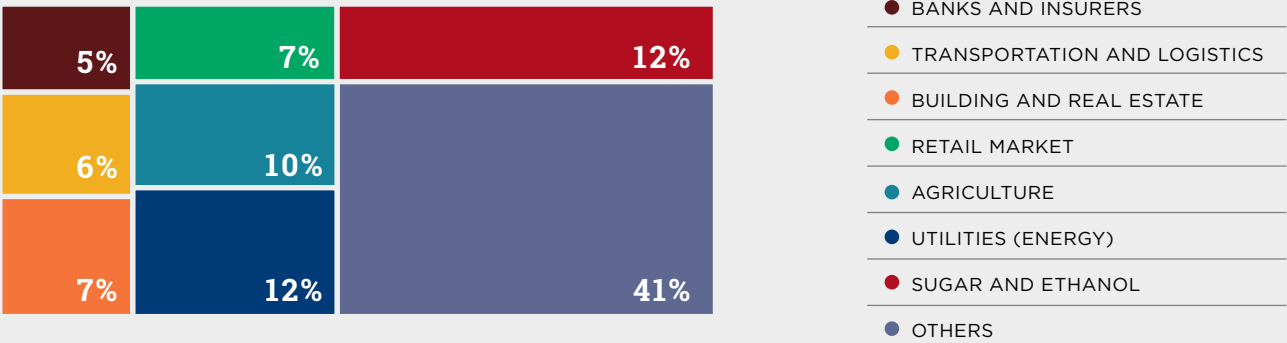
(BRL million)

	DEC 16	DEC 17	DEC 18	DEC 19	DEC 20
CORPORATE	1,521	2,496	2,953	3,132	5,359
LARGE CORPORATE	518	903	1,148	2,522	2,577
SME	-	-	-	-	698
CHINA DESK	127	231	264	317	430
OTHERS	5	38	42	90	228
TOTAL	2,171	3,668	4,408	6,061	9,292

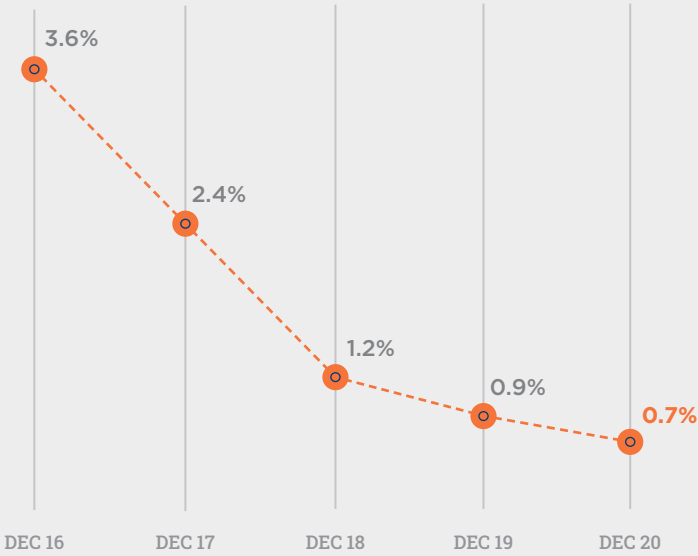


Total Expanded Credit Portfolio | Breakdown by Sector

(DEC 20)



Allowances for Loan Losses | Loans And Guarantees Portfolio



Collaterals* | Loans and Guarantees
(DEC 20)



- RECEIVABLES
- ASSIGNMENT OF REAL ESTATE
- INVENTORIES / CROPS

* In Dec 20, the outstanding balance with some kind of collateral was 33.66%.

Loans and Guarantees Portfolio* | Risk Rates
(DEC 20)



* Expanded Credit operations, classified according to the Central Bank of Brazil's Resolution No. 2,682/99.

2.

WEALTH MANAGEMENT

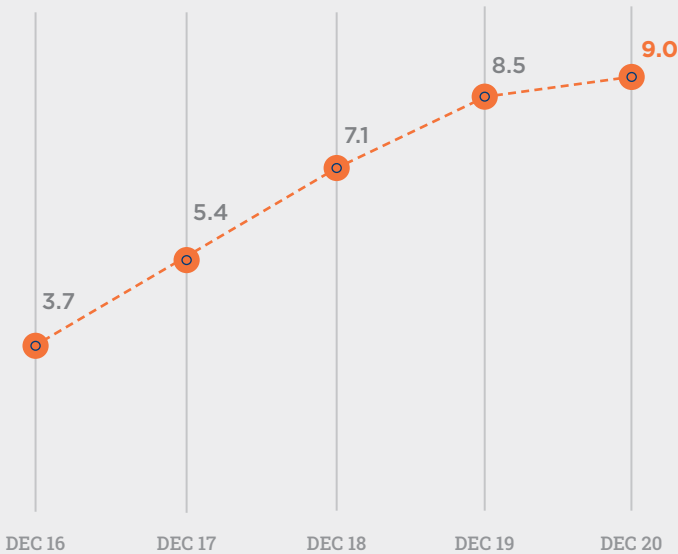
We manage the wealth of Brazilian and foreign families with the aim of long-term optimization. We use constantly updated tools and seek the best risk-return ratio in local and foreign investments. We offer sophisticated financial products and services in an open-platform model. The result is efficient, agile and transparent counseling.

The methods adopted in financial consultancy and exclusive fund management have been refined for decades with excellent results. We offer personalized service, taking into account risk tolerance, asset volume, liquidity, cash generation, and other aspects relevant to each investor. The overarching objective is understanding the client's profile and offering dedicated guidance.

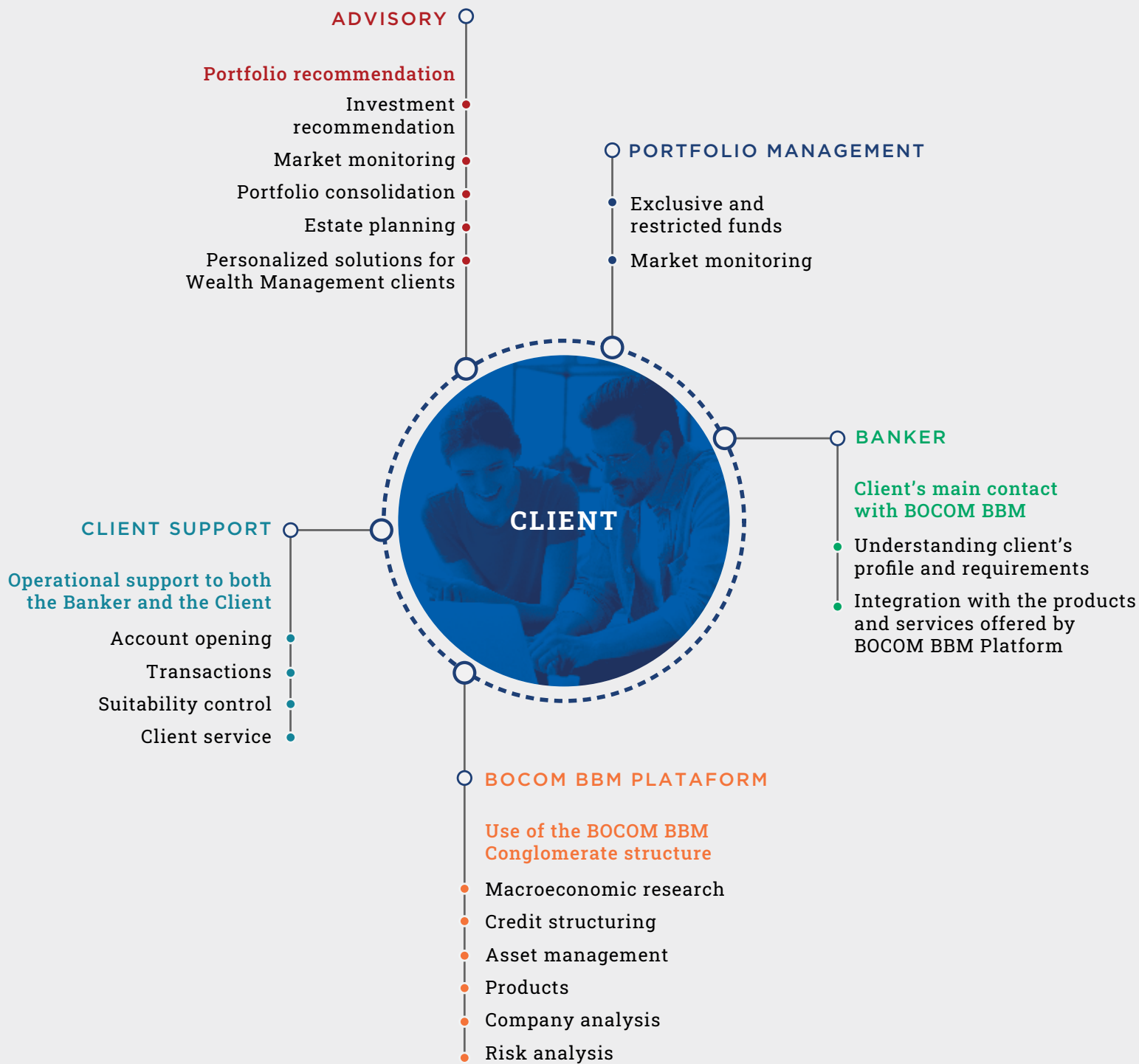
Our team consists of highly trained certified professionals who prioritize excellence in service provision and have vast experience in asset allocation. In addition, our long history of operation in the financial and capital markets enables us to make qualified and well-grounded recommendations.

We aim to assure the growth of the client’s wealth sustainably and consistently over time. Our work is organized in the form of exclusive/restricted funds as well as direct investments by individuals. Allocations are distributed among various asset types and classes, and all products undergo a rigorous internal process of analysis and approval. [Assets under advisory totaled BRL 9.0 billion in 2020.](#)

Wealth Management’s Total Assets
(BRL billion)



Wealth Management Structure



3.

ASSET MANAGEMENT

This area was set up a year ago and is built on a solid foundation. We offer excellence in macroeconomic research, proprietary methodologies and models for managing credit, market and liquidity risks, and credit analysis. The experience of our team guarantees the credibility and quality of our products.



Our portfolio comprises four investment funds. Two of them focus on private credit strategies, with active management and differing risk profiles: [BOCOM BBM Corporate Credit High Yield](#), and [BOCOM BBM Corporate Credit](#), which in December 2020 completed the first year since their launching.



We recently included two more funds in our portfolio: [BOCOM BBM ESG](#), for global equities focusing on sustainability, and [BOCOM BBM China](#), for a return on Chinese companies.

The aim is to provide medium- and long-term returns consistently higher than the interbank deposit rate (CDI). Assets under management totaled about BRL 516 million at end-2020.

4

FINANCIAL SERVICES

● CAPITAL MARKETS

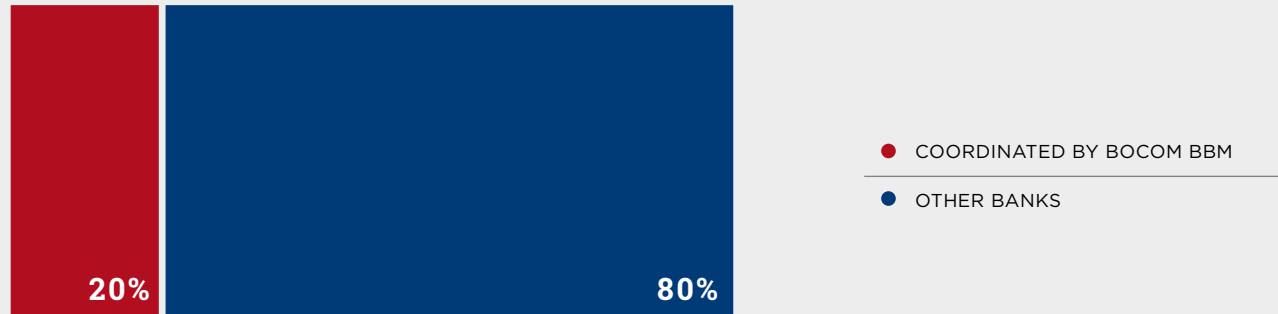
We offer an array of financial products and services relating to the structuring and distribution of securities and derivatives transactions. Our team works with Corporate Credit to identify clients in a position to effect public issuance as a new way to raise funds.

In order to meet clients' needs even more completely, we have sought to diversify our activities by participating in the preparation of documents, including roadshows and other investor pitching materials. We also assist clients in matters such as discussion of structures, market updates, interfacing with regulators, and retaining of service providers such as legal advisors and mandatory banks.

The year 2020 was extremely challenging for the capital markets. According to ANBIMA, the Brazilian Financial and Capital Markets Association, offerings of debentures, promissory notes and bank bonds fell 37% compared with 2019, while sales to investment funds dropped 67%. Despite this adverse environment, we ended 2020 with a total of BRL 752.5 million in coordination of corporate bond and other securities issues.

Capital Market: Coordination of Fixed Income Issues

(DEC 20)



● TREASURY

Treasury works with Corporate Credit on the structuring and pricing of derivatives and other products. Its objective is to present alternatives for companies to address the market risks to which their balance sheets are exposed.

We offer various types of foreign exchange services and derivatives for hedging against the risks associated with exchange rate and interest-rate variation, and inflation.



HOW WE OPERATE

1.

HOW WE FUND OUR ACTIVITIES

The sustainability of our business is based on sound structuring of our assets, the quality and diversity of our funding sources, and products offered with maturities matching the credit portfolio's profile. This concept orients the strategy informing our global and local activities.

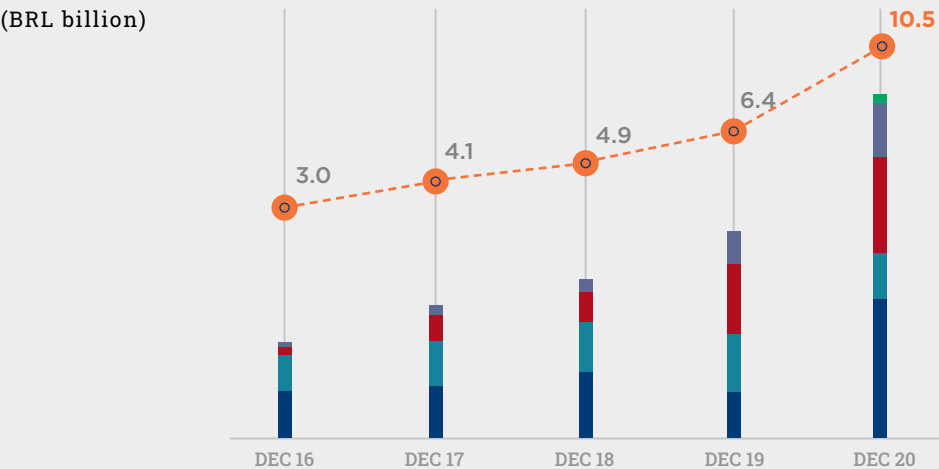
In the local market, Funding and Institutional Relationships work with Wealth Management to offer institutional clients (banks, asset managers and insurers), companies and individual investors fixed-income securities issued by Banco BOCOM BBM. The main instruments used are Certificates of Deposit (CDs), Agribusiness Credit Bills (LCAs), Real Estate Credit Bills (LCIs), and Financial Bonds (LFs).

The international market plays an important role in funding. In addition to support from our controlling shareholder, we have relationships with the world's front-ranking financial institutions and access to competitive rates that enable us to conduct financing and collateral operations.

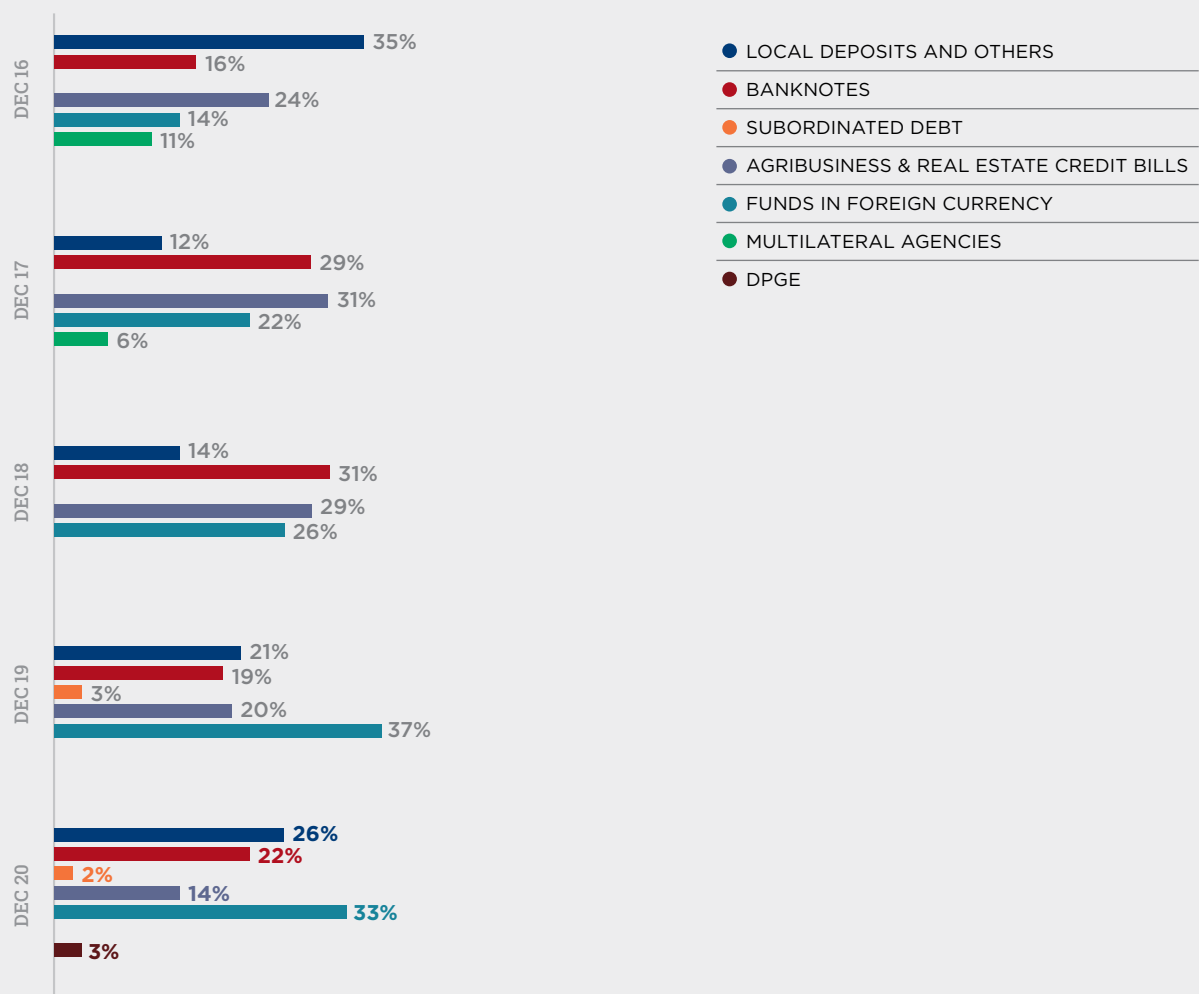
Funding by Type of Investor

(BRL million)

	DEC 16	DEC 17	DEC 18	DEC 19	DEC 20
● INSTITUTIONAL INVESTORS	1,487	1,638	2,043	1,424	4,307
● WEALTH MANAGEMENT	1,088	1,377	1,536	1,771	1,417
● BANK OF COMMUNICATIONS	261	772	950	2,166	2,908
● CORPORATE	128	298	368	1,012	1,662
● LARGE CORPORATE	-	-	-	-	254
● TOTAL	2,964	4,085	4,897	6,373	10,549



Funding | Sources



The bank’s performance in these segments is reflected by the ratings awarded by two of the “big three” credit rating agencies. In April and December 2020, Fitch and Moody’s reaffirmed Banco BOCOM BBM’s national scale ratings as AAA(bra) and Aaa.br respectively, the highest on that scale; and BB+ and Ba1 on the global scale.

In sum, efficient origination, asset structuring and competitive funding sources enable the bank to fund and grow its activities under excellent conditions in terms of cost and tenor.

2.

HOW WE CONTROL RISK

The most important principle of our business philosophy is the prudence with which we structure risk control, assuming suitably quantified risks.

Our experience in the quantified and efficient protection and allocation of capital orients the decision-making processes of various areas of the bank. We use proprietary models suited to the business environment in Brazil. Tools and guidelines integrated with our corporate governance structure assure the necessary support for our decisions. This system enables us to extend credit securely and manage liquidity efficiently, for example.

Our history is distinguished by the constant pursuit of improvement, always at the cutting edge of the Brazilian industry. For decades we have continuously developed and applied proprietary risk management methodologies and models.

INTEGRATED DECISION-MAKING

Risk monitoring, assessment and control are part of our governance and decision-making in all areas. Risk models and parameters are an integral component of our day-to-day business activities. They are present, for example, in our calculations of economic capital, funding and origination policy, and credit portfolio management.

Our control policies and practices are aligned with our Risk Appetite Statement (RAS). The RAS is approved

by the Board of Directors, which establishes the guidelines, responsibilities and models used in risk management.

The management policies and strategies adopted by the bank produce mechanisms and procedures to manage our capital prudently and in conformity with the institution's risk appetite.



DEFINITION

Credit risk is the possibility of failure by a counterparty to honor their financial commitments on time and in accordance with contractual conditions.

OUR ACTIONS

The Credit Committee, the Board of Directors and five other areas of the bank constitute our framework for managing credit risk, which functions as outlined below.

Credit Risk centralizes and assesses information relating to the management of individual risk per transaction and consolidated credit portfolio risk. The purpose of these actions is to guarantee accurate quantitative analysis and ensure that operational limits are respected. Subordinated to the Chief Risk Officer, the unit also shares reports to support decision-making on the credit limits approved by the Credit Committee.

The Board of Directors approves risk management policies and limits in a process that takes place at least once a year.

The Credit Committee sets credit limits for business groups. It is also responsible for tracking and assessing the consolidated portfolio, especially in terms of concentration and risk levels, and for setting deadlines for resolving issues relating to past-due loans or to deteriorating loan security. If debt collection via the courts is necessary, it decides when to file suit.

Credit Analysis is responsible for analyzing and establishing the degree of credit risk for business groups with which we have or plan to have credit relationships.

Legal analyzes all contracts signed by the bank with clients. It also coordinates action to collect debts and protect our rights.

Contract Control ensures that transactions comply with the specifications stipulated in the Credit Limit Proposal (CLP) and makes sure loan security is in order. The unit is responsible for issuing the contracts signed by the bank with clients.

Internal Auditing assesses and regularly monitors our business units and credit facility extension processes.



DEFINITION

Market risk is the possibility of financial losses caused by price or interest-rate swings.

OUR ACTIONS

Quantifying market risk is one of our areas of expertise. We pioneered this activity, developing in 1997 a proprietary system that became an industry benchmark. Subordinated to the Chief Risk Officer, Market Risk is responsible for identifying, measuring and monitoring our exposure to market risk, and conveying the information to the Risk Committee and the Executive Committee.

The market risk management framework is as follows:

- The Risk Committee reviews risk management policies and proposes operational limits for risk in a routine performed at least once a year. The proposals presented are submitted to the Board of Directors for approval.
- Market Risk assures correct monitoring and control of risk metrics.
- Pricing is responsible, among other things, for the pricing models and sources used to mark products to market. It does so independently of management areas.
- Internal Auditing ensures that our market risk management policies are consistent and adequate to procedures.

Risk is monitored by daily calculation of Value at Risk (VaR). VaR is a statistical tool used to measure the institution's potential loss for a given confidence level and investment horizon. The limit we set for VaR can be allocated among the many risk factors by the Chief Treasury Officer. The model for calculating VaR is regularly backtested. Another routine performed by the team is daily analysis of the stress scenarios established every quarter by the Risk Committee, with autonomy from the management areas.



● — DEFINITION

Liquidity risk is the possibility that the institution is unable to honor efficiently its financial obligations, expected and unexpected, without affecting day-to-day operations and without incurring significant losses.

● — OUR ACTIONS

Our integrated risk management ensures that there will always be sufficient free cash for the continuity of our operations, even under a severe stress scenario. This strategy is aligned with our liquidity goal, which is to guarantee sufficient funds to honor all liabilities and commitments at any time. The area's decisions therefore respect the limits and guidelines set by the Risk Committee and approved by the Board of Directors.

Liquidity risk management is based on projections for cash flow under expected scenarios and financial stress scenarios. These analyses consider a number of variables, such as the implicit risk for each client, any additional funds required to settle debts, operating losses, marking to market of derivatives or margin calls, and other existing obligations.

Liquidity Risk centralizes and analyzes the information needed for liquidity risk management. Subordinated to the Chief Risk Officer, it is responsible for assuring compliance with operating limits and internally publishing reports designed to contribute to decision-making. Internal Auditing's remit is to assure the adequacy of procedures and the consistency between policies and the actually implemented framework.



DEFINITION

Operational risk is the possibility of loss resulting from failure, deficiency or inadequacy of internal processes, systems or people, from fraud, or from external events.

OUR ACTIONS

Our operational risk management follows industry best practices and complies with the applicable rules and regulations. The guidelines are described in the "Operational Risk Management Policy", which formalizes the methodology and management process, roles and responsibilities, categories, and documentation and information storage procedures. In addition, Operational Risk is responsible for publishing data to ensure that risk management activities are transparent. It is segregated from Internal Auditing and reports to the Chief Risk & Internal Control Officer.

COMPLIANCE AT BOCOM BBM

Integrity, transparency, responsibility and excellence: these are the principles that guide our activities and are amply disseminated in our Code of Ethics and Conduct.

Compliance reports directly to the CEO but acts independently and impartially to ensure that our activities are always conducted in compliance with the applicable laws and regulations, and in accordance with the highest ethical and professional standards.

Our structure includes a set of policies and procedures that comply with the applicable regulations and implement industry best practices. In particular, we adopt robust procedures to prevent money laundering and terrorism financing, and to combat corrupt practices, among others.

In addition, we guarantee full dissemination of a compliance culture with the support of top management, offering our employees regular training sessions therein.

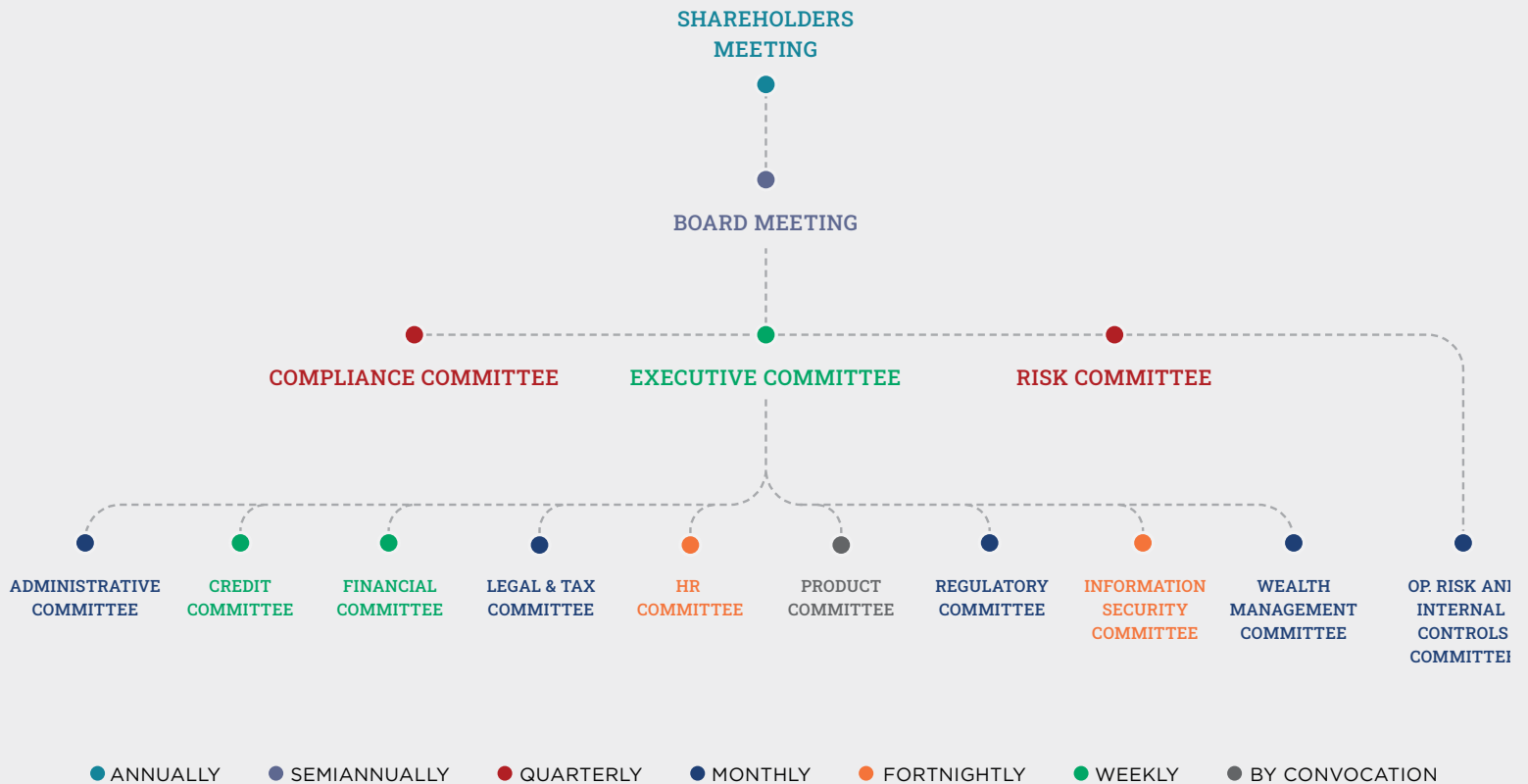
3.

HOW WE DECIDE

● CORPORATE GOVERNANCE

Our governance model, comprising the Shareholder Meeting, the Board of Directors, the Executive Committee and 12 specialized committees, is oriented by a commitment to transparent, ethical, agile, effective and secure decision-making, aligned with industry best practices and grounded in constantly updated information.

An outline of our organizational structure follows:



SHAREHOLDER MEETING ●

MEMBERS: Our shareholders.

FUNCTION: Highest decision-making body.

FREQUENCY: Meets at least once a year or whenever convened.

BOARD MEETING ●

MEMBERS: Four representatives of the controlling shareholder and one representative of the minority shareholders.

FUNCTION: Establish the strategic guidelines for the bank's activities, oversee the operations of top management, and analyze and decide on the Executive Committee's proposals, if necessary, for ratification by the Shareholder Meeting.

FREQUENCY: Meets at least twice a year or whenever convened.

EXECUTIVE COMMITTEE ●

MEMBERS: The executive directors and the chair of the Board.

FUNCTION: Make recommendations regarding top management's decisions, track the bank's performance, and analyze and decide on proposals from the specialized committees (defined below).

FREQUENCY: Meets every week.

SPECIALIZED COMMITTEES

The bank has 12 committees specialized in specific businesses or operational activities. They have considerable autonomy. The Risk Committee and Compliance Committee report to the Board of Directors through the Executive Committee. The others report to the Executive Committee.

Reinforcing our commitment to governance and agile decision-making, at least two directors participate in each committee. The CEO and board members also participate in some committees.

● Risk Committee

FUNCTION: Discuss and monitor the main sources of market, credit, liquidity and operational risk, analyze and define stress scenarios to protect the bank from sudden variations, validate the quantitative models used to calculate risk measures, and receive and/or decide matters forwarded by the Operational Risk & Internal Control Committee.

FREQUENCY: Meets quarterly or whenever there are significant changes for the bank and its clients.

● Compliance Committee

FUNCTION: Approve and oversee the annual compliance program, discuss and respond to the requirements of the Central Bank of Brazil (BCB), the Brazilian Securities & Exchange Commission (CVM) and self-regulating agencies, and determine guidelines for prevention of money laundering and terrorism financing.

FREQUENCY: Meets quarterly or on demand.

● Credit Committee

FUNCTION: Observe and analyze the financial capacity of companies that are potential borrowers and the security to be provided for such loans, maintain a good risk/return ratio on the credit portfolio, and regularly check this indicator. The committee uses quantitative and qualitative methods of assessment, and has recourse to a database containing information accumulated in our long experience on the credit market.

FREQUENCY: Meets weekly, with a specific meeting at least every six months on the bank's financial counterparties to define maximum exposure.

● Wealth Management Committee

FUNCTION: Discuss and oversee activities relating to wealth management for high net worth individuals, monitor the financial and capital markets, and keep all participants up to date on relevant matters that could affect its operations.

FREQUENCY: Meets once a month.

● Product Committee

FUNCTION: Identify business opportunities and assess their economic viability, and analyze the risks associated with new and existing products as well as their legal and operational aspects.

FREQUENCY: Meets on demand.

● HR Committee

FUNCTION: Discuss and decide on processes for selection, recruitment, training and compensation, and discuss more subjective topics relating to the welfare of our team.

FREQUENCY: Meets fortnightly.

● Regulatory Committee

FUNCTION: Track changes in financial and capital market regulation, identify the impacts of these changes on our activities, and suggest ways to adapt our processes to new rules.

FREQUENCY: Meets once a month.

● Financial Committee

FUNCTION: Discuss the economic outlook, and monitor allocations of our assets and liabilities and cash flow from or to them.

FREQUENCY: Meets weekly..

● Administrative Committee

FUNCTION: Manage the budget and administrative costs.

FREQUENCY: Meets monthly.

● Operational Risk & Internal Control Committee

FUNCTION:Oversee the management of operational risk and execution of the Risk Committee's directives. Reports to the Risk Committee directly.

FREQUENCY: Meets monthly.

● Information Security Committee

FUNCTION: Analyze possible operating incident scenarios relating to security, and contract with data processing and cloud computing firms.

FREQUENCY: Meets fortnightly.

● Legal & Tax Committee

FUNCTION: Identify litigation and legal and regulatory discussions that impact the bank's business, and review the bank's legal interpretation of changes to legislation, regulations and case law.

FREQUENCY: Meets monthly.

4.

OUR PEOPLE

Identifying people with outstanding potential and investing in their professional development is a fundamental part of our long-term strategy. We seek people with professional, material and intellectual goals that are aligned with our values, and who are determined to acquire cutting-edge knowledge with the support of practical and academic experience.

Offering the first opportunity to those who are embarking on a career in the financial markets is part of our history. This preference is vital to our business strategy because it enables us to come into close contact with the most innovative people and activities in academia and society, so that we stay ahead of the curve while conserving our identity and values.

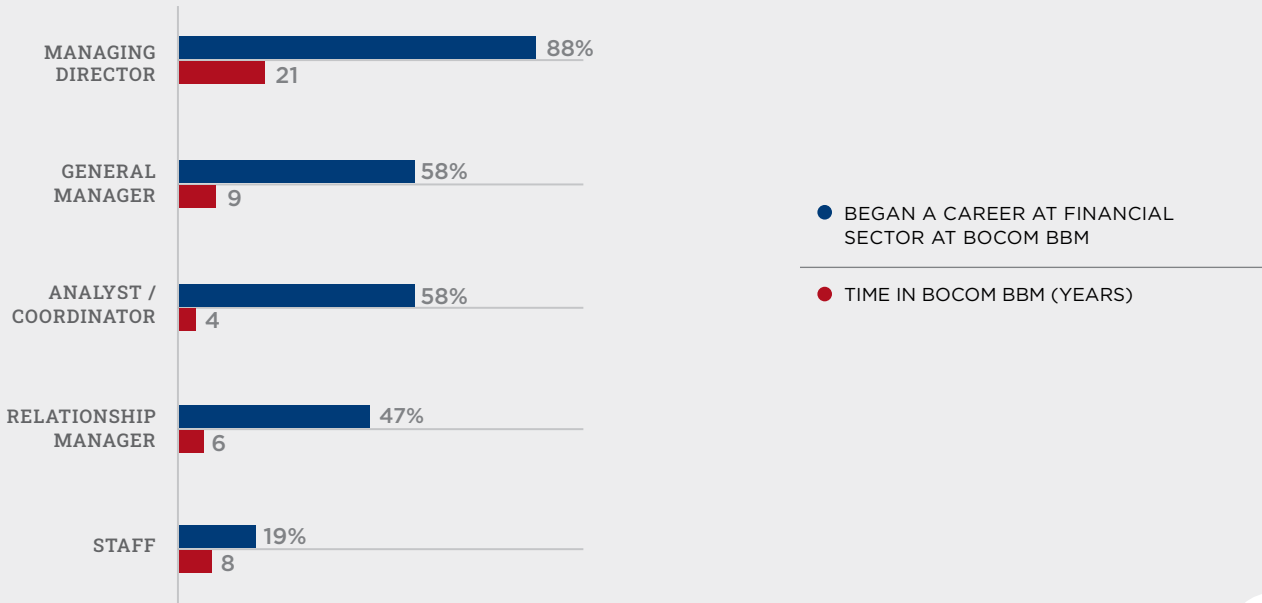
At BOCOM BBM, new employees meet a team of coworkers who are highly qualified, and ready to teach, learn and motivate. Together we innovate, creating even better ways of working and maintaining the bank's sustainable growth.

● PROFESSIONAL GROWTH

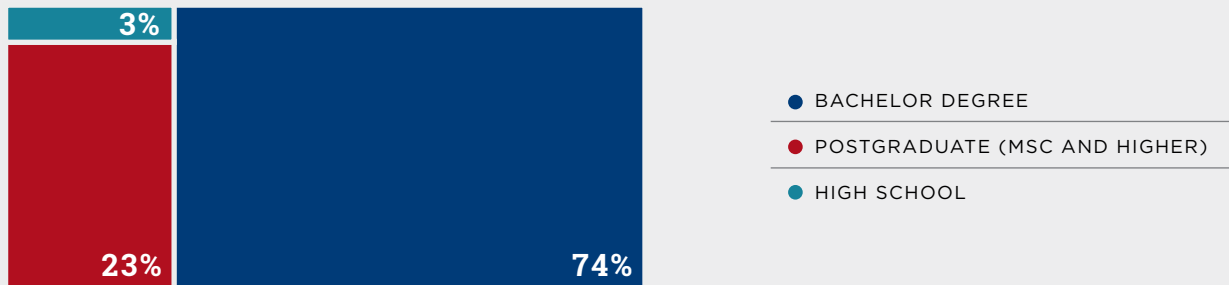
We are committed to the professional growth of our staff, incentivizing it by offering concrete opportunities for development. This is reflected in our leadership positions. Over half of our managers and more than 80% of our senior executives began their careers in this industry at BOCOM BBM.

Executives and managers work hard to contribute to this process, orienting and keeping a close eye on the progress of their teams. We maintain a transparent, dynamic and meritocratic workplace where everyone can prosper, always acting in alignment with our Code of Ethics and Conduct. Compensation includes a semiannual variable bonus based on an assessment process that balances individual and collective performance, ensuring that personal growth keeps pace with the bank’s long-term results.

Professional Growth



Academic Profile



● INVESTING IN TALENT

Our investment in selecting the most talented people and in forming excellent professionals starts with a permanent connection to the best universities in Brazil. Close and direct contact with the academic community enables us to conduct activities and encourage and support projects in Brazil’s main centers of learning and research. Through partnerships with these institutions, we award scholarships to monitors, undergraduates, graduates and master’s degree candidates. We also sponsor and participate in events that motivate students to integrate with the industry, such as trade shows, conferences and hackathons.

Well aware that the pursuit of excellence is a never-ending journey, we encourage staff to seek additional qualifications by enrolling in courses and graduate programs at the best institutions in Brazil, and we offer financial support and flexible hours to permit a reasonable work-study balance.



GLOSSARY

Active Management

Active management of an investment fund aims to assure a return higher than a specified benchmark. To achieve this objective the fund manager analyzes assets and selects those considered suitable for investment by the fund.

Agribusiness Credit Bills (LCA)

Fixed-income debt instruments issued by financial institutions to fund loans to agribusiness. '

Allocation

Distribution of resources available for investment in different assets in order to obtain the highest possible return with the lowest possible risk.

Allowance for Loan Losses

Allowance for Loan Losses is a balance sheet account that represents a bank's best estimate of future loan losses due to client delinquency and default.

Backtesting

Procedure to validate financial models based on their past performance. In this manner it is possible to determine how well a given model would have performed in the past as a basis for predicting its future performance.

Bank Bonds (LF)

LFs are designed to extend the maturity of financial institutions' funding profiles. They can be issued for at least two years by universal banks, commercial banks, development banks, investment banks, credit and

investment societies, savings banks, mortgage companies, home loan societies, and BNDES, the national development bank. They can be linked to inflation or pay a fixed interest rate at least semiannually.

Basel Ratio

Index that measures the degree of leverage of a financial institution.

CAGR

Compound Annual Growth Rate, an indicator used to estimate the average return on an investment in a specific period.

Cash and Cash Equivalents

Cash equivalents/Investments that can be readily converted to cash such as commercial paper, marketable securities, money market holdings and other highly liquid assets.

CEO

Chief Executive Officer, the person with the highest authority at the top of the organization's hierarchy.

Certificates of Deposit (CD)

Short-term negotiable debt instruments issued by financial institutions that promise to pay the bearer or registered owner a fixed or floating rate of interest.

Compliance

Being in compliance means acting in conformity with laws, regulations, policies and guidelines, thus guaranteeing ethical and transparent conduct.

Debentures

Medium- to long-term debt instruments that pay a fixed rate of interest and make the holder a creditor of the issuing company.

Derivatives

Financial instruments whose value derives from an underlying asset, reference rate or market index.

TYPE 1 | Forwards: over-the-counter contracts between two parties to buy or sell a specified quantity of a commodity or financial asset at a price agreed in the present but for settlement on a future date. May entail periodic adjustments.

TYPE 2 | Futures: exchange-traded contracts that obligate the parties to transact an asset at a future date and price. Settlement may be by physical delivery or in cash. Both parties must post margin throughout the life of the contract as the price varies.

TYPE 3 | Options: exchange-traded contracts giving the buyer the right but not the obligation to buy or sell an asset or instrument at a fixed price prior to or on a specified date. The option buyer pays the writer (seller) a premium.

TYPE 4 | Swaps: over-the-counter contracts between two parties to exchange financial instruments, yields, rates or payments for a certain time.

DPGE

The Portuguese-language acronym for Time Deposit with Special Collateral, a type of CD (certificate of deposit) issued by financial institutions for funding purposes. Commercial banks, full-service banks, development banks, investment banks, credit associations (SCFIs) and savings and loan associations are authorized by law to issue DPGEs, which are guaranteed by the FGC deposit insurance fund.

Expanded Credit Portfolio

Loans and securities with credit risk such as debentures, promissory notes or farm produce bonds (CPRs).

Interbank Deposit Certificate (CDI)

CDIs are fixed-income securities issued by financial institutions for mutual lending purposes, usually overnight.

Liabilities

Debts and obligations of the business recorded on the right side of the balance sheet, including accounts payable, deferred revenues and accrued expenses, for example.

Liquid Assets

Cash and cash equivalents, repos, interbank deposits, foreign exchange and marketable government bonds.

Multilateral Organizations

Also known as multilateral institutions, these are entities established by the world's leading nations to work together for the full development of political and economic activities, health, security and infrastructure. Examples include the UN, WHO, IDB, IFC, Proparco, and DEG.

Operational Limits

All limits to which the institution is subject in order to comply with regulatory requirements and internal policies.

Real Estate Credit Bills (LCI)

Fixed-income debt instruments issued by financial institutions to fund loans to the real estate, housing and construction industry.

Repos

Repurchasing agreements structured as bond sales, with an agreement to repurchase the debt security in a future date at a higher price to factor in the dealer's interest expense. Equivalent to a secured deposit.

Return on Average Equity (ROAE)

This is an indicator that measures a firm's capacity to add value from its own resources and investor funds, based on net income as a percentage of average shareholders' equity over a period (typically two years).

Risk Appetite Statement (RAS)

The RAS formalizes the types of risk to which the institution is exposed in the course of conducting its business activities and its appetite for each of these risks. Its purpose is to establish an effective governance process that aligns the interests of the institution with the risks effectively practiced.

Subordinated Debt

A debt instrument with a subordination clause, meaning that in the event of the issuing institution's liquidation or bankruptcy the holder will be paid only after all other creditors have been paid.

Suitability Control

Control of investors' profiles to ensure that requested investments in financial assets are compatible with their objectives and risk tolerance.

Total Funding

Demand and time deposits, interbank deposits, bank bonds (LFs), agribusiness credit bills (LCAs), real estate credit bills (LCIs), foreign borrowings, and pre-export finance.



FINANCIAL STATEMENTS

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			
Hedge object	Result of the object	Result of the hedge instrument	Effectiveness
Fundraising (I)	142,642	128,868	90.34%

Fundraising hedge (II)

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

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

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

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

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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