Banco Votorantim S.A.

Consolidated Financial Statements
in accordance with IFRS
December 31, 2019

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Independent auditors' report on consolidated financial statements

To
The Shareholders and the Board of Directors of
Banco Votorantim S.A.
São Paulo - SP

Opinion
We have audited the consolidated financial statements of Banco Votorantim S.A. and it is subsidiaries ("Banco Votorantim"), which comprise the consolidated statement of financial position as of December 31, 2019 and the respective consolidated statements of income, of comprehensive income, changes in shareholder's equity and cash flows for the year then ended and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Banco Votorantim as of December 31, 2019, the consolidated financial performance of its operations and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion
We conducted our audit in accordance with Brazilian and international standards on auditing. Our responsibilities, under those standards, are further described in the "The Auditor's responsibilities for the audit of consolidated financial statements". We are independent of Banco Votorantim, in accordance with the ethical requirements established in the Accountant´s Professional Ethics Code and the Professional Standards issued by the Federal Accounting Council (CFC), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those that, in our professional judgment, were of most significance in our audit of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and, we do not express a separate opinion on these matters.

Impairment of loan and leasing transactions

As disclosed in Notes 4g, 4j, 12 and 38v, and in the International Financial Reporting Standard IFRS 9 ("IFRS 9"), for calculation purposes of the impairment of loan and leasing transactions, Management uses the expected credit loss model. The measurements of the expected credit loss are determined based on judgment and assumptions of Banco Votorantim considering estimates and assumptions based on the historical behavior of losses and projections of expected credit losses. Due to the significance of loan and leasing transactions, the degree of judgment involved in determining the expected credit loss, as well as the disclosure requirements, we considered this as a significant matter in our audit.

How our audit addressed this matter

We evaluated the design of internal controls related to the risk level approval processes ("ratings") over the loan and leasing transactions and the governance behind the internal models used in the calculation of the expected losses. With the assistance of our credit risk modeling specialists, we also assessed the reasonableness of the models for measuring expected losses from loan and leasing transactions, including the criteria used to classify loan and leasing transactions in IFRS 9 stages from its initial recognition. In addition, with the assistance of our credit risk modeling specialists, we performed procedures to verify the adherence of the amount recorded by Management as an impairment of loan and leasing transactions versus the incurred (Back test). Based on sampling, we recalculated the expected loss from loan and leasing transactions based on the measurement models and the policy established by Banco Votorantim. Lastly, we assessed whether the disclosures made in the consolidated financial statements, described in Notes 4g, 4j, 12 and 38v, are in accordance with the applicable rules.

Based on the evidence obtained from the procedures described above, we have considered acceptable the expected credit loss of loan and leasing transactions and the related disclosures in the context of the consolidated financial statements taken as a whole for the year ended December 31, 2019.

Fair value of financial instruments

As disclosed in Notes 4g, 4k, 10 and 11, Banco Votorantim has significant balances of financial instruments measured at fair value. For financial instruments that are not actively traded and those which market prices and parameters are not available, the determination of fair value is subject to a higher uncertainty level, to the extent Banco Votorantim makes significant judgments to estimate such amounts.

Therefore, we considered the fair value measurement of these financial instruments as a significant matter in our audit.

How our audit addressed this matter

We evaluated the design of internal controls related to the governance over the internal models used in the calculation of the market value of the financial instruments and the review by independent area of the prices of financial instruments on a monthly basis. For a sample of financial instruments whose parameters for measuring fair values are not observable, with the technical support of our specialists in financial instruments, we assessed the adequacy of the models developed by Banco Votorantim for determining fair value and the reasonableness of the data, parameters and information included in the pricing models used and we recalculated the corresponding fair value of these transactions. We analyzed the supporting documentation for recording a provision for permanent losses (impairment). We also assessed whether the disclosures made in the consolidated financial statements, described in Notes 4g, 4k, 10 and 11, are in accordance with the applicable rules.

Based on the evidence obtained from the procedures described above, we considered the fair value measurement of financial instruments and the disclosures acceptable in the context of the consolidated financial statements taken as a whole for the year ended December 31, 2019.

Provisions and contingent liabilities
As disclosed in Notes 4t and 25, Banco Votorantim recognizes provision for labor, civil and tax claims arising from the normal course of its operations. Estimates of the outcome and the financial effect are determined by the nature of the claims and by Banco Votorantim's judgment, based on the opinion of the legal advisors, on the elements of the process, complemented by the experience of similar claims.

Due to the significance, complexity and judgment involved in the evaluation, measurement, timing of recognition definition and disclosures related to Provisions and contingent Liabilities and Provisions, we consider this as a significant matter in our audit.

How our audit addressed this matter
We evaluated the design of internal controls related to the assessment, classification, and approval of the claim risk, as well as the review of the calculation of the provision and the sufficiency of the provision recorded by Management. We confirmed with the external legal advisors that the contingency population is complete and accurate by reconciling the responses of the advisors against the Bank's base. We assessed the determination of the claim risks of the cases that are relevant matters and values of the Bank, through the evaluation of the criteria used in the methodology for measuring the provisioned values, as well as historical data and information. We also made a comparison between the amounts paid and provisioned for cases closed during the year (Back test). We also assessed whether the disclosures made in the consolidated financial statements, described in Notes 4t and 25, are in accordance with applicable rules.

Based on the evidence obtained from the procedures described above, we considered the level of provisioning and the disclosures acceptable in the context of the consolidated financial statements taken as a whole for the year ended December 31, 2019.

Projection of future results for realization of deferred tax assets
The consolidated financial statements include assets related to deferred tax assets (Notes 4u, 24.a.2 and 24e), which realization depends on future profitability based on the business plan and budgets prepared by Banco Votorantim and approved at its governance levels. To prepare the projections of future results for purposes, among others, of verifying the realization of assets, Banco Votorantim adopts assumptions based on its corporate strategies and the macroeconomic scenario, such as interest rate, inflation rate, among others, considering the current and past performance and the expected growth in the market it acts.

Due to the significance of the balances related to these assets (deferred tax assets), as they are based on future profitability estimated and the impacts that eventual changes in the assumptions would have on the amounts recorded in the consolidated financial statements, we have considered this as a significant matter in our audit.

How our audit addressed this matter
We evaluated the design and effectiveness of the relevant internal controls related to the process of determining and approving the assumptions used to prepare the projection of future results, which is the basis for evaluating the realization of assets. With the support of our corporate finance specialists, we evaluated the reasonableness of the assumptions used by Banco Votorantim, recalculated the projections based on such assumptions, and if they were in compliance with current regulatory guidelines. With the support of our tax specialists, we evaluated the bases of calculation in which the current tax rates are applied and the study of the capacity to realize the deferred tax assets. We also evaluated whether the disclosures in the consolidated financial statements described in notes 4u, 24.a.2 and 24e are in accordance with the applicable rules.

Based on the evidence obtained from the procedures described above, we considered adequate the measurement of the deferred tax assets and the disclosures acceptable in the context of the consolidated financial statements taken as a whole for the year ended December 31, 2019.

Other matters – Statement of value added

The consolidated statement of value added (DVA) for the year ended December 31, 2019, prepared under the responsibility of Banco Votorantim's management, and presented as supplementary information for IFRS purposes, was submitted to audit procedures carried out in conjunction with the audit of Banco Votorantim's financial statements. To form our opinion, we evaluated whether this statement is reconciled with the financial statements and accounting records, as applicable, and whether its form and content is in accordance with the criteria defined in Technical Pronouncement CPC 09 - Statement of Added Value. In our opinion, this statement of added value was properly prepared, in all material respects, according to the criteria defined in this Technical Pronouncement and is consistent with the consolidated financial statements taken as a whole.

Responsibilities of management and those in charge with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement whether to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing Banco Votorantim's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate Banco Votorantim or to cease operations, or there has no realistic alternative but to do so.

Those charged with governance are those responsible for overseeing Banco Votorantim's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit performed in accordance with the Brazilian and international standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtained an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Banco Votorantim's internal control.

- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on Banco Votorantim's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Banco Votorantim to cease to continue as a going concern.

- Evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit and, consequently, for our audit opinion.

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

We also have provided those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditors' report, unless law or regulation precludes public disclosure about the matter, or when, in extremely rare circumstances, we have determined that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefit of such communication.

São Paulo, March 11, 2021

KPMG Auditores Independentes
CRC 2SP014428/O-6

João Paulo Dal Poz Alouche
Accountant CRC 1SP245785/O-2

Banco Votorantim S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

on December 31, 2019 and 2018

(In thousands of Reais)

	Note	12.31.2019	12.31.2018
ASSETS			
Cash and cash equivalents	8	1,051,889	1,567,948
Financial assets		86,516,884	89,963,198
Compulsory deposits at the Central Bank of Brazil	9	1,772,165	521,889
Financial assets at fair value through profit or loss		12,875,336	16,303,449
Securities	10	10,138,014	12,123,178
Derivatives	11	2,737,322	4,180,271
Financial assets measured at fair value through other comprehensive income		15,272,657	13,085,857
Securities	10	15,272,657	13,083,532
Interbank deposit investments	13	-	2,325
Financial assets measured at amortized cost		56,596,726	60,052,003
Loans and leases	12	50,629,955	46,385,071
Interbank deposit investments	13	250,491	411,537
Financial assets with resale agreements	14	2,281,503	10,660,524
Securities	10	2,442,312	2,413,735
Other financial assets	17	992,465	181,136
Dividends receivable		2,251	814
Investments in associates and joint ventures	16	79,463	383,399
Property, plant and equipment	18	94,416	109,088
Intangible assets	19	395,958	268,772
Tax assets	24a	7,384,056	7,442,312
Non-financial assets held for sale	15	532,150	576,556
Other assets	17	843,741	1,975,532
TOTAL ASSETS		**96,900,808**	**102,287,619**
LIABILITIES			
Financial liabilities at fair value through profit or loss		3,720,597	5,886,727
Derivatives	11	2,934,562	4,129,517
Other financial liabilities	20	786,035	1,757,210
Financial liabilities measured at amortized cost	21	80,296,446	81,239,264
Provision for tax, civil and labor lawsuits	25	906,308	1,302,395
Tax liabilities	24b	643,856	519,010
Dividends payable		25,042	18,859
Other liabilities	22	1,568,107	4,195,421
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**9,740,452**	**9,125,942**
Capital	23a	8,130,372	8,130,372
Capital reserves		1,706,189	1,422,218
Other comprehensive income	23d	79,299	(25,946)
Non-appropriated accumulated earnings	23e	(175,408)	(400,702)
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE NON-CONTROLLING INTERESTS		**-**	**1**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**96,900,808**	**102,287,619**

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

Banco Votorantim S.A.

CONSOLIDATED INCOME STATEMENT

Years ended December 31, 2019 and 2018

(In thousands of Reais, unless otherwise stated)

	Note	2019	2018
Interest revenues	26	11,518,099	11,586,218
Interest expenses	27	(5,009,264)	(6,148,586)
Net Interest Income		**6,508,835**	**5,437,632**
Net income from services and commissions	**28**	**1,356,058**	**1,351,447**
Income from financial instruments at fair value through profit or loss	29	467,244	85,757
Income from financial instruments at fair value through other comprehensive income		38,235	7,731
Income (losses) from derivative financial instruments	11h	(1,019,921)	(531,794)
Other operating income (expense)	30	(341,873)	(161,720)
Income (loss) from financial intermediation		**7,008,578**	**6,189,053**
Net impairment loss of financial assets	31	(2,218,046)	(1,976,521)
Personnel expenses	32	(1,365,833)	(1,265,249)
Other administrative expenses	33	(671,291)	(654,958)
Depreciation and amortization expenses		(128,720)	(89,012)
Tax expenses	24c	(571,353)	(461,112)
Share of profit (loss) in associates and joint ventures	16a	(19,614)	(13,860)
Gain / (loss) from disposal of non-financial assets held for sale	15b	(12,735)	86,306
Income before taxes and contributions		**2,020,986**	**1,814,647**
Current taxes	24d	(351,744)	(264,332)
Deferred taxes	24d	(74,521)	(489,769)
Net profit attributable to shareholders		**1,594,721**	**1,060,546**
Net profit		**1,594,721**	**1,060,546**
Basic and diluted earnings per thousand shares - R$		**15.13**	**10.06**
Quantity of shares (thousand lot) - basic and diluted		**105,391,473**	**105,391,473**

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

Banco Votorantim S.A.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Years ended December 31, 2019 and 2018

(In thousands of Reais)

	Note	2019	2018
Net profit for the year		**1,594,721**	**1,060,546**
OTHER COMPREHENSIVE INCOME THAT CAN BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS:			
Net variation in the fair value of financial assets measured at fair value through other comprehensive income	**23d**	**163,956**	**123,581**
Initial adoption of IFRS 9			
Adjustment to fair value of financial assets that changed measurement criteria		-	167,550
Tax effect		-	(75,397)
Changes in the year:			
Adjustment to fair value		288,794	118,163
Adjustment to fair value transferred to income statement		(47,235)	(78,223)
Tax effect		(77,603)	(8,512)
Cash flow hedge	**23d**	**(58,711)**	**(97,734)**
Adjustment to fair value		(155,600)	(150,117)
Adjustment to fair value transferred to income statement	11g	29,684	(8,413)
Tax effect		67,205	60,796
TOTAL COMPREHENSIVE INCOME		**1,699,966**	**1,086,393**

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

Banco Votorantim S.A.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

Years ended December 31, 2019 and 2018

(In thousands of Reais)

	Note	Shareholders' equity attributable to shareholders of the Company						Non-controlling interest	Total shareholders' equity
		Capital	Capital reserves	Profit reserves	Other comprehensive income	Non-appropriated retained earnings	Total		
Balances at December 31, 2017		**8,130,372**	**372,120**	**425,579**	**(51,793)**	**354,774**	**9,231,052**	**1**	**9,231,053**
Effect from adjustments of initial adoption of IFRS 09	4bb / 23d	-	-	-	92,153	(766,545)	(674,392)	-	(674,392)
Balances at January 1, 2018	**4bb**	**8,130,372**	**372,120**	**425,579**	**40,360**	**(411,771)**	**8,556,660**	**1**	**8,556,661**
Other adjustments over financial instruments, net of taxes	23e	-	-	-	-	(230,986)	(230,986)	**-**	**(230,986)**
Adjustments to fair value	23d	-	-	-	(66,306)	551	(65,755)	-	(65,755)
Net profit for the year		-	-	-	-	1,060,546	1,060,546	-	1,060,546
Allocation of reserves		-	-	624,519	-	(624,519)	-	-	-
Minimum mandatory dividends	23c	-	-	-	-	(194,523)	(194,523)	-	(194,523)
Balances at December 31, 2018		**8,130,372**	**372,120**	**1,050,098**	**(25,946)**	**(400,702)**	**9,125,942**	**1**	**9,125,943**
Changes in the period		**-**	**-**	**624,519**	**25,847**	**(755,476)**	**(105,110)**	**-**	**(105,110)**
Balances at December 31, 2018		**8,130,372**	**372,120**	**1,050,098**	**(25,946)**	**(400,702)**	**9,125,942**	**1**	**9,125,943**
									-
Effect from adjustments of initial adoption of IFRS 16	4z					814	814		814
Balances at January 1, 2019									-
									-
Adjustments to fair value	23d	-	-	-	105,245	-	105,245	-	105,245
Net profit for the year		-	-	-	-	1,594,721	1,594,721	(1)	1,594,720
Allocation of reserves		-	-	283,971	-	(283,971)	-	-	-
Minimum mandatory dividends	23c	-	-	-	-	(336,270)	(336,270)	-	(336,270)
Additional dividends	23c					(750,000)	(750,000)		(750,000)
Balances at December 31, 2019		**8,130,372**	**372,120**	**1,334,069**	**79,299**	**(175,408)**	**9,740,452**	**-**	**9,740,452**
Changes in the period		**-**	**-**	**283,971**	**105,245**	**225,294**	**614,510**	**(1)**	**614,509**

Earnings per Share are disclosed in the Income Statement.
The accompanying notes are an integral part of these consolidated financial statements.

Banco Votorantim S.A.

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended December 31, 2019 and 2018

(In thousands of Reais)

	Note	2019	2018
Cash flows from operating activities			
Income before taxes and contributions		**2,020,986**	**1,814,647**
Adjustments to income before taxes and contributions		**1,719,726**	**2,023,963**
Depreciation and amortization		128,720	89,012
Allowance for impairment losses	31	2,393,963	2,411,089
Income from investments in associates and joint ventures	16a	19,614	13,860
Foreign exchange movement of investments abroad		(47,489)	(268,500)
Expenses (Reversal) with civil, labor and tax provisions	25e.1	(396,087)	(64,111)
Impairment of non-financial assets held for sale	30	123,093	25,432
Interest accrued and not received from financial assets at amortized cost		(638,751)	(179,531)
Effect of changes in foreign exchange rates on cash and cash equivalents		(6,041)	(78,421)
Provision for impairment losses on equity investments	30	9,359	74,169
Other operating income (loss)		133,345	964
Changings in operating assets and liabilities		**(2,277,502)**	**(7,283,052)**
Net change in financial assets measured at fair value through profit or loss		3,428,089	(11,749,401)
Net change in compulsory deposits at the Central Bank of Brazil		(1,250,276)	(507,815)
Net change in financial assets at amortized cost (Loans and leases)		(6,652,831)	(1,923,017)
Net change in financial assets at amortized cost (Securities and others)		8,400,269	(806,057)
Net change in dividends receivable		(25,831)	(7,736)
Net change in current taxes		25,879	(114,132)
Cash payments relating to current tax liabilities		(373,239)	(348,251)
Net change in deferred taxes		93,799	(679,906)
Net change in non-financial assets held for sale		65,742	(285,007)
Net change in financial liabilities at fair value through profit or loss		(2,166,107)	(271,175)
Net change in financial liabilities at amortized cost		(6,066,740)	10,060,238
Net change in securities issued		2,075,547	(1,888,698)
Other variations in assets		10,708	694,434
Other variations in liabilities		157,489	543,471
Net cash used in operating activities		**1,463,210**	**(3,444,442)**
Cash flows from investing activities			
(Acquisition / increase) of securities measured at fair value through other comprehensive income		(2,146,204)	(4,332,942)
(Acquisition / increase) of securities measured at amortized cost		(553,324)	-
(Acquisition / increase) of investments		(28,497)	(120,689)
(Acquisition) of property, plant and equipment		(18,784)	(41,114)
(Acquisition / activation) of intangible assets		(390,731)	(148,941)
Disposal and decrease of financial assets measured at fair value through other comprehensive income		72,722	1,466,566
Maturity of financial assets measured at amortized cost		1,484,930	4,623,883
Disposal / decrease of investments		350,948	543,462
Disposal of property, plant and equipment		382	5,667
Disposal of intangible assets		35,368	483
Dividends / interest on own capital received [1]		24,394	53,299
Cash generated by (used in) investing activities		**(1,168,796)**	**2,049,674**
Cash flows from financing activities			
Dividends paid	37d	(1,080,087)	(286,262)
Subordinated liabilities	37d	263,573	515,805
Cash generated by (used in) financing activities		**(816,514)**	**229,543**
Net increase (decrease) in cash and cash equivalents		**(522,100)**	**(1,165,225)**
Cash and cash equivalents at the beginning of the period		1,567,948	2,654,752
Effect of changes in foreign exchange rates on cash and cash equivalents		6,041	78,421
Cash and cash equivalents at the end of the period	8	1,051,889	1,567,948
Net increase (decrease) in cash and cash equivalents		**(522,100)**	**(1,165,225)**

[1] Amounts net of taxes.

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

Banco Votorantim S.A.

CONSOLIDATED STATEMENT OF VALUE ADDED

Years ended December 31, 2019 and 2018

(In thousands of Reais)

	Note	2019		2018	
Revenues		**9,787,061**		**10,447,424**	
Interest revenues	26	11,518,099		11,586,218	
Net profit (loss) from services and comissions	28	1,356,058		1,351,447	
Income from financial instruments		(514,442)		(438,306)	
Allowance for impairment losses	31	(2,218,046)		(1,976,521)	
Income from disposal of non-financial assets held for sale	15b	(12,735)		86,306	
Other operating income (loss)	30	(341,873)		(161,720)	
Interest expenses	**27**	**(5,009,264)**		**(6,148,586)**	
Inputs acquired from third parties		**(623,076)**		**(590,815)**	
Water, electricity and gas	33	(7,221)		(9,020)	
Outsourced services	33	(138,276)		(133,553)	
Communications	33	(51,305)		(62,808)	
Data processing	33	(271,626)		(246,492)	
Transportation	33	(10,798)		(15,146)	
Surveillance and security services	33	(1,729)		(2,201)	
Advertising and publicity	33	(52,246)		(47,781)	
Others	33	(89,875)		(73,814)	
Gross value added		**4,154,721**		**3,708,023**	
Amortization/depreciation expenses		(128,720)		(89,012)	
Net value added produced by the Entity		**4,026,001**		**3,619,011**	
Value added received as transfer		**(19,614)**		**(13,860)**	
Income from investments in associates and joint ventures	16a	(19,614)		(13,860)	
Value added payable		**4,006,387**	**100.00%**	**3,605,151**	**100.00%**
Distributed value added		**4,006,387**	**100.00%**	**3,605,151**	**100.00%**
Personnel		**1,222,877**	**30.52%**	**1,120,589**	**31.08%**
Salaries, fees and labor demands	32	830,959		765,697	
Profit sharing - Employees and Management		180,593		171,671	
Benefits and training programs	32	151,337		128,148	
FGTS		59,948		55,034	
Other charges		40		39	
Taxes, rates and contributions		**1,140,574**	**28.46%**	**1,359,873**	**37.72%**
Federal		1,017,949		1,278,521	
State		555		876	
Municipal		122,070		80,476	
Third-party capital remuneration		**48,215**	**1.20%**	**64,143**	**1.78%**
Rental	33	48,215		64,143	
Remuneration of own capital		**1,594,721**	**39.82%**	**1,060,546**	**29.42%**
Dividends		1,086,270		194,523	
Retained earnings		508,451		866,023	

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

Notes to the Consolidated Financial Statements

1. THE CONGLOMERATE AND ITS OPERATIONS

Banco Votorantim S.A. ("banco BV", "Bank", "Group", "Company", "Conglomerate" or "Consolidated") is a private company with its headquarters located at Av. das Nações Unidas, nº 14.171, in the city of São Paulo – SP, Brazil. The Bank operates as a Multiple Bank providing financial services as permitted by its banking licence, which include commercial banking, investment banking and foreign exchange operation portfolios.

In December 2019 the Bank announced the change of brand "Banco Votorantim" to "banco BV". The abbreviation assumes the nickname which was already used by many of our clients and partners. This way, banco BV unifies its trademarks in a single architecture, assumes the "light for your life" slogan and enhances its position both for retail, where, it mainly, operates with vehicle financing, and for wholesale, where it operates in both corporate and wealth management.

Through its subsidiaries, the Conglomerate also carries out operations in the areas of consumer credit, leasing, administration of investment funds and credit cards, securities brokerage and distribution, insurances brokerage, sales promotion services and/or commercial representation, venture participation and real estate incorporations and other activities in which institutions that are part of the National Financial System are permitted to engage. Other information about the companies which comprise the Conglomerate are described in note 6.

Since 2014, banco BV has expanded its investments in technology and data, consolidated its corporative culture and diversified its business, becoming one of the banks that is most connected to fintechs and the startup ecosystem. Therefore, the restructuring of the visual identity was the natural course to reflect the evolution to all segments that operate, creating synergy and logic between brands and the Conglomerate's business units.

The Conglomerate's operations are conducted in the context of a set of institutions that operate in an integrated manner in the financial market, including in relation to risk management, and certain transactions have the joint participation or the intermediation of related parties, which are part of the financial system. The benefits of the services provided between these institutions and the costs of the operational and administrative structures, are absorbed based on the practicality and reasonableness of the allocation of the benefits and costs, jointly or individually.

2. CORPORATE RESTRUCTURING

As determined by a formal alteration to the bylaws of Votorantim Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda. ("Votorantim Asset") and the Shareholders meeting of Votorantim - Corretora de Títulos e Valores Mobiliários Ltda. ("Votorantim CVTM"), held on January 31, 2018, Banco Votorantim SA, controller of both, approved the merger of Votorantim CTVM into Votorantim Asset, in accordance with the Protocol and Justification of Incorporation between them. The merged net assets were valued at book value on December 31, 2017, the transaction's base date, in the amount of R$ 266,791; adding the equity variations occurring between the base date of the appraisal report and the date of the merger. The merger was justified by the discontinuation of the activities of Votorantim CTVM which shared similar objectives between the two entities and represented the improvement of the corporate structure of the Conglomerate, rationalized its operations, simplified administration, facilitated accounting and financial procedures; minimized administrative expenses, leading to the optimization of its assets and results. As a result, Votorantim CTVM had its legal existence terminated and Votorantim Asset became the successor, on a universal basis, of all its rights and obligations. The merger will imply an increase of Votorantim Asset's Capital Stock in the amount of R$ 190,763, through the issuance of 19,076,313,565 new shares with a par value of R$ 0.01, to be attributed to Votorantim CTVM's shareholders, by replacing their shares in the old entity with shares in the new company. In addition to the amendment to the Capital Stock clause, Votorantim Asset's articles of association will not be altered.

We present below the equity balances at December 31, 2017 of Votorantim CTVM incorporated by Votorantim Asset:

Assets: R$ 386,995
Liabilities: R$ 120,204
Shareholder’s equity: R$ 266,791

In the meeting between the Board of Directors of Banco Votorantim S.A., held on November 7, 2019, the plan for the change of BV Leasing - Arrendamento Mercantil S.A. to a Multiple Bank was approved, whose shareholders restructuring is subject to regulatory approvement.

3. PRESENTATION OF INDIVIDUAL AND THE CONSOLIDATED FINANCIAL STATEMENTS

a) Statement of conformity

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and respective predecessor bodies.

All relevant information inherent to these Financial Statements under IFRS is properly evidenced and corresponds to the information used to manage the Bank and its subsidiaries.

In the Consolidated Financial Statements authorized by Management on February 6, 2020, the Conglomerate began to disclose the Consolidated Statement of Value Added. This measure is intended to establish a greater alignment to market practices of financial information disclosure.

4. SIGNIFICANT ACCOUNTING PRACTICES

a) Recognition of income and expenses

Income is recognized in accordance with the requirements established by IFRS 9 or IFRS 15, depending on the nature - provision of service or income from financial instruments.

Expense is recognized in the financial statements for the periods to which they refer, following the requirement of applicable standards.

Net interest income - Interest income and expenses arising from all interest-earning assets and interest-bearing liabilities are recognized in profit or loss for the period, in accordance with the requirements established by IFRS 9, by the effective interest rate, including exchange variations from the foreign currency contracts. The determination takes into account all the financial instruments contractual terms, but not the future loan losses. The incremental costs directly attributable to the financial instruments, are presented in the "Interest revenues" caption, note 26.

The effective interest rate method is a method for subsequently measuring the amortized cost of a financial asset or financial liability (or of a group of financial assets or financial liabilities) and of allocating the interest income or expense over the relevant period of the financial asset or liability.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset or liability. The effective interest rate is established upon initial recognition of the financial asset or liability. When calculating the effective interest rate method, the Conglomerate's companies estimates the future cash flows considering all contractual terms of the financial instrument, without considering any estimated future losses.

Effective rate includes commissions, transaction costs and discounts or premiums that are associated with a financial instrument. Transaction costs correspond to incremental costs directly attributable to the acquisition, issuance or disposal of a financial asset or liability.

The interest income and expenses presented in the Consolidated Income Statement mainly include: (i) interest on financial assets and liabilities measured at amortized cost, based on the effective interest rate; (ii) income from financial assets recorded at fair value through profit or loss; and (iii) income from financial assets at fair value through other comprehensive income.

The Conglomerate uses a deferred income and expense mechanism that results in the effective interest rate, producing an effect similar to that of using a single subsequent measurement rate of the financial instrument, as established in IFRS 9.

Net profit (loss) from services and comissions - The Conglomerate earns income from services and comissions from a number of services provided to its clients. Revenue earned from services are accrued throughout the same period the services are supplied. The recognition of revenue from services rendered under contracts with clients is recognized in accordance with the principles described in IFRS 15, at the amount that reflects consideration that the entity expects to be entitled in exchange for those products or services. The income recognition process takes place according to the following steps:

- Identification of the contract and performance obligations;
- Determination of the price of the transaction;
- Allocation of the transaction price; and
- Revenue recognition.

Commissions paid related expenses are accrued throughout the period in which the services are supplied.

If there is an associated financial instrument and income or loss from fees and commissions are considered as part of the effective interest rate, they are no longer recognized by IFRS 15 and are recognized based on the provisions of IFRS 9 - deferred and recognized in the profit and loss over the term of the associated financial instrument.

Income from investments in associates and joint ventures - income resulting from application of the equity method to investments in associated companies and joint ventures. The amount recognized is based on the net income fo the investee and the Conglomerate's proportional interest in the equity of that investee.

Income from dividends and interest on own capital - Income from dividends and interest on own capital arising from financial instruments measured at fair value through profit or loss are recognized in the income statement when the right to receive the payment is established, as a component of "Income from financial instruments at fair value through profit or loss".

For equity instruments which have been irrevocably classified as financial instruments measured at fair value through other comprehensive income, dividends and interest on own capital is recognized in "Other operating income (loss)."

b) Consolidation basis

The Conglomerate's consolidated financial statements reflect the assets, liabilities, revenues and expenses of the Bank and its subsidiaries.

Intragroup balances and transactions, as well as any revenues or expenses not realized in transactions between the Bank and its subsidiaries, are eliminated in the preparation of the consolidated financial statements. Unrealized gains originating from transactions with investees recorded using the equity method, are eliminated against the investment in the proportion of the Conglomerate's interest in the investee.

Non-controlling interests are presented in the statement of financial position as a separate component of equity. Net profit attributable to non-controlling interests is evidenced separately in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income.

IAS 28 permits the measurement at fair value through profit or loss, in accordance with IFRS 9, for investments in associates, subsidiaries and joint ventures by an entity which qualifies as a risk capital organization, regardless of its significant influence through this shareholding or the adoption of the equity method for the remaining shareholding portion which are not held by risk capital organization. The Bank adopts this option for the shareholdings in its venture capital investment funds.

Subsidiaries - Subsidiaries are entities over which the Bank has control. The Bank controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through exerting its power over the entity. Subsidiaries are fully consolidated as from the moment the Bank assumes the control of its activities until the end of this control.

Business combination - The acquisition of a subsidiary through a business combination is recorded at the acquisition date, i.e., the date on which control is transferred to the Group, using the acquisition method. Under this method, identifiable acquired assets (including intangible assets not previously recognized), assumed liabilities and contingent liabilities are recognized at fair value at the acquisition date. Positive values that exceed the difference between the acquisition cost and the fair value of the identifiable net assets acquired are recognized as goodwill. In the event a negative difference is calculated (gain from a bargain purchase), the identified amount is recognized in the Consolidated Income Statement for the period within "Other operating income (loss)."

Transaction costs incurred by the Bank in a business combination, except for those related to the issue of debt or equity instruments, are recorded in the Income Statement for the period when incurred. Any contingent payments to be made are stated at their fair value on the acquisition date.

The results of subsidiaries acquired during the accounting period are included in the consolidated financial statements from the date of the acquisition until the reporting date. The results of subsidiaries sold during the year are included in the consolidated financial statements from the beginning of the year until the date of the disposal, or the date on which the Bank ceased to have control.

Business combinations of entities under common control - A business combination involving entities under common control is one in which all entities of the combination are controlled by the Bank, both before and after the combination, and that control is not transitory.

In this situation, the pre-combination carrying amounts of the assets and liabilities are merged into the Bank, without any fair value measurements.

The Bank does not recognize goodwill arising from these combinations. Any differences between the cost of the transaction and the carrying amount of the net assets is recorded directly in equity.

Changes in ownership interests in subsidiaries - Changes in ownership interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions (i.e., transactions with owners in their capacity as owners). Consequently, no goodwill is recognized as a result of such transactions.

In these circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognized directly in equity and attributed to the owners of the parent.

Loss of control - In accordance with IFRS 10, in the event the control of a subsidiary is lost, the Bank ceases to recognize on the date control is lost: (i) assets, including goodwill, and liabilities of the subsidiary at their book values; and (ii) the book value of any non-controlling interests in the former subsidiary, including any components of other comprehensive income attributable to it.

In addition, the Bank recognizes on the date control is lost: (i) the fair value of the consideration received, if any, from the transaction, event or circumstances that resulted in the loss of control; (ii) a distribution of the shares of the subsidiary to owners if the transaction that resulted in the loss of control involves a distribution of shares; (iii) any investment retained in the former subsidiary at its fair value; and (iv) any resulting difference as a gain or loss in profit or loss attributable to the parent.

Special-purpose entity (SPE) - The Bank invests in SPEs through its subsidiary BV Empreendimentos e Participações S.A. (BVEP) and BV Investimentos Alternativos e Gestão de Recursos S.A. (BVIA), with a view to invest in real estate developments. In special cases, SPE's are received as payment in the total or partial settlement of credits. Before consolidating an SPE, the Bank assesses a number of criteria provided for in IFRS 10. SPEs are fully consolidated from the moment the Bank assumes control of its activities until the end of this control.

The Bank reassesses the consolidation process of an SPE in the event certain facts and circumstances indicate that there are changes to one or more of the elements of control, as established by IFRS 10.

Joint venture - a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement, rather than rights to the assets and obligations for the liabilities. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions on relevant activities require the unanimous consent of the parties sharing control. The Bank recognizes its interests in joint ventures under the equity method.

The Group's investments in joint ventures are initially recorded at acquisition cost and subsequently accounted for under the equity method, and their carrying amounts are increased (or decreased) to reflect the Bank's share of the results of the investee after the acquisition date. The Bank's share of the profit or loss of the investee is recognized in the Consolidated Income Statement, in the periods this profit or loss is earned. The Bank adjusts the carrying amounts of its investments by recognizing its proportionate share of changes in the balance of components of the investee's other comprehensive income (loss). The Bank's share of these changes is recognized directly in equity under "Other comprehensive income".

Upon the acquisition of investments in joint ventures, any positive difference between the cost of the investment and the Bank's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill and included in the carrying amount of the investment. The Bank does not amortize this goodwill, however, its recoverable amount is tested, at least annually, for the evaluation of impairment losses. Subsequently, any excess of the Bank’s share of the net fair value of the investee’s identifiable assets and liabilities over the cost of the investment is included as revenue in the Consolidated Income Statement by the equity method.

When the Bank's share of the joint venture's loss for the period equals or exceeds the carrying amount of its interest, the Bank discontinues the recognition of its share of future losses. After the carrying amount of the Bank's interest has been reduced to zero, further losses are only recognized as a liability to the extent that the Bank has incurred legal or constructive obligations or made payments on behalf of the investee. If the investee subsequently reports profits, the Bank resumes applying the equity method only after its share of those profits equals its share of the losses not recognized.

All the Bank's investments in joint ventures are structured through separate vehicles.

Associated companies - An associated company is an entity over which the Bank has significant influence, i.e. the power to participate in its financial and operating policy decisions, but not control or joint control. Significant influence is presumed to exist when the Bank holds 20% or more of the voting power of the investee. Even when the Bank holds less than 20% of the voting stock, significant influence may exist if the Bank participates in the management of the associated company, or its governing bodies with executive powers. The existence and effect of potential voting rights that are currently exercisable or convertible, and material transactions between the companies, are considered when assessing whether the Bank controls another entity.

The Group's investments in associated company are initially recorded at acquisition cost and subsequently accounted for under the equity method, and their carrying amounts are increased (or decreased) to reflect the Bank's share of the results of the investee after the acquisition date. The Bank's share of the profit or loss of the investee is recognized in the Consolidated Income Statement, in the periods this profit or loss is calculated. The Bank adjusts the carrying amounts of its investments by recognizing its proportionate share of changes in the balance of components of the investee's other comprehensive income (loss). The Bank's share of these changes is recognized directly in equity under "Other comprehensive income."

Upon the acquisition of investments in associated companies, any positive difference between the cost of the investment and the Bank's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill and included in the book value of the investment. The Bank does not amortize this goodwill, however, its recoverable amount is tested, at least annually, for the assessment of impairment losses. Subsequently, any excess of the Bank’s share of the net fair value of the investee’s identifiable assets and liabilities over the cost of the investment is included as revenue in the Consolidated Income Statement by the equity method.

When the Bank's share of the associate's loss for the period equals or exceeds the carrying amount of its interest, the Bank discontinues the recognition of its share of future losses. After the carrying amount of the Bank's interest has been reduced to zero, further losses are only recognized as a liability to the extent that the Bank has incurred legal or constructive obligations or made payments on behalf of the investee. If the investee subsequently reports profits, the Bank resumes applying the equity method only after its share of those profits equals its share of the losses not recognized.

Non-monetary contributions to associates and joint ventures - In compliance with IAS 28, when the Bank makes contributions of non-monetary assets to an associated company or jointly-controlled entity in exchange for an equity interest in the associate or jointly-controlled entity, the gain or loss on the transaction is recognized to the extent of the interests of the other non-related investors. No gain or loss is recognized if the transaction has no commercial substance.

c) Offset of asset and liabilities

The Bank does not offset assets or liabilities against other assets or liabilities, or any revenues or expenses against other revenues and expenses, unless there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

d) Translation of operations in foreign currency

Functional and presentation currency - The consolidated financial statements are presented in Brazilian Reais, the Bank's functional and presentation currency. The functional currency, which is the currency of the primary economic environment in which the entity operates, is the real for all Group entities.

Transactions and balances - Transactions in foreign currency are initially recorded at the exchange rate of the functional currency in force on the date of transaction.

The Bank's assets and liabilities denominated in foreign currency, which are mostly monetary, are converted to the functional currency at the foreign exchange rate in force on the statement of financial position date. All translation differences are recognized in the Consolidated Income Statement in the period in which they occur.

Translation into the presentation currency - The financial statements of entities domiciled abroad (none of which has the currency of a hyperinflationary economy) are translated into the presentation currency at the exchange rate in effect at the end of the period.

When applicable, exchange differences arising from the translation of the financial statements of entities located abroad, whose functional currency is the real, are recognized in the Consolidated Income Statement. When applicable, for the entities whose functional currency is not the real, accumulated exchange differences are recognized directly in equity, until the sale or loss of control of the subsidiary abroad, when these accumulated exchange differences are reclassified from Other comprehensive income (loss) to income or expenses for the period. The amount of exchange differences attributable to non-controlling shareholders is allocated and recognized as part of non-controlling interests in the statement of financial position.

e) Cash and cash equivalents

Cash and cash equivalents are represented by available funds in domestic currency, foreign currency, money market repurchase commitments - own portfolio, interbank deposit investments and foreign currency investments with high liquidity and insignificant risk of changes in value, whose maturity on the date of the investment is equal to or shorter than 90 days.

f) Financial instruments with repurchase/resale agreement

Securities sold with agreement to repurchase on a specific future date are not derecognized from the statement of financial position, given that the Conglomerate retains substantially all of the risks and benefits of ownership. The corresponding cash received is recognized in the statement of financial position as an obligation for reimbursement, including interest appropriated. The difference between sale and repurchase prices is treated as interest expense and accrued over the duration of the contract using the effective interest rate.

Conversely, for securities purchased under agreements to resell at a specific future date, the amount paid, including interest accrued, is recorded on the statement of financial position as "Financial assets with repurchase agreements", reflecting the economic substance of the transaction. The difference between purchase and resale price is recorded in 'Interest income' and accrued during the contractual term using the effective interest rate.

g) Financial instruments

According to IFRS 9, all financial assets and liabilities, including derivative financial instruments, must be recognized on the statement of financial position and measured according to the category in which the respective instrument is classified.

Financial assets and liabilities can be classified in the following categories:

- Financial assets measured at fair value through profit or loss;
- Financial assets measured at fair value through profit or loss - designated at fair value;
- Financial assets measured at fair value through other comprehensive income;
- Financial assets measured at amortized cost;
- Financial liabilities measured at fair value through profit or loss;
- Financial liabilities measured at fair value through profit or loss - designated at fair value;
- Financial liabilities measured at amortized cost.

In relation to financial assets, the classification depends on both the Business Model definition and the SPPI (Solely Payments of Principal and Interest) test.

The SPPI test assesses whether cash flows from operations are exclusively comprised of principal and interest payments on the outstanding principal amount, this evaluation is based on the contractual terms of the financial asset. Accordingly, it is necessary to assess whether financial assets include contractual terms that may change the period or amount of contractual cash flows.

The Bank's business models reflect how a financial asset or groups of financial assets are managed to achieve a business objective. An assessment of the business model in which each product or portfolio of products is managed is performed using the following definitions:

- Business model whose objective is to maintain assets in order to receive contractual cash flows: in this model the assets are measured at amortized cost, using the effective interest rate.
- Business model whose objective is achieved both by receiving contractual cash flows and by selling financial assets: in this model the assets are measured at fair value, unrealized gains and losses (except for expected credit loss, exchange differences, dividends and interest) are recognized in Other Comprehensive Income; and
- Other Business Models: this model applies to assets that are not classified in any of the models described above or that have been designated at fair value through profit or loss, being measured at fair value, gains and losses are recognized directly in the Income Statement.

The financial assets are classified according to the assigned business model, unless the instrument does not meet the SPPI Test. Financial assets that do not pass the SPPI test can not be measured by amortized cost or fair value through other comprehensive income, and must be measured at fair value through profit or loss.

Assets can be measured as amortized cost, fair value through other comprehensive income or fair value through profit or loss:

- Amortized cost: measured at cost plus interest accrued in the Consolidated Income Statement, less expected credit losses.
- Fair value through other comprehensive income: measured at fair value with changes recognized in "other comprehensive income", except for expected credit losses which are recognized in the Consolidated Income Statement.
- Fair value through profit or loss: measured at fair value with changes recognized in the income statement.

(i) Equity instruments

The characteristics of these financial assets do not meet the SPPI condition, that is, they do not only present payment of principal and interest. Therefore, these assets are classified as fair value through profit or loss, unless the Bank chooses the irrevocable option to classify them as fair value through other comprehensive income.

If this option is used, the gains or losses in the fair value of the asset are recognized in other comprehensive income and are not reclassified to profit and loss in any event, only dividends received are recognized in the Consolidated Income Statement.

Regular purchases and sales of financial instruments, including derivatives, are recognized on the trade date - the date on which the Conglomerate agrees to the purchase or sale of the asset.

The Conglomerate adopted a new accounting criterion for recognition of variation of unit prices of investment funds prospectively from January 1, 2018. Prior to the change in the criterion, that is, until December 31, 2017, the unit price variation was treated as income produced by the funds, with recognition in income for the period, even for funds previously classified as available for sale. In contrast, securities that were classified as available for sale had changes in their fair value recognized in other comprehensive income. Under the new policy, the unit price variation was treated as an adjustment to fair value for funds with the following characteristics:

- Funds in which the updated balance of the units is not available for redemption (realization) in the short term, that is, when the redemption of units occurs only at the liquidation or closure of the fund; and
- Funds in which there is a forecast of payment of dividends, as a form of remuneration of its unit holders in the course of the fund's business.

The investments in units of investment funds held by the Conglomerate that present these characteristics are from Investment Funds in Participations that were classified as available-for-sale securities until December 31, 2017.

The effects of the adjustments for the initial application of this new accounting criteria are presented in the Statement of Changes in Shareholders' Equity.

The Conglomerate classifies fair value measurements using a fair value hierarchy, which reflects the characteristics of the inputs used in measuring these values:

- Level 1: Financial instruments with prices immediately available from market transactions and arising from independent sources, are classified on this level. These instruments are adjusted to fair value using these not adjusted quoted prices, in active markets.
- Level 2: Financial instruments whose valuation uses mathematic methods accepted in the market, prices and curves, built from observable data in the market.
- Level 3: Financial instruments whose valuation involve the use of mathematic methods that apply unobservable prices, rates or other data in the market benchmarks in its estimates production, are classified at this level.

Other information about the fair value hierarchy are shown in Note 36g.

(ii) Derivative financial instruments - Always measured at fair value, the derivative financial instruments that do not meet the criteria for hedges have their fair value adjustments recorded directly in profit and loss and presented in the income statement through "Income from derivative financial instruments".

Financial instruments combined with other financial instruments, derivatives or not, are treated as separate financial instruments and recorded to include the economic characteristics and risks directly related to the main contract.

Embedded derivatives in financial liabilities are separated from the host contracts and accounted for separately if the economic characteristics and risks of the host contract and embedded derivative are not intrinsically related; or a separate instrument with the same terms as the embedded derivative meets the definition of a derivative.

h) Changes in contractual cash flows

For changes in contractual cash flows of a financial asset that does not substantially change its terms and conditions and that, therefore, does not lead to its write-off, any existing difference between the recalculated value and the gross book value is immediately recognized as a gain or loss. Any incurred costs adjust the modified book value and are amortized throughout the financial assets remaining period.

If a renegotiation or modification that occurs because of payment difficulties results in an increase in the gross value, no gain is recognized as this is offset by an increase in the expected credit loss.

If the renegotiation or modification substantially change the financial asset terms and conditions, the Conglomerate effects the original asset write-off and recognizes a new asset. The renegotiation date is used as the new recognition date for purposes of the expected loss calculation, including to establish significant increases in credit risk.

Effects of modified assets movement and measurement of provision for expected credit loss are detailed in Note 36.vi.

i) Derecognition of financial instruments

Financial assets are derecognized when the Conglomerate does not have reasonable perspectives to recover any further cash flow of the financial asset, the contractual rights related to the respectives cash flows expire, or the Conglomerate transfer the majority of risks and benefits related to third-parties. If the risks and benefits have not been substantially transferred, the Conglomerate reassesses its control and determines whether the actual involvement related to any retained control does not prevent it from making such a derecognition.

The write-off of a financial asset is simultaneously done with the related reversal of provision for expected credit loss.

Financial liabilities are derecognized upon liquidation or extinction thereof.

(i) Financial assets

A financial asset (or applicable portion of a financial asset or group of similar assets) is derecognized when:

- The right to receive cash flows from the asset has expired; or
- The Conglomerate has transferred the right to receive cash flows from the asset or has assumed an obligation to pay the cash flow received, in full and without material delay, to a third party due to a transfer agreement, or:
- The Conglomerate has substantially transferred all the risks and rewards of the asset, or
- The Conglomerate has not substantially transferred or retained all the risks and rewards of the asset, but has transferred control of the asset.

(ii) Financial liabilities

A financial liability is derecognized when the obligation is eliminated, canceled, expired or settled. When an existing financial liability is replaced by another one from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the exchange or modification is treated as a write-off of the original liability and recognition of a new liability, and the difference calculated in book value is recognized in the income statement. On December 31, 2019 and 2018, there were no significant substitutions of financial liabilities.

j) Hedge accounting

The Conglomerate uses derivatives to hedge its exposures to foreign currency and interest rate changes. The Conglomerate continues to apply the hedge accounting requirements set forth in IAS 39, as permitted by IFRS 9.

The Bank may choose to change its accounting policy and begin applying the hedge accounting requirements of IFRS 9 at the beginning of each reporting period until the Macro Hedge project takes effect.

Upon initial designation of the hedge, the Conglomerate formally documents the relationship between the hedge instruments and the hedged instruments, including the risk management goals and strategy in the execution of the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedge relationship. The Conglomerate evaluates - both at the beginning of the hedge relationship and continuously - whether hedge instruments are expected to be highly effective to offset fair value changes of hedged items against respective hedges in the hedged period, and whether actual results of each hedge are within the interval of 80-125 percent (range within which a hedge is considered highly effective).

Derivative financial instruments considered as hedging instruments (hedge) are classified by their nature as follows:

Fair value hedge - Derivative financial instruments classified in this category as well as the hedged item, have their fair value adjustments recorded against income and shown in the income statement as a income from derivative financial instruments.

For hedged items that were discontinued from the fair value hedge relationship and remain recorded in the statement of financial position, as in the case of credit contracts assigned with substantial retention of risks and benefits, when applicable, the fair value adjustment is recognized in the income statement for the remaining term of the operations; and

Cash flow hedge - Derivative financial instruments in this class, have their fair value adjustments recognized in shareholders' equity as other comprehensive income, net of tax.

For the hedged items that were discontinued from the cash flow hedge ratio and remain recorded in the statement of financial position, the accumulated reserve in shareholders' equity is recognized in the income statement over the remaining term of the operations.

The Bank performs hedge operations that include characteristics linked to the credit risk of third parties or related parties to the Bank that may result in the anticipated maturity of the derivative without any value being due to the Bank, as provided in the contract.

k) Impairment – General Application

A loss allowance for expected credit losses is recognized for financial assets measured at amortized cost or fair value through other comprehensive income, (which include loan operations and leasing transactions, debt securities, loan commitments, financial guarantee contracts and receivables recognized under IFRS 15 and IFRS 16).

Investments in equity instruments (irrespective of the use of irrevocable option of treating them at fair value through other comprehensive income) and other instruments measured at fair value through profit or loss are excluded from the scope of the impairment analysis.

The impairment model provides for provisioning for the expected credit losses for 12 months or expected credit losses for the lifetime of the contract. The applicable period of expected credit losses depends on the stage of the financial asset, the migration of stages occurs due to the significant increase / decrease in the credit risk of the instruments.

Losses are measured as expected credit losses for 12 months unless credit risk has increased significantly since initial recognition or for purchased or originated credit impaired assets or for receivables where the Bank uses the simplified approach to the provision for expected losses.

To determine whether the risk of default of a financial asset has increased significantly since its initial recognition, the entity compares the default risk at the reporting date to the default risk at the initial recognition, individually or collectively.

The expected credit losses are probability weighted estimates of the credit losses over the expected life of the financial instrument, credit losses are the present value of the expected cash insufficiencies reflecting:

- An unbiased and probability weighted amount;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort.

IFRS 9 does not prescribe a single method for measuring expected credit losses and recognizes that the methods used to measure expected credit losses may change depending on the type of financial asset and the information available.

Details of the methodologies and assumptions adopted for measuring the provision for expected credit loss are in Note 36 - Risk and Capital Management.

Non-financial assets

The impairment loss test of non-financial assets is evaluated at least annually, in order to ascertain if there is any sign that an asset may have lost value. If any such indication exists, the Conglomerate estimates the recoverable amount of the asset, which is either i) its fair value less costs to sell it; or ii) its value in use, whichever is higher. If the asset's recoverable value is lower that its book value, the asset is reduced to its recoverable value through a provision for impairment losses that is recognized under "Other operating income (loss)".

l) Determination of the fair value

The fair value of publicly quoted financial instruments is based on market prices.

For financial assets and liabilities with no active market, the Conglomerate establishes fair value by using valuation techniques. These techniques are established based on consistent and verifiable criteria and may include:

- Comparison with transactions recently contracted with third parties;
- Reference to other instruments that are substantially similar;
- Analysis of discounted cash flows; and
- Conventional and established pricing models.

The main additional data about the assumptions used to determine fair values are disclosed in specific notes for respective assets or liabilities.

m) Assignment of financial assets

In order to determine the accounting treatment for assigned financial assets, the Conglomerate takes into account the extent of transfer of risks and benefits of the assets transferred to another entity:

- When the Conglomerate transfers financial assets to another entity, but does not substantially transfers all risks and rewards related to the assets transferred, assets will continue being recognized in the Conglomerate's statement of financial position;
- When the Conglomerate transfers substantially all risks and benefits related to the assets transferred to an entity other than a subsidiary, the assets are derecognized in the Conglomerate's statement of financial position;
- If the Conglomerate does not transfer or retain substantially all risks and benefits related to transferred financial assets and retains control of the transferred assets, the Conglomerate continues to recognize the transferred asset to the extent of its continuing involvement in the transferred financial asset.

In the course of its activities, the Conglomerate carries out transactions that give rise to the transfer of financial assets to third parties or to Credit Rights Investment Funds, but the credit risk of these financial assets is substantially retained. Therefore, the Conglomerate continues to recognize these financial assets in its statement of financial position and an associated liability.

n) Non-financial assets held for sale

Non-current assets and groups of assets for sale, that include ventures participation and real estate incorporations, are classified as held for sale if their book value is expected to be recovered mainly through sale instead of continuous use.

This condition is fulfilled only when sale is highly probable and the non-current asset is available for immediate sale in its current state. Management should be committed to this sale, which is expected to be completed within one year of classification date.

Reclassification to this line item, when the referred condition is achieved is effected by the lowest value between its book value and fair value of the assets.

The fair value of the assets is determined considering the following criteria:

- Assets with funded amounts in excess of R$ 50,100.00 are recorded at the value obtained through a technical report from a third party company;
- Assets with funded amounts between R$ 50,100.00 and R$ 25,550.00 are recorded by the value obtained through a technical report; and
- Assets with funded amounts of less than R$ 25,550.00 are recorded for the average balance obtained in the sales of the last 6 months, taking into account the characteristics of the asset.

The disposal of recovered assets is done through regular official auctions.

o) Investments

Investments in associated companies - An associated company is an entity in which the Conglomerate holds significant influence and which is not characterized as a subsidiary or an investment in a joint venture. Significant influence is the power to participate in decisions on the financial and operating policies of the investee, without jointly or severally controlling such policies. Changes in shareholders' equity of the investments included as this kind of investment are recognized in the line item Share of profit (loss) in associates and joint ventures.

Investments in jointly-controlled entities - Joint control exists when there is contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The consolidated financial statements include the assets that the Conglomerate controls and the liabilities incurred during the course of the activities of the joint operation, the expenses incurred by the Conglomerate and its share in the revenue generated by joint operation. Changes in the shareholders' equity of these investments are recognized through the equity method.

p) Property, plant and equipment

Property, plant and equipment are valued at acquisition cost less depreciation, which is calculated on a straight-line basis using the following annual rates in accordance with estimated useful lives of assets, as follows:

- Vehicles - 20%;
- Data processing systems - 20%;
- Facilities, furniture and equipment in use - 10%;
- Improvements on the property of others - lease agreement term.

The software acquired as an integral part of the functionality of an item of equipment is capitalized as part of that equipment.

At least annually, the Conglomerate assesses whether there is any indication that a property, plant and equipment may be impaired.

The residual value of these assets is reviewed annually or when there are significant changes in the assumptions used.

q) Intangible assets

Intangible assets have defined useful lives and primarily relates to software, as well as licenses and use rights, amortized on the straight-line basis starting on the date on which it becomes available for use. At least annually, the entity assesses whether there is any indication that an intangible asset may be impaired. If so, the entity estimates the asset's recoverable value.

Amortization is calculated by the straight-line method, based on the period over which the benefit is generated, presented under "Depreciation and amortization", within the Consolidated Income Statement.

The residual value and the useful life of these assets is reviewed annually or when there are significant changes in the assumptions used.

r) Contingent assets

Contingent assets usually arise from unplanned events or other unexpected events that give rise to the possibility of an inflow of economic benefits to the enterprise.

Contingent assets are not recognized in Statement of Financial Position since this may result in the recognition of income that may never be realized. However, when the realization of income is virtually certain, then the related asset is not a contingent asset and its recognition occurs.

s) Financial liabilities measured at amortized cost

They are initially recognized at fair value plus any transaction costs directly assignable. After the initial recognition, these financial liabilities are stated at amortized cost using the effective interest rate method. Expenses under the effective interest rate method are presented in the income statement as interest expenses.

Financial liabilities are initially recognized at fair value and subsequently measured at amortized cost, unless they meet the criteria described in item 4t.

(i) Financial liabilities associated with transferred assets

Financial liabilities arising from signed contractual obligations with assignees, purchasers of portfolios of loans and receivables with co-obligation clauses or significant credit risk retention.

Financial liabilities associated with transferred assets consist of contractual obligations entered into with assignees, purchasers of loan portfolios and receivables with a co-obligation clause or significant retention of credit risk and are initially recognized at fair value, plus any attributable transaction costs. After their initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method. Expenses under the effective interest rate method are presented in the income statement as interest expense.

(ii) Financial institution and client deposits

They are initially recognized at fair value, deducting any transaction costs directly assignable. After initial recognition, these deposits are measured at amortized cost using the effective interest method. Expenses under the effective interest rate method are presented in the income statement as interest expense.

(iii) Loans and onlendings, securities issued and subordinated liabilities

They are initially recognized at fair value deducting any transaction costs directly assignable. After initial recognition, these liabilities are measured at amortized cost using the effective interest method. Expenses under the effective interest rate method are shown in the income statement as interest expense.

Those that are designated and effective as hedge instruments are measured at fair value, using consistent and verifiable criteria. Changes in fair value are recognized in:

- The period’s income and presented in the income statement as income from financial instruments at fair value through profit or loss, when classified as a fair value hedge or;
- In shareholders' equity as equity valuation adjustments, net of tax effects, when classified as a cash flow hedge.

t) Financial liabilities measured at fair value through profit or loss

(i) Financial liabilities measured at fair value through profit or loss - designated at fair value - The Conglomerate has no financial liability at fair value through profit or loss - designated at fair value in its portfolio for the years ended December 31, 2019 and 2018.

If the Bank recognizes a financial liability with this characteristic, the changes in the fair value of the instrument is recorded as follows:

- The change in the fair value attributable to the credit risk (own) of the liability is accounted for in "Other Comprehensive Income" (OCI). The amounts recorded in OCI is not reclassified to the income statement, even in settlement or transfer of liabilities.
- The remainder of the change in fair value, is accounted for in the income statement.

This designation can not be changed subsequently. In accordance with IFRS 9, the fair value option can only be applied when your application reduces or eliminates accounting inconsistencies in the income statement.

(ii) Financial liabilities measured at fair value through profit or loss - Correspond to transactions with repurchase agreements, stock loans, securities issued, subordinated liabilities, loans and onlendings and derivative financial instruments, unless they are designated and effective as hedging instruments.

u) Provisions

Provisions for legal and adminstrative proceedings are recognized in the financial statements when, based on the opinion of Management, the risk of loss of a lawsuit or administrative proceeding is considered probable, with a probable outflow of financial resources for the settlement of obligations and when the sums involved are measurable with sufficient assurance.

Contingent liabilities classified as possible losses are not recognized as liabilities, and are only disclosed in the notes to the financial statements, whereas those classified as remote do not require provision nor disclosure.

The Conglomerate recognizes provisions for labor, tax and civil lawsuits based on Management's judgment of the likelihood of loss and estimates of the loss amount. For labor lawsuits, the calculation of the provision amount is determined using legal assessments and statistical models. For lawsuits of a tax nature, the provision value is estimated through the assessment of legal professionals (individual method). For the civil lawsuits considered similar and recurring, and whose value is not considered significant, the provision amount is determined using a statistical method based on historic observation of losses in lawsuits with similar characteristics (group method). For civil cases which are unusual in nature, or whose value is considered significant, the provision amount is estimated through the assessment of legal professionals (individual method).

Legal obligations are lawsuits discussing tax obligations legality or constitutionality and whose amounts are fully recognized in financial statements, based on Management’s risk assessment.

v) Income and revenues taxes and contributions

The income tax and social contribution are taxes levied on the profits of financial institutions in Brazil. Both are taxes due by the taxpayer (legal entity) to the Government upon the occurrence of a taxable income, calculated by applying a tax rate to a tax base.

Income tax is calculated at the rate of 15% plus a 10% surtax; social contribution is calculated at the rate of 15% for financial institutions, insurance companies, credit card companies, after adjustments determined by tax legislation. As of March 2020, the tax rate for social contribution for banks will be 20%. For the other financial institutions, the tax rate for social contribution continues at 15%, and for non-financial institutions also continues at 9%.

Income taxes comprise current and deferred taxes, and are recognized in the Income Statement, unless they are related to items that are recognized directly in equity, and under other comprehensive income. Taxes recognized in equity are subsequently recorded in the Income Statement as the gains and losses that gave rise to them are recognized, except for those derived from equity instruments classified in the fair value category through other comprehensive income, which will not affect the profit or loss, even on their disposal.

Current taxes – the current tax expense refers to the amount of income tax and social contribution payable or recoverable in relation to the taxable income (loss) for the period.

Current tax assets consist of income tax and social contribution amounts to be recovered within the next twelve months. Current taxes for the current and prior periods are recognized as liabilities to the extent that they have not yet been settled, and as an asset to the extent that the amounts already paid exceed the amount due for these periods.

Current tax assets and liabilities of the last period and of previous years are measured at recoverable value expected to be received from or paid to the tax agency. Tax rates and the tax laws used to calculate the amount are those that are in force on the statement of financial position date.

Deferred taxes - these consist of amounts of tax assets and liabilities to be recovered or settled, respectively, in future periods. Deferred tax liabilities arise from taxable temporary differences, and deferred tax assets arise from deductible temporary differences and carryforward of unused tax losses.

Deferred tax assets arise from income tax and social contribution losses and temporary differences. Deferred tax assets arising from temporary differences are recognized to the extent that it is probable that future taxable profit will be available to offset these temporary differences.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. An entity reduces the
carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are measured at tax rates expected to be applicable in the moment when the asset is realized or the liability is settled, based on tax rates (or tax law) enacted or substantively enacted by the reporting date. In case of changes in tax legislation that modify criteria and rates to be adopted in subsequent periods, effects are immediately recognized based on the criteria and rates applicable to the period that each portion of the asset will be realized or settled from the liability. For recognition, maintenance and write-off of deferred tax assets are observed the requirements of IAS 12 - Income taxes.

Temporary differences - these are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base that impact or may impact the calculation of income tax and social contribution.

Temporary differences may be taxable or deductible. Temporary taxable differences are temporary differences that will yield taxable amounts to determine taxable income (tax loss) of future periods when the book value of an asset or liability is recovered or settled. Deductible temporary differences are temporary differences that will yield deductible amounts in determining taxable profit (tax loss) of future periods when the book value of the asset or liability is recovered or settled.

The tax base of an asset is the amount that will be tax deductible against any taxable economic benefits that will flow to the entity when it recovers the book value of this asset. If those economic benefits are not taxable, the tax base of the asset is equal to its book value.

The tax base of a liability is its book value, less any amount that will be deductible for tax purposes, related to that liability in future periods. In the case of revenue received in advance, the tax base of the resulting liability is its book value, less any amount of revenue that will not be taxable in future periods.

Amounts in thousand of Reais, unless indicated

Offsetting of income taxes

Current tax assets and liabilities are offset if, and only if, the entity: (i) has the legal right to offset the recognized amounts; and (ii) intends to either settle on a net basis, or realize the asset and settle the liability simultaneously.

Deferred tax assets and deferred tax liabilities are offset if, and only if: (i) the company has a legal right to offset current tax assets against current tax liabilities; and (ii) the deferred tax assets and tax liabilities are related to income taxes levied by the same tax authority: (a) at the same taxable entity or (b) different taxable entities that intend to settle the current tax liabilities and assets on net bases, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant values of deferred tax assets or liabilities are expected to be paid off or recovered.

Taxation

The bank taxes, including revenue taxes, are calculated based on rates shown in the chart below:

Taxes	Current rates
Income tax (15% + 10% additional)	25%
Social contribution on net profit - Banco Votorantim S.A. (1)	20%
Social contribution on net profit - other financial institutions and non financial institutions	From 9% to 15%
PIS/PASEP (2) (3)	From 0.65% to 1.65%
Contribution for Social Security Funding (2) (3)	From 3% to 7.6%
Service tax (3)	From 2% to 5%

(1) The rate applied to the financial institutions from September 1, 2015 to December 31, 2018 was 20%. On January 2019, the rate returned to be 15%. Article 32 of Constitutional Amendment No. 103, November 12, 2019, increased the social contribution on net profit rate from banks of any kind, from 15% to 20%, starting as of March 1, 2020. The effects of Social contribution on net profit rate increase over deferred tax assets and liabilities have already been recognized in the result of the year ended in December 31, 2019.

(2) For the non financial institutions companies that choose the non-cumulative regime, PIS/PASEP rate is 1.65% and Contribution for Social Security Funding rate is 7.6%.

(3) Revenues taxes.

w) Other assets and liabilities

Other assets are stated at realizable values, including, when applicable, monetary and exchange variations and an impairment provision, as necessary.

Other liabilities are stated at known measurable amounts plus monetary charges and foreign exchange variation.

x) Investment fund management

The Conglomerate manages and administers assets held in investment funds and other types of investment in favor of investors. These funds are not consolidated in the Consolidated Financial Statements of the Conglomerate, except those investment funds controlled by the Conglomerate, whose information is stated in Note 6a.

y) Operating segments

The operating segments the Conglomerate operates, as well as its characteristics and operating strategies are described in Note 7.

z) Standards and interpretations that became effective in the year ended December 31, 2019

- **IFRIC 23** – Uncertainty over income tax treatment - the interpretation relates to the accounting for uncertainty in the treatment of tax positions by tax authorities for income taxes in the scope of IAS 12. In case of uncertainty as to a tax position taken, it is necessary to assess the probability of this position being accepted, if acceptance is not considered more likely than not, specific measurement criteria are applied. Effective for years started as of January 1, 2019. For legal obligations, the Conglomerate already follows the provisions of IAS 37. There was no significant impact in its adoption.
- **IFRS 16 – Leases** – IFRS 16 contains the requirements for classification, recording and measurement of lease contracts and replaced IAS 17, as well as related interpretations (IFRIC 4, SIC 15 e SIC 27). The changes include the end of operational lease accounting by the lessee, introducing a single leasing model that consists in: (a) recording leases with longer term than 12 months and whose underlying assets are not immaterial; (b) recording initially a right of use asset and a lease liability at the present value of future payments; and (c) recording depreciation and lease interest separately in the Consolidated Income Statement. For the lessor, accounting continues segregated between operating and financial. Effective for years started as of January 1, 2019. There was no significant impact from its adoption, as set out below.

Transition to IFRS 16 occurred on January 1, 2019

The adoption of IFRS 16 was prospectively applied beginning January 1, 2019. Previous periods were not restated as a result are not comparable to the current period presentation.

The initial adoption effects are shown below:

Amounts in thousand of Reais, unless indicated

a) Effects on Shareholders' Equity of the initial adoption of IFRS 16

Reconciliation of Shareholders' Equity - Net Effect	**814**
Shareholder's Equity according to IAS 17 in 12/31/2018	**9,125,943**
Initial recognition of the accumulated amortization of property right of use	(30,645)
Rents paid up to 12/31/2018	34,168
Accrual from financial expenses of lease liability up to 12/31/2018	(2,166)
Tax effects of adjustments	(543)
Shareholder's Equity according to IFRS 16 in 01/01/2019	**9,126,757**

The initial amount of right-of-use assets to be amortized recognized in Assets on January 1, 2019, in counterpart to Lease Liabilities was R$ 153,223.

aa) Standards and interpretations which will be effective after the year ended December 31, 2019 and without early adoption by the Conglomerate, when permitted by the IASB

Conceptual Framework for Financial Report – the principal changes are: definition of asset and liability; criteria for recognition, write-off, measurement, presentation and disclosure for equity and result elements. Possible impacts are being evaluated. The changes are effective for the year beginning January 1, 2020.

bb) Transition to IFRS 9 occurred in January 1, 2018

The differences in the carrying amounts of financial assets and liabilities arising from the adoption of IFRS 9 were recognized in Shareholders' Equity in "Non-appropriated retained earnings" and "Other comprehensive income" on January 1, 2018. Therefore, changes in accounting practices due to the initial adoption of IFRS 9 were applied prospectively.

a) Effects on Shareholders' Equity by the initial adoption of IFRS 9

Reconciliation of Shareholders' Equity - Net Effect	**(674,392)**
Shareholders' equity in accordance with IAS 39 as of December 31, 2017	**9,231,053**
Allowance for losses	(1,277,803)
Loans, leases and sureties and guarantees	(1,016,590)
Securities	(261,213)
Fair value adjustment of financial assets that changed measurement criteria	167,799
Tax effects of adjustments	435,612
Shareholders' equity in accordance with IFRS 9 on January 1, 2018	**8,556,661**

b) Effects on impairment by the initial adoption of IFRS 9

Reconciliation of allowance for losses between IAS 39 and IFRS 9	
Balances of the allowance for losses disclosed in accordance with IAS 39:	
Allowance for loans and receivables (Note 12a)	(3,357,596)
Allowance for sureties and guarantees and other risks (Note 22)	(405,356)
Allowance for impairment of securities (debt instruments) (Note 10)	(1,042,103)
Total allowance for losses under IAS 39 as of December 31, 2017	**(4,805,055)**
Effects of the initial adoption of IFRS 9:	
Loans and leases [1]	(1,016,590)
Securities (debt instruments)	(186,468)
Total allowance for losses under IFRS 9 on January 01, 2018:	**(6,008,113)**

[1] Includes allowance for losses for sureties and guarantees.

Details of expected 12-month credit losses, expected credit losses over the useful life, impairment losses and segregation between stages 1, 2 and 3 are explained in note 36 - Risk and Capital Management.

On January 1, 2018, the balance of allowance for losses in IFRS 9 was segregated between the stages as follows: Stage 1 - 18%, Stage 2 - 18% and Stage 3 - 64%.

cc) Authorization of Financial Statements

The Financial Statements were authorized for issue by Management on February 6, 2020.

5. MAIN JUDGMENTS AND ACCOUNTING ESTIMATES

The preparation of Consolidated Financial Statements in accordance with IFRS requires the use of judgments and estimates that involve assumptions about uncertain matters, including future events. Because of the inherent uncertainty, some of these estimates have a significant risk of resulting in a material adjustment to the financial statements in future periods and amounts would have been different if different assumptions had been applied. The estimates and judgments considered most relevant by the Conglomerate are:

a) Provision for loans and lease impairment losses

IFRS 9 introduced an expected loss model as of January 1, 2018 as compared to the incurred loss model as required by IAS 39. Provision measurement for expected credit losses takes into account assumptions, such as:

- The definition of criteria for significant increase or decrease in credit risk: based on the observation of credit risk indicators, the ongoing monitoring of the counterparty's financial situation and of other public information, the Conglomerate determines if there was a significant increase or decrease in credit risk.
- Term: The life time of a financial asset is considered to be the contractual term when there is an established maturity date, otherwise the financial assets expected life is estimated based on the estimated period of exposure to credit risk.
- Prospective information: The use of forward looking estimates, such as macroeconomic expectations, to reflect the impacts of future events on expected losses.
- Scenarios of loss weighted by probability: Use of impartial and weighted macroeconomic scenarios to estimate the expected losses.

The general application of provisions for loans and lease impairment losses is described in Note 4k.

b) Projected Futures Results for the realization of Deferred Tax Assets

As explained in Note 4v, the realization of deferred tax assets is supported by the Bank's budget projection, as approved by the governance bodies. These projections are based on present Strategic Planning, that considers business plan assumptions, corporate strategies, macroeconomic scenarios (for example inflation, interest rates, etc.), historical performance and future growth expectations, among others.

This item is particularly significant because of the materiality of the recognised deferred tax assets, the use of estimates of future earnings that require a high degree of judgement and because of the relevant impacts that changes in assumptions can bring to the consolidated financial statements.

Details related to the projection of future results for the realization of deferred tax assets is described in Note 4v.

c) Fair value of financial instruments

The Conglomerate uses specific techniques for the determination of the fair value of financial instruments that are not negotiated in active markets and for which market prices and parameters are not available. These valuations require assumptions using Management judgement, which takes into account the assessment of information and market circumstances.

Methodologies used to evaluate the fair value of certain financial instruments is described in Note 4l.

d) Provisions and contingent liabilities – labor, tax and civil

Based on the likelihood of loss and the estimated loss amount, both determined by management, the Conglomerate recognizes a provision for labor, tax and civil claims through legal assesments and statistical models.

The determination of the provision amounts takes into account the probability of payment for each claim element and can require a high degree of judgement as the existing uncertainty increases.

Details of the policy for provisions and contingent liabilities are presented in Note 4u.

e) Impairment of Goodwill

Goodwill identified in the acquisition of equity investments is intially measured as the difference between the price paid and the fair value adjustment of the identified assets and the assumed liabilities of the acquired entity on the date of purchase. Goodwill is not amortized, but subject to periodic impairment tests (at least annually), which also involve significant estimates and judgments on future cash flows from cash generating units and on rates used to discount these cash flows.

The general application of the criteria for recognition of provisions for impairment of goodwill losses are described in Note 4b.

f) Impairment of non-financial assets

The test of impairment of non-financial assets is conducted at least annually, in order to ascertain if there is an indication that an asset may have suffered impairment. If there is an indication, the Conglomerate estimates the asset's recoverable amount that is the larger of: i) its fair value less the costs to sell it; and ii) its value in use. If the asset's recoverable amount is less than its book value, the asset's book value is reduced to its recoverable value through a provision for impairment loss, that is recognized in the Income Statement.

The test of impairment of non-financial asset involves significant estimates and judgments, including the identification of cash generating units and estimates of their potential future economic benefits.

The general application of the criteria for recognition of provisions for impairment losses is described in Note 4k.

g) Investments in Participation Investment Funds (FIPs)

IAS 28 allows that an entity which qualifies as a venture capital organization measures its investments in associates or joint ventures, at fair value through profit or loss, in accordance with IFRS 9, regardless of the investor having significant influence over the investee, and adoption of the equity method for the remaining portion of the investment that is not owned through a venture organization.

The conglomerate adopts this option for venture capital FIPs. The measurement of fair value of these assets requires a significant degree of judgment in the adoption of assumptions.

6. CONSOLIDATED FINANCIAL STATEMENTS

a) Shareholding interests included in the consolidated financial statements, segregated by activities

Investees over which the Bank exercises control, based on an evaluation of the investor having: power over the investee; exposure to, or rights over, variable returns from its involvement with the investee; and the ability to use its power over the investee to affect their returns, are considered as subsidiaries. Subsidiaries are fully consolidated as of the date the Conglomerate assumes control over their activities through the date that such control ceases.

The consolidated financial statements include the transactions of banco BV (parent company) and the following controlled investees:

Amounts in thousand of Reais, unless indicated

	Activity	12.31.2019	12.31.2018
		Interest %	
Financial institutions - domestic			
BV Financeira S.A. Crédito, Financiamento e Investimento (BV Financeira) (1)	Financial	100.00%	100.00%
BV Leasing Arrendamento Mercantil S.A. (BV Leasing) (1)	Lease	100.00%	100.00%
Votorantim Corretora de Títulos e Valores Mobiliários Ltda. (CTVM) (1) (2)	Brokerage securities	-	-
Votorantim Asset Management Distribuidora de TVM Ltda. (DTVM) (1)	Asset Management	99.99%	99.99%
Insurance market institutions			
Votorantim Corretora de Seguros S.A	Brokerage securities	100.00%	100.00%
Financial institutions – foreign			
Votorantim Securities (UK) Limited (1) (3)	Brokerage securities	-	-
Non-financial institutions			
Promotiva S.A.	Service provider	100.00%	100.00%
BV Investimentos Altern. e Gestão de Recursos S.A. (BVIA)	Asset Management	100.00%	100.00%
BV Empreendimentos e Participações S.A. (BVEP) (5)	Holding	100.00%	100.00%
Atenas SP 02 - Empreendimento Imobiliário (4)	SPE	100.00%	100.00%
Consolidated investment funds			
Votorantim Expertise Multimercado Fundo de Investimento. (Expertise)	Investment fund	100.00%	100.00%
BVIA subsidiaries			
Marques de Monte Santo Empreend. Imobiliário SPE Ltda. (Monte Santo)	SPE	100.00%	100.00%
Parque Valença Empreendimento Imobiliário SPE Ltda. (Parque Valença)	SPE	100.00%	100.00%
BVEP subsidiaries			
IRE República Empreendimento Imobiliário S.A. (IRE República)	SPE	100.00%	100.00%
Senador Dantas Empreendimento Imobiliário SPE S.A. (Senador Dantas)	SPE	100.00%	100.00%
Henri Dunant Empreend. Imobiliário S.A. (Henri Dunant)	SPE	100.00%	100.00%
Arena XI Incorporações SPE Ltda. (Arena XI)	SPE	100.00%	100.00%
D'oro XVIII Incorporações Ltda. (D'oro XVIII)	SPE	100.00%	100.00%
Atenas subsidiaries			
Atenas Sp 02 – Empreendimento Imobiliário Ltda. – Lote 1	SPE	100.00%	100.00%
Atenas Sp 02 – Empreendimento Imobiliário Ltda. – Lote 3	SPE	100.00%	100.00%

(1) Financial institution subsidiaries.
(2) Votorantim Corretora de Títulos e Valores Mobiliários Ltda. was merged into Votorantim Asset Management Distribuidora de TVM Ltda on January 31, 2018, as described in Note 2.
(3) Votorantim Securities (UK) Limited was extinguished on October 16, 2018.
(4) In May 2018, Banco Votorantim received for payment, shares of Atenas SP 02 Empreendimentos Imobiliários.
(5) In October 2018, as a result of the liquidation of BVIA FIP, BV Empreendimentos e Participações SA was directly controlled by Banco Votorantim S.A.

7. OPERATING SEGMENTS

An operating segment is a component of the Conglomerate that develops business activities, from which it can obtain revenues and incur expenses, including from transactions with other components of the Conglomerate. Information for decision making about resources to be allocated to each segment and for its performance assessment are regularly reviewed by the Executive Board, who is the chief operating decision maker of the Conglomerate's operations.

Operating segments management is performed in accordance with BRGAAP (Bacen) basis.

Segment results include items directely attributable to each segment, as well as items that can be allocated on a reasonable basis. In the year ended in December 31, 2019 the Conglomerate reviewed the monitoring and disclosure of its operating segments, observing particularities of the business components (such as: the nature and distribution strategy of its products and services, the target public, the nature of operating procedures and the regulatory environment), as well as the quantitative parameters (such as: relevance of revenues, income and loss, assets volume), in accordance with IFRS 8 - Segment Information. This review resulted in a change in segments disclosed moving from Retail and Wholesale segments to Retail, Wholesale and market activities, and Corporate. Disclosures for the prior period were adjusted accordingly.

Interest revenues are disclosed net, following business performance measures, and not as gross income and expenses separately. Transfer pricing between operating segments is done at market prices, in a similar way to third party operations.

The Conglomerate has three segments, as described above, that are business units of the Conglomerate. The business units offer different products and services and are mananaged separately, have specific management models, target markets, marketing strategyies and different sub-segmentantions. The following summary describes the operations in each of the Conglomerate's segments:

Amounts in thousand of Reais, unless indicated

• **Retail -** The most significant activity of the Conglomerate is Vehicle financing, mainly used light vehicles (cars). In addition, in line with the strategy to diversify income sources, we offer other products to our Vehicle Financing clients base. Among these offers, there are credit cards, securities brokerage, loans (payroll loan, individual loan and home equity) and financing, for items such as: residential solar panels, student loans, tourism and health.

• **Wholesale and market activities -** Financial operations and services mainly directed to financial institutions, corporate customers with annual income above R$300 million and high net worth customers (Private Banking). Products and services categories include: Loans and financing, Derivatives, Foreign Commerce, Financial guarantees, Investments (Fixed income, Investment funds, Investment in shares and Structured Products), payments and collection services. Also includes the results from trading of financial instruments in the Conglomerate's proprietary portfolio, and asset and liability management, among others.

• **Corporate -** Comprise run-off investments from BV Empreendimentos e Participações S.A., financial income generated by excess capital and costs associated with tax losses from deferred tax asset charges.

Information related to each segment results are listed below. Performance is evaluated based on the net profit for the period.

a) Income by segment

	2019					
	Retail	Wholesale and market activities	Corporate	Consolidated management	Adjustments and reclassifications [1]	Consolidated IFRS
Net interest income	**5,166,674**	**917,852**	**(15,879)**	**6,068,647**	**440,188**	**6,508,835**
Income from impairment losses (Note 31)	(1,763,927)	(58,618)	-	(1,822,545)	(395,501)	(2,218,046)
Net financial margin	**3,402,747**	**859,234**	**(15,879)**	**4,246,102**	**44,687**	**4,290,789**
Net profit from services and comissionss (Note 28)	1,939,810	354,178	44,085	2,338,073	(982,015)	1,356,058
Personnel expenses (Note 32)	(868,535)	(405,901)	(7,757)	(1,282,193)	(83,640)	(1,365,833)
Other administrative expenses (Note 33)	(1,193,193)	(210,786)	(12,497)	(1,416,476)	745,185	(671,291)
Tax expenses (Note 24c)	(464,883)	(110,566)	(2,913)	(578,362)	7,009	(571,353)
Income from shareholding in associates and joint ventures (Note 16a)	(5,825)	9,072	30,003	33,250	(52,864)	(19,614)
Other revenues/expenses	(1,103,475)	(16,274)	(52,235)	(1,171,984)	174,214	(997,770)
Income before taxes and contributions and profit sharing	**1,706,646**	**478,957**	**(17,193)**	**2,168,410**	**(147,424)**	**2,020,986**
Tax income and social contribution (Note 24d)	(633,135)	(171,436)	6,402	(798,169)	371,904	(426,265)
Net profit (loss)	**1,073,511**	**307,521**	**(10,791)**	**1,370,241**	**224,480**	**1,594,721**

	2018					
	Retail	Wholesale and market activities	Corporate	Consolidated management	Adjustments and reclassifications [1]	Consolidated IFRS
Net interest income	**4,563,053**	**915,254**	**(64,535)**	**5,413,772**	**23,860**	**5,437,632**
Income from impairment losses (Note 31)	(1,348,947)	(120,728)	(28)	(1,469,703)	(506,818)	(1,976,521)
Net financial margin	**3,214,106**	**794,526**	**(64,563)**	**3,944,069**	**(482,958)**	**3,461,111**
Net profit from services and comissionss (Note 28)	1,765,757	368,938	38,370	2,173,065	(821,618)	1,351,447
Personnel expenses (Note 32)	(857,809)	(400,391)	(7,055)	(1,265,255)	6	(1,265,249)
Other administrative expenses (Note 33)	(1,062,327)	(211,479)	(8,845)	(1,282,651)	627,693	(654,958)
Tax expenses (Note 24c)	(391,321)	(74,737)	(9,541)	(475,599)	14,487	(461,112)
Income from shareholding in associates and joint ventures (Note 16a)	37	19,974	(127,836)	(107,825)	93,965	(13,860)
Other revenues/expenses	(974,369)	(1,776)	91,269	(884,876)	282,144	(602,732)
Income before taxes and contributions and profit sharing	**1,694,074**	**495,055**	**(88,201)**	**2,100,928**	**(286,281)**	**1,814,647**
Tax income and social contribution (Note 24d)	(728,456)	(181,699)	(129,603)	(1,039,758)	285,657	(754,101)
Net profit (loss)	**965,618**	**313,356**	**(217,804)**	**1,061,170**	**(624)**	**1,060,546**

[1] Includes the adjustments of accounting criteria differences between BRGAAP (Bacen) and IFRS, as well as reclassfications between lines by management and accounting criteria differences.

Amounts in thousand of Reais, unless indicated

b) Financial information by segment

	12.31.2019					
	Retail	**Wholesale and market activities**	**Corporate**	**Consolidated management**	**Adjustments and reclassifications [1]**	**Total**
Loans and leases (Note 12a)	44,165,065	11,510,955	-	55,676,020	(327,538)	55,348,482
Impairment over financial assets (Note 10b/ 12a)	(2,940,039)	(1,775,839)	-	(4,715,878)	(1,855,457)	(6,571,335)
Deferred tax assets (Note 24 a.2)	3,214,274	2,262,956	1,161,323	6,638,553	426,852	7,065,405
Total assets	44,623,068	50,265,335	1,645,911	96,534,314	366,494	96,900,808
Total liabilities	40,014,684	46,589,595	44,154	86,648,433	511,923	87,160,356
Total shareholders' equity	4,608,384	3,675,739	1,601,758	9,885,881	(145,429)	9,740,452

	12.31.2018					
	Retail	**Wholesale and market activities**	**Corporate**	**Consolidated management**	**Adjustments and reclassifications [1]**	**Total**
Loans and leases (Note 12a)	38,591,629	11,886,513	-	50,478,142	(253,930)	50,224,212
Impairment over financial assets (Note 10b/ 12a)	(2,380,334)	(1,250,530)	-	(3,630,864)	(2,436,957)	(6,067,821)
Deferred tax assets (Note 24 a.2)	3,635,151	1,948,170	1,265,082	6,848,403	373,606	7,222,009
Total assets	39,993,912	59,812,198	2,177,458	101,983,568	304,051	102,287,619
Total liabilities	35,908,779	55,829,953	871,241	92,609,973	551,704	93,161,677
Total shareholders' equity	4,085,133	3,982,245	1,306,217	9,373,595	(247,653)	9,125,942

(1) Includes the adjustments of accounting criteria differences between BRGAAP (Bacen) and IFRS, as well as reclassfications between lines by management and accounting criteria differences.

8. CASH AND CASH EQUIVALENTS

	12.31.2019	**12.31.2018**
Cash and due from banks	**359,360**	**202,534**
Cash and due from banks in national currency	97,759	13,792
Cash and due from banks in foreign currency	261,601	188,742
Interbank funds applied [1]	**692,529**	**1,365,414**
Securities purchased under resale agreements	307,586	881,055
Interbank accounts or relations	-	145,135
Investments in foreign currency	384,943	339,224
Total	**1,051,889**	**1,567,948**

(1) Refers to financial assets with original maturities of 90 days or less from the acquisition date and are subject to an insignificant risk of change in fair value.

9. COMPULSORY DEPOSITS AT THE CENTRAL BANK OF BRAZIL

	12.31.2019	**12.31.2018**
Compulsory deposits on demand deposits	-	12
Compulsory deposits on time deposits	1,769,417	519,643
Compulsory deposits on microfinance transactions	2,748	2,234
Total	**1,772,165**	**521,889**

Amounts in thousand of Reais, unless indicated

10. FINANCIAL ASSETS - SECURITIES

a) Breakdown of the portfolio by category and type of security

	12.31.2019								12.31.2018		
	Fair value					Total			Total		
	Without maturity	Until 1 year	From 1 to 5 years	From 5 to 10 years	Over 10 years	Cost	Fair value	Fair value adjustment	Cost	Fair value	Fair value adjustment
1 - Financial assets at fair value through profit or loss	**46,774**	**6,717,809**	**2,539,506**	**622,460**	**211,465**	**10,049,962**	**10,138,014**	**88,052**	**12,029,419**	**12,123,178**	**93,759**
Government bonds	**-**	**6,697,687**	**2,197,529**	**545,231**	**161**	**9,372,199**	**9,440,608**	**68,409**	**11,488,288**	**11,572,646**	**84,358**
Financial Treasury Bills	-	28,311	91,517	-	-	119,824	119,828	4	175,154	175,154	-
National Treasury Bills	-	6,630,319	1,119,165	-	-	7,747,699	7,749,484	1,785	8,476,530	8,507,104	30,574
National Treasury Notes	-	39,057	986,847	545,231	161	1,504,676	1,571,296	66,620	2,836,604	2,890,388	53,784
Private securities	**46,774**	**20,122**	**341,977**	**77,229**	**211,304**	**677,763**	**697,406**	**19,643**	**541,131**	**550,532**	**9,401**
Investment funds	21,590	-	-	77,229	207,763	289,125	306,582	17,457	227,452	245,290	17,838
Shares	25,184	-	-	-	-	22,886	25,184	2,298	20,234	10,782	(9,452)
Eurobonds	-	-	110	-	-	109	110	1	190	181	(9)
Debentures	-	-	6,964	-	-	6,964	6,964	-	30,444	32,237	1,793
Promissory notes	-	-	8,897	-	-	8,897	8,897	-	7,803	7,803	-
Agribusiness Receivables Certificate	-	20,122	123,084	-	-	143,227	143,206	(21)	85,306	85,477	171
Certificate of Real Estate Receivables	-	-	202,922	-	3,541	206,555	206,463	(92)	169,702	168,762	(940)
2 - Financial assets measured at fair value through other comprehensive income	**-**	**1,346,030**	**10,242,429**	**3,654,774**	**29,424**	**14,906,222**	**15,272,657**	**366,435**	**12,928,445**	**13,083,532**	**155,087**
Government bonds	-	**977,028**	**8,491,521**	**3,283,512**	**-**	**12,377,063**	**12,752,061**	**374,998**	**10,066,499**	**10,233,286**	**166,787**
Financial Treasury Bills	-	175,332	3,224,517	2,247,427	-	5,646,599	5,647,276	677	4,511,889	4,512,513	624
National Treasury Bills	-	244,825	1,187,099	-	-	1,415,782	1,431,924	16,142	332,578	349,088	16,510
National Treasury Notes	-	-	2,474,182	960,860	-	3,143,692	3,435,042	291,350	3,082,174	3,232,792	150,618
Brazilian Foreign Debt Securities	-	-	1,605,723	75,225	-	1,626,706	1,680,948	54,242	1,633,030	1,630,438	(2,592)
Government Notes - other countries	-	556,871	-	-	-	544,284	556,871	12,587	506,828	508,455	1,627
Private securities	-	**369,002**	**1,750,908**	**371,262**	**29,424**	**2,529,159**	**2,520,596**	**(8,563)**	**2,861,946**	**2,850,246**	**(11,700)**
Debentures	-	92,511	1,614,561	371,262	29,424	2,118,035	2,107,758	(10,277)	2,229,305	2,214,587	(14,718)
Promissory notes	-	15,669	115,525	-	-	131,187	131,194	7	14,589	14,588	(1)
Eurobonds	-	203,723	-	-	-	202,053	203,723	1,670	246,044	246,653	609
Financial Bills	-	57,099	20,822	-	-	77,884	77,921	37	52,840	52,985	145
Floating Rate Notes	-	-	-	-	-	-	-	-	319,168	321,433	2,265
3 - Financial assets measured at amortized cost [(1)]	-	**607,350**	**820,978**	**918,625**	**95,359**	**2,442,312**	**2,442,312**	**-**	**2,413,735**	**2,413,735**	**-**
Government bonds	-	**241,539**	**389,643**	**918,625**	**95,359**	**1,645,166**	**1,645,166**	**-**	**2,067,932**	**2,067,932**	**-**
National Treasury Bills	-	-	-	-	-	-	-	-	1,218,882	1,218,882	-
National Treasury Notes	-	241,539	389,643	918,625	95,359	1,645,166	1,645,166	-	849,050	849,050	-
Private securities	-	**365,811**	**431,335**	**-**	**-**	**797,146**	**797,146**	**-**	**345,803**	**345,803**	**-**
Rural Product Notes - Commodities	-	97,732	364,968	-	-	462,700	462,700	-	345,803	345,803	-
Floating Rate Notes	-	268,079	66,367	-	-	334,446	334,446	-	-	-	-
Total (1 + 2 + 3)	**46,774**	**8,671,189**	**13,602,913**	**5,195,859**	**336,248**	**27,398,496**	**27,852,983**	**454,487**	**27,371,599**	**27,620,445**	**248,846**

[(1)] The fair value of these instruments is presented in Note 36g.

Amounts in thousand of Reais, unless indicated

b) Reconciliation of expected losses for financial assets classified as measured at fair value through other comprehensive income and amortized cost, segregated by stages:

Financial assets measured at fair value through other comprehensive income	Expected loss 12/31/2018	Constitution / (Reversal)	Acquisitions	Settlements [1]	Transfer between stages	Expected loss 12/31/2019	% on 12/31/2018	% on 12/31/2019
Stage 1								
Debentures	7,172	(1,529)	3,662	(2,891)	(2,248)	4,166		
Eurobonds	54	(8)	-	(2)	-	44		
Financial Bills	54	4	65	-	-	123		
Promissory notes	77	-	497	(77)	-	497		
Total	**7,357**	**(1,533)**	**4,224**	**(2,970)**	**(2,248)**	**4,830**	**0.6%**	**0.6%**
Stage 2								
Debentures	7,360	7,433	687	-	2,248	17,728		
Total	**7,360**	**7,433**	**687**	**-**	**2,248**	**17,728**	**0.6%**	**2.2%**
Stage 3								
Debentures	1,295,809	(12,991)	-	(501,228)	-	781,590		
Total	**1,295,809**	**(12,991)**	**-**	**(501,228)**	**-**	**781,590**	**98.8%**	**97.2%**
All Stages (1, 2 and 3)								
Debentures	1,310,341	(7,087)	4,349	(504,119)	-	803,484		
Eurobonds	54	(8)	-	(2)	-	44		
Financial Bills	54	4	65	-	-	123		
Promissory notes	77	-	497	(77)	-	497		
Total	**1,310,526**	**(7,091)**	**4,911**	**(504,198)**	**-**	**804,148**	**100%**	**100%**

[1] Includes restructuring of assets.

Amounts in thousand of Reais, unless indicated

Financial assets measured at amortized cost	**Expected loss 12/31/2018**	**Constitution / (Reversal)**	**Acquisitions**	**Settlements [1]**	**Transfer between stages**	**Expected loss 12/31/2019**	**% on 12/31/2018**	**% on 12/31/2019**
Stage 1								
Rural Product Notes	1,790	(366)	1,412	(634)	-	2,202		
Total	**1,790**	**(366)**	**1,412**	**(634)**	**-**	**2,202**	**2.5%**	**7.8%**
Stage 2								
Rural Product Notes	77	-	-	(77)	-	-		
Total	**77**	**-**	**-**	**(77)**	**-**	**-**	**0.1%**	**0.0%**
Stage 3								
Rural Product Notes	70,965	(427)	-	(44,597)	-	25,941		
Total	**70,965**	**(427)**	**-**	**(44,597)**	**-**	**25,941**	**97.4%**	**92.2%**
All Stages (1, 2 and 3)								
Rural Product Notes	72,832	(793)	1,412	(45,308)	-	28,143		
Total	**72,832**	**(793)**	**1,412**	**(45,308)**	**-**	**28,143**	**100%**	**100%**

[1] Includes restructuring of assets.

All Stages (1, 2 and 3)	**Expected loss 12/31/2018**	**Constitution / (Reversal)**	**Acquisitions**	**Settlements [1]**	**Transfer between stages**	**Expected loss 12/31/2019**	**% on 12/31/2018**	**% on 12/31/2019**
By category:								
Financial assets measured at fair value through other comprehensive income	1,310,526	(7,091)	4,911	(504,198)	-	804,148	94.7%	96.6%
Financial assets measured at amortized cost	72,832	(793)	1,412	(45,308)		28,143	5.3%	3.4%
Total	**1,383,358**	**(7,884)**	**6,323**	**(549,506)**	**-**	**832,291**	**100%**	**100%**
By stage:								
Stage 1	9,147	(1,899)	5,636	(3,604)	(2,248)	7,032	0.7%	0.8%
Stage 2	7,437	7,433	687	(77)	2,248	17,728	0.5%	2.1%
Stage 3	1,366,774	(13,418)	-	(545,825)	-	807,531	98.8%	97.0%
Total	**1,383,358**	**(7,884)**	**6,323**	**(549,506)**	**-**	**832,291**	**100%**	**100%**

[1] Includes restructuring of assets.

Amounts in thousand of Reais, unless indicated

11. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS - DERIVATIVES

a) Breakdown of derivative financial instruments portfolio by index

By index	12.31.2019			12.31.2018		
	Reference value	Cost	Fair value	Reference value	Cost	Fair value
1 - Futures contracts						
Purchase commitments	**13,312,003**	**-**	**-**	**12,617,650**	**-**	**-**
Interbank deposits	5,081,128	-	-	4,607,324	-	-
Currencies	2,303,496	-	-	1,529,616	-	-
Index	363,757	-	-	808,978	-	-
Foreign currency coupon	5,563,622	-	-	5,671,732	-	-
Sales commitments	**64,005,583**	**-**	**-**	**73,532,303**	**-**	**-**
Interbank deposits	46,126,347	-	-	44,235,373	-	-
Currencies	765,832	-	-	785,407	-	-
Index	606,836	-	-	906,173	-	-
Libor	10,613,592	-	-	19,951,973	-	-
Foreign currency coupon	5,892,976	-	-	7,558,820	-	-
Others	-	-	-	94,557	-	-
2 - Forward contracts						
Asset position	**264,867**	**264,867**	**264,852**	**1,740,433**	**1,740,433**	**1,740,620**
Currency term	151,331	151,331	151,331	44,172	44,172	44,172
Government bond term	113,536	113,536	113,521	1,696,261	1,696,261	1,696,448
Liability position	**264,867**	**(264,867)**	**(264,288)**	**1,740,433**	**(1,740,433)**	**(1,738,817)**
Currency term	151,331	(151,331)	(150,752)	44,172	(44,172)	(42,817)
Government bond term	113,536	(113,536)	(113,536)	1,696,261	(1,696,261)	(1,696,000)
3 - Option contracts [(1)]						
Call option - Long position	**7,847,669**	**504,760**	**252,649**	**7,613,979**	**479,175**	**402,729**
Foreign currency	6,652,950	468,122	233,228	5,477,738	408,488	374,126
Flexible options	1,021,719	35,060	14,146	1,716,241	66,126	25,079
Shares	173,000	1,578	5,275	420,000	4,561	3,524
Put option - Long position	**32,729,213**	**482,871**	**369,326**	**48,145,847**	**436,735**	**392,698**
Foreign currency	7,338,625	440,734	287,158	8,548,025	431,135	384,843
Interbank deposits	25,238,000	40,579	80,496	39,570,000	4,702	7,119
Flexible options	22,993	373	545	27,822	898	736
Shares	104,000	1,163	1,108			
Foreign government index	25,595	22	19	-	-	-
Call option - Short position	**14,767,283**	**(447,188)**	**(267,913)**	**6,807,634**	**(472,356)**	**(454,792)**
Foreign currency	7,477,625	(441,607)	(262,651)	6,138,288	(461,999)	(450,664)
Interbank deposits	7,125,000	(761)	-			
Flexible options	49,158	(2,560)	(1,934)	231,346	(8,173)	(2,738)
Shares	115,500	(2,260)	(3,328)	438,000	(2,184)	(1,390)
Put option - Short position	**32,901,379**	**(453,671)**	**(427,196)**	**35,519,956**	**(454,668)**	**(452,845)**
Foreign currency	6,574,625	(376,502)	(318,619)	7,693,838	(389,266)	(389,526)
Interbank deposits	25,237,000	(40,097)	(79,496)	26,380,000	(1,819)	-
Flexible options	888,754	(34,768)	(27,985)	1,446,118	(63,583)	(63,319)
Shares	201,000	(2,304)	(1,096)	-	-	-
4 - Swap contracts [(1)]						
Asset position	**11,735,282**	**1,696,673**	**1,784,456**	**10,202,942**	**1,282,346**	**1,514,016**
Interbank deposits	1,456,664	88,041	91,203	2,455,256	211,001	173,730
Foreign currency	3,514,533	897,897	606,146	2,699,570	688,581	492,018
Fixed rate	4,791,926	336,539	570,039	2,871,595	111,544	469,699
IPCA	1,854,876	372,109	510,996	2,110,651	268,695	375,910
IGPM	78,000	743	4,598	15,000	1,418	1,401
Libor	39,283	1,344	1,474	50,870	1,107	1,258
Liability position	**6,631,005**	**(1,538,959)**	**(1,861,464)**	**6,114,170**	**(1,097,423)**	**(1,393,070)**
Interbank deposits	714,116	(28,443)	(6,145)	377,021	(52,955)	(19,750)
Foreign currency	3,021,607	(502,356)	(299,990)	2,245,963	(375,035)	(254,451)
Fixed rate	539,696	(366,257)	(770,527)	758,146	(66,303)	(355,440)
IPCA	1,723,625	(571,079)	(717,425)	2,054,996	(533,670)	(689,317)
IGP-M	-	-	(630)	-	-	-
Libor	631,961	(70,824)	(66,747)	678,044	(69,460)	(71,241)
Others	-	-	-	-	-	(2,871)

Amounts in thousand of Reais, unless indicated

By index	12.31.2019			12.31.2018		
	Reference value	Cost	Fair value	Reference value	Cost	Fair value
5 - Other derivative financial instruments						
Asset position	**8,007,714**	**73,573**	**66,039**	**4,617,633**	**143,619**	**130,208**
Non Deliverable Forward - foreign currency [(1)]	7,745,718	72,363	64,894	4,615,696	143,619	130,190
Credit derivatives [(2)]	261,996	1,210	1,145	-	-	-
Credit Linked Notes	-	-	-	1,937	-	18
Liability position	**1,156,578**	**(110,652)**	**(113,701)**	**1,596,197**	**(82,109)**	**(89,993)**
Non Deliverable Forward - foreign currency [(1)]	1,094,102	(109,863)	(113,008)	1,478,016	(76,511)	(86,217)
Credit derivatives [(2)]	62,476	(789)	(693)	118,181	(5,598)	(3,776)
Total Assets (1 + 2 + 3 + 4+ 5)	**73,896,748**	**3,022,744**	**2,737,322**	**84,938,484**	**4,082,308**	**4,180,271**
Total Liabilities (1 + 2 + 3 + 4 + 5)	**119,461,828**	**(2,815,337)**	**(2,934,562)**	**123,570,260**	**(3,846,989)**	**(4,129,517)**

(1) The fair value for swaps, options and non deliverable forwards considers the credit risk of the counterparty (credit valuation adjustment).
(2) The presentation of credit derivatives by position (asset or liability) takes into account the respective fair value of each contract.

b) Breakdown of derivative financial instruments by maturity date (reference value)

Maturity in days	12.31.2019					12.31.2018
	From 0 to 30	From 31 to 180	From 181 to 360	Over 360	Total	
Future contracts	8,717,676	15,997,216	17,916,417	34,686,277	77,317,586	86,149,953
Forward contracts	264,867	-	-	-	264,867	1,740,433
Option contracts	60,986,627	2,381,933	14,083,408	10,793,576	88,245,544	98,087,416
Swap contracts	1,119,244	2,688,289	5,879,226	8,679,528	18,366,287	16,317,112
Non Deliverable Forward - Foreign currency	1,362,436	3,280,140	3,756,968	440,276	8,839,820	6,093,712
Credit derivatives	-	203,550	-	120,922	324,472	118,181
Credit Linked Notes	-	-	-	-	-	1,937
Total	**72,450,850**	**24,551,128**	**41,636,019**	**54,720,579**	**193,358,576**	**208,508,744**

c) Breakdown of derivative financial instruments portfolio by market and counterparty (reference value on December 31, 2019)

	Futures	Terms	Options	Swap	Credit derivatives	Non Deliverable Forward
Stock exchange market (B3)	**77,317,586**	**-**	**86,262,920**	**-**	**-**	**-**
Over-the-counter market (Cetip)	**-**	**264,867**	**1,982,624**	**18,366,287**	**324,472**	**8,839,820**
Financial institutions	-	264,867	22,538	14,161,660	324,472	3,288,330
Client	-	-	1,960,086	4,204,627	-	5,551,490

d) Breakdown of credit derivative financial instruments portfolio

	12.31.2019			12.31.2018		
	Reference value	Cost	Fair value	Reference value	Cost	Fair value
Credit Swap						
Received risk	264,011	(425)	(197)	118,181	(5,598)	(3,776)
Transferred risk	60,461	846	651	-	-	-
By index						
Asset position - Fixed rate	261,996	1,210	1,147	-	-	-
Liability position - Fixed rate	62,476	(789)	(693)	118,181	(5,598)	(3,776)

For received risk transactions, credit limits are approved both for client risk and counterparty risk, according to the credit committee's approval levels. Credit limits are assigned to the underlying exposure at derivative reference value, considering amounts deposited in guarantee.

For transferred risk, a transaction is conducted in a trading portfolio with a sovereign risk client. In this case, future possible exposure is considered to determine the counterparty limit. The credit derivative financial instruments portfolio generated an impact in the Bank's Basel ratio of R$ 2,843 (R$ 1,178 December 31, 2018) of Portion Referring to Weighed Exposures per Risk Factor (PRMR).

e) Breakdown of margin given in guarantee of operations with derivative financial instruments and other transactions settled in clearing houses or providers of clearing and settlement services

	12.31.2019	12.31.2018
Financial Treasury Bills - LFT	80,712	186,547
National Treasury Notes - NTN	291,294	-
National Treasury Bills - LTN	17,946	318,597
Units in investment funds	48,109	48,379
Others	55,084	44,435
Total	**493,145**	**597,958**

Amounts in thousand of Reais, unless indicated

f) Derivative financial instruments segregated as current and non-current

	12.31.2019			12.31.2018		
	Current	Non-current	Total	Current	Non-current	Total
Assets						
Forward contracts	264,852	-	264,852	1,740,620	-	1,740,620
Options market	379,377	242,598	621,975	168,515	626,912	795,427
Swap contracts	743,410	1,041,046	1,784,456	239,515	1,274,501	1,514,016
Non Deliverable Forward	64,800	94	64,894	125,375	4,815	130,190
Credit derivatives	454	691	1,145	-	-	-
Credit linked notes	-	-	-	-	18	18
Total	**1,452,893**	**1,284,429**	**2,737,322**	**2,274,025**	**1,906,246**	**4,180,271**
Liabilities						
Forward contracts	(264,288)	-	(264,288)	(1,738,817)	-	(1,738,817)
Options market	(425,010)	(270,099)	(695,109)	(236,918)	(670,719)	(907,637)
Swap contracts	(836,693)	(1,024,771)	(1,861,464)	(324,976)	(1,068,094)	(1,393,070)
Non Deliverable Forward	(98,343)	(14,665)	(113,008)	(81,524)	(4,693)	(86,217)
Credit derivatives	-	(693)	(693)	-	(3,776)	(3,776)
Total	**(1,624,334)**	**(1,310,228)**	**(2,934,562)**	**(2,382,235)**	**(1,747,282)**	**(4,129,517)**

g) Breakdown of derivatives portfolio for hedge accounting

The Conglomerate uses two types of Hedge strategies: Fair Value Hedge and Cash Flow Hedge.

These strategies are carried out in the following risk categories:

- Interest rate risk; and
- Exchange rate risk.

Hedged risks and their limits are defined within a committee. The Conglomerate protects its risks in full over the terms of the operations. Eventually, hedging is carried out until the maturity of the hedge instrument.

The Conglomerate determines the relationship between hedge instruments and hedged items so that the fair value of these instruments is expected to move in opposite directions and in the same proportions.

The established hedge index is always 100% of the hedged risk. The sources of ineffectiveness are due to timing mismatches between hedge instruments and hedged items.

For loan contracts the effectiveness tests are adjusted for the respective allowance for losses in order to exclude the effects arising from these provisions, given that credit risk is not the risk being hedged.

Given the Conglomerate chose to continue using the requirements set forth in IAS 39 (IFRS 9 - paragraph BC6.104), hedge transactions were evaluated as effective, with a hedge effectiveness falling between 80% to 125%. The Conglomerate does not use the qualitative method to evaluate the effectiveness of the strategies.

Fair value hedge

The Conglomerate, in order to protect itself against interest and exchange rates fluctuations in its financial instruments, contracted derivatives to offset risks deriving from exposures to fair value movements, as follows:

- Hedge of financial assets with repurchase agreements indexed with risk at a fixed rate are hedged with future DI floating rate contracts;
- Hedge of loan operations with fixed rate / exchange rate risk are hedged with DI, DDI and Libor futures contracts; and
- Hedge of subordinated debt indexed to exchange rate variation are hedged with DDI futures contracts and swap contracts.

Amounts in thousand of Reais, unless indicated

Hedged items	Statement of Financial Position line item	12.31.2019				
		Fair value of hedged items		Fair value adjustment of hedged items		Base value for calculating hedge ineffectiveness (1)
		Assets	Liabilities	Assets	Liabilities	
Interest rate risk						
Hedge of purchase and sale commitment	Financial assets with resale agreements	1,877,581	-	318	-	147,384
Hedge of loan contracts	Loans and leases	18,629,515	-	327,639	-	1,228,392
Exchange rate risk						-
Hedge of loan contracts	Loans and leases	33,280	-	(101)	-	4,517
Total		**20,540,376**	**-**	**327,856**	**-**	**1,380,293**
		12.31.2018				
Interest rate risk						
Hedge of purchase and sale commitment	Financial assets with resale agreements	3,598,021	-	714	-	392,758
Hedge of loan contracts	Loans and leases	11,755,831	-	272,624	-	1,218,368
Exchange rate risk						
Hedge of loan contracts	Loans and leases	455,548	-	(11,828)	-	129,103
Hedge of subordinated debt (2)	Financial liabilities at amortized cost	-	-	-	-	(558,764)
Total		**15,809,400**	**-**	**261,510**	**-**	**1,181,465**

(1) Changes in the fair value of the hedge instrument that are not offset by changes in the value of the hedged item result in the amount of hedge ineffectiveness.
(2) In the year ended December 31, 2019, these operations were no longer classified as fair value hedge.

For the strategies for financial assets with resale agreements and loans and leases, the Conglomerate re-establishes the hedging relationship since both the hedged item and the instruments are dynamic portfolios. This is because they are portfolio strategies, reflecting the risk management strategy guidelines approved by the competent committee.

Hedge instruments (2)	12.31.2019			
	Fair value		Base value for calculating hedge ineffectiveness (1)	Hedge Ineffectiveness recognized in net profit (loss)
	Assets	Liabilities		
Interest rate risk				
Future DI	-	20,489,371	(1,376,080)	(304)
Exchange rate risk				
Future DDI	-	-	(830)	10
Future libor	-	-	(3,397)	280
Total	**-**	**20,489,371**	**(1,380,307)**	**(14)**
	12.31.2018			
Interest rate risk				
Future DI	-	15,643,776	(1,604,070)	7,056
Exchange rate risk				
Future DDI	-	-	428,376	(3,004)
Future libor	-	3,393,573	(1,357)	362
Total	**-**	**19,037,349**	**(1,177,051)**	**4,414**

(1) Changes in the fair value of the hedge instrument that are not offset by changes in the value of the hedged item result in the amount of hedge ineffectiveness.
(2) Hedge instruments are allocated to the respective financial assets / liabilities at fair value through profit or loss - Statement of Financial Position - Derivatives.

In the years ended in December 31, 2019 and 2018, some operations are no longer classified as part of a Fair value hedge and the balance corresponding to the fair value adjustment of the hedged item existing at the termination of the accounting hedge was deferred (except for cases of hedged items settled in advance) for the remaining contractual term of those transactions whose effect on the income statement for the year ended December 31, 2019 was of R$ 31,594 net from tax effect and for the year ended December 31, 2018 was R$ 720 net of tax, presented under "Income (losses) from derivative financial instruments".

Cash flow hedge

To protect the future cash flows of payments against exposure to variable interest rate (CDI), the Conglomerate traded DI Future contracts at B3 (Stock exchange market).

To protect the cash flow of future disbursements on securities issued abroad against exposure to exchange rate risk (USD), the Conglomerate has traded over-the-counter Swap contracts recorded in B3.

Amounts in thousand of Reais, unless indicated

Hedged items	Statement of Financial Position	12.31.2019		
		Fair value	Base value for calculating hedge ineffectiveness [1]	Cash flow hedge reserve
		Liabilities		
Interest rate risk				
Hedge of Financial Bills	Financial liabilities at amortized cost	12,010,105	317,005	(142,538)
Hedge of subordinated financial bills - Debt instruments eligible for capital	Financial liabilities at amortized cost	704,888	59,640	(31,138)
Exchange rate risk				
Hedge of perpetual bonds - Subordinated liabilities	Financial liabilities at amortized cost	1,216,494	(178,579)	(57,358)
Total		**13,931,487**	**198,066**	**(231,034)**
		12.31.2018		
Interest rate risk				
Hedge of CDI	Financial liabilities at amortized cost	883,047	24,847	(20,690)
Hedge of Financial Bills	Financial liabilities at amortized cost	13,601,311	161,046	(98,535)
Hedge of subordinated financial bills - Debt instruments eligible for capital	Financial liabilities at amortized cost	806,016	29,156	(16,041)
Exchange rate risk				
Hedge of perpetual bonds - Subordinated liabilities	Financial liabilities at amortized cost	1,169,442	(157,829)	(30,757)
Total		**16,459,816**	**57,220**	**(166,023)**

(1) Changes in the value of the hedged item that are not offset by changes in the fair value of the hedge instrument result in the amount of hedge ineffectiveness.

Hedge instruments [1]	12.31.2019				
	Fair value		Base value for calculating hedge ineffectiveness [2]	Variation in the value of the recognized hedge instrument in OCI	Hedge Ineffectiveness recognized in net profit (loss)
	Assets	Liabilities			
Interest rate risk					
Future	-	12,820,188	(370,400)	(38,410)	(65)
Exchange rate risk					
Swap	175,326	-	180,884	(26,601)	(3,188)
Total	**175,326**	**12,820,188**	**(189,516)**	**(65,011)**	**(3,253)**
			12.31.2018		
Interest rate risk					
Future	-	15,196,206	(212,665)	(86,424)	(58)
Exchange rate risk					
Swap	153,792	-	158,918	(27,272)	(3,965)
Total	**153,792**	**15,196,206**	**(53,747)**	**(113,696)**	**(4,023)**

(1) Changes in the fair value of the hedge instrument that are not offset by changes in the value of the hedged item result in the amount of hedge ineffectiveness.
(2) Hedge instruments are allocated to the respective financial assets at fair value through profit or loss - Statement of Financial Position - Derivatives.

The effective portion is recognized in Shareholders' Equity in Other Comprehensive Income and the ineffective portion is recognized in the Income Statement in "Income (losses) from derivative financial instruments".

The gross amount accumulated in Other Comprehensive Income relating to discontinued hedge transactions is R$ (105,739) and the amount of this reserve that affected the Consolidated Income Statement for the period is R$ (29,684).

h) Income (losses) from derivative financial instruments

	2019	2018
Swap contracts	190,113	(79,118)
Forward contracts	4,431	1,780
Futures contracts	(1,322,414)	(1,021,824)
Option contracts	(2,527)	(29,632)
Non Deliverable Forward contracts	54,400	323,677
Credit derivatives	8,587	4,723
Credit Linked Notes	-	100
Income from foreign exchange movements of investments abroad	47,489	268,500
Total	**(1,019,921)**	**(531,794)**

Amounts in thousand of Reais, unless indicated

12. FINANCIAL ASSETS MEASURED AT AMORTIZED COST - LOANS AND LEASES

a) Breakdown of portifolio

	Note	12.31.2019	12.31.2018
Loans		**55,250,805**	**50,032,494**
Individuals		534,883	191,183
Payroll credit		1,312,767	2,037,568
Vehicle financing		39,211,044	33,807,343
Credit card		2,784,613	2,293,342
Loans and financings - Corporate		4,282,547	3,438,428
Loans and financings - Large Corporate		7,124,951	8,264,630
Leases	12d	**97,677**	**191,718**
Total loans and leases (gross balance)		**55,348,482**	**50,224,212**
Allowance for losses	12f	(5,739,044)	(4,684,463)
Fair value adjustment	12a.1	327,538	260,796
Associated costs		692,979	584,526
Total loans and leases (net balance)		**50,629,955**	**46,385,071**

a.1) Breakdown of fair value adjustment

The amounts that comprise the fair value adjustment balance refer to the valuation of loan and lease portfolios that are hedged and are part of hedge accounting relationships.

	12.31.2019	12.31.2018
Loans	6,568	(7,893)
Vehicle financing	321,082	268,692
Export financing	(101)	-
Other	(11)	(3)
Total	**327,538**	**260,796**

b) Loan portfolio by sector of economic activity

The maximum exposure to credit risk of the loans and leases portfolio at the date of the consolidated Financial Statements by economic activity sector are as follows:

	12.31.2019	%	12.31.2018	%
Public sector	**-**	**0.00%**	**456,981**	**0.91%**
Government	**-**	**0.00%**	**456,981**	**0.91%**
Public administration	-	0.00%	456,981	0.91%
Private sector	**55,348,482**	**100.00%**	**49,767,231**	**99.09%**
Individual [1]	**42,881,930**	**77.47%**	**37,648,162**	**74.96%**
Legal entities	**12,466,552**	**22.52%**	**12,119,069**	**24.13%**
Animal agribusiness	351,227	0.63%	410,270	0.92%
Vegetable agribusiness	151,702	0.27%	171,514	0.34%
Specific construction activities	77,146	0.14%	63,057	0.13%
Automotive	61,564	0.11%	60,596	0.12%
Wholesale commerce and sundry industries	4,626,748	8.36%	4,678,966	9.32%
Retail business	1,121,604	2.03%	1,415,871	2.82%
Heavy construction	7,632	0.01%	2,733	0.01%
Eletronics	27	0.00%	85	0.00%
Eletric power	131,693	0.24%	136,113	0.27%
Real estate	84,142	0.15%	117,907	0.23%
Financial institutions and services	576,200	1.04%	761,749	1.52%
Wood and furniture	18,990	0.03%	21,551	0.04%
Mining and metallurgy	103,422	0.19%	14,830	0.03%
Paper and pulp	129,499	0.23%	90,006	0.18%
Chemical	128,462	0.23%	55,037	0.11%
Services	3,566,698	6.44%	2,617,075	5.21%
Telecommunications	102,406	0.19%	217,237	0.43%
Textile and apparel	124,601	0.23%	65,900	0.13%
Transportation	941,880	1.70%	963,345	1.92%
Other activities	160,909	0.29%	255,227	0.51%
Total	**55,348,482**	**100.00%**	**50,224,212**	**100.00%**

[1] Include loans to individuals in agribusiness and other industries.

Amounts in thousand of Reais, unless indicated

c) Maturity analysis

The maturity of the loans and leases portfolio on the date of the Consolidated Financial Statements is as follows:

	12.31.2019	12.31.2018
Overdue	3,720,990	3,018,658
Due within 3 months	8,831,770	8,664,715
Due in 3 to 12 months	16,629,674	14,960,449
To mature more than 1 year	26,166,048	23,580,390
Total loans and leases	**55,348,482**	**50,224,212**

The maximum exposure to credit risk for the loan and leases portfolio on the date of the Consolidated Financial Statements, by risk concentration, is as follows:

	12.31.2019	% of portfolio	12.31.2018	% of portfolio
Largest debtor	670,316	1.21%	674,314	1.34%
10 largest debtors	2,677,503	4.84%	3,352,681	6.68%
20 largest debtors	3,778,953	6.83%	4,664,988	9.29%
50 largest debtors	5,942,503	10.74%	7,037,941	14.01%
100 largest debtors	7,977,849	14.41%	9,027,102	17.97%

d) Lease information

The portfolio of leases segregated by maturity is as follows:

	12.31.2019			12.31.2018		
	Minimum future payments	Unearned income	Present value	Minimum future payments	Unearned income	Present value
Up to 1 year	83,052	(42,793)	40,259	288,341	(150,147)	138,194
Between 1 and 5 years	118,448	(61,030)	57,418	111,650	(58,126)	53,524
Total	**201,500**	**(103,823)**	**97,677**	**399,991**	**(208,273)**	**191,718**

The 10 largest financial leasing agreements, represent approximately 27.1% of the portfolio on December 31, 2019 (13.4% of the portfolio in December 31, 2018).

e) Gross value (loans and leases)

Reconciliation of gross value, segregated by stages:

Stage 1	Balances at 12/31/2018	Transfer from stage 2	Transfer from stage 3	Transfer to stage 2	Transfer to stage 3	Granted loan / (Settlements)	Balances at 12/31/2019
Loans	**43,878,970**	**377,223**	**53,519**	**(1,447,947)**	**(1,365,125)**	**6,540,460**	**48,037,100**
Individuals	150,910	1,372	52	(3,552)	(18,157)	311,718	442,343
Payroll credit	1,785,254	1,686	2,045	(24,974)	(124,124)	(561,532)	1,078,355
Vehicle financing	30,445,023	322,250	32,922	(1,388,841)	(1,136,179)	6,894,375	35,169,550
Credit card	1,769,179	5,377	18,500	(17,156)	(5,423)	420,572	2,191,049
Loans and financings - Corporate	2,854,127	-	-	(12,360)	(81,242)	991,971	3,752,496
Loans and financings - Large Corporate	6,874,477	46,538	-	(1,064)	-	(1,516,644)	5,403,307
Leases	**191,718**	**-**	**-**	**(17,487)**	**-**	**(94,041)**	**80,190**
Total	**44,070,688**	**377,223**	**53,519**	**(1,465,434)**	**(1,365,125)**	**6,446,419**	**48,117,290**

Stage 2	Balances at 12/31/2018	Transfer from stage 1	Transfer from stage 3	Transfer to stage 1	Transfer to stage 3	Granted loan / (Settlements)	Balances at 12/31/2019
Loans	**2,388,372**	**1,447,947**	**24,301**	**(377,223)**	**(529,470)**	**(457,528)**	**2,496,399**
Individuals	17,609	3,552	8	(1,372)	(3,432)	24,774	41,139
Payroll credit	83,239	24,974	1,014	(1,686)	(13,146)	(35,959)	58,436
Vehicle financing	1,634,053	1,388,841	22,647	(322,250)	(388,014)	(289,213)	2,046,064
Credit card	138,774	17,156	632	(5,377)	(10,773)	16,388	156,800
Loans and financings - Corporate	167,715	12,360	-	-	(36,045)	(113,503)	30,527
Loans and financings - Large Corporate	346,982	1,064	-	(46,538)	(78,060)	(60,015)	163,433
Leases	**-**	**17,487**	**-**	**-**	**-**	**-**	**17,487**
Total	**2,388,372**	**1,465,434**	**24,301**	**(377,223)**	**(529,470)**	**(457,528)**	**2,513,886**

Amounts in thousand of Reais, unless indicated

Stage 3	**Balances at 12/31/2018**	**Transfer from stage 1**	**Transfer from stage 2**	**Transfer to stage 1**	**Transfer to stage 2**	**Write off**	**Granted loan / (Settlements) [1]**	**Balances at 12/31/2019**
Loans	**3,765,152**	**1,365,125**	**529,470**	**(53,519)**	**(24,301)**	**(1,982,977)**	**1,118,356**	**4,717,306**
Individuals	22,664	18,157	3,432	(52)	(8)	(30,919)	38,127	51,401
Payroll credit	169,075	124,124	13,146	(2,045)	(1,014)	(154,371)	27,061	175,976
Vehicle financing	1,728,267	1,136,179	388,014	(32,922)	(22,647)	(1,372,396)	170,935	1,995,430
Credit card	385,389	5,423	10,773	(18,500)	(632)	(288,624)	342,935	436,764
Loans and financings - Corporate	416,586	81,242	36,045	-	-	(38,694)	4,345	499,524
Loans and financings - Large Corporate	1,043,171	-	78,060	-	-	(97,973)	534,953	1,558,211
Leases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**3,765,152**	**1,365,125**	**529,470**	**(53,519)**	**(24,301)**	**(1,982,977)**	**1,118,356**	**4,717,306**

[1] Includes restructuring of assets.

All Stages (1, 2 and 3)	**Balances at 12/31/2018**	**Transfer between stages**	**Write off**	**Granted loan / (Settlements)**	**Balances at 12/31/2019**
By portfolio:					
Loans	**50,032,494**	**-**	**(1,982,977)**	**7,201,288**	**55,250,805**
Individuals	191,183	-	(30,919)	374,619	534,883
Payroll credit	2,037,568	-	(154,371)	(570,430)	1,312,767
Vehicle financing	33,807,343	-	(1,372,396)	6,776,097	39,211,044
Credit card	2,293,342	-	(288,624)	779,895	2,784,613
Loans and financings - Corporate	3,438,428	-	(38,694)	882,813	4,282,547
Loans and financings - Large Corporate	8,264,630	-	(97,973)	(1,041,706)	7,124,951
Leases	**191,718**	**-**	**-**	**(94,041)**	**97,677**
Total	**50,224,212**	**-**	**(1,982,977)**	**7,107,247**	**55,348,482**
By stage:					
Stage 1	44,070,688	(2,399,817)	-	6,446,419	48,117,290
Stage 2	2,388,372	583,042	-	(457,528)	2,513,886
Stage 3	3,765,152	1,816,775	(1,982,977)	1,118,356	4,717,306
Total	**50,224,212**	**-**	**(1,982,977)**	**7,107,247**	**55,348,482**

f) Expected Losses

Reconciliation of expected losses [1], segregated by stages:

Stage 1	**Balances at 12/31/2018**	**Transfer from stage 2**	**Transfer from stage 3**	**Transfer to stage 2**	**Transfer to stage 3**	**(Constitution) / Reversal**	**Balances at 12/31/2019**
Loans	**(1,228,453)**	**(26,143)**	**(36,080)**	**140,909**	**230,554**	**(400,286)**	**(1,319,499)**
Individuals	(13,592)	(43)	(43)	310	2,050	(25,351)	(36,669)
Payroll credit	(49,286)	(1,811)	(1,811)	7,698	4,013	3,179	(38,018)
Vehicle financing	(852,191)	(21,091)	(21,091)	129,726	152,515	(255,775)	(867,907)
Credit card	(199,126)	(2,354)	(13,135)	2,648	1,249	(48,631)	(259,349)
Loans and financings - Corporate	(17,838)	-	-	513	70,727	(85,063)	(31,661)
Loans and financings - Large Corporate	(96,420)	(844)	-	14	-	11,355	(85,895)
Leases	**(666)**	**-**	**-**	**322**	**-**	**(131)**	**(475)**
Total	**(1,229,119)**	**(26,143)**	**(36,080)**	**141,231**	**230,554**	**(400,417)**	**(1,319,974)**

Stage 2	**Balances at 12/31/2018**	**Transfer from stage 1**	**Transfer from stage 3**	**Transfer to stage 1**	**Transfer to stage 3**	**(Constitution) / Reversal**	**Balances at 12/31/2019**
Loans	**(758,936)**	**(140,909)**	**(15,834)**	**26,143**	**301,688**	**(321,222)**	**(909,070)**
Individuals	(10,392)	(310)	(7)	43	133	(13,798)	(24,331)
Payroll credit	(17,897)	(7,698)	(866)	1,811	21,078	(9,406)	(12,978)
Vehicle financing	(618,927)	(129,726)	(14,512)	21,091	210,697	(242,279)	(773,656)
Credit card	(68,692)	(2,648)	(449)	2,354	6,743	(18,026)	(80,718)
Loans and financings - Corporate	(8,014)	(513)	-	-	6,412	1,232	(883)
Loans and financings - Large Corporate	(35,014)	(14)	-	844	56,625	(38,945)	(16,504)
Leases	**-**	**(322)**	**-**	**-**	**-**	**-**	**(322)**
Total	**(758,936)**	**(141,231)**	**(15,834)**	**26,143**	**301,688**	**(321,222)**	**(909,392)**

Amounts in thousand of Reais, unless indicated

Stage 3	**Balances at 12/31/2018**	**Transfer from stage 1**	**Transfer from stage 2**	**Transfer to stage 1**	**Transfer to stage 2**	**Write off**	**(Constitution) / Reversal**	**Balances at 12/31/2019**
Loans	**(2,696,408)**	**(230,554)**	**(301,688)**	**36,080**	**15,834**	**1,949,177**	**(2,282,119)**	**(3,509,678)**
Individuals	(18,584)	(2,050)	(133)	43	7	30,919	(52,350)	(42,148)
Payroll credit	(149,345)	(4,013)	(21,078)	1,811	866	154,371	(138,458)	(155,846)
Vehicle financing	(1,107,708)	(152,515)	(210,697)	21,091	14,512	1,375,251	(1,218,422)	(1,278,488)
Credit card	(273,627)	(1,249)	(6,743)	13,135	449	288,624	(330,693)	(310,104)
Loans and financings - Large Corporate	(334,888)	(70,727)	(6,412)	-	-	28,943	(11,860)	(394,944)
Loans and financings - Corporate	(812,256)	-	(56,625)	-	-	71,069	(530,336)	(1,328,148)
Leases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**(2,696,408)**	**(230,554)**	**(301,688)**	**36,080**	**15,834**	**1,949,177**	**(2,282,119)**	**(3,509,678)**

All Stages (1, 2 and 3)	**Balances at 12/31/2018**	**Transfer between stages**	**Write off**	**(Constitution) / Reversal**	**Balances at 12/31/2019**
By portfolio:					
Loans	**(4,683,797)**	**-**	**1,949,177**	**(3,003,627)**	**(5,738,247)**
Individuals loans	(42,568)	-	30,919	(91,499)	(103,148)
Payroll credit	(216,528)	-	154,371	(144,685)	(206,842)
Vehicle financing	(2,578,826)	-	1,375,251	(1,716,476)	(2,920,051)
Credit card	(541,445)	-	288,624	(397,350)	(650,171)
Loans and financings - Corporate	(360,740)	-	28,943	(95,691)	(427,488)
Loans and financings - Large Corporate	(943,690)	-	71,069	(557,926)	(1,430,547)
Leases	**(666)**	**-**	**-**	**(131)**	**(797)**
Total	**(4,684,463)**	**-**	**1,949,177**	**(3,003,758)**	**(5,739,044)**
By stage:					
Stage 1	(1,229,119)	309,562	-	(400,417)	(1,319,974)
Stage 2	(758,936)	170,766	-	(321,222)	(909,392)
Stage 3	(2,696,408)	(480,328)	1,949,177	(2,282,119)	(3,509,678)
Total	**(4,684,463)**	**-**	**1,949,177**	**(3,003,758)**	**(5,739,044)**

(1) Includes provision for sureties and guarantees.

13. FINANCIAL ASSETS - INTERBANK DEPOSITS

	12.31.2019	**12.31.2018**
Financial assets measured at amortized cost		
Interbank deposits (1)	250,491	411,537
Financial assets measured at fair value through other comprehensive income		
Interbank deposits (1)	-	2,325
Total	**250,491**	**413,862**

(1) Refer to transactions with an original maturity of more than 90 days, which is not classified as Cash and cash equivalents.

14. FINANCIAL ASSETS MEASURED AT AMORTIZED COST - ASSETS WITH RESALE AGREEMENTS

	12.31.2019		**12.31.2018**	
	Book value	**Fair value of guarantee**	**Book value**	**Fair value of guarantee**
Reverse repurchase agreements - Held	**533,888**	**708,987**	**1,684,625**	**1,543,526**
National Treasury Bills	119,825	119,225	167,030	170,227
National Treasury Notes	237,876	413,575	1,421,686	1,277,390
Brazilian Foreign Debt Securities	176,187	176,187	95,909	95,909
Reverse repurchase agreements - Repledged	**966,389**	**972,258**	**7,335,973**	**8,505,342**
National Treasury Bills	-	-	1,481,286	1,483,474
National Treasury Notes	966,389	972,258	4,097,249	4,223,989
Brazilian Foreign Debt Securities	-	-	1,757,438	2,797,880
Reverse repurchase agreements - short position	**781,226**	**784,039**	**1,639,926**	**2,304,187**
National Treasury Bills	36,684	36,408	1,207,914	1,759,492
National Treasury Notes	744,542	747,632	432,012	544,695
Total	**2,281,503**	**2,465,284**	**10,660,524**	**12,353,055**

Amounts in thousand of Reais, unless indicated

15. NON-FINANCIAL ASSETS HELD FOR SALE

a) Composition of non-financial assets held for sale

Non-current assets held for sale refer, mainly, to (i) property plant and equipment held for sale, received in settlement of debts and any other form of payment or amortization of debts; (ii) properties built by companies invested through special purposes entities and held for sale; and (iii) interests in real estate developments held for sale.

	12.31.2019	12.31.2018
Real estate	305,817	484,017
Vehicles	91,754	68,014
Machinery and equipment	5,849	1,289
Investments in real estate	128,730	23,236
Total [(1)]	**532,150**	**576,556**

(1) Book value net of provisions.

b) Gain (loss) from disposal of non-financial assets held for sale

	12.31.2019	12.31.2018
Real estate	(1,709)	(7,588)
Investments in real estate	-	100,943
Vehicles	(11,691)	(6,541)
Machinery and equipment	665	(540)
Others	-	32
Total	**(12,735)**	**86,306**

16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

a) Changes in shareholding of associates and joint ventures

	12.31.2018	Changes in 2019		12.31.2019	2018
	Investment value	Dividends/ Other events	Equity income [(1)]	Investment value	Equity income [(1)]
BVEP associates	258,834	(235,920)	1,111	24,025	23,776
BVEP joint ventures	41,179	(22,623)	8,005	26,561	2,655
Goodwill arising on aquisition and impairment (Note 16c)	83,386	(25,779)	(28,730)	28,877	(40,291)
Total	**383,399**	**(284,322)**	**(19,614)**	**79,463**	**(13,860)**

(1) Includes the effect of amortization of fair value adjustments arising on acquisition.

b) Breakdown of distribution of earnings from associates

	2019		2018 Totals
	Paid from the profit of the period	Total	
	Dividends		
BVEP associates	27,475	27,475	51,644
Total	**27,475**	**27,475**	**51,644**

c) Goodwill and impairment

	Goodwill		Impairment	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Banco BV associates	**27,922**	**68,659**	**-**	**(25,250)**
Atenas SP 02	27,922	68,659	-	(25,250)
BVEP associates	**-**	**51,529**	**(2,334)**	**(26,888)**
BVEP joint ventures	**1,698**	**23,344**	**(1,535)**	**(1,246)**
BVEP ventures	**6,121**	**923**	**(2,995)**	**(7,685)**
Total	**35,741**	**144,455**	**(6,864)**	**(61,069)**

d) Summarized financial information of associates and joint ventures

	12.31.2019		12.31.2018	
	BVEP associates	BVEP joint ventures	BVEP associates	BVEP joint ventures
Total assets [(1)]	**141,416**	**128,998**	**920,865**	**277,667**
Total liabilities [(1)]	**141,416**	**128,998**	**920,865**	**277,667**
Liability	91,640	57,496	226,828	149,817
Shareholder's equity	49,776	71,502	694,037	127,850
	2019		2018	
Profit for the period	**7,469**	**12,899**	**28,872**	**6,957**

(1) Assets and liabilities position are not adjusted by direct or indirect ownership percentages held by banco BV.

Amounts in thousand of Reais, unless indicated

17. OTHER ASSETS

	12.31.2019	12.31.2018
Other financial assets	**992,465**	**181,136**
Bank Correspondents	39	89
Other credit and revenues receivable	131,938	46,043
Credit Card Operations	44,845	14,358
Amounts to be received from settlements of securities abroad	14,042	45
Other receivables - Securities clearing accounts	140,697	84,895
Purchased foreign exchange contracts to be settled	455,240	-
Receivables from foreign exchange sales contracts	155,119	-
Others	50,545	35,706
Other assets	**843,741**	**1,975,532**
Sundry foreign debtors	-	892,347
Sundry domestic debtors	28,060	107,382
Salary advances	458	3,364
Suppliers advances	4,859	1,898
Deposits in guarantee - Contingencies (Note 24g)	714,856	660,403
Deposits in guarantee - Others	814	72
Insurance prepaid expenses	4,720	5,486
Data processing prepaid expenses	14,971	12,202
Specialized technical services prepaid expenses	6,919	2,806
Financial system service prepaid expenses	3,023	2,778
Investments via tax incentives (1)	-	37,822
Other	65,061	248,972
Total (2)	**1,836,206**	**2,156,668**

(1) Book value net of provision

(2) From year ended December 31, 2019, we presented rights over exchange operations and other payments, recievables and other credits from financial system to be settled in 'Other financial assets'.

18. PROPERTY, PLANT AND EQUIPMENT

	12.31.2018	2019		12.31.2019		
	Book value	Changes	Depreciation	Cost	Accumulated depreciation	Book value
Facilities	61,388	5,103	(15,316)	141,966	(90,791)	51,175
Furniture and equipment for use	12,092	1,647	(3,313)	46,966	(36,540)	10,426
Communication system	2,879	370	(1,011)	16,480	(14,242)	2,238
System data processing	32,242	11,027	(13,296)	157,229	(127,256)	29,973
Security system	178	69	(59)	2,702	(2,514)	188
Transportation system	309	208	(101)	1,080	(664)	416
Total	**109,088**	**18,424**	**(33,096)**	**366,423**	**(272,007)**	**94,416**

19. INTANGIBLE ASSETS

a) Change and Breakdown

	12.31.2018	2019		12.31.2019			
	Book value	Changes	Amortization	Cost	Accumulated amortization	Accumulated impairment	Book value
Software acquired	17,148	2,023	(4,188)	43,607	(28,624)	-	14,983
Licenses and rights of use (1)	47,269	198,746	(66,924)	385,087	(205,996)	-	179,091
Sales rights agreements	750	10,192	(9,630)	21,966	(20,654)	-	1,312
Internally developed software	203,605	11,849	(14,882)	389,535	(38,988)	(149,975)	200,572
Trademark and patents	-	-	-	1,000	(1,000)	-	-
Total	**268,772**	**222,810**	**(95,624)**	**841,195**	**(295,262)**	**(149,975)**	**395,958**

(1) Includes the effect of adjustments of IFRS 16.

b) Amortization estimates

	2020	2021	2022	2023	2024	From 2025	Total
Amounts to be amortized	109,632	59,874	57,700	56,867	49,283	62,602	**395,958**

20. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS - OTHER FINANCIAL LIABILITIES

	12.31.2019			12.31.2018		
	Cost	Fair value (book)	Unrealized gain/ (loss)	Cost	Fair value (book)	Unrealized gain/ (loss)
Domestic						
Repurchase commitments - Short position	783,003	784,039	1,036	1,734,629	1,755,269	20,640
Obligations arising on securities issued abroad	2,019	1,996	(23)	1,941	1,941	-
Total	**785,022**	**786,035**	**1,013**	**1,736,570**	**1,757,210**	**20,640**

Amounts in thousand of Reais, unless indicated

21. FINANCIAL LIABILITIES AT AMORTIZED COST

	12.31.2019	12.31.2018
Financial liabilities under repurchase agreements (Note 21a)	14,422,052	23,051,159
Financial liabilities related to transferred financial assets (Note 21b)	4,494,033	5,913,557
Financial institution deposits	1,840,080	1,976,280
Customer deposits (Note 21c)	14,515,633	9,991,625
Borrowings (Note 21d)	2,127,900	1,970,708
Transfers from Brazilian government (Onlendings) (Note 21e)	1,450,460	2,003,626
Securities issued (Note 21f)	32,064,318	29,998,714
Subordinated liabilities (Note 21g)	6,597,168	6,333,595
Other financial liabilities (Note 21h)	2,784,802	-
Total (1)	**80,296,446**	**81,239,264**

(1) Includes transactions adjusted to fair value by the Hedge Accounting structure (Note 11g).

a) Composition of Financial liabilities with under repurchase agreements

	12.31.2019	12.31.2018
Own portfolio	**13,459,095**	**15,599,231**
National Treasury Bills	5,385,396	7,147,627
National Treasury Notes	1,378,268	1,739,878
Private securities - Debentures	2,766,114	2,257,268
Financial Treasury Bills	2,349,160	3,026,728
Private securities - Other	1,580,157	1,427,730
Third-party portfolio	**962,957**	**7,451,928**
National Treasury Bills	962,957	4,186,998
Financial Treasury Bills	-	1,480,874
National Treasury Notes	-	1,784,056
Total	**14,422,052**	**23,051,159**

b) Financial liabilities related to transferred financial assets

	12.31.2019	12.31.2018
Financial liabilities related to transferred assets (Note 38)	4,494,033	5,913,557
Total	**4,494,033**	**5,913,557**

c) Breakdown of customer deposits

	12.31.2019	12.31.2018
Demand deposits	**242,203**	**101,398**
Individuals	32,259	21,534
Legal entities	209,934	79,849
Linked	10	15
Time deposits	**14,273,430**	**9,890,227**
Local currency	13,898,687	9,635,098
Foreign currency	374,743	255,129
Total	**14,515,633**	**9,991,625**

d) Breakdown of borrowings

	12.31.2019	12.31.2018
Abroad	**2,127,900**	**1,970,708**
Raised from foreign banks	2,074,673	1,955,605
Imports	53,227	15,103
Total	**2,127,900**	**1,970,708**

e) Breakdown of transfers from Brazilian government

Domestic – Official institutions	Interest rates p.a. (1)	12.31.2019	12.31.2018
National Treasury		**146,625**	**115,396**
Fixed rate	From 5.10% to 7.50% p.a.	142,828	111,061
Variable rate	Selic	3,797	4,335
BNDES		**522,438**	**636,882**
Fixed rate	From 0.70% to 5.70% p.a.	88,014	151,745
Variable rate	From 1.42% to 1.50% p.a. + IPCA From 0.90% to 4.00% p.a. + TJLP From 2.28% to 2.38% p.a. + Selic	401,295	450,614
Foreign exchange	From 1.80% to 2.30% p.a. + Foreign exchange variation	33,129	34,523
FINAME		**781,397**	**1,251,348**
Fixed rate	Up to 8.50% p.a.	590,135	994,108
Variable rate	From 1.60% to 4.00% p.a. + TJLP From 1.42% to 2.33% p.a. + IPCA From 1.70% to 2.56% p.a. + SELIC	190,546	255,126
Foreign exchange	From 1.70% to 2.00% p.a. + Foreign exchange variation	716	2,114
Total		**1,450,460**	**2,003,626**

(1) The interest rates refers to the balances held on December 31, 2019.

Amounts in thousand of Reais, unless indicated

f) Breakdown of securities issued

Fundings	Currency	Amount issued	Interest rates p.a. [(1)]	Issuance year	Maturity	12.31.2019	12.31.2018
Debentures						**45,718**	**155,551**
Fixed rate	R$	3,334	From 12.50% to 17.34% p.a.	2013	-	-	3,334
Variable rate	R$	45,000	97.00% Interbank Deposit	2017	2026	45,718	127,484
Variable rate	R$	24,733	From 5.92% to 8.40% p.a. + IPCA	2014	-	-	24,733
Financial lease bills						**885,780**	**2,280,492**
Variable rate	R$	858,799	From 101.00% to 103.00% Interbank Deposit	2019	2020	885,780	2,280,492
Real estate credit bills						**258,567**	**450,432**
Fixed rate	R$	1,340	From 8.39% to 15.04% p.a.	2016	2021	1,634	1,497
Variable rate	R$	222,593	From 92.00% to 100.00% Interbank Deposit	2016	2022	254,450	446,469
Variable rate	R$	2,000	4.43% p.a. + IPCA	2017	2021	2,483	2,466
Agribusiness credit bills						**1,735,854**	**1,778,267**
Fixed rate	R$	11,982	From 5.36% to 12.53% p.a.	2015	2021	13,653	19,712
Variable rate	R$	1,597,822	From 90.00% to 100.00% p.a. Interbank Deposit	2009	2022	1,721,253	1,757,673
Variable rate	R$	834	From 3.91% to 5.99% p.a. + IPCA	2016	2021	948	882
Financial bills						**25,081,447**	**24,804,176**
Fixed rate	R$	344,319	From 5.97% to 17.63% p.a.	2012	2027	388,617	374,850
Variable rate	R$	22,685,395	From 100.00% to 107.00% p.a. Interbank Deposit	2016	2024	24,220,838	23,908,963
Variable rate	R$	396,150	From 3.20% to 9.45% p.a.+IPCA	2013	2026	471,992	519,433
Variable rate	R$	-	From 7.02% to 7.43% p.a.+IGP-M	2016	-	-	930
Securities issued abroad						**4,056,952**	**529,796**
Fixed rate	R$	161,489	From 1.93% to 15.19% p.a.	2013	2023	161,616	71,494
Variable rate	R$	5,205	90.00% to 98.47% Interbank Deposit	2019	2020	5,372	9,618
Foreign exchange [(2)]	USD	987,592	Up to 5.16% p.a. + foreign exchange	2015	2024	3,889,964	448,684
Total						**32,064,318**	**29,998,714**

(1) The interest rates refer to balances held on December 31, 2019.
(2) In September 2019, USD 850 million were issued abroad with semi-annual interest payments.

g) Breakdown of subordinated liabilities

Funding	Amount issued	Interest rates p.a. [(1)]	Issuance year	Maturity	12.31.2019	12.31.2018
Subordinated debt					**3,097,563**	**3,028,573**
Exchange rate variation	USD 740,319	7.38% p.a. + exchange variation	2013	2020	3,097,563	3,028,573
Subordinated financing bills					**2,287,740**	**2,141,785**
Fixed rate	103,200	From 11.03% to 17.98% p.a.	2015	2024	181,784	157,264
Variable rate	1,006,226	From 1.24% to 2.16% p.a. + CDI From 100.00% to 120.00% Interbank Deposit	2014	2024	1,446,194	1,352,344
Variable rate	339,822	From 5.72% to 9.31% p.a. + IPCA	2010	2030	620,313	595,325
Variable rate	27,500	117.50% SELIC	2016	2023	39,449	36,852
Funding	**Amount issued**	**Interest rates p.a.**	**Issuance year**		**12.31.2019**	**12.31.2018**
Perpetual Bond [(2)]					**1,211,865**	**1,163,237**
Fixed rate	USD 300,000	8.25% p.a.	2017		1,211,865	1,163,237
Total					**6,597,168**	**6,333,595**

(1) The interest rates refers to balances held on December 31, 2019.
(2) On November 30, 2017, the issuance abroad of USD 300 million was made with semi-annual interest payments.
The bonds have a redemption option on the initiative of the Bank as of Dec. 2022 or at each subsequent half-yearly interest payment, once previously authorized by the Central Bank of Brazil (Bacen). Includes the costs with the issue of these instruments, which are deferred through its life, and do not form part of the hedge.

Amounts in thousand of Reais, unless indicated

h) Breakdown of other financial liabilities

	12.31.2019	12.31.2018
Payments and earnings to be settled	1,642,152	-
Payable comissions for intermediation of transactions	29,910	-
Credit card transactions	118,176	-
Obligations for purchase of goods and rights	332	-
Negotiation and intermediation of values	289,542	-
Lease liabilities (IFRS 16)	102,583	-
Sold foreign exchange contracts to be settled	153,229	-
Liabilities for foreign exchange purchase contracts	448,878	-
Total (1)	**2,784,802**	**-**

(1) From year ended December 31, 2019, we started presenting the liabilities related to foreign exchange transactions and other payments, receivables and other credits with the financial system to be settled in 'Other financial liabilities'.

i) Financial liabilities at amortized cost, financial liabilities measured at fair value through profit or loss and financial guarantees presented on an undiscounted cash flow basis

	12.31.2019	12.31.2018
Without maturity	244,765	316,270
Up to 90 days	25,239,894	33,762,062
From 91 to 360 days	31,668,344	23,653,292
From 1 to 3 years	24,014,058	26,830,402
From 3 to 5 years	5,834,580	4,510,726
Over 5 years	4,228,721	4,517,329
Total	**91,230,362**	**93,590,081**

22. OTHER LIABILITIES

	12.31.2019	12.31.2018
Sundry creditors - exchange (1)	-	869,411
Payments, receivables and other credits with the financial system to be settled (1)	-	1,719,442
Third-party funds in transit	46,925	75,530
Provision for profit sharing	188,666	174,553
Provision for personnel expenses	430,801	402,362
Provision for administrative expenses	234,792	330,153
Provision for sureties and guarantees and other risks (Note 36a VII)	189,886	300,381
Legal obligations (Note 25h)	37,117	29,004
Sundry creditors - domestic	322,321	172,596
Sundry creditors - overseas	1,341	20,880
Other liabilities	116,258	101,109
Total	**1,568,107**	**4,195,421**

(1) From year ended December 31, 2019, we started presenting the liabilities related to foreign exchange transactions and other payments, receivables and other credits with the financial system to be settled in 'Other financial liabilities'.

23. SHAREHOLDER'S EQUITY

a) Capital

Capital of Banco Votorantim S.A., fully subscribed and paid-in, in the amount of R$ 8,130,372 (R$ 8,130,372 on December 31, 2018) is represented by 105,391,472,816 nominative shares, of which 86,229,386,840 are common shares with no par value and 19,162,085,976 preferred shares with no par value. Preferred shares have priority in reimbursement of capital without premium.

b) Breakdown of reserves

b.1) Capital reserve

Capital reserve is related to premium that arose on subscription of shares, in the amount of R$ 372,120.

b.2) Profit reserve

Legal reserve

Composed mandatorily of 5% of the period’s net profit in BRGAAP (Bacen), up to the limit of 20% of Capital. The Legal Reserve may cease to be funded when jointly with Capital Reserves it exceeds 30% of Capital. The Legal Reserve may be employed only in a capital increase or to offset losses.

Statutory reserve for expansion

The law and the Bylaws allow management, at the end of the period, to make a proposal to allocate to "Statutory Reserve for Expansion" the portion of the profit not allocated to the Legal Reserve and not distributed, if any in order to finance investments for business expansion. In addition, the reserve balance may also be used to pay dividends.

c) Dividends

Shareholderes are assured to receive a minimum mandatory dividend equal to 25% of net profit for the year (BRGAAP (Bacen)), less the Legal Reserve. The Extraordinary General Meeting held on June 28, 2019 approved dividends in the amount of R$ 400,000 and in the Extraordinary General Meeting in December 11, 2019 approved dividends in the amount of R$ 661,228, both paid on 18 December, 2019.

In the year ended on December 31, 2019, Management proposed to distribute dividends in a total amount of R$ 1,086,270 (R$ 194,523 in the year ended December 31, 2018).

	2019	2018
	Amount (R$ thousands)	
Net profit for the period – BRGAAP (Bacen) (Banco Votorantim S.A.)	**1,415,874**	**1,061,170**
Other adjustments over financial instruments, net of taxes (1) - BRGAAP (Bacen)	-	(242,128)
Legal reserve	(70,794)	(40,949)
Earnings subject to distribution	**1,345,080**	**778,093**
Minimum mandatory dividend	336,270	194,523
Proposed dividends	**1,086,270**	**194,523**
Paid in advance	1,061,228	175,664
% of earnings distributed	81%	25%

(1) Adjustments calculated on the basis of dividend calculation, as established by Bacen Circular No. 1,273/1987.

	2019		2018	
	Value	Value per lot of one thousand shares – R$	Value	Value per lot of one thousand shares – R$
Net profit for the period – BRGAAP (Bacen)	**1,415,874**	**13.43**	**1,061,170**	**10.07**
Dividends	1,086,270	10.31	194,523	1.85

d) Other comprehensive income

	2019				2018			
	Opening balance	Changes	Tax effect	Closing balance	Opening balance	Changes (2)	Tax effect (2)	Closing balance
Financial assets measured at fair value through other comprehensive income	**100,568**	**241,559**	**(77,603)**	**264,524**	**(23,013)**	**207,490**	**(83,909)**	**100,568**
Banco BV (1)	58,358	210,901	(65,998)	203,261	(49,109)	184,693	(77,226)	58,358
Subsidiaries	42,210	30,658	(11,605)	61,263	26,096	22,797	(6,683)	42,210
Cash flow hedge	**(126,514)**	**(125,916)**	**67,205**	**(185,225)**	**(28,780)**	**(158,530)**	**60,796**	**(126,514)**
Banco BV	(126,514)	(125,916)	67,205	(185,225)	(28,780)	(158,530)	60,796	(126,514)
Total	**(25,946)**	**115,643**	**(10,398)**	**79,299**	**(51,793)**	**48,960**	**(23,113)**	**(25,946)**

(1) Includes overseas branch.
(2) Includes adjustments for initial adoption of IFRS 9.

e) Non-appropriated retained earnings

Net earnings in accordance with accounting practices generally accepted in Brazil are fully utilized for dividends, interest on equity or the establishment of profit reserves. Thus, the balance presented in this account, in these consolidated financial statements prepared in accordance with IFRS, mainly represents the effect of differences between the accounting practices adopted in Brazil and the International Accounting Standards and the effects of the adoption of IFRS 9 on January 01, 2018, as described in note 4bb.

Starting January 01, 2018 the Conglomerate adopted a new accounting standard for recognition of changes in investment fund units. Prior to the change in the criteria, the variation of unit prices was always treated as income produced by the funds, with their recognition in Consolidated Income Statement under "Interest revenue". From January 01, 2018, the change in unit price has been treated as an adjustment to fair value, for funds with certain characteristics, as described in note 4,g.

f) Shareholders interest (quantity of shares)

The quantity of issued shares from Banco Votorantim S.A. in which shareholders are direct or indirect owners of more than 5% of shares at December 31, 2019 and 2018:

Shareholders	Shares (thousand)					
	Ordinary	% Ordinary	Preference	% Preference	Total	% Total
Votorantim Finanças S.A.	43,114,693	50.00%	9,581,043	50.00%	52,695,736	50.00%
Banco do Brasil S.A.	43,114,693	50.00%	9,581,043	50.00%	52,695,736	50.00%
Total	**86,229,387**	**100.00%**	**19,162,086**	**100.00%**	**105,391,473**	**100.00%**
Country residents	86,229,387	100.00%	19,162,086	100.00%	105,391,473	100.00%

Amounts in thousand of Reais, unless indicated

g) Reconciliation of shareholders' equity' and net profit from BRGAAP (Bacen) to IFRS

	12.31.2019		12.31.2018	
	Shareholder's equity	**Net profit (loss)**	**Shareholder's equity**	**Net profit (loss)**
Balance - BRGAAP (Bacen) - Consolidated	**9,885,881**	**1,370,241**	**9,373,595**	**1,061,170**
GAAP adjustments, net of tax effects	**(145,429)**	**224,480**	**(247,652)**	**(624)**
Effect of the initial adoption of IFRS 9 (note 4.bb)	(674,392)	-	(674,392)	-
Effect of the initial adoption of IFRS 16 (note 4.bb)	814	-	-	-
Provision for impairment losses, net of tax effects	130,688	107,916	22,772	(121,141)
Adjustment of the deferral of fees CMN Resolution 4,294, net of taxes	407,773	80,321	327,452	93,158
Deferral of adjustment to fair value due to Cash Flow Hedge	-	31,256	-	26,901
Reversal of adjustments of CMN Resolution 4,277	(27,997)	-	73,949	-
Reclassification of adjustment to fair value due to category change	9,454	1,729	739	2,027
Other adjustments, net of tax effects	8,231	3,258	1,828	(1,569)
Balance - IFRS	**9,740,452**	**1,594,721**	**9,125,943**	**1,060,546**

Summary of the main differences between BRGAAP (Bacen) and IFRS:

Provision for impairment - In BRGAAP (Bacen), the provision for doubtful accounts is measured considering a risk analysis as to the realization of receivables, in an amount considered sufficient to cover possible losses following the guidelines established by the Central Bank of Brazil and National Monetary Council by means of the CMN Resolution No. 2,682/99 and its supplementary items. According to such standards, provisions are recognized as from the date of credit concession, based on the credit risk rating, which is updated periodically through an analysis of the client's quality and the segments of activity, and not only upon occurrence of default. In BRGAAP, the provision cannot be lower than the minimum required by the regulator's standards, though an additional provision is recognized when the minimum provision is considered insufficient.

The impairment model of IFRS 9 provides for a provision for expected credit losses for 12 months or expected credit losses for the lifetime of the contract. Losses are measured as expected credit losses for 12 months unless there has been a significant increase in credit risk since initial recognition or for purchased or originated credit impaired assets or for receivables where the Bank uses the simplified approach to the provision for expected losses.

To determine whether the risk of default of a financial asset has increased significantly since its initial recognition, an entity compares the default risk at the statement of financial position date with the default risk at initial recognition.

Applies to the financial assets measured at amortized cost or fair value through other comprehensive income, which include loans and leases, debt securities, loan commitments, financial guarantee contracts, receivables which are under the scope of IFRS 15 and IFRS 16.

Investments in equity instruments (irrespective of the use of irrevocable option of treating them at fair value through other comprehensive income) and the other instruments measured at fair value through profit or loss are excluded from the scope of impairment.

Adjustment of deferral of commissions CMN Resolution 4,294 - As of January 2, 2015, in compliance with the requirements of CMN Resolution 4,294 / 2013, and in accordance with the option provided in Circular Bacen No. 3,738 / 2014, two thirds of the remuneration related to origination, in 2015, of loan operations and leasing transactions loans and leases sent by correspondents are now recorded as assets, the remaining portion being recognized as an expense for the period at the time of origination. As of January 1, 2016, the portion recorded in assets was reduced to one third of the remuneration of operations originated in 2016. Transactions generated as from January 1, 2017, have the remuneration fully recognized as an expense. For IFRS purposes, commissions are appropriated in the income statement according to the contractual term of the associated financial asset, following the concept of effective interest rate of loan operations.

Deferral of the adjustment to fair value due to early termination of Cash Flow Hedge - As determined in Bacen Circular 3,082/2002, if any Cash Flow Hedge strategy no longer meets the requirements described in the circular, the amounts recorded in a shareholders' equity must be immediately transferred to profit or loss for the period. For IFRS purposes, the amounts accumulated in the Cash Flow Hedge reserve must be reclassified to the income statement, deferred over the remaining maturity of the transactions that were accounted for as hedged items.

Reversal of the adjustments of CMN Resolution 4,277 - CMN Resolution 4,277/2013 establishes minimum requirements and prudential adjustments for the measurement of instruments valued at fair value. For the expected credit losses model based on of IFRS 9, unlike the BRGAAP (Bacen), there is no concept of prudent adjustments, the model as a whole encompasses assumptions for estimating losses, which involves historical and forward looking information.

Reclassification of the adjustment to fair value due to category change - In BRGAAP (Bacen) some securities classified as available for sale are classified in IFRS as financial assets measured at fair value through profit or loss, according to business models and SPPI tests. As a result, the respective adjustment to fair value and its tax effects recorded in shareholders' equity in BRGAAP are transferred to the Consolidated Income Statement in IFRS, in order to reflect the applicable accounting measurement criteria.

Effects of initial adoption of IFRS 16 - In BRGAAP (Bacen), the risks and benefits associated with the asset underlying an operational lease are considered to remain with the lessor, and the lessee just recognizes the lease expenses throughout the contract. IFRS establishes that an asset and a liability must be recorded by the lessor in an operational lease. Because of this, adjustments were made in Shareholders' Equity from the initial adoption of IFRS 16 - Lease, which replaced IAS 17, as well as related interpretations (IFRIC 4, SIC 15 e SIC 27), whose changes include the end of a distinct accounting of model for operational lease for the lessee, presenting a single leasing model that consists in: (a) recognizing with maturity date greater than 12 months and a more than low value; (b) initially recording the asset and liabilty at present value; and (c) recognizing depreciation and leasing interest separately in the income statement. For the lessor, accounting remains segregated between operating and finance lease.

h.1) Earnings per share (IFRS)

	2019	2018
Net profit - IFRS (R$ thousand)	1,594,721	1,060,546
Weighted average number weighted by thousand shares (basic and diluted)	105,391,473	105,391,473
Earnings per share (basic and diluted) (R$)	15.13	10.06

24. TAXES

a) Tax assets

a.1) Current tax assets

	12.31.2019	12.31.2018
Income taxes to offset	117,282	124,919
Social contribution to offset	18,886	72,468
PIS tax to offset	3,457	2,327
COFINS tax to offset	15,906	10,729
Presumed credit - Law nº 12,838/13 (1)	148,765	-
Other assets	14,355	9,860
Total (2)	**318,651**	**220,303**

(1) Adoption of presumed credit following criteria established by Law nº 12,838/13.

(2) Includes current taxes and contributions to be offset whose expected compensation period is greater than 12 months.

a.2) Deferred tax assets (Recognised)

	12.31.2018	2019			12.31.2019 (1)
		Net changes in the period			
	Book value	Constitution (3)	Write-off	Assumed credit	Book value
Temporary differences	**5,756,124**	**2,269,594**	**(2,255,420)**	**(148,765)**	**5,621,533**
Allowance for loan losses	4,679,188	1,399,194	(1,330,594)	(148,765)	4,599,023
Provisions	720,133	123,428	(257,018)	-	586,543
Fair value adjustment (2)	241,088	546,334	(548,639)	-	238,783
Other provisions	115,715	200,638	(119,169)	-	197,184
Tax loss/CSLL negative basis	**1,465,885**	**246,569**	**(268,582)**	**-**	**1,443,872**
Total deferred tax assets recognized	**7,222,009**	**2,516,163**	**(2,524,002)**	**(148,765)**	**7,065,405**
Income tax	4,681,599	1,403,024	(1,636,299)	(92,978)	4,355,346
Social contribution	2,540,410	1,113,139	(887,703)	(55,787)	2,710,059

(1) On December 31, 2019, R$ 164,379 of the amount of R$ 238,783 corresponds to the deferred tax asset arising from the fair value adjustment to the financial assets at fair value through other comprehensive income, recorded In Shareholders' Equity.

(2) The amounts changes in deferred tax assets arising from the adjustments to fair value of financial assets at fair value through other comprehensive income recorded in Shareholders' Equity, in 2019, are R$ 100,292 of the total R$ (2,305).

(3) Includes, in the 2nd half of 2019, the amount of R$ 364,090 related to the effects of CSLL rate increase to 20%, applicable to the deferred tax asset of banco BV with initial effect as of March 2020.

Total of tax assets recognized on December 31, 2019 and December 31, 2018

	12.31.2019	12.31.2018
Current tax assets	318,651	220,303
Deferred tax assets	7,065,405	7,222,009
Total	**7,384,056**	**7,442,312**

Amounts in thousand of Reais, unless indicated

Realization estimate

The realization estimate of deferred tax assets is supported by the technical study prepared as at December 31, 2019.

	Nominal value	Present value
In 2020	1,815,503	1,736,661
In 2021	1,547,044	1,405,937
In 2022	1,468,021	1,261,380
In 2023	1,297,669	1,050,952
In 2024	497,099	378,077
From 2025 to 2026	260,886	182,652
From 2027 to 2029	179,183	99,609
Total deferred tax assets	**7,065,405**	**6,115,268**

Realization of nominal values for deferred tax assets

	Tax losses/CSLL negative basis to deduct [(1)]	Intertemporal differences [(2)]
In 2020	13%	29%
In 2021	11%	24%
In 2022	14%	22%
In 2023	12%	20%
In 2024	27%	1%
From 2025 to 2026	23%	2%
From 2027 to 2029	0%	2%

(1) Projected consumption linked to the capacity to generate taxable amounts in subsequent periods.
(2) The consumption capacity arises from movements in provisions, expectation of reversals, write-offs and uses.

b) Tax liabilities

b.1) Current tax liabilities

	12.31.2019	12.31.2018
Taxes and contributions on income payable	5,941	5,747
Provision for taxes and contributions on income	354,527	260,629
Taxes and contributions payable	118,020	109,380
Total [(1)]	**478,488**	**375,756**

(1) Includes current taxes and contributions, whose settlement period is greather than 12 months.

b.2) Deferred tax liabilities

	12.31.2019	12.31.2018
Fair value adjustment	145,250	138,010
Presumed credit - Law nº 12,838/13	15,075	-
Other liabilities	5,043	5,244
Total deferred tax liabilities	**165,368**	**143,254**
Income tax	97,444	91,224
Social contribution	67,924	52,030

Total of tax liabilities recognized

	12.31.2019	12.31.2018
Current tax liabilities	478,488	375,756
Deferred tax liabilities	165,368	143,254
Total	**643,856**	**519,010**

c) Tax expenses

	2019	2018
Contribution for Social Security Funding	(369,151)	(312,022)
Service tax	(99,374)	(75,425)
PIS	(62,538)	(52,931)
Others	(40,290)	(20,734)
Total	**(571,353)**	**(461,112)**

Amounts in thousand of Reais, unless indicated

d) Expenses - income taxes and social contributions

Income Tax and Social Contribution Expenses

	2019	2018
Current amounts	**(351,744)**	**(264,332)**
Income tax and social contribution on net profit - current	(362,533)	(268,084)
Income tax and social contribution on net profit - previous years	10,789	3,752
Deferred amounts	**(74,521)**	**(489,769)**
Deferred tax liabilities	**86,615**	**(94,683)**
Fair value adjustment	103,444	(67,883)
Presumed credit - Law nº 12.838/13	(15,075)	-
Temporary difference	(1,754)	(26,800)
Deferred tax assets	**(161,136)**	**(395,086)**
Tax loss carryforwards and negative basis of social contribution on net profit	(22,014)	409,328
Temporary difference	(36,526)	(591,165)
Fair value adjustment	(102,596)	(213,249)
Total	**(426,265)**	**(754,101)**

Reconciliation of Income tax and social contribution on net profit expense

	2019	2018
Income (loss) before taxes and contributions	**2,020,986**	**1,814,647**
Total income tax charges (25% rate) and social contribution on net profit (20% until December 2018 and 15% as from January 2019)	(717,617)	(898,553)
Income from investments in associates and joint ventures	(10,843)	(2,603)
Employee profit sharing	81,267	77,252
Other amounts [1]	220,928	69,803
Income tax and social contribution in the period	**(426,265)**	**(754,101)**

(1) Includes, in the 2nd half of 2019, the amount of R$ 354,817 related to the effects of the CSLL rate increase to 20%, applicable to deferred tax asset from banco BV with initial effect of March 2020.

e) Unrecognized deferred tax asset

	12.31.2019	12.31.2018
Tax loss/CSLL negative basis portions	22,866	1,516
Temporary differences	35,008	33,278
Total of unrecognized deferred tax assets	**57,874**	**34,794**
Income tax	40,879	25,576
Social contribution	16,995	9,218

The balance of unrecognized deferred tax assets will be recognized in the accounting books only, when complying with regulatory aspects and presenting an effective perspective of realization.

25. CONTINGENT ASSETS AND LIABILITIES AND LEGAL, TAX AND SOCIAL SECURITY OBLIGATIONS

a) Contingent assets

Contingent assets are not recognized in the financial statements, per IAS 37.

b) Labor lawsuits

The Conglomerate is the defendant in labor lawsuits mostly filed by former employees. Provisions for probable losses represent several claim types, such as: Indemnities, overtime, working time exemption, supplement per function and representation, among other matters.

c) Tax lawsuits

The Conglomerate is subject, to inspections made by tax authorities, which may eventually generate assessments, for example: composition of the IRPJ/CSLL tax basis (deductibility); and discussion related to the levy of taxes, upon occurrence of certain economic facts. Most lawsuits deriving from tax assessments refer to Services tax, Income tax, Social contribution on net profit, PIS/Contribution for Social Security Funding and Employer Social Security Contributions. Some of them are guaranteed, when necessary, by escrow deposits made to suspend payment of taxes under discussion.

d) Civil lawsuits

Basically refer to indemnity actions whose nature is as follows: challenge on contracts' total effective cost; review on contract conditions and charges; and fees.

e) Provision for tax, civil and labor lawsuits - Probable loss

Complying with IAS 37, the Conglomerate recognized a provision for labor, tax and civil lawsuits with "probable" risk of loss, classifed on an individual or collective basis., according to the nature and/or value of the process.

The estimates of the outcome and the financial effect are determined by the nature of the actions, by the judgment of the entity's Management, supplemented by the opinion of the legal counsel, based on the process elements, and the experience and complexity of similar claims.

Amounts in thousand of Reais, unless indicated

The provision for labor, tax and civil lawsuits that was set up to cover the losses estimated, is considered sufficient by the Conglomerate's Management.

e.1) Changes in provisions for tax, civil and labor claims classified as probable

	2019	2018
Tax claims		
Opening balance	**60,102**	**42,964**
Additions	26,118	20,201
Reversals of provisions	(7,931)	(3,137)
Write-offs due to payment	(21,327)	(2,485)
Other adjustments	1,065	2,559
Closing balance	**58,027**	**60,102**
Civil claims		
Opening balance	**292,870**	**311,724**
Additions	65,781	170,601
Reversals of provisions	(47,836)	(170,408)
Write-offs due to payment	(84,225)	(66,282)
Other adjustments [(1)]	34,673	47,235
Closing balance [(2)]	**261,263**	**292,870**
Labor claims		
Opening balance	**949,423**	**1,011,818**
Additions	338,148	308,512
Reversals of provisions	(179,442)	(158,703)
Write-offs due to payment	(579,843)	(355,802)
Other adjustments	58,732	143,598
Closing balance	**587,018**	**949,423**
Total Labor, Tax and Civil claims	**906,308**	**1,302,395**

(1) It includes inflation indexation and the effects of remeasurement of "unit prices", which compose the methodology for calculating losses.
(2) In August 2018, new variables were incorporated into the collective provision model, providing greater precision in risk measurement.

e.2) Estimated schedule of disbursements on December 31, 2019

	Tax	Civil	Labor
Up to 5 years	20,871	261,263	587,018
From 5 to 10 years	37,156	-	-
Total	**58,027**	**261,263**	**587,018**

Uncertain lawsuit duration and the possibility of changes in prior court judgments make disbursement schedule and values uncertain.

f) Contingent liabilities - Possible loss

Amounts shown in the chart below represent estimated disbursement value in case the Bank receives a negative judgement. Claims are classified as possible when likelihood of loss is lower than probable and higher than remote.

Amounts in thousand of Reais, unless indicated

Balances of contingent liabilities classified as possible

	12.31.2019	12.31.2018
Tax claims [(1)]	1,970,642	1,248,915
Civil claims [(2)]	147,216	132,905
Labor claims [(3)]	187,468	385,503
Total	**2,305,326**	**1,767,323**

[(1)] Refer to the following proceedings:

Description of the main possible proceedings - Taxes	12.31.2019	12.31.2018
INSS on Profit Sharing PLR	601,024	392,188
IRPJ - FINOR	25,820	64,471
ISS	13,831	9,891
INSS on Profit Sharing PLR - Nassau Branch	38,733	44,884
PIS/COFINS on demutualization	45,260	41,674
IRPJ on undue offset of tax loss - Gratuities to statutory officers	26,808	22,147
IRPJ/CSLL - Deduction Allowance for loan losses (PDD) 2008	116,522	111,216
Infringement Fine (non-homologation of DCOMP)	68,154	88,095
CSLL - Exclusion of interests of foreign government securities	-	58,242
IRPJ/CSLL - Assessment notice: improper exclusion of premium arose on acquisition of securities of foreign governments	23,369	23,451
IRRF from remittances abroad: impossibility of compensation	48,131	35,923
PF e BNCSLL: excess compensation AB 2012	88,921	67,606
IRPJ/CSLL on JCP cumulatively distributed	134,854	136,834
IPVA - Third parties	139,809	41,969
INSS - Benefits (VA/VR)	21,923	-
IRPJ/CSLL - PDD deduction 2014	300,429	-
ISS VRG	99,499	-
Other	177,555	110,324
Total	**1,970,642**	**1,248,915**

[(2)] Refers, basically, to collection actions.

[(3)] Refers to actions mostly brought by former employees claiming compensation, overtime pay, working hours, extra pay associated with certain jobs, representation costs, and others.

g) Deposits as collateral

Balances of escrow deposits recognized for contingencies

	12.31.2019	12.31.2018
Tax claims	223,304	143,938
Civil claims	182,907	195,664
Labor claims	308,645	320,801
Total	**714,856**	**660,403**

h) Legal obligations

The Conglomerate has recorded the amount of R$ 37,117 (R$ 29,004 as of December, 31 2018) in 'Other liabilities - Legal Obligations', due to a Declaratory Claim where the Group seeks to exclude the levy of ISS on revenues from sureties, warrants and other guarantees provided, as well as the reimbursement of the amounts paid in the last five years. The amount recorded is R$ 22,088 (R$ 18,590 as of December, 31 2018).

The other actions refer to PIS LC 07/70, ISS Deduction in the PIS and COFINS calculation basis and APF - Accident Protection

i) Public civil lawsuits

The Conglomerate has contingent liabilities involving public civil actions in which, considering the analysis of the legal advisors and/or assessment of internal lawyers, the risk of loss is considered possible. Measurement of amounts involved in these lawsuits could not be determined with accuracy as the possibility of loss depends on the qualification of the clients to be a part of the lawsuit.

The main themes discussed in these lawsuits are the collection of tariffs and issues involving payroll credit to INSS retirees and pensioners, and CDC (direct credit to consumers).

Amounts in thousand of Reais, unless indicated

26. INTEREST REVENUE

	2019	2018
Investments in fixed income securities	1,569,817	1,368,092
Investments in foreign securities	84,740	83,334
Investments abroad	9,554	16,867
Loans	1,614,482	1,656,021
Accounts receivable financing	47,097	30,266
Financings	7,638,927	7,199,155
Export financing	226,717	396,712
Financing transactions in foreign currency	20,152	2,540
Rural and agribusiness financing	31,805	35,639
Real estate financing agreements	3,033	6,610
Cash and due from banks in foreign currency	75,443	52,572
Foreign Exchange contracts	50,180	120,973
Leases	20,786	33,429
Credits arising on execution of guarantees	-	20
Reverse repurchase agreements	577,490	1,000,721
Interbank deposit investments	37,066	36,369
Costs associated to the origination of loans and leases	(558,255)	(499,151)
Other	69,065	46,049
Total (1)	**11,518,099**	**11,586,218**

(1) Includes foreign exchange variation.

In the year ended December, 31 2019, the amount of R$ 441,381 (R$ 421,289 in the year ended December 31, 2018) was recognized for interest income on impaired loan and lease contracts.

27. INTEREST EXPENSES

	2019	2018
Repurchase agreements	(1,024,613)	(1,429,530)
Assignees expenses	(501,865)	(798,642)
Interbank deposits	(123,501)	(135,277)
Time deposits	(629,534)	(494,297)
Foreign borrowings	(77,977)	(241,217)
National Treasury Onlendings	(6,558)	(4,113)
BNDES Onlendings	(41,774)	(76,044)
FINAME Onlendings	(50,934)	(71,711)
Obligations with financial institutions abroad	(91,369)	(27,255)
Funds from real estate credit bills	(18,106)	(31,934)
Agribusiness credit bill funds	(99,120)	(118,132)
Financial Bills	(1,744,206)	(1,630,408)
Securities issued abroad	(463,504)	(1,003,506)
Financial lease bills	(113,095)	(64,046)
Debentures	(5,782)	(7,765)
Others	(17,326)	(14,709)
Total (1)	**(5,009,264)**	**(6,148,586)**

(1) Includes foreign exchange variation on Loans and Onlendings abroad.

28. NET INCOME FROM SERVICES AND COMMISSIONS

	2019	2018
Income from services and comissions	**2,214,184**	**2,054,447**
Banking fees	831,931	747,427
Income from guarantees granted	83,472	100,181
Asset management	142,033	152,909
Credit card transactions	159,143	203,765
Commissions on placing of securities	65,135	54,511
Brokerage of Stock Exchange transactions	1,068	1,183
Collection income	3,549	11,097
Income from commissions on intermediation of transactions	927,853	783,374
Expenses from services and comissions	**(858,126)**	**(703,000)**
Technical/financial advisory	(370,228)	(322,164)
Judicial and notary public fees and attorneys expenses	(89,102)	(83,331)
Expenses from intermediation commissions operations	(308,838)	(247,946)
Others	(89,958)	(49,559)
Total	**1,356,058**	**1,351,447**

Amounts in thousand of Reais, unless indicated

29. INCOME WITH FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
Financial assets at fair value through profit or loss	**344,389**	**303,943**
Government bonds	279,825	241,822
Private securities	64,564	62,121
Financial liabilities at fair value through profit or loss	**18,447**	**(40,291)**
Purchase and sale commitments - Short position	18,447	(41,035)
Securities abroad	-	744
Financial liabilities at amortized cost [(1)]	**50,668**	**60,588**
Subordinated liabilities	50,668	60,588
Loan contracts[(1)]	**53,740**	**(238,483)**
Loans	1,450	(51,785)
Financings	52,390	(130,668)
Export financings	(100)	(56,030)
Total	**467,244**	**85,757**

(1) Refers to adjustment to fair value of financial instruments that are subject to Hedge Accounting.

30. OTHER OPERATING INCOME (EXPENSE)

	2019	2018
Operating income	**150,403**	**196,483**
Indexation of judicial deposits	31,331	40,834
Recovery from overpaid taxes	16,717	2,580
Reversal of provision for variable compensation	-	498
Income from dividends and interest on own capital	-	20,798
Income from exclusivity contracts	44,196	33,288
Portability income	15,208	20,410
Other	42,951	78,075
Operating expenses	**(492,276)**	**(358,203)**
Capital loss	(5,533)	(10,947)
Losses on investments via tax incentive	(29,590)	(41,803)
Social charges expenses (REFIS and PERT application)	(233)	(239)
Provision for impairment losses and equity	(9,359)	-
Devaluation of non-financial assets held for sale	(123,093)	(25,432)
Real estate activity income	(12,621)	(68,103)
Operational losses	(51,260)	(39,174)
Contingent liabilities	(149,732)	(154,176)
Provision for products and services cancellation	(38,564)	-
Other	(72,291)	(18,329)
Total	**(341,873)**	**(161,720)**

31. NET IMPAIRMENT LOSS OF FINANCIAL ASSETS

	2019	2018
(Constitutions) /reversals of provision for losses	(2,393,963)	(2,411,089)
Recovery of loans written off as losses	558,495	781,419
Discounts on renegotiation	(382,578)	(346,851)
Total	**(2,218,046)**	**(1,976,521)**

32. PERSONNEL EXPENSES

	2019	2018
Administrator´s remuneration and other benefits (Note 35)	(19,620)	(18,271)
Benefits	(129,284)	(121,644)
Social charges	(202,944)	(199,733)
Salary	(610,844)	(515,494)
Training	(13,853)	(6,504)
Labor claims	(200,495)	(231,932)
Complementary private pension	(8,200)	-
Profit sharing	(180,593)	(171,671)
Total	**(1,365,833)**	**(1,265,249)**

Amounts in thousand of Reais, unless indicated

33. OTHER ADMINISTRATIVE EXPENSES

	2019	2018
Water, energy and gas	(4,799)	(5,104)
Rents	(48,215)	(64,143)
Communications	(51,305)	(62,808)
Philantropic contributions	(12,520)	(7,131)
Maintenance of property, plant and equipement	(14,384)	(16,325)
Material	(2,422)	(3,916)
Data processing	(271,626)	(246,492)
Promotions and public relations	(24,364)	(16,425)
Advertising and publicity	(52,246)	(47,781)
Publications	(1,037)	(2,130)
Insurance	(5,368)	(4,441)
Outsourced services	(138,276)	(133,553)
Surveillance and security	(1,729)	(2,201)
Transportation	(10,798)	(15,146)
Traveling	(11,435)	(9,486)
Other	(20,767)	(17,876)
Total	**(671,291)**	**(654,958)**

34. RELATED PARTIES

Costs of salaries and other benefits granted to key management personnel of banco BV, comprising the Board, Audit Committee, Board of Directors and Fiscal Council:

	2019	2018
Administrator´s remuneration and supplementary private pension	19,620	18,271
Bonuses	60,455	45,060
Social charges	23,590	18,717
Total	**103,665**	**82,048**

The Conglomerate offers a defined contribution private pension plan to key management personnel.

The Conglomerate did not grant loans to key management personnel during the period.

The balances of accounts relating to transactions between consolidated companies of the Bank are eliminated in the Consolidated Financial Statements and also take into consideration a risk free basis. The shareholders of the Company are Banco do Brasil Conglomerate and Votorantim S.A. (the principal companies that form part of the Votorantim S.A Group are: Votorantim Finanças, Votorantim Cimentos and Votorantim Energia).

The Conglomerate carries out banking transactions with related parties, such as current account deposits (not remunerated), remunerated deposits, money market repurchase commitments, derivative financial instruments and assignment of loan portfolios. There are also service agreements, which include the agreement for apportionment / reimbursement of expenses and direct and indirect costs entered into with the companies of the Conglomerate.

These transactions are carried out under terms and conditions similar to those performed with third parties where applicable. These transactions do not involve abnormal default risks.

The Conglomerate, through its subsidiary BV Financeira, assigned loans to a related party, whilst retaining substanially all the risks and rewards. In the year ended December 31, 2019 these transactions amounted to R$ 3,524,170 (R$ 2,611,133 in the year ended December 31, 2018). The net result of credit assignments, considering income and expenses of the assignments with retention of substantially all of the risks and benefits is presented in the table below under “Income from interest, provision of services and other income”.

Amounts in thousand of Reais, unless indicated

	12.31.2019						
	Conglom. Banco do Brasil	Votorantim S.A.	Institution Financial subsidiaries [1]	Non-financial institution subsidiaries [2]	Key management personnel [3]	Other [4]	Total
Assets							
Cash and cash equivalents	2,253	-	-	-	-	-	**2,253**
Financial assets with resale agreements	-	-	-	-	-	605,911	**605,911**
Interbank deposit investments	-	-	37,271,426	-	-	-	**37,271,426**
Financial assets measured at fair value through other comprehensive income	-	-	34,109	-	-	112,212	**146,321**
Derivative financial instruments	-	1,614	62,655	27,222	-	366,151	**457,642**
Loans and leases	68,550	11,657	-	-	225	-	**80,432**
Other assets	1,898	-	89,380	2,200	-	670	**94,148**
Liabilities							
Financial liabilities at amortized cost	(5,820,427)	(1,413,437)	(816,081)	(660,805)	-	(375)	**(8,711,125)**
Derivative financial instruments	(42,788)	(8,525)	(7,881)	-	-	(197,562)	**(256,756)**
Other liabilities	(659)	-	(32,366)	-	(7,136)	(593)	**(40,754)**
Income (loss)			**2019**				
Interest revenue, income from services and other income	508,847	39	2,342,976	-	-	44,510	**2,896,372**
Income (losses) from Derivative financial instruments	(4,977)	(21,444)	31,253	16,720	-	130,129	**151,681**
Interest expenses, administrative expenses and other	(44,583)	(63,602)	(124,458)	(13,747)	(490)	(6,781)	**(253,661)**

	12.31.2018						
	Conglom. Banco do Brasil	Votorantim S.A.	Institution Financial subsidiaries [1]	Non-financial institution subsidiaries [2]	Key management personnel [3]	Other [4]	Total
Assets							
Cash and cash equivalents	603	-	-	-	-	-	**603**
Financial assets with resale agreements	1,504,537	-	-	-	-	557,278	**2,061,815**
Interbank deposit investments	-	-	31,660,887	-	-	-	**31,660,887**
Financial assets measured at fair value through other comprehensive income	-	-	2,305,357	-	-	155,745	**2,461,102**
Derivative financial instruments	-	5,806	82,897	10,503	-	394,145	**493,351**
Loans and leases	151,705	-	-	-	-	-	**151,705**
Other assets	1,662	10,155	228,988	27,865	232	-	**268,902**
Liabilities							
Financial liabilities at amortized cost	(6,351,279)	(893,400)	(3,212,832)	(75,240)	(7,637)	(356)	**(10,540,744)**
Derivative financial instruments	(35,933)	(7,492)	(3,261)	-	-	(270,040)	**(316,726)**
Other liabilities	(32)	-	(238)	-	-	-	**(270)**
Income (loss)			**2018**				
Interest revenue, income from services and other income	700,018	34	2,566,191	-	-	55,204	**3,321,447**
Income (losses) from Derivative financial instruments	(30,476)	3,990	79,626	10,503	-	578,406	**642,049**
Interest expenses, administrative expenses and other	(46,735)	(71,296)	(451,560)	(35,726)	(997)	(23)	**(606,337)**

(1) Companies listed in Note 6. Does not include transactions between subsidiaries.
(2) It includes Promotiva S.A., BVIA - BV Investimentos e Participações de Gestão de Recursos S.A., Votorantim Corretora de Seguros S.A., BV Empreendimentos e Participações S.A. and Atenas SP 02 Empreendimentos Imobiliários Ltda. Does not include joint operations.
(3) Board of Directors, Executive Board, Audit Committee, Fiscal Council and family members (spouse, children and stepchildren) of key management personnel, as well as all companies in which the key management personnel has participation.
(4) Includes BVIA FIP until October 2018, due to its liquidation, Votorantim Expertise Multimercado, associates of BVIA – BV Investimentos e Participações de Gestão de Recursos S.A. and associates of BV Empreendimentos e Participações S.A., as well as every company in whch the key personnel holds equity interest or exert statutory position. From February 2019, also includes FIP BV – Multiestratégia Investimento no Exterior.

Amounts in thousand of Reais, unless indicated

35. EMPLOYEE BENEFITS

The main benefits offered to the employees of the Conglomerate, provided for in the collective agreement category are health insurance, life insurance, dental care, meal and food vouchers, variable compensation programs and profit sharing. Among the mentioned benefits, we highlight the variable remuneration programs.

The Long-Term and Short-Term Compensation Programs: Conditional Variable Incentive, Long-Term Incentive and phantom Share Repurchase Program approved by the Board of Directors on May 10, 2012 were valid until 2016, with effect until 2021.

In the first half of 2017, the Conglomerate implemented the new Variable Compensation Program. The directors and employees of the Conglomerate are eligible for the program. This program was approved by the Board of Directors on March 09, 2017.

The Conglomerate also has a long-term incentive plan that aims to: (i) attract, motivate and retain talent; (ii) align interests of the officers and employees with the objectives and interests of the shareholders; (iii) generate results and sustainable creation of value; and (iv) create a long-term vision:

ILP plan: a four-year plan consisting of granting an incentive in kind linked to the performance of the organization over the time

In the year ended December 31, 2019 an expense of R$ 160,377 (R$ 119,934 in the year ended December 31, 2018) was recognized in the results, under Personnel Expenses in relation to long-term incentives transactions. These incentives in general become a right between one and four years (no more than four years) as of the granting date.

The following payments were made to employees related to the Long-Term Remuneration Programs:

Program Year	2019	2018
2012 / 2013	1,620	36,403
2014	66,316	42,028
2015	42,775	31,251
2016	29,872	2,466
2017	8,300	29
2018	250	-
Total	**149,133**	**112,177**

In December 31, 2019, the Conglomerate recorded under "Other liabilities - sundry - provision payment payable", the amount of R$ 309,879 (R$ 296,263 in December 31, 2018).

Phantom share value is calculated at a minimum on a quarterly basis and is based on the Conglomerate's income and on entries directly made to Shareholders' equity accounts, as determined by prevailing accounting practices. From this change in Shareholders' Equity value, non-recurring movements will be excluded, individually evaluated and submitted to the Remuneration Committee, which will decide on its exclusion or not from Shareholders' equity calculation basis to measure the value of the phantom shares.

Changes in phantom shares

	2019	2018
Opening quantity	**50,535,332**	**70,438,001**
New / Updates	11,670,392	23,139,816
Paid	(34,691,423)	(42,467,901)
Expired	(3,389,193)	(574,584)
Closing quantity	**24,125,108**	**50,535,332**

In addition to the benefits provided in the collective agreement category, the Conglomerate still offers other benefits, among which we highlight the private pension plan.

In March 2019, the defined contribution private pension plan was lauched, in the PGBL (Free Benefit Generation Plan) and VGBL (Life Generating Free Benefits) modalities, where the Conglomerate, as a sponsor, contributes to the formation of the amount to be converted to complementary post-employment retirement income. This new plan was approved by the Board of Directors on December 6, 2018.

The private pension program aims to (i) strengthen the long-term relationship; (ii) provide awareness of financial planning; and (iii) supplement retirement income.

36. RISK AND CAPITAL MANAGEMENT

The Conglomerate has general and specific structures and policies for risk and capital management, in accordance with Resolution No. 4,557, approved by the Board of Directors and the basic principles observed in the management and control of risks and capital have been established in accordance with the regulations market practices.

Detailed information on the risk and capital management process can be observed in the document "Risk and Capital Management Report", prepared based on in compliance with Bacen Circular Nos. 3,678 and 3,716, available on the Investor Relations website at www.bancobv.com.br/ri.

1) Risk management process

The approach integrated to risk management includes the adoption of instruments that allow the consolidation and control of relevant risks incurred by the Conglomerate. This approachs' intent is to organize the decision process and set control measures to levels of acceptable risk and suitable to the volume of available capital, in line with the adopted business strategy.

The Institution has a group of risks considered to be material, whose approvals are made periodically by the Board of Directors. For each listed risk an assessment of the most appropriate treatment is performed (Management, Hedge / Insurances or Capitalization) with the goal to address the best way of monitoring and controlling each exposure. Risks considered to be material at the reporting date are:

- Credit risk;
- Counterparty credit risk;
- Credit concentration risk;
- Market risk;
- Interest rate risk of banking portfolio;
- Liquidity risk;
- Operational risk;
- Reputation risk;
- Strategy risk;
- Socio-environmental risk;
- Model risk;
- Compliance risk; and
- Contagion risk.

Risk consolidation is comprised of relevant exposures inherent to business lines of the Conglomerate, mainly grouped in the following risks categories: market, liquidity, credit and operating. This consolidation is done through a structured procedure that comprise the mapping, accrual and totalization of the values at risk.

The levels of risk exposure are monitored through a risk limit framework, incorporated into the Conglomerate's daily activities by means of an organized management and control process which assigns functional responsibilities to the areas involved. Senior Management is involved through following up and performing actions that are necessary for risk management.

Compliance framework for capital and risks management comprise the entire Prudential Conglomerate and is composed, besides the respectives teams and directors responsible for risks and ALM (Asset Liability Management), also by collegiate forums, domestic and corporative, formally organized and with ranges representatives. Each compliance board has its role, scope and composition determined by norms, that guide in relation to the rules, responsabilities and limits according to business strategies and market scenarios. Main forums are:

- Board of Controls and Risks and Board of ALM and taxes are the main internal management forums of risk and capital. In addition, the Executive Board (ComEx) has by assignment the general supervision of such matters.
- Board of Risks and Capital (CRC) is charged with assisting the Board of Directors, in accordance with Resolution no. 4,557 from Bacen, in the creation of a capital allocation strategy for the Conglomerate, in the note to the risk appetite statement (RAS) and in the risk and capital monitoring, besides simply coordinating its activities with the Audit Board (COAUD), in order to facilitate the exchange of information in a simpler manner, the necessary adjustments to the risks and capital compliance framework and guarantee the effective treatment to the risks the Conglomerate is exposed.

Risk appetite consists in the statement of the risk that the Institution is inclined to accept to reach its goals, and is tracked through the indicators and its respective limits. The risk appetite statement is approved by the Board of Directors and reflects the expectation of the Senior Management and orientates the strategic planning and budget, permeating the Institution. As of this certificate, its monitoring happens through a dashboard composed by indicators and limits that are followed-up on a monthly basis in the competent ranges, besides shares, complementary monitoring and specific projects.

In addition we emphasize that the Institution executes the Internal Capital Adequacy Assessment Process (ICAAP), in line with CMN Resolution nº 4.557, Bacen Circular nº 3.911 and Bacen Circular-letter nº 3.907, and the respective report is disclosed annually to Bacen, comprising the capital plan, stress test, capital and management contingencies plan and the assessment of capital need before the relevant risks the Institution is exposed to, among other subjects.

Definitions of the main risks of the Conglomerate are described below:

a) Credit risk

(i) Definition

Credit Risk is defined as the possibility of occurrence of losses associated with:

- Non-compliance by the counterparty (the borrower, the guarantor or the issuer of securities or securities acquired), from its obligations under the terms agreed upon;
- Devaluation, reduction of remuneration and expected gains in financial instruments arising from the deterioration of the credit quality of the counterparty, the intervening party or the mitigating instrument;
- Restructuring of financial instruments; and
- Costs of recovery of exposures of problematic assets.

(ii) Credit Risk Management

The institution manages credit risk through the adoption of tools that allow the identification, evaluation, measurement, monitoring and reporting of the risk incurred in its activities in the main stages of credit management, such as credit granting, credit monitoring and credit recovery.

Credit risk management functions are performed by formally constituted units, with technically capable teams, under segregated management, and with defined assignments.

The wholesale credit process is driven by detailed assessments of customers who wish to renew or request credits or limits for their business. In the on-boarding process, the Institution has systems for registering clients, granting and approving proposals for credit limits. After the evaluation of a given credit granting opportunity by the officers, the proposal is inserted in a specific credit area system (which has a workflow characteristic), and can be tracked by those involved, according to the specific level of approval until the final approval of the limit and / or credit operation.

The credit evaluation considers aspects such as the controlling shareholders and management of the company, economic-financial information, the competitive environment and aspects of the market and economic sector.

In the Retail segment, credit proposals are processed by an automated and parameterized system, supported by a score model, which provide greater agility and reliability in decision-making on the granting of credit, which are intended for individuals who demonstrate suitability and the ability to pay. For cases where the score model does not automatically decide, the credit department performs a more detailed check of all aspects that involve the contract, in order to approve or deny the credit proposal.

The monitoring of the credit risk of the wholesale portfolios is carried out on a daily basis, capturing warning signs that identify, accurately, in advance and in a timely manner, the deterioration of credit at the individual and aggregate level in order to ensure the good quality of the portfolio. In the retail segment, the Conglomerate carries out monitoring of credit risk through performance indicators and management reports of the credit portfolio.

The credit recovery area works in conjunction with the monitoring area as of the first day of delay observed in loan and lease portfolio and other financial assets. Several strategies are used to maximize collection opportunities.

The definition of default used by banco BV corresponds to that used in the credit risk management of financial instruments and considers qualitative indicators when appropriate. Delinquency parameters are considered as: (a) delay greater than 90 days; (b) debt restructuring; and (c) accounting recognition of credit deterioration of the debt.

For the Retail business portfolio, additional data taken into account includes: (d) death; (e) non-use goods; (f) underexploitation. Wholesale also takes into account: (g) declaration of bankruptcy; and (h) judicial recovery that limits, delays or prevents compliance with the obligations under the agreed conditions.

To determine whether the risk of default of a financial asset increased significantly, banco BV uses internal customer information, days of delay, qualitative analyzes and statistical models, determining the credit situation of the portfolio contracts.

The indication of credit deterioration occurs using days of delay in absolute terms. Delays over 30 days are considered to represent a significant increase in credit risk. In addition, for the wholesale business portfolio, the identification of a significant increase in credit risk also consider quantitative criteria since internal ratings are important classification factors. For the retail portfolio, the behavior of customers is also considered.

The stages are reviewed on a monthly basis in order to capture possible changes in clients' financial capacity. Migrations of contracts between stages may occur, when the analysis indicates an improvement or worsening of the credit risk of the contract.

Banco BV considers internal customer information, statistical models, days of delay and qualitative analyzes to determine the credit situation of contracts. Once the credit situation of the contract has been defined, its classification is established in one of three stages:

Stage 1 - Normal operations: Assets are classified in this stage when in a normal situation, with a delay of less than or equal to 30 days, and without indication of a significant increase in credit risk;

Stage 2 - Transactions with a significant increase in credit risk: Assets are classified at this stage when they have a delay of more than 30 days or present a significant increase in credit risk;

Stage 3 - Transactions in default: Assets are classified in this stage when they have delays of more than 90 days or are in qualitative non-compliance characterized by indications that the client will not fully honor its obligations.

Amounts in thousand of Reais, unless indicated

An asset can migrate from the stage as its credit risk increases. If, in a subsequent period, the quality of a financial asset improves or the significant increase in previously identified credit risk is reversed, the financial asset may return to its earlier stage.

(iii) Counterparty Credit Risk

Counterparty credit risk is defined as the possibility of losses arising from non-compliance with obligations relating to the settlement of transactions involving bilateral flows, including the trading of financial or derivative assets. The Conglomerate manages the credit risk of the counterparty based on monitoring the exposures that are associated with this type of risk and performs the calculation of regulatory capital.

The Conglomerate considers that the credit risk of the counterparty is mainly present in transactions with derivative financial instruments, operations to be settled, operations with resale agreements and loans of assets.

(iv) Exposure to credit risk

The book value of financial assets and the nominal value of sureties and guarantees represent the maximum credit exposure. The maximum exposure to credit risk on the date of the Financial Statements is as follows:

	Assets with excessive guarantees		Assets with insufficient guarantees		Assets without guarantees	Total	
	Asset value [(1)]	Guarantee value	Asset value [(1)]	Guarantee value	Asset value [(1)]	Assets [(1)]	Guarantees
				12.31.2019			
Financial assets	**2,394,657**	**2,837,917**	**459,724**	**306,651**	**32,312,272**	**35,166,653**	**3,144,568**
Cash and cash equivalent (Note 8)	-	-	-	-	1,051,889	1,051,889	-
Financial assets at fair value through profit or loss (Notes 10 and 11)	30,826	33,638	365,133	212,060	12,479,377	12,875,336	245,698
Financial assets at fair value through other comprehensive income (Notes 10 and 13)	-	-	-	-	15,272,657	15,272,657	-
Financial assets at amortized cost	2,363,831	2,804,279	94,591	94,591	3,508,349	5,966,771	2,898,870
Loans and leases - gross value (Note 12)	**7,098,507**	**14,313,448**	**45,510,283**	**31,328,980**	**2,739,692**	**55,348,482**	**45,642,428**
Sureties and guarantees	**379,803**	**1,826,533**	**777,651**	**70,846**	**5,449,658**	**6,607,112**	**1,897,379**
Total	**9,872,967**	**18,977,898**	**46,747,658**	**31,706,477**	**40,501,622**	**97,122,247**	**50,684,375**
				12.31.2018			
Financial assets	**10,949,085**	**12,709,144**	**195,872**	**121,422**	**33,479,229**	**44,624,186**	**12,830,566**
Cash and cash equivalent (Note 8)	-	-	-	-	1,567,948	1,567,948	-
Financial assets at fair value through profit or loss (Notes 10 and 11)	206,270	233,409	114,366	93,931	15,982,813	16,303,449	327,340
Financial assets at fair value through other comprehensive income (Notes 10 and 13)	-	-	-	-	13,085,857	13,085,857	-
Financial assets at amortized cost	10,742,815	12,475,735	81,506	27,491	2,842,611	13,666,932	12,503,226
Loans and leases - gross value (Note 12)	**5,386,152**	**14,866,502**	**44,838,060**	**32,510,434**	**-**	**50,224,212**	**47,376,936**
Sureties and guarantees	**1,378,215**	**1,668,682**	**1,598,569**	**183,356**	**2,563,188**	**5,539,972**	**1,852,038**
Total	**17,713,452**	**29,244,328**	**46,632,501**	**32,815,212**	**36,042,417**	**100,388,370**	**62,059,540**

[(1)] For sureties and guarantees, refers to the value of commitment assumed.

(v) Provision for impairment losses

Impairment assessments of financial assets are based on the expected credit loss model and classify financial assets in three stages:

Stage 1 - Expected credit loss for 12 months applicable to financial assets originated or purchased without a credit recovery problem, considering possible delinquency events within 12 months;

Stage 2 - Expected credit loss over the life of the financial instrument applicable to financial assets originated or purchased without a credit recovery problems who experience a significant increase in credit risk, considering the events of default throughout the life of the contract; and

Stage 3 - Expected credit loss for assets with recovery problems applicable to financial assets originated or purchased with credit recovery problems.

For the measurement of the expected credit loss, financial assets are classified into groups of assets with shared credit risk characteristics and evaluated collectively. The collective assessment of loans takes into account characteristics such as the type of instrument (grouping by product and modality), type of collateral, and internal risk classification, among other factors.

For the Retail business portfolio, the expected loss calculation is performed based on statistical models in the initial stages of the customer relationship and on behavior scores when clients already have a relationship with the Bank. For the Wholesale and other market activities, it is based on information such as the economic-financial situation of the counterparty, the economic group to which it belongs, its cash generation capacity, the current situation and the prospects of the segment in which it operates.

Also for the Wholesale and other market activities business portfolio, during the process of evaluating loans and the calculation of clients' ratings, banco BV verifies, among other factors, the companies' forecast. The forecasts of the sector in which the client operates within, the prospects of the economic-financial condition of the company and the predictability of revenues, costs and stability of the strategic planning of its players are evaluated.

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(vi) Changes in modified assets (renegotiated credits)

	2019	2018
Amount of renegotiaded credits in the period [1]	**3,943,279**	**3,999,114**
Renegotiated for past due contracts [2]	534,127	624,354
Renewed contracts [3]	3,409,152	3,374,760
Changes in portfolio of renegotiated past due contracts		
Opening balance	**785,169**	**916,907**
Signings	534,127	624,354
Amounts received, net of interest accrued	(304,301)	(301,211)
Written off as losses	(333,184)	(454,881)
Closing balance	**681,811**	**785,169**
Allowance for losses of the portfolio of renegotiated past due contracts	339,220	400,217
(%) Allowance for losses on the portfolio of renegotiated past due contracts	49.75%	50.97%
90-day delinquency of portfolio of renegotiated past due contracts	322,371	325,660
(%) Delinquency on the portfolio of renegotiated past due contracts	47.28%	41.48%

(1) Represents the balance renegotiated in the period of credit portfolio, past due or not.

(2) Credits renegotiated in the period due to delayed payment by customers.

(3) Renegotiated credits of non-overdue contracts for extension, novation, granting of a new transaction for partial or full settlement of a previous transaction or any other type of agreement that implies a change in the terms of payment or in terms of payment originally agreed upon.

(vii) Guarantees provided

The maximum credit exposure to portfolio of credit commitments through sureties and guarantees, recorded in memorandum accounts on the date of financial statements by lines of activities, as follows:

	12.31.2019							12.31.2018
	Commerce	Industry	Financial institutions	Individuals	Services	Other	Total	Total
Sureties and guarantees	626,646	1,216,482	2,149,548	10,868	2,405,984	197,584	6,607,112	5,539,972
Total	**626,646**	**1,216,482**	**2,149,548**	**10,868**	**2,405,984**	**197,584**	**6,607,112**	**5,539,972**

The guarantees provided are segregated in the following stages:

	12.31.2019	%	12.31.2018	%
Stage 1	5,681,891	86%	3,737,382	67%
Stage 2	863,419	13%	1,707,338	31%
Stage 3	61,802	1%	95,252	2%
Total	**6,607,112**	**100%**	**5,539,972**	**100%**

	12.31.2019		12.31.2018	
	Guaranteed values	Provision	Guaranteed values	Provision
Linked to bindings, auctions, services or work execution	833	-	1,150	-
Surety or warrant in legal and administrative lawsuits of legal nature	3,591,541	147,218	3,334,919	248,699
Linked to securities disclosure for public supply	91,007	482	132,907	771
Other banking sureties	2,687,491	42,186	1,959,551	37,998
Other financial guarantees	236,240	-	111,445	595
Total	**6,607,112**	**189,886**	**5,539,972**	**288,063**

(viii) Guarantees received

Banco BV uses collateral to reduce the occurrence of losses due to credit risk, managing them in a way that is sufficient and legally enforceable.

The main types of guarantees of the Retail business portfolio are: vehicles - in this type of operation, the fiduciary alienation of the vehicle itself is used as collateral; Personal Loan with Guarantee - loan that contains as security the asset of the client;

For Wholesale, guarantees are requested, mainly: credit rights assignments, fiduciary rights to real estate and vehicles, guarantees and mortgages.

Amounts in thousand of Reais, unless indicated

In situations where the value of the collateral is sufficient to cover part of the debt, the recognition of loss on such exposure is weighted considering the value of such collateral, since the Conglomerate deems it possible to receive part of this amount through execution of the guarantee.

Collateral is assessed prior to acceptance and values are updated regularly, depending on the modality of the guarantee. In the case of personal guarantee, the economic and financial situation of the guarantors or guarantors is also analyzed.

The guarantees received in loans and leases, as well as securities of the Wholesale and market activities and Retail segments, on the date of the Financial Statements, by activity of the counterparty, are as follows:

	12.31.2019					
	Commerce	**Industry**	**Financial institutions**	**Individuals**	**Services**	**Total**
Sureties and guarantees (financial guarantees)	2,504,140	3,266,529	205,196	71,313	2,485,684	8,532,862
Securities	738,174	1,180,490	5,328	330,028	1,201,349	3,455,369
Machinery and equipment	210,995	278,081	-	-	129,327	618,403
Mortages	895,029	1,927,061	-	234,431	647,187	3,703,708
Vehicles through fiduciary alienation	-	-	-	30,308,966	-	30,308,966
Others	555,094	414,480	2,611,272	-	484,221	4,065,067
Total	**4,903,432**	**7,066,641**	**2,821,796**	**30,944,738**	**4,947,768**	**50,684,375**

	12.31.2018					
	Commerce	**Industry**	**Financial institutions**	**Individuals**	**Services**	**Total**
Sureties and guarantees (financial guarantees)	3,115,530	3,555,515	-	147,452	1,930,501	8,748,998
Securities	884,082	946,128	514,035	277,663	738,823	3,360,731
Machinery and equipment	208,481	396,562	-	-	71,459	676,502
Mortages	1,032,726	1,895,241	-	300,472	1,026,798	4,255,237
Vehicles through fiduciary alienation	-	-	-	30,462,435	-	30,462,435
Others	521,758	1,228,736	12,353,055	-	452,088	14,555,637
Total	**5,762,577**	**8,022,182**	**12,867,090**	**31,188,022**	**4,219,669**	**62,059,540**

The maximum exposure to credit risk and their respective guarantees are presented in note 36a. (iv) Exposure to credit risk.

(ix) Transfer of financial assets that are not derecognised

In the years ended December 31, 2019 and 2018, the Conglomerate carried out transactions that resulted in the transfer of financial assets represented by publicly traded securities and loan and lease transactions to customers in which the Conglomerate substantially retains risks and benefits. The transferred financial assets continue to be recognized in full in the books of the Conglomerate.

The Conglomerate transferred financial assets through the following transactions:

	12.31.2019	**12.31.2018**
Financial assets transferred	**18,271,486**	**29,547,888**
Financial assets with resale agreements (Note 14)	1,747,615	8,975,899
Financial assets measured at fair value through profit or loss [1]	4,529,817	6,969,934
Financial assets measured at fair value through other comprehensive income [1]	7,372,470	6,414,083
Financial assets measured at amortized cost [1]	725,297	1,978,138
Loan operations [2]	3,896,287	5,209,834
Associated liabilities	**(19,700,124)**	**(30,719,985)**
Financial liabilities measured at amortized cost (Notes 21a and 21b)	(18,916,085)	(28,964,716)
Financial liabilities measured at fair value through profit or loss (Note 20)	(784,039)	(1,755,269)
Total	**(1,428,638)**	**(1,172,097)**

(1) Refers to securities linked to repurchase agreements.
(2) Financial assets refer to credits assigned with co-obligation and the financial liabilities associated with transferred assets refer to assignees (assignments with coobligation).

Financial liabilities - transactions with repurchase agreement

Operations with repurchase agreements is a transaction in which the Conglomerate sells bonds, mostly publicly issued while at the same time, it agrees to buy the same bond at a fixed price, at a set future date. The Conglomerate continues to recognize the bond in the statement of financial position because the risks and rewards of the securities have been substantially retained, that is, the returns that the securities offer are recognized by the Conglomerate.

Credit assignment with substantial risk and benefit retention

The Conglomerate transfers the right to receive the future financial flow of the loan or lease to the assignee, upon receipt of a cash amount, calculated on the date of the transfer. However, the Conglomerate continues to recognize in its statement of financial position the balances of the loan or lease because the risks and benefits have been substantially retained, that is, any default situation in the receivables transferred is entirely the responsibility of the Conglomerate. Due to this obligation to the transferee, an associated financial liability is recognized.

The Conglomerate holds guarantees for loan and lease contracts transactions in the form of mortgages on properties, securities and other guarantees.

(x) Derivative instruments subject to compensation with enforceable master agreements of liquidation

The Conglomerate contracts derivatives operations through General Derivative Contracts ("GDC") and Derivative Transactions Agreements ("DTA") that provide for cash payments. In general, based on these contracts, the amounts held by each counterparty on a certain day in relation to all outstanding transactions in the same currency, are aggregated into a single net amount which is paid by one party to the other. In certain circumstances, for example, when a default occurs, all outstanding transactions under this agreement are terminated, then the value of settlement is determined and only a single net amount is paid for liquidation of all transactions.

These contracts do not meet the criteria to offset balances in the Statement of Financial Position. This is because the Conglomerate currently has no legally exercisable right to offset the amounts recognized, since the right of off-set can only be exercised in the future occurrence of certain events, such as delinquency of transactions.

The following table indicates the book values of the recognized financial instruments that are subject to the contracts mentioned

Description	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities	Net balances
Derivatives			
2019	197,412	(209,112)	(11,700)
2018	66,133	(69,140)	(3,007)

b) Market risk

(i) Definition

Market risk is defined as the possibility of financial losses arising from the variation in the fair value of exposures held by a financial institution. These financial losses may be incurred due to the impact produced by the variation of risk factors, such changes in interest rates, exchange rates, and stock or commodity prices, among others.

(ii) Market risk Management

Market risk management functions include a set of functional activities that permeate the entire 'business chain', from product development, to operations, modeling and control of market risk, P&L attribution and formalization, accounting and settlement of transactions, as well as monitoring the effectiveness of processes and controls used.

These functions are performed by functional units with technically capable staff managed separately with defined responsibilities.

The Conglomerate adopts a set of objective measures for managing and controlling market risks:

- VaR (Value at Risk): it seeks to determine the risk resulting from market exposures, by determining the highest expected loss within a confidence interval and a time horizon;
- Stress test: used in order to estimate the potential fluctuations in the value of financial instruments, which occur due to extreme changes in market variables (or risk factors);
- Market Risk Regulatory Capital: comprises the regulatory capital calculated for trading and non-trading portfolio exposures;
- Sensitivity Analysis: this is used to estimate the potential fluctuations in value of financial instruments, which occur because of fluctuations in the risk factors;
- GAP analysis: Consists of the measurement of cash flow mismatching by risk factor. The analysis is made for the Consolidated trading and non-trading portfolios; and
- sVar (VAR stressed): The sVAR consists of a complementary measure to the Historic Var, with the objective of simulating for the current portfolio of the institution, the impact of historical periods of stress not considered in the historical window of returns of VAR.

Risk measures are used along with limits as market risk management tools. These limits include the definition of maximum authorized amounts, adhering to the strategies adopted, the scope of products authorized for trading, consistent with budgeted assumptions and targets.

The limits are established based on the risk appetite and defined in a manner to pragmatically enable the achievement of the intended financial performance targets. Limits are consistent with targets set in the budget and are updated and reviewed at least annually alongside the budget.

For the purposes of consolidated management and control of market risk exposures, transactions are segregated into two types of portfolios depending on their business strategy: trading portfolio (trading) or banking portfolio (non-trading).

The trading portfolio covers all transactions, financial instruments, commodities or derivatives held with the intention of trading, or hedging other trading portfolio transactions, and not subject to trading restrictions. The banking portfolio encompasses all the operations not classified as trading.

The trading portfolio is comprised of the Conglomerate's transactions available for negotiation. To measure the risk of the trading portfolio, the Conglomerate adopts the methodology of VaR analysis through Historical Simulation.

Metric used to predict, based on statistical techniques, the maximum loss in market value, in normal conditions, of a certain position or portfolio, given a degree of statistical certainty (confidence level) and a certain time horizon.

For VaR calculation a historical simulation approach is used, based on the P&L (Profit and Loss Statement) concept, which is adopted in the Full Valuation model. It is a non-parametric model that uses historical data for future inference. The Full Valuation model allows for the consideration of all characteristics of the instruments, including non-linear instruments.

Banco BV adopts the following assumptions to calculate VaR:

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- Historical sample of the last 500 working days;
- confidence level of 99%;
- Holding Period of 10 working days.

The table below presents the minimum, average and maximum VaR of the trading portfolio.

Period	Minimum	Average	Maximum
January to December/ 2019	8,667	73,610	268,723
January to December/ 2018	8,767	31,158	150,868

The banking portfolio consists of structural exposures arising from the loan portfolio and the borrowings to fund these loans, irrespective of maturity dates and currencies, or their commercial segments (retail and wholesale: middle or corporate). The banking portfolio also includes transactions to hedge assets or equity, and loans or funding in the banking portfolio.

This portfolio is also known as the structural portfolio because it includes structural management of asset-liability mismatch. Until January 2018 to measure the risk of the banking portfolio, the Institution adopted the VaR methodology by historical simulation and the methodology adopts the rules precepts established by Bacen, through Circular No. 3,365, dated as of September 12, 2007.

During 2017, the Institution made changes to the IRRBB risk management metrics in order to adapt the new regulatory standards (Resolution 4,557 in force for Institutions classified as S2 as of February 2018) and to the recommended principles of Basel. In this context, the evaluation and control of interest rate risk involves the measurement of the following metrics:

- **Delta EVE** (Change in Economic Value of Equity): The economic value approach calculates the effect of interest rate variation based on the economic value of the institution's assets and liabilities. This metric evaluates the impact on the institution's capital arising from the sale or hypothetical settlement of its positions (assets and liabilities) under conditions different from those prevailing in the market;
- **Delta NII** (Change in Net Interest Income): The interest margin variation approach aims to capture the effects of changes in the Conglomerate's net interest income due to changes in interest rates.

The Conglomerate's corporate systems for measuring and controlling market risk combine internally developed applications with market solutions.

In addition, the Conglomerate adopts a structured process for the communication of matters related to market risk to management, which includes the periodic issuance of reports that demonstrate the levels of utilization of the limits, the periodic conducting of collegiate monitoring forums, and the issuance of electronic messages in situations of breach of limits or disengagement of operations.

(iii) Sensitivity analyses

Conglomerate uses two methodologies for sensitivity analysis of its exposures:

Sensitivity analysis 1

Initially, it uses the application of parallel shocks on the most relevant risk factor curves. The purpose of this method is to simulate effects on the Conglomerate's income in view of possible scenarios, which consider possible fluctuations in market interest rates. Two possible scenarios are simulated in which analyzed risk would be increased or reduced by 100 basis points (bps).

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Trading portfolio

Risk Factor	Concept	Interest rate shock			
		12.31.2019		12.31.2018	
		+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
Fixed rate	Fixed interest rate variation risk	(5,001)	5,102	1,699	(1,366)
Foreign currency coupons	Foreign currency coupon exchange variation	(96)	98	199	(1,354)
Price indexes	Price indexes coupons variation risk	197	(201)	(484)	514

Trading and Banking portfolio

Risk Factor	Concept	Interest rate shock			
		12.31.2019		12.31.2018	
		+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
Fixed rate	Fixed interest rate variation risk	(170,356)	173,798	(106,368)	109,122
Foreign currency coupons	Foreign currency coupon exchange variation	117,803	(120,183)	33,454	(33,575)
Price indexes	Price indexes coupons variation risk	(14,587)	14,881	(16,298)	17,070
TR/TBF	Risk of TR (reference rate) and TBF (basic financial rate) coupon	461	(470)	5,977	(6,295)

Sensitivity analysis 2

Simulations that measure the effect of changes in market and price curves on the Conglomerate's exposures for the purpose of simulating effects on income of three specific scenarios, as follows:

• **Scenario 1** - In constructing this scenario, the currencies and the IBOVESPA index suffer shocks of 1% over the closing price on December 31, 2019. The curves of fixed-rate yields, price index coupons, foreign currency coupons and other interest rate coupons suffer parallel shocks of 10 base points, i.e. all the amounts, regardless of the maturity, increase by 0.10%.

• **Scenario 2** - Scenario where the currencies and the IBOVESPA index suffer shocks of 25% and interest rates suffer parallel shocks of 25% on the closing value on December 31, 2019.

• **Scenario 3** - Scenario where the currencies and the IBOVESPA index suffer 50% shocks and interest rates suffer 50% parallel shocks on the closing value on December 31, 2019.

In the analysis performed for transactions classified in the banking portfolio, valuation or devaluation resulting from changes in market interest rates and prices do not have a financial and accounting impact on the Conglomerate's income. This is because this portfolio is mainly comprised by loans, retail fundings and securities that are accounted for, mainly, through accrual of contractual rates. In addition, note that the main characteristic of these portfolios is that they are classified as financial assets measured at fair value through other comprehensive income and, therefore, effects of interest rate or price fluctuations are reflected in Shareholders' equity and not in income (loss). There are also other transactions naturally linked to other instruments (natural hedge) that minimize impacts in stress scenario.

The tables below summarize the Trading Portfolio results - public and private securities, derivatives and borrowing through repurchase agreements, and banking, showing amounts by base date:

Trading portfolio

Risk factor / Concept	Exposure	Scenario I		Scenario II		Scenario III	
		Variation of rates	Income (loss)	Variation of rates	Income (loss)	Variation of rates	Income (loss)
	12.31.2019						
Fixed rate / Fixed interest rate movement risk	(795,483)	Increase	502	Decrease	(5,887)	Decrease	(12,105)
Foreign currency coupons / Foreign currency coupon exchange movement risk	(763,414)	Increase	(9)	Increase	(105)	Increase	(218)
Foreign variation / Exchange rate movement risk	(293,074)	Increase	4,682	Decrease	(132,822)	Decrease	(302,418)
Price indexes / Price indexes coupons movement risk	(140,849)	Increase	(20)	Decrease	(9)	Decrease	(17)
Other / Other coupons movement risk	9,746	Increase	123	Decrease	(6,279)	Decrease	(29,466)
	12.31.2018						
Fixed rate / Fixed interest rate movement risk	1,136,038	Increase	14,337	Decrease	(240,974)	Decrease	(494,297)
Foreign currency coupons / Foreign currency coupon exchange movement risk	(1,175,285)	Increase	3,473	Decrease	(25,092)	Decrease	(52,855)
Foreign variation / Exchange rate movement risk	25,089	Increase	(37,766)	Increase	(749,122)	Increase	(1,248,679)
Price indexes / Price indexes coupons movement risk	162,697	Increase	365	Decrease	(2,553)	Decrease	(5,224)
Other / Other coupons movement risk	20,226	Increase	476	Decrease	(1,943)	Decrease	(1,950)

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Trading and Banking portfolio

Risk factor / concept	Exposure	Scenario I		Scenario II		Scenario III	
		Movement of rates	Income (loss)	Movement of rates	Income (loss)	Movement of rates	Income (loss)
	12.31.2019						
Fixed rate / Fixed interest rate movement risk	10,237,376	Increase	(17,175)	Increase	(191,930)	Increase	(375,665)
Foreign currency coupons / Foreign currency coupon exchange movement risk	(4,469,421)	Increase	11,891	Decrease	(74,897)	Decrease	(152,101)
Foreing exchange movement / Exchange rate	(293,074)	Increase	3,354	Decrease	(89,803)	Decrease	(174,801)
TJLP / TJLP coupon movement risk	113,867	Increase	(1,473)	Decrease	(361)	Decrease	(721)
TR/TBF / TR (reference rate) and TBF (basic financial rate) coupon movement risk	36,579	Increase	398	Maintenance	-	Maintenance	-
Price indexes / Price indexes coupons movement risk	21,484	Increase	(61)	Decrease	(161)	Decrease	(317)
Other / Other coupons movement risk	20,284	Increase	123	Decrease	(6,279)	Decrease	(29,466)
	12.31.2018						
Fixed rate / Fixed interest rate movement risk	(2,673,457)	Increase	(7,156)	Increase	(117,546)	Increase	(236,930)
Foreign currency coupons / Foreign currency coupon exchange movement risk	(8,516,886)	Increase	10,020	Decrease	(84,254)	Decrease	(170,575)
Foreing exchange movement / Exchange rate	25,089	Increase	6,299	Decrease	(170,535)	Decrease	(395,772)
TJLP / TJLP coupon movement risk	(346,454)	Increase	1,182	Increase	(2,908)	Increase	(5,854)
TR/TBF / TR (reference rate) and TBF (basic financial rate) coupon movement risk	28,499	Increase	550	Maintenance	-	Maintenance	-
Price indexes / Price indexes coupons movement risk	1,117,097	Increase	(2,863)	Increase	(19,282)	Increase	(38,011)
Other / Other coupons movement risk	34,351	Increase	476	Decrease	(1,943)	Decrease	(1,950)

(iv) Stress tests

The Conglomerate uses stress measures resulting from simulations of their exposures subject to market risks under extreme conditions, such as financial crises and economic shocks. These tests aim at measuring impacts of events that are plausible but not likely to occur. The Conglomerate test program on market risk stress uses evaluation methods based on retrospective tests.

Retrospective tests

The retrospective test on stress estimates Bank's consolidated portfolio exposure variation by applying shocks to risk factors that are equivalent to those recorded in historic market stress periods, considering the following parameters:

• Extension of historic series to determine the scenarios: from 2005 to reference base date;
• Maintenance period: 10-business-day accumulated returns;
• Test frequency: daily.

Retrospective stress tests intend to evaluate the capacity of absorbing significant losses and identify measures to reduce the institution's exposure to risks.

For estimates of profits and losses of the retrospective stress test in the consolidated portfolio on December 31, 2019 and based on the perception of Management about the behavior of stocks, commodities, foreign exchange and interest rates, two scenarios were used:

Scenario I - In this scenario, the yield curves suffer parallel positive shocks; the exchange rate (BRL/USD) considered is R$ 4.38; commodities suffer positive shocks of 10% over the closing price on December 31, 2019; and a negative variation of -15.28% in the BOVESPA Index is applied.

Scenario II - In this scenario, the yield curves suffer parallel negative shocks; the exchange rate (BRL/USD) considered is R$ 3.45; commodities suffer negative shocks of 10% over the closing price on December 31, 2019; and a positive variation of 24.49% in the BOVESPA Index is applied.

Chart amounts represent greatest losses and gains of the Consolidated Portfolio considering scenarios of the historic series used for the simulation.

Results of the retrospective stress test on consolidated portfolio, in accordance with the Conglomerate's market risk stress test program, are as follows:

Estimates of retrospective stress test greatest losses - Consolidated portfolio

Risk Factor	12.31.2019		12.31.2018	
	Exposure	Stress	Exposure	Stress
Shares	20,284	(743)	34,351	(965)
Foreign currencies	287,562	(39,336)	25,089	(4,181)
Interest rate	5,960	(73,923)	(10,391,200)	(236,499)
Total	**313,806**	**(114,002)**	**(10,331,760)**	**(241,645)**

Amounts in thousand of Reais, unless indicated

Estimates of retrospective stress test greatest gains - Consolidated portfolio

Risk Factor	12.31.2019		12.31.2018	
	Exposure	Stress	Exposure	Stress
Shares	20,284	5,326	34,351	8,983
Foreign currencies	287,562	30,050	25,089	6,486
Interest rate	5,960	25,316	(10,391,200)	218,874
Total	**313,806**	**60,692**	**(10,331,760)**	**234,343**

c) Liquidity risk

(i) Definition

Liquidity risk is defined as:

- Possibility of the Conglomerate not being able to effectively honor expected and unexpected current and future obligations, including those deriving from binding guarantees, without affecting its daily operations and without incurring significant losses; and
- Possibility that the Conglomerate not be able to trade a position at market price due to its large size in relation to the usually traded volume, or due to market discontinuity.

(ii) Liquidity Risk Management

The liquidity risk management structure identifies, measures, evaluates, monitors, reports, controls and proposes risk mitigation actions associated with the Prudential Conglomerate through the following practices:

- Maintenance of adequate level of free assets which can be easily monetized and use of benchmark liquidity parameter (target cash);
- Management of the mismatch profile between liabilities and assets, funding and credit transactions granted, optimizing the allocation of own resources and minimizing liquidity risk;
- Optimization of the diversification of sources of funding, monitoring the concentration of funding providers, and the practice of remuneration in adherence to the levels practiced in the market for third-party resources, and the level of return expected by shareholders to own resources.

The Conglomerate maintains a contingency plan revised periodically in order to make it possible, in the short term, to re-establish the pre-established levels of cash, with the assignment of management and instruments.

The functions of liquidity risk management are performed by segregated functional units, formally constituted, formed by qualified teams and with defined roles.

The liquidity management of the Conglomerate is the responsibility of the Treasury Department and the liquidity risk management is performed by the Risk area that assesses and monitors the Conglomerate's risk, establishing the processes, tools and limits necessary for the generation and analysis of scenarios and the monitoring and adjustment to the levels of appetite for this risk established by Management.

The main objective measures for the management and control of liquidity risks are:

- The liquidity benchmark and the minimum operating cash flow establish acceptable minimum intervals and thresholds, setting prospective limits for adverse liquidity scenarios;
- Maturity scenarios: comprise the calculation of the future liquidity profile, based on the general premise of maturity of current portfolios and all cash flows;
- Budget Scenarios: These include calculating the future liquidity profile, with assumptions consistent with budget planning, based on the general premise of roll-over of the current portfolios;
- Stress scenarios: These include simulations of the impact on portfolios due to extreme market conditions and / or the dynamics and composition of the portfolios, which could significantly alter the Bank's projected liquidity scenarios;
- Sensitivity analyzes: comprise sensitivity simulations in the future liquidity profile due to small fluctuations in the market conditions and / or portfolio dynamics and composition; and
- Funding concentration profile: includes the monitoring of the portfolio concentration profile, in terms of volumes, terms, instruments, segments and counterparties.

The CMN, through Resolution No. 4,401, establishes the minimum limits of the Short-term Liquidity Indicator (SLI, LCR in portuguese) and the conditions for its compliance. The LCR is a metric that aims to show that financial institutions have sufficient high liquidity resources to resist a 30-day stress scenario, according to criteria established by the regulations.

In December 2019, the LCR average was 180%, above the minimum regulatory requirement of 100%. The index reflects a conservative management of the Institution's liquidity and funding.

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Short-term liquidity indicator	12.31.2019	12.31.2018
LCR	180%	163%
Total HQLA [(1)]	14,499	11,722
Total net cash outflows	8,063	7,193

(1) High liquidity assets, that keep net on the market during stress periods and that fulfil some minimun requirements established by Circular nº 3749 from Central Bank of Brazill.

In addition, the Conglomerate adopts a structured process for the communication of matters related to the management of liquidity risks. This communication process comprises:

- The periodic issuance of reports, in which the liquidity scenarios and the evolution of the profile of the funding portfolios are presented, as well as the levels of use of authorized limits; and
- The periodic execution of collegiate monitoring forums, in compliance with the decision-making powers.

d) Operational risk

(i) Definition

Operational risk is defined as the possibility of occurrence of losses resulting from external events or from failure, deficiency or inadequacy of internal processes, people or systems.This definition includes the Legal Risk associated with inadequacies or deficiencies in contracts signed by the Conglomerate, penalties for noncompliance with legal provisions and indemnities for damages to third parties arising from the activities developed by the Conglomerate. Operational risk events include:

- Internal and external fraud;
- Labor claims and poor workplace safety;
- Inadequate practices regarding customers, products and services;
- Damage to physical assets owned or in use by the Conglomerate;
- Situations that lead to the disruption of the activities of the Conglomerate;
- Failures in information technology (IT) systems, processes or infrastructure; and
- Failure to execute, comply with deadlines or manage the activities of the Conglomerate.

(ii) Operational risk management

The objective of operational risk management is to support business management by assessing and controlling risk, capturing and managing the operational loss base, and measuring the capital allocated to operational risk, enabling the prioritization and implementation of improvement plans in accordance with the levels of risk tolerance defined by the Top Management.

The operational risk management functions comprise a set of activities that permeate the entire "business chain", product development, operations negotiation and disbursement, operational risk modeling and control, and monitoring the effectiveness of the processes and controls used.

The functions of operational risk management are performed by segregated functional units, formally constituted, formed by qualified teams and with clearly defined assignments.

2. Capital management

Capital management in the Conglomerate is carried out with the objective of ensuring compliance with regulatory limits and establishing a solid capital base that enables the development of business and operations in accordance with the Conglomerate's strategic plan.

In accordance with Resolutions no. 4,557, of National Monetary Council (CMN, in portuguese), and Bacen Circular no. 3,846, the Conglomerate has structure and policies for capital management approved by the Board of Directors, in compliance with the internal process for evaluation of capital Adequacy (ICAAP), contemplating the following items:

- Capital management through a continuous process of planning, evaluating, controlling and monitoring the capital needed to deal with the relevant risks;
- Documented policies and strategies;
- Specific forums to compose strategies and manage the use of capital;
- Capital Plan for three years, including Capital targets and projections, main funding sources and Capital contingency plan;
- Stress tests and their impacts on Capital;
- Managerial reports to the Senior Management (Executive Board and Board of Directors);
- Evaluation of Capital Adequacy in the Regulatory and Economic View; and
- Report to the regulator regarding capital management, through the Statement of Operational Limits and Annual Report of ICAAP.

The functions of capital management are performed by formally constituted units, with technically capable teams, under segregated management, and with clearly defined roles.

(i) Regulatory capital

Regulatory capital, classified as Reference Equity (PR, in portuguese), is the equity used as the basis for verifying compliance with the operational limits of financial institutions.

As of October 2013, the set of regulations passed that implemented in Brazil the recommendations of the Basel Committee on Banking Supervision relating to the capital structure of financial institutions known as Basel III. The standards adopted address the following issues:

- Methodology for calculating regulatory capital (PR in portuguese), which continues to be divided into Levels I and II, with Level I composed of Principal Capital (deducted from Prudential Adjustments) and Complementary Capital;
- Methodology for determining the capital maintenance requirement, adopting minimum requirements for regulatory capital (PR), Level I and Principal Capital, and introduction of the Principal Capital Added (ACP, in portuguese). The PCA consists of the CPP conservation, ACPContracíclico and ACPSistêmico plots, defined by CMN Resolution 4,193 and in force since 2016.

CMN Resolution No. 4,192 defines items related to prudential adjustments to be deducted from Reference Equity, such as tax credits arising from temporary differences that depend on the generation of future taxable income or revenues, tax credits arising from tax losses and negative basis of social contribution on net profit, goodwill paid on the acquisition of investments with expectation of future profitability, among others.

In accordance with CMN Resolution no. 4,192/2013, deductions referring to prudential adjustments will be carried out gradually, at 20% p.a. from 2014 to 2018, except for deferred assets and funding instruments issued by financial institutions, which are already being fully deducted since October 2013.

Consolidation scope used as the basis to verify operating limits and also considers the Financial Conglomerate, and the Prudential Conglomerate beginning as of January 1, 2015, as defined in CMN Resolution no. 4,280/2013.

(ii) Risk Weighted Asset - RWA

For purposes of calculating the minimum capital requirement, the RWA, as defined by CMN Resolution 4,193, is composed of the sum of the risk-weighted assets related to RWACPAD, RWAMPAD and RWAOPAD.

The Required Capital is obtained from the RWA (Risk Weighted Assets) components, and is calculated by multiplying by the "factor F", which in 2018 (from January to December) was 8.625% and as of 2019 is 8%.

(iii) Capital ratios

Capital ratios are calculated according to the criteria set by CMN Resolutions no. 4,192 and no. 4,193, which refer to the calculation of Reference Equity (PR) and Minimum Required Reference Equity (PRMR) in relation to Risk Weighted Assets (RWA), respectively, as follows:

- Basel Index (PR / RWA);
- Principal Capital Index (Principal Capital / RWA);
- Level I Index (Level I / RWA).

As of October 1, 2015, Circular no. 3,748 came into force, which provides for the methodology for calculating the Leverage Ratio (RA). This circular is aligned with the recommendations contained in the Basel III documents, which are designed to improve the capacity of financial institutions to absorb shocks from the financial system itself or from other sectors of the economy, thereby maintaining financial stability.

The Leverage Ratio (RA), as established in the circular, is defined by the ratio of Level I to the Total Exposure of the Conglomerate. The minimum limit of the Leverage Ratio (RA) is 3%, according to Resolution no. 4,615 of the National Monetary Council.

(iv) Capital Adequacy (Regulatory View)

The analysis of capital adequacy in the regulatory view aims to assess whether the Institution has Reference Capital (Available Capital) at a level higher than the capital required to cover the risks of Pillar I, plus the additional requirement to cover the risk of variation of the rates of the transactions not classified in the trading book (RBAN) according to Bacen Circular no. 3,365.

The information in the Basel Ratio of the Conglomerate is as follows:

Amounts in thousand of Reais, unless indicated

Basel ratio	**12.31.2019**	**12.31.2018**
PR - Reference Equity	**9,975,245**	**9,358,228**
Tier I	**9,008,047**	**8,058,151**
Complementary Capital	**1,211,865**	**1,163,237**
Common Equity	**7,796,182**	**6,894,914**
Shareholders' equity [1]	10,011,553	9,473,209
Prudential adjustments [2]	(2,215,371)	(2,578,295)
Other	(2,215,063)	(2,577,903)
Adjustment to fair value	(308)	(392)
Tier II	**967,199**	**1,300,077**
Subordinated debts eligible as capital	967,199	1,300,077
Subordinated debts authorized pursuant to CMN Resolution no. 4,192/2013	967,199	1,296,820
Subordinated debts authorized pursuant to rules prior to CMN Resolution no. 4,192/2013 [3]	-	3,257
Funding sources abroad	-	-
Funds raised with Financing Bills	-	3,257
Risk-weighted assets (RWA)	**66,069,415**	**59,452,545**
Credit risk (RWACPAD)	57,265,932	52,202,224
Market risk (RWAMPAD)	2,499,867	1,653,699
Operational risk (RWAOPAD)	6,303,616	5,596,622
Minimum Required Regulatory Capital [4]	**5,285,553**	**5,127,782**
Minimum Required Capital [5]	**2,973,124**	**2,675,365**
Tier I Minimum Required Reference Equity [6]	**3,964,165**	**3,567,153**
Regulatory Capital determined to cover interest rate risk of transactions not classified in trading portfolio (RBAN)	**256,887**	**316,602**
Margin on Minimum Required Regulatory Capital	**4,689,692**	**4,230,447**
Margin on Minimum Required Capital	**4,823,058**	**4,219,550**
Margin on Minimum Required Tier I Regulatory Capital	**5,043,882**	**4,490,999**
Margin on Minimum Required Regulatory Capital including RBAN and ACP (7)	**1,129,334**	**1,684,375**
Common Equity Index (CP / RWA)	**11.80%**	**11.60%**
Tier I Capital Index (Tier I / RWA)	**13.63%**	**13.55%**
Basel Ratio (PR / RWA)	**15.10%**	**15.74%**

(1) According to article art. 4º, paragraph 2 of CMN Resolution No. 4,192/2013, the values related to the adjustments to market value of the derivative financial instruments used for hedge of cash flow of protected items that do not have their mark-to-market adjustments recorded in the accounts do not compose the base calculated for purposes of determining the Reference Equity. The values reported include these adjustments.

(2) They consider the effects of the application of CMN Resolution 4,680/2017, which authorized financial institutions to no longer deduct from the Principal Capital (in the proportion of at least 50% until June 30, 2020 and 100% up to December 31, 2020) the deferred tax assets of tax losses arising from positions held in foreign currency held with the purpose of providing hedge for its participation in investments abroad.

(3) The balance of the Subordinated Debt instruments issued prior to CMN Resolution No. 4,192 / 2013 was considered with the application of the reducing factors established in art. 27 of that Resolution.

(4) Corresponds to the application of the “F” factor to RWA amount, being “F” equal to:
a. 8.625% of RWA, from January 1, 2018 to December 31, 2018.
b. 8% of RWA, as from January 1, 2019.

(5) It represents at least 4.5% of RWA.

(6) It represents at least 6% of RWA.

(7) Additional Principal Capital (ACP) corresponding to the Additional Conservation and Complementary Countercyclical.

Prudential Adjustments deducted from Common Equity:

	12.31.2019	**12.31.2018**
Prudential Adjustment I - Goodwill paid	(38,518)	(43,409)
Prudential Adjustments II - Intangible assets	(277,669)	(259,189)
Prudential Adjustments VII Deferred tax assets from Intertemporal differences	(581,067)	(909,820)
Prudential Adjustments VIII - Deferred tax assets of Tax losses/negative basis of CSLL	(1,317,809)	(1,365,485)
Prudential Adjustments XV - Understatement - Resolution 4,277/13 Adjustments	(308)	(392)
Total	**(2,215,371)**	**(2,578,295)**

Fixed asset ratio

The property, plant and equipment index required ratio of the Prudential Conglomerate amounted to 17.65% (20.82% on December 31, 2018), and determinated in accordance with CMN Resolutions No. 4,192/2013 and No. 2,669/1999.

	12.31.2019	**12.31.2018**
Fixed assets limit	**4,987,622**	**4,679,115**
Value of fixed assets limit position	1,760,563	1,948,636
Value of margin or insufficiency	3,227,059	2,730,479

f) Asset and liability management

The CCR Controls and Risks Committee is responsible for the management of the structural risks of interest rate, exchange rate and liquidity, and the ALM and Tax Committee is responsible for managing the capital that seeks to improve the risk versus return ratio and greater efficiency in composition of factors that impact on the Solvency Ratio (Basel).

The exposure of the Conglomerate to foreign currency risk, presented in thousands of Reais, is as follows:

	12.31.2019				
	Local currency	Dollar	Euro	Other	Total
Asset					
Financial assets at fair value in income - Securities (Note 10)	9,330,890	807,124	-	-	10,138,014
Financial assets at fair value through other comprehensive income - Securities (Note 10)	13,279,676	1,992,981	-	-	15,272,657
Financial assets at amortized costs	52,427,542	3,418,683	499,970	40	56,346,235
Loans and leases (Note 12) (1)	47,463,013	2,713,762	453,180		50,629,955
Financial assets with resale agreements (Note 14)	1,915,351	355,413	10,699	40	2,281,503
Securities (Note 10)	2,105,846	336,466	-	-	2,442,312
Other financial assets (Note 17)	943,332	13,042	36,091	-	992,465
Other assets (Note 17)	654,752	56,921	131,071	997	843,741
Total	**75,692,860**	**6,275,709**	**631,041**	**1,037**	**82,600,647**
Liability					
Financial liabilities at fair value through income or loss - Other financial liabilities (Note 20)	(786,035)	-	-	-	(786,035)
Financial liabilities at amortized cost (Note 21)	(67,525,217)	(12,584,169)	(187,060)	-	(80,296,446)
Other liabilities (Note 22)	(987,545)	(525,358)	(55,173)	(31)	(1,568,107)
Total	**(69,298,797)**	**(13,109,527)**	**(242,233)**	**(31)**	**(82,650,588)**
Derivative financial instruments					
Foreign currency asset position		42,154,801	308,917	-	
Foreign currency liability position		(35,481,347)	(824,655)	(12)	
Net foreign currency exposure - Long (short) position		**(160,364)**	**(126,930)**	**994**	

	12.31.2018				
	Local currency	Dollar	Euro	Other	Total
Asset					
Financial assets at fair value in income - Securities (Note 10)	11,381,478	741,700	-	-	12,123,178
Financial assets at fair value through other comprehensive income - Securities (Note 10)	10,768,075	2,317,782	-	-	13,085,857
Securities (Note 10)	10,765,750	2,317,782	-	-	13,083,532
Interbank deposit investments (Note 13)	2,325	-	-	-	2,325
Financial assets at amortized cost	55,936,261	3,597,042	107,119	44	59,640,466
Loans and leases (Note 12) (1)	42,967,604	3,312,552	104,915	-	46,385,071
Financial assets with resale agreements (Note 14)	10,373,786	284,490	2,204	44	10,660,524
Securities (Note 10)	2,413,735	-	-	-	2,413,735
Other financial assets (Note 17)	181,136	-	-	-	181,136
Other assets (Note 17)	1,875,125	64,932	34,901	574	1,975,532
Total	**79,960,939**	**6,721,456**	**142,020**	**618**	**86,825,033**
Liabilities					
Financial liabilities at fair value through income or loss - Other financial liabilities (Note 20)	(1,757,210)	-	-	-	(1,757,210)
Financial liabilities at amortized cost (Note 21)	(72,493,561)	(8,756,533)	10,848	(18)	(81,239,264)
Other liabilities (Note 22)	(3,404,478)	(758,929)	(31,986)	(28)	(4,195,421)
Total	**(77,655,249)**	**(9,515,462)**	**(21,138)**	**(46)**	**(87,191,895)**
Derivative financial instruments					
Foreign currency asset position		41,480,188	123,957	-	
Foreign currency liability position		(38,668,702)	(237,810)	-	
Net foreign currency exposure - Long (short) position		**17,480**	**7,029**	**572**	

(1) Includes provision for losses, fair value adjustments, associated costs and other receivables.

g) Fair value hierarchy

Calculation of fair value is subject to a control structure defined to assure that the calculated amounts are determined by a department that is independent from the risk taker.

Fair value is determined according to the following hierarchy:

• **Level 1:** prices quoted (not adjusted) in active market;
• **Level 2:** inputs which are observable for assets or liabilities, directly (prices) or indirectly (derived from prices); and
• **Level 3:** assumptions which are not based on observable market data (unobservable inputs). Involve the use of quantitative methods that use market references and unobservable data in the market in producing its estimates.
The value of level 3 classified instruments in 2019 and 2018 are not material.

The table below presents financial instruments recorded at fair value at December 31, 2019 and 2018, classified in the fair value measurement hierarchy:

Amounts in thousand of Reais, unless indicated

	12.31.2019				**12.31.2018**			
	Level I	**Level II**	**Level III**	**Total**	**Level I**	**Level II**	**Level III**	**Total**
Asset								
Financial assets with resale agreements [1]	-	1,877,581	-	1,877,581	-	3,598,021	-	3,598,021
Financial assets at fair value through profit or loss (Note 10)	8,660,584	1,246,473	230,957	10,138,014	10,839,144	1,079,001	205,033	12,123,178
Financial assets at fair value through other comprehensive income (Notes 10 and 13)	12,650,939	2,621,718	-	15,272,657	10,290,935	2,794,922	-	13,085,857
Derivative financial instruments (Note 11)	607,284	2,130,038	-	2,737,322	769,907	3,410,364	-	4,180,271
Loans and leases [1]	-	18,662,795	-	18,662,795	-	12,211,379	-	12,211,379
Total	**21,918,807**	**26,538,605**	**230,957**	**48,688,369**	**21,899,986**	**23,093,687**	**205,033**	**45,198,706**
Liability								
Financial liabilities at fair value through profit or loss (Note 20)	-	(786,035)	-	(786,035)	-	(1,757,210)	-	(1,757,210)
Derivative financial instruments (Note 11)	(665,190)	(2,269,372)	-	(2,934,562)	(843,034)	(3,286,483)	-	(4,129,517)
Total	**(665,190)**	**(3,055,407)**	**-**	**(3,720,597)**	**(843,034)**	**(5,043,693)**	**-**	**(5,886,727)**

[1] With reference to those transactions at fair value by the hedge accounting structure (Note 11g).

The fair value of financial instruments negotiated on active markets (such as securities held for trading and available for sale) is based on market prices, quoted at the statement of financial position date. A market is considered active when the quoted prices are readily and regularly available from an Exchange, distributor, broker, industry group, pricing service or regulatory agency, and these prices represent actual market transactions which occur regularly on a purely commercial basis.

The best evidence of fair value is the price quoted in an active market. Most valuation techniques use observable market inputs, characterizing a high degree of confidence in the estimated fair value.

According to the levels of information in the measurement of fair value, the following evaluation techniques are applied:

The fair value determined for financial instruments classified as level 1 assumes the pricing, at the daily minimum, through price quotes, indices and rates immediately available for non-forced transactions and originating from independent sources.

In cases where quoted market prices are not available, fair values are obtained by using quoted prices for similar assets and liabilities in active markets, or through future cash flows discounted to present value at discount rates obtained through observable market inputs or other valuation techniques based on mathematical methods that use market references.

In this context, the fair value of financial instruments that are not negotiated on active markets (for example, over the counter derivatives) is determined based on valuation techniques. These valuation techniques maximize the use of the data adopted by the market where it is available and rely as little as possible on entity-specific estimates. If all significant information required for the fair value of an instrument is observable in the market, the instrument is included in level 2.

For the fair value of financial instruments classified as level 3, there is no pricing information observable in active markets. The Conglomerate uses pricing criteria based on mathematical models recognizd by academia and/or use specific governance with the participation of experts and structured internal processes.

For non-listed shares, currently classified at level 3, the process of fair value assessment uses the Merton model, considering the expected cash flows, subject to the conditions defined in the contract, and evaluates the behavior of the company's assets (information in the companies' financial statements) by estimating the volatility of the assets. This parameter is generated based on the historical volatility of similar assets observable on the market.

Regarding other financial instruments classified as level 3, Credit Linked Notes (CLN), which the fair value assessment process considers the combination of a fixed-income security and credit derivative. This model evaluates the probability of joint default of the issuer and the reference entity, the correlation used is not directly observable in the market, being generated from the analysis of the historical correlation of company assets.

The quality of and adherence to the models used are assured through a structured governance process. The areas responsible for defining and implementing the pricing models are segregated from the business areas. The models used are documented and submitted to validation of an independent area and approved by the Market Risk Committee.

Amounts in thousand of Reais, unless indicated

(i) Transfers of level 2

	Balances at 12.31.2018	2019				Balances at 12.31.2019
		Transfer to Level 3	Transfer from/to level 1	Additions / (Settlements)	Income (loss) / Other changes	
Asset						
Financial assets at fair value through profit or loss	1,079,001	12,281	-	(63,065)	218,256	1,246,473
Financial assets at fair value through other comprehensive income	2,794,922	-	(50,555)	(91,227)	(31,422)	2,621,718
Total	**3,873,923**	**12,281**	**(50,555)**	**(154,292)**	**186,834**	**3,868,191**

(ii) Tranfers of level 3

	2019					
	Balances at 12.31.2018	Transfer from/to level 2	Additions / (Settlements)	Reclassifications of category arising from the adoption of IFRS 9	Income (loss) / Other changes	Balances at 12.31.2019
Asset						
Financial assets at fair value through profit or loss	**205,033**	**(12,281)**	**14,913**	**-**	**23,292**	**230,957**
Total	**205,033**	**(12,281)**	**14,913**	**-**	**23,292**	**230,957**

(iii) Fair value of financial instruments measured at amortized cost

The book balance and the fair value (level 2 hierarchy) of financial instruments that are measured by amortized cost are:

	12.31.2019		12.31.2018	
	Book value	Fair value	Book value	Fair value
Financial assets measured at amortized cost	**34,081,934**	**34,151,919**	**36,326,631**	**36,396,484**
Securities (Note 10)	2,442,312	2,512,297	2,413,735	2,483,588
Loan and lease portfolio (Note 12) [1]	31,639,622	31,639,622	33,912,896	33,912,896
Financial liabilities at amortized cost (Note 21)	**(80,296,446)**	**(83,322,132)**	**(83,828,117)**	**(84,928,279)**
Money Market repurchase commitments	(14,412,108)	(15,543,296)	(23,051,159)	(22,873,458)
Financial liabilities at amortized cost associated with transferred financial assets	(4,494,033)	(4,494,033)	(5,913,557)	(5,913,557)
Interbank deposits	(1,840,080)	(2,025,081)	(1,976,280)	(2,021,113)
Customers deposits	(14,515,633)	(15,048,894)	(9,991,625)	(10,044,757)
Borrowings and onlendings	(3,578,360)	(3,787,750)	(3,974,334)	(4,048,050)
Securities issued	(32,074,261)	(32,686,979)	(29,998,714)	(30,539,859)
Subordinated debts	(6,597,168)	(6,926,061)	(6,333,595)	(6,808,462)
Others	(2,784,803)	(2,810,038)	(2,588,853)	(2,679,022)
Total	**(46,214,512)**	**(49,170,214)**	**(47,501,486)**	**(48,531,795)**

[1] Excludes the transactions marked to market by the Hedge Accounting structure (Note 11g).

37. OTHER INFORMATION

a) Commitments undertaken due to funding from international financial institutions

The Conglomerate is a borrower of short-term loans from international financial institutions, who in certain cases may require compliance with financial ratios (financial covenants). When required, the financial ratios are calculated based on the financial information prepared in accordance with Brazilian law and standards of the Central Bank of Brazil (Bacen). On December 31, 2019 the Conglomerate did not have operations with these characteristics.

b) Insurance coverage

The Conglomerate contracts insurance coverage for assets subject to risks for amounts considered to be sufficient to cover eventual claims, considering the nature of its activity.

Insurance in force on December 31, 2019

Covered risks	Covered values	Insurance Premium
Insurance Guarantee - Guarantee for legal proceedings	882,385	6,345
Real estate insurance for properties in use of relevant third parties	271,713	75

c) Agreements for offset and settlement of liabilities in the scope of the National Financial System

Agreements were executed for the offset and settlement of receivables and payables pursuant to CMN Resolution No. 3,263/2005, the purpose of which is to enable the offsetting of credits and debits maintained with the same counterparty, and in which the maturity dates of receivables and payables can be advanced to the date in event of default by one of the parties occurs or in case of bankruptcy of the debtor.

Amounts in thousand of Reais, unless indicated

d) Reconciliation of financial liability and equity balances with cash flows arising from financing activities

	Liabilities		Shareholder's equity		
	Subordinated debts	Dividends and interest on shareholders' equity	Capital	Capital and income reserves	Total
Balances at 12.31.2018	**6,333,595**	**18,859**	**8,130,372**	**1,422,218**	**15,905,044**
Proceeds from the allocation of income - BRGAAP (Bacen)	-	1,061,228	-	283,971	1,345,199
Dividends paid	-	(1,080,087)	-	-	(1,080,087)
Liquidation	(392,306)	-	-	-	(392,306)
Interest expenses	498,827	-	-	-	498,827
Foreign exchange movement	162,186	-	-	-	162,186
Other	(5,134)	-	-	-	(5,134)
Total changes in financing cash flows	**263,573**	**(18,859)**	**-**	**283,971**	**528,685**
Movements without cash effects	**-**	**25,042**	**-**	**-**	**25,042**
Dividends payable	-	25,042	-	-	25,042
Balances at 12.31.2019	**6,597,168**	**25,042**	**8,130,372**	**1,706,189**	**16,458,771**

	Liabilities		Shareholder's equity		
	Subordinated debts	Dividends and interest on shareholders' equity	Capital	Capital and income reserves	Total
Balances at 12.31.2017	**5,817,790**	**110,598**	**8,130,372**	**797,699**	**14,856,459**
Proceeds from the allocation of income - BRGAAP (Bacen)	-	175,664	-	624,519	800,183
Dividends paid	-	(286,262)	-	-	(286,262)
Liquidation	(649,215)	-	-	-	(649,215)
Interest expenses	581,653	-	-	-	581,653
Foreign exchange movement	625,040	-	-	-	625,040
Other	(41,673)	-	-	-	(41,673)
Total changes in financing cash flows	**515,805**	**(110,598)**	**-**	**624,519**	**1,029,726**
Movements without cash effects	**-**	**18,859**	**-**	**-**	**18,859**
Dividends payable	-	18,859	-	-	18,859
Balances at 12.31.2018	**6,333,595**	**18,859**	**8,130,372**	**1,422,218**	**15,905,044**

e) Assets under management

Positions of investment funds managed by Votorantim Asset Management Distribuidora de TVM Ltda.

	Number of funds/portfolios		Balance	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Investment funds and managed / accounts	243	260	51,472	48,435

38. SUBSEQUENT EVENTS

In January 2020, the Conglomerate realized credit assignments without recourse to third parties amouting to R$ 423,095, whose effect on income was of R$ 26,337 in the same period.

MANAGEMENT

Alexei De Bona - Accountant - CRC PR-036459/O-3

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