Banco do Brasil S.A.

Financial Statements IFRS

2020 Results

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Message from the Management

Ladies and Gentlemen,

The year 2020 was marked by countless challenges due to the pandemic of the new Coronavirus. In view of this scenario, we focused our efforts on continuing to offer a quality service, supporting our clients so that they could overcome adversity.

Since March, we have strengthened our balance sheet with the establishment of prudential provisions that will allow us to absorb the potential impacts of this pandemic, and we have built enough capital to support business growth.

Looking at business origination, we have been working more and more with the integration of the Bank's business lines, looking at the production chain with clients who are in wholesale, retail, agribusiness and government. We have also strengthened activities in segments in which we are leading players, such as agribusiness, payroll-deductible loans and the government, without neglecting activities in under-explored markets and the search for business with non-account holders.

We have invested in accelerating our digital transformation. Additional investments of more than R$2.3 billion in technology were approved until 2022, especially in analytics, big data and artificial intelligence. All of this to bring more proximity, simplicity, effectiveness and convenience to our clients. We ended the year with almost 21.2 million active clients on digital channels, with ¼ of them arriving in the last 12 months. Around 10 million already use the text chat tool on the App BB, known as Fale.Com, in their contacts with managers and we have the Brazilian bank App that is best rated consistently by users of Google and Apple stores.

We promote structural changes with a focus on improving the customer experience in all layers of the organization. We approved a set of measures related to the revision and resizing of our organizational structure, with the optimization of service units in the country, including the opening of offices with a focus on clients with high digital maturity and also clients from the agro segment, aiming to adapt to the new customer profile and behavior, privileging the specialization of the service and the expansion of the offer of digital solutions. In addition, we expanded our managed advisory ability to clients, expanding the relationship with 1.3 million clients. We also strengthened our activities with the offer of customized and specialized advice to investment clients, and in 2021 we will have 800 investment experts, offering a complete, competitive and democratic portfolio. With all this, we have improved our efficiency and ability to serve better.

We remain committed to controlling expenses and striving for efficiency. Since 2015, expenses have grown below inflation. We also have important initiatives underway that will bring us recurring annual savings after the implementation of all planned measures.

We want to be the main bank of relationship for our clients and for that we act actively, understanding their context of life, anticipating their needs and offering the best solutions, according to their profile, and in the convenience of the channel that is most appropriate to them. We use analytical intelligence to understand customer behavior and act with it at the best moment, focusing on its success and guided by our multidimensional models. Thus, the service of excellence is our main competitive differential and is reflected in greater satisfaction.

A relevant issue on our agenda is sustainability. Sustainability has been present in the dynamics of our daily lives for many years, being an important aspect in the management of business and processes. We adopt the best Environmental, Social and Governance (ESG) practices. This allows anticipation actions and management of risks and opportunities and conducting business more and more sustainable. Our solid track record in sustainability is recognized by the market. We are featured in the main indexes and rankings, such as the ISE of the Brazilian stock exchange, the DJSI of the New York stock exchange and the FTSE4 of the London stock exchange. We are also rated "AA" by Morgan Stanley Capital International (MSCI) ESG Rating. And we are making progress by establishing ten long-term commitments to sustainability, which involve Sustainable Business, Responsible Investment and ESG Management.

Finally, we have to thank the dedication and strength of our staff, with their ability to overcome challenges, to reinvent themselves, to enchant our clients and to contribute to the development of the country. We also thank our more than 750 thousand shareholders for their confidence in our company.

The path we have traced so far has allowed us to plant the seeds that will allow us to harvest very positive fruits in 2021. Providing the best experience for the customer is fundamental to the continuity of our Company, engaging our clients and establishing profitable and lasting businesses. This pillar, added to the pillars of culture of innovation that transforms the Bank, operational efficiency and socio-environmental responsibility, will continue to guide our activities, which will allow for increased profitability and the construction of sustainable results, expanding the generation of value for our relationship audiences.

Our Operations during the COVID 19 Pandemic

In view of the scenario of uncertainty brought about by the pandemic of the new coronavirus (Covid-19), Banco do Brasil has acted to provide support to clients with seriousness, speed and security, while strengthening our commitment to society, through actions that aim to support the country to overcome this difficult moment.

We recognize the commitment and strength of our associates who have worked to ensure the provision of quality financial services to clients and society. In addition, investments were made in technology and information security, leveraging digital service. We have also taken all necessary measures to keep the face-to-face service safe.

We help our clients to quickly navigate this turbulent period, enabling the financial adequacy of their commitments from the renegotiation of credit operations with a grace period for payment and term extension, depending on the credit facility.

Among the actions that support the economy, we also highlight:

(i) disbursements of R$7.0 billion to companies in the Program to Support Micro and Small Enterprises (Pronampe).

(ii) PEAC Maquininhas, from Brazilian Development Bank, made available to 76 thousand clients, with loans of R$2.2 billion, representing 71% of what was done by all banks.

(iii) we support the Federal Government, through the Ministry of Citizenship, in the payment of the emergency allowance provided for in Law 13,982, of April 02, 2020 with the provision of more than 9.5 million credits, totaling R$11.7 billion from April to December/2020.

(iv) we were the main financial institution in the payment of the Emergency Employment and Income Preservation Benefit – BEm – granted to workers who had reduced working hours or suspended contract in order to preserve their employment and income. BEm is being paid to employees of companies that join the program, regardless of the fulfillment of any vesting period, length of employment or number of salaries received. Up to December 30, 20.1 million benefits were made available in the amount of R$16.4 billion, of which R$2.7 billion through automatic credit in BB savings accounts, R$11.4 billion in DOC's and R$2.3 billion in credits via bB Digital Portfolio.

(v) We made, through an agreement with the Ministry of Health, the payment of R$491.2 bonuses to residents and students in the health area who participate in the "O Brasil Conta Comigo" initiative, through bB Digital Portfolio, totaling more than R$336.9 million. The Ministry of Health's initiative makes it possible to call on health professionals interested in working with the Unified Health System (SUS) in places of need, to face the pandemic generated by Covid-19.

(vi) in some States and Municipalities we support the payment of emergency allowance to meet basic needs and meals for students in the public school system who are beneficiaries of the *Bolsa Família* program. The credits were made available through the bB Digital Portfolio to more than 96 thousand beneficiaries and student representatives.

(vii) In November, in the municipal elections, pollsters from 23 states received food aid through their smartphones. The benefit was paid through the bB Digital Portfolio, provided by Banco do Brasil. Digital payment is the result of a partnership between Banco do Brasil and the Regional Electoral Courts (TRE) of 23 states. The action resulted in the payment of food aid to 1.3 million employees in the 2020 elections. Each TRE defined the amount and date of payment and the conditions for receipt were disclosed on the Electoral Justice website of each state.

(viii) We provide exclusive assistance for emergency allowances, providing 1.9 million assistance. The Relationship Center started to make calls in the Fale.Com tool to the Individual and Corporate segments since August, with an average of 21 thousand calls/day on December/20.

(ix) We have also announced a donation of R$20 million to Fundação Oswaldo Cruz (Fiocruz) for the production of one million quick diagnostic kits for Covid-19, destined for the Ministry of Health. All kits already have Brazilian technology developed by the foundation, internationally recognized and with a broad history in the fields of scientific research and technological development in the health area. The donation occurs through holding company EloPar, the majority shareholder of companies Alelo, Livelo, Veloe and Digio, in addition to Elo card brand.

(x) Banco do Brasil Conglomerate has adopted relevant measures to contribute to fighting the effects of Covid-19. We highlight the measures taken by Banco do Brasil Foundation, with funds from BB Seguridade, in the amount of R$40 million, and by Banco BV, in the amount of R$15 million. The donation was intended for buying food, hygiene and cleaning products. The Foundation has also launched a website (coronavirus.fbb.org.br) to receive institutional donations and from volunteers who want to contribute with the actions. We have also funded imports of PPE and ventilators to base hospitals, which totaled US$309 million.

We assess and monitor the potential impacts of the crisis on the credit portfolio, considering the peculiarities of the different segments and credit facilities and we have adopted proactive measures to manage risk and capital. We work to preserve the continuity of our operations and the longevity of our company.

The adaptability of our organizational culture and our solid corporate governance have been the cornerstone for decision making to include an integrated approach in all dimensions of our business. In addition, our investments in technology and innovation support our business, security in internal and external processes and the pursuit of our purpose: Taking care of what is valuable to people.

Clients

The client remains at the center of our attention and we have been working to best meet their demands and needs, preserving our historic partnership and support to individuals, legal entities, the public sector and the rural producer, emphasizing the use of digital channels as a form of service, with convenience and security.

The basis for the relationship with the customer is in the following values:

- Convenience: wherever the customer wants, with the convergence of our channels to become increasingly omnichannel and using the strength of the BB structure in favor of a complete experience.
- Simplicity: offering what the user needs, with empathy, in an intuitive and accessible way.
- Effectiveness: with resolutive service that meets customer needs.
- Proximity: Understanding the client's moment, with empathic relationship and service provision in the right channel and at the right time.

In 2020 we promoted relevant structural changes with a focus on improving the customer experience. An example is the direct link between the Ombudsman and the customer satisfaction area directly to the President, giving greater strategic importance to the topic, in addition to the existence of specialized forums. We reinforce the impact of customer satisfaction indicators on employee compensation and awards.

Continuing the specialization of service to micro and small companies, we structured 401 Entrepreneur Poles with the objective of offering personal assistance to micro and small companies, preferably with Gross Annual Revenue of up to R$1 million. With this, we have a qualified team available to offer adequate financial guidance for the sustainable growth of companies and increase their satisfaction with BB. We increased the number of clients served under this model, reaching more than 250 thousand companies, increasing the volume of credit and the financial result. For companies with revenues above R$1 million, we have 215 specialized agencies for this audience.

We intensified the use of artificial intelligence, Big Data and Analytics through multiple listening points to improve the understanding of the customer, as well as their experience. It is important to highlight that our performance unites technology with humanized service and, based on the customer's knowledge, we bring qualified, personalized and assertive offers, considering analytical models in our CRM (Customer Relationship Management), within the context of the customer and their moment of anticipating their needs.

The use of technology and structural changes are accompanied by the adoption and monitoring of indicators focused on the quality of the relationship and customer satisfaction. Based on the indicators, concrete and tangible goals for continuous improvement are established. Among them, we highlight:

- NPS (Net Promoter Score) - Customer loyalty metrics: Today, all of our employees take NPS in their assessments. It is a topic with strategic prioritization and disseminated throughout the organization. We have evolved our NPS consistently. We have room to improve and we will do so, placing the customer experience at the center of our decisions in order to reach the zone of excellence, with a high degree of loyalty and promotion of our brand.
- In addition to the NPS, we also have satisfaction surveys, assessments of the hidden client, and analysis of the causes of churn (turnover), which deepen the understanding of possible frictions from clients so that we can effectively and conclusively address the identified pains.
- Two other important indicators are: engagement, which deals with recurrence in interactions, and principality, which encourages increased relevance in the relationship; both, inducing the achievement of profitable, sustainable businesses, and with greater participation of the businesses of the multi-bank customers (“share of wallet”).
- We also monitor CES (Customer Effort Score) and EES (Employee Effort Score) evaluation metrics, both with the objective of identifying opportunities for improvement and evolving the experience of our customers and employees.

- Through the RFV market methodology (recency, frequency and value) we monitor the engagement of our customers with our solutions and businesses, implementing effective actions to increase the interaction of customers with BB.

The following are highlights of relationship solutions with our customers.

(i) In August, we launched BB Digital PJ, a new digital service channel for companies. The new environment serves legal entities of all sizes and segments, as well as the Government and in the future Rural Producers. The channel has been remodeled for greater ease of use and a better browsing experience, in addition to allowing other 100% digital products to be made available to clients, expanding the digital journey and enabling service.

(ii) Our artificial intelligence web robot (Bot) (via WhatsApp and through the Twitter and Facebook message channels) answers users, clients and employees about the main questions and performs a first service to registered users and clients, speeding up calls. Since the beginning of the pandemic, the number of calls made by WhatsApp has multiplied more than three times with retention and resolvability of 71%. As it is a dynamic technology, the answers to each day evolve in general guidelines and internal procedures.

(iii) We offer clients the possibility of carrying out banking transactions, including the payment of taxes, via WhatsApp. In total, there were approximately 165 million interactions in remote services through this channel, among those carried out by Bot and associates.

(iv) We expanded the qualified human service in the App BB ("Fale.Com"), reaching more than 13.6 million clients with access to customer service via chat. We are pioneers in this context of solutions for clients. Due to the pandemic, there was a great expansion of service via chat, enabling more than 7.5 million new clients. Several groups were qualified, including those who attend branches and/or use ATMs, rural producers and investors. This movement contributed to reducing the movement of people in environments with agglomerations, delivering a practical and convenient experience. These clients can ask questions, request financial advice, purchase products and services, request credit and negotiate debts directly with an employee digitally and remotely.

(v) We intensified the dialogue with investors through the InvesTalk playlist, the investment lives and launched the Investments and Financial Education podcast playlist, available on Spotify and YouTube.

We expanded our base, reaching 74.4 million customers. We use structured solutions to ensure scale in growth, with consistent onboarding strategies - bringing customers closer together, whether in physical or digital channels, materializing the concept of phygital (connection between physical and digital).

It is important to note that second-line controls ensure quality and adequacy in the relationship and sales, as well as assist in resolving customer demands in an agile manner. We monitor suitability indicators, ensuring that the business matches the profile and needs of customers, with a transparent and lasting view of the relationship we have. Important examples are the Customer and User Relationship Policy and the IQV (score to monitor the sales quality of the Retail Network). We also have indicators to assess our effectiveness in resolving customer demands, as well as availability and ease in business development, considering indicators such as First Call Resolution, Customer Effort Score, waiting time and RFV (recency), frequency and value in interactions).

In 2020, 469 facilities were benefited with ambience adjustments. Among these adaptations, is the acquisition of new furniture, covering the public of People with Physical Disabilities and priority assistance with desks, accessible windows and tables, wheelchairs, tactile map supports, in addition to signage by aerial plates and seat identification and other items.

As a result of our frank and quality work with customers, in the result of the Bacen Complaints Ranking for the fourth quarter, we are in fourth place, among the five largest Financial Institutions, and fifth place in general, that is, it maintains the performance observed in the ranking of the third quarter, taking into account the new way of disclosing the result, which now brings only the ten largest financial institutions in the list. Compared to 3Q20, we reduced complaints from 17%.

We expanded our customer benefits platform, reached more than 1.4 million customers with the Clube de Benefícios, an innovative product in the banking segment, with the possibility of generating revenue and increasing customer satisfaction. Behavioral data of customers are considered to offer benefits that converge with the interests and history of consumption of customers, offering advantages that go beyond financial services.

We implemented the BB Store, an unprecedented solution in the market, which allows BB customers to make online payments for their energy, water and various agreements, using points from the BB Relationship Program. The functionality is available on the App and on the internet and also allows the settlement or reimbursement of BB accounts and products with the use of accumulated points. Launched in February 2020, the solution reached the mark of 1.6 million transactions, moving 4.2 billion points.

In the context of our commercial strategy, we expanded several promotional marketing actions, especially on opportunity dates, such as Black Friday, *Semana Brasil* and *Semana do Cliente*. We offer specific advantages to promote customer engagement, increase satisfaction and increase our results consistently and recurrently.

Credit

We support our customers and provide credit alternatives tailored to their needs.

We launched the credit facility BB Working Capital Pronampe Covid-19, developed based on the National Program to Support Micro and Small Enterprises (Pronampe), a Federal Government program aimed at developing and strengthening small businesses. The disbursement was approximately R$5.1 billion in the first weeks of the program, with more than 80 thousand clients contracting the operation. In the second phase of Pronampe release, more than 32 thousand companies benefited from the R$1.9 billion allocated by the program to the Bank, totaling R$7.0 billion in the total for the year.

We offer an option for micro and small companies clients to extend the maturity of their credit operations, including through self-service, via Internet and Mobile. Thus, companies can rebalance their cash flow, freeing up funds to guarantee the payment of employees and service providers. The extended installments migrate to the end of the transaction schedule or are redistributed throughout the payment schedule, avoiding the accumulation of installments and the greater pressure on clients' cash flow. The main credit facilities contemplated are working capital, investments and foreign trade, in addition to credit facilities with government funds.

For clients who have demonstrated greater commitment to payment capacity, we announce and provide a series of support and guidance measures. They are individuals, companies and rural producers who count, depending on the modality, on the flexibility of needs and reduction in the percentage of entry. The units that work on debt recovery are disclosing these new conditions and emphasizing the use of remote channels to access these solutions and give more breath to those who need it most.

Banco do Brasil's clients were able to renegotiate their debts, completely digitally, through a virtual assistant on WhatsApp. The solution, unprecedented in the national financial market, makes use of artificial intelligence and accounts for more than R$43.7 million renegotiated via chatbot, since the beginning of August, when it entered into full operation. Without the need to call an attendant, more than 4.7 thousand individual customer agreements have already been signed exclusively with the virtual assistant. In addition to the debt renegotiation, the solution allows the cancellation of the agreement made on the current day, the issuance of the second copy of the renegotiation slip and also allows the issuance of the settlement slip in advance.

For students who contracted student financing – FIES – they were able to renegotiate overdue installments and join the Special Regularization Program at our branches until December 31; and in the first half of December, on the Mobile channel. The Special Regularization Program, provided for in Law No. 14,024/2020 and in Resolution CG-FIES No. 42, allows students to renegotiate their FIES debts with advantages that involve the reduction of debt arrears.

In addition to the support for the extension and renegotiation of the credit facilities that we normally have with these clients, we offer technological solutions in a short period that allowed the extension of the onlending facilities, such as the Constitutional Fund of the Midwest (FCO) and credit facilities with funds from the National Bank for Economic and Social Development – BNDES Finame, BNDES Automático and BNDES Giro.

Agribusiness

Banco do Brasil is a leader in agribusiness credit with a market share of 54.1% in December/20. In the 2019/20 harvest, we recorded a record disbursement of R$92.5 billion. For the 2020/21 harvest, we announced R$103 billion, of which R$61 billion for funding, R$14.2 billion for marketing and other purposes, R$17.5 billion for investments and R$10.3 billion will be earmarked to companies in the sector. The amount is 11.3% higher than the R$92.5 billion disbursed by BB in the 2019/2020 harvest.

With the customer experience as the center of the strategy, Broto (www.broto.com.br) was launched in July/2020, a digital platform aimed at being the center of the digital agribusiness ecosystem, connecting rural producers and suppliers offering products, services and consultancy. From October 26 to November 27, we held BB's 1st Virtual Agro Fair, an action that boosted the agribusiness machinery and equipment sector with R$117 million in financing.

In July/20 we made the Pronaf Agricultural Insurance available. The initiative, initially available for soybean and corn crops, benefited 8,800 rural producers with over 240,000 hectares covered and R$786 million in insured amounts.

Banco do Brasil acts as a solution provider for the entire agribusiness ecosystem, meeting the convergence of interests of producers and companies in their production processes.

We encourage the use of sustainable agricultural techniques that contribute to improving income, reducing greenhouse gas emissions and preserving natural resources. We are pioneers in the operationalization of the Low Carbon Agriculture Program (ABC Program). The Program aims to finance sustainable agricultural production systems, with a recognized capacity to reduce / sequester greenhouse gas (GHG) emissions, and to promote the production of vegetation / biomass, food production, increased productivity and income and preservation of the environment. The balance of operations in the ABC Program lines alone reached R$6.9 billion in December. Also considering the costing operations - no-till, the balance was R$32.2 billion, an increase of 17.9% in 12 months.

Foreign Trade

We have adopted measures to give importing and exporting client's alternatives in situations not expected when international operations are contracted. As a result, the credit facilities on Advances Against Exchange (ACC) and Advances Against Draft Presented (ACE) and import financing were extended or refinanced, which reinforces our commitment to be the main partner of clients working in Foreign Trade.

We provide the renewal, for up to 60 days, of the ACC operations in which the term exceeds the regulatory period (up to 360 days) and there was a delay in the shipment of the goods. As for the Import Refinancing, the requirement of 20% amortization in the amount of the main capital portion of the operation to carry out the operation was excluded.

We facilitate the import of medical supplies through consultancy offered by professionals specialized in Foreign Trade on payment modalities, trade protection instrument and exchange rate closing. Through this support, we have allowed items such as rapid test kits, ventilators, clothing and masks to arrive in the country, as well as surgical glasses and gloves that certainly helped to combat the Covid-19 pandemic.

In October, we signed a technical cooperation agreement with the Brazilian Export and Investment Promotion Agency (Apex-Brasil). The objective is to develop joint solutions to promote investment and foreign trade opportunities in Brazil in priority sectors of the economy, encourage and assist the closing of export deals and contribute to the training of Brazilian entrepreneurs in foreign trade.

Public Sector

In order to support our clients in this segment, we have not charged for the refund for the use of the e-Bidding platform - for electronic trading sessions until December 2020.

In 2020, R$4.7 billion were contracted, of which R$2.5 billion for States and R$2.2 billion for Municipalities. We finance projects for State and Municipal efficiency, in the areas of public lighting, sports and leisure, road infrastructure, public cleaning, environment, urban mobility, health, safety and health surveillance, with a total disbursement in 2020 of R$4.5 billion, being R$2.3 billion for nine States and R$2.2 billion for 287 Municipality.

The expansion of the interface of the Bank's systems with the Courts have been intensified, seeking improvement and continuity of our services to society, in addition to accelerating the payment of permits by electronic means. Through the interface, we have already made payments in the amount of R$32.8 billion this year.

Also, in 2020, BB distributed on behalf of FUNDEB (Fund for the Maintenance and Development of Basic Education and the Recognition of Education Professionals) R$172 billion to states, municipalities and the Federal District contributing to the universalization of education in Brazil.

Together with the IRS, we launched the payment of taxes via Pix. The partnership allows taxpayers to pay online snapshots of their tax obligations, such as the taxes collected by the Federal Revenue Collection Document - Numbered *DARF*.

Associates and Organizational Culture

We are 91,673 associates working with great dedication to bring the best solutions to our diverse stakeholders. We understand that the peculiarities of this moment require quick and efficient responses and we are ready to act as a bridge to face the current scenario. As a promotion of sustainability and with a focus on the health of employees, we highlight protection measures against Covid-19, such as the removal from the face-to-face work of self-declared workers belonging to the risk group; distribution of masks (face shield or fabric) to employees in person, implementation of specific internal communication (dedicated portal, communications, podcast), care and support measures for occupational and assistance health.

With investments in technology and information security, we have expanded remote work, which has become a reality for 33 thousand employees in 2020, with the possibility of up to 70 thousand simultaneous accesses. 81% of the employees in the general management and 23% of the employees in the network of branches are working from home. In addition to this, we have developed courses and complete training trails at our Corporate University to support and facilitate the development of remote work.

Since August, all BB employees may use a new feature: the virtual business card. The functionality allows you to share your contact information with clients and partners in a virtual way, replacing the old card exchange practice, in a more modern and sustainable way.

Shareholders and Holders of Debt Instruments

Banco do Brasil has a base of more than 750 thousand shareholders, of which 98,0% are individuals (PF) and 1.9% legal entities (PJ). Between January 2018 and December 2020, our individual shareholders base more than doubled, from 330,000 to 735,000. Between December 2019 and December 2020, more than 251 thousand people started to invest in Banco do Brasil. This achievement shows the trust of our shareholders and the strength of our company in scenarios of greater volatility.

We understand the importance of being close to our shareholders and holders of debt instruments, providing clarifications on the potential impacts on our results and updates on the actions taken for managing the business.

In 2020, we have taken part in 404 services, reaching a total of 2.109 investors, market analysts and rating branches.

Our shares (BBAS3) maintained their presence in all B3 trading sessions and represented 2.34% of Ibovespa for the last four months. We have also kept a program of Level 1 ADR (BDORY) traded in the over-the-counter market in the United States.

Our shareholding structure, at the end of September, was distributed as follows:

Table 1. Shareholding Structure

	Dec/20
Total	100.00%
(a) Federal Government	50.00%
(b) Free Float	49.57%
PF	11.95%
PJ	15.11%
Foreign Capital	22.52%
Others [1]	0.43%
Free Float (%) - b/(a+b) [1]	49.78%

(1) Others refers to Treasury Shares, shares held by Members of the CA, CD and Executive Board and shares relating to the merger of BNC and BESC.

Below we present our commitment to transparency and the highlights that contributed to performance in 2020:

1. Corporate Strategy

Banco do Brasil's Corporate Strategy is developed through a structured, participatory process based on consolidated methodologies, which strengthens decisions about the Company's performance for the next five years.

We place the customer at the center of our operations and decisions, at all organizational levels, in order to provide the best experience. To this end, we continuously seek to make BB its main relationship bank, improving the offer of personalized and innovative solutions and serving them wherever and however they wish.

We want to be a competitive, profitable, efficient and innovative bank. To this end, we strive to optimize capital allocation, improve operational efficiency, optimize our structure, new businesses and sources of revenue, as well as accelerating cultural transformation and intensifying the use of data.

At each cycle, we reinforce our commitment to sustainability and the adoption of best Environmental, Social and Governance (ESG) practices. To face the challenges, the development of new skills, especially digital ones, are the focus of our strategy, as well as the evolution of the organizational culture, with a focus on the customer and innovation.

We have consolidated day by day, with our employees, one of the main components of the Banco do Brasil Corporate Strategy, the Purpose of “Taking care of what is valuable to people”. This means that our focus is on people and what matters to them (return on investments, security, preservation of assets, achievements, etc.), and not simply on our products and services. People, in turn, cover all of our stakeholders, that is, customers, shareholders, employees and society as a whole.

Values are principles that guide the organization, emphasizing customer focus, efficiency, innovation, a sense of ownership, ethics, reliability and public spirit. With solid organizational values, we seek to transform each one's contribution to the Company's longevity into attitudes.

Our Vision is “To be the company that provides the best experience for people's lives and promotes the development of society, in an innovative, efficient and sustainable way”.

To guide us in this direction, Banco do Brasil defined its main strategic objectives for the next five years, which are divided into five perspectives:

a) Clients: we put the customer at the center of the strategy and we are committed to being the most relevant bank for him, providing him with the best experience and prioritizing actions that expand business and favor increased satisfaction, retention and attraction of new clients.

b) Financial: we prioritize the increase of profitability in a sustainable manner and seek to optimize the allocation of capital.

c) Sustainability: we promote in each action the commitment to sustainability, with the adoption of the best Environmental, Social and Governance practices.

d) Processes: we accelerate digital transformation and innovation, evolving in the development of analytical intelligence, as well as maintaining the focus on operational efficiency and the improvement of processes, products and channels, making them simpler, more agile, innovative and integrated with the client’s experience.

e) People: we seek to transform the organizational culture with a focus on the customer, innovation and meritocracy.

2. Corporate Sustainability

Corporate sustainability is incorporated into our strategy, which strengthens our performance in the search for sustainable results, which presupposes a management that integrates economic value with transparency, corporate governance and socio-environmental responsibility.

For this reason, we believe in our ability to develop and offer products and services aimed at a green and inclusive economy, which increasingly add quality and innovation to our customers' services and promote positive social and environmental impacts; strengthen corporate governance, ethics management and transparency; to develop human capital, value diversity and improve environmental and eco-efficiency practices, ensuring the efficient and sustainable use of natural resources.

The Social and Environmental Responsibility Policy (PRSA) guides our behavior with respect to social and environmental responsibility and social and environmental risks. Its principles are also expressed in other policies, guidelines and internal normative rulings, which causes us to take into account economic, social and environmental variables in the design and development of processes, products and services.

We update and publish the BB Social and Environmental Guidelines – Restricted List and Exclusion List, which aim to disclose the practices adopted by Banco do Brasil when analyzing and granting credit to issues deemed controversial due to their specific characteristics, reinforcing compliance with internal rules and the current legislation, and in compliance with the principles of social and environmental responsibility set out in our general and specific policies.

Sustainable Finance Model

We have structured our sustainable finance model, which allows the Bank to access the debt securities market categorized as sustainable. The model is unprecedented in the Brazilian financial system, as it was designed, in addition to the categories of financing with environmental (green) and social impact, the SLLP (Sustainable Linked Loan) and SLBP (Sustainable Linked Bond) standards, which link the remuneration on capital due to the positive performance in ESG indicators by the requesting institution. Some examples of indicators are diversity in the composition of the board, amount of renewable energy used by the institution and sustainability goals for the coming years, among others.

The construction of this model started with the Technical and Financial Cooperation Agreement between Banco do Brasil and the Inter-American Development Bank (IDB) and had the technical support of the consultancy Sitawi Finanças do Bem. The model includes a framework, which was reviewed by Sustainalytics, one of the main independent companies in the world of Second Opinion (SPO), which adds more robustness to the model, following a set of international standards and guidelines.

The approved model is supported by BB's broad sustainable portfolio, especially projects that use systems deemed by low carbon agriculture as eligible assets.

Among the actions of Financial Education, we highlight the performance on fronts focused on acting on the journey and in the context of the client, such as solutions such as My Finance - digital solution to manage your finances. In addition to recurring communication actions, such as the Investalk program, Deseconomês and Advisor robot, where we obtained recognition from Bacen, after mapping items that promote the solidity of the theme and efficiency in the National Financial System.

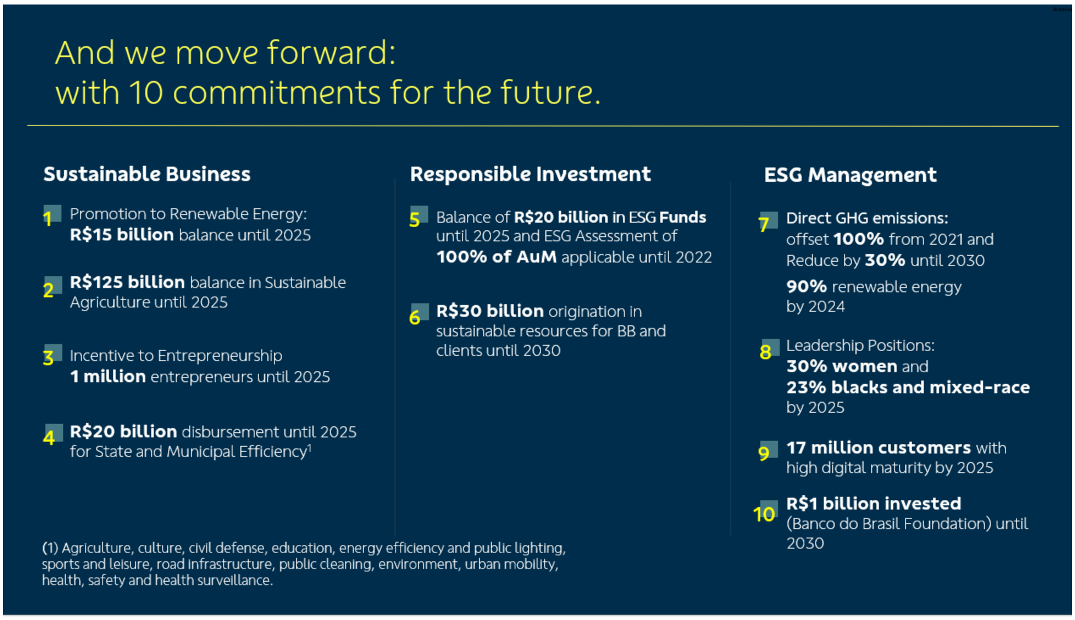
In 2020, Banco do Brasil was again internationally recognized for its sustainability performance, being listed once again in the World Portfolio of the New York Stock Exchange's Dow Jones Sustainability Index (DJSI). Relevant to the progress made on the Sustainable Finance theme.

Sustainability Plan – Agenda 30 BB

Our actions have been guided by the Sustainability Plan for 15 years, which more recently came to be called Agenda 30 BB, in line with the United Nations (UN) Sustainable Development Goals (SDGs).

Agenda 30 BB 2019-2021 has 50 actions with indicators and targets linked to 21 challenges, originated from the demands of stakeholders and the analysis of studies, research and best practices in sustainability. At the moment, Agenda 30 BB is in its 8th review cycle and will have actions, indicators and goals to be implemented by our Strategic Units for the 2021-2023 triennium, as well as long-term commitments in alignment with society's demands and global sustainable development goals.

Figure 1. Commitments to Sustainability



For more information: www.bb.com.br

Sustainability Materiality Matrix

In the 2nd semester of 2020, we carried out a process to define the relevant sustainability issues in order to guide management and reporting for the next two years, with a wide analysis of risks, opportunities and trends; sector studies; market indexes and rankings, benchmarking with national and international peers; and consultation with our various stakeholders, which in this cycle was attended by more than 15 thousand stakeholders.

The process resulted in 24 mapped themes, of which 11 were considered material (priority), in the perspective of sustainability (which include economic, social, environmental and governance aspects), considering the strategic objectives and a multistakeholder view. The themes identified in the materiality process unfold into sustainability challenges that make up Agenda 30 BB and the challenges are reviewed every two years.

Correspondents *Mais BB* and financial inclusion

The Mais BB Correspondent Network plays a relevant social role in accessing banking products and services with complementary operations to the BB network and presence in unassisted places, providing an increase in BB's capillarity and distribution capacity, having been responsible for the disbursement of R$21 billion in credit and more than 160 million transactions.

In addition, the more than 11,400 transactional correspondents, mostly formed by micro and small companies, have the opportunity to promote their main activity by increasing the flow of people in their stores.

In the *Pronaf* (National Program to Strengthen Family Farming), more than 137 thousand beneficiaries were served by our correspondents, positively impacting banking, financial and social inclusion and improving the customer experience.

3. Awards and Recognitions

Achieving positive social and environmental impacts, associated with profitability in the management of activities and businesses, is part of our actions, and the recognitions received show that we are on the right path.

In January 2021, we were recognized, for the third consecutive year, as one of the most sustainable companies in the world by the Corporate Knights Global Ranking 100. In this edition, BB ranked 3rd overall, being considered the most sustainable financial institution in the world.

In 2020, we received the "AA" rating from Morgan Stanley Capital International (MSCI) ESG Rating, highlighting topics related to talent management, cybersecurity and risk management. We were awarded Gold Class in The Sustainability Yearbook 2020, released by S&P Global and RobecoSAM AG one of the most comprehensive worldwide publications on corporate sustainability.

We are also part of international and national sustainability indexes, such as the New York Stock Exchange's Dow Jones Sustainability Index (DJSI) - “World” and “Emerging Markets” portfolios; the London Stock Exchange's FTSE4 Good Index Series; the Corporate Sustainability Index (ISE) and the Carbon Efficient Index (ICO2) of B3.

For the second consecutive year, we received the “Most Innovative Bank in Latin America” award from Global Finance magazine, with the solution developed in Google Assistant. The Innovators 2020 award, offered by the magazine, is a recognition of the most innovative financial institutions in the world, which keeps us with a standard of excellence for the global financial community.

We reached first place for the second consecutive year in the Central Bank’s Top 5 Annual – 2019 Ranking, in the “IGP-M Annual Medium Term” category. And second place in the category “Exchange Rate – Annual Short Term”.

We have received the Top Employers Certification because we are among the best employers in 119 countries, according to the Top Employers Institute (TEI), which evaluates personnel management practices and policies.

We were recognized as the Best Bank in Brazil in 2020 by Euromoney magazine, one of the most important awards in the international financial industry.

We were recognized in several categories in the commemorative 50th anniversary award of the Top 1000 World Banks ranking - NEW performance ranking, by The Banker magazine (Financial Times group).

We won in the Digital Banks category by the Popular Jury at the iBest 2020 Award, which is the most important award on the internet in Brazil. BB Digital is a set of solutions offered to our customers for non-face-to-face service and was chosen according to the criteria of public interaction in the digital universe (websites, apps and social networks), considering reach, engagement and relevance.

We were highlighted in two categories of the ClienteSA Award, the main recognition of the best practices in customer management in Latin America. Our SAC was the winner in the “Leader in Visionary Project” category and our External Ombudsman was also awarded, in the “Integration Project” category, for presenting training programs and conflict resolution tools used by the agencies and which strengthen the role of employees in relationship and trust by customers.

We are the Bank most present in the memory of Brazilians at the Top of Mind Award in 2020. BB's leadership remains for 30 surveys in the segment of Top of Mind banks.

For the fifth time, we were winners of the Top of Mind of HR, an award that recognizes the companies most remembered by the human resources community in spontaneous voting. The Banco do Brasil Corporate University (UniBB) was the highlight in the Corporate Education / e-Learning category. This year, we completed 55 years of corporate education, 18 years of UniBB.

We were recognized first in the Sustainability dimension in the Época Negócios 360º Yearbook, in an evaluation carried out by Época Negócios Magazine in partnership with Fundação Dom Cabral.

For the 10th consecutive year, we received the gold seal for the Corporate Inventory of Greenhouse Gas Emissions - GEE, granted by the Center for Sustainability Studies - GVces, of the School of Business Administration of Fundação Getúlio Vargas - FGV-EAESP. This means that BB is among the public and private companies that have great maturity both in terms of transparency and the quality of the publication of their GEE emissions inventory.

We are one of the best companies to work for in the world, according to the annual ranking of Forbes magazine. Published in October, the ranking was attended by 750 companies from 45 countries and addresses the companies' stance in the face of the Covid-19 crisis, the ecological footprint, talent development, gender equality and social responsibility.

In the Professionals of the Year award, one of the main advertising awards in the country, we won in the National Integrated Campaign category with the Valorize your Talento campaign. Aired between December 2019 and February 2020, the advertising campaign aimed to instigate all Brazilians to start the new year with actions capable of promoting new beginnings.

In November, we were recognized as the best bank in the world in the Private Banker Education and Training category at the Global Private Banking Awards 2020, organized by PWM (Professional Wealth Management) and The Banker, which are part of the international group Financial Times. The achievement is the result of actions and education programs at BB, such as the availability of scholarships for languages, graduation, specialization, MBA, master's and doctoral degrees, in addition to training courses available at our Corporate University - UniBB.

In December, we were awarded in three categories in the 16th edition of the Digital Transformation Banking Report Award: Customer Experience/User Experience (with the Adherence to the Service Standard tool), Cyber Security/Fraud Prevention and Disruptive Technology (with the case Automation of IT infrastructure routines in generating value for international businesses). This traditional event, held by Cantarino Brasileiro, recognizes and honors the main initiatives and best practices implemented in the national financial sector.

In the same month, the Banco do Brasil App was among the 10 most present applications on the Home Screen of Brazilian cellphones, according to a report by MobileTime.

We also emphasize the maintenance of our commitment to the actions established in our Sustainability Plan and to the 10 Principles of the Global Compact.

4. Macroeconomic Scenario

Brazil

After the shrinkage registered by the domestic economy in the first half of 2020, the expressive GDP growth in the third quarter confirmed the prospect of a resumption of activity in the second half. The easing of social distance measures and the incentives sponsored by both the government and the Central Bank, which expanded credit and preserved jobs and household income, contributed to this resumption materializing at a higher rate than initially estimated.

As a result of the pandemic and the economic crisis, in 2020 we lived with a less dynamic labor market, which registered minimum levels of employed persons and records of discouraged persons. However, with the resumption of economic activity, there was a movement of persons returning to the labor market. However, the absorption of this labor supply did not occur at the same speed as its growth, which contributed to keep unemployment rates up.

The measures to deal with the crisis had a direct impact on public accounts. Tax rules have been relaxed to allow spending to expand. With this, on the one hand, the primary deficit and gross debt closed 2020 at a higher level. On the other hand, amid the stronger resumption of activity than initially expected and the lower tax deferral, a more adverse impact on government revenues was avoided.

Supply shocks, mainly associated with food prices, contributed to the increase of inflation in 2020. This movement was partially mitigated by the maintenance of service inflation at still comfortable levels, in a dynamic that responded mainly to the sustained high idleness in the economy. In this context, the IPCA ended the year just above the center of the target for 2020. With the appraisal that tax and inflationary risks are still manageable, added to the need to stimulate economic activity, Copom took and maintained the Selic rate for its historic low. Driven mainly by the lower interest differential and ax uncertainties, the exchange rate ended 2020 at a higher level, but far from the maximum observed during the year.

Worldwide

As in Brazil, the external scenario also lived with the uncertainties associated with the public health emergency resulting from the coronavirus. The global economy showed first signs of recovery during the second half, although in some regions there was an upsurge of the pandemic in the last weeks of the year.

In addition to concerns about a second pandemic wave, the trade war between China and the USA remained in the spotlight throughout 2020. In turn, the result of the American presidential elections and the agreement that will prevent the United Kingdom’s disorganized exit from the European Union (Brexit) meant the removal of relevant risks from the scenario. Such events, in addition to the favorable news about the efficacy/availability of vaccines, contributed to the improvement of investors’ mood in the last months of 2020.

5. Digital Consolidation and Efficiency

Banco do Brasil has been accelerating its digital transformation process for more than 10 years, as a basis to support a better experience for its customers. We develop new digital solutions, new business models, new forms of profitability, constantly optimizing and simplifying processes in order to guarantee a journey of excellence.

We have improved our service models based on the clustering of clients that goes beyond the traditional income/investment bias and considers specific characteristics, such as consumption preferences, life stages, digital maturity level and behavioral variables, allowing an integrated and complete view. For this, the use of data and analytics is fundamental, favoring the qualification of offers that are personalized, assertive and recurring, considering the context and moments of life, anticipating their needs, with empathic relationships and the provision of services that maximize your achievements.

We remain at the forefront of digital solutions with convenience, being a complete provider of products and services, wherever the customer wants, in whatever way he deems most appropriate, with the convergence of our channels in order to become increasingly omnichannel, using the strength of our structure in favor of a complete experience.

In the fourth quarter of 2020, the bank further expanded the solutions offered by the BB application, anticipating market movements that approach with Open Banking, innovating with a focus on convenience and customer experience, seeking to increase the presence of Banco do Brasil in life of Brazilians and increasing the relevance and recurrence of using the application.

Through the facilities of the BB application, aligned with the bank's vision as a platform, customers have access to offers of non-financial products and services, benefiting from an end-to-end digital experience, considered even more relevant in the current context, at no cost for the individual client and profitable through partnerships. Initially, the offer of gift cards was made available and the bank continues to improve the solution with the development of new partnerships to diversify offers, as well as new possibilities for checkout and benefits, making the BB App increasingly present on brazilians day.

We have intensified the development in artificial intelligence (AI), cloud computing, big data, social platforms and cognitive computing. Actions that enabled solutions capable of identifying the feelings and interests of our customers in the field of affective computing, an application of AI.

Innovation is inserted in the formulation of our Corporate Strategy, in the organizational culture, in the vision of the future, in the guidelines of the holding vision and in the strategic objectives.

Our investments in technology and the focus on digital transformation in recent years have proved essential. For the next three years, we approved an additional investment of R$2.3 billion for technology, cybersecurity and analytics, to offer customers new experiences with more practical, safe and fast options in the digital world.

We reached 21.2 million digital customers, while transactions carried out through internet and mobile channels represented 86.5% of transactions carried out by our customers. The BB App remained one of the best rated in the financial industry with a rating of 4.6 on Google play (the rating has already been made by more than 3.1 million users) and 4.7 on the Apple Store (being rated by more 1.9 million users). The maximum score is 5.

The number of digital native customers, that is, who started their relationship with the Bank, through digital channels, grew by 78% in twelve months and 16% in the 4th quarter. Of these customers, 78% are up to 40 years old.

With complementary digital journeys, the investing client also has the App Investimentos BB available in which he has access to the monitoring and movement of his investments in a different way, thus being able to choose which application to use based on his needs. In this, the most sophisticated investor has access to tools for managing their portfolio, home broker, participation in public offers, robot Advisor, access to fixed income products, among others. In 2020, the number of users and transactions grew by 37% and 95%, respectively.

The BB Portal (bb.com.br) is an important tool in supporting the Institution's new businesses. Daily, more than 530 thousand people pass through this platform. In 2020, around 87 million new users accessed the Portal. This number represents an increase of approximately 22% (15.8 million new users) when compared to 2019.

In March, the result of the CIO 100 Awards 2020 was announced, an award event held by the American magazine CIO, from IDG-International Data Bank. We were awarded as one of the top 100 organizations in the world that drive and add value to their businesses through technological innovation. BB Banking Assistant in Google Assistant was the technological solution that represented us and was responsible for our classification. In this award, we were the only Latin American company awarded at the event.

We participated in a virtual way, for the first time, in the 30th edition of Ciab, the largest technology event for the financial sector in Latin America, on June 23, 24 and 25/2020. The event was attended by our executives in debates on blockchain, artificial intelligence and other technological trends for the post-pandemic world.

In the 6th Innovation Week of Enap (National School of Public Administration), the biggest government innovation event in Latin America - and this time totally virtual, BB reaffirmed its role as the largest partner in the Public Sector, bringing relevant topics such as Artificial Intelligence and the Public Sector and presenting their technological solutions through the Virtual Stand.

We support electronic sports - eSports and, in November, we launched the Gamer Platform #TamoJuntoNesseGame, which meets the need to provide quality content, promotions and benefits to customers and non-customers. Electronic games today represent the largest entertainment industry and Brazil is the third largest audience in this segment in the world.

In September, we obtained ISO 20000 certification. With this, the BB brand maintains the official recognition of an international quality standard in the management of Information Technology services. ISO 20000 is valid for two years.

Another innovation is the Broto Platform - www.broto.com.br, developed by BB Seguridade and launched in 2020. With the purpose of increasing the maximum economic productivity of those who work in Brazilian agribusiness, the platform will facilitate access to products and services that contribute to risk management and optimization of production factors.

Energy Eco-efficiency

On March 2020, we inaugurated our first solar power plant in the form of distributed generation. In October, the second plant was inaugurated, and another five plants are scheduled to start operating by the end of 2021. The two projects in operation have a combined installed capacity of 6 MW, generating 15 GWh/year and will guarantee the supply of renewable energy to 141 branches, allowing the institution to save R$53.7 million over 15 years. Both projects will enable an average reduction of 45% in the energy bill of our branches and will contribute to the diversification of the renewable energy matrix in Brazil. When all the plants are in operation, 3,150 tons of carbon dioxide will no longer be emitted per year, which corresponds to the planting of approximately 21 thousand trees.

Below, we present our work on the main topics of digital consolidation and efficiency:

Pix, it’s now

Pix is an Instant Payment System created by the Central Bank of Brazil, in which transfers, and payments are made in seconds, 24 hours a day, 7 days a week. With it, Brazil will reduce the manufacture of paper money, the issuance of slips and the transfer charges. In other words, Pix is more sustainable for you and for everyone. We are the first bank to meet the regulator’s requirements.

The numbers already demonstrate a great transformation to come. With just under two months of operation, almost seven million PF customers activated 8.2 million BB keys. 16 million customers have already received or sent money through the new system. In the same period, 32 million transfers were made with R$9.6 billion handled

BB was the first bank to offer the registration of keys, transfers, payment and Pix inquiries by WhatsApp, using a virtual assistant. It was also the first bank to launch the registration of Pix keys by voice, through Google Assistant.

For companies, BB is prepared for the changes that will be brought with solutions that will meet the needs of customers, such as in the collection system, where the factor of reconciliation of payments is fundamental and may be connected to logistics and distribution in electronic commerce, for example. The Bank has also developed APIs for all cash management products so that the accounts payable and receivable are adapted to the instant payments system, bringing new business possibilities and customer loyalty.

For the Public Sector, we are developing collection solutions that incorporate the use of Pix in the payment of taxes, fines and various fees. With the innovation, public managers will be able to expand the range of collection channels currently available, without the need for new investments.

In December, in partnership with the Federal Revenue Service, we launched the collection of federal taxes through Pix, enabling taxpayers to pay their tax obligations online and instantly. In addition to allowing citizens to pay taxes in a matter of seconds, the partnership allows the Revenue to have immediate access to settlement information, regardless of whether the payer is a BB customer or not.

We are prepared to serve our clients safely, quickly and cost-effectively. See more at www.bb.com.br/pix.

LGPD - General Law on Data Protection

We believe in respecting privacy and guaranteeing the protection of personal data as one of the guidelines for the exercise of its activities and for the constant development of society's well-being, allowing us to generate services of higher quality, relevance and with even more transparent processes. These factors are protagonists in the current growth dynamics of digital businesses, as people seek to prioritize companies committed to a fair relationship.

In view of the General Law on Data Protection (LGPD), effective as of 09/18/20, one of our challenges is to make clients recognize their rights, providing clarity regarding the policies for the use of information and its content. Our decision was to provide clear information in a friendly and accessible interface, including mobile applications, so that the holders know their data and can exercise their rights. Both in BB App and in our Internet Banking, through the option “my privacy”, any holder accesses its personal data, consults about the treatments performed on behalf of the bank’s services and requests the document for data portability, for example.

We carry out recurring communication actions with customers and employees, aiming to stimulate knowledge on the subject, understand the impacts of LGPD on business and ensure complete clarifications to the customer about the privacy of their data.

Open Banking

In addition to meeting regulatory requirements, which determine the sharing of data, products and services, Open Banking brings opportunities to distribute its own products and services in third-party channels, with a focus on expanding digital capillarity, and also offering third-party products and services in the company’s own channels, focusing on the customer experience. In general, this opening broadens the frontiers of operations, bringing more competitiveness, but also allowing offers with greater added value. To allow better experience and efficiency in connection with the digital ecosystem, we have expanded our portfolio of APIs and created, on the Developer Portal, an environment for testing before contracting.

We started working with Open Banking in 2016, with the launch of the first version of our Developers Portal, establishing the first partnership via API in 2017. In order to strengthen the bank as a service strategy, in December 2020, we made available a new version of the Developers Portal, in which the public of developers has access to the information needed to integrate their applications with Banco do Brasil systems. For now, the Bank Billing APIs and PIX documentation has been made available and, since the launch of the new version, more than a hundred customers have already built their applications through the Portal.

Within the scope of regulatory assistance, the APIs related to the first phase of the implementation of Open Banking, also known as Open Data, were expected to be made available on 11/30/2020. At this stage, participants in the national financial system are obliged to make publicly available information on service channels, products and services (according to technical specifications imposed by the Regulator), in an automated manner. On 11/27/2020, Bacen reprogrammed the initially imposed schedule and the implementation of the first phase began on 02/01/2021.

Flexy BB

Believing in our purpose and in our commitment to the digital and cultural transformation of our organization, we launched Flexy BB, designed and structured to revolutionize the way we work, with increasingly integrated, engaged and connected associates. We believe in creating collective value, whether working in physical or virtual spaces. For that, the work experience must be attractive and the best possible anytime, anywhere. This will accelerate the transformation of our organizational culture, with an increasing focus on the client, agility, innovation and results.

Flexy BB will optimize the occupancy of corporate environments, bringing a new work model, in addition to real estate efficiency and cost reduction. It will also improve the experience of our client, as the solutions will be increasingly integrated, innovative and totally digital. In addition, the more rational use of our spaces, with less displacement of people, less consumption of water, paper and energy will reinforce our commitment to the sustainability of our planet and the perpetuity of our business.

Virtual Auction

In 2020, we started to conduct official auctions exclusively virtual and use the seuimovelbb.com.br platform for the sale of properties released from use, which the Bank is no longer occupying, and those arising from bad debts. Through digital channels, 775 properties were sold in official auctions, for the market value of R$149.6 million, of which 689 properties were sold through the seuimovelbb.com.br platform, for the market value of R$77.9 millions. The platform made it possible for the Bank to make our offers available seven days a week and 24 hours a day, in addition to providing a fully digital experience for the purchaser, from the proposal to the bookkeeping and registration of the property purchase.

6. Highlights of the Financial Statements Results

Net Income of R$13.3 billion in 2020

Net income was R$13.3 billion in the 2020, down 27.4% (-R$5.6 billion) compared to the 2019. The return on equity (ROE) resulted in 10.5%, compared to 15.6% in 2019. The result was influenced by the 4.4% down in fee income compared to 2019 and by administrative expenses that reached R$29.1 billion.

We present below the main figures relating to our performance in the year.

Table 2. Financial Highlights

Earnings (R$ million)	2020	2019
Net Income	13,293	18,888
Interest Net Income	55,428	53,799
Service Fee Income	22,666	23,717
Administrative Expenses[1]	(29,110)	(30,321)

(1) Refers to the sum of Personnel Expenses and Other Administrative Expenses.

Equity (R$ million)	Dec/20	Dec/19
Assets	1,693,794	1,452,267
Deposits to clients	601,984	485,002
Shareholders' Equity	127,861	109,971

Table 3. Capital Market

	Dec/20	Dec/19
BBAS3 - Book Value (R$)	43.8	37.8
BBAS3 - Closing Price (R$)	38.8	52.8
ADR Price (US$)	7.6	12.9
BIS Ratio (%)	21.1	18.6

	2020	2019
Earnings per Share (R$)	4.2	5.9
Interest on Own Capital (R$ million)	4,197	6,733

The Shareholder Remuneration Policy seeks to ensure the due appreciation of the shareholder, combined with the short, medium and long term financial. We adopted as a mandatory minimum dividend in each year the percentage of 25% of net income, as defined in the current rules and in the Bylaws. During the year 2020, because of the pandemic, the CMN issued resolutions that limited and prohibited the distribution of results (CMN Resolution 4.707/20 of 06.04.2020, revoked by CMN Resolution 4.820/20 of 29.5.2020). In accordance with CMN Resolution 4,885, dated 12.23.2020, which amended CMN Resolution 4,820, the percentage of 35.29% of the net profit to be distributed referring to the year of 2020 was defined. When the distribution is via Interest on Own Capital, the amount calculated based on the percentage of approved payout corresponds to the gross amount, on which taxes may be levied, according to current legislation.

Fee Income

In 2020, fee income totaled R$22,666 million, a decrease of R$1,051 million (4.4%) in relation to that observed in 2019. Among the variations, the decrease in revenues from credit operations can be highlighted credit and registration (R$363 million), revenues from other services (R$329 million), revenue from current account services (R$259 million) and revenue from bilings (R$141 million).

The strategy remains focused on the relationship, segmented services, and continuous improvements of the customer experience.

Administrative Expenses

Administrative expenses reached R$7,422 million in 2020, a reduction of 1.3% in relation to 2019. Personnel expenses totaled R$21,688 million in 2020, a decrease of R$1,110 million in relation to that observed in 2019. The reduction of 4,9% in these expenses is mainly due to the decrease in profit sharing (R$769 million), reflecting the fall in results and, also, the reduction in benefit expenses (R$220 million), especially from Cassi, which, in the previous year, made a greater provisioning for its new costing model.

Other administrative expenses decreased 40.0% in 2020, a decrease of R$4,193 million in relation to that observed in 2019. This variation is mainly due to the reduction in expenses for updating tax obligations that are the subject to judicial discussion (R$1,241 million) and with relationship bonuses negotiation (R$409 million). Also noteworthy, in the previous year, was the provision for impairment losses on State payroll management rights (R$967 million) and the write-off of rights receivable from the Salary Variation Compensation Fund - FCVS (R$604 million), generating a positive variation in the result.

7. Group Business

We seek to offer the most complete financial solution to clients. In addition to credit, the most relevant business, our solutions include funding operations, investments, treasury, payments and services in general. In synergy with these businesses, we also operate through companies in several segments.

The following are the main markets in which we operate:

Credit

Loans to customers net of provisions totaled R$633,402 million on December 31, 2020, an increase of R$53,886 million compared to December 31, 2019. The performance was influenced by the R$35,846 million increase in companies operations, R$12,006 million in individuals and R$11,459 million in rural financing. The expected losses on loans to customers increased R$5,425 million. In rural financing, growth occurred mainly in those of free and mandatory investments (R$10,403 million).

Sustainable Business Portfolio

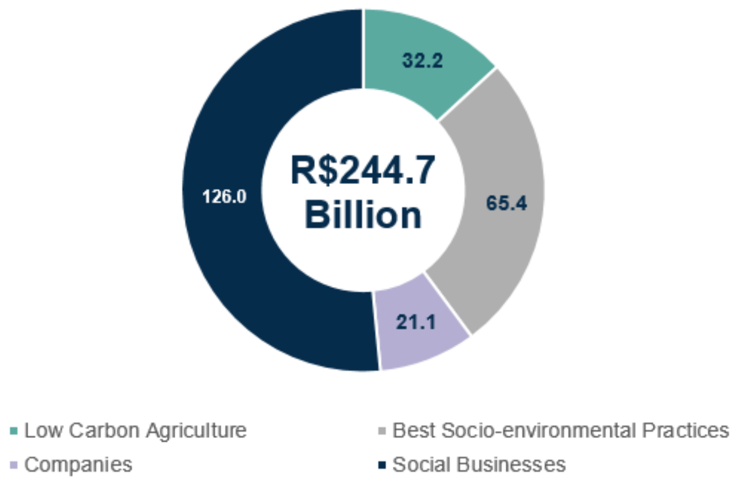
Our sustainable business portfolio comprises the amount of operations/lines of credit designed to finance activities and/or segments that have positive socioenvironmental impacts.

To ensure even more reliability and robustness to the portfolio, previously called the green portfolio, we reviewed the lines of credit and operations that comprise it, including new lines, and based on the methodology developed by the Brazilian Federation of Banks (Febraban), which deals with the measurement and identification of resources allocated to sectors of the Green Economy, and our sustainable finance framework. We submitted this review to the independent evaluation of the consultancy Sitawi, which issued a second opinion based on the alignment of credit operations with international standards for the evaluation of sustainable projects and businesses, assigning a rating (from A to C), according to social and verified for each line.

As a result, operations obtained a majority rating of high additionality (rating A), showing that they have a positive and transformational contribution to sustainable development and the transition to a low-carbon and inclusive economy

In December 2020, the portfolio had a balance of R$244.7 billion. It comprises credit operations for the sectors of renewable energy, energy efficiency, sustainable construction, transport and tourism, water, fishing, forestry, sustainable agriculture and waste management. In addition, to foster an inclusive economy, this portfolio considers areas of a social nature, such as: education, health and local and regional development. The volume of resources was destined to customers in all segments, such as Individuals (Retail and Private), companies of different sizes (micro and small companies, Corporate, Wholesale) and for the Public Sector.

Figure 2. Structure of Sustainable Business Portfolio



More information about the sustainable business portfolio and Sitawi's opinion can be found on the Investor Relations website.

Insurance

BB Seguridade is the Banco do Brasil's company that concentrates the insurance, open pension, capitalization, reinsurance, dental plans and brokerage businesses.

In December, Banco do Brasil and companies linked to BB Seguros were highlighted in six categories at the Empresas Mais Award, organized by the newspaper O Estado de São Paulo. The award recognizes the companies that had the best financial results between 2016 and 2019.

Further information about BB Insurance and the insurance segment businesses is available at the Performance Analysis report, available on BB's Insurance Investor Relations website (bbseguridaderi.com.br).

Payment Methods

Our wide client base, the quality and the diversity of the services provided make us one of the main issuers of Elo, Visa and Mastercard brands, with cards of multiple functions. We are pioneers in the use of emerging technologies that optimize the performance of payment methods, increase the base of active cards and improve the experience of our clients, in addition to reducing the cost of serving.

In the segment, the holding company BB Elo Cartão Participações S.A. concentrates the stake in the capital of Cielo S.A, in addition to the business of Alelo, Cateno and Livelo. Further information about Cielo, and the analysis of its results, can be consulted on the company's Investor Relations website (ri.cielo.com.br).

In 2020, we were the first bank to issue more than 10 million cards with NFC technology in Brazil and we ended the year with more than 12.3 million cards issued. The solution, has been available since 2018, reached 8.6 million transactions in December with an increase of 198% compared to March, the beginning of the pandemic. The reasons for this growth are convenience, the necessary care in times of pandemic, the possibility of use in public transport in some cities and, mainly, the increase in emissions.

Our Altus credit card won the 1st place in the ranking of Best Credit Cards in Brazil in 2020, according to the Melhores Destinos travel website. The card was developed for the Private public and has exclusive advantages ranging from the type of card material to points that do not expire.

Asset Management

BB Asset Management DTVM (BB DTVM) maintained its leadership in the investment fund industry, with a market share of 23.4% and a total of R$1.2 trillion in managed resources (including funds managed by BB DTVM and by other institutions).

BB DTVM, by strategic direction, performs extensive asset screening considering the socio-environmental and corporate governance aspects. Through its own ESG (environmental, social and governance) methodology, which uses a combination of positive and negative screening, it ended the period with R$648.9 billion in assets subject to positive screening of this methodology, representing 55.1% of the total managed assets. The other assets that make up the managed Shareholders' Equity (PL) are not subject to this assessment because they are federal or low liquidity government securities. Since 2002, with the creation of the first fund, the asset manager has been managing and distributing eight investment funds with socio-environmental characteristics to the different investor segments, which added up to R$3.1 billion in shareholders' equity in 4Q20.

To simplify the journey of the investor who seeks results and diversification, but who values practicality and convenience, we launched the BB Carteira de Investimento fund. This fund brings together all the strategies of the BB Sugerida Portfolio BB for moderate profile in a single product. Given the success of this fund and the demand from customers, we subsequently launched BB Plus Portfolio, which follows the strategies of the BB Sugerida Portfolio for the bold profile.

Table 4. ASG Funds– R$ million

				Var. (%)	
	Dec/19	Sep/20	Dec/20	Dec/19	Sep/20
Total	1,722	1,926	3,146	82.7	63.4
BB Previdenciário Ações Governança	745	900	1,245	67.1	38.3
BB Ações ESG Globais BDR I	-	-	528	-	-
BB MM LP Global Vita Private FI	119	264	494	0.0	87.1
BB Multi Global Acqua LP Private FI	136	214	344	153.9	61.1
BB Referenciado DI Social 50	405	306	232	(42.5)	(24.0)
BB Ações Equidade Private FIC	233	170	215	(7.3)	26.6
BB Ações Equidade FIC	62	42	52	(15.8)	23.5
BB Ações ISE JOVEM	17	25	28	68.6	13.5
BB Ações Carbono Sustet. FIA	5	3	4	(19.6)	14.4
BB Asset Ações Equidade FIC	2	1	2	(9.8)	42.3

To expand the portfolio of products for diversification to our customers, we launched the BB Stocks US Biotech BDR Level I fund, the first fund in Brazil with a strategy aimed at investing in global companies operating in the biotechnology sector. We also launched the stock exchanges American Stock Exchange, European Stock Exchanges, Emerging Stock Exchanges, Asian Stock Exchanges and Active Global Stock Exchanges. The Shareholders' Equity of these funds totaled R$1.01 billion at the end of 2020.

Capital Market

Non-institutional clients, especially in the Estilo and Private segments, have assumed a central role in companies' fundraising strategy. This stance has been gaining strength over the past few years, following a market trend and continues to be supported by the domestic macroeconomic context of low interest and high liquidity.

In operations focused on individuals, we continue to occupy a leadership position, reinforcing our presence as a major distributor of shares and private credit, capturing opportunities in an extremely competitive market. In the fixed income market, we advanced in the intermediation of private securities in the secondary market, expanding the access of our retail clients in this market. In 2020, we expanded the customer base by more than 60% with assets in custody.

Both in variable income and fixed income, our clients have at their disposal an awarded team of experts (research) completely focused on the retail market. The team, which monitors the main segments of the economy and markets, produces independent analyzes and prepares recommendations of shares, share portfolios and real estate funds, as well as analyzes on the secondary market of debentures.

In October, three BB analysts were awarded among the top 10 in the Broadcast Analysts 2020 Ranking, sponsored by Agência Estado, including first and second place. The ranking is based on the theoretical return of the recommendations of 2019. It was the sixth time that BB analysts were among the best in this ranking. BB's retail segment analyst was also highlighted among the top three segment analysts in 2020 in the StarMine Analyst Awards ranking, sponsored by Refinitiv.

Among the team's recommendations, several portfolios are available to clients – after assessed their profile and risk appetite – among them Portfolio 5+, the main product of recommendations that consistently accumulates theoretical returns superior to Ibovespa (in 2020, portfolio 5+ accumulated an increase of 26.5%, against 2.9% of Ibovespa). The team also produces the Fundamentalist portfolio of Shares, Dividends, Small Caps, Real Estate Funds and BDR.

In line with our strategy to provide more transparency regarding the ESG subject, at the same time that the subject has been gaining momentum in investment decision-making, as of October 2020, BB-BI started offering clients a report that includes the indication of companies aligned with the best corporate sustainability principles, called BB ESG Selection. The report was one of the first in the financial market published with this type of approach, being the first among the largest banks, meeting the demand of investment clients for sustainable investments, as well as companies that seek to be at the forefront on the subject.

The BB ESG Selection highlights the companies that are best evaluated in the application of the best sustainability practices, from an environmental, social and corporate governance (ESG) perspective. In addition, the report includes a detailed diagnosis of companies' ESG practices, whose qualitative considerations are made by the analyst responsible for covering the respective company.

In the fixed income market, the team brings newness by launching the BB Debitum index to monitor the secondary market for debentures, whose growth track record has generated an increasing demand from our investment clients.

Since June, BB has been acting as a registrar for Decarburization Certificates (CBIO), an instrument adopted as a tool to achieve annual decarburization goals for the fuel sector. The targets for reducing carbon emissions will be determined by ANP (National Petroleum Agency) individually for each fossil fuel distributor. Through bookkeeping, custody and negotiation of CBIOs, which are a new source of fundraising for clients producing biofuels, the Bank supports its clients in improving the Brazilian energy matrix, contributing to the achievement of the country's commitments within the scope of Paris Agreement.

In September, we structured the issuance of a green debenture in the amount of R$160 million for a company in the renewable energy sector. The issuance, which had preferential access to the papers for our clients, restates BB's position to support sustainable business with its different audiences and contributes to the strategy of diversifying revenues in the capital market.

UBS-BB

With the formation of UBS BB, an association that was born from the partnership with UBS on September 30, 2020, we accelerated our strategy of positioning ourselves in the investment bank industry on a global scale, with a broader and more sophisticated offer of products and services to our corporate segment clients.

In the partnership, Banco do Brasil contributes with access to the broad customer base of the corporate segment and strong long-term relationship, consolidated through its leadership position in the credit market, project financing and prominence in the fixed income and variable markets income, while UBS adds its investment bank and brokerage division to institutional clients in Brazil.

In addition to the service through the network of branches and specialized offices, distributed throughout Brazil, and the complete offer of corporate banking solutions, our corporate clients now have the UBS global reach platform, providing differentiated access to investment banking products and services, and with the expansion of the offer of integrated solutions in these markets.

The strategy proved to be right in the first months of the partnership, combining the increase in the customer base with the expertise in the areas of variable income and mergers and acquisitions (M&A), enhanced by the combination of strengths of both partners. The association's ambition is to achieve leadership positions in the capital market by 2024.

In the mergers and acquisitions segment, advice was given on the sale of a relevant clothing brand to one of the largest players in the clothing sector, considered the largest transaction in the fashion and retail sector since 2018. In variable income, UBS BB participated in large public offers in the 4th quarter, with emphasis on companies in the Education, Software Solutions and Retail sectors.

The search for new operations in the market for shares and mergers and acquisitions was based on good investment theses, considering the instability of the markets before the impact of a second pandemic wave.

In the fixed income segment, UBS BB had a strong business volume. As a highlight, a debenture structuring was carried out that allowed the issuer to win the first auction in the new concession model since the beginning of the Sanitation Legal Framework. In the international fixed income market, other highlight of the period, there was the reopening of fundraising via bonds from one of the largest companies in the steel and mining segment in Brazil.

Consortiums

We sold more than 393 thousand new consortium shares, totaling R$12.7 billion in turnover, maintaining the same level of business as 2019, even in an atypical year due to the pandemic. Of this total, 14.2% were made via digital channels. Accumulated revenues from services rendered were R$1.4 billion, an increase of 14.5% over the same period in the previous year.

We adopted biometrics technology as an alternative in consortium contracts. The new functionality brought increased security to the solution, thus simplifying the contracting process.

Other banking business

Banco BV

Headquartered in São Paulo, Banco BV was the result of a strategic partnership between Banco do Brasil and Votorantim S.A. It is Brazil's fifth largest private bank in total assets. Banco BV is noted for its consistent leadership in the Brazilian used vehicle financing market, in addition to its diversified operations in segments such as consumer finance, corporate banking, capital markets, and asset management for third parties.

For more information: https://www.bancobv.com.br/web/site/pt/banco/relacoes-com-investidores/

Banco Patagonia

Banco Patagonia is a retail bank based in Argentina. Since April 2011, Banco do Brasil S.A. is the majority shareholder, with an 80.39% interest in the capital stock as of December 31, 2019. Banco Patagonia is a solid institution and works with local companies, especially in payroll management and retail banking. In addition, it offers products and services to educational institutions, bank and non-bank financial entities and national, provincial, and municipal public agencies. In a context of constant evolution and transformation of financial services. Banco Patagonia invests in technology and focuses on the continuous innovation of its processes, systems, products, and services. Guided by its customer-centered vocation, Banco Patagonia develops efficient service channels, providing an agile, differentiated, and effective connection.

For more information: https://www.bancopatagonia.com.ar/relacionconinversores/portugues/institucional.shtml

8. Personnel Management

Personnel management policies and practices are guided by meritocracy, commitment to company values, focus on client experience, digital transformation, and innovation. The profile of our employees is laid out below:

Table 5. Employee Profile

Employees Profile	Dec/20	Dec/19
Employees	91,673	93,190
Female	38,645	39,122
Male	53,028	54,068
Education's Level		
High School	11,505	12,779
College	31,735	34,606
Specialization, Master's and Doctorate	48,275	45,639
Others	158	166
Geographic distribution		
North	3,981	4,043
Northeast	15,106	15,387
Mid West	16,650	16,546
Southeast	39,800	40,864
South	16,136	16,327
Turnover (%)	0.56	1.05

Programa Performa modernized the remuneration, award and evaluation models considering the internal balance of the career model and the attractiveness between functions. Among the fronts of the Program, we highlight the review of the fixed remuneration of functions, bringing it closer to the average observed in the financial segment, without reducing the remuneration of employees who already performed them.

The main trails and learning programs developed in 2020 aimed to develop leaders and prepare the succession process, in addition to improving knowledge, skills and attitudes for performance focused on NPS, digital transformation of BB and National Financial System, customer experience and sustainability.

Adaptations of the technical behavioral assessment model from classroom to digital (100% online) were carried out, with training of employees specialized in recruitment and selection, aiming at maintaining the identification of talents during the pandemic and contributing to operational efficiency.

Actions implemented in the performance evaluation process contribute not only to improve the performance of employees, but also potentially to the improvement of the customer experience, to efficiency, sustainability, and digital strategy, since they start to allow better tangibilization of goals linked to the BB Corporate Strategy and the work agreements of the premises.

Banco do Brasil Corporate University (UniBB) signed a Technical Cooperation Agreement with B3 - Brasil Bolsa Balcão, the Brazilian Stock Exchange, which is one of the main financial market infrastructure companies in the world, operating in a stock exchange and over-the-counter environment. The solution is a mutual cooperation agreement for the development of educational activities and support for projects and activities of common interest. One of the tools used is the Financial Education Hub, a platform that brings together content on finance produced by B3 and its partners, such as BB.

Banco do Brasil's Volunteer Program, which consolidates the concepts and assumptions of volunteering in the organizational culture since 2001, supporting and encouraging the involvement of employees (active or retired), family and friends in the provision of voluntary service, has been fundamental in this scenario. R$488.5 thousand, 66,500 loyalty points were collected, 4,879 basic food baskets, 95,564 kg of food, 33,107 liters of food, 138,797 items of personal care products and 56,559 units of cleaning material. Projects must support actions to generate work, employment and income, and to protect the environment.

Table 6. Compensation and Benefits

R$ million	2020	2019
Payroll[1]	19,130	19,456
Private Pension Plans[2]	1,791	1,928
Profit Sharing[3]	1,571	2,340
Staff Training[4]	42	75
Directors' and Officers' Remuneration[5]	50	46

(1) Expenses with wages and salaries, benefits, social charges and personnel administrative provisions according to the explanatory note on Personnel Expenses, (2) Funding of supplementary pension plans is according to the Explanatory Note on Benefits to Employees. (3) Amount allocated to employee and directors profit sharing is accordance to the Statement of Income for the Year, (4) According to Explanatory Note on Personnel Expenses. (5) Expenses with directors' and officers' remunerations Note on Personnel Expenses.

9. Corporate Governance

BB's corporate governance structure is comprised of the Shareholders' General Meeting; Management Council and its advisory committees - Audit Committee, People, Compensation and Eligibility Committee, Risk and Capital Committee and Technology, Strategy and Innovation Committee; the Executive Board, Fiscal Council and Internal Audit.

The Board of Directors, an independent collegiate decision-making body, has, as provided for in the Law and the Bylaws, strategic, guiding, elective and supervisory powers. At least 30% of the eight members of the Board of Directors are independent, as defined in the legislation and the B3 Novo Mercado Regulation.

At all levels of the Bank, decisions are taken collectively. Management uses committees that ensure agility and security in the decision-making process. In 2020, the Board approved, among others: the revision of the BB Report on the Brazilian Code of Corporate Governance; General Institutional Scope Policies, Marketing Guidelines, Operational Guidelines and People Management; and the Related Party Transactions Policy. In addition, the proposals to increase the share capital to R$90,000,023,475.34 (ninety billion, twenty-three thousand, four hundred and seventy-five reais and thirty-four cents); the incorporation of BESC Distribuidora de Titulos e Valores Mobiliários S.A. and amendments to the Bylaws.

In September, André Guilherme Brandão was appointed to the position of president of Banco do Brasil, in accordance with article 24, item I, of BB's Bylaws, succeeding Rubem de Freitas Novaes.

The improvements reaffirm our commitment to the adoption of solid and transparent management.

10. Capital

Soundness and reliability are essential characteristics in a Bank, for this reason, we have a Capital Plan with a three-year prospective view, considering (a) the Declaration of Appetite for and Tolerance to Risk, (b) the Corporate Strategy and (c) the Corporate Budget.

We reached 13.62% CET1 Ratio in December 2020, while BIS Ratio reached 21.14%, and Tier I Capital Ratio was 17.26%

We remain focused on organic capital generation, in addition, following the Declaration of Appetite for and Tolerance to Risk and the Capital Plan, our aim for January 2022 is to maintain at least 11.0% of CET1 Ratio.

In October, we exercised the option to fully repurchase the perpetual debt security issued in 2009 (Banbra 8.5%), in force under the Basel II rules. The repurchase operation was carried out with funds from BB's cash and will not have significant impacts on the institution's liquidity and capital levels.

11. Risk Management, Internal Controls and Institutional Security

We operate based on policies and processes approved by management, which are materialized in activities associated with risk management, internal controls and institutional security.

Risk Management

The risk management structure identifies, measures, evaluates, monitors, reports, controls and mitigates risk, in addition to ensuring the continuous improvement of our management.

The Risk Appetite Statement (RAS), guides BB in our strategic planning, our policies and guidelines related to activities that involve the assumption of risk, directing budget and capital towards sustainable and optimized allocations.

For this, investments were made in Analytical platform, artificial intelligence and other work models, with matrix teams and use of agile methodologies.

In the continuous improvement of Risk Management, the process of identifying and defining the relevance of the risks incurred by the Institution has been revised, allowing for a proactive and sustainable business management.

The reviews of the relevant risk frameworks carried out throughout 2020, in line with the definition of the new Referential Model of Lines of Defense (MRLD), enabled the maintenance of an effective and integrated system of internal controls and risk management, contributing to provide more security so that strategic objectives are achieved.

The following advances in 2020 stand out:

- establishment of the Cyber and Fraud Prevention Unit to strengthen cyber risk management;
- perennial performance of cyber resilience tests;
- strategy to increase the level of maturity in cybersecurity;
- raising the topic to the highest level of the Corporate Strategy;
- strengthening partnerships and cooperation with other financial institutions, government agencies and national and international companies in the cyber sector;
- implementation of programs for the dissemination of culture and training in security and cyber risks; and
- approval of the Specific Climate Risk Management Policy, in line with global performance standards and with the regulatory framework on the topic

Internal Controls

Our Internal Controls System (SCI in the Brazilian acronym) is robust, based on the Defense Lines Reference Model to ensure all areas of the Bank have clearly developed competencies and responsibilities, under an integrated and coordinated structure, contributing to effective internal controls and sustainable results.

Initiatives include stronger monitoring of external rules being published (laws, resolutions, ordinances, among others) which, during the pandemic, showed a significant increase. In this sense, we implemented the “Regulatory Radar” tool, which automatically searches over 400 sources and uses an artificial intelligence (AI) solution, enabling Strategic Units to be more efficient and adopt timely responses to adapt our processes to the most current rules. We have also developed and implemented compliance risk management indicators, ensuring the current status of BB’s compliance function.

Regarding the relationship with our clients and users, we made progress especially due to: (i) the involvement of Higher Management; (ii) dissemination initiatives for the entire workforce; (iii) increasing the quantity and relevance of indicators related to clients in the internal incentive programs; and (iv) defining a methodology for treating vulnerable publics, This perception was ratified by the Central Bank in a semiannual meeting with BB's higher management on Customer Relationship Policy.

Still from the perspective of the client's experience, we created Product Certification, an indicator to assess the quality of the Bank's various products, from pre-contracting to closing, in order to induce the continued improvement of the solutions offered.

Within the context of digital strategies, among other initiatives we carry out assessments of PIX and Open Banking implementations, with a focus on identifying opportunities and impacts on customer experience, in addition to verifying compliance with current, specific regulations on these matters.

Also with a focus on digital strategy, with the support of product, security and technology managers, we implemented biometrics-based signing personal loan and consortium contracts, and in the delivery and release of account cards, In addition to gains in operational efficiency and agility in serving our customers, electronic signatures will contribute to mitigating operational risks, We estimate a reduction of up to 14 million impressions per year with this measure alone.

For more information on the Internal Controls, Programs and Policies System, please read the Reference Form and the Compliance Program, available on the Investor Relations website (ri.bb.com.br).

Institutional Security

In 2020, Banco do Brasil implemented several actions to expand banking services through digital means, such as expanding transactional limits, registering, changing and unlocking passwords in an automated way and releasing equipment remotely, contributing to increase customer satisfaction. It also continued to improve its physical, logical, information security and business continuity systems and prevent and combat corruption and money laundering.

The constant reviews of the provision of fixed surveillance posts for the premises, as well as the strict control of the use of occasional services, contributed to the reduction of administrative expenses with armed surveillance services in recent years, disregarding the inflation of the periods.

Analytical intelligence models and big data tools were implemented, increasing the timing of suspicious operations communications with regulatory agencies and the effectiveness of monitoring rules in transactions with signs of fraud.

Aiming to improve the customer experience, we were the first bank to offer the contest of Pix launches on mobile. Validation of facial biometrics and automated treatment for proposals identified with evidence of fraud in the digital channel (Onboarding) were included.

With regard to cyber security, Banco do Brasil focused its actions on improving and transforming processes with the support of specialized consultants and investing in new solutions to protect against attacks. The result of these initiatives will allow the Bank to further advance the prevention and treatment of cyber attacks and increase the organization's maturity levels in cybersecurity.

12. Legal Information

According to criteria defined by the National Micro and Small Business Statute (General Micro and Small Business Law), 95.9% of our corporate clients in the retail segment are classified as micro and small businesses. The volume of resources used by these businesses reached R$35.5 billion in December/2020. The balance of working capital operations contracted by micro businesses totaled R$3.7 billion and R$25.2 billion for small businesses. Investment operations directed to micro businesses reached R$457.9 million and R$5.9 billion to small businesses.

Independent Audit – CVM Instruction No, 381

In the contracting of services not related to external audit, in order to avoid a conflict of interest, loss of independence or of the objectivity of independent auditors, we have adopted procedures based on applicable laws and standards and on the best internationally accepted principles related to the topic. These principles require the following: (i) the auditor must not audit his own work, (ii) the auditor must not exercise managerial functions at his client and (iii) the auditor must not promote the client's interests. Furthermore, at Banco do Brasil, contracting of external audit services must be preceded by a favorable opinion from the Audit Committee.

Non-Audit Agreements with the Independent Auditor

Hiring Company	Hiring Date	Duration	Description of Services
Banco Patagonia S.A.	07/01/2020	11 months	Tax compliance e tax advisory
Banco Patagonia S.A.	07/01/2020	11 months	Tax Consulting
Banco do Brasil AG - Espanha	10/26/2017	35 months	Financial reporting support (CIRBE)
Banco do Brasil AG - Espanha	10/26/2017	35 months	Financial reporting support (FINREP)

(1) Estimated duration in month based on the expected termination date of the agreements.

We contracted Deloitte Touche Tohmatsu Auditores Independentes for provision of services not related to external audit in an amount less than 5% of the total compensation for external audit services. For this evaluation, all agreements in force between Jan/2020 and Dec/2020 have been considered.

Justification of Independent Auditors

In compliance with CVM Instruction 381/2003, we inform that Deloitte Touche Tohmatsu Auditores Independentes did not provide services that could affect their independence, ratified by the compliance of their professionals with the relevant ethical and independence standards, which meet or exceed the standards enacted by IFAC, PCAOB, SEC, AICPA, CFC, CVM, Bacen, Susep, Previc and the other regulatory bodies. These policies and procedures covering areas such as personal independence, post-employment relations, turnover of professionals, as well as the approval of audit services and other services, are subject to constant monitoring.

Further Clarifications

I. Fixed investments in the period totaled the amount of R$1,7 billion in 2020, highlighting the investment in new service points and in improving the ambience of the branches (R$603 million) and in information technology (R$1.1 billion).

II. We publish annually, in our Annual Public Policies and Corporate Governance Letter, available on our website (bb.com.br/ri), the investments made as a result of the implementation of public policies.

Banco do Brasil, its shareholders, officers and members of the Fiscal Council undertake to resolve any and all disputes or controversies related to New Market's Listing Regulation through the B3 Market Arbitration Chamber, pursuant to the arbitration clause of Banco do Brasil's Bylaws.

For further information, we make available the Reference Form, Performance Analysis and Institutional Presentation on the Investor Relations website (bb.com.br/ri).

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITOR’S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors, Management and Shareholders of
Banco do Brasil S.A.

Opinion

We have audited the accompanying consolidated financial statements of Banco do Brasil S.A. (“Banco do Brasil”), which comprise the consolidated balance sheet as at December 31, 2020 and the related consolidated statements of income, of comprehensive income, of changes in shareholders’ equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Banco do Brasil S.A. as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards - IFRSs, 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 “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report. We are independent of Banco do Brasil and its subsidiaries in accordance with the relevant ethical requirements in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian 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 audit opinion.

Key audit matters

Key audit matters - KAMs are those matters that, in our professional judgment, were of most significance in our audit of the financial statements 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, therefore, we do not provide a separate opinion on these matters.

1. Allowance for loan losses

The recognition of the allowance for expected loan losses involves a high degree of judgment and the use of estimates by Banco do Brasil's Management. As disclosed in notes 3.j) and 24 to the consolidated financial statements, Banco do Brasil has designed internal models for estimating the allowance for expected loan losses, in accordance with IFRS 9, aiming at generating expected loan losses over a given time horizon, comprising the assessment of the PD (Probability of Default), LGD (Loss Given Default) and EAD (Exposure at Default). Accordingly, Banco do Brasil uses internal models to consider all available data history and weights possible loss scenarios, considering forward-looking estimates, and involving Management's assumptions and judgments, as well as an individual assessment of specific customers, in order to represent its best estimate of the expected loss risk of its loan portfolio, including the impacts of COVID-19. The allowance for expected loan losses was considered a KAM due to the complexity of the expected loss model, the use of estimates and the high degree of judgment by Management in determining the allowances recognized, which led us to perform specific audit procedures, including the work of senior members of our team and our specialists.

How was the matter addressed in our audit?

Our audit procedures included, but were not limited to: (a) understanding the provisioning criteria adopted by Banco do Brasil for loan transactions and other credits with loan characteristics, with the involvement of our specialists, to assess the compliance with IFRS 9 requirements, including the impacts of COVID-19; (b) understanding and testing the design and effectiveness of the relevant internal controls over the process for measuring the estimated allowance for expected loan losses; (c) reviewing and challenging the models used by Management to measure expected losses, including the allocation of the expanded loan portfolio at the stages required by IFRS 9, on a sampling basis, with the involvement of senior members of our team and our specialists; (d) reviewing and challenging the reasonableness of the assumptions used by Management when individually assessing the expected loss of specific customers, on a sampling basis; (e) analyzing the level of the allowance for loan losses, including the impacts of COVID-19; and (f) assessing the disclosures in the consolidated financial statements in accordance with applicable accounting pronouncements.

We consider that the criteria and assumptions adopted by Management to estimate the allowance for expected loan losses are acceptable in the context of the consolidated financial statements as a whole.

2. Fair value measurement of certain financial instruments

Banco do Brasil applies internal pricing models for the fair value measurement of certain financial instruments, as disclosed in note 3.g) to the consolidated financial statements, when there are no market prices and parameters available, including assumptions such as credit risk curves, internal perspective of expected loss, future interest rate, foreign exchange and price index curves, and, in 2020, the impacts of COVID-19. The fair value measurement of certain financial instruments was considered a KAM due to their materiality in the context of the consolidated financial statements, the use of judgment by Management and the use of pricing techniques based on internal models which take into consideration observable inputs or market references, including the impacts of COVID-19. These financial instruments are mainly comprised of derivative financial instruments and private securities.

Deloitte.

How was the matter addressed in our audit?

Our audit procedures included, but were not limited to: (a) understanding the design and implementation of the relevant internal controls that involve the fair value measurement of certain financial instruments; (b) understanding and analyzing the mark-to-market methodology developed internally by Banco do Brasil, and challenging the assumptions used in building the projected curves, including the impacts of COVID-19; (c) recalculating the market value for a sample of transactions, assessing the reasonableness of inputs and parameters used in internal pricing models, or observable market inputs, when available; and (d) assessing the disclosures in the consolidated financial statements in accordance with applicable accounting pronouncements.

We consider that the criteria and assumptions adopted by Management for the fair value measurement of these financial instruments are acceptable, considering the market practices, in the context of the consolidated financial statements as a whole.

3. Provision for labor, civil and tax claims

As disclosed in notes 3.q) and 35 to the consolidated financial statements, Banco do Brasil recognizes a provision for labor, civil and tax claims, arising from past events, based on Management's assessment, supported by its legal counsel's opinion, measuring the amounts to be provisioned using the "Collective" and "Individualized" methods, depending on the type and amounts of the lawsuits. The "Collective" method is used for lawsuits considered to be similar and usual, whose individual amount is immaterial and which were developed internally by Management according to statistical parameters. The "Individualized" method is assessed periodically by the legal counsel. Due to the materiality in the context of the consolidated financial statements, the complexity and degree of judgment of the methods used, we considered this a KAM.

How was the matter addressed in our audit?

Our audit procedures included, but were not limited to: (a) understanding the design and implementation of the relevant internal controls involving the control of labor, civil and tax claims and the measurement of the amounts provisioned based on the Individualized and Collective methods; (b) involving our specialists for understanding the statistical parameters used in the Collective method; (c) confirming the claims with the in-house and outside legal counsel; (d) analyzing, on a sampling basis, the appropriateness of the assumptions used in the measurement of the selected lawsuits; and (e) analyzing the appropriateness of the disclosures in the consolidated financial statements in accordance with applicable accounting pronouncements.

We considered that the criteria and assumptions adopted by Management to estimate the provision for labor, civil and tax claims are acceptable in the context of the consolidated financial statements as a whole.

4. Employee benefit plans

Banco do Brasil is the sponsor of private pension and supplementary healthcare entities, which ensure the supplementation of retirement and healthcare benefits to its employees. As disclosed in notes 3.p) and 44 to the consolidated financial statements, post-employment benefits sponsored by Banco do Brasil related to supplementary pension and healthcare are assessed in accordance with the criteria established in IAS 19 - Employee Benefits. The estimated defined benefit plan obligations involve significant actuarial assumptions, including discount rates, family structure and general mortality table, among others, which are sensitive and cause material effects on the consolidated financial statements. Therefore, we considered this matter a KAM.

How was the matter addressed in our audit?

Our audit procedures included, but were not limited to: (a) understanding the design and implementation of the relevant internal controls involving the measurement of actuarial liabilities; (b) involving our actuarial specialists for understanding the databases and assumptions used in the calculations of actuarial liabilities by external actuaries engaged by Management; (c) involving our actuarial specialists for challenging the main actuarial assumptions used; (d) analyzing, on a sampling basis, the appropriateness of databases and recalculating the actuarial obligations; and (e) analyzing the appropriateness of the disclosures in the consolidated financial statements in accordance with the applicable accounting pronouncements.

We considered that the databases and the main actuarial assumptions adopted by Management, together with its external actuaries, to estimate the employee benefit plan obligations are acceptable in the context of the consolidated financial statements as a whole.

5. Realization of deferred tax assets

The expected realization of deferred tax assets, arising from temporary differences and tax loss carryforwards, is based on projections of future results that require the use of a high degree of judgment on the assumptions used by Management. As disclosed in notes 3.r), 36.d) and 36.e) to the consolidated financial statements, these assumptions are based on its corporate strategies and macroeconomic scenario, considering the expected growth in its market. Due to the subjectivity of the assumptions adopted in the business plans projected by Management and the materiality in the context of the consolidated financial statements as a whole, we considered this a KAM.

How was the matter addressed in our audit?

Our audit procedures included, but were not limited to: (a) understanding the design and implementation of the relevant internal controls involved in the preparation, analysis and approval of the tax credit realization study; (b) involving our tax specialists in the assessment of the tax bases used in determining the temporary differences and tax loss carryforwards; (c) understanding and assessing the reasonableness of the critical assumptions included in the projections of results ; and (d) analyzing the appropriateness of the disclosures in the consolidated financial statements in accordance with the applicable accounting pronouncements.

We considered that the criteria and assumptions adopted by Management to support the recording and realization of deferred tax assets are acceptable in the context of the consolidated financial statements as a whole.

6. Information Technology - IT environment

The transactions of Banco do Brasil depend on an IT and infrastructure environment capable of supporting a high volume of transactions processed daily in its legacy information systems that provide input to its accounting records. The IT-related processes, associated with its controls, may pose risks in the processing and generation of critical information, including those used in financial reporting, justifying our consideration as a KAM due to the significance in the context of the consolidated financial statements.

How was the matter addressed in our audit?

Upon the involvement of our IT specialists, we identified the significant systems that support the key business activities of Banco do Brasil, assessed the design of the general IT controls and tested the operating effectiveness of these controls, including, when necessary, the tests of compensating controls, related to information security, the development and maintenance of significant systems and the operation of IT environment related to the infrastructure that supports Banco do Brasil's business.

Considering the IT environment's processes and controls, associated with the tests previously mentioned, we concluded that they allowed us to consider the information obtained from certain systems to plan the nature, timing and extent of our substantive procedures in the context of the consolidated financial statements as a whole.

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

Management is responsible for the other information. Such other information comprises the Management Report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the IFRSs, issued by the IASB, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing Banco do Brasil's and its subsidiaries' 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 as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of Banco do Brasil and its subsidiaries.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Banco do Brasil and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause Banco do Brasil and its subsidiaries to cease to continue as a going concern.

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

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

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

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

Deloitte.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the KAMs. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine 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 benefits of such communication.

The accompanying consolidated financial statements have been translated into English for the convenience of readers outside Brazil.

Brasília, March 25, 2021

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Luiz Carlos Oseliero Filho
Engagement Partner

*Original signed

In thousand of Reais, unless otherwise stated

CONSOLIDATED STATEMENTS OF INCOME

For the year ended December 31,	Note	2020	2019	2018
Interest income		98,659,704	123,105,325	120,250,344
Interest expense		(43,232,120)	(69,306,296)	(69,536,974)
Net interest income	[8]	**55,427,584**	**53,799,029**	**50,713,370**
Net (constitution)/reversal of expected credit losses with:		(19,687,420)	(19,947,570)	(12,623,851)
Loans to financial institutions	[18]	1,299,121	(1,274,326)	(12,523)
Loans to customers	[24]	(19,922,771)	(16,959,338)	(12,462,801)
Other financial assets	[19],[21],[22],[39]	(1,063,770)	(1,713,906)	(148,527)
Net interest income after allowance for losses		**35,740,164**	**33,851,459**	**38,089,519**
Non-interest income		**26,370,441**	**38,895,616**	**33,978,144**
Net commissions and fee income	[9]	22,666,341	23,716,793	21,981,863
Net gains/(losses) from financial instruments:	[10]	1,886,264	511,375	1,055,654
Fair value through profit or loss		3,621,737	668,038	650,202
Fair value through other comprehensive income		(1,735,473)	(156,663)	405,452
Net gains from equity method investments	[26]	2,321,921	4,044,413	3,538,318
Net income on foreign exchange and translation of foreign currency transactions	[11]	(7,082,412)	(703,251)	(1,977,900)
Other operating income	[12]	6,578,327	11,326,286	9,380,209
Non-interest expenses		**(50,533,602)**	**(61,607,563)**	**(51,653,464)**
Personnel expense	[13]	(21,688,312)	(22,797,977)	(21,092,621)
Administrative expenses	[14]	(7,421,859)	(7,523,051)	(9,381,031)
Contributions, fees and other taxes		(5,168,082)	(5,002,706)	(5,076,848)
Amortization of intangible assets	[29]	(1,807,612)	(1,627,247)	(1,856,261)
Labor, tax and civil lawsuits	[35]	(5,742,025)	(11,805,233)	(5,437,673)
Depreciation	[28]	(2,406,382)	(2,359,154)	(1,195,908)
Other operating expenses	[12]	(6,299,330)	(10,492,195)	(7,613,122)
Income before taxes		**11,577,003**	**11,139,512**	**20,414,199**
Income taxes	[36]	**1,715,880**	**7,748,806**	**(5,328,098)**
Current		(3,591,017)	(4,989,835)	(3,304,217)
Deferred		5,306,897	12,738,641	(2,023,881)
Net income		**13,292,883**	**18,888,318**	**15,086,101**
Attributable to shareholders of the Bank		11,851,616	16,396,896	13,825,994
Attributable to non-controlling interests		1,441,267	2,491,422	1,260,107
Earnings per share				
Earnings per share (R$) – basic and diluted		4.16	5.86	4.96
Weighted average shares outstanding – basic		2,852,522,381	2,799,325,330	2,785,597,388
Weighted average shares outstanding – diluted		2,852,322,673	2,799,054,753	2,785,290,260

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

In thousand of Reais, unless otherwise stated

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the year ended December 31,	2020	2019	2018
Net income	**13,292,883**	**18,888,318**	**15,086,101**
Items that are or may be subsequently reclassified to profit or loss			
Financial assets at fair value through other comprehensive income	**842,116**	**1,407,766**	**83,552**
Unrealized gains/(losses) on financial assets at fair value through other comprehensive income	(1,104,547)	1,729,397	1,012,598
Realized (gains)/losses on financial assets at fair value through other comprehensive income – reclassified to profit or loss	1,735,473	156,663	(405,452)
Tax effect	211,190	(478,294)	(523,594)
Share in other comprehensive income of associates and joint ventures	**(113,342)**	**200,770**	**(391,601)**
Unrealized gains/(losses) on financial assets at fair value through other comprehensive income	(258,047)	442,989	(585,176)
Unrealized gains/(losses) on cash flow hedge	23,968	(50,970)	(92,619)
Unrealized gains/(losses) on other comprehensive income	10,608	(6,786)	-
Tax effect	110,129	(184,463)	286,194
Foreign currency translation differences	**99,848**	**(559,593)**	**(889,807)**
Items that will not be subsequently reclassified to profit or loss			
Defined benefit pension plans	**8,397,347**	**(8,076,793)**	**(1,642,830)**
Gains/(losses) remeasurement related to defined benefit pension plans	15,269,708	(16,820,887)	(2,737,684)
Tax effect	(6,872,361)	8,744,094	1,094,854
Total other comprehensive income net of tax effects	**9,225,969**	**(7,027,850)**	**(2,840,686)**
Total comprehensive income	**22,518,852**	**11,860,468**	**12,245,415**
Attributable to shareholders of the Bank	21,141,791	9,492,277	11,303,531
Attributable to non-controlling interests	1,377,061	2,368,191	941,884

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

In thousand of Reais, unless otherwise stated

CONSOLIDATED BALANCE SHEETS

	Note	Dec 31, 2020	Dec 31, 2019
Assets			
Cash and bank deposits	[16]	16,784,560	14,171,188
Compulsory deposits with Brazilian Central Bank	[17]	60,308,542	65,124,107
Financial assets at amortized cost, net		1,219,130,246	1,077,415,301
Loans to financial institutions	[18]	49,317,455	37,559,262
Securities purchased under resale agreements	[19]	466,344,581	390,772,405
Loans to customers	[23],[24]	633,402,350	579,516,786
Securities	[22]	24,946,064	25,422,830
Other financial assets	[30]	45,119,796	44,144,018
Financial assets at fair value through profit or loss	[20]	15,670,822	3,805,548
Debt and equity instruments		12,143,486	2,984,613
Derivatives		3,527,336	820,935
Financial assets at fair value through other comprehensive income	[21]	256,553,310	172,278,448
Non current assets held for sale	[25]	500,059	367,764
Investments in associates and joint ventures	[26]	17,906,810	17,414,813
Property and equipment	[28]	11,275,605	11,475,080
Use		8,545,213	8,042,835
Right of use		2,730,392	3,432,245
Intangible assets	[29]	6,225,067	5,920,549
Tax assets		65,956,124	68,083,473
Current		7,153,007	8,049,319
Deferred	[36]	58,803,117	60,034,154
Other assets	[30]	23,482,858	16,210,536
Total		**1,693,794,003**	**1,452,266,807**
Liabilities			
Financial liabilities at amortized cost		1,500,172,488	1,272,377,717
Deposits of clients	[31]	601,984,265	485,002,305
Amount payable to financial institutions	[32]	25,945,382	29,459,001
Securities sold under repurchase agreements	[33]	503,722,822	404,355,327
Liabilities from issuance of securities and other financial liabilities	[34]	298,176,293	301,744,568
Other financial liabilities	[30]	70,343,726	51,816,516
Financial liabilities at fair value through profit or loss	[20]	3,098,315	961,636
Provisions for labor, tax and civil lawsuits	[35]	14,519,222	12,930,747
Expected losses for guarantees provided and loan commitments	[39]	2,375,398	912,349
Tax liabilities		6,417,506	5,931,522
Current		2,698,362	2,720,369
Deferred	[36]	3,719,144	3,211,153
Other liabilities	[30]	39,349,790	49,181,457
Total		**1,565,932,719**	**1,342,295,428**
Shareholders' equity	[37]		
Share capital		90,000,023	67,000,000
Instruments qualifying as common equity tier 1 capital		8,100,000	8,100,000
Treasury shares		(280,642)	(339,636)
Capital reserve		6,625,608	6,592,899
Profit reserves		39,198,468	53,814,656
Accumulated other comprehensive income		(14,096,369)	(23,386,544)
Unallocated retained earnings		(4,447,316)	(4,046,637)
Shareholders' equity attributable to shareholders of the Bank		**125,099,772**	**107,734,738**
Shareholders' equity attributable to non-controlling interests		2,761,512	2,236,641
Total		**127,861,284**	**109,971,379**
Total liabilities and shareholders' equity		**1,693,794,003**	**1,452,266,807**

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

In thousand of Reais, unless otherwise stated

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Attributable to shareholders of the Bank												
						Accumulated other comprehensive income							
	Share capital	Instruments qualifying to common equity tier 1 Capital	Treasury shares	Capital reserve	Profit reserves	Financial assets at fair value through other comprehensive income	Defined benefit plans remeasurement	Foreign currency translation	Gains/ (losses) on hedge	Unallocated retained earnings	Shareholders' equity attributable to shareholders of the Bank	Shareholders' equity attributable to non-controlling interests	Total shareholders' equity
Balance at December 31, 2018	**67,000,000**	**8,100,000**	**(1,833,431)**	**5,241,148**	**42,612,582**	**(860,259)**	**(14,085,713)**	**(1,464,742)**	**(71,211)**	**(2,745,459)**	**101,892,915**	**2,647,056**	**104,539,971**
Net income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16,396,896**	**16,396,896**	**2,491,422**	**18,888,318**
Other comprehensive income	-	-	-	-	-	1,630,589	(8,081,608)	(426,870)	(26,730)	-	(6,904,619)	(123,231)	(7,027,850)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**1,630,589**	**(8,081,608)**	**(426,870)**	**(26,730)**	**16,396,896**	**9,492,277**	**2,368,191**	**11,860,468**
Share-based payments	-	-	36,271	43,984	-	-	-	-	-	-	80,255	-	80,255
Reduction of the share capital of BB Seguridade	-	-	-	-	-	-	-	-	-	-	-	(756,834)	(756,834)
Subsequent offering of shares (follow-on offering)	-	-	(13,836)	-	-	-	-	-	-	-	(13,836)	-	(13,836)
Other	-	-	-	-	-	-	-	-	-	7,095	7,095	(142,227)	(135,132)
Disposal of treasury shares	-	-	1,471,360	1,307,767	-	-	-	-	-	-	2,779,127	-	2,779,127
Constitution of profit reserve	-	-	-	-	16,915,723	-	-	-	-	(16,915,723)	-	-	-
Interest on instruments qualifying as common equity (Note 37.c)	-	-	-	-	-	-	-	-	-	(209,494)	(209,494)	-	(209,494)
Distribution of interest on own capital and dividends	-	-	-	-	(5,713,649)	-	-	-	-	(1,018,892)	(6,732,541)	(1,991,838)	(8,724,379)
Hyperinflation adjustments in Argentina	-	-	-	-	-	-	-	-	-	438,940	438,940	112,293	551,233
Balance at December 31, 2019	**67,000,000**	**8,100,000**	**(339,636)**	**6,592,899**	**53,814,656**	**770,330**	**(22,167,321)**	**(1,891,612)**	**(97,941)**	**(4,046,637)**	**107,734,738**	**2,236,641**	**109,971,379**
Net income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11,851,616**	**11,851,616**	**1,441,267**	**13,292,883**
Other comprehensive income	-	-	-	-	-	712,027	8,406,149	158,817	13,182	-	9,290,175	(64,206)	9,225,969
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**712,027**	**8,406,149**	**158,817**	**13,182**	**11,851,616**	**21,141,791**	**1,377,061**	**22,518,852**
Capital increase – capitalization of reserves	23,000,000	-	-	-	(23,000,000)	-	-	-	-	-	-	-	-
Capital increase – incorporation of associates and subsidiaries	23	-	-	-	-	-	-	-	-	-	23	-	23
Share-based payments	-	-	45,158	31,890	-	-	-	-	-	-	77,048	-	77,048
Other	-	-	-	-	-	-	-	-	-	4,508	4,508	30,443	34,951
Disposal of treasury shares (follow on)	-	-	13,836	819	-	-	-	-	-	-	14,655	-	14,655
Constitution of profit reserve	-	-	-	-	11,571,023	-	-	-	-	(11,571,023)	-	-	-
Interest on instruments qualifying as common equity (Note 37.c)	-	-	-	-	-	-	-	-	-	(236,577)	(236,577)	-	(236,577)
Distribution of interest on own capital and dividends	-	-	-	-	(3,187,211)	-	-	-	-	(1,009,678)	(4,196,889)	(1,031,874)	(5,228,763)
Hyperinflation adjustments in Argentina	-	-	-	-	-	-	-	-	-	560,475	560,475	149,241	709,716
Balance at December 31, 2020	**90,000,023**	**8,100,000**	**(280,642)**	**6,625,608**	**39,198,468**	**1,482,357**	**(13,761,172)**	**(1,732,795)**	**(84,759)**	**(4,447,316)**	**125,099,772**	**2,761,512**	**127,861,284**

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

In thousand of Reais, unless otherwise stated

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended December 31,	2020	2019	2018
Operating activities			
Net income	**13,292,883**	**18,888,318**	**15,086,101**
Adjustments for:	**30,039,987**	**26,109,474**	**26,873,492**
Net expected loss on loans to customers	25,671,827	22,178,613	17,367,358
Net losses on foreign exchange and translation of foreign currency transactions	7,082,412	703,251	1,977,900
Provision for Labor, tax and civil lawsuits	5,742,025	11,805,233	5,437,673
Depreciation	2,406,382	2,359,154	1,195,908
Amortization of intangible assets	1,807,612	1,627,247	1,856,261
Net (gains)/losses from disposal of financial assets at fair value through other comprehensive income	1,735,473	156,663	(405,452)
Adjustment of actuarial assets/liabilities and surplus allocation funds	1,063,216	1,500,444	(1,293,414)
Impairment of other assets	58,108	35,487	30,263
Net losses of capital in other assets	12,017	53,891	337,134
Net (gains)/losses from disposal of investments in associates and joint ventures	(10,995)	108,995	-
Net gains from disposal of property	(281,184)	(3,992,357)	(453,960)
Net expected loss/reversal on loans to financial institutions	(1,299,121)	1,274,326	12,523
Net gains from equity method investments	(2,321,921)	(4,044,413)	(3,538,318)
Taxes	(1,715,880)	(7,748,806)	5,328,098
Effect of exchange rate changes on cash and cash equivalents	(10,320,668)	158,785	(2,522,422)
Other	410,684	(67,039)	1,543,940
Adjustments for net change in operating assets and liabilities	**163,642,456**	**13,200,712**	**(13,517,194)**
Compulsory deposits with central banks	4,815,565	(6,008,752)	9,965,784
Loans to financial institutions	1,322,771	(757,169)	3,154,612
Securities purchased under resale agreements	14,286,094	3,457,921	(28,108,467)
Financial assets at fair value through profit or loss	(11,865,274)	3,072,071	1,603,762
Loans to customers	(79,828,845)	31,443	(34,112,956)
Non-current assets held for sale	88,695	193	3,022
Other assets	(17,553,581)	(17,034,467)	(1,074,728)
Deposits of clients	116,981,960	32,634,129	26,291,573
Amounts payable to financial institutions	(3,513,619)	(4,614,438)	9,424,315
Financial liabilities at fair value through profit or loss	2,136,679	152,335	19,414
Securities sold under repurchase agreements	99,367,495	1,454,125	26,658,507
Liabilities from issuance of securities and other financial liabilities	5,561,985	(1,240,928)	(18,866,509)
Other liabilities	35,102,830	6,586,832	(5,673,052)
Taxes paid	(3,260,299)	(4,532,583)	(2,802,471)
Net cash provided by operating activities	**206,975,326**	**58,198,504**	**28,442,399**

In thousand of Reais, unless otherwise stated

Continued	2020	2019	2018
Investing activities			
Acquisition of financial assets at fair value through other comprehensive income	(213,784,964)	(150,372,171)	(77,601,430)
Disposal of financial assets at fair value through other comprehensive income	125,617,520	116,287,254	87,544,993
Acquisition of securities at amortized cost	(6,133,568)	(1,477,342)	(18,834,840)
Redemption of securities at amortized cost	346,477	2,348,583	673,772
Acquisition of property and equipment	(1,715,251)	(1,729,581)	(1,619,350)
Disposal of property and equipment	287	4,209	64,801
Acquisiton of investments in associates and joint ventures	(35,018)	-	(20,248)
Disposal of investments in associates and joint ventures	2,625	-	-
Acquisition of intangible assets	(2,738,234)	(4,576,455)	(662,772)
Disposal of intangible assets	662,828	1,885,064	21,446
Dividends and interest on own capital received	2,265,323	1,473,059	2,925,249
Redemption of UBS BB's preferred shares	145,000	-	-
Capital Investment – Brasilprev Seguros e Previdência S.A.	(899,939)	-	-
Redemption of Cateno's shares	559,313	-	-
Net cash received from disposal of IRB S.A.	-	4,181,779	-
Net cash received from disposal of Neoenergia S.A.	-	1,732,689	-
Net cash received from disposal of Mapfre SH2	-	-	2,252,575
Net cash used in investing activities	**(95,707,601)**	**(30,242,912)**	**(5,255,804)**
Financing activities			
Settlement of long-term liabilities	(14,830,046)	(13,609,504)	(12,354,841)
Interest paid on additional equity instrument	(236,577)	(209,494)	(156,403)
Repayments and extinguishments of lease liabilities	(1,004,572)	(985,133)	N/A
Dividends and interest on own capital paid to Bank's shareholders	(4,199,577)	(7,121,003)	(2,132,704)
Dividends and interest on own capital paid to non-controlling interests	(1,871,080)	(1,876,305)	(2,073,812)
Issue of long-term liabilities	5,699,785	4,830,088	5,003,972
Net effect related to treasury stock disposal	15,268	2,805,364	-
Amount paid to non controlling interests due to BB Seguridade's capital decrease	(908,109)	-	-
Equity transactions with owners	-	-	(365,421)
Changes in non-controlling interests	-	-	(498,762)
Net cash used in financing activities	**(17,334,908)**	**(16,165,987)**	**(12,577,971)**
Net increase or decrease in cash and cash equivalents	**93,932,817**	**11,789,605**	**10,608,624**
Cash and cash equivalents at the beginning of the year	71,936,023	60,305,203	47,174,157
Effect of exchange rate changes on cash and cash equivalents	10,320,668	(158,785)	2,522,422
Cash and cash equivalents at the end of the year	176,189,508	71,936,023	60,305,203
Increase/(decrease) in cash and cash equivalents	**93,932,817**	**11,789,605**	**10,608,624**
Complementary information about cash flow	**58,218,470**	**60,743,663**	**54,388,912**
Interest paid	(36,879,203)	(67,548,013)	(66,900,589)
Interest received	95,097,673	128,291,676	121,289,501
Accounting changes not involving cash and cash equivalents			
Assets reclassified as non-current assets held for sale	220,991	191,136	85,330
Loans to customers transferred to non-operating assets (others assets)	88,538	26,317	89,545
Unpaid dividends	1,239,823	1,242,511	3,609,272

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

In thousand of Reais, unless otherwise stated

1 – THE BANK AND ITS OPERATIONS

Banco do Brasil S.A. (“Banco do Brasil”, the “Bank” or the “Group”) is a publicly-traded company subject to the rules of Brazilian Corporate Law. The Brazilian Federal Government controls the Bank. Its headquarters are located at Setor de Autarquias Norte, Quadra 5, Lote B, Edifício Banco do Brasil, Brasília, Federal District, Brazil.

The Bank has its shares traded in the segment known as Novo Mercado of B3 S.A. - Brasil, Bolsa, Balcão (B3), under the ticker "BBAS3" and its American Depositary Receipts (ADRs) on the over-the-counter market in the United States under the ticker "BDORY". The Bank´s shareholders, managers and members of the Fiscal Council are subject to the provisions of B3's Novo Mercado Regulation. The provisions of Novo Mercado will prevail over the statutory provisions, in case of prejudice to the rights of the recipients of the public offers provided for in the Bylaws.

The Group’s business activities include the following:

- all active, passive and ancillary banking operations;
- banking and financial services, including foreign exchange transactions and other services such as insurance, pension plans, capitalization bonds, securities brokerage, credit/debit card management, consortium management, investment funds and managed portfolios; and
- all other types of transactions available to banks within Brazil’s National Financial System.

As an agent for execution of the Brazilian Federal Government’s credit and financial policies, Brazilian Law requires the Bank to perform the following functions under the supervision of the National Monetary Council (CMN):

(i) act as financial agent for the National Treasury;
(ii) provide banking services on behalf of the Federal Government and other governmental agencies;
(iii) provide clearing services for checks and other documents;
(iv) buy and sell foreign currencies as determined by the CMN for the Bank’s own account and for the account of the Brazilian Central Bank (Bacen);
(v) provide receipt and payment services for Bacen, in addition to other services;
(vi) finance the purchase and development of small and medium-sized farms; and
(vii) disseminate and provide credit.

The Bank finances the production and commercialization of agricultural products; fosters rural investments such as storage, processing, industrialization of agricultural products and the modernization of machinery and implements; and finances improvements in rural properties to comply with the environmental law. Accordingly, the Bank supports the Brazilian agribusiness in all stages of the production chain.

The Bank offers to micro and small companies: working capital, financings for investments, and foreign trade solutions, in addition to several other products related to cash flows, social security, pension plans, and services. The Bank provides financing alternatives that promote the transition to an inclusive economy to many companies, including Individual Microentrepreneurs (Microempreendedores Individuais – MEI).

In its foreign trade financing, the Bank puts into effect government policy instruments to stimulate productive development, entrepreneurship, social and financial inclusion, including the Income Generation Program (Programa de Geração e Renda – Proger) and the Export Financing Program (Programa de Financiamento às Exportações – Proex).

Internal policy statements outline the corporate structure governance. These policies provide a decision-making framework for the Bank’s businesses and activities. They also outline procedures for complying with legal and regulatory requirements established by the Bank’s regulators.

The Bank has a self-regulatory system for controlling trading in securities issued by the Bank and its subsidiaries, as well as in quotas of exclusive funds referenced in such securities. The system limits the amount of people who have information about relevant acts or facts prior to the disclosure of the information to the market. Parties subject to the self-regulatory system include:

- the controlling shareholder;
- the Bank's officers and directors;
- members of the Bank's Fiscal Council and Audit Committee; and
- anyone with a business or professional relationship with the Bank, or in a relationship of trust, who has knowledge of accounting or strategic matters or other relevant acts or facts with respect to the Bank's business.

The Bank's public disclosures are designed to meet the needs of external users and to comply with the requirements of regulatory agencies such as Bacen, Brazil's Security and Exchange Commission (CVM) and the United States Securities and Exchange Commission (SEC). The Bank follows the highest standards of corporate governance, providing information that is transparent, accurate, complete, consistent, fair and timely.

The Group's Vice President of Financial Management and Investor Relations is responsible for the disclosure of relevant acts, facts and other information to investors. Joint and several liability extends to the Bank's other officers and directors in cases of non-compliance with the information disclosure requirements.

More information about the subsidiaries is included in Note 5, while Note 7 contains a description of the Bank's business segments.

2 – PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Bank's Executive Board approved these consolidated financial statements and authorized for issuance on March 24, 2021.

b) Functional and presentation currency

The consolidated financial statements are presented in Brazilian Reais, which is the Bank's functional and presentation currency. The functional currency is the currency of the main economic environment in which an entity operates. For all of the Group entities, the functional currency is the Real (except from BB Americas and Banco Patagonia). Financial information is presented in thousands of Brazilian Reais (R$ thousand), unless otherwise indicated.

c) Going concern

Management believes that the Bank has sufficient funds to continue its business in the future. Management is not aware of any material uncertainty that may generate significant doubts about the capacity to continue operating. Accordingly, these consolidated financial statements have been prepared based on a going concern basis.

Although the economic slowdown resulting from the adoption of social isolation measures to contain the Covid-19 pandemic has affected several companies in Brazil and worldwide, the Bank has sufficient capital and liquidity to support any projected losses for business in that period and in the following periods. Among other reasons, this is based on the fact that a large part of its business operations continues to be conducted on digital platforms with remote access and service. The Bank also has qualified advisors and special credit conditions.

Despite the gravity and unprecedented nature of the current situation in recent history, considering the Bank's experience in managing and monitoring risks, capital and liquidity, as well as the information existing at the time of this assessment, there was no evidence of any events that could interrupt operations in the foreseeable future. It should be added that the countercyclical economic policies adopted by all countries around the globe are helping to reduce uncertainty, as well as the adverse effects on companies and families.

d) Changes in accounting policies

These consolidated financial statements were prepared using the same policies and accounting methods used to prepare the consolidated financial statements for the year ended Dec 31, 2019.

Amendments to IAS 1 – Presentation of Financial Statements – In October 2018, the IASB promoted changes to IAS 1, referring to the definition of concepts related to presentation, measurement and disclosure, presenting new definitions of assets and liabilities. It also includes recognition and write-off. These changes are effective for the years started on Jan, 1, 2020.

The Bank assessed the impacts of adopting the standard and did not identify any significant effect

3 – SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied by the Bank and its subsidiaries during all of the periods presented in these consolidated financial statements.

a) Basis of consolidation

These consolidated financial statements include the financial statements of the Bank and entities (including structured entities) controlled by the Bank.

Intra-group balances and transactions, and any unrealized income and expenses arising from transactions between the Bank and entities under its control, are eliminated from the consolidated financial statements. Unrealized gains or losses (to the extent that there is no evidence of impairment) arising from transactions with equity-accounted investees are eliminated against the investment in to the extent of the Bank's interest in the investee.

Non-controlling interests are presented within equity in the balance sheet, separately from the equity of the Bank’s shareholders. Net income attributable to non-controlling interest is presented separately in the statement of income and statement of comprehensive income.

Subsidiaries – Investees under the Bank’s control. The Bank controls an entity when it has power over the investee, is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. The Bank consolidates subsidiaries beginning on the date it obtains control over the relevant activities up to the moment it loses control.

IAS 29 – Financial Reporting in Hyperinflationary Economies is applicable to entities whose functional currency is the Argentinian peso for periods ending on or after July 1, 2018. The Bank has adjusted the financial statements of its subsidiary Banco Patagonia to reflect the effects of hyperinflation.

Due to the devaluation of the Argentinian peso in recent months and the increase in the general price level observed, the inflation accumulated in the last three years exceeded 100%. The entity's financial statements have been adjusted to reflect changes in general purchasing power of the functional currency (expressed in the current unit of measurement) as of December 31, 2020 and 2019.

The index used in the inflation adjustments was the "Consumer Price Index with national coverage" published by INDEC (National Institute of Statistics and Censuses of Argentina), described below:

- 385.9 at December 31, 2020;
- 283.4 at December 31, 2019; and
- 184.3 at December 31, 2018.

Business combinations – The acquisition of a subsidiary through a business combination is recognized on the acquisition date (the date on which the Bank obtains control) using the acquisition method. Under this method, on the acquisition date, identifiable assets (including intangible assets not previously recognized), liabilities assumed and contingent liabilities are recognized at their fair value. A positive difference between the acquisition cost and the fair value of the identifiable net assets is recognized as goodwill. Negative differences (gains on a bargain purchase) are recognized in statement of income in the line-item other operating income.

Transaction costs incurred by the Bank as part of a business combination, except for costs related to the issuance of debt or equity securities, are recognized in the statement of income. Contingent consideration is measured at fair value on the acquisition date.

The financial statements of subsidiaries acquired during the period are included in the consolidated financial statements from the acquisition date through the end of the year. Financial statements from subsidiaries disposed of during the year are included in the consolidated financial statements from the beginning of the year through the date of disposal, or the date on which the control ceases.

Business combinations under common control – A combination between entities or businesses under common control is one in which the Bank controls all of the combining entities or businesses both before and after the business combination, and the control is not transitory.

Assets and liabilities are not restated to their fair values. Rather, the Bank recognizes assets and liabilities at their pre-combination carrying amounts.

No new goodwill is recorded. Any difference between the cost of the transaction and the carrying value of the net assets is recorded in equity.

Changes of ownership interests in subsidiaries – Changes that do not result in loss of control are accounted for as equity transactions (i.e., transactions among owners acting in their capacity as owners). As a result, these transactions do not give rise to goodwill.

Loss of control – Upon the Bank's loss of control of a subsidiary, the Bank derecognizes:

- the carrying amount of the subsidiary's assets (including goodwill) and liabilities; and
- the carrying amount of non-controlling interests in the former subsidiary, including any components of other comprehensive income attributed to these interests.

In addition, on the date control is lost, the Bank recognizes:

- the fair value of consideration received, if any, originating from the transaction, event or circumstances that gave rise to the loss of control;
- the distribution of the subsidiary's shares to the owners (if the transaction resulting in the loss of control involved a distribution of shares);
- any investment held in the former subsidiary at fair value; and
- any difference as a gain or loss attributable to the Bank's shareholders.

Structured entities (SE's) – The Bank sponsors the creation of SE's, including investment funds, consortium groups and securitization vehicles, and it may or may not control the SE. Before consolidating a SE, the Bank evaluates the criteria contained in IFRS 10 – Consolidated Financial Statements.

If facts and circumstances indicate that there have been changes in one or more elements of control, the Bank reassesses the need to consolidate the SE.

In thousand of Reais, unless otherwise stated

Joint ventures – Are joint arrangements whereby the parties that have joint control have rights to the net assets of the arrangements, rather than rights to the individual assets or obligations for the individual liabilities. The Bank has joint control over an arrangement when it shares control pursuant to a contract and when decisions about relevant activities require the unanimous consent of the parties sharing control.

The Bank's investments in joint ventures are initially recorded at cost, and subsequently, are accounted for using the equity method. The investment is increased (or decreased) to recognize the Bank's share of the investee's profit or loss subsequent to the acquisition date. The Bank's share of the investee's profit or loss is recognized on the reporting date in the statement of income. Adjustments to the carrying amount may be required to reflect changes in the Bank's proportionate interest in the investee due to gains or losses recognized in the investee's other comprehensive income. The Bank's share of these changes is recognized in accumulated other comprehensive income in shareholders' equity.

Upon investing in a joint venture, any positive difference between the cost of the investment and the Bank's share of the net fair value in the investee's identifiable assets and liabilities is accounted for as goodwill. This goodwill is included in the carrying amount of the investment. Amortization of that goodwill is not permitted. Any excess in the Bank's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is recognized as income in the statement of income.

If the Bank's share of losses of a joint venture equals or exceeds its investment in the joint venture, the Bank discontinues recognizing its share of future losses. If the Bank's interest is reduced to zero, it provides for additional losses and recognizes a liability to the extent that it has incurred a legal or constructive obligation or has made payments on behalf of the joint venture. Subsequently, if the joint venture reports profits, the Bank recognizes its share of the profits to the extent that they exceed the amount of previously unrecognized losses.

All of the Bank's investments in joint ventures are structured using separate legal vehicles.

Associates – Entities over which the Bank has significant influence. It means that the Bank has power to participate in the financial and operating policy decisions of the investee, but does not have control or joint control over those policies. The Bank exerts significant influence by participating in the associate's management or committees.

The Bank's investments in associates are initially recorded at cost. Subsequently, they are accounted for using the equity method.

Non-monetary contributions to associates and joint ventures – When the Bank contributes non-monetary assets in exchange for an equity interest in an associate or jointly controlled entity, it recognizes a gain or loss on the transaction to the extent of the unrelated investors' interests in the associate or joint venture. No gain or loss is recognized if the contribution lacks commercial substance.

b) Offsetting assets and liabilities

The Bank only offsets assets and liabilities or income and expenses if there is a legally enforceable right to offset the amounts and offsetting better represents the substance of the transaction. In all other situations, assets and liabilities and income and expenses are separately presented.

Financial assets and liabilities

Financial assets and liabilities are only presented net if there is a legally enforceable right to offset the amounts and there is intent to settle on a net basis or to realize an asset and settle a liability simultaneously.

Tax assets and liabilities

The Bank offsets current tax assets and liabilities if:

- it has the legal right to offset the amounts; and
- it intends to settle on a net basis or simultaneously realize the asset and settle the liability.

In thousand of Reais, unless otherwise stated

The Bank offsets deferred tax assets and liabilities if:

- it has the legal right to offset current tax assets and liabilities; and
- the deferred tax assets and liabilities relate to income taxes owed to the same tax authority by the same taxable entity, or different taxable entities if they intend to settle a current tax liability and asset on a net basis or simultaneously realize the asset and settle the liability, in each future period in which significant deferred tax assets or liabilities are expected to be settled or recovered.

c) Translation of foreign currency transactions

Functional and presentation currency – These consolidated financial statements are presented in brazilian Reais, which is the Bank's functional and presentation currency. The functional currency is the currency of the main economic environment in which an entity operates. For all of the Group entities, the functional currency is the Real (except from BB Americas and Banco Patagonia).

Transactions and balances – Transactions in foreign currencies are translated into the respective functional currencies of the Group companies at the exchange rates at the dates of the transactions.

Assets and liabilities denominated in foreign currencies, most of which are monetary in nature, are translated into the functional currency at the exchange rate at the reporting date. All foreign exchange differences are recognized in profit or loss in the period in which they arise, in the line item "net income on foreign exchange and translation of foreign currency transactions".

Translation to the presentation currency – The financial statements of foreign subsidiaries (none of which operate in a hyperinflationary economy, except from Banco Patagonia) are translated into the Bank's presentation currency based on the following criteria:

- assets and liabilities are translated at the exchange rate at the reporting date; and
- income and expenses are translated at the average exchange rate for the period.

Foreign exchange differences arising from the translation of financial statements of foreign entities whose functional currency is the Real are recognized in the consolidated statement of income as an integral part of net income on foreign exchange and translation of foreign currency transactions. For entities whose functional currency are not the Real, gains or losses on translation are recognized directly in other comprehensive income. Upon disposal or loss of control of the foreign subsidiary, accumulated foreign exchange differences are reclassified from other comprehensive income to profit or loss for the period. Foreign exchange differences attributable to non-controlling shareholders are recognized as part of the interests of non-controlling shareholders in the balance sheet.

d) Revenue and expense recognition

Revenue and expenses are recognized on an accrual basis in the period they are generated or incurred. Interest income and fee and commission income are recognized when the amount, related costs and stage of completion of the underlying transaction can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Bank. Considering the Bank's main revenue streams, these principles are applied as follows:

Net interest income – Interest income and expenses on interest-bearing assets and interest-bearing liabilities are recognized in profit or loss on an accrual basis. The Bank uses the effective interest rate method for its financial instruments.

The effective interest rate method is used to calculate the amortized cost of a financial asset or liability (or group of financial assets or liabilities) and to allocate interest income or expense over the instrument's life.

The effective interest rate discounts the estimated cash flows over the expected life of a financial asset or liability. It is calculated when a financial asset or liability is initially recognized. When calculating the effective interest rate, the Bank considers all of the contractual terms of a financial instrument to estimate cash flows.

In thousand of Reais, unless otherwise stated

The calculation includes commissions, transaction costs, discounts or premiums that are an integral part of the effective interest rate. Transaction costs correspond to incremental costs directly associated with acquiring or issuing a financial asset or liability.

Interest income and expenses included in the statement of income consist mainly of:

(i) interest on financial assets and liabilities measured at amortized cost, based on the effective interest rate;
(ii) interest on financial assets and liabilities at fair value through profit or loss; and
(iii) interest on financial assets at fair value through other comprehensive income.

Fees and commissions – Recognition of fee and commission income considers the purpose of the fee and whether there is a financial instrument associated with the transaction. If there is a financial instrument and the fee is part of the effective interest rate calculation, revenue is recognized as interest income (except if the financial instrument is measured at fair value through profit or loss). Otherwise, these revenues are recognized as the respective performance obligations are fulfilled.

The recognition of these revenues must be for an amount that reflects the consideration expected to be entitled in exchange for the transfer of services to a customer. In line with the exit method and the intrinsic characteristics of the performance obligations involved, the fees for services provided during a specific period are recognized in that period according to the time elapsed. Fees for specific services or a significant event are recognized upon completion of the services or when the event occurs.

The Bank's main contract portfolios refer to the following services: checking account, cards, billing, management of third party funds, brokerage commission and collections.

General performance obligations involve, respectively: enabling the movement of funds through deposits, checks, withdrawals, money orders and / or transfers; facilitate the purchase of goods and services in accredited establishments as well as withdrawals in national/foreign currency; receiving amounts through the settlement of payment slips that can be paid at any bank; manage resources invested in investment funds; carry out operations with securities on the stock exchange; collect taxes and other revenues in favor of public institutions.

Regarding the transaction price of these contracts, tariffs, annuities, fees and commissions are expected to be received in up to twelve months.

The main practical expedient adopted refers to the existence of a significant financing component. The financial component was not considered significant when the period between the moment when the promised service is transferred to the customer and the moment when the customer pays for that service is one year or less.

Income from investments in associates and joint ventures – Income from equity-accounted investments (associates and joint ventures) is recognized in proportion to the Bank’s interest in the results generated by the investees.

Dividends – Dividend income is recognized when the Bank has the right to receive the income. They are included in net interest income based on the classification of the underlying equity investment.

e) Cash and cash equivalents

Cash and cash equivalents include available funds and investments readily convertible into cash, with maximum maturities of three months from the acquisition date, to be used in short-term commitments, and subject to an insignificant change in value. In the balance sheet, cash and cash equivalents include highly liquid investments such as cash and bank deposits, interbank deposits and securities purchased under resale agreements, except for any balances that are restricted for use.

f) Compulsory deposits with Brazilian Central Bank

Compulsory deposits with Brazilian Central Bank refer to reserve requirements on demand, time and savings deposits the Bank must hold. The National Monetary Council determines the proportion of compulsory deposits that banks are required to hold and the associated interest rates.

In thousand of Reais, unless otherwise stated

g) Financial instruments

The Bank classifies its financial assets according to its contractual cash flow characteristics and the business model used for management. All financial assets and liabilities are initially recognized on the trading date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument. Classification of financial assets and liabilities is determined upon initial recognition.

Classification and subsequente measurement

Business model – Refers to how the Bank manages its financial assets in order to generate cash flows. The Bank's Management evaluates, among other items:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, the way those risks are managed; and
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The Bank evaluates the business model used to manage its finanacial assets, in order to determine if cash flows result from:

- collecting contractual cash flows;
- selling financial assets; or
- both.

Contractual cash flow characteristics – The Bank analyzes the contractual characteristics of the cash flows of its financial assets in order to verify if they represent solely payments of principal and interest (SPPI) on the principal amount outstanding. If contractual terms expose the Bank to risks or volatility in cash flows not related to a basic loan agreement, cash flow do not represent SPPI. If contractual cash flows are not SPPI the financial instrument is measured at fair value through profit or loss.

Financial assets

All financial instruments are measured at fair value, plus transaction costs (except for those measured at fair value through profit or loss) on the date of recognition and subsequently measured at fair value or amortized cost. The accounting policies applied to each class of financial instruments are as follows:

Amortized cost – An asset should be measured in this category when its contractual cash flows are SPPI and Management maintains it in a business model whose purpose is to collect only the contractual cash flows.

Assets measured in this category are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate. Interest is recorded on an accrual basis and added to the principal amount in each period. Asset value is reduced by principal repayments, as well as the allowance for credit losses and eventual write-offs. The financial revenues are recorded in interest income.

The main assets measured in this category are:

Loans to financial institutions – Interbank deposits with terms greater than three months and loan portfolios acquired by the Bank for which there is a guarantee from the transferor. Loans to financial institutions are recognized at their principal amount, plus accrued income, which includes interest, premiums and discounts. The related financial income is recognized in the line-item interest income on loans to financial institutions.

Loans to customers – Financial assets with fixed or determined payments.

In thousand of Reais, unless otherwise stated

Reverse repurchase agreements – The Bank invests in securities subject to resale agreements, comprised mainly of securities issued by the Brazilian government. These transactions are treated as collateralized financial investments and are recognized at the amount of cash paid plus accrued interest. The amount paid for securities subject to resale agreements (reverse repo's), plus the interest recognized, is recorded as an asset under reverse repurchase agreements. This reflects the economic substance of the transaction as a collateralized loan granted by the Bank. The reverse repo assets are separated among those that are:

- guaranteed by securities that have not been repledged/re-sold; and
- guaranteed by securities that have been repledged/re-sold.

The Bank continuously monitors and evaluates the fair value of securities acquired under resale agreements and adjusts the amount of the collateral when appropriate.

Fair value through profit or loss – An asset should be measured in this category when its contractual cash flows are not SPPI or when Management maintains it in a business model whose objective does not include holding the assets to receive the contractual cash flow.

Financial instruments recorded in this category are initially recognized at fair value. Interest and dividends are recognized as interest income. Transaction costs, when incurred, are recognized in the statement of income.

Realized and unrealized gains and losses from changes in the fair value of these instruments are included in the line-item net gains/(losses) on financial instruments at fair value through profit or loss.

The main assets measured in this category are:

Debt instruments – Instruments that provide to the holder, the right to receive principal and interest, according to terms and rates contractually defined. They include foreign and brazilian federal government securities and investments in mutual funds, among others.

Equity instruments – Any contract that provides residual interest in the assets of an entity, after deduction of all its liabilities. They include common shares, instruments that obligate an entity to deliver to another party a proportional portion of the entity's net assets in liquidation and some types of preferred shares, among others.

Derivatives instruments – Derivatives such as:

(i) swaps, forwards, options and other types of similar derivatives based on interest rates, exchange rates, stock and commodity prices and credit risk. Derivatives are recorded at fair value and discloused as assets when the fair value is positive and as a liability when the fair value is negative;
(ii) derivatives not qualified for hedge accounting, but which are used to manage exposure to market risks, mainly interest rates, currencies and credit; and
(iii) derivatives contracted at the request of its clients, with the sole purpose of protecting against risks inherent in its economic activities.

Fair value through other comprehensive income – An asset should be measured in this category when its contractual cash flows are SPPI and Management maintains it in a business model whose objective is both to obtain its contractual cash flows and for sale.

These assets are initially measured at fair value plus direct and incremental transaction costs. Subsequent measurement is at fair value, and changes are recognized in other comprehensive income. These assets is also subject to loss allowance for expected credit losses, with those losses recognized in the statement of income. The recognition of the allowance for expectd credit losses does not impact the carrying amount of the asset.

The main assets measured in this category are:

Debt instruments – Instruments that provide to the holder, the right to receive principal and interest, according to terms and rates contractually defined. They include foreign and brazilian federal government securities and investments in mutual funds, among others.

In thousand of Reais, unless otherwise stated

Financial liabilities

An instrument is classified as a financial liability when there is a contractual obligation to settle it through the delivery of cash or other financial assets, regardless of its legal form. They include short and long-term debt issued. They are initially measured at fair value, which is the amount of consideration received, net of direct transaction costs. Subsequently, financial liabilities are measured at amortized cost or at fair value through profit or loss.

Liabilities measured at fair value through profit or loss – Measured and recorded in the balance sheet at fair value. They refer mainly to derivative financial instruments.

Liabilities subsequently measured at amortized cost – Initially measured at fair value, which is the amount received net of costs incurred in the transaction and, subsequently, at amortized cost.

The main liabilities measured in this category are:

Deposits of clients – Comprised of demand deposits, savings deposits and time deposits, which are characterized for the most part in products with no defined maturity, representing an important source of funds from the Bank.

Securities lending and securities borrowing – Transactions generally backed by other securities or available funds. A transfer of a security to a third party is only reflected in the consolidated balance sheet if the risks and rewards of ownership are also transferred. Cash paid or received as collateral is recorded as an asset or liability.

Borrowed securities are not recognized in the consolidated balance sheet, unless they have been sold to a third party. In this case, the obligation to return the security is recognized as a financial liability and measured at fair value. Gains or losses are recorded in the line-item net gains/(losses) on financial assets/liabilities at fair value through profit or loss.

Repurchase agreements – The Bank raises funds by selling securities subject to repurchase agreements, comprised mainly of securities issued by the Brazilian government. These transactions are treated as collateralized financing and are recognized at the amount of cash received plus accrued interest.

Securities sold under repurchase agreements (repo's) are not derecognized, as the Bank retains substantially all of the risks and rewards of ownership. The cash received, including recognized interest, is recorded as a liability for repurchase agreements. This reflects the economic substance of the transaction as collateralized financing. The repo liabilities are separated into:

- own portfolio, representing securities not subject to resale agreements; and
- third-party portfolio, consisting of securities purchased under reverse repurchase agreements and subsequently transferred.

Other financial assets and liabilities – Financial instruments that do not meet in any of the categories above. They are shown in Note 30. These assets and liabilities are measured at amortized cost.

h) Derecognition of financial assets and liabilities

Financial assets – A financial asset is derecognized when:

- there are no reasonable expectations of recovery, based on observed historical loss curves;
- the contractual rights to its cash flows expire;
- the Bank transfers substantially all of the risks and rewards of ownership to a third party; or
- the Bank transfers control of the asset, even if it retains a portion of the risks and rewards associated with the transaction.

When appropriate, the Bank recognizes rights and obligations retained in a transfer as separate assets and liabilities. The Bank continues to recognize the asset if control is retained, to the extent of its continuing involvement. This is determined by the extent to which it remains exposed to changes in the value of the transferred asset.

In thousand of Reais, unless otherwise stated

Financial liabilities – A financial liability is derecognized when the underlying obligation is eliminated, cancelled or expires. If an existing financial liability is exchanged for another liability with substantially different terms (or the terms of an existing financial liability are substantially modified), the transaction is treated as an extinguishment of the original liability and the recognition of a new financial liability. Any difference in the carrying amounts is recognized in profit or loss.

The Bank considers the terms substantially different if the discounted present value of cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different to the discounted present value of the remaining cash flows of the original financial liability. If an exchange of financial liabilities or change of terms is accounted for as an extinction, any costs or fees incurred are recognized as part of the gain or loss on termination. If the exchange or modification is not accounted for as an extinction, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

i) Hedge

The Bank uses derivatives to manage exposures to interest rates, foreign exchange variation and credit risk, including exposures created by forecasted transactions and firm commitments. In managing these risks, the Bank applies hedge accounting to certain transactions if they meet specific criteria.

The Bank designates certain derivatives held for risk management purposes as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Bank formally documents the relationship between the hedged item(s) and the hedging instrument(s). This includes the risk management objective and strategy of the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

At inception of the hedge and on an ongoing basis, the Bank assesses whether the hedging instrument (or instruments) is expected to be highly effective in offsetting changes in the fair value or cash flows of the hedged item (or items) over the life of the hedge and if the actual results of the hedge fall within a range of 80-125% effectiveness. When the hedged item is a forecasted transaction, the Bank determines if it is highly probable and if it presents an exposure to variations in cash flows that could affect profit or loss.

The Bank, currently, has no derivative financial instruments designated as qualified for hedge accounting.

Derivatives not qualifying for hedge accounting – Derivatives entered into as economic hedges that do not qualify for hedge accounting are classified as derivative contracts at fair value through profit or loss (Note 3.g). Derivative financial instruments in this category are used mainly to protect against interest rate and foreign exchange risks and include futures, swaps, options and forward contracts.

j) Impairment of financial assets

IFRS 9 requires that the impairment methodology calculation uses the expected credit loss. Thus, all financial assets at amortized cost or fair value through other comprehensive income may have impairment losses at origination which will increase if their risk situation deteriorates.

Financial assets subject to impairment are classified in three stages:

Stage 1 – Regular: The assets classified in this stage are not in arrears or with a delay of less than or equal to 30 days without indicative of significant risk increase. In this case, the expected loss is calculated for the next 12 months.

Stage 2 – Significant credit risk increase: The assets classified in this stage are more than 30 days in delay or present a significant risk increase. It also includes renegotiated credits. In this case, the expected loss is calculated up to the end of the asset's life.

Stage 3 – In default (problematic assets): The assets classified in this stage are in either qualitatively (characterized by indicators that the customer will not fully honor the credit operation) or quantitatively (with a delay of more than 90 days) in default. In this case, the expected loss is calculated up to the end of the asset's life.

The asset's stage classification is reviewed periodically, according to the Bank's risk monitoring processes, in order to capture possible changes in the client's financial capacity, as well as prospective economic scenarios. Migrations of operations between stages may occur, when analysis indicates an improvement or worsening of the credit risk of the loan.

The methodology developed by the Bank evaluated that the securities whose counterparty is the Brazilian Federal Government, has "PD" equal to zero, since there is no historical record of default of domestic debt in Reais.

Determination of a significant increase in credit risk – The transfer from stage 1 to stage 2 occurs when there is a significant increase in the financial instrument's credit risk since the initial recognition. In general, the Bank judges that after 30 days of delay in the contractual payments, this condition is met and,qualitatively, for renegotiated credits.

Default on contractual payments – In general, the migration to Stage 3 occurs when the asset is delayed in its contractual payments for more than 90 days and this classification only changes when the asset is written off or after 12 months from the settlement of this delay, in which the operation is considered cured. In addition to the quantitative assessment, we use the qualitative concept of anticipating non-compliance through customer characteristics that indicate a high probability of its occurrence, as an example the indications of civil insolvency, bankruptcy and judicial recovery.

Calculation of the expected credit losses – The calculation of expected credit losses are based on an estimate weighted by the probability of credit losses. A combination of three parameters is used:

(i) Probability of Default (PD);
(ii) Loss Given Default (LGD).; and
(iii) Exposure at Default (EAD).

The calculation of the expected credit loss considers the weighting of prospective scenarios, in order to anticipate a potential increase in the level of losses in the worst moments of the economic cycle, providing the necessary inputs for a proactive management of risks and business. The expected credit loss estimate considers historical data available (obtained without cost or undue effort on the reporting date on past events, current conditions and forecasts of future economic conditions), financial aspects (time value of money) and also considers the probability different macroeconomic scenarios.

<u>PD</u> – It is the probability that the instrument will not be honored by the counterparty (default) in the observed time horizon. For financial instruments that do not have a significant increase in credit risk, non-compliance is observed over 12 months (PD 12 months). For those who have a significant increase in credit risk, characterized by the allocation in stages 2 and 3, the PD is adjusted to take into account the default behavior for the maximum contractual period of the asset (PD lifetime). In addition, PDs are adjusted, based on the weighting of economic scenarios, to better reflect the behavior of non-compliances in the period of the subsequent year.

<u>LGD</u> – Is an estimate based on the history of observed accounting losses weighted by the respective non-compliance rates of the different portfolios. It represents the proportion of the amount not recovered by the creditor compared to the amount exposed to the risk at the time of default.

<u>EAD</u> – It is the estimated exposure of the operation in the event that the customer enters a situation of default. In the case of unilaterally non-cancelable limits, currently related to overdraft and credit card, the Bank uses the Credit Conversion Factor (FCC) methodology, which corresponds to an estimate based on historical observation of the use of the limits so far of possible non-compliance, as a way of obtaining a projection of the balance that will be used by the client at the time the non-compliance occurs.

In thousand of Reais, unless otherwise stated

The allowance for expected credit loss is determined based on the expected risk of contracts with similar characteristics (risk groupings) and the estimated future loss. Banco do Brasil's view on current and future economic conditions is incorporated into the estimate of credit losses, by applying weighted macroeconomic scenarios.

The Bank punctually uses personalized analyzes to assess credit risk, particularly in case of large exposures, which consider relevant aspects of the knowledge of specialists and statistical models, based on financial indicators and qualitative aspects of the companies, the business environment and the financial instruments.

More information on credit policy, credit risk mitigation mechanisms, measurement systems, credit deterioration, economic scenarios, exposures, among others, can be found in Note 41.e.

Liabilities – The Bank calculates expected credit losses for off-balance sheet exposures, such as credit commitments, balances to be released, guarantees provided and other contingent exposures. In these cases, the Bank evaluates the borrower's expectation of using the amounts committed. A provision account is created as a liability, and the expense is recognized in profit or loss.

The Bank provides financial guarantees to third parties covering loan agreements with clients. Issuers of financial guarantee contracts are required to make payments to a creditor on behalf of the third-party debtor when the debtor misses payments under the terms of the debt instrument.

When a financial guarantee is granted, a liability is recognized for the fair value of the premium received under the contract. This amount is recorded as income over the life of the contract. Subsequent to initial recognition, the liability is measured at the higher of the amount recognized initially, less amortization, and the Bank's best estimate of its financial obligation under the contract.

k) Property and equipment

Property and equipment (including leasehold improvements), is recognized at acquisition cost less accumulated depreciation and impairment.

Depreciation expense is calculated using the straight-line method, which systematically allocates the depreciable amount of property, plant and equipment over its estimated useful life. Land is not depreciated. The Bank estimated the following useful lives (annually reviewed) for its property and equipment in 2020 and 2019:

	Estimated useful life
Buildings[1]	From 10 to 25 years
Furniture and equipment	10 years
Leasehold improvements	From 10 to 25 years
Data processing equipment	From 5 to 10 years
Vehicles	10 years
Other	10 years

(1) For depreciation of owned buildings, the Bank considers the useful life of the various components of a building.

The Bank derecognizes property and equipment when it no longer expects to realize future economic benefits from its continued use or through disposal. Gains or losses on disposal are recognized in other operating income in the period in which the asset is disposed of, impacting profit or loss for the period.

l) Goodwill and other intangible assets

Goodwill on the acquisition of equity investments is calculated based on the fair value of the acquired company's assets and liabilities on the acquisition date. Goodwill is not amortized. It is tested at least annually for impairment. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

The Bank recognizes intangible assets separately from goodwill when they are separable or arise from contractual or other legal rights, the fair value can be reliably estimated and it is probable that future economic benefits will flow to the Bank. The cost of an intangible asset acquired in a business combination is its fair value on the acquisition date. Separately acquired intangible assets are initially recognized at cost.

In thousand of Reais, unless otherwise stated

The useful life of an intangible asset is considered either finite or indefinite. Intangible assets with finite useful lives are amortized over their estimated economic lives and presented at cost, less accumulated amortization and impairment. Intangible assets with indefinite useful lives are not amortized and are presented at cost, less impairment.

Costs related to the acquisition, production and development of software are capitalized and recognized as intangible assets. Costs incurred during the research phase are recognized as an expense. Capitalized personnel costs include salaries, social security costs and benefits paid to employees directly involved in the software development.

Amortization expense on intangible assets with finite useful lives is recognized in profit or loss for the period in the line-item amortization of intangible assets. Impairment losses are recorded as an adjustment to the recoverable amount under the line-item other expenses in the statement of income.

The Bank estimated the following useful lives for its intangible assets in 2020 and 2019:

Estimated useful life	Internally generated	Acquired
Software	10 years	10 years
Rights due to payroll management	-	From 5 to 10 years
Other [1]	-	From 2 to 10 years

(1) Includes mainly, brands acquired due to business combinations, related to customers portfolio and contracts.

m) Non-operating assets

Non-operating assets consist mainly of assets received by the Bank in settlement of loans to customers. They are recognized in the line-item other assets when the collateral is effectively realized or physical possession is obtained, regardless of the status of the foreclosure proceedings.

Non-operating assets are initially recognized at the lower of:

- fair value less estimated selling costs; or
- the carrying amount of the related loan.

Subsequently, they are recorded at the lower of cost or fair value less selling costs. Non operating assets are not depreciated.

When a non operating asset meets the criteria for disposal, it is reclassified to the line-item non current assets held for sale.

Note 25 includes more information about non operating assets classified as held for sale.

Net gains or losses on the sale of non-operating assets are recognized in the line-item other operating income and other operating expenses.

n) Impairment of non-financial assets

At each reporting date, the Bank determines if there is any indication that a non-financial asset may be impaired. This evaluation is based on internal and external sources of information. If there are indications of impairment, the Bank estimates the asset's recoverable amount, which is the higher of its fair value less selling costs or its value in use.

Regardless of whether there are indications of impairment, the Bank performs an annual impairment test for intangible assets with indefinite useful lives (including goodwill acquired in business combinations and intangible assets not yet available for use).

With respect to investments in associates and joint ventures, the Bank applies IAS 28 to determine if an additional impairment loss should be recognized on the net investment.

Since goodwill is included in the carrying amount of investments in associates and joint ventures, and not recognized separately, it is not separately tested for impairment under IAS 36 – Impairment of Assets. Rather, if there are any indicative that the investment may be impaired, the investment's entire carrying amount is tested for impairment as a single asset. This is done by comparing the investment's recoverable amount to its carrying amount.

If the recoverable amount of an asset falls below the carrying amount, the asset's carrying amount is reduced to its recoverable amount. The impairment loss is recognized in profit or loss in the period in which it occurs, in the line-item other operating expenses.

At each reporting date, the Bank also determines if there is indication that an impairment loss recognized on an asset in a previous period may no longer exists or have decreased (except for goodwill). The Bank estimates the recoverable amount of assets for which there is indication of impairment. Reversal of an impairment loss is recognized in the statement of income for the period as a reduction of the line-item other operating expenses.

The primary categories of non-financial assets subject to impairment testing are described below:

Property and equipment

Land and buildings – The Bank relies on technical evaluations prepared in accordance with the standards of the ABNT (Brazilian Association of Technical Standards) to determine the recoverable amount of land and buildings. ABNT establishes general concepts, methods and procedures for the valuation of urban properties.

Data processing equipment – When available, the Bank uses market values to determine the recoverable amount of data processing equipment. When market values are not readily available, the Bank considers the amount recoverable by using the asset in its operations. Recoverable amount is calculated based on cash flow projections for the asset over its useful life, discounted to present value using the CDI (interbank deposit certificate) rate.

Other items of property and equipment – These items are individually insignificant. Although subject to evaluation of impairment indicators, the Bank does not determine their recoverable amount on an individual basis due to cost benefit considerations. The Bank conducts annual inventory counts and writes off assets that are lost or showing signs of deterioration.

Investments in associates and joint ventures

The recoverable amount of investments in associates and joint ventures (including goodwill that forms part of the carrying amount of the investment), is calculated using a discounted cash flow model based on the investments' expected results. Assumptions used in estimating the results consist of:

- the company's operating projections, results and investment plans;
- macroeconomic scenarios developed by the Bank; and
- internal methodologies to determine cost of capital under Capital Asset Pricing Model (CAPM).

Goodwill arising from business combinations

The recoverable amount of goodwill arising from business combinations is calculated using a discounted cash flow model based on the investments' expected results. Assumptions used in estimating the results consist of:

- the company's operating projections, results and investment plans;
- macroeconomic scenarios developed by the Bank; and
- internal methodologies to determine cost of capital under CAPM.

Other intangible assets

Rights due to the acquisition of payrolls – The recoverability of acquired payroll contracts is determined based on the contribution margin of the client relationships generated under each contract. The objective is to determine if the projections that justified the initial acquisition correspond to actual performance. An impairment loss is recognized on underperforming contracts.

In thousand of Reais, unless otherwise stated

Software – The Bank continuously invests in the modernization and adequacy of its internally developed software to accompany new technologies and meet the demands of the business. Since there is no similar software in the market, and because of the significant cost associated with developing models to calculate value in use, the Bank evaluates the ongoing utility of its software to test for impairment. Any software not being used is written-off.

Acquired through business combinations – At each reporting date, the Bank evaluates intangible assets acquired in business combinations (mainly brands and rights related to clients and contracts) to determine if there are indicators of impairment. If there are indicators, the Bank estimates the recoverable amount of the assets. The recoverable amount is calculated by determining the present value of the intangible asset's estimated cash flows using a discount rate that reflects current market conditions and specific risks associated with the asset.

Other assets

Non-operating assets – These assets are tested for impairment semi-annually regardless of whether or not there are indicators of impairment. The Bank obtains market values from appraisal reports prepared in accordance with the standards of ABNT.

o) Leases

Bank as lessor – Assets leased to customers under agreements that transfer substantially all of the risks and rewards of ownership are classified as finance leases, regardless of whether or not legal title is transferred. In finance leases, the leased asset is not recognized. Rather, a loan to customers is recognized at an amount equal to the present value of the minimum lease payments, plus the residual value, discounted using the interest rate implicit in the lease. Income from finance leases is recognized over the lease term based on the return on the net investment.

Bank as lessee – The Bank's relevant operating lease commitments essentially relate to offices and branches rental agreements. Generally, these contracts are made under usual terms and conditions, including options to extend the lease term and annual price readjustments, based on Brazil's official inflation indexes. The lease agreements do not include any clauses that impose any restriction on the Bank's ability to pay dividends, engage in debt financing transactions or enter into further lease agreements.

In calculating the lease liability and the right of use asset, the relevant facts and circumstances were considered to exercise or not the options for renewal and/or early termination. The right to use the leased properties is recognized in the balance sheet as property and equipment – right of use and the obligation to pay the lease installments is shown in other liabilities – lease liabilities.

The installments contractually defined, are projected until the end of their contract term. Variable payments, linked to indexes will be remeasured on the occasion of annual readjustments on the anniversary dates of the contracts. The average remaining term of the contracts is 36 months (41 months in Dec 31, 2019).

The discount rate is the interest rate that the lessee would have to pay when borrowing, for a similar term and guarantee, the resources necessary to obtain the asset with a similar value to the right of use asset in a similar economic environment. The Bank used the incremental rate that represents the cost of its institutional funding equivalent to a Subordinated Letter of Credit. The Bank used unified discount rates for a similar portfolio considering those terms. The average discount rate for contracts add in 2020 was 6.04% p.a. (8.66% p.a. for contracts recognized in the initial adoption of IFRS 16 in 2019).

Note 8 disclosures the interest expense on lease liabilities while Note 28 contains changes on the right of use asset. Total cash outflows for lease payments are reported in the consolidated statements of cash flows.

The other leased items besides properties, are essentially equipments, whose lease terms have the duration up to 12 months. For these items, the Bank adopted a practical expedient and its rental payments are recognized on a straight-line basis as an expense over the lease term. Note 14 disclosures the expenses arising from these short-term leases.

In thousand of Reais, unless otherwise stated

Amendments to IFRS 16 – Leases

In May 2020, the IASB issued amendments to IFRS 16, in response to concessions on lease payments resulting from the Covid-19 pandemic. These amendments allow lessees to use a practical expedient, to not accounting these concessions as a lease modification. These amendments are effective for annual periods beginning on or after June 1, 2020.

The Bank did not apply the practical expedient.

p) Employee benefits

Short-term benefits – Expenses relating to short-term employee benefits are recognized on an accrual basis in the period in which the employee renders the services.

Post-employment benefit plans – In defined contribution plans, the participants bear the actuarial and investment risk. Measurement of the obligation and expense does not require an actuarial valuation. Expenses are recognized in profit or loss in the period in which the employees provide the related services as contributions fall due.

In defined benefit plans, the sponsoring entity bears the actuarial and investment risk either partially or fully. This requires the use of actuarial assumptions to measure the obligation and expense and the recognition of actuarial gains or losses, as applicable. The Bank recognizes a liability if the present value of the actuarial liabilities is higher than the fair value of the plan's assets. It recognizes an asset if the fair value of the plan's assets is higher than the present value of the obligations under the plan, as long as there is evidence that the asset will reduce the Bank's contributions or be reimbursable in the future.

The Bank recognizes actuarial gains/losses in the period in which the actuarial calculation is performed, as follows:

- current service cost and net interest on the net liability (asset) is recognized in other operating expenses (income); and
- remeasurements in the net liability (asset) are recognized in other comprehensive income in shareholders' equity.

In some cases, the Bank must continue to contribute to a health care plan after an employee retires. In this case, the Bank's obligation is measured as the present value of expected contributions over the period in which the participant and his/her beneficiaries will be covered by the plan. These obligations are measured using the same criteria as defined benefit plans.

Actuarial assets recognized in the balance sheet consist of net actuarial gains. The asset must be realizable prior to the end of the plan, with partial realization possible based on the fulfillment of certain legal obligations.

q) Provisions, contingent liabilities, contingent assets and legal liabilities

The Bank recognizes a provision when:

- the Bank has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of economic benefits will be required to settle the obligation; and
- the amount of the obligation can be reasonably estimated.

The Bank recognizes provisions based on its best estimate of the probable losses.

The Bank continually monitors lawsuits in progress to evaluate, among other factors:

- the nature and complexity;
- the progress of the proceedings;
- the opinion of the Bank's lawyers; and
- the Bank's experience with similar proceedings.

In thousand of Reais, unless otherwise stated

In determining whether a loss is probable, the Bank considers:

- the likelihood of loss resulting from claims that occurred prior to or on the reporting date that were identified after that date but prior to issuance of the financial statements; and
- the need to disclose claims or events occurring after the reporting date but prior to the issuance of the financial statements.

Contingent assets are not recognized in the financial statements. However when there is evidence assuring their realization, usually represented by the final judgment of the lawsuit and by the confirmation of the capacity for its recovery by receipt or offsetting by another receivable, they are recognized as assets.

The Bank recognizes tax liabilities for taxes that are the object of legal discussions regarding their constitutionality. In these cases, the Bank recognizes an obligation to the government and a judicial deposit in the same amount, however, no payment is made until the Courts reach a final decision. These tax liabilities are generally offset against the related judicial deposits and recognized in the line-item other assets.

r) Income taxes

As a financial institution in Brazil, the Bank is subject to income and social contribution taxes (known as IRPJ and CSLL, both of which are considered to be income taxes as defined in IAS 12). Taxpayers owe income tax to the state when a tax-generating event occurs. Taxes are calculated by applying the applicable rate to the tax calculation basis.

Taxes are calculated based on the rates shown in the table below:

Taxes	Rate
Income tax (15.00% + additional 10.00%)	25.00%
Social Contribution on Net Income - CSLL (1)	20.00%

(1) Rate applied to Banco do Brasil and Banco de Investimentos, in accordance with the Constitutional Amendment 103, dated November 12, 2019. For other financial and non-financial companies in the areas of insurance, private pension plans and capitalization the rate remains 15%. For others non-financial companies, the CSLL rate is 9%.

Income taxes (IRPJ and CSLL) consists of current and deferred taxes and are recognized in profit or loss, except when it relates to items recognized directly in shareholders' equity under accumulated other comprehensive income. Taxes initially recorded in shareholders' equity are recognized in the statement of income when the associated gains and losses are realized.

Current taxes – Current tax expense is the amount of income tax and social contribution payable or recoverable based on taxable income for the period.

Current tax assets represent income and social contribution taxes recoverable in the next 12 months. Unpaid taxes that relate to current and prior periods are recognized as current tax liabilities. If the amount of taxes paid for current and prior periods exceeds the amount owed for those periods, the excess is recognized as an asset.

Current tax assets and liabilities are measured at the amount expected to be recovered or paid. The amounts are calculated based on the tax rates and tax laws in effect on the reporting date.

Deferred taxes – These amounts represent tax assets to be recovered and tax liabilities payable in future periods. Deferred tax liabilities originate from taxable temporary differences. Deferred tax assets originate from deductible temporary differences and unused tax loss carryforwards.

Deferred tax assets from income tax and social contribution losses and temporary differences are only recognized to the extent that it is probable that future taxable income will be available against which temporary differences can be deducted.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period. If it becomes probable that sufficient taxable income will not be available for use of either a portion or all of the deferred tax assets, the Bank reduces the amount of the asset. When it becomes probable that sufficient taxable income will be available, the reduction is reversed.

Deferred tax assets and liabilities are measured at the tax rates expected to apply in the year in which the asset will be realized or the liability settled. These rates are based on tax rates (or tax law) that are effective on the reporting date.

Deferred tax assets and deferred tax liabilities are constituted by the application of the tax rates in force on their respective bases. In view of the increase in CSLL, as of March 01,2020, established in Constitutional Amendment 103/2019, art. 32 and Bacen Circular 3,171/2002, art. 1, § 2, the increased rate of 20% for the CSLL was considered. For the constitution, maintenance and write-off of deferred tax assets, the criteria established by CMN Resolution 3,059/2002, as amended by CMN Resolutions 3,355/2006, 4,192/2013 and 4,441/2015, not in conflict with IFRS, are observed and are supported by a study of ability to perform.

Temporary differences – Temporary differences impact or may impact the calculation of income tax and social contribution taxes arising from a difference between the tax basis of an asset or liability and its carrying amount in the balance sheet.

Temporary differences can be either taxable or deductible. Taxable temporary differences are temporary differences that will result in taxable amounts when determining the taxable income or tax losses of future periods, at the time the carrying amount of an asset is recovered or liability settled. Deductible temporary differences are temporary differences that will result in deductible amounts when determining the taxable income or tax losses of future periods, at the time the carrying amount of an asset is recovered or liability settled.

The tax basis of an asset is the amount that will be deductible for tax purposes against the taxable economic benefits that flow to the entity when it recovers the carrying amount of the asset. If no economic benefit is available, the tax basis of the asset equals its carrying amount.

The tax basis of a liability is its carrying amount less related deductible amounts for tax purposes in future periods. In the case of revenue received in advance, the tax basis of the liability is the carrying amount less revenue that will not be taxable in future periods.

s) Segment reporting

Financial information relating to operating segments is consistent with the internal reports used by the Chief Operating Decision Maker for allocating resources and assessing the Bank's performance. Detailed disclosure of results by segment is presented in Note 7.

t) Earnings per share

Two different methods are used to calculate earnings per share:

- basic earnings per share: calculated by dividing net income attributable to the Bank's shareholders by the weighted average number of common shares outstanding during each of the periods presented; and
- diluted earnings per share: calculated in a similar manner, except that the weighted average number of shares is adjusted to reflect potential common shares resulting from the conversion of outstanding convertible securities.

u) Dividends and interest on own capital

The Bank calculates dividends and interest on own capital based on net income determined in accordance with accounting practices adopted in Brazil for financial institutions. The dividends are adjusted for accrued interest using the SELIC rate (basic interest rate in Brazil) from the declaration date up to the date on which the dividends are paid.

In accordance with the Bank's Bylaws, at the beginning of each year, the Board of Directors determines the percentage of net income that will be distributed to shareholders in the form of dividends. The Bank's current policy is to distribute dividends and interest on own capital at 35.29% of net income on a quarterly basis. Dividends and interest on own capital are recognized as a liability and deducted from shareholders' equity upon approval by the Board of Directors.

v) Standards yet to be adopted

A summary of relevant amendments, interpretations and standards issued by the IASB, that will become effective after Dec 31, 2020 are presented below:

IFRS 17 – Insurance Contracts – In May 2017, the IASB published a new standard to replace the IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will change the accounting by all entities that issue insurance contracts and investment contracts with discretionary features.

IFRS 17 is effective for annual periods beginning on or after January 1, 2023, with early adoption permitted for entities that had already applied IFRS 9 and IFRS 15 requirements.

Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures – In September 2014, the IASB issued amendments to IFRS 10 and to IAS 28 that address an acknowledged inconsistency between the requirements of these two standards, dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The date these amendments will be effective was postponed and it will still be determined and issued by the IASB.

Amendments to IAS 1 – Presentation of Financial Statements – In February 2020, the IASB promoted ammedments to IAS 1, focusing on clarify the definitions of current liabilities and non current liabilities.

These ammendments are effective for annual periods beggining on or after January 1, 2022.

The Bank has begun the process of evaluating the impact of adopting the new standards, amendments and interpretation above. Possible impacts from the adoption have being assessed and will be completed before they become effective.

In thousand of Reais, unless otherwise stated

4 – SIGNIFICANT JUDGMENTS AND ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in accordance with IFRS requires the Bank's Management to make judgments and use estimates that affect the recognized amount of assets, liabilities, income and expenses. These estimates and assumptions are reviewed on an ongoing basis. Changes in estimates are recognized prospectively in the period in which the estimates are revised. Actual results may differ from these estimates.

Given that there are certain alternatives to accounting treatments, the Bank's results may differ if alternative accounting principles had been used. Management believes its choice of accounting principles to be appropriate and that the consolidated financial statements present fairly, in all material respects, the consolidated financial position and results of the Bank's operations.

Significant classes of assets and liabilities subject to estimates and the use of assumptions are generally those measured at fair value. The following components of the consolidated financial statements require the highest degree of judgment and use of estimates:

a) Fair value of financial instruments (including derivatives)

When the fair values of financial assets and liabilities cannot be determined based on prices from an active market, they are measured using valuation techniques based on mathematical models. When possible, the inputs to these models are derived from observable market data. However, when market data is not available, the exercise of judgment is required to determine fair value. Note 38 describes the fair value measurement methodologies for certain financial instruments.

b) Expected credit losses of financial assets

The Bank periodically reviews its financial assets portfolio to determine the value of expected credit losses to be recognized which requires judgment and the use of estimates. The process involves reviewing factors that may indicate a change in the risk profile of the Bank's loan balances or customers, which could negatively impact the expected cash flows.

The internal model developed for the calculation of impairment is based on the concept of expected credit losses, thus, all loans have an allowance for expected credit loss immediately on recognition and are monitored as the credit risk situation changes. The calculation requires that assets are grouped into 3 stages based on a quantitative and qualitative analyses of the credit risk.

The expected credit loss seeks to identify the losses that will occur in the next 12 months or that will occur during the life of the operation, considering a prospective view, encompassing the assessment of financial instruments in 3 stages, being subject to quantitative and qualitative analyzes for the appropriate framework. Financial instruments classified in the first stage are identified from the perspective of losses in the next 12 months, for those classified in the other stages, during the life of the operation.

The qualification stage is systematically reviewed considering the Bank's risk sensing processes, in order to capture changes in the characteristics of the instruments and their guarantees and in the client's behavioral information, which result in the worsening or mitigation of credit risk, carried out through prospective economic scenarios. These estimates are based on assumptions. Accordingly, actual results may vary, generating future reinforcements or reversals of losses.

Other information on the calculation methodology and assumptions used by the Bank for the evaluation of impairment losses on financial assets are disclosed in Note 3.j. The amounts recorded as expected credit losses are disclosed in Notes 18, 19, 21, 22 and 24.

In thousand of Reais, unless otherwise stated

c) Impairment of non-financial assets

At each reporting date, based on internal and external sources of information, the Bank determines if there are any indicators that a non-financial asset may be impaired. If an indicator does exist, the Bank calculates the asset's recoverable value. Losses recognized are subject to reversal in further periods, except for goodwill.

Regardless of whether there is an indicator of impairment, the Bank performs an annual impairment test for intangible assets with indefinite useful lives, including goodwill acquired in business combinations, and intangible assets not yet ready for use.

Determining the recoverable amount of non-financial assets requires Management to exercise judgment and make assumptions. These estimates are based on market prices, present value calculations, other pricing techniques, or a combination of these methods.

See Notes 3.n and 29 for additional information on this topic.

d) Income taxes

Income and gains generated by the Bank are subject to income taxes in the jurisdictions in which the Bank operates. The determination of income taxes requires interpretation and the use of estimates. In the ordinary course of business, the final amount of income tax payable is uncertain for many different types of transactions and calculations. In these cases, the use of different interpretations and estimates may have resulted in different tax amounts being recorded.

Brazilian tax authorities can review the calculations made by the Bank and its subsidiaries for up to five years subsequent to the date on which a tax becomes due. During this process, the tax authorities may question the procedures adopted by the Bank, mainly with respect to the interpretation of tax legislation. However, Management does not believe that any significant adjustments will be required to the income tax balances contained in these consolidated financial statements.

e) Recognition and evaluation of deferred taxes

Deferred tax assets are calculated on temporary differences and tax loss carryforwards. They are only recognized when the Bank expects to generate sufficient taxable income in the future to offset the amounts. The expected realization of the Bank's deferred tax assets is based on projections of future income and technical analyses in line with prevailing tax legislation (Note 36).

The Bank reviews the estimates involved in the recognition and valuation of deferred tax assets based on current expectations and projections about future events and trends. The most important assumptions affecting these estimates pertain to:

(i) changes in the amounts deposited, delinquencies and customer base;
(ii) changes in tax law;
(iii) changes in interest rates;
(iv) changes in inflation rates;
(v) legal disputes with an adverse impact on the Bank;
(vi) credit, market and other risks associated with lending and investing activities;
(vii) changes in the fair value of Brazilian securities, especially Brazilian government securities; and
(viii) changes in domestic and global economic conditions.

f) Pension plans and other employee benefits

The Bank sponsors defined contribution and defined benefit pension plans. Actuarial valuations for defined benefit plans are based on a series of assumptions, including:

(i) interest rates;
(ii) mortality tables;
(iii) annual rate applied to the revision of retirement benefits;
(iv) inflation index;
(v) annual salary adjustment; and
(vi) the method used to calculate vested benefit obligations for active employees.

In thousand of Reais, unless otherwise stated

g) Provisions (for loan commitments, guarantees provided and lawsuits), contingent liabilities and contingent assets

The Bank establishes a provision for expected credit losses arising from possible needs to honor obligations related to guarantees provided (off-balance sheet agreements). The same is done for credit limits granted, not yet used by customers. These amounts are recognized as expenses, with the recognition of a provision.

The calculation methodology for expected credit losses on guarantees provided and loan commitments uses the same parameters as the expected credit loss on financial assets.

Contingent liabilities for lawsuits are recognized in the consolidated financial statements when the risk of loss of a legal or administrative proceeding is considered probable, an outflow of financial resources will be required to settle the obligation and the amount of the loss can be reasonably estimated. The loss probability is based on the nature and complexity of the lawsuit, the opinion of legal advisors, Management's opinion and experience with similar cases. Lawsuits are evaluated when judicial notification is received and reviewed on a monthly basis, as follows:

Individual assessment: for cases considered unusual or whose value is considered significant, as determined by the Bank's legal counsel. The provision is based on the amount of the claim, probability of an unfavorable decision, evidence presented, legal precedents, other facts raised during the case, judicial decisions while the case is being heard and the classification and risk of losing legal motions.

Collective assessment: for cases that are similar and recurring in nature for which the amounts involved are not individually significant. Provisions are based on statistical data regarding the Bank's labor, tax and civil cases (except for labor claims filed by unions and cases considered strategic). In this category, the probable amount of the settlement may not exceed R$ 1 million, as determined by the Bank's legal advisors.

Contingent liabilities evaluated individually, for which the risk of loss is considered possible, are not recognized in the consolidated balance sheet. However, they must be disclosed in the notes to the financial statements. Claims for which the risk of loss is remote are neither provided for nor disclosed.

Contingent assets are not recognized in the financial statements. However, when it is virtually certain that they will be realized, usually when there has been a final judgment in a lawsuit and confirmation that the amount will be recoverable either through the receipt of funds or offset against a liability, they are recognized as assets.

In thousand of Reais, unless otherwise stated

5 – CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the Bank's branches and subsidiaries in Brazil and abroad. Significant account balances and transactions among the consolidated companies are eliminated. The following table demonstrates the Bank's ownership interest in the companies included in the consolidated financial statements by business segment.

	Activity	Country	% Total share	
			Dec 31, 2020	Dec 31, 2019
Banking segment				
Banco do Brasil AG	Banking	Austria	100%	100%
BB Leasing S.A. – Arrendamento Mercantil	Leasing	Brazil	100%	100%
BB Securities Asia Pte. Ltd.	Broker	Singapore	100%	100%
Banco do Brasil Securities LLC.	Broker	United States	100%	100%
BB Securities Ltd.	Broker	England	100%	100%
BB USA Holding Company, Inc.	Holding	United States	100%	100%
BB Cayman Islands Holding	Holding	Cayman Islands	100%	100%
Banco do Brasil Americas	Banking	United States	100%	100%
Banco Patagonia S.A.	Banking	Argentina	80.39%	80.39%
Investment segment				
BB Banco de Investimento S.A.	Investment bank	Brazil	100%	100%
Fund management segment				
BB Gestão de Recursos – Distribuidora de Títulos e Valores Mobiliários S.A.	Asset management	Brazil	100%	100%
BB Asset Management Ireland Limited	Asset management	Ireland	100%	100%
Besc Distribuidora de Títulos e Valores Mobiliários S.A. (1)	Asset management	Brazil	-	99.62%
Insurance, private pension and capitalization segment				
BB Seguridade Participações S.A. (2)	Holding	Brazil	66.36%	66.36%
BB Corretora de Seguros e Administradora de Bens S.A. (2)	Broker	Brazil	66.36%	66.36%
BB Seguros Participações S.A. (2)	Holding	Brazil	66.36%	66.36%
Payment methods segment				
BB Administradora de Cartões de Crédito S.A.	Service rendering	Brazil	100%	100%
BB Elo Cartões Participações S.A.	Holding	Brazil	100%	100%
Other segments				
Ativos S.A. Securitizadora de Créditos Financeiros	Credit acquisition	Brazil	100%	100%
Ativos S.A. Gestão de Cobrança e Recuperação de Crédito	Credit acquisition	Brazil	100%	100%
BB Administradora de Consórcios S.A.	Consortium	Brazil	100%	100%
BB Tur Viagens e Turismo Ltda.	Tourism	Brazil	100%	100%
BB Asset Ações Nordea Global Climate and Enviroment (3)	Investment fund	Brazil	100%	-
BB Tecnologia e Serviços S.A. (2)	IT	Brazil	99.99%	99.99%
BB Asset Multimercado Nordea Alpha 15 (3)	Investment fund	Brazil	99.55%	-
BB Asset Ações US Biotech BDR Nível I Fundo de Investimento (3)	Investment fund	Brazil	97.03%	-
BB Espelho Multimercado Canvas Vector (3)	Investment fund	Brazil	90.32%	-
BB Espelho Multimercado Occam Equity Hedge (3)	Investment fund	Brazil	84.87%	-
BB Espelho Ações Leblon (3)	Investment fund	Brazil	82.20%	-
Compesa Fundo de Investimento em Direitos Creditórios Cia. Pernambucana de Saneamento	Securitization	Brazil	75.41%	83.73%
BB Renda Fixa Longo Prazo Tesouro Inflação Curta (3)	Investment fund	Brazil	61.87%	-
BB Renda Fixa Longo Prazo Tesouro Prefixado (3)	Investment fund	Brazil	60.61%	-
BB Renda Fixa Longo Prazo Tesouro Inflação (3)	Investment fund	Brazil	59.42%	-
Dollar Diversified Payment Rights Finance Company (SPE)	Securitization	Cayman Islands	-	-
Loans Finance Company Limited (SPE)	Securitization	Cayman Islands	-	-

(1) Incorporated company on December 09, 2020 (Note 6).

(2) Refers to the percentage of the equity interest, considering the acquisition of shares by the invested entity held in treasury.

(3) Non-exclusive and open funds from the initial application of BB DTVM's own resources, destined for sale to external investors, the referred entity does not have the intention to substantially assume or retain risks and benefits in these investment funds, which the Bank consolidates only in the months when most of the shares are still held by BB DTVM.

In thousand of Reais, unless otherwise stated

a) Involvement with consolidated structured entities

The securitization vehicles and investment funds controlled by the Bank, directly or indirectly, are classified as consolidated structured entities. The voting or similar rights are not significant in deciding who controls the entity.

The Bank consolidates structured entities when it has power and current ability to direct the relevant activities, i.e. the activities that significantly affect their returns.

SPE Dollar

Organized under the laws of the Cayman Islands, this SPE has the following objectives:

- to issue and sell securities in the international market;
- to use the resources obtained from issuing securities to purchase rights to USD payment orders from the Bank. These payment orders are issued by banking correspondents located in the U.S. and the Bank's New York Branch to one of the Bank's branches in Brazil ("Rights on Consignment"); and
- to pay principal and interest on the outstanding securities and make other payments required by the securities contracts.

The SPE pays the obligations under the securities with USD funds received from the payment orders. The SPE has no material assets or liabilities other than rights and obligations under the securities contracts. The SPE has no subsidiaries or employees.

The SPE's authorized share capital is US$ 1,000.00, consisting of 1,000 common shares with a par value of US$ 1.00. All 1,000 common shares were issued to BNP Paribas Private Bank & Trust Cayman Limited in its capacity as the Trustee of Cayman Islands Charitable Trust. BNP Paribas Private Bank & Trust Cayman Limited is the SPE's sole shareholder. The Bank holds the "Rights on Consignment" and is the sole beneficiary of the funds obtained by the SPE. The Bank provides the SPE with additional funds so that it can pay the principal and interest on the outstanding securities.

SPE Loans

Organized under the laws of the Cayman Islands, this SPE has the following objectives:

- to raise funds through the issuance of securities in the international market;
- to enter into repurchase agreements with the Bank's Grand Cayman Branch to repass funds raised in the market; and
- to obtain protection against the risk of default by the Bank through acquisition of a credit default swap covering the Bank's obligations under the repurchase agreements.

The amounts, terms, currencies, rates and cash flows of the repurchase agreements are identical to those of the securities. The rights and income created from the repurchase agreements cover and match the obligations and expenses created by the securities. As a result, the SPE does not generate profit or loss. The SPE does not hold any assets and liabilities other those from the repurchase agreements, credit default swap and outstanding securities.

The SPE's paid-in capital is US$ 250.00, consisting of 250 common shares with a par value of US$ 1.00. All 250 shares were issued to Maples Corporate Services, the initial subscriber. They were then transferred to MaplesFS Limited, an exempt limited liability company incorporated in the Cayman Islands. MapleFS Limited is an independent provider of specialized fiduciary and fund services and is the SPE's sole shareholder. The Bank's Grand Cayman Branch is the only counterparty to the repurchase agreements.

In thousand of Reais, unless otherwise stated

Compesa

Securitization vehicle organized as a closed-end fund with a finite useful life (96 months). This vehicle allows for early settlement. Funds raised by the vehicle are used for the purchase of receivables (credit rights) and other financial assets.

The credit rights purchased are generated from water and sewage bills payable to Companhia Pernambucana de Saneamento (a public entity responsible for water supply and sewage treatment in the state of Pernambuco).

The vehicle's equity consists of 300 senior units and 15 subordinated units. Subordinated units do not have a fixed interest rate. Senior units have payment priority over subordinated units in amortizations or redemption.

On Dec 31, 2020, the Bank held all of the 300 senior units and none of the subordinated units.

b) Summarized financial information of the subsidiaries with participation of non-controlling interests (NCI)

Dec 31, 2020	BB Seguridade Participações S.A.	Banco Patagonia S.A.	BB Tecnologia e Serviços S.A.
Current assets	1,364,515	16,475,869	537,149
Non-current assets	6,169,311	2,084,016	117,871
Current liabilities	957,602	15,640,747	364,360
Non-current liabilities	106	118,128	-
Income	3,866,035	4,585,544	999,434
Net income	3,813,374	808,062	(119,881)
Comprehensive income	3,797,805	787,757	(119,881)
Dividends paid to NCI	906,749	125,125	-
Ownership interest held by NCI	33.64%	19.61%	-
Net income attributable to NCI	1,282,819	158,461	(13)
Accumulated shareholder NCI	2,212,206	549,278	28

Dec 31, 2019	BB Seguridade Participações S.A.	Banco Patagonia S.A.	Other [1]
Current assets	6,260,251	12,007,154	451,820
Non-current assets	5,715,637	1,050,292	111,918
Current liabilities	6,503,409	10,800,216	247,011
Non-current liabilities	103	239,539	-
Income	6,896,215	1,050,354	1,077,534
Net income	6,797,583	1,043,906	53,481
Comprehensive income	6,781,996	1,012,980	53,481
Dividends paid to NCI	1,873,132	118,706	-
Ownership interest held by NCI	33.64%	19.61%	-
Net income attributable to NCI	2,286,707	204,710	5
Accumulated shareholder NCI	1,840,907	395,669	65

(1) Accounting information related to companies BB Tecnologia e Serviços S.A. and Besc Distribuidora de Títulos e Valores Mobiliários S.A.

In thousand of Reais, unless otherwise stated

The Bank has also indirect ownership interest in BB Seguros Participações S.A. and BB Corretora de Seguros e Administradora de Bens S.A. These companies are subsidiaries of BB Seguridade Participações S.A., that owns all issued shares. The summarized financial information of these subsidiaries are presented below.

Dec 31, 2020	BB Seguros Participações S.A.	BB Corretora de Seg. e Adm. de Bens S.A.
Current assets	119,907	3,986,438
Non-current assets	6,371,530	439,302
Current liabilities	39,766	2,950,822
Non-current liabilities	339,980	1,428,011
Income	1,937,369	3,734,684
Net income	1,873,423	1,969,105
Comprehensive income	1,857,854	1,969,105

Dec 31, 2019	BB Seguros Participações S.A.	BB Corretora de Seg. e Adm. de Bens S.A.
Current assets	1,700,355	3,120,410
Non-current assets	5,067,466	914,051
Current liabilities	957,408	2,754,535
Non-current liabilities	1,699,901	1,233,019
Income	5,985,428	3,579,985
Net income	4,656,153	1,912,599
Comprehensive income	4,640,380	1,912,454

6 – ACQUISITIONS, DISPOSALS AND CORPORATE RESTRUCTURING

a) UBS A.G. Strategic partnership

On September 23, 2019, the Bank informed to the market that it signed a Memorandum of Understanding of a non-binding nature with UBS A.G. (UBS), establishing a strategic partnership to operate in investment banking and securities broker activities in the institutional segment in Brazil and in certain South American countries.

On November 6, 2019, the Bank published a Material Fact informing the signing of the Association Agreement with UBS with a binding nature, to operate in investment banking and securities broker activities in the institutional segment in Brazil and in certain South American countries.

On December 27, 2019, the Administrative Council for Economic Defense (Cade) approved, without restrictions, the strategic partnership, through the Concentration Act 08700.005886/2019-11. Bacen authorized this partnership on August 24, 2020.

On September 30, 2020, the Bank issued a Material Fact that BB-Banco de Investimento S.A. (BB-BI), its wholly-owned subsidiary, and UBS settled the definitive documents to start operating the strategic partnership in investment banking and securities brokerage activities in the institutional segment in Brazil, Argentina, Chile, Paraguay, Peru and Uruguay. All regulatory and contractual conditions for closing of the transaction were fulfilled.

The strategic partnership results in a new company and its subsidiaries, starting its operations as a complete investment banking platform, combining the Bank's relationship network in Brazil and its distribution capacity to individuals, with UBS's global distribution platform and expertise.

Governance and management of the new company are supported by a Shareholders' Agreement and an Operating Agreement, observing the best global practices in corporate governance and business management. Each shareholder appoint three members to the Board of Directors, with the Chairman appointed by the Bank and the Vice Chairman by UBS. The executive board is composed by professionals from the two shareholders and UBS appoints the Chief Executive Officer.

In thousand of Reais, unless otherwise stated

The Bank's corporate clients, in addition to the service and complete offering of corporate banking solutions, through the network of branches and specialized offices, now count with UBS's global reach platform, providing access to products and investment banking solutions and expansion of the offer of integrated solutions in these markets.

The Bank's investor clients, through the partnership, in addition to the current portfolio of products and services, also now have access to a variety of funding instruments and investments linked to the capital markets.

The common voting shares of the company is divided in the proportion of 50.01% for UBS and 49.99% for BB-BI. The Bank, through BB-BI, incorporated the right of access to corporate clients for prospecting and originating typical investment banking businesses. UBS integrated its investment bank operating platform in the region and securities brokerage in the domestic institutional segment.

The contribution of intangible assets to UBS Serviços shareholders' equity represented R$ 829,726 thousand, according to a technical report prepared by an independent company. On the other hand, for purpose of equalization of intended corporate shares, UBS Serviços handed to BB-BI R$ 145,000 thousand, in local currency, referring to the redemption, at book value, of 100% of the preferred shares by BB-BI. Consequently, BB-BI's current investment represents 49.99% of the new company's net equity, in the value of R$ 684,726 thousand.

The conclusion of the transaction did not impact the Bank's results as an unrealized result was recorded in the same amount of the recognition of capital gain as a counterpart of the registration of the initial investment in BB-BI. There is also a contractual commitment to exclusive access to the customer base that must be fulfilled by BB-BI over the 15 years of association. The impact on the result follows an accrual basis, as shown in the table below:

	Sep 30, 2020
1) Capital gain of BB-BI	829,726
2) Taxes	(373,377)
3) BB-BI income, net of taxes (1+2)	456,349
4) Unrealized profit (100% of item 3)	(456,349)
5) Impact on net income (3+4)	-

Accordingly, the amount recognized as unrealized income correspond to the full amount of the intangible asset contributed to UBS Serviços, net of tax effects, and will be realized in the same amortization schedule for that asset, which is equivalent to the term of the association. Other information is disclosed in Note 26.

b) Corporate reorganizations in the insurance, pension plans, capitalization and reinsurance businesses

IRB-Brasil Resseguros S.A. (IRB-Brasil RE)

On July 10, 2019, Banco do Brasil's Board of Directors oriented the Bank's representatives on the Board of BB Seguridade Participações S.A. to initiate a secondary public offering with restricted efforts relating to 15.23% of common shares issued by IRB-Brasil RE, that are held by BB Seguros Participações S.A. (BB Seguros), a wholly-owned subsidiary of BB Seguridade Participações S.A.

On July 19, 2019, the Bank informed that it was established the value per share of R$ 88.00, within the scope of secondary public offering with restricted efforts of shares issued by IRB-Brasil RE. On July 23, 2019, the offer was effectively settled with the delivery of shares to the respective investors and the concomitant receipt of R$ 4,181 million by BB Seguros for the sale of shares.

	Jul 23, 2019
Disposal value	4,181,000
Carrying amount of IRB investment	(582,653)
Gain recorded on disposal	3,598,347

In thousand of Reais, unless otherwise stated

Ciclic Corretora de Seguros S.A.

On August 10, 2018, after the approvals by the regulatory agencies of Brazil, BB Corretora de Seguros and Administradora de Bens S.A. (BB Corretora) – a wholly owned subsidiary of BB Seguridade – and PFG do Brasil 2 Participações Ltda. (PFG2) – a subsidiary of PFG do Brasil Ltda.– signed the Shareholders' Agreement (Agreement). The Agreement is effective until October 27, 2032, for joint action focused initially on distribution of private pension products via digital channels, through Ciclic Corretora de Seguros S.A. (Ciclic).

Following the signing of Agreement, Ciclic's capital increase in the amount of R$ 26,997,600,00 was made through the issuance of 13,498,300 new common shares and 13,499,300 new preferred shares. BB Corretora contributed R$ 20,247,600.00 for the acquisition of 6,748,300 common shares and 13,499,300 preferred shares. Considering the capital increase and acquisition of shares by BB Corretora, Ciclic's total capital is composed of 26,998,600 shares, divided as follows:

	Common shares		Preferred shares		Total	
	Quantity	%	Quantity	%	Quantity	%
BB Corretora de Seguros e Administradora de Bens S.A.	6,748,300	49.990	13,499,300	100.000	20,247,600	74.995
PFG do Brasil 2 Participações Ltda.	6,751,000	50.010	-	-	6,751,000	25.005
Total	**13,499,300**	**100.000**	**13,499,300**	**100.000**	**26,998,600**	**100.000**

BB Mapfre Group – partnership restructuring agreement

On June 26, 2018, the Bank disclosed a material fact that the Board of Directors had approved a partnership restructuring agreement wih BB Mapfre Group. On November 30, 2018, BB concluded the partnership restructuring of BB Seguros and Mapfre Brasil Participações S.A. (Mapfre Brasil).

Jointly with BB Seguridade and BB Seguros, BB signed a binding Partnership Restructuring Agreement (Agreement) with Mapfre S.A., Mapfre Internacional S.A. and Mapfre Brasil, which resulted in a corporate reorganization as follows:

(i) incorporation by Mapfre BB SH2 Participações S.A. (SH2) of all the shares representing the share capital of Mapfre Vida S.A., through a partial division of BB Mapfre SH1 Participações (SH1);
(ii) incorporation by SH1 of all the shares representing the share capital of Aliança do Brasil Seguros S.A. (ABS), through a partial division of SH2.

After these corporate acts, BB Seguros sold to Mapfre Brasil the totality of its investment in SH2 for R$ 2.4 billion, which was reduced by dividends and interest on own capital distributed. After these deductions, BB Seguros received from Mapfre the amount of R$ 2.3 billion.

c) Corporate Restructuring BB–BI and BB Elo

On January 18, 2019, the Bank informed that its Board of Directors approved the partial spin-off of BB Banco de Investimento S.A. (BB BI) equity, related to Cielo S.A. (Cielo) and the transfer of the spun-off party to BB Elo Cartões Participações S.A. (BB Elo).

The corporate movement intends to promote the centralization of eletronic payments investments under a single holding company, BB Elo, in order to be aligned with the strategy of simplifying Banco do Brasil's corporate organization.

On June 28, 2019, the interest in Cielo was transferred to BB Elo. Residual effect was recognized in the income of the companies.

In thousand of Reais, unless otherwise stated

d) Banco Patagonia – transfer of shares

On September 06, 2018, the transfer of 154,014,912 shares from Banco Patagonia's non–controlling shareholders to the Bank was effected.

Consequently, the Bank became the holder of 578,116,870 Class B common shares and it recognizes 80.3894% of Banco Patagonia earnings.

	Sep 06, 2018
Net assets attributable to the non-controlling shareholders	474,033
Amount paid for the shares acquisition	(839,454)
Recognized in equity and attributable to the shareholders of the Bank	**(365,421)**

e) Bescval – Incorporation

On December 09, 2020, according to Extraordinary General Meetings (EGMs) held on the same date, by the shareholders of Banco do Brasil and Besc Distribuidora de Títulos e Valores Mobiliários S.A. (Bescval), the Bank incorporated the subsidiary Bescval.

The merger of Bescval aimed to rationalize and simplify the Bank's corporate structure and, consequently, consolidate and reduce combined costs and operating expenses.

As a result of the approval of the merger by the EGMs, Bescval is extinguished by right, as of this date, with a complete version of its assets for the Bank, which will succeed and absorb, in a universal manner and for all legal purposes, all assets, rights, obligations, liabilities of the merged company.

As a result, the Incorporator's share capital increased by R$ 23 thousand, due to the issuance of 425 new common shares, with no par value, already considering the applicable fractions to be attributed to the minority shareholders of Bescval (corresponding to its minority shareholders' equity in Bescval's shareholders' equity, calculated considering the book value of the company incorporated on June 30, 2020).

The issuance of the new shares will be preceded by the cancellation of an equal number of treasury stocks issued and held by the Bank, in order to avoid diluting the holdings of the current shareholders of the Bank and the change in the total number of shares representing the Bank's capital stock as informed in its Bylaws.

Bescval shares owned by the Bank will be extinguished. The incorporation will be submitted, under the terms of the legislation in force, to the approval of the Brazilian Central Bank.

Incorporated balances

	Dec 09, 2020
Total assets	5,925
Total liabilities	1
Total shareholder's equity	5,924

In thousand of Reais, unless otherwise stated

7 – OPERATING SEGMENTS

The segment information was prepared based on internal reports used by the Bank's Executive Board to assess performance and make decisions about the allocation of funds for investment and other purposes. The framework also takes into account the regulatory environment and similarities between goods and services.

The Bank's operations are divided into five segments: banking, investments, fund management, insurance (including insurance, private pension funds and capitalization) and electronic payments. The Bank also engages in other activities, including its consortium business and operational support services (aggregated in "Other").

Management (and the Chief Operating Decision Maker) use accounting information prepared in accordance with the laws, standards and accounting practices (recognition and measurement) applicable to financial institutions in Brazil, as determined by Bacen, to evaluate performance and allocate resources. As a result, the Bank presents its segment results in accordance with these standards, which it refers to internally as the 'consolidated managerial' financial information.

The following accounting policies and estimates used to prepare the segment information represent the main differences with IFRS accounting principles (as described in the Summary of significant accounting policies):

- the recognition of impairment on loans to customers is based on an expected loss model, which considers regulatory guidelines defined by Bacen. Loans to customers are classified in buckets representing increased risk, ranging from AA (low risk) to H (high risk). The allowance amount is calculated each month based on minimum provisioning percentages defined by Bacen. These percentages range from 0% (AA loans) to 100% (H loans);
- fee and commission income from the origination of customer loans is recognized on a cash basis;
- goodwill and gains from bargain purchase are measured by the difference between the consideration paid and book value of the acquired shares. The amount is amortized when based on expected future profitability; and
- changes in proportion of non-controlling equity interests results in gains or losses upon a disposal of the equity interest of the Bank;

The segments operate through separate legal entities or groups of legal entities. The segment information includes all of the revenue and expenses as well as all assets and liabilities of companies included in the segment, as shown in Note 5 and Note 26. No revenue or expenses are allocated between the segments.

Inter-segment transactions are conducted at the same terms and conditions as those practiced with unrelated parties for similar transactions. These transactions do not involve any unusual payment risks.

None of the Bank's customers individually account for more than 10% of the Bank's interest income.

a) Banking

This segment is responsible for the most significant portion of the Bank's results, primarily from the operations in Brazil. It includes a wide array of products and services, including deposits, loans and other services provided to customers through different distribution channels.

The banking segment's activities include transactions in the retail, wholesale and public sectors, which are carried out by its network and customer service teams. It also engages in business with micro-entrepreneurs and other activities through its banking correspondents.

In thousand of Reais, unless otherwise stated

b) Investments

This segment engages in the structuring and distribution of debt and equity instruments in Brazil's primary and secondary capital markets, in addition to providing other financial services.

Net interest income in this segment is based on accrued interest on investment securities less expenses from third party funding costs. Non-interest income is derived from economic/financial advisory services from underwriting fixed and variable income securities and the provision of services to associated companies.

c) Fund management

This segment is involved in the purchase, sale and custody of securities, portfolio management and the structuring, organization and management of investment funds and clubs. Income consists mainly of commissions and management fees charged to investors for services provided.

d) Insurance

This segment offers products and services related to life, property and automobile insurance, private pension and capitalization plans.

Income in this segment consists mostly of commissions and fees, insurance premium revenue, contributions to private pension plans and capitalization bonds, and investments in securities. These amounts are offset by selling costs, technical insurance provisions and expenses related to benefits and redemptions.

e) Electronic payments

This segment provides capture, transmission, processing and financial settlement services for electronic payment transactions (credit and debit cards). Revenue comes from commissions and management fees charged to businesses and financial institutions in exchange for services provided.

f) Other

This segment consists of the operational support services and consortium business, neither of which is individually significant. Revenue is generated mainly from the provision of services not provided by the other segments, including: credit recovery; consortium management; development, manufacturing, sale, rental and integration of digital electronic systems, peripherals, programs, inputs and computing supplies; airline ticket sales; lodging; and the organization of events.

In thousand of Reais, unless otherwise stated

g) Financial information by reportable segment reconciliated with the consolidated IFRS results

	2020									
	Banking	Investments	Fund management	Insurance and related	Electronic payments	Other	Intersegment transactions	Consolidated management statement	Adjustments	Consolidated IFRS
Interest income	96,115,799	61,230	33,551	124,293	113,602	1,116,950	(384,782)	97,180,643	1,479,061	98,659,704
Interest expense	(41,017,443)	(49,139)	-	-	-	(225,248)	384,125	(40,907,705)	(2,324,415)	(43,232,120)
Net interest income	**55,098,356**	**12,091**	**33,551**	**124,293**	**113,602**	**891,702**	**(657)**	**56,272,938**	**(845,354)**	**55,427,584**
Expected losses	(20,027,089)	-	-	-	-	-	(49)	(20,027,138)	339,718	(19,687,420)
Net interest income after expected losses	**35,071,267**	**12,091**	**33,551**	**124,293**	**113,602**	**891,702**	**(706)**	**36,245,800**	**(505,636)**	**35,740,164**
Non-interest income	**15,430,844**	**612,960**	**2,936,214**	**5,604,018**	**937,374**	**2,534,796**	**(1,351,581)**	**26,704,625**	**(334,184)**	**26,370,441**
Net commissions and fee income	13,908,197	326,304	2,971,891	3,692,039	38,129	2,421,886	(856,469)	22,501,977	164,364	22,666,341
Net gains/(losses) from financial instruments	3,437,677	249,112	(52,361)	-	131	(441)	-	3,634,118	(1,747,854)	1,886,264
Net gains from equity method investments	518,734	16,729	-	1,889,634	685,304	-	-	3,110,401	(788,480)	2,321,921
Other operating income	(2,433,764)	20,815	16,684	22,345	213,810	113,351	(495,112)	(2,541,871)	2,037,786	(504,085)
Non-interest expenses	**(47,823,890)**	**(155,618)**	**(392,679)**	**(826,330)**	**(31,973)**	**(2,251,180)**	**1,352,287**	**(50,129,383)**	**(404,219)**	**(50,533,602)**
Personnel expenses	(21,339,110)	(47,441)	(110,357)	(63,871)	(5,039)	(356,862)	4,320	(21,918,360)	230,048	(21,688,312)
Administrative expenses	(8,909,289)	(35,080)	(29,941)	(245,915)	(1,550)	(547,566)	1,034,364	(8,734,977)	1,313,118	(7,421,859)
Contributions, fees and other taxes	(4,097,242)	(49,122)	(215,001)	(438,252)	(22,017)	(358,426)	-	(5,180,060)	11,978	(5,168,082)
Amortization of intangible assets	(1,804,604)	-	-	-	-	(3,168)	-	(1,807,772)	160	(1,807,612)
Labor, tax and civil claims	(5,777,823)	20	(963)	(361)	3	(268,342)	56,278	(5,991,188)	249,163	(5,742,025)
Depreciation	(1,300,602)	-	-	(8)	-	(19,096)	-	(1,319,706)	(1,086,676)	(2,406,382)
Other operating expenses	(4,595,220)	(23,995)	(36,417)	(77,923)	(3,370)	(697,720)	257,325	(5,177,320)	(1,122,010)	(6,299,330)
Income before taxes	**2,678,221**	**469,433**	**2,577,086**	**4,901,981**	**1,019,003**	**1,175,318**	**-**	**12,821,042**	**(1,244,039)**	**11,577,003**
Income taxes	**4,270,683**	**(201,791)**	**(1,032,409)**	**(1,041,867)**	**(137,439)**	**(404,312)**	**-**	**1,452,865**	**263,015**	**1,715,880**
Current	(695,497)	(264,036)	(1,031,644)	(1,044,161)	(51,973)	(526,404)	-	(3,613,715)	22,698	(3,591,017)
Deferred	4,966,180	62,245	(765)	2,294	(85,466)	122,092	-	5,066,580	240,317	5,306,897
Net income	**6,948,904**	**267,642**	**1,544,677**	**3,860,114**	**881,564**	**771,006**	**-**	**14,273,907**	**(981,024)**	**13,292,883**
Attributable to shareholders of the Bank	6,670,781	267,642	1,544,677	2,561,703	881,564	771,018	-	12,697,385	(845,769)	11,851,616
Attributable to non-controlling interests	278,123	-	-	1,298,411	-	(12)	-	1,576,522	(135,255)	1,441,267
Total assets	**1,724,278,700**	**3,320,400**	**2,690,311**	**10,046,867**	**10,046,244**	**9,744,402**	**(34,455,036)**	**1,725,671,888**	**(31,877,885)**	**1,693,794,003**
Total liabilities	**1,598,764,392**	**2,495,260**	**1,477,012**	**4,308,482**	**653,168**	**7,842,889**	**(16,840,424)**	**1,598,700,779**	**(32,768,060)**	**1,565,932,719**
Total equity	**125,514,308**	**825,140**	**1,213,299**	**5,738,385**	**9,393,076**	**1,901,513**	**(17,614,612)**	**126,971,109**	**890,175**	**127,861,284**

In thousand of Reais, unless otherwise stated

	2019									
	Banking	Investments	Fund management	Insurance and related	Electronic payments	Other	Intersegment transactions	Consolidated management statement	Adjustments	Consolidated IFRS
Interest income	125,985,121	44,104	59,925	16,758,671	190,296	968,225	(704,381)	143,301,961	(20,196,636)	123,105,325
Interest expense	(70,555,291)	(149,667)	-	-	(32,829)	(205,572)	705,270	(70,238,089)	931,793	(69,306,296)
Net interest income	**55,429,830**	**(105,563)**	**59,925**	**16,758,671**	**157,467**	**762,653**	**889**	**73,063,872**	**(19,264,843)**	**53,799,029**
Expected losses	(18,850,488)	-	-	-	-	-	(4,339)	(18,854,827)	(1,092,743)	(19,947,570)
Net interest income after expected losses	**36,579,342**	**(105,563)**	**59,925**	**16,758,671**	**157,467**	**762,653**	**(3,450)**	**54,209,045**	**(20,357,586)**	**33,851,459**
Non-interest income	**23,424,524**	**1,211,190**	**2,564,652**	**10,942,075**	**4,416,764**	**2,226,802**	**(1,607,996)**	**43,178,011**	**(4,282,395)**	**38,895,616**
Net commissions and fee income	15,340,582	1,061,342	2,553,190	3,228,567	3,430,117	2,294,490	(1,397,587)	26,510,701	(2,793,908)	23,716,793
Net gains/(losses) from financial assets/liabilities	1,191,851	16,315	(5,015)	(170,840)	12,367	-	135,494	1,180,172	(668,797)	511,375
Net income from equity method investments	180,948	107,555	-	86,080	75,517	-	-	450,100	3,594,313	4,044,413
Income from insurance contracts and private pension plans	-	-	-	4,089,735	-	-	228,275	4,318,010	(4,318,010)	-
Other operating income	6,711,143	25,978	16,477	3,708,533	898,763	(67,688)	(574,178)	10,719,028	(95,993)	10,623,035
Non-interest expenses	**(60,520,201)**	**(411,921)**	**(345,754)**	**(17,781,106)**	**(2,928,486)**	**(1,689,039)**	**1,611,446**	**(82,065,061)**	**20,457,498**	**(61,607,563)**
Personnel expenses	(23,223,629)	(60,221)	(103,322)	(368,504)	(208,986)	(365,500)	6,636	(24,323,526)	1,525,549	(22,797,977)
Administrative expenses	(11,347,114)	(35,512)	(24,868)	(591,785)	(668,691)	(611,290)	1,393,542	(11,885,718)	4,362,667	(7,523,051)
Contributions, fees and other taxes	(4,113,880)	(91,295)	(176,884)	(810,425)	(479,046)	(338,990)	27	(6,010,493)	1,007,787	(5,002,706)
Amortization of intangible assets	(1,652,891)	-	-	(47,472)	(35,096)	(3,843)	-	(1,739,302)	112,055	(1,627,247)
Labor, tax and civil claims	(11,523,939)	93	(185)	(10,889)	(24,991)	(27,998)	-	(11,587,909)	(217,324)	(11,805,233)
Depreciation	(1,240,718)	-	-	(15,110)	(63,050)	(19,786)	231	(1,338,433)	(1,020,721)	(2,359,154)
Other operating expenses (1)	(7,418,030)	(224,986)	(40,495)	(15,936,921)	(1,448,626)	(321,632)	211,010	(25,179,680)	14,687,485	(10,492,195)
Income before taxes	**(516,335)**	**693,706**	**2,278,823**	**9,919,640**	**1,645,745**	**1,300,416**	**-**	**15,321,995**	**(4,182,483)**	**11,139,512**
Income taxes	**10,820,797**	**(256,485)**	**(901,393)**	**(3,388,902)**	**(500,741)**	**(451,337)**	**-**	**5,321,939**	**2,426,867**	**7,748,806**
Current	(996,992)	(294,674)	(901,662)	(3,388,630)	(452,346)	(442,931)	-	(6,477,235)	1,487,400	(4,989,835)
Deferred	11,817,789	38,189	269	(272)	(48,395)	(8,406)	-	11,799,174	939,467	12,738,641
Net income	**10,304,462**	**437,221**	**1,377,430**	**6,530,738**	**1,145,004**	**849,079**	**-**	**20,643,934**	**(1,755,616)**	**18,888,318**
Attributable to shareholders of the Bank	10,059,992	437,221	1,377,430	4,293,348	1,145,004	849,072	-	18,162,067	(1,765,171)	16,396,896
Attributable to non-controlling interests	244,470	-	-	2,237,390	-	7	-	2,481,867	9,555	2,491,422
Total assets	**1,511,586,824**	**2,864,288**	**2,143,640**	**248,292,253**	**35,483,416**	**7,715,727**	**(41,784,728)**	**1,766,301,420**	**(314,034,613)**	**1,452,266,807**
Total liabilities	**1,403,953,252**	**2,409,171**	**2,003,996**	**243,703,864**	**26,449,532**	**6,127,021**	**(26,910,310)**	**1,657,736,526**	**(315,441,098)**	**1,342,295,428**
Total shareholders' equity	**107,633,572**	**455,117**	**139,644**	**4,588,389**	**9,033,884**	**1,588,706**	**(14,874,418)**	**108,564,894**	**1,406,485**	**109,971,379**

(1) It mainly includes technical insurance provisions in the Insurance and related segment.

In thousand of Reais, unless otherwise stated

	2018									
	Banking	Investments	Fund management	Insurance and related	Electronic payments	Other	Intersegment transactions	Consolidated management statement	Adjustments	Consolidated IFRS
Interest income	124,746,777	32,445	60,361	12,523,334	209,151	772,602	(691,273)	137,653,397	(17,403,053)	120,250,344
Interest expense	(72,708,782)	(239,769)	-	-	(18,737)	(154,084)	712,857	(72,408,515)	2,871,541	(69,536,974)
Net interest income	**52,037,995**	**(207,324)**	**60,361**	**12,523,334**	**190,414**	**618,518**	**21,584**	**65,244,882**	**(14,531,512)**	**50,713,370**
Expected losses	(15,560,695)	-	-	-	(647)	-	(4,021)	(15,565,363)	2,941,512	(12,623,851)
Net interest income after expected losses	**36,477,300**	**(207,324)**	**60,361**	**12,523,334**	**189,767**	**618,518**	**17,563**	**49,679,519**	**(11,590,000)**	**38,089,519**
Non-interest income	**24,641,968**	**1,344,307**	**2,338,576**	**7,546,934**	**5,120,296**	**2,061,357**	**(2,572,721)**	**40,480,717**	**(6,502,573)**	**33,978,144**
Net commissions and fee income	16,208,960	884,364	2,334,919	2,649,579	4,295,168	2,010,668	(1,477,261)	26,906,397	(4,924,534)	21,981,863
Net gains/(losses) from financial assets/liabilities	1,075,496	107,884	(3,695)	(117,389)	11	(26,098)	109,936	1,146,145	(90,491)	1,055,654
Net income from equity method investments	138,754	110,210	-	522,714	74,639	-	-	846,317	2,692,001	3,538,318
Income from insurance contracts and private pension plans	-	-	-	4,577,145	-	-	180,717	4,757,862	(4,757,862)	-
Other operating income	7,218,758	241,849	7,352	(85,115)	750,478	76,787	(1,386,113)	6,823,996	578,313	7,402,309
Non-interest expenses	**(52,475,716)**	**(346,459)**	**(323,905)**	**(13,686,829)**	**(3,225,045)**	**(1,605,605)**	**2,555,158**	**(69,108,401)**	**17,454,937**	**(51,653,464)**
Personnel expenses	(21,196,878)	(57,957)	(99,045)	(469,456)	(237,772)	(378,557)	10,706	(22,428,959)	1,336,338	(21,092,621)
Administrative expenses	(11,345,133)	(21,505)	(25,959)	(637,817)	(587,306)	(618,220)	1,491,742	(11,744,198)	2,363,167	(9,381,031)
Contributions, fees and other taxes	(4,333,761)	(81,812)	(163,184)	(776,165)	(536,807)	(299,553)	55	(6,191,227)	1,114,379	(5,076,848)
Amortization of intangible assets	(1,812,914)	-	-	(69,608)	(35,417)	(3,134)	-	(1,921,073)	64,812	(1,856,261)
Labor, tax and civil claims	(5,494,889)	(145)	(508)	(18,842)	(21,360)	(7,667)	-	(5,543,411)	105,738	(5,437,673)
Depreciation	(1,191,778)	-	-	(19,022)	(95,289)	(18,385)	135	(1,324,339)	128,431	(1,195,908)
Other operating expenses [(1)]	(7,100,363)	(185,040)	(35,209)	(11,695,919)	(1,711,094)	(280,089)	1,052,520	(19,955,194)	12,342,072	(7,613,122)
Income before taxes	**8,643,552**	**790,524**	**2,075,032**	**6,383,439**	**2,085,018**	**1,074,270**	**-**	**21,051,835**	**(637,636)**	**20,414,199**
Income taxes	**(2,243,413)**	**(313,733)**	**(922,490)**	**(2,320,631)**	**(674,765)**	**(318,928)**	**-**	**(6,793,960)**	**1,465,862**	**(5,328,098)**
Current	(518,228)	(374,333)	(922,895)	(2,312,292)	(654,795)	(322,557)	-	(5,105,100)	1,800,883	(3,304,217)
Deferred	(1,725,185)	60,600	405	(8,339)	(19,970)	3,629	-	(1,688,860)	(335,021)	(2,023,881)
Net income	**6,400,139**	**476,791**	**1,152,542**	**4,062,808**	**1,410,253**	**755,342**	**-**	**14,257,875**	**828,226**	**15,086,101**
Attributable to shareholders of the Bank	6,179,807	476,791	1,152,542	2,887,292	1,410,253	755,341	-	12,862,026	963,968	13,825,994
Attributable to non-controlling interests	220,332	-	-	1,175,516	-	1	-	1,395,849	(135,742)	1,260,107
Total assets	**1,460,804,980**	**7,682,173**	**1,814,912**	**221,939,753**	**31,507,353**	**5,690,715**	**(41,922,169)**	**1,687,517,717**	**(291,010,243)**	**1,396,507,474**
Total liabilities	**1,360,040,394**	**4,512,255**	**1,676,276**	**215,587,600**	**23,093,840**	**4,163,640**	**(23,809,170)**	**1,585,264,835**	**(293,297,332)**	**1,291,967,503**
Total shareholders' equity	**100,764,586**	**3,169,918**	**138,636**	**6,352,153**	**8,413,513**	**1,527,075**	**(18,112,999)**	**102,252,882**	**2,287,089**	**104,539,971**

(1) Mainly it includes technical insurance provisions in the Insurance and related segment.

In thousand of Reais, unless otherwise stated

h) Geographical information

	Brazil	Other countries			Total
	2020	Before eliminations	Eliminations	After eliminations	2020
Assets	1,574,577,762	321,544,464	(202,328,223)	119,216,241	1,693,794,003
Income	119,104,820	20,077,447	(14,152,122)	5,925,325	125,030,145
Expenses (including income tax)	(103,377,752)	(15,734,730)	7,375,220	(8,359,510)	(111,737,262)
Income/(loss) before taxes	15,411,214	2,942,691	(6,776,902)	(3,834,211)	11,577,003
Net income/(loss)	15,727,068	4,342,717	(6,776,902)	(2,434,185)	13,292,883

	Brazil	Other countries			Total
	2019	Before eliminations	Eliminations	After eliminations	2019
Assets	1,363,572,695	290,799,122	(202,105,010)	88,694,112	1,452,266,807
Income	152,344,726	21,032,003	(11,375,788)	9,656,215	162,000,941
Expenses (including income tax)	(131,200,267)	(16,547,162)	4,634,806	(11,912,356)	(143,112,623)
Income/(loss) before taxes	12,825,446	5,055,048	(6,740,982)	(1,685,934)	11,139,512
Net income/(loss)	21,144,459	4,484,841	(6,740,982)	(2,256,141)	18,888,318

	Brazil	Other countries			Total
	2018	Before eliminations	Eliminations	After eliminations	2018
Assets	1,310,887,726	278,615,783	(192,996,035)	85,619,748	1,396,507,474
Income	147,069,669	17,651,964	(10,493,145)	7,158,819	154,228,488
Expenses (including income tax)	(129,034,107)	(16,133,452)	6,025,172	(10,108,280)	(139,142,387)
Income/(loss) before taxes	22,727,727	2,154,445	(4,467,973)	(2,313,528)	20,414,199
Net income/(loss)	18,035,562	1,518,512	(4,467,973)	(2,949,461)	15,086,101

Income consists of both interest and non-interest income. Expenses consist of interest expense, expected for credit losses, non-interest expense and income taxes.

From the overseas operations, the branches and subsidiaries located in South and Central America provided the majority of the income and most parts of the assets. Assets abroad are mainly monetary and derived from loans to customers and loans to other financial institutions.

In thousand of Reais, unless otherwise stated

i) Non-current assets and investments in associates and joint ventures

	Dec 31, 2020						
	Banking	Investments	Fund management	Insurance and related	Electronic payments	Other	Consolidated IFRS
Investments in associates and joint ventures	**6,142,631**	**66,188**	**-**	**6,280,534**	**5,417,457**	**-**	**17,906,810**
Non-current assets [(1)]	**17,371,816**	**-**	**-**	**5,535**	**-**	**123,321**	**17,500,672**
Property and equipment	11,167,829	-	-	54	-	107,722	11,275,605
Intangible	6,203,987	-	-	5,481	-	15,599	6,225,067

	Dec 31, 2019						
	Banking	Investments	Fund management	Insurance and related	Electronic payments	Other	Consolidated IFRS
Investments in associates and joint ventures	**5,575,556**	**79,333**	**-**	**5,117,346**	**6,584,791**	**57,787**	**17,414,813**
Non-current assets [(1)]	**17,276,542**	**-**	**-**	**5,945**	**-**	**113,142**	**17,395,629**
Property and equipment	11,377,619	-	-	44	-	97,417	11,475,080
Intangible	5,898,923	-	-	5,901	-	15,725	5,920,549

(1) Other than financial instruments, deferred tax assets, employee benefit assets and rights arising under insurance contracts.

In thousand of Reais, unless otherwise stated

j) Income by segments

	2020					
	Banking	Investments	Fund management	Insurance and related	Electronic payments	Other
Interest income	**96,115,799**	**61,230**	**33,551**	**124,293**	**113,602**	**1,116,950**
External customers income	96,066,218	60,546	371	20,985	101,450	931,025
Intersegments income	49,581	684	33,180	103,308	12,152	185,925
Non-interest income	**15,430,844**	**612,960**	**2,936,214**	**5,604,018**	**937,374**	**2,534,796**
External customers income	14,929,817	608,863	2,935,763	5,604,018	937,374	1,454,299
Intersegments income	501,027	4,097	451	-	-	1,080,497

	2019					
	Banking	Investments	Fund management	Insurance and related	Electronic payments	Other
Interest income	**125,985,121**	**44,104**	**59,925**	**16,758,671**	**190,296**	**968,225**
External customers income	125,833,190	42,309	395	16,491,338	173,136	758,296
Intersegments income	151,931	1,795	59,530	267,333	17,160	209,929
Non-interest income	**23,424,524**	**1,211,190**	**2,564,652**	**10,942,075**	**4,416,764**	**2,226,802**
External customers income	22,493,989	960,490	2,529,250	10,934,343	4,416,640	1,129,453
Intersegments income	930,535	250,700	35,402	7,732	124	1,097,349

	2018					
	Banking	Investments	Fund management	Insurance and related	Electronic payments	Other
Interest income	**124,746,777**	**32,445**	**60,361**	**12,523,334**	**209,151**	**772,602**
External customers income	124,505,668	31,466	-	12,329,315	182,418	587,902
Intersegments income	241,109	979	60,361	194,019	26,733	184,700
Non-interest income	**24,641,968**	**1,344,307**	**2,338,576**	**7,546,934**	**5,120,296**	**2,061,357**
External customers income	23,194,633	957,667	2,303,342	7,530,307	5,114,131	1,006,125
Intersegments income	1,447,335	386,640	35,234	16,627	6,165	1,055,232

In thousand of Reais, unless otherwise stated

8 – NET INTEREST INCOME

	2020	2019	2018
Interest income	**98,659,704**	**123,105,325**	**120,250,344**
Loans to customers	69,213,609	73,597,648	73,304,263
Securities purchased under resale agreements	13,248,440	27,657,735	26,452,231
Financial assets at fair value through other comprehensive income	8,541,053	11,412,939	8,469,106
Securities at amortized cost	1,402,845	1,126,959	1,681,817
Compulsory deposits with Brazilian Central Bank	1,324,262	2,371,998	2,606,636
Loans to financial institutions	737,090	842,650	765,961
Financial assets at fair value through profit or loss	507,818	247,628	874,020
Other interest income (1)	3,684,587	5,847,768	6,096,310
Interest expense	**(43,232,120)**	**(69,306,296)**	**(69,536,974)**
Liabilities from issuance of securities and other financial liabilities	(14,496,151)	(17,751,135)	(18,731,568)
Securities sold under repurchase agreements	(13,847,742)	(27,514,858)	(27,556,890)
Deposits of clients	(13,785,459)	(22,584,933)	(22,089,292)
Amount payable to financial institutions	(805,493)	(1,119,769)	(1,159,224)
Lease liabilities	(297,275)	(335,601)	-
Net interest income	**55,427,584**	**53,799,029**	**50,713,370**

(1) It includes interest income with guarantee deposits and with National Treasury bonds and credits.

9 – NET COMMISSIONS AND FEE INCOME

	2020	2019	2018
Services rendered to customers	**13,200,559**	**14,481,931**	**13,633,566**
Account fee	7,208,387	7,466,858	6,979,843
Card income	2,021,661	2,089,295	1,941,733
Billing	1,392,807	1,332,179	1,289,880
Collection	967,107	1,108,186	1,116,250
Loans and customer information file	641,383	1,004,394	1,027,063
Capital market income	505,314	974,894	787,914
Foreign exchange	157,167	223,763	231,696
Interbank and funds transfer	127,586	149,748	145,103
Other	179,147	132,614	114,084
Asset management	**8,644,682**	**8,017,700**	**7,571,523**
Commissions	**3,985,103**	**3,802,332**	**3,219,159**
Insurance distribution	3,344,068	3,136,661	2,713,769
Capitalization distribution	428,922	444,089	332,154
Pension plans distribution	212,113	221,582	173,236
Guarantees provided	**93,933**	**111,173**	**171,314**
Other services	**1,325,895**	**1,654,973**	**1,531,977**
Commissions and fee income	**27,250,172**	**28,068,109**	**26,127,539**
Commissions and fee expense	**(4,583,831)**	**(4,351,316)**	**(4,145,676)**
Service rendering	(4,310,466)	(4,069,682)	(3,889,592)
Commission expense	(1,765)	(6,663)	(8,023)
Other services	(271,600)	(274,971)	(248,061)
Net commissions and fee income	**22,666,341**	**23,716,793**	**21,981,863**

In thousand of Reais, unless otherwise stated

10 – NET GAINS/(LOSSES) FROM FINANCIAL INSTRUMENTS AT FAIR VALUE

	2020	2019	2018
Fair value through profit or loss	**3,621,737**	**668,038**	**650,202**
Derivative financial instruments	3,302,448	536,175	618,027
Other financial instruments	319,289	131,863	32,175
Fair value through other compreensive income	**(1,735,473)**	**(156,663)**	**405,452**
Debt instruments	(1,735,473)	(156,663)	406,752
Equity instruments	-	-	(1,300)
Total	**1,886,264**	**511,375**	**1,055,654**

11 – NET INCOME ON FOREIGN EXCHANGE AND TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

	2020	2019	2018
Foreign exchange changes of financial assets recognized in income	**16,747,181**	**2,146,770**	**8,702,257**
Loans to financial institutions	6,042,209	656,217	2,603,587
Financial assets fair value through other comprehensive income	-	-	94,444
Loans to customers	10,704,972	1,490,553	6,004,226
Foreign exchange changes of financial liabilities recognized in income	**(28,500,790)**	**(3,915,606)**	**(13,863,948)**
Deposits of clients	(222,889)	(37,490)	(85,444)
Liabilities from issuance of securities and other financial liabilities	(28,277,901)	(3,878,116)	(13,778,504)
Foreign exchange changes of credit cards operations	**193,857**	**209,103**	**257,530**
Foreign exchange changes from translation of investments	**4,317,851**	**520,181**	**1,564,698**
Foreign exchange changes transactions	**458,623**	**646,367**	**1,658,658**
Net gains/(losses) on foreign exchange transactions	**(299,134)**	**(310,066)**	**(297,095)**
Net income on foreign exchange and translation of foreign currency transactions	**(7,082,412)**	**(703,251)**	**(1,977,900)**

Net income on foreign exchange and translation of foreign currency transactions adjusted, to improve the disclousure of effective income

	2020	2019	2018
Net income on foreign exchange and translation of foreign currency transactions	**(7,082,412)**	**(703,251)**	**(1,977,900)**
Adjustments:			
Current tax [1]	3,851,359	457,179	1,520,581
Financial instruments fair value through profit or loss [2]	3,952,912	687,370	939,472
Net gains/(losses) on foreign exchange transactions	299,134	310,066	297,095
Net income on foreign exchange and translation of foreign currency transactions adjusted	**1,020,993**	**751,364**	**779,248**

(1) Refers to tax effects of hedge instruments for foreign currency translations adjustments of equity investments.
(2) Refers to foreign exchange on derivative financial instruments (swaps, forward operations and options of currency and commodities).

In thousand of Reais, unless otherwise stated

12 – OTHER OPERATING INCOME / EXPENSES

Other operating income	2020	2019	2018
Receivables income	2,076,991	2,029,416	3,716,410
Recovery of charges and expenses	1,808,261	2,110,410	2,135,970
Gains from defined benefit plans – Plano 1 – Previ	961,847	893,382	800,931
Reversal of provisions for sundry payments	347,248	705,815	93,930
Gains from the disposal of other assets (1)	281,184	3,992,357	453,960
Clube de Benefícios	253,563	-	-
Card transactions	153,413	457,333	457,980
Income derived from investments	52,907	59,043	287,431
Gains from benefit plans – Surplus agreements	13,819	186,747	664,482
Gains/(losses) from de disposal of investments	10,995	(108,995)	-
Other	618,099	1,000,778	769,115
Total	**6,578,327**	**11,326,286**	**9,380,209**

(1) In 2019, it refers mainly to the sold of the IRB-Brasil RE shareholding.

Other operating expenses	2020	2019	2018
Adjustment of actuarial liabilities	(1,707,594)	(1,394,073)	(1,309,718)
Performance bonus paid to customers for loyalty	(1,246,651)	(1,656,474)	(1,024,241)
Loss on net monetary position (1)	(701,793)	(823,891)	-
Compensation for transactions of banking correspondents and business partners	(373,591)	(396,994)	(524,081)
Inflation adjustments of tax obligations under legal discussion	(212,623)	(1,453,668)	(695,333)
Life insurance premium – consumer credit	(189,176)	(150,242)	(128,848)
Operating losses	(186,351)	(146,547)	(466,526)
Commission for credit recovery	(120,545)	(116,398)	(77,347)
Recognition of impairment for devaluation of other assets	(58,108)	(35,487)	(30,263)
Capital (losses)/gains	(41,326)	(100,375)	144,590
Fees for the use of Sisbacen – Brazilian Central Bank System	(32,578)	(23,289)	(22,468)
Liabilities for operations linked to assignments	(26,740)	(33,487)	(40,466)
Impairment losses of rights to manage payroll	(19,617)	(987,172)	(19,933)
Inflation adjustment of amounts to be paid	(18,962)	(35,139)	(49,461)
Compensation for transactions of Banco Postal	(17,580)	(143,320)	(202,832)
Impairment of property and equipment	(15,115)	(4,084)	(44,404)
Inflation adjustments of payables to the National Treasury	(6,573)	(14,459)	(87,544)
Proagro expenses	(5,007)	(4,142)	(3,421)
Allowance for losses with the Fundo de Compensação de Variação Salarial - FCVS	-	(604,215)	-
Loss on financial assets disposal	-	(283,845)	-
Goodwill impaiment	-	-	(591,582)
Other	(1,319,400)	(2,084,894)	(2,439,244)
Total	**(6,299,330)**	**(10,492,195)**	**(7,613,122)**

(1) Refers to the inflation adjustments on Banco Patagonia's non-monetary and income items in accordance with IAS 29.

In thousand of Reais, unless otherwise stated

13 – PERSONNEL EXPENSES

	2020	2019	2018
Wages and salaries	(11,834,067)	(11,907,614)	(11,506,124)
Social security costs	(3,865,074)	(3,897,360)	(3,895,150)
Benefits	(3,431,400)	(3,651,069)	(3,052,718)
Profit sharing (1)	(1,571,034)	(2,340,318)	(1,639,891)
Private pension plans	(895,049)	(880,032)	(877,804)
Directors' and officers' remuneration	(49,597)	(46,321)	(48,275)
Staff training	(42,091)	(75,263)	(72,659)
Total	**(21,688,312)**	**(22,797,977)**	**(21,092,621)**

(1) It includes the amount of R$ 11,138 thousand in 2020 (R$ 12,190 thousand in 2019 and R$ 8,127 thousand in 2018) related to Share-based payment for the Executive Board (Note 37.l).

14 – ADMINISTRATIVE EXPENSES

	2020	2019	2018
Surveillance and security services	(1,162,311)	(1,153,500)	(1,168,612)
Outsourced services	(942,666)	(898,918)	(889,344)
Transportation	(815,493)	(843,910)	(965,800)
Maintenance and preservation	(756,993)	(764,842)	(733,206)
Communication expenses	(652,257)	(736,637)	(836,096)
Data processing	(488,433)	(476,451)	(406,639)
Specialized technical services	(472,692)	(499,206)	(531,255)
Water, energy and gas	(464,324)	(514,264)	(509,093)
Marketing expenses	(433,154)	(479,088)	(413,790)
Promotion and public relations	(153,687)	(151,926)	(174,681)
Philanthropic contributions	(133,322)	(65,017)	(62,466)
Office supplies	(86,485)	(96,776)	(104,166)
Rental and operating leases expenses	(57,831)	(62,800)	(1,358,988)
Travel expenses	(45,812)	(115,631)	(127,048)
Other	(756,399)	(664,085)	(1,099,847)
Total	**(7,421,859)**	**(7,523,051)**	**(9,381,031)**

In thousand of Reais, unless otherwise stated

15 – CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below provides reconciliation between line items in the consolidated balance sheet and categories of financial instruments.

Dec 31, 2020	Note	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Total
Assets					
Cash and bank deposits	[16]	-	-	16,784,560	16,784,560
Compulsory deposits with Brazilian Central Bank	[17]	-	-	60,308,542	60,308,542
Loans to financial institutions net	[18]	-	-	49,317,455	49,317,455
Securities purchased under resale agreements net	[19]	-	-	466,344,581	466,344,581
Financial assets at fair value through profit or loss	[20]	15,670,822	-	-	15,670,822
Financial assets at fair value through other comprehensive income	[21]	-	256,553,310	-	256,553,310
Securities at amortized cost net	[22]	-	-	24,946,064	24,946,064
Loans to customers net	[23]	-	-	633,402,350	633,402,350
Other financial assets	[30]	-	-	45,119,796	45,119,796
Total		**15,670,822**	**256,553,310**	**1,296,223,348**	**1,568,447,480**
Liabilities					
Deposits of clients	[31]	-	-	601,984,265	601,984,265
Amount payable to financial institutions	[32]	-	-	25,945,382	25,945,382
Financial liabilities at fair value through profit or loss	[20]	3,098,315	-	-	3,098,315
Securities sold under repurchase agreements	[33]	-	-	503,722,822	503,722,822
Liabilities from issuance of securities and other financial liabilities	[34]	-	-	298,176,293	298,176,293
Other financial liabilities	[30]	-	-	70,343,726	70,343,726
Total		**3,098,315**	**-**	**1,500,172,488**	**1,503,270,803**

In thousand of Reais, unless otherwise stated

Dec 31, 2019	Note	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Total
Assets					
Cash and bank deposits	[16]	-	-	14,171,188	14,171,188
Compulsory deposits with Brazilian Central Bank	[17]	-	-	65,124,107	65,124,107
Loans to financial institutions net	[18]	-	-	37,559,262	37,559,262
Securities purchased under resale agreements net	[19]	-	-	390,772,405	390,772,405
Financial assets at fair value through profit or loss	[20]	3,805,548	-	-	3,805,548
Financial assets at fair value through other comprehensive income	[21]	-	172,278,448	-	172,278,448
Securities at amortized cost net	[22]	-	-	25,422,830	25,422,830
Loans to customers net	[23]	-	-	579,516,786	579,516,786
Other financial assets	[30]	-	-	44,144,018	44,144,018
Total		**3,805,548**	**172,278,448**	**1,156,710,596**	**1,332,794,592**
Liabilities					
Deposits of clients	[31]	-	-	485,002,305	485,002,305
Amount payable to financial institutions	[32]	-	-	29,459,001	29,459,001
Financial liabilities at fair value through profit or loss	[20]	961,636	-	-	961,636
Securities sold under repurchase agreements	[33]	-	-	404,355,327	404,355,327
Liabilities from issuance of securities and other financial liabilities	[34]	-	-	301,744,568	301,744,568
Other financial liabilities	[30]	-	-	51,816,516	51,816,516
Total		**961,636**	**-**	**1,272,377,717**	**1,273,339,353**

In thousand of Reais, unless otherwise stated

16 – CASH AND CASH EQUIVALENTS

	Dec 31, 2020	Dec 31, 2019
Cash and bank deposits	**16,784,560**	**14,171,188**
Local currency	9,697,457	8,006,672
Foreign currency	7,087,103	6,164,516
Interbank investments [(1)]	**159,404,948**	**57,764,835**
Securities purchased under resale agreements – guaranteed by securities not repledged / re-sold	119,375,173	29,516,903
Interbank deposits	40,029,775	28,247,932
Total	**176,189,508**	**71,936,023**

(1) Investments whose original maturity is less than or equal to 90 days and with insignificant risk of change in fair value.

17 – COMPULSORY DEPOSITS WITH BRAZILIAN CENTRAL BANK

	Dec 31, 2020	Dec 31, 2019
Interest bearing deposits	47,399,794	52,168,447
Non-interest bearing deposits [(1)]	12,908,748	12,955,660
Total	**60,308,542**	**65,124,107**

(1) Reserve requirements on demand deposits in Brazil, corresponding to the amount of funds that a financial institution must hold in reserve with the Brazilian Central Bank, based on a percentage of deposit liabilities received from third parties, considered as resources of restricted use.

18 – LOANS TO FINANCIAL INSTITUTIONS

	Dec 31, 2020	Dec 31, 2019
Interbank deposits	43,763,387	34,343,138
Expected credit losses on intebank deposits	(4,017)	(1,305,974)
Loan portfolios acquired with guarantee from the transferor	5,561,823	4,523,000
Expected credit losses on loan portfolios acquired with guarantee from the transferor	(3,738)	(902)
Total	**49,317,455**	**37,559,262**

Changes in expected credit losses

	Dec 31, 2019	(Allowance)/ reversal	Dec 31, 2020
Expected credit losses on intebank deposits	(1,305,974)	1,301,957	**(4,017)**
Expected credit losses on loan portfolios acquired with guarantee from the transferor	(902)	(2,836)	**(3,738)**
Total	**(1,306,876)**	**1,299,121**	**(7,755)**

	Dec 31, 2018	(Allowance)/ reversal	Write-off	Dec 31, 2019
Expected credit losses on intebank deposits	(30,517)	(1,275,457)	-	**(1,305,974)**
Expected credit losses on loan portfolios acquired with guarantee from the transferor	(4,568)	1,131	2,535	**(902)**
Total	**(35,085)**	**(1,274,326)**	**2,535**	**(1,306,876)**

In thousand of Reais, unless otherwise stated

19 – SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	Dec 31, 2020	Dec 31, 2019
Reverse repos - own resources	**119,375,453**	**29,605,559**
National Treasury bills	117,989,892	288,331
Financial Treasury bills	350,757	25,176,764
National Treasury notes	266,499	1,222
Other securities	768,305	4,141,175
Expected losses on other securities	-	(1,933)
Reverse repos - financed position [(1)]	**346,969,128**	**361,166,846**
Financial Treasury bills	173,148,914	333,457,363
National Treasury notes	161,715,081	1,049,994
National Treasury bills	8,532,956	26,515,023
Other securities	3,573,076	212,300
Expected losses on other securities	(899)	(67,834)
Total	**466,344,581**	**390,772,405**

(1) Refers to securities purchased under resale agreements and resold to other borrowers, with an obligation to repurchase. Liabilities resulting from these operations are presented in Note 33, third-party portfolio sub-group.

Changes in expected losses

	Dec 31, 2019	Reversal	Dec 31, 2020
Expected losses on other securities	(69,767)	68,868	**(899)**

	Dec 31, 2018	Constitution	Dec 31, 2019
Expected losses on other securities	(1,755)	(68,012)	**(69,767)**

20 – FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

a) Securities

Financial assets at fair value

Dec 31, 2020	Cost value	Gains/(losses)	Fair value
Debt instruments	**11,639,323**	**136,110**	**11,775,433**
Brazilian federal government bonds	9,750,870	131,023	9,881,893
Securities issued by non-financial companies	688,156	1,542	689,698
Investments in mutual funds	603,802	368	604,170
Federal government bonds	474,760	1,008	475,768
Brazilian government bonds issued abroad	62,982	46	63,028
Securities issued by financial companies	58,753	2,123	60,876
Equity instruments	**371,579**	**(3,526)**	**368,053**
Marketable equity shares	371,579	(3,526)	368,053
Total	**12,010,902**	**132,584**	**12,143,486**

In thousand of Reais, unless otherwise stated

Dec 31, 2019	Cost value	Gains/(losses)	Fair value
Debt instruments	**2,597,849**	**113,886**	**2,711,735**
Brazilian federal government bonds	705,580	2,869	708,449
Securities issued by non-financial companies	727,168	(18,425)	708,743
Investments in mutual funds	679,328	129,991	809,319
Federal government bonds	336,202	1,871	338,073
Brazilian government bonds issued abroad	116,943	(2,319)	114,624
Securities issued by financial companies	32,628	(101)	32,527
Equity instruments	**208,787**	**64,091**	**272,878**
Marketable equity shares	208,787	64,091	272,878
Total	**2,806,636**	**177,977**	**2,984,613**

No financial assets and liabilities at fair value through profit or loss were reclassified during 2019.

In 2020, financial assets at “fair value through profit or loss” were reclassified to “fair value through other comprehensive income” motivated by reduction in the frequency of sales which values are not significant (of about R$ 346.2 million) and their measurement remains at fair value.

b) Derivatives

Derivative financial instruments (assets)

Dec 31, 2020	Cost value	Gains/(losses)	Fair value
Swaps	2,158,220	66,650	2,224,870
Forwards	1,213,145	(9,974)	1,203,171
Options	-	-	-
Other [(1)]	108,028	(8,733)	99,295
Total	**3,479,393**	**47,943**	**3,527,336**

Dec 31, 2019	Cost value	Gains/(losses)	Fair value
Swaps	433,088	32,984	466,072
Forwards	294,545	29,436	323,981
Options	335	12,486	12,821
Other [(1)]	26,210	(8,149)	18,061
Total	**754,178**	**66,757**	**820,935**

(1) Other derivatives contracts are primarily related to Non Deliverable Forward (NDF) contracts which are traded in over-the-counter (OTC) market.

In thousand of Reais, unless otherwise stated

Derivative financial instruments (liabilities)

Dec 31, 2020	Cost value	Gains/(losses)	Fair value
Swaps	(1,383,874)	(157,733)	(1,541,607)
Forwards	(1,734,345)	264,952	(1,469,393)
Options	(8,047)	(393)	(8,440)
Other	(77,409)	(1,466)	(78,875)
Total	**(3,203,675)**	**105,360**	**(3,098,315)**

Dec 31, 2019	Cost value	Gains/(losses)	Fair value
Swaps	(411,236)	(28,634)	(439,870)
Forwards	(489,380)	84,880	(404,500)
Options	(7,955)	(18,432)	(26,387)
Other	(51,396)	(39,483)	(90,879)
Total	**(959,967)**	**(1,669)**	**(961,636)**

Derivatives are financial instruments with all of the following characteristics:

- their value changes due to changes in an underlying variable (exchange rate, interest rate, price index, price of a commodity, etc.);
- they require no initial investment, or an initial investment that is less than what would be required for other contracts with similar responses to changes in markets factors; and
- they will be settled on a future date.

The Bank's derivatives are mainly held for trading purposes to meet the needs of its clients. It may also take speculative positions for profit based on expected changes in prices, rates or indexes.

Therefore, the Bank uses derivative financial instruments to manage, at the consolidated level, its positions, to manage credit risk and to meet clients' needs, classifying its own positions as hedge and trading, both within limits approved by committees of the Bank. The hedge strategy concerning equity positions is in line with macroeconomic analyses and it is approved by the Board of Directors.

The Bank uses derivative financial instruments compatible with the defined objectives, observing the best risk and return ratio and considering the economic scenario. The risk categories of derivative financial instruments are considered in the management of these instruments and the consolidated view of different risk factor are adopted.

The Bank assesses the liquidity of derivative financial instruments and identifies, in advance, means of reversing positions. Systems and processes that allow the recording, monitoring and controlling of operations with derivative financial instruments are used.

In the options market, long positions have the Bank as holder, while short positions have the Bank as writer.

The main risks inherent to derivative financial instruments resulting from the business of the Bank and its subsidiaries are credit, market, liquidity and operational, which management process is presented in note 41.

The models used to manage risks with derivatives are reviewed periodically and the decisions made follow the best risk/return relationship, estimating possible losses based on the analysis of macroeconomic scenarios.

The Bank uses tools and systems to manage the derivatives. New derivatives trades standardized or not, are subjected to a prior risk analysis.

Positioning strategies comply with established limits and risk exposure. Positions are reassessed daily and an evaluation of strategies and performances is done at the beginning of each day.

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Strategies are developed based on:

- analysis of economic scenarios;
- technical analysis (graphical) and fundamental analysis;
- simulation of expected results; and
- Value-at-risk simulation (VaR, EVE, Stress).

The Bank uses credit derivatives in the proprietary management of its portfolios, positions and operations, such as Credit Linked Notes operations, with the objective of raising funds and in order to manage credit risks. For this purpose, branches abroad use the credit default swap modality in the over-the-counter market abroad. This modality refers to the agreement between two parties to buy or sell credit protection in exchange for the payment of a periodic interest rate.

The Bank carries out transactions with derivative financial instruments to hedge its own positions, to meet clients' needs and to take intentional positions, according to limits, accountability and previously established procedures.

The objectives to be achieved with hedge operations are defined on a consolidated basis, ensuring effectiveness of each operation and observing the regulations of each jurisdiction. Mechanisms are used to evaluate and monitor the effectiveness of hedge operations in order to offset the effects of the variation in the market value or in the cash flow of the hedged item.

The Bank documents the identification of the hedged item of the transactions carried out with the purpose of offsetting its risks from its inception.

Risk analysis of the subsidiaries is undertaken on an individual basis and risk management is done on a consolidated basis.

The Bank uses statistical methods and simulations to measure the risks of its positions, including derivatives, using values at risk, sensibility and stress analysis models.

The VaR is used to estimate the potential loss, under routine market conditions, daily measured in monetary values, considering a confidence interval of 99.21%, a 10-day time horizon and a historical series of 252 business days.

In order to calculate the VaR, the Bank uses the Historical Simulation methodology, which assumes that the retrospective behavior of observed (historical) returns of risk factors constitutes relevant information to the measurement of market risks.

The following tables show the composition of the derivatives portfolio by risk exposure, notional amount, fair value and maturity.

c) Breakdown of the portfolio of derivatives for trading per type of risk

Futures contracts	Dec 31, 2020	Dec 31, 2019
	Notional amount	Notional amount
Purchase commitments	**28,590,657**	**12,958,174**
Interest rate risk	11,501,501	4,439,417
Currency risk	16,985,942	8,508,366
Other risks	103,214	10,391
Commitments to sell	**22,411,530**	**6,263,653**
Interest rate risk	15,962,609	6,045,414
Currency risk	6,221,277	19,218
Other risks	227,644	199,021

Futures are contractual arrangements between two parties who agree to buy or sell a financial instrument at a fixed price on a future date. These contracts are all standardized and are only traded on stock exchanges in accordance with specific rules, they are adjusted to fair value on a daily basis. The stock exchange requires daily adjusted margin deposits in cash which are considered to be settlements.

In thousand of Reais, unless otherwise stated

Forwards	Dec 31, 2020		Dec 31, 2019	
	Notional amount	Fair value	Notional amount	Fair value
Asset position	**14,421,418**	**1,203,171**	**10,031,354**	**323,981**
Currency risk	14,223,086	1,178,888	9,831,336	244,461
Other risks	198,332	24,283	200,018	79,520
Liability position	**22,238,742**	**(1,469,393)**	**12,879,633**	**(404,500)**
Currency risk	21,927,251	(1,434,933)	12,849,084	(394,893)
Other risks	311,491	(34,460)	30,549	(9,607)

Forwards are customizable contractual arrangements between two parties who agree to buy or sell a financial instrument at a fixed price on a future date. They are always fully settled on the maturity date and are traded in the OTC market.

Option contracts	Dec 31, 2020		Dec 31, 2019	
	Notional amount	Fair value	Notional amount	Fair value
Long position	**-**	**-**	**569,031**	**12,821**
Interest rate risk	-	-	565,000	12,612
Currency risk	-	-	4,031	209
Short position	**360,983**	**(8,440)**	**1,024,887**	**(26,387)**
Interest rate risk	9,842	(728)	726,073	(15,095)
Currency risk	180,092	5,034	33,630	(1,134)
Other risks	171,049	(12,746)	265,184	(10,158)

Options are contractual arrangements providing the buyer, who pays a premium to the seller, with the right to buy or sell a financial instrument at a fixed price on a future date or within a predetermined time period. The Bank only trades options in regulated markets.

Swaps	Dec 31, 2020		Dec 31, 2019	
	Notional amount	Fair value	Notional amount	Fair value
Asset position	**22,294,063**	**2,224,870**	**9,069,206**	**466,072**
Interest rate risk	17,454,012	985,030	3,338,315	113,931
Currency risk	4,840,051	1,239,840	5,730,891	352,141
Liability position	**21,068,694**	**(1,541,607)**	**12,497,674**	**(439,870)**
Interest rate risk	12,257,936	(348,845)	4,991,843	(238,838)
Currency risk	8,789,458	(1,189,782)	7,471,831	(198,425)
Other risks	21,300	(2,980)	34,000	(2,607)

Swaps are contractual arrangements between two parties who agree to exchange payment flows over a set period of time. The payment flows are based on the contract's notional value and variations in a specific index, such as an interest rate, foreign exchange rate or equity index.

The Bank enters into interest rate swaps with other financial institutions. The Bank either receives or pays a variable interest rate in exchange for the receipt or payment of a fixed interest rate.

In currency swaps, the Banks pays a specific amount in one currency and receives a specific amount in another currency.

Other derivative agreements	Dec 31, 2020		Dec 31, 2019	
	Notional amount	Fair value	Notional amount	Fair value
Asset position	**2,704,318**	**99,295**	**1,483,075**	**18,061**
Currency risk	2,704,318	99,295	1,483,075	18,061
Liability position	**2,911,175**	**(78,875)**	**6,167,502**	**(90,879)**
Currency risk	2,537,013	(77,446)	6,167,502	(90,879)
Brazilian public debt securities	374,162	(1,429)	-	-

In thousand of Reais, unless otherwise stated

The Bank's other derivatives consist mainly of Non-Deliverable Forwards (NDFs), which are traded in the OTC market. The underlying variable in these contracts is an exchange rate for a specific currency.

d) Composition of the portfolio of derivatives for trading by maturity date

Notional amount – asset position	Maturity in days					
	0-30	31-180	181-360	Above 360	Dec 31, 2020	Dec 31, 2019
Swaps	1,579,002	13,090,932	3,183,520	4,440,609	**22,294,063**	**9,069,206**
Forwards	2,978,854	8,142,324	2,120,027	1,180,213	**14,421,418**	**10,031,354**
Futures	675,043	22,789,139	2,077,105	3,049,370	**28,590,657**	**12,958,174**
Options	-	-	-	-	**-**	**569,031**
Other derivative agreements	506,898	1,879,084	-	318,336	**2,704,318**	**1,483,075**

Notional amount – liability position	Maturity in days					
	0-30	31-180	181-360	Above 360	Dec 31, 2020	Dec 31, 2019
Swaps	7,000,305	4,067,674	385,120	9,615,595	**21,068,694**	**12,497,674**
Forwards	2,560,510	11,375,785	3,278,094	5,024,353	**22,238,742**	**12,879,633**
Futures	6,132,333	2,043,625	1,309,499	12,926,073	**22,411,530**	**6,263,653**
Options	93,347	230,881	28,301	8,454	**360,983**	**1,024,887**
Other derivative agreements	818,034	2,093,141	-	-	**2,911,175**	**6,167,502**

e) Portfolio of derivatives for hedge

In accordance with its asset and liability management policy, the Bank uses derivatives to reduce exposures to credit and market risk.

The Bank maintained a swap (cross currency interest rate swaps) as hedging instruments to protect external funding against changes in interest and foreign exchange rates. In addition, interest future contracts protect Brazilian federal government bonds at fair value through other comprehensive income while swaps protect Brazilian federal government bonds at amortized cost.

	Dec 31, 2020	Dec 31, 2019
Hedge instruments		
Liabilities	**(7,056,258)**	**(41,793)**
Swap	(7,011,639)	(41,793)
Futures	(44,619)	-
Hedged items		
Assets	**9,196,249**	**1,999,624**
Loans to financial institutions	2,577,894	1,999,624
Securities	6,618,355	-
Liabilities	**(2,258,086)**	**(1,977,673)**
Liabilities from issuance of securities and other financial liabilities	(2,258,086)	(1,977,673)

In thousand of Reais, unless otherwise stated

21 – FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Dec 31, 2020	Cost value	Gains/(losses)	Expected credit losses	Fair value
Debt instruments	**255,035,755**	**2,053,164**	**(535,609)**	**256,553,310**
Brazilian federal government bonds	201,888,162	(37,577)	-	201,850,585
Securities issued by non-financial companies	27,810,252	(558,841)	(396,877)	26,854,534
Brazilian government bonds issued abroad	11,177,576	1,229,200	(3,163)	12,403,613
Federal government bonds	10,259,249	470,649	(133,058)	10,596,840
Investments in mutual funds	3,064,490	894,872	(461)	3,958,901
Securities issued by financial companies	836,026	54,861	(2,050)	888,837
Total	**255,035,755**	**2,053,164**	**(535,609)**	**256,553,310**

Dec 31, 2019	Cost value	Gains/(losses)	Expected credit losses	Fair value
Debt instruments	**171,732,807**	**1,422,238**	**(876,597)**	**172,278,448**
Brazilian federal government bonds	125,481,550	471,914	-	125,953,464
Securities issued by non-financial companies	28,107,555	(828,271)	(601,873)	26,677,411
Brazilian government bonds issued abroad	7,160,378	419,292	-	7,579,670
Federal government bonds	5,676,433	238,582	(8,663)	5,906,352
Investments in mutual funds	4,672,440	1,006,545	(12,197)	5,666,788
Securities issued by financial companies	634,451	114,176	(253,864)	494,763
Total	**171,732,807**	**1,422,238**	**(876,597)**	**172,278,448**

Reconciliation of changes concerning expected credit losses

	Balance on Dec 31, 2019	(Allowance)/ reversal	Write-offs	Balance on Dec 31, 2020
Expected credit losses				
Securities issued by non-financial companies	(601,873)	183,181	21,815	(396,877)
Federal government bonds	(8,663)	(124,395)	-	(133,058)
Brazilian government bonds issued abroad	-	(3,163)	-	(3,163)
Securities issued by financial companies	(253,864)	(1,956)	253,770	(2,050)
Investments in mutual funds	(12,197)	11,736	-	(461)
Total	**(876,597)**	**65,403**	**275,585**	**(535,609)**

	Balance on Dec 31, 2018	(Allowance)/ reversal	Write-offs	Balance on Dec 31, 2019
Expected credit losses				
Securities issued by non-financial companies	(947,624)	76,200	269,551	(601,873)
Federal government bonds	-	(8,663)	-	(8,663)
Brazilian government bonds issued abroad	-	-	-	-
Securities issued by financial companies	(262,380)	8,516	-	(253,864)
Investments in mutual funds	(81)	(12,217)	101	(12,197)
Total	**(1,210,085)**	**63,836**	**269,652**	**(876,597)**

In thousand of Reais, unless otherwise stated

Fair value of the financial assets that are pledged as collateral for

	Dec 31, 2020	Dec 31, 2019
Repurchase agreements	158,774,894	37,026,660
Guarantees provided	13,211,079	4,811,917
Total	**171,985,973**	**41,838,577**

Financial assets at fair value through other comprehensive income pledged as collateral represent government bonds pledged in derivatives transactions and the trading of securities and currencies on the B3 Stock Exchange. They also include collateral for equities transactions through the Câmara Brasileira de Liquidação e Custódia (CBLC – Brazilian Clearing & Depositary Corp.).

No financial assets at fair value through other comprehensive income were reclassified during 2019.

In 2020, financial assets at "fair value through profit or loss" were reclassified to "fair value through other comprehensive income" motivated by reduction in the frequency of sales which values are not significant (of about R$ 346.2 million) and their measurement remains at fair value.

Breakdown of expected credit losses between stages

	Stage 1	Stage 2	Stage 3	Total
Balance on Dec 31, 2019	**(102,746)**	**(8,556)**	**(765,295)**	**(876,597)**
Transfer to stage 1	-	-	-	-
Transfer to stage 2	13,639	-	-	13,639
Transfer to stage 3	14,236	-	-	14,236
Transfer from stage 1	-	(13,639)	(14,236)	(27,875)
Transfer from stage 3	-	-	-	-
Purchased securities / disposed securities/ allowance/ reversal	(8,331)	4,076	345,243	340,988
Balance on Dec 31, 2020	**(83,202)**	**(18,119)**	**(434,288)**	**(535,609)**

	Stage 1	Stage 2	Stage 3	Total
Balance on Dec 31, 2018	**(459,729)**	**-**	**(750,356)**	**(1,210,085)**
Transfer to stage 1	-	-	100	**100**
Transfer to stage 2	4,909	-	-	**4,909**
Transfer to stage 3	243,766	-	-	**243,766**
Transfer from stage 1	-	(4,909)	(243,766)	**(248,675)**
Transfer from stage 3	(100)	-	-	**(100)**
Purchased securities / disposed securities/ allowance/ reversal	108,408	(3,647)	228,727	**333,488**
Balance on Dec 31, 2019	**(102,746)**	**(8,556)**	**(765,295)**	**(876,597)**

For breakdown of portfolio between stages, see Note 41.e.

In thousand of Reais, unless otherwise stated

22 – SECURITIES AT AMORTIZED COST

	Up to 1 year	1 to 5 years	5 to 10 years	Over 10 years	Dec 31, 2020
Debt instruments					
Securities issued by non-financial companies	6,467,759	4,824,643	3,400,611	89,075	14,782,088
Brazilian federal government bonds	-	6,573,995	-	-	6,573,995
Brazilian government bonds issued abroad	-	1,358,127	1,327,877	-	2,686,004
Securities issued by financial companies	973,965	204,449	389,939	3	1,568,356
Foreign government bonds	108,692	594,005	-	-	702,697
Subtotal	**7,550,416**	**13,555,219**	**5,118,427**	**89,078**	**26,313,140**
Expect losses on securities	(626,491)	(414,606)	(318,764)	(7,215)	(1,367,076)
Total	**6,923,925**	**13,140,613**	**4,799,663**	**81,863**	**24,946,064**

	Up to 1 year	1 to 5 years	5 to 10 years	Over 10 years	Dec 31, 2019
Debt instruments					
Securities issued by non-financial companies	4,924,638	5,715,415	2,214,960	1,018,111	13,873,124
Brazilian federal government bonds	3,499,048	6,203,734	-	-	9,702,782
Brazilian government bonds issued abroad	-	1,085,384	1,018,859	-	2,104,243
Securities issued by financial companies	-	524,605	363,863	-	888,468
Foreign government bonds	22,729	349,699	199,107	-	571,535
Subtotal	**8,446,415**	**13,878,837**	**3,796,789**	**1,018,111**	**27,140,152**
Expect losses on securities	(521,334)	(751,886)	(336,323)	(107,779)	(1,717,322)
Total	**7,925,081**	**13,126,951**	**3,460,466**	**910,332**	**25,422,830**

Reconciliation of changes concerning expected credit losses

	Balance on Dec 31, 2019	Allowance / (reversal)	Write-offs	Balance on Dec 31, 2020
Expected credit losses				
Securities issued by non-financial companies	(1,468,632)	207,645	63,728	(1,197,259)
Securities issued by financial companies	(248,617)	83,334	-	(165,283)
Brazilian government bonds issued abroad	-	(4,534)	-	(4,534)
Foreign government bonds	(73)	73	-	-
Total	**(1,717,322)**	**286,518**	**63,728**	**(1,367,076)**

	Balance on Dec 31, 2018	Allowance / (reversal)	Write-offs	Balance on Dec 31, 2019
Expected credit losses				
Securities issued by non-financial companies	(498,594)	(980,777)	10,739	(1,468,632)
Securities issued by financial companies	(51,375)	(197,656)	414	(248,617)
Brazilian government bonds issued abroad	-	-	-	-
Foreign government bonds	(3,844)	3,771	-	(73)
Total	**(553,813)**	**(1,174,662)**	**11,153**	**(1,717,322)**

No securities at amortized cost were reclassified during 2020 or 2019.

In thousand of Reais, unless otherwise stated

Breakdown of expected credit losses between stages

	Stage 1	Stage 2	Stage 3	Total
Balance on Dec 31, 2019	**(62,152)**	**(954,568)**	**(700,602)**	**(1,717,322)**
Transfer to stage 2	109,142	-	-	109,142
Transfer to stage 3	6,760	606,984	-	613,744
Transfer from stage 1	-	(109,142)	(6,760)	(115,902)
Transfer from stage 2	-	-	(606,984)	(606,984)
Purchased securities / disposed securities/ allowance/ reversal	(293,538)	245,863	397,921	350,246
Balance on Dec 31, 2020	**(239,788)**	**(210,863)**	**(916,425)**	**(1,367,076)**

	Stage 1	Stage 2	Stage 3	Total
Balance on Dec 31, 2018	**(492,365)**	**-**	**(61,448)**	**(553,813)**
Transfer to stage 2	954,568	-	-	954,568
Transfer to stage 3	336,616	-	-	336,616
Transfer from stage 1	-	(954,568)	(336,616)	(1,291,184)
Transfer from stage 2	-	-	-	-
Purchased securities / disposed securities/ allowance/ reversal	(860,971)	-	(302,538)	(1,163,509)
Balance on Dec 31, 2019	**(62,152)**	**(954,568)**	**(700,602)**	**(1,717,322)**

For breakdown of portfolio between stages, see Note 41.e.

In thousand of Reais, unless otherwise stated

23 – LOANS TO CUSTOMERS

a) Loan portfolio by type

	Avarage maturity (months)	Dec 31, 2020	Dec 31, 2019
Loans		**623,657,749**	**565,955,556**
Loans and discounted credits rights [(1)]	46	**260,104,300**	**214,293,291**
- Corporations		120,659,501	88,742,257
- Individuals		139,444,799	125,551,034
Financing [(2)]	55	**121,933,503**	**113,539,593**
- Corporations		117,130,218	109,179,140
- Individuals		4,803,285	4,360,453
Rural and agribusiness financing	89	**190,139,242**	**183,366,335**
- Corporations		16,593,388	24,315,807
- Individuals		173,545,854	159,050,528
Real estate financing	345	**51,221,982**	**54,425,586**
- Corporations		2,557,876	4,024,670
- Individuals		48,664,106	50,400,916
Loan portfolio transferred with substantial retention of risks	261	**258,722**	**330,751**
- Individuals		258,722	330,751
Other receivables with loan characteristics		**51,625,393**	**49,997,763**
Credit card operations	4	**32,936,390**	**31,069,069**
- Corporations		2,043,770	2,471,500
- Individuals		30,892,620	28,597,569
Advances on foreign exchange contracts	12	**13,438,613**	**12,205,192**
- Corporations		13,404,351	12,181,218
- Individuals		34,262	23,974
Receivables acquisition	8	**4,269,049**	**5,737,671**
- Corporations		4,269,049	5,737,671
Guarantees honored	13	**223,307**	**446,862**
- Corporations		223,307	432,436
- Individuals		-	14,426
Other	245	**758,034**	**538,969**
- Corporations		757,532	538,354
- Individuals		502	615
Leasing portfolio	42	**172,478**	**191,311**
- Corporations		169,881	186,633
- Individuals		2,597	4,678
Total loans to customers portfolio		**675,455,620**	**616,144,630**
Expected credit losses for loans to customers		**(42,053,270)**	**(36,627,844)**
Expected credit losses for loans		(40,184,607)	(35,212,839)
Expected credit losses for other receivables		(1,864,228)	(1,410,485)
Expected credit losses for leasing portfolio		(4,435)	(4,520)
Total loans to customers, net		**633,402,350**	**579,516,786**

(1) The balance of “Loans and discounted credits rights” to corporations is mainly composed of working capital loans and discounted receivables. The balance of “Loans and discounted credits rights” to individuals is mainly composed of personal loans (mostly consumer credit and overdrafts accounts) and credit card balances (revolving credit).

(2) The balance of “Financing” to corporations is mainly composed of export, pre-export and import financing and other medium-term financing funded with onlending resources. The balance of “Financing” to individuals is mainly composed of vehicle financing.

In thousand of Reais, unless otherwise stated

b) Loan portfolio by economic sectors

	Dec 31, 2020	%	Dec 31, 2019	%
Public sector	**71,632,396**	**10.6%**	**62,401,684**	**10.1%**
Public administration	55,596,464	8.2%	44,830,623	7.3%
Oil sector	12,009,390	1.8%	11,202,797	1.8%
Electricity	3,346,430	0.5%	4,586,334	0.7%
Services	393,291	0.1%	567,709	0.1%
Other activities	286,821	-	1,214,221	0.2%
Private sector	**603,823,224**	**89.4%**	**553,742,946**	**89.9%**
Individuals	**397,646,747**	**58.9%**	**368,334,944**	**59.8%**
Corporations	**206,176,477**	**30.5%**	**185,408,002**	**30.1%**
Agribusiness of plant origin	31,730,654	4.8%	28,982,816	4.8%
Services	25,298,128	3.8%	16,535,921	2.7%
Transportation	16,767,186	2.6%	14,513,945	2.4%
Mining and metallurgy	13,760,773	2.0%	13,215,136	2.1%
Automotive sector	13,016,570	1.9%	11,829,036	1.9%
Retail commerce	11,814,949	1.7%	9,518,827	1.5%
Agribusiness of animal origin	9,749,250	1.4%	9,849,103	1.6%
Electricity	8,187,291	1.2%	7,111,590	1.2%
Agricultural inputs	7,560,925	1.1%	7,528,519	1.2%
Fuel	7,410,164	1.1%	6,755,371	1.1%
Real estate agents	7,050,108	1.0%	7,923,857	1.3%
Specific activities of construction	6,984,339	1.0%	6,632,904	1.1%
Wholesale and various industries	6,949,717	1.0%	6,244,586	1.0%
Chemical	6,862,817	1.0%	6,051,352	1.0%
Electronics	6,656,646	1.0%	5,662,511	0.9%
Textile and clothing	6,474,714	1.0%	5,344,701	0.9%
Financial services	5,693,995	0.8%	7,015,822	1.1%
Woodworking and furniture market	4,043,707	0.6%	4,058,347	0.7%
Pulp and paper	2,876,369	0.4%	3,252,891	0.5%
Heavy construction	2,690,989	0.4%	2,343,976	0.4%
Telecommunications	2,423,001	0.4%	2,128,727	0.3%
Other activities	2,174,185	0.3%	2,908,064	0.4%
Total loans to customers portfolio	**675,455,620**	**100.0%**	**616,144,630**	**100.0%**

In thousand of Reais, unless otherwise stated

c) Loans to customers by maturity

The majority of our loans require principal and interest payments on a monthly, quarterly, semi-annual or annual basis.The table below shows the book value of the Bank's loan installments according to their contractual maturities. For loans with a single installment, the entire loan balance is presented according to the final maturity date.

	Dec 31, 2020	Dec 31, 2019
Installments falling due		
01 to 30 days	44,096,238	42,449,716
31 to 60 days	20,832,732	20,589,478
61 to 90 days	21,094,767	17,374,156
91 to 180 days	57,208,833	56,323,122
181 to 360 days	97,704,671	88,486,712
361 to 1080 days	182,248,549	146,472,617
1081 to 1800 days	95,359,754	88,615,469
More than 1800 days	149,962,512	146,628,391
Subtotal	**668,508,056**	**606,939,661**
Installments overdue		
01 to 14 days	659,275	2,029,526
15 to 30 days	466,472	517,343
31 to 60 days	553,177	975,541
61 to 90 days	534,742	600,848
91 to 180 days	1,788,560	1,567,001
181 to 360 days	2,126,983	2,521,252
More than 360 days	818,355	993,458
Subtotal	**6,947,564**	**9,204,969**
Total	**675,455,620**	**616,144,630**

d) Leasing portfolio by maturity

	Dec 31, 2020			Dec 31, 2019		
	Minimum lease payments	Unearned finance income	Present value	Minimum lease payments	Unearned finance income	Present value
Up to one year [(1)]	117,710	(29,584)	88,126	133,177	(34,651)	98,526
Over one year to five years	112,668	(28,316)	84,352	125,412	(32,631)	92,781
Over five years	-	-	-	5	(1)	4
Total	**230,378**	**(57,900)**	**172,478**	**258,594**	**(67,283)**	**191,311**

(1) Includes amounts related to installments overdue.

In thousand of Reais, unless otherwise stated

e) Loans to customers by stages

	Dec 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Loans	**488,478,384**	**90,704,720**	**44,474,645**	**623,657,749**
Loans and discounted credits rights	189,938,212	45,690,460	24,475,628	260,104,300
Financing	95,002,925	22,360,239	4,570,339	121,933,503
Rural and agribusiness financing	168,478,157	11,884,826	9,776,259	190,139,242
Real estate financing	34,817,009	10,755,746	5,649,227	51,221,982
Loan portfolio transferred with substantial retention of risks	242,081	13,449	3,192	258,722
Other receivables with loan characteristics	**47,874,573**	**2,633,103**	**1,117,717**	**51,625,393**
Credit card operations	31,236,272	1,499,593	200,525	32,936,390
Advances on foreign exchange contracts	11,694,217	1,050,632	693,764	13,438,613
Receivables acquisition	4,186,422	82,627	-	4,269,049
Guarantees honored	79	48	223,180	223,307
Other	757,583	203	248	758,034
Leasing portfolio	**158,894**	**12,531**	**1,053**	**172,478**
Total loans to customers portfolio	**536,511,851**	**93,350,354**	**45,593,415**	**675,455,620**
Expected credit losses for loans to customers	(9,197,881)	(5,310,483)	(27,544,906)	(42,053,270)
Total loans to customers, net	**527,313,970**	**88,039,871**	**18,048,509**	**633,402,350**

	Dec 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
Loans	**503,183,891**	**30,454,984**	**32,316,681**	**565,955,556**
Loans and discounted credits rights	183,884,013	14,359,098	16,050,180	214,293,291
Financing	109,751,780	889,484	2,898,329	113,539,593
Rural and agribusiness financing	163,501,218	9,280,367	10,584,750	183,366,335
Real estate financing	45,716,412	5,926,034	2,783,140	54,425,586
Loan portfolio transferred with substantial retention of risks	330,468	1	282	330,751
Other receivables with loan characteristics	**48,543,577**	**549,410**	**904,776**	**49,997,763**
Credit card operations	30,877,554	108,542	82,973	31,069,069
Advances on foreign exchange contracts	11,389,735	427,430	388,027	12,205,192
Receivables acquisition	5,737,671	-	-	5,737,671
Guarantees honored	419	12,695	433,748	446,862
Other	538,198	743	28	538,969
Leasing portfolio	**185,710**	**2,941**	**2,660**	**191,311**
Total loans to customers portfolio	**551,913,178**	**31,007,335**	**33,224,117**	**616,144,630**
Expected credit losses for loans to customers	(9,967,251)	(5,449,725)	(21,210,868)	(36,627,844)
Total loans to customers, net	**541,945,927**	**25,557,610**	**12,013,249**	**579,516,786**

In thousand of Reais, unless otherwise stated

f) Renegotiated credit transactions

	2020	2019	2018
Credits renegotiated during the period	**100,068,113**	**84,834,620**	**57,044,631**
Renegotiated for delay (1)	**20,382,492**	**11,070,010**	**9,264,145**
- Corporations	11,935,366	5,985,732	4,790,030
- Individuals	8,447,126	5,084,278	4,474,115
Renewed (2)	**79,685,621**	**73,764,610**	**47,780,486**
- Corporations	8,236,180	4,309,744	3,637,911
- Individuals	71,449,441	69,454,866	44,142,575
Changes in renegotiated credit transactions for delay			
Opening balance	**23,657,317**	**22,874,209**	**25,297,378**
Contracts (1)	20,382,492	**11,070,010**	**9,264,145**
Interest or principal payment net of interest accrual	(9,686,123)	(5,024,508)	(4,463,774)
Write-off	(4,712,057)	(5,262,394)	(7,223,540)
Closing balance (3)	**29,641,629**	**23,657,317**	**22,874,209**
Loans 90 days or more past due	2,663,242	3,156,472	3,857,435
(%) Portfolio which is 90 days or more past due	9.0%	13.3%	16.9%

(1) Renegotiated credit transactions due to payment delay by clients.

(2) Renegotiated credit transactions of loans prior to maturity for the extension, renewal, granting of new credit for partial or full settlement of previous loans or any other type of agreement that changes the maturity or the originally agreed payment terms.

(3) Includes the amount of R$ 18,903 thousand (R$ 32,624 thousand on Dec 31, 2019 and R$ 46,079 thousand on Dec 31, 2018) related to renegotiated rural credits. The amount of R$ 8,905,430 thousand (R$ 8,364,833 thousand on Dec 31, 2019 and R$ 10,610,931 thousand on Dec 31, 2018) related to deferred credits from rural portfolio governed by specific legislation, is not included.

In thousand of Reais, unless otherwise stated

g) Breakdown of loans to customers between stages

Stage 1

	Dec 31, 2019	Acquisition/ (settlement)/ changes	Transfer from/ (to) stage 2	Transfer from/ (to) stage 3	Write-offs	Dec 31, 2020
Loans	**503,183,891**	**33,523,236**	**(39,162,792)**	**(9,065,951)**	-	**488,478,384**
Loans and discounted credits rights	183,884,013	17,951,582	(8,953,564)	(2,943,819)	-	189,938,212
Financing	109,751,780	6,120,744	(18,242,749)	(2,626,850)	-	95,002,925
Rural and agribusiness financing	163,501,218	11,595,714	(4,329,834)	(2,288,941)	-	168,478,157
Real estate financing	45,716,412	(2,072,873)	(7,623,196)	(1,203,334)	-	34,817,009
Loan portfolio transferred with substantial retention of risks	330,468	(71,931)	(13,449)	(3,007)	-	242,081
Other receivables with loan characteristics	**48,543,577**	**686,282**	**(1,195,287)**	**(159,999)**	-	**47,874,573**
Credit card operations	30,877,554	1,566,245	(1,122,565)	(84,962)	-	31,236,272
Advances on foreign exchange contracts	11,389,735	452,241	(72,722)	(75,037)	-	11,694,217
Receivables acquisition	5,737,671	(1,551,249)	-	-	-	4,186,422
Guarantees honored	419	(340)	-	-	-	79
Other	538,198	219,385	-	-	-	757,583
Leasing portfolio	**185,710**	**(18,317)**	**(8,350)**	**(149)**	-	**158,894**
Total loans to customers portfolio	**551,913,178**	**34,191,201**	**(40,366,429)**	**(9,226,099)**	-	**536,511,851**

	Dec 31, 2018	Acquisition/ (settlement)/ changes	Transfer from/ (to) stage 2	Transfer from/ (to) stage 3	Write-offs	Dec 31, 2019
Loans	**509,054,553**	**(1,870,684)**	**(2,625,500)**	**(1,374,478)**	-	**503,183,891**
Loans and discounted credits rights	173,523,648	13,962,125	(417,374)	(3,184,386)	-	183,884,013
Financing	112,849,019	(10,372,376)	129,749	7,145,388	-	109,751,780
Rural and agribusiness financing	175,019,142	(5,339,017)	(1,346,836)	(4,832,071)	-	163,501,218
Real estate financing	47,257,749	(47,172)	(991,039)	(503,126)	-	45,716,412
Loan portfolio transferred with substantial retention of risks	404,995	(74,244)	-	(283)	-	330,468
Other receivables with loan characteristics	**50,774,120**	**(1,962,840)**	**(137,836)**	**(129,867)**	-	**48,543,577**
Credit card operations	27,886,769	3,064,443	(21,895)	(51,763)	-	30,877,554
Advances on foreign exchange contracts	18,174,835	(6,591,056)	(115,940)	(78,104)	-	11,389,735
Receivables acquisition	4,064,247	1,673,424	-	-	-	5,737,671
Guarantees honored	107	312	-	-	-	419
Other	648,162	(109,963)	(1)	-	-	538,198
Leasing portfolio	**218,333**	**(31,911)**	**(362)**	**(350)**	-	**185,710**
Total loans to customers portfolio	**560,047,006**	**(3,865,435)**	**(2,763,698)**	**(1,504,695)**	-	**551,913,178**

In thousand of Reais, unless otherwise stated

Stage 2

	Dec 31, 2019	Acquisition/ (settlement)/ changes	Transfer from/ (to) stage 1	Transfer from/ (to) stage 3	Write-offs	Dec 31, 2020
Loans	**30,454,984**	**27,397,708**	**39,162,792**	**(6,310,764)**	**-**	**90,704,720**
Loans and discounted credits rights	14,359,098	24,288,379	8,953,564	(1,910,581)	-	45,690,460
Financing	889,484	3,435,426	18,242,749	(207,420)	-	22,360,239
Rural and agribusiness financing	9,280,367	(142,768)	4,329,834	(1,582,607)	-	11,884,826
Real estate financing	5,926,034	(183,328)	7,623,196	(2,610,156)	-	10,755,746
Loan portfolio transferred with substantial retention of risks	1	(1)	13,449	-	-	13,449
Other receivables with loan characteristics	**549,410**	**1,099,537**	**1,195,287**	**(211,131)**	**-**	**2,633,103**
Credit card operations	108,542	276,863	1,122,565	(8,377)	-	1,499,593
Advances on foreign exchange contracts	427,430	752,986	72,722	(202,506)	-	1,050,632
Receivables acquisition	-	82,627	-	-	-	82,627
Guarantees honored	12,695	(12,647)	-	-	-	48
Other	743	(292)	-	(248)	-	203
Leasing portfolio	**2,941**	**1,354**	**8,350**	**(114)**	**-**	**12,531**
Total loans to customers portfolio	**31,007,335**	**28,498,599**	**40,366,429**	**(6,522,009)**	**-**	**93,350,354**

	Dec 31, 2018	Acquisition/ (settlement)/ changes	Transfer from/ (to) stage 1	Transfer from/ (to) stage 3	Write-offs	Dec 31, 2019
Loans	**40,040,359**	**(6,341,718)**	**2,625,500**	**(5,869,157)**	**-**	**30,454,984**
Loans and discounted credits rights	18,322,529	(2,501,049)	417,374	(1,879,756)	-	14,359,098
Financing	3,458,496	(1,562,963)	(129,749)	(876,300)	-	889,484
Rural and agribusiness financing	11,337,340	(1,581,455)	1,346,836	(1,822,354)	-	9,280,367
Real estate financing	6,921,921	(696,179)	991,039	(1,290,747)	-	5,926,034
Loan portfolio transferred with substantial retention of risks	73	(72)	-	-	-	1
Other receivables with loan characteristics	**556,095**	**(143,132)**	**137,836**	**(1,389)**	**-**	**549,410**
Credit card operations	120,441	(32,115)	21,895	(1,679)	-	108,542
Advances on foreign exchange contracts	435,093	(123,603)	115,940	-	-	427,430
Receivables acquisition	-	-	-	-	-	-
Guarantees honored	89	12,606	-	-	-	12,695
Other	472	(20)	1	290	-	743
Leasing portfolio	**6,473**	**(3,864)**	**362**	**(30)**	**-**	**2,941**
Total loans to customers portfolio	**40,602,927**	**(6,488,714)**	**2,763,698**	**(5,870,576)**	**-**	**31,007,335**

In thousand of Reais, unless otherwise stated

Stage 3

	Dec 31, 2019	Acquisition/ (settlement)/ changes	Transfer from/ (to) stage 1	Transfer from/ (to) stage 2	Write-offs	Dec 31, 2020
Loans	**32,316,681**	**16,773,074**	**9,065,951**	**6,310,764**	**(19,991,825)**	**44,474,645**
Loans and discounted credits rights	16,050,180	14,935,516	2,943,819	1,910,581	(11,364,468)	24,475,628
Financing	2,898,329	709,399	2,626,850	207,420	(1,871,659)	4,570,339
Rural and agribusiness financing	10,584,750	198,845	2,288,941	1,582,607	(4,878,884)	9,776,259
Real estate financing	2,783,140	929,411	1,203,334	2,610,156	(1,876,814)	5,649,227
Loan portfolio transferred with substantial retention of risks	282	(97)	3,007	-	-	3,192
Other receivables with loan characteristics	**904,776**	**278,143**	**159,999**	**211,131**	**(436,332)**	**1,117,717**
Credit card operations	82,973	40,012	84,962	8,377	(15,799)	200,525
Advances on foreign exchange contracts	388,027	42,927	75,037	202,506	(14,733)	693,764
Receivables acquisition	-	139	-	-	(139)	-
Guarantees honored	433,748	194,822	-	-	(405,390)	223,180
Other	28	243	-	248	(271)	248
Leasing portfolio	**2,660**	**(712)**	**149**	**114**	**(1,158)**	**1,053**
Total loans to customers portfolio	**33,224,117**	**17,050,505**	**9,226,099**	**6,522,009**	**(20,429,315)**	**45,593,415**

	Dec 31, 2018	Acquisition/ (settlement)/ changes	Transfer from/ (to) stage 1	Transfer from/ (to) stage 2	Write-offs	Dec 31, 2019
Loans	**31,908,352**	**10,106,280**	**1,374,478**	**5,869,157**	**(16,941,586)**	**32,316,681**
Loans and discounted credits rights	13,833,039	7,126,450	3,184,386	1,879,756	(9,973,451)	16,050,180
Financing	10,456,150	63,437	(7,145,388)	876,300	(1,352,170)	2,898,329
Rural and agribusiness financing	5,435,314	2,632,731	4,832,071	1,822,354	(4,137,720)	10,584,750
Real estate financing	2,183,849	283,663	503,126	1,290,747	(1,478,245)	2,783,140
Loan portfolio transferred with substantial retention of risks	-	(1)	283	-	-	282
Other receivables with loan characteristics	**799,384**	**189,571**	**129,867**	**1,389**	**(215,435)**	**904,776**
Credit card operations	72,058	(35,713)	51,763	1,679	(6,814)	82,973
Advances on foreign exchange contracts	364,362	(54,439)	78,104	-	-	388,027
Receivables acquisition	-	423	-	-	(423)	-
Guarantees honored	362,541	279,388	-	-	(208,181)	433,748
Other	423	(88)	-	(290)	(17)	28
Leasing portfolio	**8,908**	**537**	**350**	**30**	**(7,165)**	**2,660**
Total loans to customers portfolio	**32,716,644**	**10,296,388**	**1,504,695**	**5,870,576**	**(17,164,186)**	**33,224,117**

24 – EXPECTED CREDIT LOSSES ON LOANS TO CUSTOMERS

a) Expected credit losses on loans to customers, net

	2020	2019	2018
Constitution	(25,671,827)	(22,178,613)	(17,367,358)
Recovery [1]	5,749,056	5,219,275	4,904,557
Expected credit losses for loans to customers, net	**(19,922,771)**	**(16,959,338)**	**(12,462,801)**

(1) Refers to recovery of principal.

In thousand of Reais, unless otherwise stated

b) Reconciliation of changes

	Dec 31, 2020				
	Opening balance	Constitution/(reversal) for loan losses	Write-offs	Exchange rate changes	Closing balance
Loans	**35,212,839**	**24,780,257**	**(19,991,825)**	**183,336**	**40,184,607**
Loans and discounted credits rights	17,056,111	18,176,246	(11,364,468)	155,344	24,023,233
Financing	4,182,148	1,716,715	(1,871,659)	28,028	4,055,232
Rural and agribusiness financing	9,597,417	4,367,857	(4,878,884)	-	9,086,390
Real estate financing	4,374,021	518,742	(1,876,814)	(36)	3,015,913
Loan portfolio transferred with substantial retention of risks	3,142	697	-	-	3,839
Other receivables with loan characteristics	**1,410,485**	**890,494**	**(436,332)**	**(419)**	**1,864,228**
Credit card operations	508,476	823,418	(15,799)	(419)	1,315,676
Advances on foreign exchange contracts	645,298	(229,703)	(14,733)	-	400,862
Receivables acquisition	2,139	45,253	(139)	-	47,253
Guarantees honored	245,645	258,956	(405,390)	-	99,211
Other	8,927	(7,430)	(271)	-	1,226
Leasing portfolio	**4,520**	**1,076**	**(1,158)**	**(3)**	**4,435**
Total	**36,627,844**	**25,671,827**	**(20,429,315)**	**182,914**	**42,053,270**

	Dec 31, 2019				
	Opening balance	Constitution/(reversal) for loan losses	Write-offs	Exchange rate changes	Closing balance
Loans	**30,449,791**	**21,788,666**	**(16,941,586)**	**(84,032)**	**35,212,839**
Loans and discounted credits rights	16,578,654	10,532,535	(9,973,451)	(81,627)	17,056,111
Financing	3,032,272	2,503,447	(1,352,170)	(1,401)	4,182,148
Rural and agribusiness financing	7,490,478	6,244,659	(4,137,720)	-	9,597,417
Real estate financing	3,347,015	2,506,255	(1,478,245)	(1,004)	4,374,021
Loan portfolio transferred with substantial retention of risks	1,372	1,770	-	-	3,142
Other receivables with loan characteristics	**1,246,318**	**387,555**	**(215,435)**	**(7,953)**	**1,410,485**
Credit card operations	401,646	121,597	(6,814)	(7,953)	508,476
Advances on foreign exchange contracts	604,998	40,300	-	-	645,298
Receivables acquisition	2,178	384	(423)	-	2,139
Guarantees honored	224,330	229,496	(208,181)	-	245,645
Other	13,166	(4,222)	(17)	-	8,927
Leasing portfolio	**9,956**	**2,392**	**(7,165)**	**(663)**	**4,520**
Total	**31,706,065**	**22,178,613**	**(17,164,186)**	**(92,648)**	**36,627,844**

In thousand of Reais, unless otherwise stated

c) Breakdown of expected credit losses on loans to customers classified by product and stages

	Dec 31, 2020							
	Stage 1		Stage 2		Stage 3		Total	
	Credit amount	Expected credit losses	Credit amount	Expected credit losses	Credit amount	Expected credit losses	Credit amount	Expected credit losses
Loans	**488,478,384**	**(8,030,491)**	**90,704,720**	**(5,184,773)**	**44,474,645**	**(26,969,343)**	**623,657,749**	**(40,184,607)**
Loans and discounted credits rights	189,938,212	(4,275,748)	45,690,460	(3,380,157)	24,475,628	(16,367,328)	260,104,300	(24,023,233)
Financing	95,002,925	(742,256)	22,360,239	(247,703)	4,570,339	(3,065,273)	121,933,503	(4,055,232)
Rural and agribusiness financing	168,478,157	(2,663,148)	11,884,826	(1,087,996)	9,776,259	(5,335,246)	190,139,242	(9,086,390)
Real estate financing	34,817,009	(346,855)	10,755,746	(468,666)	5,649,227	(2,200,392)	51,221,982	(3,015,913)
Loan portfolio transferred with substantial retention of risks	242,081	(2,484)	13,449	(251)	3,192	(1,104)	258,722	(3,839)
Other receivables with loan characteristics	**47,874,573**	**(1,164,106)**	**2,633,103**	**(125,108)**	**1,117,717**	**(575,014)**	**51,625,393**	**(1,864,228)**
Credit card operations	31,236,272	(1,064,539)	1,499,593	(115,025)	200,525	(136,112)	32,936,390	(1,315,676)
Advances on foreign exchange contracts	11,694,217	(51,805)	1,050,632	(9,561)	693,764	(339,496)	13,438,613	(400,862)
Receivables acquisition	4,186,422	(46,755)	82,627	(498)	-	-	4,269,049	(47,253)
Guarantees honored	79	-	48	(22)	223,180	(99,189)	223,307	(99,211)
Other	757,583	(1,007)	203	(2)	248	(217)	758,034	(1,226)
Leasing portfolio	**158,894**	**(3,284)**	**12,531**	**(602)**	**1,053**	**(549)**	**172,478**	**(4,435)**
Total	**536,511,851**	**(9,197,881)**	**93,350,354**	**(5,310,483)**	**45,593,415**	**(27,544,906)**	**675,455,620**	**(42,053,270)**

In thousand of Reais, unless otherwise stated

	Dec 31, 2019							
	Stage 1		Stage 2		Stage 3		Total	
	Credit amount	Expected credit losses	Credit amount	Expected credit losses	Credit amount	Expected credit losses	Credit amount	Expected credit losses
Loans	**503,183,891**	**(9,216,359)**	**30,454,984**	**(5,302,646)**	**32,316,681**	**(20,693,834)**	**565,955,556**	**(35,212,839)**
Loans and discounted credits rights	183,884,013	(4,045,423)	14,359,098	(2,668,620)	16,050,180	(10,342,068)	214,293,291	(17,056,111)
Financing	109,751,780	(2,245,374)	889,484	(145,772)	2,898,329	(1,791,002)	113,539,593	(4,182,148)
Rural and agribusiness financing	163,501,218	(1,922,389)	9,280,367	(1,268,949)	10,584,750	(6,406,079)	183,366,335	(9,597,417)
Real estate financing	45,716,412	(1,000,272)	5,926,034	(1,219,305)	2,783,140	(2,154,444)	54,425,586	(4,374,021)
Loan portfolio transferred with substantial retention of risks	330,468	(2,901)	1	-	282	(241)	330,751	(3,142)
Other receivables with loan characteristics	**48,543,577**	**(748,712)**	**549,410**	**(146,319)**	**904,776**	**(515,454)**	**49,997,763**	**(1,410,485)**
Credit card operations	30,877,554	(434,250)	108,542	(24,996)	82,973	(49,230)	31,069,069	(508,476)
Advances on foreign exchange contracts	11,389,735	(303,581)	427,430	(117,440)	388,027	(224,277)	12,205,192	(645,298)
Receivables acquisition	5,737,671	(2,139)	-	-	-	-	5,737,671	(2,139)
Guarantees honored	419	(23)	12,695	(3,690)	433,748	(241,932)	446,862	(245,645)
Other	538,198	(8,719)	743	(193)	28	(15)	538,969	(8,927)
Leasing portfolio	**185,710**	**(2,180)**	**2,941**	**(760)**	**2,660**	**(1,580)**	**191,311**	**(4,520)**
Total	**551,913,178**	**(9,967,251)**	**31,007,335**	**(5,449,725)**	**33,224,117**	**(21,210,868)**	**616,144,630**	**(36,627,844)**

In thousand of Reais, unless otherwise stated

d) Breakdown of expected credit losses on loans to customers classified by product and type of customer

	Dec 31, 2020	Dec 31, 2019
Loans	**40,184,607**	**35,212,839**
Loans and discounted credits rights	**24,023,233**	**17,056,111**
- Corporations	14,459,794	8,983,861
- Individuals	9,563,439	8,072,250
Financing	**4,055,232**	**4,182,148**
- Corporations	3,839,674	3,961,420
- Individuals	215,558	220,728
Rural and agribusiness financing	**9,086,390**	**9,597,417**
- Corporations	119,606	1,960,504
- Individuals	8,966,784	7,636,913
Real estate financing	**3,015,913**	**4,374,021**
- Corporations	710,616	1,048,653
- Individuals	2,305,297	3,325,368
Loan portfolio transferred with substantial retention of risks	**3,839**	**3,142**
- Individuals	3,839	3,142
Other receivables with loan characteristics	**1,864,228**	**1,410,485**
Credit card operations	**1,315,676**	**508,476**
- Corporations	103,182	43,107
- Individuals	1,212,494	465,369
Advances on foreign exchange contracts	**400,862**	**645,298**
- Corporations	400,529	645,281
- Individuals	333	17
Receivables acquisition	**47,253**	**2,139**
- Corporations	47,253	2,139
Guarantees honored	**99,211**	**245,645**
- Corporations	99,211	240,898
- Individuals	-	4,747
Other	**1,226**	**8,927**
- Corporations	1,224	8,889
- Individuals	2	38
Leasing portfolio	**4,435**	**4,520**
- Corporations	4,364	4,286
- Individuals	71	234
Total	**42,053,270**	**36,627,844**

In thousand of Reais, unless otherwise stated

e) Breakdown of expected credit losses between stages

Stage 1

	Dec 31, 2019	Constitution / (reversal)	Transfer from/ (to) stage 2	Transfer from/ (to) stage 3	Write-offs	Exchange rate changes	Dec 31, 2020
Loans	**9,216,359**	**5,807,822**	**(1,191,780)**	**(5,834,685)**	**-**	**32,775**	**8,030,491**
Loans and discounted credits rights	4,045,423	2,502,029	(478,110)	(1,821,243)	-	27,649	4,275,748
Financing	2,245,374	795,077	(163,289)	(2,140,036)	-	5,130	742,256
Rural and agribusiness financing	1,922,389	2,425,374	(239,715)	(1,444,900)	-	-	2,663,148
Real estate financing	1,000,272	84,458	(310,415)	(427,456)	-	(4)	346,855
Loan portfolio transferred with substantial retention of risks	2,901	884	(251)	(1,050)	-	-	2,484
Other receivables with loan characteristics	**748,712**	**576,056**	**(56,503)**	**(103,820)**	**-**	**(339)**	**1,164,106**
Credit card operations	434,250	741,828	(53,792)	(57,408)	-	(339)	1,064,539
Advances on foreign exchange contracts	303,581	(202,653)	(2,711)	(46,412)	-	-	51,805
Receivables acquisition	2,139	44,616	-	-	-	-	46,755
Guarantees honored	23	(23)	-	-	-	-	-
Other	8,719	(7,712)	-	-	-	-	1,007
Leasing portfolio	**2,180**	**1,343**	**(148)**	**(89)**	**-**	**(2)**	**3,284**
Total	**9,967,251**	**6,385,221**	**(1,248,431)**	**(5,938,594)**	**-**	**32,434**	**9,197,881**

	Dec 31, 2018	Constitution / (reversal)	Transfer from/ (to) stage 2	Transfer from/ (to) stage 3	Write-offs	Exchange rate changes	Dec 31, 2019
Loans	**6,344,485**	**9,061,876**	**(92,885)**	**(6,076,775)**	**-**	**(20,342)**	**9,216,359**
Loans and discounted credits rights	2,666,520	3,430,407	69,964	(2,102,136)	-	(19,332)	4,045,423
Financing	596,303	1,837,886	131,070	(319,104)	-	(781)	2,245,374
Rural and agribusiness financing	2,554,722	2,493,715	80,516	(3,206,564)	-	-	1,922,389
Real estate financing	525,580	1,298,086	(374,435)	(448,730)	-	(229)	1,000,272
Loan portfolio transferred with substantial retention of risks	1,360	1,782	-	(241)	-	-	2,901
Other receivables with loan characteristics	**370,650**	**497,182**	**(36,142)**	**(76,186)**	**-**	**(6,792)**	**748,712**
Credit card operations	318,463	163,300	(9,540)	(31,181)	-	(6,792)	434,250
Advances on foreign exchange contracts	37,062	338,126	(26,602)	(45,005)	-	-	303,581
Receivables acquisition	2,178	(39)	-	-	-	-	2,139
Guarantees honored	14	9	-	-	-	-	23
Other	12,933	(4,214)	-	-	-	-	8,719
Leasing portfolio	**2,459**	**504**	**(182)**	**(281)**	**-**	**(320)**	**2,180**
Total	**6,717,594**	**9,559,562**	**(129,209)**	**(6,153,242)**	**-**	**(27,454)**	**9,967,251**

In thousand of Reais, unless otherwise stated

Stage 2

	Dec 31, 2019	Constitution / (reversal)	Transfer from/ (to) stage 1	Transfer from/ (to) stage 3	Write-offs	Exchange rate changes	Dec 31, 2020
Loans	**5,302,646**	**1,895,051**	**1,191,780**	**(3,228,267)**	**-**	**23,563**	**5,184,773**
Loans and discounted credits rights	2,668,620	1,507,715	478,110	(1,296,145)	-	21,857	3,380,157
Financing	145,772	79,018	163,289	(142,088)	-	1,712	247,703
Rural and agribusiness financing	1,268,949	465,835	239,715	(886,503)	-	-	1,087,996
Real estate financing	1,219,305	(157,517)	310,415	(903,531)	-	(6)	468,666
Loan portfolio transferred with substantial retention of risks	-	-	251	-	-	-	251
Other receivables with loan characteristics	**146,319**	**(5,180)**	**56,503**	**(72,497)**	**-**	**(37)**	**125,108**
Credit card operations	24,996	41,897	53,792	(5,623)	-	(37)	115,025
Advances on foreign exchange contracts	117,440	(43,933)	2,711	(66,657)	-	-	9,561
Receivables acquisition	-	498	-	-	-	-	498
Guarantees honored	3,690	(3,668)	-	-	-	-	22
Other	193	26	-	(217)	-	-	2
Leasing portfolio	**760**	**(208)**	**148**	**(97)**	**-**	**(1)**	**602**
Total	**5,449,725**	**1,889,663**	**1,248,431**	**(3,300,861)**	**-**	**23,525**	**5,310,483**

	Dec 31, 2018	Constitution / (reversal)	Transfer from/ (to) stage 1	Transfer from/ (to) stage 3	Write-offs	Exchange rate changes	Dec 31, 2019
Loans	**6,000,219**	**3,336,003**	**92,885**	**(4,113,361)**	**-**	**(13,100)**	**5,302,646**
Loans and discounted credits rights	2,613,010	1,403,757	(69,964)	(1,265,412)	-	(12,771)	2,668,620
Financing	889,437	(80,822)	(131,070)	(531,724)	-	(49)	145,772
Rural and agribusiness financing	1,463,873	1,012,556	(80,516)	(1,126,964)	-	-	1,268,949
Real estate financing	1,033,887	1,000,524	374,435	(1,189,261)	-	(280)	1,219,305
Loan portfolio transferred with substantial retention of risks	12	(12)	-	-	-	-	-
Other receivables with loan characteristics	**255,699**	**(143,878)**	**36,142**	**(1,253)**	**-**	**(391)**	**146,319**
Credit card operations	26,919	(9,666)	9,540	(1,406)	-	(391)	24,996
Advances on foreign exchange contracts	228,762	(137,924)	26,602	-	-	-	117,440
Receivables acquisition	-	-	-	-	-	-	-
Guarantees honored	16	3,674	-	-	-	-	3,690
Other	2	38	-	153	-	-	193
Leasing portfolio	**816**	**(106)**	**182**	**(21)**	**-**	**(111)**	**760**
Total	**6,256,734**	**3,192,019**	**129,209**	**(4,114,635)**	**-**	**(13,602)**	**5,449,725**

In thousand of Reais, unless otherwise stated

Stage 3

	Dec 31, 2019	Constitution / (reversal)	Transfer from/ (to) stage 1	Transfer from/ (to) stage 2	Write-offs	Exchange rate changes	Dec 31, 2020
Loans	**20,693,834**	**17,077,384**	**5,834,685**	**3,228,267**	**(19,991,825)**	**126,998**	**26,969,343**
Loans and discounted credits rights	10,342,068	14,166,502	1,821,243	1,296,145	(11,364,468)	105,838	16,367,328
Financing	1,791,002	842,620	2,140,036	142,088	(1,871,659)	21,186	3,065,273
Rural and agribusiness financing	6,406,079	1,476,648	1,444,900	886,503	(4,878,884)	-	5,335,246
Real estate financing	2,154,444	591,801	427,456	903,531	(1,876,814)	(26)	2,200,392
Loan portfolio transferred with substantial retention of risks	241	(187)	1,050	-	-	-	1,104
Other receivables with loan characteristics	**515,454**	**319,618**	**103,820**	**72,497**	**(436,332)**	**(43)**	**575,014**
Credit card operations	49,230	39,693	57,408	5,623	(15,799)	(43)	136,112
Advances on foreign exchange contracts	224,277	16,883	46,412	66,657	(14,733)	-	339,496
Receivables acquisition	-	139	-	-	(139)	-	-
Guarantees honored	241,932	262,647	-	-	(405,390)	-	99,189
Other	15	256	-	217	(271)	-	217
Leasing portfolio	**1,580**	**(59)**	**89**	**97**	**(1,158)**	**-**	**549**
Total	**21,210,868**	**17,396,943**	**5,938,594**	**3,300,861**	**(20,429,315)**	**126,955**	**27,544,906**

	Dec 31, 2018	Constitution / (reversal)	Transfer from/ (to) stage 1	Transfer from/ (to) stage 2	Write-offs	Exchange rate changes	Dec 31, 2019
Loans	**18,105,087**	**9,390,787**	**6,076,775**	**4,113,361**	**(16,941,586)**	**(50,590)**	**20,693,834**
Loans and discounted credits rights	11,299,124	5,698,371	2,102,136	1,265,412	(9,973,451)	(49,524)	10,342,068
Financing	1,546,532	746,383	319,104	531,724	(1,352,170)	(571)	1,791,002
Rural and agribusiness financing	3,471,883	2,738,388	3,206,564	1,126,964	(4,137,720)	-	6,406,079
Real estate financing	1,787,548	207,645	448,730	1,189,261	(1,478,245)	(495)	2,154,444
Loan portfolio transferred with substantial retention of risks	-	-	241	-	-	-	241
Other receivables with loan characteristics	**619,969**	**34,251**	**76,186**	**1,253**	**(215,435)**	**(770)**	**515,454**
Credit card operations	56,264	(32,037)	31,181	1,406	(6,814)	(770)	49,230
Advances on foreign exchange contracts	339,174	(159,902)	45,005	-	-	-	224,277
Receivables acquisition	-	423	-	-	(423)	-	-
Guarantees honored	224,300	225,813	-	-	(208,181)	-	241,932
Other	231	(46)	-	(153)	(17)	-	15
Leasing portfolio	**6,681**	**1,994**	**281**	**21**	**(7,165)**	**(232)**	**1,580**
Total	**18,731,737**	**9,427,032**	**6,153,242**	**4,114,635**	**(17,164,186)**	**(51,592)**	**21,210,868**

In thousand of Reais, unless otherwise stated

25 – NON-CURRENT ASSETS HELD FOR SALE

These assets consist of other real estate owned (received in settlement of non-performing loans to customers) and items of property, plant and equipment not in use that will be sold at auction.

As required, the fair value of these assets is determined based on methodologies established by the ABNT. Qualified professionals registered in the Federal Council of Engineering & Agronomy (Confea) or Regional Council of Engineering & Agronomy (Crea) prepare the evaluations. These measurements are classified as Level 2.

In accordance with the recommendations of the ABNT, the most common methodologies used are the Market Data Direct Comparison Method (MCDDM) and Evolution Method.

The MCDDM consists of analyzing a sample of assets in the market with very similar characteristics to the evaluated asset and assigning a value. The assessment considers the economic, physical and geographic characteristics of the item under analysis. Examples of these elements: negotiations actually carried out, prices of goods on offer, construction standard, state of conservation, age of the building, relief, soil consistency, utilization, situation in the urban context, urban infrastructure, existing activities in the area - commerce, industry and services etc.

Under the Evolution Method, the asset's fair value is based on the value of the land plus the cost of the improvements (properly depreciated), i.e., the value of the individual components is multiplied by a sales factor. This method is used when there are not enough similar assets in the market to use the MCDDM. Generally, the value of the land is determined using the MCDDM, and the improvements value are based on a sample of properties with similar projects or unit cost of construction or its budget.

	Dec 31, 2020	Dec 31, 2019
Non – operating properties	494,426	366,618
Properties withdrawn from use	5,633	1,146
Total	**500,059**	**367,764**

In 2020, the Bank realized a gain on the disposal of non-current assets of R$ 68,872 thousand (R$ 290,332 thousand in 2019).

In thousand of Reais, unless otherwise stated

26 – INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

a) Equity method investments

Company	Equity interest percentage				Adjusted shareholders' equity of investee		Carrying amount of investment		Net gains/(losses) from equity method investments			Dividends	
	Dec 31, 2020		Dec 31, 2019										
	Total	Common Stock	Total	Common Stock	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	2020	2019	2018	2020	2019
Associates [1] and joint ventures [2]													
Banco Votorantim S.A. [3]	50.00	49.99	50.00	49.99	12,142,564	11,162,060	6,067,234	5,575,556	716,710	762,759	453,816	170,364	530,614
Cielo S.A. [4]	28.75	28.75	28.69	28.69	10,939,958	11,392,618	3,509,625	4,270,837	(796,652)	453,146	730,518	47,821	408,452
Brasilprev Seguros e Previdência S.A. [5]	75.00	49.99	75.00	49.99	4,619,653	3,424,213	3,464,509	2,567,988	635,557	1,014,378	691,090	636,508	703,836
Cateno Gestão de Contas de Pagamentos S.A. [6]	30.00	22.22	30.00	22.22	10,382,789	12,227,571	3,114,837	3,668,271	139,305	203,337	215,270	133,426	196,971
BB Mapfre Participações S.A. – Brasilseg [7]	74.99	49.99	74.99	49.99	2,169,902	1,882,016	2,315,633	2,099,747	1,085,320	1,071,799	1,058,416	858,035	1,192,483
Elo Participações S.A.	49.99	49.99	49.99	49.99	3,183,931	2,991,819	1,591,647	1,495,610	430,440	288,835	250,787	336,061	78,405
UBS BB Serviços de Assessoria Financeira e Participações S.A. [8]	49.99	49.99	-	-	1,374,885	-	687,304	-	4,556	-	-	-	-
Brasilcap Capitalização S.A. [9]	66.66	49.99	66.66	49.99	539,423	481,823	470,328	431,932	105,781	67,265	61,113	63,638	34,764
Neoenergia S.A. [10]	-	-	-	-	-	-	-	-	-	92,584	110,695	-	-
Mapfre BB SH2 Participações S.A. [11]	-	-	-	-	-	-	-	-	-	-	(189,744)	-	-
Others [12]							157,659	219,330	904	90,310	156,357	15,000	133,499
Unrealized profit [13]							(3,471,966)	(2,914,458)					
Total							**17,906,810**	**17,414,813**	**2,321,921**	**4,044,413**	**3,538,318**	**2,260,853**	**3,279,024**

(1) The Bank has significant influence over the investee through board seats or other measures.

(2) The Bank has joint control over the investees' relevant activities through contractual arrangements.

(3) Investment is reduced on the amount of R$ 4,049 thousand due to the unrealized profit with Ativos S.A. Securitizadora de Creditos Financeiros referring to the assignment of credit rights (R$ 5,474 thousand on Dec 31, 2019).

(4) Includes the amount of R$ 364,332 thousand related to goodwill on acquisition of the investment (R$ 1,002,124 thousand on Dec 31, 2019). The investment's fair value is R$ 3,113,280 thousand (R$ 6,514,539 thousand on Dec 31, 2019). Negative impact of R$ 637,791 thousand on 2020 "net gains/(losses) from equity method investments" due to impairment.

(5) Ownership interest held by BB Seguros Participações S.A. The percentage of effective equity interest of shareholders of the Bank is 49.77%.

(6) Indirect ownership interest held by the Bank in Cateno, through its wholly-owned subsidiary BB Elo Cartões Participações S.A. The total interest held by the Bank is 50.13%, considering that Cielo S.A. holds 70% of direct participation in Cateno.

(7) Ownership interest held by BB Seguros Participações S.A. The percentage of effective equity interest of shareholders of the Bank is 49.77%. Includes the amount of R$ 688,423 thousand related to goodwill on acquisition of the investment.

(8) Company arising from the strategic partnership between BB-Banco de Investimentos S.A. and UBS A.G. to operate in investment banking and securities brokerage activities.

(9) Ownership interest held by BB Seguros Participações S.A. The percentage of effective equity interest of shareholders of the Bank is 44.24%. Includes the amount of R$ 110,749 thousand related to goodwill on acquisition of the investment.

(10) The investment was sold in June, 2019.

(11) The investment was sold in November, 2018.

(12) Refers to investments in the following companies: Brasildental Operadora de Planos Odontológicos S.A., Cadam S.A., Ciclic Corretora de Seguros S.A., Gestora de Inteligência de Crédito S.A. – QUOD, Estruturadora Brasileira de Projetos – EBP, Galgo Sistemas de Informações S.A. and Tecnologia Bancária S.A. – Tecban. Investment value is reduced by impairment losses of R$ 3,669 thousand (R$ 4,926 thousand on Dec 31, 2019). Investment on Seguradora Bras. de Crédito à Exportação – SBCE was sold in May, 2019. Investments on IRB-Brasil Resseguros S.A. and Companhia Brasileira de Securitização – Cibrasec were sold in July, 2019. Investment on Kepler Weber S.A. was reclassified to financial asset at fair value through profit or loss in 2020 due to the loss of significant influence over the company.

(13) Unrealized profit arising from the strategic partnership between BB Elo Cartões Participações S.A. and Cielo S.A., forming Cateno Gestão de Contas de Pagamento S.A. and unrealized profit arising from the strategic partnership between BB-BI and UBS A.G.

In thousand of Reais, unless otherwise stated

b) Qualitative information of associates and joint ventures

Company	Place of incorporation		Description	Segment	Strategic participation (1)
	Country	Headquarter location			
Banco Votorantim S.A.	Brazil	São Paulo (SP)	Performs various types of bank activities, such as consumer lending, leasing, and investment fund management.	Banking	Yes
Cielo S.A.	Brazil	Barueri (SP)	Provides services related to credit and debit cards and payments services.	Electronic payments	Yes
Brasilprev Seguros e Previdência S.A.	Brazil	São Paulo (SP)	Commercializes life insurance with survivor coverage and with private retirement and benefit plans.	Insurance	Yes
Cateno Gestão de Contas de Pagamentos S.A.	Brazil	Barueri (SP)	Provides services related to the management of transactions arisen from credit and debit card operations.	Electronic payments	Yes
BB Mapfre Participações S.A. – Brasilseg	Brazil	São Paulo (SP)	Acts as a holding company for other companies which deal with life, real estate and agricultural insurance.	Insurance	Yes
Elo Participações S.A.	Brazil	Barueri (SP)	Acts as a holding company which consolidates the joint business related to electronic payment services.	Electronic payments	Yes
UBS BB Serviços de Assessoria Financeira e Participações S.A.	Brazil	São Paulo (SP)	Operates in investment banking and securities brokerage activities in the institutional segment in Brazil and in certain South American countries.	Investments	Yes
Brasilcap Capitalização S.A.	Brazil	Rio de Janeiro (RJ)	Commercializes capitalization plans and other products and services that capitalization companies are allowed to provide.	Insurance	Yes

(1) Strategic investments are made in companies with activities that complement or support those of the Bank and its subsidiaries.

In thousand of Reais, unless otherwise stated

c) Summarized financial information of associates and joint ventures, not adjusted for the equity interest percentage held by the Bank

	Dec 31, 2020								
	Banco Votorantim S.A.	Cielo S.A.	Brasilprev Seguros e Previdência S.A.	Cateno Gestão de Contas de Pagamentos S.A.	BB Mapfre Participações S.A. - Brasilseg	Elo Participações S.A.	UBS BB Serviços de Assessoria Financeira e Participações S.A.	Brasilcap Capitalização S.A.	Outros
Current assets	**45,123,907**	**75,023,188**	**299,893,358**	**1,743,107**	**7,624,617**	**893,735**	**219,936**	**5,952,543**	**1,031,338**
Cash and cash equivalents	4,808,466	2,841,278	14,201	2,130	9,540	892,035	14,444	413	457,297
Other current assets	40,315,441	72,181,910	299,879,157	1,740,977	7,615,077	1,700	205,492	5,952,130	574,041
Non-current assets	**68,729,662**	**11,911,645**	**13,552,475**	**9,339,595**	**9,411,395**	**2,704,326**	**1,282,880**	**3,957,892**	**3,031,333**
Current liabilities	**72,412,350**	**67,258,943**	**35,083,159**	**699,913**	**9,073,773**	**262,501**	**22,877**	**8,351,928**	**1,222,751**
Financial liabilities	70,050,105	40,214	266,586	-	-	-	-	526	716,778
Other current liabilities	2,362,245	67,218,729	34,816,573	699,913	9,073,773	262,501	22,877	8,351,402	505,973
Non-current liabilities	**29,298,654**	**8,735,933**	**273,743,021**	**-**	**5,792,337**	**151,629**	**105,054**	**1,019,084**	**1,860,221**
Financial liabilities	1,046,272	6,901,822	-	-	-	9,513	-	-	1,538,025
Other non-current liabilities	28,252,382	1,834,111	273,743,021	-	5,792,337	142,116	105,054	1,019,084	322,196
Income	11,154,395	4,675,573	11,847,874	3,049,829	3,148,765	900,574	289,095	1,474,815	2,900,888
Interest income	11,154,395	52,816	4,517,529	-	372,000	-	-	630,578	(21,878)
Interest expense	(5,855,640)	(339,048)	(1,695,581)	-	-	(4,039)	(10)	-	(70,748)
Net allowance for loan losses	(984,100)	-	-	-	-	-	-	-	-
Depreciation and amortization	(176,867)	(483,510)	(42,495)	(387,885)	(43,744)	-	(19,490)	-	(331,997)
Income taxes	101,892	(177,197)	(537,168)	(241,433)	(520,584)	(193)	92,295	(101,144)	(28,625)
Adjusted income/(loss) for the period	**1,433,420**	**(2,770,912)**	**847,465**	**464,349**	**1,447,286**	**861,052**	**9,114**	**158,688**	**47,146**
Other comprehensive income	20,898	-	(566)	-	34,013	-	-	46,327	(166)
Total comprehensive income	1,454,319	(2,770,912)	846,899	464,349	1,481,299	861,052	9,114	205,015	46,980
Adjusted shareholders' equity	**12,142,565**	**10,939,957**	**4,619,653**	**10,382,789**	**2,169,902**	**3,183,931**	**1,374,885**	**539,423**	**979,699**
Ownership percentage	50.00%	28.75%	75.00%	30.00%	74.99%	49.99%	49.99%	66.66%	-
Carrying amount of the investment (1)	**6,067,234**	**3,145,293**	**3,464,509**	**3,114,837**	**1,627,210**	**1,591,647**	**687,304**	**359,580**	**157,659**
Goodwill	-	364,332	-	-	688,423	-	-	110,749	-
Unrealized profit	(4,049)	-	-	-	-	-	-	-	-

(1) Excludes goodwill on acquisition of the investment.

In thousand of Reais, unless otherwise stated

	Dec 31, 2019							
	Banco Votorantim S.A.	Cielo S.A.	Brasilprev Seguros e Previdência S.A.	Cateno Gestão de Contas de Pagamentos S.A.	BB Mapfre Participações S.A. - Brasilseg	Elo Participações S.A.	Brasilcap Capitalização S.A.	Others
Current assets	**46,040,314**	**80,584,264**	**281,272,711**	**3,269,719**	**8,341,302**	**3,220,901**	**5,237,744**	**1,141,250**
Cash and cash equivalents	271,870	191,400	3,474	623	14,931	730,917	14	328,704
Other current assets	45,768,444	80,392,864	281,269,237	3,269,096	8,326,371	2,489,984	5,237,730	812,546
Non-current assets	**50,191,341**	**13,924,373**	**13,870,029**	**9,720,914**	**6,234,366**	**-**	**4,813,453**	**2,897,121**
Current liabilities	**56,031,389**	**74,496,290**	**33,163,847**	**763,062**	**7,643,558**	**229,082**	**8,423,872**	**687,138**
Financial liabilities	52,483,605	917,685	-	-	-	-	-	69,039
Other current liabilities	3,547,784	73,578,605	33,163,847	763,062	7,643,558	229,082	8,423,872	618,099
Non-current liabilities	**29,038,206**	**8,619,729**	**258,554,680**	**-**	**5,050,094**	**-**	**1,145,502**	**2,020,984**
Financial liabilities	28,554,415	6,799,128	-	-	-	-	-	1,338,934
Other non-current liabilities	483,791	1,820,601	258,554,680	-	5,050,094	-	1,145,502	682,050
Income	13,767,260	5,300,681	22,925,764	3,244,500	3,116,224	957,692	3,298,448	3,233,227
Interest income	11,979,864	32,449	20,560,216	-	542,538	-	933,149	480
Interest expense	(4,904,637)	(520,889)	-	-	-	-	-	(117,286)
Net allowance for loan losses	(2,509,767)	-	-	-	-	-	-	(3,559)
Depreciation and amortization	(80,281)	(344,716)	(36,737)	(387,490)	(48,438)	-	(1,090)	(258,931)
Income taxes	(118,887)	(401,655)	(844,815)	(352,394)	(604,667)	(14,603)	(63,231)	(6,113)
Ajusted income/(loss) for the period	**1,525,517**	**1,579,375**	**1,352,594**	**677,789**	**1,429,255**	**577,787**	**100,907**	**(494)**
Other comprehensive income	239,955	56,687	1,395	-	(32,947)	-	-	(166)
Total comprehensive income	1,765,471	1,636,062	1,353,989	677,789	1,396,308	577,787	100,907	(660)
Adjusted shareholders' equity	**11,162,060**	**11,392,618**	**3,424,213**	**12,227,571**	**1,882,016**	**2,991,819**	**481,823**	**1,330,249**
Ownership percentage	50.00%	28.69%	74.99%	30.00%	74.99%	49.99%	66.66%	-
Carrying amount of the investment (1)	**5,575,556**	**3,268,713**	**2,567,988**	**3,668,271**	**1,411,324**	**1,495,610**	**321,183**	**219,330**
Goodwill	-	1,002,124	-	-	688,423	-	110,749	-
Unrealized profit	(5,474)	-	-	-	-	-	-	-

(1) Excludes goodwill on acquisition of the investment.

In thousand of Reais, unless otherwise stated

d) Reconciliation of changes

Company	Opening balance	Changes			Closing balance
	Dec 31, 2019	Net gains / (losses) from equity method investments	Dividends	Other changes (1)	Dec 31, 2020
Banco Votorantim S.A	5,575,556	716,710	(170,364)	(54,668)	6,067,234
Cielo S.A.	4,270,837	(796,652)	(47,821)	83,261	3,509,625
Brasilprev Seguros e Previdência S.A.	2,567,988	635,557	(636,508)	897,472	3,464,509
Cateno Gestão de Contas de Pagamentos S.A.	3,668,271	139,305	(133,426)	(559,313)	3,114,837
BB Mapfre Participações S.A. – Brasilseg	2,099,747	1,085,320	(858,035)	(11,399)	2,315,633
Elo Participações S.A.	1,495,610	430,440	(336,061)	1,658	1,591,647
UBS BB Serviços de Assessoria Financeira e Participações S.A.	-	4,556	-	682,748	687,304
Brasilcap Capitalização S.A.	431,932	105,781	(63,638)	(3,747)	470,328
Others (2)	219,330	904	(15,000)	(47,575)	157,659
Subtotal	**20,329,271**	**2,321,921**	**(2,260,853)**	**988,437**	**21,378,776**
Unrealized profit	(2,914,458)	-	-	(557,508)	(3,471,966)
Total	**17,414,813**	**2,321,921**	**(2,260,853)**	**430,929**	**17,906,810**

(1) Refers mainly to unrealized gains/(losses) on financial assets at fair value through other comprehensive income, foreign exchange changes on investments abroad and adjustments from previous years made by the investees. Includes the acquisition of the investment in UBS BB Serviços de Assessoria Financeira e Participações S.A. Includes the capital increase in Brasilprev and shares redemption in Cateno.

(2) Includes, in “Other changes”, the reclassification of the investment in Kepler Weber S.A. to financial asset at fair value through profit or loss, in the amount of R$ 79,334 thousand.

e) Other information

The associates and joint ventures do not expose the Bank to any significant contingent liabilities.

None of the Bank’s associates or joint ventures presented significant restrictions on the transfer of resources in the form of cash dividends or the repayment of loans or advances.

None of the associates or joint ventures had discontinued operations.

The Bank does not have any unrecognized losses with respect to its associates or joint ventures in the periods presented or carried-forward from previous years.

In thousand of Reais, unless otherwise stated

27 – INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

A structured entity is one that has been set up such that voting or similar rights are not significant in deciding who controls the entity. An example is when any voting rights relate only to administrative tasks and the relevant activities are directed by means of contractual arrangements.

A structured entity often has some or all of the following features or attributes:

- restricted activities;
- a narrow and well-defined objective;
- insufficient equity to permit the structured entity to finance its activities without subordinated financial support;
- financing in the form of multiple contractually linked instruments issued to investors that create concentrations of credit or other risks (tranches).

A structured entity usually do not carry out a business or trade and typically have no employees. The main purposes of SE are to provide clients with access to specific portfolios of assets and to provide market liquidity for clients through securitizing financial assets.

Interests to unconsolidated SE have been considered as contractual and non-contractual involvement that exposes the Bank to variability of returns from the performance of the other entity. These interests usually take the form of equity or debt instruments, as well as other forms of involvement, such as the receipt of fees from the other entity and the provision of funding, liquidity support, credit enhancement and/or guarantees. The extent of the Bank's interests to unconsolidated SE will vary depending on the purpose for which the entity was established.

Structured entities generally finance the purchase of assets by issuing debt and/or equity securities that are collateralized by and/or indexed to the assets held by the SE. The debt and/or equity securities issued by SE may include tranches with varying levels of subordination.

Investment funds

The Bank manages several investment funds, which are unconsolidated structured entities. The Bank holds interests in these funds through the receipt of management and other fees and an equity holding in certain of these funds.

The investment funds have various investment objectives and policies but all funds invest capital received from investors in a portfolio of assets in order to provide returns to those investors from capital appreciation of those assets, income from those assets or both. The investment funds have been financed through equity capital provided by investors and, in some circumstances, temporarily by the Bank (seed capital).

The Bank does not consolidate investment funds when it acts as agent or when another third-party investor has the ability to direct the relevant activities of the fund.

Consortium groups

The Bank organizes and manages consortium groups to facilitate access to durable movable property, real estate and services to its clients. The Bank maintains interests in these groups through the receipt of management fees for consortium quotas.

Off-balance assets, which represent consortium resources, refer mainly to:

- financial investments in funds, which represent available resources not yet used by the groups;
- rights with contemplated consortium members, which represent the receivables of them;
- monthly forecast of resources receivable from consortium members;
- contributions due to the groups; and
- assets to be contemplated.

In thousand of Reais, unless otherwise stated

Management of unconsolidated SE's assets

The table below describes the types of SE that the Bank does not consolidate but in which it holds interest and the total amount of assets held by unconsolidated SE.

Type of structured entity	Nature and purpose	Interest held	Total assets	
			Dec 31, 2020	Dec 31, 2019
Investment funds	• generate fees from managing assets on behalf of third party investors. • these vehicles are financed through the issue of units to investors.	• investments in units issued by the funds. • management and other fees.	1,262,501,406	1,079,138,400
Consortium groups	• management of consortium groups to facilitate access of goods and services.	• management of consortium quotas and other fees.	54,991,653	47,863,856
Total			**1,317,493,059**	**1,127,002,256**

Maximum exposure to loss

The table below sets out the carrying amounts of interests held by the Bank in unconsolidated structured entities. The Bank's maximum exposure to loss is limited to the amounts shown in the table.

	Dec 31, 2020	Dec 31, 2019
Investment funds	3,425,854	3,540,378
Total	**3,425,854**	**3,540,378**

In thousand of Reais, unless otherwise stated

28 – PROPERTY AND EQUIPMENT

	Use								Right of use
	Buildings	Furniture and equipment	Data processing equipment	Leasehold improvements	Land	Vehicles	Other	Total	Buildings and hardwares
Acquisition cost									
Balance at Dec 31, 2018	**5,690,966**	**3,519,143**	**3,707,612**	**3,815,593**	**339,700**	**11,122**	**693,032**	**17,777,168**	**-**
Adoption of IFRS 16	-	-	-	-	-	-	-	-	4,188,816
Balance at Jan 1, 2019	**5,690,966**	**3,519,143**	**3,707,612**	**3,815,593**	**339,700**	**11,122**	**693,032**	**17,777,168**	**4,188,816**
Acquisitions	263,891	515,706	596,175	282,610	-	1,134	70,065	1,729,581	344,162
Disposals	(14,539)	(259,151)	(177,670)	(96,995)	(956)	(334)	(55,608)	(605,253)	(86,892)
Exchange rate changes	(15,900)	(15,363)	(1,833)	(4,387)	(3,800)	(795)	(590)	(42,668)	-
Other changes (1)	16,222	6,404	(1,367)	(933)	(4,367)	-	(68,291)	(52,332)	93,169
Balance at Dec 31, 2019	**5,940,640**	**3,766,739**	**4,122,917**	**3,995,888**	**330,577**	**11,127**	**638,608**	**18,806,496**	**4,539,255**
Acquisitions	267,327	416,536	737,780	215,752	21	248	77,710	1,715,374	741,452
Disposals	(9,201)	(195,974)	(91,384)	(65,975)	(346)	(475)	(59,696)	(423,051)	(517,987)
Exchange rate changes	(384)	12,307	10,599	27,935	(518)	(133)	10,543	60,349	-
Other changes (1)	65,972	68,400	142	(40,751)	62,135	1,100	25,820	182,818	114,853
Balance at Dec 31, 2020	**6,264,354**	**4,068,008**	**4,780,054**	**4,132,849**	**391,869**	**11,867**	**692,985**	**20,341,986**	**4,877,573**
Accumulated depreciation									
Balance at Dec 31, 2018	**(2,979,729)**	**(2,016,969)**	**(2,444,388)**	**(2,145,547)**	**-**	**(6,286)**	**(442,280)**	**(10,035,199)**	**-**
Depreciation	(165,984)	(287,619)	(479,239)	(262,542)	-	(1,181)	(49,768)	(1,246,333)	(1,112,821)
Disposals	8,618	233,237	169,291	67,153	-	271	46,554	525,124	5,811
Exchange rate changes	3,547	8,300	661	2,356	-	333	2,085	17,282	-
Other changes (1)	16,581	3,487	13,962	(24,870)	-	20	29	9,209	-
Balance at Dec 31, 2019	**(3,116,967)**	**(2,059,564)**	**(2,739,713)**	**(2,363,450)**	**-**	**(6,843)**	**(443,380)**	**(10,729,917)**	**(1,107,010)**
Depreciation	(169,691)	(301,411)	(520,446)	(266,777)	-	(1,173)	(61,176)	(1,320,674)	(1,085,708)
Disposals	5,948	178,943	91,271	45,504	-	403	27,214	349,283	39,018
Exchange rate changes	859	(9,671)	(12,134)	(21,746)	-	96	(1,981)	(44,577)	-
Other changes (1)	7,971	(69,964)	(1,414)	44,726	-	(768)	12,324	(7,125)	6,519
Balance at Dec 31, 2020	**(3,271,880)**	**(2,261,667)**	**(3,182,436)**	**(2,561,743)**	**-**	**(8,285)**	**(466,999)**	**(11,753,010)**	**(2,147,181)**
Accumulated impairment loss									
Balance at Dec 31, 2018	**(56,695)**	**(153)**	**-**	**-**	**-**	**-**	**(27)**	**(56,875)**	**-**
Losses	(3,559)	(266)	(69)	(188)	-	-	(2)	(4,084)	-
Reversal	27,516	-	-	-	-	-	24	27,540	-
Other changes	-	-	-	-	(325)	-	-	(325)	-
Balance at Dec 31, 2019	**(32,738)**	**(419)**	**(69)**	**(188)**	**(325)**	**-**	**(5)**	**(33,744)**	**-**
Losses	(15,154)	-	-	-	-	-	-	(15,154)	-
Reversal	4,390	198	33	188	325	-	1	5,135	-
Balance at Dec 31, 2020	**(43,502)**	**(221)**	**(36)**	**-**	**-**	**-**	**(4)**	**(43,763)**	**-**
Carrying amount									
Balance at Dec 31, 2019	2,790,935	1,706,756	1,383,135	1,632,250	330,252	4,284	195,223	**8,042,835**	**3,432,245**
Balance at Dec 31, 2020	2,948,972	1,806,120	1,597,582	1,571,106	391,869	3,582	225,982	**8,545,213**	**2,730,392**

(1) PPE for use includes R$ 171,588 thousand in Land and Buildings of Banco Patagonia related to the hyperinflation at Argentina (R$ 134,798 thousand as of Dec 31, 2019).

In thousand of Reais, unless otherwise stated

Property and equipment for use pledged as collateral totaled R$ 96,014 thousand as of December 31, 2020 (R$ 128,673 thousand as of December 31, 2019).

Impairment losses are included in the line-item other operating expenses. Reversals of impairment losses are recorded in the line-item other operating income.

The estimated depreciation rates on property and equipment for use are presented in Note 3.k. The average useful life of right of use property and equipment is presented in Note 3.o.

IFRS 16

As lessee, the Bank holds operational leases. It mainly refers to offices and branches rentals used in its banking and administrative activities. In general, these leases have clauses of renewal and annual rental adjustment.

These assets are recognized in the Balance Sheet as Property and equipment – Right of use. The value of the remaining lease payments are recognized as Other liabilities – Lease liabilities.

Further clarifications on leases may be found in Notes 2.d and 3.o.

Right of use assets – Right to use assets arising from the Bank's operating lease agreements that refer essentially to properties used in the practice of its administrative and banking operations.

Lease liabilities – Liabilities arising from the right to use the assets mentioned above. The clauses do not impose any restrictions on the Bank for the payment of dividends, contracting debts or entering into additional lease agreements.

Maturity analysis of lease liabilities – The table below shows the contractual undiscounted cash flows from lease liabilities by maturity:

	Dec 31, 2020	Dec 31, 2019
Up to one year	965,912	1,092,650
Over one year to five years	1,928,735	2,356,925
Over five years	1,090,038	1,021,056
Total [(1)]	**3,984,685**	**4,470,631**

(1) Values not discounted to present value.

In thousand of Reais, unless otherwise stated

29 – INTANGIBLE ASSETS

	Internally generated software	Software acquired	Rights due to payroll management	Other [1]	Total
Acquisition cost					
Balance at Dec 31, 2018	**1,762,756**	**2,428,715**	**9,989,850**	**3,956,505**	**18,137,826**
Internally generated	509,794	-	-	-	509,794
Acquisitions	-	291,035	3,775,626	-	4,066,661
Write-offs	(14,377)	(86,327)	(5,969,047)	-	(6,069,751)
Foreign currency translations adjustments	-	7,476	-	(39,429)	(31,953)
Balance at Dec 31, 2019	**2,258,173**	**2,640,899**	**7,796,429**	**3,917,076**	**16,612,577**
Internally generated	665,620	-	-	-	665,620
Acquisitions	-	337,294	1,735,320	-	2,072,614
Write-offs	(12,046)	(375,908)	(1,654,679)	-	(2,042,633)
Foreign currency translations adjustments	-	91,255	-	-	91,255
Other changes [2]	-	13,104	-	-	13,104
Balance at Dec 31, 2020	**2,911,747**	**2,706,644**	**7,877,070**	**3,917,076**	**17,412,537**
Accumulated amortization					
Balance at Dec 31, 2018	**(625,281)**	**(1,299,770)**	**(6,404,565)**	**(3,943,473)**	**(12,273,089)**
Amortization	(133,287)	(210,597)	(1,273,235)	(10,128)	(1,627,247)
Write-offs	-	5,566	4,179,121	-	4,184,687
Foreign currency translations adjustments	-	(3,222)	-	36,525	33,303
Balance at Dec 31, 2019	**(758,568)**	**(1,508,023)**	**(3,498,679)**	**(3,917,076)**	**(9,682,346)**
Amortization	(160,932)	(231,437)	(1,415,243)	-	(1,807,612)
Write-offs	-	119,917	1,259,888	-	1,379,805
Foreign currency translations adjustments	-	(46,197)	-	-	(46,197)
Other changes [2]	-	(9,456)	-	-	(9,456)
Balance at Dec 31, 2020	**(919,500)**	**(1,675,196)**	**(3,654,034)**	**(3,917,076)**	**(10,165,806)**
Impairment loss					
Balance at Dec 31, 2018	**-**	**-**	**(69,673)**	**-**	**(69,673)**
Impairment loss	-	(21)	(987,151)	-	(987,172)
Write-offs [3]	-	-	47,163	-	47,163
Balance at Dec 31, 2019	-	**(21)**	**(1,009,661)**	-	**(1,009,682)**
Impairment loss			(19,636)		(19,636)
Reversal	-	19	7,635	-	7,654
Balance at Dec 31, 2020	**-**	**(2)**	**(1,021,662)**	**-**	**(1,021,664)**
Book value					
Balance at Dec 31, 2019	1,499,605	1,132,855	3,288,089	-	5,920,549
Balance at Dec 31, 2020	1,992,247	1,031,446	3,201,374	-	6,225,067

(1) Includes mainly, brands acquired due to business combinations, related to customers portfolio and contracts.
(2) Includes the amount related to the hyperinflation adjustments in Argentina.
(3) Impairment loss write-offs due to contract ending.

Intangible assets of finite useful life are amortized according with the estimates set out in Note 3.l.

Estimated expenses with amortization of intangible assets for the following years

	2021	2022	2023	2024	After 2024	Total
Amounts to be amortized	1,485,655	1,150,894	877,645	824,378	1,886,495	6,225,067

In thousand of Reais, unless otherwise stated

30 – OTHER ASSETS AND OTHER LIABILITIES

a) Financial

Other assets	Dec 31, 2020	Dec 31, 2019
Judicial deposits for tax, labor and civil lawsuits	34,374,788	33,465,646
Receivable income [(1)]	3,875,174	3,249,159
Securities and credits receivable from the National Treasury [(2) (3)]	2,605,865	3,139,535
Compensation fund for salary changes – merged companies	2,577,555	2,910,614
Securities distribution	1,514,945	1,009,229
Interbank/interdepartmental accounts	114,776	288,097
Securities and credits receivable	56,693	81,738
Total	**45,119,796**	**44,144,018**

(1) It includes the amount of R$ 3,678,007 thousand (R$ 3,146,156 thousand as of Dec 31, 2019) related to receivables under the IFRS 15.
(2) It includes the amount of R$ 422,509 thousand (R$ 425,859 thousand as of Dec 31, 2019) related to receivables under the IFRS 15.
(3) It includes the amount of R$ 698,835 thousand (R$ 1,306,279 thousand as of Dec 31, 2019) related to interest rate equalization – agricultural crop – Law 8,427/1992 and the amount of R$ 392,414 thousand (R$ 392,414 thousand as of December 31, 2019) related to extension of rural credits.

Other liabilities	Dec 31, 2020	Dec 31, 2019
Credit card operations	30,063,462	27,924,085
Advances received on foreign exchange contract	28,645,733	15,432,124
Net foreign exchange portfolio	3,720,343	200,904
Interbranch accounts – third-party funds in transit	3,498,791	3,416,458
Lease liabilities	2,907,381	3,558,231
Securities distribution	1,196,408	1,199,613
Collateral deposits	311,608	85,101
Total	**70,343,726**	**51,816,516**

b) Non financial

Other assets	Dec 31, 2020	Dec 31, 2019
Previ's surplus – Fundos Previdenciais (Note 44.f)	9,912,387	9,572,386
Post-employment benefit plans (Note 44.e)	6,080,658	160,728
Sundry debtors – domestic	3,647,491	3,394,416
Prepaid taxes	1,398,600	1,323,667
Prepaid expenses	342,311	314,490
Non-operating assets, net of impairment losses	253,836	301,145
Advances to employees	195,415	175,252
Other	1,652,160	968,452
Total	**23,482,858**	**16,210,536**

Other liabilities	Dec 31, 2020	Dec 31, 2019
Post-employment benefit plans (Note 44.e)	16,033,679	25,509,836
Sundry creditors – domestic	4,871,941	4,989,380
Labor costs	4,149,589	5,029,766
Dividends and pending bonuses	1,700,836	2,574,080
Provision for sundry pending payments	1,697,298	1,900,562
Liabilities for official agreements and payment services	1,292,395	1,525,698
Taxes	892,100	1,035,435
Sundry creditors – overseas	468,557	519,477
Deferred income [(1)]	203,990	92,497
Other	8,039,405	6,004,726
Total	**39,349,790**	**49,181,457**

(1) Mainly related to premiums received in guarantee contracts, which are being gradually recognized as income.

In thousand of Reais, unless otherwise stated

31 – DEPOSITS OF CLIENTS

	Dec 31, 2020	Dec 31, 2019
Domestic	**558,716,550**	**457,994,152**
Demand deposits	84,510,931	62,985,978
Non-interest bearing deposits	84,237,596	62,628,816
Interest bearing deposits [(1)]	273,335	357,162
Savings deposits	219,396,331	180,942,854
Time deposits	254,809,288	214,065,320
Abroad	**43,267,715**	**27,008,153**
Demand deposits	14,257,403	8,323,766
Non-interest bearing deposits	14,257,403	8,323,766
Time deposits	29,010,312	18,684,387
Total	**601,984,265**	**485,002,305**

(1) Refers to "Special Accounts", whose purpose is to record the movement of foreign currency accounts opened in the country on behalf of embassies, legations abroad, international organizations, as well as public entities beneficiaries for credit or borrowers of loans granted by international financial bodies or foreign government agencies.

32 – AMOUNT PAYABLE TO FINANCIAL INSTITUTIONS

	Dec 31, 2020	Dec 31, 2019
Financial institutions deposits	25,686,889	29,128,475
Loan portfolios assigned with guarantee of the Bank	258,493	330,526
Total	**25,945,382**	**29,459,001**

33 – SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	Dec 31, 2020	Dec 31, 2019
Own portfolio	**160,325,871**	**43,366,024**
Financial Treasury bills	145,274,215	29,347,224
Private securities	13,675,125	12,957,635
National Treasury bills	-	23,462
Other securities	1,376,531	1,037,703
Third-party portfolio	**343,396,951**	**360,989,303**
Financial Treasury bills	173,148,914	333,424,753
National Treasury notes	161,715,081	1,049,994
National Treasury bills	8,532,956	26,514,556
Total	**503,722,822**	**404,355,327**

34 – LIABILITIES FROM ISSUANCE OF SECURITIES AND OTHER FINANCIAL LIABILITIES

	Dec 31, 2020	Dec 31, 2019
Liabilities from issuance of securities	124,339,730	129,411,073
On-lendings	58,331,324	60,908,742
Subordinated debts	49,963,306	50,487,374
Perpetual bonds	28,338,655	25,957,614
Financial and development funds	21,650,544	17,012,893
Other	15,552,734	17,966,872
Total	**298,176,293**	**301,744,568**

In thousand of Reais, unless otherwise stated

a) Liabilities from issuance of securities

Funding	Currency	Issued amount	Interest p.a.	Funding year	Maturity	Dec 31, 2020	Dec 31, 2019
“Global medium-term notes" program						**15,421,429**	**14,248,813**
	USD	500,000	6.00%	2010	2020	-	2,067,578
	USD	1,000,000	4.63%	2017	2025	5,286,224	4,096,037
	R$	293,085	10.15%	2017	2027	293,840	306,435
	USD	750,000	4.88%	2018	2023	3,932,664	3,049,310
	COP	160,000,000	8.51%	2018	2025	245,500	198,484
	USD	750,000	4.75%	2019	2024	3,944,455	3,058,215
	R$	398,000	9.50%	2019	2026	404,770	405,689
	MXN	1,900,000	8.50%	2019	2026	514,228	420,362
	COP	520,000,000	6.50%	2019	2027	799,748	646,703
“Senior notes”						**9,448,593**	**7,311,966**
	USD	1,809,700 (1)	3.88%	2012	2022	9,448,593	7,311,966
Structured notes						**305,850**	**88,145**
	EUR	18,400	1.93% to 3.55%		2021	118,508	84,097
	USD	36,000	2.21% to 4.10%		2021	187,342	4,048
Deposit certificate (2)						**5,748,485**	**4,606,715**
Short term			0.05% to 3.27%			4,334,395	4,108,987
Long term			1.35% to 3.80%		2023	1,414,090	497,728
Certificates of structured operations						**2,563**	**18,641**
Short term			1.96% to 9.87% DI			1,084	16,411
Long term			3.93% to 10.07% DI		2023	1,479	2,230
Letters of credit – real estate			65.00% to 96.00% DI or TR + 7.7151%			**12,437,868**	**16,992,681**
Short term						1,863,775	3,411,597
Long term					2026	10,574,093	13,581,084
Letters of credit – agribusiness			70.00% to 102.00% DI or 1.77 to 5.24%			**74,210,446**	**75,882,064**
Short term						25,537,358	34,689,326
Long term					2023	48,673,088	41,192,738
Financial letters			98.25% to 102.00% DI Fixed 7.20% to 8.70%			**377,540**	**5,284,000**
Short term						376,529	4,872,746
Long term					2022	1,011	411,254
Banco Patagonia			Fixed 38.50% Badlar + 500 pts			**60,287**	**69,723**
Short term	ARS					60,287	69,723
Long term	ARS					-	-
Special purpose entities – SPE abroad						**6,349,294**	**4,937,535**
Securitization of future flow of payment orders from abroad (3)							
	USD	200,000	Libor 3m + 1.20%	2019	2024	1,033,053	807,318
	USD	200,000	3.70%	2019	2026	1,040,718	807,466
Structured notes (3)							
	USD	500,000	Libor 6m + 2.50%	2014-2015	2034	2,610,030	2,030,194
	USD	320,000	Libor 6m + 3.20%	2015	2030	1,665,493	1,292,557
Liabilities from issuance of securities, in possession of subsidiary abroad						(22,625)	(29,210)
Total						**124,339,730**	**129,411,073**

(1) Refers to the outstanding value since partial repurchases ocurred.
(2) Securities issued abroad in USD.
(3) Information about the consolidated special purpose entities may be found in Note 5.

Notes:
Libor – London interbank rate.
Badlar – Buenos Aires interbank rate.

In thousand of Reais, unless otherwise stated

b) On-lendings

On-lendings are primarily long-term sources of funding obtained from other financial institutions or national government agencies to encourage domestic production. The main sources of these funds are the National Treasury, Brazilian Development Bank (BNDES) and Caixa Econômica Federal (CEF).

The Bank acts as a financial agent to support government programs designed to stimulate certain economic sectors. In the agricultural sector, the Bank supports a variety of government on-lending programs, including:

- National Program for Sustainable Family Agriculture (Pronaf);
- Cocoa Farming Recovery Program (Cocoa);
- Revitalization Program of Agricultural Production Cooperatives (Recoop);
- Coffee Economy Protection Fund (Funcafé); and
- Rural Savings.

The Bank also supports government on-lending programs for the industrial sector, most of which are BNDES and the Special Agency for Industrial Financing (Finame).

	Dec 31, 2020	Dec 31, 2019
On-lendings		
Domestic on-lendings − official institutions	58,331,324	60,908,742
Total	**58,331,324**	**60,908,742**

Domestic on-lendings − official institutions

Programs	Financial charges	Dec 31, 2020	Dec 31, 2019
National Treasury − rural credit		**172,994**	**167,215**
Pronaf	TMS (if available) or Fixed 0.50% p.a. to 4.00% p.a. (if applied)	13,605	16,968
Cocoa	IGP-M + 8.00% p.a. or TJLP + 0.60% p.a. or Fixed 6.35% p.a.	144,272	136,518
Recoop	Fixed 5.75% p.a. to 8.25% p.a. or IGP-DI + 1.00% p.a. or IGP-DI + 2.00% p.a.	10,770	10,770
Other		4,347	2,959
BNDES (1)	Fixed 0.00% p.a. to 8.00% p.a. TJLP + 0.50% p.a. to 4.00% p.a. IPCA + 7.02% p.a. to 9.41% p.a. Selic + 2.08% p.a. TLP + 1.30% p.a. to 2.10% p.a.	**19,161,196**	**17,838,581**
Caixa Econômica Federal (2)	Fixed 4.88% p.a. (average)	**30,259,319**	**30,936,767**
Finame (3)	Fixed 0.00% p.a. to 8.50% p.a. TJLP + 0.90% p.a. to 4.00% p.a. Selic + 2.08% p.a. to 2.45% p.a. TLP + 1.42% p.a. to 2.25% p.a.	**8,587,353**	**11,932,325**
Other official institutions		**150,462**	**33,854**
Funcafé	TMS (if available) Fixed 5.25% p.a. to 6.75% p.a.	150,434	33,826
Other		28	28
Total		**58,331,324**	**60,908,742**

(1) The average maturity of BNDES obligations is 68 months.
(2) The average maturity of Caixa Econômica Federal obligations is 343 months.
(3) The average maturity of Finame obligations is 21 months.

Notes:
TMS – Average selic rate disclosed by the Brazilian Central Bank.
TJLP – Long-term interest rate fixed by the National Monetary Council.
TR – Referential interest rate disclosed by the Brazilian Central Bank.
IGP-DI – General price index – internal availability.
IGP-M – General market price index.

In thousand of Reais, unless otherwise stated

c) Subordinated debts

Funding		Issued amount	Interest p.a.	Funding year	Maturity	Dec 31, 2020	Dec 31, 2019
Banco do Brasil							
FCO – resources from the constitutional fund for developing the center-west						**26,403,208**	**29,336,898**
Subordinated debt abroad						**15,387,511**	**11,999,497**
	USD	660,000	5.38%	2010	2021	3,514,727	2,724,052
	USD	1,500,000	5.88%	2011	2022	7,927,674	6,181,924
	USD	750,000	5.88%	2012	2023	3,945,110	3,093,521
Subordinated letters of credit						**8,218,331**	**9,191,329**
		150,500	112.50% of CDI 5.45% + IPCA	2012	2020	-	330,801
		540,623	112.00% to 114.00% of CDI	2014	2020	-	972,139
		3,868,384	113.00% to 115.00% of CDI	2014	2021	7,283,702	7,059,258
		400,000	8.08% + IPCA	2014	2022	934,629	829,131
Subordinated debt issued by the Bank, in possession of subsidiary abroad						(45,744)	(40,350)
Total subordinated debt [1]						**49,963,306**	**50,487,374**

(1) The amount of R$ 29,676,974 thousand (R$ 35,796,321 thousand as of December 31, 2019) comprise the tier II of the Referential Equity Amount (RE), according to the rules applied to financial institutions in Brazil.

Notes:
CDI – Average rate of the interbank deposits.
IPCA – Broad consumer price index.

d) Perpetual bonds

Funding	Currency	Issued amount [1]	Interest p.a.	Funding date	Dec 31, 2020	Dec 31, 2019
Perpetual bonds						
	USD	851,012	8.50%	10/2009	-	3,680,805
	USD	1,285,950	9.25%	01/2012 and 03/2012	6,915,600	5,428,215
	USD	1,950,000	6.25%	01/2013	10,250,286	8,101,231
	USD	2,150,000	9.00%	06/2014	11,189,199	8,753,627
Total					**28,355,085**	**25,963,878**
Perpetual bonds issued by the Bank, in possession of subsidiary abroad					(16,430)	(6,264)
Total					**28,338,655**	**25,957,614**

(1) Refers to the outstanding value since partial repurchases ocurred.

This section should be read in conjunction with Note 40 – Regulatory Capital.

Perpetual bonds include an amount of R$ 27,932,263 thousand classified as additional Tier I Capital (December 31, 2019 – R$ 25,091,108 thousand).

Banco do Brasil exercised on October 20, 2020 the call option of the total perpetual debt security issued in 2009 of USD 1,500,000 thousand (outstanding value USD 851,012 thousand), in force under the Basel II rules. The redemption was for 100% of its face value and interest accrued and unpaid to date, amouting R$ 4.953 billion.

The bonds issued in January 2012 and March 2012 (reopening) of USD 1,750,000 thousand (outstanding value USD 1,285,950 thousand), and the bonds issued in January 2013 of USD 2,000,000 thousand (outstanding value USD 1,950,000 thousand), had their terms and conditions modified on September 27, 2013, in order to adjust them to the rules of Bacen through CMN Resolution 4,192 of March 1, 2013, which regulates the implementation of Basel III in Brazil. The changes were effective from October 1, 2013, when the instruments were submitted to Bacen to obtain authorization to be included in the Supplementary Capital (Tier I) of the Bank. The authorization was granted on October 30, 2013.

In thousand of Reais, unless otherwise stated

The bonds issued in June 2014 of USD 2,500,000 thousand (outstanding value USD 2,150,000 thousand), have the option of redemption at the discretion of the Bank from June 18, 2024 or on each subsequent, semi-annual interest payment date, as long as it has been previously authorized by the Central Bank of Brazil. If the Bank does not exercise the option to redeem in June 2024, the interest on the bonds will be adjusted to 6.362% plus the traded rate on 10-year North American Treasury bonds.

If the Bank does not exercise the redemption option in April 2023 for the bonds issued in 2012, in April 2024 for the bonds issued in 2013, and in June 2024 for the bonds issued in 2014, the rate of bond interest is adjusted on that date and every 10 years according to the 10-year North American Treasury bonds at the time plus the initial credit spread. The bonds have the following options of redemption, subject to prior authorization of Bacen:

(i) the Bank may, at its option, redeem the bonds in whole but not in part in April 2023 for the bonds issued in 2012, in April 2024 for the bonds issued in 2013, and in June 2024 for the bonds issued in 2014, and on each subsequent, semi-annual interest payment date, at the base redemption price;
(ii) the Bank may, at its option, redeem the bonds in whole, but not in part, after five years from the date of issue, as long as it is before April 2023, for the bonds issued in 2012, before April 2024 for the bonds issued in 2013, and before April 2024 for the bonds issued in 2014, as a result of a tax event, at the base redemption price;
(iii) the Bank may, at its option, redeem the bonds in whole but not in part, after five years from the date of issue, as long as it is before April 2023, for the bonds issued in 2012, and in April 2024 for the bonds issued in 2013, on the occurrence of a regulatory event, at the higher value between the base redemption price and the Make-whole amount;
(iv) the Bank may, at its option, redeem the bonds in whole but not in part, after five years from the date of issue as long as it is before June 2024 for the bonds issued in 2014, on the occurrence of a regulatory event at the base redemption price.

The bonds issued in January and March 2012, in January 2013 and in June 2014 determine that the Bank suspend the semi-annual payments of interest and/or accessories on those securities issued (which will not be due or accrued) if:

(i) distributable income for the period are not sufficient for making the payment (discretionary condition of the Bank);
(ii) the Bank does not comply or the payment of such charges does not allow the Bank to comply with the levels of capital adequacy, operating limits, or its financial indicators are under the minimum level required by Brazilian regulations applicable to banks;
(iii) Bacen or the regulatory authorities determine the suspension of payment of such charges;
(iv) any event of insolvency or bankruptcy occurs; or
(v) a default occurs.

According to Basel III rules, the bonds issued in January 2012, March 2012, in January 2013 and in June 2014 have mechanisms of loss absorption. Moreover, if the item (i) occurs, the payment of dividends by Bank to its shareholders will be limited to the minimum required determined by applicable law until the semi-annual interest payments and / or accessories on those titles have been resumed in full. Finally, these bonds will expire permanently and at the minimum value corresponding to the balance recorded in the Tier I capital of the Bank if:

(i) the main capital of the Bank is less than 5.125% of the amount of risk-weighted assets (RWA);
(ii) the decision to make a capital injection from the public sector or an equivalent capital contribution to the Bank is taken, in order to maintain the bank's viability;
(iii) the Central Bank, on a discretionary assessment regulated by the CMN, sets out, in writing, the expiration of the bonds to enable the continuity of the Bank.

In thousand of Reais, unless otherwise stated

e) Financial and development funds

	Dec 31, 2020	Dec 31, 2019
Marine Merchant Fund (FMM)	8,103,425	7,663,597
Center-West Constitutional Fund (FCO)(1)	9,771,373	4,066,726
Northeast Development Fund (FDNE)	1,719,753	1,641,809
Public Service Employee Savings Program (Pasep)	314,982	1,374,355
Center-West Development Fund (FDCO)	258,860	1,074,649
Funds from the São Paulo's State Government	756,060	879,565
Other	726,091	312,192
Total	**21,650,544**	**17,012,893**

(1) Brazilian Central Bank (Bacen) limited the use of FCO resources which are considered Tier II of Referential Equity – RE (Note 40). The amount disclosed refers to what exceed this value. R$ 9,561,153 thousand are funds applied (interest expenses consider contractual charges less the fees owned to the Bank) and R$ 210,220 thousand are resources available (remunerated based on extra-rate announced by Bacen).

The FMM supports the renovation, expansion and recovery of the national merchant fleet and development of the country's shipbuilding industry. If not used in lending, the funds are remunerated based on the average SELIC rate. When used to finance purchases domestically, the funds are remunerated a rate of 0.1% to 0.5% p.a. plus the TJLP. When used to finance imports, the remuneration also includes foreign exchange variation (USD). The Bank assumes the credit risk in these transactions. The agreement with the provider of the funds does not include a provision for the cancellation of resources or prepayment of the funding. Any changes to the agreement must be made through an amendment.

The Pasep is a Brazilian government program aiming to promote income distribution among the population. In addition, resources can be applied in favor of economic and social development. Funds provided are remunerated based on the rate of return on investments made in the BACEN if they are not applied in loans. Otherwise, funds are remunerated based on the TR plus interest of 6% per annum. The credit risk of loans granted is integrally assumed by the Bank. In our agreement with the fund provider there is no applicable clause for cancellation of resources as well as to the Bank's right to prepay the funding. Any changes should be promoted through an amendment to the agreement signed.

The Funds from the São Paulo's State Government aims to promote economic and social development of the State of São Paulo, by generating funding for loans or onlendings, grants, subsidies and interest rate equalization. Funds provided are remunerated based on the rate of an specific fixed income investment fund (BB Nossa Caixa Renda Fixa Governos) if they are not applied in loans. Otherwise funds are remunerated based on granted loans' interest rate, except for onlendings, grants, subsidies and interest rates equalization, because they are not refundable. The Bank manages the fund as financial agent of the State treasury. The credit risk of loans granted is integrally assumed by the fund provider. If the funds are not granted as loans, the redemption is done randomly by a formal request from the provider, or when it is terminated. If the funds are granted as loans, the redemption is done on the next business day after the payment made by the borrowers.

f) Other liabilities

	Dec 31, 2020	Dec 31, 2019
Borrowings	15,373,357	17,869,740
Import financing	179,377	97,132
Total	**15,552,734**	**17,966,872**

As of December 31, 2020, the weighted average interest rate applicable to borrowings abroad was 1.59% p.a. (3.13% p.a. as of December 31, 2019).

In thousand of Reais, unless otherwise stated

g) Contractual maturity of liabilities from issuance of securities and other financial liabilities

	2021	2022	2023	2024	2025	After 2025	Without maturity	Total
Liabilities from issuance of securities	32,479,278	63,933,538	9,767,344	4,976,236	5,530,311	7,653,023	-	124,339,730
On-lendings	36,417,742	5,892,303	4,624,857	2,084,366	1,236,969	8,075,087	-	58,331,324
Subordinated debts	11,134,396	8,862,303	3,945,110	26,021,497	-	-	-	49,963,306
Perpetual bonds	300,231	-	-	-	-	-	28,038,424	28,338,655
Financial and development funds	9,278,885	2,411,335	2,411,335	2,411,335	2,411,335	2,726,319	-	21,650,544
Other	12,846,812	1,074,484	1,074,484	278,477	278,477	-	-	15,552,734
Total	**102,457,344**	**82,173,963**	**21,823,130**	**35,771,911**	**9,457,092**	**18,454,429**	**28,038,424**	**298,176,293**

h) Reconciliation of liabilities arising from financing activities

	Dec 31, 2019	Cash changes		Non-cash changes		Dec 31, 2020
		Funding	Settlement / payment	Changes in exchange rates	Other	
Debt instruments	**80,003,219**	**5,699,785**	**(15,834,618)**	**10,987,234**	**353,721**	**81,209,341**
Subordinated debts	50,487,374	3,137,550	(7,132,830)	3,471,212	-	49,963,306
Perpetual bonds	25,957,614	2,562,235	(7,697,216)	7,516,022	-	28,338,655
Lease liabilities	3,558,231	-	(1,004,572)	-	353,721	2,907,380
Shareholder's equity instruments	**3,948,921**	**15,268**	**(7,215,343)**	**(58,969)**	**7,969,285**	**4,659,162**
Treasury shares/Capital reserve	6,253,263	15,268	-	-	76,435	6,344,966
Unallocated retained earnings (3)	(4,540,983)	-	(4,436,154)	-	4,529,821	(4,447,316)
Shareholder's equity attributable to non-controlling interests (4)	2,236,641	-	(2,779,189)	(58,969)	3,363,029	2,761,512
Changes – Total		**5,715,053**	**(23,049,961)**	**10,928,265**	**8,323,006**	
Changes – Net		**(17,334,908)**		**19,251,271**		

	Dec 31, 2018	Cash changes		Non-cash changes		Dec 31, 2019
		Funding	Settlement / payment	Changes in exchange rates	Other (1)	
Debt instruments	**83,756,864**	**4,830,088**	**(14,594,637)**	**1,467,540**	**4,543,364**	**80,003,219**
Subordinated debts	58,828,784	2,784,166	(11,589,177)	463,601	-	50,487,374
Perpetual bonds	24,928,080	2,045,922	(2,020,327)	1,003,939	-	25,957,614
Lease liabilities (1)	N/A	-	(985,133)	-	4,543,364	3,558,231
Shareholder's equity instruments	**3,309,314**	**2,805,364**	**(9,206,802)**	**(132,723)**	**7,173,768**	**3,948,921**
Treasury shares / capital reserve (2)	3,407,717	2,805,364	-	-	40,182	6,253,263
Unallocated retained earnings (3)	(2,745,459)	-	(7,330,497)	-	5,534,973	(4,540,983)
Shareholder's equity attributable to non-controlling interests (4)	2,647,056	-	(1,876,305)	(132,723)	1,598,613	2,236,641
Changes – Total		**7,635,452**	**(23,801,439)**	**1,334,817**	**11,717,132**	
Changes – Net		**(16,165,987)**		**13,051,949**		

(1) It includes lease liability balance at initial adoption (R$ 4,188,816 thousand).
(2) Includes the disposal of treasury shares.
(3) Includes interest Interest on additional equity instrument and dividends or interest on interest on own capital of controlling shareholders.
(4) Includes dividends or interest on shareholders' equity of non-controlling shareholders, as well as the variation of equity in non-controlling interests.

In thousand of Reais, unless otherwise stated

35 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Labor lawsuits

The Bank is a party to labor claims involving mainly former employees, banking industry unions or former employees of companies that provide services (outsourced). These claims cover requests of compensation, overtime, incorrect working hours, and additional functions bonus, subsidiary liability, among others.

Tax lawsuits

The Bank, in spite of its conservative profile, may receive tax inquiries during inspections by the tax authorities, which could lead to the issuance of tax notices. These notices relate to the calculation base for income/social contribution taxes (mainly regarding deductibility) and matters involving payment of other taxes (based upon the occurrence of certain events). Most claims arising from the notices relate to service tax (ISSQN), income tax, social contribution (CSLL), the Social Integration Program (PIS), Contribution to Social Security Financing (Cofins), Tax on Financial Transactions (IOF), and Employer Social Security Contributions (INSS). As a guarantee in some of these cases, the Bank has pledged collateral in the form of cash, bonds, real estate or judicial deposits when necessary, preventing the Bank to be included in restrictive registration, as well as not to obstruct the semiannual renewal of its tax regularity certificate.

Civil lawsuits

Civil lawsuits relate mainly to claims from customers and users of the Bank's network. In most cases, they are requesting indemnification for material or moral damages arising from banking products or services and Economic Plans (Bresser Plan, Verão Plans and Collor Plans I and II).

Indemnifications for material and moral damages are ordinarily based on consumer protection laws and generally settled in specific civil courts. The awards are limited to forty times the minimum wage (R$ 1,045.00 at December 31, 2020).

The Bank is a defendant in claims seeking the payment and refunding the overpayment of the difference between the actual inflation rate and the inflation rate used for the adjustment of financial investments and rural credit when Economic Plans were implemented in the late 1980's and early 1990's.

Although it complied with prevailing laws and regulations at the time, the Bank set-up provisions for these lawsuits. The provisions consider claims brought against the Bank and the loss risk. Loss probabilities are determined after an analysis of each claim considering the most recent decisions in the Superior Courts of Justice (STJ) and in the Federal Supreme Court (STF).

With respect to cases involving the financial investments related to Economic Plans, the STF suspended prosecution of all cases in the knowledge phase. This will be the case until the court issues a definitive ruling. In the end of 2017, Febraban and the entities representing the savers signed an agreement about the demands involving the economic plans in savings accounts. This agreement has already been approved by the STF. Since May 2018, savers will can join the agreement, through a tool made available by Febraban. On March 12, 2020, the contract was granted for more than 5 years, according to the Amendment signed by the entities representing financial institutions and consumers.

Regarding lawsuits related to inflationary purges in judicial deposits, Minister Edson Fachin of the STF, after acknowledging the general repercussion of the constitutional matter dealt with in the Extraordinary Appeal interposed by the Bank, the Caixa Econômica Federal, the Federal Government and the Febraban (RE 1,141,156/RJ), has ordered the suspension of the processes that deal with the matter and that process in the national territory, which was confirmed by STF on September 11, 2019.

The Bank is a defendant on civil lawsuits moved by rural credit borrowers linked to Collor Plan I. The plaintiffs motioned that the Bank indexed their loans incorrectly and is liable to pay the difference. In 2015, STJ decided on the Special Appeal RESP 1,319,232-DF in the Public Civil Lawsuit ACP 94,008514-1, that the Federal Government, the Brazilian Central Bank and the Bank are jointly and severally liable for the indexation differences between the Customer Price Index (IPC - 84.32%) and the National Treasure Bonus (BTN - 41.28%), as found in March, 1990. The defendants appealed and the litigation has yet to be resolved. A suspensive effect was attributed to be Extraordinary Appeal interposed by Banco do Brasil until the STF judges Extraordinary Appeal 1,101,937/SP, which deals about the territorial extension of the collective sentence.

In thousand of Reais, unless otherwise stated

a) Provisions

In accordance with IAS 37, the Bank recognizes provisions for labor, civil and tax claims when the risk of loss probable, quantified using individual or aggregated methodology (includes processes with the author's probability of success equal to remote, possible or probable), according to the nature and/or process value.

The estimates of outcome and financial effect are determined by the nature of the claims, the management's judgment, by the opinion of legal counsel on the basis of process elements, complemented by the complexity and the experience of similar demands.

The Management considers to be sufficient the provision for losses of labor, tax and civil claims.

Changes in the provision for labor, tax and civil lawsuits

	2020	2019	2018
Labor lawsuits			
Opening balance	**3,663,769**	**2,520,968**	**2,652,361**
Addition	2,410,796	3,421,168	1,485,098
Reversal	(440,413)	(794,202)	(411,492)
Write-off	(1,382,776)	(1,715,528)	(1,476,428)
Business combination adjustments	-	-	25,207
Inflation adjustment and exchange fluctuation	248,101	231,363	246,222
Closing balance	**4,499,477**	**3,663,769**	**2,520,968**
Tax lawsuits			
Opening balance	**415,396**	**262,724**	**258,324**
Addition	211,523	467,063	177,286
Reversal	(136,246)	(95,818)	(99,143)
Write-off	(56,628)	(230,246)	(82,871)
Inflation adjustment and exchange fluctuation	6,494	11,673	9,128
Closing balance	**440,539**	**415,396**	**262,724**
Civil lawsuits			
Opening balance	**8,851,582**	**6,997,444**	**6,689,666**
Addition	3,547,535	11,385,383	3,857,889
Reversal	(326,014)	(3,043,552)	(177,798)
Write-off	(2,714,146)	(6,709,848)	(3,697,589)
Business combination adjustments	-	-	34,055
Inflation adjustment and exchange fluctuation	220,249	222,155	291,221
Closing balance	**9,579,206**	**8,851,582**	**6,997,444**
Total labor, tax and civil lawsuits	**14,519,222**	**12,930,747**	**9,781,136**

Expenses with labor, tax and civil claims

	2020	2019	2018
Labor lawsuits	(2,218,484)	(2,858,329)	(1,345,035)
Tax lawsuits	(81,771)	(382,918)	(87,271)
Civil lawsuits	(3,441,770)	(8,563,986)	(4,005,367)
Total	**(5,742,025)**	**(11,805,233)**	**(5,437,673)**

In thousand of Reais, unless otherwise stated

Expected outflows of economic benefits

	Labor lawsuits	Tax lawsuits	Civil lawsuits
Up to 5 years	3,888,810	174,255	7,831,180
Over 5 years	610,667	266,284	1,748,026
Total	**4,499,477**	**440,539**	**9,579,206**

The scenario of unpredictability of the duration of proceedings, and the possibility of changes in the case law of the courts, make values and the expected outflows of economic benefits uncertain.

b) Contingent liabilities

The labor, tax and civil lawsuits for which the risk of loss is considered possible are not provided for in the consolidated balance sheet. Disclosure of these matters is provided in accordance with IAS 37.

Amounts involved in contingent liabilities

The labor, tax and civil lawsuits for which the risk of loss is considered possible do not require provisions when the final outcome of the process is unclear and when the probability of losing is less than probable and higher than the remote.

	Dec 31,2020	Dec 31,2019
Labor lawsuits	155,729	229,907
Tax lawsuits (1)	14,000,019	11,426,347
Civil lawsuits	2,527,303	2,184,916
Total	**16,683,051**	**13,841,170**

(1) The main contingencies originate from (i) notices of labor infraction form the National Social Security Institute (INSS) aiming at the payment of contributions applicable on year-end bonuses paid under the collective agreements in the period from 1995 to 2006, in the amount of R$ 1,362,273 thousand, public transport pay and use of private car by employees of Banco do Brasil, in the amount of R$ 955,656 thousand and employee profit sharing corresponding to the period from April 2001 to October 2003, in the amount of R$ 1,239,027 thousand; and (ii) notices of tax assessment drawn by the Treasuries of the Municipalities, which amounts R$ 1,753,531 thousand.

c) Contingent assets

Contingent assets are not recognized in the financial statements according to IAS 37.

d) Judicial deposits

This line-item represents cash held in the Bank or with another official financial institution as payment, or guarantee of payment, for condemnations, claims, agreements and other expenses arising from lawsuits. Judicial deposits are recorded in other financial assets in the consolidated balance sheet.

Judicial deposits in guarantee recorded for contingencies

	Dec 31,2020	Dec 31,2019
Labor lawsuits	6,275,600	5,633,273
Tax lawsuits	9,411,760	9,208,340
Civil lawsuits	18,687,428	18,624,033
Total	**34,374,788**	**33,465,646**

In thousand of Reais, unless otherwise stated

36 – TAXES

a) Breakdown of income tax (IR) and social contribution expenses (CSLL) recognized in profit or loss

	2020	2019	2018
Current			
Current year	(3,585,727)	(4,994,225)	(3,297,317)
Prior year adjustments	(5,290)	4,390	(6,900)
Total current	**(3,591,017)**	**(4,989,835)**	**(3,304,217)**
Deferred			
Adjustments from expected loss on loans to customers	(1,130,986)	(365,664)	(946,099)
Adjustments from expected loss for other financial assets	(829,325)	1,120,174	100,262
Fair value adjustments of financial assets	(136,032)	(119,101)	82,118
Inflation adjustments of judicial deposits	(95,680)	(791,072)	(286,791)
Unrealized profit on transactions with equity – accounted investees	(77,543)	(77,543)	(77,543)
Income taxes carryforwards	(61,533)	1,162,570	1,125,118
Business combination adjustments	(14,713)	68,018	291,996
Adjustments from leasing portfolio	(3,486)	6,607	29,975
Other temporary differences/deferred expenses	7,656,195	11,734,652	(2,342,917)
Total deferred	**5,306,897**	**12,738,641**	**(2,023,881)**
Total income taxes	**1,715,880**	**7,748,806**	**(5,328,098)**

b) Reconciliation of income taxes expense

	2020	2019	2018
Income before taxes	11,577,003	11,139,512	20,414,199
Total charges of IR (25%) and CSLL (20% in 2020 and 2018, and 15% in 2019)	**(5,209,651)**	**(4,455,805)**	**(9,186,390)**
Foreign currency translation adjustments	1,943,033	208,072	704,114
Revenues from the Center-West Financing Fund – FCO	1,897,563	1,550,496	1,569,884
Interest on own capital	1,888,600	2,693,016	2,322,820
Net gains from equity method investments	1,044,865	1,617,765	1,592,243
Income from subsidiaries with different income tax rates	510,791	542,472	442,638
Non-taxable revenues/non-deductible expenses (1)	(359,321)	5,592,790	(2,773,407)
Income taxes benefit (expense)	**1,715,880**	**7,748,806**	**(5,328,098)**
Effective rate	**-**	**-**	**26.10%**

1) In 2019, included the increase Increase in the CSLL rate from 15% to 20%, according to Art.32 of Constitutional Amendment n.º 103/2019.

c) Income taxes recognized in shareholders' equity

	2020	2019	2018
Income taxes recognized in profit or loss	1,715,880	7,748,806	(5,328,098)
Income taxes recognized in other comprehensive income	(6,551,042)	8,081,338	857,454
Total	**(4,835,162)**	**15,830,144**	**(4,470,644)**

In thousand of Reais, unless otherwise stated

d) Deferred income taxes recognized in the consolidated balance sheet

Assets

	Dec 31, 2019	Constitutions	Write-offs	Dec 31, 2020
Deferred tax assets				
Expected loss on loans to customers	27,010,563	12,914,429	(9,267,781)	30,657,211
Provision for post-employment benefit plans	15,013,269	5,629,005	(12,053,556)	8,588,718
Provision for labor, tax and civil lawsuits	5,818,836	784,131	(69,317)	6,533,650
Income taxes carryforwards	3,012,424	5,968,731	(6,096,493)	2,884,662
Business combination	2,398,333	-	(14,713)	2,383,620
Negative fair value adjustments of financial assets	714,217	1,184,416	(1,135,293)	763,340
Recoverable Social contribution	636,752	-	(214)	636,538
Effective interest rate	303,543	37,556	-	341,099
Other provisions	5,126,217	1,150,644	(262,582)	6,014,279
Total	**60,034,154**	**27,668,912**	**(28,899,949)**	**58,803,117**

Liabilities

	Dec 31, 2020	Dec 31, 2019
Deferred tax liabilities		
Positive fair value adjustments of financial assets	(987,094)	(803,327)
Bargain purchase gains	(895,841)	(895,841)
Arising from recovered term credits	(534,788)	(637,634)
From actuarial gains	(520,945)	(24,930)
Inflation adjustments of judicial deposits	(361,318)	(361,318)
Adjustments from leasing portfolio	(18,842)	(15,356)
Other	(400,316)	(472,747)
Total	**(3,719,144)**	**(3,211,153)**

In the period from December 31, 2018 to November 30, 2019, deferred tax assets and liabilities were recognized at the rate of 15% of CSLL. The increase in the rate from 15% to 20%, according to Art.32 of Constitutional Amendment n.º 103/2019, adjusted these deferred tax assets and liabilities on December 31, 2019.

The foreign subsidiaries do not recognize some deferred tax assets due to the low probability of realization, according to Management's evaluation. Unrecognized deferred tax assets total R$ 1,348,150 thousand, consisting of R$ 1,008,509 thousand related to tax losses carry forwards and R$ 339,641 thousand related to temporary differences. In Brazil, unrecognized deferred tax assets total R$ 23,264 thousand, consisting of R$ 19,530 thousand related to tax losses carry forwards and R$ 3,734 thousand related to temporary differences.

e) Expected realization of deferred tax assets

	Deferred tax assets
In 2021	21,781,939
In 2022	22,770,045
In 2023	13,344,395
In 2024	246,807
In 2025	491,593
In 2026	110,020
In 2027	30,179
In 2028	2,586
In 2029	10,985
In 2030	14,568
Total	**58,803,117**

The expected realization of deferred tax assets is supported by a technical study prepared as of December 31, 2020.

In thousand of Reais, unless otherwise stated

During 2020, deferred tax assets were realized in the amount of R$ 28,899,949 thousand, which corresponded to 162.38% of the amount calculated in the technical study prepared on December 31, 2019.

37 – SHAREHOLDERS' EQUITY

a) Book value and market value per common share

	Dec 31, 2020	Dec 31, 2019
Shareholders' equity	125,099,772	107,734,738
Book value per share (R$) [(1)]	43.84	37.79
Fair value per share (R$)	38.80	52.82

(1) The book value per share calculation is made by dividing the shareholders' equity by the total number of common shares, excluding treasury shares.

b) Share capital

Banco do Brasil's share capital of R$ 90,000,023 thousand (R$ 67,000,000 thousand on December 31, 2019) is fully subscribed and paid-in and consists of 2,865,417,020 common shares with no par value. The Federal Government is the largest shareholder and holds the majority of the Bank's voting shares.

The share capital increase in 2020, in the amount of R$ 23,000,023 thousand, resulted from the use of Statutory reserve for operating margin, approved by the Special Meeting of Shareholders held on July 30, 2020, and authorized by Bacen on November 11, 2020 (R$ 23,000,000 thousand) and the incorporation of Besc Distribuidora de Títulos e Valores Mobiliários S.A. – Bescval, approved by the Special Meeting of Shareholders held on December 09, 2020 (R$ 23 thousand – Note 6.e), pending approval by Bacen.

The Bank may, even without amending its by-laws, if approved by the Meeting of Shareholders, and in the conditions established therein, increase its capital up to the limit of R$ 120,000,000 thousand by issuing common shares, for which shareholders should be granted preference in the subscription in proportion to the number of shares held.

c) Instruments qualifying as common equity tier 1 capital

The Bank signed a loan agreement with the federal government on September 26, 2012, as hybrid capital and debt instrument, in the amount up to R$ 8,100,000 thousand, whose resources were designated to finance agribusiness. The Bank signed an amendment to the contract on August 28, 2014, under the terms of Law 12,793 of April 02, 2013. The purpose of the amendment was to allow the instrument to qualify as common equity in Tier I capital, under Article 16 of CMN Resolution 4,192/2013.

As result of the amendment, the interest rate was changed to variable rate, and the interest period was changed to match the Bank's fiscal year (January 1 to December 31). Each years' interest is paid in a single annual installment, adjusted by the Selic rate up to the effective payment date. Payment must be made within 30 calendar days after the dividend payment for the fiscal year.

The interest payment must be made from profits or profit reserves available for distribution at the end of the fiscal year preceding the calculation date. Payment is at Management's discretion. Unpaid interest does not accumulate. If the payment or dividend distribution is not made (including in the form of interest on own capital) prior to the end of the subsequent fiscal year, the accrued interest is no longer owed.

If the Bank's retained earnings, profit reserves (including the legal reserve) and capital reserve cannot fully absorb losses calculated at the end of a fiscal year, the Bank will no longer be obligated to the interest. The Bank will apply the accrued interest and principal balance, in this order, to offset any remaining losses. This will be considered a pay-down of the instrument.

In thousand of Reais, unless otherwise stated

The instrument does not have a maturity date. It is only payable if the Bank is dissolved or Bacen authorizes the repurchase of the instrument. If the Bank is dissolved, the payment of principal and interest is subordinated to payment of the Bank's other liabilities. There will be no preferred interest on the loan under any circumstances, including in relation to other equity instruments included in Reference Equity.

d) Capital reserve

The capital reserve, totaling R$ 6,625,608 thousand (R$ 6,592,899 thousand on December 31, 2019), relates mainly to changes in the Bank's ownership interest in BB Seguridade after the IPO, increased ownership interest in Banco Patagonia resulting from the exercise of a put option, by minority shareholders, as provided for in a Shareholders Agreement entered into on 04.12.2011 between the Bank and the minority shareholders, as well as the sale of treasury shares, ocurred on 10.23.2019 (Note 37.k).

e) Profit reserves

	Dec 31, 2020	Dec 31, 2019
Profit reserves	**39,198,468**	**53,814,656**
Legal reserve	9,259,072	8,633,464
Statutory reserves	29,939,396	45,181,192
Operating margin	21,225,998	38,699,369
Capital payout equalization	8,713,398	6,481,823

The legal reserve ensures the adequacy of the Bank's capital structure and can only be used to offset losses or increase capital. Five percent of net income calculated in accordance with accounting practices applicable for financial institutions in Brazil, before any other allocations, is transferred to the legal reserve. The amount of the reserve cannot exceed 20% of the share capital.

The operating margin statutory reserve ensures the adequacy of the Bank's operating margins in accordance with its business activities. The reserve consists of up to 100% of net income calculated in accordance with accounting practices applicable for financial institutions in Brazil after allocation to legal reserve (including dividends) and is limited to 80% of the share capital.

The capital payout equalization statutory reserve provides funds for the payment of dividends. The reserve consists of up to 50% of net income calculated in accordance with accounting practices applicable for financial institutions in Brazil after allocation to legal reserve (including dividends) and is limited to 20% of the share capital.

f) Accumulated other comprehensive income/(loss)

Accumulated other comprehensive income/(loss) includes fair value adjustments for financial assets as fair value through other comprehensive income, translation adjustments on foreign operations, net effects of hedges and remeasurements of defined benefit plans. The Bank recognized in other comprehensive income/(loss) all translation adjustments on foreign operations whose functional currency is not the Brazilian Real.

g) Unallocated retained earnings

The amount included in this account represents the effect of differences between accounting practices applicable for financial institutions in Brazil and IFRS, and the effects of initial adoption of IFRS 9. Net income calculated in accordance with accounting practices applicable for financial institutions in Brazil is fully distributed semiannually in the form of dividends/interest on own capital or allocated to the profit reserve.

In thousand of Reais, unless otherwise stated

h) Interest on own capital/dividends

Management decided on the payment of Interest on own capital to its shareholders in accordance with Brazilian law and the Bank's By-laws. In 2020, Management chose to remunerate the capital in 35.29% of the adjusted net income, calculated in accordance with accounting practices applicable for financial institutions in Brazil, according to CMN Resolution 4,885/2020, which amended CMN Resolution 4,820/2020, with the payout calculation base being the same as the minimum and mandatory dividend required by law.

In compliance with the income tax as well as social contribution legislation, the interest on own capital is calculated based on adjusted net equity value. It is limited, on a pro rata die basis, to the variation of long-term interest rate, as long as there is profit (before the deduction of interest on own capital) or reserves for retained earnings and profit reserves of at least twice its value, being deductible in the calculation of the taxable income, calculated in accordance with accounting practices applicable for financial institutions in Brazil.

The total interest on own capital in 2020, in the amount of R$ 4,196,889 thousand (R$ 6,732,541 thousand in 2019), provided an expense reduction on tax charges totaling R$ 1,888,600 thousand (R$ 2,755,142 thousand in 2019).

Payment schedule of interest on own capital and dividends:

	Amount	Amount per share (R$)	Base date of payment	Payment date
1st quarter/2020				
Interest on own capital (1)	517,440	0.181	Mar 11, 2020	Mar 31, 2020
2nd quarter/2020				
Interest on own capital (1)	1,256,723	0.441	Aug 21, 2020	Aug 31, 2020
3rd quarter/2020				
Interest on own capital (1)	293,382	0.103	Sep 11, 2020	Sep 30, 2020
Complementary interest on own capital (1)	555,736	0.195	Nov 16, 2020	Nov 27, 2020
4th quarter/2020				
Interest on own capital (1)	333,785	0.117	Dec 11, 2020	Dec 30, 2020
Complementary interest on own capital (1)	1,239,823	0.435	Feb 22, 2021	Mar 03, 2021
Total allocated to the shareholders	**4,196,889**	**1.472**		

(1) Amounts subject to withholding tax, with the exception of shareholders who are exempted or immune.

	Amount	Amount per share (R$)	Base date of payment	Payment date
1st quarter/2019				
Interest on own capital (1)	435,000	0.156	Mar 11, 2019	Mar 29, 2019
Complementary interest on own capital (1)	1,155,939	0.415	May 21, 2019	May 31, 2019
2nd quarter/2019				
Interest on own capital (1)	476,640	0.171	Jun 11, 2019	Jun 28, 2019
Complementary interest on own capital (1)	1,229,989	0.441	Aug 21, 2019	Aug 30, 2019
3rd quarter/2019				
Interest on own capital (1)	649,308	0.233	Sep 11, 2019	Sep 30, 2019
Complementary interest on own capital (1)	1,040,834	0.373	Nov 21, 2019	Nov 29, 2019
4th quarter/2019				
Interest on own capital (1)	502,320	0.176	Dec 11, 2019	Dec 30, 2019
Complementary interest on own capital (1)	1,242,511	0.436	Feb 21, 2020	Mar 05, 2020
Total allocated to the shareholders	**6,732,541**	**2.401**		

(1) Amounts subject to withholding tax, with the exception of shareholders who are exempted or immune.

In thousand of Reais, unless otherwise stated

i) Shareholders (number of shares)

Number of shares issued by the Bank to shareholders which, directly or indirectly, hold more than 5% of the shares. It also includes members of the Bank's Board of Directors, Executive Committee and Audit Committee as follows:

Shareholders	Dec 31, 2020		Dec 31, 2019	
	Shares	% Total	Shares	% Total
Federal Government	1,432,708,542	50.0	1,453,493,742	50.7
Tesouro Nacional	1,432,708,542	50.0	1,432,708,542	50.0
Banco Nacional de Desenvolvimento Econômico e Social – BNDES – FND	-	-	20,785,200	0.7
Caixa de Previdência dos Funcionários do Banco do Brasil – Previ	134,751,214	4.7	137,257,114	4.8
Treasury shares [1]	12,175,335	0.4	14,459,169	0.5
Other shareholders	1,285,781,929	44.9	1,260,206,995	44.0
Total	**2,865,417,020**	**100.0**	**2,865,417,020**	**100.0**

(1) It includes, on December 31, 2020, 31,496 shares of the Bank held by BB DTVM (347,049 on December 31, 2019, of 32,900 held by BB DTVM and 314,149 held by BB – Banco de Investimento).

	Common shares (ON) [1]	
	Dec 31, 2020	Dec 31, 2019
Board of Directors (except for the Bank's CEO)	4,628	3,581
Executive Committee (includes the Bank's CEO)	114,966	77,674
Audit Committee	57	18

(1) The shareholding interest of the Board of Directors, Executive Committee, Fiscal Council and Audit Committee represents approximately 0.004% of the Bank's capital stock.

j) Quantity of issued shares and quantity of shares in the market (free float)

	Quantity of shares	
	Common shares	Treasury shares
Balance on Dec 31, 2019	**2,865,417,020**	**14,459,169**
Movements	-	(2,283,834)
Balance on Dec 31, 2020	**2,865,417,020**	**12,175,335**

	Dec 31, 2020		Dec 31, 2019	
	Amount	%	Amount	%
Free float at the beginning of period	**1,397,382,845**	**48.8**	**1,331,861,026**	**46.5**
Banco Nacional de Desenvolvimento Econômico e Social – BNDES – FND	20,785,200		-	
Secondary public offering of shares (follow on)	-		64,000,000	
Other changes [1]	2,245,495		1,521,819	
Free float at the end of period [2]	**1,420,413,540**	**49.6**	**1,397,382,845**	**48.8**

(1) It includes changes coming from Technical and Advisory Bodies.
(2) Does not include any shares held by the Board of Directors and Executive committee. The shares held by the Caixa de Previdência dos Funcionários do Banco do Brasil – Previ compose the free float shares.

In thousand of Reais, unless otherwise stated

k) Treasury shares

On October 3rd, 2019, the Bank announced an Information to the Market and Preliminary Prospectus of the follow-on public offering of 64,000,000 common shares issued by the Bank and held in treasury. On October 23, 2019, the closing of the public offering of common shares was announced, at the price of R$ 44.05 per share.

The composition of the treasury shares is shown below:

	Dec 31, 2020		Dec 31, 2019	
	Shares	% Total	Shares	% Total
Treasury shares	**12,175,335**	**100.0**	**14,459,169**	**100.0**
Received in order to comply with operations secured by the FGCN – Fundo de Garantia para a construção Naval	8,075,350	66.3	8,075,350	55.8
Repurchase programs (2012 and 2015) (1)	3,764,352	30.9	5,710,078	39.5
Share-based payment	335,570	2.8	359,529	2.5
Follow-on offerring	-	-	314,149	2.2
Mergers	63	-	63	-
Book value	**(280,642)**		**(339,636)**	

(1) Reduction due to the follow-on offering.

l) Share-based payments

The program of variable remuneration

The program of variable remuneration was based on the CMN Resolution 3,921/2010, which governs compensation policies for executives of financial institutions.

The program has a yearly basis period. It is established according to the risks and the activity overseen by the executive and has as pre requirements: the activation of the participation in profit and results program and the achievement of accounting profit by the Bank.

The calculation of variable remuneration is based on indicators that measure the achievement of corporate and individual goals, based on the Corporate Strategy of Banco do Brasil – ECBB for the period. The program also determines that 50% of the remuneration should be paid in cash and the remaining 50% should be paid in shares.

The number of Banco do Brasil shares to be allocated to each participant is calculated by dividing the net amount equivalent to 50% of variable remuneration to which one is entitled, by the average price of the share in the week prior to the payment. The average price is the simple arithmetic mean of the daily average prices of the week prior to the payment. At the time of calculation of deferred installments, if fractions occur, they are accumulated in the first installment to be made available.

The distribution of compensation in shares occurs in a way that 20% is immediately transferred for the beneficiary's ownership and 80% is deferred for a period of four years, in which: 20% within one year, 20% within two years, 20% within three years and 20% within four years.

The effects of the Program of Variable Remuneration on income in Banco do Brasil were R$ 22,276 thousand in 2020 (R$ 24,380 thousand in 2019).

BB DTVM, in accordance to the resolution mentioned above, also adopted variable remuneration policy for its directors, directly acquiring treasury shares of the Banco do Brasil. All shares acquired are BBAS3 and its fair value is the quoted market price on the date of grant.

We present the statement of acquired shares, its distribution and its transfer schedule:

In thousand of Reais, unless otherwise stated

	Total program shares	Average cost	Shares distributed	Shares to distribute	Estimated schedule transfers
2016 Program					
Banco do Brasil	99,348	33.78	79,502	19,846	Mar 2021
Total shares to be distributed				**19,846**	
BB DTVM	10,397	32.84	8,319	2,078	Mar 2021
Total shares to be distributed				**2,078**	
2017 Program					
Banco do Brasil	193,976	42.65	116,452	38,762	Mar 2021
				38,762	Mar 2022
Total shares to be distributed				**77,524**	
BB DTVM	20,270	42.65	12,166	4,052	Mar 2021
				4,052	Mar 2022
Total shares to be distributed				**8,104**	
2018 Program					
Banco do Brasil	127,860	53.44	51,192	25,556	Mar 2021
				25,556	Mar 2022
				25,556	Mar 2023
Total shares to be distributed				**76,668**	
BB DTVM	14,218	53.44	5,692	2,842	Mar 2021
				2,842	Mar 2022
				2,842	Mar 2023
Total shares to be distributed				**8,526**	
2019 Program					
Banco do Brasil	162,641	46.05	32,605	32,509	Mar 2021
				32,509	Mar 2022
				32,509	Mar 2023
				32,509	Mar 2024
Total shares to be distributed				**130,036**	
BB DTVM	15,998	46.07	3,210	3,197	Mar 2021
				3,197	Mar 2022
				3,197	Mar 2023
				3,197	Mar 2024
Total shares to be distributed				**12,788**	

The Program of Gratified Performance (PDG)

PDG is a semiannual reward aiming to strengthen the partnership between the employees and the Bank, recognition of the participants' effort in the results attainment and the alignment of these results with the Bank strategies.

The qualification and classification of the participants are based on indicators that measure the achievement of corporate and individual goals, based on the Corporate Strategy of Banco do Brasil – ECBB for the period.

The program determines that 50% of the reward should be paid in shares of the Bank and 50% in the Alelo reward card. The average price is the simple arithmetic mean of the daily average prices of the week prior to the payment. In 2020 1,767,087 treasury shares were distributed (1,499,377 in 2019). The effects of the Program of Gratified Performance on income were R$ 320,807 thousand in 2020 (R$ 219,021 thousand in 2019).

In thousand of Reais, unless otherwise stated

38 – FAIR VALUE OF FINANCIAL INSTRUMENTS

	Dec 31, 2020		Dec 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and bank deposits	16,784,560	16,784,560	14,171,188	14,171,188
Compulsory deposits with Brazilian Central Bank	60,308,542	60,308,542	65,124,107	65,124,107
Financial assets at amortized cost, net	1,219,130,246	1,245,980,339	1,077,415,301	1,068,950,786
Loans to financial institutions	49,317,455	48,398,647	37,559,262	37,559,262
Securities purchased under resale agreements	466,344,581	466,344,274	390,772,405	390,783,137
Loans to customers	633,402,350	662,166,942	579,516,786	571,767,658
Securities	24,946,064	23,950,680	25,422,830	24,696,711
Other financial assets	45,119,796	45,119,796	44,144,018	44,144,018
Financial assets at fair value through profit or loss	15,670,822	15,670,822	3,805,548	3,805,548
Financial assets at fair value through other comprehensive income	256,553,310	256,553,310	172,278,448	172,278,448
Liabilities				
Financial liabilities at amortized cost	1,500,172,488	1,501,436,774	1,272,377,717	1,262,139,586
Deposits of clients	601,984,265	601,882,881	485,002,305	484,853,574
Amount payable to financial institutions	25,945,382	26,092,184	29,459,001	29,755,400
Securities sold under repurchase agreements	503,722,822	504,761,242	404,355,327	402,418,936
Liabilities from issuance of securities and other financial liabilities	298,176,293	298,356,741	301,744,568	293,295,160
Other financial liabilities	70,343,726	70,343,726	51,816,516	51,816,516
Financial liabilities at fair value through profit or loss	3,098,315	3,098,315	961,636	961,636

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. When quoted prices in an active market are available, fair value of financial instruments is based on those prices. In the absence of an active market for a financial instrument, fair value is estimated to arrive at a fair and equitable valuation for the instrument.

The methods used to estimate fair value for the different categories of financial instruments are as follows:

a) Cash and bank deposits

Amounts included in this line-item of the consolidated balance sheet represent highly liquid assets. Therefore, the carrying amount is considered to be the same as fair value.

b) Compulsory deposits with Brazilian Central Bank

For this line-item, the carrying amount in the consolidated balance sheet is considered to be the same as fair value.

c) Loans to financial institutions and securities purchased under resale agreements

The fair value of loans to financial institutions and repurchase agreements with fixed rates is determined by discounting estimated future cash flows using current rates on similar instruments (in these cases, similar assets can always be identified).

The inputs used to calculate fair value (funding rates) are compared to rates on similar transactions carried out by other institutions in the financial market. The carrying amount of variable rate instruments is considered to be the same as fair value. Being transactions backed by securities, the pricing of repurchase agreements does not consider any credit risk measurement in its fair value.

Since repurchase agreements are guaranteed by securities, the fair value measurement does not consider credit risk.

In thousand of Reais, unless otherwise stated

d) Financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income and securities

These line-items consist mainly of debt and equity instruments and derivatives. Considering the definition of fair value mentioned previously, if there is no price quotation from an active market available or recent transactions with a similar financial instruments, the Bank estimates fair value based on methodologies commonly used in the market. These methodologies include the present value of discounted cash flows (swaps, futures and currency forwards) and the Black-Scholes model for options.

Under the present value method, expected future cash flows are based on the instruments' return. The cash flows are then discounted to present value considering the term and yield curve.

The yield curve depends on the type of asset. For example, for securities in which the yield is linked to the IPCA index, the Bank uses the IPCA curve plus the spread on the measurement date.

The Bank uses a Black-Scholes model to price European options. The option price is measured as a closed-form solution to the Black-Scholes equation. The inputs to the model are directly observable in the market.

The Bank uses this model (without considering dividends) to calculate option premiums and volatility because it is widely used in the market and by stock exchanges to determine daily settlements for European options. In calculating volatility for call options, American and European models produce the same results. This allows for the use of the European model for all American call options.

The main sources for the inputs by category of financial asset are as follows:

- government securities – Anbima/Bacen;
- private securities (B3, SND – National Debentures System, Anbima and Cetip); and
- derivatives (B3, Broadcast and Reuters).

e) Loans to customers

Fair value is estimated for groups of similar loans based on loan type, credit quality and maturity. Future cash flows of loans to customers are based on the contractual interest rates and payment dates. Fair value is determined by discounting the cash flows at rates being practiced on the valuation date for loans of similar types, qualities and maturities.

The credit risk spread is calculated using a methodology based on the expected loss index weighted by the maturity of the operation. This methodology considers loss rates and severities for a variety of different credit lines. It also considers customer data from when the loan was originated, including the business segment and credit risk assigned to the counterparty.

There are always similar assets in the market, so inputs used to calculate fair value (interest rates) can be compared to similar transactions carried out by other financial institutions. The interest rates reflect all applicable costs and risks, including credit risk. They also incorporate funding costs, administrative costs, taxes, credit losses and the Bank's spread.

The Bank has a group of short-term revolving loans (i.e. overdrafts and revolving credit cards) in which the carrying amount approximates fair value. The maturity of these transactions does not exceed one month.

f) Deposits of clients

The fair value of fixed rate deposits with fixed maturities is calculated by discounting the contractual cash flows by the current market rate for transactions with similar maturities.

There are always similar liabilities in the market, so inputs used to calculate fair value (funding rates) can be compared to similar transactions carried out by other financial institutions. These rates reflect all applicable costs and risks, including opportunity costs, administrative costs, taxes and the Bank's spread.

The carrying amount of variable rate deposits with maturities up to 30 days is considered to be the same as fair value.

g) Securities sold under repurchase agreements

The fair value of securities sold under repurchase agreements with fixed interest rates is calculated by discounting the cash flows by the current market rate for similar transactions.

There are always similar liabilities in the market, so inputs used to calculate fair value (funding rates) can be compared to similar transactions carried out by other financial institutions.

The carrying amount of variable rate transactions is considered to be the same as fair value.

Since the transactions are guaranteed by securities, the fair value measurement for repurchase agreements does not consider credit risk.

h) Liabilities from issuance of securities and other financial liabilities

Fair value is determined by discounting the cash flows using market rates for liabilities with similar contractual terms, maturities and risks.

i) Other financial assets and liabilities

For this line-item, the carrying amount in the consolidated balance sheet is considered to be the same as fair value.

j) Fair value input levels for financial assets and liabilities

The Bank's fair value measurements consider the following input levels:

Level 1 – Price quotations are derived from active markets for identical financial instruments. Financial instruments are considered to be quoted in an active market if prices are readily available and are based on regularly occurring arm's length transactions.

Level 2 – Requires the use of information obtained from the market that is not Level 1. This includes prices quoted in non-active markets for similar assets and liabilities and information that can be corroborated in the market.

Level 3 – Requires the use of information not obtained from the market to measure fair value. When there is not an active market for an instrument, the Bank uses valuation techniques that incorporate internal data. The Bank's methodologies are consistent with commonly used techniques for pricing financial instruments.

Most of the Bank's fair value measurements consider data obtained directly from active markets. If direct information is not available, it uses references available in the market. As a final option, the Bank considers similar assets. The fair value measurement process is monitored on a daily basis to determine the extent to which market prices are available for the Bank's assets.

The Bank's policy for transferring financial instruments between levels considers liquidity in the market. Depending on the level of liquidity, the Bank defines the type of fair value measurement to be used (mark-to-market or mark-to-model). The transfer policy provides consistent recognition principles for transfers between levels.

For private securities, the mark-to-market and mark-to-model methodologies are based on a market data hierarchy. The Bank monitors the valuation methods for all of these instruments on a daily basis.

When private securities are traded during the day, the mark-to-market calculation is based on the closing price. If there are no trades registered, but an indicative price is released by Anbima, this price will be used.

If there were no trades and there is no indicative price, the Bank determines if the security was negotiated within the past 30 days. If it was, the pricing model considers the relationship between the last negotiated price and the security's accrual value on the first day market volumes becomes available. If there were no trades within the past 30 days, the Bank uses one of two rating criteria (in the following order):

1st criteria – If Anbima releases the security's credit curve rating, the Bank uses the spread of this curve to calculate present value.

2nd criteria – If Anbima does not release the instrument's credit curve rating, the Bank uses a linear regression based on 30 days of indicative prices and interest rates provided by Anbima. The variables used to calculate the regression are the rating, maturity and indicative interest rate.

The Bank takes a conservative approach to mark-to-market values. Figures obtained through market prices and mathematical models are compared to prices calculated by the Risk Department based on credit spreads. The lower of the two prices is used.

As a result, the methodologies discussed above (market prices, indicative prices, historical mathematical relationships and rating aggregation models), which all use market-based data, could result in higher prices compared to figures based credit spreads.

In 2019, the criteria for classifying financial instruments between the levels of the fair value hierarchy were improved. The changes mainly affected the private securities [Agribusiness Receivables Certificate (CRA), Real Estate Receivables Certificate (CRI), Debentures, Promissory Notes (NP) and Credit Rights Investment Fund (FIDC)], for which there are not always availability of market information to determine their fair values.

Thus, instruments whose valuation were mainly based on internal data and methodologies, notably for instruments subject to credit risk, including derivative financial instruments (swaps), are now considered at Level 3.

In thousand of Reais, unless otherwise stated

	Dec 31, 2020	Distribution by Level		
		Level 1	Level 2	Level 3
Financial assets and liabilities measured at fair value in the balance sheet on a recurring basis				
Assets	**272,224,132**	**239,112,507**	**29,055,049**	**4,056,576**
Financial assets at fair value through profit or loss	**15,670,822**	**10,573,093**	**2,871,673**	**2,226,056**
Debt and equity instruments	**12,143,486**	**10,573,093**	**1,569,207**	**1,186**
Government bonds	10,420,689	10,420,689	-	-
Corporate bonds	1,722,797	152,404	1,569,207	1,186
Derivatives	**3,527,336**	**-**	**1,302,466**	**2,224,870**
Swaps	2,224,870	-	-	2,224,870
Forward operations	1,203,171	-	1,203,171	-
Options	-	-	-	-
Other derivative financial instruments	99,295	-	99,295	-
Financial assets at fair value through other comprehensive income	**256,553,310**	**228,539,414**	**26,183,376**	**1,830,520**
Government bonds	224,851,038	224,765,319	85,719	-
Corporate bonds	31,702,272	3,774,095	26,097,657	1,830,520
Liabilities	**3,098,315**	**-**	**1,556,708**	**1,541,607**
Financial liabilities at fair value through profit or loss	**3,098,315**	**-**	**1,556,708**	**1,541,607**
Derivatives	**3,098,315**	**-**	**1,556,708**	**1,541,607**
Swaps	1,541,607	-	-	1,541,607
Forward operations	1,469,393	-	1,469,393	-
Options	8,440	-	8,440	-
Other derivative financial instruments	78,875	-	78,875	-
Financial assets and liabilities not measured at fair value in the balance sheet				
Assets	**1,245,980,339**	**11,141,094**	**12,809,586**	**1,222,029,659**
Financial assets at amortized cost, net	1,245,980,339	11,141,094	12,809,586	1,222,029,659
Loans to financial institutions	48,398,647	-	-	48,398,647
Securities purchased under resale agreements	466,344,274	-	-	466,344,274
Loans to customers	662,166,942	-	-	662,166,942
Securities	23,950,680	11,141,094	12,809,586	-
Other financial assets	45,119,796	-	-	45,119,796
Liabilities	**1,501,436,774**	**-**	**-**	**1,501,436,774**
Financial liabilities at amortized cost	1,501,436,774	-	-	1,501,436,774
Deposits of clients	601,882,881	-	-	601,882,881
Amount payable to financial institutions	26,092,184	-	-	26,092,184
Securities sold under repurchase agreements	504,761,242	-	-	504,761,242
Liabilities from issuance of securities and other financial liabilities	298,356,741	-	-	298,356,741
Other financial liabilities	70,343,726	-	-	70,343,726

In thousand of Reais, unless otherwise stated

	Dec 31, 2019	Distribution by Level		
		Level 1	Level 2	Level 3
Financial assets and liabilities measured at fair value in the balance sheet on a recurring basis				
Assets	**176,083,996**	**145,737,023**	**22,669,500**	**7,677,473**
Financial assets at fair value through profit or loss	**3,805,548**	**1,058,753**	**2,280,723**	**466,072**
Debt and equity instruments	**2,984,613**	**1,058,753**	**1,925,860**	**-**
Government bonds	1,161,146	1,058,741	102,405	-
Corporate bonds	1,823,467	12	1,823,455	-
Derivatives	**820,935**	**-**	**354,863**	**466,072**
Swaps	466,072	-	-	466,072
Forward operations	323,981	-	323,981	-
Options	12,821	-	12,821	-
Other derivative financial instruments	18,061	-	18,061	-
Financial assets at fair value through other comprehensive income	**172,278,448**	**144,678,270**	**20,388,777**	**7,211,401**
Government bonds	139,439,486	139,309,507	129,979	-
Corporate bonds	32,838,962	5,368,763	20,258,798	7,211,401
Liabilities	**961,636**	**-**	**521,766**	**439,870**
Financial liabilities at fair value through profit or loss	**961,636**	**-**	**521,766**	**439,870**
Derivatives	**961,636**	**-**	**521,766**	**439,870**
Swaps	439,870	-	-	439,870
Forward operations	404,500	-	404,500	-
Options	26,387	-	26,387	-
Other derivative financial instruments	90,879	-	90,879	-
Financial assets and liabilities not measured at fair value in the balance sheet				
Assets	**1,068,950,786**	**13,483,083**	**11,213,628**	**1,044,254,075**
Financial assets at amortized cost, net	1,068,950,786	13,483,083	11,213,628	1,044,254,075
Loans to financial institutions	37,559,262	-	-	37,559,262
Securities purchased under resale agreements	390,783,137	-	-	390,783,137
Loans to customers	571,767,658	-	-	571,767,658
Securities	24,696,711	13,483,083	11,213,628	-
Other financial assets	44,144,018	-	-	44,144,018
Liabilities	**1,262,139,586**	**-**	**-**	**1,262,139,586**
Financial liabilities at amortized cost	1,262,139,586	-	-	1,262,139,586
Deposits of clients	484,853,574	-	-	484,853,574
Amount payable to financial institutions	29,755,400	-	-	29,755,400
Securities sold under repurchase agreements	402,418,936	-	-	402,418,936
Liabilities from issuance of securities and other financial liabilities	293,295,160	-	-	293,295,160
Other financial liabilities	51,816,516	-	-	51,816,516

39 – FINANCIAL GUARANTEES AND OTHER OFF-BALANCE SHEET COMMITMENTS

	Dec 31, 2020	Dec 31, 2019
Credit commitments	127,849,028	121,903,680
Guarantees provided	9,569,192	7,993,661
Opened import credit	570,402	375,438
Confirmed export credit	390,200	275,571

In thousand of Reais, unless otherwise stated

Credit commitments represent overdrafts, revolving credit lines and similar instruments. Guarantees provided by the Bank, including standby letters of credit which represent conditional commitments. They generally guarantee a customer's performance to a third party under a loan. The information regarding the practices of risk management and maximum exposure are described in Note 41.d.

In these types of contracts, the contractual amount represents the maximum credit risk exposure if the counterparty fails to fulfill its obligations under the contract. However, a majority of these instruments mature without being drawn upon, so the contractual amount is not usually representative of future credit risk exposures or liquidity needs. To mitigate credit risk, the Bank requires the counterparty to provide cash, securities or other assets as collateral (similar to collateral required on loans to customers).

The Bank recognized a provision for estimated losses on guarantees and other commitments.

a) Breakdown of expected credit losses by stages

	Dec 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Expected losses for				
Guarantees provided	(269,856)	(22,628)	(274,771)	(567,255)
Loan commitments	(1,729,030)	(79,113)	-	(1,808,143)
Total	**(1,998,886)**	**(101,741)**	**(274,771)**	**(2,375,398)**

	Dec 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
Expected losses for				
Guarantees provided	(280,680)	(85,114)	(98,019)	(463,813)
Loan commitments	(444,118)	(4,418)	-	(448,536)
Total	**(724,798)**	**(89,532)**	**(98,019)**	**(912,349)**

b) Reconciliation of changes

The expected losses from the loan and financial guarantee commitments provided are recorded in the Statement of Income in the line item "Net (constitution)/reversal of expected credit losses with other financial assets".

	Dec 31, 2020			
	Open balance	Allowance	Write-offs	Closing balance
Expected losses for				
Guarantees provided	(463,813)	(124,952)	21,510	(567,255)
Loan commitments	(448,536)	(1,359,607)	-	(1,808,143)
Total	**(912,349)**	**(1,484,559)**	**21,510**	**(2,375,398)**

	Dec 31, 2019			
	Open balance	(Allowance)/reversal for expected losses	Write-offs	Closing balance
Expected losses for				
Guarantees provided	(284,911)	(291,509)	112,607	(463,813)
Loan commitments	(204,977)	(243,559)	-	(448,536)
Total	**(489,888)**	**(535,068)**	**112,607**	**(912,349)**

In thousand of Reais, unless otherwise stated

40 – REGULATORY CAPITAL AND FIXED ASSET LIMIT

Capital management

Objectives and policies

Bacen issued CMN Resolution 4,557/2017, which defines the scope and requirements of the risk management structure and the capital management structure for financial institutions.

In compliance with the Resolution, the Board of Directors has established Coris and has appointed as the Chief Risk Officer (CRO), responsible for risk and capital management, the Vice President of Internal Controls and Risk Management.

Capital management aims to ensure the Institution's future solvency concurrent with the implementation of business strategies.

Capital management is carried out through an organizational structure appropriate to the nature of its operations, the complexity of its business and the extent of exposure to relevant risks.

There are defined and documented capital management strategies that establish mechanisms and procedures to keep capital compatible with the Risk Appetite and Tolerance Statement (RAS).

In addition, the Bank has specific policies, approved by the Board, which aim to guide the development of functions or behaviors, through strategic drivers that guide capital management actions. These specific policies apply to all businesses that involve risk and capital at the Bank.

Elements comprised by capital management

Strategic plans, business goals and budgets respect the risk appetite and tolerance and indicators of capital adequacy and risk-adjusted return.

The Capital Plan is prepared in consistency with the business strategy, seeking to maintain capital indicators at appropriate levels. This Plan highlights the capital planning of Banco do Brasil and the prospective assessment of any need for capital contribution.

The Capital Plan preparation is referenced in the guidelines and limits contained in RAS and the Bank's Corporate Budget (BB Budget), considering that this represents the materialization of the guidelines of ECBB, the Master Plan (PD), the Markets Business Plan, the Fixed Investment Plan and the Strategic Information Technology Plan.

The budgeted amounts must correspond to the goals and objectives defined by the Board of Directors for the Banco do Brasil Conglomerate. Thus, premises such as business growth, credit growth in operations with higher profitability, restrictions on operations in segments with lower profitability, among others, are contained in the BB Budget.

In addition, the BB Budget considers the macroeconomic scenario prepared by the Strategy and Organization Directorship (Direo) and the legislation applied to the Brazilian Banking Industry (SFN).

The review of the ECBB and the PD results from the application of a set of strategic planning methodologies, observing the best market practices. It is noteworthy that the review of the ECBB and the PD takes place in an integrated manner with the budgeting process, with the RAS and with the other documents of the strategic architecture, which ensures the alignment between such documents, giving greater internal consistency to the strategic planning process.

The BB Budget follows the guidelines defined in the ECBB, respects the RAS and aims to meet the floors and ceilings defined in the indicators approved in the PD. The BB Budget allows the quantification in financial values of the strategic objectives defined in the ECBB.

The RAS is the strategic document that guides the planning of the business strategy, directing budget and capital towards a sustainable and optimized allocation, according to the Institution's capacity to assume risks and its strategic objectives, in addition to promoting understanding and dissemination of the risk culture.

In thousand of Reais, unless otherwise stated

This statement is applied to the Bank and considers potential impacts on the capital of the Banco do Brasil Prudential Conglomerate. It is expected that the Subsidiaries, Affiliates and Investment companies (ELBB) define their drivers based on these guidelines considering specific needs and legal and regulatory aspects to which they are subject.

As defined in the RAS, risk appetite is the maximum level of risk that the Institution accepts to incur in order to achieve its objectives, materialized by indicators that define an aggregate view of risk exposure. Tolerance, in turn, induces risk management in a more granular way, considering the defined appetite.

RAS defines prudential minimum limits that aim to perpetuate the strategy of strengthening the Bank's capital structure. These limits are established above the regulatory minimum, represent the Bank's Risk Appetite and are effective as of January of each year.

The capital target is the level of capital desired by the Bank, which is why its management actions must be guided by this driver. The goals are distinguished from tolerance and risk appetite because the latter defines the level at which the Institution does not accept to operate, and must take timely measures for readjustment, which may trigger contingency measures.

Integration

Adopting a prospective stance, the Bank assesses the capital status, classified as Critical, Alert or Surveillance, according to the time horizon that precedes the projected deadline for the breach of the prudential minimum capital limits defined by Senior Management and detailed in the RAS, as the figure below:

	Capital Ratio	**Period of noncompliance (months)**					
		0 to 6	**7 to 12**	**13 to 18**	**19 to 24**	**25 to 30**	**over 31**
Target[1]	ICP	ALERT			SURVEILLANCE		
Appetite[2]	Common Equity Tier 1 Rati	CRITICAL			ALERT		SURVEILLANCE
	Tier 1 Ratio	CRITICAL		ALERT		SURVEILLANCE	
	Basel Prudential Ratio	CRITICAL	ALERT		SURVEILLANCE		

[1] level of capital desired by the institution
[2] maximum level of risk that institution agrees to incur in order to achieve its goals

The Capital Forum has the responsibility of identify the capital status of the Bank and occurs through the control of Common Equity Tier 1 Capital Ratio (ICP), Tier I Ratio and Capital Adequacy Ratio projected for a time horizon of at least 36 months. When the projections indicate a potential breach of the prudential minimum capital limits (risk appetite), the Institution will have enough time to promote strategic changes that avoid extrapolation, according to the deadlines defined for each indicator.

The assessment of the sufficiency of capital maintained by the Bank contemplates a 3-year time horizon and considers:

(i) the types of risks and respective levels to which the Institution is exposed and willing to assume;
(ii) the Institution's ability to manage risks effectively and prudently;
(iii) the Institution's strategic objectives; and
(iv) the conditions of competitiveness and the regulatory environment in which it operates.

In compliance with the provisions of Bacen Circular 3,846/2017, this analysis is also part of the Internal Capital Adequacy Assessment Process (Icaap) and must cover, at least:

I – The assessment and measurement of the need for capital to cover credit risks (includes concentration and credit risk of the counterparty), market risk, interest rate variations for instruments classified in the bank portfolio (IRRBB) and operational;

II – The assessment of the capital need to cover the other relevant risks to which the Institution is exposed, considering, at least, the strategy, reputation and socio-environmental risks; and

III – The assessment of capital requirements based on the results of the stress test program.

The Icaap, implemented by the Bank on June 30, 2013, follows the disposed on CMN Resolution 4,557/2017. At the Bank, the responsibility for coordinating Icaap was assigned to the Risk Management Directorship. In turn, the Internal Controls Directorship is the responsible for validating the Icaap. Finally, Internal Audit is responsible for performing an annual evaluation of the overall capital management process.

Procedures

Capital management is an ongoing process of planning, evaluating, controlling and monitoring capital. It supports the Board in the decision process that will lead the Institution to adopt a posture capable of absorbing eventual losses arising from business risks or changes in the financial environment.

Capital simulations are carried out, integrating the results of risk and business stress tests, based on macroeconomic and / or idiosyncratic scenarios. Stress tests are carried out periodically and their impacts are assessed from the perspective of capital.

It is conducted monthly monitoring of the variables used in the preparation of the Capital Plan due to the review of the behavior projected in the preparation of the BB Budget, based on the observed numbers, market expectations and business dynamics. The relevant deviations are presented and discussed, by the Boards participating in the process, in the monthly meetings of the Capital Forum.

Management reports on capital adequacy are disclosed to the areas and strategic intervening committees, supporting the decision-making process by the Board of Directors.

The adoption of a prospective stance, by conducting continuous assessments of the capital need, makes it possible to proactively identify events with a non-zero probability of occurrence or changes in market conditions that may have an adverse effect on capital adequacy, including in stress scenarios.

Capital adequacy ratio

The Bank has calculated the Capital Adequacy Ratio in accordance with the requirements established by CMN Resolutions 4,192/2013 and 4,193/2013. Those requirements are related to the calculation of Referential Equity (RE) and Minimum Referential Equity Required (MRER) as a percentage of Risk Weighted Assets (RWA).

Bacen published its Basel III capital regulations on March 2013. The regulations came into force on October 1, 2013 and apply to all banks. Recommend by the Basel Committee, Basel III represents a new set of regulations governing the capital structure of financial institutions. The new rules establish the following:

- a new methodology for calculating regulatory capital, which continues to be divided into Tier I and Tier II. Tier I consists of Common Equity Tier I Capital – CET1 (net of regulatory adjustments) and Additional Tier I Capital;
- a new methodology for calculating capital requirements, establishing minimum requirements for RE, Tier I and CET1, and introducing the Additional CET1.

In thousand of Reais, unless otherwise stated

Regulatory adjustments listed below are considered for calculating CET1 ratio:

(i) goodwill;
(ii) intangible assets;
(iii) actuarial assets related to defined benefit pension plans, net of deferred tax liabilities;
(iv) significant investments (greater than 10% of the share capital) in: non-consolidated entities similar to financial institutions, insurance companies, reinsurance companies, capitalization companies and open-ended pension funds; and institutions authorized by Bacen that are not part of the Prudential Conglomerate.
(v) non-controlling interests;
(vi) deferred tax assets on temporary differences that rely on the generation of future taxable profits or income to be realized;
(vii) deferred tax assets resulting from tax losses on excess depreciation;
(viii) deferred tax assets resulting from tax losses carry forward; and
(ix) value between the provisioned amount and the amount of the adjustments resulting from the evaluation provided by CMN Resolution 4,277/2013.

On August 28, 2014, Bacen authorized the R$ 8,100,000 thousand perpetual bond included in Additional Tier I Capital to be considered Common Equity Tier I Capital.

According to the Resolution 4,192/2013 and 4,193/2013, the calculation of the RE and the amount of RWA should be based on Prudential Conglomerate.

	Dec 31, 2020	Dec 31, 2019
RE - Referential Equity	**161,924,480**	**132,150,432**
Tier I	**132,247,506**	**96,380,201**
Common equity Tier 1 capital (CET1)	**104,315,243**	**71,289,093**
Shareholders' equity	116,940,782	98,921,447
Instrument qualifying as CET1	8,100,000	8,100,000
Regulatory adjustments	(20,725,539)	(35,732,354)
Additional Tier 1 capital (AT1)	**27,932,263**	**25,091,108**
Hybrid instruments authorized in accordance with CMN Resolution 4,192/2013	27,932,263	21,665,013
Hybrid instruments authorized in accordance with regulations preceding the CMN Resolution 4,192/2013 (1)	-	3,426,095
Tier II	**29,676,974**	**35,770,231**
Subordinated debt qualifying as capital	29,676,974	35,796,321
Subordinated debt authorized in accordance with CMN Resolution 4,192/2013 – financial bills	186,926	1,743,504
Subordinated debt authorized in accordance with regulations preceding the CMN Resolution 4,192/2013	29,490,048	34,052,817
Funds obtained from the FCO (2)	26,403,208	29,336,898
Funds raised in financial letters and CD (3)	3,086,840	4,715,919
Deduction from Tier II	-	(26,090)
Funding instruments issued by financial institution	-	(26,090)
Risk weighted assets (RWA)	**766,064,658**	**711,401,976**
Credit risk (RWA_{CPAD})	677,256,134	612,629,806
Market risk (RWA_{MPAD})	21,125,396	21,392,666
Operational risk (RWA_{OPAD})	67,683,128	77,379,504
Minimum referential equity requirements (4)	**61,285,173**	**56,912,158**
Margin on the minimum referential equity required (5)	**100,639,307**	**75,238,274**
Tier I ratio (Tier I / RWA) (5)	**17.26%**	**13.55%**
Common equity Tier 1 capital ratio (CET1 / RWA) (5)	13.62%	10.02%
Capital adequacy ratio (RE / RWA) (5)	**21.14%**	**18.58%**

(1) Call option exercised on October 20, 2020.
(2) According to CMN Resolution 4,192/2013, the balance of FCO is limited to 90% of the amount that composed the Tier II of the RE on June 30, 2018.
(3) On December 31, 2020 it was considered the current value of subordinated debt instruments, applying on it the factor due to maturity date as determined by CMN Resolution 4,192/2013, in its 29th article.
(4) According to CMN Resolution 4,193/2013, corresponds to the application of the "F" factor to the amount of RWA, where "F" equals 8%.
(5) Values from DLO (Operational Threshold Statement).

In thousand of Reais, unless otherwise stated

Regulatory adjustments deducted from CET1:

	Dec 31, 2020	Dec 31, 2019
Significant investments and tax assets resulting from temporary differences that rely on the generation of future taxable profits or revenues for their realization (amount exceeding the 15% threshold)	(6,702,085)	(12,297,448)
Intangible assets	(6,211,770)	(5,913,962)
Actuarial assets related to defined benefit pension funds net of deferred tax liabilities	(4,588,635)	(133,096)
Tax assets resulting from tax losses carry forward (1)	(1,609,596)	(1,732,650)
Significant investments (excess of 10%) (2)	(1,375,048)	--
Non-controlling interests (3)	(112,462)	(90,223)
Shortfall of the value between the provisioned amount and the amount of the adjustments resulting from the evaluation provided by CMN Resolution 4,277/2013	(56,518)	(7,682)
Goodwill	(35,026)	(43,068)
Tax assets resulting from tax loss of excess depreciation	(34,399)	(41,012)
Tax assets resulting from temporary differences that rely on the generation of future taxable profits or revenues for their realization (amount exceeding the 10% threshold)	-	(15,473,213)
Total	**(20,725,539)**	**(35,732,354)**

(1) It was applied the CMN Resolution 4,192/2013, which determines the non-deduction of the tax assets resulting from tax losses, recognized from January 1, 2018 to December 31, 2020, arising from short position in foreign currency for the purpose of providing hedge of investments in foreign operations.

(2) It refers to significant investments in non-consolidated entities similar to financial institutions, insurance companies, reinsurance companies, capitalization companies, open-ended pension funds and non-consolidated financial institutions.

(3) The adjustment of non-controlling interests was calculated according to CMN Resolution 4,192/2013, 1st paragraph of the article 9.

Fixed asset ratio and margin

	Dec 31, 2020	Dec 31, 2019
Fixed asset ratio	14.12%	14.28%
Margin in relation to the fixed asset	58,099,596	47,199,718

Bacen defines the fixed asset ratio as the percentage of fixed assets to Referential Equity. The maximum rate allowed is 50%, according to CMN Resolution 2,669/1999.

Margin refers to the difference between the 50% limit of Referential Equity and total fixed assets.

Regulatory indicators vs. observed indicators

CMN Resolution 4,783/2020 reduced, for a determined period, the percentages to be applied on RWA amount, for calculating the conservation capital buffer referred by CMN Resolution 4,193/2013, which, between April 1, 2020 and March 31, 2021, is 1.25%. This reduction impacted the minimum regulatory requirement, as shown in the table below:

	Regulatory	Dec 31, 2020
Common Equity Tier 1 Capital Ratio (1)	6.75%	13.62%
Tier I Ratio (1)	8.25%	17.26%
Capital Adequacy Ratio (1)	10.25%	21.14%
Fixed asset ratio	Up to 50%	14.12%

(1) Includes additional main conservation, countercyclical and systemic capital.

On June 30, 2020, the compliance with the regulatory indicators is observed. The Bank, through the capital management strategies already listed, aims to surpass the minimum regulatory indicators, keeping them at levels capable of perpetuating the strategy of reinforcing the structure of capital of the Bank. In this way, the Bank defines the minimum prudential limits of capital indicators and the main capital target to be reached in each period. Following RAS and the Capital Plan, the goal to 2022 is to maintain a minimum of 11% Core Capital Ratio.

In thousand of Reais, unless otherwise stated

Instruments eligible as capital

The instruments eligible as capital are described in the Notes 34 and 37.

For subordinated financial bills issued up to the present date, there is no possibility of repurchase or redemption, total or partially, by the security holder and the expected cash flows will occur only on the maturity or on the exercise of the repurchase option by the Bank, as applicable.

For securities issued abroad, there is, until now, no possibility for the holder of the security to request repurchase or redemption, total or partial. The expected cash flows will occur when the coupon is paid, upon maturity or when exercising the repurchase by the Bank, as applicable.

The Instrument qualifying as Common Equity Tier I Capital does not have a maturity date and can only be settled in situations of dissolution of the issuing institution or of repurchases authorized by the Central Bank of Brazil. The expected cash flows occur only through the payment of annual remuneration interest.

Regarding the dynamics of the FCO, the monthly flows contemplate the inflows/origins, such as the transfers from the National Treasury resulting from the collection of taxes (made every ten days of the month), returns originating from payments of credit operations and remuneration on the available resources and the exits, such as the reimbursement of payment / rebate bonuses, the audit, del credere, provision and remuneration expenses in the operationalization of Pronaf - National Program for Strengthening Family Agriculture. The use of FCO resources as an instrument eligible as capital is limited by CMN Resolution 4,192/2013.

41 – RISK MANAGEMENT

a) Risk governance and capital governance

The risk and capital governance model adopted by the Bank involves an strategic committee structure, comprised by Vice Presidents, addressing the following issues:

(i) segregation of functions: business versus risk;
(ii) specific structure for risk assessment management;
(iii) defined management process;
(iv) decisions at multiple hierarchial levels;
(v) clear standards and structure of responsabilities; and
(vi) incorporation of best practices.

All decisions related to risk management are taken collectively in accordance with the Bank's internal policies and procedures.

The bank continuously promotes the evaluation of the structure, governance, processes, systems and methodologies applied to risk and capital management. This evaluation, which aims to identify opportunities for improvement, may result in changes in the present governance structure, with a view to improving management.

The risk management area reports to the vice president for internal control & risk management and is responsible for corporate regulation and supervision of all relevant risks in the 2nd line of defense, including those that become defined as relevant in the future. The Internal Controls Directorship (Dicoi) is responsible for the regulation and supervision of the internal controls system and compliance.

The Internal Audit (Audit) carries out periodic assessments in the risk management processes in order to verify if they are in agreement with the strategic guidelines, the specific policies and the internal and regulatory norms.

In thousand of Reais, unless otherwise stated

The bank's capital management consists of a continuous process of planning, assessment, control and monitoring of the capital that is necessary to cover the company relevant risks, to support the capital requirements required by the regulator, and achieve the internally defined strategic and budget objectives, aiming to optimize its capital allocation.

b) Risk and capital management and process

Banco do Brasil considers integrated risk and capital management a fundamental instrument for the sustainability of the banking system. Risk identification, measurement, assessment, monitoring, reporting, control, enhancement and mitigation methods safeguard financial institutions in adverse times and provide support for the generation of positive and recurring results over time.

The risk and capital management integrated process meets the aspects and standards set forth in the rules issued by the National Monetary Council (CMN) and the Central Bank of Brazil (Bacen). It is done based on the risk appetite, capital plan and policies and strategies of BB's senior management and permeates several areas at different levels of governance of the Institution, including the Board of Directors (CA) and its Advisory Committees, Board of Officers (CD), Strategic Committee, Directorships and the Forums.

The bank's risk and capital management is based on an assessment process capable of identifying the risks that represent opportunities or threats to the achievement of the Bank's strategic objectives, comprising, under a comprehensive view, the identification and management of relevant risks, the definition of risk appetite and tolerance and the assessment of capital sufficiency.

Identification and management of relevant risks

The Bank has a process of risk identification that results in the risk inventory and in the definition of the corporate set of relevant risks. That process is quite important for the risk and capital management, as well as for the business management.

Appetite and risk tolerance definition

The Risk Appetite Statement (RAS) is the strategic document that guides the planning of the business strategy, directing budget and capital towards a sustainable and optimized allocation, according to the Institution's capacity to assume risks and its strategic objectives, in addition to promoting the dissemination of the risk culture. The bank's defines risk appetite as the maximum level of risk that the institution accepts to incur in order to achieve its objectives. To define these levels, management indicators are used, which enable an aggregated view of the exposure to risks. Tolerance, in turn, induces risk management in a more granular way, considering the defined appetite. For the establishment of limits, relevant information is considered, for example, internal premises, possible internal, external and idiosyncratic scenarios, with their probabilities of occurrence, in addition to the strategic objectives of the Institution.

Risk and capital management policies

The policies that are specific for capital and risk management are applied to all the businesses that involve risks and capital in the Bank, aim to lead the development of functions or behaviors, by means of strategic directives that guide the risk and capital management actions.

c) Market risk and interest rate risk in the banking portfolio (IRRBB)

Market risk reflects the possibility of losses caused by changes in interest rates, foreign exchange rates, equity prices and commodity prices.

The interest rate risk in the bank portfolio is conceptualized as the risk, current or prospective, of the impact of adverse movements in interest rates on capital and on the results of the financial institution, for instruments classified in the bank portfolio.

Policies

The policies of market risk, interest rate risk of the banking portfolio, use of derivative financial instruments and the classification and reclassification of transactions in the trading portfolio, approved by the Board of Directors, comprise the strategic documents related to the management of market risk and the Bank's IRRBB.

These documents establish strategies and guidelines to be observed in the Bank's decision-making. They involve market risk assessment, dealing with quantitative aspects, such as metrics used, and also qualitative aspects such as the scope of management, and segregation of duties.

Within the sphere of the market risk management policies and strategies of Banco do Brasil, there is a management model intended to identify, measure, evaluate, monitor, report, control, mitigate and improve the market risk of the Prudential Conglomerate and its respective member institutions, as well as identify and monitor the market risk of other companies controlled by Prudential Conglomerate.

The Bank has policies and strategies in place regarding the use of financial derivative instruments to govern the performance of operations for its clients as well as to govern the management of its own positions, considering the various risk categories and adopting a consolidated view of the different risk factors.

It is importante to note that the trading of derivative financial instruments is dependent upon prior evaluation of the nature and the dimension of the risks involved.

Measurement systems and methodologies for risk assessment

The Bank uses statistical and simulation methods to measure the market risks of its exposures. Among the metrics resulting from the application of these methods, the following stand out: sensitivity, value at risk (VaR) and stress.

Using the sensitivity metrics, the effects on the exposure value resulting from variations in the level of market risk factors are simulated.

The performance of the VaR metric is evaluated periodically through the application of adherence tests (backtests).

The interest rate risk in the banking book (IRRBB) comprises all transactions not classified in the trading book. The scope of coverage of the IRRBB is mainly comprised of credit operations, retail funding and bonds and securities and its main characteristic is the intention to maintain the respective operations until maturity, except for some securities that, even composing the bank portfolio, they can present trading opportunities.

The IRRBB management shares the curve-building and mark-to-market methodologies used in the management of market risk.

The main components of the IRRBB management are the active positions in fixed-rate instruments, which, added to the set of other exposures, form the amount subject to interest rate risk (former RBAN portion).

An important aspect in the management of the IRRBB is the incorporation of the risk of optionalities in the calculation of risk metrics. The options present in an instrument can be classified as explicit or embedded and are subdivided into:

a) automatic options: over-the-counter, over-the-counter or explicit on products, allow BB to change the rate offered for products; and
b) behavioral options: allow the customer the right to make early redemptions and prepayments.

The Bank uses statistical and simulation methods to measure the market risks of its exposures. Among the metrics resulting from the application of these methods, the following stand out:

(i) Sensitivity analysis;
(ii) Value at Risk (VaR); and
(iii) Stress test.

In thousand of Reais, unless otherwise stated

(i) Sensitivity analysis

Analysis method and objective

The Bank conducts a quarterly sensitivity analysis of exposure to the interest rate risk of its owned positions, using as a method the application of parallel shocks on the market yield curves relating to the most relevant risk factors. The method is intended to simulate the impacts on the Bank's income vis-à-vis potential scenarios, which consider possible fluctuations in the market interest rates.

Method assumptions and limitations

The application of parallel shocks on the market yield curves assumes that uptrends or downtrends in the interest rates occur in an identical way, both for short terms and for longer terms. As market movements do not usually present such behavior, this method can present deviations from actual results

Scope, method application scenarios and implications for income

The sensitivity analysis process is carried out considering the following scope:

- operations classified in the trading portfolio, basically composed of trading government bonds and derivative financial instruments, have positive or negative effects as a result from the possible movements of interest rates in the market. These changes generate a direct impact on the Bank's results or shareholders' equity; and
- operations classified in the banking portfolio, mainly composed of operations contracted with the intention of being held until their maturities – loans to customers, funding in the retail market and held to maturity securities - and which are accounted for at rates based on the contractual rates. The positive or negative effects resulting from changes in the interest rates in the market do not directly affect the Bank's income.

Two potential scenarios are considered for the performance of the sensitivity analysis, in which the benchmark annual SELIC rate would suffer parallel shocks, an increase or a decrease of 100 basis points (+/- 1 percentage point).

Results of the sensitivity analysis

Results obtained for the sensitivity analysis of the trading portfolio and for the set of operations included in the trading and banking portfolios are presented in the following tables charts:

Sensitivity analysis for trading portfolio

Risk factors	Exposures	Dec 31, 2020		Dec 31, 2019	
		+100 bps	**-100 bps**	**+100 bps**	**-100 bps**
Pre fixed rate	Fixed interest rates	(12,236)	12,535	(28,438)	30,236
Interest rate coupons	Interest rate coupons	(13)	13	-	-
Price index coupons	Inflation indices	(5,836)	6,252	(1,640)	1,714
Foreign currency coupons	Foreign currency coupons	(2,995)	(8,618)	(20,265)	21,823
Total		**(21,080)**	**10,182**	**(50,343)**	**53,773**

Sensitivity analysis for the set of operations recorded in the trading and non-trading portfolios

Risk factors	Exposures	Dec 31, 2020		Dec 31, 2019	
		+100 bps	**-100 bps**	**+100 bps**	**-100 bps**
Pre fixed rate	Fixed interest rates	(8,106,722)	8,461,191	(7,950,998)	8,288,710
Interest rate coupons	Interest rate coupons	5,019,081	(5,261,041)	4,337,537	(4,529,140)
Price index coupons	Inflation indices	(249,939)	259,248	(220,324)	227,395
Foreign currency coupons	Foreign currency coupons	(1,796,993)	2,511,999	(881,171)	1,141,056
Total		**(5,134,573)**	**5,971,397**	**(4,714,956)**	**5,128,021**

(ii) Value-at-Risk

Methodology

To measure VaR, The Bank's uses the historical simulation method and the following parameters:

a) Total VaR: (VaR + Stressed VaR) x Multiplier, where:

i. VaR: the expected potential loss using a historical series of shocks with 252 business days, a 99% confidence level and a 10-day holding period (according with Central Bank of Brazil instruction 3,646, dated March 4, 2013);

ii. Stressed VaR (SVaR): the potential loss expected using the historical series of daily shocks contained in 12 months of portfolio stress, as of 01.02.2004, 99% confidence level and 10-day holding period (according with Central Bank of Brazil instruction 3,646/ 2013); and

iii. Multiplier: M = 3, as provided by Central Bank of Brazil instruction 3,646/ 2013.

The historical simulation method assumes that historical events have a direct correlation with possible future events and this method uses generalized historical events as possible future events (retrospective scenarios), hence each retrospective scenario corresponds to a possible "market state" under the simulation time horizon. One of the major advantages of using the VaR by historical simulation method is that the modeling risk is mitigated, since the use of the empirical distribution of returns renders the assumption of the hypothesis of normality unnecessary for the time series of returns, commonly assumed by other methods such as the parametric method.

The risk factors employed to measure Value-at-Risk for exposures subject to market risks are categorized in the following classes: (i) interest rates: risk of changes in the coupon interest rates in the market, Example: fixed, dollar, IPCA (Amplified Consumer Price Index), TR (Referential Rate)); (ii) exchange rates: risk of changes in the exchange rates in the market, (Example: Reais versus Dollar, Reais versus Euro, Reais versus Yen); (iii) stock prices: risk of changes in quoted stock prices, Example: PETR4 (Petrobras-PN), VALE5 (Vale-PNA); and (iv) prices of commodities: risk of changes in the prices of commodities in the market, (Example: cattle, soya, corn).

Process of backtesting

The objective of backtesting, which is executed monthly, is to assess the accuracy of the market risk model (Value-atRisk). This assessment is separate from the Value-at-Risk metric development and use procedures.

The Bank's methodology consists of verifying whether the number of extrapolations (number of times the negative returns exceeded the losses estimated by Value-at-Risk) is compatible with that provided for by the model (from the statistical viewpoint), and whether they occurred independently over time.

As a comparison between models, there is an evaluation of the magnitude of extreme values, in addition to the arrangement of the Value-at-Risk models.

The backtesting is performed on monthly basis by comparing the negative changes occurred in the positions (losses) with the estimates of Value at Risk (VaR).

Backtesting models use statistical methods of evaluation based on hypothesis testing (Kupiec, Christoffersen and Basel), with 99% significance level.

All of the models consist in verifying whether extrapolations events (the number of times that negative returns exceed the losses estimated by VaR model) are consistent with the model provided by backtesting, which foresee acceptable ranges that depend on series length.

In Kupiec and Christoffersen tests, there is a lower limit and an upper limit of the range, rejecting when they are out of range and not rejected within range. The test also checks whether Christoffersen extrapolations independently occurred over time, a situation that is not rejected.

For the Basel test (Traffic Lights), there is a green band, below a defined number of extrapolations when the model is accurate; a yellow band between two threshold values that puts the model under observation and a red band above a defined number of extrapolations, where the model is not accurate.

In thousand of Reais, unless otherwise stated

For the period of 2019, no extrapolations were observed in relation to VaR. For the period of 2020, extrapolations occurred on March 12, 183.94%, on March 19, 175.76%, on June 2, 117.99% and on October 5, 126.45 %.

Date	% in comparison with VaR
03/12/2020	183.94%
03/19/2020	175.76%
06/02/2020	117.99%
10/05/2020	126.45%

The VaR model proved consistent, since the tests indicated that adverse outcomes (amount of extrapolations) fell within the limits established by the statistical tests and the level of confidence (99%).

There were no positions or financial instruments not considered in the VaR calculation for the reported periods.

(iii) Stress test

The Bank uses stress metrics resulting from simulations of its exposures to market risk under extreme conditions, such as financial crises and economic shocks. These tests aim to simulate the size of the impacts on regulatory, economic, MtM and Net Equity requirements of plausible events, unlikely to occur.

The Bank uses the stress testing program has the following objectives:

(i) be integrated with the institution's risk management structure;
(ii) to associate potential losses with plausible events;
(iii) be considered in the development of the risk mitigation strategies and contingency plans of the Institution;
(iv) performed individually by risk factor and jointly; and
(v) consider the concentration in certain risk factors the non-linear instruments and the breakdown of the assumptions of the VaR model.

For capital requirement, the market risk stress testing program makes use of:

(i) retrospective tests - trading portfolio, for the RWAjurs (1, 2, 3 and 4) and RWAacs, as well as for foreign exchange risk and commodities risk in the Prudential Conglomerate's trading and banking portfolio;
(ii) prospective tests - carried out having as scope the Securities, Categories 1 and 2 and Derivatives, within the scope of the Integrated Stress Test; and
(iii) sensitivity analysis tests – same scope of the retrospective tests.

Retrospective tests – trading portfolio

The retrospective stress test method estimates the percentage of the market value of exposures by applying shocks compatible with specific scenarios capable of reproducing historical periods of market stress or higher losses of the Institution, considering the following parameters:

(i) metrics: minimum (worst loss) and maximum (highest gain) of the historical series of daily returns of the trading portfolio;
(ii) extension of the historical series: de April 1, 2000 until the base date;
(iii) holding period: one month (21 working days); and
(iv) test periodicity: monthly.

The control, monitoring and daily monitoring of stress limits for the Banco do Brasil's trading portfolio and for its groups and books are performed based on the retrospective stress test metrics.

The results of the retrospective stress tests aim to evaluate the capacity to absorb large losses and to identify possible measures to reduce the risks of the Bank. They follow the results of the retrospective stress tests of the trading book in accordance with the Banco do Brasil market risk stress test program.

In thousand of Reais, unless otherwise stated

Retrospective stress test loss estimates

Risk factors	Dec 31, 2020	
	Net exposure	Stress
Pre fixed rate	1,425,208	(4,483,981)
Foreign currency	5,055,955	(1,273,005)
Commodities	82,541	(132,060)
Total	**6,563,704**	

Risk factors	Dec 31, 2019	
	Net exposure	Stress
Pre fixed rate	1,531,068	(1,246,858)
Foreign currency	3,144,832	(1,254,090)
Commodities	233,816	(39,248)
Total	**4,909,716**	

Retrospective stress test gains estimates

Risk factors	Dec 31, 2020	
	Net exposure	Stress
Pre fixed rate	1,425,208	6,593,175
Foreign currency	5,055,955	1,251,593
Commodities	82,541	660,541
Total	**6,563,704**	

Risk factors	Dec 31, 2019	
	Net exposure	Stress
Pre fixed rate	1,531,068	1,838,237
Foreign currency	3,144,832	1,245,034
Commodities	233,816	44,017
Total	**4,909,716**	

In thousand of Reais, unless otherwise stated

The assumptions made for the retrospective tests were:

For the worst loss, basis December 31, 2020, the most significant figures resulted from the historical shocks as follows:

(i) the worst loss observed in the exposure to the Euro (EUR) given by the currency quote on 11/09/2020;
(ii) the worst loss observed in the exposure to the US Dollar (USD) currency given by the currency quote on 8/1/2002;
(iii) worse corporate loss in the fixed rate exposure given by the use of the fixed rate interest rate term (ETTJ) of 11.05.2002; and
(iv) the worst loss observed in the exposure to the Inflation Index (IPCA) coupom given by the term structure (ETTJ) of 07/02/2020.

For the largest gain, basis December 31, 2020, the most relevant values resulted from historical shocks as follows:

(i) greater gain observed in the exposure to the EURO currency (EUR) given by the currency quote on 05/18/2017;
(ii) greater gain observed in the exposure to the American Dollar (USD) currency given by the currency quote on 05/18/2017; and
(iii) greater corporate gain in the fixed rate exposure given by the fixed interest rate term structure (ETTJ) of 10.16.2002; and
(iv) greater gain observed in the exposure to the Inflation Index (IPCA) coupom given by the term structure (ETTJ) of 7/01/2020.

For the worst loss, basis December 31, 2019, the most relevant figures resulted from historical shocks as follows:

(i) the worst loss observed in the exposure to the Argentine Peso currency (ARS) given by the currency quote on 10/06/2008;
(ii) the worst loss observed in the exposure to the Euro (EUR) currency given by the currency quote on 08/01/2002;
(iii) the worst loss observed in the exposure to the US Dollar (USD) currency given by the currency quote on 8/1/2002;
(iv) worse corporate loss in the fixed rate exposure given by the use of the fixed rate interest rate term (ETTJ) of 11.05.2002; and
(v) the worst loss observed in the exposure to the US Dollar (USD) coupon given by the dollar coupon term structure (ETTJ) of 08/09/2002.

For the largest gain, basis December 31, 2019, the most relevant values resulted from historical shocks as follows:

(i) greater gain observed in the exposure to the Argentine Peso (ARS) currency given by the currency quote on 10.28.2008;
(ii) greater gain observed in the exposure to the EURO currency (EUR) given by the currency quote on 05/18/2017;
(iii) greater gain observed in the exposure to the American Dollar (USD) currency given by the currency quote on 05/18/2017; and
(iv) greater corporate gain in the fixed rate exposure given by the fixed interest rate term structure (ETTJ) of 12.05.2000; and
(v) greater gain observed in the exposure to the US Dollar (USD) coupon given by the dollar coupon term structure (ETTJ) of 7/29/2002.

The column "net exposure" is the net result of the present and present exposures in present value, considered in the calculation of the requirement of market risk capital, presented in the tables below by risk factor:

In thousand of Reais, unless otherwise stated

Detail of the net exposures for the retrospective stress test:

Risk factors	Net exposure	
	Dec 31, 2020	Dec 31, 2019
Foreign currency	**5,055,956**	**3,144,832**
Swiss Franc	20,673	1,180
Canadian Dollar	10,683	46
Euro	1,586,722	633,359
Pound Sterling	5,303	(65,215)
Yen	(619,735)	(303,026)
USA Dollar	1,646,292	1,072,056
Other currencies	2,406,018	1,806,432
Commodities	**82,541**	**233,816**
Commodities	82,541	233,816
Interest Rates	**1,425,207**	**1,531,068**
Pre fixed rate	813,810	924,105
Price index coupom	103,718	41,419
Foreign currency coupom	507,679	565,544
Total	**6,563,704**	**4,909,716**

Among the instruments that make up the net exposure amounts above, are securities issued by the Brazilian government, securities issued by private companies and derivative financial instruments. The stress tests are applied to all instruments of the trading portfolio, as required by the Central Bank of Brazil. Therefore, all the market risk sensitive instruments included in our trading portfolio are within the scope of the market risk stress test.

The worst losses and the highest gains calculated by retrospective methodology refer to losses and gains calculated by historical simulations. In this type of methodology, we obtain the results for each risk factor (short or long positions) according to the historical changes positive or negative in the corporate curves used for stress tests.

Consequently, in the worst case scenario, we calculated the worst losses obtained with the historical simulation for each risk factor, regardless of their short or long net exposure, and similarly for the largest gains. There is the impact of a 21-day holding period on the results in the stress scenario, which represents the multiplication of daily gain or loss per square root of 21, as defined by our senior management. The tables below show the gains and losses by risk factor, computed by historical simulation with data from January 1, 2000 and observing the holding period of 21 days.

In thousand of Reais, unless otherwise stated

Detail of the losses and gains for the retrospective stress test:

Risk factors	Dec 31, 2020		Dec 31, 2019	
	Loss	Gain	Loss	Gain
Foreign currency	**(1,273,004)**	**1,251,592**	**(1,254,090)**	**1,245,033**
Swiss Franc	(9,114)	12,677	(568)	789
Canadian Dollar	(2,817)	2,564	(15)	14
Euro	(380,960)	348,944	(183,917)	182,006
Pound Sterling	(2,065)	1,844	(23,554)	25,903
Yen	(180,396)	193,747	(103,064)	102,998
USA Dollar	(404,310)	396,470	(339,446)	332,865
Other currencies	(293,342)	295,346	(603,526)	600,458
Commodities	**(132,060)**	**660,541**	**(39,248)**	**44,017**
Commodity options	(132,060)	660,541	(39,248)	44,017
Interest Rates	**(4,483,981)**	**6,593,175**	**(1,246,858)**	**1,838,237**
Pre fixed rate	(4,109,108)	4,862,982	(931,482)	1,455,624
Price index coupom	(320,485)	1,655,056	(31,250)	38,094
Foreign currency coupom	(54,388)	75,137	(284,126)	344,519
Total	**(5,889,045)**	**8,505,308**	**(2,540,196)**	**3,127,287**

From the analysis of the previous table, we concluded that the calculation of gains and losses under stress conditions, obtained through the historical simulation of short and long exposures that compose the net exposure, can generate values higher than the real net exposure.

Prospective testing – trading portfolio

The prospective stress test method estimates the percentage change in market value resulting from the application of shocks corresponding to market risk factors linked to Securities (financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income) and Derivatives. These shocks are estimated based on stress scenarios generated by our strategy and organization and finance departments.

Prospective stress testing seeks to simulate adversity based on the characteristics of our portfolio and the macroeconomic environment under severe and plausible conditions. There are two macroeconomic scenarios that consider the following assumptions:

- Scenario 1: " Hard landing" of the chinese economy and brazilian fiscal deterioration; and
- Scenario 2: " Hard landing " of the chinese economy and increases in the interest rate in the US economy.

The results of the prospective stress test are presented in the Icaap report, published on the site: https://ri.bb.com.br.

Foreign exchange and gold exposure

Banco do Brasil adopts policy for managing its foreign exchange risk to reduce its effects on the Bank's results.

Net foreign exchange exposure, December 31, 2020, was a liability in the amount of US$ 1,399.9 millions, and for the period as of December 31, 2019, was a liability in the amount of US$ 1,694.7 millions.

In thousand of Reais, unless otherwise stated

Foreign currencies and gold balance

Currency	Balance sheet accounts			
	Dec 31, 2020		Dec 31, 2019	
	Assets	Liabilities	Assets	Liabilities
USA Dollar	198,710,522	226,973,411	162,053,077	191,940,934
Euro	17,139,446	16,845,410	13,854,626	7,617,901
Pound Sterling	165,327	239,971	80,328	507,158
Yen	3,347,847	2,177,404	3,522,789	1,648,942
Swiss Franc	38,236	17,462	17,840	16,261
Canadian Dollar	17,520	12,986	9,916	15,767
Gold	28,124	-	16,174	-
Other currencies	16,113,777	15,613,113	9,528,974	9,707,172
Total	**235,560,799**	**261,879,757**	**189,083,724**	**211,454,135**
Net position – balance sheet accounts		**(26,318,958)**		**(22,370,411)**

Currency	Derivatives			
	Dec 31, 2020		Dec 31, 2019	
	Long position	Short position	Long position	Short position
USA Dollar	59,946,012	38,390,075	44,496,051	21,079,357
Euro	2,694,202	3,152,712	1,559,138	8,195,682
Pound Sterling	42,994	1,326,039	362,095	921,528
Yen	-	2,656,813	4,636	2,659,938
Swiss Franc	-	-	-	396
Canadian Dollar	6,127	-	6,206	309
Other currencies	1,880,048	-	1,968,329	-
Total	**64,569,383**	**45,525,639**	**48,396,455**	**32,857,210**
Net position – derivatives	**19,043,744**		**15,539,245**	

Currency	Dec 31, 2020	Dec 31, 2019
	Net position	Net position
USA Dollar	(6,706,952)	(6,471,163)
Euro	(164,474)	(399,819)
Pound Sterling	(1,357,689)	(986,263)
Yen	(1,486,370)	(781,455)
Swiss Franc	20,774	1,183
Canadian Dollar	10,661	46
Gold	28,124	16,174
Other currencies	2,380,712	1,790,131
Net position total	**(7,275,214)**	**(6,831,166)**

Summary	Dec 31, 2020		Dec 31, 2019	
Balance sheet accounts and derivatives	300,130,182	307.405.396	237,480,179	244.311.345
Net position total		**(7,275,214)**		**(6,831,166)**
Net position total – US$ [(1)]		**(1,399,968)**		**(1,694,784)**

(1) US Dollar Exchange rate December 31, 2020 – 1 US$ = R$ 5.1967. US Dollar Exchange rate December 31, 2019 = R$ 4.0307.

In thousand of Reais, unless otherwise stated

d) Liquidity risk

Liquidity risk is the risk that the Bank will not be capable of fulfilling its financial commitments as they mature, without incurring at significant losses. For risk management purposes, liquidity is measured in monetary values according to the composition of assets and liabilities established by the liquidity manager.

This risk takes two forms: market liquidity risk and cash flow liquidity risk. The first is the possibility of loss resulting from the incapacity to perform a transaction in a reasonable period of time and without significant loss of value. The second is associated with the possibility of a shortage of funds to honor commitments assumed on account of the mismatching between payments and receipts.

Liquidity risk management

Liquidity risk management segregates liquidity in national currency from liquidity in foreign currencies. The managerial views for liquidity risk management contribute to the adequate management of risk in the jurisdictions where the Bank operates and in the currencies for which there is exposure. For this, the following instruments are used:

a) Liquidity projections: liquidity projections in a base and stress scenario allow for a prospective assessment, within a 90-day time horizon, of the mismatch between funding and investments, in order to identify situations that could compromise the Institution's liquidity . Additionally, it is worth mentioning that the projection of liquidity in the base scenario is used as an indicator in the Bank's Recovery Plan;

b) Stress test: the stress test is performed monthly from the liquidity projection, in a base and stress scenario, against the Liquidity Reserve, assessing whether the potential volume of liquidity contingency measures (MCL) meets the needs liquidity, when the projection in any scenario is below the liquidity reserve;

c) Indicator of Maximum Intraday Liquidity Requirement – EMLI (only for liquidity in national currency): EMLI is the biggest difference, occurring during a business day, between the value of payments and receipts at any time of the day; and

d) Risk limits: used to guarantee the maintenance of the level of exposure to liquidity risk at the levels desired by the Bank. The indicators used in the liquidity risk management process are:

- Short-term Liquidity Indicator (LCR);
- Medium and Long Term Liquidity Indicator (NSFR);
- Liquidity reserve;
- Liquidity mattress;
- Free Resource Availability Indicator (DRL); and
- Funding concentration indicator.

Banco do Brasil has a Liquidity Contingency Plan (PCL), which consists of a set of procedures, strategies and responsibilities to identify, manage and report Banco do Brasil's liquidity stress status, in order to ensure the maintenance of cash flow and restore the liquidity level to the desired level.

The liquidity stress states are used as a parameter for triggering the PCL and can occur when the observed liquidity falls below the liquidity reserve or when the LCR indicator falls below the limit established by the current RAS (Risk Appettite Statement).

The strategy to face the state of liquidity stress consists of activating the Liquidity Contingency Measures (MCL), aiming at re-establishing the liquidity reserve or the limit of the LCR indicator.

The instruments used in the management of liquidity risk are periodically reported to the Executive Committee for Risk Management, Internal Controls, Assets, Liabilities, Liquidity and Capital (CEGRC) and to the Bank's Management Committee.

In thousand of Reais, unless otherwise stated

Liquidity risk analysis

The liquidity risk limits are used to monitor the liquidity risk exposure level of the institution. The control of these limits, that act in a complementary manner in the management of the short, medium and long-term liquidity risk of the institution, ensured a favorable liquidity situation throughout the period, avoiding the activation of the liquidity contingency plan or the implementation of emergency actions in the budget planning to address the structural liquidity adequacy concerns.

Funding management

The funding composition and a wide and diversified customer base constitute an important element of the liquidity risk management of Banco do Brasil. The main funding is represented by client deposits which are composed of demand deposits, savings deposits and voluntary time deposits characterized by being products without defined maturity, with due dates defined by internal models adopted for market and liquidity risks management purposes.

Other representative funding sources are: judicial deposits, which are also characterized by high stability and undefined maturity; the external market funding designed to finance exports and imports; and other retail funding represented by other demand funds, such as collection, payment order, payments and receptions on behalf of third parties. The Agribusiness Letters of Credit and Mortgage Bonds issued, which has daily liquidity for the investor after a grace period of 90 days, is also a significant component of other retail funding.

Funding under repurchase agreements that are backed by securities and funding operations within the Bank's treasury are held for the short-term management of operational liquidity and for implementation of strategies on capital market funding in the medium and long term.

In order to present the funding maturity profile according to the criteria of IFRS 7, retail funding and deposits with no defined maturity (SMD) – demand deposits, savings deposits, time deposits with daily liquidity and judicial deposits – will have their maturities allocated in the column "Up to 1 month". The remaining fundings are presented by future flow on their respective maturity bands.

Funding Breakdown

Liabilities	Dec 31, 2020						
	Up to 1 month	1 to 6 months	6 to 12 months	1 to 5 years	> 5 years	Total gross	Part %
Term deposits	620,653	11,746,852	11,286,214	46,373,559	-	70,027,278	4.6%
Cash inflow	4,226,166	4,743,857	3,008,549	1,143,066	8,180,875	21,302,513	1.4%
Judicial deposits	164,224,096	-	-	-	-	164,224,096	10.9%
Foreign market funding	1,541,829	15,118,741	4,784,103	53,881,284	96,678,905	172,004,862	11.4%
Other retail funding	13,909,539	28,986	-	-	-	13,938,525	0.9%
Clients deposits without defined maturiry	365,773,946	-	-	-	-	365,773,946	24.2%
Other retail funding without defined maturity	86,648,314	-	-	-	-	86,648,314	5.7%
Funds and onlendings	6,393,847	9,166,713	7,921,601	39,885,464	46,987,940	110,355,565	7.3%
Repurchase agreement	471,793,953	21,236,481	8,399,041	6,029,906	-	507,459,381	33.6%
Total gross	**1,115,132,343**	**62,041,630**	**35,399,508**	**147,313,279**	**151,847,720**	**1,511,734,480**	**100.0%**

In thousand of Reais, unless otherwise stated

Liabilities	Dec 31, 2019						
	Up to 1 month	1 to 6 months	6 to 12 months	1 to 5 years	> 5 years	Total gross	Part %
Term deposits	1,433,447	6,107,254	6,748,290	27,952,161	-	42,241,152	3.3%
Cash inflow	7,942,337	1,575,893	986,472	9,456,336	8,333,712	28,294,750	2.3%
Judicial deposits	153,780,702	-	-	-	-	153,780,702	12.1%
Foreign market funding	4,047,031	15,273,985	15,042,312	46,804,261	68,360,847	149,528,436	11.9%
Other retail funding	13,165,173	13,129	-	-	-	13,178,302	1.0%
Clients deposits without defined maturiry	275,886,379	-	-	-	-	275,886,379	21.8%
Other reatail funding without defined maturity	92,874,745	-	-	-	-	92,874,745	7.3%
Funds and onlendings	6,421,451	9,086,426	7,692,719	48,823,652	47,260,404	119,284,652	9.4%
Repurchase agreement	253,455,494	120,735,655	2,539,488	13,962,828	-	390,693,465	30.9%
Total gross	**809,006,759**	**152,792,342**	**33,009,281**	**146,999,238**	**123,954,963**	**1,265,762,583**	**100.0%**

Financial guarantee contracts

Financial guarantee contracts are credit conditional commitments issued by the Bank to guarantee performance of individual and corporate clients and other financial institutions to third parties.

The contingent nature of these liabilities is considered for the Bank's liquidity risk management in the definition of scenarios used in the liquidity stress test, carried out on a monthly basis.

The following tables presents a summary of the commitment value of the financial guarantee contracts realized by the Bank as December 31, 2020 and December 31, 2019:

Liabilities	Dec 31, 2020				
	1 to 6 months	6 to 12 months	1 to 5 years	Above 5 years	Total
Bank guarantee	4,869,709	1,200,507	3,697,145	243,351	10,010,712
Credit assignments and co-obligations	-	-	1,876	-	1,876
Others co-obligations	891,562	-	-	-	891,562
Total	**5,761,271**	**1,200,507**	**3,699,021**	**243,351**	**10,904,150**

Liabilities	Dec 31, 2019				
	1 to 6 months	6 to 12 months	1 to 5 years	Above 5 years	Total
Bank guarantee	3,514,416	1,703,231	3,035,261	208,099	8,461,007
Credit assignments and co-obligations	-	-	-	2,367	2,367
Others co-obligations	454,731	-	-	-	454,731
Total	**3,969,147**	**1,703,231**	**3,035,261**	**210,466**	**8,918,105**

Loan commitments

Banco do Brasil offers lines of credit that impact the measurement of liquidity risk, overdraft and credit card limits.

In these lines, the Bank maintains an approved credit limit for current account customers and can be used whenever necessary.

The following tables represent the distribution of the contractual maturities of the Bank's loan commitments, position of December 31, 2020 and December 31, 2019:

In thousand of Reais, unless otherwise stated

Liabilities		Dec 31, 2020			
		1 to 6 months	6 to 12 months	Above 1 year	Total
	Withdraw	11,210,922	10,418,679	-	21,629,601
Overdraft	Available	844,081	716,191	-	1,560,272
	Withdraw	34,347,429	12,670,047	-	47,017,476
Credit card	Available	17,151,652	17,514,904	-	34,666,556
Total		**63,554,084**	**41,319,821**	**-**	**104,873,905**

Liabilities		Dec 31, 2019			
		1 to 6 months	6 to 12 months	Above 1 year	Total
	Withdraw	10,925,047	9,999,539	-	20,924,586
Overdraft	Available	1,046,044	886,120	-	1,932,164
	Withdraw	30,370,661	11,217,653	-	41,588,314
Credit card	Available	17,527,164	15,984,787	-	33,511,951
Total		**59,868,916**	**38,088,099**	**-**	**97,957,015**

Derivative financial instruments

Banco do Brasil is a counterparty to financial derivative operations to hedge its own positions to meet the needs of our customers and to take proprietary positions. The hedging strategy is in line with the market and liquidity risk policy and with the derivative financial instruments use policy approved by the Board of Directors.

The Bank has a range of tools and systems for the management of the derivative financial instruments and uses statistical and simulation methodologies to measure the risks of its positions, by means of Value-at-Risk, sensitivity analysis and stress test models.

Operations with financial derivatives, with special emphasis on those subject to margin calls and daily adjustments, are considered in the measurement of the liquidity risk limits adopted by the Bank and in the composition of the scenarios used in the liquidity stress tests, conducted monthly.

e) Credit risk

Credit risk is the risk of loss due to non-performance by a borrower under the contractual terms of a loan, devaluation of a loan due to deterioration in the borrower's risk rating, reduced expectations of earnings or interest under a loan contract, concession of benefits as part of a renegotiation or the incurrence of additional costs to recover a loan.

The credit risk management includes counterparty credit risk (RCC), coutry risk, sovereign risk, transfer risk, credit concentration risk and the effectiveness of mitigation or transfer instruments used exposures that generate the designated risks.

The Bank's credit risk management process is based on best practices and complies with the requirements of BACEN. The process is designed to identify, measure, evaluate, monitor, report, control and mitigate exposures to credit risk. This contributes to the ongoing financial strength and solvency of the Bank and the protection of shareholders' interests.

In accordance to Bacen Resolution n.º 54/2020, the bank discloses the risk management information aligned with the guidelines of Pillar 3 of Basel II. The report can be viewed at www.bb.com.br/ri.

Credit policy

Banco do Brasil´s specific credit policy contains strategic guidelines to direct credit-risk management actions in the conglomerate. It is approved by the Boad of Directors and reviewed every year. It applies to all business that involve credit risk and is available to all employees. It is expected that the Subsidiries, Affiliates and Investment companies define their paths from these guidelines, taking into account the specific needs and legal and regulatory issues to wich they are subject.

The specific credit policy guides the continuous, integrated and prospective management of credit risk, comprising all stagesos the credit process, the management of the assets subject to this risk as well as the process of credit collections and recovery, including those incurred at the risk and expanse of third parties.

Credit risk mitigation mechanisms

The Bank's credit policy addresses the use of risk mitigating instruments, which forms part of the strategic decision-making process. These polices are communicated throughout the Bank and cover every phase of the credit risk management process.

In conducting any business subject to credit risk, the bank's general rule is to tie it to a mechanism that provides partial or complete hedging of risk incurred. In managing credit risk on the aggregate level, to keep exposure within the risk levels established by the senior management, the Bank has the prerogative to transfe or to share credit risk.

Credit rules provide clear, comprehensive guidelines for the operational units. Among other aspects, the rules address ratings, requirements, choices, assessments, formalization, control and reinforcement of guarantees, ensuring the adequacy and sufficiency of the the mitigator throughout the transaction cycle.

Measurement

Due to the nature and volume of the transactions, the diversity and complexity of its products and services and the significant amounts involved, the Bank's credit risk measurement process is performed systematically. The architecture of databases and corporate systems allows the Bank to perform comprehensive measurements of credit risk, evatuating prospectively the behavior of the portfolio subjecte to credit risk considered inm several scenarios, corporately defined, including stress.

At the Bank, estimates of Expected Loss (EL) associated with credit risk consider the macroeconomic environment, the likelihood that the exposure will be characterized as a problematic asset and the recovery of credit, including concessions, execution costs and terms. Banco do Brasil periodically reviews the composition of the financial assets portfolio in order to assess whether expected impairment losses should be recognized. The portfolio evaluation process involves several estimates and judgments, observing factors that show a change in the risk profile of the client, the credit instrument and the quality of the guarantees that result in a reduction in the estimate of the receipt of future cash flows.

The model adopted for the calculation of the impairment of financial assets is based on the concept of expected credit loss, thus, all operations have an expected loss since their origin and are monitored as the credit risk situation changes.

Credit deterioration

The expected loss models aim to identify the losses that will occur in the next 12 months or that will occur during the life of the operation on a forward-looking basis. Financial instruments are evaluated in 3 stages and are subject to quantitative and qualitative analysis.

The stage in which each asset is classified is systematically reviewed and considers the Bank's risk monitoring processes in order to capture changes in the characteristics of the instruments and their guarantees that impact the financial capacity of the client.

The migration of financial assets between stages is sensitized after analyzes that result in aggravation or mitigation of credit risk. These estimates are based on assumptions of a number of factors, and for this reason, actual results may vary, generating future constitutions or reversals of allowances.

In thousand of Reais, unless otherwise stated

Other information on the calculation methodology and assumptions used by the Bank for the evaluation of impairment losses on loans to customers, as well as the quantitative amounts recorded as expected loss for doubtful accounts, can be obtained in Notes 3.j, 18, 19, 21, 22, 23, 24 and 39.

Economic scenarios

For accounting purposes, the expected loss models aim to identify credit losses, over a given time horizon, that influence the assets value, on a foward-looking basis. In order to calculate the expected loss provisions for financial instruments, the Bank associates systemic risk variables (macroeconomic variables). These variables relation makes the expected loss estimation more dynamic, especially when considering current macroeconomic conditions.

Maximum credit risk exposure

The following table shows the maximum exposure on December 31, 2020 and December 31, 2019:

	Dec 31, 2020	Dec 31, 2019
Financial assets at amortized cost, net	**1,219,130,246**	**1,077,415,301**
Loans to financial institutions	49,317,455	37,559,262
Securities purchased under resale agreements	466,344,581	390,772,405
Loans to customers	633,402,350	579,516,786
Securities	24,946,064	25,422,830
Other financial assets	45,119,796	44,144,018
Financial assets at fair value through profit or loss	**15,670,822**	**3,805,548**
Debt and equity instruments	12,143,486	2,984,613
Derivatives	3,527,336	820,935
Financial assets at fair value through other comprehensive income	**256,553,310**	**172,278,448**
Off-balance sheet Items	**138,378,822**	**130,548,350**

The Bank's other exposures are described below:

Loans to financial institutions

Loans to financial institutions refer to interbank deposits and to loan portfolios acquired with recourse to the assigning institution.

These loans follow the Bank's risk analysis, being classified by internal rating and these exposures exhibit low credit risk.

Repurchase agreements

Repurchase agreements are mainly with the Brazilian Central Bank and other financial institutions. Securities used to back these transactions are normally federal government bonds. These transactions do not present non-performing credits.

Securities

Securities valued at amortized cost are those in which their contractual cash flows have a characteristic of payment of principal and interest only and management maintains it in a business model whose purpose is to obtain the contractual cash flows.

Securities measured in this category are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate. Financial charges are recorded on an accrual basis and added to the principal amount in each period. The asset value is reduced by principal repayments, as well as impairment losses (expected losses).

In thousand of Reais, unless otherwise stated

Financial assets at fair value through profit or loss

An asset will be measured in this category when its contractual cash flows do not have the characteristic of only payment of principal and interest or when Management maintains it in a business model whose objective is to sell it.

Financial instruments in this category are initially measured at fair value, and their income (interest and dividends) is recognized as interest income. Gains and losses realized and not realized as a result of the fair value variations of these instruments are recognized in the income statement.

Financial assets at fair value through other comprehensive income

Financial assets classified at fair value through other comprehensive income are managed within the business model whose purpose is to generate returns both for recognition of contractual cash flows and for trading with substantial transfer of risks and benefits.

Off-balance sheet items

The same risk classification criteria used for regular loans is also used for off-balance sheet items. These arrangements impact clients' credit limits and generally refer to pre-approved credit, credit pending disbursement and guarantees.

Pre-approved credit includes credit cards and overdraft limits. Credit pending disbursement represents future cash outflows under existing loan commitments (following a release of funds schedule), including project finance and real estate loans. These clients present low credit risk.

Guarantees provided represent various types of guarantees offered to low risk clients. Payment is only required under these agreements if the client defaults on its obligation to a third-party creditor. When payment is required, the exposure is transformed into a loan.

In thousand of Reais, unless otherwise stated

Loans to customers

The following table represents the maximum exposure of financial assets segregated by portfolio type and by credit risk classification.

	Dec 31, 2020															
	Stage 1				Stage 2				Stage 3				Consolidated total of 3 stages			
	Loans	Loans to concede	Financial guarantees	Total	Loans	Loans to concede	Financial guarantees	Total	Loans	Loans to concede	Financial guarantees	Total	Loans	Loans to concede	Financial guarantees	Total
Individuals	**320,998,602**	**57,877,749**	**668,116**	**379,544,467**	**54,606,882**	**2,547,204**	**15,000**	**57,169,086**	**22,041,263**	**119,352**	**95,117**	**22,255,732**	**397,646,747**	**60,544,305**	**778,233**	**458,969,285**
Retail Individuals	167,617,947	52,119,214	505,819	220,242,980	45,152,202	2,484,700	566	47,637,468	15,440,396	102,119	86,756	15,629,271	228,210,545	54,706,033	593,141	283,509,719
Retail rural producer	153,380,655	5,758,535	162,297	159,301,487	9,454,680	62,504	14,434	9,531,618	6,600,867	17,233	8,361	6,626,461	169,436,202	5,838,272	185,092	175,459,566
Legal entities	**215,513,249**	**63,174,657**	**7,196,905**	**285,884,811**	**38,743,472**	**3,383,407**	**927,137**	**43,054,016**	**23,552,152**	**746,659**	**666,917**	**24,965,728**	**277,808,873**	**67,304,723**	**8,790,959**	**353,904,555**
Wholesale	177,081,556	44,980,203	7,167,022	229,228,781	31,241,104	1,496,003	924,362	33,661,469	19,906,799	294,191	245,015	20,446,005	228,229,459	46,770,397	8,336,399	283,336,255
Retail MPE	38,424,221	18,193,868	29,883	56,647,972	7,498,723	1,887,351	2,775	9,388,849	3,627,527	452,446	421,902	4,501,875	49,550,471	20,533,665	454,560	70,538,696
Retail rural producer	7,472	586	-	8,058	3,645	53	-	3,698	17,826	22	-	17,848	28,943	661	-	29,604
Total	**536,511,851**	**121,052,406**	**7,865,021**	**665,429,278**	**93,350,354**	**5,930,611**	**942,137**	**100,223,102**	**45,593,415**	**866,011**	**762,034**	**47,221,460**	**675,455,620**	**127,849,028**	**9,569,192**	**812,873,840**
%	80.63%	18.19%	1.18%	100.00%	93.14%	5.92%	0.94%	100.00%	96.55%	1.83%	1.62%	100.00%	83.09%	15.73%	1.18%	100.00%

	Dec 31, 2019															
	Stage 1				Stage 2				Stage 3				Consolidated total of 3 stages			
	Loans	Loans to concede	Financial guarantees	Total	Loans	Loans to concede	Financial guarantees	Total	Loans	Loans to concede	Financial guarantees	Total	Loans	Loans to concede	Financial guarantees	Total
Individuals	**331,268,585**	**55,483,518**	**578,151**	**387,330,254**	**21,460,394**	**31,263**	**-**	**21,491,657**	**15,605,965**	**38,647**	**45,144**	**15,689,756**	**368,334,944**	**55,553,428**	**623,295**	**424,511,667**
Retail Individuals	191,294,147	50,556,093	362,336	242,212,576	14,598,260	11,222	-	14,609,482	10,363,224	30,645	39,602	10,433,471	216,255,631	50,597,960	401,938	267,255,529
Retail rural producer	139,974,438	4,927,425	215,815	145,117,678	6,862,134	20,041	-	6,882,175	5,242,741	8,002	5,542	5,256,285	152,079,313	4,955,468	221,357	157,256,138
Legal entities	**220,644,593**	**65,565,727**	**6,578,923**	**292,789,243**	**9,546,941**	**72,594**	**261,162**	**9,880,697**	**17,618,152**	**711,931**	**530,281**	**18,860,364**	**247,809,686**	**66,350,252**	**7,370,366**	**321,530,304**
Wholesale	191,038,978	46,767,125	6,547,814	244,353,917	6,426,488	19,501	261,162	6,707,151	14,215,026	212,858	203,022	14,630,906	211,680,492	46,999,484	7,011,998	265,691,974
Retail MPE	29,597,090	18,797,934	31,109	48,426,133	3,114,758	53,092	-	3,167,850	3,390,658	499,073	327,259	4,216,990	36,102,506	19,350,099	358,368	55,810,973
Retail rural producer	8,525	668	-	9,193	5,695	1	-	5,696	12,468	-	-	12,468	26,688	669	-	27,357
Total	**551,913,178**	**121,049,245**	**7,157,074**	**680,119,497**	**31,007,335**	**103,857**	**261,162**	**31,372,354**	**33,224,117**	**750,578**	**575,425**	**34,550,120**	**616,144,630**	**121,903,680**	**7,993,661**	**746,041,971**
%	81.15%	17.80%	1.05%	100.00%	98.84%	0.33%	0.83%	100.00%	96.16%	2.17%	1.67%	100.00%	82.59%	16.34%	1.07%	100.00%

In thousand of Reais, unless otherwise stated

Other financial assets

Financial assets at fair value through other comprehensive income:

December 31, 2020	Stage 1	Stage 2	Stage 3	Total
Debt instruments				
Brazilian federal government bonds	201,850,585	-	-	201,850,585
Securities issued by non-financial companies	25,010,846	193,546	1,650,142	26,854,534
Brazilian government bonds issued abroad	12,403,613	-	-	12,403,613
Federal government bonds	10,596,840	-	-	10,596,840
Investments in mutual funds	3,958,901	-	-	3,958,901
Securities issued by financial companies	888,837	-	-	888,837
Total	**254,709,622**	**193,546**	**1,650,142**	**256,553,310**

December 31, 2019	Stage 1	Stage 2	Stage 3	Total
Debt instruments				
Brazilian federal government bonds	125,953,464	-	-	125,953,464
Securities issued by non-financial companies	23,842,340	170,232	2,664,839	26,677,411
Brazilian government bonds issued abroad	7,579,670	-	-	7,579,670
Federal government bonds	5,906,352	-	-	5,906,352
Investments in mutual funds	5,666,788	-	-	5,666,788
Securities issued by financial companies	402,062	-	92,701	494,763
Total	**169,350,676**	**170,232**	**2,757,540**	**172,278,448**

Securities at amortized cost:

December 31, 2020	Stage 1	Stage 2	Stage 3	Total
Debt instruments				
Securities issued by non-financial companies	11,272,011	947,932	2,562,145	14,782,088
Brazilian federal government bonds	6,573,995	-	-	6,573,995
Brazilian government bonds issued abroad	2,686,004	-	-	2,686,004
Securities issued by financial companies	1,178,417	-	389,939	1,568,356
Foreign government bonds	702,697	-	-	702,697
Subtotal	**22,413,124**	**947,932**	**2,952,084**	**26,313,140**
Expect losses on securities	(239,788)	(210,863)	(916,425)	(1,367,076)
Total	**22,173,336**	**737,069**	**2,035,659**	**24,946,064**

December 31, 2019	Stage 1	Stage 2	Stage 3	Total
Debt instruments				
Securities issued by non-financial companies	10,723,975	1,982,334	1,166,815	13,873,124
Brazilian federal government bonds	9,702,782	-	-	9,702,782
Brazilian government bonds issued abroad	2,104,243	-	-	2,104,243
Securities issued by financial companies	524,281	-	364,187	888,468
Foreign government bonds	571,535	-	-	571,535
Subtotal	**23,626,816**	**1,982,334**	**1,531,002**	**27,140,152**
Expect losses on securities	(62,152)	(954,568)	(700,602)	(1,717,322)
Total	**23,564,664**	**1,027,766**	**830,400**	**25,422,830**

In thousand of Reais, unless otherwise stated

Assets received as collateral

	Dec 31, 2020	Dec 31, 2019
Collateralised loans	450,690,446	410,264,491
Uncollateralised loans	116,893,510	107,234,749
Loans with other mitigators	107,871,664	98,645,390
Total	**675,455,620**	**616,144,630**

The different types of loan collateral received by the Bank are listed below:

(i) rural properties (land and buildings);
(ii) urban properties – real estate located in urban areas (houses, apartments, warehouses, sheds, commercial or industrial buildings, urban lots, shops, etc.);
(iii) crops – representing the harvest of the financed products (avocado, rice, beans, etc.). Perishable goods (vegetables, fruit, flowers, etc.) require additional collateral;
(iv) furniture and equipment – only assets that can be easily moved or removed (machinery, equipment, vehicles, etc.);
(v) financial investments with the Bank – savings accounts, certificates of deposit, fixed income funds, etc.;
(vi) personal guarantees – including personal endorsements and surety funds such as FGO, FAMPE, FUNPROGER, etc.;
(vii) extractive agricultural products – pineapple, acai, rice, coffee, cocoa, grapes, etc.;
(viii) industrial products – raw materials, goods or industrial products (steel coil, footwear, stainless steel plates, etc.);
(ix) receivables – including credit cards, future billings and checks;
(x) livestock – cattle, pigs, sheep, goats, horses, etc.;
(xi) securities and other rights – credit securities and other collateral rights (Commercial Credit Notes – CCC, Industrial Credit Notes – CCI, Credit Notes Export – CCE, Rural Product Notes – CPR, rural notes, resources held by the Bank, receivables or other credit notes arising from services provided or goods delivered); and
(xii) credit insurance – provided by the Brazilian Insurer for Export Credits – SBCE, Brazilian Credit Insurer – SECREB, etc.

The Bank prioritizes collateral with high liquidity on its loans to customer balances.

The maximum guarantee that may be provided by each type of collateral is based on the use of specific percentages, as shown in the table below:

In thousand of Reais, unless otherwise stated

Percentage of coverage on assets received as collateral

Asset	% Coverage
Credit rights	
Receipt for bank deposit	100%
Certificate of bank deposit (1)	100%
Savings deposits	100%
Fixed income investment funds	100%
Pledge agreement – cash collateral (2)	100%
Standby letter of credit	100%
Others	80%
Guarantee funds	
Guarantee Fund for Generation of Employment and Income	100%
Guarantee Fund for Micro and Small Business	100%
Guarantee Fund for Operations	100%
Guarantee Fund for Investment	100%
Other	100%
Guarantee (3)	**100%**
Credit insurance	**100%**
Pledge agreement – securities (4)	**77%**
Offshore funds – BB Fund (5)	**77%**
Livestock (6)	**70%**
Pledge agreement - cash collateral (7)	**70%**
Other (8)	**50%**

(1) Except certificates that have swap contracts.
(2) In the same currency of the loan.
(3) Provided by a banking institution that has a credit limit at the Bank, with sufficient margin to support the co-obligation.
(4) Contract of deposit/transfer of customer funds.
(5) Exclusive or retail.
(6) Except in Rural Product Notes (CPR) transactions.
(7) Cash collateral celebrated in a distinct currency of the supported operations that have no foreign exchange hedge mechanism.
(8) Include properties, vehicles, machines, equipment, among others.

Collateral in the form of financial investments with the Bank may not be used by the client for other purposes until the loan is fully settled. Without having to notify the borrower, when the financial investments mature, the Bank may apply the funds to any past-due loan installments.

In addition to the credit assignment and credit rights assignment clauses, loans to customers also contain a collateral reinforcement clause. This ensures that the collateral coverage percentage agreed to at inception of the loan is maintained over the entire life of the transaction.

Concentration

The credit risk management strategies guide the Bank's activities at the operational level. Strategic decisions include, among other aspects, determination of the Bank's risk appetite and credit risk and concentration limits. The Bank also follows the concentration limits established by Bacen.

The Bank has a systematic risk management approach to the concentration of the credit portfolio. In addition to monitoring the concentration levels of different segments of the portfolio, based on the Herfindahl-Hirshman Index, the impact of the concentration on capital allocation for credit risk is evaluated.

In thousand of Reais, unless otherwise stated

Exposures by geographic region

	Dec 31, 2020	Dec 31, 2019
Banco do Brasil		
Domestic market	**644,498,620**	**585,901,616**
Southeast	285,607,430	270,713,432
South	117,649,594	106,229,107
Midwest	115,622,387	97,838,184
Northeast	86,915,236	77,140,915
North	38,703,973	33,979,978
Foreign market	**30,957,000**	**30,243,014**
Total	**675,455,620**	**616,144,630**

Loans to customers – concentration of credit operations

The following table sets forth the concentration level of the portfolio with customers and business groups with wich Banco do Brasil has relations.

	31.12.2020	31.12.2019
1st Customer	1.8%	1.9%
2nd to 20th	10.2%	10.3%
21st ao 100th	6.7%	7.0%
Top 100 largest	18.7%	19.2%

Additional information about credit exposure by economic activity is contained in Note 23 – Loans to customers.

Renegotiated loans due to delay

Renegotiated loans are those with evidences of credit recoverability problems, due to significant financial difficulty of the debtor, that have been renegotiated with changes in the conditions originally agreed upon.

These operations aim to provide the client with a situation of financial viability over time, adapting the repayment of the loan with the Bank to the client's new situation of generating funds.

Renegotiations are carried out according to the viability of the operations based on the client's willingness and capacity to pay, for which purpose an updated analysis of its economic and financial situation and capacity to generate revenues is performed.

Assets that the Bank acquired in the settlement of loans

	Dec 31, 2020	Dec 31, 2019
Real estate	263,516	312,511
Machines and equipment	1,121	1,120
Vehicles and related	336	336
Other	3,340	4,518
Total	**268,313**	**318,485**

Other real estate owned received as settlement for non-performing loans is periodically offered in the market through auctions. The Bank does not use these assets to obtain financial income or in the performance of its own activities.

In thousand of Reais, unless otherwise stated

f) Operational risk

Operational risk is the possibility of loss due to failures, deficiencies or inadequacies in internal processes and systems, human error and external events. It also includes legal risk arising from errors or deficiencies in contracts, sanctions for non-compliance with laws and indemnification for damages caused to third parties.

Based on the Bank's operational risk strategies and policies, and complying with regulatory requirements, the operational risk management process can be summarized as follows:

Phases of the operational risk management process

Management phase	Summary of activities
Identification	Involves identifying and classifying operational risk events to which the Bank is exposed, which also may affect the achievement of its goals, by specifying causes and ways of occurrence.
Measurement	Involves measuring, in a quantitative or a qualitative manner, the effect of the exposure to the risks associated with the Bank's processes.
Evaluation	Involves the quantification of operational risk exposures to evaluate its impact on the Bank's business. It aims to assign a criticality degree to the operational risks, considering its impact and the results of control efficiency, which contributes to the management and the decision making process.
Mitigation	Involves the development and implementation of mechanisms to reduce operational risk. The mechanisms aim to change de risk, by reducing operational losses through removing the risk causes, altering the probability of occurrence or altering the risk event consequences.
Control	Involves monitoring the behavior of operational risks, limits, indicators and operational loss events. Also involves the implementation of controls to ensure that operational risk limits and indicators remain within acceptable levels.
Monitoring	Designed to identify deficiencies in the operational risk management process and to report them to senior management. Also involves communication and feedback based on the detection of weaknesses in the other phases.
Disclosure	Involves communicating the areas of interest about the behavior of risk exposure or monitoring results.
Enhancement	Refers to the verification of the adequacy of the risk management process.

Operational risk policy

The Board of Directors reviews and approves the operational risk policy each year. The policy provides guidance to the Bank´s different areas to ensure the overall effectiveness of the operational risk management model. The Bank's subsidiaries and investees use these guidelines to define their individual operational risk policies, considering any specific requirements and the laws and regulations of the countries in which they operate.

In accordance with CMN Resolution 4,557/2017, the policy permeates all of the activities related to operational risk and is designed to identify, measure, evaluate, mitigate, control, monitor, disclose and enhance risks in Prudential Conglomerate and in each individual institution. It also aims to identify and monitor the risks associated to the investees of the institutions that composes the Prudential Conglomerate.

In thousand of Reais, unless otherwise stated

Monitoring

The monitoring of operational losses, to include in the appropriate reports, occurs through a tool called operational risk panel, which is also accompanied by each area responsible for the process, systems, products or services. Operational losses are monitored based on monthly calculations of the losses and consider overall and specific limits established for operational losses.

To make the monitoring process more efficient, specific operational risk limits were established for each of the following categories:

- labor issues;
- improper practices concerning the business, products and customers (economic plans, indemnification and collections, exclusion from restrictive registers, repetition of overpayment, service failures);
- external fraud and theft (external theft, external electronic fraud, card losses and fraudulent documents);
- internal fraud and theft;
- system failures;
- damages to physical assets and injuries to person;
- failures in process execution and management; and
- interruption of activities.

Risk panel is used to support the systemic monitoring of operational loss events. This panel contains information about global and specific limits and the decisions made by the Risk Management Committee. If any limits are exceeded, the managers responsible for the process, product or service must explain the reason for the occurrence and provide plans to mitigate the associated risks.

In thousand of Reais, unless otherwise stated

42 – TRANSFERS OF FINANCIAL ASSETS

The Bank transfers financial assets during the normal course of business. The most common assets transferred are debt and equity instruments and loans to customers. To determine the appropriate accounting treatment, the Bank evaluates the level of continuing involvement with the transferred asset. This analysis allows the Bank to determine if the asset should continue to be recognized in full, recognized to the extent of its continuing involvement or derecognized.

The most common transfers are:

- sales of securities under repurchase agreements (with a corresponding liability recognized in securities sold under repurchase agreements); and
- transfers of loan portfolios with retention of substantially all of the risks and rewards of ownership (with a corresponding liability recognized in amounts payable to financial institutions).

Financial assets transferred and still recognized in the consolidated balance sheet and their associated liabilities

	Dec 31, 2020		Dec 31, 2019	
	Financial assets transferred	Associated liabilities	Financial assets transferred	Associated liabilities
Financial assets related to repurchase agreements				
Financial assets at amortized cost – securities	8,667,388	8,962,223	8,355,086	8,401,369
Financial assets at fair value through other comprehensive income	158,774,894	151,363,855	37,026,660	34,964,655
Total	**167,442,282**	**160,326,078**	**45,381,746**	**43,366,024**

Financial assets transferred and still recognized in the consolidated balance sheet which the associated liabilities are resources only to the transferred assets

	Dec 31, 2020		Dec 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Credit assignment with substantial retention of risks (1)				
Financial assets transferred	258,722	389,335	330,751	330,978
Associated liabilities	258,493	258,493	330,526	330,526
Net position	**229**	**130,842**	**225**	**452**

(1) Financial assets transferred and associated liabilities are recognized in the consolidated balance sheet in the line items “Loans to customers” and “Amount payable to financial institutions”, respectively.

Sales with repurchase agreement

These are transactions in which the Bank sells a security and simultaneously agrees to buy it back on for a fixed price on a future date. The Bank continues to recognize the security in full on the balance sheet, since it retains substantially all of the risks and rewards of ownership. Consequently, the Bank continues to participate in changes in fair value and income generated by the security.

The Bank recognizes the cash received as an asset. A liability is recognized for the obligation to repurchase the security. During the life of the transaction, the Bank does not have the right to negotiate the transferred asset, since it effectively sells the contractual rights to the security’s cash flows.

Credit assignment with substantial retention of risks and rewards

In these transactions, the Bank transfers the rights to the future cash flows of loans and receivables in exchange for cash. The Bank continues to recognize the assets on the balance sheet, since it retains substantially all of the risks and rewards associated with the loans. Consequently, the Bank has responsibility for any defaults on the receivables it transfers.

The Bank recognizes the cash received as an asset. A liability is recognized for the obligation to the counterparty financial institution. During the life of the transaction, the Bank does not have the right to negotiate the transferred asset, since it effectively sells the contractual rights to the loan’s cash flows.

In thousand of Reais, unless otherwise stated

43 – OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

These rules apply to financial assets and liabilities presented on a net basis in the consolidated balance sheet or subject to master netting or similar agreements, regardless of whether they are presented on a net basis.

IAS 32 requires financial assets and liabilities to be offset and presented on a net basis when there is a legally enforceable right to offset the amounts and the Bank intends to settle them on a net basis, or to realize the asset and liability simultaneously.

IFRS 7 requires the Bank to present financial instruments subject to master netting or similar agreements, even if they do not meet some or all of the requirements for offsetting under IAS 32. Agreements of this nature include the Global Derivative Agreements (known as CGD in Brazil), International Swaps and Derivatives Agreement (ISDA) and Global Master Repurchase Agreements (GMRA).

Some of the Bank's derivatives are contracted under CGD agreements in Brazil and ISDA contracts overseas. These contracts include the following conditions for offsetting:

- Netting of payments: provides for offsetting in the ordinary course of business when there are amounts to be paid by the parties in the same currency for the same transaction;
- Multiple Transaction Payment Netting: provides for offsetting in the ordinary course of business when there are amounts to be paid by the parties in the same currency on the same date;
- Set off: provides for offsetting transactions subject to early termination if the party not in default exercises its right to offset.

Some of the Bank's repurchase agreements involve overseas master netting agreements (GMRA contracts). These agreements contain offsetting rules similar to those of the CGD / ISDA agreements.

Offsetting under master netting agreements are permissible in the ordinary course of business (Netting of payments or Multiple Transaction Payment Netting) and in the event of default, insolvency or bankruptcy by either of the parties (Set off).

Financial instruments received and pledged as collateral include cash deposits and / or highly liquid financial instruments. These instruments are subject to normal market variations and include an ISDA Credit Support Annex, as applicable. This allows the securities received as collateral to be sold or pledged as collateral in a different transaction over the life of the agreement. However, the collateral must be returned at maturity. The guarantee may be sold and the proceeds used to pay-down the outstanding balance in the event of default, insolvency or bankruptcy of one of the counterparties.

For both repo and derivative contracts, collaterals (given and received) may be in the form of cash or trading securities.

In thousand of Reais, unless otherwise stated

Financial assets subject to offsetting, enforceable master offsetting agreements or similar agreements

Dec 31, 2020	Effects of offsetting on balance sheet			Related amounts not offset				Amounts not subject to enforceable netting arrangements[2]	Balance sheet total
	Gross amounts[1]	Gross amounts offset	Net amounts offset	Impact of master netting agreements	Financial collateral received		Net amounts		
					Cash	Securities			
Derivatives	6,869,047	(3,909,673)	2,959,374	(806,345)	-	-	2,153,029	567,962	3,527,336
Reverse repurchase agreement	3,946,112	-	3,946,112	-	-	(3,593,397)	352,715	462,398,469	466,344,581
Total	**10,815,159**	**(3,909,673)**	**6,905,486**	**(806,345)**	**-**	**(3,593,397)**	**2,505,744**	**462,966,431**	**469,871,917**

Financial liabilities subject to offsetting, enforceable master offsetting agreements or similar agreements

Dec 31, 2020	Effects of offsetting on balance sheet			Related amounts not offset				Amounts not subject to enforceable netting arrangements[2]	Balance sheet total
	Gross amounts[1]	Gross amounts offset	Net amounts offset	Impact of master netting agreements	Financial collateral given		Net amounts		
					Cash	Securities			
Derivatives	(6,544,913)	3,909,673	(2,635,240)	2,553,177	-	-	(82,063)	(463,075)	(3,098,315)
Repurchase agreement	(1,673,147)	-	(1,673,147)	-	-	1,400,210	(272,937)	(502,049,675)	(503,722,822)
Total	**(8,218,060)**	**3,909,673**	**(4,308,387)**	**2,553,177**	**-**	**1,400,210**	**(355,000)**	**(502,512,750)**	**(506,821,137)**

(1) Includes the amount of operations subject to enforceable master netting arrangements and similar agreements.
(2) Includes the total amount of operations without master netting agreements.

In thousand of Reais, unless otherwise stated

Financial assets subject to offsetting, enforceable master offsetting agreements or similar agreements

Dec 31, 2019	Effects of offsetting on balance sheet			Related amounts not offset				Amounts not subject to enforceable netting arrangements[2]	Balance sheet total
	Gross amounts[1]	Gross amounts offset	Net amounts offset	Impact of master netting agreements	Financial collateral received		Net amounts		
					Cash	Securities			
Derivatives	6,431,961	(5,869,635)	562,326	(177,855)	-	-	384,471	258,609	820,935
Reverse repurchase agreement	329,305	-	329,305	-	-	(302,873)	26,432	390,443,100	390,772,405
Total	**6,761,266**	**(5,869,635)**	**891,631**	**(177,855)**	**-**	**(302,873)**	**410,903**	**390,701,709**	**391,593,340**

Financial liabilities subject to offsetting, enforceable master offsetting agreements or similar agreements

Dec 31, 2019	Effects of offsetting on balance sheet			Related amounts not offset				Amounts not subject to enforceable netting arrangements[2]	Balance sheet total
	Gross amounts[1]	Gross amounts offset	Net amounts offset	Impact of master netting agreements	Financial collateral given		Net amounts		
					Cash	Securities			
Derivatives	(6,626,744)	5,869,635	(757,109)	25,110	-	-	(731,999)	(204,527)	(961,636)
Repurchase agreement	(1,199,187)	-	(1,199,187)	-	-	983,632	(215,555)	(403,156,140)	(404,355,327)
Total	**(7,825,931)**	**5,869,635**	**(1,956,296)**	**25,110**	**-**	**983,632**	**(947,554)**	**(403,360,667)**	**(405,316,963)**

(1) Includes the amount of operations subject to enforceable master netting arrangements and similar agreements.
(2) Includes the total amount of operations without master netting agreements.

In thousand of Reais, unless otherwise stated

44 – EMPLOYEE BENEFITS

Banco do Brasil sponsors the following pension and health insurance plans for its employees:

	Plans	Benefits	Classification
Previ – Caixa de Previdência dos Funcionários do Banco do Brasil	Previ Futuro	Retirement and pension	Defined contribution
	Benefit Plan 1	Retirement and pension	Defined benefit
	Informal Plan	Retirement and pension	Defined benefit
Cassi – Caixa de Assistência dos Funcionários do Banco do Brasil	Associates Plan	Health care	Defined benefit
Economus – Instituto de Seguridade Social	Prevmais	Retirement and pension	Variable contribution
	General Regulation	Retirement and pension	Defined benefit
	Complementary Regulation 1	Retirement and pension	Defined benefit
	B' Group	Retirement and pension	Defined benefit
	Unified Health Plan - PLUS	Health care	Defined benefit
	Unified Health Plan - PLUS II	Health care	Defined benefit
	Complementary Health Care - PAMC	Health care	Defined benefit
Fusesc – Fundação Codesc de Seguridade Social	Multifuturo Plan I	Retirement and pension	Variable contribution
	Benefit Plan I	Retirement and pension	Defined benefit
SIM – Caixa de Assistência dos Empregados dos Sistemas Besc e Codesc, do Badesc e da Fusesc	Health Plan	Health care	Defined contribution
Prevbep – Caixa de Previdência Social	BEP Plan	Retirement and pension	Defined benefit

Number of participants covered by benefit plans sponsored by the Bank

	Dec 31, 2020			Dec 31, 2019		
	Number of participants			Number of participants		
	Active	Retired/users	Total	Active	Retired/users	Total
Retirement and pension plans	**94,026**	**119,972**	**213,998**	**95,971**	**120,303**	**216,274**
Benefit Plan 1 – Previ	6,722	99,812	106,534	7,470	100,057	107,527
Previ Futuro	74,760	2,344	77,104	75,735	2,073	77,808
Informal Plan	-	2,480	2,480	-	2,661	2,661
Other plans	12,544	15,336	27,880	12,766	15,512	28,278
Health care plans	**94,704**	**106,104**	**200,808**	**96,631**	**106,837**	**203,468**
Cassi	84,523	99,885	184,408	86,383	100,145	186,528
Other plans	10,181	6,219	16,400	10,248	6,692	16,940

Bank's contributions to benefit plans

	2020	2019	2018
Retirement and pension plans	**1,791,030**	**1,928,021**	**1,871,310**
Benefit Plan 1 – Previ (1)	621,846	832,757	891,384
Previ Futuro	762,023	713,942	662,091
Informal Plan	150,480	157,629	166,952
Other plans	256,681	223,693	150,883
Health care plans	**2,625,470**	**1,394,079**	**1,643,733**
Cassi (2)	2,461,292	1,211,275	1,473,670
Other plans	164,178	182,804	170,063
Total	**4,416,500**	**3,322,100**	**3,515,043**

(1) Refers to the contributions relating to participants subject to Agreement 97 and Plan 1, whereby these contributions occur by the realization of Fundo Paridade until 2018 and Fundo de Utilização (Note 44.f). Agreement 97 aims to regulate the funding required to constitute a portion equivalent to 53.7% of guaranteed amount relating to the supplementary pension due to the participants who joined the Bank up to April 14, 1967 and who have retired or will retire after the aforementioned date, except for those participants who are part of the Informal Plan.

(2) In 2020, it includes contributions retroactive to January/2019, referring to the temporary administration fee and employer contribution on dependents, as well as the early settlement of the Bank to the group of indirect dependents (GDI) (Note 47.a).

In thousand of Reais, unless otherwise stated

The Bank's contributions to defined benefit plans (post-employment) were estimated at R$ 863,649 thousand for the next 6 months and R$ 1,843,230 thousand for the next 12 months.

Amounts recognized in profit or loss

	2020	2019	2018
Retirement and pension plans	**(1,735,210)**	**(1,167,595)**	**(569,821)**
Benefit Plan 1 – Previ	(664,008)	(115,593)	444,053
Previ Futuro	(762,023)	(713,942)	(662,091)
Informal Plan	(105,788)	(106,856)	(128,206)
Other plans	(203,391)	(231,204)	(223,577)
Health care plans	**(2,087,397)**	**(1,701,107)**	**(1,659,628)**
Cassi	(1,914,613)	(1,512,293)	(1,486,662)
Other plans	(172,784)	(188,814)	(172,966)
Total	**(3,822,607)**	**(2,868,702)**	**(2,229,449)**

Detailed information regarding defined benefit plans is provided in Note 44.d.4.

a) Retirement and pension plans

Previ Futuro (Previ)

Participants in this plan include Bank employees hired after December 24, 1997. Depending on time of service and salary, active participants may contribute between 7% and 17% of their salary. Retired participants do not contribute. The plan sponsor matches participants' contributions up to 14% of their salaries.

Benefit Plan 1 (Previ)

Participants in this plan include Bank employees hired prior to December 23, 1997. Active and retired participants may contribute between 1.8% and 7.8% of their salary or pension.

Informal Plan (Previ)

Banco do Brasil is fully responsible for this plan. The Bank's contractual obligations include to:

- providing retirement benefits to the initial group of participants and pension payments to the beneficiaries of participants who died prior to April 14, 1967;
- paying additional retirement benefits to plan participants who retired prior to April 14, 1967, or had the right to retire based on time of service and at least 20 years of service with the Bank; and
- increasing retirement and pension benefits above the amount provided for in Previ's benefit plan due to judicial and administrative decisions related to changes in the Bank's job, salary and incentive plans.

The Bank and Previ formalized an agreement on December 31, 2012. Under the agreement, Banco do Brasil paid 100% of the mathematical reserves of the Special Group (for which it was fully liable) using funds from the Parity Fund. As a result, this group migrated from the Informal Plan to Benefit Plan 1. The Special Group includes participants from Benefit Plan 1 (Previ) listed in the first paragraph of first clause of the contract signed on December 24, 1997. These participants received additional retirement benefits due to administrative and/or judicial decisions.

Prevmais (Economus)

Participants in this plan include employees of Banco Nossa Caixa (a bank acquired by Banco do Brasil on November 30, 2009) who enrolled after August 01, 2006, or were part of the General Regulation benefit plan and opted to receive their vested account balances. The sponsor and participants make equal contributions, which may not exceed 8% of participants' salaries. The plan provides additional risk coverage, including supplemental health, work-related accident, disability and death benefits.

General Regulation (Economus)

Participants in this plan include employees of Banco Nossa Caixa who enrolled prior to July 31, 2006. This plan is closed to new members. The sponsor and participants contribute equally.

Complementary Regulation 1 (Economus)

Participants in this plan include employees of Banco Nossa Caixa. This plan offers supplemental health benefits and annuities upon death or disability. The sponsor, participants and retired/other beneficiaries fund the plan.

B' Group (Economus)

Group of employees and retirees of Banco Nossa Caixa admitted between January 22, 1974, and May 13, 1974, and their beneficiaries. Benefit levels are based on the fulfillment of certain conditions outlined in the plan regulation.

Multifuturo Plan I (Fusesc)

Participants in this plan include employees of the Banco do Estado de Santa Catarina – Besc (acquired by Banco do Brasil on September 30, 2008) who enrolled after January 12, 2003, or were part of the Benefit Plan I (Fusesc) and chose to participate in this plan. Participants may contribute from 2.33% to 7% of their salaries. The plan sponsor matches these contributions.

Benefit Plan I (Fusesc)

Participants in this plan include employees of Besc who enrolled prior to January 11, 2003. This plan is closed to new members. The sponsor and participants contribute equally.

BEP Plan (Prevbep)

Participants in this plan include employees of the Banco do Estado do Piauí – BEP (acquired by Banco do Brasil on November 30, 2008). The sponsor and participants contribute equally.

b) Health care plans

Associates Plan (Cassi)

The Bank sponsors a health care plan managed by Cassi. The plan covers health care services related to prevention, protection, recovery and rehabilitation for participants and their beneficiaries. Each month, the Bank contributes 4.5% of participants' salaries or pension benefits, in addition to 3% per dependent of active employee (up to three dependents), plus a temporary administration fee, corresponding to 10% on the sum of employers' and personal contributions (active holders), until 2021.

Monthly contributions by participants and pensioners total 4% of their salary or pension, copayments for certain hospital procedures, in addition to in addition to the contribution per dependent, following the rules provided for in the Cassi Statute and in the plan's regulations.

Unified Health Plan – PLUS (Economus)

Participants in this plan include employees from Banco Nossa Caixa, who enrolled prior to December 31, 2000. Participation in this plan requires a contribution of 1.5% over gross salary, without limit (offering coverage for employees and certain preferred dependents) deducted from their payroll. An additional 10% copayment is required for each medical visit and low-cost exam performed by employees and their dependents (preferred and non-preferred).

Unified Health Plan - PLUS II (Economus)

Participants in this plan include employees from Banco Nossa Caixa who enrolled after January 01, 2001. Participation in this plan requires a contribution of 1.5% over gross salary, without limit (offering coverage for employees and certain preferred dependents), deducted from their payroll. An additional 10% copayment is required for each medical visit and low-cost exam performed by employees and their dependents and adult children. This plan does not cover non-preferred dependents.

Complementary Health Care Plan – PAMC (Economus)

Participants in this plan include employees of Banco Nossa Caixa located in the state of São Paulo. The plan serves disabled employees under the Complementary and General Regulations and their dependents. Participant costs vary based on usage and in accordance with a progressive salary table.

Health Plan (SIM)

Participants in this plan include employees of Besc and other sponsors of the plan (including Badesc, Codesc, Bescor, Fusesc and SIM). Active members contribute monthly 4.55% of gross salary, including their 13th salary. Inactive members contribute monthly 11.72% of gross salary, while the plan sponsors contribute 7,17%. Beneficiaries also contribute 0.99% per dependent. The plan requires a copayment for ambulatory care procedures.

c) Risk factors

The Bank may need to make unplanned contributions to Previ, Economus, Fusesc and Prevbep, which could negatively affect operating income.

Determination of the Bank’s obligations to these entities is based on long-term actuarial and financial estimates and the application and interpretation of current regulatory standards. Inaccuracies inherent to the estimation process could result in differences between recorded amounts and the actual obligations in the future. This could have a negative impact on the Bank’s operating results.

In thousand of Reais, unless otherwise stated

d) Actuarial valuations

Actuarial evaluations are performed every six months. The information contained in the below tables refers to the calculations at December 31, 2020 and December 31, 2019.

d.1) Changes in present value of defined benefit actuarial obligations

	Benefit Plan 1 – Previ		Informal Plan – Previ		Associates Plan – Cassi		Other plans	
	2020	2019	2020	2019	2020	2019	2020	2019
Opening balance	**(211,164,640)**	**(172,028,674)**	**(1,100,658)**	**(940,374)**	**(13,234,231)**	**(9,394,601)**	**(11,833,607)**	**(9,719,429)**
Interest cost	(14,289,666)	(15,808,281)	(68,305)	(80,681)	(907,097)	(954,302)	(813,178)	(901,862)
Current service cost	(275,589)	(332,022)	-	-	(94,355)	(92,546)	(9,911)	(16,776)
Past service cost	-	-	(37,482)	(26,175)	(56,700)	-	-	-
Benefits paid using plan assets	13,117,049	12,572,211	150,481	157,629	763,559	745,828	725,222	701,391
Reductions/settlements [1]	-	-	-	-	450,920	-	-	-
Remeasurements of actuarial gain/(losses)	15,430,951	(35,567,874)	(2,882)	(211,057)	718,451	(3,538,610)	519,513	(1,896,931)
Experience adjustment	(3,704,965)	(3,586,618)	(36,898)	(98,337)	(499,419)	(1,258,362)	(265,968)	98,144
Changes to biometric/demographic assumptions	-	-	-	-	-	1,089	(48,938)	(258,911)
Changes to financial assumptions	19,135,916	(31,981,256)	34,016	(112,720)	1,217,870	(2,281,337)	834,419	(1,736,164)
Closing balance	**(197,181,895)**	**(211,164,640)**	**(1,058,846)**	**(1,100,658)**	**(12,359,453)**	**(13,234,231)**	**(11,411,961)**	**(11,833,607)**
Present value of actuarial liabilities with surplus	(197,181,895)	(194,700,370)	-	-	(80,750)	(161,500)	(7,922,125)	(7,416,701)
Present value of actuarial liabilities without surplus	-	(16,464,270)	(1,058,846)	(1,100,658)	(12,278,703)	(13,072,731)	(3,489,836)	(4,416,906)

(1) Settlement of the Bank's contractual obligation to the Group of Indirect Dependents (GDI), belonging to the Associates Plan, managed by Cassi.

In thousand of Reais, unless otherwise stated

d.2) Changes in fair value of plan assets

	Benefit Plan 1 – Previ		Informal Plan – Previ		Associates Plan – Cassi		Other plans [1]	
	2020	2019	2020	2019	2020	2019	2020	2019
Opening balance	**194,700,370**	**179,197,455**	**-**	**-**	**161,500**	**242,250**	**7,416,701**	**6,045,154**
Interest income	13,237,239	15,909,119	-	-	-	-	529,344	559,710
Advance of consideration [2]	-	-	-	-	(80,750)	(80,750)	-	-
Contributions received	1,209,842	1,413,748	150,480	157,629	763,559	745,828	398,249	350,595
Participants	587,996	580,991	-	-	-	-	152,858	128,259
Sponsor [3]	621,846	832,757	150,480	157,629	763,559	745,828	245,391	222,336
Benefits paid using plan assets	(13,117,049)	(12,572,211)	(150,480)	(157,629)	(763,559)	(745,828)	(725,221)	(701,391)
Actuarial gain/(loss) on plan assets	12,876,019	10,752,259	-	-	-	-	303,052	1,162,633
Closing balance	**208,906,421**	**194,700,370**	**-**	**-**	**80,750**	**161,500**	**7,922,125**	**7,416,701**

(1) Refers to the following plans: General Regulation (Economus), Prevmais (Economus), Complementary Regulation 1 (Economus), Multifuturo I (Fusesc), Benefit Plan I (Fusesc) and BEP Plan (Prevbep).
(2) Refers to the advance of employer contributions on Christmas bonus (13th salary) corresponding to the period from 2018 to 2021.
(3) Includes in Benefit Plan 1 – Previ, the amount of R$ 33,850 thousand (R$ 251,766 thousand on December 31, 2019), related to the Agreement 97 and Grupo Especial.

d.3) Amounts recognized in the consolidated balance sheet

	Benefit Plan 1 – Previ		Informal Plan – Previ		Associates Plan – Cassi		Other plans	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
1) Fair value of the plan assets	208,906,421	194,700,370	-	-	80,750	161,500	7,922,125	7,416,701
2) Present value of actuarial liabilities	(197,181,895)	(211,164,640)	(1,058,846)	(1,100,658)	(12,359,453)	(13,234,231)	(11,411,961)	(11,833,607)
3) Surplus/(deficit) (1+2)	11,724,526	(16,464,270)	(1,058,846)	(1,100,658)	(12,278,703)	(13,072,731)	(3,489,836)	(4,416,906)
4) Net actuarial asset/(liability) [1]	**5,862,263**	**(8,232,135)**	**(1,058,846)**	**(1,100,658)**	**(12,278,703)**	**(13,072,731)**	**(2,477,735)**	**(2,943,584)**

(1) Refers to the portion of the surplus/(deficit) due from the sponsor.

In thousand of Reais, unless otherwise stated

d.4) Breakdown of the amounts recognized in the consolidated statement of income relating to defined benefit plans

	Benefit Plan 1 – Previ			Informal Plan – Previ			Associates Plan – Cassi			Other plans		
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018
Current service cost	(137,795)	(166,011)	(199,644)	-	-	-	(94,355)	(92,545)	(85,096)	(4,956)	(8,388)	(11,767)
Interest cost	(7,144,832)	(7,904,141)	(8,351,688)	(68,305)	(80,681)	(94,775)	(907,096)	(954,301)	(980,982)	(456,141)	(501,982)	(528,832)
Expected yield on plan assets	6,618,619	7,954,559	8,995,385	-	-	-	-	-	-	263,981	279,221	315,656
Unrecognized past service cost	-	-	-	(37,483)	(26,175)	(33,431)	(56,700)	-	-	-	-	-
Expense with active employees	-	-	-	-	-	-	(856,462)	(465,447)	(420,584)	(182,682)	(193,609)	(178,495)
Other adjustments/reversals	-	-	-	-	-	-	-	-	-	3,623	4,740	6,895
(Expense)/income recognized in profit or loss	**(664,008)**	**(115,593)**	**444,053**	**(105,788)**	**(106,856)**	**(128,206)**	**(1,914,613)**	**(1,512,293)**	**(1,486,662)**	**(376,175)**	**(420,018)**	**(396,543)**

d.5) Amounts recognized in the shareholders' equity

	Benefit Plan 1 – Previ		Informal Plan – Previ		Associates Plan – Cassi		Other plans	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Opening balance	**(17,490,891)**	**(11,560,758)**	**(226,025)**	**(119,938)**	**(3,208,963)**	**(1,377,520)**	**(1,236,627)**	**(1,027,497)**
Accumulated other comprehensive income	14,136,560	(12,533,690)	(2,880)	(211,058)	718,451	(3,538,612)	417,576	(537,526)
Tax effects	(6,361,452)	6,603,557	1,296	104,971	(323,303)	1,707,169	(188,901)	328,396
Closing balance	**(9,715,783)**	**(17,490,891)**	**(227,609)**	**(226,025)**	**(2,813,815)**	**(3,208,963)**	**(1,007,952)**	**(1,236,627)**

In thousand of Reais, unless otherwise stated

d.6) Maturity profile of defined benefit actuarial obligations

	Duration [1]	Expected benefit payments [2]				
		Up to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Benefit Plan 1 (Previ)	11.25	13,992,354	13,862,449	13,716,113	300,061,736	341,632,652
Informal Plan (Previ)	6.33	156,241	138,824	123,004	930,110	1,348,179
Associates Plan (Cassi)	12.23	880,982	872,738	866,102	22,049,835	24,669,657
General Regulation (Economus)	10.96	576,163	575,944	576,177	12,761,118	14,489,402
Complementary Regulation 1 (Economus)	13.42	2,991	3,133	3,272	136,632	146,028
Plus I and II (Economus)	14.08	44,323	45,682	46,974	1,802,804	1,939,783
B' Group (Economus)	9.95	20,280	20,121	19,942	372,221	432,564
Prevmais (Economus)	15.08	15,377	16,200	16,947	790,563	839,087
Multifuturo Plan I (Fusesc)	16.83	7,146	7,290	7,451	446,444	468,331
Benefit Plan I (Fusesc)	9.25	46,066	45,281	44,427	705,800	841,574
BEP Plan (Prevbep)	11.18	5,961	6,157	6,363	143,403	161,884

(1) Weighted average duration, in years, of the defined benefit actuarial obligation.
(2) Amounts considered without discounting at present value.

In thousand of Reais, unless otherwise stated

d.7) Composition of the plan assets

	Benefit Plan 1 – Previ		Other plans	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Fixed income	95,762,703	84,655,721	6,431,346	5,791,610
Equity and funds (1)	95,240,437	92,404,796	719,745	821,833
Real estate investments	11,239,165	10,747,460	312,911	331,681
Loans and financing	5,368,895	5,548,961	172,841	167,758
Other (2)	1,295,221	1,343,432	366,032	465,319
Total	**208,906,421**	**194,700,370**	**8,002,875**	**7,578,201**
Amounts listed in fair value of plan assets				
In the sponsor's own financial instruments	7,510,061	9,371,430	30,554	33,563
In properties or other assets used by the sponsor	82,975	90,463	38,701	39,967

(1) Includes, in Previ's Benefit Plan 1, the amount of R$ 41,919,306 thousand (R$ 42,137,086 thousand on December 31, 2019), related to assets that are not quoted in active markets.

(2) Includes, in Other plans, the amount of R$ 80,750 thousand (R$ 161,500 thousand on December 31, 2019), related to the assets of Cassi.

d.8) Main actuarial assumptions adopted

	Benefit Plan 1 – Previ		Informal Plan – Previ		Associates Plan – Cassi		Other plans	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Inflation rate (p.a.)	3.31%	3.54%	3.36%	3.56%	3.31%	3.53%	3.29%	3.53%
Real discount rate (p.a.)	4.24%	3.48%	3.58%	3.17%	4.33%	3.50%	4.25%	3.49%
Nominal rate of return on investments (p.a.)	7.69%	7.14%	-	-	-	-	7.69%	7.15%
Real rate of expected salary growth (p.a.)	0.93%	0.93%	-	-	-	-	0.92%	0.92%
Actuarial life table	BR-EMSsb-2015		BR-EMSsb-2015		BR-EMSsb-2015		AT-2000 / AT-83	
Capitalization method	Projected credit unit		Projected credit unit		Projected credit unit		Projected credit unit	

d.9) Sensitivity analysis

The sensitivity analysis is performed for changes in a single assumption while maintaining all others constant. This is unlikely in reality, since some of the assumptions are correlated.

The same methodology was used to perform the sensitivity analysis in each of the periods presented. However, the discount rate was updated to reflect market conditions.

The table below presents the sensitivity analysis of the most relevant actuarial assumptions, showing the increase/(decrease) in defined benefit obligations, with variations reasonably possible for December 31, 2020.

	Discount rate		Life expectancy		Salary increase	
	+0.25%	-0.25%	+1 age	-1 age	+0.25%	-0.25%
Benefit Plan 1 (Previ)	(5,175,216)	5,428,181	3,700,449	(3,731,269)	51,246	(50,900)
Informal Plan (Previ)	(15,809)	16,316	37,276	(36,408)	-	-
Associates Plan (Cassi)	(318,026)	334,380	187,984	(188,059)	1,238	(1,207)
General Regulation (Economus)	(223,364)	233,320	179,633	(183,327)	-	-
Complementary Regulation 1 (Economus)	(2,420)	2,444	(1,456)	1,572	-	-
Plus I and II (Economus)	(37,987)	40,426	43,486	(41,789)	-	-
B' Group (Economus)	(6,213)	6,598	7,065	(7,197)	-	-
Prevmais (Economus)	(11,282)	11,890	2,259	(2,136)	1,805	(1,776)
Multifuturo I (Fusesc)	(6,931)	6,017	1,333	(1,383)	2,883	(2,752)
Benefit Plan I (Fusesc)	(12,037)	12,517	13,719	(13,769)	3	(3)
BEP Plan (Prevbep)	(2,514)	2,635	1,731	(1,756)	30	(30)

In thousand of Reais, unless otherwise stated

e) Overview of actuarial asset/(liability) recorded by the Bank

	Actuarial assets		Actuarial liabilities	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Benefit Plan 1 (Previ)	5,862,263	-	-	(8,232,135)
Informal Plan (Previ)	-	-	(1,058,846)	(1,100,658)
Associates Plan (Cassi)	-	-	(12,278,703)	(13,072,731)
General Regulation (Economus)	-	-	(1,364,974)	(1,758,159)
Complementary Regulation 1 (Economus)	-	-	(3,578)	(7,545)
Plus I and II (Economus)	-	-	(1,052,895)	(1,043,226)
B' Group (Economus)	-	-	(274,683)	(295,382)
Prevmais (Economus)	69,947	45,824	-	-
Multifuturo I (Fusesc)	67,904	37,998	-	-
Benefit Plan I (Fusesc)	63,645	58,044	-	-
BEP Plan (Prevbep)	16,899	18,862	-	-
Total	**6,080,658**	**160,728**	**(16,033,679)**	**(25,509,836)**

f) Allocations of the surplus – Benefit Plan 1

	2020	2019
Surplus Fund [(1)]		
Opening balance	**9,572,386**	**9,511,761**
Contributions to Plan 1	(621,846)	(832,757)
Interest and inflation adjustment	961,847	893,382
Closing balance	**9,912,387**	**9,572,386**

(1) Contains resources transferred from the Allocation Fund (because of the plan's surplus).The Bank can use for repayments or to reduce future contributions (after first meeting all applicable legal requirements). The fund is recalculated based on the actuarial target (INPC + 4.75% p.a.).

45 – RELATED-PARTY TRANSACTIONS

a) Bank's key management personnel

Salaries and other benefits paid the Bank's key management personnel (Executive Board and Board of Directors) are as follows:

	2020	2019	2018
Short-term benefits	**51,521**	**53,636**	**61,487**
Salary and social security costs	32,259	34,191	38,413
Executive Board	31,868	33,807	38,007
Board of Directors	391	384	406
Variable remuneration (cash) and social security costs	14,955	16,056	19,629
Other [(1)]	4,307	3,389	3,445
Termination benefits	**834**	**741**	**345**
Share-based payment benefits	**10,801**	**15,290**	**14,913**
Total	**63,156**	**69,667**	**76,745**

(1) Includes contributions to pension plan and complementary healthy plan, housing and relocation benefits, group insurance, among others.

The Bank's variable compensation policy (developed in accordance with CMN Resolution 3,921/2010) requires variable compensation for the Executive Directors to be paid partially in shares (Note 37.l).

The Bank does not offer post-employment benefits to its key management personnel, except for those who are part of the staff of the Bank.

In thousand of Reais, unless otherwise stated

b) Details of related party transactions

The Bank has the policy of related party transactions approved by the Board of Directors and disclosed to the market. The policy aims to establish rules to assure that all decisions, especially those involving related party and other situations potentially conflicted, are made observing the interests of the Bank and its shareholders. It is applicable to all staff and directors of the company.

The policy forbids related party transactions under conditions other than those of the market or that may adversely affect the Bank's interest. Therefore, the transactions are conducted under normal market conditions. The terms and conditions reflect comparable transactions with unrelated parties (including interest rates and collateral requirements). These transactions do not involve unusual payment risks, as disclosed in other notes.

The transactions between the consolidated companies are eliminated in the consolidated financial statements.

The main transactions carried out by the Bank with related parties are:

i. intercompany transactions, such as: interbank deposits, securities, loans, interest bearing and non-interest bearing deposits, securities sold under repurchase agreements, borrowings and onlendings, guarantees given and others;

ii. the most important transactions involving the National Treasury include rural loans granted by the Bank under CMN Resolution 2,238/1996 and receivables from the National Treasury for interest rate equalization under Federal Government programs (Law 8,427/1992). Interest rate equalization represents an economic subsidy for rural credit, which provides borrowers with discounted interest rates compared to the Bank's normal funding costs (including administrative and tax expenses). The equalization payment is updated by the Selic rate in accordance with the National Treasury's budgeting process (as defined by law) and is designed to preserve the Bank's earnings;

iii. Previ uses the Bank's internal systems for voting, selective processes and access to common internal standards, which generates cost savings for both parties involved;

iv. related parties loan physical space to the Bank free of charge with the Bank, using the spaces mainly for the installation of self-service terminals, banking service offices and branches. These free of charge loans with related parties do not represent significant value, because the most of them are carried out with third parties;

v. provision of business support services for controlled and sponsored entities for which the Bank is reimbursed for its costs with employees, technology and materials. Sharing of structure aims to gain efficiency for the Conglomerate. In 2020, the Bank was reimbursed a total of R$ 500,615 thousand (R$ 483,220 thousand in 2019), related to employees assigned;

vi. contracts in which the Bank rents property owned by the entities sponsored to carry out its activities;

vii. acquisition of portfolio of loans transferred by Banco Votorantim;

viii. assignment of credits arising from loans written off as losses to Ativos S.A; and

ix. hiring specialized services from BB Tecnologia S.A (BBTS) for specialized technical assistance, digitization and copy of documents, telemarketing, extrajudicial collection, support and backing for financial and non-financial business processes, monitoring, supervision and execution of activities inherent to equipment and environments, software development, support and testing, data center support and operation, management of cell phone electronic messages, outsourcing and monitoring of physical security systems and telephony outsourcing.

The Bank established companies credit card ceiling to pay Cielo S.A. bills under usual financial market conditions, in 2019.

The Bank and Caixa Econômica Federal (CEF) signed a credit opening agreement for real estate loans, in the amount of up to R$ 4,100,200 thousand, related to 2020 budget.

The balances arising from the transactions above mentioned are disclosed in the "Summary of related party transactions" segregated by nature and category of related parties.

Some transactions are disclosed in other notes: the resources applied in federal government securities are listed in Notes 20, 21 and 22; information about the government funds are related in Note 34; and additional information about the Bank's contributions and other transactions with sponsored entities are listed in Note 44.

In thousand of Reais, unless otherwise stated

Fundação Banco do Brasil (FBB) promotes, encourages and sponsors actions in the areas of education, culture, health, social welfare, recreation and sports, science, technology and community development. In 2020, the Bank's contributions to FBB totaled R$ 82,976 thousand (R$ 55,098 thousand in 2019).

c) Acquisition of portfolio of loans transferred by Banco Votorantim

	2020	2019
Assignment with substantial retention of risks and rewards (with co-obligation)	7,856,098	3,107,504

d) Summary of related party transactions

	Dec 31, 2020				
	Controlling shareholder [1]	Joint ventures and associates [2]	Key management personnel [3]	Other related parties [4]	Total
Assets					
Loans to financial institutions	-	7,508,400	-	2,634,986	10,143,386
Financial assets	-	3,487,007	-	493,943	3,980,950
Loans to customers [5]	-	21,061	5,209	14,713,767	14,740,037
Other assets [6]	2,728,800	459,237	-	286,444	3,474,481
Total	**2,728,800**	**11,475,705**	**5,209**	**18,129,140**	**32,338,854**
Guarantees received [7]	-	6,921	-	1,262,402	1,269,323
Liabilities					
Deposits of clientes	6,156,493	783,169	2,596	13,554,375	20,496,633
Securities sold under repurchase agreements	43,510	1,041,700	-	1,542,650	2,627,860
Liabilities from issuance of securities and other financial liabilities	172,995	-	-	58,158,330	58,331,325
Other liabilities [8]	1,578,002	13,319,585	19,532	1,445,773	16,362,892
Total	**7,951,000**	**15,144,454**	**22,128**	**74,701,128**	**97,818,710**
Guarantees given and other coobligations [9]	-	5,010,636	-	716,003	5,726,639
Consolidated statement of income					
			2020		
Interest income	1,611,195	491,439	471	917,510	3,020,615
Commissions and fee income	37,643	4,760,591	-	512,505	5,310,739
Other operating income [10]	16,322	684,632	-	7,768	708,722
Interest expense	(242,655)	(18,661)	(432)	(3,278,989)	(3,540,737)
Other operating expenses	-	(666,447)	-	(645,923)	(1,312,370)
Total	**1,422,505**	**5,251,554**	**39**	**(2,487,129)**	**4,186,969**

(1) Union (National Treasury and agencies of the direct administration of the Federal Government).
(2) Comprised of the companies listed in Note 26.
(3) Board of Directors and Executive Board.
(4) Includes the most significant transactions with state-owned companies and public companies controlled by the Federal Government, such as: Petrobras, CEF, BNDES, Eletrobras. Government funds such as: Fundo de Amparo ao Trabalhador – FAT, Fundo de Aval para Geração de Emprego e Renda – Funproger. In addition, entities linked to employees and sponsored entities: Cassi, Previ and others.
(5) The Bank constituted the amount of R$ 175 thousand as allowance for losses on loans on transactions with related parties. The reversal of expense was R$ 995 thousand in 2020.
(6) The transactions with the Controller refer mainly to Extension of rural credits – National Treasury transactions, interest rate equalization – agricultural crop and receivables – National Treasury.
(7) Mainly include National Treasury guarantees, billing with registration, among others.
(8) Mainly include derivate financial instruments and financial bills. The Joint ventures and associates' balance mainly refers to amounts payable to Cielo relating to transactions carried out with credit and debit cards issued by the Bank to be transferred by the Cielo to the accredited establishments.
(9) Includes contract of opening of a revolving interbank credit line with Banco Votorantim.
(10) Includes the amount of R$ 320,986 thousand in 2020 related recoveries of costs and expenses from the structure sharing.

In thousand of Reais, unless otherwise stated

	Dec 31, 2019				
	Controlling shareholder [1]	Joint ventures and associates [2]	Key management personnel [3]	Other related parties [4]	Total
Assets					
Loans to financial institutions	-	5,053,651	-	652,514	5,706,165
Financial assets	-	4,294,074	-	397,893	4,691,967
Loans to customers [5]	-	28,189	4,996	16,080,604	16,113,789
Other assets [6]	2,997,540	401,157	-	269,341	3,668,038
Total	**2,997,540**	**9,777,071**	**4,996**	**17,400,352**	**30,179,959**
Guarantees received [7]	-	18,918	-	2,314,822	2,333,740
Liabilities					
Deposits of clientes	5,172,316	554,775	1,480	12,554,973	18,283,544
Securities sold under repurchase agreements	42,337	35,672	-	8,759,749	8,837,758
Liabilities from issuance of securities and other financial liabilities	167,215	-	-	60,741,527	60,908,742
Other liabilities [8]	1,624,112	13,096,727	14,394	1,881,962	16,617,195
Total	**7,005,980**	**13,687,174**	**15,874**	**83,938,211**	**104,647,239**
Guarantees given and other coobligations [9]	-	5,011,026	403	714,055	5,725,484
Consolidated statement of income					
			2019		
Interest income	2,948,688	740,690	463	1,592,603	5,282,444
Commissions and fee income	52,150	4,267,095	13	367,717	4,686,975
Other operating income [10]	39,755	890,775	-	19,771	950,301
Interest expense	(221,731)	(31,393)	(987)	(3,898,748)	(4,152,859)
Other operating expenses	-	(613,932)	-	(919,088)	(1,533,020)
Total	**2,818,862**	**5,253,235**	**(511)**	**(2,837,745)**	**5,233,841**

(1) Union (National Treasury and agencies of the direct administration of the Federal Government).
(2) Comprised of the companies listed in Note 26.
(3) Board of Directors and Executive Board.
(4) Includes the most significant transactions with state-owned companies and public companies controlled by the Federal Government, such as: Petrobras, CEF, BNDES, Eletrobras. Government funds such as: Fundo de Amparo ao Trabalhador – FAT, Fundo de Aval para Geração de Emprego e Renda – Funproger. In addition, entities linked to employees and sponsored entities: Cassi, Previ and others.
(5) The Bank constituted the amount of R$ 1,244 thousand as allowance for losses on loans on transactions with related parties. The provision for allowance was R$ 1,239 thousand in 2019.
(6) The transactions with the Controller refer mainly to Extension of rural credits – National Treasury transactions, interest rate equalization – agricultural crop and receivables – National Treasury.
(7) Mainly include National Treasury guarantees, oil ships, among others.
(8) Mainly include derivate financial instruments and financial bills. The Joint ventures and associates' balance mainly refers to amounts payable to Cielo relating to transactions carried out with credit and debit cards issued by the Bank to be transferred by the Cielo to the accredited establishments.
(9) Includes contract of opening of a revolving interbank credit line with Banco Votorantim.
(10) Includes the amount of R$ 405,713 thousand in 2019 related recoveries of costs and expenses from the structure sharing.

In thousand of Reais, unless otherwise stated

46 – CURRENT AND NON CURRENT ASSETS AND LIABILITIES

	Dec 31, 2020		
	Up to 1 year	After 1 year	Total
Assets			
Cash and bank deposits	16,784,560	-	16,784,560
Compulsory deposits with Brazilian Central Bank	60,308,542	-	60,308,542
Financial assets at amortized cost, net	761,809,186	457,321,060	1,219,130,246
Loans to financial institutions	44,588,690	4,728,765	49,317,455
Securities purchased under resale agreements	463,201,621	3,142,960	466,344,581
Loans to customers	238,686,924	394,715,426	633,402,350
Securities	6,923,925	18,022,139	24,946,064
Other financial assets	8,408,026	36,711,770	45,119,796
Financial assets at fair value through profit or loss	15,670,822	-	15,670,822
Debt and equity instruments	12,143,486	-	12,143,486
Derivatives	3,527,336	-	3,527,336
Financial assets at fair value through other comprehensive income	31,588,803	224,964,507	256,553,310
Non current assets held for sale	500,059	-	500,059
Investments in associates and joint ventures	-	17,906,810	17,906,810
Property and equipment	-	11,275,605	11,275,605
Use	-	8,545,213	8,545,213
Right of use	-	2,730,392	2,730,392
Intangible assets	-	6,225,067	6,225,067
Tax assets	7,153,007	58,803,117	65,956,124
Current	7,153,007	-	7,153,007
Deferred	-	58,803,117	58,803,117
Other assets	4,376,005	19,106,853	23,482,858
Total	**898,190,984**	**795,603,019**	**1,693,794,003**
Liabilities			
Financial liabilities at amortized cost	1,211,456,547	288,715,941	1,500,172,488
Deposits of clients	527,711,085	74,273,180	601,984,265
Amount payable to financial institutions	19,079,862	6,865,520	25,945,382
Securities sold under repurchase agreements	497,004,107	6,718,715	503,722,822
Liabilities from issuance of securities and other financial liabilities	102,457,344	195,718,949	298,176,293
Other financial liabilities	65,204,149	5,139,577	70,343,726
Financial liabilities at fair value through profit or loss	3,098,315	-	3,098,315
Provisions for labor, tax and civil lawsuits	4,241,703	10,277,519	14,519,222
Expected losses for guarantees provided and loan commitments	1,998,886	376,512	2,375,398
Tax liabilities	2,698,362	3,719,144	6,417,506
Current	2,698,362	-	2,698,362
Deferred	-	3,719,144	3,719,144
Other liabilities	36,474,746	2,875,044	39,349,790
Shareholders' equity	**-**	**127,861,284**	**127,861,284**
Total	**1,259,968,559**	**433,825,444**	**1,693,794,003**

In thousand of Reais, unless otherwise stated

	Dec 31, 2019		
	Up to 1 year	Over 1 year	Total
Assets			
Cash and bank deposits	14,171,188	-	14,171,188
Compulsory deposits with Brazilian Central Bank	65,124,107	-	65,124,107
Financial assets at amortized cost, net	677,513,829	399,901,472	1,077,415,301
Loans to financial institutions	32,366,388	5,192,874	37,559,262
Securities purchased under resale agreements	390,469,571	302,834	390,772,405
Loans to customers	224,460,902	355,055,884	579,516,786
Securities	7,925,081	17,497,749	25,422,830
Other financial assets	22,291,887	21,852,131	44,144,018
Financial assets at fair value through profit or loss	3,805,548	-	3,805,548
Debt and equity instruments	2,984,613	-	2,984,613
Derivatives	820,935	-	820,935
Financial assets at fair value through other comprehensive income	29,651,808	142,626,640	172,278,448
Non current assets held for sale	367,764	-	367,764
Investments in associates and joint ventures	-	17,414,813	17,414,813
Property and equipment	-	11,475,080	11,475,080
Use	-	8,042,835	8,042,835
Right of use	-	3,432,245	3,432,245
Intangible assets	-	5,920,549	5,920,549
Tax assets	8,049,319	60,034,154	68,083,473
Current	8,049,319	-	8,049,319
Deferred	-	60,034,154	60,034,154
Other assets	8,186,012	8,024,524	16,210,536
Total	**806,869,575**	**645,397,232**	**1,452,266,807**
Liabilities			
Financial liabilities at amortized cost	1,004,580,031	267,797,686	1,272,377,717
Deposits of clients	437,802,883	47,199,422	485,002,305
Amount payable to financial institutions	26,370,729	3,088,272	29,459,001
Securities sold under repurchase agreements	390,523,489	13,831,838	404,355,327
Liabilities from issuance of securities and other financial liabilities	111,374,733	190,369,835	301,744,568
Other financial liabilities	38,508,197	13,308,319	51,816,516
Financial liabilities at fair value through profit or loss	961,636	-	961,636
Provision for labor, tax and civil lawsuits	8,667,196	4,263,551	12,930,747
Expected losses for guarantees provided and loan commitments	724,798	187,551	912,349
Tax liabilities	2,720,369	3,211,153	5,931,522
Current	2,720,369	-	2,720,369
Deferred	-	3,211,153	3,211,153
Other liabilities	36,549,915	12,631,542	49,181,457
Shareholders' equity	**-**	**109,971,379**	**109,971,379**
Total	**1,054,203,945**	**398,062,862**	**1,452,266,807**

In thousand of Reais, unless otherwise stated

47 – OTHER INFORMATION

a) Cassi

On July 22, 2019, the National Agency of Supplementary Health (ANS) published Operational Resolution 2,439, which establishes a fiscal administration at Cassi. ANS clarifies that the fiscal administration regime is not an intervention. The agency has appointed a tax director, with no management powers at the operator, to evaluate Cassi's situation in person. The director will analyze the remedial measures proposed by the operator and subsidize the ANS in its decisions. The fiscal administration has a duration of up to 365 days and the regime may be renewed.

After 90 days subject to a financial accounting audit, the ANS issued the Directive Instruction 12, on October 23, 2019, ratifying that Cassi meet the precepts required by accounting control standards and recommended two specific adjustments. Moreover, the Fiscal Director gave 30 days to present a Sanitation Program, which must imply actions and goals to revert all the noncompliance indicators.

On October 31, 2019, the Bank announced that the Board of Officers has approved a new proposal for Bylaw reform presented by the Deliberative Council of Cassi. On November 28, 2019, the Bank announced that associates approved the new proposal. In 2019, there was an additional administrative expense of R$ 549 million, related to funding the new model that was recognized in Personnel expenses.

On January 17, 2020, the Bank published Transaction with Related Party informing the settlement of the Bank's contractual obligation to the Group of Indirect Dependents (GDI), belonging to the Associates Plan, managed by Cassi, for the amount of R$ 451 million. The settlement of this obligation represents a decrease in the Bank's provisions, resulting from CVM Deliberation 695/2012, this not generating a financial impact on Banco do Brasil.

On January 20, 2020, the Bank published Transaction with Related Party informing the following resources were made to Cassi, retroactive to January, 2019: a payment of the Management Fee, in the amount of R$ 124 million about the Administration Fee, and a payment of the Employer's Contribution on Dependents of Cassi's Associates Plan, for the amount of R$ 425 million. The increase in expenses does not impact the actuarial liability, calculated in accordance with CVM Deliberation 695/2012.

On June 15, 2020, ANS published the Operational Resolution 2,556, announcing the end of the special fiscal administration at CASSI. The decision attests that CASSI regularized all the economic and financial indicators that led to the establishment of fiscal administration in July 2019 and fulfills the projections that make up the Sanitation Program, presented to ANS in December of the same year.

b) BB Seguridade share capital reduction

On September 25, 2019, the Board of Directors of BB Seguridade Participações S.A., a subsidiary of Banco do Brasil, approved the submission of a proposal to the Extraordinary Shareholders Meeting to reduce the share capital in the amount of R$ 2.7 billion, without cancelling shares, for considering it excessive, pursuant to article 173 of Law 6,404/1976.

On October 30, 2019, the BB Seguridade’s Extraordinary Shareholders Meeting approved the proposal to reduce the share capital, that was effective 60 (sixty) days after the meeting’s protocol.

With this approval, the Bank has received, as a refund of part of the value of its shares, the approximate amount of R$ 1.8 billion. This amount did not affect the Bank's results.

In thousand of Reais, unless otherwise stated

c) Assignment of credit portfolio

On July 1, 2020, the Bank assigned a loan portfolio, mostly in losses, to the Non-Standardized and Exclusive Credit Rights Investment Fund (FIDC-NP), managed by BTG Pactual Serviços Financeiros S.A. DTVM.

The assigned portfolio has a book value of R$ 2.9 billion and the financial impact of the transaction was R$ 371 million, before taxes, recorded in 2020 net income.

d) Call option for perpetual debt security

Banco do Brasil exercised on October 20, 2020 the call option of the total perpetual debt security issued in 2009 (Banbra 8.5%), in force under the Basel II rules. The redemption was for 100% of its face value and interest accrued and unpaid to date, amounting R$ 4.953 billion (Note 34.d).

The redemption was paid in cash and will not have any significant impact on the institution's liquidity and capital levels.

e) COVID-19 Pandemic

In 2020, the world economy was negatively impacted by the spread of respiratory disease caused by the new Coronavirus (Covid-19), raised to the level of a pandemic by the World Health Organization (WHO).

Banco do Brasil adopted several preventive measures recommended by specialists, by the Ministry of Health and by the authorities of the countries where it operates, reaffirming the commitment to the health and safety of employees, collaborators, customers and the society.

At the same time, Banco do Brasil is working to guarantee quality financial services, being prepared to continue attending its demands, as communicated to the market on March 24, 2020.

Among the measures taken, it stands out:

Collective Labor Agreement (CLA)

The Bank signed the Collective Labor Agreement (CLA) with Union Entities on July 16, 2020, reaching to minimize Covid-19 impacts. The new rules are specific to this period and temporary, and they are valid up to 2 (two) years from the signing date. Main themes celebrated in the CLA:

- working from home, remote work or home office: prioritized use by risk group employees.
- vacation: must be informed up to 5 days before the absence date, there will be preserved 15 days from the acquisition period to be used in the future, when anticipating. In addition, an allowance on Apr 7, 8, 9, 28 and 29, 2020 to the employees who received a vacation notice at the initiative of the company and were in a situation other than “real workforce”.
- bank of negative hours: applies to all employees subject to journey control, without the need for accession; 18-month deadline to compensate for negative hours made since April 7, 2020; in order to use the hour bank, the need for negotiation between the employee and the manager remains; 10% discount on the negative hours accumulated until July and on the month-to-month balance from August to December, 2020.
- other commitments arising from the negotiation: no decommissioning due to performance during the pandemic; possibility of using the positive balance of the hour bank, together with other situations of absences, for post-pandemic rest, primarily for employees who are in person attendance; maintenance of the possibility, even if on a rotating basis, of the manager paying 1 or 2 hours for employees who are in person at the branches.

Additionally to signing the agreement, the Bank adopted these actions:

Employees and collaborators

- communication with employees, guiding constantly about work conditions and customer service, according to the disease evolution in the country.
- creation of a Strategic Group for the Crisis Management to properly deal with the matter, ensuring uniqueness and opportune dissemination of information to the internal and external public.
- suspension of international and national travels.
- replacement of physical meetings for videoconferences and audioconferences.
- increased cleanliness and sanitation of the ambience and spaces.
- work leave for 14 days of employees who have symptoms and who had contact with confirmed or suspected cases (social isolation).
- work leave for seven days of employees arriving from any country from the date of departure of any foreign country (social isolation).
- prioritization of home office according to the process criticality and to the type of work, and for employees considered as group of risk.
- distinguished working hours, change on vacation period and licenses.

Customers and users

- securing essential banking services to the population, prioritizing the continued supply and operation of ATMs in self-service rooms.
- providing physical assistance for services considered essential, exceptionally at the branches.
- special hours (9 am to 10 am) exclusive for INSS retirees and the public of greater risk.
- encouraging the use of digital channels for services through internet and mobile phones, expanding access to other customer profiles for customer service through messages, as well as the possibility of performing banking transactions directly by messages app for all the customers.
- availability of up to R$ 100 billion of loans to individuals, companies, agribusiness, in addition to health supplies for city halls and governments. The funds refer to existing credit lines, mainly consumer loans and working capital.
- complying with the note issued by Febraban on March 16, 2020, and in order to minimize the momentary impacts of this situation, the bank is offering an option to extend the installments falling due in the next 60 days, upon the customer's manifestation, available in the Bank's digital channels. Customers can also adjust their financial commitments, through loans renegotiation, with a grace period for payment of the first installment between 60 and 180 days, depending on the loan line, and the payment term lengthening. This renegotiation process is also available through digital channels.

Society

- resources donation by the Group companies to promote pandemic combat actions.
- Fundação Banco do Brasil performance in actions to implement assistance and awareness projects with communities.

Banco do Brasil continues to evaluate and monitor the potential impacts on the credit portfolio, considering the various segments and sectors and has adopted proactive measures for risk management.

In addition, the Bank is working to preserve the regularity of its activities and the continuity of operations.

Accounting and capital implications of Covid-19 effect

The Covid-19 pandemic crisis is significantly affecting the economic environment of countries affected by the virus. Despite the mitigating actions adopted to date, implications for the Bank's financial statements are expected. The main reflexes and measures are presented below.

Main judgments and uncertainties

Because of the uncertainties caused by the Covid-19 pandemic scenario, the Bank revised some judgments and estimates historically adopted so that the accounting information derived from these judgments and estimates would reflect with higher reliability the equity position and the results for the period disclosed.

In thousand of Reais, unless otherwise stated

e.1) Consolidation

Despite the challenging economic scenario arising from the confrontation of the pandemic, Banco do Brasil Conglomerate did not carry out corporate restructuring or increased significant intra-group transactions that were not initially foreseen by the Bank's Management, so that there were no changes in the Conglomerate's consolidation process.

e.2) Profit distribution

According to the Material Fact released on January 25, 2021, the Board of Directors approved, in accordance with CMN Resolution 4,885, dated December 23, 2020, which amended CMN Resolution 4,820, dated May 29, 2020, the payout ratio of 35.29% for the fiscal year of 2020.

e.3) Risk and capital management

- capitalization – sufficiency for protection in a stress event.

Releasing the Capital Conservation Buffer – CMN Resolution 4,783/2020

The Capital Conservation Buffer (CCoB) was reduced from 2.5% to 1.25% with an additional year to gradually reestablish the original buffer rate by March 2022. The measure aims at strengthening banks confidence in providing credit, supporting the credit flow. Expected impact: a capital relief (specifically banks' CET1 capital) — creating room for credit supply expansion.

FX overhedge of equity abroad – CMN Resolution 4,192/2013 (amended by CMN Resolution 4,851/2020)

The measure establishes no capital deduction for the tax effects arising from the FX hedge operations of banks foreign equity investments. Banks hedge their investments on equity held abroad in order to obtain protection against Exchange rate (FX) fluctuations. Specifically, the measure provides financial institutions with confidence to implement or expand their credit grant plans.

- liquidity – sufficiency to withstand long periods of stress.

Enhancement of the Leverage Coverage Ratio's (LCR) regulation – Bacen Circular 3,986/2020

The measure safely reduced liquidity requirements for Brazilian institutions. The reduction in the need for financial institutions to carry other high-quality liquid assets will allow an expansion in the ability to grant credit.

- credit, market and business – strategy to mitigate increased volatility in earnings (such as concentration limits and incentives to diversify revenues).

- operational risk – identification and mitigation of operational risk events (remote work, occurrence monitoring, fraud prevention).

- reputation – monitoring the assertiveness of the measures and their impacts in order to mitigate any negative consequences on the brand value and reputation.

- credit risk – monitoring, provisioning, policy review and risk appetite.

e.4) Impairment of assets

Banco do Brasil carried out studies to identify whether its non-financial assets showed signs of devaluation due to the reduction in their value in use or by discounted cash flows, which may indicate an impairment os assets.

The Bank did not identify relevant impacts on the recoverable amounts of property, plant and equipment, investments and intangibles.

In thousand of Reais, unless otherwise stated

e.5) Fair value of financial instruments

As established in the risk and capital management item, Banco do Brasil adapted its procedures for daily monitoring of the financial market, carrying out simulations and projections that aimed to identify significant variations in the fair value of the financial instruments.

The Bank revised mark-to-market models to take into account the possible impacts of the Covid-19 on the economic and financial indicators used in the projection of scenarios, especially in the calculation of the fair value of financial instruments classified at level 2 and level 3 in the fair value hierarchy.

Changes in the fair value of the financial instruments, caused by the Covid-19 and so far identified, have already affected these financial statements.

There was no change in the business models of Conglomerate's securities that may give rise to a change in the category of financial instruments.

e.6) Expected loss on loan to customers

The pandemic caused by the Covid-19 generated an increase in the credit risk of customers located in the main affected countries, in which there was a noticeable reduction in economic activity and, therefore, possibly in the ability of these customers to honor their contracts.

However, within the scope of regulation, the CMN, through the Bacen, has established measures to mitigate the impacts on resource funding, credit operations, credit provision and regulatory capital.

The Bank monitors the macroeconomic environment and the effects of Covid-19 through the analysis of scenarios and stress tests, weighing them in the expected loss estimates and the possible impacts on the result and capital.

As of the date of this report, in view of the adjustments made by Bacen in monetary policy to face the effects of the pandemic, notably in the reduction of interest rates in the economy, there are incentives to credit operations term extension and increase the expected loss compared to 2019.

e.7) Use of activated tax credits

Studies were carried out to take advantage of the activated tax credits, in view of the projections of results from the Bank or its subsidiaries.

The study concluded that there will be no change in the expectation of realization of tax credits.

e.8) Impacts in the discount rate and in the fair value of assets guaranteeing defined benefit plans

In 2020, the Bank identified an increase in the discount rate used in actuarial calculations, due to changes in the fair value of Brazilian government bonds, as well as a reduction in the fair value of certain assets guaranteeing defined benefit plans, including publicly traded company shares. These effects jointly generate net adjustments to actuarial liabilities, with an impact of R$ 8.4 billions in shareholders' equity, net of taxes (Note 44.d.5). However, given the situation of uncertainty at the present economic moment, we observe that these two premises have presented important fluctuations to follow-up.

e.9) Provisions for labor, tax and civil lawsuits

The Bank reassessed the risks involved, especially with regard to civil and labor claims, with no relevant impacts identified so far, in view of the existing provisions.

e.10) Restructuring plans

There is no expectation that restructuring will occur, such as the sale or closing of part of business or the reduction of operations due to the Covid-19 crisis.

In thousand of Reais, unless otherwise stated

e.11) Other possible identified/expected effects

Governmental assistance

During the pandemic confrontation period, governmental and regulatory measures took place that provided support to the business and improved the Bank's performance. We list some of these measures and their impacts in National Financial System:

Taxes

Postponement of tax collection, in compliance with ordinance Ministry's of Economy 139/2020. The Group did not adopt the option granted.

Business support

Reduction of the IOF tax rate charged to borrowers of loans (Decrees 10,305, 10,414, 10,504, 10,551 and 10,572/2020). Reduction to zero of IOF rates on loans specified in the Decrees, acquired between April 3 and November 26, 2020 and between December 15 and December 31, 2020.

Emergency Employment Support Program provides emergency payroll financing for small and medium-sized businesses – CMN Resolution 4,846/2020

The program was instituted by Law 14,043 on August 19, 2020. Total amount of the credit goes down to R$ 29 billion, of which R$ 12 billion on guarantees for loans of Pronampe (Programa Nacional de Apoio à Microempresas e Empresas de Pequeno Porte) and R$ 17 billion to be injected from de federal government on the BNDES (Banco Nacional de Desenvolvimento Econômico e Social) for funding the credit line. The resources are still 85% from the BNDES and the remaining from participating financial institutions. The measure provides for return to federal government up to 50% of resources that had not been passed to the banks as of September 30, 2020. In 2020, the Bank lent the amount of R$ 8.0 billion on the program.

Additional reduction in reserve requirements – Bacen Resolution 21/2020

The Resolution revoked the Bacen Circular 3.993/2020, however, in this Resolution, the Central Bank maintained a 17% reduction in rate up to March/2021. The measure aims to the strategic increase of liquidity to the economy. The releases adds up to the amount of R$ 50 billion already released from March 16, 2020 due to the previous reduction from 31% to 25%.

Dollar sovereign bond repos – Bacen Circular 3,990/2020

The Bacen started to offer liquidity operations in US dollars through the purchase with a resale commitment (repos) of Brazilian sovereign bonds denominated in dollars (global bonds) held by national financial institutions. The Bacen will purchase the bonds at a 10% discount compared to market prices. This measure aims to ensure the smooth functioning of the markets and were effective on March 18, 2020.

New Time Deposit with Special Guarantees – CMN Resolution 4,785/2020

The New Time Deposit with Special Guarantees (NDPGE) is an additional option for fundraising accessible to the financial institutions associated with the Credit Guarantee Fund (FGC). It is about the possibility of these institutions taking deposits guaranteed by the FGC, which also contributes to the continuity of the credit offer for the real sector. The FGC coverage, previously limited to R$ 20 million, was increased to R$ 40 million per holder. This guarantee does not involve public funds, since the FGC is a 100% private entity.

In thousand of Reais, unless otherwise stated

Flexibility in Agribusiness Letters of Credit (LCAs) – CMN Resolution 4,787/2020

The calculation basis was adjusted in order to allow more institutions to raise funds with LCAs, increasing their liquidity. Thus, the funds application rules from agribusiness funding activities were relaxed.

Loan backed by debentures – CMN Resolution 4,786/2020

The Bacen now has the possibility to grant loans backed by debentures (private securities) to financial institutions. The resources that financial institutions compulsorily maintain in their reserve accounts with the Bacen also guarantees these operations, eliminating the risk to the monetary authority. This is a Special Temporary Liquidity Line which aims to guarantee liquidity and the normal functioning of the private corporate credit market during the crisis.

Greater possibility for banks to repurchase their own financial bills – CMN Resolution 4,788/2020

The largest banks will be able to repurchase a larger volume of their own financial bills. As a result, holders of these securities (mostly investment funds) will find it easier to redeem the funds invested, if necessary. The allowed repurchase percentage went from 5% to 20%.

Loan backed by financial bills guaranteed by credit operations

The Bacen is developing legal and operational framework for granting loans to financial institutions with the guarantee of the institutions' credit portfolios. The measure will provide liquidity and guarantee the normal functioning of the credit market in the country.

Injection of longer-term funds by Bacen via repo operations backed by Federal Public Securities

In times of crisis, institutions may find it difficult to access liquid resources for longer periods. In order to provide liquidity to the SFN, Bacen started to offer longer repo operations at the donor end, through its open market operations. As a result, institutions can obtain liquid resources for longer terms as opposed to the demand for very short-term liquidity by market agents. This measure also facilitates the management of liquidity in its balance sheets, as it provides a reduction in the cost of maintaining a longer-term portfolio (duration cost).

US dollar liquidity swap line

The Bacen established a US$ 60 billion liquidity swap line in cooperation with the Federal Reserve (FED). The line expands the potential supply of dollars in the domestic market and does not imply economic policy conditionalities. If necessary, it can be used to increase the funds available for operations in the foreign exchange market by the Bacen. The swap agreement between the Bacen and the FED will remain effective for at least six months.

Working Capital Program for the Preservation of Companies (CGPE)

On July 16, 2020, the Provisional Measure 992/2020 was issued, which provides, among other purposes, for the financing to micro and small and medium-sized companies within the scope of the Working Capital Program for the Preservation of Companies (CGPE). In addition, it provides for the use of presumed credit calculated based on credits arising from temporary differences and the sharing of fiduciary alienation. On July 21, 2020, the Resolution CMN 4,838 was issued, which provides for credit operations contracted within the scope of the CGPE. In 2020, the Bank registered the amount of R$ 10.2 billion in program operations.

In thousand of Reais, unless otherwise stated

48 – SUBSEQUENT EVENTS

a) Review and resizing of the organizational structure and incentive termination

As disclosed in the Relevant Fact to the market on January 11, 2021, the Bank approved a set of measures related to the revision and resizing of its organizational structure, in line with the strategic objectives of centrality in the client and increase of operational efficiency.

The full implementation of the measures is expected to occur during the first half of 2021, providing efficiency and optimization gains in 870 service points in the country, including:

(i) deactivation of units;
(ii) conversion of branches into service stations and service stations transformed into branches;
(iii) transformation of business units into BB Stores, without cashier counters, with a greater vocation for advisory and relationship;
(iv) shared relocation of business units; and
(v) creation of specialized branches for agribusiness customers and Leve Digital Offices (specialized services to customers with digital maturity).

The reorganization of the service network is being adapted driven by the new profile and behavior of customers and includes, in addition to the structure optimization measures described above, other revision and resizing measures in the directorships, support areas and service network, favoring the specialization of service and expanding the offer of digital solutions.

Furthermore, with the measures, the Bank expands its capacity of serving customers with managed advisory, expanding relationship and businesses and enhancing satisfaction and loyalty.

At the same time, two modalities of voluntary termination incentive program were approved: the Staff Adequacy Program (PAQ), in order to optimize the distribution of the workforce, addressing the situations of vacancies and excesses in the bank units, and the Extraordinary Dismissal Program (PDE), available to all employees that meet the prerequisites. The Programs have specific regulations that define the rules for adhesion.

After completing the phase of voluntary expression of interest in the incentive termination programs, the terminations of 5,533 employees in the PAQ and PDE were validated, whose financial impacts are estimated at R$ 794,828 thousand, in the year of 2021.

b) Tax rate increasing

On Mar 3, 2021, there was issued a law amendment increasing the CSLL tax rate payable by the financial sector entities.

The CSLL was fixed at 25%, up to Dec 31, 2021 and 20% as of Jan 1, 2022. In addition, according to the amendment, the measure comes into force on the 1st day of the 4th month following its publication.

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MEMBERS OF MANAGEMENT

CHIEF EXECUTIVE OFFICER (CEO)
André Guilherme Brandão

VICE-PRESIDENTS
Bernardo de Azevedo Silva Rothe
Carlos José da Costa André
Carlos Motta dos Santos
Carlos Renato Bonetti
Gustavo de Souza Fosse
João Pinto Rabelo Júnior
Mauro Ribeiro Neto

BOARD OF DIRECTORS
André Guilherme Brandão
Débora Cristina Fonseca
Fabio Augusto Cantizani Barbosa
Hélio Lima Magalhães
José Guimarães Monforte
Luiz Serafim Spinola Santos
Paulo Roberto Evangelista de Lima
Waldery Rodrigues Júnior

DIRECTORS
Ana Paula Teixeira de Sousa
Antonio Carlos Wagner Chiarello
Camilo Buzzi
Carla Nesi
Edson Rogério da Costa
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