Consolidated Financial Statements IFRS

Year 2019

BANCO DO BRASIL

Index

Earnings Summary

Dear **Shareholders**, **Clients** and **Employees**

This is a very special moment for Banco do Brasil, the year 2019 reflects the strategy of improving the customer experience, the use of analytics to better understand the preferences of our customers and offer products and services considering these variables, and the specialization in service, among other aspects.

We ended 2019 with consolidated net income of **R$18,888 million**, an increase of R$3,802 million (+25,2%) compared to the previous year, implying an increase in Return on Assets (ROA) to 1.3%, from 1.1% in 2018.

The return on equity (ROE) evolved to 15.6%, an increased 1.7 p.p. compared to 2018. The 6.1% growth in **income from Financial Intermediation**, which reached R$53,799 million, was one of the causes to increasing profitability. The strategy of changing the mix of loan assets had positive effects, due to the increase in disbursements in lines with better spreads. Additionally, contributed to improving performance the 7.9% growth in fee income, partially offset by the increase 8.1% in administrative expenses.

The fee income grew by R$1,735 million compared to 2018 and reached R$23,717 million, which demonstrates the success of our strategy focused on relationship and the best customer experience, with constant and increasing service specialization and innovation in financial products offering, appropriate and customized to the profile of each client. We offer more convenience and specialized service, which contributes to increase our customer's satisfaction. Consequently, in the Central Bank's Complaints Ranking we ranked 5th in the first two quarters and 6th in the last two.

For the best convenience of the Companies segment customers, we offer more than 60 transactions available on mobile. In addition to digital solutions, we have specialized service for the SME segment, expanding the service network throughout the year, reaching at the end of 2019, 215 specialized units dedicated to serving Small and Medium Enterprises. In October 2019 we held the 2nd Edition of MPE Week, a promotional event to engage companies in the segment that reinforces the improvement of the customer experience. The event had the registration of 35.7 thousand companies, which made available more than 38.2 thousand offers. During the event, the promotional website had more than 4.5 million accesses.

In the Corporate segment, we seek to attend the financing demands of our clients through our investment bank (BB BI) in market funding and issuance. This new market dynamic brings greater turnover in the Bank's balance sheet, as it shortens the duration of assets and increases the turnover of transactions, which explains the reduction in the loan portfolio balance for Large Corporate. This strategy is in line with the country's economic situation, contributing to foster the development of the capital market in the country, including for the individual segment, meeting the financing objectives of our clients in the Large Companies segment, with more efficient allocation of Bank's capital.

The Public Segment market has specialized branches, present in all the capitals of the Brazilian states, and Government Business Platforms, focused on the business relationship with the municipalities. The Government Business Platform is led by a team specialized in solutions to municipal management, with intensive use of digital solutions for interaction and doing business with customers.

Support for agribusiness is a fundamental part of our strategy. For the “Plano Safra 2019/2020”, we made available a volume of R$103 billion, of which R$91.5 billion for rural credit and R$11.5 billion for agro-industrial credit. In the first half of this crop, the use of risk mitigators in working capital for inputs purchase loans reached 57.7% of the total.

We are the biggest partner of the rural producer. In addition to traditional agribusiness credit solutions, agribusiness companies have our support for issuing Agribusiness Receivables Certificates (CRA) and Agribusiness Credit Rights Certificate (CDCA) to raise funds at attractive interest rates and suitable for the customers profile. In addition, we created the BB Agro Options, a product offered to agribusiness producers to protect production against price changes for the main commodities. The strategy of specialized advice to *Megaprodutor* Private stood out with advice on equity succession, solutions in derivatives, financial management, offshore and onshore credit.

The protagonism in agribusiness is supported by excellent service with the wide use of specific technological solutions for the segment. **Our agribusiness is more than digital**. We innovate with Digital CPR, a solution that allows the client to issue several bills without having to go to the branch, and with Digital Costing, which makes it possible to send credit proposals at any time, even outside the branches' office hours. We are the largest Brazilian agribusiness partner, with a 55.4% market share.

Asset Management. We reached R$1.056 billion in AUM by BB DTVM, and a 22.4% market share in this segment, as a result of the effort to offer investment products through our network and digital channels, in addition to the diversification of the portfolio and the credibility achieved by our brand.

The *Unidade Captação e Investimentos* (UCI), a structure specialized in the strategy and development of solutions investor clients, increased the number of investment specialists to advise investors, in addition to the launch of cutting-edge solutions such as Robot Advisor and chatbot for investor profile analysis (API).

In addition to innovative solutions, this UCI promotes financial education for investors and non-investors, with intensive use of social media and simple, fun and direct communication. Only On YouTube, the BB channel's InvesTalk playlist had over 18.5 million views.

1. Highlights

2019 'Bank of the Year in Brazil' Award

We received the "Bank of the Year Brazil 2019" award, one of the most important in the global financial sector that recognizes the institutions of excellence in the global banking system. The award is from the British magazine The Banker, of the Financial Times, the first finance publication to follow banks around the world since 1926 and recognized our financial inclusion initiatives and sustainable businesses that create value for customers and the community.

The Most Sustainable Bank in the World

We were considered the most sustainable bank in the world in the Global 100 ranking of 2019, by Corporate Knights. The announcement, made at the World Economic Forum in Davos, Switzerland, lists Banco do Brasil in first place in the financial segment and in eighth place in the world ranking, among more than 7,500 companies from 21 different countries. One of the highlights for the ranking was our allocation of R$193 billion in sectors of the Green Economy in 2018, values identified using the methodology of the *Federação Brasileira de Bancos* (FEBRABAN) and in credit lines with specific purposes.

In 2019, we joined the New York Stock Exchange's Dow Jones Sustainability Index (DJSI) in the World portfolio and for the 7th consecutive year in the Emerging Markets portfolio. The index brings together companies with the best sustainability practices from around the world, and is a reference for asset management institutions, which use this index for their investment decisions.

We are listed for the fourth consecutive year on the FTSE4 Good Index Series, a London stock exchange index that evaluates and ranks companies with best environmental, social and corporate governance (ESG) practices and, for the 15th consecutive year, listed on the B3 Corporate Sustainability (ISE) for 2020, which brings together shares of publicly traded companies with the best practices in corporate sustainability.

Public Offering

We joined the Bank's Follow-on with the sale of 132,506,737 shares, 64,000,000 of which belonged to the Bank itself and were held in treasury and 68,506,737 belonged to the *Fundo de Garantia por Tempo de Serviço* (FI-FGTS). The transaction was concluded in October 2019 at a price of R$44.05 per share. With a total volume of R$5.8 billion, the operation stands out as the 4th largest stock offering in 2019 and the largest for a Brazilian bank since 2010. The operation had the demand of 144 institutional investors and 84.3 thousand individuals investors, who registered more than R$7 billion in orders, of which R$2.1 billion were from our Private Segment customers. After the book building, 29.2 thousand individual investors were allocated, of which 21.2 thousand (73%) were our customers. **Customers, society and the market recognize our qualifications**.

Binding Agreement BB and UBS

In November 2019, we published a Material Fact informing that Banco do Brasil and UBS entered into a binding Association Agreement to form a strategic partnership to operate in investment banking and securities brokerage activities in Brazil and other countries in South America.

In the Agreement, the association will be formed through the creation of a holding company, which will count on the contribution of ours and UBS' assets. After the contributions of the two shareholders, the company will have its total share capital divided at the rate of 50.01% for UBS and 49.99% for BB.

The strategic partnership will create an investment banking platform that combines our relationship capacity in the country with UBS's global distribution platform and expertise. The partnership includes, in addition to investment banking activities, the existence of an institutional securities brokerage in Brazil, expanding capacities in the domestic market. It was approved by the Administrative Council for Economic Defense in December 2019. The implementation of the partnership is subject to the fulfillment of previous contractual conditions and approval by the Central Bank.

Divestments

In 2019, following what was established in its master plan to review its portfolio of investments, we sold non-strategic assets, such as *Cibrasec*, SBCE and *Neoenergia*, focusing *on* activities related to the banking business.

BB *Seguridade* sold the indirect interest in the capital of IRB - *Brasil Resseguros* S.A., with a positive impact on the result of the third quarter of 2019 and a positive residual increase in the capital.

We started the liquidation of BB *Turismo*. BBTur is indirectly controlled by BB through its wholly-owned subsidiary, BB Cayman Islands Holding.

Retail Specialization

The service specialization is supported by four pillars. The first is the **customer**, which is the center of our strategy, which has the search for excellent service as its essence, guaranteeing the delivery of the most appropriate value proposal for each type of customer. The second is the **result**, achieved through operational efficiency and value generation by simplifying the commercial strategy. Another pillar are **solutions**, which help by optimizing processes and integrated management of channels and customer service. Finally, the **organization**, which seeks to align retail management at the strategic, tactical and operational level.

We ended 2019 with 4,356 branches, compared to 4,722 in 2018. Highlight for the specialized network, which ended 2019 with 655 specialized units (High Income, Company, Agro, Government and Public Sector), growth of 75.6 % in 36 months, and 1,185 specialized retail branches focused on serving all customer segments, providing support to the specialized network, with a relevant presence in the capitals and which has excellent service as a vocation.

In December 2019, the specialized retail model reached 479 municipalities and 1,767 branches. The highlight was the 5.26% increase in the number of services made within the desirable time and 2.09% reduction in the rate of passwords abandoned in the service of the branches.

In 2019, we advanced with the strategy of specializing relationships with investor customers, self-employed and companies' partners, in addition to rural producers and high-income customers. With the specialization, it was possible to guide the actions of the sales force, converging business induction to the availability of solutions that make it possible to enhance the financial gains of these customers, improving their experience and promoting an increase in their level of satisfaction.

Salary Receiving Customers Strategy

We are the main salary-receiving customers' bank in the country and the results recorded in the period were positive in favor of receiving new salaries, reinforcing this market recognition. This behavior is mainly motivated by the attributes of solidity and safety, in addition to the broad portfolio of products, innovation and benefits offered in the relationship. **We are the preferred bank of Brazilians for receiving salaries.**

Young Clients

We reviewed the strategy of action with the young public considering our strategic drivers and the behavioral changes of this public from 18 to 28 years old.

Based on improvements in products and services, such as the digital opening of the account through the application and the reformulation of the Ourocard card, now with no annual fee available also for non-account holders, we carried out communication actions with young public. In addition to advertising campaigns in media with high affinity with this audience, we also carried out promotional actions in 14 Brazilian universities and places of great circulation for young people. At the end of 2019, the opening accounts for college students increased by 43%.

Advantages and Benefits

In 2019 we launched the new benefits platform, BB Advantages. In the BB App and on the Internet banking, the customer has access to an exclusive area, with all the advantages and benefits of relating to the Bank, such as discounts at partner companies, promotions in products and services, as well as benefits at events sponsored by others. The platform has received over 60 million hits since launch.

In order to offer differentials in the relationship with customers, we carry out great promotional actions on opportunity dates. During Brazilian Week and Black Friday, for example, we offer special offers on products and services, as well as promotions with partner companies. The actions resulted in increases in the hiring of products that reached brands on average 140% higher than the normal offer periods.

Launched in 2018, the BB Benefits Club reached a total of one million hires at the end of 2019. It is a financial advantage club, which returns monthly fees to Individuals in digital rewards, physical stores or points *Livelo*, in addition to giving access to special conditions in our products and services.

Following next, main highlights and other relevant facts of our performance in the 2019:

January

We were recognized by popular vote as the “App of the Year” in the Mobile Banking category in the second edition of the CanalTech Award (2018 edition) with 29.4% of the votes. The award aims to publicly recognize the work of the companies and professionals that stood out in the technology sector in Brazil throughout the year, whether through their products, services or professional performance.

We disclose the new Investor Relations (IR) portal, with a modern and responsive layout, offering a better experience for browsing on smartphones and tablets. The portal facilitates access to information, reinforcing BB's commitment to transparency and convenience in its relationship with the market.

February

We ranked first in the Central Bank Focus Survey (a survey that measures the enhancement of predictive ability and recognizes analytical effort). We ranked first in the indicators “IGP-M - Annual Medium Term” and “IGP-M - Annual Long Term” and second in the indicator “Exchange Rate - Annual Medium Term” in the “Top 5 Annual Ranking” of 2018.

We participated in the 31st edition of the *Rural Coopavel* Show in Cascavel - PR. One of the highlights of the event was the first Digital Rural Show, which focused on technology and innovation as factors for the development of sustainable agribusiness productivity.

March

We raised senior public debt through the Euro Medium Term Note Program, in the amount of US$750 million, maturing in March 2024 and with a coupon of 4.75% per year. The notes were offered abroad to institutional investors.

We received the award, in the innovation category, for “best cognitive assistant” at the Bots Brasil Awards 2019.

April

We were present in another edition of *Agrishow*, the largest technology festival for agribusiness in Brazil, where we provided R$1 billion real to receive proposals and mobilized more than 200 employees to attend and generate business during the event.

We participated in the 18th edition of *Tecnoshow Comigo* 2019, held in Rio Verde – GO, one of the most important agricultural technology festivals, focusing on machinery and equipment sales. The event was attended by 118 thousand visitors and 580 exhibitors, in an area of 60 hectares, where we presented various solutions to simplify the life of the farmer and prospected, with the assistance of more than 100 of our employees, over R$1 billion in proposals.

We support the XXII March to Brasília in Defense of the Municipalities, considered the largest meeting of municipal mayors in the country. The event had about nine thousand participants, including mayors, secretaries and other municipal managers, to exchange experiences on topics that impact the public administration. Banco do Brasil presented solutions for city halls, strengthening its performance as a partner in the implementation of public policies.

May

We sponsored the 12th edition of *Agrobrasília*, an international festival and showcase of technologies for agribusiness. During the 5 days of the event, we received more than R$400 million in proposals ranging from rural credit, agricultural and livestock insurance and consortium (tractor and truck, rural mortgage, livestock, solar energy system and cattle genetic material acquisition).

Within the strategic objective of disposing of assets that are not part of our core business, we sold our participation in the Seguradora Brasileira de Crédito à Exportação (SBCE) to Compagnie Française D´Assurance Pour Le Commerce Extérieur (Coface).

June

Our research analysts were recognized in the Broadcast Analyst Ranking, conducted by *Agência Estado*, winning the third and seventh places among the top 10 awarded by the institution. Since 2013, *BB Investimentos* has been present in the Broadcast Analyst Ranking.

We received the award for Most Innovative Institution in Latin America by The Innovators 2019 - Global finance for the case “Digital Financial Assistance using WhatsApp”;

We were present at the ABF Franchising Expo, the largest franchise fair in the world, sponsoring the event and holding a first Ideathon BB Franchise with micro and small business customers, a marathon of ideas and the development of solutions to issues that affect the franchisees' daily lives.

We alienated, through a Secondary Public Offering of Shares, 9.35% of Neoenergia's shares held by BB *Banco de Investimentos* S.A. (BB-BI).

July

We alienated, through a Secondary Public Offering of Shares, 15.23% of IRB – *Brasil Resseguros* S.A. (IRB) common shares, owned by our subsidiary, BB *Seguros Participações* S.A. (BB *Seguros*). We work, through BB-BI, as a leader in this operation, considered the 2nd largest Offer of Shares in Brazil in 2019.

In continuity with the strategy of selling assets that are not part of our core business, we sold all of our participation in *Companhia Brasileira de Securitização* (Cibrasec) with residual impacts on the result and capital.

We launched the *InvesTalk* Playlist on the BB channel on Youtube. The program includes videos on the economic scenario, behind the scenes, tips and chats. We highlight the “*Deseconomês*” program, which aims to make the investment world uncomplicated and, to help those who are looking to diversify their applications, the “*Carteiras Sugeridas*”, in which the investment suggestions of the BB team for that month are presented, in addition to the recommendations purchase, sale and maintenance of shares prepared by BB *Investimentos*. The channel has already reached over 18.5 million views.

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's units. At the end of the movement, more than 2.3 thousand employees leaved the Bank.

August

We hereby announce that the Federal Government has indicated its intention to sell its participation that exceeds BB's shareholding control, corresponding to 20,785,200 shares. Subsequently, the Ministry of Economy requested the transfer of this surplus to the *Banco Nacional de Desenvolvimento Econômico e Social* (BNDES), with the purpose of being included in the *Programa Nacional de Desestatização* (PND).

We revitalized our investment fund portfolio, with an emphasis on reducing the down payment to R$0.01. The measure aims to democratize sophisticated investment funds, allowing all segments to have access to a more diversified portfolio.

September

We created an stock fund that values gender equity. Unprecedented in the market, investors will have access to the BB *Ações Equidade* and BB *Ações Equidade* Private. The new modalities will include assets of domestic and foreign companies traded on B3 that publicly assume the commitment to seek gender equity.

October

We sponsored the 12th edition of Brasil Game Show – BGS, the largest game festival in Latin America, in São Paulo. With the positioning of support for the development of e-sports and the strengthening of the gamer community in Brazil, we strengthen the market and the world of games, with potential generation of business reaffirming the approach with the young audience.

We are the brand most remembered by Brazilians in the 'Bank' and 'Bank Application' category. We reached a historic milestone in the Folha Top of Mind 2019 award, because we have been the most present bank in the memory of Brazilians for 29 years.

November

We signed a binding agreement with UBS to form a strategic partnership to provide investment banking and securities brokerage activities in Brazil and other countries in South America.

We launched the Private Generations program, an action for heirs of customers in the Private segment aimed at training and developing the skills necessary for the management of large businesses and investments.

We were certified in the FEBRABAN 2019 Compliance Report, which demonstrates our adherence to FEBRABAN regulations, which allows for recognition among the best practices of the financial system.

We surpassed one million agreements negotiated by *Portal Solução de Dívidas do BB*, with a total value of R$12.7 billion since its launch in 2014. The digital platform, accessible through the internet or the app, allows you to consult debts and renegotiate without going to the agency.

We signed a partnership with Sebrae to benefit small businesses with access to financial services and banking solutions, with conscious use. The agreement provides for the sharing and intelligence of data to offer Banco do Brasil benefits to Sebrae customers and providing Sebrae services (courses, consultancies, lectures, etc.) for bank institution customers.

We launched the Robot Advisor. The tool considers the risk x return ratio and takes into account factors such as the economic scenario, market trends, investor profile and values, to offer options that best fit the objectives registered by the customer.

We approved a proposal for a statutory reform of *Caixa de Assistência dos Funcionários do Banco do Brasil* (Cassi), which was intended to promote changes in the costing model of the Associates Plan and to make improvements in Cassi's governance.

We signed a technical cooperation agreement with the *Escola Nacional de Administração Pública* (Enap), with the objective of improving and developing solutions aimed at improving the experience of the citizen, stimulating innovation in public management.

We formalized an agreement with the *Tribunal de Justiça do Estado de São Paulo* (TJSP) for centralization and administration of judicial deposit accounts, court-ordered credits and small value requests. The partnership seeks to generate advantages for the Public Sector and Brazilian citizens, by automating the process via the interconnection of the Court's systems with those of the Bank, providing greater agility, security and efficiency in judicial deposit.

December

BrasilPrev - was awarded the best private pension manager in 2019 by the Valor/FGV Social Security Guide, carried out by *Valor Econômico* magazine. In addition to the main award (1st position as Best General Manager), Brasilprev was also a winner in five other categories. The award analyzes the returns obtained by the main private pension administrators in the country.

We received the *Pró-Ética* seal, an initiative of the Comptroller General of the Union (CGU) and the Ethos Institute. The purpose of the seal is to promote voluntary adoption, by companies, regardless of the industry, of measures aimed at preventing, detecting and remedying acts of corruption and fraud. In the 2018/2019 edition of *Pró-Ética*, 373 companies signed up, of which 152 went through the initial phase and 26 were awarded.

We approved the reduction of the Executive Board and the reorganization of its duties through the review of our organizational architecture. Our Board of Directors (BoD) is composed by the CEO and seven Chief Officers, a reduction of two Chief Officers when compared to the previous model. In addition, the number of Executive Officers was reduced to 26 (twenty six). For more information, consult the internal structure and relevant facts available on the Investor Relations website (*bb.com.br/ir*).

2. Corporate Strategy

Our Vision is "To be the company that provides the best experience for people's lives and to promote the development of society in an innovative, efficient and sustainable way" and five perspectives guide us in this direction:

a) **Customers**: we put the customer at the center of the strategy and assume the commitment and challenge of providing value experiences in all relationship channels, as well as prioritizing actions that expand the business and favor the increase of satisfaction, retention and attraction of new customers.

b) **Financial**: we prioritize profitability growth in a sustainable manner and seek to optimize capital allocation.

c) **People**: we seek to strengthen the organizational culture with a focus on the customer, innovation, agility and results, and improve the practices of attraction, retention and succession of talents.

d) **Processes**: we continue to evolve our digital strategy and invest in digital transformation and the development of analytical intelligence, as well as maintaining a focus on operational efficiency and improving processes, products and channels, making them simpler, more agile, innovative and integrated with the experience of the customer.

e) **Sustainability**: We seek to maintain the solidity of the company, with the adoption of the best practices of corporate governance and corporate sustainability.

3. Macroeconomic Environment

Domestic

The release of GDP in the third quarter signaled that domestic activity gained traction as of the second half of the year. This performance reinforced the perception that some adverse events that affected the internal environment in the first half, such as the rupture of the dam in Brumadinho, Minas Gerais, and the uncertainties of the pension reform, were left behind. The approval of changes in social security rules reduced the risks associated with the country's fiscal sustainability and opened space for discussions on administrative and tax reform.

The advancement of the credit market, especially in the free resources segment, with renewed vigor due to the new cycle of cuts in the basic interest rate (Selic) and, the release of FGTS withdrawals, were fundamental factors for the resumption domestic consumption. The resumption of the confidence of financial agents with the economy led to a resumption of private investments in the year, after the improvement in expectations regarding the progress of the structural reform process. Starting in the second half of 2019, we see a gradual improvement in the civil construction sector and in the extractive industry.

Although there is still a high unemployment rate and a high number of workers in informal sectors of the economy, the recent labor market data has shown a more favorable dynamic. This fact has contributed to the gradual reduction in the unemployment rate.

In relation to the nominal side of the economy, the lower historic level of the Selic rate (4.5% p.y.) was favored by the benign behavior of inflation, with the IPCA remaining below the center of the National Monetary Council's target for 2019 (4.25%) during part of the year. Even with the punctual increase in the prices of animal proteins and the significant depreciation of the Real in the last half of the year, the inflation rate ended 2019 at 4.31%.

Abroad

In the external scenario, the uncertainties associated with the trade war between the United States and China had significant impacts on the international economic environment, especially on world trade, which showed a significant slowdown this year. This conflict was perhaps the most important factor behind the slowdown in global growth in 2019. Despite this environment, the dollar stood out against most currencies, especially in emerging economies such as Brazil.

The deflationary threat in important advanced economies has intensified, making a reaction on the part of central banks, the Federal Reserve and the European Central Bank, which initiated a movement towards easing their monetary policies.

4. Financial Performance, Market Indicators and Shareholder Service

The MD&A report, published quarterly on the date of our balance sheet, determined in accordance with accounting practices adopted in Brazil for financial institutions, provides a comprehensive and managerial analysis of our results and is available on the investor relations website (*bb.com.br/ir*).

We present the main figures for our performance in the year. This result is the materialization of our corporate strategy.

Table 1. Financial Performance

	2018	2019
Earnings (R$ million)		
Net Income	15,086	18,888
Interest Net Income	50,713	53,799
Net Fee Income	21,982	23,717
Administrative Expenses [1]	(30,474)	(30,321)

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

	Dec/18	Dec/19
Equity (R$ million)		
Assets	1,396,507	1,452,267
Classified Loan Portfolio	601,661	579,517
Deposits to clients	452,368	485,002
Shareholders Equity	104,540	109,971
BIS Ratio (%)	**18.9%**	**18.6%**

Our shares (BBAS3) remained in all B3 trading sessions and represented 3.52% of Ibovespa index for the four-month period from September to December 2019. We also keep a level 1 ADR program (BDORY), traded on the over-the-counter market in the United States.

Our shareholding structure, at the end 2019, was distributed as follows:

Table 2. Shareholding Breakdown

	Dec/19
Total	**100.0%**
(a) National Treasury	**50.0%**
(b) Free Float	**48.8%**
Previ	4.8%
Individuals	7.5%
Companies	11.2%
Foreign Capital	25.3%
Other [1]	**1.2%**
Free Float (%) - b/(a+b)	**49.4%**

(1) - Others is composed of shares held in Treasury, shares held by members of the Board of Directors, Board of Officers and Executive Board, shares referring to the merger of BNC and BESC, and shares held in BNDES.

We release reports and information to CVM and at IR website and we keep an exclusive analyst and investors relationship team which with analysts and investors. In 2019, we had 1,530 calls, including telephone calls and participation in meetings and events. With institutional investors, we held 651 meetings, including participation in 9 conferences in Brazil and another 11 abroad, in addition to 7 non-deal roadshows in Brazil and abroad. We also promoted 4 earnings conference calls and 4 meetings with shareholder clients held at our Private banking offices.

Table 3. Capital Market

	2018	2019
BBAS3 - Book Value (R$)	36.58	37.79
BBAS3 - Closing Price (R$)	46.49	52.82
Earnings per Share (R$)	5.0	5.9
Return on Assets (%)	1.1	1.3
Return on Equity (%) [1]	13.9	15.6
Interest on Own Capital (R$ million)	5,162	6,733
ADR Price (US$)	11.9	12.9

(1) - Calculated through the Net Income divided by the average balance of the equity, both attributable to the Bank's shareholders.

5. Capital

Solidity and reliability is the essence of a Bank. Therefore, we have a Capital Plan with a prospective view of three years, incorporating the effects defined by Basel III and considering (a) the Declaration of Appetite and Risk Tolerance, (b) the Corporate Strategy and (c) the Corporate Budget.

Our CET1 was 10.02% in December 2019, while the BIS Ratio was 18.58%. In the same period, the Tier I achieved 13.55%.

In 2019, the behavior observed at CET1 received an important influence from the actuarial impact associated with private pension and complementary health entities sponsored by Banco do Brasil.

Our focus continues on organic capital generation. In addition, following our Statement of Appetite and Risk Tolerance and Capital Plan, by January 2022, our goal is to maintain at least 11.0% of CET1.

6. Conglomerate Businesses

We seek to offer the most complete financial solution for our clients. Besides credit, our most relevant business, our solutions include fund raising, asset management, 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:

Insurance

BB Seguridade is the Banco do Brasil company that concentrates the insurance, open pension, capitalization, reinsurance, dental plans and brokerage businesses. In 2019, BB Seguridade recorded R$6.7 billion, with adjusted return on market value of 6.6%. In September 2019, it was announced the reduction of capital in the amount of R$2.7 billion, without cancellation of shares, with refund to shareholders in proportion to their participation in capital.

Further information on BB Seguridade and the insurance business can be found in the company's Performance Review report, available at (bbseguridaderi.com.br).

Payment Methods

We operate through BB Elo Cartões Participações holding company, which concentrates the business Alelo, Cateno and Livelo, as well as the stake in Cielo S.A. Our wide customer base, quality and diversity of services make us one of the main issuers of Elo, Visa and Mastercard, with multipurpose plastics.

In 2019, we encourage payment contactless payments, supporting the first public transport operator to accept payment by approach at the turnstile, MetroRio and issuing 3.8 million cards with NFC technology. We innovated with the development of WhatsApp card service, offering a better experience and consuming fewer resources. Customers can carry on with 21 transactions, through a simplified flow, without the need to install the bank's App. The same consultation that took 4.5 minutes on a phone call, takes just 45 seconds on Whatsapp. We simplify the hiring of the card with the digital journey. We also improved the contracting of the card through the digital journey, adding intelligence to the process, which now offers a simplified path for pre-qualified customers. We reached the mark of approximately 700 thousand cards sold on digital channels in 2019.

Further information on Cielo and the payment methods market can be found in the company's Performance Review report, available at (*ri.cielo.com.br/en*).

Asset Management

We maintained the leadership in the investment funds industry through BB Gestão de Recursos (BB DTVM), with a market share of 22.4% and a total of R$1,056 billion in managed funds (funds managed by BB DTVM and other institutions), an increase of 12.2% compared to 2018.

Regarding investor segmentation, according to the Global Ranking of Anbima Resources Management in December, 2019, BB DTVM remained leader in the segments: Public (63.7%), Institutional (26.4%) and Retail Investors (40.6%).

Capital Market

We operate on the domestic capital markets through BB-Banco de Investimento SA (BB-BI), and abroad through brokers BB Securities Ltd (London), Banco do Brasil Securities LLC (USA) and BB Securities Asia Pte Ltd. (Singapore), focusing on retail and institutional investors. Our coverage is global and updated in fixed and variable income operations, mergers and acquisitions, evaluation in transactions of Financial Projects, offering to the customer different funding alternatives and access to investors in Brazil and abroad.

The strategic partnership with UBS, announced in November 2019, at the approval stage of the Central Bank, creates a complete investment banking platform, by combining BB's relationship network in the country with UBS's global distribution platform and expertise.

We participated, as the leading coordinator of Neoenergia's initial public offering (IPO), which raised R$3.7 billion and configured the biggest IPO of the energy sector on the Brazilian stock exchange since 2004 and the largest IPO held since December 2017. We also participated as coordinator of the secondary public offering of Banco do Brasil shares held by FI-FGTS, with a significant participation of 29.2 thousand Individual investors and a total volume of R$5.8 billion. BB BI also participated in the offers of Centauro (IPO), IRB and BTG Pactual.

In the 2019 consolidated, in the Variable Income segment, BB-BI participated in 14 operations (public offerings of shares and auctions of Certificates of Additional Construction Potential - CEPAC). In the Fixed Income segment, BB-BI participated in the structuring of the issue of debentures of the special purpose company created by the Engie group and the Canadian fund CDPQ to acquire 90% of the capital of *Transportadora Associada de Gás* SA Petrobras remained with 10% of the company's capital. This operation was awarded by Latin Finance, in the “Oil & Gas Financing of the Year” category at the “2019 Project & Infrastructure Finance Awards” event; and the Thomson Reuters Project Finance International (PFI) Awards 2019, in the “LatAm Deal of the Year” category.

In 2019, in the Local Fixed Income and Project Finance segment, BB-BI participated in 115 operations. In the Foreign Fixed Income segment, BB participated in 75 operations.

In the Anbima Capital Market Ranking, of November 2019 (most recent available information), BB-BI was ranked 1st in Variable Income by number of operations and 3rd in Variable Income by value (Initial Offers). In the same period, in terms of Fixed Income origination by value, BB-BI ranked 2nd in CRA, FIDC and FII operations. In external issues, we occupy the 4th position.

Consortium

We sold more than 360 thousand new consortium quotas, totaling R$12.9 billion in turnover, an increase of 14.7% compared to 2018. Of this total, 21.1% were carried out via digital channels. The fee income was R$1.2 billion, 29.9% higher than in the previous year.

In 2019, we highlight the tractor and truck and other movable and services consortia. In the tractor and truck segment, the number of quotas sold grew 197.2% compared to 2018. In the consortium of other movable and services, growth represented 165.1% and 70.7% respectively. The auto and real estate consortia accounted for 69.3% of the volume of our portfolio, 52.9% and 16.4% respectively.

7. Digital Transformation

The digital age affected consumer habits and behaviors, as a consequence its demands increased. Owners of unprecedented power to exchange information and influence debate space, consumers demand dialogue, commitment and transparency from companies. In this context, instead of watching the change happen, Banco do Brasil has the ability to become the protagonist in digital channels as well. We can turn to the new without giving up our values and our identity.

It is necessary to dedicate effort to be agents of transformation. Therefore, we maintain innovation programs, integrating the participation of employees from different areas, with different competencies, to strength our digital culture. Initiatives such as Pensa BB, Action BB and Hackathon BB make it possible to select and implement ideas to solve problems and solve new challenges.

The connected and interdependent world is full of new ideas. We do not change alone, but in collaboration with other parties, with information exchange and enriching attitudes. On the one hand, we have native digital clients who expect technology to help them get what they want, where and when they want it. On the other hand, there are clients who value interpersonal relationships and seek closer care. On certain topics, they exchange the "here and now" for a sense of security and trust, while still demanding interactions with excellence, responsive service and personalized offerings.

As an example of a solution to expand our results and generate business with emphasis on customer experience, we have the Next Best Offer (NBO), an ‘analytics and big data’ based solution, that indicates the best products to be offered with artificial intelligence, through the analysis of information from 50 million customers. Each new interaction adds more intelligence to the solution, which increases the services and products assertiveness, such as credit, consortium, security, funding and others.

We use data science to predict the behavior of our investing clients, calculating the likelihood of these investments evading competition. We can prioritize contact with customers to offer other investment products that adhere to the desired returns and terms. In February 2019, this initiative was presented at IBM Think 2019 in San Francisco, United States.

Another novelty was the launch of debt renegotiation via WhatsApp, which offers customers more convenience, since by sending a message to the phone number 61 4004 0001, saying that they want to renegotiate debts, the customer is initially served by a chatbot and later by a specialist in renegotiation. This functionality was made available on September 20 and has already renegotiated more than R$20 million.

Since June, analytical intelligence for business approaches has been integrated into our face-to-face queue management system and digital telephony solution. As a result, when there is no demand for face-to-face service at the branches, employees' access lists to make an active offer to customers with a propensity to consume certain products. These employees are recognized for their offers and sales achievements.

Our sales force has quality information at its disposal, which allows it to narrow and deepen the relationship with our customers. This information is also used by our strategy and marketing teams in order to strengthen our brand. In June we launched the "*Momentos de Vida*" approach on our portal, which seeks to present the most appropriate solutions to the customer's needs in each phase of life.

As recognition, the achievements and achievements in innovation:

- We were featured in the 2019 eFinance Award, held since 2001 by *Editora Executivos Financeiros*, which has been one of the most valued events in the national banking market and takes place during Ciab Febraban. On the occasion, we won 9 out of 36 categories, with 38 winning cases and our Technology Officer received the CIO of the year award.

- One of the awarded cases was BB *Assessoria de Investimentos*, also known as Robot Advisor, which is a digital solution for recommending investment allocation based on information provided by clients and aligned with their profitability, term or future value objectives. The Robot Advisor uses behavioral finance and gamification to assist investors in achieving their goals. Since its launch, 1.4 million simulations have been carried out, approximately 7.2 thousand per day, 27% of which via the App.

- We implemented the connection between the Courts and BB for the electronic processing of judicial deposits and permits and for the online consultation of judicial account balances and statements. The solution, in addition to providing greater agility and security to the process, provides greater operational efficiency.

- Winning case, also in the investor segment, is the Investor Profile Analysis Chatbot (API), a solution that reformulated the questionnaire that traces the profile of investors via virtual assistant. The procedure became more precise, dynamic and fluid, providing a better service and contributing to the extraction of more accurate information from the customer's profile. Chatbot is available on the BB Investment Portal and the BB Investments App. Since its launch in May 19, in addition to the new questionnaire made available on other channels, more than 2.3 million questionnaires have been applied, and already represent 51.6% of the total API questionnaires in force.

- In the political category, BB Gestão Ágil solutions were awarded, which facilitates the monitoring of customers' financial execution in the movement of funds from government transfers, and BB Integra - Portal Inteligência Pública - awarded for the second consecutive year, consolidating the market's recognition as one of the most important projects in the area of TIC (Information and Communication Technology).

- We received the awards for the most innovative financial institution in Latin America and for the best financial innovation solution, with the virtual assistant on WhatsApp. The recognition was given by the American magazine Global Finance, one of the most important in the sector in the world in the June issue.

- We have obtained the International Asset Management System Certificate (ISO 55001) for the excellence of our main datacenter, located in Brasilia. The international standard ISO 55001:2014 covers the infrastructure and facilities necessary for the operation of IT equipment and specifies the requirements to establish, implement, maintain and improve an organization's asset management system.

- We have created, in partnership with Google, functionality that allows you to carry out transactions by voice command. In it, customers can consult the current account statement, credit card statement, make payments and transfer by voice command, through Google Assistant. Innovation, a pioneer among Brazilian banks, brings more agility, aiming to improve the user experience.

- Our customers can contract the portability of payroll deductible loans through the App BB, in a completely digital journey and without the need to ask for a return contact from the manager to carry out the operation. The unprecedented solution offers better conditions for loans and solutions that make your day-to-day easier.

At Banco do Brasil we believe that in order to establish long-lasting relationships with customers, we need to strengthen innovation in our culture and embrace the revolution that fuels it: the digital transformation.

8. People

For us, the policies development and practices on people management are guided by meritocracy, competencies development for work and organizational climate. They are the foundation that allows the strategic objectives achievement. Following, our employees profile:

Table 4. Employee Profile

	2018	2019
Employee Profile		
Employees	96,889	93,190
Female	40,243	39,122
Male	56,646	54,068
Education's Level		
High School	14,846	12,779
College	38,703	34,606
Specialization, Master's and Doctorate	43,150	45,639
Others	190	166
Geographic Distribution		
North	4,259	4,043
Northeast	16,116	15,387
Midwest	16,808	16,327
Southeast	42,586	40,864
South	17,096	16,546
Abroad	24	23
Turnover (%)	2.20	4.34

We remain among the 150 Best Companies to Work for, according to the 2019 edition of the *Guia da Você S/A*. Annually, the magazine conducts a survey, in partnership with the *Fundação Instituto de Administração* - FIA/USP, to reward companies that stand out in people management and organizational climate. Among the aspects that make up the survey, the category best evaluated by our employees was that related to interpersonal relationships, with an emphasis on trust between colleagues and the willingness of people to help each other.

In addition, the Internal Organizational Climate Survey showed that 81.23% of employees consider themselves engaged and 86.35% consider themselves satisfied. We present below complementary information on employee compensation and benefits:

Table 5. Compensation and Benefits

R$ million	2018	2019
Payroll [1]	18,454	19,456
Supplementary Pension [2]	1,871	1,928
Statutory Profit Sharing [3]	1,640	2,340
Training [4]	73	75
Directors Fee [5]	48	46

(1) - Expenses with wages and salaries, benefits and social security costs, as Note 13 - Personnel Expenses. (2) - Funding of retirement and pension plans, as Note 44 – Employee Benefits - Bank's contributions to benefit plans. (3), (4) and (5) - As detailed on Note 13 - Personnel Expenses.

In 2019, through the Corporate University of Banco do Brasil (UniBB), we invested R$96.9 million in corporate education. UniBB awarded 3,225 scholarships in the year, with 946 undergraduate, 1,413 graduate and 866 language scholarships, accumulating 5,974 ongoing scholarships.

We launched the Career Map, a professional guidance environment available to employees on the UniBB Portal, with the aim of assisting in the development of a career and development plan. Then, we launched the BB Mentorship Portal, an online environment that supports professional guidance processes, with the aim of sharing knowledge and experiences among employees, aiming at the management of corporate knowledge and the development of important skills for the professional growth of the participants.

Here are some training highlights available at UniBB, which followed two main lines of action:

Improvement in customer service and relationships

- **Game DesEnvolVer** was launched in 2017 to empower employees who have not yet taken over managerial roles, has completed its last step, Startupse, where participants were able to submit their digital solution ideas to improve the customer experience, and the best ideas were developed over three days in partnership with the BB Innovation Lab (LaBBs). The winning idea proposed the improvement for auto loans via App BB.

- The **Relationship Program** ended with the training of more than 6,000 remote and digital portfolio relationship managers. It promoted theoretical and practical reflection, a differentiated business approach and leadership involvement. It reached a training ROI of 224.67%.

- The **Exclusive Workshop** offered training to more than 3,000 general managers and relationship managers from digital offices serving individual customers in the Exclusive segment.

- **ConecteSe Empresas**, launched in September, is a program to train more than 3,400 corporate relationship managers to act with the vision of promoters of the development of Brazilian companies and generate sustainable results for BB.

- The “Workshop Resolutivo” stands out, which trained more than 17 thousand employees of the branch network in the use of tools and competences for the purpose of resolving assistance from the first contact, and the “Direct Access” of the branches to the Ombudsman, channel created to appeal in cases of complaints that do not have their own solution flow.

- The **Digital Transformation Trail** has been updated and received new courses covering topics such as Big Data and the Internet of Things (IoT), curating, KPI's creation, Canvas, Scrum, and other subjects important to the digital transformation process. With the inclusion of these courses, the trail now has 50 educational solutions available to all employees.

Leadership Development

- The **Women's Leadership Program**, which has been in operation since 2018, focusing on the development of women's leadership skills, has completed one more step by conducting a collective coaching process for more than 300 managers at all organizational levels. The results of the Program were disseminated to all employees through a video lesson available on the UniBB Portal.

- In the succession of senior management, we expanded the **BB Directors Program** that was implemented in 2016, extending the actions to the Bank' related entities in 2019. The main objectives of the program are to evaluate and mitigate any succession risks, guide the development of the participants and subsidize the handling and succession decisions for the positions of the Bank's Senior Management.

- The **Game *Líder em Ação***, launched in August, includes more than 26 thousand employees who are part of middle management. Its objective is to provide the recognition and development of managerial competences, encouraging the linking of daily actions to the strategic objectives and the protagonist performance of the employee, focusing on the customer experience.

- **Leader 4.0**, started in September, is a program for the development of leaders for 550 managers of strategic units in management practices and tools to enhance competencies mapped as critical to BB's Leadership.

- The ***Jornada do Líder***, launched in October, aimed at 250 general managers of business units and business support with a focus on improving management and generating sustainable results for the Bank.

- The **Executive Coaching Program** aims to promote the continuous development of BB executives, taking into account the bank's strategy, mapped skills and individual development plans for each participant. The public are the holders of executive functions.

9. Corporate Governance

Our corporate governance structure is formed by the General Shareholders' Meeting, Board of Directors (BoD) and its advisory committees - Audit Committee (Coaud), Humans, Remuneration and Eligibility Committee (Corem), Risk and Capital Committee (Coris) and Technology, Strategy and Innovation Committee (Cotei), the Executive Board (Direx), Fiscal Council and by the Internal Audit.

At all levels the decisions are taken in a collegial manner. The Management uses committees that ensure the agility and security of the decision making process. During the first half of 2019, our Board of Directors approved:

1. Review of Related Party Transaction Policy (March 2019);

2. Changes to the Bylaws. These changes were due, among others, to the adaptation to the provisions of the new B3 Novo Mercado Regulation, the most demanding segment of the Brazilian stock exchange in terms of governance, in which our shares (BBAS3) are listed since 2006. (April 2019);

3. Institutional reorganization with review and resizing of the organizational structure at the strategic, tactical, support and business levels. In addition, the Staff Adequacy Program (PAQ) was approved in order to optimize the distribution of the workforce, addressing the situations of vacancies and excess in the Bank's units. At the end of the movement, more than 2.3 thousand employees confirmed the termination of the Bank (July 2019);

4. The revision of the Social and Environmental Responsibility Policy – PRSA (December 2019);

5. The revision of the organizational architecture of the Executive Board, with a reduction in the structure of the headquarters, new linking of its boards among the Chief Officers and reorganization of duties between strategic units (December 2019).

These enhancements enable our governance documents to stay updated with current regulations and best governance practices, reaffirming our commitment to sound and transparent management and enhancing transparency in our relationship with society, our stakeholders and investors.

10. Risk, Control and Institutional Security Management

Our activities are based on the policies and processes approved by our senior management and materialized in the activities associated with risk management, internal controls and institutional security.

Risk Management

Risk management is guided by compliance with the 'Declaration of Appetite and Risk Tolerance', which aims to establish the maximum level of risk that we accept to incur in our business, taking into account the levels of risk exposure and the risk indexes, capital adequacy, established by senior management to conduct business.

We do actions to strengthen capital levels, improve processes and direct business efforts to operations that present better profitability in relation to the risks incurred.

The risk management structure aims to identify, measure, evaluate, monitor, report, control and mitigate risks, as well as to improve risk management. To ensure the achievement of these objectives, we have adopted governance and risk management structures compatible with the relationships established with the various stakeholders, with the size, nature of the business and the complexity of the products and services.

Internal Control

The Internal Controls System is consolidated and is compatible with our structure and complexity. It is continuously improved in order to support the achievement of strategic objectives and contribute to the conglomerate's longevity. The adoption of the Lines of Defense Model reinforces the competencies and responsibilities of all areas of the Bank, through an integrated structure, contributing to the effectiveness of internal controls.

Our Compliance Program establishes principles and guidelines that focus on achieving compliance, sustainability and security in our business, processes, products and services. Regarding to the Customer and User Relationship Policy, we created a methodology to evaluate the maturity of its implementation, following adherence and effectiveness indicators, aiming to ensure customer satisfaction and mitigate operational losses.

In the Simplify Project, we carry out actions to assist managers in reviewing, simplifying and optimizing controls. This initiative has been producing results for process improvement, cost reduction, greater agility and consequent improvement of the customer experience.

We promote the approximation of the internal controls area with the retail branch network through continuous and personalized advice, through an initiative called Agent C. This strategy reinforces the first line of defense view in business units and contributes to the dissemination of the compliance culture and control, with a focus on identifying risks, assessing controls, improving processes, reducing losses and organizational burden.

For further information on the Internal Control System, programs and policies, see the Reference Form and Compliance Program, available on the Investor Relations website (*bb.com.br/ir*).

Institutional Security

In 2019, we centralized in an operational unit the analysis of evidence of money laundering, previously carried out at the branches, providing greater specialization and security in the process and freeing our sales forces to do business.

We invested in the improvement of the money laundering evidence analysis process, developing analytical tools that increase the assertiveness of the signals generated by the tool and reduce the time for analyzing the evidence, improving the quality of communications to *Conselho de Controle de Atividades Financeiras* (COAF).

We reviewed the strategy of leasing environments to operate under a contingency regime, which allow the continuity of critical processes in crisis situations, providing a reduction in rental expenses, without prejudice to their effectiveness. In the same period, we developed actions to reduce administrative expenses with armed surveillance in administrative environments, security monitoring centers and service stations without guard and / or cash handling.

We seek to increase the level of cybersecurity maturity, through specialized consultancy work that will also assist in the integration of our four Security Operations Centers (SOC), respectively related to cybersecurity, physical security, fraud prevention and prevention money laundering.

11. Legal Information

In accordance with criteria defined by the Very Small and Small Companies Brazilian Statute, 96.1% of our companies retail clients are small and very small companies. The funds used by small and very small companies were R$25.5 billion in December, 2019. The working capital operations balance contracted by very small companies was R$1.5 billion, and of small companies was R$17.1 billion. Investment operations aimed at very small companies was R$503 million; for small companies, investments was R$6.2 billion.

In the engagement of services non related to external audits, we adopt procedures based on the applicable legislation and on internationally accepted principles that preserve the auditor independence. These principles consist on: (i) the auditor should not audit his own work and (ii) the auditor should not act managerially before his client nor promote the clients' interests.

We announced to the market on March 18, pursuant to CVM Instruction 308/99, article 28, that we formalized on February 27, 2019 the hiring of Deloitte Touche Tohmatsu Auditores Independentes to provide external audit services as from 2019, replacing KPMG Auditores Independentes, to meet the legal limit for additions to contracted services, in accordance with Law 8.666/93, and the obligation to rotate the company hired to perform external audit work at BB Seguridade Participações SA.

In the period, KPMG Auditores Independentes was engaged only for audit services, on the other hand, Banco do Brasil's Conglomerate companies contracted KPMG Auditores Independentes to provide other services not related to the Bank's and its subsidiaries' external audit, of R$424 thousand, representing 6.08% of the fees related to the external audit service. The contracted services were:

Table 6. Hiring of KPMG Audit

Hiring Company	Hiring Date	End of Contract	Description	Amount
Cielo	01/02/2019	05/31/2019	Consulting	100,000
BV Financeira S.A.	01/01/2019	12/31/2019	Consulting	135,880
Banco Votorantim S.A.	01/01/2019	12/31/2019	Consulting	12,310
BB Tóquio	01/01/2019	12/31/2019	Consulting	175,860

We hired Deloitte Touche Tohmatsu Audit to provide services not related to external audit in an amount less than 5% of the total remuneration for external audit services.

In compliance with CVM Instruction 381, we report that in 2019, neither KPMG Auditores Independentes nor Deloitte Touche Tohmatsu Auditores Independentes provided services that could affect its independence, ratified by the adherence of its professionals to relevant ethical standards and independence that meet or exceed the standards promulgated by IFAC, PCAOB, SEC, AICPA, CFC, CVM, Central Bank, SUSEP PREVIC and by other regulatory branches. These policies and procedures covering areas such as: personal independence, post-employment relationships, rotating professionals as well as the approval of audit and other services, are subject to constant monitoring.

In Banco do Brasil, the contracting of services related to external audit should be preceded by the Audit Committee's opinion.

Additional Information

I. Fixed investments amounted to R$1.84 billion in 2019, emphasizing the investment in new service points and in branches ambience improvement (R$658.9 million) as well as the investment made in information technology (R$1.13 billion).

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

Banco do Brasil, its shareholders, officers, and the Fiscal Council members undertake to resolve all and any dispute or controversy related with Novo Mercado Listing Regulation by means of B3 Market Arbitration Chamber, in conformity with a commitment clause contained in Banco do Brasil By-laws.

For more information, visit Investor Relations Website (*bb.com.br/ir*).

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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, 2019 and the related consolidated statements of income, of comprehensive income, of changes in 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, 2019, 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.

Deloitte.

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. 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; (b) understanding and testing the design and effectiveness of the relevant internal controls over the process for measuring the 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; and (e) assessing the disclosures in the consolidated financial statements.

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, and future interest rate, foreign exchange and price index curves. 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. These financial instruments are mainly comprised of derivative financial instruments and private securities.

How was the matter addressed in our audit?

Our audit procedures included, but were not limited to: (a) understanding and testing the design and effectiveness of the relevant internal controls that involve the fair value measurement of certain financial instruments; (b) understanding the mark-to-market methodology developed internally by Banco do Brasil, and challenging the assumptions used in building the projected curves; and (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.

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 and testing 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 benefits

Banco do Brasil is the sponsor of private pension entities and supplementary healthcare plans, 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 increase of costs due to aging (aging factor), which are sensitive and cause material effects on the consolidated financial statements. Therefore, we considered this matter as 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; and (c) understanding and assessing the reasonableness of the critical assumptions included in the projections of results.

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 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, and 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 information technology environment related to the infrastructure that supports Banco do Brasil's business.

Considering the information technology 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 matter

Audit of the corresponding figures for the prior year

The corresponding figures for the year ended December 31, 2018, presented for comparison purposes, were audited by other independent auditor, who issued an unqualified opinion thereon, dated March 21, 2019.

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

Management is responsible for the other information. The 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.

Management's responsibilities 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 to communicate with them all relationships and matters that may reasonably be thought to bear on our independence, and, when applicable, related safeguards.

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 period 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, May 6, 2020

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Vanderlei Minoru Yamashita
Engagement Partner

*Original signed.

In thousand of Reais, unless otherwise stated

CONSOLIDATED STATEMENTS OF INCOME

For the year ended December 31,	Note	2019	2018	2017
Interest income		123,105,325	120,250,344	147,064,451
Interest expense		(69,306,296)	(69,536,974)	(92,860,332)
Net interest income	[8]	**53,799,029**	**50,713,370**	**54,204,119**
Allowance for losses on loans to customers, net of recovery	[24]	N/A	N/A	(22,864,367)
Net constitution of expected credit losses with:		(19,947,570)	(12,623,851)	N/A
Loans to financial institutions	[18]	(1,274,326)	(12,523)	N/A
Loans to customers	[24]	(16,959,338)	(12,462,801)	N/A
Other financial assets	[19],[21],[22],[39]	(1,713,906)	(148,527)	N/A
Net interest income after allowance for losses		**33,851,459**	**38,089,519**	**31,339,752**
Non-interest income		**38,895,616**	**33,978,144**	**31,756,626**
Net commissions and fee income	[9]	23,716,793	21,981,863	20,943,445
Net gains/(losses) from financial instruments:	[10]	511,375	1,055,654	44,178
Fair value through profit or loss		668,038	650,202	(427,696)
Fair value through other comprehensive income		(156,663)	405,452	N/A
Available for sale		N/A	N/A	471,874
Net gains from equity method investments	[26]	4,044,413	3,538,318	3,750,978
Net income on foreign exchange and translation of foreign currency transactions	[11]	(703,251)	(1,977,900)	(214,292)
Other operating income	[12]	11,326,286	9,380,209	7,232,317
Non-interest expenses		**(61,607,563)**	**(51,653,464)**	**(47,165,917)**
Personnel expense	[13]	(22,797,977)	(21,092,621)	(20,560,025)
Administrative expenses	[14]	(7,523,051)	(9,381,031)	(9,282,288)
Contributions, fees and other taxes		(5,002,706)	(5,076,848)	(5,482,208)
Amortization of intangible assets	[29]	(1,627,247)	(1,856,261)	(2,416,403)
Labor, tax and civil lawsuits	[35]	(11,805,233)	(5,437,673)	(2,832,984)
Depreciation	[28]	(2,359,154)	(1,195,908)	(1,162,822)
Other operating expenses	[12]	(10,492,195)	(7,613,122)	(5,429,187)
Income before taxes		**11,139,512**	**20,414,199**	**15,930,461**
Income taxes	[36]	**7,748,806**	**(5,328,098)**	**(3,655,158)**
Current		(4,989,835)	(3,304,217)	(3,290,685)
Deferred		12,738,641	(2,023,881)	(364,473)
Net income		**18,888,318**	**15,086,101**	**12,275,303**
Attributable to shareholders of the Bank		16,396,896	13,825,994	10,628,794
Attributable to non-controlling interests		2,491,422	1,260,107	1,646,509
Earnings per share				
Earnings per share (R$) – basic and diluted		5.86	4.96	3.82
Weighted average shares outstanding – basic		2,799,325,330	2,785,597,388	2,785,456,769
Weighted average shares outstanding – diluted		2,799,054,753	2,785,290,260	2,784,905,261

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,	2019	2018	2017
Net income	**18,888,318**	**15,086,101**	**12,275,303**
Items that are or may be subsequently reclassified to profit or loss			
Financial assets at fair value through other comprehensive income	**1,407,766**	**83,552**	**N/A**
Unrealized gains on financial assets at fair value through other comprehensive income	1,729,397	1,012,598	N/A
Realized (gains)/losses on financial assets at fair value through other comprehensive income – reclassified to profit or loss	156,663	(405,452)	N/A
Tax effect	(478,294)	(523,594)	N/A
Financial assets available for sale	**N/A**	**N/A**	**703,493**
Unrealized gains on financial assets available for sale	N/A	N/A	1,372,158
Realized gains on financial assets available for sale – reclassified to profit or loss	N/A	N/A	(471,874)
Tax effect	N/A	N/A	(196,791)
Share in other comprehensive income of associates and joint ventures	**205,585**	**(391,601)**	**99,525**
Unrealized gains/(losses) on financial assets at fair value through other comprehensive income	442,989	(585,176)	N/A
Unrealized gains on financial assets available for sale	N/A	N/A	203,131
Unrealized losses on cash flow hedge	(50,970)	(92,619)	(11,142)
Tax effect	(186,434)	286,194	(92,464)
Foreign currency translation differences	**(559,593)**	**(889,807)**	**(323,636)**
Items that will not be subsequently reclassified to profit or loss			
Defined benefit pension plans	**(8,081,608)**	**(1,642,830)**	**3,048,369**
Gains/(losses) remeasurement related to defined benefit pension plans	(16,827,674)	(2,737,684)	5,091,650
Tax effect	8,746,066	1,094,854	(2,043,281)
Total other comprehensive income net of income taxes	**(7,027,850)**	**(2,840,686)**	**3,527,751**
Total comprehensive income	**11,860,468**	**12,245,415**	**15,803,054**
Attributable to shareholders of the Bank	9,492,277	11,303,531	14,277,709
Attributable to non-controlling interests	2,368,191	941,884	1,525,345

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

In thousand of Reais, unless otherwise stated

CONSOLIDATED BALANCE SHEETS

	Note	Dec 31,2019	Dec 31,2018
Assets			
Cash and bank deposits	[16]	14,171,188	13,601,194
Compulsory deposits with Brazilian Central Bank	[17]	65,124,107	59,115,355
Financial assets at amortized cost, net		1,077,415,301	1,098,475,138
Loans to financial institutions	[18]	37,559,262	34,371,719
Securities purchased under resale agreements	[19]	390,772,405	386,874,200
Loans to customers	[23],[24]	579,516,786	601,660,512
Securities	[22]	25,422,830	24,180,318
Other financial assets	[30]	44,144,018	51,388,389
Financial assets at fair value through profit or loss	[20]	3,805,548	6,877,619
Debt and equity instruments		2,984,613	6,194,457
Derivatives		820,935	683,162
Financial assets at fair value through other comprehensive income	[21]	172,278,448	119,753,019
Non current assets held for sale	[25]	367,764	176,821
Investments in associates and joint ventures	[26]	17,414,813	18,727,463
Property and equipment	[28]	11,475,080	7,685,094
Use		8,042,835	7,685,094
Right of use		3,432,245	N/A
Intangible assets	[29]	5,920,549	5,795,064
Tax assets		68,083,473	46,519,899
Current		8,049,319	8,245,782
Deferred	[36]	60,034,154	38,274,117
Other assets	[30]	16,210,536	19,780,808
Total		**1,452,266,807**	**1,396,507,474**
Liabilities			
Financial liabilities at amortized cost		1,272,377,717	1,239,259,476
Deposits of clients	[31]	485,002,305	452,368,176
Amount payable to financial institutions	[32]	29,459,001	34,073,439
Securities sold under repurchase agreements	[33]	404,355,327	402,901,202
Liabilities from issuance of securities and other financial liabilities	[34]	301,744,568	311,764,912
Other financial liabilities	[30]	51,816,516	38,151,747
Financial liabilities at fair value through profit or loss	[20]	961,636	809,301
Provisions for labor, tax and civil lawsuits	[35]	12,930,747	9,781,136
Expected losses for guarantees provided and loan commitments	[39]	912,349	489,888
Tax liabilities		5,931,522	4,887,671
Current		2,720,369	2,425,778
Deferred	[36]	3,211,153	2,461,893
Other liabilities	[30]	49,181,457	36,740,031
Total		**1,342,295,428**	**1,291,967,503**
Shareholders' equity	[37]		
Share capital		67,000,000	67,000,000
Additional equity instrument		8,100,000	8,100,000
Treasury shares		(339,636)	(1,833,431)
Capital reserve		6,592,899	5,241,148
Profit reserves		53,814,656	42,612,582
Accumulated other comprehensive income		(23,386,544)	(16,481,925)
Unallocated retained earnings		(4,046,637)	(2,745,459)
Shareholders' equity attributable to shareholders of the Bank		**107,734,738**	**101,892,915**
Shareholders' equity attributable to non-controlling interests		2,236,641	2,647,056
Total		**109,971,379**	**104,539,971**
Total liabilities and shareholders' equity		**1,452,266,807**	**1,396,507,474**

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	Additional equity instrument	Treasury shares	Capital reserve	Profit reserves	Available for sale (IAS 39) / FVTOCI (IFRS 9)	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, 2017 (IAS 39)	**67,000,000**	**8,100,000**	**(1,850,043)**	**5,604,313**	**35,280,691**	**(608,788)**	**(12,442,883)**	**(894,344)**	**(14,389)**	**(2,817,724)**	**97,356,833**	**3,881,595**	**101,238,428**
Transition to IFRS 9	-	-	-	-	-	940	-	-	-	(1,087,939)	(1,086,999)	(18,291)	(1,105,290)
Balance at January 01, 2018 (IFRS 9)	**67,000,000**	**8,100,000**	**(1,850,043)**	**5,604,313**	**35,280,691**	**(607,848)**	**(12,442,883)**	**(894,344)**	**(14,389)**	**(3,905,663)**	**96,269,834**	**3,863,304**	**100,133,138**
Net income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13,825,994**	**13,825,994**	**1,260,107**	**15,086,101**
Other comprehensive income	-	-	-	-	-	(252,411)	(1,642,830)	(570,398)	(56,822)	-	(2,522,461)	(318,223)	(2,840,684)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(252,411)**	**(1,642,830)**	**(570,398)**	**(56,822)**	**13,825,994**	**11,303,533**	**941,884**	**12,245,417**
Equity transactions with owners	-	-	-	(365,421)	-	-	-	-	-	-	(365,421)	-	(365,421)
Share-based payments	-	-	16,612	2,256	-	-	-	-	-	-	18,868	-	18,868
Other	-	-	-	-	-	-	-	-	-	8,372	8,372	274,702	283,074
Constitution of profit reserve	-	-	-	-	7,331,891	-	-	-	-	(7,331,891)	-	-	-
Interest on instruments qualifying as common equity (Note 37.c)	-	-	-	-	-	-	-	-	-	(156,400)	(156,400)	-	(156,400)
First time adoption, at Banco Votorantim S.A., of new accounting method of recognizing the variation in quotas of private equity, net of taxes	-	-	-	-	-	-	-	-	-	(121,064)	(121,064)	-	(121,064)
Distribution of interest on own capital	-	-	-	-	-	-	-	-	-	(5,161,822)	(5,161,822)	(1,957,738)	(7,119,560)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(498,762)	(498,762)
Hyperinflation adjustments in Argentina	-	-	-	-	-	-	-	-	-	97,015	97,015	23,666	120,681
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	-	-	-	-	(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**

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,	2019	2018	2017
Operating activities			
Net income	**18,888,318**	**15,086,101**	**12,275,303**
Adjustments for:	**21,119,640**	**23,569,275**	**29,332,020**
Net expected loss on loans to customers	22,178,613	17,367,358	N/A
Allowance for losses on loans to customers	N/A	N/A	27,049,679
Provision for Labor, tax and civil lawsuits	11,805,233	5,437,673	2,832,984
Depreciation	2,359,154	1,195,908	1,162,822
Amortization of intangible assets	1,627,247	1,856,261	2,416,403
Adjustment of actuarial assets/liabilities and surplus allocation funds	1,500,444	(1,293,414)	49,715
Net expected loss/reversal on loans to financial institutions	1,274,326	12,523	N/A
Net (gains)/losses on foreign exchange and translation of foreign currency transactions	703,251	1,977,900	214,292
Effect of exchange rate changes on cash and cash equivalents	158,785	(2,522,422)	(36,146)
Net (gains)/losses from disposal of financial assets at fair value through other comprehensive income	156,663	(405,452)	N/A
Net gains from disposal of financial assets available for sale	N/A	N/A	(471,874)
Net (gains)/losses from disposal of investments in associates and joint ventures	108,995	-	(311)
Net losses of capital in other assets	53,891	337,134	19,504
Impairment of other assets	35,487	30,263	(34,693)
Net gains from disposal of property	(3,992,357)	(453,960)	(201,266)
Net gains from equity method investments	(4,044,413)	(3,538,318)	(3,750,978)
Deferred taxes	(12,738,641)	2,023,881	364,473
Other	(67,038)	1,543,940	(282,584)
Adjustments for net change in operating assets and liabilities	**18,534,708**	**(10,212,977)**	**(88,532,564)**
Compulsory deposits with Brazilian Central Bank	(6,008,752)	9,965,784	(5,630,045)
Loans to financial institutions	(757,169)	3,154,612	4,086,213
Securities purchased under resale agreements	3,457,921	(28,108,467)	(23,202,996)
Financial assets at fair value through profit or loss	3,072,071	1,603,762	(1,741,384)
Loans to customers	31,443	(34,112,956)	(8,492,992)
Non-current assets held for sale	193	3,022	-
Other assets	(16,690,305)	(1,074,728)	(9,568,687)
Deposits of clients	32,634,129	26,291,573	760,717
Amounts payable to financial institutions	(4,614,438)	9,424,315	3,372,190
Financial liabilities at fair value through profit or loss	152,335	19,414	(1,080,504)
Securities sold under repurchase agreements	1,454,125	26,658,507	1,608,663
Liabilities from issuance of securities and other financial liabilities	(1,240,928)	(18,866,509)	(31,623,805)
Current taxes	491,055	204,094	318,811
Deferred taxes	(7,765,457)	(674,905)	2,636,805
Other liabilities	14,318,485	(4,700,495)	(19,975,550)
Net cash provided by (used in) operating activities	**58,542,666**	**28,442,399**	**(46,925,241)**

In thousand of Reais, unless otherwise stated

Continued	2019	2018	2017
Investing activities			
Acquisition of financial assets at fair value through other comprehensive income	(150,372,171)	(77,601,430)	N/A
Acquisition of financial assets available for sale	N/A	N/A	(65,392,379)
Disposal of financial assets at fair value through other comprehensive income	116,287,254	87,544,993	N/A
Disposal of financial assets available for sale	N/A	N/A	61,367,698
Acquisition of securities at amortized cost	(1,477,342)	(18,834,840)	N/A
Acquisition of financial assets held to maturity	N/A	N/A	(3,021,096)
Redemption of securities at amortized cost	2,348,583	673,772	N/A
Redemption of financial assets held to maturity	N/A	N/A	188,414
Acquisition of property and equipment	(2,073,743)	(1,619,350)	(1,199,667)
Disposal of property and equipment	4,209	64,801	26,313
Acquisiton of investments in associates and joint ventures	-	(20,248)	(275,761)
Acquisition of intangible assets	(4,576,455)	(662,772)	(1,309,115)
Disposal of intangible assets	1,885,064	21,446	14,295
Dividends and interest on own capital received	1,473,059	2,925,249	3,219,813
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	**(30,587,074)**	**(5,255,804)**	**(6,381,485)**
Financing activities			
Settlement of long-term liabilities	(13,609,504)	(12,354,841)	(4,973,256)
Interest paid on additional equity instrument	(209,494)	(156,403)	(77,424)
Repayments and extinguishments of lease liabilities	(985,133)	N/A	N/A
Dividends and interest on own capital paid to Bank's shareholders	(7,121,003)	(2,132,704)	(1,374,862)
Dividends and interest on own capital paid to non-controlling interests	(1,876,305)	(2,073,812)	(2,463,694)
Issue of long-term liabilities	4,830,088	5,003,972	6,228,583
Net effect related to treasury stock disposal	2,805,364	-	-
Equity transactions with owners	-	(365,421)	-
Net effect of equity interest in associates and joint ventures	-	-	(10,713)
Changes in non-controlling interests	-	(498,762)	-
Net cash used in financing activities	**(16,165,987)**	**(12,577,971)**	**(2,671,366)**
Net increase or decrease in cash and cash equivalents	**11,789,605**	**10,608,624**	**(55,978,092)**
Cash and cash equivalents at the beginning of the year	60,305,203	47,174,157	103,116,103
Effect of exchange rate changes on cash and cash equivalents	(158,785)	2,522,422	36,146
Cash and cash equivalents at the end of the year	71,936,023	60,305,203	47,174,157
Increase/(decrease) in cash and cash equivalents	**11,789,605**	**10,608,624**	**(55,978,092)**
Complementary information about cash flow	**56,211,080**	**51,586,441**	**44,977,881**
Interest paid	(67,548,013)	(66,900,589)	(95,625,162)
Interest received	128,291,676	121,289,501	143,641,694
Taxes paid	(4,532,583)	(2,802,471)	(3,038,651)

Accounting changes not involving cash and cash equivalents			
Assets reclassified as non-current assets held for sale	191,136	85,330	49,982
Loans to customers transferred to non-operating assets (Others assets)	26,317	89,545	23,331
Unpaid dividends	1,242,511	3,609,272	1,353,830

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

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), under the ticker "BBAS3" and its ADRs (American Depositary Receipts) 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) collect voluntary deposits from financial institutions in the form of cash or equivalents;
(iv) provide clearing services for checks and other documents;
(v) 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);
(vi) provide receipt and payment services for Bacen, in addition to other services;
(vii) finance the purchase and development of small and medium-sized farms; and
(viii) 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 financing of foreign trade, 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 May 04, 2020.

b) Functional and presentation currency

The consolidated financial statements are presented in Brazilian Reais, which is the Bank's functional and presentation currency. 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.

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, 2018, except by the adoption of IFRS 16 – Leases and IFRC 23 – Uncertainty over Income Tax Treatments that were effective at Jan 1, 2019.

In thousand of Reais, unless otherwise stated

Adoption of IFRS 16

The Bank chose the modified retrospective approach to adopt IFRS 16. The effects were applied to the opening balance, and no comparative information was necessary.

As lessor, the Bank holds financial leases through its subsidiary BB Leasing. There are not substancial changes on the accounting of these leases.

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.

In calculating the lease liabilities and the right of use assets, the facts and circumstances relevant to exercising the options for renewal and/or early termination were considered and measured at the present value of the remaining lease payments using an unified discount rate (considering a portfolio of similar contracts) which represents the institutional funding.

The tables below presents the changing on Right of use assets and Lease liabilities in the period between Jan 1, 2019 and Dec 31, 2019.

Right of use assets – Buildings	Dec 31, 2019
Cost	
Balance at Jan 1, 2019	**4,188,816**
Acquisitions	344,162
Disposals	(86,892)
Remeasurement	93,169
Balance at Dec 31, 2019	**4,539,255**
Accumulated depreciation	
Balance at Jan 1, 2019	**-**
Depreciation	(1,112,821)
Disposals	5,811
Balance at Dec 31, 2019	**(1,107,010)**
Carrying amount	
Balance at Dec 31, 2019	**3,432,245**

Lease liabilities	Dec 31, 2019
Balance at Jan 1, 2019	**4,188,816**
Addtions	344,162
Interest expenses	335,601
Disposals	(82,783)
Principal of payments	(1,320,734)
Remeasurement	93,169
Balance at Dec 31, 2019	**3,558,231**

See Note 3.o, 28 and 30.a for more information about this topic.

In thousand of Reais, unless otherwise stated

<u>Adoption of IFRIC 23</u>

IFRIC 23 establishes parameters to be met by companies in relation to the existence of uncertainties regarding the treatment of taxes on profits.

Uncertainties about the treatments given to taxation on profit, the standards were interpreted based on the IFRIC 23. The application of the standard and its accounting effects were also considered. The Bank also observed the procedures and requirements for recognizing and measuring the amounts involved.

Thus, after analyzing the accounting, calculation and payment procedures for taxes calculated on profit, regarding current and deferred taxes, assets and liabilities, the Bank concluded that the adoption of IFRIC 23 did not cause material impacts on the consolidated financial statements.

e) Adjustments to comparative information

There was additioned the lines “Other financial assets” and “Other financial liabilities” in the balance sheet, to present separately the financial instruments and the non financial instruments. This changing was made to comparative balances in order to better demonstrate the essence of the operations.

Balance sheet

Dec 31, 2018	Report presented	Adjustments	Adjusted balances
Financial assets at amortized cost, net	**1,047,086,749**	**51,388,389**	**1,098,475,138**
Other financial assets	-	51,388,389	51,388,389
Other assets	**71,169,197**	**(51,388,389)**	**19,780,808**
Financial liabilities at amortized cost	**1,201,107,729**	**38,151,747**	**1,239,259,476**
Other financial liabilities	-	38,151,747	38,151,747
Other liabilities	**74,891,778**	**(38,151,747)**	**36,740,031**

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, except for the adoption of IFRS 16 – Leases, which replaced IAS 17, IFRIC 4, SIC-15 and SIC-27, on January 1, 2019; whose transition impacts are presented in Note 2.

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 Argentine peso in recent months and the increase in the general price level observed in this period, 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, 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:

- 283.4 at December 31, 2019;
- 184.3 at December 31, 2018; and
- 124.8 at December 31, 2017.

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.

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.

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.

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 central banks

Compulsory deposits with central banks refer to reserve requirements on demand, time and savings deposits the Bank must hold with the central banks of the countries in which it operates. In Brazil, the National Monetary Council determines the proportion of compulsory deposits that banks are required to hold and the associated interest rates.

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.

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 disclosed 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.

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:

- the 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.

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:

<u>Stage 1 – Regular</u>: 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.

<u>Stage 2 – Significant credit risk increase</u>: 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.

<u>Stage 3 – In default (problematic assets)</u>: 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. 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.

PD – 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 future projections of economic scenarios, to better reflect the behavior of non-compliances that may occur in the period that covers the next 3 years of balance sheet exercises.

For retail exhibitions, PDs are estimated according to the product groups (non-compliance by customers in each product group) and for wholesale exhibitions, they are observed according to the size of the companies (billing).

LGD – The loss, after non-compliance, is the estimate of the percentage of economic loss based on the present value of cash flow and administrative and recovery costs, observed for the workout period defined by the Bank, discounted by the opportunity cost plus risk spread. 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.

EAD – 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.

The provision 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 also uses personalized analyzes to assess credit risk, in the 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 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.

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 2019:

Estimated useful life	Internally generated	Acquired
Software	10 years	10 years
Rights due to payroll management	-	From 5 to 10 years
Related to customers, acquired in business combinations	-	From 2 to 10 years
Related to contracts, acquired in business combinations	-	From 3 to 10 years
Other [(1)]	-	5 years

(1) Mainly includes brands acquired in business combinations.

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.

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.

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 remaining after the date of 01.01.2019, contractually defined, were 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 after the initial adoption date is 41 months.

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 the year of 2019 was 8.66% p.a.

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.

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 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.

Income tax (IRPJ) is calculated at a rate of 15%, plus a 10% surcharge. Considering the adjustments determined by the tax legislation, social contribution is calculated at a rate of 15% for financial institutions, insurance companies and credit card administrators. For non-financial entities, the social contribution tax 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, 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 a rate between 30% to 40% 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 certain amendments, interpretations and standards recently issued by the IASB, that will become effective after December 31, 2019, 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, 2021, with early adoption permitted for entities that had already applied IFRS 9 and IFRS 15 requirements.

Amendments to IFRS 3 – Business Combinations – In October 2018, the IASB issued amendments to IFRS 3, aimed to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets.

These amendments are effective for annual periods beginning on or after January 1, 2020.

Amendments to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – In October 2018, the IASB proposed amendments to IAS 1 and IAS 8, that clarify the definiton of material for the preparation of the financial statements.

These amendments are effective for annual periods beginning on or after January 1, 2020.

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.

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.

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.

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.

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, 2019	Dec 31, 2018
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.	Asset management	Brazil	99.62%	99.62%
Insurance, private pension and capitalization segment				
BB Seguridade Participações S.A. (1)	Holding	Brazil	66.36%	66.36%
BB Corretora de Seguros e Administradora de Bens S.A. (1)	Broker	Brazil	66.36%	66.36%
BB Seguros Participações S.A. (1)	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. (2)	Tourism	Brazil	100%	100%
BB Tecnologia e Serviços S.A. (1)	IT	Brazil	99.99%	99.99%
Compesa Fundo de Investimento em Direitos Creditórios Cia. Pernambucana de Saneamento	Securitization	Brazil	83.73%	87.30%
Dollar Diversified Payment Rights Finance Company (SPE)	Securitization	Cayman Islands	-	-
Loans Finance Company Limited (SPE)	Securitization	Cayman Islands	-	-

(1) Refers to the percentage of the equity interest, considering the acquisition of shares by the invested entity held in treasury.
(2) The financial statements used for consolidation in these financial statements were dated as of November 30, 2019 due to the incompatible schedule between the subsidiary and the Bank.

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.

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, 2019, the Bank held all of the 300 senior units and none of the subordinated units.

In thousand of Reais, unless otherwise stated

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

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

Dec 31, 2018	BB Seguridade Participações S.A.	Banco Patagonia S.A.	Other (1)
Current assets	5,003,901	14,549,977	221,339
Non-current assets	6,580,268	2,438,431	339,705
Current liabilities	4,066,805	14,331,735	283,252
Non-current liabilities	603,333	235,567	-
Income	3,590,490	4,329,870	1,062,364
Net income	2,999,923	710,053	12,051
Comprehensive income	2,999,691	692,538	12,051
Dividends paid to NCI	1,887,449	90,850	-
Ownership interest held by NCI	33.64%	19.61%	-
Net income attributable to NCI	1,009,174	250,930	3
Accumulated shareholder NCI	2,325,880	321,115	61

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

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, 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

Dec 31, 2018	BB Seguros Participações S.A.	BB Corretora de Seg. e Adm. de Bens S.A.
Current assets	457,785	1,918,666
Non-current assets	7,787,906	1,160,530
Current liabilities	96,823	2,034,698
Non-current liabilities	427,383	997,591
Income	1,933,601	3,019,845
Net income	1,496,434	1,612,504
Comprehensive income	1,508,880	1,612,525

In thousand of Reais, unless otherwise stated

6 – ACQUISITIONS, DISPOSALS AND CORPORATE RESTRUCTURING

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

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 Participações S.A. (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.

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	13,449,300	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**

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, 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.

In thousand of Reais, unless otherwise stated

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

b) 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 will recognize 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)**

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.

d) Gestora de Inteligência de Crédito S.A. – QUOD

On June 14, 2017, Banco do Brasil S.A. signed the definitive documents necessary for the formation of Gestora de Inteligência de Crédito S.A. – QUOD jointly with Banco Bradesco S.A., Banco Santander (Brasil) S.A, Caixa Econômica Federal, through its subsidiary Caixa Participações S.A. and Banco Itaú Unibanco S.A. Each of the parties holds 20% of QUOD's capital stock, being the control shared between the parties.

The bureau of credit will develop a database aiming to aggregate, reconcile and treat registration data and credit information of individuals and corporations, in accordance with the applicable rules. Management believes that such action will allow, by means of an accurate knowledge of individuals' and corporations' profiles, a significant improvement in the processes of credit concession, pricing and direction by the entities that are part of Brazilian Banking Industry, resulting, therefore, in improvement of the country's credit environment in the medium and long term.

The capital investment occurred in July, 2017. The investment was initially recognized at cost and subsequently measured using the equity method.

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);
- investments in joint ventures are proportionately consolidated;
- 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.

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

	2019							
	Banking	Investments	Fund management	Insurance and related	Electronic payments	Other	Intersegment transactions	Consolidated management statement
Interest income	125,985,121	44,104	59,925	16,758,671	190,296	968,225	(704,381)	143,301,961
Interest expense	(70,555,291)	(149,667)	-	-	(32,829)	(205,572)	705,270	(70,238,089)
Net interest income	**55,429,830**	**(105,563)**	**59,925**	**16,758,671**	**157,467**	**762,653**	**889**	**73,063,872**
Expected losses	(18,850,488)	-	-	-	-	-	(4,339)	(18,854,827)
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**
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**
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
Net gains/(losses) from financial instruments	1,191,851	16,315	(5,015)	(170,840)	12,367	-	135,494	1,180,172
Net gains from equity method investments	180,948	107,555	-	86,080	75,517	-	-	450,100
Income from insurance contracts and private pension plans	-	-	-	4,089,735	-	-	228,275	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
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)**
Personnel expenses	(23,223,629)	(60,221)	(103,322)	(368,504)	(208,986)	(365,500)	6,636	(24,323,526)
Administrative expenses	(11,347,114)	(35,512)	(24,868)	(591,785)	(668,691)	(611,290)	1,393,542	(11,885,718)
Contributions, fees and other taxes	(4,113,880)	(91,295)	(176,884)	(810,425)	(479,046)	(338,990)	27	(6,010,493)
Amortization of intangible assets	(1,652,891)	-	-	(47,472)	(35,096)	(3,843)	-	(1,739,302)
Labor, tax and civil claims	(11,523,939)	93	(185)	(10,889)	(24,991)	(27,998)	-	(11,587,909)
Depreciation	(1,240,718)	-	-	(15,110)	(63,050)	(19,786)	231	(1,338,433)
Other operating expenses (1)	(7,418,030)	(224,986)	(40,495)	(15,936,921)	(1,448,626)	(321,632)	211,010	(25,179,680)
Income before taxes	**(516,335)**	**693,706**	**2,278,823**	**9,919,640**	**1,645,745**	**1,300,416**	**-**	**15,321,995**
Income taxes	**10,820,797**	**(256,485)**	**(901,393)**	**(3,388,902)**	**(500,741)**	**(451,337)**	**-**	**5,321,939**
Current	(996,992)	(294,674)	(901,662)	(3,388,630)	(452,346)	(442,931)	-	(6,477,235)
Deferred	11,817,789	38,189	269	(272)	(48,395)	(8,406)	-	11,799,174
Net income	**10,304,462**	**437,221**	**1,377,430**	**6,530,738**	**1,145,004**	**849,079**	**-**	**20,643,934**
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
Attributable to non-controlling interests	244,470	-	-	2,237,390	-	7	-	2,481,867
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**
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**
Total equity	**107,633,572**	**455,117**	**139,644**	**4,588,389**	**9,033,884**	**1,588,706**	**(14,874,418)**	**108,564,894**

(1) Mainly it 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
Interest income	124,746,777	32,445	60,361	12,523,334	209,151	772,602	(691,273)	137,653,397
Interest expense	(72,708,782)	(239,769)	-	-	(18,737)	(154,084)	712,857	(72,408,515)
Net interest income	**52,037,995**	**(207,324)**	**60,361**	**12,523,334**	**190,414**	**618,518**	**21,584**	**65,244,882**
Expected losses	(15,560,695)	-	-	-	(647)	-	(4,021)	(15,565,363)
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**
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**
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
Net gains/(losses) from financial instruments	1,075,496	107,884	(3,695)	(117,389)	11	(26,098)	109,936	1,146,145
Net gains from equity method investments	138,754	110,210	-	522,714	74,639	-	-	846,317
Income from insurance contracts and private pension plans	-	-	-	4,577,145	-	-	180,717	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
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)**
Personnel expenses	(21,196,878)	(57,957)	(99,045)	(469,456)	(237,772)	(378,557)	10,706	(22,428,959)
Administrative expenses	(11,345,133)	(21,505)	(25,959)	(637,817)	(587,306)	(618,220)	1,491,742	(11,744,198)
Contributions, fees and other taxes	(4,333,761)	(81,812)	(163,184)	(776,165)	(536,807)	(299,553)	55	(6,191,227)
Amortization of intangible assets	(1,812,914)	-	-	(69,608)	(35,417)	(3,134)	-	(1,921,073)
Labor, tax and civil claims	(5,494,889)	(145)	(508)	(18,842)	(21,360)	(7,667)	-	(5,543,411)
Depreciation	(1,191,778)	-	-	(19,022)	(95,289)	(18,385)	135	(1,324,339)
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)
Income before taxes	**8,643,552**	**790,524**	**2,075,032**	**6,383,439**	**2,085,018**	**1,074,270**	**-**	**21,051,835**
Income taxes	**(2,243,413)**	**(313,733)**	**(922,490)**	**(2,320,631)**	**(674,765)**	**(318,928)**	**-**	**(6,793,960)**
Current	(518,228)	(374,333)	(922,895)	(2,312,292)	(654,795)	(322,557)	-	(5,105,100)
Deferred	(1,725,185)	60,600	405	(8,339)	(19,970)	3,629	-	(1,688,860)
Net income	**6,400,139**	**476,791**	**1,152,542**	**4,062,808**	**1,410,253**	**755,342**	**-**	**14,257,875**
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
Attributable to non-controlling interests	220,332	-	-	1,175,516	-	1	-	1,395,849
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**
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**
Total equity	**100,764,586**	**3,169,918**	**138,636**	**6,352,153**	**8,413,513**	**1,527,075**	**(18,112,999)**	**102,252,882**

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

In thousand of Reais, unless otherwise stated

	2017							
	Banking	Investments	Fund management	Insurance and related	Electronic payments	Other	Intersegment transactions	Consolidated management statement
Interest income	151,975,930	28,620	82,845	16,874,226	340,207	820,495	(771,640)	169,350,683
Interest expense	(96,705,776)	(343,279)	-	-	(16,326)	(116,176)	788,160	(96,393,397)
Net interest income	**55,270,154**	**(314,659)**	**82,845**	**16,874,226**	**323,881**	**704,319**	**16,520**	**72,957,286**
Allowance for losses on loans to customers, net of recovery	(22,189,218)	-	-	-	(822)	-	(793)	(22,190,833)
Net interest income after allowance for loan losses	**33,080,936**	**(314,659)**	**82,845**	**16,874,226**	**323,059**	**704,319**	**15,727**	**50,766,453**
Non-interest income	**23,380,518**	**1,215,156**	**2,078,783**	**7,069,886**	**5,700,782**	**1,874,400**	**(1,931,824)**	**39,387,701**
Net commissions and fee income	16,385,502	813,134	2,070,708	2,739,504	4,232,116	1,770,635	(1,457,799)	26,553,800
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss	(441,024)	104,492	(7,820)	(79,099)	-	(25,231)	88,528	(360,154)
Net gains/(losses) from financial assets available for sale	(58,743)	91,641	(1,500)	2,421	-	-	-	33,819
Net income/(loss) from equity method investments	149,051	9,106	-	46,992	(84,696)	-	-	120,453
Income from insurance contracts and private pension plans	-	-	-	4,363,427	-	-	200,908	4,564,335
Other operating income	7,345,732	196,783	17,395	(3,359)	1,553,362	128,996	(763,461)	8,475,448
Non-interest expenses	**(50,040,433)**	**(147,352)**	**(299,693)**	**(17,653,388)**	**(3,461,543)**	**(1,464,737)**	**1,916,097**	**(71,151,049)**
Personnel expenses	(20,609,602)	(58,391)	(91,796)	(583,673)	(218,063)	(380,530)	8,691	(21,933,364)
Administrative expenses	(11,533,956)	(17,317)	(24,432)	(704,778)	(549,367)	(563,685)	1,426,477	(11,967,058)
Contributions, fees and other taxes	(4,808,460)	(80,387)	(147,448)	(751,811)	(547,289)	(261,542)	-	(6,596,937)
Amortization of intangible assets	(2,092,504)	-	-	(83,827)	(27,038)	(1,945)	-	(2,205,314)
Labor, tax and civil claims	(2,522,003)	543	1,004	(54,072)	(10,184)	(5,072)	-	(2,589,784)
Depreciation	(1,158,353)	-	-	(24,350)	(111,517)	(16,325)	-	(1,310,545)
Other operating expenses (1)	(7,315,555)	8,200	(37,021)	(15,450,877)	(1,998,085)	(235,638)	480,929	(24,548,047)
Income before taxes	**6,421,021**	**753,145**	**1,861,935**	**6,290,724**	**2,562,298**	**1,113,982**	**-**	**19,003,105**
Income taxes	**(1,785,920)**	**(263,138)**	**(829,339)**	**(2,302,994)**	**(890,081)**	**(270,823)**	**-**	**(6,342,295)**
Current	(880,247)	(317,396)	(828,797)	(2,341,170)	(852,477)	(257,395)	-	(5,477,482)
Deferred	(905,673)	54,258	(542)	38,176	(37,604)	(13,428)	-	(864,813)
Net income	**4,635,101**	**490,007**	**1,032,596**	**3,987,730**	**1,672,217**	**843,159**	**-**	**12,660,810**
Attributable to shareholders of the Bank	4,352,377	490,007	1,032,596	2,620,425	1,672,217	843,154	-	11,010,776
Attributable to non-controlling interests	282,724	-	-	1,367,305	-	5	-	1,650,034
Total assets	**1,405,181,977**	**8,014,967**	**1,648,798**	**209,124,922**	**33,050,350**	**6,625,633**	**(40,611,591)**	**1,623,035,056**
Total liabilities	**1,308,451,657**	**4,940,858**	**1,510,076**	**201,527,919**	**24,631,666**	**3,841,641**	**(20,592,163)**	**1,524,311,654**
Total equity	**96,730,320**	**3,074,109**	**138,722**	**7,597,003**	**8,418,684**	**2,783,992**	**(20,019,428)**	**98,723,402**

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

In thousand of Reais, unless otherwise stated

h) Reconciliation of financial information by reportable segment to consolidated financial information according to IFRS

	2019								
	Consolidated management statement	Adjustments (1)							Consolidated IFRS
		Banking	Investments	Fund management	Insurance and related	Electronic payments	Other	Intersegment transactions	
Interest income	143,301,961	(3,786,874)	-	-	(16,448,021)	43,851	-	(5,592)	123,105,325
Interest expense	(70,238,089)	898,974	-	-	-	32,829	(10)	-	(69,306,296)
Net interest income	**73,063,872**	**(2,887,900)**	**-**	**-**	**(16,448,021)**	**76,680**	**(10)**	**(5,592)**	**53,799,029**
Expected losses	(18,854,827)	(975,991)	-	-	-	(879)	-	(115,873)	(19,947,570)
Net interest income after expected losses	**54,209,045**	**(3,863,891)**	**-**	**-**	**(16,448,021)**	**75,801**	**(10)**	**(121,465)**	**33,851,459**
Non-interest income	**43,178,011**	**262,090**	**148,327**	**-**	**(1,515,690)**	**(3,537,130)**	**149,899**	**210,109**	**38,895,616**
Net commissions and fee income	26,510,701	(154,536)	-	-	255,008	(3,389,718)	-	495,338	23,716,793
Net gains/(losses) from financial instruments	1,180,172	(691,772)	-	-	170,840	(12,371)	-	(135,494)	511,375
Net gains from equity method investments	450,100	509,922	254,943	-	2,162,830	666,618	-	-	4,044,413
Income from insurance contracts and private pension plans	4,318,010	-	-	-	(4,089,735)	-	-	(228,275)	-
Other operating income	10,719,028	598,476	(106,616)	-	(14,633)	(801,659)	149,899	78,540	10,623,035
Non-interest expenses	**(82,065,061)**	**664,160**	**149,849**	**-**	**16,972,975**	**2,878,843**	**(149,818)**	**(58,511)**	**(61,607,563)**
Personnel expenses	(24,323,526)	1,016,658	-	-	310,096	204,396	-	(5,601)	(22,797,977)
Administrative expenses	(11,885,718)	3,544,216	-	-	378,484	667,520	296	(227,849)	(7,523,051)
Contributions, fees and other taxes	(6,010,493)	187,896	-	-	377,044	442,847	-	-	(5,002,706)
Amortization of intangible assets	(1,739,302)	29,487	-	-	47,472	35,096	-	-	(1,627,247)
Labor, tax and civil claims	(11,587,909)	(271,319)	-	-	12,194	24,958	-	16,843	(11,805,233)
Depreciation	(1,338,433)	(1,098,713)	-	-	14,871	63,050	71	-	(2,359,154)
Other operating expenses	(25,179,680)	(2,744,065)	149,849	-	15,832,814	1,440,976	(150,185)	158,096	(10,492,195)
Income before taxes	**15,321,995**	**(2,937,641)**	**298,176**	**-**	**(990,736)**	**(582,486)**	**71**	**30,133**	**11,139,512**
Income taxes	**5,321,939**	**965,756**	**335,830**	**-**	**1,219,280**	**(43,758)**	**-**	**(50,241)**	**7,748,806**
Current	(6,477,235)	1,394	-	-	1,129,926	356,080	-	-	(4,989,835)
Deferred	11,799,174	964,362	335,830	-	89,354	(399,838)	-	(50,241)	12,738,641
Net income	**20,643,934**	**(1,971,885)**	**634,006**	**-**	**228,544**	**(626,244)**	**71**	**(20,108)**	**18,888,318**
Attributable to shareholders of the Bank	18,162,067	(1,932,123)	634,006	-	179,227	(626,244)	71	(20,108)	16,396,896
Attributable to non-controlling interests	2,481,867	(39,762)	-	-	49,317	-	-	-	2,491,422
Total assets	**1,766,301,420**	**(61,049,414)**	**13,776**	**-**	**(233,034,455)**	**(23,930,375)**	**(1,654)**	**3,967,509**	**1,452,266,807**
Total liabilities	**1,657,736,526**	**(60,564,032)**	**(2)**	**-**	**(233,884,476)**	**(24,694,832)**	**(12,674)**	**3,714,918**	**1,342,295,428**
Total equity	**108,564,894**	**(485,382)**	**13,778**	**-**	**850,021**	**764,457**	**11,020**	**252,591**	**109,971,379**
Shareholders' equity attributable to shareholders of the Bank	106,661,239	(520,867)	13,778	-	552,520	764,457	11,020	252,591	107,734,738
Shareholders' equity attributable to non-controlling interests	1,903,655	35,485	-	-	297,501	-	-	-	2,236,641

(1) The adjustments primarily relate to the differences between accounting methods used in the management reports and the accounting methods used in the IFRS financial statements. The main differences are the adjustments of allowances for losses on loans to customers, joint ventures accounted for by the equity method, effective interest rate, business combinations and changes in the proportion of the equity held by non-controlling interests.

In thousand of Reais, unless otherwise stated

	2018								
	Consolidated management statement	Adjustments [1]							Consolidated IFRS
		Banking	Investments	Fund management	Insurance and related	Electronic payments	Other	Intersegment transactions	
Interest income	137,653,397	(5,154,411)	-	-	(12,282,324)	50,310	-	(16,628)	120,250,344
Interest expense	(72,408,515)	2,857,792	-	-	-	18,737	-	(4,988)	(69,536,974)
Net interest income	**65,244,882**	**(2,296,619)**	**-**	**-**	**(12,282,324)**	**69,047**	**-**	**(21,616)**	**50,713,370**
Expected losses	(15,565,363)	3,206,565	-	-	-	647	-	(265,700)	(12,623,851)
Net interest income after expected losses	**49,679,519**	**909,946**	**-**	**-**	**(12,282,324)**	**69,694**	**-**	**(287,316)**	**38,089,519**
Non-interest income	**40,480,717**	**(1,120,023)**	**730,051**	**-**	**(2,692,675)**	**(4,513,126)**	**(7,500)**	**1,100,700**	**33,978,144**
Net commissions and fee income	26,906,397	(1,384,416)	-	-	265,354	(4,249,959)	-	444,487	21,981,863
Net gains/(losses) from financial instruments	1,146,145	(97,927)	(17)	-	117,389	-	-	(109,936)	1,055,654
Net gains from equity method investments	846,317	310,173	730,052	-	1,260,358	391,418	-	-	3,538,318
Income from insurance contracts and private pension plans	4,757,862	-	-	-	(4,577,145)	-	-	(180,717)	-
Other operating income	6,823,996	52,147	16	-	241,369	(654,585)	(7,500)	946,866	7,402,309
Non-interest expenses	**(69,108,401)**	**1,945,977**	**141,696**	**-**	**13,271,247**	**3,175,032**	**(139,332)**	**(939,683)**	**(51,653,464)**
Personnel expenses	(22,428,959)	689,286	-	-	413,598	233,541	-	(87)	(21,092,621)
Administrative expenses	(11,744,198)	1,573,229	-	-	425,916	586,323	-	(222,301)	(9,381,031)
Contributions, fees and other taxes	(6,191,227)	190,940	-	-	420,773	502,666	-	-	(5,076,848)
Amortization of intangible assets	(1,921,073)	(40,213)	-	-	69,608	35,417	-	-	(1,856,261)
Labor, tax and civil claims	(5,543,411)	65,406	-	-	19,017	21,315	-	-	(5,437,673)
Depreciation	(1,324,339)	14,253	-	-	18,819	95,289	70	-	(1,195,908)
Other operating expenses	(19,955,194)	(546,924)	141,696	-	11,903,516	1,700,481	(139,402)	(717,295)	(7,613,122)
Income before taxes	**21,051,835**	**1,735,900**	**871,747**	**-**	**(1,703,752)**	**(1,268,400)**	**(146,832)**	**(126,299)**	**20,414,199**
Income taxes	**(6,793,960)**	**(273,431)**	**(40,426)**	**-**	**1,209,248**	**570,471**	**-**	**-**	**(5,328,098)**
Current	(5,105,100)	32,120	-	-	1,212,202	556,561	-	-	(3,304,217)
Deferred	(1,688,860)	(305,551)	(40,426)	-	(2,954)	13,910	-	-	(2,023,881)
Net income	**14,257,875**	**1,462,469**	**831,321**	**-**	**(494,504)**	**(697,929)**	**(146,832)**	**(126,299)**	**15,086,101**
Attributable to shareholders of the Bank	12,862,026	1,431,870	831,321	-	(328,163)	(697,929)	(146,832)	(126,299)	13,825,994
Attributable to non-controlling interests	1,395,849	30,599	-	-	(166,341)	-	-	-	1,260,107
Total assets	**1,687,517,717**	**(64,898,050)**	**644,464**	**-**	**(207,978,438)**	**(24,262,897)**	**(2,182)**	**5,486,860**	**1,396,507,474**
Total liabilities	**1,585,264,835**	**(65,858,090)**	**-**	**-**	**(208,540,932)**	**(22,372,752)**	**-**	**3,474,442**	**1,291,967,503**
Total equity	**102,252,882**	**960,040**	**644,464**	**-**	**562,494**	**(1,890,145)**	**(2,182)**	**2,012,418**	**104,539,971**
Shareholders' equity attributable to shareholders of the Bank	99,741,967	1,013,101	644,464	-	373,292	(1,890,145)	(2,182)	2,012,418	101,892,915
Shareholders' equity attributable to non-controlling interests	2,510,915	(53,061)	-	-	189,202	-	-	-	2,647,056

(1) The adjustments primarily relate to the differences between accounting methods used in the management reports and the accounting methods used in the IFRS financial statements. The main differences refers to adjustments of allowances for losses on loans to customers, joint ventures accounted for by the equity method, effective interest rate, business combinations and changes in the proportion of the equity held by non-controlling interests.

In thousand of Reais, unless otherwise stated

	2017								
	Consolidated management statement	Adjustments [1]							Consolidated IFRS
		Banking	Investments	Fund management	Insurance and related	Electronic payments	Other	Intersegment transactions	
Interest income	169,350,683	(5,733,687)	-	-	(16,596,162)	56,910	-	(13,293)	147,064,451
Interest expense	(96,393,397)	3,520,306	-	-	-	16,326	-	(3,567)	(92,860,332)
Net interest income	**72,957,286**	**(2,213,381)**	**-**	**-**	**(16,596,162)**	**73,236**	**-**	**(16,860)**	**54,204,119**
Allowance for losses on loans to financial institutions, net of recovery	-	-	-	-	-	-	-	-	-
Allowance for losses on loans to customers, net of recovery	(22,190,833)	(513,278)	-	-	-	822	-	(161,078)	(22,864,367)
Net interest income after allowance for loan losses	**50,766,453**	**(2,726,659)**	**-**	**-**	**(16,596,162)**	**74,058**	**-**	**(177,938)**	**31,339,752**
Non-interest income	**39,387,701**	**(1,906,209)**	**975,610**	**-**	**(2,013,332)**	**(5,202,726)**	**-**	**515,582**	**31,756,626**
Net commissions and fee income	26,553,800	(1,852,911)	-	-	11,033	(4,194,623)	-	426,146	20,943,445
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss	(360,154)	(58,113)	-	-	79,099	-	-	(88,528)	(427,696)
Net gains/(losses) from financial assets available for sale	33,819	438,032	-	-	23	-	-	-	471,874
Net income/(loss) from equity method investments	120,453	124,947	975,922	-	2,077,530	452,126	-	-	3,750,978
Income from insurance contracts and private pension plans	4,564,335	-	-	-	(4,363,427)	-	-	(200,908)	-
Other operating income	8,475,448	(558,164)	(312)	-	182,410	(1,460,229)	-	378,872	7,018,025
Non-interest expenses	**(71,151,049)**	**3,683,828**	**123,516**	**-**	**17,259,201**	**3,417,158**	**(175,346)**	**(323,225)**	**(47,165,917)**
Personnel expenses	(21,933,364)	628,540	-	-	530,456	214,422	-	(79)	(20,560,025)
Administrative expenses	(11,967,058)	1,837,658	-	-	520,542	548,264	(8)	(221,686)	(9,282,288)
Contributions, fees and other taxes	(6,596,937)	195,322	-	-	402,975	516,432	-	-	(5,482,208)
Amortization of intangible assets	(2,205,314)	(321,954)	-	-	83,827	27,038	-	-	(2,416,403)
Labor, tax and civil claims	(2,589,784)	(305,203)	-	-	51,934	10,069	-	-	(2,832,984)
Depreciation	(1,310,545)	11,993	-	-	24,142	111,517	71	-	(1,162,822)
Other operating expenses	(24,548,047)	1,637,472	123,516	-	15,645,325	1,989,416	(175,409)	(101,460)	(5,429,187)
Income before taxes	**19,003,105**	**(949,040)**	**1,099,126**	**-**	**(1,350,293)**	**(1,711,510)**	**(175,346)**	**14,419**	**15,930,461**
Income taxes	**(6,342,295)**	**621,355**	**(55,582)**	**-**	**1,384,938**	**736,426**	**-**	**-**	**(3,655,158)**
Current	(5,477,482)	85,939	-	-	1,387,860	712,998	-	-	(3,290,685)
Deferred	(864,813)	535,416	(55,582)	-	(2,922)	23,428	-	-	(364,473)
Net income	**12,660,810**	**(327,685)**	**1,043,544**	**-**	**34,645**	**(975,084)**	**(175,346)**	**14,419**	**12,275,303**
Attributable to shareholders of the Bank	11,010,776	(312,508)	1,043,544	-	22,993	(975,084)	(175,346)	14,419	10,628,794
Attributable to non-controlling interests	1,650,034	(15,177)	-	-	11,652	-	-	-	1,646,509
Total assets	**1,623,035,056**	**(55,050,661)**	**549,187**	**-**	**(195,865,243)**	**(25,989,661)**	**(2,252)**	**6,398,616**	**1,353,075,042**
Total liabilities	**1,524,311,654**	**(55,923,965)**	**55,925**	**-**	**(196,922,238)**	**(23,929,282)**	**-**	**4,244,520**	**1,251,836,614**
Total equity	**98,723,402**	**873,304**	**493,262**	**-**	**1,056,995**	**(2,060,379)**	**(2,252)**	**2,154,096**	**101,238,428**
Shareholders' equity attributable to shareholders of the Bank	95,325,729	744,924	493,262	-	701,453	(2,060,379)	(2,252)	2,154,096	97,356,833
Shareholders' equity attributable to non-controlling interests	3,397,673	128,380	-	-	355,542	-	-	-	3,881,595

(1) The adjustments primarily relate to the differences between accounting methods used in the management reports and the accounting methods used in the IFRS financial statements. The main differences refers to adjustments of allowances for losses on loans to customers, joint ventures accounted for by the equity method, effective interest rate, business combinations and changes in the proportion of the equity held by non-controlling interests.

In thousand of Reais, unless otherwise stated

i) Geographical information

	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

	Brazil	Other countries			Total
	2017	Before eliminations	Eliminations	After eliminations	2017
Assets	1,273,527,572	252,559,653	(173,012,183)	79,547,470	1,353,075,042
Income	172,845,047	14,730,787	(8,754,757)	5,976,030	178,821,077
Expenses (including income tax)	(157,539,155)	(13,772,340)	4,765,721	(9,006,619)	(166,545,774)
Income/(loss) before taxes	17,945,786	1,973,711	(3,989,036)	(2,015,325)	15,930,461
Net income/(loss)	15,305,892	958,447	(3,989,036)	(3,030,589)	12,275,303

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 North 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

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

	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

	Dec 31, 2018						
	Banking	Investments	Fund management	Insurance and related	Electronic payments	Other	Consolidated IFRS
Investments in associates and joint ventures	**5,121,167**	**1,831,945**	**-**	**5,521,886**	**6,178,809**	**73,656**	**18,727,463**
Non-current assets [(1)]	**13,367,445**	**-**	**-**	**5,620**	**-**	**107,093**	**13,480,158**
Property and equipment	7,593,179	-	-	-	-	91,915	7,685,094
Intangible	5,774,266	-	-	5,620	-	15,178	5,795,064

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

In thousand of Reais, unless otherwise stated

k) Income by segments

	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

	2017					
	Banking	Investments	Fund management	Insurance and related	Electronic payments	Other
Interest income	**151,975,930**	**28,620**	**82,845**	**16,874,226**	**340,207**	**820,495**
External customers income	151,628,072	25,409	1,076	16,671,296	301,547	709,988
Intersegments income	347,858	3,211	81,769	202,930	38,660	110,507
Non-interest income	**23,380,518**	**1,215,156**	**2,078,783**	**7,069,886**	**5,700,782**	**1,874,400**
External customers income	22,523,388	845,642	2,048,304	7,056,594	5,696,573	842,396
Intersegments income	857,130	369,514	30,479	13,292	4,209	1,032,004

In thousand of Reais, unless otherwise stated

8 – NET INTEREST INCOME

	2019	2018	2017
Interest income	**123,105,325**	**120,250,344**	**147,064,451**
Loans to customers	73,597,648	73,304,263	83,418,425
Securities purchased under resale agreements	27,657,735	26,452,231	38,691,418
Financial assets at fair value through other comprehensive income	11,412,939	8,469,106	N/A
Financial assets available for sale	N/A	N/A	10,138,634
Compulsory deposits with central banks	2,371,998	2,606,636	3,862,405
Financial assets at amortized cost	1,126,959	1,681,817	N/A
Financial assets held to maturity	N/A	N/A	1,286,916
Loans to financial institutions	842,650	765,961	349,655
Financial assets at fair value through profit or loss	247,628	874,020	798,144
Other interest income [(1)]	5,847,768	6,096,310	8,518,854
Interest expense	**(69,306,296)**	**(69,536,974)**	**(92,860,332)**
Securities sold under repurchase agreements	(27,514,858)	(27,556,890)	(40,357,230)
Deposits of clients	(22,584,933)	(22,089,292)	(27,585,374)
Liabilities from issuance of securities and other financial liabilities	(17,751,135)	(18,731,568)	(24,268,338)
Amount payable to financial institutions	(1,119,769)	(1,159,224)	(649,390)
Lease liabilities	(335,601)	N/A	N/A
Net interest income	**53,799,029**	**50,713,370**	**54,204,119**

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

9 – NET COMMISSIONS AND FEE INCOME

	2019	2018	2017
Services rendered to customers	**14,481,931**	**13,633,566**	**13,084,140**
Account fee	7,466,858	6,979,843	6,445,917
Card income	2,089,295	1,941,733	1,867,654
Billing	1,332,179	1,289,880	1,447,794
Collection	1,108,186	1,116,250	1,112,803
Loans and customer information file	1,004,394	1,027,063	936,810
Capital market income	974,894	787,914	775,546
Foreign exchange	223,763	231,696	229,784
Interbank and funds transfer	149,748	145,103	175,612
Other	132,614	114,084	92,220
Asset management	**8,017,700**	**7,571,523**	**6,815,679**
Commissions	**3,802,332**	**3,219,159**	**3,059,918**
Insurance distribution	3,136,661	2,713,769	2,274,715
Capitalization distribution	444,089	332,154	370,922
Pension plans distribution	221,582	173,236	408,835
Securities distribution	-	-	5,446
Guarantees provided	**111,173**	**171,314**	**153,862**
Other services	**1,654,973**	**1,531,977**	**1,599,776**
Commissions and fee income	**28,068,109**	**26,127,539**	**24,713,375**
Commissions and fee expense	**(4,351,316)**	**(4,145,676)**	**(3,769,930)**
Service rendering	(4,069,682)	(3,889,592)	(3,515,704)
Commission expense	(6,663)	(8,023)	(6,792)
Other services	(274,971)	(248,061)	(247,434)
Net commissions and fee income	**23,716,793**	**21,981,863**	**20,943,445**

In thousand of Reais, unless otherwise stated

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

	2019	2018	2017
Fair value through profit or loss	**668,038**	**650,202**	**(427,696)**
Derivative financial instruments	536,175	618,027	(468,302)
Other financial instruments	131,863	32,175	40,606
Fair value through other comprensive income	**(156,663)**	**405,452**	**N/A**
Debt instruments	(156,663)	406,752	N/A
Equity instruments	-	(1,300)	N/A
Financial assets available for sale	**N/A**	**N/A**	**471,874**
Debt instruments	N/A	N/A	473,374
Equity instruments	N/A	N/A	(1,500)
Total	**511,375**	**1,055,654**	**44,178**

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

	2019	2018	2017
Foreign exchange changes of financial assets recognized in income	**2,146,770**	**8,702,257**	**(7,296,898)**
Loans to financial institutions	656,217	2,603,587	88,415
Financial assets fair value through other comprehensive income	-	94,444	9,729
Loans to customers	1,490,553	6,004,226	(7,395,042)
Foreign exchange changes of financial liabilities recognized in income	**(3,915,606)**	**(13,863,948)**	**6,326,433**
Deposits of clients	(37,490)	(85,444)	(21,662)
Amount payable to financial institutions	-	-	8,202,224
Securities sold under repurchase agreements	-	-	(1,896)
Liabilities from issuance of securities and other financial liabilities	(3,878,116)	(13,778,504)	(1,852,233)
Foreign exchange changes of credit cards operations	**209,103**	**257,530**	**167,481**
Foreign exchange changes from translation of investments	**520,181**	**1,564,698**	**346,511**
Foreign exchange changes transactions	**646,367**	**1,658,658**	**487,361**
Net gains/(losses) on foreign exchange transactions	**(310,066)**	**(297,095)**	**(245,180)**
Net income on foreign exchange and translation of foreign currency transactions	**(703,251)**	**(1,977,900)**	**(214,292)**

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

	2019	2018	2017
Net income on foreign exchange and translation of foreign currency transactions	**(703,251)**	**(1,977,900)**	**(214,292)**
Adjustments:			
Current tax (1)	457,179	1,520,581	383,191
Financial instruments fair value through profit or loss (2)	687,370	939,472	145,977
Net gains/(losses) on foreign exchange transactions	310,066	297,095	245,180
Net income on foreign exchange and translation of foreign currency transactions adjusted	**751,364**	**779,248**	**560,056**

(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	2019	2018	2017
Gains from the disposal of other assets (1)	3,992,357	453,960	201,266
Recovery of charges and expenses	2,110,410	2,135,970	2,045,656
Receivables income	2,029,416	3,716,410	2,220,488
Gains from defined benefit plans – Plano 1 – Previ	893,382	800,931	646,880
Reversal of provisions for sundry payments	705,815	93,930	599,242
Card transactions	457,333	457,980	409,289
Gains from benefit plans – surplus agreements	186,747	664,482	17,199
Income derived from investments (2)	59,043	287,431	303,622
Net gains from foreign exchange transactions	-	-	22,183
Gains/(losses) from de disposal of investments in associates	(108,995)	-	311
Other	1,000,778	769,115	766,181
Total	**11,326,286**	**9,380,209**	**7,232,317**

(1) In 2019, it refers mainly to the gain from disposal of the IRB-Brasil Resseguros shareholding.
(2) It refers mainly to inflation adjustments of receivable dividends.

Other operating expenses	2019	2018	2017
Performance bonus paid to customers for loyalty	(1,656,474)	(1,024,241)	(1,066,532)
Inflation adjustments of tax obligations under legal discussion	(1,453,668)	(695,333)	(1,026,713)
Adjustment of actuarial liabilities	(1,394,073)	(1,309,718)	(1,410,216)
Impairment losses of rights to manage payroll	(987,172)	(19,933)	-
Loss on net monetary position (1)	(823,891)	-	-
Allowance for losses with the Fundo de Compensação de Variação Salarial - FCVS	(604,215)	-	-
Compensation for transactions of banking correspondents and business partners	(396,994)	(524,081)	(532,776)
Loss on financial assets disposal	(283,845)	-	(32,309)
Life insurance premium – consumer credit	(150,242)	(128,848)	(132,000)
Operating losses	(146,547)	(466,526)	(294,300)
Compensation for transactions of Banco Postal (2)	(143,320)	(202,832)	(236,936)
Commission for credit recovery	(116,398)	(77,347)	(67,795)
Capital gains/(losses)	(100,375)	144,590	326,829
(Recognition)/reversal of impairment for devaluation of other assets	(35,487)	(30,263)	34,693
Inflation adjustment of amounts to be paid	(35,139)	(49,461)	(46,653)
Liabilities for operations linked to assignments	(33,487)	(40,466)	(54,015)
Fees for the use of Sisbacen – brazilian central bank system	(23,289)	(22,468)	(20,520)
Inflation adjustments of payables to the National Treasury	(14,459)	(87,544)	(72,473)
Proagro expenses	(4,142)	(3,421)	(23,186)
Impairment of property and equipment	(4,084)	(44,404)	(12,189)
Goodwill impaiment	-	(591,582)	-
Other	(2,084,894)	(2,439,244)	(762,096)
Total	**(10,492,195)**	**(7,613,122)**	**(5,429,187)**

(1) Refers to the inflation adjustments on Banco Patagonia's non-monetary and income items in accordance with IAS 29.
(2) Expenses from the partnership between the Bank and Empresa Brasileira de Correios e Telégrafos ECT, for the use of the Banco Postal network.

In thousand of Reais, unless otherwise stated

13 – PERSONNEL EXPENSES

	2019	2018	2017
Wages and salaries	(11,907,614)	(11,506,124)	(11,174,867)
Social security costs	(3,897,360)	(3,895,150)	(3,957,025)
Benefits	(3,651,069)	(3,052,718)	(3,021,203)
Profit sharing (1)	(2,340,318)	(1,639,891)	(1,422,159)
Private pension plans	(880,032)	(877,804)	(874,807)
Staff training	(75,263)	(72,659)	(64,030)
Directors' and officers' remuneration	(46,321)	(48,275)	(45,934)
Total	**(22,797,977)**	**(21,092,621)**	**(20,560,025)**

(1) Includes the amount of R$ 12,190 thousand in 2019 (R$ 8,127 thousand in 2018 and R$ 12,190 thousand in 2017) related to share-based payment for the Executive Board (Note 37.l).

14 – ADMINISTRATIVE EXPENSES

	2019	2018	2017
Surveillance and security services	(1,153,500)	(1,168,612)	(1,240,640)
Outsourced services	(898,918)	(889,344)	(833,644)
Transportation	(843,910)	(965,800)	(1,073,546)
Maintenance and preservation	(764,842)	(733,206)	(726,275)
Communication expenses	(736,637)	(836,096)	(999,457)
Water, energy and gas	(514,264)	(509,093)	(491,613)
Specialized technical services	(499,206)	(531,255)	(581,552)
Marketing expenses	(479,088)	(413,790)	(392,218)
Data processing	(476,451)	(406,639)	(361,751)
Promotion and public relations	(151,926)	(174,681)	(177,408)
Travel expenses	(115,631)	(127,048)	(115,102)
Office supplies	(96,776)	(104,166)	(113,012)
Philanthropic contributions	(65,017)	(62,466)	(66,507)
Rental and operating leases expenses (1)	(62,800)	(1,358,988)	(1,565,351)
Other	(664,085)	(1,099,847)	(544,212)
Total	**(7,523,051)**	**(9,381,031)**	**(9,282,288)**

(1) In 2019, it refers to short-term leases, according to IFRS 16 (Note 2.d).

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, 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

Dec 31, 2018	Note	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Total
Assets					
Cash and bank deposits	[16]	-	-	13,601,194	13,601,194
Compulsory deposits with Brazilian Central Bank	[17]	-	-	59,115,355	59,115,355
Loans to financial institutions net	[18]	-	-	34,371,719	34,371,719
Securities purchased under resale agreements net	[19]	-	-	386,874,200	386,874,200
Financial assets at fair value through profit or loss	[20]	6,877,619	-	-	6,877,619
Financial assets at fair value through other comprehensive income	[21]	-	119,753,019	-	119,753,019
Securities at amortized cost net	[22]	-	-	24,180,318	24,180,318
Loans to customers net	[23]	-	-	601,660,512	601,660,512
Other financial assets	[30]	-	-	51,388,389	51,388,389
Total		**6,877,619**	**119,753,019**	**1,171,191,687**	**1,297,822,325**
Liabilities					
Deposits of clients	[31]	-	-	452,368,176	452,368,176
Amount payable to financial institutions	[32]	-	-	34,073,439	34,073,439
Financial liabilities at fair value through profit or loss	[20]	809,301	-	-	809,301
Securities sold under repurchase agreements	[33]	-	-	402,901,202	402,901,202
Liabilities from issuance of securities and other financial liabilities	[34]	-	-	311,764,912	311,764,912
Other financial liabilities	[30]	-	-	38,151,747	38,151,747
Total		**809,301**	**-**	**1,239,259,476**	**1,240,068,777**

In thousand of Reais, unless otherwise stated

16 – CASH AND CASH EQUIVALENTS

	Dec 31, 2019	Dec 31, 2018
Cash and bank deposits	**14,171,188**	**13,601,194**
Local currency	8,006,672	7,267,008
Foreign currency	6,164,516	6,334,186
Interbank investments (1)	**57,764,835**	**46,704,009**
Securities purchased under resale agreements – guaranteed by securities not repledged / re-sold	29,516,903	22,160,777
Interbank deposits	28,247,932	24,543,232
Total	**71,936,023**	**60,305,203**

(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, 2019	Dec 31, 2018
Interest bearing deposits	52,168,447	48,894,248
Non-interest bearing deposits (1)	12,955,660	10,221,107
Total	**65,124,107**	**59,115,355**

(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, 2019	Dec 31, 2018
Interbank deposits	34,343,138	28,215,642
Expected credit losses on intebank deposits	(1,305,974)	(30,517)
Loan portfolios acquired with guarantee from the transferor	4,523,000	6,191,162
Expected credit losses on loan portfolios acquired with guarantee from the transferor	(902)	(4,568)
Total	**37,559,262**	**34,371,719**

Changes in expected credit losses

	Dec 31, 2018	(Allowance)/ reversal	Write-offs	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)**

	Jan 1, 2018 (1)	(Allowance)/ reversal	Dec 31, 2018
Expected credit losses on intebank deposits	(12,014)	(18,503)	(30,517)
Expected credit losses on loan portfolios acquired with guarantee from the transferor	(10,548)	5,980	(4,568)
Total	**(22,562)**	**(12,523)**	**(35,085)**

(1) Adjusted opening balance at Jan 1,2018 to reflect IFRS 9 first-time adoption.

In thousand of Reais, unless otherwise stated

19 – SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	Dec 31, 2019	Dec 31, 2018
Guaranteed by securities not repledged / re-sold	**29,605,559**	**22,177,706**
Financial Treasury bills	25,176,764	20,804,199
National Treasury bills	288,331	-
National Treasury notes	1,222	915,411
Other securities	4,141,175	458,096
Expected losses on other securities	(1,933)	-
Guaranteed by securities that have been repledged / re-sold (1)	**361,166,846**	**364,696,494**
Financial Treasury bills	333,457,363	316,683,932
National Treasury bills	26,515,023	32,654,881
National Treasury notes	1,049,994	14,086,367
Other securities	212,300	1,273,069
Expected losses on other securities	(67,834)	(1,755)
Total	**390,772,405**	**386,874,200**

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

	Jan 1, 2018 (1)	Constitution	Dec 31, 2018
Expected losses on other securities	(142)	(1,613)	**(1,755)**

(1) Adjusted opening balance at Jan 1,2018 to reflect IFRS 9 first-time adoption

In thousand of Reais, unless otherwise stated

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

a) Securities

Financial assets at fair value

Dec 31, 2019	Cost value	Gains/(losses)	Fair value
Debt instruments	**2,597,849**	**113,886**	**2,711,735**
Investments in mutual funds	679,328	129,991	809,319
Securities issued by non-financial companies	727,168	(18,425)	708,743
Brazilian federal government bonds	705,580	2,869	708,449
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**

Dec 31, 2018	Cost value	Gains/(losses)	Fair value
Debt instruments	**5,579,304**	**486,930**	**6,066,234**
Investments in mutual funds	659,808	104,601	764,409
Securities issued by non-financial companies	130,191	(10,327)	119,864
Brazilian federal government bonds	2,094,161	41,135	2,135,296
Federal government bonds	2,608,921	351,779	2,960,700
Brazilian government bonds issued abroad	28,623	(95)	28,528
Securities issued by financial companies	57,600	(163)	57,437
Equity instruments	**110,602**	**17,621**	**128,223**
Marketable equity shares	110,602	17,621	128,223
Total	**5,689,906**	**504,551**	**6,194,457**

No financial assets and liabilities at fair value through profit or loss were reclassified during 2019 or 2018.

b) Derivatives

Derivative financial instruments (assets)

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**

Dec 31, 2018	Cost value	Gains/(losses)	Fair value
Swaps	204,028	34,020	238,048
Forwards	275,526	29,326	304,852
Options	3,491	1,690	5,181
Other [(1)]	215,389	(80,308)	135,081
Total	**698,434**	**(15,272)**	**683,162**

(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, 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)**

Dec 31, 2018	Cost value	Gains/(losses)	Fair value
Swaps	(80,336)	(371,964)	(452,300)
Forwards	(355,024)	41,297	(313,727)
Options	(15,282)	(4,451)	(19,733)
Other	(8,709)	(14,832)	(23,541)
Total	**(459,351)**	**(349,950)**	**(809,301)**

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 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 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, 2019	Dec 31, 2018
	Notional amount	Notional amount
Purchase commitments	**12,958,174**	**5,629,726**
Interest rate risk	4,439,417	3,139,411
Currency risk	8,508,366	2,465,529
Other risks	10,391	24,786
Commitments to sell	**6,263,653**	**14,801,489**
Interest rate risk	6,045,414	14,362,084
Currency risk	19,218	320,925
Other risks	199,021	118,480

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, 2019		Dec 31, 2018	
	Notional amount	Fair value	Notional amount	Fair value
Asset position	**10,031,354**	**323,981**	**8,172,801**	**304,852**
Interest rate risk	-	-	13,390	13,390
Currency risk	9,831,336	244,461	8,074,401	281,038
Other risks	200,018	79,520	85,010	10,424
Liability position	**12,879,633**	**(404,500)**	**7,212,413**	**(313,727)**
Interest rate risk	-	-	(13,390)	13,390
Currency risk	12,849,084	(394,893)	7,142,788	(289,313)
Other risks	30,549	(9,607)	83,015	(11,024)

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, 2019		Dec 31, 2018	
	Notional amount	Fair value	Notional amount	Fair value
Long position	**569,031**	**12,821**	**356,795**	**5,181**
Interest rate risk	565,000	12,612	263,800	2,425
Currency risk	4,031	209	92,995	2,756
Short position	**1,024,887**	**(26,387)**	**718,862**	**(19,733)**
Interest rate risk	726,073	(15,095)	434,250	(4,667)
Currency risk	33,630	(1,134)	189,192	(4,226)
Other risks	265,184	(10,158)	95,420	(10,840)

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, 2019		Dec 31, 2018	
	Notional amount	Fair value	Notional amount	Fair value
Asset position	**9,069,206**	**466,072**	**9,804,366**	**238,048**
Interest rate risk	3,338,315	113,931	2,252,073	125,361
Currency risk	5,730,891	352,141	7,552,293	112,687
Liability position	**12,497,674**	**(439,870)**	**7,351,207**	**(452,300)**
Interest rate risk	4,991,843	(238,838)	1,933,794	(68,232)
Currency risk	7,471,831	(198,425)	5,417,413	(384,068)
Other risks	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 thousand of Reais, unless otherwise stated

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, 2019		Dec 31, 2018	
	Notional amount	Fair value	Notional amount	Fair value
Asset position	**1,483,075**	**18,061**	**5,496,867**	**135,081**
Currency risk	1,483,075	18,061	5,496,867	135,081
Liability position	**6,167,502**	**(90,879)**	**3,739,922**	**(23,541)**
Currency risk	6,167,502	(90,879)	3,739,922	(23,541)

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, 2019	Dec 31, 2018
Swaps	2,691,648	1,919,611	577,840	3,880,107	**9,069,206**	**9,804,366**
Forwards	2,822,919	4,542,587	2,028,150	637,698	**10,031,354**	**8,172,801**
Futures	1,069,382	10,324,525	640,838	923,429	**12,958,174**	**5,629,726**
Options	4,031	565,000	-	-	**569,031**	**356,795**
Other derivative agreements	220,789	1,110,420	151,866	-	**1,483,075**	**5,496,867**

Notional amount – liability position	Maturity in days					
	0-30	31-180	181-360	Above 360	Dec 31, 2019	Dec 31, 2018
Swaps	7,015,663	2,254,693	885,445	2,341,873	**12,497,674**	**7,351,207**
Forwards	683,484	7,390,137	2,798,895	2,007,117	**12,879,633**	**7,212,413**
Futures	11,261	1,242,711	4,461,347	548,334	**6,263,653**	**14,801,489**
Options	166,567	805,625	44,863	7,832	**1,024,887**	**718,862**
Other derivative agreements	1,436,051	3,389,990	1,341,461	-	**6,167,502**	**3,739,922**

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.

	Dec 31, 2019	Dec 31, 2018
Hedge instruments		
Liabilities	**(41,793)**	**(92,201)**
Swap	(41,793)	(92,201)
Hedged items		
Assets	**1,999,624**	**664,473**
Loans to financial institutions	1,999,624	664,473
Liabilities	**(1,977,673)**	**(499,122)**
Liabilities from issuance of securities and other financial liabilities	(1,977,673)	(499,122)

In thousand of Reais, unless otherwise stated

21 – FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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
Federal government bonds	5,676,433	238,582	(8,663)	5,906,352
Brazilian government bonds issued abroad	7,160,378	419,292	-	7,579,670
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**

Dec 31, 2018	Cost value	Gains/(losses)	Expected credit losses	Fair value
Debt instruments	**121,377,300**	**(461,748)**	**(1,210,085)**	**119,705,467**
Brazilian federal government bonds	84,392,512	108,746	-	84,501,258
Securities issued by non-financial companies	26,299,137	(935,284)	(947,624)	24,416,229
Brazilian government bonds issued abroad	3,728,554	(28,079)	-	3,700,475
Federal government bonds	4,301,839	(85,706)	-	4,216,133
Investments in mutual funds	1,978,092	350,485	(81)	2,328,496
Securities issued by financial companies	677,166	128,090	(262,380)	542,876
Equity instruments	**49,626**	**(2,074)**	**-**	**47,552**
Marketable equity shares	49,626	(2,074)	-	47,552
Total	**121,426,926**	**(463,822)**	**(1,210,085)**	**119,753,019**

Reconciliation of changes concerning expected credit losses

	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)
Securities issued by financial companies	(262,380)	8,516	-	(253,864)
Investments in mutual funds	(81)	(12,217)	101	(12,197)
Federal government bonds	-	(8,663)	-	(8,663)
Total	**(1,210,085)**	**63,836**	**269,652**	**(876,597)**

	Balance on Jan 1, 2018 (1)	(Allowance) / reversal	Write-offs	Balance on Dec 31, 2018
Expected credit losses				
Securities issued by non-financial companies	(763,106)	(495,002)	310,484	(947,624)
Securities issued by financial companies	(290,053)	27,672	1	(262,380)
Investments in mutual funds	(305)	42	182	(81)
Total	**(1,053,464)**	**(467,288)**	**310,667**	**(1,210,085)**

(1) Opening balance on 01.01.2018, adjusted to reflect the adoption impacts of IFRS 9.

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

	Dec 31, 2019	Dec 31, 2018
Repurchase agreements	37,026,660	36,465,497
Guarantees provided	4,811,917	3,461,090
Total	**41,838,577**	**39,926,587**

In thousand of Reais, unless otherwise stated

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 or 2018.

Breakdown of expected credit losses between stages

	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.

22 – SECURITIES AT AMORTIZED COST

	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**

	Up to 1 year	1 to 5 years	5 to 10 years	Over 10 years	Dec 31, 2018
Debt instruments					
Securities issued by non-financial companies	2,785,692	9,496,498	1,913,465	1,935,638	16,131,293
Brazilian federal government bonds	1,982,274	3,198,713	-	-	5,180,987
Brazilian government bonds issued abroad	-	-	2,042,897	-	2,042,897
Securities issued by financial companies	-	493,531	365,033	8,128	866,692
Foreign government bonds	-	218,895	293,367	-	512,262
Subtotal	**4,767,966**	**13,407,637**	**4,614,762**	**1,943,766**	**24,734,131**
Expect losses on securities	(86,102)	(324,420)	(82,981)	(60,310)	(553,813)
Total	**4,681,864**	**13,083,217**	**4,531,781**	**1,883,456**	**24,180,318**

In thousand of Reais, unless otherwise stated

Reconciliation of changes concerning expected credit losses

	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)
Foreign government bonds	(3,844)	3,771	-	(73)
Total	**(553,813)**	**(1,174,662)**	**11,153**	**(1,717,322)**

	Balance on Jan 1, 2018 (1)	Allowance / (reversal)	Write-offs	Balance on Dec 31, 2018
Expected credit losses				
Securities issued by non-financial companies	(478,889)	(26,788)	7,083	(498,594)
Securities issued by financial companies	(56,799)	5,424	-	(51,375)
Foreign government bonds	(10,975)	7,131	-	(3,844)
Total	**(546,663)**	**(14,233)**	**7,083**	**(553,813)**

(1) Opening balance on Jan 1,.2018, adjusted to reflect the adoption impacts of IFRS 9.

No securities at amortized cost were reclassified during 2019 or 2018.

Breakdown of expected credit losses between stages

	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)
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, 2019	Dec 31, 2018
Loans		**565,955,556**	**581,003,264**
Loans and discounted credits rights [(1)]	46	**214,293,291**	**205,679,216**
- Corporations		88,742,257	96,094,082
- Individuals		125,551,034	109,585,134
Financing [(2)]	55	**113,539,593**	**126,763,665**
- Corporations		109,179,140	121,965,134
- Individuals		4,360,453	4,798,531
Rural and agribusiness financing	88	**183,366,335**	**191,791,796**
- Corporations		24,315,807	39,296,920
- Individuals		159,050,528	152,494,876
Real estate financing	343	**54,425,586**	**56,363,519**
- Corporations		4,024,670	6,753,868
- Individuals		50,400,916	49,609,651
Loan portfolio transferred with substantial retention of risks	257	**330,751**	**405,068**
- Individuals		330,751	405,068
Others receivables with loan characteristics		**49,997,763**	**52,129,599**
Credit card operations	4	**31,069,069**	**28,079,268**
- Corporations		2,471,500	1,082,182
- Individuals		28,597,569	26,997,086
Advances on foreign exchange contracts	10	**12,205,192**	**18,974,290**
- Corporations		12,181,218	18,948,232
- Individuals		23,974	26,058
Receivables acquisition	7	**5,737,671**	**4,064,247**
- Corporations		5,737,671	4,064,247
Guarantees honored	7	**446,862**	**362,737**
- Corporations		432,436	362,737
- Individuals		14,426	-
Others	245	**538,969**	**649,057**
- Corporations		538,354	647,474
- Individuals		615	1,583
Leasing portfolio	44	**191,311**	**233,714**
- Corporations		186,633	220,773
- Individuals		4,678	12,941
Total loans to customers portfolio		**616,144,630**	**633,366,577**
Expected credit losses for loans to customers		**(36,627,844)**	**(31,706,065)**
Expected credit losses for loans		(35,212,839)	(30,449,791)
Expected credit losses for other receivables		(1,410,485)	(1,246,318)
Expected credit losses for leasing portfolio		(4,520)	(9,956)
Total loans to customers, net		**579,516,786**	**601,660,512**

(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, 2019	%	Dec 31, 2018	%
Public sector	**62,401,684**	**10.1%**	**75,047,238**	**11.8%**
Public administration	44,830,623	7.3%	45,139,798	7.1%
Oil sector	11,202,797	1.8%	21,010,203	3.3%
Electricity	4,586,334	0.7%	6,755,892	1.1%
Services	567,709	0.1%	815,804	0.1%
Other activities	1,214,221	0.2%	1,325,541	0.2%
Private sector	**553,742,946**	**89.9%**	**558,319,339**	**88.2%**
Individuals	**368,334,944**	**59.8%**	**343,930,928**	**54.3%**
Corporations	**185,408,002**	**30.1%**	**214,388,411**	**33.9%**
Agribusiness of plant origin	28,982,816	4.8%	33,339,396	5.3%
Services	16,535,921	2.7%	17,494,972	2.8%
Transportation	14,513,945	2.4%	16,942,530	2.7%
Mining and metallurgy	13,215,136	2.1%	20,574,106	3.2%
Automotive sector	11,829,036	1.9%	15,305,785	2.4%
Agribusiness of animal origin	9,849,103	1.6%	15,021,837	2.4%
Retail commerce	9,518,827	1.5%	9,044,807	1.4%
Real estate agents	7,923,857	1.3%	10,849,172	1.7%
Agricultural inputs	7,528,519	1.2%	7,733,919	1.2%
Electricity	7,111,590	1.2%	7,823,963	1.2%
Financial services	7,015,822	1.1%	5,958,044	1.0%
Fuel	6,755,371	1.1%	10,060,179	1.6%
Specific activities of construction	6,632,904	1.1%	7,096,961	1.1%
Wholesale and various industries	6,244,586	1.0%	5,846,187	0.9%
Chemical	6,051,352	1.0%	5,785,012	0.9%
Electronics	5,662,511	0.9%	5,723,033	0.9%
Textile and clothing	5,344,701	0.9%	5,608,085	0.9%
Woodworking and furniture market	4,058,347	0.7%	3,674,811	0.6%
Pulp and paper	3,252,891	0.5%	4,102,069	0.6%
Heavy construction	2,343,976	0.4%	2,501,379	0.4%
Telecommunications	2,128,727	0.3%	1,709,995	0.3%
Other activities	2,908,064	0.4%	2,192,169	0.4%
Total loans to customers portfolio	**616,144,630**	**100.0%**	**633,366,577**	**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, 2019	Dec 31, 2018
Installments falling due		
01 to 30 days	42,449,716	45,437,291
31 to 60 days	20,589,478	25,834,609
61 to 90 days	17,374,156	17,626,591
91 to 180 days	56,323,122	57,735,723
181 to 360 days	88,486,712	88,289,866
361 to 1080 days	146,472,617	147,138,366
1081 to 1800 days	88,615,469	94,710,480
More than 1800 days	146,628,391	146,633,621
Other [1]	-	426,573
Subtotal	**606,939,661**	**623,833,120**
Installments overdue		
01 to 14 days	2,029,526	2,781,958
15 to 30 days	517,343	437,879
31 to 60 days	975,541	731,815
61 to 90 days	600,848	634,416
91 to 180 days	1,567,001	1,375,177
181 to 360 days	2,521,252	2,055,686
More than 360 days	993,458	1,516,526
Subtotal	**9,204,969**	**9,533,457**
Total	**616,144,630**	**633,366,577**

(1) Loans including third party risk related to government funds and programs.

d) Leasing portfolio by maturity

	Dec 31, 2019			Dec 31, 2018		
	Minimum lease payments	Unearned finance income	Present value	Minimum lease payments	Unearned finance income	Present value
Up to one year [1]	133,177	(34,651)	98,526	144,055	(30,283)	113,772
Over one year to five years	125,412	(32,631)	92,781	151,841	(31,920)	119,921
Over five years	5	(1)	4	26	(5)	21
Total	**258,594**	**(67,283)**	**191,311**	**295,922**	**(62,208)**	**233,714**

(1) Includes amounts related to installments overdue.

In thousand of Reais, unless otherwise stated

e) Loans to customers by stages

	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
Loans sold under assignment	330,468	1	282	330,751
Others 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**

	Dec 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
Loans	**509,054,553**	**40,040,359**	**31,908,352**	**581,003,264**
Loans and discounted credits rights	173,523,648	18,322,529	13,833,039	205,679,216
Financing	112,849,019	3,458,496	10,456,150	126,763,665
Rural and agribusiness financing	175,019,142	11,337,340	5,435,314	191,791,796
Real estate financing	47,257,749	6,921,921	2,183,849	56,363,519
Loans sold under assignment	404,995	73	-	405,068
Others receivables with loan characteristics	**50,774,120**	**556,095**	**799,384**	**52,129,599**
Credit card operations	27,886,769	120,441	72,058	28,079,268
Advances on foreign exchange contracts	18,174,835	435,093	364,362	18,974,290
Receivables acquisition	4,064,247	-	-	4,064,247
Guarantees honored	107	89	362,541	362,737
Other	648,162	472	423	649,057
Leasing portfolio	**218,333**	**6,473**	**8,908**	**233,714**
Total loans to customers portfolio	**560,047,006**	**40,602,927**	**32,716,644**	**633,366,577**
Expected credit losses for loans to customers	(6,717,594)	(6,256,734)	(18,731,737)	(31,706,065)
Total loans to customers, net	**553,329,412**	**34,346,193**	**13,984,907**	**601,660,512**

In thousand of Reais, unless otherwise stated

f) Renegotiated credit transactions

	2019	2018	2017
Credits renegotiated during the period	**84,834,620**	**57,044,631**	**48,548,687**
Renegotiated for delay (1)	**11,070,010**	**9,264,145**	**10,924,658**
- Corporations	5,985,732	4,790,030	7,378,813
- Individuals	5,084,278	4,474,115	3,545,845
Renewed (2)	**73,764,610**	**47,780,486**	**37,624,029**
- Corporations	4,309,744	3,637,911	2,649,968
- Individuals	69,454,866	44,142,575	34,974,061
Changes in renegotiated credit transactions for delay			
Opening balance	**22,874,209**	**25,297,378**	**27,086,224**
Contracts (1)	11,070,010	9,264,145	10,924,658
Interest or principal payment net of interest accrual	(5,024,508)	(4,463,774)	(4,312,597)
Write-off	(5,262,394)	(7,223,540)	(8,400,907)
Closing balance (3)	**23,657,317**	**22,874,209**	**25,297,378**
Loans 90 days or more past due	3,156,472	3,857,435	5,918,116
(%) Portfolio which is 90 days or more past due	13.3%	16.9%	23.4%

(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$ 32,624 thousand (R$ 46,079 thousand on Dec 31, 2018 and R$ 67,189 thousand on Dec 31, 2017) related to renegotiated rural credits. The amount of R$ 8,364,833 thousand (R$ 10,610,931 thousand on Dec 31, 2018 and R$ 8,511,882 thousand on Dec 31, 2017) related to deferred credits from rural portfolio governed by specific legislation, is not included.

g) Breakdown of loans to customers between stages

Stage 1

	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
Others 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
Others	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, 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
Others 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
Others	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**

Stage 3

	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
Others 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
Others	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**

In thousand of Reais, unless otherwise stated

24 – EXPECTED CREDIT LOSSES ON LOANS TO CUSTOMERS

a) Expected credit losses on loans to customers, net

	2019	2018	2017
Constitution	(22,178,613)	(17,367,358)	(27,049,679)
Recovery [1]	5,219,275	4,904,557	4,185,312
Expected credit losses for loans to customers, net [2]	**(16,959,338)**	**(12,462,801)**	**(22,864,367)**

(1) Refers to recovery of principal.
(2) In 2019 and 2018, loan losses expenses was calculated based on an expected credit losses model – IFRS 9 (in 2017, expense was calculated based on incurred losses model – IAS 39).

b) Reconciliation of changes

	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
Loans sold under assignment	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**

	Dec 31, 2018				
	Opening balance [1]	Constitution/(reversal) for loan losses	Write-offs	Exchange rate changes	Closing balance
Loans	**35,366,377**	**17,032,254**	**(22,006,490)**	**57,650**	**30,449,791**
Loans and discounted credits rights	21,002,250	9,421,510	(13,870,715)	25,609	16,578,654
Financing	4,360,279	863,722	(2,223,772)	32,043	3,032,272
Rural and agribusiness financing	7,061,009	5,181,712	(4,752,243)	-	7,490,478
Real estate financing	2,941,162	1,565,615	(1,159,760)	(2)	3,347,015
Loans sold under assignment	1,677	(305)	-	-	1,372
Other receivables with loan characteristics	**1,071,178**	**328,897**	**(146,651)**	**(7,106)**	**1,246,318**
Credit card operations	336,987	81,145	(9,250)	(7,236)	401,646
Advances on foreign exchange contracts	295,258	309,740	-	-	604,998
Receivables acquisition	-	2,178	-	-	2,178
Guarantees honored	426,174	(64,585)	(137,389)	130	224,330
Other	12,759	419	(12)	-	13,166
Leasing portfolio	**17,909**	**6,207**	**(13,409)**	**(751)**	**9,956**
Total	**36,455,464**	**17,367,358**	**(22,166,550)**	**49,793**	**31,706,065**

(1) Opening balance adjusted to reflect the impacts of initial application of IFRS 9.

In thousand of Reais, unless otherwise stated

c) Breakdown of expected credit losses on loans to customers classified by product and stages

	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)
Loans sold under assignment	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

	Dec 31, 2018							
	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	**509,054,553**	**(6,344,485)**	**40,040,359**	**(6,000,219)**	**31,908,352**	**(18,105,087)**	**581,003,264**	**(30,449,791)**
Loans and discounted credits rights	173,523,648	(2,666,520)	18,322,529	(2,613,010)	13,833,039	(11,299,124)	205,679,216	(16,578,654)
Financing	112,849,019	(596,303)	3,458,496	(889,437)	10,456,150	(1,546,532)	126,763,665	(3,032,272)
Rural and agribusiness financing	175,019,142	(2,554,722)	11,337,340	(1,463,873)	5,435,314	(3,471,883)	191,791,796	(7,490,478)
Real estate financing	47,257,749	(525,580)	6,921,921	(1,033,887)	2,183,849	(1,787,548)	56,363,519	(3,347,015)
Loans sold under assignment	404,995	(1,360)	73	(12)	-	-	405,068	(1,372)
Other receivables with loan characteristics	**50,774,120**	**(370,650)**	**556,095**	**(255,699)**	**799,384**	**(619,969)**	**52,129,599**	**(1,246,318)**
Credit card operations	27,886,769	(318,463)	120,441	(26,919)	72,058	(56,264)	28,079,268	(401,646)
Advances on foreign exchange contracts	18,174,835	(37,062)	435,093	(228,762)	364,362	(339,174)	18,974,290	(604,998)
Receivables acquisition	4,064,247	(2,178)	-	-	-	-	4,064,247	(2,178)
Guarantees honored	107	(14)	89	(16)	362,541	(224,300)	362,737	(224,330)
Other	648,162	(12,933)	472	(2)	423	(231)	649,057	(13,166)
Leasing portfolio	**218,333**	**(2,459)**	**6,473**	**(816)**	**8,908**	**(6,681)**	**233,714**	**(9,956)**
Total	**560,047,006**	**(6,717,594)**	**40,602,927**	**(6,256,734)**	**32,716,644**	**(18,731,737)**	**633,366,577**	**(31,706,065)**

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, 2019	Dec 31, 2018
Loans	**35,212,839**	**30,449,791**
Loans and discounted credits rights	**17,056,111**	**16,578,654**
- Corporations	8,983,861	9,293,683
- Individuals	8,072,250	7,284,971
Financing	**4,182,148**	**3,032,272**
- Corporations	3,961,420	2,792,193
- Individuals	220,728	240,079
Rural and agribusiness financing	**9,597,417**	**7,490,478**
- Corporations	1,960,504	887,284
- Individuals	7,636,913	6,603,194
Real estate financing	**4,374,021**	**3,347,015**
- Corporations	1,048,653	1,676,645
- Individuals	3,325,368	1,670,370
Loans sold under assignment	**3,142**	**1,372**
- Individuals	3,142	1,372
Others receivables with loan characteristics	**1,410,485**	**1,246,318**
Credit card operations	**508,476**	**401,646**
- Corporations	43,107	36,093
- Individuals	465,369	365,553
Advances on foreign exchange contracts	**645,298**	**604,998**
- Corporations	645,281	604,966
- Individuals	17	32
Receivables acquisition	**2,139**	**2,178**
- Corporations	2,139	2,178
Guarantees honored	**245,645**	**224,330**
- Corporations	240,898	224,330
- Individuals	4,747	-
Other	**8,927**	**13,166**
- Corporations	8,889	13,147
- Individuals	38	19
Leasing portfolio	**4,520**	**9,956**
- Corporations	4,286	9,609
- Individuals	234	347
Total	**36,627,844**	**31,706,065**

In thousand of Reais, unless otherwise stated

e) Breakdown of expected credit losses between stages

Stage 1

	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
Others 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
Others	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**

	Jan 1, 2018	Constitution/ (reversal)	Transfer from/ (to) stage 2	Transfer from/ (to) stage 3	Write-offs	Exchange rate changes	Dec 31, 2018
Loans	**6,181,861**	**5,644,762**	**(1,001,939)**	**(4,490,619)**	**-**	**10,420**	**6,344,485**
Loans and discounted credits rights	2,584,086	2,924,404	(164,671)	(2,681,418)	-	4,119	2,666,520
Financing	1,157,002	71,266	(383,532)	(254,734)	-	6,301	596,303
Rural and agribusiness financing	1,828,148	1,941,184	(123,152)	(1,091,458)	-	-	2,554,722
Real estate financing	610,948	708,213	(330,572)	(463,009)	-	-	525,580
Loan portfolio transferred with substantial retention of risk	1,677	(305)	(12)	-	-	-	1,360
Other receivables with loan characteristics	**313,191**	**116,609**	**(6,925)**	**(46,488)**	**-**	**(5,737)**	**370,650**
Credit card operations	237,996	122,023	(6,925)	(28,894)	-	(5,737)	318,463
Advances on foreign exchange contracts	62,797	(8,144)	-	(17,591)	-	-	37,062
Receivables acquisition	-	2,178	-	-	-	-	2,178
Guarantees honored	-	14	-	-	-	-	14
Other	12,398	538	-	(3)	-	-	12,933
Leasing portfolio	**3,318**	**3,420**	**(95)**	**(3,999)**	**-**	**(185)**	**2,459**
Total	**6,498,370**	**5,764,791**	**(1,008,959)**	**(4,541,106)**	**-**	**4,498**	**6,717,594**

In thousand of Reais, unless otherwise stated

Stage 2

	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)	-	-	-	-	-
Others 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
Others	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**

	Jan 1, 2018	Constitution/ (reversal)	Transfer from/ (to) stage 1	Transfer from/ (to) stage 3	Write-offs	Exchange rate changes	Dec 31, 2018
Loans	**5,862,361**	**2,547,685**	**1,001,939**	**(3,425,200)**	**-**	**13,434**	**6,000,219**
Loans and discounted credits rights	3,160,868	1,369,783	164,671	(2,086,348)	-	4,036	2,613,010
Financing	514,234	144,403	383,532	(162,131)	-	9,399	889,437
Rural and agribusiness financing	1,220,641	755,440	123,152	(635,360)	-	-	1,463,873
Real estate financing	966,618	278,059	330,572	(541,361)	-	(1)	1,033,887
Loan portfolio transferred with substantial retention of risk	-	-	12	-	-	-	12
Other receivables with loan characteristics	**121,786**	**281,367**	**6,925**	**(153,894)**	**-**	**(485)**	**255,699**
Credit card operations	10,323	12,348	6,925	(2,192)	-	(485)	26,919
Advances on foreign exchange contracts	110,411	269,836	-	(151,485)	-	-	228,762
Receivables acquisition	-	-	-	-	-	-	-
Guarantees honored	791	(775)	-	-	-	-	16
Other	261	(42)	-	(217)	-	-	2
Leasing portfolio	**1,645**	**(187)**	**95**	**(675)**	**-**	**(62)**	**816**
Total	**5,985,792**	**2,828,865**	**1,008,959**	**(3,579,769)**	**-**	**12,887**	**6,256,734**

In thousand of Reais, unless otherwise stated

Stage 3

	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
Others 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
Others	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**

	Jan 1, 2018	Constitution/ (reversal)	Transfer from/ (to) stage 1	Transfer from/ (to) stage 2	Write-offs	Exchange rate changes	Dec 31, 2018
Loans	**23,322,155**	**8,839,807**	**4,490,619**	**3,425,200**	**(22,006,490)**	**33,796**	**18,105,087**
Loans and discounted credits rights	15,257,296	5,127,323	2,681,418	2,086,348	(13,870,715)	17,454	11,299,124
Financing	2,689,043	648,053	254,734	162,131	(2,223,772)	16,343	1,546,532
Rural and agribusiness financing	4,012,220	2,485,088	1,091,458	635,360	(4,752,243)	-	3,471,883
Real estate financing	1,363,596	579,343	463,009	541,361	(1,159,760)	(1)	1,787,548
Loan portfolio transferred with substantial retention of risk	-	-	-	-	-	-	-
Other receivables with loan characteristics	**636,201**	**(69,079)**	**46,488**	**153,894**	**(146,651)**	**(884)**	**619,969**
Credit card operations	88,668	(53,226)	28,894	2,192	(9,250)	(1,014)	56,264
Advances on foreign exchange contracts	122,050	48,048	17,591	151,485	-	-	339,174
Receivables acquisition	-	-	-	-	-	-	-
Guarantees honored	425,383	(63,824)	-	-	(137,389)	130	224,300
Other	100	(77)	3	217	(12)	-	231
Leasing portfolio	**12,946**	**2,974**	**3,999**	**675**	**(13,409)**	**(504)**	**6,681**
Total	**23,971,302**	**8,773,702**	**4,541,106**	**3,579,769**	**(22,166,550)**	**32,408**	**18,731,737**

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.

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, 2019	Dec 31, 2018
Non-operating properties	366,618	170,485
Properties withdrawn from use	1,146	6,336
Total	**367,764**	**176,821**

In 2019, the Bank realized a gain on the disposal of non-current assets of R$ 290,332 thousand (R$ 338,240 thousand in 2018).

In thousand of Reais, unless otherwise stated

26 – INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

a) Equity method investments

Company	Equity interest percentage				Shareholders' equity of investee		Carrying amount of investment		Net gains / (losses) from equity method investments			Dividends	
	Dec 31, 2019		Dec 31, 2018										
	Total	Common stock	Total	Common stock	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	2019	2018	2017	2019	2018
Associates [1] and joint ventures [2]													
Banco Votorantim S.A. [3]	50.00	49.99	50.00	49.99	11,162,060	10,242,333	5,575,556	5,121,167	762,759	453,816	277,081	530,614	97,262
Cielo S.A. [4]	28.69	28.69	28.67	28.67	11,392,618	11,204,089	4,270,837	4,214,952	453,146	730,518	961,932	408,452	922,997
Cateno Gestão de Contas de Pagamentos S.A. [5]	30.00	22.22	30.00	22.22	12,227,571	12,206,349	3,668,271	3,661,905	203,337	215,270	205,842	196,971	208,546
Brasilprev Seguros e Previdência S.A. [6]	74.99	49.99	74.99	49.99	3,424,213	3,030,502	2,567,988	2,272,725	1,014,378	691,090	769,665	703,836	526,749
BB Mapfre Participações S.A. - Brasilseg [7]	74.99	49.99	74.99	49.99	1,882,016	2,078,450	2,099,747	2,247,053	1,071,799	1,058,416	1,121,521	1,192,483	1,060,814
Elo Participações S.A.	49.99	49.99	49.99	49.99	2,991,819	2,555,494	1,495,610	1,277,491	288,835	250,787	161,588	78,405	-
Neoenergia S.A. [8]	-	-	9.35	9.35	-	18,719,035	-	1,749,313	92,584	110,695	25,588	-	24,889
Mapfre BB SH2 Participações S.A. [9]	-	-	-	-	-	-	-	-	-	(189,744)	(26,104)	-	55,110
Others [10]							651,262	1,215,763	157,575	217,470	253,865	168,263	130,686
Unrealized profit [11]	-	-	-	-	-	-	(2,914,458)	(3,032,906)	-	-	-	-	-
Total							**17,414,813**	**18,727,463**	**4,044,413**	**3,538,318**	**3,750,978**	**3,279,024**	**3,027,053**

(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$ 5,474 thousand due to the unrealized profit with Ativos S.A. Securitizadora de Credidos Financeiros referring to the assignment of credit rights.
(4) Includes the amount of R$ 1,002,124 thousand related to goodwill on acquisition of the investment. The investment's fair value is R$ 6,514,539 thousand on Dec 31, 2019 (R$ 6,919,265 thousand on Dec 31, 2018).
(5) 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 50.08%, considering that Cielo S.A. holds 70% of direct participation in Cateno.
(6) Ownership interest held by BB Seguros Participações S.A. The percentage of effective equity interest of shareholders of the Bank is 49.77%.
(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) The investment was sold in June, 2019.
(9) The investment was sold in November, 2018.
(10) Refers to investments in the following companies: Brasildental Operadora de Planos Odontológicos S.A., Brasilcap Capitalização 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., Kepler Weber S.A. and Tecnologia Bancária S.A. – Tecban. Includes the amount of 110,749 thousand related to goodwill. Investment value is reduced by impairment losses of R$ 4,926 thousand. 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.
(11) 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.

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.	Eletronic payments	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.	Eletronic 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
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.	Eletronic payments	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, 2019						
	Banco Votorantim S.A.	Cielo S.A.	Cateno Gestão de Contas de Pagamentos S.A.	Brasilprev Seguros e Previdência S.A.	BB Mapfre Participações S.A. - Brasilseg	Elo Participações S.A.	Others
Current assets	**46,040,314**	**80,584,264**	**3,269,719**	**281,272,711**	**8,341,302**	**3,220,901**	**6,378,994**
Cash and cash equivalents	271,870	191,400	623	3,474	14,931	730,917	328,718
Other current assets	45,768,444	80,392,864	3,269,096	281,269,237	8,326,371	2,489,984	6,050,276
Non-current assets	**50,191,341**	**13,924,373**	**9,720,914**	**13,870,029**	**6,234,366**	**-**	**7,710,574**
Current liabilities	**56,031,389**	**74,496,290**	**763,062**	**33,163,847**	**7,643,558**	**229,082**	**9,111,010**
Financial liabilities	52,483,605	917,685	-	-	-	-	69,039
Other current liabilities	3,547,784	73,578,605	763,062	33,163,847	7,643,558	229,082	9,041,971
Non-current liabilities	**29,038,206**	**8,619,729**	**-**	**258,554,680**	**5,050,094**	**-**	**3,166,486**
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	-	1,827,552
Income	13,767,260	5,300,681	3,244,500	22,925,764	3,116,224	957,692	6,531,675
Interest income	11,979,864	32,449	-	20,560,216	542,538	-	933,629
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)	(387,490)	(36,737)	(48,438)	-	(260,021)
Income taxes	(118,887)	(401,655)	(352,394)	(844,815)	(604,667)	(14,603)	(69,344)
Net income/(loss) for the period	**1,525,517**	**1,579,375**	**677,789**	**1,352,594**	**1,429,255**	**577,787**	**100,413**
Other comprehensive income	239,955	56,687	-	1,395	(32,947)	-	(166)
Total comprehensive income	1,765,471	1,636,062	677,789	1,353,989	1,396,308	577,787	100,247
Adjusted shareholders' equity	**11,162,060**	**11,392,618**	**12,227,571**	**3,424,213**	**1,882,016**	**2,991,819**	**1,812,072**
Ownership percentage	50.00%	28.69%	30.00%	74.99%	74.99%	49.99%	-
Carrying amount of the investment [1]	**5,575,556**	**3,268,713**	**3,668,271**	**2,567,988**	**1,411,324**	**1,495,610**	**540,513**
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

	Dec 31, 2018							
	Banco Votorantim S.A.	Cielo S.A.	Cateno Gestão de Contas de Pagamentos S.A.	Brasilprev Seguros e Previdência S.A.	BB Mapfre Participações S.A. - Brasilseg	Elo Participações S.A.	Neoenergia S.A.	Others
Current assets	**56,470,423**	**69,235,877**	**2,808,710**	**248,444,570**	**7,915,053**	**759,346**	**976,625**	**16,472,116**
Cash and cash equivalents	201,874	127,664	3,118	3,050	31,374	580,117	579	446,124
Other current assets	56,268,549	69,108,213	2,805,592	248,441,520	7,883,679	179,229	976,046	16,025,992
Non-current assets	**45,399,387**	**13,327,214**	**10,102,022**	**13,054,581**	**6,117,365**	**1,975,051**	**17,793,936**	**14,145,422**
Current liabilities	**60,090,820**	**56,802,838**	**704,383**	**32,338,382**	**7,560,597**	**178,903**	**51,526**	**20,875,362**
Financial liabilities	53,823,566	1,033,618	-	-	-	-	51,526	446,781
Other current liabilities	6,267,254	55,769,220	704,383	32,338,382	7,560,597	178,903	-	20,428,581
Non-current liabilities	**31,536,657**	**14,556,164**	**-**	**226,130,267**	**4,393,371**	**-**	**-**	**3,923,536**
Financial liabilities	28,864,019	6,829,359	-	-	-	-	-	1,303,915
Other non-current liabilities	2,672,638	7,726,805	-	226,130,267	4,393,371	-	-	2,619,621
Income	13,085,968	6,450,408	3,131,591	17,033,168	2,518,279	571,252	2,523,869	15,070,532
Interest income	11,177,510	138,422	3,131,591	14,779,721	437,733	-	-	1,726,526
Interest expense	(5,701,155)	(436,534)	-	-	-	-	(836,474)	(492,473)
Net allowance for loan losses	(1,233,203)	-	-	-	-	-	-	(4,233)
Depreciation and amortization	(55,837)	(376,385)	(386,379)	(29,567)	(39,738)	-	(176,536)	(218,939)
Income taxes	(596,195)	(1,390,071)	(365,645)	(655,980)	(675,903)	2,716	(8,571)	(401,054)
Net income/(loss) for the period	**907,631**	**2,547,534**	**717,566**	**921,515**	**1,411,410**	**501,674**	**1,184,529**	**1,064,199**
Other comprehensive income	(136,288)	(49,882)	-	850	(9,239)	-	-	(189)
Total comprehensive income	771,343	2,497,652	717,566	922,365	1,402,171	501,674	1,184,529	1,064,010
Adjusted shareholders' equity	**10,242,333**	**11,204,089**	**12,206,349**	**3,030,502**	**2,078,450**	**2,555,494**	**18,719,035**	**5,818,640**
Ownership percentage	50.00%	28.67%	30.00%	74.99%	74.99%	49.99%	9.35%	-
Carrying amount of the investment [1]	**5,121,167**	**3,212,828**	**3,661,905**	**2,272,725**	**1,558,630**	**1,277,491**	**1,749,313**	**1,105,014**
Goodwill	-	1,002,124	-	-	688,423	-	-	110,749

(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, 2018	Net gains / (losses) from equity method investments	Dividends	Other changes (1)	Dec 31, 2019
Banco Votorantim S.A	5,121,167	762,759	(530,614)	222,244	5,575,556
Cielo S.A.	4,214,952	453,146	(408,452)	11,191	4,270,837
Cateno Gestão de Contas de Pagamentos S.A.	3,661,905	203,337	(196,971)	-	3,668,271
Brasilprev Seguros e Previdência S.A.	2,272,725	1,014,378	(703,836)	(15,279)	2,567,988
BB Mapfre Participações S.A. - Brasilseg	2,247,053	1,071,799	(1,192,483)	(26,622)	2,099,747
Elo Participações S.A.	1,277,491	288,835	(78,405)	7,689	1,495,610
Neoenergia S.A.	1,749,313	92,584	-	(1,841,897)	-
Others (2)	1,215,763	157,575	(168,263)	(553,813)	651,262
Subtotal	**21,760,369**	**4,044,413**	**(3,279,024)**	**(2,196,487)**	**20,329,271**
Unrealized profit	(3,032,906)	-	-	118,448	(2,914,458)
Total	**18,727,463**	**4,044,413**	**(3,279,024)**	**(2,078,039)**	**17,414,813**

(1) Mainly refers to equity valuation adjustments of securities recognized at fair value through other comprehensive income. The investment in Neoenergia S.A. was sold in June, 2019.
(2) “Other changes” refers mainly to the sell of IRB-Brasil Resseguros S.A.

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.

27 – INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

The Bank engages in certain business activities by way of structured entities (SE) designed to achieve a specific purpose. 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.

The extent of the Bank's interests to unconsolidated SE will vary depending on the purpose for which the entity was established. In this context, 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.

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

Securitization vehicles

The Bank manages securitization vehicles which purchase diversified pools of assets, including fixed income securities and corporate loans and receivables. The vehicles fund these purchases by issuing multiple tranches of debt and equity securities, the repayment of which is linked to the performance of the assets in the vehicles.

The Bank holds interests in these vehicles through the receipt of management and other fees and an equity holding in certain of these vehicles.

The securitization vehicles that are not consolidated are those which the Bank does not hold the power or ability to unilaterally remove the servicer or special servicer who has been delegated power over the relevant activities of the entity.

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, 2019	Dec 31, 2018
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.	1,079,138,400	1,009,427,458
Consortium groups	• management of consortium groups to facilitate access of goods and services.	• management of consortium quotas and other fees.	47,863,856	40,160,050
Securitization vehicles	• generate management and other fees. • these vehicles are financed through the issue of notes to investors.	• investment in notes issued by the vehicles. • management and other fees.	-	26,022,143
Total			**1,127,002,256**	**1,075,609,651**

Maximum exposure to loss

The table below sets out the carrying amounts of interests held by the Bank in unconsolidated structured entities, and also off-balance exposures. The Bank's maximum exposure to loss is limited to the amounts shown in the table.

	Dec 31, 2019	Dec 31, 2018
Investment funds	3,540,378	2,795,707
Consortium groups (1)	3,047,651	2,746,125
Total	**6,588,029**	**5,541,832**

(1) Financial investments in funds, which represent available resources not yet used.

In thousand of Reais, unless otherwise stated

28 – PROPERTY AND EQUIPMENT

	Use								Right of use
	Buildings	Furniture and equipment	Leasehold improvements	Data processing equipment	Land	Vehicles	Other	Total	Buildings
Acquisition cost									
Balance at Dec 31, 2017	**5,534,678**	**3,537,127**	**3,799,501**	**4,125,087**	**194,781**	**15,738**	**723,443**	**17,930,355**	**-**
Acquisitions	272,129	282,571	285,773	572,091	162,013	1,176	43,596	1,619,349	-
Disposals	(89,307)	(280,032)	(323,271)	(989,674)	(6,370)	(4,110)	(64,270)	(1,757,034)	-
Exchange rate changes	(28,715)	(20,430)	(928)	88	(7,144)	(1,682)	1,767	(57,044)	-
Other changes [1]	2,181	(93)	54,518	20	(3,580)	-	(11,504)	41,542	-
Balance at Dec 31, 2018	**5,690,966**	**3,519,143**	**3,815,593**	**3,707,612**	**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**	**3,815,593**	**3,707,612**	**339,700**	**11,122**	**693,032**	**17,777,168**	**4,188,816**
Acquisitions	263,891	515,706	282,610	596,175	-	1,134	70,065	1,729,581	344,162
Disposals	(14,539)	(259,151)	(96,995)	(177,670)	(956)	(334)	(55,608)	(605,253)	(86,892)
Exchange rate changes	(15,900)	(15,363)	(4,387)	(1,833)	(3,800)	(795)	(590)	(42,668)	-
Other changes [1] [2]	16,222	6,404	(933)	(1,367)	(4,367)	-	(68,291)	(52,332)	93,169
Balance at Dec 31, 2019	**5,940,640**	**3,766,739**	**3,995,888**	**4,122,917**	**330,577**	**11,127**	**638,608**	**18,806,496**	**4,539,255**
Accumulated depreciation									
Balance at Dec 31, 2017	**(2,925,727)**	**(2,003,245)**	**(2,080,931)**	**(2,981,622)**	**-**	**(8,008)**	**(444,507)**	**(10,444,040)**	**-**
Depreciation	(163,682)	(277,048)	(256,111)	(447,580)	-	(1,335)	(50,152)	(1,195,908)	-
Disposals	49,766	251,898	233,431	987,210	-	2,320	49,583	1,574,208	-
Exchange rate changes	5,113	8,875	(919)	(2,353)	-	707	2,689	14,112	-
Other changes [1]	54,801	2,551	(41,017)	(43)	-	30	107	16,429	-
Balance at Dec 31, 2018	**(2,979,729)**	**(2,016,969)**	**(2,145,547)**	**(2,444,388)**	**-**	**(6,286)**	**(442,280)**	**(10,035,199)**	**-**
Depreciation	(165,984)	(287,619)	(262,542)	(479,239)	-	(1,181)	(49,768)	(1,246,333)	(1,112,821)
Disposals	8,618	233,237	67,153	169,291	-	271	46,554	525,124	5,811
Exchange rate changes	3,547	8,300	2,356	661	-	333	2,085	17,282	-
Other changes [1]	16,581	3,487	(24,870)	13,962	-	20	29	9,209	-
Balance at Dec 31, 2019	**(3,116,967)**	**(2,059,564)**	**(2,363,450)**	**(2,739,713)**	**-**	**(6,843)**	**(443,380)**	**(10,729,917)**	**(1,107,010)**
Accumulated impairment loss									
Balance at Dec 31, 2017	**(19,939)**	**(226)**	**-**	**-**	**-**	**-**	**-**	**(20,165)**	**-**
Losses	(44,348)	-	-	-	-	-	(56)	(44,404)	-
Reversal	7,592	73	-	-	-	-	29	7,694	-
Balance at Dec 31, 2018	**(56,695)**	**(153)**	**-**	**-**	**-**	**-**	**(27)**	**(56,875)**	**-**
Losses	(3,559)	(266)	(188)	(69)	-	-	(2)	(4,084)	-
Reversal	27,516	-	-	-	-	-	24	27,540	-
Other changes	-	-	-	-	(325)	-	-	(325)	-
Balance at Dec 31, 2019	**(32,738)**	**(419)**	**(188)**	**(69)**	**(325)**	**-**	**(5)**	**(33,744)**	**-**
Carrying amount									
Balance at Dec 31, 2018	2,654,542	1,502,021	1,670,046	1,263,224	339,700	4,836	250,725	**7,685,094**	**-**
Balance at Dec 31, 2019	2,790,935	1,706,756	1,632,250	1,383,135	330,252	4,284	195,223	**8,042,835**	**3,432,245**

(1) PPE for use includes R$ 134,798 thousand in Buildings and Leasehold improvements of Banco Patagonia related to the hyperinflation at Argentina (R$ 120,681 thousand as of Dec 31, 2018).

In thousand of Reais, unless otherwise stated

Property and equipment for use pledged as collateral totaled R$ 128,673 thousand as of December 31, 2019 (R$ 128,536 thousand as of December 31, 2018).

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.

Adoption of IFRS 16

Right of use assets – Assets arising from the Bank's operating lease agreements that refer essentially to properties used in the practice of its administrative and banking operations. In general, these contracts do not have a clause for the purchase option and are made under usual market terms and conditions, including renewal options and clauses for annual readjustment of the lease price, using as main parameters for readjustment the official inflation indexes in the Brazil.

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, 2019
Up to one year	1,092,650
Over one year to five years	2,356,925
Over five years	1,021,056
Total (1)	**4,470,631**

(1) Values not discounted to present value.

Other information – Brazilian Securities and Exchange Commission (CVM) guided lessee companies about relevant aspects to be observed during the adoption of IFRS 16, considering brazilian economic environment.

In accordance with IFRS 16, cash flows must be projected (without using any projected rates in determining lease payments included in the measurement of lease liabilities) and discounted at a nominal rate. The Bank uses this method for measuring it lease liabilities.

According to CVM guidelines, lessee companies must project future inflation in the cash flows to be discounted in order to.not have technical impropriety during the calculation, considering the brazilian economic environment.

The Bank evaluated the two possibilities and identified that both methodologies do not present material differences.

29 – GOODWILL AND OTHER INTANGIBLE ASSETS

a) Changes in goodwill

Goodwill of Banco Nossa Caixa (1)	2018
Goodwill at the beginning of the period	**591,582**
Accumulated impairment losses at the end of the period	(591,582)
Closing balance	**-**

(1) Banking – Banco do Brasil – São Paulo State.

Goodwill impairment test

The recoverable amount of a CGU to which a goodwill was allocated is based on its value in use. This value is calculated using the discounted cash flow method, which considers cash flow projections for the investee or cash generating unit discounted at an appropriate rate. For the evaluation of the banks, the free cash flow for shareholders discounted by the cost of equity capital calculated for each institution was used.

The impairment test for goodwill recognized on the acquisition of Nossa Caixa considered the value in use of the Bank's operations in the state of São Paulo (the cash generating unit). The estimated cash flows were based on the cash generating unit's results until October 2018, and internal projections of results from November and December 2018.

Assumptions used in the calculation were based on the Bank's business strategies and the macroeconomic environment. They also considered current and past performance and expected growth in the industry. The Brazilian Real discount rate was based on the Bank's cost of capital and was calculated each year based on CAPM.

The Brazilian Real discount rate used to discount the estimated cash flows was comprised of:

(i) the risk-free interest rate in the United States;
(ii) Emerging Market Bond Index Plus – Brazil (EMBI + BR), representing a spread for Brazil country risk;
(iii) the Bank's beta;
(iv) an historical average of the spread in the United States;
(v) an adjustment factor for the spreads in Brazil vs. the United States;
(vi) the difference between inflation rates in Brazil vs. the United States; and
(vii) the difference between productivity in Brazil vs. the United States.

These inputs were all obtained from external sources.

In 2018, impairment loss was recognized on the goodwill of Banco Nossa Caixa, motivated by the economic benefits have already been fully incorporated into Banco do Brasil, considering: a merger occurred more than eight years ago; extinction of the branch network; customers and employees incorporated into the base of Banco do Brasil. The amount related to this loss is recorded in other operating expenses, in the consolidated statement of income.

In thousand of Reais, unless otherwise stated

b) Intangible assets with finite useful life

	Internally generated software	Software acquired	Rights due to payroll management	Related to customers portfolio	Relating to contracts	Other [1]	Total
Acquisition cost							
Balance at Dec 31, 2017	**1,440,338**	**2,267,818**	**10,090,982**	**2,944,292**	**903,310**	**189,360**	**17,836,100**
Internally generated	330,526	-	-	-	-	-	330,526
Acquisitions	-	138,234	194,012	-	-	-	332,246
Write-offs	(8,108)	(15,948)	(295,144)	-	-	-	(319,200)
Foreign currency translations adjustments	-	38,611	-	(80,457)	-	-	(41,846)
Balance at Dec 31, 2018	**1,762,756**	**2,428,715**	**9,989,850**	**2,863,835**	**903,310**	**189,360**	**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**	**2,824,406**	**903,310**	**189,360**	**16,612,577**
Accumulated amortization							
Balance at Dec 31, 2017	**(513,244)**	**(1,106,533)**	**(5,202,844)**	**(2,847,531)**	**(903,310)**	**(189,360)**	**(10,762,822)**
Amortization	(112,037)	(192,301)	(1,483,788)	(68,135)	-	-	(1,856,261)
Write-offs	-	15,687	282,067	-	-	-	297,754
Foreign currency translations adjustments	-	(16,623)	-	64,863	-	-	48,240
Balance at Dec 31, 2018	**(625,281)**	**(1,299,770)**	**(6,404,565)**	**(2,850,803)**	**(903,310)**	**(189,360)**	**(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)**	**(2,824,406)**	**(903,310)**	**(189,360)**	**(9,682,346)**
Impairment loss							
Balance at Dec 31, 2017	**-**	**-**	**(49,740)**	**-**	**-**	**-**	**(49,740)**
Impairment loss	-	-	(19,933)	-	-	-	(19,933)
Balance at Dec 31, 2018	**-**	**-**	**(69,673)**	**-**	**-**	**-**	**(69,673)**
Impairment loss	-	(21)	(987,151)	-	-	-	(987,172)
Write-offs [2]	-	-	47.163	-	-	-	47.163
Balance at Dec 31, 2019	**-**	**(21)**	**(1,009,661)**	**-**	**-**	**-**	**(1,009,682)**
Book value							
Balance at Dec 31, 2018	1,137,475	1,128,945	3,515,612	13,032	-	-	5,795,064
Balance at Dec 31, 2019	1,499,605	1,132,855	3,288,089	-	-	-	5,920,549

(1) Includes mainly brands acquired due to business combinations.
(2) Allowance 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

	2020	2021	2022	2023	After 2023	Total
Amounts to be amortized	1,903,960	1,070,646	732,809	459,560	1,753,574	5,920,549

In thousand of Reais, unless otherwise stated

30 – OTHER ASSETS AND OTHER LIABILITIES

a) Financial

Other assets	Dec 31, 2019	Dec 31, 2018
Judicial deposits for tax, labor and civil lawsuits	33,465,646	38,645,709
Receivable income [(1)]	3,249,159	3,108,642
Securities and credits receivable from the National Treasury [(2) (3)]	3,139,535	3,423,683
Compensation fund for salary changes – merged companies	2,910,614	3,316,499
Securities distribution	1,009,229	891,964
Interbank/interdepartmental accounts	288,097	254,090
Securities and credits receivable	81,738	1,747,802
Total	**44,144,018**	**51,388,389**

(1) It includes the amount of R$ 3,146,156 thousand (R$ 2,942,359 thousand as of Dec 31, 2018) related to receivables under the IFRS 15.
(2) It includes the amount of R$ 425,859 thousand (R$ 413,470 thousand as of Dec 31, 2018) related to receivables under the IFRS 15.
(3) It includes the amount of R$ 1,306,279 thousand (R$ 1,592,642 thousand as of Dec 31, 2018) 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, 2018) related to extension of rural credits.

Other liabilities	Dec 31, 2019	Dec 31, 2018
Credit card operations	27,924,085	25,004,256
Advances received on foreign exchange contract	15,432,124	7,422,208
Lease liabilities	3,558,231	N/A
Interbranch accounts – third-party funds in transit	3,416,458	2,910,355
Securities distribution	1,199,613	976,921
Net foreign exchange portfolio	200,904	456,705
Collateral deposits	85,101	1,381,302
Total	**51,816,516**	**38,151,747**

b) Non financial

Other assets	Dec 31, 2019	Dec 31, 2018
Previ's surplus – Fundos Previdenciais (Note 44.f)	9,572,386	9,511,761
Sundry debtors – domestic	3,394,416	3,598,179
Prepaid taxes	1,323,667	781,138
Prepaid expenses	314,490	514,678
Non-operating assets, net of impairment losses	301,145	289,293
Advances to employees	175,252	283,678
Post-employment benefit plans (Note 44.e)	160,728	3,771,509
Other	968,452	1,030,572
Total	**16,210,536**	**19,780,808**

Other liabilities	Dec 31, 2019	Dec 31, 2018
Post-employment benefit plans (Note 44.e)	25,509,836	12,677,088
Labor costs	5,029,766	4,148,128
Sundry creditors – domestic	4,989,380	4,996,098
Dividends and pending bonuses	2,574,080	3,073,055
Provision for sundry pending payments	1,900,562	2,306,589
Liabilities for official agreements and payment services	1,525,698	1,594,439
Taxes	1,035,435	1,154,285
Sundry creditors – overseas	519,477	754,410
Deferred income [(1)]	92,497	448,237
Other	6,004,726	5,587,702
Total	**49,181,457**	**36,740,031**

(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, 2019	Dec 31, 2018
Domestic	**457,994,152**	**420,394,035**
Demand deposits	62,985,978	58,852,044
Non-interest bearing deposits	62,628,816	58,469,023
Interest bearing deposits [1]	357,162	383,021
Time deposits	214,065,320	186,687,248
Savings deposits	180,942,854	174,854,743
Abroad	**27,008,153**	**31,974,141**
Demand deposits	8,323,766	9,169,885
Non-interest bearing deposits	8,323,766	9,169,885
Time deposits	18,684,387	22,804,256
Total	**485,002,305**	**452,368,176**

(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, 2019	Dec 31, 2018
Financial institutions deposits	29,128,475	33,668,595
Loan portfolios assigned with guarantee of the Bank	330,526	404,844
Total	**29,459,001**	**34,073,439**

33 – SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	Dec 31, 2019	Dec 31, 2018
Own portfolio	**43,366,024**	**39,570,367**
Financial Treasury bills	29,347,224	21,114,864
Private securities	12,957,635	17,417,544
National Treasury bills	23,462	9
Other securities	1,037,703	1,037,950
Third-party portfolio	**360,989,303**	**363,330,835**
Financial Treasury bills	333,424,753	316,612,217
National Treasury bills	26,514,556	32,645,031
National Treasury notes	1,049,994	14,073,569
Other securities	-	18
Total	**404,355,327**	**402,901,202**

34 – LIABILITIES FROM ISSUANCE OF SECURITIES AND OTHER FINANCIAL LIABILITIES

	Dec 31, 2019	Dec 31, 2018
Liabilities from issuance of securities	129,411,073	124,767,338
On-lendings	60,908,742	66,731,541
Subordinated debts	50,487,374	58,828,784
Perpetual bonds	25,957,614	24,928,080
Financial and development funds	17,012,893	15,522,421
Other	17,966,872	20,986,748
Total	**301,744,568**	**311,764,912**

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, 2019	Dec 31, 2018
"Global medium-term notes" program						**14,248,813**	**10,447,721**
	USD	500,000	6.00%	2010	2020	2,067,578	1,987,453
	CHF	275,000	2.50%	2013	2019	-	1,097,028
	USD	1,000,000	4.63%	2017	2025	4,096,037	3,933,679
	R$	293,085	10.15%	2017	2027	306,435	274,612
	USD	750,000	4.88%	2018	2023	3,049,310	2,930,439
	COP	160,000,000	8.51%	2018	2025	198,484	224,510
	USD	750,000	4.75%	2019	2024	3,058,215	-
	R$	398,000	9.50%	2019	2026	405,689	-
	MXN	1,900,000	8.50%	2019	2026	420,362	-
	COP	520,000,000	6.50%	2019	2027	646,703	-
"Senior notes"						**7,311,966**	**7,039,710**
	USD	1,809,700 (1)	3.88%	2012	2022	7,311,966	7,039,710
Structured notes						**88,145**	**82,316**
	EUR	18,400	2.50% to 3.55%		2021	84,097	82,316
	USD	1,000	4.75%		2020	4,048	-
Deposit certificate (2)						**4,606,715**	**2,108,603**
Short term			1.30% to 3.80%			4,108,987	1,968,914
Long term			2.75% to 3.80%		2022	497,728	139,689
Certificates of structured operations						**18,641**	**133,809**
Short term			4.13% to 9.59% DI			16,411	116,426
Long term			8.56% to 10.07% DI		2022	2,230	17,383
Letters of credit − real estate			50.00% to 96.00% DI or TR + 7.7151%			**16,992,681**	**17,264,716**
Short term						3,411,597	4,704,521
Long term					2026	13,581,084	12,560,195
Letters of credit – agribusiness			70.00% to 99.00% DI or 4.10 to 6.00%			**75,882,064**	**78,937,444**
Short term						34,689,326	24,403,914
Long term					2022	41,192,738	54,533,530
Financial letters			98.25% to 102.00% DI IPCA + 4.50% to IPCA + 5.30% Fixed 7.20% to 8.90%			**5,284,000**	**5,402,992**
Short term						4,872,746	148,375
Long term					2021	411,254	5,254,617
Banco Patagonia			Fixed 25.75% to 45.00% Badlar + 299 pts to Badlar + 417 pts			**69,723**	**172,878**
Short term	ARS					69,723	125,048
Long term	ARS				2020	-	47,830
Special purpose entities − SPE abroad						**4,937,535**	**3,197,379**
Securitization of future flow of payment orders from abroad (3)							
	USD	200,000	Libor 3m + 1.20%	2019	2024	807,318	-
	USD	200,000	3.70%	2019	2026	807,466	-
Structured notes (3)							
	USD	500,000	Libor 6m + 2.50%	2014-2015	2034	2,030,194	1,954,501
	USD	320,000	Libor 6m + 3.20%	2015	2030	1,292,557	1,242,878
Liabilities from issuance of securities, in possession of subsidiary abroad						(29,210)	(20,230)
Total						**129,411,073**	**124,767,338**

(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, 2019	Dec 31, 2018
On-lendings		
Domestic on-lendings − official institutions	60,908,742	66,731,064
Foreign on-lendings	-	477
Total	**60,908,742**	**66,731,541**

Domestic on-lendings − Official institutions

Programs	Financial charges	Dec 31, 2019	Dec 31, 2018
National Treasury − rural credit		**167,215**	**165,557**
Pronaf	TMS (if available) or Fixed 0.50% p.a. to 4.60% p.a. (if applied)	16,968	11,020
Cocoa	IGP-M + 8.00% p.a. or TJLP + 0.60% p.a. or Fixed 6.35% p.a.	136,518	105,780
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		2,959	37,987
BNDES (1)	Fixed 0.00% p.a. to 8.00% p.a. TJLP + 0.00% p.a. to 4.00% p.a. IPCA + 7.02% p.a. to 9.41% p.a. Selic + 0.50% p.a. to 2.08% p.a. Exch. Var. + 0.90% p.a. to 3.00% p.a. TLP + 1.30% p.a. to 2.10% p.a.	**17,838,581**	**21,764,812**
Caixa Econômica Federal (2)	Fixed 4.90% p.a. (average)	**30,936,767**	**29,413,089**
Finame (3)	Fixed 0.00% p.a. to 9.80% p.a. TJLP + 0.90% p.a. to 4.00% p.a. Exch. Var. + 1.40% p.a. to 3.00% p.a. Selic + 2.08% p.a. to 2.45% p.a. TLP + 1.42% p.a. to 2.25% p.a.	**11,932,325**	**15,138,554**
Other official institutions		**33,854**	**249,052**
Funcafé	TMS (if available) Fixed 5.50% p.a. to 11.25% p.a. FAM + 1.28% p.a. to 3.67% p.a. (if applied)	33,826	249,024
Other		28	28
Total		**60,908,742**	**66,731,064**

(1) The average maturity of BNDES obligations is 75 months.
(2) The average maturity of Caixa Econômica Federal obligations is 341 months.
(3) The average maturity of Finame obligations is 24 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

Foreign on-lending

	Dec 31, 2019	Dec 31, 2018
Special fund for support to small and medium manufacturing companies	-	477
Total	**-**	**477**

c) Subordinated debts

Funding		Issued amount	Interest p.a.	Funding year	Maturity	Dec 31, 2019	Dec 31, 2018
Banco do Brasil							
FCO – resources from the constitutional fund for developing the center-west						**29,336,898**	**29,336,898**
Subordinated debt abroad						**11,999,497**	**11,522,511**
	USD	660,000	5.38%	2010	2021	2,724,052	2,616,710
	USD	1,500,000	5.88%	2011	2022	6,181,924	5,934,900
	USD	750,000	5.88%	2012	2023	3,093,521	2,970,901
Subordinated letters of credit						**9,191,329**	**18,006,049**
		215,000	112.00% of CDI	2012	2019	-	437,979
		150,500	112.50% of CDI 5.45% + IPCA	2012	2020	330,801	308,977
		4,680,900	111.00% of CDI	2013	2019	-	9,000,459
		540,623	112.00% to 114.00% of CDI	2014	2020	972,139	910,169
		3,868,384	113.00% to 115.00% of CDI	2014	2021	7,059,258	6,605,387
		400,000	8.08% + IPCA	2014	2022	829,131	743,078
Subordinated debt issued by the Bank, in possession of subsidiary abroad						(40,350)	(36,674)
Total subordinated debt (1)						**50,487,374**	**58,828,784**

(1) The amount of R$ 35,796,321 thousand (R$ 38,925,975 thousand as of December 31, 2018) 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, 2019	Dec 31, 2018
Perpetual bonds						
	USD	898,512	8.50%	10/2009	3,680,805	3,536,595
	USD	1,298,727	9.25%	01/2012 and 03/2012	5,428,215	5,221,040
	USD	1,988,000	6.25%	01/2013	8,101,231	7,783,964
	USD	2,169,700	9.00%	06/2014	8,753,627	8,410,702
Total					**25,963,878**	**24,952,301**
Perpetual bonds issued by the Bank, in possession of subsidiary abroad					(6,264)	(24,221)
Total					**25,957,614**	**24,928,080**

(1) Refers to the outstanding value since partial repurchases ocurred.

This section should be read in conjunction with Note 40.

Perpetual bonds include an amount of R$ 25,091,108 thousand classified as additional Tier I Capital (Dec 31, 2018 – R$ 24,120,630 thousand).

The USD 1,500,000 thousand (outstanding value USD 898,512 thousand), issued in October 2009, may be redeemed at the discretion of the Bank in 2020 or any subsequent semiannual interest payment date if previously authorized by Bacen. If the Bank does not exercise its option to redeem the bonds in October 2020, the interest rate will be adjusted prospectively to 7.782% plus the rate on 10-Year U.S. Treasury Bond. Subsequently, the interest rate will be adjusted every 10 years based on the current rate on 10-Year U.S. Treasury Bond.

The terms and conditions of the USD 1,750,000 thousand (outstanding value USD 1,298,727 thousand), issued in January 2012 and March 2012, and USD 2,000,000 thousand (outstanding value USD 1,988,000 thousand), issued in January 2013, were modified on September 27, 2013. These modifications were based on rules issued by Bacen to regulate the implementation of Basel III in Brazil. These changes become effective on October 01, 2013, the date on which the instruments were submitted to Bacen for authorization to be treated as additional Tier I Capital. Bacen approved this treatment on October 30, 2013.

The USD 2,500,000 thousand (outstanding value USD 2,169,700 thousand), issued in June 2014, may be redeemed at the discretion of the Bank on June 18, 2024 or any subsequent semiannual interest payment date if previously authorized by Bacen. If the Bank does not exercise its option to redeem the bonds in June 2024, the interest rate will be adjusted prospectively to 6.362% plus the rate on 10-Year U.S. Treasury Bond.

Semi-annual interest payments will be suspended on those bonds whose terms and conditions were modified on September 27, 2013, and the bonds issued in June 2014, if:

(i) distributable income for the period is insufficient (determined at the Bank's discretion);
(ii) the Bank does not comply with, or the interest payment will cause the Bank to not comply with, the minimum capital requirements, operational limits or financial ratios required by Brazilian banking regulations;
(iii) Bacen or another regulatory authority determines that the payment shall not be made;
(iv) there is an insolvency or bankruptcy event; or
(v) in case of default.

In accordance with Basel III, the bonds issued in January and March 2012, in January 2013 and in July 2014 contain a loss absorption mechanism. In addition, if item (i) above occurs, dividend payments to the Bank's shareholders will be limited to the legally required minimum dividend until the semi-annual interest payment on the bonds is made current. In the following situations, the bonds shall be permanently written-down to an amount no greater than the amount included in Tier 1 Capital:

(i) the Bank's common equity Tier I capital is less than 5.125% of the risk-weighted asset (RWA);
(ii) a public sector entity makes a capital injection or otherwise decides to financially support the Bank to ensure its viability;
(iii) based on assessment of the circumstances in accordance with criteria established by the National Monetary Council, Bacen decides to write-down the bonds to ensure the Bank's viability as a going concern.

If the redemption options available in April 2023, April 2024 and June 2024 for the bonds issued in 2012, 2013 and 2014, respectively, are not exercised, the interest rate will be reset at that time and every 10 years thereafter. The new interest rate will be based on the current rate of 10-Year U.S. Treasury Bond, plus the initial credit spread. The bonds have the following redemption options if authorized by Bacen:

(i) April 2023, April 2024 and June 2024, and each semi-annual interest payment date thereafter, the Bank may choose to redeem the bonds issued in 2012, 2013 and 2014, respectively. The bonds must be redeemed in their entirety (partial redemptions are not permitted);
(ii) upon occurrence of a 'tax event', for the bonds issued in 2012, 2013 and 2014, the Bank may choose to redeem the bonds after five years from the date of issuance if this date falls before April 2023, April 2024 and June 2024, respectively. The bonds must be redeemed in their entirety (partial redemptions are not permitted) for their base redemption price;
(iii) upon occurrence of a 'regulatory event', for the bonds issued in 2012 and 2013, the Bank may choose to redeem the bonds after five years from the date of issuance if this date falls before April 2023 and April 2024, respectively. The bonds must be redeemed in their entirety (partial redemptions are not available) for the higher of their base redemption price or 'make-whole' amount;
(iv) upon occurrence of a 'regulatory event', for the bonds issued in 2014, the Bank may choose to redeem the bonds after five years from the date of issuance if this date falls before June 2024, for their base redemption price.

In thousand of Reais, unless otherwise stated

The bonds issued in October 2009 require that the Bank suspend the semiannual payments of interest and/or other charges on those securities issued (which will not be due or accrued) if:

(i) the Bank is not in compliance or the payment of such charges do not allow the compliance with the levels of capital adequacy, operational limits, or its financial ratios are under the minimum level required by Brazilian regulations applicable to banks;
(ii) Bacen or the regulatory authorities determine the suspension of payment of such charges;
(iii) any event of insolvency or bankruptcy occurs;
(iv) a default occurs; or
(v) the Bank has not distributed dividends or interest on own capital to common shareholders for the period of calculation of such interest and/or other charges.

e) Financial and development funds

	Dec 31, 2019	Dec 31, 2018
Marine Merchant Fund (FMM)	7,663,597	8,754,178
Center-West Constitutional Fund (FCO)[(1)]	4,066,726	1,249,914
Northeast Development Fund (FDNE)	1,641,809	1,836,454
Public Service Employee Savings Program (Pasep)	1,374,355	1,529,567
Center-West Development Fund (FDCO)	1,074,649	1,206,319
Funds from the São Paulo's State Government	879,565	857,284
Nacional Fund of Civil Aviation (FNAC)	-	48,148
Other	312,192	40,557
Total	**17,012,893**	**15,522,421**

(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$ 3,658,129 thousand are funds applied (interest expenses consider contractual charges less the fees owned to the Bank) and R$ 408,597 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.

In thousand of Reais, unless otherwise stated

f) Other liabilities

	Dec 31, 2019	Dec 31, 2018
Borrowings	17,869,740	20,897,987
Import financing	97,132	88,761
Total	**17,966,872**	**20,986,748**

As of December 31, 2019, the weighted average interest rate applicable to borrowings abroad was 3.13% p.a. (3.59% p.a. as of December 31, 2018).

g) Contractual maturity of liabilities from issuance of securities and other financial liabilities

	2020	2021	2022	2023	2024	After 2024	Without maturity	Total
Liabilities from issuance of securities	49,238,035	44,518,372	18,460,168	3,062,779	3,882,607	10,249,112	-	129,411,073
On-lendings	37,178,163	4,980,872	4,831,518	3,326,180	1,986,305	8,605,704	-	60,908,742
Subordinated debts	332,926	9,783,310	7,011,055	3,093,521	29,296,548	970,014	-	50,487,374
Perpetual bonds	-	-	-	-	-	-	25,957,614	25,957,614
Financial and development funds	8,659,015	1,395,905	1,395,905	1,395,905	1,395,905	2,770,258	-	17,012,893
Other	15,966,594	931,164	931,164	68,977	68,973	-	-	17,966,872
Total	**111,374,733**	**61,609,623**	**32,629,810**	**10,947,362**	**36,630,338**	**22,595,088**	**25,957,614**	**301,744,568**

h) Reconciliation of liabilities arising from financing activities

	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**		

	Dec 31, 2017	Cash changes		Non-cash changes		Dec 31, 2018
		Funding	Settlement / payment	Changes in exchange rates	Other	
Debt instruments	**86,964,034**	**5,003,972**	**(12,354,841)**	**4,143,699**	**-**	**83,756,864**
Subordinated debts	63,342,298	3,047,420	(8,539,580)	978,646	-	58,828,784
Perpetual bonds	23,621,736	1,956,552	(3,815,261)	3,165,053	-	24,928,080
Shareholder's equity instruments	**4,818,141**	**-**	**(4,861,678)**	**(319,409)**	**3,672,260**	**3,309,314**
Treasury shares/capital reserve	3,754,270	-	-	-	(346,553)	3,407,717
Unallocated retained earnings (3)	(2,817,724)	-	(2,289,104)	-	2,361,369	(2,745,459)
Shareholder's equity attributable to non-controlling interests (4)	3,881,595	-	(2,572,574)	(319,409)	1,657,444	2,647,056
Changes – total		**5,003,972**	**(17,216,519)**	**3,824,290**	**3,672,260**	
Changes – net		**(12,212,547)**		**7,496,550**		

(1) Includes lease liability balance on Jan 1, 2018 (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.

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 ordinary based on consumer protection laws and generally settled in specific civil courts. The awards are limited to forty times the minimum wage (R$ 998.00 at December 31, 2019).

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 in which the risk of loss is considered probable. 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 Federal Supreme Court (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 Federal Supreme Court. Since May 2018, savers can join the agreement, through a tool made available by Febraban.

Regarding lawsuits related to inflationary purges in judicial deposits, Minister Edson Fachin of the Federal Supreme Court, after acknowledging the general repercussion of the constitutional matter dealt with in the Extraordinary Appeal interposed by Banco do Brasil, Caixa Econômica Federal, Federal Government and 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.

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, Superior Courts of Justice (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 Costumer 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.

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 chance of loss is considered 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 probability of loss and financial effect is determined based on the nature of the claims, the opinion of management of the Bank, based on the advice of legal counsel. The analysis also considers complexity and experience with similar cases.

Management considers the provision for losses of labor, tax and civil claims to be sufficient.

Changes in the provision for labor, tax and civil lawsuits

	2019	2018	2017
Labor lawsuits			
Opening balance	**2,520,968**	**2,652,361**	**2,456,978**
Addition	3,421,168	1,485,098	1,227,945
Reversal	(794,202)	(411,492)	(207,902)
Write-off	(1,715,528)	(1,476,428)	(1,099,010)
Business combination adjustments	-	25,207	26,083
Inflation adjustment and exchange fluctuation	231,363	246,222	248,267
Closing balance	**3,663,769**	**2,520,968**	**2,652,361**
Tax lawsuits			
Opening balance	**262,724**	**258,324**	**276,015**
Addition	467,063	177,286	98,276
Reversal	(95,818)	(99,143)	(99,684)
Write-off	(230,246)	(82,871)	(35,907)
Inflation adjustment and exchange fluctuation	11,673	9,128	19,624
Closing balance	**415,396**	**262,724**	**258,324**
Civil lawsuits			
Opening balance	**6,997,444**	**6,689,666**	**6,829,946**
Addition	11,385,383	3,857,889	1,872,625
Reversal	(3,043,552)	(177,798)	(631,664)
Write-off	(6,709,848)	(3,697,589)	(1,660,655)
Business combination adjustments	-	34,055	33,179
Inflation adjustment and exchange fluctuation	222,155	291,221	246,235
Closing balance	**8,851,582**	**6,997,444**	**6,689,666**
Total labor, tax and civil lawsuits	**12,930,747**	**9,781,136**	**9,600,351**

Expenses with labor, tax and civil claims

	2019	2018	2017
Labor lawsuits	(2,858,329)	(1,345,035)	(1,294,393)
Tax lawsuits	(382,918)	(87,271)	(18,216)
Civil lawsuits	(8,563,986)	(4,005,367)	(1,520,375)
Total	**(11,805,233)**	**(5,437,673)**	**(2,832,984)**

In thousand of Reais, unless otherwise stated

Expected outflows of economic benefits

	Labor lawsuits	Tax lawsuits	Civil lawsuits
Up to 5 years	3,649,093	390,089	8,796,156
Over 5 years	14,676	25,307	55,426
Total	**3,663,769**	**415,396**	**8,851,582**

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 31,2019	Dec 31,2018
Labor lawsuits	229,907	218,985
Tax lawsuits (1)	11,426,347	13,053,487
Civil lawsuits	2,184,916	2,359,921
Total	**13,841,170**	**15,632,393**

(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$ 1,325,787 thousand, public transport pay and use of private car by employees of Banco do Brasil, in the amount of R$ 930,061 thousand and employee profit sharing corresponding to the period from April 2001 to October 2003, in the amount of R$ 676,426 thousand; and (ii) notices of tax assessment drawn by the Treasuries of the Municipalities, which amounts R$ 1,818,734 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.

Balances of deposits in guarantee recorded for contingencies

	Dec 31,2019	Dec 31,2018
Labor lawsuits	5,633,273	5,684,226
Tax lawsuits	9,208,340	9,398,915
Civil lawsuits	18,624,033	23,562,567
Total	**33,465,646**	**38,645,708**

In thousand of Reais, unless otherwise stated

36 – INCOME TAX

a) Breakdown of income taxes recognized in profit or loss

	2019	2018	2017
Current			
Current year	(4,994,225)	(3,297,317)	(3,292,860)
Prior year adjustments	4,390	(6,900)	2,175
Total current	**(4,989,835)**	**(3,304,217)**	**(3,290,685)**
Deferred			
Income taxes carryforwards	1,162,570	1,125,118	(4,987)
Adjustments from expected loss for other financial assets	1,120,174	100,262	-
Business combination adjustments	68,018	291,996	186,384
Leasing transactions – portfolio adjustments and accelerated depreciation	6,607	29,975	27,492
Unrealized profit on transactions with equity – accounted investees	(77,543)	(77,543)	(68,611)
Deferred tax positions related to fair value adjustments of financial assets	(119,101)	82,118	(2,477)
Adjustments from expected loss on loans to customers	(365,664)	(946,099)	791,144
Inflation adjustments of judicial deposits	(791,072)	(286,791)	(321,619)
Other temporary differences/deferred expenses	11,734,652	(2,342,917)	(971,799)
Total deferred	**12,738,641**	**(2,023,881)**	**(364,473)**
Total income taxes	**7,748,806**	**(5,328,098)**	**(3,655,158)**

b) Reconciliation of income taxes expense

	2019	2018	2017
Income before taxes	11,139,512	20,414,199	15,930,461
Total charges of IR (25%) and CSLL (15% in 2019, 20% in 2018 and 2017)	**(4,455,805)**	**(9,186,390)**	**(7,168,708)**
Interest on own capital	2,693,016	2,322,820	1,453,029
Equity in earnings of associates and joint ventures	1,617,765	1,592,243	1,687,940
Revenues from the Center-West Financing Fund – FCO	1,550,496	1,569,884	1,183,882
Income from subsidiaries with different income tax rates	542,472	442,638	469,734
Foreign currency translation adjustments	208,072	704,114	155,930
Non-taxable revenues/non-deductible expenses (1)	5,592,790	(2,773,407)	(1,436,965)
Income taxes benefit (expense)	**7,748,806**	**(5,328,098)**	**(3,655,158)**
Effective rate	**-**	**26.10%**	**22.94%**

(1) In 2019, included the increase in the CSLL rate from 15% to 20%, according to Art.32 of Constitutional Amendment 103/2019.

c) Income taxes recognized in shareholders' equity

	2019	2018	2017
Income taxes recognized in profit or loss	7,748,806	(5,328,098)	(3,655,158)
Income taxes recognized in other comprehensive income	8,081,338	857,454	(2,332,536)
Total	**15,830,144**	**(4,470,644)**	**(5,987,694)**

In thousand of Reais, unless otherwise stated

d) Deferred income taxes recognized in the consolidated balance sheet

Assets

	Dec 31, 2018	Constitutions	Write-offs	Dec 31, 2019
Deferred tax assets				
Expected loss on loans to customers	20,773,354	14,170,078	(7,932,869)	27,010,563
Provision for post-employment benefit plans	6,227,472	9,579,681	(793,884)	15,013,269
Provision for labor, tax and civil lawsuits	3,912,455	2,111,152	(204,771)	5,818,836
Income taxes carryforwards	1,518,105	3,811,937	(2,317,618)	3,012,424
Business combination	2,231,145	167,188	-	2,398,333
Negative fair value adjustments of financial assets	800,787	492,487	(579,057)	714,217
Recoverable Social contribution	667,060	-	(30,308)	636,752
Effective interest rate	276,413	27,130	-	303,543
Other provisions	1,867,326	6,353,492	(3,094,601)	5,126,217
Total	**38,274,117**	**36,713,145**	**(14,953,108)**	**60,034,154**

Liabilities

	Dec 31, 2019	Dec 31, 2018
Deferred tax liabilities		
Bargain purchase gains	(895,841)	(917,729)
Positive fair value adjustments of financial assets	(803,327)	(283,953)
Arising from recovered term credits	(637,634)	(425,634)
Inflation adjustments of judicial deposits	(361,318)	(316,489)
From actuarial gains	(24,930)	(35,364)
Adjustment of the commercial leasing portfolio	(15,356)	(21,963)
Other	(472,747)	(460,761)
Total	**(3,211,153)**	**(2,461,893)**

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$ 865,949 thousand, consisting of R$ 580,765 thousand related to tax losses carry forwards and R$ 285,184 thousand related to temporary differences. In Brazil, unrecognized deferred tax assest total R$ 24,005 thousand, consisting of R$ 16,910 thousand related to tax losses carry forwards and R$ 7,095 thousand related to temporary differences.

e) Expected realization of deferred tax assets

	Deferred tax assets
In 2020	17,798,210
In 2021	17,899,443
In 2022	18,040,157
In 2023	4,442,846
In 2024	755,583
In 2025	973,200
In 2026	57,916
In 2027	20,187
In 2028	1,129
In 2029	45,483
Total	**60,034,154**

In thousand of Reais, unless otherwise stated

The expected realization of deferred tax assets is supported by a technical study prepared as of December 31, 2019.

During 2019, the Bank realized R$ 14,369,664 thousand of deferred tax assets, which corresponded to 93.92% of the amount calculated in the technical study prepared on December 31, 2018.

37 – SHAREHOLDERS' EQUITY

a) Book value and market value per common share

	Dec 31, 2019	Dec 31, 2018
Shareholders' equity	107,734,738	101,892,915
Book value per share (R$) (1)	37.79	36.58
Fair value per share (R$)	52.82	46.49

(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$ 67,000,000 thousand (R$ 67,000,000 thousand on December 31, 2018) 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 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 fovernment 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/interest on own capital 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.

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.

In thousand of Reais, unless otherwise stated

d) Capital reserve

The capital reserve, totaling R$ 6,592,899 thousand (R$ 5,241,148 thousand on December 31, 2018), 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 December 4, 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, 2019	Dec 31, 2018
Profit reserves	**53,814,656**	**42,612,582**
Legal reserve	8,633,464	7,738,497
Statutory reserves	45,181,192	34,874,085
Operating margin	38,699,369	30,657,730
Equalization of dividends	6,481,823	4,216,355

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 dividend 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, net effects of hedges, translation adjustments on foreign operations whose functional currency is not the Brazilian Real and remeasurements of defined benefit plans.

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

	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 in 2019	**6,732,541**	**2.401**		

(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/2018				
Interest on own capital (1)	227,559	0.082	Mar 12, 2018	Mar 29, 2018
Complementary interest on own capital (1)	595,914	0.214	May 21, 2018	May 30, 2018
2nd quarter/2018				
Interest on own capital (1)	215,030	0.077	Jun 11,2018	Jun 29,2018
Complementary interest on own capital (1)	742,877	0.267	Aug 21,2018	Aug 31,2018
3rd quarter/2018				
Interest on own capital (1)	238,140	0.085	Sep 11,2018	Sep 28, 2018
Complementary interest on own capital (1)	1,161,270	0.417	Nov 21, 2018	Nov 30, 2018
4th quarter/2018				
Interest on own capital (1)	350,059	0.126	Dec 11,2018	Dec 28, 2018
Complementary interest on own capital (1)	1,630,973	0.586	Feb 21, 2019	Mar 07, 2019
Total allocated to the shareholders in 2018	**5,161,822**	**1.854**		

(1) Amounts subject to withholding tax, with the exception of shareholders who are exempted or immune.

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 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.

The total interest on own capital in 2019, provided an expense reduction on tax charges totaling R$ 2,755,142 thousand (R$ 2,241,271 thousand in 2018).

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, 2019		Dec 31, 2018	
	Shares	% Total	Shares	% Total
Federal Government	1,453,493,742	50.7	1,453,493,742	50.7
Tesouro Nacional	1,432,708,542	50.0	1,453,493,742	50.7
Banco Nacional de Desenvolvimento Econômico e Social – BNDES – FND	20,785,200	0.7	-	-
Caixa de Previdência dos Funcionários do Banco do Brasil – Previ	137,257,114	4.8	181,160,514	6.3
Treasury shares (1)	14,459,169	0.5	79,886,296	2.8
Other shareholders	1,260,206,995	44.0	1,150,876,468	40.2
Total	**2,865,417,020**	**100.0**	**2,865,417,020**	**100.0**

(1) On December 31, 2019 includes 347,049 shares of the Bank held by BB DTVM and BB – Banco de Investimento (38,294 shares on December 31, 2018).

	Common shares (ON) (1)	
	Dec 31, 2019	Dec 31, 2018
Board of Directors (except for the Bank's CEO)	3,581	147
Executive Committee (includes the Bank's CEO)	77,674	175,800
Audit Committee	18	18

(1) The shareholding interest of the Board of Directors, Executive Committee, Fiscal Council and Audit Committee represents approximately 0.003% 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, 2018	**2,865,417,020**	**79,886,296**
Movements	-	(65,427,127)
Balance on Dec 31, 2019	**2,865,417,020**	**14,459,169**

	Dec 31, 2019		Dec 31, 2018	
	Amount	%	Amount	%
Free float at the beginning of period	**1,331,861,026**	**46.5**	**1,282,433,554**	**44.8**
Disposal of shares by FFIE - Fundo Fiscal de Investimento e Estabilização	-		48,880,900	
Secondary public offering of shares (follow on)	64,000,000		-	
Other changes (1)	1,521,819		546,572	
Free float at the end of period (2)	**1,397,382,845**	**48.8**	**1,331,861,026**	**46.5**

(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 sale of the treasury shares generated a positive impact on the Bank's Shareholders' equity in the amount of R$ 2,779,127 thousand.

The composition of the treasury shares is shown below:

	Dec 31, 2019		Dec 31, 2018	
	Shares	% Total	Shares	% Total
Treasury shares	**14,459,169**	**100.0**	**79,886,296**	**100.0**
Received in order to comply with operations secured by the FGCN - Fundo de Garantia para a construção Naval	8,075,350	55.8	8,075,350	10.1
Repurchase Programs (2012 and 2015) (1)	5,710,078	39.5	71,353,201	89.3
Share-based payment	359,529	2.5	457,682	0.6
Follow-on offerring	314,149	2.2	-	-
Mergers	63	-	63	-
Book value	**(339,636)**		**(1,833,431)**	

(1) Reduction mainly 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 qualification and classification of the executive 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 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 the executive 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.

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
2015 Program					
Banco do Brasil (1)	342,134	19.92	247,539	68,426	Mar 2020
Total shares to be distributed				**68,426**	
BB DTVM	26,109	19.92	20,889	5,220	Mar 2020
Total shares to be distributed				**5,220**	
2016 Program					
Banco do Brasil	99,348	33.78	59,656	19,846	Mar 2020
				19,846	Mar 2021
Total shares to be distributed				**39,692**	
BB DTVM	10,397	32.84	6,241	2,078	Mar 2020
				2,078	Mar 2021
Total shares to be distributed				**4,156**	
2017 Program					
Banco do Brasil	193,976	42.65	77,689	38,763	Mar 2020
				38,762	Mar 2021
				38,762	Mar 2022
Total shares to be distributed				**116,287**	
BB DTVM	20,270	42.65	8,114	4,052	Mar 2020
				4,052	Mar 2021
				4,052	Mar 2022
Total shares to be distributed				**12,156**	
2018 Program					
Banco do Brasil	127,860	53.44	25,636	25,556	Mar 2020
				25,556	Mar 2021
				25,556	Mar 2022
				25,556	Mar 2023
Total shares to be distributed				**102,224**	
BB DTVM	14,218	53.44	2,850	2,842	Mar 2020
				2,842	Mar 2021
				2,842	Mar 2022
				2,842	Mar 2023
Total shares to be distributed				**11,368**	

(1) The diference between the value in the column “Total Program Shares” and the sum of the values in the columns “Shares distributed” and “Estimated schedule transfers” are due to shares that were reverted on behalf of Banco do Brasil according to the program of of variable remuneration rules.

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 2019, 1,499,377 treasury shares were distributed.

In thousand of Reais, unless otherwise stated

38 – FAIR VALUE OF FINANCIAL INSTRUMENTS

	Dec 31, 2019		Dec 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and bank deposits	14,171,188	14,171,188	13,601,194	13,601,194
Compulsory deposits with Brazilian Central Bank	65,124,107	65,124,107	59,115,355	59,115,355
Financial assets at amortized cost, net	1,077,415,301	1,068,950,786	1,098,475,138	1,075,043,670
Loans to financial institutions	37,559,262	37,559,262	34,371,719	34,173,856
Securities purchased under resale agreements	390,772,405	390,783,137	386,874,200	386,802,660
Loans to customers	579,516,786	571,767,658	601,660,512	578,824,543
Securities	25,422,830	24,696,711	24,180,318	23,880,970
Other financial assets	44,144,018	44,144,018	51,388,389	51,361,641
Financial assets at fair value through profit or loss	3,805,548	3,805,548	6,877,619	6,877,619
Financial assets at fair value through other comprehensive income	172,278,448	172,278,448	119,753,019	119,753,019
Liabilities				
Financial liabilities at amortized cost	1,272,377,717	1,262,139,586	1,239,259,476	1,230,128,806
Deposits of clients	485,002,305	484,853,574	452,368,176	452,289,453
Amount payable to financial institutions	29,459,001	29,755,400	34,073,439	34,139,909
Securities sold under repurchase agreements	404,355,327	402,418,936	402,901,202	401,392,578
Liabilities from issuance of securities and other financial liabilities	301,744,568	293,295,160	311,764,912	304,155,119
Other financial liabilities	51,816,516	51,816,516	38,151,747	38,151,747
Financial liabilities at fair value through profit or loss	961,636	961,636	809,301	809,301

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.

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, 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

In thousand of Reais, unless otherwise stated

	Dec 31, 2018	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	**126,630,638**	**95,165,568**	**31,465,070**	**-**
Financial assets at fair value through profit or loss	**6,877,619**	**5,135,206**	**1,742,413**	**-**
Debt and equity instruments	**6,194,457**	**5,135,206**	**1,059,251**	**-**
Government bonds	5,213,277	5,135,006	78,271	-
Corporate bonds	981,180	200	980,980	-
Derivatives	**683,162**	**-**	**683,162**	**-**
Swaps	238,048	-	238,048	-
Forward operations	304,852	-	304,852	-
Options	5,181	-	5,181	-
Other derivative financial instruments	135,081	-	135,081	-
Financial assets at fair value through other comprehensive income	**119,753,019**	**90,030,362**	**29,722,657**	**-**
Government bonds	89,612,914	88,618,347	994,567	-
Corporate bonds	30,140,105	1,412,015	28,728,090	-
Liabilities	**809,301**	**-**	**809,301**	**-**
Financial liabilities at fair value through profit or loss	**809,301**	**-**	**809,301**	**-**
Derivatives	**809,301**	**-**	**809,301**	**-**
Swaps	452,300	-	452,300	-
Forward operations	313,727	-	313,727	-
Options	19,733	-	19,733	-
Other derivative financial instruments	23,541	-	23,541	-
Financial assets and liabilities not measured at fair value in the balance sheet				
Assets	**1,075,043,670**	**8,968,357**	**14,912,613**	**1,051,162,700**
Financial assets at amortized cost, net	1,075,043,670	8,968,357	14,912,613	1,051,162,700
Loans to financial institutions	34,173,856	-	-	34,173,856
Securities purchased under resale agreements	386,802,660	-	-	386,802,660
Loans to customers	578,824,543	-	-	578,824,543
Securities	23,880,970	8,968,357	14,912,613	-
Other financial assets	51,361,641	-	-	51,361,641
Liabilities	**1,230,128,806**	**-**	**-**	**1,230,128,806**
Financial liabilities at amortized cost	1,230,128,806	-	-	1,230,128,806
Deposits of clients	452,289,453	-	-	452,289,453
Amount payable to financial institutions	34,139,909	-	-	34,139,909
Securities sold under repurchase agreements	401,392,578	-	-	401,392,578
Liabilities from issuance of securities and other financial liabilities	304,155,119	-	-	304,155,119
Other financial liabilities	38,151,747	-	-	38,151,747

In thousand of Reais, unless otherwise stated

39 – FINANCIAL GUARANTEES AND OTHER OFF-BALANCE SHEET COMMITMENTS

	Dec 31, 2019	Dec 31, 2018
Credit commitments	121,903,680	119,813,167
Guarantees provided	7,993,661	5,885,173
Opened import credit	375,438	332,259
Confirmed export credit	275,571	279,492

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.

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, 2019			
	Stage 1	Stage 2	Stage 3	Total
Expected losses for				
Loan commitments	(444,118)	(4,418)	-	(448,536)
Guarantees provided	(280,680)	(85,114)	(98,019)	(463,813)
Total	**(724,798)**	**(89,532)**	**(98,019)**	**(912,349)**

	Dec 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
Expected losses for				
Loan commitments	(198,932)	(6,045)	-	(204,977)
Guarantees provided	(78,562)	(137,666)	(68,683)	(284,911)
Total	**(277,494)**	**(143,711)**	**(68,683)**	**(489,888)**

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 of expected credit losses with other financial assets".

	Dec 31, 2019			
	Opening balance	Allowance	Write-offs	Closing balance
Expected losses for				
Loan commitments	(204,977)	(243,559)	-	(448,536)
Guarantees provided	(284,911)	(291,509)	112,607	(463,813)
Total	**(489,888)**	**(535,068)**	**112,607**	**(912,349)**

In thousand of Reais, unless otherwise stated

	Dec 31, 2018			
	Opening balance [1]	(Allowance)/reversal	Write-offs	Closing balance
Expected losses for				
Loan commitments	(695,920)	490,943	-	(204,977)
Guarantees provided	(160,503)	(156,336)	31,928	(284,911)
Total	**(856,423)**	**334,607**	**31,928**	**(489,888)**

(1) Opening balance adjusted to reflect the impacts of initial application of IFRS 9.

40 – REGULATORY CAPITAL AND FIXED ASSET LIMIT

Capital management

On 2017, Bacen issued CMN Resolution 4,557, 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 the Capital and Risk Committee (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.

The Bank has mechanisms that allow to identify and evaluate significant risks incurred, including risks not covered by the Minimum Referential Equity Requirements (MRER). The Bank's policies and strategies of risk management, as well as capital planning, enable the proactive vision and maintenance of capital at levels compatible with the risks incurred by the Institution. Periodically, the Bank performs stress tests and their impacts are evaluated by the capital approach.

The corporate units and strategic committees receive capital adequacy management reports. These reports support the decision-making process of the Bank's senior management.

The Internal Capital Adequacy Assessment Process (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.

To learn more about the capital management at Banco do Brasil, visit the information available in the risk management report and in the recovery plan at the website bb.com.br/ir.

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 MRER as a percentage of Risk Weighted Assets (RWA).

Bacen published its Basel III capital regulations in march 2013. The regulations came into force on October 01,2013 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) non-controlling interests;
(v) direct or indirect investments of greater than 10% in non-consolidated entities similar to financial institutions, insurance companies, reinsurance companies, capitalization companies and open-ended pension funds;
(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;
(ix) investments of greater than 10% in capital instruments issued by non-consolidated financial institutions;
(x) 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, 2019	Dec 31, 2018
RE - Referential Equity	**132,150,432**	**134,178,484**
Tier I	**96,380,201**	**95,289,701**
Common equity Tier 1 capital (CET1)	**71,289,093**	**71,169,071**
Shareholders' equity	98,921,447	92,016,168
Instrument qualifying as CET1	8,100,000	8,100,000
Regulatory adjustments	(35,732,354)	(28,947,097)
Additional Tier 1 capital (AT1)	**25,091,108**	**24,120,630**
Hybrid instruments authorized in accordance with CMN Resolution 4,192/2013	21,665,013	20,827,050
Hybrid instruments authorized in accordance with regulations preceding the CMN Resolution 4,192/2013 (1)	3,426,095	3,293,580
Tier II	**35,770,231**	**38,888,783**
Subordinated debt qualifying as capital	35,796,321	38,925,975
Subordinated debt authorized in accordance with CMN Resolution 4,192/2013 – financial bills	1,743,504	3,270,036
Subordinated debt authorized in accordance with regulations preceding the CMN Resolution 4,192/2013	34,052,817	35,655,939
Funds obtained from the FCO (2)	29,336,898	29,336,898
Funds raised in financial letters and CD (3)	4,715,919	6,319,041
Deduction from Tier II	(26,090)	(37,192)
Funding instruments issued by financial institution	(26,090)	(37,192)
Risk weighted assets (RWA)	**711,401,976**	**711,490,229**
Credit risk (RWA_{CPAD})	612,629,806	624,018,657
Market risk (RWA_{MPAD})	21,392,666	26,390,238
Operational risk (RWA_{OPAD})	77,379,504	61,081,334
Minimum referential equity requirements (4)	**56,912,158**	**61,366,032**
Margin on the minimum referential equity required (5)	**75,238,274**	**72,812,452**
Tier I ratio (Tier I / RWA) (5)	**13.55%**	**13.39%**
Common equity Tier 1 capital ratio (CET1 / RWA) (5)	10.02%	10.00%
Capital adequacy ratio (RE / RWA) (5)	**18.58%**	**18.86%**

(1) Based on the orientation of Bacen, it was considered the balance of the hybrid capital and debt instrument authorized by Bacen to compose the Tier 1 Capital of the Referential Equity according CMN Resolution 3,444/2007 and do not meet the relevant entry criteria, also related with the orientation established on article 28, sections I to X of CMN Resolution 4,192/2013.

(2) According to CMN Resolution 4,679/2018, the balance of FCO is limited to 100% of the amount that composed the Tier II of the RE on June 30, 2018.

(3) On December 31, 2019 it was considered the current balance 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% from January 1, 2019 (8,625% on 2018).

(5) Values from DLO (Operational Threshold Statement).

In thousand of Reais, unless otherwise stated

Fixed asset ratio and surplus capital

	Dec 31, 2019	Dec 31, 2018
Fixed asset ratio	14.28%	14.63%
Surplus capital in relation to the fixed asset ratio	47,199,718	47,455,103

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.

Surplus capital refers to the difference between the 50% limit of Referential Equity and total fixed assets.

41 – RISK MANAGEMENT

a) Risk governance and capital governance

The risk and capital governance model adopted by the Bank involves an executive 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.

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 Bank, 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 Organization'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, 2019		Dec 31, 2018	
		+100 bps	-100 bps	+100 bps	-100 bps
Pre fixed rate	Fixed interest rates	(28,438)	30,236	331	(327)
Interest rate coupons	Interest rate coupons	-	-	(182)	183
Price index coupons	Inflation indices	(1,640)	1,714	(166)	170
Foreign currency coupons	Foreign currency coupons	(20,265)	21,823	(18,519)	19,655
Total		**(50,343)**	**53,773**	**(18,536)**	**19,681**

Sensitivity analysis for the set of operations recorded in the trading and non-trading portfolios

Risk factors	Exposures	Dec 31, 2019		Dec 31, 2018	
		+100 bps	-100 bps	+100 bps	-100 bps
Pre fixed rate	Fixed interest rates	(7,950,998)	8,288,710	(4,689,421)	4,854,117
Interest rate coupons	Interest rate coupons	4,337,537	(4,529,140)	2,145,895	(2,188,455)
Price index coupons	Inflation indices	(220,324)	227,395	(769,216)	816,316
Foreign currency coupons	Foreign currency coupons	(881,171)	1,141,056	3,361,371	(3,808,667)
Total		**(4,714,956)**	**5,128,021**	**48,629**	**(326,689)**

(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 3,646/2013);
   (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

The table below lists the two times and the related percentages of extrapolation in relation to the VaR, from January 2018 to December 2018. For the period of 2019 there were no extrapolations.

Date	% In comparison with VaR
06/07/2018	186.59%
06/08/2018	188.50%

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 the regulatory and economic capital 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;
(ii) prospective tests - trading book; and
(iii) sensitivity analysis 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: weekly.

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, 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**	

Risk factors	Dec 31, 2018	
	Net exposure	Stress
Pre fixed rate	874,283	(734,797)
Foreign currency	5,828,327	(3,660,133)
Commodities	2,179	(39,248)
Total	**6,704,789**	

Retrospective stress test gains estimates

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**	

Risk factors	Dec 31, 2018	
	Net exposure	Stress
Pre fixed rate	874,283	909,378
Foreign currency	5,828,327	2,449,824
Commodities	2,179	44,017
Total	**6,704,789**	

The assumptions made for the retrospective tests were:

For the worst loss, basis December 31, 2019, the most significant figures resulted from the 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.

In thousand of Reais, unless otherwise stated

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.

For the worst loss, basis December 31, 2018, the most relevant figures resulted from historical shocks as follows:

(i) the worst loss observed in the exposure to the Argentine Peso (ARS) currency given by the currency quote on February 13, 2002;
(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 fixed rate interest rate term (ETTJ) of 11/05/2002; and
(iv) worse loss observed exposure to the US Dollar (USD) coupon given by the dollar coupon term structure (ETTJ) of 11.29.2001.

For the largest gain, basis December 31, 2018, 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 03.26.2002;
(ii) greater gain observed in the exposure to the American Dollar (USD) currency given by the currency quote on 12.12.2001; 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 US Dollar (USD) coupon given by the dollar coupon term structure (ETTJ) of 12.12.2001.

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:

Detail of the net exposures for the retrospective stress test

Risk factors	Net exposure	
	Dec 31, 2019	Dec 31, 2018
Foreign currency	**3,144,832**	**5,828,327**
Swiss Franc	1,180	6,151
Canadian Dollar	46	1,016
Euro	633,359	686,080
Pound Sterling	(65,215)	84,367
Yen	(303,026)	70,239
USA Dollar	1,072,056	3,133,403
Other currencies	1,806,432	1,847,071
Commodities	**233,816**	**2,179**
Commodities	233,816	2,179
Interest Rates	**1,531,068**	**874,283**
Pre fixed rate	924,105	216,438
Price index coupom	41,419	26,773
Foreign currency coupom	565,544	631,072
Total	**4,909,716**	**6,704,789**

In thousand of Reais, unless otherwise stated

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.

Detail of the losses and gains for the retrospective stress test

Risk factors	Dec 31, 2019		Dec 31, 2018	
	Loss	Gain	Loss	Gain
Foreign currency	**(1,254,090)**	**1,245,033**	**(3,660,133)**	**2,449,824**
Swiss Franc	(568)	789	(2,533)	4,295
Canadian Dollar	(15)	14	(400)	408
Euro	(183,917)	182,006	(235,003)	260,054
Pound Sterling	(23,554)	25,903	(31,973)	33,051
Yen	(103,064)	102,998	(27,798)	35,950
USA Dollar	(339,446)	332,865	(1,166,398)	1,261,893
Other currencies	(603,526)	600,458	(2,196,028)	854,173
Commodities	**(39,248)**	**44,017**	**(39,248)**	**44,017**
Commodity options	(39,248)	44,017	(39,248)	44,017
Interest Rates	**(1,246,858)**	**1,838,237**	**(734,797)**	**909,378**
Pre fixed rate	(931,482)	1,455,624	(417,480)	488,526
Price index coupom	(31,250)	38,094	(2,905)	3,294
Foreign currency coupom	(284,126)	344,519	(314,412)	417,558
Total	**(2,540,196)**	**3,127,287**	**(4,434,178)**	**3,403,219**

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.

In thousand of Reais, unless otherwise stated

Prospective testing – Trading portfolio

The prospective stress test method estimates the percentage change in market value resulting from exposures to risk factors underlying capital requirements by applying shocks corresponding to market risk factors. These shocks are estimated based on stress scenarios generated by our strategy and organization and finance departments using the following parameters:

(i) metrics: highest losses and highest gains estimated for trading portfolio returns in the period;
(ii) series extension: prospecting for 21 business days;
(iii) holding period: one month (21 working days); and
(iv) test periodicity: monthly.

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.

We present below the results of the scenario 1 and scenario 2 prospective stress tests of our trading portfolio in accordance with our market risk stress test program.

For the period ending December 31, 2019 and December 31, 2018, we used the assumptions in scenario 1 in our estimates of results in our trading portfolio using the prospective stress test for interest rates, foreign currencies, commodities and shares:

Scenario 1 – Estimates of the prospective stress test

Risk factors	Dec 31, 2019	
	Net exposure	Stress
Pre fixed rate	1,531,068	(916,950)
Foreign currency	3,144,832	1,189,173
Commodities	233,816	(12,999)
Total	**4,909,716**	

Risk factors	Dec 31, 2018	
	Net exposure	Stress
Pre fixed rate	874,283	(197,735)
Foreign currency	5,828,327	2,493,291
Commodities	2,179	(2,060)
Total	**6,704,789**	

In thousand of Reais, unless otherwise stated

We used the assumptions in scenario 2 in relation to our estimate of the prospective stress test results for our trading portfolio, which is based on the perception of our senior management on the behavior of interest rates, foreign currencies, commodities and shares:

Scenario 2 – Estimates of the prospective stress test

Risk factors	Dec 31, 2019	
	Net exposure	Stress
Pre fixed rate	1,531,068	(1,184,158)
Foreign currency	3,144,832	991,305
Commodities	233,816	(12,999)
Total	**4,909,716**	

Risk factors	Dec 31, 2018	
	Net exposure	Stress
Pre fixed rate	874,283	(448,141)
Foreign currency	5,828,327	2,451,034
Commodities	2,179	(2,060)
Total	**6,704,789**	

The difference between the results of the retrospective and prospective tests can be explained by the fact that the prospective methodology uses specific scenarios of increase or decrease of prices, interest rates and indexes and may present gains or losses due to the net exposure of each risk factor . The total result of the prospective test is obtained by adding the individual results of each risk factor. The retrospective methodology calculates the worst losses and the highest gains for each risk factor based on scenarios of historical changes in the risk factors.

As a result, the prospective methodology with its scenarios of indices may present gains and losses. In the retrospective methodology, the worst losses metric only shows loss, and the highest gains metric only shows gains.

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, 2019, was a liability in the amount of US$ 1,694,7 millions and, and for the period as of December 31, 2018, was a liability in the amount of US$ 1,456.4 millions.

In thousand of Reais, unless otherwise stated

Foreign currencies and gold balance

Currency	Balance sheet accounts			
	Dec 31, 2019		Dec 31, 2018	
	Assets	Liabilities	Assets	Liabilities
USA Dollar	162,053,077	191,940,934	171,115,608	188,390,578
Euro	13,854,626	7,617,901	14,390,004	7,292,951
Pound Sterling	80,328	507,158	113,608	391,934
Yen	3,522,789	1,648,942	3,225,111	1,830,952
Swiss Franc	17,840	16,261	14,850	1,119,109
Canadian Dollar	9,916	15,767	4,860	18,427
Gold	16,174	-	13,747	-
Other currencies	9,528,974	9,707,172	11,451,923	10,425,119
Total	**189,083,724**	**211,454,135**	**200,329,711**	**209,469,070**
Net position – balance sheet accounts		**(22,370,411)**		**(9,139,359)**

Currency	Derivatives			
	Dec 31, 2019		Dec 31, 2018	
	Long position	Short position	Long position	Short position
USA Dollar	44,496,051	21,079,357	27,604,992	15,995,004
Euro	1,559,138	8,195,682	1,331,900	8,965,180
Pound Sterling	362,095	921,528	29,402	574,866
Yen	4,636	2,659,938	-	1,827,384
Swiss Franc	-	396	1,110,571	906
Canadian Dollar	6,206	309	14,199	283
Other currencies	1,968,329	-	807,703	39,125
Total	**48,396,455**	**32,857,210**	**30,898,767**	**27,402,748**
Net position – derivatives	**15,539,245**		**3,496,019**	

Currency	Dec 31, 2019	Dec 31, 2018
	Net position	Net position
USA Dollar	(6,471,163)	(5,664,982)
Euro	(399,819)	(536,227)
Pound Sterling	(986,263)	(823,790)
Yen	(781,455)	(433,225)
Swiss Franc	1,183	5,406
Canadian Dollar	46	349
Gold	16,174	13,747
Other currencies	1,790,131	1,795,382
Net position total	**(6,831,166)**	**(5,643,340)**

Summary	Dec 31, 2019		Dec 31, 2018	
Balance sheet accounts and derivatives	237,480,179	244.311.345	231,228,478	236,871,818
Net position total		**(6,831,166)**		**(5,643,340)**
Net position total – US$ (1)		**(1,694,784)**		**(1,456,421)**

(1) US Dollar Exchange rate December 31, 2019 – 1 US$ = R$ 4.0307. US Dollar Exchange rate December 31, 2018 = R$ 3.8748.

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 (Real) 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, 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 retail 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%**

In thousand of Reais, unless otherwise stated

Liabilities	Dec 31, 2018						
	Up to 1 month	1 to 6 months	6 to 12 months	1 to 5 years	> 5 years	Total gross	Part %
Term deposits	1,285,949	3,080,478	5,763,394	23,085,372	-	33,215,193	3.1%
Cash inflow	13,797,663	1,629,290	2,550,187	21,173,665	3,716,401	42,867,206	4.0%
Judicial deposits	135,172,145	-	-	-	-	135,172,145	12.5%
Foreign market Funding	5,318,852	11,945,427	9,058,202	49,421,718	75,838,438	151,582,637	14.1%
Other retail funding	10,914,421	13,344	-	-	-	10,927,765	1.0%
Clients deposits without defined maturiry	261,470,422	-	-	-	-	261,470,422	24.2%
Other reatail funding without defined maturity	96,202,160	-	-	-	-	96,202,160	8.9%
Funds and onlendings	5,377,796	6,780,375	7,351,078	46,325,643	49,133,726	114,968,618	10.7%
Repurchase agreement	197,272,296	6,612,549	17,440,552	10,598,581	-	231,923,978	21.5%
Total gross	**726,811,704**	**30,061,463**	**42,163,413**	**150,604,979**	**128,688,565**	**1,078,330,124**	**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, 2019 and December 31, 2018:

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**

Liabilities	Dec 31, 2018				
	1 to 6 months	6 to 12 months	1 to 5 years	Above 5 years	Total
Bank guarantee	3,390,426	828,175	2,440,002	1,000,695	7,659,298
Credit assignments and co-obligations	6	-	-	3,108	3,114
Others co-obligations	356,642	-	-	-	356,642
Total	**3,747,074**	**828,175**	**2,440,002**	**1,003,803**	**8,019,054**

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, 2019 and December 31, 2018:

In thousand of Reais, unless otherwise stated

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**

Liabilities		Dec 31, 2018			
		1 to 6 months	6 to 12 months	Above 1 year	Total
	Withdraw	10,946,110	8,013,182	1,646,692	20,605,984
Overdraft	Available	1,083,430	734,675	110,672	1,928,777
	Withdraw	31,209,558	11,674,776	110,953	42,995,287
Credit card	Available	16,714,792	13,423,277	958,849	31,096,918
Total		**59,953,890**	**33,845,910**	**2,827,166**	**96,626,966**

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 Circular 3,678/2013, 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.

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, 23, 24 e 39.

In thousand of Reais, unless otherwise stated

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, 2019 and December 31, 2018:

	Dec 31,2019	Dec 31, 2018
Financial assets at amortized cost, net	**1,077,415,301**	**1,098,475,138**
Loans to financial institutions	37,559,262	34,371,719
Securities purchased under resale agreements	390,772,405	386,874,200
Loans to customers	579,516,786	601,660,512
Securities	25,422,830	24,180,318
Other financial assets	44,144,018	51,388,389
Financial assets at fair value through profit or loss	**3,805,548**	**6,877,619**
Debt and equity instruments	2,984,613	6,194,457
Derivatives	820,935	683,162
Financial assets at fair value through other comprehensive income	**172,278,448**	**119,753,019**
Off-balance sheet items	**130,548,350**	**126,310,091**

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).

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, 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 Individuasl	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%

	Dec 31, 2018															
	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	**309,517,858**	**59,700,264**	**275,856**	**369,493,978**	**22,515,992**	**116,379**	**-**	**22,632,371**	**10,685,134**	**15,703**	**194**	**10,701,031**	**342,718,984**	**59,832,346**	**276,050**	**402,827,380**
Retail Individuasl	175,498,009	55,069,101	227,600	230,794,710	13,846,218	76,041	-	13,922,259	6,615,400	7,109	-	6,622,509	195,959,627	55,152,251	227,600	251,339,478
Retail rural producer	134,019,849	4,631,163	48,256	138,699,268	8,669,774	40,338	-	8,710,112	4,069,734	8,594	194	4,078,522	146,759,357	4,680,095	48,450	151,487,902
Legal entities	**250,529,148**	**58,914,410**	**5,189,194**	**314,632,752**	**18,086,935**	**128,847**	**305,926**	**18,521,708**	**22,031,510**	**937,564**	**114,003**	**23,083,077**	**290,647,593**	**59,980,821**	**5,609,123**	**356,237,537**
Wholesale	220,122,317	42,391,459	4,647,747	267,161,523	13,649,975	10,567	305,926	13,966,468	18,283,782	440,740	114,003	18,838,525	252,056,074	42,842,766	5,067,676	299,966,516
Retail MPE	30,395,782	16,522,452	541,447	47,459,681	4,430,195	118,268	-	4,548,463	3,730,019	496,797	-	4,226,816	38,555,996	17,137,517	541,447	56,234,960
Retail rural producer	11,049	499	-	11,548	6,765	12	-	6,777	17,709	27	-	17,736	35,523	538	-	36,061
Total	**560,047,006**	**118,614,674**	**5,465,050**	**684,126,730**	**40,602,927**	**245,226**	**305,926**	**41,154,079**	**32,716,644**	**953,267**	**114,197**	**33,784,108**	**633,366,577**	**119,813,167**	**5,885,173**	**759,064,917**
%	81.90%	17.30%	0.80%	100.00%	98.70%	0.60%	0.70%	100.00%	96.80%	2.80%	0.30%	100.00%	83.40%	15.80%	0.80%	100.00%

In thousand of Reais, unless otherwise stated

Other financial assets

Financial assets at fair value throug other comprehensive income

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
Federal government bonds	5,906,352	-	-	5,906,352
Brazilian government bonds issued abroad	7,579,670	-	-	7,579,670
Investmentes 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**

December 31, 2018	Stage 1	Stage 2	Stage 3	Total
Debt instruments				
Brazilian federal government bonds	84,501,258	-	-	84,501,258
Securities issued by non-financial companies	22,075,068	-	2,341,161	24,416,229
Federal government bonds	4,216,133	-	-	4,216,133
Brazilian government bonds issued abroad	3,700,475	-	-	3,700,475
Investmentes in mutual funds	2,328,496	-	-	2,328,496
Securities issued by financial companies	405,440	-	137,436	542,876
Equity instruments				
Marketable equity shares	47,552	-	-	47,552
Total	**117,274,422**	**-**	**2,478,597**	**119,753,019**

Securities at amortized cost

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
Federal 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**

December 31, 2018	Stage 1	Stage 2	Stage 3	Total
Debt instruments				
Securities issued by non-financial companies	16,127,801	-	3,492	16,131,293
Brazilian federal government bonds	5,180,987	-	-	5,180,987
Brazilian government bonds issued abroad	2,042,897	-	-	2,042,897
Securities issued by financial companies	501,659	-	365,033	866,692
Federal government bonds	512,262	-	-	512,262
Subtotal	**24,365,606**	**-**	**368,525**	**24,734,131**
Expect losses on securities	(492,365)		(61,448)	(553,813)
Total	**23,873,241**	**-**	**307,077**	**24,180,318**

In thousand of Reais, unless otherwise stated

Assets received as collateral

	Dec 31, 2019	Dec 31, 2018
Collateralised loans	410,264,491	422,471,804
Uncollateralised loans	107,234,749	121,908,772
Loans with other mitigators	98,645,390	88,986,001
Total	**616,144,630**	**633,366,577**

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, 2019	Dec 31, 2018
Banco do Brasil		
Domestic market	**585,901,616**	**597,190,832**
Southeast	270,713,432	295,619,645
South	106,229,107	103,879,868
Midwest	97,838,184	96,481,027
Northeast	77,140,915	71,051,284
North	33,979,978	30,159,008
Foreign market	**30,243,014**	**36,175,745**
Total	**616,144,630**	**633,366,577**

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.

	Dec 31, 2019	Dec 31, 2018
1st Customer	1.9%	3.4%
2nd to 20th	10.3%	11.4%
21st ao 100th	7.0%	9.1%
Top 100 largest	19.2%	23.9%

Additional information about credit exposure by economic activity is contained in Note 23.

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 financial viability situation over time, adapting the loan repayment with the Bank to the client's new fund generation situation.

Renegotiations are carried out according to the feasibility of operations based on the customer's willingness and payment capacity. For this purpose, an updated analysis of their economic-financial situation and ability to generate revenue is carried out.

Reclassification to "significant increase in credit risk" (stage 2) or normal risk categories (stage 1) is performed based on the aforementioned analyses.

Assets that the Bank acquired in the settlement of loans

	Dec 31, 2019	Dec 31, 2018
Real estate	312,511	302,162
Machines and equipment	1,120	1,471
Vehicles and related	336	336
Other	4,518	7,171
Total	**318,485**	**311,140**

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.

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 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 Conglomerate.

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 project execution and management; and
- interruption of actives.

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, 2019		Dec 31, 2018	
	Financial assets transferred	Associated liabilities	Financial assets transferred	Associated liabilities
Financial assets related to repurchase agreements				
Financial assets at amortized cost – securities	8,355,086	8,401,369	3,016,797	3,020,711
Financial assets at fair value through profit or loss	-	-	76,101	90,033
Financial assets at fair value through other comprehensive income	37,026,660	34,964,655	36,465,497	36,459,742
Total	**45,381,746**	**43,366,024**	**39,558,395**	**39,570,486**

Financial assets transferred and still recognized in the consolidated balance sheet which the associated liabilities are resources only to the transferred assets

	Dec 31, 2019		Dec 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Credit assignment with substantial retention of risks (1)				
Financial assets transferred	330,751	330,978	405,068	405,302
Associated liabilities	330,526	330,526	404,844	404,844
Net position	**225**	**452**	**224**	**458**

(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.

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, 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

Financial assets subject to offsetting, enforceable master offsetting agreements or similar agreements

Dec 31, 2018	Effects of offsetting on balance sheet			Related amounts not offset					
	Gross amounts[(1)]	Gross amounts offset	Net amounts offset	Impact of master netting agreements	Financial collateral received		Net amounts	Amounts not subject to enforceable netting arrangements[(2)]	Balance sheet total
					Cash	Securities			
Derivatives	8,549,490	(8,095,139)	454,351	(120,564)	-	-	333,787	228,811	683,162
Reverse repurchase agreement	1,420,140	-	1,420,140	-	-	(1,277,074)	143,066	385,454,060	386,874,200
Total	**9,969,630**	**(8,095,139)**	**1,874,491**	**(120,564)**	**-**	**(1,277,074)**	**476,853**	**385,682,871**	**387,557,362**

Financial liabilities subject to offsetting, enforceable master offsetting agreements or similar agreements

Dec 31, 2018	Effects of offsetting on balance sheet			Related amounts not offset					
	Gross amounts[(1)]	Gross amounts offset	Net amounts offset	Impact of master netting agreements	Financial collateral given		Net amounts	Amounts not subject to enforceable netting arrangements[(2)]	Balance sheet total
					Cash	Securities			
Derivatives	(8,622,194)	8,095,139	(527,055)	112,433	-	-	(414,622)	(282,246)	(809,301)
Repurchase agreement	(1,111,541)	-	(1,111,541)	-	-	945,550	(165,991)	(401,789,661)	(402,901,202)
Total	**(9,733,735)**	**8,095,139**	**(1,638,596)**	**112,433**	**-**	**945,550**	**(580,613)**	**(402,071,907)**	**(403,710,503)**

(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, 2019			Dec 31, 2018		
	Number of participants			Number of participants		
	Active	Retired/users	Total	Active	Retired/users	Total
Retirement and pension plans	**95,971**	**120,303**	**216,274**	**100,027**	**118,699**	**218,726**
Benefit Plan 1 – Previ	7,470	100,057	107,527	9,694	98,902	108,596
Previ Futuro	75,735	2,073	77,808	77,111	1,700	78,811
Informal Plan	-	2,661	2,661	-	2,870	2,870
Other plans	12,766	15,512	28,278	13,222	15,227	28,449
Health care plans	**96,631**	**106,837**	**203,468**	**100,990**	**105,701**	**206,691**
Cassi	86,383	100,145	186,528	90,390	98,721	189,111
Other plans	10,248	6,692	16,940	10,600	6,980	17,580

Bank's contributions to benefit plans

	2019	2018	2017
Retirement and pension plans	**1,928,021**	**1,871,310**	**1,564,536**
Benefit Plan 1 – Previ (1)	832,757	891,384	606,677
Previ Futuro	713,942	662,091	619,585
Informal Plan	157,629	166,952	180,153
Other plans	223,693	150,883	158,121
Health care plans	**1,394,079**	**1,643,733**	**1,287,365**
Cassi	1,211,275	1,473,670	1,132,016
Other plans	182,804	170,063	155,349
Total	**3,322,100**	**3,515,043**	**2,851,901**

(1) Refers to the contributions from participants comprised by Agreement 97 and Plan 1, considering that these contributions occurred respectively by the realization of Parity Fund and Surplus Fund (Note 44.f). Agreement 97 aims to regulate the way funding is required to achieve a portion equivalent to 53.7% of guarantee amount concerning the payment of supplement retirement 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 Informal Plan.

The Bank estimates that contributions to benefit plans (post-employment) will be approximately R$ 1,789,701 thousand for the next 12 months.

In thousand of Reais, unless otherwise stated

Amounts recognized in profit or loss

	2019	2018	2017
Retirement and pension plans	**(1,167,595)**	**(569,821)**	**(1,396,267)**
Benefit Plan 1 – Previ	(115,593)	444,053	(465,601)
Previ Futuro	(713,942)	(662,091)	(619,585)
Informal Plan	(106,856)	(128,206)	(128,051)
Other plans	(231,204)	(223,577)	(183,030)
Health care plans	**(1,701,107)**	**(1,659,628)**	**(1,545,553)**
Cassi	(1,512,293)	(1,486,662)	(1,407,685)
Other plans	(188,814)	(172,966)	(137,868)
Total	**(2,868,702)**	**(2,229,449)**	**(2,941,820)**

For further details regarding defined benefit plans, see section d.4 of this Note.

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.

Prior to December 15, 2000, the Bank contributed 2/3 of the total amount to this plan. As from December 16, 2000, considering the Federal Constitutional Amendment 20, the Bank and the participants started to make equal contributions. As a result of this contributive parity, the Parity Fund was set-up in December 2000, and its funds are being used to offset the Bank's contributions (Note 44.f).

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)

Participants in this plan include employees of Banco Nossa Caixa admitted between January 22, 1974, and May 13, 1974, and their beneficiaries. This plan is closed to new members. 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.

Monthly contributions by participants and pensioners total 3% of their salary or pension, in addition to copayments for certain hospital procedures. Moreover, as a result of the amendment to the Cassi Statute in November 2016, it was approved the extraordinary monthly contribution of 1% for the participants until December 2019. For further details regarding Cassi, see Note 47.c - Other Information.

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, 2019 and 2018.

d.1) Changes in present value of defined benefit actuarial obligations

	Benefit Plan 1 – Previ		Informal Plan – Previ		Associates Plan – Cassi		Other plans	
	2019	2018	2019	2018	2019	2018	2019	2018
Opening balance	**(172,028,674)**	**(155,258,787)**	**(940,374)**	**(959,692)**	**(9,394,601)**	**(8,724,130)**	**(9,719,429)**	**(8,900,039)**
Interest cost	(15,808,281)	(16,703,376)	(80,681)	(94,775)	(954,302)	(980,982)	(901,862)	(956,491)
Current service cost	(332,022)	(399,287)	-	-	(92,546)	(85,096)	(16,776)	(23,534)
Past service cost	-	-	(26,175)	(33,431)	-	-	-	-
Benefits paid using plan assets	12,572,211	11,988,879	157,629	166,952	745,828	730,087	701,391	668,778
Remeasurements of actuarial gain/(losses)	(35,567,874)	(11,656,103)	(211,057)	(19,428)	(3,538,610)	(334,480)	(1,896,931)	(508,143)
Experience adjustment	(3,586,618)	(311,951)	(98,337)	4,685	(1,258,362)	415,728	98,144	(122,439)
Changes to biometric/demographic assumptions	-	(4,209,120)	-	(536)	1,089	(303,405)	(258,911)	30,496
Changes to financial assumptions	(31,981,256)	(7,135,032)	(112,720)	(23,577)	(2,281,337)	(446,803)	(1,736,164)	(416,200)
Closing balance	**(211,164,640)**	**(172,028,674)**	**(1,100,658)**	**(940,374)**	**(13,234,231)**	**(9,394,601)**	**(11,833,607)**	**(9,719,429)**
Present value of actuarial liabilities with surplus	(194,700,370)	(172,028,674)	-	-	(161,500)	(242,250)	(7,416,701)	(6,045,154)
Present value of actuarial liabilities without surplus	(16,464,270)	-	(1,100,658)	(940,374)	(13,072,731)	(9,152,351)	(4,416,906)	(3,674,275)

d.2) Changes in fair value of plan assets

	Benefit Plan 1 – Previ		Informal Plan – Previ		Associates Plan – Cassi		Other plans (1)	
	2019	2018	2019	2018	2019	2018	2019	2018
Opening balance	**179,197,455**	**164,024,626**	**-**	**-**	**242,250**	**-**	**6,045,154**	**5,713,736**
Interest income	15,909,119	17,990,770	-	-	-	-	559,710	632,690
Advance of consideration (2)	-	-	-	-	(80,750)	242,250	-	-
Contributions received (3)	1,413,748	891,384	157,629	166,952	745,828	730,087	350,595	220,828
Benefits paid using plan assets	(12,572,211)	(11,988,879)	(157,629)	(166,952)	(745,828)	(730,087)	(701,391)	(668,778)
Actuarial gain / (loss) on plan assets	10,752,259	8,279,554	-	-	-	-	1,162,633	146,678
Closing balance	**194,700,370**	**179,197,455**	**-**	**-**	**161,500**	**242,250**	**7,416,701**	**6,045,154**

(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) In Plano 1 – Previ, on 2019, it refers to the contributions of participants (R$ 580,991 thousand) and the sponsor (R$ 832,757 thousand - including R$ 251,766 thousand referring to the Agreement 97 and Grupo Especial).

In thousand of Reais, unless otherwise stated

d.3) Amounts recognized in the consolidated balance sheet

	Benefit Plan 1 – Previ		Informal Plan – Previ		Associates Plan – Cassi		Other plans	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
1) Fair value of the plan assets	194,700,370	179,197,455	-	-	161,500	242,250	7,416,701	6,045,154
2) Present value of actuarial liabilities	(211,164,640)	(172,028,674)	(1,100,658)	(940,374)	(13,234,231)	(9,394,601)	(11,833,607)	(9,719,429)
3) Surplus/(deficit) (1+2)	(16,464,270)	7,168,781	(1,100,658)	(940,374)	(13,072,731)	(9,152,351)	(4,416,906)	(3,674,275)
4) Net actuarial asset/(liability) (1)	**(8,232,135)**	**3,584,390**	**(1,100,658)**	**(940,374)**	**(13,072,731)**	**(9,152,351)**	**(2,943,584)**	**(2,397,244)**

(1) Refers to the portion of the surplus/(deficit) due from the sponsor.

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		
	2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017
Current service cost	(166,011)	(199,644)	(214,772)	-	-	-	(92,545)	(85,096)	(98,101)	(8,388)	(11,767)	(11,909)
Interest cost	(7,904,141)	(8,351,688)	(7,956,065)	(80,681)	(94,775)	(96,792)	(954,301)	(980,982)	(901,980)	(501,982)	(528,832)	(446,325)
Expected yield on plan assets	7,954,559	8,995,385	7,705,236	-	-	-	-	-	-	279,221	315,656	303,477
Unrecognized past service cost	-	-	-	(26,175)	(33,431)	(31,259)	-	-	-	-	-	-
Expense with active employees	-	-	-	-	-	-	(465,447)	(420,584)	(407,604)	(193,609)	(178,495)	(173,065)
Other adjustments/reversals	-	-	-	-	-	-	-	-	-	4,740	6,895	6,924
(Expense)/income recognized in profit or loss	**(115,593)**	**444,053**	**(465,601)**	**(106,856)**	**(128,206)**	**(128,051)**	**(1,512,293)**	**(1,486,662)**	**(1,407,685)**	**(420,018)**	**(396,543)**	**(320,898)**

In thousand of Reais, unless otherwise stated

d.5) Amounts recognized in the shareholders' equity

	Benefit Plan 1 – Previ		Informal Plan – Previ		Associates Plan – Cassi		Other plans	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Opening balance	**(11,560,758)**	**(10,280,378)**	**(119,938)**	**(108,281)**	**(1,377,520)**	**(1,176,832)**	**(1,027,497)**	**(877,392)**
Accumulated other comprehensive income	(12,533,690)	(2,133,967)	(211,058)	(19,428)	(3,538,612)	(334,480)	(537,526)	(249,809)
Tax effects	6,603,557	853,587	104,971	7,771	1,707,169	133,792	328,397	99,704
Closing balance	**(17,490,891)**	**(11,560,758)**	**(226,025)**	**(119,938)**	**(3,208,963)**	**(1,377,520)**	**(1,236,626)**	**(1,027,497)**

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)	11.53	13,661,988	13,563,154	13,474,403	297,138,484	**337,838,029**
Informal Plan (Previ)	6.18	168,230	149,605	132,568	989,771	**1,440,174**
Associates Plan (Cassi)	11.98	850,871	842,456	833,963	19,954,918	**22,482,208**
General Regulation (Economus)	11.60	540,706	537,781	534,582	12,533,510	**14,146,579**
Complementary Regulation 1 (Economus)	13.96	2,792	2,915	3,047	132,339	**141,093**
Plus I and II (Economus)	15.01	42,652	44,068	45,429	1,849,283	**1,981,432**
B' Group (Economus)	10.45	19,548	19,428	19,290	385,867	**444,133**
Prevmais (Economus)	15.49	15,438	16,156	16,786	744,771	**793,151**
Multifuturo Plan I (Fusesc)	18.47	6,709	6,823	6,952	455,459	**475,943**
Benefit Plan I (Fusesc)	9.66	42,838	43,834	43,053	726,596	**856,321**
BEP Plan (Prevbep)	12.08	4,989	5,406	5,563	142,042	**158,000**

(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, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Fixed income	84,655,721	74,008,549	5,791,610	4,734,172
Equity and funds [(1)]	92,404,796	88,864,018	821,833	530,688
Real estate investments	10,747,460	9,802,101	331,681	266,761
Loans and financing	5,548,961	5,465,522	167,758	140,399
Other [(2)]	1,343,432	1,057,265	465,319	615,384
Total	**194,700,370**	**179,197,455**	**7,578,201**	**6,287,404**
Amounts listed in fair value of plan assets				
In the sponsor's own financial instruments	9,371,430	10,296,587	33,563	31,463
In properties or other assets used by the sponsor	90,463	148,139	39,967	8,449

(1) Includes, in Previ's Benefit Plan 1, the amount of R$ 42,137,086 thousand (R$ 54,975,138 thousand as of December 31, 2018), related to assets that are not quoted in active markets.

(2) Includes, in Other plans, the amount of R$ 161,500 thousand (R$ 242,250 thousand on December 31, 2018), related to the assets of Cassi.

d.8) Main actuarial assumptions

	Benefit Plan 1 – Previ		Informal Plan – Previ		Associates Plan – Cassi		Other plans	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Inflation rate (p.a.)	3.54%	4.42%	3.56%	4.39%	3.53%	4.43%	3.53%	4.42%
Real discount rate (p.a.)	3.48%	4.83%	3.17%	4.64%	3.50%	4.86%	3.49%	4.86%
Nominal rate of return on investments (p.a.)	7.14%	9.46%	-	-	-	-	7.15%	9.50%
Real rate of expected salary growth (p.a.)	0.93%	0.77%	-	-	-	-	0.92%	0.95%
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, 2019.

	Discount rate		Life expectancy		Salary increase	
	+0.25%	-0.25%	+1 ano	-1 ano	+0.25%	-0.25%
Benefit Plan 1 (Previ)	(5,948,188)	6,256,487	2,875,558	(2,858,750)	66,396	(66,048)
Informal Plan (Previ)	(16,759)	17,308	39,573	(38,568)	-	-
Associates Plan (Cassi)	(342,977)	360,039	238,124	(234,679)	1,008	(986)
General Regulation (Economus)	(233,216)	244,333	197,193	(200,229)	-	-
Complementary Regulation 1 (Economus)	(2,877)	3,026	(1,294)	1,309	-	-
Plus I and II (Economus)	(37,997)	40,419	44,356	(42,651)	-	-
B' Group (Economus)	(7,366)	7,685	7,769	(7,888)	-	-
Prevmais (Economus)	(12,632)	13,362	2,629	(2,476)	2,219	(2,181)
Multifuturo I (Fusesc)	(8,061)	8,674	1,565	(1,563)	3,974	(3,790)
Benefit Plan I (Fusesc)	(13,388)	13,951	14,524	(14,550)	2	(2)
BEP Plan (Prevbep)	(2,845)	2,991	1,908	(1,928)	76	(76)

In thousand of Reais, unless otherwise stated

e) Overview of actuarial asset/(liability) recorded by the Bank

	Actuarial assets		Actuarial liabilities	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Benefit Plan 1 (Previ)	-	3,584,390	(8,232,135)	-
Informal Plan (Previ)	-	-	(1,100,658)	(940,374)
Associates Plan (Cassi)	-	-	(13,072,731)	(9,152,351)
General Regulation (Economus)	-	-	(1,758,159)	(1,555,593)
Complementary Regulation 1 (Economus)	-	-	(7,545)	(501)
Plus I and II (Economus)	-	-	(1,043,226)	(807,388)
B' Group (Economus)	-	-	(295,382)	(220,881)
Prevmais (Economus)	45,824	67,671	-	-
Multifuturo I (Fusesc)	37,998	72,806	-	-
Benefit Plan I (Fusesc)	58,044	22,246	-	-
BEP Plan (Prevbep)	18,862	24,396	-	-
Total	**160,728**	**3,771,509**	**(25,509,836)**	**(12,677,088)**

f) Allocations of the surplus – Benefit Plan 1

	2019	2018
Parity Fund		
Opening balance	**-**	**102,726**
Interest and inflation adjustment	-	4,636
Contributions to Plan 1 – Agreement 97	-	(317,111)
Amounts transferred from the Surplus Fund	-	209,749
Closing balance	**-**	**-**
Surplus Fund		
Opening balance	**9,511,761**	**9,499,488**
Contributions to Plan 1	(832,757)	(574,273)
Transfer to the Parity Fund	-	(209,749)
Interest and inflation adjustment	893,382	796,295
Closing balance	**9,572,386**	**9,511,761**
Total funds allocated surplus	**9,572,386**	**9,511,761**

f.1) Parity Fund

In 2000, the cost of switching to equal contributions was based on the Benefit Plan 1's surplus at the time. The agreement (between Banco do Brasil and participants) allowed the Bank to recognize an asset of R$ 2,227,254 thousand in other assets. The asset is recalculated each month based on the actuarial target: INPC (the National Consumer Price Index published by the Brazilian Institute of Geography and Statistics – IBGE) + 5% p.a..

Since January 2007, the asset has been used to offset financial liabilities related to the agreement signed with Previ in 1997. This agreement granted additional benefits to participants in Benefit Plan 1 (Previ) who joined the plan prior to April 14, 1967, and until that date had not yet retired.

f.2) Surplus Fund

This fund contains resources transferred from the Allocation Fund (because of the plan's surplus), which the Bank can use for repayments or to reduce future contributions (after first meeting all applicable legal requirements). The Surplus Fund is recalculated based on the actuarial target (INPC + 5% p.a.).

In thousand of Reais, unless otherwise stated

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:

	2019	2018	2017
Short-term benefits	**53,636**	**61,487**	**48,812**
Salary and social security costs	34,191	38,413	33,098
Executive Board	33,807	38,007	32,699
Board of Directors	384	406	399
Variable remuneration (cash) and social security costs	16,056	19,629	12,592
Other (1)	3,389	3,445	3,122
Termination benefits	**741**	**345**	**549**
Share-based payment benefits	**15,290**	**14,913**	**8,459**
Total	**69,667**	**76,745**	**57,820**

(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.

b) Details of related party transactions

The Bank has the policy of related party transactions approved by the Board of Directors and disclosure 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.

In thousand of Reais, unless otherwise stated

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 efficienty for the Conglomerate. In 2019, the Bank was reimbursed a total of R$ 483,220 thousand (R$ 485,527 thousand in 2018), 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; and
(viii) assignment of credits arising from loans written off as losses to Ativos S.A.

In 2018 the Bank exchanged property with the Union and made advance of employer's contributions with sponsored entity Cassi. Also signed an amendment to the Credit Assignment Agreement arising from the Renegotiation of Rural Debt signed between the Union and Bank on June 29, 2001. The Union paid to Bank funds resulting from the reconciliation of PESA operations provided by Bank to the Federal Government under MP 2,196 / 2001. The Bank also reconciled other rural programs such as: Programa de Recuperação da Lavoura Cacaueira Baiana – PRLCB; Subvenções Pronaf Finame / BNDES; Pronaf Reforma Agrária Grupo A – Safra 1999/2000 and Fundo Contábil do PROCERA.

The Bank established companies credit card ceiling to pay Cielo S.A. bills under usual financial market conditions, in 2019. In 12/13/2019 (2 days before the original agreement reached to the end), the Bank signed a new temporary agreement with the Correios to provide banking correspondent services located in the country. Correios will continue to provide basic services such as withdrawals, deposits, account statements and bill payments in partnership with the Bank for a three months period, extendable, for the same period.

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.

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 2019, the Bank's and its subsidiaries contributions to FBB totaled R$ 55,098 thousand (R$ 53,423 thousand in 2018).

c) Acquisition of portfolio of loans transferred by Banco Votorantim

	2019	2018
Assignment with substantial retention of risks and rewards (with co-obligation)	3,107,504	2,611,133

In thousand of Reais, unless otherwise stated

d) Summary of related party transactions

	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 the 2019 related recoveries of costs and expenses from the structure sharing.

In thousand of Reais, unless otherwise stated

	Dec 31, 2018				
	Controlling shareholder (1)	Joint ventures and associates (2)	Key management personnel (3)	Other related parties (4)	Total
Assets					
Loans to financial institutions	-	6,473,124	-	352,617	6,825,741
Financial assets	-	3,431,777	-	511,801	3,943,578
Loans to customers (5)	-	2,512,497	2,335	27,212,815	29,727,647
Other assets (6)	3,458,980	542,950	-	486,398	4,488,328
Total	**3,458,980**	**12,960,348**	**2,335**	**28,563,631**	**44,985,294**
Guarantees received (7)	-	1,635,113	-	3,243,446	4,878,559
Liabilities					
Deposits of clientes	3,656,504	889,507	1,015	13,315,208	17,862,234
Securities sold under repurchase agreements	39,950	1,506,669	-	9,263,323	10,809,942
Liabilities from issuance of securities and other financial liabilities	165,557	-	-	66,316,170	66,481,727
Other liabilities (8)	1,843,497	11,935,068	11,129	1,310,978	15,100,672
Total	**5,705,508**	**14,331,244**	**12,144**	**90,205,679**	**110,254,575**
Guarantees given and other coobligations (9)	-	6,813,492	-	753,552	7,567,044
Consolidated statement of income					
	2018				
Interest income	3,252,534	1,225,304	275	2,607,401	7,085,514
Commissions and fee income	70,580	4,127,925	-	424,840	4,623,345
Other operating income (10)	1,592,993	1,493,677	-	16,590	3,103,260
Interest expense	(335,643)	(10,459)	(907)	(4,047,934)	(4,394,943)
Other operating expenses	(493,358)	(380,477)	-	(958,226)	(1,832,061)
Total	**4,087,106**	**6,455,970**	**(632)**	**(1,957,329)**	**8,585,115**

(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$ 420 thousand as allowance for losses on loans on transactions with related parties. The provision for allowance was R$ 396 thousand in 2018. The loans with key management personnel were contracted before the effectiveness of the mandates.
(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, credit rights resulting from contracts, 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$ 373,713 thousand in 2018 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, 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

	Dec 31, 2018		
	Up to 1 year	Over 1 year	Total
Assets			
Cash and bank deposits	13,601,194	-	13,601,194
Compulsory deposits with Brazilian Central Bank	59,115,355	-	59,115,355
Financial assets at amortized cost, net	685,386,449	413,088,689	1,098,475,138
Loans to financial institutions	29,399,531	4,972,188	34,371,719
Securities purchased under resale agreements	386,119,267	754,933	386,874,200
Loans to customers	237,739,943	363,920,569	601,660,512
Securities	4,699,433	19,480,885	24,180,318
Other financial assets	27,428,275	23,960,114	51,388,389
Financial assets at fair value through profit or loss	6,877,619	-	6,877,619
Debt and equity instruments	6,194,457	-	6,194,457
Derivatives	683,162	-	683,162
Financial assets at fair value through other comprehensive income	11,019,494	108,733,525	119,753,019
Non current assets held for sale	176,821	-	176,821
Investments in associates and joint ventures	-	18,727,463	18,727,463
Property and equipment	-	7,685,094	7,685,094
Intangible assets	-	5,795,064	5,795,064
Tax assets	8,165,981	38,353,918	46,519,899
Current	8,165,981	79,801	8,245,782
Deferred	-	38,274,117	38,274,117
Other assets	10,557,900	9,222,908	19,780,808
Total	**794,900,813**	**601,606,661**	**1,396,507,474**
Liabilities			
Financial liabilities at amortized cost	974,427,491	264,831,985	1,239,259,476
Deposits of clients	411,934,048	40,434,128	452,368,176
Amount payable to financial institutions	30,583,208	3,490,231	34,073,439
Securities sold under repurchase agreements	393,556,860	9,344,342	402,901,202
Liabilities from issuance of securities and other financial liabilities	107,890,756	203,874,156	311,764,912
Other financial liabilities	30,462,619	7,689,128	38,151,747
Financial liabilities at fair value through profit or loss	809,301	-	809,301
Provision for labor, tax and civil lawsuits	1,675,412	8,105,724	9,781,136
Expected losses for guarantees provided and loan commitments	277,494	212,394	489,888
Tax liabilities	2,425,778	2,461,893	4,887,671
Current	2,425,778	-	2,425,778
Deferred	-	2,461,893	2,461,893
Other liabilities	29,335,422	7,404,609	36,740,031
Shareholders' equity	**-**	**104,539,971**	**104,539,971**
Total	**1,008,950,898**	**387,556,576**	**1,396,507,474**

47 – OTHER INFORMATION

a) Corporate reorganization

On July 29, 2019, the Bank informed that the Board of Directors approved a set of measures to promote a corporate reorganization, pursuant to paragraph 4 of Article 157 of Law 6,404/1976 and according to Brazilian Securities and Exchange Commission Regulation 358/2002.

Among the approved measures is the review and downsizing of the Bank's organizational structure at levels: strategical (head offices), tactical (superintendences), operational and support (regional offices) and service network (branches and sale points).

The implementation of the measures took place in the second half of 2019, highlighting:

- creation of the Analytical Intelligence Unit, in line with the strategical objective of accelerating digital transformation;
- creation of 42 new Empresa Branches, transforming 333 branches into Advanced Attendance Centers (PAA) and another 49 PAAs into branches.

In this same context, on August 20, 2019, the Bank announced that, the phase which its employees expressed interest to adhere to the Staff Adequacy Program (PAQ) was validated, thus it was validated the dismissal of 2,367 employees. The purpose of the PAQ was to optimize the distribution of the workforce, by equalizing the situations of vacancies and excesses in the Bank's units. There was an impact of R$ 251 million in expenses with the severance expenses and it is estimated a projected annual savings of R$ 490 million as of 2020.

On December 11, 2019, the Board of Directors approved the revision of the Bank's corporate reorganization with a reduction and reorganization of the Executive Board, in accordance with the Corporate Strategy 2020-2024.

b) UBS A.G. strategic partnership

On September 23, 2019, the Bank announced to the market that it has entered a non-binding Memorandum of Understanding with UBS A.G. (UBS), with the intent of establishing a strategic partnership that would provide investment banking services and institutional securities brokerage in Brazil and selected countries in South America. The partnership expectes to provide to its clients comprehensive solutions and to provide additional benefits to its stakeholders.

On November 06, 2019, the Bank informed that it executed a binding agreement (Agreement) with UBS to establish a strategic partnership to provide investment banking services and institutional securities brokerage in Brazil and in selected countries in South America (Partnership).

Under the terms of the Agreement, the Partnership will be established by the creation of a holding (Company), with the contribution of assets coming from the Bank and UBS. After an operational restructuring in Brazil, UBS will contribute to the company its operational investment banking platform and the institutional brokerage business in Brazil. The Bank will contribute to the Company, through BB-BI, the exclusive access rights to its corporate clients to originate investment banking businesses. After the contributions of both shareholders, the Company will have its partnership structure comprised exclusively by common voting shares and without par value (ON), divided between UBS holding 50.01% and the Bank holding 49.99%.

Also according to the terms of the Agreement, each shareholder will indicate three board, being the Chairman appointed by the Bank and the vice-chairman by UBS. Regarding the Association's executive board, UBS will appoint the chief executive officer and the Bank will appoint the commercial managing officer who, among other responsibilities, will be in charge for the relationship between the Bank's customer base and the Partnership. The Partnership's staff will be composed of professionals from the Bank and UBS, as well as those hired in the market.

The Bank's commercial relationship with its customers, through its branch network and the corporate relationship offices, will continue to be one of the main channels for business origination. The Partnership will carry out the structuring and distribution.

A shareholders' agreement will rule the relationship of the parties within the Partnership. The effective implementation of the partnership is subject to the successful conclusion of the conditions precedent as well as the regulatory and other customary approvals for transactions with these characteristics.

c) Cassi

On July 22, 2019, the National Agency of Supplementary Health (ANS) established 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, ANS ratified 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 is an additional administrative expense of R$ 549 million, related to funding the new model that was recognized in personnel expenses (Note 13).

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. According to CVM Deliberation 695/2012, it will not generate a financial impact on the Bank.

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 change the actuarial liability, calculated in accordance with CVM Deliberation 695/2012.

d) Share capital reduction proposal of BB Seguridade

On September 25, 2019, the Board of Directors of BB Seguridade Participações S.A., a subsidiary of the Bank, approved the submission of a proposal to the Extraordinary Shareholders Meeting to reduce the share capital about 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 will be effective 60 (sixty) days after the meeting's protocol.

With this approval, it is estimated that the Bank will receive, as a refund of part of the value of its shares, the approximate amount of R$ 1.8 billion. This amount will not impact the Bank's results.

e) Reserve capitalization

On December 19, 2019, Board of Directors of the Bank approved the proposal to deliberation on Shareholders Meeting about the capitalization of operating margin statutory reserve in order of R$ 23 billion.

48 – SUBSEQUENT EVENTS

COVID-19 Pandemic

In the first quarter of 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.

The Banco do Brasil Conglomerate has adopted several preventive measures recommended by experts, the Ministry of Health and the authorities of the countries where it operates, reaffirming its commitment to the health and safety of employees, collaborators, customers and society.

At the same time, Banco do Brasil has been working to guarantee quality financial services, being prepared to continue meeting the demands, as communicated to the market on March 24, 2020.

Among the actions taken, it stands out:

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.
- Home office is also prioritized for employees who live with people of the group of risk.
- Distinguished working hours, change of vacation period and use of licenses.

Customers and users

- Maintenance of essential banking services to the population, prioritizing the service in self-service rooms, continued supply and operation of ATMs.
- Physical assistance for services considered essential, which will be provided exceptionally at the branches.
- Special hours (9 am to 10 am) exclusive for INSS retirees and the public of greater risk.
- Encouraging the use digital channels for relationship and hire of products and services, through internet and mobile phones, with the expansion of the customer service through messages for many profile of customers, 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.
- According to note issued by Febraban, 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 that can be carried out through BB'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 can also be contracted 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 different 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 Coronavirus effect

The pandemic is having significant impacts on 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 after Dec 31, 2019.

The possible effects of the COVID-19 pandemic were not considered in the judgments and estimates that affected the recognized amounts of assets, liabilities, income and expenses, described in notes 3 and 4 of these consolidated financial statements, as they are considered subsequent events that do not require measurement adjustments as of Dec 31, 2019.

The main reflexes and measures identified after Dec 31, 2019 until the date of approval of these consolidated financial statements are presented below.

a) 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 Bank's Management, so that there were no changes in Conglomerate's consolidation process.

b) Profit Distribution

According to a relevant fact released on April 7, 2020, in compliance with art. 2 of CMN Resolution No. 4,797, of April 6, 2020, the return on capital (interest on own capital and dividends) is limited to the mandatory minimum defined in the Bylaws, equivalent to 25% of adjusted net income, as per art. 48 of BB's Bylaws.

c) Risk and capital management

- Capitalization - Sufficiency for protection in a stress event

Reduction of banks' Main Capital Conservation Additional – CMN Resolution 4,783/2020

The Principal Capital Conservation Additional Rate (ACCP) fell from 2.5% to 1.25% for a period of one year, with a gradual reversal until March 2022. This measure also improves the conditions for eventual renegotiations, helping financial institutions to maintain, or even expand, the flow of credit granting. The reduction in the rate increases SFN's capital slack, which allows an expansion in granting credit.

- Liquidity - Sufficiency to withstand long periods of stress

Improvement of Liquidity Coverage Ratio rules – Bacen Circular 3,986/2020 and 3,987/2020

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 the ability to grant credit to be expanded.

- 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, event 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.

d) 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 a reduction in the asset's recoverable value.

No relevant impacts were identified on the recoverable amounts of property, plant and equipment and investments and intangibles.

e) Fair value of financial instruments

As established in the risk and capital management item above, 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 held or traded by the institution.

The Bank's mark-to-market models were revised to take into account the possible impacts of the Covid-19 pandemic 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.

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.

f) Expected loss on loan to customers

The pandemic caused by the Coronavirus 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.

To date, there were no significant increase in default rates. Thus, it will be necessary to reassess our internal models that looks a set of possible loss results, considering the likelihood of different future economic scenarios (forward-looking estimates), so that adequately reflects potential adverse and deteriorating future economic scenarios

g) Use of activated tax credits

New studies were carried out to take advantage of the activated tax credits, in view of the new 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.

h) Changes in the discount rate and the fair value of assets guaranteeing defined benefit plans

After Dec 31, 2019, we identified an increase in the discount rate used in actuarial calculations, due to changes in the quotes 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. However, given the situation of uncertainty at the present economic moment, we observe that these two premises have presented important fluctuations that will be monitored.

i) Provisions for labor, tax and civil lawsuits

The risks involved were reassessed, especially with regard to civil and labor claims, with no relevant impacts identified so far, in view of the existing provisions.

j) 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 crisis caused by Covid-19.

k) Other possible identified/expected effects

Government helping

During the confrontation period with the pandemic, 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, according to Ordinance 139/2020 of the Ministério da Economia. The Group did not adopt the option granted.

Business support:

Temporary changes in the tax rate applicable to the entity (passed on to the customer) - IOF (Presidential Decree - Zero the IOF rate for some credit operations contracted between April 4, 2020 and June 6, 2020)

Emergency Employment Support Program provides emergency payroll financing for small and medium-sized businesses – CMN Resolution 4,800/2020

The total amount of the credit is R$ 40 billion, of which R$ 20 billion per month. From this amount, 85% comes from the National Treasury and the remaining from participating financial institutions. The participating company will not be able to fire workers between the date of the contracted credit and the 60th day after the company receives the last installment. The measure has the potential to reach up to 12.2 million employees in 1.4 million companies. The maximum amount financed per worker will be up to two minimum wages. The funding will go directly to the worker's account, as is done currently through payrolls operated by financial institutions. This Program went into operation on April 6, 2020.

Additional reduction in reserve requirements – Bacen Circular 3,993/2020

The Bacen reduced the requirement for banks to keep R$ 68 billion in reserve provisions on compulsory time deposits. The rate fell from 25% to 17%. The reduction is temporary and provides more liquidity to the economy, as banks can use funds that were previously deposited with the Bacen. The new release adds up to the amount of R$50 billion already released as of March 16, resulting from 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 at March 18.

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.

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 that 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%.

Other measures disclosed at the Bacen press conference on March 23, 2020

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, the 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 be effective for at least six months.

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Rubem de Freitas Novaes

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