



FINANCIAL STATEMENTS 2020

Dear Shareholders,

B3 S.A. – Brasil, Bolsa, Balcão (“B3” or “Company”) hereby submits for your consideration the Management Report regarding activities performed in 2020.

HIGHLIGHTS OF THE YEAR

2020 will go down as one of the most challenging periods in history, with the spread of COVID-19 having deep impacts on the economy and society. We had to adapt and reinvent ourselves as a company, in how we conduct our business and in the relationships we have with our employees, clients, regulators and shareholders, and as Brazilians, trying to do our share in contributing to the efforts towards economic recovery and humanitarian relief in this unprecedented scenario.

The global pandemic situation brought along great uncertainty and caused, in the early months of 2020, intense volatility in the financial and capital markets, as reflected in the 45% decrease in the Bovespa Index and the 48% appreciation of the USD against the BRL at the peak of the crisis. In March alone, the stock exchange’s circuit breaker was activated and halted trading six times - since its creation in the late 1980’s, this stock market security mechanism had gone off 17 times until then. The number of trades processed on our platforms reached peaks of 12.1 million per day, three times higher than historical average rates and the average number of 3.9 million trades per day for 2019.

With such a challenge facing our operations, we worked relentlessly to provide our clients with a secure and stable infrastructure on which they could conduct their transactions, keeping our trading platform available practically 100% of the time during the year, even under extremely adverse conditions. The resilience of our operations is a result of our ongoing preparation and planning of responses to crises, as well as steps we timely took to ensure the continuity of our business, such as monitoring capacity indicators, prioritizing operating improvements, reinforcing cybersecurity initiatives, and expanding the capacity of trading, clearing and depository systems. Proper risk management was also key for us to get through that period without any longer-lasting consequences—we managed more than R\$400 billion in collateral, with calculations of margin exposure for the entire portfolio invested in B3 updated every 15 minutes, and our safeguard system effectively ensured market integrity, without any default events involving clearing members or brokerage firms.

However, unlike other periods of volatility we experienced in Brazil in the past, inflation was under control and interest rates remained at historically low levels throughout the year. This context favored development of the local capital market, which took a leap in relevance in investors’ portfolios and has become an increasingly relevant source of financing for companies. In 2020, 53 IPOs and follow-ons were held, raising more than R\$117.7 billion, up by 31.8% against 2019, and the retail investor base grew by 93.9%, amounting to 3.2 million accounts within the equities depository in December.

Not only did we keep all of our markets up and running, we also took care of the well-being and safety of employees, adopting remote work measures at a large scale, to which about 90% of our 2,200 employees adhered. For those whose presence in our headquarters was indispensable, we adopted additional precautions, such as social distancing on office premises and team rotation. Our teams’ commitment to maintaining our schedule of deliveries to the market, in a time of growing demand from our customer for more sophisticated products and more efficient solutions, was crucial. We moved forward in training and reorganizing our teams in the agile methodology, aiming to add collaboration and agility to the development of services and solution and to accelerate our deliveries, reaching more than 750 people working on squads focused on the business and on our clients. With a more agile dynamic in product development, we were able to steer our teams toward meeting the demands imposed by the pandemic without letting go of our roadmap of deliverables to the market, which remained intense over the year in all of our lines of business, with more than 80 products and services. Among them we can highlight the following: in the listed segment, securities lending screen, COPOM option and BDRs for retail investors, including those from Brazilian companies listed abroad; and on the OTC market, Secured Financial Bills (*Letra Financeira Garantida*), in which we worked together with the Central Bank on the development of a solution for easier access to credit during the pandemic, and solutions for the integration in the post-trade, in addition to products in financing, new services on the real estate platform, as well as in our institutional initiatives, with new features and content in the Financial Education Hub (edu.b3.com.br), in line with our purpose of stimulating financial education and encouraging the development of the capital market in a sustainable and conscientious way.

We also released our new pricing policy for Listed cash equities products, the implementation of which began in February 2021 through an interim model. The changes foreseen in this model, with adjustments in fees for day traders and measures aimed at sustaining growth in our retail investor base, represent a reduction in fees of approximately R\$250 million per year, if applied to the annualized volumes for 2Q20, bolstering our commitment to sharing with our customer the benefits from the Company’s gain in scale and operating leverage.

In the course of the year, we also strove to contribute to the modernization of the regulatory framework for the operation of stock exchanges in Brazil, undertaking great efforts to prepare our answer to the public hearing launched by the CVM at the end of 2019 with the objective of updating CVM Instructions No. 461 and No. 505, which cover themes of paramount importance, such as the block trading environment, best execution rules and self-regulation. As we await the regulator’s final position, we are certain that the new rules will assist with the sustainable development of our market, keeping Brazil a global benchmark for equal treatment of investors and transparency. The construction of a culture that favors development, collaboration, excellence and focus on clients, whether external or internal, which is how we refer to relationships between B3’s teams, has underpinned our efforts

since the creation of the Company, and, as a result, we are also moving forward in making B3 one of the best companies to work for.

Additionally, we took several actions to contribute to diversity and inclusion and to offer equitable conditions to our people, with recruitment, mentoring and development programs for young black people and institutional actions aimed at fostering fair representation of gender, sexual orientation and social inclusions, with initiatives such as a) PlurALL, for people with disabilities, b) an internship program for black people, and c) More Women in IT (*Mais Mulheres em TI*). We were also recognized as a TOP10 Company by GPTW, and as a benchmark for adoption of inclusion practices for people with disabilities.

We also took action to mitigate the effects of the pandemic on society through donations from both B3 and B3 Social, a non-profit association of which B3 is a founding member. At the end of the year, our health care, food, micro-entrepreneurial and community business initiatives added up to R\$50 million. Our supported initiatives are in line with the commitments we have made to the UN Global Compact, of which we were the first stock exchange in the world to subscribe back in 2004.

The year 2020 brought solid financial performance to the Company. A substantial increase in traded volumes on our platforms drove a 41.8% growth in revenues, which amounted to R\$9.3 billion in 2020 and, combined with discipline in expense management, resulted in a 659 bps increase in our EBITDA margin, which reached 78.7% in 2020, reflecting our operating leverage. Cash generation from operating activities in the period, as adjusted by changes in financial investments and margins of operations, totaled R\$6.1 billion, up by 23.9% against 2019, which was to a great extent distributed to our shareholders in the form of dividends, IoC and repurchase of shares.

In line with our goal of having an efficient capital structure suitable for the Company, our gross debt by the end of 2020 was approximately R\$7.0 billion, equivalent to 1.1x our recurring EBITDA. We should highlight the execution of our diversification plan for funding instruments used by the Company, as reflected by the issuance of a R\$1.25 billion bank loan in June, the issuance of debentures in the local market amounting to R\$3.55 billion in August, and the issuance of CRIs in the amount of R\$0.2 billion in December.

While we understand the severity of the crisis caused by pandemic and the difficulties of making any predictions, we believe in the evolutionary process of the Brazilian market, which has a huge untapped potential. In an environment underpinned by interest rates kept far below historical levels, we believe the Brazilian market still has a relevant growth potential to realize. On the demand side, the sophistication and diversification of portfolios of investors seeking profitability calls for new products, while increasing the demand for existing assets. On the supply side, Brazilian companies have been increasingly using local capital markets as a long-term funding source.

As we enter 2021, we hope that we have the worst of the sanitary crisis behind us and that we have a lot of energy to continue working on meeting the market needs, whether related to operations or the development of products and solutions, always seeking to be our customer's platform of choice for making business.

OPERATIONAL PERFORMANCE

Listed

Equities

		2020	2019	2020/2019 (%)
Cash market	ADTV (R\$ millions)	29,112.7	16,738.7	73.9%
	Margin (bps)	3.988	4.335	-0.347 bps
Average market capitalization	(R\$ billions)	4,167.4	4,060.8	2.6%
Turnover Velocity	Annualized (%)	173.9%	102.2%	7,172 bps
Options market (stock/indices)	ADTV (R\$ millions)	703.8	338.9	107.7%
	Margin (bps)	11.527	14.139	-2.612 bps
Forward market	ADTV (R\$ millions)	212.2	184.9	14.8%
	Margin (bps)	12.999	12.968	0.031 bps
Future stock indices	ADV (thousands of contracts)	2,538.9	1,474.7	72.2%
	Average RPC (R\$)	1.001	1.004	-0.2%
Number of Investors	Average (thousands)	2,690.8	1,256.2	114.2%
Securities lending	Average open positions (R\$ billions)	74.0	59.3	24.9%

Note: "ADTV" stands for Average Daily Traded Value, "ADV" stands for Average Daily Volume, "RPC" stands for Revenue per Contract, "bp" stands for basis point, and "turnover velocity" results from dividing the volume traded on the spot market in the period by the average market capitalization for the year.

In the equities segment, the highlights were the 73.9% growth in the cash equities market's ADTV and 72.2% increase in stock indices futures contracts' volumes. In the cash equities market, the increase reflects the volatility from uncertainties about the pandemic and the higher turnover velocity, which reached 173.9% in the year 2020, while average market capitalization remained at the same levels as in 2019. For the stock indices futures contracts' market, the performance can be attributed to the continued growth in trading of mini contracts, particularly by individual investors and by High Frequency Traders (HFT).

The trading/post-trading margin in cash equities was 3.988 bps. The 0.347 bps decrease is mostly explained due to (i) discounts given to the market according to the Company's pricing policy¹ and (ii) the increased share of local institutional investors and day traders, who pay lower fees. The average RPC for stock indices futures contracts was R\$1.001, in line with the previous year.

The average number of active investors in the equities depository grew 114.2%, mainly due to the increased interest in diversifying investments in a lower interest rate environment. In 2020, B3 supported brokerage firms focused on attracting new customers to this market, through incentive programs and pricing mechanisms.

FICC

		2020	2019	2020/2019 (%)
Interest rates in BRL	ADV (thousands of contracts)	3,058.1	2,811.7	8.8%
	Average RPC (R\$)	0.891	0.876	1.7%
Interest rates in USD	ADV (thousands of contracts)	288.5	349.4	-17.4%
	Average RPC (R\$)	2.291	1.742	31.5%
FX rates	ADV (thousands of contracts)	953.9	750.4	27.1%
	Average RPC (R\$)	5.207	3.877	34.3%
Commodities	ADV (thousands of contracts)	14.1	9.3	51.9%
	Average RPC (R\$)	2.187	2.241	-2.4%
Total	ADV (thousands of contracts)	4,314.6	3,920.8	10.0%
	Average RPC (R\$)	1.943	1.531	26.9%

In 2020, the average daily traded volume totaled 4.3 million contracts, up by 10%, reflecting a rise in traded volumes for all products, except for interest rate contracts in USD. Average RPC increased by 26.9% in the period, primarily influenced by (i) a 28.9% appreciation of the USD against the BRL, which had a positive impact on the RPC of FX rates and Interest rates contracts in USD, since they are priced in US dollar, (ii) an increase in the share of FX rates contracts in the mix of products during the period, and (iii) an increase in longer-term Interest rates contracts in BRL, which have a higher RPC.

¹ According to the table of fees in force in 2020, marginal discounts were given to the entire market whenever the average daily trading volume (ADTV) for the month exceeds the levels of R\$9 billion, R\$11 billion and R\$13 billion.

OTC

Fixed Income Instruments

		2020	2019	2020/2019 (%)
New issues	Bank funding (total in R\$ billions)	12,195.9	9,197.9	32.6%
	Other (total in billions)	704.8	534.9	31.8%
Outstanding balance	Bank funding (average in R\$ billions)	1,927.1	1,423.5	35.4%
	Corporate debt (average in R\$ billions)	689.6	625.1	10.3%
	Other (average in R\$ billions)	714.5	622.3	14.8%
Treasury Direct	Number of investors (average in thousands)	1,305.6	1,057.6	23.4%
	Stock (average in R\$ billions)	66.3	63.6	4.3%

The volume of new issues and the outstanding balance in bank funding instruments increased by 32.6% and 35.4%, respectively, primarily due to the increase in Bank Deposit Certificates and Interbank Deposit Certificates issues, which represented 63.2% and 33.0% of new issues in 2020, with financial institutions capitalizing themselves to finance the expansion of credit and reinforce their balance sheets. Likewise, the average outstanding balance of corporate debt increased by 10.3%, highlighting the growing importance of local debt and capital markets as a funding source for companies in Brazil, with debentures of leasing companies accounting for 29.0% of the average outstanding balance of corporate debt in 2020 (vs. 34.0% in 2019).

Another highlight of the fixed income market was the continued growth of Treasury Direct, with an increase of 23.4% and 4.3% in the number of investors and stock, respectively. B3 offers an incentive program for brokerage firms to increase their number of investors and outstanding positions in this product. This incentive program is revised on a yearly basis, and the targets set for the year were adjusted to consider the results achieved in 2019. Additionally, B3 and the National Treasury announced in Jul/20 that, as of Aug/20, Treasury Selic custody fee will be waived for the first R\$10 thousand invested.

OTC Derivatives and Structured Operations

		2020	2019	2020/2019 (%)
Issues	(total in R\$ billions)	12,989.1	10,734.9	21.0%
Outstanding position	(average in R\$ billions)	4,039.4	2,620.8	54.1%

Note: does not include Outstanding position of OTC derivatives with CCP.

The registration of new issues on the OTC derivatives and structured notes market recorded a 21.0% growth, concentrated in Swap and FX rate contracts, which were in high demand due to the volatility in exchange rate during the year. In addition to the growth in volume of new issues registered, the average outstanding balance increased by 54.1% in the period, since most of these contracts are referenced in US dollars.

Infrastructure for Financing

		2020	2019	2020/2019 (%)
SNG	Number of vehicles sold (thousands)	15,919.8	18,586.9	-14.3%
	Number of vehicles financed (thousands)	5,529.2	6,113.7	-9.6%
	% Vehicles financed/vehicles sold	34.7%	32.9%	1.8 pp
Contracts System	Contracts added (thousands)	3,186.8	3,617.9	-11.9%
	% Contracts added/vehicles financed	57.6%	59.2%	-1.5 pp

In 2020, the number of inclusions in the National Liens System (SNG) decreased by 9.6%, especially due to the impact of the COVID-19 pandemic on the auto market, as reflected by a 61.0% fall in vehicles sold in 2Q20 against 2Q19. Despite the contraction of business in the sector in the year, data for the second half show signs of recovery in this market, particularly in 4Q20, when the number of vehicles financed grew 3.1% against 4Q19, driven by an 11.5% rise in the number of vehicles sold in that same period.

In the Contracts System, the number of transactions was 11.9% lower in the year, reflecting the decrease in the number of vehicles financed, combined with a reduction in B3's market share of this service, which totaled 57.6% in the period.

Technology, data and services

		2020	2019	2020/2019 (%)
Monthly utilization	Average number of customers	14,124	13,302	6.2%
CIP	Number of electronic cash transfers (TEDs) processed (thousands)	1,331,734	839,526	58.6%

The average number of clients that pay the monthly utilization fees related to services in the OTC segment was up by 6.2% resulting mainly from growth of the fund management industry in Brazil. The number of TEDs processed increased by 58.6%, resulting mainly from the change in habits of bank customers during the COVID-19 pandemic.

INCOME STATEMENT

Revenues

Total revenues: R\$9,327.4 million, up by 41.8% with growth in revenues in all segments, with the exception of the Infrastructure for Financing business.

Listed: R\$6,441.9 million (69.1% of the total), up by 51.0%.

- **Equities and equity instruments:** R\$4,325.8 million (46.4% of the total), a 57.2% increase in the period.
 - **Trading and Post-Trading:** R\$3,811.1 million (40.9% of the total), a 62.5% increase reflecting growth in volumes traded in the cash equities and stock indices futures contracts.
 - **Depository:** R\$186.2 million (2.0% of the total), up by 31.4% in the period. The 114.2% increase in the average number of accounts in the depository was partially offset by reduction in revenues generated by the incentive program to expand the individual investor base in the equities market, which totaled R\$125.3 million in 2020² (vs. R\$60.4 million for 2019).
 - **Securities lending:** R\$192.5 million (2.1% of the total), up by 26.7% as a result of a 24.8% increase in the average financial volume of outstanding positions.
 - **Listing and solutions for issuers:** R\$135.8 million (1.5% of the total), up by 20.0% mainly as a result of a higher number of public offerings, adding up to R\$117.7 billion (28 IPOs and 25 follow-ons) in the year against R\$89.6 billion (5 IPOs and 37 follow-ons) in 2019.
- **FICC:** R\$2,116.0 million (22.7% of the total), up by 39.8% mainly as a result of (i) higher traded volumes, except for interest rate contracts in USD and (ii) a 26.9% increase in average RPC, which was favorably impacted by the exchange rate fluctuation in the period and the higher demand for interest rate contracts in BRL, which have a higher RPC.

OTC: R\$1,047.0 million (11.2% of the total), up by 5.7%.

- **Fixed income instruments:** R\$634.9 million (6.8% of the total), up by 0.1%, in line with the previous year.
- **Derivatives and structured transactions:** R\$252.4 million (2.7% of the total), up by 31.6%, especially due to the combination of effects (i) of an increase in number of forward currency and swap contracts, (ii) of the appreciation of the dollar against the real, as a significant part of OTC derivative contracts' face values are in US dollar, and (iii) of a larger average financial value of outstanding positions in derivatives and structured transactions.
- **Other:** R\$159.6 million (1.7% of the total), down 3.2% as a result of the Company's new pricing policy whereby part of the revenue related to the volume of services provided and maintenance of end users was transferred to the monthly utilization service, with a positive impact in the Technology and Access revenue line.

Infrastructure for financing: R\$425.1 million (4.6% of the total), down 24.9%. This drop can be mostly attributed due to the negative effects of the COVID-19 pandemic in the auto market, which resulted in a 14.3% and 9.6% decrease in sales and financing of vehicles, respectively, in 2020.

Technology, data and services: R\$1,134.2 million (12.2% of the total), up by 51.3%.

- **Technology and access:** R\$741.4 million (7.9% of the total), up by 65.4%, especially due to the growth in monthly utilization, which was driven by (i) a 6.2% increase in the number of market participants accessing the OTC segment platforms; (ii) changes in pricing for the monthly utilization service package and OTC fees implemented in early 2020, and (iii) the annual price adjustment for inflation (IGP-M).

² The incentive program to attract investors to the stock market offers bonuses in the form of partial exemption from custody fees for brokerage firms achieving performance targets related to growth in number of accounts and in the balance deposited for this group of investors. Results of this program are measured and distributed on a semi-annual basis.

- **Data and analytics:** R\$237.6 million (2.5% of the total), an increase of 33.4%, which is mainly due to the appreciation of the USD against the BRL, given that 45.0% of this revenue was linked to the US dollar in 2020.
- **Bank:** R\$51.8 million (0.6% of total), a 13.0% increase, mainly explained by the appreciation of the US dollar in the period.
- **Other:** R\$103.1 million (1.1% of the total), up by 34.1%.

Reversal of Provisions: R\$279.0 million (3.0% of the total), primarily due to a) the reversal of R\$187 million provision as a result of the end of a legal dispute in the 3Q20 and b) re-rating of the probability of loss from probable to possible in another legal dispute during the 4Q20, which translated to a reversal of provision of R\$83 million.

The end of the legal dispute with Spread Ltda. in 3Q20 by way of settlement for approximately R\$140 million resulted in the reversal of a R\$239 million provision, which was recognized partly as revenue (R\$187 million) and partly as expense reversal (R\$52 million). Additionally, in the 4Q20, the re-rating of the probability of loss from probable to possible in the legal dispute with Vega Participações resulted in the reversal of a provision of R\$99 million in the quarter, which was recognized partly in the revenue line (non-recurring positive impact of R\$83 million) and partly in the expense line (non-recurring positive impact of expense reversal in the amount of R\$16 million). Combined, such reversals had an impact of R\$115 million on deferred income tax and social contribution in 2020.

Net revenues: up by 41.9%, reaching R\$8,382.5 million.

Expenses

Expenses totaled R\$2,702.1 million, up by 0.9%.

- **Personnel and charges:** R\$852.8 million, up by 2.9%, especially due to the annual salary adjustment for inflation under a collective bargaining agreement and an increase in the Company's staff.
- **Data processing:** R\$266.6 million, up by 33.7%, due to new projects and existing projects for improvement in infrastructure, processes, functionalities and controls of business and corporate platforms, in line with the 2020 roadmap.
- **Depreciation and amortization:** R\$1,041.3 million, up by 1.1%, mainly due to the beginning of the amortization of new projects.
- **Revenue-linked expense:** R\$191.8 million, down 19.8%, reflecting the effects of the change in business model related to transfer of vehicle financing contracts in certain states, which took place in 3Q19.³ In this new model, there is no revenue-linked expense related to payments to registration companies, while there is a decrease in revenues related to this service. This effect was partly offset by the inclusion of incentives related to the Treasury Direct investor expansion program and custody services to this line of expenses.
- **Third-party services:** totaled R\$78.5 million, an increase of 12.2%, due to growth in expenses related to consulting fees, which was partially offset by lower expenses with execution of projects.
- **Other:** These totaled R\$201.9 million, down 11.2%. Provisions were the most relevant item in this group and comprises (i) inflation adjustment of provisions for legal disputes over the year, for which part of the amount was tied to the B3SA3 price, and (ii) reversal of provisions in 3Q20 and 4Q20 related to the end of the legal dispute with Spread Ltda. and the re-rating the probability of loss from probable to possible in the legal dispute with Vega Participações, respectively.

Financial Result

Financial result was negative by R\$86.6 million in 2020. Financial revenues totaled R\$373.1 million, a 32.5% decrease primarily due to lower interest rates in the period. Financial expenses, in turn, added up to R\$302.4 million, down 28.4%, particularly due to the maturity of the Global Bond in July 2020.

(R\$ thousand)	2020	2019	2020/2019 (%)
Financial result	(86,559)	106,905	-
Financial income	373,112	552,406	-32.5%
Financial expenses	(302,485)	(422,624)	-28.4%
Net FX variations	(157,186)	(22,877)	587.1%

In addition, it is important to point out that the financial result was also impacted by the effects of FX rate fluctuations on loans in foreign currency and on the Company's investment abroad, being offset by income tax and social contribution (hedging

³ In certain states, B3 adopted a new model whereby Detran-accredited registration companies can access, as previously authorized by the lending institutions, the B3 platform to search for financed vehicle contract data. The most relevant financial impact is that in this model there is no revenue-linked expense in connection with payments to registration companies. Such change, while reducing B3's expenses, adversely impacts its revenues, because under the previous model the cost of registration companies was part of the price charged by B3.

structure). The table below segregates these effects both from financial result line and from income tax and social contribution line.

(R\$ thousand)	2020	2019	2020/2019 (%)
Financial result	(86,559)	106,905	-
(+/-) Effects of hedging on financial result	182,808	24,457	647.5%
Adjusted financial result (excluding hedging effects)	96,249	131,362	-26.7%
Income before income tax	5,515,850	3,339,046	65.2%
(+/-) Effects of hedging on financial result	182,808	24,457	647.5%
Income before tax on adjusted income (excluding hedging effects)	5,698,658	3,363,503	69.4%
Income tax and social contribution	(1,365,135)	(625,842)	118.1%
(+/-) Effects of hedging on income tax and social contribution tax	(182,808)	(24,457)	647.5%
Adjusted income and social contribution taxes (excluding hedging effects)	(1,547,943)	(650,299)	138.0%

Income tax and social contribution

(R\$ thousand)	2020	2019	2020/2019 (%)
Income tax and social contribution	(1,365,135)	(625,842)	118.1%
Current	(633,851)	(193,543)	227.5%
Deferred	(731,284)	(432,299)	69.2%

Income tax and social contribution totaled R\$1,365.1 million in 2020 and was impacted by the distribution of interest on capital (IoC) in the amount of R\$1,193.8 million. Current tax totaled R\$633.9 million and includes R\$50.2 million with cash impact. Deferred income tax and social contribution totaled R\$731.3 million, with no cash impact. This amount consists mainly of temporary differences in amortization of goodwill for tax purposes of R\$478.5 million and the recording of R\$252.8 million deferred tax, mostly related to the establishing of tax credits.

In addition, the income tax and social contribution line item was also impacted by the hedging structure, as mentioned above under financial result.

Net Income

Net income attributable to B3's shareholders totaled R\$4,152.3 million, a 53.0% increase, reflecting the Company's positive operational performance in all lines of business in the year, except for infrastructure for financing.

(R\$ thousand)	2020	2019	2020/2019 (%)
Net income (attributable to shareholders)	4,152,304	2,714,166	53.0%
(+) Non-recurring provisions	(338,658)	-	-
(+) Impairment loss	80,385	-	-
(+) Tax impacts from non-recurring items	87,415	-	-
(+) Amortization of intangibles (Cetip combination)	489,895	522,998	-6.3%
Recurring net income	4,471,341	3,237,164	38.1%
(+) Deferred Tax (goodwill from Cetip combination)	478,511	478,516	0.0%
Recurring net income adjusted by goodwill tax benefit	4,949,852	3,715,680	33.2%

Excluding non-recurring items, net income would have totaled R\$4,471.3 million⁴ in the year, a 38.1% increase. Moreover, if adjusted for the tax benefit resulting from the amortization of goodwill in connection with Cetip combination, net income would have totaled R\$4,949.8 million.

MAIN ITEMS OF THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2020

Assets, Liabilities and Equity Accounts

The Company ended the year with total assets of R\$46.3 billion, a 15.8% increase against December 2019. The main changes in assets occurred in Cash and Cash Equivalents (current and non-current), which together totaled R\$17.8 billion, reflecting (i) the Company's cash generation during the year, and (ii) an increase in the volume of collateral deposited in cash (also reported in current liabilities). This cash position includes R\$298.8 million in interest on capital and R\$2.823 million in declared dividends, of

⁴ B3's objective in presenting recurring net income is to facilitate comparison between periods and, consequently, the assessment of the Company's performance, highlighting non-recurring items which are not necessarily directly related to the ordinary course of its business.

which (i) R\$835.0 million proposed in 3Q20 and paid in January 2021, (ii) R\$798.5 million proposed in 4Q20 to be paid in April 2021 and (iii) R\$1,189.7 million in extraordinary dividends of 2020 to be paid in May 2021.

As for liabilities, at the end of 2020, B3 had gross debt of R\$7.0 billion (99.7% long term and 0.3% short term), corresponding to 1.1x the recurring EBITDA for the last 12 months. Shareholders' equity at the end of December 2020 was R\$24.5 billion, consisting primarily of the capital reserve of R\$9.1 billion (against R\$18.1 billion in December 2019) and share capital of R\$12.5 billion (against R\$3.5 billion in December 2019).

OTHER FINANCIAL INFORMATION

CAPEX

In 2020, CAPEX totaled R\$423.0 million, mainly related to technological upgrades for all of the segments in which B3 operates, as well as for new product development and for the retrofit project of the Company's new headquarters (engineering, furniture and technology).

Guidance for 2021:

In December 2020, the Company announced its guidance for indebtedness, capital expenditures, revenue-linked expenses, adjusted expenses,⁵ depreciation and amortization, and earnings distributions to shareholders expected to take place in 2021, as follows:

- Indebtedness (YE21): up to 1.5x Gross Debt / recurring EBITDA for the last 12 months (1.1x in Dec/20)
- Capital expenditures: R\$420 - R\$460 million (R\$423 million in 2020);
- Revenue-linked expenses: R\$225 - R\$265 million (R\$192 million in 2020);
- Adjusted expenses: R\$1,225 - R\$1,275 million (R\$1,175 million in 2020);
- Depreciation and amortization: R\$1,060 - R\$1,110 million (R\$1,041 million in 2020); and
- Distribution of earnings to shareholders: 120% - 150% of corporate net income (150% in 2020).

Distributions to shareholders

Distributions for the year 2020 amounted to R\$6,228 million (R\$1,194 million in IoC, R\$4,148 million in dividends, and R\$886 million in share buybacks). Accordingly, B3's payout ratio for the year was 150%.

CORPORATE GOVERNANCE AND RISK MANAGEMENT

B3 has a solid set of corporate governance practices in place that demonstrate its commitment to shareholders, to the other market players and to other stakeholders.

The importance of best practices in governance to B3's long-term success becomes even greater when its diluted capital structure is considered, as there is no controlling shareholder or group of shareholders, and also by virtue of its institutional responsibility for the developments of the markets it operates.

Internal Audit

The internal audit has the mission of providing the board of directors, the audit committee and the executive board with independent, unbiased and timely assessments, advice and insights into the effectiveness of B3's risk management and governance processes, the adequacy of its controls and its compliance with the rules and regulations applicable to the Company's and its subsidiaries' operations. Consistent with international best practices and B3's strong risk management culture, the Company has been certified since 2015 by Atividade de Auditoria Interna, which recognizes corporations that adhere to the international auditing standards and best practices issued by The Institute of Internal Auditors ("The IIA").

Internal Controls, Compliance and Corporate Risk

B3 operates on structure consisting of four lines of defense as a governance model and as the basis for its risk management, with a clear definition of the roles of those responsible for managing, supervising and assessing risks:

1st line of defense: The business areas and managers are responsible for setting forth, maintaining, promoting and assessing efficient business practices, as well as appropriate and effective internal controls.

⁵ Expenses adjusted by: (i) depreciation and amortization; (ii) long-term share-based incentive program—principal and charges; (iii) business combination with Cetip; (iv) provisions; and (v) revenue-linked expenses.

2nd line of defense: The Governance and Integrated Management Office is responsible for determining assessment and monitoring methods for business risks, the internal controls system, and compliance with regulations issued by regulatory agencies, particularly the CVM and the BCB.

3rd line of defense: The Audit department is responsible for conducting an independent assessment of the activities performed by B3's teams, enabling Management to determine the adequacy of its controls, the effectiveness of its risk management and governance processes, the adequacy of the controls supporting the issue of financial statements, and its compliance with rules and regulations.

4th line of defense: The independent external audit reviews the financial statements, and the regulatory oversight authorities, especially the BCB and the CVM, determine whether B3 has a suitable structure to carry out systemic activities and comply with existing regulations.

Central Counterparty Risk – Collateral Management and Administration

The operations carried out in the Listed segment are guaranteed by deposits of assets to meet margin requirements. Such collateral can be deposited in cash, public and private securities, bank surety letters, shares and international bonds, along with others. In Dec/20, the collateral deposited by the participants totaled R\$452 billion, an amount 25.5% higher than the total deposited at the end of 2019, reflecting the increase in the volume of business carried out.

PEOPLE

One of B3's values is to provide an environment for people to develop themselves. This year, the Company launched development actions for managers and teams that added up to more than 44 thousand hours of training in more than 350 topics. On the training front, three actions stood out over the year: a) Masterclass, online training provided for all employees covering topics presented by inspiring guests; b) Survey of Development Needs, focused on identifying the teams' specific challenges; and c) training for interns.

As part of our culture, we believe that each of our people can and should be a protagonist in their own career, and along these lines we launched in September #MyCareer, introducing a catalog of development actions focused on our business, our culture and the core of each role, so that our employees themselves can plan their career development path.

In 2020 there was also a review of the compensation model and performance management of our people, contributing to the development of an internal meritocracy and competitiveness in the marketplace. The new performance management model comprises the goals and targets agreed upon for the year, the core of each role, and values and behaviors expected from people in all positions at B3, in line with our culture, while adding to the performance assessment inputs from peers and superiors from other teams, which contributes to a more complete and far-ranging assessment, encouraging a feedback culture and further fostering an environment where people develop.

As a way of making its strategy, decisions and dialogs more comprehensive, B3 believes in the importance of providing diverse and inclusive working environments where authenticity is encouraged. In this context, we advanced in maturation of our diversity actions. The Company has a Manifest on the issue, as well as diversity centers consisting of employees on various teams and addressing five topics: gender, race and ethnicity, LGBTQ+, people with disabilities, and generations. On each of these fronts, the diversity centers are tasked with assessing scenarios and proposing strategies and action plans so that B3 will continue to improve and addressing the demands related to each of these groups. The leadership has supported the implementation of corporate initiatives proposed by these groups of employees.

With regard to people with disabilities, we launched in 2020 the PlurALL program, an initiative aimed at hiring and developing employees with disabilities through an immersive experience at B3, spanning three months. The program is intended to make them more familiar with the challenges facing each team as they arrive, as well as better prepared to discharge their duties. As a result of our efforts on this topic, we were recognized in 2020 as a TOP10 company by GPTW, and as a benchmark for adoption of inclusion practices for people with disabilities.

In 2020 we also created an internship program designed for black people. Not only does this initiative increase the representation of black people at B3, but also involves the leaders of the organization, making them allies to expedite the development of young black employees through mentorship. The program has delivered an increase in black people's representation among interns from 10% to 25%.

We have also moved forward on other fronts related to diversity, with emphasis on a) training in diversity and inclusion for managers, b) actions on the Diversity & Inclusion roadmap being contemplated by corporate targets, c) internal actions to develop and engage our people with the team, and d) annually conducting the B3 Diversity Census, which enables the Company's leadership to track diversity indicators and perceptions.

We, at B3, do what we can to ensure the best working experience for our people. In 2020, we revisited processes, systems and resources to provide a more fluid, safer and more agile journey at key moments in our employees' life cycles, from attracting them through to their entire development cycle at B3. We believe providing a positive experience for our people is in line with our culture and bolsters our brand as an employer.

SUSTAINABILITY

To advance B3's strategic goals and provide a resilient business environment in line with environmental, social and corporate governance (ESG) best practices, our board of directors approved in 2020 the Sustainability Strategic Plan for 2020-2021, which is based on three pillars: I) to be a company in line with best practices in sustainability; II) to introduce best practices in ESG into the Brazilian market; and III) to strengthen the existing product portfolio and set up new ESG market fronts.

In recognition of our social and environmental practices, in 2020 we raised our CDP score from C to B, we were selected for the fourth year in a row to be part of the London Stock Exchange FTSE4Good Latin America Sustainability Index, we maintained for the 11th year in a row our participation in B3's *Índice Carbono Eficiente* (ICO2), and we received the WOB (Women on Board) stamp, which recognizes the work we have done and our commitment to continuing advancing our diversity agenda. Such recognitions bolster our role of mobilizing the capital market around social and environmental responsibility actions.

Concerning ESG products, we moved forward on the green, social and sustainable securities front, which since 2018 can be found in the B3 trading environment and added up to 20 instruments in 2020, 14 of which were debentures and 6 agribusiness receivables certificates (CRAs), totaling issues of R\$6 billion. We also launched a registration and trading platform for decarbonization credits (CBIOs), which are part of the instruments used by the National Policy on Biofuels (RenovaBio) as a tool for the biofuels industry to meet its decarbonization target that was defined according to the Paris Agreement of 2015. A total of 4 million CBIOs were negotiated during the period. Additionally, we revised the methodologies for the corporate sustainability index (*Índice de Sustentabilidade Empresarial*, or ISE B3) and the carbon efficiency index (*Índice Carbono Eficiente*, or ICO2 B3), we launched in partnership with Standard & Poor's the *Índice S&P/B3 Brasil ESG* and, in conjunction with Great Place to Work (GPTW), we started to develop a new index that will comprise companies ranking among the best by GPTW that have assets traded on B3.

Regarding institutional actions related to diversity, we have been subscribers since 2017 to the Women's Empowerment Principles (WEPs), an initiative that assists the private sector in ensuring gender equality at the workplace, in the market and in society, carried out in conjunction with the UN Women and the UN Global Compact. In addition, we have carried out the Ring the Bell for Gender Equality initiative since 2017, which is a global action by the Sustainable Stock Exchanges (SSE), a UN initiative designed to raise awareness of the role of the private sector in advancements in gender equality. The action is carried out in partnership with the UN Global Compact, the UN Women, the International Finance Corporation (IFC), Women in ETFs (WE), and the World Federation of Exchange (WFE).

SELF-REGULATION OF ISSUERS AND PARTICIPANTS

In order to ensure issuers' adherence to regulations, equalization of market practices and independent access to information, B3 works on the self-regulation of issuers listed on its markets and under cooperation agreements signed with the CVM for tracking information disclosed by issuers. As a result of this activity, 2020 saw the review of more than 22,000 documents released by companies and approximately 1,000 complaints filed for failure to adhere to the applicable regulations, as well as 10,000 documents reviewed and about 80 complaints filed for listed funds.

In compliance with the provisions of the Regulations for Listing Issuers and Admission to Trading of Securities and in the regulations for special segments, B3 is required to inform the market about how it allocated the proceeds from the fines applied under the scope of its enforcement process for those activities associated with the regulatory and institutional improvement of the securities market. Accordingly, investments were made in system improvements, including the use of the FundosNet system by Credit Rights Investment Funds (FIDCs), improvements in the EmpresasNet system, and development of a new issuer registration system (CEM). Concerning evolution in the regulatory framework, investments were made in the promotion of discussions with the market, such as the ones arising from the 20th anniversary of the creation of *Novo Mercado*, as well as the implementation of rules under the new regulations for the segment, advice on remote vote, etc.

In addition, throughout 2020, B3 took part in three relevant actions in connection with the capital market initiative called *Iniciativa de Mercado de Capitais* (IMK), coordinated by the Ministry of Economy. B3 discussed, among other issues, proposals related to the development of the fixed-income and equities market in Brazil through measures aimed at simplifying and harmonizing the rules governing issues and trades in the Brazilian capital market, particularly the creation of a specific system for implementing plural vote in Brazil. In addition, B3 revised the Issuers Regulation and the Issuers Manual to classify the New York Stock Exchange (NYSE) and the Nasdaq Stock Market as "recognized markets" for the purposes of CVM Resolution No. 3/2020, contributing to improvement in Brazil's regulatory framework for Brazilian Depositary Receipts (BDRs)

In addition to the self-regulation applicable to issuers, the markets managed by B3 and its participants are supervised and inspected with the aim of promoting integrity, transparency and efficiency by means of BSM Supervisão de Mercados (BSM). BSM discloses the results of its efforts on the website www.bsmsupervisao.com.br/.

EXTERNAL AUDIT

The Company has retained Ernst & Young Auditores Independentes to provide external audit services for its financial statements for the year 2020. The company's policy, and that of its subsidiaries, in relation to contracting external audit services is based on internationally accepted principles, which preserve the independence of work of this nature and consist of the following practices:

(i) the auditor is not allowed to perform executive or managerial functions for the Company, or for its subsidiaries; (ii) the auditor is not allowed to perform an operational role within the Company or its subsidiaries that may compromise the effectiveness of the audit work; and (iii) the auditor is required to remain impartial – avoiding the existence of any conflicts of interest or any loss of independence – and the objectiveness of his or her opinions and pronouncements regarding the financial statements.

In the year ended December 31, 2020, the independent auditors and their related parties did not provide any services other than external audit services.

DECLARATION BY THE EXECUTIVE BOARD

In compliance with the provisions of CVM Instruction No. 480, the Executive Board declares that they have discussed, reviewed and agreed with the financial statements for the fiscal year ended December 31, 2020 and the opinions expressed in the independent auditors' opinion.

ADDITIONAL INFORMATION

The Management Report focused on the performance and the main developments achieved by B3 in 2020. For additional information on the Company and the market where it operates, see the Reference Form available on B3's Investor Relations website (<https://ri.b3.com.br/>) and on the CVM website (www.cvm.gov.br).

ACKNOWLEDGMENTS

Finally, the Company would like to thank its employees for all their commitment throughout the year, as well as its suppliers, shareholders, financial institutions, clients and other stakeholders for the support given in 2020.



São Paulo Corporate Towers
Av. Presidente Juscelino Kubitschek, 1909
Vila Nova Conceição
04543-011 - São Paulo - SP - Brasil

Phone: +55 11 2573-3000
ey.com.br

A free translation from Portuguese into English of Independent Auditor's Report on individual and consolidated financial statements prepared in accordance with accounting practices adopted in Brazil and in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and in Reais (R\$).

Independent Auditor's Report on Individual and Consolidated Financial Statements

The Board of Directors and Shareholders of

B3 S.A. - Brasil, Bolsa, Balcão

São Paulo, Brazil

Opinion

We have audited the individual and consolidated financial statements of B3 S.A. - Brasil, Bolsa, Balcão ("B3" or "Company"), identified as B3 and Consolidated, respectively, which comprise the balance sheet as at December 31, 2020, and the statements of income, of comprehensive income, of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of B3 S.A. – Brasil, Bolsa, Balcão at December 31, 2020, and its individual and consolidated financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical principles set forth in the Code of Ethics for Professional Accountants and in the professional standards issued by Brazil's Association of State Boards of Accountancy (CFC) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters 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 individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.



We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

1. Technology environment

B3 operates in a complex technology environment with multiple systems in operation and a high volume of transactions. Due the fact that the B3's operations are extremely dependent on the proper operation of the technology structure and its systems; we considered the technology environment a key audit matter.

How our audit addressed this matter:

Our audit procedures included, among others, evaluating the design and operational effectiveness of the general technology controls ("ITGC") implemented by the Company for systems considered significant to the audit. The ITGC evaluation included audit procedures to assess controls over logical accesses, change management and other technology aspects. With regard to the audit of logical accesses, we analyzed, on a sample basis, the process for authorizing and granting new users' access, timely removal of access to transferred or terminated employees, and review of users on a regular basis.

In addition, we evaluated password, security settings, and technology resource access policies. Regarding the change management process, we evaluated whether changes to the systems were properly authorized and approved by B3 management. We also analyzed the operations management process, focusing on the policies to safeguard information and timely handling of incidents.

In the processes considered significant for the financial statements, we identified the main automated or technology dependent controls, so that, on a sample basis, we could perform tests focused on the design and operational effectiveness of such controls. In addition, we evaluated whether business continuity guidelines follow market standards and whether the incidents reported throughout the year were referred to the Business Continuity Committee.

We involved our technology professionals in performing these procedures.

Our procedures performed in the design and operation of ITGC, as well as of automated controls and technology dependent controls, deemed significant in the audit process, provided us with a basis for planning the nature, timing and extent of our substantive audit procedures.



2. Role of central counterparty and guarantor in the market

B3 is a vertically integrated multi-asset and multi-market stock exchange, a model where a single agent is responsible for all phases of the market's trading and post-trading process. Accordingly, the Company operates as an asset central depository, clearing and settlement house and central counterparty. In its role of central counterparty and guarantor, B3 becomes, for settlement purposes, buyer of all sellers and seller for all buyers. This requires B3 to establish mechanisms to fully and partially estimate and hedge losses, if any, arising from non-settlement of one or more participants and to maintain financial investments in highly-liquid assets with low exposure to market and credit risk.

As at December 31, 2020, B3 has R\$452,749,957 thousand in collaterals deposited by participants, as described in the financial statement, note 14, which was considered appropriate in forming an opinion on the financial statements taken as a whole. We consider this to be a key audit matter due to the amounts involved and the Company's role as Financial Market Infrastructure.

How our audit addressed this matter:

Our audit procedures included, among others, understanding the chambers' activities, focusing on the Risk Modeling, Central Counterparty Risk, Collateral Management and Pricing processes. In these processes, we evaluated the aspects of organizational structure and governance, definition of strategy and boundaries, policies and measurement methodologies. We also identified and evaluated the design and operational effectiveness of key controls related to pricing, calculation and margin call.

Considering the methodology used by B3, we performed an independent recalculation of the margin required in certain scenarios and periods, and also recalculated the allocations of collaterals. We checked the reconciliation of information disclosed in the explanatory information with the operational system's reports as at December 31, 2020, in addition to checking the custody statements for a sample of assets and carrying out external confirmation, by means of a sample, of the positions deposited as guarantees with market participants.

We involved our subject matter experts in risk management and controls in performing these procedures.

The results of our audit procedures on the test of collaterals deposited by market participants were consistent with those assessed and disclosed by management, according to the financial statement, note 14 and were considered appropriate in forming an opinion on the financial statements taken as a whole.



3. Goodwill impairment tests of Bovespa Holding S.A. and CETIP S.A. - Mercados Organizados

The Company has R\$22,338,799 thousand recorded in its statement of financial position referring to goodwill generated on the acquisitions of Bovespa Holding S.A. and CETIP S.A. - Mercados Organizados.

The goodwill impairment test involves significant judgment in determining the assumptions used in the cash flow projections, including growth and discount rates. Due to the significance of the amounts involved, misstatements, if any, in determining the recoverable amounts of goodwill recorded, may result in a significant impact on the financial statements. Accordingly, this issue was considered a key audit matter.

How our audit addressed this matter:

Our audit procedures included, among others, the analysis of the methodology and models used by management in evaluating goodwill, including the definition of assumptions that support the cash flow projections considered in the impairment tests of these assets. We evaluated the consistency of data used against market prospects. We performed an independent discount rate calculation, using our market premium, comparable companies' beta and country risk assumptions, among others. We involved our valuation subject matter experts in these procedures.

We compared the assertiveness of projections made by management in prior periods in relation to the performance achieved by B3. We analyzed the behavior of the key assumptions adopted under stress scenarios, in order to anticipate the sensitivities of the methodology as well as the analysis made by the Company regarding the impacts generated by the current social and economic scenario resulting from the Covid-19 pandemic on its future income projections.

In addition, we also crosschecked the recoverable amount determined based on the discounted cash flows, per cash-generating unit, with the respective carrying amount of goodwill and assessed the adequacy of the disclosures made in Note 08 to the financial statements.

Based on the audit procedures performed in relation to goodwill impairment tests prepared by Company management, and on the audit evidence obtained that supports our tests, including our sensitivity analyses, we consider that goodwill impairment assessments, prepared by the Company, as well as the respective disclosures, are appropriate, in the context of the financial statements taken as a whole.

4. Disclosure and provisions for tax, civil and labor contingencies

As described in Note 11, B3 and its subsidiaries are parties to various legal and administrative proceedings involving labor, tax and civil matters arising from the ordinary course of their business.

The assignment of the likelihood of loss to the lawsuits involves a high degree of subjectivity on the part of the legal advisors in charge of the defense, as well as on the part of B3 management, and take into consideration, among others, aspects related to the existence of case law, recurrence of the demands presented and measurement of future disbursements, if any.



Due to the significant, complexity and judgment involved in the assessment, definition of the timing for recognition, measurement and disclosures related to tax, civil and labor contingencies, we considered this matter to be significant to the audit process.

How our audit addressed this matter:

Our audit procedures included, among others, obtaining letters of confirmation regarding ongoing lawsuits, directly from the Company's legal advisors for December 31, 2020, and crosschecking the likelihood of loss and amounts attributed against operational controls and accounting records.

For the most significant lawsuits, we tested the calculation of amounts recorded and disclosed and evaluated the likelihood in relation to well-known case law and legal theses. We involved our subject matter experts of Taxes in performing these procedures.

We also analyzed communications received from regulators related to lawsuits, assessments and disputes to which the Company is a party, and the sufficiency of disclosures related to issues arising from contingencies and provisions recorded.

Finally, we also assessed the adequacy of the disclosures made by the Company regarding tax, civil and labor contingencies, included in Note 11 to the financial statements.

Based on the audit procedures performed on tax, civil and labor contingencies and on the results obtained, we consider that the provisions and disclosures prepared by management are appropriate in the context of the financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added (SVA) for year ended December 31, 2020, prepared under the responsibility of Company management, and presented as supplementary information for purposes of IFRS, were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined in Accounting Pronouncement NBC TG 09 - Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in abovementioned accounting pronouncement and are consistent in relation to the overall individual and consolidated financial statements.

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

Management is responsible for such other information, which comprise the Management Report.

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



In connection with our audit of the individual and 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 of the Management Report, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (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 individual and consolidated financial statements, management is responsible for assessing the Company's 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 the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process, which include Management, Audit Committee and the Board of Directors.

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

Our objectives are to obtain reasonable assurance about whether the individual and 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 exercised professional judgment and maintained professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit 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 Company's and its subsidiaries' internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability 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 individual and 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 the Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the corresponding transactions and events in a manner that achieves fair presentation.
- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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



From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. 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.

São Paulo, March 4, 2021.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP034519/O-6

Flávio Serpejante Peppe
Partner

A handwritten signature in blue ink, appearing to be 'Flávio Serpejante Peppe', is written over the printed name and title. The signature is stylized and includes a large circular flourish.

A free translation from Portuguese into English of Independent Auditor's Report on individual and consolidated financial statements prepared in accordance with accounting practices adopted in Brazil and in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and in Reais (R\$).

B3 S.A. - Brasil, Bolsa, Balcão
Balance sheet
 At December 31, 2020 and 2019
(In thousands of reais)



Assets	Notes	B3		Consolidated	
		2020	2019	2020	2019
Current assets		15,791,971	9,532,465	17,086,412	10,454,127
Cash and cash equivalents	4(a)	1,304,718	391,934	1,438,420	494,033
Financial investments	4(b)	12,882,150	7,884,389	14,003,987	8,631,578
Derivative financial instruments	4(c)	64,900	345,422	64,900	345,422
Accounts receivable	5	403,225	330,912	412,116	339,320
Taxes recoverable	16(d)	994,777	464,719	1,010,296	481,477
Prepaid expenses		118,157	96,075	120,295	96,575
Other receivables		24,044	19,014	36,398	65,722
Noncurrent assets available to sell		14,878	14,878	14,878	14,878
Noncurrent assets		31,173,377	31,105,424	29,231,493	29,558,310
Long-term receivables		2,484,973	2,226,936	2,690,449	2,333,685
Financial investments	4(b)	2,203,418	1,931,578	2,408,519	2,037,970
Derivative financial instruments	4(c)	210	-	210	-
Judicial deposits	11(h)	266,787	274,633	267,158	274,990
Prepaid expenses		14,558	20,725	14,562	20,725
Investments		2,324,846	1,830,502	48,070	47,223
Interest held in subsidiaries and associate	6(a)	2,324,846	1,830,502	25,025	22,660
Investment properties	6(b)	-	-	23,045	24,563
Property and equipment	7	790,925	679,880	808,894	689,853
Intangible assets	8	25,572,633	26,368,106	25,684,080	26,487,549
Total assets		46,980,226	40,652,767	46,332,783	40,027,315

See accompanying notes.

B3 S.A. - Brasil, Bolsa, Balcão
Balance sheet
 At December 31, 2020 and 2019
(In thousands of reais)



Liabilities and equity	Notes	B3		Consolidated	
		2020	2019	2020	2019
Current liabilities		8,680,928	7,680,989	9,678,085	8,055,193
Collateral for transactions	14	5,695,723	3,013,447	5,695,723	3,013,447
Earnings and rights on securities in custody	21(c)	75,597	69,897	75,597	69,897
Suppliers		212,501	178,030	220,528	184,390
Salaries and social charges	21(a)	423,108	393,862	437,310	402,509
Taxes and contributions payable	21(b)	746,025	290,507	763,386	312,689
Loans and financing	9	94,629	2,806,345	79,401	2,537,993
Derivative financial instruments	4(c)	9,298	794	9,298	794
Dividends and interest on equity payable		1,101,477	676,224	1,101,477	676,224
Revenues to be allocated		58,830	52,703	58,830	52,703
Other liabilities	10	263,740	199,180	1,236,535	804,547
Noncurrent liabilities		13,789,347	7,583,777	12,133,274	6,570,889
Loans and financing	9	8,638,035	2,851,252	6,980,365	1,826,554
Deferred income tax and social contribution	16(a)	4,533,575	3,781,389	4,529,334	3,788,388
Provisions for tax, civil, labor and other contingencies	11(e)	530,741	866,299	535,864	870,210
Revenues to be allocated		60,258	57,736	60,258	57,736
Other liabilities	10	26,738	27,101	27,453	28,001
Equity	12	24,509,951	25,388,001	24,521,424	25,401,233
Capital and reserves attributable shareholders of B3					
Capital		12,548,655	3,548,655	12,548,655	3,548,655
Capital reserve		9,097,646	18,104,738	9,097,646	18,104,738
Revaluation reserves		17,259	17,845	17,259	17,845
Income reserves		1,696,038	2,876,239	1,696,038	2,876,239
Treasury shares		(916,632)	(196,619)	(916,632)	(196,619)
Other comprehensive income		78,773	42,896	78,773	42,896
Proposed additional dividend		1,988,212	994,247	1,988,212	994,247
		24,509,951	25,388,001	24,509,951	25,388,001
Non-controlling interests		-	-	11,473	13,232
Total liabilities and equity		46,980,226	40,652,767	46,332,783	40,027,315

See accompanying notes.

B3 S.A. - Brasil, Bolsa, Balcão**Statement of income**

Years ended December 31, 2020 and 2019

(In thousands of reais, unless otherwise stated)

	Notes	B3		Consolidated	
		2020	2019	2020	2019
Revenues	17	8,227,102	5,786,552	8,382,575	5,907,756
Expenses		(2,579,487)	(2,607,421)	(2,702,146)	(2,678,765)
General and administrative					
Personnel and charges		(789,773)	(786,295)	(852,825)	(829,171)
Data processing		(251,256)	(193,977)	(266,675)	(199,452)
Depreciation and amortization	6(b), 7 and 8	(1,026,547)	(1,022,985)	(1,041,301)	(1,030,250)
Revenue-linked expense		(175,933)	(233,300)	(191,789)	(239,246)
Third-party services		(73,965)	(67,031)	(78,558)	(69,988)
Maintenance in general		(19,163)	(19,910)	(23,011)	(23,300)
Promotion and publicity		(20,996)	(32,144)	(21,819)	(32,553)
Taxes and charges		(9,101)	(11,486)	(11,073)	(13,123)
Board and committee members		(12,998)	(14,230)	(13,102)	(14,230)
Sundry expenses	18	(199,755)	(226,063)	(201,993)	(227,452)
Impairment of assets	8	(80,385)	-	(80,385)	-
Equity pickup	6(a)	476,157	139,931	2,365	3,150
Financial result	19	(555,012)	(3,333)	(86,559)	106,905
Financial income		360,422	543,565	373,112	552,406
Financial expenses		(367,627)	(473,751)	(302,485)	(422,624)
Net exchange rate variations		(547,807)	(73,147)	(157,186)	(22,877)
Income before income taxes		5,488,375	3,315,729	5,515,850	3,339,046
Income tax and social contribution	16(c)	(1,336,071)	(601,563)	(1,365,135)	(625,842)
Current		(596,646)	(164,786)	(633,851)	(193,543)
Deferred		(739,425)	(436,777)	(731,284)	(432,299)
Net income for the years		4,152,304	2,714,166	4,150,715	2,713,204
Attributable to:					
Shareholders of B3		4,152,304	2,714,166	4,152,304	2,714,166
Non-controlling interests		-	-	(1,589)	(962)
Earnings per share attributable to shareholders of B3 (in R\$ per share)	12(g)				
Basic earnings per share				2.032616	1.326246
Diluted earnings per share				2.027082	1.321647

See accompanying notes.

B3 S.A. - Brasil, Bolsa, Balcão
Statement of comprehensive income
Years ended December 31, 2020 and 2019
(In thousands of reais)



	Note	B3		Consolidated	
		2020	2019	2020	2019
Net income for the years		4,152,304	2,714,166	4,150,715	2,713,204
Other comprehensive income to be reclassified to P&L for the year in subsequent years		11,366	(8,703)	11,366	(8,703)
Exchange rate variation on investment in foreign subsidiary	6(a)	-	-	11,461	702
Exchange rate variation on investment in foreign subsidiary		-	-	11,461	702
Cash flow hedge effects, net taxes		1,240	(8,152)	1,240	(8,152)
Amount of cash flow hedging instruments		66,437	31,546	66,437	31,546
Transfer to cash flow hedging instrument to income		(65,197)	(39,698)	(65,197)	(39,698)
Market to market of financial assets, net of taxes		(980)	(1,254)	(1,335)	(1,253)
Market to market of financial assets		(980)	(1,254)	(1,335)	(1,253)
Equity pickup on other comprehensive income of subsidiaries	6(a)	11,106	703	-	-
Translation adjustments of subsidiary		11,461	702	-	-
Other comprehensive income of subsidiary		(355)	1	-	-
Other comprehensive income not reclassified to P&L in subsequent periods, net of taxes		33,027	9,702	33,027	9,702
Result with equity instruments		33,027	9,702	33,027	9,702
Effect of cash flow hedge		(66,116)	(7,557)	(66,116)	(7,557)
Market to market of equity instruments		47,847	8,765	47,847	8,765
Exchange rate variation on financial assets		51,296	8,494	51,296	8,494
Total other comprehensive income		44,393	999	44,393	999
Total comprehensive income for the years		4,196,697	2,715,165	4,195,108	2,714,203
Attributable to:		4,196,697	2,715,165	4,195,108	2,714,203
Shareholders of B3		4,196,697	2,715,165	4,196,697	2,715,165
Non-controlling interests		-	-	(1,589)	(962)

See accompanying notes.

B3 S.A. - Brasil, Bolsa, Balcão
Statement of changes in equity
Years ended December 31, 2020 and 2019
(In thousands of reais)



Notes	Attributable to shareholders of B3											Non-controlling interests	Total equity
	Capital	Capital reserve	Revaluation reserves (Note 12(c))	Income reserves (Note 12(e))		Treasury shares (Note 12(b))	Other comprehensive income	Proposed additional dividend	Retained earnings	Total			
				Legal reserve	Statutory reserve								
Balances at December 31, 2018	3,548,655	18,066,178	18,431	3,453	3,519,990	(165,635)	41,897	-	-	25,032,969	11,227	25,044,196	
Net income for the period	-	-	-	-	-	-	-	-	2,714,166	2,714,166	(962)	2,713,204	
Other comprehensive incomes:													
Exchange rate variation on investment in foreign subsidiary	-	-	-	-	-	-	702	-	-	702	-	702	
Cash flow hedge instruments effect, net of taxes	-	-	-	-	-	-	(8,152)	-	-	(8,152)	-	(8,152)	
Market to market of financial instruments, net of taxes	-	-	-	-	-	-	(1,253)	-	-	(1,253)	-	(1,253)	
Result with equity instruments	-	-	-	-	-	-	9,702	-	-	9,702	-	9,702	
Total comprehensive income	-	-	-	-	-	-	999	-	2,714,166	2,715,165	(962)	2,714,203	
Share buyback	12(b)	-	-	-	-	(75,531)	-	-	-	(75,531)	-	(75,531)	
Realization of revaluation reserves – subsidiaries	-	-	(586)	-	-	-	-	-	586	-	-	-	
Income from leasing	-	(1,140)	-	-	-	-	-	-	-	(1,140)	-	(1,140)	
Transfer of treasury shares - stock grant plan	15(a)	-	(44,125)	-	-	44,125	-	-	-	-	-	-	
Disposal of treasury shares – stock options exercised	-	-	(25)	-	-	422	-	-	-	397	-	397	
Recognition of stock grant plan	15(a)	-	83,850	-	-	-	-	-	-	83,850	-	83,850	
Non-controlling interests of BLK	-	-	-	-	-	-	-	-	-	-	2,967	2,967	
Proposed additional dividend	-	-	-	-	(647,204)	-	-	650,000	(2,796)	-	-	-	
Other equity changes	-	-	-	-	-	-	-	-	2,210	2,210	-	2,210	
Allocations of profit:													
Dividends	12(f)	-	-	-	-	-	-	344,247	(1,155,167)	(810,920)	-	(810,920)	
Interest on Equity	12(f)	-	-	-	-	-	-	-	(1,558,999)	(1,558,999)	-	(1,558,999)	
Balances at December 31, 2019		3,548,655	18,104,738	17,845	3,453	2,872,786	(196,619)	42,896	994,247	25,388,001	13,232	25,401,233	

See accompanying notes.

B3 S.A. - Brasil, Bolsa, Balcão
Statement of changes in equity
Years ended December 31, 2020 and 2019
(In thousands of reais)



Notes	Attributable to shareholders of B3											Non-controlling interests	Total equity
	Capital	Capital reserve	Revaluation reserves (Note 12(c))	Income reserves (Note 12(e))		Treasury shares (Note 12(b))	Other comprehensive income	Proposed additional dividend	Retained earnings	Total			
				Legal reserve	Statutory reserve								
Balances at December 31, 2019	3,548,655	18,104,738	17,845	3,453	2,872,786	(196,619)	42,896	994,247	-	25,388,001	13,232	25,401,233	
Net income for the period	-	-	-	-	-	-	-	-	4,152,304	4,152,304	(1,589)	4,150,715	
Other comprehensive incomes:													
Exchange rate variation on investment in foreign subsidiary	-	-	-	-	-	-	11,461	-	-	11,461	-	11,461	
Cash flow hedge instruments effect, net of taxes	-	-	-	-	-	-	1,240	-	-	1,240	-	1,240	
Market to market of financial instruments, net of taxes	-	-	-	-	-	-	(1,335)	-	-	(1,335)	-	(1,335)	
Result with equity instruments	-	-	-	-	-	-	33,027	-	-	33,027	-	33,027	
Total comprehensive income	-	-	-	-	-	-	44,393	-	4,152,304	4,196,697	(1,589)	4,195,108	
Capital increase	12(a)	9,000,000	(9,000,000)	-	-	-	-	-	-	-	-	-	
Share buyback	12(b)	-	-	-	-	(798,185)	-	-	-	(798,185)	-	(798,185)	
Realization of revaluation reserves – subsidiaries	-	-	-	(586)	-	-	-	-	586	-	-	-	
Transfer of treasury shares - stock grant plan	15(a)	-	(78,172)	-	-	-	78,172	-	-	-	-	-	
Recognition of stock grant plan	15(a)	-	78,178	-	-	-	-	-	-	78,178	-	78,178	
Non-controlling interests of BLK	-	-	-	-	-	-	-	-	-	-	(170)	(170)	
Acquisition of non-controlling interest in BLK	-	-	(7,098)	-	-	-	-	-	-	(7,098)	-	(7,098)	
Resulting from the sale of equity instruments	-	-	-	-	-	-	(8,516)	-	8,516	-	-	-	
Other equity changes	-	-	-	-	-	-	-	-	395	-	-	395	
Approval/payment of dividends	-	-	-	-	-	-	-	(994,247)	-	(994,247)	-	(994,247)	
Proposed additional dividend	12(f)	-	-	-	(1,180,201)	-	-	1,189,698	(9,497)	-	-	-	
Allocations of profit:													
Dividends	12(f)	-	-	-	-	-	-	798,514	(2,958,439)	(2,159,925)	-	(2,159,925)	
Interest on Equity	12(f)	-	-	-	-	-	-	-	(1,193,865)	(1,193,865)	-	(1,193,865)	
Balances at December 31, 2020		12,548,655	9,097,646	17,259	3,453	1,692,585	(916,632)	78,773	1,988,212	-	24,509,951	11,473	24,521,424

See accompanying notes.

B3 S.A. - Brasil, Bolsa, Balcão
Statement of cash flow
Years ended December 31, 2020 and 2019
(In thousands of reais)



	Notes	B3		Consolidated	
		2020	2019	2020	2019
Cash flow from operating activities					
Net income for the years		4,152,304	2,714,166	4,150,715	2,713,204
Adjustments for:					
Depreciation and amortization	6(b), 7 and 8	1,026,547	1,022,985	1,041,301	1,030,250
Impairment of assets	8	80,385	-	80,385	-
Deferred income tax and social contribution	16(a)	739,425	436,777	731,284	432,299
Equity pick-up	6(a)	(476,157)	(139,931)	(2,365)	(3,150)
Stock grant plan expenses	15(a)	75,079	80,031	78,178	83,850
Interest expenses	19	330,258	369,344	259,381	315,548
Provision for tax, civil and labor contingencies	11(e)	(178,306)	164,748	(176,929)	165,221
Derivative financial instruments		(906,207)	(95,049)	(906,207)	(95,049)
Exchange rate variation - fair value hedge	9	806,249	95,411	806,249	95,411
Exchange rate variation - loans taken	9	537,670	71,934	174,900	23,385
Market to market of fundraising	9	19,491	17,088	19,491	17,088
Conversion adjustments of subsidiaries	6(a)	-	-	11,461	702
Exchange rate variation of judicial deposits		(5,766)	(9,929)	(5,787)	(9,728)
Other		19,697	18,295	19,561	19,011
Adjusted Net Income		6,220,669	4,745,870	6,281,618	4,788,042
Decrease (increase) in assets					
Financial investments		(5,927,445)	(2,568,561)	(6,400,338)	(2,470,910)
Taxes recoverable and prepaid		45,407	(68,837)	55,129	(72,711)
Accounts receivable		(80,095)	(13,937)	(80,540)	(14,720)
Other receivables		(6,541)	4,542	29,276	(46,677)
Prepaid expenses		(15,915)	(60,933)	(17,557)	(61,411)
Judicial deposits		13,612	98,675	13,619	98,671
Increase (decrease) in liabilities					
Collateral for transactions		2,682,276	902,514	2,682,276	902,514
Earnings and right on securities in custody		5,700	10,047	5,700	10,047
Suppliers		34,471	(10,625)	36,057	(14,129)
Taxes and contributions payable		417,540	174,313	422,259	194,006
Salaries and social charges		29,246	68,477	34,718	72,589
Other liabilities		65,916	81,090	433,143	14,965
Revenues to be allocated		8,649	19,232	8,649	19,232
Provision for tax, civil, and labor contingencies	11(e)	(157,252)	(12,594)	(157,417)	(16,227)
Cash from operating activities		3,336,238	3,369,273	3,346,592	3,403,281
Payment of income tax and social contribution		(575,465)	(167,719)	(593,509)	(183,291)
Net cash from operating activities		2,760,773	3,201,554	2,753,083	3,219,990
Cash flow from investing activities					
Disposal of property and equipment		287	878	323	867
Purchase of property and equipment	7	(212,420)	(139,111)	(222,435)	(140,266)
Dividends and interest on equity received		46,312	39,621	-	-
Settlement of derivative financial instrument		1,119,328	1,355	1,119,328	1,355
Subsidiary capital increase	6(a)	(55,930)	(33,389)	-	-
Subsidiary capital increase – non-controlling interest		-	-	-	1,250
Purchase and development of software	8	(206,894)	(155,055)	(220,334)	(157,325)
Acquisition of subsidiary	6(a)	(5,331)	(51,450)	(5,331)	(51,450)
Acquisition of non-controlling interest in BLK		(7,076)	-	(7,076)	-
Cash effect - acquisition of subsidiary		-	-	2	438
Net cash from investing activities		678,276	(337,151)	664,477	(345,131)
Cash flow from financing activities					
Disposal of treasury shares - stock options exercised		-	398	-	398
Share buyback	12(b)	(798,185)	(75,531)	(798,185)	(75,531)
Debentures issue/loans taken	9	5,005,000	1,200,000	5,005,000	1,404,990
Cost of debentures taken out	9	(33,677)	(1,059)	(33,677)	(1,059)
Amortization of principal and interest on loans	9	(3,594,570)	(1,871,718)	(3,541,478)	(2,022,940)
Payment of interest on equity		(3,884,422)	(2,061,738)	(3,884,422)	(2,061,738)
Net cash used in financing activities		(3,305,854)	(2,809,648)	(3,252,762)	(2,755,880)
Net increase in cash and cash equivalents		133,195	54,755	164,798	118,979
Balance of cash and cash equivalents at beginning of year	4(a)	137,880	83,125	239,979	121,000
Balance of cash and cash equivalents at end of year	4(a)	271,075	137,880	404,777	239,979

See accompanying notes.

B3 S.A. - Brasil, Bolsa, Balcão

Statement of value added

Years ended December 31, 2020 and 2019

(In thousands of reais)

	Notes	B3		Consolidated	
		2020	2019	2020	2019
1 – Revenues		9,292,367	6,558,932	9,463,674	6,688,355
Registration, trading, clearance and settlement system	17	7,817,781	5,760,479	7,914,113	5,823,744
Technology, data and services	17	1,063,355	683,677	1,134,224	749,439
Reversal of provision	17	277,283	2,843	279,058	3,324
Constitution/reversal of estimated losses on credits	5	(6,265)	269	(6,382)	184
Revenue related to the construction of assets for use		140,213	111,664	142,661	111,664
2 - Goods and services acquired from third parties		904,342	836,785	947,002	856,266
Data processing		251,256	193,977	266,675	199,452
Linked to revenues		175,933	233,300	191,789	239,246
Third party services		73,965	67,031	78,558	69,988
General maintenance		19,163	19,910	23,011	23,300
Marketing		20,996	32,144	21,819	32,553
Sundry expenses		193,490	226,332	195,611	227,636
Third party and other services used in the construction of assets for use		89,154	64,091	89,154	64,091
Impairment of assets		80,385	-	80,385	-
3 - Gross value added (1-2)		8,388,025	5,722,147	8,516,672	5,832,089
4 - Retentions		1,026,547	1,022,985	1,041,301	1,030,250
Depreciation and amortization	6(b), 7 and 8	1,026,547	1,022,985	1,041,301	1,030,250
5 - Net value added produced by the Company (3-4)		7,361,478	4,699,162	7,475,371	4,801,839
6 - Value added received in transfer		836,579	683,496	375,477	555,556
Equity pickup	6(a)	476,157	139,931	2,365	3,150
Financial income	19	360,422	543,565	373,112	552,406
7 - Total value added to be distributed (5+6)		8,198,057	5,382,658	7,850,848	5,357,395
8 - Distribution of value added		8,198,057	5,382,658	7,850,848	5,357,395
Personnel and charges (a)		789,773	786,295	852,825	829,171
Personnel and charges used in the construction of assets		51,059	47,573	53,507	47,573
Board and committee members' compensation		12,998	14,230	13,102	14,230
Taxes, charges and contributions (b)					
Federal		2,124,870	1,165,083	2,164,285	1,196,126
Municipal		151,619	108,413	156,743	111,590
Financial expenses and net exchange rate variation	19	915,434	546,898	459,671	445,501
Interest on equity and dividends	12 (f)	4,152,304	2,714,166	4,152,304	2,714,166
Net loss for the years – Non-controlling interests		-	-	(1,589)	(962)

(a) Includes internal labor used in the development/construction of assets for own use.

(b) Includes: taxes and charges, Contribution Taxes on Gross Revenue for Social Integration Program (PIS) and for Social Security Financing (COFINS), Service Tax (ISS), and current and deferred Income tax and social contribution (IRPJ and CSLL).

See accompanying notes.



1. Operations

B3 S.A. - Brasil, Bolsa, Balcão (B3) is a publicly-traded corporation headquartered in the city of São Paulo.

B3 is primarily engaged controlling or holding interest in entities that perform the following activities:

- Management of organized securities markets, ensuring the organization, operation and development of free markets open to negotiation of any types of securities or contracts based on or backed by financial assets, indices, indicators, rates, goods, currencies, energy products, transportation products, commodities, and other assets or rights related or not thereto, for spot or future settlement;
- Maintenance of environment or systems appropriate for conducting purchases and sales, auctions and operations involving securities, notes, rights and financial assets or not, in the exchange market and organized OTC market;
- Provision of registration, clearing, and physical and financial settlement services, by means of an internal facility or entity especially organized for this purpose, which may or may not act as central counterparty and guarantor of final settlement, under the terms of legislation currently in force and their internal regulations, including, but not limited to: (a) of the operations carried out and/or registered in any of the environments or systems listed in the items above; or (b) operations carried out or registered on other stock exchanges, markets or trading systems;
- Provision of centralized or non-centralized depository services, and fungible and infungible custody of goods, bonds and securities and any other assets;
- Provision of services relating to standardization, classification, analysis, quotations, statistics, professional training, studies, publications, information, libraries and software development relating to subjects of interest to B3 and the participants in the markets directly or indirectly managed by B3;
- Provision of technical, administrative and management support for the purposes of market development, including, but not limited to, services auxiliary to customer reviews and procedures to prevent money laundering;
- Exercise of educational, promotional and publishing activities relating to its corporate purpose and the markets managed by B3;
- Provision of services to effect the registration of liens and encumbrances on securities, notes, assets, financial or not and other financial instruments, including registration of instruments constituting collateral, in compliance with the applicable rules and regulations;
- Provision of services associated with support for credit, financing and lease operations, including by means of the development and operation of information technology and data processing systems, involving the automotive vehicle and real estate segments, among others, in compliance with the applicable rules and regulations;



- Provision of services associated with the insurance market, including data services and development and operation of information technology and data processing systems, in compliance with applicable regulation;
- The construction of a database and related activities including data processing and intelligence;
- Other activities authorized by the Brazilian SEC (CVM) or Central Bank of Brazil, which B3 Board of Directors considers to further the interests of participants in the markets managed by B3 and to contribute to their development and health; and
- Holding interest in other companies or associations based in Brazil or abroad, as a member, partner or shareholder, albeit not necessarily as controlling shareholder, provided their core activities are those expressly mentioned in the Company's Articles of Association or the Board of Directors regards such participation as furthering the interests of participants in the markets managed by B3 and contributing to their development and health.

Concomitantly, B3:

- Organizes, develops and provides for the operation of free and open securities markets, for spot and future settlement. Its activities are carried out through its trading systems and clearing houses, and include transactions involving securities, interbank foreign exchange and securities under custody in the Special System for Settlement and Custody (Selic);
- Manages organized over-the-counter markets, that is, trading and registration of securities, public and private fixed income securities and over-the-counter derivatives. It is a systemically important clearing and settlement house, under the terms defined by the Brazilian Payments System legislation (Law No. 10214), which keeps written custody of assets and contracts, registers transactions performed in the over-the-counter market, processes financial settlements and offers the market an electronic platform for performing various types of online transactions, such as auctions and trading of public, private and fixed income securities;
- Develops technology solutions and maintains high performance systems, providing its customers with security, agility, innovation and cost effectiveness. The success of its activities depends on the ongoing improvement, enhancement and integration of its trading and settlement platforms and its ability to develop and license leading-edge technologies required for the good performance of its operations; and
- Provides information on additions and eliminations of financial restrictions related to vehicle financing transactions, with an integrated nation-wide electronic system, providing critical infrastructure to the vehicle financing market.

Lastly, B3 always seeks to expand its product portfolio and thus strengthen the relationship and offer more complete solutions to its customers. Accordingly, and in compliance with its business purpose, B3 made acquisitions throughout 2020, as described below:



- On January 30, 2020, B3 incorporated a wholly owned subsidiary in the United States of America, named B3 S.A. USA Chicago LLC (USA Chicago), in order to represent B3 and disseminate information about the Brazilian market abroad through the relationship with other stock exchanges and regulators.
- On June 19, 2020, B3 completed the acquisition of 100% of Central de Exposição a Derivados (CED), after executing the contract and meeting the preliminary conditions established in the transaction with Febraban, previously responsible for the CED operation. Founded in 2010 in a joint initiative of participants and regulators as a response to the problems detected in the 2008 foreign exchange derivatives crisis, CED serves the Brazilian derivatives banking market, generating consolidated reports of exposures to derivatives of financial institutions' customers.
- On September 29, 2020, B3 completed the acquisition of the remaining 25% equity interest, thus becoming BLK's sole shareholder.

2. Preparation and presentation of quarterly information

This financial statement was approved by the Board of Directors of B3 on March 4, 2021.

The financial statements are prepared and presented in accordance with accounting practices adopted in Brazil.

All significant information used by Management in managing B3 is evidenced in these financial statements According Guidance OCPC 07.

a) Consolidated financial statements

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), implemented in Brazil through the Brazilian FASB (CPC) and their technical interpretations (ICPC) and guidance (OCPC), approved by the Brazilian SEC (CVM).

The consolidated financial statements includes the balances of B3 and its subsidiaries, as well as special purpose entities comprising investment funds, as follows:

Direct subsidiaries and controlled entities:	% - Ownership Interest	
	2020	2019
Banco B3 S.A. (Banco B3)	100.00	100.00
Bolsa de Valores do Rio de Janeiro (BVRJ)	86.95	86.95
B3 S.A. - Brasil, Bolsa, Balcão UK Ltd. (UK Ltd.)	100.00	100.00
BM&FBOVESPA BRV LLC (BRV LLC)	100.00	100.00
B3 Inova USA LLC (B3 Inova)	100.00	100.00
CETIP Info Tecnologia S.A. (CETIP Info)	100.00	100.00
CETIP Lux S.à.r.l. (CETIP Lux)	100.00	100.00
Portal de Documentos S.A. (Portal de Documentos)	100.00	100.00
BLK Sistemas Financeiros Ltda. (BLK)	100.00	75.00
Central de Exposição a Derivativos (CED)	100.00	-
B3 S.A. USA Chicago LLC (USA Chicago)	100.00	-



Exclusive investment funds:

BB Pau Brasil Fundo de Investimento Renda Fixa (BB Pau Brasil FI RF)

Imbuia FI Renda Fixa Referenciado DI (Imbuia FI RF DI)

Fundo de Investimento Jacarandá Renda Fixa (Jacarandá RF)

In order to serve its customers and satisfy the specificities of the market in which it operates, by means of its wholly-owned subsidiary, Banco B3, the Company offers centralization of custody of the assets deposited as guarantee margin for operations to holders of access rights and their clearing houses.

Subsidiary UK Ltd., located in London, represents B3 abroad, through relationships with other stock exchanges and regulators, and assists in the pursuit of new customers for the market.

BRV LLC, jointly with B3, is the co-owner of all intellectual property rights related to the stock module of PUMA Trading System platform and any other modules jointly developed by the parties, the ownership of which is assigned to B3. Since it is primarily a subsidiary engaged in protecting rights, this special purpose entity is not expected to have operating activities.

B3 Inova, headquartered in Wilmington, USA, has as its corporate purpose the capital investment in companies or companies established in any form.

Cetip Info is a corporation headquartered in Barueri, in the state of São Paulo, whose corporate purpose is to provide services involving data processing and management of information technology systems, advisory and commercial representation on its own account and on behalf of third parties, intermediation of businesses in general, except in the real estate segment, and holding interests in the capital of other companies, either in the same segment or not.

CETIP Lux, headquartered in Luxembourg, has as its corporate purpose the acquisition of equity interests in any companies or companies established in any form and the raising of financial resources.

Portal de Documentos is a corporation headquartered in Barueri, state of São Paulo, engaged in providing solutions for customers of notarial services, increasing efficiency through the following services: (i) integration and registration of electronic documents for document authentication purposes; (ii) submission and confirmation of e-mails read; (iii) technical support, maintenance and other information technology services; (iv) production of electronic documents with legal value; (v) document agents; and (vi) credit collection and recovery.

BLK is limited liability company headquartered in São Paulo, state of São Paulo, engaged in software development, software-related licensing or assignment of rights, information technology technical support and training, provision of information services, lease of website space, and holding interest in other companies as a partner, shareholder or member.

CED is a company, headquartered in São Paulo, state of São Paulo, engaged in providing the capital market with transparency on the positions of derivatives taken out in Brazil, allowing a more accurate assessment of financial institutions in granting loan to companies in this type of transaction.

USA Chicago, headquartered in the city of Delaware, USA, is engaged in representing B3 abroad, through relationships with other stock exchanges and regulators.



b) Individual quarterly information

The individual financial statements (B3) were prepared in accordance with accounting practices adopted in Brazil, which comprise the provisions contained in the Brazilian corporation law (Law No. 6404/76), as amended by Laws No.11638/07 and No. 11941/09, and the pronouncements, interpretations and guidance of the Brazilian Financial Accounting Standards Board (CPC), approved by the Brazilian Securities and Exchange Commission (CVM).

c) Functional currency

The individual and consolidated quarterly information was prepared and are presented in Brazilian reais, which is the functional currency of B3.

d) Business combination

Central de Exposição a Derivativos (CED)

On June 1, 2020, B3 acquired CED. The fair value of the consideration was R\$5,331 fully paid in cash. The allocation of the amount paid was based on a preliminary valuation of the fair value of the net assets acquired of CED and is under review by Management. The amounts allocated and the goodwill generated in the operation are immaterial. B3 expects to complete these studies in the coming months.

Founded in 2010 in a joint initiative of participants and regulators as a response to the problems detected in the 2008 foreign exchange derivatives crisis, CED is a company that offers to capital market transparency on the positions of derivatives taken out in Brazil, allowing a more accurate assessment of financial institutions in granting loan to companies in this type of transaction.

3. Summary of significant accounting practices

For a better understanding in the reading of the financial statements, as of 2020, the significant accounting practices are now described in the related explanatory notes, except for the practices below that are related to more than one explanatory note. The accounting practices have been consistently adopted for the current and prior years.

a. Prepaid expenses

These are represented by agreements entered into with suppliers deriving from prepayment of various services rendered. Expenses are allocated to the statement of profit or loss over the term of each agreement and to the extent that the services are received.

b. Noncurrent assets held for sale

Noncurrent assets are classified as held for sale when their carrying amount is recoverable, especially by means of a sale transaction and when this sale is virtually certain. These assets are measured at the lower of carrying amount and fair value, less costs to sell.



c. Other assets and liabilities

These are stated at their known and realizable/settlement amounts plus, where applicable, related earnings and charges, and monetary variations and/or exchange differences incurred up to the statement of financial position date.

d. Impairment of assets

Indefinite-lived assets, such as goodwill, are not subject to amortization and are tested annually for impairment. In case of indication of impairment, they are reassessed in shorter periods. Finite-lived assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Impairment losses are recognized at the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For impairment valuation purposes, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash Generating Units - CGUs). Non-financial assets other than goodwill that were subject to impairment are reviewed subsequently for possible reversal of the impairment at the reporting date.

e. Foreign currency translation

Items included in the financial statements for each of the consolidated companies of B3 are measured using the currency of the primary economic environment in which the entity operates (functional currency). The financial statements are presented in Brazilian Reais (R\$), which is the functional currency of B3.

Transactions in foreign currency are translated into Brazilian Reais using the exchange rates prevailing on the dates of the transaction or valuation on which the items are remunerated. Exchange gains and losses arising from settlement of these transactions and translation at year-end exchange rates, referring to monetary assets and liabilities in foreign currency, are recognized in the statement of profit or loss, except when deferred in other comprehensive income originating from foreign investment hedge operations.

In the case of exchange gains/losses on foreign investments, whose functional currency differs from that of B3, variations in the investment amount deriving exclusively from exchange differences are recorded under "Equity adjustments" in other comprehensive income and are only written down to P&L for the period when the investment is sold or written off.

f. Current and noncurrent assets and liabilities

Assets and liabilities are classified as current whenever their realization or settlement is deemed to occur within the following twelve months (or another term that follows the normal cycle of B3). Otherwise, they are stated as noncurrent.

g. Significant accounting estimates and judgments

The preparation of financial statements requires the use of certain critical accounting estimates as well as the exercise of judgment in the process of applying B3's accounting policies. Those more complex areas that require a higher level of judgment, as well as the areas in which assumptions and estimates are significant to the consolidated financial statements are the following:

- Equity pickup – Note 6(a)
- Impairment of assets – Notes 7 and 8
- Classification and fair value calculation of financial instruments – Note 4
- Incentive based on equity instruments – Notes 15(a)
- Provision for tax, civil and labor contingencies, contingent assets and liabilities – Note 11
- Estimated useful life of property and equipment and intangible assets – Notes 7 and 8
- Future installments – Note 10

4. Cash and cash equivalents, financial investments and derivative financial instruments

a) Cash and cash equivalents

Accounting Practices

B3 considers cash and bank deposits as cash and cash equivalents for purposes of the statement of cash flows.

Description	B3		Consolidated	
	2020	2019	2020	2019
Cash and banks – deposits in local currency	49,008	28,265	17,473	332
Bank checking account in foreign currency	222,067	109,615	387,304	239,647
Cash and cash equivalents	271,075	137,880	404,777	239,979
Bank deposits in foreign currency - Third-party funds (1)	1,033,643	254,054	1,033,643	254,054
Total cash and cash equivalents	1,304,718	391,934	1,438,420	494,033

(1) Refers to the restricted resources of third parties linked to the full settlement of derivative transactions (Clearing B3) and exchange transactions (Clearing Exchange).

Cash and cash equivalents are held with Brazilian or foreign financial institutions subject to low credit risk. Deposits in foreign currency are mostly in US dollars.



b) Financial investments

Accounting Practices

B3 classifies financial assets and liabilities upon initial recognition, according to the business model and contractual flows.

Amortized cost: Financial assets measured at the amortized cost are non-derivative financial assets designated by B3 in this category and the purpose of the business model adopted is to maintain assets for receipt of contractual cash flows on specific dates (principal and interest).

Financial assets measured at fair value through other comprehensive income: Financial assets measured at fair value through other comprehensive income are "non-derivative" financial assets that are designated by B3 in this category, whose purpose according to the business model adopted is to receive the contractual cash flows (principal and interest), and possible disposal of the asset. Interest is calculated using the effective interest rate method and is recognized in statement of profit or loss as finance income. The portion corresponding to the change in fair value is recognized in the comprehensive income net of taxes, charged against P&L upon settlement or impairment, except for equity instruments.

The option to designate equity instruments as measured at fair value through other comprehensive income is irrevocable. The portion corresponding to the change in fair value recognized in comprehensive income is no longer transferred to P&L upon settlement. Earnings received are recognized in P&L.

Financial assets measured at fair value through profit or loss: Financial assets not classified in the previous categories due to the business model adopted, or assets designated by the entity, upon initial recognition. Gains or losses arising from changes in the fair value of these financial instruments are presented in P&L, under finance income (costs), in the period in which they occur.

The breakdown of financial investments by category, nature and maturity is as follows:

Description of financial assets						B3	
	No maturity	Up to 3 Months	Above 3 months and up to 12 months	Above 12 months and up to 5 years	Over 5 years	2020	2019
Fair value through profit or loss							
Financial investment fund (1)	12,139,602	-	-	-	-	12,139,602	7,354,480
Federal government securities							
Financial Treasury Bills	-	54	-	53	-	107	105
Other investments	32	-	-	-	-	32	20,459
	<u>12,139,634</u>	<u>54</u>	<u>-</u>	<u>53</u>	<u>-</u>	<u>12,139,741</u>	<u>7,375,044</u>
Fair value through other comprehensive income							
Federal government securities							
Financial Treasury Bills	-	87,767	256,014	1,233,849	-	1,577,630	1,677,898
National Treasury Bills	-	-	-	513,580	-	513,580	112,962
National Treasury Notes	-	-	4,693	292,315	97,690	394,698	215,156
Shares - Minority interest (4)	393,988	-	-	-	-	393,988	370,313
	<u>393,988</u>	<u>87,767</u>	<u>260,707</u>	<u>2,039,744</u>	<u>97,690</u>	<u>2,879,896</u>	<u>2,376,329</u>
Amortized cost							
Federal government securities							
National Treasury Notes (5)	-	-	-	65,931	-	65,931	64,594
	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,931</u>	<u>-</u>	<u>65,931</u>	<u>64,594</u>
Total	<u>12,533,622</u>	<u>87,821</u>	<u>260,707</u>	<u>2,105,728</u>	<u>97,690</u>	<u>15,085,568</u>	<u>9,815,967</u>
Current						12,882,150	7,884,389
Noncurrent						2,203,418	1,931,578

Description of financial assets	No maturity	Up to 3 Months	Above 3 months and up to 12 months	Above 12 months and up to 5 years	Over 5 years	Consolidated	
						2020	2019
Fair value through profit or loss							
Financial investment fund (1)	9,469,463	-	-	-	-	9,469,463	5,725,250
Repurchase agreements (2)	-	1,229,714	913,801	58,032	9,681	2,211,228	963,674
Federal government securities							
Financial Treasury Bills	-	68,230	126,243	1,037,098	367,139	1,598,710	1,385,988
National Treasury Notes	-	393	-	-	-	393	-
Other investments	38	-	-	-	-	38	20,463
	<u>9,469,501</u>	<u>1,298,337</u>	<u>1,040,044</u>	<u>1,095,130</u>	<u>376,820</u>	<u>13,279,832</u>	<u>8,095,375</u>
Fair value through other comprehensive income							
Federal government securities							
Financial Treasury Bills	-	87,768	269,795	1,292,861	48,210	1,698,634	1,786,013
National Treasury Bills	-	-	-	513,580	-	513,580	112,963
National Treasury Notes	-	-	4,693	294,719	97,692	397,104	215,210
Other investments (3)	53,261	-	-	-	-	53,261	25,080
Shares - Minority interest (4)	393,988	-	-	-	-	393,988	370,313
	<u>447,249</u>	<u>87,768</u>	<u>274,488</u>	<u>2,101,160</u>	<u>145,902</u>	<u>3,056,567</u>	<u>2,509,579</u>
Amortized cost							
Federal government securities							
National Treasury Notes (5)	-	-	-	65,931	-	65,931	64,594
Bankary deposit receipt	-	-	10,176	-	-	10,176	-
	<u>-</u>	<u>-</u>	<u>10,176</u>	<u>65,931</u>	<u>-</u>	<u>76,107</u>	<u>64,594</u>
Total	<u>9,916,750</u>	<u>1,386,105</u>	<u>1,324,708</u>	<u>3,262,221</u>	<u>522,722</u>	<u>16,412,506</u>	<u>10,669,548</u>
Current						14,003,987	8,631,578
Noncurrent						2,408,519	2,037,970

(1) Investment funds mostly comprise investments in federal government bonds and operations subject to repurchase agreements backed by government bonds indexed by reference to the Central Bank Benchmark Rate (SELIC). In the consolidated financial statements, exclusive investment funds are distributed in accordance with the financial instrument and maturity and are, however, recorded in current assets. Equity of investment funds is as follows:

Administrator	B3		Consolidated		
	2020	2019	2020	2019	
Exclusive investment funds included in the consolidation process					
Imbuia FI RF DI	Safra Adm. Fiduciária Ltda	1,386,983	804,695	-	-
BB Pau Brasil FI RF	BB DTVM S.A.	895,674	949,849	-	-
Jacarandá RF	Votorantim DTVM Ltda	508,975	-	-	-
		<u>2,791,632</u>	<u>1,754,544</u>	<u>-</u>	<u>-</u>
Mutual investment funds					
Bradesco FI RF LP Eucalipto	Banco Bradesco S.A.	6,008,492	3,098,018	6,057,352	3,175,325
Santander FI Cedro RF	Banco Santander S.A.	1,494,917	788,943	1,539,928	820,219
Araucária RF FI	Itaú Unibanco S.A.	1,159,484	638,722	1,187,061	655,398
FI Liquidez Câmara B3	Banco B3 S.A.	685,077	671,570	685,077	671,570
Jacarandá RF	Votorantim DTVM Ltda	-	391,682	-	391,682
Bradesco Empresa FIC FI DI Federal	Banco Bradesco S.A.	-	11,001	45	11,056
		<u>9,347,970</u>	<u>5,599,936</u>	<u>9,469,463</u>	<u>5,725,250</u>
Total		<u>12,139,602</u>	<u>7,354,480</u>	<u>9,469,463</u>	<u>5,725,250</u>



- (2) Obtained from banks with low credit risk and backed by federal government securities.
- (3) Investments in funds through foreign subsidiary.
- (4) These refer to shares of Bolsa de Comercio de Santiago in the amount of R\$81,161 (R\$64,623 at December 31, 2019); Bolsa Mexicana de Valores - R\$193,770 (R\$212,343 at December 31, 2019); Bolsa de Valores de Colômbia - R\$66,895 (R\$52,709 at December 31, 2019) and Bolsa de Valores de Lima - R\$52,162 (R\$40,638 at December 31, 2019) acquired by B3 within its strategy to explore opportunities of partnerships with other stock exchanges.
- (5) National Treasury Notes assigned for use according to agreement between B3 and Associação BM&F (Note 13 (a)).

The government securities are held under the custody of the Special System for Settlement and Custody (SELIC); the investment fund shares are held under the custody of their respective administrators; local shares are held under the custody of B3's Clearinghouse; the shares of Bolsa de Comercio de Santiago, Bolsa Mexicana de Valores, Bolsa de Valores de Lima and Bolsa de Valores de Colombia are held under the custody at the respective depositories.

Marketable securities were not reclassified in the year.

c) Financial and derivative instruments

Accounting Practices

Derivative financial instruments and hedge accounting

B3 uses derivative financial instruments in order to hedge its assets and liabilities from market risks, such as foreign exchange differences and B3SA3 share price variation. The exposure to the B3SA3 share price variation results from the payment of labor charges under the long-term incentive program (ILP). Hedge accounting is applied to all derivatives taken out.

Derivative financial instruments designated in hedging transactions are initially recognized at fair value on the date in which the derivative agreement is entered into, being subsequently revaluated also at fair value. Derivatives are recorded as financial assets when the financial instrument fair value is positive, and as financial liabilities when fair value is negative.

Non derivative financial liabilities are classified at amortized cost, except where this classification does not result in more appropriate information.

Any gains or losses from changes in fair value of derivatives over the fiscal year are recorded directly in P&L, except for the effective portion of the cash flow hedge, which is recognized directly in equity under other comprehensive income, and subsequently reclassified to P&L when the hedge item affects P&L.

In relation to hedge accounting, upon entering a hedging transaction, B3 prepares formal documentation containing: (i) hedge objective; (ii) hedge type; (iii) risk management strategy; (iv) nature of hedged risk; (v) identification of hedged item; (vi) identification of hedging instrument; and (vii) prospective effectiveness assessment.



Any imbalance between the hedged item index and the hedging instrument that is not in accordance with the hedge purpose of B3 is adjusted so that the index goes back to the standards established in the hedging strategy.

Currently, B3 has protection structures classified as cash flow hedges and any gain or loss in the hedging instrument related to the effective hedge portion is recognized under equity, in “other comprehensive income”, net of tax effects. Consequently, the exchange rate variation in hedging instruments, previously recognized in financial result prior to its recognition as a hedging instrument, accumulates in equity and is transferred to P&L for the same period and the same account group under which the hedged transaction is recognized. When the hedged transaction implies recognition of a nonfinancial asset, gains and losses recognized in equity are transferred and included in the initial measurement of the asset cost. The non-effective portion of the hedge is immediately recognized in P&L.

The method to determine the fair value, used by B3, consist in determining the future amount based on the conditions of transactions taken out, and then the present value based on current market curves, as disclosed by B3.

Hedge effectiveness analysis is performed through the dollar offset method for retrospective effectiveness test, which takes into consideration the ratio at fair value or present value of accumulated gains or losses on the hedging instrument with gains or losses on hedged item for hedged risk. The approach used for the analyses consists of the benchmark rate approach.

Fair value hierarchy

Financial assets and liabilities measured at fair value of B3 are recognized at quoted prices (unadjusted) in active market (Level 1). Amounts receivable and trade accounts payable approximate book value due to their short-term maturity and fair value of transactions with related parties corresponds to book value.

Investment in foreign subsidiary (CETIP Lux)

	B3	Consolidated
Assets		
Investment in foreign subsidiary	1,835,534	-
Liabilities		
Intercompany loans and loan taken out by subsidiary	(2,455,555)	(779,619)
Net currency exposure	(620,021)	(779,619)

In view of the fact that, under the terms of tax legislation, gains or losses arising from the exchange rate variation on investments should not be taken into account in the income and social contribution tax base, a mismatch between long and short positions in foreign currency is required, so that the after-tax P&L is not exposed to exchange rate variation (post-tax hedge).

Hedge operations

At December 31, 2020, the swap consolidated amounts measured at fair value are the following:

Hedge classification	Hedged item	Hedging instrument	Description			Balance		B3 and Consolidated Gain/(Loss) for the period				
			Notional value	Average interests/ Notional value - R\$	Maturity	Assets	Liabilities	Nonfinancial assets	Operating expenses	Financial income	Equity	
Cash Flow	Stock Grant Charges (1)	Swap	BRL 158,391	B3SA3 + earnings (assets) CDI + 0.64 % a.a (liabilities)	Jan/2021 up to Mar/2021	64,692	-	-	32,442	1,260	11,199	
Cash Flow	Certain firm commitments (2)	Cash in foreign currency			12/31/2020	-	-	290	2,532	-	-	
Cash Flow	Bolsa Mexicana de Valores Shares (3)	NDF	MXN 1,088,500	282,683	02/05/2021	-	(2,061)	-	-	-	(1,360)	
Cash Flow	Bolsa de Comércio de Santiago Shares (3)	NDF	CLP 10,000,000	68,580	03/05/2021	-	(4,971)	-	-	-	(3,281)	
Cash Flow	Bolsa de Valores de Colombia Shares (3)	NDF	COP 37,900,000	55,486	03/05/2021	-	(2,266)	-	-	-	(1,496)	
Cash Flow	IPCA series of the 4th issue of debentures (4)	Swap	BRL 163,225	IPCA + 3.90% p.a (asset) 120.81% CDI (liability)	Jan/2021 up to Dez/2030	418	-	-	-	176	100	
						65,110	(9,298)	290	34,974	1,436	5,162	
Current						64,900	(9,298)					
Non-current						210	-					

In this year, hedge had no significant element of inefficiency.

- (1) In January 2020, B3 engaged in a new hedge transaction due to its exposure to price variation of B3SA3 shares, in order to neutralize the impacts of share price variation in paying labor charges on long-term incentive plans.
- (2) In February 2020, B3 recorded a new hedge, allocating part of its cash in foreign currency to hedge the currency risk of certain firm commitments assumed in foreign currencies (cash flow hedge). The cash flows subject to coverage refer to payments to be incurred up to December 31, 2020, regardless of whether the contract terms exceed that date, and hedged items not paid by that date were written off in the year.
- (3) In December 2020, Non-Deliverable Forwards (NDFs) were entered into to hedge the foreign exchange difference of investments in the shares of the Mexican Stock Exchange, Santiago Stock Exchange and of the Colombian Stock Exchange. The hedge corresponds to, at the reporting date, more than 80% of the investment share.
- (4) In December 2020, an asset swap under IPCA and a liability swap under the percentage of the CDI were entered into to hedge the IPCA series of the 4th issue of B3's debentures.

In July 2020, swap operations that had been entered into in September 2017 and March 2018, to hedge the principal and semiannual interest portions of Senior Unsecured Notes (Note 9) from the impacts of foreign exchange differences, were settled.

Derivative financial instruments were entered into with low credit risk financial institutions.

d) Financial instruments and risk management

Financial risk management and financial investment policy

B3's short-term investment policy focuses on high liquidity and low risk, which mostly results in allocations to federal government bonds indexed at Selic and acquired directly, via repurchase agreements backed by government securities and also through exclusive and non-exclusive funds.

Derivative instrument transactions are performed by B3 exclusively for hedging purposes.

Acquisition or disposal of investments in shares of Latin America Stock Exchanges, are assessed individually and realized only in accordance with the strategic planning approved by the Board of Directors.

In addition, B3 has a Corporate Risk Management Policy, whose purpose is to establish principles, guidelines and responsibilities to be observed in the risk management process, so as to allow identification, assessment, treatment, monitoring and communication of operational, technological, market, liquidity, credit, image and socio-environmental risks.

The Risk and Financial Committees assess market, liquidity, credit and systemic risks of the markets managed by B3, with a strategic and structural focus.

Sensitivity analysis

The table below presents the consolidated net exposure of all financial instruments (assets and liabilities) by market risk factors.

Exposure to Risk Factors (Consolidated)					
Risk Fator	Risk	2020		2019	
		Percentage	Amount	Percentage	Amount
Floating interest rate	Lower Selic rate	65.18%	14,280,186	66.73%	9,307,882
Floating interest rate	Higher CDI	29.02%	6,358,544	24.55%	3,423,866
Fixed interest rate	Higher Pré	1.99%	436,590	2.41%	336,516
Share price	Lower price	1.80%	394,026	2.66%	370,313
Other risks	Other risks	2.01%	440,096	3.65%	508,569

Share price risk

The table below shows a sensitivity analysis on possible impacts from a variation of 25% and 50% on the probable scenario for share price, for the next three months, obtained from Bloomberg.

Risk Fator	Impact				
	-50%	-25%	Probable scenario	+25%	+50%
Bolsa de Comercio de Santiago shares in BRL	(39,017)	(17,946)	3,126	24,197	45,269
Share price in CLP	1,151.14	1,726.71	2,302.28	2,877.85	3,453.42
Bolsa de Mexicana de Valores shares in BRL	(95,427)	(46,255)	2,917	52,089	101,261
Share price in MXN	23.94	35.90	47.87	59.84	71.81
Bolsa de Valores da Colombia shares in BRL	(33,494)	(16,794)	(93)	16,607	33,307
Share price in COP	5,931.70	8,897.55	11,863.40	14,829.25	17,795.10
Bolsa de Valores de Lima shares in BRL	(25,773)	(12,812)	149	13,110	26,071
Share price in PEN	1.22	1.83	2.44	3.05	3.66

The possible impacts shown by the sensitivity analysis would substantially affect equity, net of taxes

Interest rate risk

The table below shows a sensitivity analysis on possible impacts on assets and liabilities of a variation of 25% and 50% on the probable scenario of the post-fixed rates CDI and Selic, for the next three months, and of the pre-fixed rates, obtained through Bloomberg and B3.

Risk Fator	Impact				
	-50%	-25%	Probable scenario	+25%	+50%
CDI	(15,522)	(23,240)	(30,930)	(38,593)	(46,229)
CDI rate	0.98%	1.47%	1.96%	2.45%	2.94%
SELIC	34,173	51,166	68,097	84,968	101,779
SELIC rate	0.98%	1.47%	1.96%	2.45%	2.94%
Pré	8,574	7,081	5,615	4,174	2,759
Fixed rate	2.63%	3.94%	5.25%	6.56%	7.88%

Currency risk

In addition to the amounts payable and receivable in foreign currencies, B3 has own funds abroad, and shareholding interest in Latin America Stock Exchanges.

The table below shows a sensitivity analysis on possible impacts on assets and liabilities of a variation of 25% and 50% on the probable scenario for currency risk for the next three months, obtained from Bloomberg.

The possible impacts shown by the sensitivity analysis would substantially affect equity, net of taxes.

Risk Fator	Impact				
	-50%	-25%	Probable scenario	+25%	+50%
USD	(95,834)	(47,737)	361	48,458	96,555
Exchange rate USD/BRL	2.6033	3.9049	5.2065	6.5081	7.8098
CLP	(3,967)	(1,979)	8	1,995	3,982
Exchange rate CLP/BRL	0.0037	0.0055	0.0073	0.0091	0.0110
COP	(4,611)	(2,329)	(48)	2,233	4,514
Exchange rate COP/BRL	0.0008	0.0011	0.0015	0.0019	0.0023
PEN	(26,100)	(13,069)	(38)	12,993	26,024
Exchange rate PEN/BRL	0.7189	1.0784	1.4378	1.7973	2.1567

In view of the net amounts of other currencies, their impacts are not deemed material.

Liquidity risk

Liquidity risk arises from the cash need related to the obligations assumed. B3 manages its cash flows in order to ensure liquidity and compliance with all Company obligations. The following table shows the main liability financial instruments of B3 by maturity (undiscounted cash flows):

Description	No maturity	Within 1 year	From 1 to 2 years	From 2 and 5 years	Above 5 years
Collaterals for transactions	5,695,723	-	-	-	-
Swap (1)	-	(67,666)	-	-	-
NDFs (2)	-	10,822	-	-	-
Debentures	-	227,882	2,524,913	2,480,763	207,545
Loan in dollars	-	21,277	537,875	267,098	-
Loan in reais	-	55,999	54,989	1,304,769	-
FINEP loan	-	2,907	2,181	5,774	1,263
	5,695,723	251,221	3,119,958	4,058,404	208,808

(1) For the adjustment calculation, CDI curve was used from December 31, 2020 up to the swap settlement date, the dollar at the closing of month (PTAX) was also used, rate disclosed by the Central Bank of Brazil.

(2) NDFs take into consideration the amount to be settled on contracted transactions. For calculating the adjustment, the sales rates of the respective currencies were disclosed by the Central Bank of Brazil on the last business day of the month.

Credit risk

The main credit risk of B3 arises from its financial investments. As a way of managing this risk, B3 has a financial investment policy that focuses mainly on investments in Brazilian federal government securities. Currently approximately 99% of financial investments is in connection with federal government securities with ratings set by Standard & Poor's and Moody's of "BB-" and "Ba2", respectively, for long-term issues in local currency. The counterparties of Swaps and NDFs taken out as hedging transactions are substantially low credit risk banks.

Capital management

B3's objectives in managing its capital are to safeguard its ability to continue as a going concern in order to provide return for its shareholders and for other stakeholders, as well as to maintain an optimal target capital structure. In order to maintain or adjust its capital structure, B3 may revise its practices for payment of dividends, return capital to shareholders, raise loans and issue marketable securities in the financial and capital markets, among others.

At December 31, 2020, the difference between financial assets and liabilities amounted to R\$5,075,652 (R\$4,060,318 at December 31, 2019) as follows:

Description	Consolidated	
	2020	2019
Cash and cash equivalents/financial investments	17,850,926	11,163,581
Loans and financing, debentures and derivative financial instruments	(7,003,954)	(4,019,919)
Collateral for transactions	(5,695,723)	(3,013,447)
Earnings and rights on securities under custody	(75,597)	(69,897)
	5,075,652	4,060,318

Other information

Especially for this year and due to the impacts of the measures adopted to face the COVID-19 pandemic in the calculation of expected losses on financial instruments, B3 monitored the positions of financial assets and receivables with regard to the identification of a significant increase in credit risk. Considering the nature of these assets (substantially backed by federal government securities), the lack of a significant financing component, as well as a set of quantitative and qualitative aspects, B3 identified no significant increase in their credit risk. B3 will continue to monitor such financial instruments periodically and prospectively.

5. Trade accounts receivable

Accounting Practices

B3's receivables refer substantially to trade accounts receivable. They are initially recorded at the transaction value and subsequently at amortized cost, using the effective interest method, less any impairment loss.

Losses are estimated by means of a provision matrix based on days of delay and segmented by customers and services that have similar patterns of losses. The provision matrix is reviewed and updated according to the historical loss experience and the expectation of losses of B3's receivables portfolio.

Breakdown of accounts receivable is as follows:

Description	B3		Consolidated	
	2020	2019	2020	2019
Fees	64,123	40,500	64,123	40,500
Trust and custodian fees	165,481	147,316	165,481	147,316
Vendors - Signal broadcasting	37,760	27,904	43,319	33,586
Database management	71,879	49,195	71,879	49,195
Data processing	38,507	31,649	38,507	31,649
Other accounts receivable	37,269	39,877	40,803	42,688
Subtotal	415,019	336,441	424,112	344,934
Estimated losses on accounts receivable(1)	(11,794)	(5,529)	(11,996)	(5,614)
Total	403,225	330,912	412,116	339,320

(1) Due to the impacts of the COVID-19 pandemic in the period, there was a review of the amounts receivable, which led to an increase in estimated losses.

The amounts presented above are primarily denominated in Brazilian Reais and approximately 95% falls due within 90 days. At December 31, 2020, the amounts overdue above 90 days totaled R\$4,992 (R\$3,025 at December 31, 2019) at B3 and in the consolidated.

Changes in estimated losses on accounts receivable:

	B3	Consolidated
Balance at December 31, 2018	5,798	5,798
Additions	15,129	15,214
Reversals	(14,485)	(14,485)
Write-offs	(913)	(913)
Balance at December 31, 2019	5,529	5,614
Additions	15,955	16,119
Reversals	(8,173)	(8,220)
Write-offs	(1,517)	(1,517)
Balance at December 31, 2020	11,794	11,996

6. Investments

Accounting Practices

Subsidiaries and Basis of consolidation

The consolidated financial statements comprise the financial statements of B3 and its subsidiaries, whose accounting practices are adjusted when necessary to ensure consistency with the practices adopted by B3.

B3 consolidates its subsidiaries from the moment it assumes control thereover, that is, when it is exposed or entitled to variable returns based on its involvement with the investee and has the ability to affect these returns through power exercised.

In the individual financial statements, investments in subsidiaries are accounted for under the equity method and fully consolidated for purposes of presentation of the consolidated financial statements.

Assets, liabilities, revenues and expenses are included in accordance with their nature in the consolidation process, less intercompany transactions. B3 investment is eliminated, recorded against equity of the subsidiaries. Unrealized losses are also eliminated, unless the transactions provides evidence of impairment.

Associates

Affiliate is the company over which B3 has the ability to exercise significant influence. B3's judgment as regards the level of influence on investments takes into consideration key factors, such as interest percentage, representation in the Board of Directors, participation in the definition of policies and businesses, and material intercompany transactions.



Investments in associates are recorded using the equity method and are initially recognized at cost. B3's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment.

Business combination and goodwill

B3 accounts for business combinations using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition-date fair value. Costs directly attributable to the acquisition are accounted for as expenses, as incurred.

B3 measures the assets acquired and the liabilities assumed in order to classify and allocate them according to the contractual terms, economic circumstances and the relevant conditions on the acquisition date.

Goodwill is initially measured as the transferred payment exceeding amount in relation to the net assets acquired. If the consideration is lower than the fair value of the net assets acquired, the difference will be recognized as a gain in the income statement.

After initial recognition, goodwill is measured at cost, less any accumulated impairment losses. For impairment test purposes, goodwill acquired in a business combination is allocated to each cash-generating units that are expected to benefit from the synergies of combination.

a) Investments in subsidiaries and associates

Investments in subsidiaries and associates comprise the following:

	Subsidiaries										Associate	Total
	Banco B3	BVRJ	UK Ltd.	B3 Inova	USA Chicago	CETIP Info	CETIP Lux	BLK	Portal de Documentos	CED	RTM (1)	
Investment Informations												
Total shares	24,000	115	1,000	1	1	800	85,000	39,403,650	200,000	10,000	2,020,000	
% - Interest held	100.00	86.95	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	20.00
Equity	112,878	87,912	4,025	53,268	2,420	91,089	1,835,534	16,347	21,166	488	81,079	
Appreciation in business combination	-	-	-	-	-	-	-	120	81,623	4,425	8,809	
Adjusted P&L	16,906	14	954	2,236	(185)	32,781	441,733	(10,397)	(11,419)	(419)	18,815	
Key financial information												
Assets	1,133,337	93,740	4,416	53,268	2,526	96,911	2,616,355	22,866	44,372	959	103,981	
Liabilities	1,020,459	5,828	391	-	106	5,822	780,821	6,519	23,206	471	22,902	
Revenues	51,949	5,294	3,741	-	-	57,355	-	10,307	55,382	1,134	123,076	
Changes in Investments												
Balances at December 31, 2018	94,234	74,805	1,766	9,046	-	92,783	1,304,142	-	-	-	19,510	1,596,286
Equity in income of investees	16,727	1,622	307	(1,143)	-	40,812	89,659	(3,618)	(7,585)	-	3,150	139,931
Comprehensive income of subsidiary	1	-	-	-	-	-	-	-	-	-	-	1
Translation adjustments of subsidiaries	-	-	164	538	-	-	-	-	-	-	-	702
Previous year adjustment of subsidiary	-	-	-	-	-	-	-	44	-	-	-	44
Acquisition of subsidiaries	-	-	-	-	-	-	-	13,395	38,055	-	-	51,450
Future installments	-	-	-	-	-	-	-	-	50,000	-	-	50,000
Capital increase	-	-	-	16,639	-	-	-	3,750	13,000	-	-	33,389
Earnings	(10,646)	-	-	-	-	(34,475)	-	-	-	-	-	(45,121)
Recognition of stock grant plan	-	-	-	-	-	-	-	964	2,856	-	-	3,820
Balances at December 31, 2019	100,316	76,427	2,237	25,080	-	99,120	1,393,801	14,535	96,326	-	22,660	1,830,502
Equity in income of investees	16,906	12	954	2,236	(185)	32,781	441,733	(8,807)	(11,419)	(419)	2,365	476,157
Comprehensive income of subsidiary	(355)	-	-	-	-	-	-	-	-	-	-	(355)
Translation adjustments of subsidiaries	-	-	834	10,807	(180)	-	-	-	-	-	-	11,461
Previous year adjustment of subsidiary	-	-	-	-	-	-	-	12	-	-	-	12
Acquisition of subsidiaries (Nota 2(d))	-	-	-	-	-	-	-	-	-	5,331	-	5,331
Acquisition of non-controlling interest	-	-	-	-	-	-	-	993	-	-	-	993
Capital increase	-	-	-	15,145	2,785	-	-	24,000	14,000	-	-	55,930
Impairment	-	-	-	-	-	-	-	(12,662)	-	-	-	(12,662)
Earnings	(3,989)	-	-	-	-	(40,812)	-	-	-	-	-	(44,801)
Recognition of stock grant plan	-	-	-	-	-	-	-	(1,604)	3,882	-	-	2,278
Balances at December 31, 2020	112,878	76,439	4,025	53,268	2,420	91,089	1,835,534	16,467	102,789	4,912	25,025	2,324,846

- (1) B3 holds 20% interest in associate RTM, which is a private communication network created especially for the financial sector, connecting approximately 500 institutions and 25 information and service providers in a single operational environment, RTM manages data, voice and image services and develops specific solutions for users in the financial sector.

The BRV LLC stated no balance in the year.

b) Investment properties

Accounting Practices

B3 records investment properties at acquisition or construction cost, less depreciation, except land, calculated using the straight-line method at rates based on the estimated useful life of the assets. Any expenses with repairs and maintenance are recorded in the income statement when incurred. Rental income from investment properties is recognized as other income during the term of the lease.

Investment properties are represented by rented properties, owned by the subsidiary BVRJ. Revenue from the rental of these properties in the period ended December 31, 2020 was R\$5,208 (R\$5,674 as of December 31, 2019). The estimated fair value of the properties is R\$101,768, calculated using the average price per square meter for the sale of commercial properties in the city of Rio de Janeiro, disclosed in the FIPEZAP table. B3 has no restrictions as to the sale of its investment properties.

Changes	Consolidated
Balances at December 31, 2018	26,081
Depreciation	(1,518)
Balances at December 31, 2019	24,563
Depreciation	(1,518)
Balances at December 31, 2020	23,045
Annual average depreciation rates	4.0%

7. Property and equipment

Accounting Practices

Property and equipment items are recorded at acquisition, build-up or construction cost, less accumulated depreciation. Depreciation is calculated under the straight-line method and takes into consideration the estimated useful lives of the assets and their residual value. At the end of each period, the residual value and useful life of assets are reviewed and adjusted if necessary.

Subsequent costs are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when future economic benefits are likely to flow to the Company and the cost of the item can be reliably measured. All other repair and maintenance costs are matched against P&L, as incurred.

Amortization expense is recognized in P&L unless such expense is included in the carrying amount of another asset. Depreciation of property and equipment items used for development activities is included as part of the cost of an intangible asset.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to the financial statements

Years ended December 31, 2020 and 2019

(In thousands of reais, unless otherwise stated)



Changes							B3
	Buildings	Furniture and fixtures	Computer devices and equipment	Facilities	Other	Construction in progress	Total
Balances at December 31, 2018	288,374	21,631	235,911	31,778	29,521	18,383	625,598
Additions	4,376	4,864	61,630	23,677	8,304	36,260	139,111
Right of use	18,190	-	-	-	-	-	18,190
Write-offs	(138)	(66)	(313)	(215)	(313)	-	(1,045)
Transfers	13,430	87	375	15	3	(13,910)	-
Reclassification (Note 8)	-	-	1,373	-	-	-	1,373
Expenses with recapitalized depreciation	-	(2)	(947)	-	-	-	(949)
Depreciation	(30,665)	(5,807)	(54,073)	(7,514)	(4,339)	-	(102,398)
Balances at December 31, 2019	293,567	20,707	243,956	47,741	33,176	40,733	679,880
Additions	4,502	9,529	102,977	29,485	5,504	60,423	212,420
Right of use	4,648	-	-	-	-	-	4,648
Write-offs	-	(353)	(3,345)	(4,755)	(35)	-	(8,488)
Transfers	38,629	103	-	3,665	649	(43,046)	-
Expenses with recapitalized depreciation	-	(2)	(2,438)	(3)	-	-	(2,443)
Depreciation	(16,549)	(5,880)	(56,579)	(8,877)	(7,207)	-	(95,092)
Balances at December 31, 2020	324,797	24,104	284,571	67,256	32,087	58,110	790,925
At December 31, 2020							
Cost	519,741	73,321	721,217	96,854	86,686	58,110	1,555,929
Accumulated depreciation	(194,944)	(49,217)	(436,646)	(29,598)	(54,599)	-	(765,004)
Net book balance	324,797	24,104	284,571	67,256	32,087	58,110	790,925
Annual average depreciation rates	4.7%	11.1%	12.7%	16.2%	26.0%	-	-
At December 31, 2019							
Cost	471,963	66,001	644,308	94,801	82,531	40,733	1,400,337
Accumulated depreciation	(178,396)	(45,294)	(400,352)	(47,060)	(49,355)	-	(720,457)
Net book balance	293,567	20,707	243,956	47,741	33,176	40,733	679,880
Annual average depreciation rates	6.4%	13.7%	13.6%	9.7%	11.4%	-	-

Changes	Consolidated						Total
	Buildings	Furniture and fixtures	Computer devices and equipment	Facilities	Other	Construction in progress	
Balances at December 31, 2018	288,374	21,631	235,911	31,802	31,224	18,383	627,325
Additions	4,376	4,934	62,715	23,677	8,304	36,260	140,266
Right of use	21,406	-	-	-	-	-	21,406
Write-offs	(138)	(69)	(324)	(215)	(308)	-	(1,054)
Transfers	13,430	87	375	15	3	(13,910)	-
Reclassification (Note 8)	-	-	1,373	-	-	-	1,373
Expenses with recapitalized depreciation	-	(2)	(947)	-	-	-	(949)
Depreciation	(31,094)	(5,912)	(54,887)	(7,535)	(4,389)	-	(103,817)
Acquisition of subsidiaries (Note 2(d))	-	694	4,432	65	112	-	5,303
Balances at December 31, 2019	296,354	21,363	248,648	47,809	34,946	40,733	689,853
Additions	4,502	9,680	112,389	29,485	5,956	60,423	222,435
Right of use	5,353	-	-	-	-	-	5,353
Write-offs	-	(353)	(3,382)	(4,755)	(35)	-	(8,525)
Transfers	38,624	108	-	3,665	649	(43,046)	-
Expenses with recapitalized depreciation	-	(2)	(2,438)	(4)	-	-	(2,444)
Depreciation	(17,308)	(6,006)	(58,389)	(8,901)	(7,236)	-	(97,840)
Acquisition of subsidiary (Note 2(d))	5	-	57	-	-	-	62
Balances at December 31, 2020	327,530	24,790	296,885	67,299	34,280	58,110	808,894
At December 31, 2020							
Cost	523,661	75,418	742,943	98,115	89,075	58,110	1,587,322
Accumulated depreciation	(196,131)	(50,628)	(446,058)	(30,816)	(54,795)	-	(778,428)
Net book balance	327,530	24,790	296,885	67,299	34,280	58,110	808,894
Annual average depreciation rates	4.7%	11.1%	12.7%	16.2%	26.0%	-	
At December 31, 2019							
Cost	475,178	67,990	656,696	96,089	84,487	40,733	1,421,173
Accumulated depreciation	(178,824)	(46,627)	(408,048)	(48,280)	(49,541)	-	(731,320)
Net book balance	296,354	21,363	248,648	47,809	34,946	40,733	689,853
Annual average depreciation rates	6.4%	13.7%	13.6%	9.7%	11.4%	-	

8. Intangible assets

Accounting Practices

Goodwill

Goodwill recorded in intangible assets arises from acquisitions conducted by B3 and is stated at cost less accumulated impairment losses. Impairment losses recognized on goodwill are not reversed.

Contractual relationships

Contractual relationships, acquired in a business combination, are recognized at fair value at the acquisition date. These relationships have finite useful lives and are accounted for at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of the contractual relationship.

Software and projects

Software licenses acquired are capitalized based on incurred costs and amortized over their estimated useful life.

Costs associated with software development or maintenance are expensed as incurred. Expenditures directly associated with the development of identifiable and unique software, controlled by B3 and which will probably generate economic benefits greater than the costs for more than one year, are recognized as intangible assets.

Amortization expense is recognized in P&L unless such expense is included in the carrying amount of another asset. In these cases, amortization of intangible assets used for development activities is included as part of the cost of another intangible asset.

Expenditures for development of software recognized as assets are amortized using the straight-line method over the assets' useful lives.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to the financial statements

Years ended December 31, 2020 and 2019

(In thousands of reais, unless otherwise stated)



Changes							B3
	Goodwill (2)	Software development internally generated	Software internally generated – projects completed	Softwares	Contractual relations	Trademarks	Total
Balances at December 31, 2018	22,338,799	162,815	4,413,851	96,870	34,552	87,143	27,134,030
Additions	-	110,586	-	44,469	-	-	155,055
Write-offs	-	-	-	(11)	-	-	(11)
Transfers	-	(34,982)	30,998	3,984	-	-	-
Reclassification (Note 7)	-	-	-	(1,373)	-	-	(1,373)
Amortization	-	-	(819,126)	(21,874)	(9,872)	(69,715)	(920,587)
Other	-	1,078	42	(128)	-	-	992
Balances at December 31, 2019	22,338,799	239,497	3,625,765	121,937	24,680	17,428	26,368,106
Additions	-	137,458	-	69,436	-	-	206,894
Write-offs	-	-	(5,596)	(15)	-	-	(5,611)
Transfers	-	(126,282)	87,045	39,237	-	-	-
Impairment (1)	-	-	(67,723)	-	-	-	(67,723)
Amortization	-	-	(839,891)	(64,264)	(9,872)	(17,428)	(931,455)
Other	-	2,755	(22)	(311)	-	-	2,422
Balances at December 31, 2020	22,338,799	253,428	2,799,578	166,020	14,808	-	25,572,633
At December 31, 2020							
Cost	22,338,799	253,428	6,078,619	713,938	54,222	190,131	29,629,137
Accumulated amortization	-	-	(3,279,041)	(547,918)	(39,414)	(190,131)	(4,056,504)
Net book balance	22,338,799	253,428	2,799,578	166,020	14,808	-	25,572,633
Annual average amortization rates	-	-	14.2%	29.4%	17.3%	-	-
At December 31, 2019							
Cost	22,338,799	239,497	6,103,864	580,605	54,222	190,130	29,507,117
Accumulated amortization	-	-	(2,478,099)	(458,668)	(29,542)	(172,702)	(3,139,011)
Net book balance	22,338,799	239,497	3,625,765	121,937	24,680	17,428	26,368,106
Annual average amortization rates	-	-	13.6%	12.9%	18.2%	36.7%	-

Changes							Consolidated
	Goodwill (2)	Software development internally generated	Software internally generated – projects completed	Softwares	Contractual relations	Trademarks	Total
Balances at December 31, 2018	22,338,799	163,787	4,413,851	96,870	34,552	87,145	27,135,004
Additions	-	110,586	801	45,936	-	2	157,325
Write-offs	-	-	-	(34)	-	-	(34)
Transfers	-	(35,955)	31,301	4,654	-	-	-
Reclassification (Note 7)	-	-	-	(1,373)	-	-	(1,373)
Amortization	-	-	(821,316)	(23,367)	(10,517)	(69,715)	(924,915)
Acquisition of subsidiaries (Note 2(d))	77,351	-	24,797	3,638	14,757	7	120,550
Other	-	1,078	42	(128)	-	-	992
Balances at December 31, 2019	22,416,150	239,496	3,649,476	126,196	38,792	17,439	26,487,549
Additions	-	139,906	-	80,428	-	-	220,334
Write-offs	-	-	(5,596)	(15)	-	-	(5,611)
Transfers	-	(126,282)	88,680	38,078	(476)	-	-
Impairment (1) (2)	(9,251)	-	(73,963)	-	-	-	(83,214)
Amortization	-	-	(843,926)	(68,370)	(12,218)	(17,429)	(941,943)
Acquisition of subsidiaries (Note 2(d))	1,665	-	-	606	2,309	-	4,580
Other	(37)	2,755	(22)	(311)	-	-	2,385
Balances at December 31, 2020	22,408,527	255,875	2,814,649	176,612	28,407	10	25,684,080
At December 31, 2020							
Cost	22,408,527	255,875	6,100,194	734,744	71,288	190,141	29,760,769
Accumulated amortization	-	-	(3,285,545)	(558,132)	(42,881)	(190,131)	(4,076,689)
Net book balance	22,408,527	255,875	2,814,649	176,612	28,407	10	25,684,080
Annual average amortization rates	-	-	14,2%	29,4%	17,3%	-	
At December 31, 2019							
Cost	22,416,150	239,496	6,129,766	590,811	68,978	190,141	29,635,342
Accumulated amortization	-	-	(2,480,290)	(464,615)	(30,186)	(172,702)	(3,147,793)
Net book balance	22,416,150	239,496	3,649,476	126,196	38,792	17,439	26,487,549
Annual average amortization rates	-	-	13,6%	12,9%	18,2%	36,7%	

(1) As a result of the reduction in revenue projections related to the asset of Plataforma Imobiliária, during the period of its remaining useful life, B3 identified a reduction in the recoverable amount of Plataforma Imobiliária amounting to R\$67,723.

(2) At December 31, 2020, significant variables of future cash flow projections of the cash-generating units Bovespa Holding and CETIP (UTVM and UFIN) were reviewed, and no need to adjust the goodwill amounts was identified.

On the same base date, the future cash flow projections of Portal de Documents and BLK (acquired in 2019) were also evaluated. Only at BLK, we identified that the expected future profitability is lower than its book value, requiring adjustment to the goodwill in the amount of R\$9,251 and the surplus value recognized on BLK's platform in the amount of R\$6,240, and the amount of the surplus value net of deferred tax of R\$3,411.

All assumptions for the projected cash flow period were based on the most recent budget, performance analysis, market expectations and management strategies.



	Consolidated				
	Goodwill book value 12/31/2019	Discount rate (Before taxes)	Discount rate (after taxes)	Projective period (years)	Perpetuity
Bovespa Holding	14,401,628	15.2%	12.7%	10	6.1%
CETIP (UTVM and UFIN)	7,937,171	De 13.5% up to 13.8%	De 11.4% up to 11.8%	5	6.1%
Other*	77,351	De 13.3% up to 15.0%	De 11.2% up to 12.6%	5	6.1%
	22,416,150				

	Goodwill book value 12/31/2020	Discount rate (Before taxes)	Discount rate (after taxes)	Projective period (years)	Perpetuity
Bovespa Holding	14,401,628	13.9%	11.4%	10	5.7%
CETIP (UTVM and UFIN)	7,937,171	De 14.2% up to 14.4%	De 11.7% up to 12.1%	5	5.9%
Other*	69,728	De 13.3% up to 13.9%	De 11.0% up to 11.6%	5	5.9%
	22,408,527				

(*) Portal de Documentos, BLK and CED

Management carried out sensitivity analyses to determine the impacts of changes in the three main variables that affect the calculated value in use:

- Discount rate: weighted average cost of capital for each unit. Sensitivity in increase of 100bps;
- Perpetuity: rate equivalent to nominal GDP in the long term. Sensitivity in reduction of 50bps;
- Revenue growth: average annual revenue growth rate in the projected period. Sensitivity in reduction of 15%.

Bovespa Holding

The goodwill generated on the acquisition of Bovespa Holding in 2008, grounded on expected future profitability and an economic and financial appraisal report on the investment, was R\$16,064,309. At December 31, 2015, the test based on an appraisal report, then prepared by independent experts, identified the need to reduce the recoverable amount of Bovespa Holding by R\$1,662,681 and, consequently, the goodwill book value corresponded to R\$14,401,628.

Management understands that a projection period of ten years (rather than five) is based on the perception that the Brazilian capital markets in the variable income segment should experience prolonged growth, reflecting the time required for indicators such as participation of shares in the investor portfolios, and Brazil's Market Cap/GDP ratio, among others, may reach levels observed in other countries, indicating that long-term maturity has been reached.

The assumptions of the cash flow projective period also consider the expectation of growth and development of the capital markets in Brazil.

The sensitivity scenarios disclosed values in use of the CGU above the book value.



CETIP

The goodwill generated on the acquisition of CETIP in March 2017, amounting to R\$7,937,171, is based on the expectation of future profitability and the Purchase Price Allocation (PPA) report, with R\$5,041,133 allocated for CETIP UTVM and R\$2,896,038 for CETIP UFIN.

The assumptions of the cash flow projective period also consider the expectation of growth of the fixed income, automotive and real estate market in Brazil.

The sensitivity scenarios disclosed values in use of CGUs above the book value.

Subsidiaries - Portal de Documentos, BLK and CED

The goodwill generated on the acquisition of Portal de Documentos (R\$68,063 in June 2019) and BLK (R\$9,251 in March 2019) is based on expected future profitability and the Purchase Price Allocation (PPA) report.

As of December 31, 2020, the main variables of the future cash flow projections of Portal de Documentos (expectation of growth in the real estate sector and collection)) and BLK (sophistication of the trading environment and algorithms) were reviewed and compared to the investment book values of R\$109,623 and R\$31,502, respectively.

The sensitivity analyzes of the discount rate and perpetuity and revenue growth revealed values in use by companies above the book value for Portal de Documentos.

As of December 31, 2020, the annual impairment test of BLK's book value, prepared internally, identified the need for impairment in the total amount of R\$9,251.

The goodwill generated on the acquisition of CED (R\$1,665 in June 2020) was calculated based on estimates prepared internally.

9. Loans and financing

Accounting Practices

Loans and financing

These are initially recognized at fair value, net of transaction costs incurred, and subsequently measured at amortized cost. Any difference between the amount raised (net of transaction costs) and the settlement amount is recognized in the statement of profit or loss for the period in which loans are outstanding, under the effective interest method. When there are immaterial changes in contractual terms, the difference between the book balance and the remeasured financial liability is recognized as a gain or loss in P&L for the period, however, if the changes in contractual terms are material, the original instrument is written off and a new financial liability is recognized, with possible impacts recognized in P&L for the year.

Leases

Lease liabilities are measured at the present value of future payments restated according to the projected contractual correction indexes or rates. The lease liability is recorded against the right-of-use asset (property and equipment).

Lease liability is remeasured on the occurrence of events such as change in lease term, change in future payments, change in an index or rate used to determine the payments. The remeasurement amount is recognized as an adjustment to the right-of-use asset.

The interest incurred is recorded as a financial expense and the payments made reduce the book value of the lease liability. The payment of short-term contracts (12 months or less) is recognized as an expense when incurred.

Changes						B3
	Foreign debt	Debentures	Loans involving subsidiary	Bank credit note	Other loans	Total
Balance at December 31, 2018	2,402,529	1,504,766	1,834,399	-	15,574	5,757,268
Additions/appropriation of interest	156,345	132,154	78,996	-	2,503	369,998
Issue/contracting	-	1,200,000	-	-	-	1,200,000
Leases	-	-	-	-	19,329	19,329
Borrowing costs	-	(1,059)	-	-	-	(1,059)
Amortization of borrowing costs	2,464	2,785	-	-	110	5,359
Amortization of interest	(125,524)	(130,601)	(82,812)	-	(1,194)	(340,131)
Amortization of principal	(22,884)	(1,500,000)	-	-	(8,703)	(1,531,587)
FX differences	-	-	71,934	-	-	71,934
FX differences - Fair value hedge	95,411	-	-	-	-	95,411
FX differences - Cash flow hedge	(6,013)	-	-	-	-	(6,013)
Present value adjustment - Fair value hedge	17,088	-	-	-	-	17,088
Balance at December 31, 2019	2,519,416	1,208,045	1,902,517	-	27,619	5,657,597
Additions/appropriation of interest	109,082	81,428	97,848	28,504	1,704	318,566
Issue/contracting	-	3,755,000	-	1,250,000	-	5,005,000
Leases	-	-	-	-	4,646	4,646
Borrowing costs	-	(33,677)	-	-	-	(33,677)
Amortization of borrowing costs	1,301	3,764	-	-	93	5,158
Amortization of interest	(160,227)	(39,092)	(82,480)	-	(856)	(282,655)
Amortization of principal	(3,301,846)	-	-	-	(10,069)	(3,311,915)
FX differences	-	-	537,670	-	-	537,670
FX differences - Fair value hedge	806,249	-	-	-	-	806,249
FX differences - Cash flow hedge	6,534	-	-	-	-	6,534
Present value adjustment - Fair value hedge	19,491	-	-	-	-	19,491
Balance at December 31, 2020	-	4,975,468	2,455,555	1,278,504	23,137	8,732,664
At December 31, 2020						
Current	-	42,469	16,780	28,504	6,876	94,629
Noncurrent	-	4,932,999	2,438,775	1,250,000	16,261	8,638,035
Book Balance	-	4,975,468	2,455,555	1,278,504	23,137	8,732,664
At December 31, 2019						
Current	2,519,416	8,537	270,890	-	7,502	2,806,345
Noncurrent	-	1,199,508	1,631,627	-	20,117	2,851,252
Book Balance	2,519,416	1,208,045	1,902,517	-	27,619	5,657,597

Changes						Consolidated
	Foreign debt	Debentures	Loans involving subsidiary	Bank credit note	Other loans	Total
Balance at December 31, 2018	2,402,529	1,504,766	586,290	-	15,574	4,509,159
Additions/appropriation of interest	156,345	132,154	25,044	-	2,659	316,202
Issue/contracting	-	1,200,000	204,990	-	-	1,404,990
Leases	-	-	-	-	22,543	22,543
Borrowing costs	-	(1,059)	-	-	-	(1,059)
Amortization of borrowing costs	2,464	2,785	-	-	110	5,359
Amortization of interest	(125,524)	(130,601)	(28,130)	-	(1,230)	(285,485)
Amortization of principal	(22,884)	(1,500,000)	(204,990)	-	(9,581)	(1,737,455)
FX differences	-	-	23,385	-	-	23,385
FX differences - Fair value hedge	95,411	-	-	-	-	95,411
FX differences - Cash flow hedge	(6,013)	-	-	-	-	(6,013)
Present value adjustment - Fair value hedge	17,088	-	-	-	-	17,088
Acquisition of subsidiary	-	-	-	-	422	422
Balance at December 31, 2019	2,519,416	1,208,045	606,589	-	30,497	4,364,547
Additions/appropriation of interest	109,082	81,428	26,728	28,504	1,947	247,689
Issue/contracting	-	3,755,000	-	1,250,000	-	5,005,000
Leases	-	-	-	-	5,353	5,353
Borrowing costs	-	(33,677)	-	-	-	(33,677)
Amortization of borrowing costs	1,301	3,764	-	-	93	5,158
Amortization of interest	(160,227)	(39,092)	(28,598)	-	(856)	(228,773)
Amortization of principal	(3,301,846)	-	-	-	(10,859)	(3,312,705)
FX differences	-	-	174,900	-	-	174,900
FX differences - Fair value hedge	806,249	-	-	-	-	806,249
FX differences - Cash flow hedge	6,534	-	-	-	-	6,534
Present value adjustment - Fair value hedge	19,491	-	-	-	-	19,491
Balance at December 31, 2020	-	4,975,468	779,619	1,278,504	26,175	7,059,766
At December 31, 2020						
Current	-	42,469	872	28,504	7,556	79,401
Noncurrent	-	4,932,999	778,747	1,250,000	18,619	6,980,365
Book Balance	-	4,975,468	779,619	1,278,504	26,175	7,059,766
At December 31, 2019						
Current	2,519,416	8,537	1,984	-	8,056	2,537,993
Noncurrent	-	1,199,508	604,605	-	22,441	1,826,554
Book Balance	2,519,416	1,208,045	606,589	-	30,497	4,364,547

Debentures

	Contract rate	Number	Unit per value in R\$	Total issuance
2nd issuance (single series)	102.80% CDI	120,000	10,000.00	1,200,000
3rd issuance (single series)	CDI + 1.75% p.a.	355,000	10,000.00	3,550,000
4th issuance (DI series)	CDI + 1.30% p.a.	41,775	1,000.00	41,775
4th issuance (IPCA series)	IPCA + 3.90% p.a.	163,225	1,000.00	163,225



The second issue provides for full amortization in May 2022, semiannual interest payments (May and November) and an early redemption and amortization clause upon payment of a premium of 0.10% per year for the remaining term of the debentures. The indenture was issued with a 30-year term providing a renegotiation clause scheduled for May 2022. The third issue provides for repayments in August 2022, August 2023 and August 2024, semiannual interest payments (February and August) and redemption and early amortization clause by paying a premium of 0.55% per year for the remaining term of the debentures. The fourth issue has two series designated as DI series and IPCA series, the DI series provides for final amortization in December 2030 while IPCA series provides for equal repayments in December 2028, December 2029 and December 2030, both have monthly interest payments and premium of 0.65% per year for the remaining term of the debentures.

At December 31, 2020, the outstanding balance of the second, third and fourth issue is R\$1,203,292, R\$3,567,060 and R\$205,116, respectively (R\$1,208,045 on December 31, 2019 for the second issue), the payment schedule and obligations established in the issue deed are fully honored, with no default events until the respective date.

Loans involving subsidiary - CETIP Lux

In December 2020, there was a renegotiation for another 2 years of one of the loan contracts in the amount of US\$64,493 with payment of quarterly interest and interest rate of 2.3% per year. Currently, the loan contracts have a weighted average term of approximately 2.6 years with principal repayment in January and September 2023, in the amounts of US\$64,493 and US\$404,800, respectively. The weighted average interest rate on loans is approximately 3.34% per year, with annual, half-yearly or quarterly interest flows.

Bank loans

In August 2020, the loan called CETIP Lux I, in the amount of US\$100,000 with quarterly interest payments and an interest rate of approximately 3.6% per year, was renegotiated for another 2 years and at a rate of approximately 2.5% per year.

In September 2019, CETIP Lux contracted a new bank loan in the amount of US\$50,000, with a 4-year term, payment of quarterly interest and an interest rate of 3.47% per year. The amount was fully used for the payment of the maturing loan.

Loan contracts rely on B3's personal guarantee and establish that CETIP Lux must maintain minimum equity during the term of the contract and, if the company fails to comply with this clause, this may result in the early maturity of the loan. In the period, there was no breach of the clause.

Bank Credit Note (CCB)

In June 2020, B3 raised funds by issuing a Bank Credit Bill in favor of a low credit risk financial institution, at the rate and nominal value of CDI + 2.50% per year, and R\$1,250,000, respectively, with full amortization in July 2023 and payment of semiannual interest.



At December 31, 2020, the debt balance of the bank credit bill was R\$1,278,504, the payment schedule and obligations established in the loan agreement were fully honored, with no default events until the respective date.

10. Other obligations

	B3		Consolidated	
	2020	2019	2020	2019
Current				
Repurchase agreements (1)	-	-	705,139	373,073
Demand deposits (2)	-	-	249,588	180,819
Amounts to be transferred - Direct Treasury	58,872	40,524	58,872	40,524
Payables – CME/ICE	61,224	40,920	58,040	40,920
Amounts to be transferred - Incentives	27,984	41,880	27,984	41,880
Repurchase to Settle - Treasury Shares	24,780	-	24,780	-
Amounts to be transferred - Arbitration Chamber	19,774	4,675	19,774	4,675
Future installments (3)	19,582	23,717	19,582	23,717
Synergy transfer	24,969	23,964	16,731	23,964
Other	26,555	23,500	56,045	74,975
Total	263,740	199,180	1,236,535	804,547
Noncurrent				
Future installments (3)	21,412	18,996	21,412	18,996
Payables – CME/ICE	5,326	8,105	5,326	8,105
Other	-	-	715	900
Total	26,738	27,101	27,453	28,001

(1) These refer to open market funding made by Banco B3, comprising repurchase agreements maturing on January 4, 2021 (2019 - January 2, 2020) and backed by Financial Treasury Bills (LFT), National Treasury Bills (LTN), and National Treasury Notes (NTN) - serie B.

(2) These refer to demand deposits held by legal entities at Banco B3 with the sole purpose of settlement of clearing operations held within B3 and the Special System for Settlement and Custody (SELIC), pursuant to BACEN Circular Letter No. 3196 of July 21, 2005.

(3) These refer to the remaining balance due for the acquisition of Portal de Documentos. The fair value of future portions is reviewed and calculated using the Monte Carlo Method ("MMC").



11. Provisions for tax, civil and labor contingencies, contingent assets and liabilities, judicial deposits and other provisions

Accounting Practices

The recognition, measurement, and disclosure of provisions for tax, civil and labor contingencies, contingent assets and liabilities, and legal obligations comply with the criteria defined in CPC 25/IAS 37.

Provisions are recognized when: (i) B3 has a present (legal or constructive) obligation arising from past events; (ii) the settlement of which is expected to result in an outflow of resources; and (iii) the amount involved can be reliably estimated.

Contingent liabilities are not recognized, as outflows of funds are not expected to be required for their settlement or it is not possible to measure the amount of the obligation reliably, however, they are disclosed in explanatory information when the likelihood of an outflow of fund is possible. In significant cases where the likelihood of loss is assessed as remote, B3 practice is to disclose them.

Contingent assets are not recognized in the financial statements due to uncertainties about their realization.

a) *Contingent assets*

B3 has no contingent assets recognized in its balance sheet and, at present, no lawsuits which are expected to give rise to significant future gains.

b) *Provisions for tax, civil, and labor contingencies*

B3 and its subsidiaries are defendants in a number of legal and administrative proceedings involving labor, tax and civil matters arising in the ordinary course of business.

Legal and administrative proceedings are classified, according to their likelihood of loss, as probable, possible and remote, based on an assessment made in accordance with the Company's contingency assessment guidelines and submitted to the Audit Committee.

The proceedings assessed as probable loss are mostly comprised as follows:

- (i) Labor claims mostly relate to claims filed by former employees of B3 and employees of outsourced service providers, because of alleged noncompliance with labor legislation.
- (ii) Civil proceedings mainly relate to aspects of civil liability of B3 and its subsidiaries, as well as to the cancellation of units of interest of former members of the then CETIP Associação.
- (iii) Tax proceedings for which provisions are recorded address: (i) the levy of PIS and COFINS on B3's revenues; (ii) ISS tax delinquency notices referring to the OTC segment activities carried out by former CETIP, from May to December 2016.

c) Legal obligations

These are represented by three groups of lawsuits in which B3 and its subsidiaries claim (i) non-levy of additional social security contribution on payroll and payments to self-employed professionals; (ii) the unconstitutionality of the broadened COFINS tax base by reference to Law No. 9718; and (iii) non-levy of ISS on the activity of permanence, registration of securities and other services.

d) Other provisions

B3 has contracts that provide for the payment of attorneys' success fees arising from tax and civil proceedings, in which B3 figures as defendant. Within its best estimates, B3 determined and provisioned the amounts for which it understands that there is likelihood of future disbursement, related to attorneys' success fees from proceedings whose likelihood of loss is assessed as possible and remote.

e) Changes in balances

Changes in provisions for contingencies and legal obligations are broken down as follows:

Changes						B3
	Civil (1)	Labor	Legal obligations	Tax (2)	Other provisions	Total
Balances at December 31, 2018	427,980	32,808	164,717	24,053	64,587	714,145
Provisions	378	4,425	9,818	4,076	13,800	32,497
Provision expenditure	(3)	(4,626)	-	(4,088)	(3,877)	(12,594)
Reversal of provisions	-	(3,442)	-	-	(416)	(3,858)
Reassessment of risks	-	(600)	-	12	-	(588)
Restatement	120,323	3,069	10,070	678	2,557	136,697
Balances at December 31, 2019	548,678	31,634	184,605	24,731	76,651	866,299
Provisions	6,448	1,511	14,072	35,667	7,540	65,238
Provision expenditure	(147,513)	(1,812)	-	(16,035)	(7,927)	(173,287)
Reversal of provisions	(367,727)	(227)	-	-	(7,627)	(375,581)
Reassessment of risks	(1)	(622)	-	-	-	(623)
Restatement	131,896	3,566	4,947	2,342	5,944	148,695
Balances at December 31, 2020	171,781	34,050	203,624	46,705	74,581	530,741

Changes						Consolidated
	Civil (1)	Labor	Legal obligations	Tax (2)	Other provisions	Total
Balances at December 31, 2018	427,980	32,820	164,779	24,301	71,163	721,043
Provisions	378	4,425	9,880	4,081	13,923	32,687
Provision expenditure	(3)	(4,640)	-	(4,345)	(7,239)	(16,227)
Reversal of provisions	(30)	(3,451)	-	-	(453)	(3,934)
Reassessment of risks	32	(600)	-	12	-	(556)
Restatement	120,325	3,071	10,078	682	2,868	137,024
Merger of subsidiary	122	15	36	-	-	173
Balances at December 31, 2019	548,804	31,640	184,773	24,731	80,262	870,210
Provisions	6,463	1,511	14,228	36,109	7,565	65,876
Provision expenditure	(147,580)	(1,812)	-	(16,133)	(7,927)	(173,452)
Reversal of provisions	(367,767)	(227)	-	-	(7,664)	(375,658)
Reassessment of risks	(1)	(622)	-	10	-	(613)
Restatement	131,906	3,567	4,952	2,350	6,726	149,501
Balances at December 31, 2020	171,825	34,057	203,953	47,067	78,962	535,864

(1) In August 2020, B3 filed an agreement to dismiss the lawsuit filed by the estate of Corretora Spread, resulting in the payment of R\$141,192 and the reversal of the provision recorded in the amount of R\$268,064 in the statement of profit and loss (R\$82,068 in expenses and R\$185,996 in income as they refer to records made in previous periods), which represents the difference between the amount recorded in the provision at the time of the agreement and the amount actually paid for the agreement entered into.

In December 2020, as a result of the favorable decision given by the Rio de Janeiro Justice Court to B3, in which the main arguments of the defense were upheld, the likelihood of loss of the lawsuit filed by a former shareholder of then CETIP Association in the amount of R\$99,663 changed from probable to possible and, consequently, the provision recorded in the statement of profit and loss was reversed (R\$16,055 in expenses and R\$83,608 in income as it relates to records made in previous periods).

(2) B3 started to attribute a probable loss risk to the ISS tax delinquency notices referring to the OTC activities developed by former CETIP, from May to December 2016, resulting in a provision amounting to R\$35,667.

B3 had two lawsuits in which it pleaded for non-inclusion of interest on equity in the PIS and COFINS tax bases. In June 2020, the unfavorable res-judicata decision resulted in the use of a provision amounting to R\$16,035. The amounts under discussion had been deposited (Note 11(h)).

According to the characteristic of the provisions, there is no forecast for the time of cash disbursement, if it occurs.

f) Possible losses

The proceedings assessed as possible loss are so classified as a result of uncertainties surrounding their outcome. They are legal or administrative proceedings for which case law has not yet been established or which still depend on check and analysis of the facts, or even involve specific aspects that reduce the likelihood of loss.

B3 and its subsidiaries are parties to tax, civil and labor lawsuits involving risks of loss classified as possible, based on the assessment of B3's legal department and external legal advisors, for which no provision has been recorded. These proceedings comprise mainly the following:

- (i) Labor claims mostly relate to claims filed by former employees of B3 and of outsourced service providers, on account of alleged noncompliance with labor legislation. At December 31, 2020, lawsuits classified as possible loss amount to R\$13,851 in B3 (R\$13,356 at December 31, 2019) and R\$14,652 in consolidated (R\$13,708 at December 31, 2019).
- (ii) Civil proceedings mainly relate to aspects of civil liability of B3, as well as cancellation of units of interest of former members of the then CETIP Associação. The amount involved in civil proceedings classified as possible losses at December 31, 2020 totals R\$213,458 in B3 (R\$81,697 at December 31, 2019) and R\$227,847 in the Consolidated (R\$81,726 at December 31, 2019 in the Consolidated).
- (iii) The total amount involved in the tax proceedings assessed as possible loss amounts to R\$12,677,629 in B3 (R\$473,236 at December 31, 2019) and R\$12,678,469 in the Consolidated (R\$473,841 at December 31, 2019). The main tax proceedings of B3 and its subsidiaries refer to the following matters:
- Between 2010 and 2019, B3 received three tax assessment notices from the Brazilian Internal Revenue Service (RFB), challenging the amortization, for tax purposes, of goodwill arising from the merger of Bovespa Holding S.A. shares into B3 in May 2008. On May 15, 2020, an unfavorable decision was handed down in the annulment action filed by B3 in the lawsuit described in item (1), reason why B3 started to attribute possible loss risk to the lawsuits that challenge the goodwill tax amortization. The amounts involved in each tax proceeding are broken down as follows:

Period of tax amortization challenged	Amounts referring to administrative proceedings
	2020
2008 and 2009 (1)	1,358,094
2010 and 2011 (2)	2,752,174
2012 and 2013 (3)	3,444,207
2014, 2015 and 2016 (4)	4,353,638
Total	11,908,113

(1) B3 filed an appeal with the Judiciary through an action for annulment on April 23, 2018, against an unfavorable decision to B3 in the Câmara Superior de Recursos Fiscais do (CARF) issued in the notice of infraction issued on November 29, 2010. On June 12, 2018, the preliminary injunction granted suspended the collectability of the tax credit. On May 22, 2020, Motion for clarification was filed, which was judged unfavorably. On October 2, 2020, Tax Enforcement was filed. On October 27, 2020, the Request for Guardianship Appeals was granted by TRF1 and the tax credit requirement was suspended. Currently, the request for extinction of the tax foreclosure is awaited, due to the suspension of the tax credit requirement, and the judgment of the Appeal (Annulment Action).

(2) On June 22, 2017, CARF granted the Voluntary Appeal filed by B3 and, on August 11, 2019, the Higher Board of Tax Appeals (CSRF) dismissed B3's appeal upon granting the Appeal to the High Court of Justice lodged by the National Treasury General Attorney's Office (PGFN). The return of the case records to the Lower House was determined for judgment of secondary matters not considered in the judgment of the Voluntary Appeal. Currently, a new judgement is pending by the Lower House, period in which the debt remains under suspended enforceability.



(3) In October 2017, the Company filed a related administrative protest, for which an unfavorable to the B3 decision was handed down by the Brazilian IRS Judgment Office (“DRJ”), upholding the notice. On October 16, 2019, the lower panel of the Administrative Board of Tax Appeals (CARF) issued a decision granting the Voluntary Appeal filed by B3.

(4) In November 2019, B3 filed the competent administrative appeal, which was tried on June 10, 2020 against B3 by the Brazilian IRS Judgment Office (DRJ). B3 currently awaits the decision by CARF on the Voluntary Appeal filed by B3.

B3 constitutes a deferred tax liability on the temporary difference between the tax base of goodwill and the book value (Note 16).

- Classification of the former Bovespa, in the period prior to the IPO operations, as taxpayer of the Contribution Tax on Gross Revenue for Social Security Financing (“COFINS”), which is the subject matter of a declaratory judgment actions pleading the declaration that the plaintiff has no tax obligations owed to the federal tax authority and seeking non-levy of COFINS on revenue arising from the exercise of the activities for which it was established, the revenue of which does not fall under the concept of billing. The amount involved in referred to proceeding as of December 31, 2020 is R\$55,994 (R\$55,363 at December 31, 2019).
- Collection of Withholding Income Tax (IRRF) relating to the calendar year 2008, since the Brazilian IRS understands that B3 would be responsible for withholding and paying IRRF on the alleged capital gains earned by non-resident investors in Bovespa Holding S.A., due to the merger of shares of Bovespa Holding S.A. into B3. On November 26, 2018, B3 appealed to the Judiciary against the decision issued by the Administrative Board of Tax Appeals (CARF), which maintained referred to tax delinquency notice, having obtained a preliminary injunction suspending payment of the tax credit. The amount involved in this administrative proceeding at December 31, 2020 is R\$233,947 (R\$231,199 at December 31, 2019).
- IRPJ and CSLL tax deficiency notice challenging the calculation of the capital gain determined upon disposal, in 2015, of 20% of the CME's shares held by the then BM&FBOVESPA. According to the tax authority, the foreign exchange difference of the investment accounted for could not have been used as an acquisition cost for the purposes of calculating the taxable capital gain. B3 filed the competent administrative appeal, which was tried predominantly unfounded on December 18, 2020 by the Brazilian IRS Judgment Office (DRJ). B3 will file a Voluntary Appeal to CARF within the regulatory period. The amount involved in this administrative proceeding at December 31, 2020 is R\$332,724.

g) Remote losses

B3 is a defendant in 3 (three) class actions and 2 (two) public civil actions, filed against the then Bolsa de Mercadorias & Futuros - BM&F (“BM&F”), to determine alleged Treasury losses arising from transactions performed by the Central Bank of Brazil in January 1999 in the dollar futures market.



Currently, only four (4) of these lawsuits against B3 are in progress. In March 2012, those claims had been accepted by the lower court for conviction of most of the defendants in these proceedings, including the entity then known as BM&F. The combined convictions amounted to R\$7,005 million, from which, according to one of the rulings, the gains obtained by the Central Bank of Brazil due for not using international reserves, amounting to R\$5,431 million, could be deducted. B3 had also been sentenced to pay a civil fine of R\$1,418 million. In June 2017, the Federal Regional Court ruled in favor of the appeals filed by B3, reversing the sentences to exclude the liability for compensation for any damages suffered by the Brazilian Treasury Department. The Federal Prosecution Office (MPF) filed appeals to the High Court and one appeal to the Supreme Court against the decisions that reversed the negative judgments in all proceedings. One of the appeals to the High Court filed by MPF was analyzed and rejected, due to the unappealable decision already issued in favor of B3. The other appeals to the High Court and the appeal to the Supreme Court were accepted for judgment by the Brazilian High Court of Justice (STJ) and Brazilian Supreme Court (STF), respectively. All amounts reported in this item are historical amounts referring to January 1999 and would be monetarily restated, including default interest and loss of suit expenses.

h) Judicial deposits

Accounting Practices

Judicial deposits are related to legal proceedings of a tax, civil and labor nature, and are monetarily adjusted and presented in noncurrent assets.

Description	B3		Consolidated	
	2020	2019	2020	2019
Legal obligations (1)	165,073	160,927	165,073	160,927
Tax (2)	78,935	93,728	79,147	93,926
Labor	15,580	13,048	15,739	13,200
Civil	7,199	6,930	7,199	6,937
Total	266,787	274,633	267,158	274,990

(1)Of the total deposits related to legal obligations, R\$136,328 (R\$130,956 at December 31, 2019) refers to the proceeding that challenges non-levy of ISS on the activities involving holding, registration of securities, among others (Note 11(f)).

(2)Of the total judicial deposits of B3, the following are highlighted: R\$55,994 (R\$55,363 at December 31, 2019) referring to proceedings challenging the classification of former Bovespa as subject to the payment of COFINS, which are assessed as possible loss by B3 (Note 11(f)). B3 had two shares in which it claimed not to include interest on equity in the PIS and COFINS calculation bases. The unfavorable decision resulted in the reversal of tax deposits in the amount of R\$16,035 (R \$ 15,892 on December 31, 2019) (Note 11 (e)).

We stress that the tax-related judicial deposits comprise, in addition to the proceedings classified as probable loss and legal obligations, the proceedings whose likelihood of loss is rated as possible.



12. Equity

a) *Capital*

At a meeting of the Board of Directors, held on March 5, 2020, the increase in the capital of B3 in the amount of R\$ 9,000,000 was approved, with the new capital now comprising R\$ 12,548,655 (R\$ 3,548,655 as of December 31, 2019) and is represented by 2,059,138,490 registered common shares with voting rights and with no par value, of which 2,034,175,662 were outstanding on December 31, 2020 (2,046,098,617 on December 31, 2019).

The capital increase was carried out through the capitalization of part of the capital reserves, without the issuance of new shares, it is a transfer within equity itself, without other legal and economic consequences, aiming to balance the ratio between the capital accounts of B3 shareholders' equity.

B3 is authorized to increase its share capital up to the limit of 2,500,000,000 common shares, through a resolution of the Board of Directors, without any amendment to its Articles of Incorporation.

b) *Treasury shares*

Accounting Practices

When B3 shares are repurchased, the amount of the consideration paid and any directly attributable costs, net of tax effects, are recorded in a specific equity reducing account and classified as treasury shares. When treasury shares are disposed of or transferred to the beneficiaries of the stock options and stock option plans, the amount of the consideration received (cash or service) is recognized as an increase in equity, and any gain or loss resulting from the transaction is recorded as capital reserve.

Share buyback program

At a meeting held on March 05, 2020, the Board of Directors approved B3's Share Buyback Program, beginning on March 06, 2020 and ending on February 28, 2021. The limit in the number of shares that may be acquired by B3 is 21,700,000 common shares, representing 1.06% of total outstanding shares. Until December 31, 2020, B3 had purchased 13,519,100 shares, which represents 62.3% of the total provided for in the buyback program.

The shares purchased in connection with the Share Buyback Program may be cancelled or used for transferring shares to the Stock Option Plan beneficiaries.

Changes in treasury shares for the period are as follows:



Changes	Quantity	Amount
Balances at December 31, 2018	14,922,683	165,635
Shares acquisition – buyback program	1,962,800	75,531
Shares sold – Stock option and stock grant plans	(3,845,610)	(44,547)
Balances at December 31, 2019	13,039,873	196,619
Shares acquisition – buyback program	15,719,100	798,185
Shares sold – Stock option and stock grant plans	(3,796,145)	(78,172)
Balances at December 31, 2020	24,962,828	916,632
Average cost of treasury shares (R\$ per share)		36.72
Market value of treasury shares		1,547,196

c) *Revaluation reserves*

Revaluation reserves were established because of the revaluation of works of art in B3 and of the properties of subsidiary BVRJ in 2007, based on independent experts' appraisal reports.

d) *Capital reserve*

This refers substantially to amounts originated in the merger of Bovespa Holding and CETIP shares in 2008 and 2017, respectively, and other corporate events allowed by the Brazilian Corporation Law, such as (i) capital increase through merger, (ii) redemption, repayment or purchase of shares, and (iii) events associated with the stock option and stock grant plans.

e) *Income reserves*

(i) *Legal reserve*

Legal reserve is annually set up with allocation of 5% of net income for the year, capped at 20% of capital. The legal reserve aims at ensuring integrity of capital and may only be used to absorb losses and increase capital. The legal reserve is not required to be set up considering that its amount plus the capital reserves exceeds 30% of the Company capital.

(ii) *Statutory reserves*

Represent funds and safeguard mechanisms required for the activities of B3, in order to ensure the proper settlement and reimbursement of losses arising from the intermediation of transactions carried out in its trading sessions and/or registered in any of its trading, registration, clearing and settlement systems, and from custody services.

Pursuant to the Articles of Incorporation, the Board of Directors may, when the amount of the statutory reserve is sufficient to meet the purposes for which it was originally established, propose that part of the reserve be distributed to the shareholders of the B3.

f) Dividends and interest on equity

Accounting Practices

Dividends and interest on equity paid to B3 shareholders are recognized as a liability in the financial statements at the dates of approved by the Board of Directors, based on B3's Articles of Incorporation. The tax benefit over interest on equity is recorded in the statement of profit or loss.

As provided for in the Articles of Incorporation, shareholders are entitled to mandatory minimum dividends of 25% of net income for the year, adjusted under Brazilian Corporation Law.

The interests on equity and dividends approved in relation to P&L for the year are as follows:

Earning	Date of approval	Date of payment	Gross per share (R\$)	Total gross amount	Tax Effect
Interest on equity	03/05/2020	04/07/2020	0.143375	293,000	(99,620)
Interest on equity	06/25/2020	08/07/2020	0.146798	300,000	(102,000)
Interest on equity	09/21/2020	10/07/2020	0.147871	302,000	(102,680)
Dividends	09/21/2020	10/07/2020	0.648743	1,324,940	-
Interest on equity	12/10/2020	01/08/2021	0.146922	298,865	(101,614)
Dividends	12/10/2020	01/08/2021	0.410478	834,985	-
Total for the year 2020				3,353,790	(405,914)
Interest on equity	03/21/2019	04/05/2019	0.192951	395,000	(134,300)
Interest on equity	06/19/2019	07/17/2019	0.190469	389,999	(132,600)
Dividends	06/27/2019	07/17/2019	0.103203	211,150	-
Interest on equity	09/19/2019	10/07/2019	0.188189	385,000	(130,900)
Dividends	09/19/2019	10/07/2019	0.129420	264,770	-
Interest on equity	12/12/2019	01/13/2020	0.190118	389,000	(132,260)
Dividends	12/12/2019	01/13/2020	0.163726	335,000	-
Dividends	03/05/2020	04/07/2020	0.168452	344,247	-
Additional dividends	03/05/2020	05/07/2020	0,318068	650,000	-
Total for the year 2019				3,364,166	(530,060)

On March 04, 2021, the Board of Directors approved the proposal for payment of additional dividends amounting to R\$1,988,212 (Note 22).

g) Earnings per share

Accounting Practices

For purposes of disclosure of earnings per share, basic earnings per share are calculated by dividing profit attributable to B3 shareholders by the average number of shares outstanding in the period. Diluted earnings per share are calculated similarly, except that the number of outstanding shares is adjusted to reflect additional shares that would have been outstanding if potentially dilutive shares had been issued for granted stock options in the respective periods.



Basic	Consolidated	
	2020	2019
Numerator		
Net income available to shareholders of B3	4,152,304	2,714,166
Denominator		
Weighted average number of outstanding shares	2,042,837,665	2,046,501,966
Basic earnings per share (in R\$)	2.032616	1.326246

Diluted	Consolidated	
	2020	2019
Numerator		
Net income available to shareholders of B3	4,152,304	2,714,166
Denominator		
Weighted average number of outstanding shares adjusted by effects of stock options and stock grant plans	2,048,413,967	2,053,623,408
Diluted earnings per share (in R\$)	2.027082	1.321647

13. Transactions with related parties

a) Transactions and balances with related parties

B3 follows a policy on transactions with related parties, and other situations of potential conflict of interest (Policy), approved by the Board of Directors, which aims to establish rules to ensure that all decisions involving related-party transactions and other situations of potential conflict of interest are taken to the interests of B3 and its shareholders, in compliance with the relevant rules and legislation in force.

When negotiating and entering into transactions with related parties, the same principles and procedures that guide negotiations carried out by B3 with independent parties are observed.

B3 seeks to ensure, through the procedures established in the Policy, that all decisions that may grant a private benefit to any person with significant influence, members close to their family, entities or persons related to them are taken with total honesty, respecting the interest of B3.

Any transaction between related parties or in which a potential conflict of interest has been identified, involving a person with significant influence, is formalized, observing the following criteria:

- (a) bases of transactions under Market Conditions;
- (b) description of the transaction's terms; and
- (c) compliance with the Purchasing Rule, if applicable.

The balances and main recurring transactions with related parties are described below.

Description	Assets / (liabilities)		Revenue / (expenses)	
	2020	2019	2020	2019
Banco B3				
Accounts receivable	1,440	1,143	-	-
Interest on equity receivable	3,391	4,675	-	-
Accounts payable	(215)	(199)	-	-
Recovery of expenses	-	-	15,252	14,265
Income from fees	-	-	284	203
Expenses from fees	-	-	(2,220)	(2,327)
Interest on equity	-	-	3,990	10,646
Cetip Lux				
Accounts payable	(2,455,555)	(1,902,517)	-	-
Interest on loans	-	-	(97,848)	(78,996)
Exchange rate variation - loans	-	-	(537,670)	(71,934)
BSM				
Accounts receivable	268	195	-	-
Accounts payable	(900)	(430)	-	-
Donation and contribution	-	-	(22,399)	(21,126)
Recovery of expenses	-	-	2,914	2,718
BVRJ				
Accounts receivable	-	1	-	-
Accounts payable	-	(45)	-	-
Recovery of expenses	-	-	6	4,604
UK Ltd.				
Accounts payable	(521)	-	-	-
Recovery of expenses	-	-	(3,645)	(2,882)
B3 Social				
Accounts receivable	-	2	-	-
Recovery of expenses	-	-	2	26
Donations	-	-	(7,400)	-
Associação BM&F				
Accounts receivable	34	6	-	-
Recovery of expenses	-	-	109	80
Expenses with course	-	-	(101)	(94)
Donations	-	-	-	(5,000)
CETIP Info				
Accounts receivable	3,199	4	-	-
Recovery of expenses	-	-	8,835	43
Earnings	-	-	40,812	34,475
BLK				
Accounts receivable	1,950	68	-	-
Recovery of expenses	-	-	385	-
Interest on loans	-	-	53	-
Sundry revenues	-	-	1,042	609
Portal de Documentos				
Accounts payable	-	(1)	-	-
Recovery of expenses	-	-	88	-
Sundry expenses	-	-	(1,386)	(108)



Description	Assets / (liabilities)		Revenue / (expenses)	
	2020	2019	2020	2019
Other related parties				
Accounts receivable	147	28	-	-
Accounts payable	(2)	(3)	-	-
Recovery of expenses	-	-	566	158
Sundry revenues	-	-	287	-
Donation	-	-	(50)	(50)
Sundry expenses	-	-	(16)	(73)

BSM Market Supervision (BSM) is a non-profit civil association that, with its Supervisory Board and functional structure independent from those used by its associates, carries out the self-regulation activities of organized securities markets in accordance with CVM Instruction 461/07. BSM's function is to analyze, supervise and supervise the operations and activities of the companies of the trading participants and the agents that carry out clearing and settlement of transactions and / or custody activities that operate in the stock and over-the-counter markets managed by B3, in addition to administering the Losses Reimbursement Mechanism (MRP) and managing residual assets and managing the ongoing legal proceedings involving the Rio de Janeiro Stock Exchange Guarantee Fund (FGBVRJ).

B3 has a transfer and cost recovery agreement signed with BSM, which provides for the reimbursement to B3 of the amount paid due to expenses related to the hiring of resources and infrastructure, made available to BSM to assist in the execution of its activities. supervision. Such costs are calculated monthly according to the methodology defined in the contract signed between the parties and encompass the activities related to the Losses Reimbursement Mechanism (MRP), since this mechanism is managed by BSM.

B3 makes contributions for the purpose of complementing the financing of BSM's activities, as well as regular transfers of fines for failure to settle financially and deliver assets, carried out as established in B3 Circular Letter 044/2013-DP. From 2013 to December 31, 2020, B3 transferred to BSM approximately R\$121,311 in contributions and fines for failure to settle financially.

The sundry expenses of other related parties refer mainly to the general expenses of the UK Ltd. office and services provided by companies of members of the Board of Directors, whose terms ended on April 29, 2019. The services were contracted within the criteria established by the policy of related parties and other situations involving conflicts of interest of B3.

Miscellaneous revenues from other related parties refer mainly to services provided to BLK related to the sale of data signals (market data) and hosting of trading infrastructure (co-location).

In December 2019, B3 constituted in favor of Associação BM&F usufruct on certain public securities owned by it. The usufruct aims to ensure the transfer of income by B3, as an honorary member, to fund the activities carried out by the Association for a period of three years from the date of signing the contract.

b) Key management personnel compensation

Key management personnel include directors and statutory officers.

Benefits to managing officers	Consolidated	
	2020	2019
Managing officers		
Short-term benefits (salaries, profit sharing etc.)	40,093	36,743
Share-based compensation (1)	73,189	83,532
Board of Directors		
Short-term benefits (salaries, profit sharing etc.)	13,370	12,272
Share-based compensation (1)	9,610	7,319

(1) This refers to expenses computed in the quarter relating to share-based compensation, increased by labor and social security charges of key management personnel. These expenses were recognized according to the criteria described in Note 15.

14. Collateral for transactions**Accounting Practices**

Measured at amortized cost, guarantees are amounts received from market participants as a guarantee against default or insolvency. Amounts received in cash are recorded as a liability and other guarantees, other than cash, are managed by management. Both types of guarantees received are not subject to interest or any other charges.

B3 acting as central guarantor of the derivatives, exchange and floating income markets, B3 manages two clearinghouses considered systemically important by the Central Bank of Brazil: B3 and Foreign Exchange.

The activities carried out by the clearinghouse are governed by Law No. 10214/01, which authorizes the multilateral clearing of obligations, establishes the central counterparty role of the systemically important clearinghouse and permits the utilization of the collateral obtained from defaulting participants to settle their obligations in the clearinghouse environment, including in cases of civil insolvency, agreements with creditors, intervention, bankruptcy and out-of-court liquidation.

Through its foreign exchanges, B3 acts as a central counterparty in the derivatives market (futures, forward, options and swaps), spot foreign exchange market and variable income (spot, forward, option, futures and lending of securities). In other words, by assuming the role of a central counterparty, B3 becomes responsible for the settlement of trades carried out and/or registered in its systems, as established in the applicable regulations.



The performance of B3 as a central counterparty exposes it to the credit risk of the participants that utilize its settlement systems. If a participant fails to make the payments due, or to deliver the assets or commodities due, it will be incumbent upon B3 to resort to its safeguard mechanisms, in order to ensure the proper settlement of the transactions in the established time frame and manner. In the event of a failure or insufficiency of the safeguard mechanisms of its foreign exchanges, B3 might have to use its own equity, as a last resort, to ensure the proper settlement of trades.

The clearinghouse is not directly exposed to market risk, as they do not hold net long or net short positions in the various contracts and assets traded. However, an increase in price volatility can affect the magnitude of amounts to be settled by the various market participants and can also heighten the probability of default by these participants. Furthermore, as already emphasized, the clearinghouse is responsible for the settlement of the trades of a defaulting participant, which could result in losses for B3 if the amounts due surpass the amount of collateral available. Accordingly, despite the fact that there is no direct exposure to market risk, this risk can impact and increase the credit risks assumed.

Each clearinghouse has its own risk management system and safeguard structure. The safeguard structure of a clearinghouse represents the set of resources and mechanisms that it can utilize to cover losses relating to the settlement failure of one or more participants. These systems and structures are described in detail in the regulations and manuals of each clearinghouse and have been tested and ratified by the Central Bank of Brazil (Bacen), in accordance with National Monetary Council (CMN) Resolution No. 2882/01 and Bacen Circular No. 3057/01.

The safeguard structures of the clearinghouses are based largely on a loss-sharing model called defaulter pays, in which the amount of collateral deposited by each participant should be able to absorb, with a high degree of confidence, the potential losses associated with its default. Consequently, the amount required as collateral for participants is the most important element in our management structure of the potential market risks arising from our role as a central counterparty.

For most contracts and operations involving assets, the required value as collateral is sized to cover the market risk of the business, i.e. its price volatility during the expected time frame for settlement of the positions of a defaulting participant. This timeframe can vary depending on the nature of contracts and assets traded.

The models used for calculating the margin requirements are based, in general, on the concept of stress testing, in other words, a methodology that attempts to measure market risk into account not only recent historical volatility of prices, but also the possibility of the occurrence of unexpected events that modify the historical patterns of behavior of prices and the market in general.

In B3, the guarantee margin is defined by the risk faced by the clearinghouse of closing a portfolio. To calculate the risk of closing a portfolio containing positions and guarantees from multiple markets and asset classes, B3 developed an innovative risk measure: Close-Out Risk Evaluation (CORE).

The operations in the B3 markets are secured by margin deposits in cash, government and corporate securities, letters of guarantee and shares among others. The guarantees received in cash, in the amount of R\$5,695,723 (R\$3,013,447 at December 31, 2019), are recorded as a liability under “Collateral for transactions” and collaterals, in the amount of R\$477,054,234 (R\$357,884,530 at December 31, 2019), are recorded in memorandum accounts. At December 31, 2020, total collaterals deposited by members amounts to R\$452,749,957 (R\$360,897,977 at December 31, 2019), as follows:

a) Collaterals deposited by members

Description	2020		2019	
	B3 Clearinghouse	Foreign Exchange Clearinghouse	B3 Clearinghouse	Foreign Exchange Clearinghouse
Federal government securities	333,488,769	11,267,782	264,835,056	7,867,152
Shares	91,856,167	-	75,698,410	-
International securities (1)	6,290,604	-	4,894,286	-
Letters of guarantee	5,409,441	285,818	2,972,940	40,307
Cash amounts deposited	2,545,762	-	3,200,560	-
Bank Deposit Certificates (CDBs)	1,454,021	-	1,309,616	-
Gold	71,979	-	17,373	-
Other	79,614	-	62,277	-
Total	441,196,357	11,553,600	352,990,518	7,907,459

(1) American and German government securities as well as ADRs (American Depositary Receipts).

b) Other safeguard mechanisms

(i) Minimum non-operating guarantee (GMNO): The GMNO deposit is an access requirement for full negotiation participants (PNP) and Settlement participants (PL) to the clearinghouse of B3 and the required values are defined in the B3 access manual. The GMNO is broken down as follows:

Breakdown	2020	2019
Share Investment Fund (FILCB)	951,196	923,737
Amounts deposited	951,196	923,737
Amounts required of members	874,573	833,185
Amount in excess of the minimum required	76,623	90,552

(ii) Fundo de Liquidação (Settlement Fund): funds in the FLI are used by the clearinghouse of B3 to cover any losses arising from default by one or more clearing members (MC), after there are no more guarantees deposited by members under the responsibility of the MCs in default. In addition to the contribution of the MCs to the FLI, there is also the contribution of B3, which is a portion of its equity, allocated to the fund. These contributions are allocated to the Investment Fund B3 Clearinghouse Liquidity (FILCB), which is formally constituted as an investment fund, under the provisions of the applicable legislation, administered, managed and guarded by Banco B3.

- (iii) Fundo de Liquidação de Operações de Câmbio (FLOC), composed of collaterals transferred by foreign exchange clearinghouse participants and B3 funds, intended to guarantee the proper settlement of transactions.

FLI and FLOC are broken down as follows:

Description	2020		
	Clearing B3	Foreign exchange clearing	Special Equity - Clearinghouse and custody
Federal government securities	-	242,014	-
Federal government securities of B3	-	136,339	-
Share investment fund (FILCB) of B3	685,022	-	-
Share investment fund (FILCB)	824,773	-	-
Cash amounts deposited	-	200	-
Amounts deposited	1,509,795	378,553	-
Amounts required from participants	758,918	119,050	-
Amounts required from B3	660,886	119,050	-
Value in excess of the minimum required	89,991	140,453	-
Special Equity (1)	177,548	83,893	86,039

Description	2019		
	Clearing B3	Foreign exchange clearing	Special Equity - Clearinghouse and custody
Federal government securities	-	277,022	-
Federal government securities of B3	-	132,745	-
Share investment fund (FILCB) of B3	671,456	-	-
Share investment fund (FILCB)	799,486	-	-
Cash amounts deposited	-	200	-
Amounts deposited	1,470,942	409,967	-
Amounts required from participants	720,925	117,350	-
Amounts required from B3	636,111	117,350	-
Value in excess of the minimum required	113,906	175,267	-
Special Equity (1)	168,920	81,779	83,727

- (1) *Patrimônio Especial* (Special equity) *Selic das câmaras B3, Câmbio e de compensação e custódia*, in compliance with the provisions of article 5 of Law 10214 of March 27, 2001 and article 19 of Bacen circular No. 3057 of August 31, 2001, B3 maintain in federal government securities.

- (iv) Cash of B3 dedicated to B3 clearinghouse: portion of B3 equity, formally and exclusively dedicated to the clearinghouse - used by B3 clearinghouse for the treatment of a failure in the settlement window, ensuring the necessary resources to fulfill its payment obligations to creditor clearing members.

Breakdown	2020	2019
Federal government securities	1,250,596	1,289,566
Amounts deposited	1,250,596	1,289,566
Amounts required of B3	1,200,000	1,200,000
Amount in excess of the minimum required	50,596	89,566

- (v) IPO/GG3 guarantees: funds deposited by participants or clients of brokerage firms to cover the Initial Public Offering (CVM Instruction No. 400 and No. 476), used by B3 clearinghouse to cover the obligations of debtor clearing members.

Breakdown	2020	2019
Federal Government Bonds	547,843	-
Guarantees deposited in currency	264	-
Amounts deposited	548,107	-
Amounts required of B3	548,107	-
Amount in excess of the minimum required	-	-

15. Employee benefits

Accounting Practices

Pension obligations

B3 maintains a defined contribution retirement plan with voluntary participation open to all employees. B3 has no obligations to make additional payments as a sponsor. The regular contributions are included in personnel costs in the period in which they are due.

Share-based incentives

B3 maintains a long-term incentive plan. Until 2014, B3 granted stock options under its Stock Option Plan, under the B3 Stock Option Plan - stock option, reason why there are outstanding shares not yet exercised. From 2015 onwards, B3 started to grant shares under its Stock Grant Plan (Share Plan). The objective is to give employees of B3 and its subsidiaries the opportunity to become B3 shareholders, obtaining a greater alignment between their interests and the shareholders' interests, as well as allow B3 and its subsidiaries to attract and retain management members and employees.

The fair value of options and shares granted is recognized as expense during the vesting period (period during which the specific vesting conditions must be met).

At the statement of financial position date, B3 reviews its estimates of the number of options and shares that will vest based on the established conditions. B3 recognizes the impact of any changes to the original estimates, if any, in the statement of profit or loss, against capital reserve in equity.

In the case of share-based payment programs that may be settled in cash, the fair value payable to executives is recognized as an expense with the corresponding increase in liabilities, for the period in

which the executives acquire the right to payment. The liabilities are remeasured at each statement of financial position date and on the settlement date. Any changes in the fair value of liabilities are recognized as personnel expenses in the statement of profit or loss.

Profit sharing

B3 has an annual variable remuneration, constituted and paid in cash through the Profit-Sharing Program. The program defines target values according to the individual performance indicators, which consider factors specific to each function (job level), results of the area and the overall performance of B3. The provision that includes the employee profit sharing program is accounted for on an accrual basis.

a) Stock Grant - long-term incentive

B3 recognized expenses related to Stock Grant Plan matched against capital reserves in equity, based on the fair value of the share at the grant date of the plans and charges in personnel expenses calculated based on the fair value of the share at December 31, 2020. As shown in the table below:

	B3		Consolidated	
	2020	2019	2020	2019
Expenses related to granting of Stock Options	(75,079)	(80,031)	(78,178)	(83,850)
Tax expenses	(103,461)	(100,583)	(106,840)	(102,552)
Hedge Instrument Effect	49,154	35,141	49,154	35,141
Total	(129,386)	(145,473)	(135,864)	(151,261)

B3 will record the expenses relating to the Stock Grant Program which were granted for replacement of unvested options of the Stock Option Plan, for the same fair value of options previously granted, in accordance with CPC 10 (R1)/IFRS 2.

Effects arising from transfer of shares

At December 31, 2020, the cost of shares transferred related to the grants of the Stock Grant Plan amounted to R\$78,172 (R\$44,125 at December 31, 2019).

Pricing model

For options granted under the Stock Grant Plan, the fair value corresponds to the option closing price on the grant date.

For the case of cash-settled share-based compensation programs, the fair value payable to executive officers is recognized as an expense with the corresponding increase in liabilities for the period in which executive officers acquire the right to receive. The liability is measured again at each balance sheet date and on the settlement date. Any changes in the fair value of the liability are recognized as personnel expenses in the statement.

Stock Grant – Summary/changes

Conversion / Grant Date	Vesting period up to(*)	Number of open lots	Fair value of shares on the grant date (R\$ per share)	Number of shares at 12/31/2019	Changes in the year			Outstanding share contracts at 12/31/2020	Dilution percentage (1)	
					New programs	Performed	Canceled			
01/08/2016	Jan/2020	1	10.52	520,044	-	(517,193)	(2,851)	-	0.00%	
01/06/2017	Jan/2020 and Jan/2021	1	17.05	934,670	-	(586,166)	(14,634)	333,870	0.02%	
03/29/2017	Mar/2020 and Mar/2021	1	19.35	604,651	-	(302,325)	-	302,326	0.01%	
03/29/2017	Jan/2020 and Jan/2021	1	19.35	1,436,950	-	(718,475)	-	718,475	0.04%	
11/13/2017	Nov/2020 and Nov/2021	1	22.70	235,208	-	(105,106)	(32,321)	97,781	0.00%	
01/08/2018	Jan/2020 to Jan/2022	2	23.90	1,708,493	-	(729,958)	(23,577)	954,958	0.05%	
01/08/2018	Apr/2021	1	23.90	172,690	-	-	(24,670)	148,020	0.01%	
01/08/2019	Jan/2020 to Jan/2023	4	27.88	2,613,160	-	(705,879)	(52,860)	1,854,421	0.09%	
01/08/2019	Apr/2021	1	27.88	159,408	-	-	-	159,408	0.01%	
01/08/2020	Jan/2021 to Jan/2024	4	44.67	-	1,833,448	(23,882)	(161,472)	1,648,094	0.08%	
01/08/2020	Apr/2022	1	44.67	-	51,493	-	-	51,493	0.00%	
04/30/2020	Apr/2023	1	33.90	-	58,016	-	-	58,016	0.00%	
					8,385,274	1,942,957	(3,688,984)	(312,385)	6,326,862	0.31%

(*) The outstanding shares for plans that have already expired will still be transferred.

(1) The number of outstanding shares at December 31, 2020 is 2,034,175,662.

b) Supplementary pension plan

Due to merger of CETIP, B3 sponsors two private pension plans (Plano B3 (formerly named Plano BM&FBOVESPA) managed by Mercaprev and Plano CETIP managed by Itaú Fundo Multipatrocinado (IFM)) structured under the defined contribution type. After the merger date, new members are only allowed in Plano B3. On January 02, 2020, management of Plano B3 was transferred to IFM. After such transfer, the two plans maintained by B3 are managed by IFM.

16. Income tax and social contribution

Accounting Practices

Current and deferred income and social contribution taxes

B3, BLK, Portal and Banco B3 calculate current and deferred income tax (IRPJ) based on the rate of 15%, plus an additional 10% on taxable profit in excess of R\$240 over a 12-month period, and current and deferred social contribution tax (CSLL) at the rate of 9% (after Revenue Procedure 1925, of February 19, 2020, ceased to be applicable, the rate increased to 20% for Banco B3 as of March 1, 2020) on taxable profit, and consider the offset of IRPJ and CSLL tax losses limited to 30% of taxable profit.

Deferred income and social contribution taxes are calculated on income and social contribution tax losses and corresponding temporary differences between the tax base on assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognized to the extent that future taxable profit is likely to be available to offset temporary differences and/or tax losses.

Current income taxes of CETIP Info comprise both income and social contribution taxes. Income tax is calculated at a rate of 15%, plus 10% on taxable profit computed as a percentage of gross revenue (*Lucro presumido*), exceeding R\$240 whereas social contribution tax is computed at a rate of 9% on taxable profit computed as a percentage of gross revenue (*Lucro presumido*).

BVRJ and CED is a non-profit entity, therefore exempt from income and social contribution taxes.

a) Deferred income tax and social contribution - Changes

The balances of and changes in deferred income and social contribution taxes recognized are as follows:

Description	B3			
	2019	(Debt) credit in the income statement	(Debt) credit in the statement of comprehensive income	2020
Deferred assets				
Tax, civil and labor contingencies (1)	299,678	(124,170)	-	175,508
Tax loss carryforwards	677,751	(254,931)	-	422,820
Fair Value hedge - derivatives	150,380	(150,380)	-	-
Stock grant plan – Long-term incentive	89,365	4,352	-	93,717
Profit sharing	53,055	(404)	-	52,651
Impairment	2,965	27,332	-	30,297
Amortization/depreciation of surplus value	46,815	(5,450)	-	41,365
Revenues to be allocated	35,747	2,782	-	38,529
Exchange Variation	113,391	178,200	-	291,591
Other temporary differences	95,684	(3,182)	(1,310)	91,192
Total deferred tax assets	1,564,831	(325,851)	(1,310)	1,237,670
Deferred tax liabilities				
Goodwill amortization (2)	(5,104,365)	(478,511)	-	(5,582,876)
Marketo to Market - Financial instruments	(153,999)	93,353	8,605	(52,041)
Other temporary differences	(87,856)	(28,416)	(20,056)	(136,328)
Total deferred tax liabilities	(5,346,220)	(413,574)	(11,451)	(5,771,245)
Deferred taxes, net	(3,781,389)	(739,425)	(12,761)	(4,533,575)

Description	2019	(Debt) credit in the income statement	(Debt) credit in the statement of comprehensive income	Acquisition of subsidiaries	Consolidated
					2020
Deferred assets					
Tax, civil and labor contingencies (1)	299,817	(124,130)	-	-	175,687
Tax loss carryforwards	680,964	(248,639)	-	-	432,325
Fair Value hedge - derivatives	150,380	(150,380)	-	-	-
Stock grant plan – Long-term incentive	91,634	5,713	-	-	97,347
Profit sharing	53,775	(34)	-	-	53,741
Impairment	2,965	27,331	-	-	30,296
Amortization/depreciation of surplus value	46,815	(5,450)	-	-	41,365
Revenues to be allocated	35,747	2,782	-	-	38,529
Exchange Variation	113,397	178,211	-	-	291,608
Other temporary differences	95,894	(3,103)	(1,310)	-	91,481
Total deferred tax assets	1,571,388	(317,699)	(1,310)	-	1,252,379
Deferred tax liabilities					
Goodwill amortization (2)	(5,104,365)	(478,511)	-	-	(5,582,876)
Marketo to Market - Financial instruments	(154,008)	93,353	8,894	-	(51,761)
Other temporary differences	(101,403)	(28,427)	(20,056)	2,810	(147,076)
Total deferred tax liabilities	(5,359,776)	(413,585)	(11,162)	2,810	(5,781,713)
Deferred taxes, net	(3,788,388)	(731,284)	(12,472)	2,810	(4,529,334)

- (1) The changes refer substantially to the reversal of deferred income and social contribution taxes related to the process for which an agreement was signed for closing in the year (Note 11(e)).
- (2) Deferred income tax and social contribution liabilities arising from the temporary difference between the tax base of the goodwill and its book value in the balance sheet, considering that the goodwill continues to be amortized for tax purposes, but is no longer amortized at from January 1, 2009 in the accounting records, resulting in a tax base lower than the book value of the goodwill. This temporary difference may result in amounts to be added in the calculation of the taxable result of future years, when the book value of the asset is reduced or settled, making it necessary to establish a deferred tax obligation.

b) Estimated realization period

Deferred tax assets arising from temporary differences are recorded in the books taking into consideration their probable realization, based on projections of future results prepared based on internal assumptions and future economic scenarios that may, accordingly, not materialize as expected.

The estimated realization of tax credits and provision for deferred taxes and contributions as at December 31, 2020 are as follows:

	Temporary differences	Income tax and social contribution losses	Total	Provision for deferred taxes and contributions	Total deferred, net
2021	203,864	320,805	524,669	(1,841)	522,828
2022	40,475	111,520	151,995	(1,820)	150,175
2023	326,641	-	326,641	(1,814)	324,827
2024	30,686	-	30,686	(907)	29,779
2025	560	-	560	-	560
From 2027 onwards	217,828	-	217,828	(192,455)	25,373
Goodwill (1)	-	-	-	(5,582,876)	(5,582,876)
Total	820,054	432,325	1,252,379	(5,781,713)	(4,529,334)

- (1) Deferred tax liabilities arising from goodwill will be realized when the difference between the tax base of goodwill and its carrying amount is reversed, in whole or in part, by the asset impairment, disposal, or as a result of provisions set up for tax proceedings. The proceedings currently assessed as possible risk of loss discuss amortization, for tax purposes, of the goodwill arising from merger of the shares of Bovespa Holding S.A. in May 2008 (Note 11 (f)).

Since the income tax and social contribution base arises not only from the profit that may be generated, but also from the existence of nontaxable income, nondeductible expenses, tax incentives and other variables, there is no immediate correlation between B3's net income and the income (loss) subject to income tax and social contribution. As such, expected use of tax credits should not be regarded as the sole evidence of B3's future P&L.

At December 31, 2020, the balance of goodwill that is deductible for income tax and social contribution purposes is R\$2,111,077 (R\$3,518,464 at December 31, 2019).

c) Conciliation of income tax and social contribution expense

Conciliation of the income tax and social contribution amounts recorded in P&L (B3 and consolidated) and their respective amounts at statutory rates is as under:

Description	B3		Consolidated	
	2020	2019	2020	2019
Income before income tax and social contribution	5,488,375	3,315,729	5,515,850	3,339,046
Income tax and social contribution before additions and exclusions computed at the statutory rate of 34%	(1,866,048)	(1,127,348)	(1,875,389)	(1,135,276)
Adjustments:	529,977	525,785	510,254	509,434
Dividends received abroad	412,181	535,625	412,181	537,825
Exchange rate variation on foreign investment	136,964	17,840	136,964	17,840
Effect of taxes on income abroad	12,625	9,707	12,625	9,707
Equity	12,329	16,260	804	1,070
Other	(44,122)	(53,647)	(52,320)	(57,008)
Income tax and social contribution	(1,336,071)	(601,563)	(1,365,135)	(625,842)
Effective rate	24.34%	18.14%	24.75%	18.74%

d) Taxes to be offset and recoverable

Taxes to be offset and recoverable are as follows:

Description	B3		Consolidated	
	2020	2019	2020	2019
Income tax and social contribution on net income	628,553	258,143	632,429	260,751
IRRF - financial investments - current year	234,680	87,389	235,191	88,253
PIS/Cofins to be offset	51,109	37,896	53,656	39,491
Other Taxes to be offset	80,435	81,291	89,020	92,982
Total	994,777	464,719	1,010,296	481,477

17. Revenues and taxes on revenues

Accounting Practices

Revenue

Revenues are recognized in accordance with IFRS 15/CPC 47 - Revenue from contracts, which establishes a five-step model applicable to revenue from contracts with customer and whose purpose is to evidence whether or not the criteria for recording revenues have been met. Therefore, B3 recognizes revenue when: (i) identifies the contract with the customer; (ii) identifies the different performance obligations contracted; (iii) determines the transaction price; (iv) allocates the transaction price to the contractual obligations; and (v) satisfies the performance obligations established in the contract.

Revenues comprise the amount that reflects the expected cash flow from the provision of services in the ordinary course of B3's activities. Revenues from provision of services and revenues originating from trading and settlement systems, registration of assets, derivatives and financing contracts (CS - Contract System) are recognized when the transactions are carried, on an accrual basis. The amounts received as annual fees, in the case of listing of securities, certain contracts for sale of market information, and revenues for inclusion of financial restrictions (Brazilian Lien System - SNG), of permanent assets and assets used monthly, are recognized proportionally and monthly in P&L in relation to the period of compliance with the contracted performance obligation.

Taxes on revenues

Taxes charged over trading, clearing and settlement fees and other services were calculated at the rates of 1.65% for PIS and 7.60% for COFINS, except for the financing segment (UFIN) and advisory, licensing and technical support services, which are calculated at 0.65% (PIS) and 3% (COFINS).

Portal de Documentos calculates PIS and COFINS at the rates of 1.65% and 7.60%, respectively, except for activities subject to the cumulative regime, which are calculated at the rates of 0.65% and 3%, respectively.

Banco B3 calculates PIS and COFINS at the rates of 0.65% and 4%, respectively.

BLK calculates PIS and Cofins contribution taxes at the rates of 0.65% and 4% for services, and at the rates of 0.65% and 3% for finance income and other services, respectively.

CETIP Info calculates PIS and COFINS at the rates of 0.65% and 3%, respectively.

BVRJ and CED calculate PIS and Cofins contribution taxes on finance income and other income at the rates of 4% and 7.6%, respectively.

B3 and its subsidiaries pay Service Tax (ISS) on services rendered at rates ranging from 2% to 5% depending on the nature of the service.

Net revenue has the following composition:

Description	B3		Consolidated	
	2020	2019	2020	2019
Gross revenue	9,158,419	6,446,999	9,327,395	6,576,507
Listed	6,442,025	4,266,385	6,441,965	4,266,356
Cash equities and equities instruments	4,325,872	2,752,336	4,325,872	2,752,336
Trading and post-Trading	3,811,188	2,345,379	3,811,188	2,345,379
Depository	186,285	141,731	186,285	141,731
Securities lending	192,509	151,946	192,509	151,946
Listing and services for issuers	135,890	113,280	135,890	113,280
Interest Rates BRL, FX and commodities	2,116,153	1,514,049	2,116,093	1,514,020
Trading and post-Trading	2,116,153	1,514,049	2,116,093	1,514,020
OTC	1,047,028	991,010	1,047,028	991,010
Fixed income	634,924	634,144	634,924	634,144
Derivatives	252,428	191,874	252,428	191,874
Others	159,676	164,992	159,676	164,992
Infrastructure for financing	328,728	503,084	425,120	566,378
Technology, data and service	1,063,355	683,677	1,134,224	749,439
Technology and access	724,364	439,742	741,492	448,384
Data and analytics	231,459	173,749	237,678	178,179
Banco B3	-	-	51,875	45,926
Others	107,532	70,186	103,179	76,950
Provision Reversal (1)	277,283	2,843	279,058	3,324
Revenue deductions	(931,317)	(660,447)	(944,820)	(668,751)
PIS and Cofins	(782,955)	(552,425)	(791,833)	(558,005)
Service tax	(148,362)	(108,022)	(152,987)	(110,746)
Net revenues	8,227,102	5,786,552	8,382,575	5,907,756

(1) These refer substantially to provision reversal for civil contingencies, as described in the Note 11(e).

18. Sundry expenses

Description	B3		Consolidated	
	2020	2019	2020	2019
Expenses with sundry provisions (1)	(116,921)	(161,180)	(118,461)	(162,033)
Contributions and donations	(27,779)	(19,198)	(27,936)	(19,417)
Electricity, water and sewage	(15,173)	(17,627)	(15,422)	(17,890)
Write-off of fixed assets and intangible assets	(14,567)	(408)	(14,567)	(408)
Communications	(2,700)	(2,582)	(4,306)	(3,327)
Travels	(1,199)	(6,788)	(1,355)	(7,317)
Other	(21,416)	(18,280)	(19,946)	(17,060)
Total	(199,755)	(226,063)	(201,993)	(227,452)

(1) These refer substantially to provisions for tax, civil and labor contingencies and provision for attorneys' success fees (Note 11(e)). A significant amount of the provision for civil contingencies includes the change in the price of B3-issued shares.

19. Financial result

Description	B3		Consolidated	
	2020	2019	2020	2019
Financial income				
Revenue from financial assets measured at fair value	298,945	513,080	311,375	521,590
Hedge Instrument	31,313	-	31,313	-
Dividends on shares abroad	18,433	16,584	18,433	16,584
Other financial revenues	28,794	39,828	29,141	40,295
(-) PIS and Cofins on financial revenues	(17,063)	(25,927)	(17,150)	(26,063)
	360,422	543,565	373,112	552,406
Financial expenses				
Interest on debt abroad	(116,917)	(152,796)	(116,917)	(152,796)
Hedge Instrument	-	(52,590)	-	(52,590)
Funding interest - Debentures	(85,194)	(134,939)	(85,194)	(134,939)
Funding interest - Loans and Financing	(128,147)	(81,609)	(57,270)	(27,813)
Other financial expenses	(37,369)	(51,817)	(43,104)	(54,486)
	(367,627)	(473,751)	(302,485)	(422,624)
Foreign exchange rate, net	(547,807)	(73,147)	(157,186)	(22,877)
Financial result	(555,012)	(3,333)	(86,559)	106,905

20. Segment information

Accounting Practices

Operating segments are presented in a manner consistent with the internal reports provided to the Executive Board, which is responsible for making B3's main operational decisions and implementing the strategies defined by the Board of Directors.

Consolidated information based on reports used by the Executive Board for making decisions, comprising the following segments: Listed, OTC, Infrastructure for Financing and Technology, Data and

Services. Due to the nature of the business, the Executive Board does not use any information on assets and liabilities by segment to support decision-making.

	2020 Consolidated					
	Listed	OTC	Infrastructure for financing	Technology, data and service	Provision Reversal	Total
Net Revenue	5,750,782	934,262	357,569	1,060,904	279,058	8,382,575
Operating expenses before depreciation	(723,672)	(269,527)	(202,428)	(465,218)	-	(1,660,845)
	5,027,110	664,735	155,141	595,686	279,058	6,721,730
Depreciation and amortization						(1,041,301)
Impairment of assets						(80,385)
Equity pick-up						2,365
Financial result						(86,559)
Income tax and social contribution						(1,365,135)
Net income for the year						4,150,715

	2019 Consolidated					
	Listed	OTC	Infrastructure for financing	Technology, data and service	Provision Reversal	Total
Net Revenue	3,819,487	875,563	460,234	749,148	3,324	5,907,756
Operating expenses before depreciation	(723,861)	(225,356)	(331,044)	(368,254)	-	(1,648,515)
	3,095,626	650,207	129,190	380,894	3,324	4,259,241
Depreciation and amortization						(1,030,250)
Equity pick-up						3,150
Financial result						106,905
Income tax and social contribution						(625,842)
Net income for the year						2,713,204

21. Other information

- The balance of salary obligations and social charges in the consolidated refers mainly to the profit sharing (PLR) at December 31, 2020 - R\$175,546 (R\$176,237 at December 31, 2019); long-term incentive programs settled in cash (Matching) - R\$7,984 (R\$12,251 at December 31, 2019); charges on long-term incentive programs - R\$141,896 (R\$123,893 at December 31, 2019) and vacation - R\$73,484 (R\$ 58,131 at December 31, 2019).
- At December 31, 2020, the balance of taxes and contributions payable in the consolidated mainly refers to federal taxes and contributions - R\$687,280 (R\$235,948 at December 31, 2019) and withholding taxes and contributions payable - R\$60,985 (R\$67,393 at December 31, 2019).
- The balance of earnings and rights on securities under custody refers to dividends and interest on equity received from publicly held companies to be transferred to custodian agents and by them to their customers, who hold ownership of the shares of these publicly-held companies. At December 31, 2020, totaling R\$75,597 (R\$69,897 at December 31, 2019).
- B3 seeks in the market support from insurance advisors to establish insurance coverage compatible with its size and operations. The maximum insurance coverage taken out at December 31, 2020, according to insurance policies, is as follows:

Insurance line	Maximum indemnity
Amounts at risk, property damages, buildings and equipment	223,810
Civil liability	415,000
Guarantee (1)	5,217,157
Works of art	1,823
Total	<u>5,857,790</u>

(1) This refers to the provision of collateral to obtain the suspension of the tax debt enforceability (Note 11(f)).

22. Subsequent events

- a. B3 repurchased 3,094,700 shares between January 1 and February 01, 2021, observing the lock-up period as determined by CVM Ruling No. 358, in the share buyback program approved by the Board of Directors on March 5, 2020 (Note 12(b)).
- b. In a meeting held on March 4, 2021, the Board of Directors approved the following matters:
 - Distribution of additional dividends for the year ended December 31, 2020 in the amount of R\$798,514, and extraordinary dividends in the form of retained earnings and income reserve in the amount of R\$1,189,698.
 - Cancellation of 17,138,490 treasury shares issued by B3, which were acquired under the share buyback programs.
 - B3's Share Buyback Program, beginning on March 5, 2021 and ending on February 28, 2022. The limit in the number of shares that may be acquired by B3 is 27,6 million common shares, representing 1.4% of total outstanding shares.

* * *

Board of Directors

Antonio Carlos Quintella	Chair (Outside Independent Director)
Ana Carla Abrão Costa	Vice-Chair (Outside Independent Director)
Claudia Farkouh Prado	Outside Independent Director
Edgar da Silva Ramos	Outside Independent Director
Eduardo Mazzilli de Vassimon	Independent Director
Florian Bartunek	Outside Independent Director
Guilherme Affonso Ferreira	Outside Independent Director
José de Menezes Berenguer Neto	Independent Director
José Lucas Ferreira de Melo	Outside Independent Director
José Roberto de Machado Filho	Independent Director
Maurício Machado de Minas	Independent Director

Supervisory Board

Angela Aparecida Seixas	Permanent member
Guy Andrade	Permanent member
Maurício de Souza	Permanent member
André Coji	Alternate member
Gilberto Lourenço da Aparecida	Alternate member
Paulo Roberto Simões da Cunha	Alternate member

Collegiate Board

Gilson Finkelsztain	CEO
Cícero Augusto Vieira Neto	Vice-President for Operations, Clearing and Depository
Daniel Sonder	Vice-President for Finance, Corporate and Investor Relations
José Ribeiro de Andrade	Vice-President for Products and Customers
Rodrigo Antonio Nardoni Gonçalves	Vice-President for IT and IS
Marcos Vanderlei Belini Ferreira	Executive Director for the Financing Unit

Audit Committee

José Lucas Ferreira de Melo	Finance Specialist and Coordinator
Alvir Alberto Hoffmann	Outside Member
Rogério Paulo Calderón Peres	Outside Member
Luciana Pires Dias	Outside Member

Governance and Referral Committee

Antonio Carlos Quintella	Coordinator
José de Menezes Berenguer Neto	Director
Guilherme Affonso Ferreira	Independent Director
Claudia Farkouh Prado	Independent Director

Product and Pricing Committee

Edgar da Silva Ramos	Coordinator
Ana Carla Abrão Costa	Independent Director
Christian George Egan	Outside Member
Mário Torós	Outside Member
Renato Monteiro dos Santos	Outside Member
Bernardo Zerbini	Outside Member
Roberto de Jesus Paris	Outside Member
Luiz Fernando Figueiredo	Outside Member
Luiz Masagão Ribeiro Filho	Outside Member

People and Compensation Committee

Antonio Carlos Quintella	Coordinator
Claudia Farkouh Prado	Independent Director
Florian Bartunek	Independent Director
Guilherme Affonso Ferreira	Independent Director

Risk and Finance Committee

Eduardo Mazzilli de Vassimon	Coordinator
Antonio Carlos Quintella	Independent Director
Lucas Ferreira de Melo	Independent Director
José Roberto Machado Filho	Independent Director
Mauricio Machado de Minas	Independent Director

Accountant

João Paulo Gonzaga Pereira
CRC 1SP 248648/O-7