China Construction Bank (Brasil) Banco Múltiplo S/A

Consolidated financial statements for the year ended December 31, 2020

China Construction Bank (Brasil) Banco Múltiplo S/A

Consolidated financial statements at December 31, 2020

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Management report

Dear shareholders,

The Management of China Construction Bank (Brasil) Banco Múltiplo S.A. "CCB Brasil" or the "Bank" hereby submits its Management Report and the corresponding Financial Statements, together with the Independent Auditor's Report, with no qualified opinion, for the year ended December 31, 2020. The remarks presented here, except when emphasized differently, are demonstrated on a consolidated basis covering their subsidiaries and in domestic currency (Reais – R$). The consolidated financial statements were prepared based on the international standard issued by the International Accounting Standards Board (IASB).

Impacts of the Coronavirus Pandemic (COVID-19)

a) General Context

Considering worldwide pandemic declared by WHO - World Health Organization related to the new Coronavirus - "COVID-19", which is affecting and bringing risks to public health and countless impacts on Brazilian and global economy, CCB Brasil has adopted a number of measures in line with guidelines established by domestic and international health authorities in order to minimize as much as possible impacts on health and safety of its employees, family members and partners in those areas where it operates, as well as on regular going concern of the Bank.

The Bank adopted contingency measures to maintain its operations on a regular basis, seeking to preserve its professionals' health by providing safe access to workplaces, when essential, in an environment that preserves distance among people, hygiene and adequate protection. Most employees are working from home. CCB Brasil maintained its staff and did not lay off people due to this crisis.

b) Impact on financial information for the year 2020

CCB Brasil continued to adopt conservative measures in its portfolio and kept up the rigorous process of intensifying the monitoring of the loan portfolio, and customers that could have significant impacts with the reduction of domestic activity. Quality of portfolio built in corporate segment and in medium-sized companies contributed to small effect on deterioration of corporate portfolio, which represents 80% of portfolio.

Main measures to avoid serious impacts of this crisis and maintain credit portfolio quality were to freeze credit limits to assess impacts on respective economic segments, conduct daily credit committees and give intensive monitoring of segments and of all customers with maturities during the year; adoption of more restrictive criteria for the granting of new credit and concentration of efforts in segments less impacted by Covid, all in line with Resolutions 4,782 and 4,803 issued by the Central Bank of Brazil (BACEN).

Based on this scenario, CCB Brasil took a conservative position and, in April 2020, preventively suspended all new disbursements for employees of local state governments. For payroll transactions we also reduced maximum age and made adjustments to retail credit granting policies.

The consolidated default ratios composed of the credit portfolio classified in stage 3, remain well controlled, reaching 5.0% in 2020, while in 2019 it was 3.0%

In addition to above-indicated measures, the Bank closely follows all new government guidelines and policies in response to the pandemic.

Performance for the year

In 2020, we had positive results from measures adopted by the Bank in previous year, which intended to increase assets' quality and volume and, at the same time, adjust the Bank's operating structure to make the organization more efficient.

At the end of the second half of 2020, loan operations reached R$ 10,357.4 million, a 0.20% decrease compared to the previous year of 2019.

On December 31, 2020, the Head Office represented 23.4% (23.9% in 2019) of the total fundraising of R$ 15,349.5 million. It is worth noting that the Parent Company has provided its Subsidiary with adequate funding, both in terms of volumes and prices. In effect, the Parent Company's funds, which are usually available for terms of 360 days, have been systematically renewed.

The net interest income for the 2020 period reached R$ 447.5 million, a downturn compared to the income obtained in the same period in 2019, R$ 535.0 million.

The net loss for the fiscal year 2020 was R$ 547.9 million (R$ 39.3 million loss in 2019), the significant part of which was due to the write off of tax credit in the amount of R$ 394.2 million (R$ 40.7 million in 2019).

At the end of fiscal year 2020, shareholders' equity reached R$ 1,102.6 million; the Basel ratio was 15.31%.

Human resources and service points

The Bank ended 2020 with 359 employees and nine service points.

Final comments

We would like to thank our shareholders, clients and suppliers for their support and trust concerning our management, and also our employees for their valuable contribution.

(Disclosure authorized at the meeting of the Board of Directors on March 25, 2021).

(A free translation of the original in Portuguese)

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China Construction Bank (Brasil) Banco Múltiplo S.A. and its subsidiaries

Consolidated financial statements at December 31, 2020 and independent auditor's report

(A free translation of the original in Portuguese)

Report of independent auditor on the consolidated financial statements

To the Board of Directors and Shareholders
China Construction Bank (Brasil)
Banco Múltiplo S.A.

Opinion

We have audited the accompanying consolidated financial statements of China Construction Bank (Brasil) Banco Múltiplo S.A. ("Bank") and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2020 and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

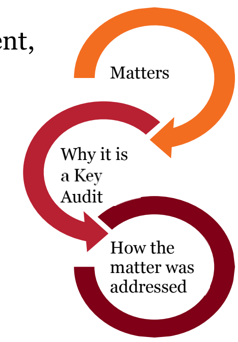
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of China Construction Bank (Brasil) Banco Múltiplo S.A. and its subsidiaries as at December 31, 2020, and their consolidated financial performance and their cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Bank and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

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



China Construction Bank (Brasil)
Banco Múltiplo S.A.

Our audit for year ended December 31, 2020 was planned and performed considering that the Consolidated operations have not changed significantly in comparison to the previous year. In this context, the Key Audit Matters, as well as our audit approach, have remained in line with those of the previous year.

Why it is a Key Audit Matter	How the matter was addressed in the audit
Expected credit loss of loans and advances considering the implementation of IFRS 9 - Financial Instruments (Notes 2(b) ii, 7 and 37)	
The Bank and its subsidiaries adopted the IFRS 9 accounting standard, which establishes requirements about the methodology for measurement of credit loss of loans and advances. The determination of expected credit loss of loans and advances considering the requirements of IFRS 9, is an area that involves a high level of judgment by management for the classification of credits by stage, as prescribed by IFRS 9, as well in the measurement of the expected loss amount necessary, through the application of a methodology and processes that use several assumptions and that consider internal and external factors, including default levels, the financial position of the counterparty, guarantees, renegotiation policy, current and prospective economic scenarios. Therefore, this is an area that we consider of focus in our audit.	We considered in our procedures an understanding of the relevant processes related to the determination of the expected credit loss, including the adherence to the policies applied to comply with IFRS 9 requirements. With the support of our specialists, we applied procedures related to the methodology and calculation of the expected credit loss related to (i) accounting policies analysis in comparison with the requirements of IFRS 9; (ii) understanding and recalculation, on a sample basis, of the expected credit loss that consider databases, models and assumptions adopted by management; (iii) comparison of data and assumptions used with market data, when applicable; and (iv) analysis and consistency of the disclosures made by management in the financial statements. We also performed tests on the classification of loans and advances in the stages prescribed by IFRS 9, which considers the level of credit risk of the debtor and, where applicable, the deterioration of the risk, as well as the financial difficulty of the debtor, delays in its contractual obligations, among other aspects. We considered that the criteria and assumptions adopted by management to measure and record the expected credit loss of loans and advances are reasonable and consistent with the IFRS 9 and the disclosures in the notes to the financial statements.

Why it is a Key Audit Matter	How the matter was addressed in the audit
Tax credits (Notes 2(o) e 22(c)(e))	
The Bank and its subsidiaries recognized tax credits arising from temporary differences, income tax and social contribution losses, recorded based on a study of the taxable profit projections regarding the realization of these tax credits. The taxable income projection involves judgments and assumptions of a subjective nature established by management based on a study of the current and future scenarios. Considering that the use of different assumptions in the future taxable profit projection could significantly modify the terms expected for the realization of tax credits, with consequent accounting impact, this is an area of critical estimation and was defined as a focus in our audit.	Our procedures considered the update of our understanding of the process of determination and recording of the tax credits in accordance with the tax and accounting standards. With the support of our experts, we have analyzed the consistency of the relevant assumptions used in the study of tax credit realization with macroeconomic data disclosed in the market, when applicable, as well as the methodology used to estimate the taxable profits, and the logical and arithmetic consistency of the calculations. We discussed with management and confirmed the approval of the technical study that supports the realization of the tax credits by the proper management bodies. Based on the audit procedures results and in the context of the inherent uncertainties of realization of the amounts registered as tax credits, we consider that the assumptions adopted by management are reasonable and consistent with the disclosures in the financial statements.
Information technology environment	
The Bank and its subsidiaries are dependent on their technology structure to manage and generate information used to process their operations and, consequently, to prepare the financial statements. Therefore, if the technology structure and the respective general controls are not adequate, there could be an incorrect processing of critical information for decision-making or for their own operations. Therefore, the information technology environment was considered as an area of focus in our audit.	Our procedures considered, among others, the understanding and testing of the information technology environment, including the automated controls or dependency of technology relevant to the preparation of the financial statements. With the support of our technology experts, the main procedures performed involved tests of controls related to information security, linked to the processes of management and development of systemic changes, security of accesses to programs and database, physical security of the data processing center, including access management and segregation of duties. We considered that the information technology environment and the controls established by management have provided a reasonable basis to support the main business processes, which provide information used in the preparation of the financial statements.

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

The Bank's management is responsible for the other information that comprises the Management Report.

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

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

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), as 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 consolidated financial statements, management is responsible for assessing the Bank's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Bank and its subsidiaries.

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

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank'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 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 Bank to cease to continue as a going concern.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the 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 31, 2021

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Melissa Tuxen Wisnik
Contadora CRC 1SP221490/O-0

CCB 中国建设银行 China Construction Bank

CONSOLIDATED BALANCE SHEET
December 31
(Amounts expressed in thousands of reais)

ASSETS	Note	2020	2019
CASH AND CASH EQUIVALENTS AND RESERVES AT THE CENTRAL BANK OF BRAZIL	3	179,673	98,587
SECURITIES	5	4,884,623	4,801,379
At amortized cost	5	83,674	81,088
At fair value through other comprehensive income	5	4,800,949	4,720,291
DERIVATIVE FINANCIAL INSTRUMENTS	6f	103,910	431,281
OTHER FINANCIAL ASSETS AT AMORTIZED COST		11,321,611	10,963,359
Loans and advances to financial institutions	4	1,318,789	923,905
Loans and advances to clients	7	10,357,440	10,378,059
Other loans and receivables	8	26,397	28,833
Other financial assets		56,722	-
Expected credit loss	7c	(437,737)	(367,438)
NON-FINANCIAL ASSETS HELD FOR SALE	9a	156,986	196,765
INVESTMENTS	10	256	256
TANGIBLE ASSETS	11	108,444	106,995
INTANGIBLE ASSET	12	1,988	108,082
TAX CREDITS		1,055,175	1,397,790
Tax to be offset		31,925	47,120
Deferred tax	22c	724,870	1,052,148
Presumed - Law No. 12.838/13	22d	298,380	298,522
OTHER ASSETS	13	65,477	61,612
TOTAL ASSETS		17,878,143	18,166,106

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

CCB 中国建设银行 China Construction Bank

CONSOLIDATED BALANCE SHEET

December 31

(Amounts expressed in thousands of reais)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2020	2019
DERIVATIVE FINANCIAL INSTRUMENTS	6f	91,156	21,834
OTHER LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		30,562	1,116,192
Capital instruments	17	-	1,069,201
Foreign borrowings	19	30,562	46,991
FINANCIAL LIABILITIES AT AMORTIZED COST		15,318,947	14,088,666
Capital instruments	17	892,897	694,983
Deposits from financial institutions	14	3,748,065	3,943,754
Deposits from clients	15	5,702,394	3,313,521
Securities issued	16	693,199	1,441,971
Domestic borrowings	18	154,233	216,833
Foreign borrowings	19	4,128,159	4,475,380
Other financial liabilities		-	2,224
PROVISIONS	21	1,086,795	1,001,379
TAX LIABILITIES			
Current		28,191	32,195
OTHER LIABILITIES	23	219,867	246,000
TOTAL LIABILITIES		16,775,518	16,506,266
SHAREHOLDERS EQUITY			
Capital stock	24	2,956,864	2,956,864
Capital reserve		899	899
Treasury shares		(55,105)	(55,105)
Accumulated losses		(1,795,513)	(1,247,569)
Other comprehensive income		(4,520)	4,751
TOTAL SHAREHOLDERS' EQUITY		1,102,625	1,659,840
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		17,878,143	18,166,106

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

CCB 中国建设银行 China Construction Bank

CONSOLIDATED STATEMENT OF INCOME

Years ended December 31

(amounts expressed in thousands of reais, unless otherwise indicated)

	Note	2020	2019
Interest and similar revenues	26a	953,133	1,399,193
Interest and similar expenses	26a	(467,309)	(823,557)
NET INCOME (LOSS) FROM INTEREST AND ALIKE		485,824	575,636
Foreign exchange differences (net)	26b	53,010	(46,245)
Gains (losses) with financial assets and liabilities (net)	27	(91,286)	5,641
NET INTEREST REVENUE		447,548	535,032
Equity in investments		(230)	(891)
Fee and commission revenue	28	56,135	36,924
Other operating revenues (expenses), net	29	(30,386)	(246,483)
TOTAL REVENUE		473,067	324,582
Personnel expenses	30	(148,532)	(160,588)
Other administrative expenses	31	(77,904)	(92,926)
Tax expenses	32	(27,521)	(27,760)
Depreciation and amortization	11 e 12	(19,692)	(20,324)
Write-off of CCB Brasil Financeira goodwill	12	(105,190)	-
Impairment losses of financial assets	7c	(279,092)	(192,919)
Gains (losses) with other assets (net)	33	(16,315)	(17,107)
LOSS BEFORE TAX		(201,179)	(187,042)
Current and deferred income tax and social contribution	22	(346,765)	147,785
LOSS FOR THE YEAR		(547,944)	(39,257)

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

CCB 中国建设银行 China Construction Bank

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Years ended December 31

(amounts expressed in thousands of reais, unless otherwise indicated)

	2020	2019
NET LOSS FOR THE YEAR	(547,944)	(39,257)
OTHER COMPREHENSIVE INCOME THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO NET INCOME/(LOSS)		
Gains (losses) on assets/liabilities at fair value of other income	(8,787)	(9,305)
Tax charges on assets/liabilities at fair value of other income	3,954	4,187
OTHER COMPREHENSIVE INCOME THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED TO NET INCOME/(LOSS)		
Gains (losses) on liabilities at fair value of other income	(8,069)	(37,031)
Tax charges on liabilities at fair value of other income	3,631	16,664
COMPREHENSIVE NET LOSS FOR THE YEAR	(557,215)	(64,742)

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

CCB 中国建设银行 China Construction Bank

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended December 31

(Amounts expressed in thousands of reais)

	Capital stock	Capital reserve (goodwill upon subscription of shares)	(-) Treasury shares	Other comprehensive income	Accumulated losses	Total
Balances at January 01, 2019	2,956,864	899	(55,105)	30,236	(1,208,312)	1,724,582
Fair value through other comprehensive income	-	-	-	(5,118)	-	(5,118)
Liabilities at fair value (Credit Risk)	-	-	-	(20,367)	-	(20,367)
Loss for the year	-	-	-	-	(39,257)	(39,257)
December 31, 2019	2,956,864	899	(55,105)	4,751	(1,247,569)	1,659,840
Balances at January 01, 2020	2,956,864	899	(55,105)	4,751	(1,247,569)	1,659,840
Fair value through other comprehensive income	-	-	-	(4,833)	-	(4,833)
Liabilities at fair value (Credit Risk)	-	-	-	(4,438)	-	(4,438)
Loss for the year	-	-	-	-	(547,944)	(547,944)
December 31, 2020	2,956,864	899	(55,105)	(4,520)	(1,795,513)	1,102,625

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

CCB 中国建设银行 China Construction Bank

CONSOLIDATED STATEMENT OF CASH FLOWS
Years ended December 31
(Amounts expressed in thousands of reais)

Cash flows from operating activities	2020	2019
Loss for the year	**(547,944)**	**(39,257)**
Depreciation and amortization	19,692	12,953
Depreciation and amortization – Impact from first-time adoption of IFRS 16	-	7,371
Write-off of CCB Brasil Financeira goodwill (note 12)	105,190	-
Equity in income of subsidiaries	230	891
Changes in tax credits and deferred tax liabilities	327,420	(182,878)
Increase of provisions - Impairment of loans and receivables	279,092	192,919
Increase of provisions	129,114	134,227
Increase of provision (reversal) - other	43,418	(11)
Loss (gain) from sale of assets available for sale	(4,053)	395
Exchange rate change on cash and cash equivalents	(13,830)	(123,050)
Changes in assets and liabilities	**1,085,084**	**(273,033)**
Decrease (increase) in loans and advances to financial institutions	(5,522)	8,442
Decrease (increase in financial assets at amortized cost)	(2,586)	1,644,659
Decrease (increase) in financial assets at fair value through other comprehensive income	(85,491)	2,757,061
Increase (decrease) in derivatives	396,694	14,094
Decrease (increase) in loans and advances to clients	(982,133)	(1,758,564)
Decrease (increase) in other loans and receivables	2,436	(1,401)
Decrease (increase) in other financial assets	(56,722)	25,298
Decrease (increase) in non-financial assets	(29,039)	17,927
Decrease (increase) in other assets	4,987	35,445
Increase (decrease) in deposits of financial institutions	(195,689)	(3,218,763)
Increase (decrease) in deposits of clients	2,388,873	244,713
Increase (decrease) in subordinated debts	38,870	(161,621)
Increase (decrease) in securities issued	(748,772)	196,168
Increase (decrease) in domestic loans	(62,600)	83,063
Increase (decrease) in foreign borrowings	(123,914)	2,031,947
Increase (decrease) in other financial liabilities	(2,224)	153,520
Increase (decrease) in other liabilities	(45,876)	(10,449)
Increase (decrease) of financial liabilities, hedged objects	-	(2,294,055)
Income tax and social contribution paid	(5,488)	-
Interest payment	(150,980)	(370,811)
Payment of contingencies	(43,698)	(16,340)
Interest earning	793,958	427,650
Impact from adoption of IFRS 16	-	(81,016)
Cash from operating activities	**1,423,413**	**(269,473)**
Cash flows from investment activities		
Disposals of intangible assets	2,186	194
Disposals of assets available for sale	29,453	32,052
Investments in tangible assets	-	(951)
Investments in intangible assets	(1,428)	(1,697)
Cash from investment activities	**30,211**	**29,598**
Cash flows from financing activities		
Increase in borrowings and onlendings	19,867,590	17,811,752
Capital instruments	(914,595)	(296,132)
Payment of loans	(19,956,346)	(19,678,273)
Cash from financing activities	**(1,003,351)**	**(2,162,653)**
Cash flow (used) in the year	**450,273**	**(2,402,528)**
Cash and cash equivalents at the beginning of the year	**586,815**	**2,866,293**
Exchange rate change on cash and cash equivalents	13,830	123,050
Cash and cash equivalents at the end of the year	**1,050,918**	**586,815**

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

1. *Operations, presentation of consolidated financial statements, and other information*

a) Operations.

China Construction Bank (Brazil) Banco Múltiplo S.A. ("Company", "Institution", "CCB Brasil", "Bank" or "Consolidated"), was established on December 29, 1938 and authorized by the Central Bank of Brazil - BACEN to operate as a Multiple Bank to develop its operations through the following portfolios: commercial, investments, real estate loans and foreign exchange.

Through subsidiaries, it operates in the following markets: lease, credit loan, financing and investments, distribution of securities and credit card administration, and has a 50% stake in a joint venture aimed at operations in the Factoring and Forfaiting market.

The issue of financial statements was authorized by the Board of Directors on March 25, 2021.

b) Foreign currency transactions and functional currency

The individual financial statements of the entities are presented in the currency of the primary economic environment in which the entity operates (functional currency). For financial statements consolidation purposes, the results and the financial position of consolidated entities are expressed in Brazilian Reais, CCB Brasil's functional currency and the consolidated financial statements presentation currency. Assets and liabilities are translated at the foreign exchange rate on balance sheet date at the end of the period.

c) Presentation of consolidated financial statements

The consolidated financial statements of CCB Brasil were prepared according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the Interpretations of IFRS Interpretation Committee (current name of IFRIC) and all relevant information is evidenced.

d) Consolidation basis

The Company consolidated all entities in which they retain control, i.e., is exposed to or is entitled to variable returns from its involvement in an investee and has the capacity to direct activities related of the investee.

The subsidiaries included in the consolidation are described below:

Company name	Country of origin	Consolidation method	Interest
			2020
Direct subsidiaries in the country			
CCB Brasil Arrendamento Mercantil S/A	Brazil	Full	100%
CCB Brasil Distribuidora de Títulos e Valores Mobiliários S/A	Brazil	Full	100%

CCB Brasil Informática S/A	Brazil	Full	100%
CCB Brasil Administradora de Cartões de Crédito Ltda.	Brazil	Full	100%
CCB Brasil S/A – Crédito, Financiamentos e Investimentos	Brazil	Full	100%
CCB Brasil Promotora de Vendas Ltda.	Brazil	Full	100%
CCB Brasil Cobrança Ltda.	Brazil	Full	100%

2. *Accounting policies and calculation criteria*

The accounting policies and calculation criteria used in the preparation of consolidated financial statements are as follows:

a) Classification of financial instruments

i. Recognition date

All financial assets and liabilities are originally recognized on negotiation date, that is, the date in which CCB Brasil becomes an integral part of the instrument contractual relationship. Including: financial assets purchases or sales requiring the asset to be delivered within a determined period established by the bylaws or market standards.

ii. Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on their characteristics and the purpose for which financial instruments were purchased by Management. All financial instruments are initially recognized at fair value and subsequently measured at amortized cost or fair value.

iii. Classification of financial assets for measurement purposes.

CCB Brasil classifies its financial assets into the following categories of measurement:

- Amortized cost;
- Fair value through other comprehensive income;
- Fair value through profit or loss

The subsequent classification and measurement of financial assets rely on:

- The business model under which they are managed;
- The characteristics of its cash flows (Solely Payment of Principal and Interest (SPPI) Test).

Business model: represents the way in which the financial assets are managed to generate cash flows and does not depend on Management's intentions regarding an individual instrument. The financial assets can be managed with the purpose of: i) obtain contractual cash flows; ii) obtain contractual cash flows and sale; or iii) other. To evaluate the business models, the Bank considers the risks that affect the performance of the business model. how business managers are remunerated; and how the performance of business model is evaluated and reported to Management. If the cash flows are realized differently from CCB Brasil's expectations, the classification of the remaining financial assets maintained in this business model is not changed.

When the financial asset is maintained in business models i) and ii), it is necessary to apply the SPPI Test.

SPPI Test: evaluation of cash flows generated by the financial instrument in order to verify whether they are solely for the payment of principal and interest. To meet this concept, cash flows must include only consideration for the time value of money and the credit risk. If the contractual terms introduce exposure to risks or volatility in cash flows, such as exposure to changes in the prices of equity instruments or prices of commodities, the financial asset is classified as at fair value through profit or loss. Hybrid contracts must be assessed as a whole, including all embedded characteristics. The accounting for a hybrid contract containing an embedded derivative is carried out jointly, i.e., the entire instrument is measured at fair value through profit or loss.

Based on these factors, the Bank applies the following criteria for each classification category:

- Amortized cost

  - Assets managed in order to obtain contractual cash flows solely from payments of principal and interest (SPPI Test);
  - Initially recognized at fair value plus transaction costs;
  - Subsequently measured at amortized cost, using the effective interest rate;
  - Interest, including the amortization of premiums and discounts, is recognized in the Consolidated Income Statement under the heading “Interest Revenue and Alike”.

- Financial assets at fair value through other comprehensive income

  - Assets managed both to obtain contractual cash flows solely from payments of principal and interest (SPPI Test), and for sale;
  - Initially and subsequently recognized at fair value plus transaction costs;
  - Unrealized gains and losses (except for expected credit loss, exchange rate differences, dividends and interest revenue) are recognized, net of applicable taxes, in the “Other comprehensive income” caption in “Shareholders’ equity”.

- Financial assets at fair value through profit or loss and Financial assets at fair value

  - Assets that do not meet the classification criteria of the previous categories; or assets designated upon initial recognition as at fair value through profit or loss to reduce “accounting mismatches”;
  - Initially and subsequently recognized at fair value;

  Transaction costs are recorded directly in the consolidated statement of income;
  - Gains and losses from fair value changes are recognized in “Gains (losses) from net financial assets and liabilities”.

b) Measurement of financial assets and liabilities and recognition of changes in fair value

In general, financial assets and liabilities are initially recorded at fair value, which is considered equivalent to the transaction price, unless otherwise proven. Financial instruments not measured at fair value through profit or loss are adjusted at transaction costs.

Financial assets and liabilities are later measured as follows:

i. Amortized cost

The amortized cost is the amount by which the financial asset or liability is measured upon initial recognition, plus corrections made using the effective interest method, less amortization of principal and interest.

The "effective interest rate" is the discount rate that corresponds exactly to the initial amount of the financial instrument in relation to all estimated cash flows during the remaining useful life. For fixed rate financial instruments, the effective interest rate is similar to the contract interest rate defined on contract date plus commissions and transactions costs that, due to their nature, are part of their financial return, as applicable. For variable rate financial instruments, the effective interest rate is equal to the prevailing return rate of all commitments up to the next interest renewal reference date.

ii. Expected credit loss

The Bank evaluates on prospective bases the credit loss related to financial assets measured at amortized cost or at fair value through other comprehensive income. The recognition of the provision for expected credit losses is made monthly in a contra entry to the Consolidated Statement of Income.

Regarding financial assets measured at fair value through other comprehensive income, the Bank recognizes the provision for losses in the Consolidated Statement of Income as a contra entry to Income (loss), without any effect on the gross book value of the financial asset.

At each reported period, the Bank assesses whether the credit risk of a financial asset has increased significantly through reasonable and sustainable information that is relevant and available without undue cost or effort, including qualitative, quantitative and prospective information. Forward-looking information is based on macroeconomic scenarios that are reassessed monthly or whenever market conditions so require.

The Group applies a three-stage approach to measure the expected credit loss, in which the financial assets migrate from one stage to another according to the changes in credit risk:

These are considered financial assets with low credit risk and, thus, Brazilian government bonds remain in stage 1, according to a study carried out by the Bank.

The Bank assesses whether credit risk has increased significantly on an individual or collective basis. For collective assessment purposes, financial assets are grouped based on shared credit risk characteristics, considering the type of instrument, credit risk ratings, the date of initial recognition, the remaining term, area, geographical location of the counterparty and other relevant factors.

iii. Financial liabilities at fair value through profit or loss

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Classification applied to derivatives and other financial liabilities designated at fair value through profit or loss to reduce “accounting mismatches”. The Bank designates financial liabilities, on an irrevocable basis, at fair value through profit or loss upon initial recognition (fair value option), when the option significantly reduces or eliminates measurement or recognition inconsistencies.

Gains or losses on financial liabilities designated at fair value through profit or loss are partially presented in Other Comprehensive Income that will not be reclassified to net income or loss (the value of the change in the fair value of the financial liability is attributed to changes in the credit risk premium of the liability, which is not attributed to change in market risk) and partially as income of the year (the remaining amount of the change in the fair value of the liability).

Valuation techniques for fair value

The methods used by CCB Brasil to calculate fair value of financial instruments are rated in three different levels, as follows:

- Level 1: Uses public quotations and prices available in the active market as references. This level includes, mainly, securities issued by the national treasury, private issued securities with an "active" secondary market, equity instruments (shares) of other entities.

- Level 2: In the absence of public quotations, CCB Brasil, through internal models, makes its best estimate of the price that would be determined by the market for negotiation. For this, it uses data based on observable market parameters. Derivative financial instruments, which are measured using curves determined through rates disclosed by B3 S.A. - Brasil, Bolsa, Balcão, are assigned to this level, including the issuances abroad with prices available in the secondary market.

- Level 3: If there is no available data based on observable market parameters, Management uses internal information and models to determine the best fair value of financial assets and liabilities. As of December 31, 2020, there were no financial instruments qualifying for this level.

There were no reclassifications between level 1 and level 2 in the years ended December 31, 2020 and 2019.

(Amounts expressed in thousands of Reais, unless otherwise indicated)

	2020			2019		
	Published price quotations in active markets (Level 1)	Internal models (Level 2)	Total	Published price quotations in active markets (Level 1)	Internal models (Level 2)	Total
Derivatives (note 6)	5,340	98,570	103,910	6,156	425,125	431,281
Financial assets measured at fair value through other comprehensive income (note 5)	4,800,949	-	4,800,949	4,720,291	-	4,720,291
Derivatives (note 6)	8,923	82,233	91,156	6,945	14,889	21,834
Other liabilities at fair value through profit or loss (note 17 and note 19)	-	30,562	30,562	1,069,201	46,991	1,116,192

The main techniques used by CCB Brasil internal models (level 2) to determine the fair value of financial instruments detailed in the chart below are as follows:

	Fair value amounts calculated using internal models		Valuation techniques	Main assumptions
	2020	2019		
Derivatives assets	**98,570**	**425,125**		
Swap contracts	80,846	424,886	Present value method	Observable market data (discount rates and interest)
Forward operations	17,724	239	Present value method	Observable market data and liquidity (discount rates and interest)
Derivatives liabilities	**82,233**	**14,889**		
Swap contracts	51,864	11,118	Present value method	Observable market data (discount rates and interest)
Forward operations	30,369	3,771	Black-Scholes model	Observable market data and liquidity (discount rates and interest)
Other liabilities at fair value through profit or loss	**30,562**	**46,991**		
Foreign borrowings	30,562	46,991	Present value method	Observable market data (discount rates and interest)

c) Fair values of financial assets and liabilities not measured at fair value

The purpose of the chart below is to demonstrate the fair value of financial assets and liabilities not measured to fair value.

	2020				
	Book value	Fair value	Level 1	Level 2	Level 3
SECURITIES					
Securities at amortized cost (Note 5)	83,674	83,667	-	83,667	-
LOANS AND RECEIVABLES					

	2020				
	Book value	Fair value	Level 1	Level 2	Level 3
Loans and advances to clients (Note 7)	10,357,440	11,712,628	-	11,712,628	-
FINANCIAL LIABILITIES AT AMORTIZED COST					
Deposits from financial institutions (Note 14)	3,748,065	3,748,102	-	3,748,102	-
Client deposits (Note 15)	5,702,394	5,714,095	-	5,714,095	-
Obligations related to securities (Note 16)	693,199	694,924	-	694,924	-
Subordinated debts (Note 17)	892,897	1,090,232	-	1,090,232	-
Borrowings - Domestic (Note 18)	154,233	153,000	-	153,000	-
Foreign borrowings (Note 19)	4,128,159	4,313,320	-	4,313,320	-

	2019				
	Book value	Fair value	Level 1	Level 2	Level 3
SECURITIES					
Securities at amortized cost (Note 5)	81,088	81,088	-	81,088	-
LOANS AND RECEIVABLES					
Loans and advances to clients (Note 7)	10,378,059	11,075,128	-	11,075,128	-
FINANCIAL LIABILITIES AT AMORTIZED COST					
Deposits from financial institutions (Note 14)	3,943,754	3,943,856	-	3,943,856	-
Client deposits (Note 15)	3,313,521	3,316,444	-	3,316,444	-
Obligations related to securities (Note 16)	1,441,971	1,444,037	-	1,444,037	-
Subordinated debts (Note 17)	694,983	818,352	-	818,352	-
Borrowings - Domestic (Note 18)	216,833	196,487	-	196,487	-
Foreign borrowings (Note 19)	4,475,380	4,641,369	-	4,641,369	-

d) Write-off of financial assets and liabilities

Financial assets, or part of them, are derecognized when the contractual rights to receive the cash flow from the assets expire, or when they are transferred and the Group substantially transfers all the risks and rewards of ownership, or the Group does not substantially transfer or retain all the risks and rewards of participation.

The consolidated company carries out transactions whereby it retains the contractual rights to receive the cash flow from the assets, but assumes a contractual obligation to pay these cash flows to other entities and substantially transfers all the risks and rewards. These transactions recorded as ‘passed-through’ transfers that result in derecognition if the group:

(i) is under no obligation to make payments unless it receives equivalent values for the assets;

(ii) is prohibited to sell or offer the assets; and

(iii) has the obligation to remit all the money it collects from the assets without material delay.

e) Net reporting of financial instruments

Assets and liabilities and its respective revenues and expenses are presented net in the financial statements if, and only if, there is a current legal and enforceable right to offset the recognized amounts and if the intention of offsetting, or realizing the asset and settling the liability simultaneously.

f) Non-financial assets held for sale

Non-current assets destined to sale include the book value of individual items, or groups of assets for disposal or items making part of a business unit destined to disposal ("Discontinued Operations"), the sale of which in their present condition is highly likely and which shall probably occur within one year as of the base date of financial information. Non-current assets for sale are generally measured for the lower between the fair value less the sale cost and the book value on the date in which they are classified in such category. Non-current assets destined to sale are not depreciated, provided that they remain in such category.

Losses for non-recovery of an asset or disposal group as a result of reduction in its book value to the fair value (less sales cost) are recognized in "Gains (losses) from other (net) assets” in the consolidated statement of income. Gains from non-current asset allocated to sale arisen from subsequent increases in fair value (less sales costs) increase their book value and are recognized in the consolidated income statement up to the value equivalent to losses from non-recovery previously recognized.

g) IFRS 16 - Leases (Lessee)

CCB Brasil mainly leases real estate (underlying assets) to carry out its commercial activities. Initial recognition occurs when the agreement is signed, under the heading Other Liabilities, which corresponds to the total of future payments at present value against the Right-of-Use Asset, depreciated on a straight-line basis over the term of the lease.

The financial expense corresponding to the interest on the lease liability is recognized in the item Interest and Similar Expenses in the Consolidated Statement of Income.

h) Hedge operations

i. Fair value hedge

For these operations, the following practices are applied:

a) The gain or loss from the remeasurement of hedge instrument at fair value shall be recognized in income (loss); and

b) The gain or the loss resulting from the hedged item attributable to effective portion of the designated risk must adjust the book value of the hedged item to be recognized in income (loss).

When the derivative expires or is sold and the accounting hedge criteria are no longer met, or if the designation is revoked, the accounting hedge must be discontinued prospectively. Moreover, any adjustment to the book value of the hedged item must be amortized in P/L.

The Bank does not have cash flow hedge accounting or investment hedges abroad.

i) Tangible assets

Tangible assets include the value of furniture, vehicles, hardware and other accessories owned by consolidated entities, being presented at acquisition cost less the respective accumulated depreciation and any loss for non-recovery (net book value higher than the recoverable value).

Depreciation is calculated by the straight-line method, based on the acquisition cost of assets less its residual value.

Depreciation expense of tangible assets is recognized in the consolidated income statement and basically calculated utilizing the following depreciation rates (based on average years of estimated useful life of different assets):

Type of asset	Annual rate
Own buildings	4%
Furniture	10%
Fixtures	10%
Automobiles	20%
Office and IT equipment	20%
Leasehold improvements	10–25% (Pursuant to agreement)

The Bank evaluates, on the base date of financial information, if there is any indication that an asset may or may not be recoverable (that is, proportionally to the revised carrying amount and to the new remaining useful life (if useful life has to be estimated again). s, if its book value exceeds its recoverable value). In case of impairment of a tangible asset, the value determined and respective reversions (as the case may be) are recorded in income for the year in the account "(Net) Gains (Losses) with other assets".

Similarly, in case of recovery of value of the tangible asset, consolidated entities recognize loss reversion from non-recovery recognized in prior years and adjust expenses from future depreciation accordingly. In no event, reversion of a loss from non-recovery of an asset may increase its book value above the value it would have had, if no loss from non-recovery would have been recognized in previous years.

Conservation and maintenance expenses related to fixed assets for own use are recognized as expenses in the year they will be incurred.

j) Lease accounting

Financial leases are loan operations transferring substantially to lessee all risks and benefits associated to the property of asset leased.

Whenever consolidated entities act in the capacity of lessors with respect to an asset, the sum of present value of payments to be received from lessee with respect to lease plus the residual value guaranteed - which, in general, it is the strike price of the purchase option of lessee at the end of the term of lease - is recognized as loan to third parties and, therefore, included in the account "loans and advances to clients" in the consolidated balance sheet.

k) Intangible assets

Intangible assets represent identifiable non-monetary assets (separated from other assets) without physical substance resulting from a legal transaction or which are internally developed by consolidated entities. Assets the costs of which may be reliably estimated, and from which consolidated entities shall deem likely that future economic benefits will be generated are recognized.

Intangible assets are initially recognized at the acquisition or production cost and are subsequently measured at the acquisition cost less any accumulated losses and any losses due to non-recovery (net book value higher than the recoverable value).

Goodwill derived during the acquisition of subsidiaries represents the surplus of acquisition cost in view of the entity's interest in fair value of identifiable assets, liabilities and contingent liabilities in the company acquired on the date of acquisition. When such surplus is a negative one (negative goodwill), it is immediately recognized in income. Goodwill is classified as an intangible asset having undefined useful life; hence, it is not subject to amortization for the term of the expected future economic benefit.

Non-recovery of goodwill (that is, a reduction in its recoverable value below its book value) is evaluated at the end of each year presented, and any non-recovery is written-off and charged under "(Net) Gains (losses) with (net) financial assets and liabilities", in the consolidated statement of income.

l) Provisions, contingent assets and liabilities

Provisions, contingent assets and contingent liabilities are valuated, recognized and disclosed according to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets. Contingent assets and liabilities are potential rights and obligations arising from past events, the occurrence of which depends upon uncertain future events.

Contingent assets: are not recognized in accounting books, except when there is a favorable final court decision, and such assets are characterized as practically certain. Assets with probable likelihood of success are only disclosed in notes. **(Note 21)**. CCB Brasil does not have contingent assets with probable likelihood of success.

Provisions: are recognized when the Management, advised by the legal advisors' opinion, evaluates if the chance of loss is probable. Cases for which an unfavorable outcome is regarded as possible are only disclosed in a note **(Note 21)**.

Contingent liabilities the term "contingent" is used for liabilities and assets that are not recognized, as their existence will only be confirmed by the occurrence or non-occurrence of one or more future and uncertain events, not fully under the control of the Entity. The term "contingent liability" is used for liabilities that do not satisfy the recognition criteria, as they are considered possible losses, and should only be disclosed in notes, when material. Obligations classified as remote are not accrued or disclosed; and

Legal obligations: these are recognized and provided for in the balance sheet, regardless of the evaluation of the likelihood of a favorable outcome.

m)Recognition of revenues and expenses

The most significant criteria used by CCB Brasil to recognize its revenues and expenses are summarized as follows:

i. Interest revenues and expenses and alike

Revenues and expenses on interest and similar are recognized by the accrual basis, utilizing the effective rate of interest method.

ii. Commissions, fees and similar items

Commission revenues and expenses are recognized in the consolidated income statement, using criteria varying according to their nature. The main criteria are the following:

- Revenues and expenses on fees and commissions, related to financial assets and liabilities measured at the fair value through profit or loss, are recognized upon payment.
- Those arising from transactions or services performed during a period of time are recognized throughout the life of such transactions or services.
- Those related to services rendered in one time are recognized upon execution thereof.

iii. Non-financial revenues and expenses

Are recognized for accounting purposes by the accrual basis of accounting.

n) Financial guarantees

Financial guarantees are defined as agreements through which an entity undertakes to make specific payments on behalf of a third party in case the third party does not make it, independently of the several legal forms they might take, such as, guarantees, irrevocable documentary credits issued or guaranteed by the entity, etc.

CCB Brasil initially recognizes the financial guarantees rendered in liabilities in the consolidated balance sheet at fair value, that is, in general, the present value of fees, commissions and interest receivable from these agreements during the term thereof.

Financial guarantees, independently of guarantor, instruments or other circumstances, are periodically revised for determination of the credit risk to which they are exposed to, and, as the case may be, to consider if a provision is required. The credit risk is determined by application of criteria similar to those established for quantification of losses on non-recovery on loans and receivables measured at amortized cost.

o) Income tax and social contribution

Income tax expense is recognized in the consolidated income statement, except when resulting from a transaction directly recognized in shareholders' equity, and, in this event, the tax effect is also recognized in shareholders' equity.

Current income tax expense is calculated as the sum of current tax resulting from application of the appropriate tax rate to the taxable income of the year (net of any deductions permitted for tax purposes), and changes in deferred tax assets and liabilities recognized in the consolidated income statement.

Deferred tax assets and liabilities include temporary differences identified as values expected to be paid or recovered upon differences between book values of assets and liabilities, and their respective calculation bases, and accumulated tax losses. These values are measured at the rates expected to be applied in the period in which asset will be realized or liability will be liquidated.

Deferred tax assets are only recognized for temporary differences in the extent it shall be deemed likely that consolidated entities will have sufficient future taxable income against which deferred tax assets might be utilized.

On November 12, 2019, Constitutional Amendment No. 103 was enacted, which among other aspects established the increase in the Social Contribution on Net Income (CSLL) rate, from 15% to 20%, effective from the 1st. March 2020, whose estimated effects on the stock of tax credits recorded at the Bank on December 31, 2019 were R$ 140,799, while in deferred tax liabilities it was R$ 35,928.

IFRIC 23

Published in June 2017 by the IASB, IFRIC 23 – Uncertainty over Income Tax Treatment was mandatory starting January 01, 2019 and aims to clarify the procedures for applying the recognition and measurement requirements set out in IAS 12 Income Taxes, when there is uncertainty about the treatments to be adopted for Income Taxes.

CCB Brasil carried out analyses of the procedures already adopted for accounting and reporting Income Taxes regarding the content of IFRIC 23 and was able to conclude that there are no impacts on disclosures as a result of the adoption of the new standard on January 01, 2019.

p) Critical accounting estimates

Consolidated income and the determination of consolidated equity are impacted by accounting policies, assumptions, estimates and measurement methods used by CCB Brasil management in the preparation of consolidated financial statements. All estimates and assumptions emphasized below, applied by Management in conformity with IFRS, are the best estimates in accordance with the applicable standard.

Consolidated financial statements include estimates and assumptions, such as the evaluation of financial asset and liability fair values, measurement of the recoverable value of financial and non-financial assets and the recognition and evaluation of deferred taxes. These estimates, which were prepared with the best information available, are as follows:

i. *Evaluation of fair value for certain financial instruments;*

The fair value of a financial instrument in a certain date is interpreted as the amount by which it could be acquired or sold on that date by two well-informed parties, acting deliberately and with prudence, in a transaction under regular market conditions. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it in an active, transparent and significant market ("quoted price" or "market price").

If there is no market price available for a financial instrument, its fair value will be estimated based on the price established in recent transactions involving the same instrument or similar instruments and, in the absence of those, based on evaluation techniques normally used by the financial market, considering, when applicable, market observable data.

In addition to the method of discount to present value to evaluate financial instruments (method applicable mainly to debt instruments, swaps, and forward transactions); where future expected cash flows are discounted to present value using the curves calculated based on observable market data (PU Anbima, DIs and Future DDIs, etc.).

ii. *Impairment of financial assets;*

CCB Brasil recognizes the losses inherent to financial assets not evaluated at fair value taking into consideration the historical experience with impairment and other evaluation circumstances.

iii. Goodwill

The recorded goodwill is subject to a recoverability test at least once a year or more often, if there is any indication of asset impairment.

The basis used for the recoverability test is the value in use, and for this purpose Management estimates the cash flow for a defined period. The cash flow was prepared considering several factors, such as: (i) macroeconomic projections of the interest rate, inflation, foreign exchange rate and others; (ii) national financial system's behavior and growth estimates; (iii) increased costs, returns, synergies and investment plan; (iv) customer behavior; and (v) growth rates and adjustments applied to perpetuity flows. The adoption of these estimates involves the probability of the occurrence of future events and changes in one of these factors could have a different result.

iv. Measurement of the recoverable value of tangible and intangible assets

On financial statements disclosure date, CCB Brasil verifies the existence of objective evidences of impairment of non-financial assets. This measurement may involve subjective evaluation criteria, such as the technical and operational obsolescence analysis or the expected replacement of the asset by another asset that generates higher future economic benefits.

v. Recognition and evaluation of deferred taxes;

Deferred tax assets are recognized in relation to temporary differences and tax losses to be offset to the extent it is probable that the Bank will have future taxable income that will allow the utilization of deferred tax assets.

Estimates regarding the determination of future taxable income are based on the technical study of tax credit realization that covers estimates and projections of events and future trends which may affect consolidated financial statements.

vi. Provisions, Contingencies and Other Commitments;

CCB Brasil periodically reviews its contingencies. Such contingencies, which are evaluated based on best Management estimates, taking into consideration the opinion of legal advisors, whenever it is probable that financial funds will be required to settle obligations and when total obligations may be reasonably estimated.

Contingencies classified as "Probable" are recognized in the Balance sheet as "Provisions".

Contingency amounts are defined using models and criteria that allow proper measurement, despite uncertainties inherent to terms and amounts, as detailed in **Note 21.**

The sensitivity analysis is detailed in **Note 37 -** “Risk Management”.

vii. Provision for guarantees provided.

The methodology for calculating provisions for guarantees is based on the likelihood of disbursement to honor the guarantees provided, calculated using a model developed by the institution with verifiable information and criteria.

Additionally, legal disputes related to guarantees whose likelihood of disbursement is considered as “probable” by the institution’s legal advisors are included in this provision.

(Amounts expressed in thousands of Reais, unless otherwise indicated)

3. *Cash and cash equivalents and reserves at the Central Bank of Brazil*

	2020	2019
Cash	102	283
Financial Institutions bank deposits with no reserve account	64	153
Foreign currency deposits	168,393	93,381
Compulsory deposits at the Central Bank of Brazil	11,114	4,770
	179,673	98,587
Currency:		
Real	11,280	5,206
USD	168,393	93,381
	179,673	98,587
Term:		
Current	179,673	98,587

(Amounts expressed in thousands of Reais, unless otherwise indicated)

4. *Loans and advances to financial institutions*

The breakdown by rating, type, and currency of the balances in the item "Loans and advances to financial institutions" in the consolidated balance sheets is as follows:

	2020	2019
Classification:		
Loans and receivables	1,318,789	923,905
Type:		
Financial assets at amortized cost (stage 1):		
Purchase and sale commitments	733,997	229,998
Judicial, tax and labor deposits	430,899	425,460
Interbank deposits	153,893	268,447
	1,318,789	923,905
Currency:		
Real	1,170,427	660,907
USD	148,362	262,998
	1,318,789	923,905
Term:		
Current	888,340	480,461
Non-current	430,449	443,444
	1,318,789	923,905

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(Amounts expressed in thousands of Reais, unless otherwise indicated)

5. Securities

The breakdown by rating, type, and currency of the balances in the item "Securities" is as follows:

	2020	2019
Classification:		
Financial assets at amortized cost	83,674	81,088
Financial assets at fair value through other comprehensive income	4,800,949	4,720,291
	4,884,623	4,801,379
Type:		
Financial assets at amortized cost (stage 1):	83,674	81,088
Quotas of FIDC	83,674	81,088
Financial assets at fair value through other comprehensive income (stage 1):		
Brazilian government bonds (*)	4,800,949	4,720,291
Currency:		
Real	4,884,623	4,801,379
Term:		
Current	1,093,254	3,420,025
Non-current	3,791,369	1,381,354
	4,884,623	4,801,379

(*) The accounting balance includes R$ 322,352 (R$ 26,091 in 2019) referring to the margin deposited in guarantee of operations with derivative financial instruments and R$ 2,118 (R$ 13,956 in 2019) referring to lawsuits.

6. Derivatives

a) Policy of use

By reason of the Paul Volcker Rule, applicable to the CCB Group globally, CCB Brasil's trading portfolio operations are restricted to derivative operations with customers and must always be hedged. During the current year, with the aim of mitigating the market risk that arises from the mismatches between the Conglomerate's assets and liabilities, CCB Brasil negotiated traditional and non-complex derivatives (plain vanilla), primarily aiming to meet the needs of customers, always with respective hedges, but also used this instrument to hedge exposure to interest rates in the banking portfolio.

b) Protection against Exchange Rate Exposures

CCB Brasil carries out Swap, NDF (currency term) and Futures Market operations for the purpose of hedging liabilities with securities issued abroad and foreign currency funding received. Therefore, it is possible to protect the Bank from the risk of currency and exchange coupon change to which such transactions are naturally subject to, and thus, protect it from unexpected impacting changes through economic and accounting hedge, when applicable.

c) Portfolio Protection with Fixed Rates

CCB Brasil adopts the strategy of acquiring DI futures contracts, evaluating amount allocated per credit portfolio term and amount allocated per DI futures contracts' maturities. Keeping in mind that the credit portfolio, which is covered by the hedge, is distributed among the companies (Bank and Financial), and in turn, the future contracts are all concentrated in the Bank, the designation of the fair value hedge of this relationship was therefore applied only on the consolidated balance sheet. Hedge coverage is monitored daily and assessed quarterly for the purposes of enabling and maintaining the accounting hedge, and meets criteria that consider the total portfolio, less arrears and prepayment. The Bank's Treasury assesses the need to buy or sell new DI futures contracts to offset the adjustment to market value of the hedge object, to guarantee a hedge effectiveness ranging from 80 to 125%, considering the relationship between the change in the market of the protected layer, the designated hedge object, and the change in the market of DI futures contracts.

d) Risk management

CCB Brasil operates with derivative financial instruments as part of a list of services provided to its customers and to meet its own needs in connection with the management of market risks, arising basically from normal mismatches between currencies, interest rates, indexes, and terms of its asset and liability transactions.

The main risk factors for derivatives assumed on December 31, 2020 were related to exchange rate, interest rate and dollar coupon, which aim maximizing risk and return ratios, even in situations of high volatility. The risk management control of the portfolios is performed using the metrics VaR (for the trading portfolio), EVE and NII (for the banking portfolio), Profitability, and Liquidity Risk.

(Amounts expressed in thousands of Reais, unless otherwise indicated)

e) Measurement criteria of market value

In order to obtain market values, the following criteria were adopted:

- **Term and Futures Contracts:** quotations in Stock exchanges;

- **Swap:** the cash flow of each of its parts is estimated, discounted to present value, according to the corresponding interest curves, obtained based on the prices of B3 S.A. – Brasil, Bolsa, Balcão and/or the market prices of government bonds for operations in Brazil, and in the prices of international stock exchanges for operations carried out abroad, where applicable;

f) Accounting

Operations that use financial instruments carried out upon a request from clients, or that do not fulfill the protection criteria (especially derivatives utilized to manage global risk exposure up to December 31, 2020), are recorded at market value, with realized and unrealized gains and losses, recorded directly in the statement of income.

Specifically, for the market value hedge, the financial assets and liabilities, and the related financial instruments are stated at market values including gains and losses, realized and unrealized, and recognized directly to the statement of income.

The outstanding operations at December 31, 2020 have the following characteristics:

						Reference value – 2020
	Differential		Net position of asset contracts and (Liabilities)			
	Receivable	Payable	Falling due up to 3 months	Falling due 03–12 months	Falling due >12 months	Total
Swap contracts:						
Interbank market	6,098	880	75,048	14,221	5,005	94,274
Foreign currency	70,623	50,312	(89,040)	(53,387)	(5,005)	(147,432)
Fixed rate	827	-	13,992	39,166	-	53,158
Adjustment to market value	3,298	672	-	-	-	-
Subtotal Swap	**80,846**	**51,864**	-	-	-	-
Forward contracts/Non-deliverable forwards - NDF						
Forward purchase/NDF	12,456	29,665	312,111	348,171	41,184	701,466
Forward sale/NDF	5,268	704	(315,265)	(67,872)	-	(383,137)
Subtotal Forward/Non-Deliverable Forward	**17,724**	**30,369**				
Futures contracts:						
Purchase - Interbank market	42	7	36,495	310,734	51,255	398,484
Sale - Interbank market	17	664	(415,790)	(214,966)	(1,070,498)	(1,701,254)

(Amounts expressed in thousands of Reais, unless otherwise indicated)

Buy - DDI - For. cur. coupon	228	3,331	383,089	1,498,342	-	1,881,431
Sale - DDI - For. cur. coupon	937	134	(498,003)	(262,938)	(53,669)	(814,610)
Purchase - Foreign currency	236	4,313	1,756,936	-		1,756,936
Sale - Foreign currency	3,880	474	(1,871,734)	-		(1,871,734)
Subtotal Futures	**5,340**	**8,923**				
Total	**103,910**	**91,156**				
Term:						
Current	57,374	53,768				
Non-current	46,536	37,388				
	103,910	91,156				

The operations outstanding on December 31, 2019 have the following characteristics:

						Reference value – 2019
	Differential		Net position of asset contracts and (Liabilities)			
	Receivable	Payable	Falling due up to 3 months	Falling due 03–12 months	Falling due >12 months	Total
Swap contracts:						
Interbank market	7,446	2,130	83,471	(132,377)	(19,977)	(68,883)
Foreign currency	405,673	7,374	(187,454)	97,838	19,977	(69,639)
Fixed rate	3,479	1,371	103,983	34,539	-	138,522
Adjustment to market value	8,288	243	-	-	-	-
Subtotal Swap	**424,886**	**11,118**				
Forward contracts/Non-deliverable forwards - NDF						
Forward purchase/NDF	60	3,540	53,978	66,747	7,029	127,754
Forward sale/NDF	179	231	(26,231)	(28,864)	-	(55,095)
Subtotal Forward/Non-Deliverable Forward	**239**	**3,771**				
Futures contracts:						
Purchase - Interbank market	4	1	-	75,575	10,896	86,471
Sale - Interbank market	9	753	(96,998)	(783,356)	(1,007,887)	(1,888,241)
Buy - DDI - For. cur. coupon	-	1,697	173,774	81,114	-	254,888
Sale - DDI - For. cur. coupon	418	-	-	(49,746)	(9,752)	(59,498)
Purchase - Foreign currency	-	4,493	-	659,681	-	659,681
Sale - Foreign currency	5,725	1	-	(848,814)	-	(848,814)
Subtotal Futures	**6,156**	**6,945**				
Total	**431,281**	**21,834**				
Term:						
Current	394,113	13,545				
Non-current	37,168	8,289				
	431,281	21,834				

(Amounts expressed in thousands of Reais, unless otherwise indicated)

7. *Loans and advances to clients*

a) Breakdown

The breakdown of balances in the item "Loans and advances to clients" in the consolidated balance sheets is as follows:

				2020
	Stage 1	Stage 2	Stage 3	TOTAL
Individuals	**1,610,440**	**78,359**	**408,964**	**2,097,763**
Payroll loans	1,608,087	78,337	359,202	2,045,626
Other loans	2,353	22	49,762	52,137
Legal Entities	**8,092,415**	**54,324**	**112,938**	**8,259,677**
Working capital	2,891,096	28,174	22,029	2,941,299
Import/export financing	3,670,979	7,702	10,435	3,689,116
Other loans	1,530,340	18,448	80,474	1,629,262
Total	**9,702,855**	**132,683**	**521,902**	**10,357,440**
Term:				
Current				6,322,181
Non-current				4,035,259
				10,357,440

				2019
	Stage 1	Stage 2	Stage 3	TOTAL
Individuals	**2,207,818**	**283,938**	**224,502**	**2,716,258**
Payroll loans	2,192,641	283,756	123,692	2,600,089
Other loans	15,177	182	100,810	116,169
Legal Entities	**7,333,477**	**226,269**	**102,055**	**7,661,801**
Working capital	3,022,572	16,585	7,574	3,046,731
Import/export financing	2,239,376	68,421	11,751	2,319,548
Other loans	2,071,529	141,263	82,730	2,295,522
Total	**9,541,295**	**510,207**	**326,557**	**10,378,059**
Term:				
Current				4,658,708
Non-current				5,719,351
				10,378,059

b) Gross book value (loan portfolio) for stages of expected loss

Reconciliation of the “Loans and advances to clients” gross portfolio, segregated by stages:

Stage 1	Opening balance	Transfer of Stage 2	Transfer of Stage 3	Transfer of Stage 2	Transfer of Stage 3	Other changes*	Closing Balance

	12/31/2019						12/31/2020
Individuals	**2,207,818**	**(13,744)**	**(194,372)**	**35,555**	**10,157**	**(434,974)**	**1,610,440**
Payroll loans	2,192,641	(13,744)	(183,527)	35,554	10,141	(432,978)	1,608,087
Other loans **	15,177	-	(10,845)	1	16	(1,996)	2,353
Legal Entities	**7,333,477**	**(17,162)**	**(35,335)**	**18,912**	**-**	**792,523**	**8,092,415**
Working capital	3,022,572	(17,162)	(4,219)	6,756	-	(116,851)	2,891,096
Import/export financing	2,239,376		-	-	-	1,431,603	3,670,979
Other loans **	2,071,529	-	(31,116)	12,156	-	(522,229)	1,530,340
Total	**9,541,295**	**(30,906)**	**(229,707)**	**54,467**	**10,157**	**357,549**	**9,702,855**

Stage 2	Opening balance 12/31/2019	Transfer of Stage 1	Transfer of Stage 3	Transfer of Stage 1	Transfer of Stage 3	Other changes *	Closing Balance 12/31/2020
Individuals	**283,938**	**(35,555)**	**(33,023)**	**13,744**	**1,375**	**(152,120)**	**78,359**
Payroll loans	283,756	(35,554)	(32,976)	13,744	1,375	(152,008)	78,337
Other loans **	182	(1)	(47)	-	-	(112)	22
Legal Entities	**226,269**	**(18,912)**	**-**	**17,162**	**-**	**(170,195)**	**54,324**
Working capital	16,585	(6,756)	-	17,162		1,183	28,174
Import/export financing	68,421	-	-			(60,719)	7,702
Other loans **	141,263	(12,156)	-			(110,659)	18,448
Total	**510,207**	**(54,467)**	**(33,023)**	**30,906**	**1,375**	**(322,315)**	**132,683**

Stage 3	Opening balance 12/31/2019	Transfer of Stage 1	Transfer of Stage 2	Transfer of Stage 1	Transfer of Stage 2	Write-off	Other changes *	Closing Balance 12/31/2020
Individuals	**224,502**	**(10,157)**	**(1,375)**	**194,372**	**33,023**	**(81,232)**	**49,831**	**408,964**
Payroll loans	123,692	(10,141)	(1,375)	183,527	32,976	(45,105)	75,628	359,202
Other loans **	100,810	(16)	-	10,845	47	(36,127)	(25,797)	49,762
Legal Entities	**102,055**	**-**	**-**	**35,335**	**-**	**(127,561)**	**103,109**	**112,938**
Working capital	7,574	-	-	4,219	-	-	10,236	22,029
Import/export financing	11,751	-	-	-	-	-	(1,316)	10,435
Other loans **	82,730	-	-	31,116	-	(127,561)	94,189	80,474
Total	**326,557**	**(10,157)**	**(1,375)**	**229,707**	**33,023**	**(208,793)**	**152,940**	**521,902**

Consolidated - 3 stages	Opening balance 12/31/2019	Write-off	Other changes	Closing Balance 12/31/2020
Individuals	**2,716,258**	**(81,232)**	**(537,263)**	**2,097,763**
Payroll loans	2,600,089	(45,105)	(509,358)	2,045,626
Other loans **	116,169	(36,127)	(27,905)	52,137
Legal Entities	**7,661,801**	**(127,561)**	**725,437**	**8,259,677**
Working capital	3,046,731	-	(105,432)	2,941,299
Import/export financing	2,319,548	-	1,369,568	3,689,116
Other loans **	2,295,522	(127,561)	(538,699)	1,629,262
Total	**10,378,059**	**(208,793)**	**188,174**	**10,357,440**

(Amounts expressed in thousands of Reais, unless otherwise indicated)

* In "other changes", operations derecognized upon receipt and the inclusion of new operations, credit assignments and exchange-rate changes in operations indexed in foreign currency are considered.

** "Other loans" include other types of credit (advances on foreign exchange contracts, rural and agro-industrial financing, machinery and heavy vehicle financing, debtors for the purchase of securities and assets, securities and credits receivable).

Stage 1	Opening balance 12/31/2018	Transfer of Stage 2	Transfer of Stage 3	Transfer of Stage 2	Transfer of Stage 3	Other changes *	Closing Balance 12/31/2019
Individuals	**1,961,641**	**(5,658)**	**(160,382)**	**2,503**	**15,322**	**394,392**	**2,207,818**
Payroll loans	1,805,304	(5,646)	(60,618)	2,503	4,777	446,321	2,192,641
Other loans **	156,337	(12)	(99,764)	-	10,545	(51,929)	15,177
Legal Entities	**5,932,276**	**(18,233)**	**(10,565)**	**-**	**-**	**1,429,999**	**7,333,477**
Working capital	2,966,124	(4,911)	(336)	-	-	61,695	3,022,572
Import/export financing	1,552,351	(13,322)	-	-	-	700,347	2,239,376
Other loans **	1,413,801	-	(10,229)	-	-	667,957	2,071,529
Total	**7,893,917**	**(23,891)**	**(170,947)**	**2,503**	**15,322**	**1,824,391**	**9,541,295**

Stage 2	Opening balance 12/31/2018	Transfer of Stage 1	Transfer of Stage 3	Transfer of Stage 1	Transfer of Stage 3	Other changes *	Closing Balance 12/31/2019
Individuals	**104,870**	**(2,503)**	**(13,113)**	**5,658**	**310**	**188,716**	**283,938**
Payroll loans	90,939	(2,503)	(5,751)	5,646	310	195,115	283,756
Other loans **	13,931	-	(7,362)	12	-	(6,399)	182
Legal Entities	**472,744**	**-**	**-**	**18,233**	**19,769**	**(284,477)**	**226,269**
Working capital	311,492	-	-	4,911	-	(299,818)	16,585
Import/export financing	111,058	-	-	13,322	19,769	(75,728)	68,421
Other loans **	50,194	-	-	-	-	91,069	141,263
Total	**577,614**	**(2,503)**	**(13,113)**	**23,891**	**20,079**	**(95,761)**	**510,207**

Stage 3	Opening balance 12/31/2018	Transfer of Stage 1	Transfer of Stage 2	Transfer of Stage 1	Transfer of Stage 2	Write-off	Other changes *	Closing Balance 12/31/2019
Individuals	**166,401**	**(15,322)**	**(310)**	**160,382**	**13,113**	**(100,052)**	**290**	**224,502**
Payroll loans	106,631	(4,777)	(310)	60,618	5,751	(38,746)	(5,475)	123,692
Other loans **	59,770	(10,545)	-	99,764	7,362	(61,306)	5,765	100,810
Legal Entities	**202,601**	**-**	**(19,769)**	**10,565**	**-**	**(64,147)**	**(27,195)**	**102,055**
Working capital	18,886	-	-	336	-	-	(11,648)	7,574
Import/export financing	77,959	-	(19,769)	-	-	-	(46,439)	11,751
Other loans **	105,756	-	-	10,229	-	(64,147)	30,892	82,730
Total	**369,002**	**(15,322)**	**(20,079)**	**170,947**	**13,113**	**(164,199)**	**(26,905)**	**326,557**

(Amounts expressed in thousands of Reais, unless otherwise indicated)

Consolidated - 3 stages	Opening balance 12/31/2018	Write-off	Other changes	Closing Balance 12/31/2019
Individuals	**2,232,912**	**(100,052)**	**583,398**	**2,716,258**
Payroll loans	2,002,874	(38,746)	635,961	2,600,089
Other loans **	230,038	(61,306)	(52,563)	116,169
Legal Entities	**6,607,621**	**(64,147)**	**1,118,327**	**7,661,801**
Working capital	3,296,502	-	(249,771)	3,046,731
Import/export financing	1,741,368	-	578,180	2,319,548
Other loans **	1,569,751	(64,147)	789,918	2,295,522
Total	**8,840,533**	**(164,199)**	**1,701,725**	**10,378,059**

* In "other changes", operations derecognized upon receipt and the inclusion of new operations, credit assignments and exchange-rate changes in operations indexed in foreign currency are considered.

** "Other loans" include other types of credit (advances on foreign exchange contracts, rural and agro-industrial financing, machinery and heavy vehicle financing, debtors for the purchase of securities and assets, securities and credits receivable).

c) Expected credit loss

Breakdown of the provision for expected credit loss of "Loans and advances to clients and securities":

	2020	2019
Individuals	**326,576**	**223,405**
Payroll loans	299,685	172,390
Other loans	26,891	51,015
Legal Entities	**110,640**	**143,677**
Working capital	25,867	29,489
Import/export financing	32,078	47,483
Other loans	52,695	66,705
Subtotal	**437,216**	**367,082**
Securities	521	356
Total	**437,737**	**367,438**
Term:		
Current	210,310	192,566
Non-current	227,427	174,872
	437,737	367,438

(Amounts expressed in thousands of Reais, unless otherwise indicated)

Reconciliation of the provision for expected credit loss of "Loans and advances to clients", segregated by stages:

Stage 1	Opening balance 12/31/2019	Transfer of Stage 2	Transfer of Stage 3	Transfer of Stage 2	Transfer of Stage 3	Formation / (Reversal)	Closing Balance 12/31/2020
Individuals	**61,946**	**(449)**	**(6,107)**	**3,260**	**7,196**	**(15,680)**	**50,166**
Payroll loans	61,398	(449)	(5,816)	3,260	7,187	(15,604)	49,976
Other loans	548	-	(291)	-	9	(76)	190
Legal Entities	**64,424**	**(118)**	**(355)**	**338**	**-**	**(32,127)**	**32,162**
Working capital	24,187	(118)	(263)	185	-	(15,491)	8,500
Import/export financing	30,630	-	-	-	-	(11,033)	19,597
Other loans	9,607	-	(92)	153	-	(5,603)	4,065
Total	**126,370**	**(567)**	**(6,462)**	**3,598**	**7,196**	**(47,807)**	**82,328**

Stage 2	Opening balance 12/31/2019	Transfer of Stage 1	Transfer of Stage 3	Transfer of Stage 1	Transfer of Stage 3	Formation / (Reversal)	Closing Balance 12/31/2020
Individuals	**24,040**	**(3,260)**	**(2,839)**	**449**	**928**	**(13,217)**	**6,101**
Payroll loans	24,023	(3,260)	(2,832)	449	928	(13,208)	6,100
Other loans	17		(7)			(9)	1
Legal Entities	**7,944**	**(338)**	**-**	**118**	**-**	**(2,446)**	**5,278**
Working capital	272	(185)	-	118	-	332	537
Import/export financing	7,037	-	-	-	-	(2,320)	4,717
Other loans	635	(153)	-	-	-	(458)	24
Total	**31,984**	**(3,598)**	**(2,839)**	**567**	**928**	**(15,663)**	**11,379**

Stage 3	Opening balance 12/31/2019	Transfer of Stage 1	Transfer of Stage 2	Transfer of stage 1	Transfer of Stage 2	Write-off	Formation / (Reversal)	Closing Balance 12/31/2020
Individuals	**137,419**	**(7,196)**	**(928)**	**6,107**	**2,839**	**(81,232)**	**213,300**	**270,309**
Payroll loans	86,969	(7,187)	(928)	5,816	2,832	(45,104)	201,211	243,609
Other loans	50,450	(9)		291	7	(36,128)	12,089	26,700
Legal Entities	**71,309**	**-**	**-**	**355**	**-**	**(127,561)**	**129,097**	**73,200**
Working capital	5,030	-	-	263	-	-	11,537	16,830
Import/export financing	9,816	-	-	-	-	-	(2,052)	7,764
Other loans	56,463	-	-	92	-	(127,561)	119,612	48,606
Total	**208,728**	**(7,196)**	**(928)**	**6,462**	**2,839**	**(208,793)**	**342,397**	**343,509**

Consolidated - 3 stages	Opening balance 12/31/2019	Write-off	Formation / (Reversal)	Closing Balance 12/31/2020
Individuals	**223,405**	**(81,232)**	**184,403**	**326,576**
Payroll loans	172,390	(45,104)	172,399	299,685
Other loans	51,015	(36,128)	12,004	26,891
Legal Entities	**143,677**	**(127,561)**	**94,524**	**110,640**
Working capital	29,489	-	(3,622)	25,867
Import/export financing	47,483	-	(15,405)	32,078
Other loans	66,705	(127,561)	113,551	52,695

(Amounts expressed in thousands of Reais, unless otherwise indicated)

Subtotal	**367,082**	**(208,793)**	**278,927**	**437,216**
Securities	356	-	165	521
Total	**367,438**	**(208,793)**	**279,092**	**437,737**

Stage 1	Opening balance 12/31/2018	Transfer of Stage 2	Transfer of Stage 3	Transfer of Stage 2	Transfer of Stage 3	Formation / (Reversal)	Closing Balance 12/31/2019
Individuals	**57,829**	**(171)**	**(7,504)**	**197**	**8,045**	**3,550**	**61,946**
Payroll loans	50,096	(171)	(1,774)	197	3,441	9,609	61,398
Other loans	7,733	-	(5,730)	-	4,604	(6,059)	548
Legal Entities	**34,470**	**(184)**	**(18)**	**-**	**-**	**30,156**	**64,424**
Working capital	16,328	(74)	(3)	-	-	7,936	24,187
Import/export financing	13,082	(110)	-	-	-	17,658	30,630
Other loans	5,060	-	(15)	–	-	4,562	9,607
Total	**92,299**	**(355)**	**(7,522)**	**197**	**8,045**	**33,706**	**126,370**

Stage 2	Opening balance 12/31/2018	Transfer of Stage 1	Transfer of Stage 3	Transfer of Stage 1	Transfer of Stage 3	Formation / (Reversal)	Closing Balance 12/31/2019
Individuals	**6,121**	**(197)**	**(1,099)**	**171**	**218**	**18,826**	**24,040**
Payroll loans	5,095	(197)	(427)	171	218	19,163	24,023
Other loans	1,026	-	(672)	-	-	(337)	17
Legal Entities	**6,304**	**-**	**-**	**184**	**13,632**	**(12,176)**	**7,944**
Working capital	963	-	-	74	-	(765)	272
Import/export financing	5,023	-	-	110	13,632	(11,728)	7,037
Other loans	318	-	-	-	-	317	635
Total	**12,425**	**(197)**	**(1,099)**	**355**	**13,850**	**6,650**	**31,984**

Stage 3	Opening balance 12/31/2018	Transfer of Stage 1	Transfer of Stage 2	Transfer of Stage 1	Transfer of Stage 2	Write-off	Formation / (Reversal)	Closing Balance 12/31/2019
Individuals	**104,407**	**(8,045)**	**(218)**	**7,504**	**1,099**	**(100,052)**	**132,724**	**137,419**
Payroll loans	75,348	(3,441)	(218)	1,774	427	(38,746)	51,825	86,969
Other loans	29,059	(4,604)	-	5,730	672	(61,306)	80,899	50,450
Legal Entities	**122,854**	**-**	**(13,632)**	**18**	**-**	**(64,147)**	**26,216**	**71,309**
Working capital	11,976	-	-	3	-	-	(6,949)	5,030
Import/export financing	50,693	-	(13,632)	-	-	-	(27,245)	9,816
Other loans	60,185	-	-	15	-	(64,147)	60,410	56,463
Total	**227,261**	**(8,045)**	**(13,850)**	**7,522**	**1,099**	**(164,199)**	**158,940**	**208,728**

Consolidated - 3 stages	Opening balance 12/31/2018	Write-off	Formation / (Reversal)	Closing Balance 12/31/2019
Individuals	**168,357**	**(100,052)**	**155,100**	**223,405**
Payroll loans	130,539	(38,746)	80,597	172,390
Other loans	37,818	(61,306)	74,503	51,015
Legal Entities	**163,628**	**(64,147)**	**44,196**	**143,677**
Working capital	29,267	-	222	29,489
Import/export financing	68,798	-	(21,315)	47,483

(Amounts expressed in thousands of Reais, unless otherwise indicated)

Other loans	65,563	(64,147)	65,289	66,705
Subtotal	**331,985**	**(164,199)**	**199,296**	**367,082**
Securities	6,733	-	(6,377)	356
Total	**338,718**	**(164,199)**	**192,919**	**367,438**

(Amounts expressed in thousands of Reais, unless otherwise indicated)

8. *Other loans and receivables*

All the balances of counterparties that are not clients or financial institutions are considered "Other Loans and Receivables." As of December 31, 2020, this item is composed basically of balances outstanding with clearing house of derivatives (under usual market terms) and credits granted without credit granting characteristics, classified as amortized cost.

	2020	2019
Income receivable	14,750	16,412
Credits granted without credit characteristics	11,647	12,421
Total	26,397	28,833
Term:		
Current	11,783	17,039
Non-current	14,614	11,794
	26,397	28,833

(Amounts expressed in thousands of Reais, unless otherwise indicated)

9. *Non-financial assets held for sale*

They are mainly represented by assets received to settle loan operations.

a) Breakdown

	2020	2019
Classification:		
Non-financial assets held for sale	156,986	196,765
Type:		
Real estate	280,315	336,345
Machinery and equipment	17,053	27,114
Vehicles	5,542	7,659
Aircrafts	-	5,900
Other	813	630
Provision for impairment losses	(146,737)	(180,883)
	156,986	196,765

b) Changes

	2020	2019
Cost:		
Balances at December 31, 2019	377,648	410,198
Assets seized	5,539	15,198
Gain (loss) in sale of assets	(11,900)	(395)
Write-off due to impairment	(38,111)	-
Disposals	(29,453)	(47,353)
Balances at the end of the year	303,723	377,648
Accumulated provision:		
Balances at December 31, 2019	(180,883)	(163,060)
Reversal by disposal/sale of assets	15,953	10,752
Reversal due to impairment	38,111	-
Provisions for the fiscal year	(19,918)	(28,575)
Total provision at the end of the year	(146,737)	(180,883)
Net balance of non-financial assets held for sale	156,986	196,765

10. Investments

The breakdown of this item's balances is as follows:

	2020	2019
Membership certificates	233	233
Shares and quotas	14	14
Other financial assets	9	9
Total	256	256

(Amounts expressed in thousands of Reais, unless otherwise indicated)

11. Tangible assets

CCB Brasil's tangible assets consist in fixed assets in use. CCB Brasil has no tangible assets stated as investment property.

Details by types of assets, of the tangible assets in the consolidated balance sheets are as follows:

	Cost	Accumulated depreciation	Net balance
Land and buildings	187,742	(82,684)	105,058
Data processing systems	10,272	(9,965)	307
Facilities, furniture and equipment in use	17,826	(14,911)	2,915
Other	2,297	(2,133)	164
Balances at December 31, 2020	**218,137**	**(109,693)**	**108,444**
Land and buildings	85,950	(58,250)	27,700
First-time adoption of IFRS 16	81,016	(7,371)	73,645
Data processing systems	10,323	(9,894)	429
Facilities, furniture and equipment in use	20,630	(15,687)	4,943
Other	2,298	(2,020)	278
Balances at December 31, 2019	**200,217**	**(93,222)**	**106,995**

The changes in the "Tangible assets" item in the consolidated balance sheets are as follows:

	2020	2019
Cost:		
Balances at the beginning of the year	200,217	118,788
First-time adoption of IFRS 16	-	81,016
Additions	20,994	951
Disposals	(3,074)	(538)
Balances at the end of the year	218,137	200,217
Accumulated depreciation:		
Balances at the beginning of the year	(93,222)	(76,038)
First-time adoption of IFRS 16	-	(7,371)
Additions	(17,359)	(10,157)
Disposals	888	344
Total depreciation at yearend	(109,693)	(93,222)
Net balance of Tangible Assets	108,444	106,995

(Amounts expressed in thousands of Reais, unless otherwise indicated)

12. Intangible asset

The breakdown of balance of "Intangible assets" caption is as follows:

	Estimated useful life	2020	2019
With defined useful life:			
Expenses on software acquisition and development	Other	24,496	23,068
Accumulated amortization	Up to 05 years	(22,508)	(20,176)
Without defined useful life:			
Goodwill - CCB Brasil Financeira		-	105,190
		1,988	108,082

The changes under "Intangible Assets" were as follows:

	2020	2019
Opening balances	108,082	109,181
Additions	1,428	1,697
Impairment loss	(105,190)	-
Amortizations	(2,332)	(2,796)
Balances at the end of the year	1,988	108,082

During the year 2020, due to the uncertainties arising from the Covid-19 pandemic, as well as the large volume of defaults in payroll-deductible loans and the significant reduction in the volumes operated, the Bank derecognized goodwill in the amount of R$ 105,190, as there is no expectation of generating cash flow in future exercises sufficient to maintain this goodwill.

	2020	2019
CCB Brasil S.A. Crédito, Financiamentos e Investimentos	-	105,190
Operating segment:		
Retail	-	105,190
	-	Retail
Main assumptions:		
Evaluation basis	-	Value in use: cash flows
Cash flow projection period (1)	-	10 years
Growth rate in perpetuity	-	6.1% p.a.
Discount rate	-	14.4%

(1) Cash flow projections were based on internal budget and on management's growth plans, taking into account historical data, expectations and market conditions such as industrial growth, interest rate and inflation indexes. The 10-year period used for the projection of cash flows in the year 2019 adequately reflected the unit's long-

term business cycles, given that it carried out credit operations with terms that could reach up to 96 months, with an average 48 months.

(Amounts expressed in thousands of Reais, unless otherwise indicated)

13. Other assets

Breakdown of “Other assets” balance is as follows:

	2020	2019
Sundry receivables	34,330	19,345
Other amounts receivable (*)	28,097	31,429
Prepaid expenses	956	9,514
Sundry accounts	2,094	1,324
	65,477	61,612
Term:		
Current	36,970	30,211
Non-current	28,507	31,401
	65,477	61,612

(*) It substantially refers to assets from public housing programs in the amount of R$ 21,247 (R$ 21,247 in 2019).

(Amounts expressed in thousands of Reais, unless otherwise indicated)

14. Deposits from financial institutions

The breakdown by rating, counterpart, type, and currency of the balances in this item is as follows:

	2020	2019
Classification:		
Financial liabilities at amortized cost	3,748,065	3,943,754
Type:		
Liabilities from repurchase and resale agreements	3,499,202	3,603,526
Interbank deposits	248,863	340,228
	3,748,065	3,943,754
Currency:		
Real	3,748,065	3,943,754
	3,748,065	3,943,754
Term:		
Current	3,748,065	3,925,982
Non-current	-	17,772
	3,748,065	3,943,754

(Amounts expressed in thousands of Reais, unless otherwise indicated)

15. Deposits from clients

The breakdown by rating, type, in the item “Client deposits" is as follows:

	2020	2019
Classification:		
Financial liabilities at amortized cost	5,702,394	3,313,521
Type:		
Time Deposits	5,555,163	3,157,944
Demand deposits	114,594	86,581
Savings deposit	2,935	2,977
Other deposits (*)	29,702	66,019
	5,702,394	3,313,521
Currency:		
Real	5,672,720	3,247,515
USD	29,674	66,006
	5,702,394	3,313,521
Term:		
Current	2,487,369	2,561,844
Non-current	3,215,025	751,677
	5,702,394	3,313,521

(*) Substantially refers to the account of payment orders in foreign currency in the amount of R$ 29,674 (R$ 66,006 in 2019).

(Amounts expressed in thousands of Reais, unless otherwise indicated)

16. Securities issued

The breakdown by rating, type, and currency of the balances in the item "Securities issued" is as follows:

	2020	2019
Classification:		
Financial liabilities at amortized cost	693,199	1,441,971
Type:		
Financial liabilities at amortized cost		
Obligations from issue of financial bills	411,916	754,625
Liabilities from issue of agribusiness real estate credit bills	278,669	610,297
Obligations related to securities issued abroad	-	55,066
Obligations from issue of real estate credit bill	2,614	21,983
	693,199	1,441,971
Currency of denomination		
Real	693,199	1,386,905
USD	-	55,066
Balances at the end of the year	693,199	1,441,971
Term:		
Current	433,315	1,080,239
Non-current	259,884	361,732
	693,199	1,441,971

(Amounts expressed in thousands of Reais, unless otherwise indicated)

17. Capital instruments

Details of the balance of "Capital instruments" are as follows:

	2020	2019
Classification:		
Other liabilities at fair value through profit or loss (*)	-	1,069,201
Financial liabilities at amortized cost	892,897	694,983
	892,897	1,764,184
Type:		
Other liabilities at fair value through profit or loss		
Foreign securities		
Eurobonds (*)	-	1,069,201
Financial liabilities at amortized cost		
Subordinated CDB	529,128	412,834
Perpetual debt (**)	363,769	282,149
	892,897	694,983
Currency:		
USD	892,897	1,764,184
Term:		
Current	-	1,071,629
Non-current	892,897	692,555
	892,897	1,764,184

(*) The subordinated debt (BIC20) issued in 2010, authorized to comprise the Institution's Tier II Capital, was liquidated in April 2020. In 2020, it no longer comprised Capital, complying with CMN Resolution 4,192/13, which determines a 100% deduction from the book balance in the twelve months prior to maturity.

(**) On December 29, 2016, CCB Brasil issued Perpetual Bonds in the amount of US$ 70 million, with interest rate of 8% per annum, paid annually on December 30 of each year, which payment may be suspended if the amount of interest exceed that of distributable profits and retained profit reserves, and such suspension, due to the breach of these conditions, does not accumulate for subsequent periods and the unpaid amounts are no longer due. Since the issue of Perpetual Bonds, payments in the total amount of US$ 16,800 have been made for the years 2017, 2018 and 2019, despite the minimum conditions related to the determination of income have not been met. Thus, in November 2020, CCB Brasil's Management — after requesting reimbursement — obtained a full refund of the amounts previously paid, in the amount of R$ 89,870, equivalent to US$ 16,800, now presented in the group Other Operating Revenues (Expenses) (Note 29). Additionally, because of the loss incurred in the year ended December 31, 2020, the Bank did not pay interest for such period in the amount of R$ 13,783.

(Amounts expressed in thousands of Reais, unless otherwise indicated)

18. Domestic borrowings

The breakdown of the item "Liabilities due to domestic loans" is as follows:

	2020	2019
Classification:		
Financial liabilities at amortized cost	154,233	216,833
With:		
Ministry of Agriculture	146,935	213,670
Other funds and programs	6,329	2,194
Ministry of Cities	969	969
	154,233	216,833
Currency:		
Real	154,233	216,833
Term:		
Current	130,070	194,635
Non-current	24,163	22,198
	154,233	216,833

(Amounts expressed in thousands of Reais, unless otherwise indicated)

19. Foreign borrowings

The breakdown of the balances in the item "Foreign borrowings" is as follows:

	2020	2019
Classification:		
Financial liabilities at amortized cost	4,128,159	4,475,380
Other liabilities at fair value through profit or loss	30,562	46,991
	4,158,721	4,522,371
With:		
Financial liabilities at amortized cost:		
Import/export financing	4,128,159	4,475,380
Other liabilities at fair value through profit or loss		
Repass borrowings abroad	30,562	46,991
Currency:		
USD	4,158,721	4,522,371
Term:		
Current	4,153,026	4,451,670
Non-current	5,695	70,701
	4,158,721	4,522,371

(Amounts expressed in thousands of Reais, unless otherwise indicated)

20. Hedge accounting

Credit Transaction for Individuals

CCB Brasil has payroll loan portfolios for government employees and retirees, and vehicle financing operations. Credits are granted at fixed rates, exposing the Institution to market risk arising from fluctuations in the reference rate for interbank deposits (CDI), an index in which the Institution's funding cost and risk management are controlled. Thus, to hedge the risk of the rate pegged to the CDI fluctuations, as of January 2017, the Bank's treasury acquires DI futures in a ratio of quantities vs. maturities that offset the effect of adjustment to market value hedge object, and the effects of this fair value hedge structure are recorded exclusively in the consolidated financial statements.

	Hedged object			Hedge instrument	
2020	Curve value	Fair value			Change in the
Interest rate risk	Assets	Assets	Value of Ineffectiveness	Amount Nominal	amount recognized in income
Loan transaction hedge	1,379,522	1,454,742	10,036	1,555,731	65,184

	Hedged object			Hedge instrument	
2019	Curve value	Fair value			Change in the
Interest rate risk	Assets	Assets	Value of Ineffectiveness	Amount Nominal	amount recognized in income
Loan transaction hedge	1,337,367	1,439,810	10,331	1,660,140	92,112

21. Provisions

CCB Brasil and its subsidiaries are parties in lawsuits and administrative proceedings arising from the normal course of business, involving issues of a civil, labor, fiscal, and welfare nature.

a) Provisions classified as probable loss and legal obligations

Based on information from its legal advisors, on examinations of outstanding lawsuits, and on the history of losses, the Management formed a provision for liabilities classified as probable loss in an amount deemed to be sufficient to cover estimated losses in the lawsuits in progress and the most relevant ones are:

Civil lawsuits

The Conglomerate is party to civil lawsuits evaluated as having a probable risk, which have been fully accrued and amount to R$ 200,183 (R$ 235,513 in 2019). In general, the provisions are the result of contract revisions and indemnities for material damages and pain and suffering, mostly under the Special Civil Court.

Labor lawsuits

The Conglomerate is party to labor lawsuits evaluated as having a probable risk, which have been fully accrued and amount to R$ 118,419 (R$ 86,757 in 2019). Provisions relate to lawsuits discussing labor claims referring to labor law that is specific of the professional category, such as overtime, salary equalization, additional payment due to transfer and other.

Tax and social security proceedings

COFINS x Law 9718/98 – amount involved R$ 565,915 (R$ 557,244 in 2019): claims payment of the contribution from November 2005 to December 2014, based on the calculation provided in Complementary Law 7/70, in view of the unconstitutionality of expanding the calculation basis provided for in Law 9,718/98. Part of the amount involved was placed in a judicial deposit in the amount of R$ 31,998 (R$ 31,381 in 2019).

PIS x Law 9718/98 – amount involved R$ 89,876 (R$ 88,503 in 2019): claims payment of the contribution from November 2005 to December 2014, based on the calculation provided in Complementary Law 7/70, in view of the unconstitutionality of expanding the calculation basis provided for in Law 9,718/98. Part of the amount involved was placed in a judicial deposit in the amount of R$ 108,728 (R$ 106,393 in 2019).

PDD/94 – amount involved R$ 26,769 (R$ - in 2019): claims to deduct, from the calculation of income tax and social contribution on net income, for the tax base year of 1994, the expense related to the setting up of the Allowance for loan losses, as specified by the National Monetary Council and the Central Bank of Brazil, as allowed by CMN

(Amounts expressed in thousands of Reais, unless otherwise indicated)

Resolution 1,748/90 and subsequent amendments, and dismissing, due to unconstitutionality and unlawfulness, the provision of article 43, paragraph 4, of Law 8,981/95. The amount involved was placed in an judicial deposit.

PIS - Constitutional Amendment no. 10/96 – amount involved, R$ - (R$ 18,925 in 2019), since the amount of R$ 19,232 was written off in November 2019, once that the lawsuit that claims to annul the requirement for the retroactive PIS tax and for a 90-day period from March 7, 1996 to June 07, 1996, in view of principles against retroactivity and 90-day time limit and to ensure the right to calculate and pay the PIS tax on gross operating revenue, understood as that arising solely from the provision of services and sale of goods as established in article 44 of Law 4506/64, in article 12 of Decree-Law 1587/77 and in article 226 of Decree 1041/94, was definitely judged with an unfavorable decision and respective conversion into income of the Federal Government regarding the judicial deposit.

ISS – Service Tax – São Paulo - Taxed services - Correctness of levying the service tax on services listed in the attachment to Complementary Law 56/87 - involved amount of R$ 1,315 (R$ 1,336 in 2019): claims to discontinue the charges of the service tax levied on supposed revenues from provision of taxable services, not expressly included in the list of services attached to Complementary Law 56/87, with the allegation that the list contains mere examples, contrary to understanding taken for granted at the Superior Court of Justice, which adopts the interpretation that only the listed services are taxed. The amount involved was placed in an judicial deposit.

INSS – Profit Sharing of Directors – amount involved R$ 59,182 (R$ - in 2019): claims the derecognition of a supposed INSS debit, levied on the profit sharing of administrators, related to the base periods from 2009 to 2011, entered through the Tax Assessment Notice, as this contribution is not levied on profit sharing, under the terms of Article 7, XI of the Federal Constitution and Article 28, § 9, j, of Law 8,812/91. The amount involved was placed in an judicial deposit.

Description	2019	Addition	Reversal	Restatement	Write-off	2020
Civil (*)	73,754	140,024	(8,062)	10,332	(15,865)	200,183
Labor	86,757	41,887	(1,671)	-	(8,554)	118,419
Surety (**)	174,860	12,402	(162,126)	-	-	25,136
Subtotal	**335,371**	**194,313**	**(171,859)**	**10,332**	**(24,419)**	**343,738**

Tax and social security	2019	Addition	Reversal	Restatement	Write-off	2020
PIS - Gross Operating Revenue - EC 10/96 and EC 17/97	18,925	-	-	307	(19,232)	-
PIS - Expansion of Calculation Basis - Law 9718/98	88,503	-	-	1,373	-	89,876
Inc. tax and soc. contr. (IRPJ/CSLL) PDD 1994	-	26,625	-	144	-	26,769
COFINS - Expansion of Calculation Basis - Law 9718/98	557,244	-	-	8,671	-	565,915
ISS - Services not taxed - LC Number 56/87	1,336	-	(21)	47	(47)	1,315

(Amounts expressed in thousands of Reais, unless otherwise indicated)

INSS Administrators – Years from 2009 to 2011	-	59,182	-	-	-	59,182
Subtotal	**666,008**	**85,807**	**(21)**	**10,542**	**(19,279)**	**743,057**
Total	**1,001,379**	**280,120**	**(171,880)**	**20,874**	**(43,698)**	**1,086,795**

(*) The allowance for sureties was reclassified to the civil contingencies line, shown in the column of additions in that line, and as a write-off of the allowance for sureties.
(**) During the first semester of 2020, CCB Brasil reversed a provision for contingent liabilities related to the guarantee provided in the amount of R$ 68,314, which due to an unfavorable decision, and consequently the payment, was reclassified to the loan portfolio as guarantee paid, classified on stage 3.

In the case of the above-described contingencies, CCB Brasil made a judicial deposit of R$ 428,915, of which R$ 99,158 for civil lawsuits, R$ 22,365 for labor lawsuits and R$ 307,392 for tax lawsuits.

Description	2018	Addition	Reversal	Restatement	Write-off	2019
Civil	74,674	16,921	(18,373)	12,094	(11,562)	73,754
Labor	58,884	6,470	(4,249)	30,430	(4,778)	86,757
Surety	104,905	81,415	(11,460)	-	-	174,860
Subtotal	**238,463**	**104,806**	**(34,082)**	**42,524**	**(16,340)**	**335,371**
Tax and social security	**2018**	**Addition**	**Reversal**	**Restatement**	**Write-off**	**2019**
PIS - Gross Operating Revenue - EC 10/96 and EC 17/97	18,275	-	-	650	-	18,925
PIS - Expansion of Calculation Basis - Law 9718/98	85,731	-	-	2,772	-	88,503
COFINS - Expansion of Calculation Basis - Law 9718/98	539,751	-	-	17,493	-	557,244
ISS - Services not taxed - LC Number 56/87	1,272	-	-	64	-	1,336
Subtotal	**645,029**	**-**	**-**	**20,979**	**-**	**666,008**
Total	**883,492**	**104,806**	**(34,082)**	**63,503**	**(16,340)**	**1,001,379**

In the case of the above-described contingencies, CCB Brasil made a judicial deposit of R$ 443,444, of which R$ 109,056 for civil lawsuits, R$ 22,775 for labor lawsuits and R$ 311,613 for tax lawsuits.

	2020	2019
Term:		
Non-current	1,086,795	1,001,379

b) Lawsuits classified as possible loss

Contingent liabilities stated as likely losses are monitored by CCB Brasil and are based on opinions by legal counsel, with regard to each of the lawsuits and administrative proceedings. Hence, pursuant to the standards in force, any likely losses are not recognized in the accounting records, and these are composed mainly of the following issues:

Tax and social security proceedings

ISS – Service Tax – São Paulo - Taxed services - Correctness of levying the service tax on services listed in the attachment to Complementary Law 56/87 - involved amount of R$ 24,085 (R$ 23,094 in 2019): claims to discontinue the charges of the service tax levied on supposed revenues from provision of taxable services, not expressly included in the list of services attached to Complementary Law 56/87, with the allegation that the list contains mere examples, contrary to understanding taken for granted at the Superior Court of Justice, which adopts the interpretation that only the listed services are taxed. The amount involved was placed in an judicial deposit.

Withholding income tax on interest remittances to foreign countries - amount involved, R$ 14,440 (R$ 14,229 in 2019): claims to offset the unduly withheld amounts of withholding income tax on remittances of interest to foreign countries, against the same corporate income tax, as allowed by article 39 of Law 9250/96, and excluding restrictions contained in Circular Letters 2,269/92 and 2,372/93 and Communication 2,747/92, which placed a condition that the zero income tax rate requires observance of minimum amortization periods, considering that condition as a clear violation of legal principles. The amount involved was placed in a judicial deposit.

IRPJ / 2008 – amount involved R$ 20,461 (R$ 20,071 in 2019): awaiting approval of the adherence to the installment payment of Law 12,996/2014 (REFIS of COPA), whose analysis of the RQA - Request for Early Discharge (art. 33 of Law 13043/2014) is suspended awaiting the judgment of the disallowance of tax losses and negative basis of social contribution on net income for the years 2012 and 2014 (see IRPJ/CSLL).

INSS – Profit Sharing of Directors – amount involved R$ 68,248 (R$ 124,376 in 2019): pleads cancellation of alleged INSS debt for the base periods of 2006 to 2008 and 2012, generated by Tax Assessment Notice since the debts regarding the taxable events that occurred up to October 10, 2006 have already elapsed and also because it does not affect Social Security Tax on profit under the terms of Article 7, XI of the Federal Constitution and Article 28, § 9, j, of Law 8,812/1991. Part of the amount involved was placed in a judicial deposit in the amount of R$ 39,425 (R$ 90,048 in 2019).

IRPJ/CSLL – amount involved R$ 168,154 (R$ 168,154 in 2019): claims the derecognition of the IRPJ/CSLL debt, related to the base period of 2012 and 2014, entered due to the tax assessment notice, due to disallowance of the deductibility of credit losses, for supposed non-compliance with the procedures established in Law 9,430/96.

Tax on financial transactions (IOF) and Withholding income tax (IRRF) - amount involved R$ 1,515 (R$ 1,485 in 2019): CCB Brasil, as jointly liable, claims the derecognition of the supposed IRRF/IOF debit entry related to seven foreign exchange transactions for foreign currency remittances.

Tax on financial transactions (IOF) on credit granting – amount involved R$ 2,627 (R$ 2,578 in 2019): claims the derecognition of the entry of IOF debit regarding the supposed levy on receivables assignment contracts with co-obligation, for the period from March 2014 to December 2014, for supposed non-compliance with Decree 6,306/2007.

Unratified offsetting – amount involved R$ 4,918 (R$ 4,388 in 2019): claims in the administrative level with the RFB the ratification of tax offsets against receivables arising from overpayment or incorrect payment.

Labor lawsuits

There are lawsuits in the Conglomerate that are classified as a possible risk, and no provisions were formed for these cases. According to an estimate by legal advisors, the sum of indemnities for these lawsuits in case of loss amounts to R$ 27,705 (R$ 12,019 in 2019). Contingencies relate to lawsuits discussing labor claims referring to labor law that is specific of the professional category, such as overtime, salary equalization, additional payment due to transfer and other.

Civil lawsuits

The Conglomerate is party to lawsuits that are classified as a possible risk; thus, no provision was formed. According to an estimate by legal advisors, the likely sum of indemnities for these lawsuits is R$ 272,098 (R$ 229,628 in 2019). In general the contingencies are the result of contract revisions and indemnities for material damages and pain and suffering, mostly under the Special Civil Court.

(Amounts expressed in thousands of Reais, unless otherwise indicated)

22. Current income tax

a) Statement of calculation of income and social contribution tax charges

Total charges for the fiscal year may be reconcile with book profits as follows:

	2020		2019	
	Income tax	Social contribution	Income tax	Social contribution
Income (loss) before income tax	(201,179)	(201,179)	(187,042)	(187,042)
Calculation basis	(201,179)	(201,179)	(187,042)	(187,042)
Temporary additions	910,532	910,728	678,867	667,671
Permanent additions (1)	567,473	567,473	578,270	578,270
Exclusions	(1,242,739)	(1,235,747)	(1,009,215)	(1,005,263)
Taxable income and calculation basis of income tax and social contribution on net income	34,087	41,275	60,880	53,636
(+) Negative taxable result of consolidated companies	7,852	1,631	33,613	37,119
(-) Offsetting of tax loss / negative calculation basis of social contribution	(12,582)	(12,872)	(27,129)	(27,129)
Taxable Income and CSLL calculation basis	29,357	30,034	67,364	63,626
Charges at the rates of 15% for income tax and 20% for social contribution	8,337	7,295	10,105	9,549
10% IR Surtax	2,872	-	6,673	-
Current taxes	11,209	7,295	16,778	9,549
Reconciliation of Income (loss)				
Current taxes year 2020	11,209	7,295	16,778	9,549
Current taxes – 2019 adjustment	1,157	(316)	-	-
Income tax abroad	-	-	(13,021)	-
Income tax and deferred CSLL	10,495	(18,460)	12,250	43,849
(=) Provision for income and social contribution taxes	22,861	(11,481)	16,007	53,398
Formation of tax credits (on temporary additions)	(236,387)	(187,397)	(174,042)	(180,695)
Formation of tax credits (on tax loss carryforwards)	(1,589)	(8,228)	(11,338)	(48,189)
Write-off of tax credits - Resol. 3059/02	216,941	177,240	87,366	52,416
Realization of tax credit (on reversal of temporary additions)	200,539	153,551	11,012	5,602
Realization of tax credit (on offset of tax loss and negative basis of social contribution on net income)	15,640	5,075	23,600	17,078
(=) Net effect of tax credit	195,144	140,241	(63,402)	(153,788)
Total	218,005	128,760	(47,395)	(100,390)
(Revenue)/Expense from income tax and social contribution		346,765		(147,785)

(1) The amount of permanent additions includes R$ 16,000 received as interest on own capital from CCB Brasil Arrendamento S.A.

b) Effective tax rate calculation

Effective tax rates are as follows:

	2020	2019
Income (loss) before taxes	(201,179)	(187,042)
Current income tax (Note 22a)	(346,765)	147,785
Effective rate	172,37%	-79.01%

(Amounts expressed in thousands of Reais, unless otherwise indicated)

The effective tax rate differs from the current rate applied to the calculation of income tax, as per additions and exclusions presented below:

	2020	Rate
Results before income tax	(201,179)	
Income tax at current rates	90,531	45%
Additions and exclusions in tax calculation:		
Write-off of tax credit - Unexpected realization	(394,181)	
Equity income (loss)	259,562	
Permanent additions and exclusions	(463,684)	
Other non-deductible permanent additions	161,007	
Income tax for the year	(346,765)	172%

	2019	Rate
Results before income tax	(187,042)	
Income tax at current rates	84,169	45%
Additions and exclusions in tax calculation:		
Write-off of tax credit - Unexpected realization	(40,678)	
Equity income (loss)	146,676	
Goodwill in the acquisition of investment	4,734	
Permanent additions and exclusions	(126,466)	
Diff. in rate of CSLL 15% x 20%	64,171	
Other non-deductible permanent additions	15,179	
Income tax for the year	147,785	79%

c) Deferred taxes

Balances of "Deferred taxes" Assets/ (Liabilities) is as follows:

	2020	2019
Tax credit	805,291	1,140,676
Deferred liabilities		
Income and social contribution taxes on MTM positive adjustment	(37,689)	(50,924)
Other temporary differences	(37,952)	(34,622)
Income tax on excess depreciation	(4,780)	(2,982)
	(80,421)	(88,528)
Total deferred taxes	724,870	1,052,148

(Amounts expressed in thousands of Reais, unless otherwise indicated)

The changes in the balances of the items "Deferred tax assets" and "Deferred tax liabilities" are:

	Opening balance in 2019	Realization	Additions	Write-offs	Closing balance in 2020
Deferred tax assets	1,140,676	(374,805)	433,601	(394,181)	805,291
Impairment losses of financial assets	216,611	(211,313)	182,652	-	187,950
Provisions	571,823	(142,777)	241,132	(57,354)	612,824
Tax loss	202,195	(15,640)	1,589	(185,078)	3,066
Negative basis CSLL	150,047	(5,075)	8,228	(151,749)	1,451
Deferred tax liabilities	(88,528)	(6,662)	14,769	-	(80,421)
Inflation adjustment on judicial deposits	(34,624)	(3,330)	-	-	(37,954)
Hedge accounting	(46,099)	-	12,250	-	(33,849)
Fair value through other comprehensive income	7,350	(3,332)	-	-	4,018
Temporary differences	(15,155)	-	2,519	-	(12,636)
Total	1,052,148	(381,467)	448,370	(394,181)	(724,870)

	Opening balance in 2018	Realization	Additions	Adjustments - CSLL 15–20%	Write-offs	Closing balance in 2019
Deferred tax assets	935,328	(187,391)	297,547	135,870	(40,678)	1,140,676
Impairment losses of financial assets	150,592	(53,716)	78,310	41,425	-	216,611
Provisions	434,730	(119,615)	196,392	60,316	-	571,823
Tax loss	217,010	(14,060)	22,845	-	(23,600)	202,195
Negative basis CSLL	132,996	-	-	34,129	(17,078)	150,047
Deferred tax liabilities	(66,058)	(22,470)	-	-		(88,528)
Inflation adjustment on judicial deposits	(25,427)	(9,197)	-	-		(34,624)
Hedge accounting	(38,593)	(7,506)	-	-		(46,099)
Fair value through other comprehensive income	12,850	(5,500)	-	-		7,350
Temporary differences	(14,888)	(267)	-	-		(15,155)
Total	869,270	(209,861)	297,547	135,870	(40,678)	1,052,148

d) Presumed credits

In view of high inventory of temporary differences deriving from credit losses incurred beginning as of 2014, the Bank chose to determine Presumed Credit in the amount of R$ 380,662, according to criteria established by Law 12,838/13 and BACEN Circular Letter 3,624/13, which require determination of tax losses and credits deriving from temporary differences deriving from allowance for doubtful accounts, determined and existing in prior calendar year.

Also according to Law 12,838/2013, Federal Revenue Service may verify accuracy of presumed credits determined over a period of five years, counted as of reimbursement request date, which may be in kind or in federal public debt securities; and there may be deduction of tax on non-tax values owed to the Treasury Department.

(Amounts expressed in thousands of Reais, unless otherwise indicated)

During 2020, the Bank recovered R$ 317 (R$ 830 in 2019), resulting from loan operations that are part of the calculation basis for presumed credit, whose deferred taxes, in the amount of R$ 142 (R$ 9,459 in 2019) were recorded in deferred tax, since such amounts will be taxed when the credit is reimbursed by the National Treasury.

Management understands that, due to macroeconomic scenario and expected generation of future taxable income by CCB Brasil, Presumed Credit is the best alternative to reduce the time for realization of temporary differences deriving from allowances for doubtful accounts.

	2020	2019
Presumed credit formed	380,662	380,662
Presumed tax liabilities	(82,282)	(82,140)
Total presumed credit	298,380	298,522

e) Tax credit not recorded in assets

Management, due to the history of tax losses in recent years as well as uncertainties related to long-term projections, chose not to record a portion of tax credits in its assets, according to the practices established by IFRS, starting May 31, 2017.

On December 31, 2020, the Consolidated had non-activated tax credits derived from income tax loss and negative basis of social contribution in the total amount of R$ 1,110,817 (R$ 773,991 in 2019), next to tax credits from temporary differences in the amount of R$ 123,799, for which there is no expectation of realization within 10 years.

(Amounts expressed in thousands of Reais, unless otherwise indicated)

23. Other liabilities

The breakdown of the balance of "Other liabilities" is as follows:

	2020	2019
Properties payable – IFRS 16	102,011	81,252
Sundry creditors - domestic	44,080	51,778
Bonuses and profit sharing payable	25,869	39,677
Personnel expenses	16,385	12,104
Other administrative expenses	10,630	14,623
Commissions on deferred securities	10,494	15,814
Other payments	4,150	14,717
Operations payable with credit card	419	419
Other	5,831	15,616
	219,867	246,000
Term:		
Current	200,501	242,599
Non-current	19,366	3,401
	219,867	246,000

(Amounts expressed in thousands of Reais, unless otherwise indicated)

24. Shareholders' equity

a) Capital

CCB Brasil's shareholder structure is as follows:

Shareholder	2020			2019		
	Common	Preferred	Total	Common	Preferred	Total
CCB Brazil Financial Holding Investimentos	297,223,908	168,407,558	465,631,466	297,223,908	168,407,558	465,631,466
Total shares	**297,223,908**	**168,407,558**	**465,631,466**	**297,223,908**	**168,407,558**	**465,631,466**
Total in reais (R$)	**1,887,438**	**1,069,426**	**2,956,864**	**1,887,438**	**1,069,426**	**2,956,864**

b) Treasury shares

The number of treasury shares on December 31, 2020 corresponds to 6,398,518 (6,398,518 in 2019) preferred shares in the amount of R$ 55,105 (R$ 55,105 in 2019).

c) Dividends and interest on own capital

Pursuant to by-laws, it is entitled to minimum dividends corresponding to 25% of net income for the year, in accordance with the applicable corporate legislation.

d) Reserves

The retained loss justified the non-recognition of profit reserves.

(Amounts expressed in thousands of Reais, unless otherwise indicated)

25. Guarantees provided

CCB Brasil offers many guarantees for their clients to improve their credit position and become competitive. The following table shows all the guarantees as of December 31, 2020.

	2020	2019
Guarantees or sureties in tax lawsuits and proceedings	747,482	768,907
Sureties - payments	435,323	503,970
Performance sureties	28,188	103,184
Bank guarantees	42,400	43,101
Other sureties	12,116	27,773
Total	1,265,509	1,446,935

On December 31, 2020, based on its disbursement estimates made according to recognized credit risk management practices, the Bank estimated that the likelihood of future disbursements linked to financial guarantees provided is R$ 25,136 (R$ 174,860 in 2019). This estimate considers the history of disbursements to honor sureties over the past several years, as well as legal discussions whose likelihood of disbursement is considered “probable” by the Bank’s legal counsel (Note 21.a).

(Amounts expressed in thousands of Reais, unless otherwise indicated)

26. Interest revenues and expenses, alike and net foreign exchange differences

a) Interest revenues and expenses and alike

Interest and similar in the consolidated statement of income (loss) are comprised of interest accrued in the year on all financial assets with implicit or explicit return, calculated using the effective interest method, regardless of the fair value measurement and of the errors in results due to the accounting of hedge. Interest is recognized for their gross amount, without the deduction of tax withheld at source.

Expenses from interest and similar in the consolidated statement of income (loss) comprise interest accrued in the year on all financial liabilities with implicit or explicit returns, including compensation in cash, calculated using the effective interest method, regardless of the measurement of fair value.

	2020	2019
Interest revenues and alike	953,133	1,399,193
Loans and advances to financial institutions	23,075	42,428
Loans and advances to clients	796,729	716,738
Financial assets at amortized cost	2,586	52,497
Financial assets at fair value through other comprehensive income	130,743	587,530
Interest income and alike	(467,309)	(823,557)
Deposits from financial institutions		
- Interbank deposits	(9,756)	(9,689)
- Money market funding	(107,242)	(302,928)
Deposits from clients	-	
- Time	(134,415)	(177,048)
Securities issued	(51,195)	(58,484)
Domestic borrowings	(48,464)	(81,397)
Foreign borrowings	(102,579)	(185,014)
Liability interest expenses - IFRS 16	(13,658)	(8,997)
Net interest revenue	485,825	575,636

(Amounts expressed in thousands of Reais, unless otherwise indicated)

b) Net exchange-rate change

The foreign exchange differences basically show the differences that arise in the conversion of monetary items in foreign currency into the Company's functional currency and do not consider the exchange hedge contracted by the Bank through derivative financial instruments, whose impacts are presented in "Gains (Losses) with financial assets and liabilities (net)"

	2020	2019
Net exchange-rate change	**53,010**	**(46,245)**
Loans	1,238,312	105,116
Foreign exchange securities, net	(570,267)	2,799
Forex transactions	481,197	117,755
Loans, assignments and onlendings	(1,096,070)	(273,444)
Other	(162)	1,529

(Amounts expressed in thousands of Reais, unless otherwise indicated)

27. Gains from financial assets and liabilities (Net)

Gains (losses) from financial assets and liabilities are composed of the amounts of adjustments from the evaluation of financial instruments, except for those attributed to interest accrued as results after the application of the effective interest method and provisions, and of gains (or losses) from the sale or purchase of financial instruments.

The breakdown of the balance of this line, by type of instrument, is shown below:

	2020	2019
Gains (losses) with:		
Financial assets measured at fair value through profit or loss	(5,616)	(3,264)
Other assets at fair value through profit or loss	(27,203)	1,134
Other liabilities at fair value through profit or loss	(30,939)	(54,914)
Other liabilities from hedged object	-	1,556
Derivatives	(27,528)	61,129
Total	(91,286)	5,641

(Amounts expressed in thousands of Reais, unless otherwise indicated)

28. Fee and commission revenue

The "Fee and commission revenue" line comprises all fees and commissions accumulated on behalf of the Bank in the year, except for those that make up the effective interest rate on financial instruments.

The breakdown of the balance related to this line is shown below:

	2020	2019
Income from guarantees	44,305	32,603
Income from bank fees – Legal entity	5,990	973
Income from other services	5,830	3,330
Income from bank fees – Individual	10	18
	56,135	36,924

(Amounts expressed in thousands of Reais, unless otherwise indicated)

29. Other operating revenues (expenses)

In this line of the consolidated statement of income (loss) are:

	2020	2019
Other operating revenues		
Repayment of perpetual debt (Note 17)	89,870	-
Civil provisions	19,465	(69,197)
Recovery of charges and expenses	14,190	25,347
Income for the acquisition of receivables	13,856	5,204
Restatement of legal deposits	7,867	19,105
Income from financed sales of non-operating assets	3,395	5,872
Other operating revenues	27,246	3,027
Total other operating revenues	175,889	(10,642)
Other operating expenses		
Tax provisions	(96,328)	(15,594)
Labor provisions	(40,216)	(27,961)
Commission on collection	(30,307)	(12,866)
Remuneration and bonus program	(15,035)	(35,546)
Sureties provided	(12,035)	(13,101)
Dismissed expenses	(3,638)	(39,304)
Provision - Ministry of Cities	(4,337)	-
Update adjustment of tax expenses	-	(20,981)
Other operating expenses	(4,379)	(70,488)
Total other operating expenses	(206,275)	(235,841)
Net balance of other operating revenues (expenses)	(30,386)	(246,483)

(Amounts expressed in thousands of Reais, unless otherwise indicated)

30. Personnel expenses

The breakdown of "Personnel Expenses" caption is shown below:

	2020	2019
Salaries	(91,901)	(93,635)
Social charges	(32,735)	(30,595)
Benefits	(18,900)	(19,919)
Reversal of provision for restructuring	10,675	-
Directors' fees	(13,633)	(14,458)
Other	(2,038)	(1,981)
	(148,532)	(160,588)

(Amounts expressed in thousands of Reais, unless otherwise indicated)

31. Other administrative expenses

The breakdown of the balance of this line is as follows:

	2020	2019
Third-party services	(29,414)	(35,110)
Real estate property, facilities and materials	(17,617)	(18,091)
Technology and systems	(15,386)	(17,943)
Other administrative expenses	(9,463)	(8,817)
Expenses of the financial system	(7,841)	(6,944)
Expenses with lawsuits	(5,847)	(7,406)
Insurance premiums	(2,443)	(2,012)
Communications	(1,720)	(1,431)
Advertising	(1,213)	(1,418)
Transportation system	(627)	(446)
Reimbursement and travel expenses	(227)	(2,070)
Rental expenses - IFRS 16	13,894	8,762
	(77,904)	(92,926)

(Amounts expressed in thousands of Reais, unless otherwise indicated)

32. Tax expenses

The breakdown of the balance of this line is as follows:

	2020	2019
COFINS contribution expense	(17,535)	(15,090)
Tax expenses	(3,658)	(7,877)
Expenses of tax on services of any kind	(3,479)	(2,338)
PIS/PASEP contribution expenses	(2,849)	(2,455)
Total	(27,521)	(27,760)

(Amounts expressed in thousands of Reais, unless otherwise indicated)

33. Gains (losses) with other assets (net)

Basically, it refers to results obtained from the sale of own assets and provisions for adjustment to the realizable value of assets or other non-operating assets.

	2020	2019
Income from the sale of assets	4,053	(395)
Rental income	198	496
(Provision) for impairment of non-financial assets held for sale	(19,918)	(17,822)
Other	(648)	614
	(16,315)	(17,107)

(Amounts expressed in thousands of Reais, unless otherwise indicated)

34. Other disclosures

a) Third-party securities held in custody

As of December 31, 2020 and 2019, the Bank held no third-party debt bonds or securities under its custody.

b) Cash and cash equivalents for the cash flow

	2020	2019
Cash and cash equivalents	168,559	93,818
Money market repurchase commitments (purchase and sale commitments)	733,997	229,999
Investments in foreign currency	148,362	262,998
	1,050,918	586,815

c) Commitments assumed for guarantees received and funding from international bodies

CCB Brasil is debtor due to loans taken from Proparco (Société de Promotion et de Participation pour la Coopération Économique) for onlending to Brazilian companies, whose agreement requires the maintenance of minimum financial ratios (financial covenants) in addition to the assumption of social and environmental responsibility obligations. Foreign loans and onlendings, which contain covenants, are classified in current, due to non-compliance with indicators.

The financial ratios are calculated based on the financial information prepared in accordance with Brazilian law and standards of the Central Bank of Brazil (BACEN). These are monitored and assessed by the aforementioned creditors.

	Required
Capitalization (Basel)	≥ 11%
Sum of the 20 biggest risks on PR	≤ 300%
Concentration of risk per market segment	≤ 25%
D-H Loans + Pledges - Provisions over Reference Equity	≤ 25%
Operating Expenses over Operating Income	≤ 85%
90-day Liquidity Gap in Reais	> 00

d) Insurance

The Bank adopts the risk protection policy, according to the relevance of the amounts involved; Management considers the overall amounts of the insurance contracted to be sufficient.

35. Operating segments

According to the international accounting standards, an operating segment is a component of an entity:

(a) That operates activities which may generate revenues and incur expenses (including revenues and expenses related operations with other components of the same entity).

(b) Whose operating results are regularly reviewed by the person in charge of making the entity's operating decisions related to the allocation of funds to the segment and the evaluation of its performance.

(c) For which the individual financial information is available.

The Bank has identified, based on these instructions, the following business segments as being its operating segments:

- Wholesale
- Retail

The Bank maintains as main strategic focus the operations in the Wholesale segment. This segment basically includes the concession of loans and receivables with guarantee of receivables, and the Working Capital is the most profitable product of this segment. A significant portion of the wholesale portfolio is represented by short-term loans that provide higher liquidity and greater risk control to the Bank. Additionally, the Bank participates actively in the foreign exchange market, whose funding is carried out with international banks.

The Retail segment includes payroll loans and receivables for public sector employees and vehicle financing for individuals.

(Amounts expressed in thousands of Reais, unless otherwise indicated)

The statements of income and other significant data are listed as follows.

	Wholesale	Retail	2020	Wholesale	Retail	2019
Interest revenues and alike	597,976	355,157	953,133	1,010,534	388,659	1,399,193
Interest expenses and alike	(385,910)	(81,399)	(467,309)	(687,966)	(135,591)	(823,557)
Net income (loss) from interest and alike	**212,066**	**273,758**	**485,824**	**322,568**	**253,068**	**575,636**
Foreign exchange differences (net)	53,010	-	53,010	(46,245)	-	(46,245)
Gains (losses) with financial assets and liabilities (net)	(28,649)	(62,637)	(91,286)	72,679	(67,038)	5,641
NET INTEREST REVENUE	**236,427**	**211,121**	**447,548**	**349,002**	**186,030**	**535,032**
Equity in investments	(207)	(23)	(230)	(908)	17	(891)
Fee and commission revenue	56,086	49	56,135	36,814	110	36,924
Other operating revenues (expenses)	(34,055)	3,669	(30,386)	(243,911)	(2,572)	(246,483)
TOTAL REVENUES	**258,251**	**214,816**	**473,067**	**140,997**	**183,585**	**324,582**
Personnel expenses	(133,728)	(14,804)	(148,532)	(143,313)	(17,275)	(160,588)
Other administrative expenses	(51,810)	(26,094)	(77,904)	(54,236)	(38,690)	(92,926)
Tax expenses	(11,615)	(15,906)	(27,521)	(12,869)	(14,891)	(27,760)
Depreciation and amortization	(124,170)	(712)	(124,882)	(19,593)	(731)	(20,324)
Impairment losses of financial assets	(94,524)	(184,568)	(279,092)	(48,159)	(144,760)	(192,919)
Gains (losses) with other assets (net)	(14,272)	(2,043)	(16,315)	(17,005)	(102)	(17,107)
LOSS BEFORE TAX	**(171,868)**	**(29,311)**	**(201,179)**	**(154,178)**	**(32,864)**	**(187,042)**
Current and deferred income tax and social contribution	(443,092)	96,327	(346,765)	102,383	45,402	147,785
NET LOSS FOR THE YEAR	**(614,960)**	**67,016**	**(547,944)**	**(51,795)**	**12,538**	**(39,257)**
Total assets	**15,867,371**	**2,010,772**	**17,878,143**	**15,599,502**	**2,566,604**	**18,166,106**
Main asset line:						
Loans and advances to clients	8,376,921	1,980,519	10,357,440	7,859,096	2,518,963	10,378,059
Total liabilities	**14,802,378**	**1,973,140**	**16,775,518**	**13,962,673**	**2,543,593**	**16,506,266**
Main liability line:						
Deposits from financial institutions	3,767,287	1,935,107	5,702,394	797,785	2,515,736	3,313,521

The Bank has a branch in the Cayman Islands, whose total assets are R$ 3,925,792 (R$ 4,979,499 in 2019) and shareholders' equity in the amount of R$ 1,174,682 (R$ 562,579 in 2019).

(Amounts expressed in thousands of Reais, unless otherwise indicated)

36. Related party transactions

CCB Brasil's related parties should include parties with joint control over the entity, joint ventures in which the entity is an investor and post-employment benefit plans to benefit workers of an entity or any other entity qualified as a related party to this entity.

CCB Brasil and its direct subsidiaries carry out transactions between themselves, which were eliminated in the consolidated statement.

The Bank's balances related to transactions with direct and indirect subsidiaries, related companies and key management personnel are shown below:

	Assets / (liabilities)		Revenues / (expenses)	
	2020	2019	2020	2019
Cash and cash equivalents in foreign currencies	**30,418**	**16,680**	**-**	**-**
China Construction Bank Corporation (c)	30,418	16,680	-	-
Investment fund quotas	**83,674**	**81,088**	**2,586**	**3,880**
FDIC BRASILFactors (a)	83,674	81,088	2,586	3,880
Demand deposits	**(413)**	**(497)**	**-**	**-**
BRASILFactors (e)	(1)	(1)	-	-
CCB Brazil Holding Ltda. (d)	(107)	(169)	-	-
Key management personnel (b)	(305)	(327)	-	-
Time deposits	**(89,878)**	**(206,431)**	**(4,881)**	**(10,629)**
BRASILFactors (e)	(4,543)	(219)	(64)	(9)
FDIC BRASILFactors (a)	(8,180)	(10,669)	(807)	(475)
CCB Brazil Financial Holding Ltda. (d)	(77,011)	(195,222)	(4,002)	(10,127)
Key management personnel (b)	(144)	(321)	(8)	(18)
LCA	**(7,007)**	**(3,537)**	**(138)**	**(125)**
Key management personnel (b)	(7,007)	(3,537)	(138)	(125)
LCI	**-**	**(1,850)**	**(21)**	**(80)**
Key management personnel (b)	-	(1,850)	(21)	(80)
NDF	**1,851**	**535**	**3,830**	**282**
BRASILFactors (e)	1,851	535	3,830	282
Borrowings	**(3,592,447)**	**(3,812,733)**	**(98,625)**	**(176,637)**
China Construction Bank Corporation (c)	(3,592,447)	(3,812,733)	(98,625)	(176,637)

(a) Indirect associated companies;
(b) Key management personnel;
(c) Indirect parent company headquartered overseas;
(d) Direct parent company;
(e) Join venture.

(Amounts expressed in thousands of Reais, unless otherwise indicated)

Related party transactions due dates and rates:

LCA (Agribusiness Credit Bills) operations were carried out with average rates of 101.60% of the CDI (95.60% in 2019) and with final maturity up to 02 years (up to 01 year in 2019). LCI (Real Estate Credit Bills) operations were carried out with rates of 96.06% of the CDI (95.40% in 2019 with final maturity up to 01 year). Time deposits are remunerated at the average rate of 82.90% of CDI (91.77 of CDI in 2019), directly related to the invested amount, with final maturity in up to 02 years (up to 2 years in 2019). Borrowings were carried out at average rates of 1.76% p.a. (3.14% p.a. in 2019) and foreign exchange-rate change with final maturity up to six years (up to seven years in 2019).

Remuneration of key management personnel

At the annual shareholders' meeting the maximum remuneration for Administrators, members of the Board of Directors, Executive Board and Audit Committee is established, and a decision is made ceiling regarding Directors’ fees for each year, in compliance with limits of the CMN Resolution 3,921/10.

During FY 2020 and FY 2019, the Board of Directors did not approve payments for profit sharing to company officers, in view of the net loss.

i) Short-term benefits

Remuneration of the Board of Directors, Executive Board and of the Audit Committee of CCB Brasil:

	2020	2019
Fixed remuneration	13,633	14,458
Other	1,047	912
Total	14,680	15,370

ii) Long-term benefits

CCB Brasil does not offer long-time benefits for termination of employment contract to the Key Management Personnel.

37. Risk management

The Bank's risk management enables inherent risks to be properly identified, measured, mitigated, and controlled, to support the sustained development of activities and the continuous improvement in risk management.

The Bank centralized the management of Socio-environmental, Market, Credit, Liquidity, Operational and Capital Management risks, to enhance the efficiency of its controls. This results in a global view of the exposures to which the Bank is subject, due to the very nature of its activities, which makes it possible to improve and streamline strategic decisions, to ensure compliance with the policies established for the area, and to improve the identification of risks that may affect this business strategy and the achievement of goals. Meets CMN Resolution 4557/17. The Risk Management Report can be found on the website, in fulfillment with BCB (Central Bank of Brazil) Resolution 54/20, which sets out the disclosure of information regarding risk management, as well as the Risk Management Structure report, which sets out the framework and responsibilities, and its context within CCB Brasil.

The Capital Management Framework is implemented, in compliance with CMN Resolution 4557/17. The Board of Directors approved the appointment of the executive officer in charge and the definition of the organizational structure, applicable to the entire financial Conglomerate and other member companies of the financial-economic consolidated. There are institutional policies and processes defined with the procedures and systems necessary for the effective implementation of the Capital Management framework.

Likewise, in compliance with CMN Resolution 4557/17, the Risk Management framework was established and implemented. The Board of Directors approved the appointment of the executive officer in charge and the definition of the organizational structure, applicable to the entire financial Conglomerate and other member companies of the financial-economic consolidated, as well as approved the institutional policies on risk management.

CMN Resolution 4327/14 is also observed in relation to the establishment and implementation of the Social and Environmental Responsibility Policy. The Bank has already adjusted the risk management framework to comply with CMN Resolution 4557/17.

The Risk Management Policy establishes the underlying principles of the institutional strategy with regards to the control and management of risks in all operations. In the administrative scope, the shares are valued in the several committees that guarantee management compliance, considering the complexity of the products, the exposure to risk and the risk-return ratio that involves all the Bank's business decisions. Risk management is in line with guidelines set forth by the Central Bank and covers all subsidiaries.

CCB Brasil's risk management policies are designed to support the formulation of risk appetite, guide employees and establish procedures to monitor, control, dimension and report the risks to the Executive Board. The Top Management's involvement with risk management issues occurs through deliberations of its management bodies, defined, in the articles of association, as the Board of Directors, the Executive Board and the Committees. The governance structure ensures effective risk management. The Bank's risk management is carried out through collective decisions, supported by specific Committees. The Risk Management Department is composed, among others, of departments dedicated to the management of social and environmental, market, credit, operational, liquidity, and capital management risks. These areas provide support to the Risk Committee, Internal Controls, Financial Operations that analyze and define strategies and actions pertinent to the areas of operations.

The controls and risk management committees and management bodies provide support to development and seek to minimize losses by adopting a centralized integrated view. They aim at the automation and creation of the database for risk management and modeling, based on history data of losses and evolution of controls.

I. The risk mitigating controls allow the limits to be defined in advance, considering the profile and the strategic and operational aspects of each unit.

II. The risk limits broadly consider the amounts that the Bank is willing to accept to meet its goals, and is reflected in the enterprise risk management philosophy, which in turn influences the Bank's culture and operation conduct. This tolerance is influenced by several factors, including the assessment of the risk's consistency with the corporate strategy.

Risk Management

CCB Brasil's Risk Management Policy defines a set of controls, process, tools, systems and standard reports, needed to provide the appropriate control and management of risk.

The Bank designated the Chief Risk Officer (CRO) as the one responsible for the Risk Framework vis-à-vis the Central Bank, according to the Board of Directors' decision.

Market risk management

The Liquidity, Market and Capital Risk Division is responsible for maintaining and updating the Policy and structure of the area on an annual basis. It is independent in relation to the business areas and has as duty to monitor and analyze market risks arising from business activities and the Bank's treasury. It also has as duty to guarantee that the levels of exposure to risk comply with the limits adopted by the Risk Appetite Statement (RAS), and to identify and recommend capitalization levels that are appropriate and compatible with these risks.

Market risk can be characterized by certain main types of measurements: stale positions, sensitivities, stress tests, Value-at-risk (including adherence tests and validations), Economic Value of Equity (EVE) and Net Interest Income (NII).

(Amounts expressed in thousands of Reais, unless otherwise indicated)

All risk metrics are monitored continuously on an integrated basis with the purpose of offering a global view of CCB Brasil's risk profile. The monitoring and control of the Bank's positions is not limited to calculating its market value, but recognizes an adequate sensitivity to the real exposure to the Bank's many risk factors. Complementing this measure with the other risk control tools improves monitoring and exposure analysis.

Credit Risk Management

CCB Brasil has an independent area for managing credit risk, in accordance with best governance practices. This area operates independently from the credit approval structure, calculates the ratings of clients based on metrics that consider their behavior in the market as well as that arising from their operations at the Bank. Thus, it differs from the concepts used by the credit approval area, whose structure is built on careful analysis procedures, developed from the expertise acquired throughout the Bank's history.

The Bank constantly enhances the methodologies and tools used to assess social and environmental variables in its credit granting process, to mitigate any risks associated with the ability to pay and default on investments. For this reason, it has established policies and instruments that allow the suspension of the operation, accelerate contracts and the imposition of restriction penalties.

In line with benchmarking practices benchmark, the Bank continues to upgrade its controls and analytical models of operating risk in accordance with CMN Resolution 4557/17 and Basel Accord.

Maximum exposure to credit risk:

			2020			2019
Description	Brazil	Foreign	Total	Brazil	Foreign	Total
Availability of reserves in Central Bank of Brazil	11,280	168,393	179,673	5,206	93,381	98,587
Derivative assets	103,910	-	103,910	431,281	-	431,281
Financial assets at amortized cost	83,674	-	83,674	81,088	-	81,088
Financial assets at fair value through other comprehensive income	4,800,949	-	4,800,949	4,720,291	-	4,720,291
Loans and advances to financial institutions	1,170,427	148,362	1,318,789	660,907	262,998	923,905
Loans and advances to clients	6,836,204	3,521,236	10,357,440	5,738,998	4,639,061	10,378,059
Other loans and receivables	21,461	4,936	26,397	26,150	2,683	28,833
Other financial assets	56,722	-	56,722	-	2,224	2,224
Co-obligations and risks in guarantees provided:						
Credits opened for exports	91,037	-	91,037	94,375	-	94,375
Guarantees	1,240,232	25,316	1,265,548	1,420,959	25,977	1,446,936
Export Billing	2,825,058	545,077	3,370,135	2,880,622	449,474	3,330,096
Total	17,240,954	4,413,320	21,654,274	16,059,877	5,475,798	21,535,675

Expected credit loss

The Bank assesses, on a prospective basis, the expected credit loss associated with financial assets measured at amortized cost or at fair value through other comprehensive income, with loan commitments and with financial guarantee agreements. The recognition of the provision for expected credit losses is made monthly in a contra entry to the Consolidated Statement of Income.

Regarding financial assets measured at fair value through other comprehensive income, the Bank recognizes the provision for losses in the Statement of Income of the IFRS balance sheet.

Significant judgments are required in adopting the accounting requirements for measuring the expected credit loss, such as:

- Deadline for evaluating the expected credit loss: the Bank considers the maximum contractual period over which it will be exposed to the financial instrument credit risk. However, assets without a fixed maturity have their expected life estimated based on the period of exposure to credit risk. Furthermore, all contractual terms are considered upon determining the expected life, including prepayment and rollover options.

- Forward-looking information: IFRS 9 requires a weighted and unbiased credit loss estimate that considers forecasts of future economic conditions. The Bank uses forward-looking macroeconomic information and public information with projections prepared internally to determine the impact of such estimates in determining the expected credit loss.

- Loss scenarios weighted by probability: the Bank uses weighted scenarios to determine the expected credit loss over an appropriate observation horizon.

- Determination of criteria for a significant increase or decrease in credit risk: in each period of the Consolidated Financial Statements, the Bank assesses whether the credit risk on a financial asset has increased significantly using relative and absolute triggers (indicators) by product and country.

These are considered financial assets with low credit risk and, thus, bonds of national and international governments remain in stage 1, according to a study carried out by the Bank.

Significant increase in credit risk: the Bank assesses several factors to determine a significant increase in credit risk, such as: the counterparty, type and characteristics of the product and the region in which it was contracted, considering at least the following objective criteria:

- Stage 1 to Stage 2: delay over 30 days;
- Stage 2 to Stage 3: delay over 90 days.

The approach of this evaluation in CCB Brasil considers account criteria pursuant to IFRS 9, which also adopts the measures:

- the occurrence of a significant increase in the credit risk of the operation in the period from the date of initial recognition to the date of calculation of the expected loss.

- the change in the risk pattern since initial recognition;

- the expected maturity of the financial instrument, and

- other reasonable and supportable information for which efforts to obtain it are pertinent.

The classification of contracts in stage 1 indicates that such assessments do not identify significant increases in risk between the recognition and reporting dates. The classification in stage 2 indicates that elements were found indicating a significant risk increase. Stage 3 comprises assets with objective evidence of default.

The Bank assesses whether credit risk has increased significantly on an individual or collective basis. For collective assessment purposes, financial assets are grouped based on shared credit risk characteristics, considering the type of instrument, credit risk ratings, the date of initial recognition, the remaining term, area, geographical location of the counterparty and other relevant factors.

Macroeconomic Scenarios: Such information involves inherent risks, market uncertainties and other factors that may produce other than expected results, including changes in market conditions and in economic policy, recessions or fluctuations in indicators that are different from the forecasts.

The concepts of IFRS 9 standard consider a financial reporting standard that mainly addresses the classification and impairment of financial assets, whose assumption for the recognition of expected loss is based on principles and not only on rules with different measurement methods, waiving the occurrence of actual delays and losses, thus anticipating them.

Thus, it considers the evaluation of the significant increase in the credit risk of the financial instrument, considering the following three major aspects:

i) basic indicator, ii) quantitative factors, and iii) qualitative factors.

The basic indicator consists in the verification of the delay time of contractual payments. It is considered a significant increase in credit risk in a financial asset if contractual payments are overdue for more than 30 days, unless the institution has reasonable and supporting information without undue costs or efforts that these risks have not actually increased.

To assess risk changes, CCB Brasil uses the rating scales to define the quality of the portfolio based on the breakdown of the best ratings (lower risk) and to determine the “investment grade” or “non-investment grade” ranges as a starting measure for analysis.

In practice, the stages follow selective criteria that overlap, such as (i) management's decision (ii) delay time; (iii) significant risk increase; (iv) definitions of problematic credits, and (v) ratings.

The Probability of Default (PD) indicates the probability of loss for a certain time horizon (in the next 12 months, for exposures belonging to stage 1, or until the final contract expiration for exposures classified in stage 2 maturing in over a year, and provides a probabilistic estimate of a customer not fulfilling his/her obligations. The probabilities of default are associated with scales or rating levels that may vary. Thus, the comparison of PD's may indicate significant increases in the credit risk for the operations.

CCB Brasil adopted the practice of calculating the 12-month PD as an indicator of credit risk, which is a well-established practice within the local and international financial industry. International and domestic rating agencies generally represent the credit risk of a counterparty associating a probability of default for a fixed assessment horizon, and the 12-month horizon is commonly used for estimating occurrences of credit losses in corporate and retail loans.

PD lifetime is the estimated probability of default for the remaining validity period, or maturity of the operation, if it is over (or less than) one year. PD lifetime is used to calculate the expected credit loss of exposures classified in stage 2 after the forward looking adjustments described below.

The Loss Given Default (LGD) indicates the actual loss of the client. At the Bank, this is a data estimated by means of statistical modeling and considers the historical recovery behavior of loans written-off as losses in the retroactive period of five years in number of contracts by sufficiently significant type for the consistency of the statistical study, both for the Retail and the Corporate portfolio.

The Exposure at Default (EAD) can be defined as the gross amount of a debtor's default exposure, including principal and interest repayment under the contract, as well as the reasonable expectation of future payment of the underlying debt, represented by the cash flow of the operation.

Calculation of Impairment or Expected Credit Loss (ECL). At the Bank, the expected loss is calculated based on the following equation: ECL = EAD x PD x LGD.

Sensitivity analysis - ECL forward looking

We included the scenario-based macroeconomic analysis, because it presents a forward-looking view due to its wide range of possible scenarios. The purpose of estimating the expected credit losses does not mean estimating a worse or better scenario, but rather the calculation that the credit loss occurs within the realization of the most likely scenario. Understanding credit loss, by incorporating the probability that a scenario will occur, using the weighted probability (even if the latter is low) can help inform the likelihood of incurring losses.

(Amounts expressed in thousands of Reais, unless otherwise indicated)

The increased complexity of the ECL approach, as well as the longer time horizons on which credit losses are modeled, increases the effort required to estimate credit loss subsidies and the potential volatility thereof.

It is worth noting that the expected twelve-month credit losses used for regulatory purposes are usually based on the probability of default (PD) 'through the cycle' (i.e., the probability of default in cycle-neutral economic conditions). In turn, the PD used for IFRS 9 must be 'point in time' (i.e., the probability of default in current economic conditions) and do not contain any adjustments. This can cause some inaccuracy when we measure past loss and project it into the future. However, regulatory PDs can be a good starting point, knowing in advance that PD estimates will change as an entity moves through the economic cycle. In regulatory models, as the PD is calculated by the cycle, the estimates are less sensitive to changes in economic conditions. Therefore, regulatory PDs reflect long-term trends in PD behavior. Therefore, during a more recessive economic cycle, the Probabilities of Default under IFRS 9 will be greater than the regulatory Probabilities of Default. Moreover, when using the 'through the cycle' PD, responses over time may not vary significantly between the origination and reporting dates, as the PD reflects the average long-term default rate.

The scenario-based analysis incorporates forward-looking information using various macroeconomic scenarios. The table below reveals three scenarios and the expected credit loss estimate. When assessing the impact of portfolio credit losses against shocks on the main macroeconomic indicators (for example, unemployment and GDP), each scenario implies a different path for credit losses. These losses were aggregated by estimating the probability of each scenario occurring. Forward looking adjustments by economic variables were considered to ensure that the estimated credit loss meets the forward looking requirements.

CCB Brasil – Consolidated **IFRS 9 - Calculation of expected loss - 12/31/2020**

Third-party	EAD	Optimistic	Neutral	Pessimistic
On balance	10,357,440	436,228	437,216	438,204

The forward looking adjustment is based on predictive information provided by the developed model, considering macroeconomic data, shock processes and scenarios in three confidence levels: i) negative or pessimistic bias (25%), ii) neutral bias (50%), and iii) positive or optimistic bias (25%), which are inputs to CCB Brasil's ECL calculation system and characterize the neutral scenario. In turn, the pessimistic scenario considers that only the macroeconomic variables of the pessimistic scenario will be present. The optimistic scenario considers that only the variables of the optimistic scenario will be present.

Macroeconomic variables are widely disseminated in the financial market are used here, which best meets the variation and dynamics of default rates. The projections of these rates and their probability of occurrence are taken from the Market Focus report of the Central Bank of Brazil, as well as from specialized economists and advisory companies hired by the institution.

(Amounts expressed in thousands of Reais, unless otherwise indicated)

Market risk management

The Institution's Liquidity Risk management consists of measuring, assessing and controlling the bank's ability to honor its financial commitments through mathematical estimates and modeling on its own base of operations. Such models have complementary characteristics and are described below:

I. Backward Looking: historical analysis of transactions, repurchases, renewals of transactions by clients to estimate the potential of insufficient cash to pay the bank's commitments.
II. Forward Looking: analysis of the projected portfolio, considering budget scenarios and expected portfolio growth.

The results of the liquidity calculations carried out for the next three years (following these models) demonstrate that the Institution has and will have sufficient funds to meet its obligations, and has a position with a wide margin of safety in the short term and long term.

CCB Brasil has a liquidity risk management department to identify, monitor and control events that may impact the bank's short- and long-term liquidity.

Liquidity risk management provides:

I. Preparation of cash flow to assess and monitor short- and long-term liquidity;
II. Statistical models for estimating unexpected cash outflows such as acceleration of CDB, derivative adjustment payments and additional guarantee deposits with B3.
III. Stress tests to monitor financial health in adverse liquidity scenarios.

Events that indicate inadequate liquidity capacity for the institution's future obligations are reported to the Treasury Committee every six months, for corrective and preventive actions to be taken.

The assets and liabilities according to the remaining contractual maturities, considering their undiscounted flows, are shown below:

Undiscounted Future Flows

Financial assets	0–30 days	31–365 days	366–720 days	>720 days	Total
Cash and cash equivalents	168,559	-	-	-	168,559
Investments in Financial Institutions	736,073	2,412	1,189	-	739,674
Money market repurchase agreements - own portfolio	734,052	-	-	-	734,052
Interbank deposit investments	2,021	2,412	1,189	-	5,622
Securities	-	1,105,039	1,845,971	2,375,351	5,326,361
Government bonds	-	1,021,372	1,845,971	2,375,351	5,242,694
Fund's quotas	-	83,667	-	-	83,667

(Amounts expressed in thousands of Reais, unless otherwise indicated)

Credit and lease operations	745,129	5,753,056	2,463,011	2,706,056	11,667,252
Domestic currency credits	353,366	2,194,602	1,189,689	767,519	4,505,176
Credits in foreign currency	319,013	2,707,076	585,226	123,952	3,735,267
Retail transactions	55,049	598,863	581,887	1,773,410	3,009,209
Rural credit	13,383	181,922	70,315	21,574	287,194
Leases	3,272	27,225	29,604	14,401	74,502
Credits 2,921	1,046	43,368	6,290	5,200	55,904
Total	1,649,761	6,860,507	4,310,171	5,081,407	17,901,846

Financial liabilities	0–30 days	31–365 days	366–720 days	>720 days	Total
Deposits	245,743	3,016,742	2,729,486	924,550	6,916,521
Demand deposits	110,557	-	-	-	110,557
Saving deposits	2,950	-	-	-	2,950
Time Deposits	85,012	2,814,279	2,729,486	924,550	6,553,327
Interbank deposits	47,224	202,463	-	-	249,687
Money market repurchase commitments	3,499,463	-	-	-	3,499,463
Government bonds	3,499,463	-	-	-	3,499,463
Borrowings and onlendings	954,544	3,091,548	25,165	-	4,071,257
Subordinated debts	-	431,130	37,936	633,582	1,102,648
Funding 2,921	3,839	72,408	18,496	17,591	112,334
Total	4,703,589	6,611,828	2,811,083	1,575,723	15,702,223
Liquidity gap	(3,053,828)	248,679	1,499,088	3,505,684	2,199,623

The foregoing information was prepared based on the nominal maturities of CCB Brasil's financial assets and liabilities. However, the Conglomerate has bonds and securities classified in the Financial Assets category at fair value through other comprehensive income, in the amount of R$ 4,800,949 (R$ 4,720,291 in 2019), maturing in a period greater than one year, which represent highly liquid investments in government bonds issued by Brazil's National Treasury. Additionally, part of the financial liabilities are loans made to the parent company in China, in the total amount of R$ 3,592,447 (R$ 3,812,733 in 2019), with a maturity of less than one year, which have been systematically renewed.

	2020		
	Nominal liquidity	Reclassification by effective liquidity	Adjusted liquidity
Current assets	8,379,402	3,737,849	12,117,251
Current liabilities	(11,963,604)	3,592,447	(8,371,157)
Net balance	(3,584,202)	7,330,296	3,746,094

(Amounts expressed in thousands of Reais, unless otherwise indicated)

	2019		
	Nominal liquidity	Reclassification by effective liquidity	Adjusted liquidity
Current assets	8,906,579	1,298,203	10,204,782
Current liabilities	(13,574,570)	3,812,733	(9,761,837)
Net balance	(4,667,991)	5,110,936	442,945

Sensitivity analysis

CCB Brasil has conducted a sensitivity analysis using the scenario of 10% for foreign exchange appreciations or depreciation, interest rates and shares (Scenario I), 25% (Scenario II) and 50% (Scenario III). It is necessary to disclose the demonstrative table of sensitivity analysis for each type of relevant market risk arising from financial instruments that expose the Institution on the closing date for each period. For its preparation we identified the types of risks that could generate material losses, including transactions with derivative financial instruments in a more probable scenario, as well as two (2) scenarios that could generate adverse results for the Institution. In the definition of the scenarios, the situation considered probable by management had as reference an independent external source: B3 S.A. - Brasil, Bolsa, Balcão and a situation, with depreciation or appreciation of 25% and 50% in the risk variable was considered.

We present in the sensitivity analysis table the set of operations involving financial instruments registered in equity accounts that CCB Brasil has with the purpose of managing its exposure to market risks and that aims to protect it, especially in periods of historical records. This valuation is systematically carried out by the risk management area and evaluated by the Treasury Committee, which assembles to define a set of scenarios in a crisis environment. A scenario, in this context, is regarded as a certain combination of prices and interest rates. The preparation of the table followed the procedure below:

(i) In each scenario, the amounts of the trading portfolio (Trading Book) and the structural transactions from several of the Institution's business lines and their respective hedges (Banking Book) were calculated;

(ii) For each one of the risk factors, we chose the calculation that incurred in the highest loss and, based on it, applied the defined increase or decrease;

(iii) Finally, we obtained the losses, corresponding to the related hypothetical scenario.

(Amounts expressed in thousands of Reais, unless otherwise indicated)

The following scenarios do not necessarily reflect the market risk management of the Institution neither is it associated with the accounting practices. The stress models may represent extreme situations that are distant from a day-to-day situation.

Below is the summary of the premises for each one of the scenarios.

We chose for each portfolio the trend (increase or decrease) that maximizes loss for each risk factor. The parallel dislocations of the curve were maintained, that is, a dislocation of + 1,000 basis means that in all future curves there was a 10% increase to the current rates.

For each scenario, the expected loss of the portfolio in relation to the marked-to-market position was measured.

Scenarios are described as follow

Scenario 1: Lower oscillation situation. Assumptions adopted: parallel shock of 25% in risk variables, based on market conditions seen on December 31, 2019, and considering the most significant losses from risk factor, not including the relationship dynamics between the macroeconomic variables.

Scenario 2: Potential situation. Assumptions adopted: parallel shock of 25% in risk variables, based on market conditions seen on December 31, 2019, and considering the most significant losses from risk factor, not including the relationship dynamics between the macroeconomic variables.

Scenario 3: Potential situation. Assumptions adopted: parallel shock of 25% in risk variables, based on market conditions seen on December 31, 2019, and considering the most significant losses from risk factor, not including the relationship dynamics between the macroeconomic variables.

The scenarios adopted for December 31, 2020, and for Banking and Trading Portfolio are shown in the following table, and also reflects the deterioration in the macroeconomic expectations since it maximizes loss for each risk factor in this portfolio. (Fixed) interest rates strongly increase (10%; 25%; and, -50%), there is a substantial parallel dislocation of the foreign exchange coupon curves, the foreign exchange rates increase widely, the Brazilian stock exchange faces a downfall, reflecting in the indicators and indexed contracts

Banking Portfolio - premises for risk factors

	Scenario 1	Scenario 2	Scenario 3
(Fixed) Interest Rate Curve	parallel shift of +1,000 basis points	parallel shift of +2,500 basis points	parallel shift of +5,000 basis points
Foreign Exchange Coupon Curve	parallel shift of +1,000 basis points	parallel shift of +2,500 basis points	parallel shift of +5,000 basis points
Dollar - Spot	10% incr.	25% incr.	50% incr.
B3 S.A. - Brasil, Bolsa, Balcão	10% decr.	25% decr.	50% decr.
Inflation	10% decr.	25% decr.	50% decr.

(Amounts expressed in thousands of Reais, unless otherwise indicated)

The results of the losses calculated in the scenarios presented summarize the losses from market fluctuations by risk factor, generated by CCB Brasil's systems and calculated for the Banking portfolio. These losses are shown in the following table:

Banking Portfolio - Results for risk factors in 2020

Risk factors	Scenario 1	Scenario 2	Scenario 3
Dollar and dollar coupon	(133,306,573)	(333,085,553)	(532,650,425)
Fixed Rate in reais	(29,756,012)	(72,501,871)	(138,939,490)
Inflation	(3,000)	(7,477)	(14,881)
Total loss	(163,065,585)	(405,594,901)	(671,604,796)

Trading Portfolio - Results for risk factors in 2020

Risk factors	Scenario 1	Scenario 2	Scenario 3
Dollar and dollar coupon	(49,307)	(132,187)	(294,186)
Fixed Rate in reais	(16,616,900)	(41,525,826)	(82,996,737)
Total loss	(16,666,207)	(41,658,013)	(83,290,923)

The risk factors are presented as follows:

- Includes all the products that have price variations pegged to dollar variations and interest rates in dollars.

- Fixed rate in real – Includes all products that have price variations pegged to dollar variations and interest rates in Real.

- Shares and Indices – Comprises the shares and indices of stock exchanges, shares and options pegged to share indices.

- Inflation – Refers to all products that have price variations pegged to inflation coupon variations and inflation rates.

The sensitivity analysis Table has limitations and the economic impact on a potential fluctuation in interest rates might not represent necessarily a profit or a material accounting loss for the institution. The specific combination of prices which determine each scenario is an arbitrary decision, though possible. The signs of historical correlations between the assets were not necessarily respected and the scenarios chosen were analyzed according to a past time frame.

The accounting of the "Banking" Portfolio instruments, at a large extent, is made by the contract curve, which is different from the derivative financial instruments in the "Trading" Portfolio that are subject to fluctuations in the respective accounting record due to mark-to-market.

The results presented in the chart referring to the banking portfolio may, at first glance, give the impression of high sensitivity to volatility. For a better analysis of results obtained in this portfolio, the management chart below - which includes derivatives, assets and others - indicates the mismatching of the Institution's operations. It shows that there is substantial mismatching of prefixed positions, which would produce a negative impact on results, if there were an increase in interest rates. Nevertheless, the sensitivity chart presented does not consider correlations between and among the different risk factors. This means that the analysis disregards the correlation between the prefixed and CDI factors, that is, losses of prefixed rates are not offset by gains in CDI.

Likewise, in the sensitivity chart, interest rates and foreign exchange were considered unrelated. The limitations of the analysis of scenarios also involve the marking to market of all positions, which contradicts the Institution's determination in taking operations (especially foreign currency funding operations) to maturity, which may lead readers to make a mistake in judging that the losses presented in the scenarios will materialize, even if the oscillations provided for in the risk factors are verified.

Capital management

In the management of risk and capital sufficiency, CCB Brasil adopts, among others, basic elements of analysis, such as the understanding and identification of the risks inherent in its activities embodied in Capital and Liquidity management policy, assessment of the need for capital for the most relevant risks; development of methodologies for quantifying capital buffer; Capital and Contingency plan, and Strategic budget. It is carried out using quantitative metrics that include models and recommendations from the Central Bank of Brazil, from the Basel III perspectives and concepts.

The follow-up and monitoring of this management is continuous by the Risk Committee, assessed by the Board of Directors in Brazil, by the Head Office and regularly reported to BACEN. This framework is based on the guidelines established by CMN Resolution 4557/17, which provides for the Risk and Capital management structure and the information disclosure policy. The resolution highlights the mandatory creation of a continuous and integrated risk management framework in banks, the definition of a Risk Appetite Statement (RAS), of stress testing programs, the creation of the Risk Committee, among others.

(Amounts expressed in thousands of Reais, unless otherwise indicated)

Among the measures adopted to face the crisis caused by the Covid-19 pandemic in 2020, and to provide greater stability for the Brazilian financial system, the Bacen launched a series of contingency actions, such as the reduction in the additional collection on mandatory deposits, exemption from provisioning for renegotiated loan operations, the option of funding by Financial Institutions through time deposits with special "NDPGE" guarantees, among others.

In this sense, CMN Resolution 4,783/20 established the reduction in the rate of the capital conservation buffer (ACPC) from 2.5% to 1.25% for the period of one year, with a gradual review until March 2022 also aimed to improve the Institutions' ability to leverage assets and loans.

BACEN Requirements	Valid in 2020	Valid in 2019
Core capital ratio	5.75%	7.0%
Tier I Capital ratio	7.25%	8.5%
Basel Ratio (total PR)	9.25%	10.5%

The Leverage Ratio (RA) is defined as the ratio between Tier I Capital and Total Exposure, calculated in accordance with BACEN Circular 3,748. It is a simple leverage measure not sensitive to risk and does not consider the Risk Weighting Factors (FPR) or mitigations considered in the RWA. It is not required for S3 Group banks, but is calculated for the purpose of monitoring RAS and is a good indicator of an institution's capital-to-assets ratio.

The tables presented below show the main capital indicators calculated as of December 31, 2020 and 2019 and those established in the RAS Policy for 2020 - with review expected to occur in a year or any time when the circumstance requires.

It is noted that the capitalization and leverage indices comfortably meet all the minimum requirements, with space for asset growth in 2020.

In R$ thousand	2020	2019
Capital – Level 1	**1,422,085**	**1,449,867**
- Core Capital	1,058,316	1,167,718
-Perpetual Bonds	363,769	282,149
Capital – Level 2	**423,302**	**410,406**
Reference Equity	**1,845,387**	**1,860,273**
-RWACpad	10,453,127	10,971,819
-RWAMpad	152,154	177,335
-RWAOpad	1,447,455	1,292,803
Total RWA	**12,052,736**	**12,441,957**
-	184,713	241,597
Ratios		
Main Capital	8.78%	9.39%
Level 1	11.80%	11.65%
Basel Ratio	15.31%	14.95%
IB to RWA + IRRBB	12.85%	12.03%

Art. 13, CMN Resolution 4193/20, determines that institutions must maintain sufficient Capital to cover the risk of changes in interest rates on the bank portfolio (IRRBB), treating it as a capital buffer requirement, without including it in the definition of RWA (art. 3, CMN Resolution 4193/20). At CCB Brasil, the limit for IRRBB is set in R$ in the risk appetite statement and has represented on average 3 points in the capitalization indicator, as seen above.

38. Subsequent events

On March 1st, 2021, Provisional Measure 1,034 was published, which is pending in the National Congress and if approved, will increase the CSLL rate for financial institutions, being 20% for CCB Brasil DTVM, CCB Brasil Leasing and CCB Brasil Financeira and 25% for CCB Brasil Banco Múltiplo. The rates return to 15% and 20%, respectively, from January 1st, 2022.

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