

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

Banco Daycoval S.A.

Individual and Consolidated
Financial Statements
for the Six-month Period and
Year Ended December 31, 2019 and
Independent Auditor's Report

Deloitte Touche Tohmatsu Auditores Independentes

MANAGEMENT REPORT

Dear Shareholders:

The Management of Banco Daycoval S.A. ("Daycoval" or "Bank") is pleased to submit to you the Management Report and accompanying Financial Statements, together with the Independent Auditor's Report containing an unqualified opinion thereon, for the year ended December 31, 2019. The comments herein presented refer to Daycoval's consolidated financial position for the respective period.

The year 2019 will be marked in Banco Daycoval's history. For many the year will be remembered as part of a very difficult period for the country, but for us it will always be the year in which our operations reached another level.

Total Assets amounted to R\$34,892.1 million at the end of 2019, a 20.4% growth when compared to the end of 2018. The Loan Portfolio amounted to R\$24,655.9 million at the end of 2019, a 34.5% year-on-year growth.

It has grown without affecting the quality. In 2019, the Default Rate dropped from 2.2% to 1.5%, while the balance of the allowance for loan losses grew 17.7%, to R\$1,294.6,1 million. Such growth was sufficient to cover 5.3% of the portfolio.

Daycoval sustained the accelerated growth it has been showing in the past years, but without excess, posting an Efficiency Ratio of 30.2% compared to 28.8% in the previous year.

Daycoval ended 2019 posting a Profit of R\$1,020.2 million, a 58.0% growth when compared to 2018. A result achieved year after year, showing the regularity that marks Daycoval's history of more than 50 years.

Adding a digit to the last line of the balance sheet is a reason for big celebration for any well-established business. Achieving this result without giving up a robust, strong capital structure makes the Bank firmly believe that such growth will hardly be lost.

Such gain was obtained with a Net Interest Margin of 11.2%. The Return On Average Equity (ROAE) reached 28.8% in 2019, 8.6 percentage points higher than in the previous year. Equity reached R\$3,695.2 billion at the end of 2019, a 14.2 % year-on-year growth and the Basel Ratio was 14.1% at the end of 2019.

As at December 31, 2019, the Bank had 2,353 employees, 18% more than in the previous year. More than size, Daycoval gained robustness and professional excellence, strengthened by an intensive training, both for new and old employees, through the Academia Daycoval. The result is reflected in the level of customer satisfaction, either at our communication channels or Daycoval Digital, or in our business and investment platform. It is also reflected in the high motivation of our team, which resulted in the Great Place To Work (GPTW) award, received in 2018 and again in 2019.

About Banco Daycoval

Banco Daycoval S.A. is specialized in the segment of corporate loans, financing and lease, also operating significantly in the Retail segment through payroll loan, auto loan, tourism exchange and investment transactions.

In the year ended 2019, relying on a team comprised of 2,353 professionals and headquartered in the city of São Paulo, State of São Paulo, Daycoval reached a loan portfolio of R\$24.7 billion, total assets of R\$34.9 billion, equity of R\$3.7 billion and profit of R\$1.0 billion. As a result of its conservative strategy, the Bank stands out for its low leverage, high liquidity and performance reflected in a Basel III ratio of 14.1%.

2019 Main Indicators

Main indicators	2019
Total Assets - R\$ million	34,892.1
Loan Portfolio - R\$ million	24,655.9
Total Funding - R\$ million	24,268.5
Profit - R\$ million	1,020.2
Equity- R\$ million	3,695.2
ROAE	28.8%
ROAA	3.4%
NIM	11.2%
Efficiency Ratio	30.2%
Basel III Ratio	14.1%

Distribution

Consistently with the proposal for growing with diversification, Banco Daycoval currently has 44 branches located in 21 States, including the Federal District. Daycoval also has a branch in the Cayman Islands, which is an important instrument not only for funding purposes, but also for opening commercial credit facilities and handling our relationships with correspondent banks.

In the year ended 2019, IFP - Promotora de Serviços de Consultoria e Cadastro Ltda., a Daycoval Group's company, a correspondent engaged in fostering payroll loan transactions, accounted for approximately 11.5% of total origination and 51.0% of the Bank's INSS transactions only, being responsible for the highest production among our Correspondents in Brazil. IFP has 38 stores throughout the country and 556 employees. To improve its productivity, IFP also provides services to other financial institutions.

Daycoval Câmbio had 175 points of service at the end of 2019. The Bank also operates through partnerships with travel operators and agencies to facilitate access to clients and offer greater flexibility for conducting their operations and providing rapid and secure service. In the year, 1,735 thousand prepaid card transactions were conducted in different currencies, with turnover equivalent to R\$4,737.3 million.

Rating

Banco Daycoval's ratings demonstrate the low level of risk and soundness attained in its operations. The information obtained by the respective risk rating agencies is widely taken into account by the financial market, but, for all effects, should not be construed as an investment advice.

According to the reports disclosed, the risk ratings reflect the understanding of the risk rating agencies about Banco Daycoval: i) Ba2 in global scale by Moody's with "stable" outlook; ii) BB- by Fitch Ratings with "stable" outlook; iii) BB- by Standard&Poor's with "stable" outlook and; iv) by RISKbank - BRMP 2 – "Low Risk" for the long-term (up to five years), very safe.

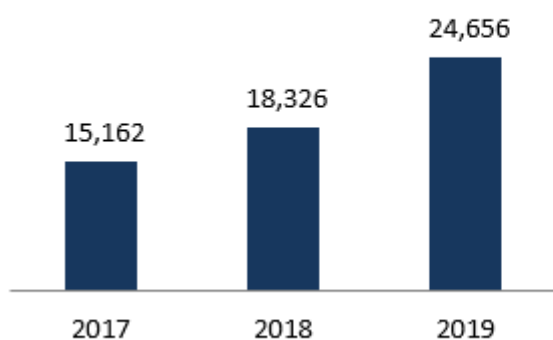
Operating and Financial Performance

Banco Daycoval's strategy is to diversify its funding, either from the standpoint of source or from the standpoint of instrument, so as to be aligned with the expected loan portfolio growth, always seeking the combination of assets and liabilities and cost effectiveness. In 2019 funding grew in line with the loan portfolio growth and totaled R\$24.3 billion at the end of the year, a growth by 29.6% when compared to the same period in 2018. The highlight is the structured transactions, locally the 7th Public Issuance of Financial Bills of Banco Daycoval, in the amount of R\$2.0 billion in 4 series of 2, 3, 4 and 5 years, and internationally, the contracting of a syndicated loan with BID Invest with maturity of up to 4 years, in the amount of US\$425.0 million, of which total, US\$150.0 million were directly financed by BID Invest and the remainder was divided between 12 different banks, and the Bond Issuance in the foreign market, for a period of 5 years, in the total amount of US\$350.0 million, plus US\$500.0 million.

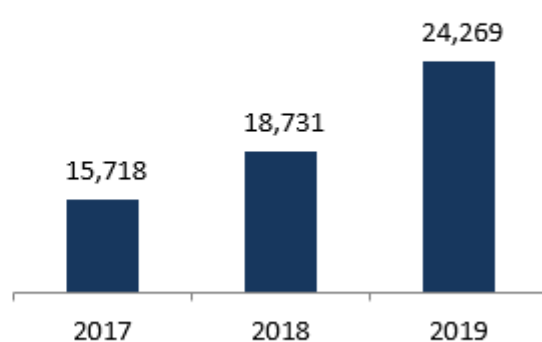
By the end of 2019, the loan portfolio balance was R\$24.7 billion, up by 34.7% against 2018. The corporate loan segment, the Bank's core business, grew by 39.1% in the year.

Profit reached R\$1.0 billion in 2019, up by 58.0% against 2018. The Efficiency Ratio was 30.2% in the year, the Return On Average Equity (ROAE) reached 28.8% p.a., the Return On Average Assets (ROAA) was 3.4% p.a. and the Net Interest Margin (NIM) was 11.2% p.a.

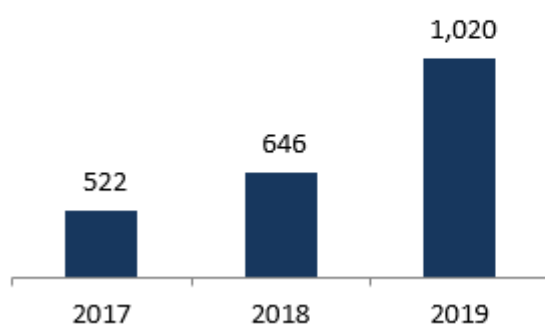
Loan Portfolio - R\$ million



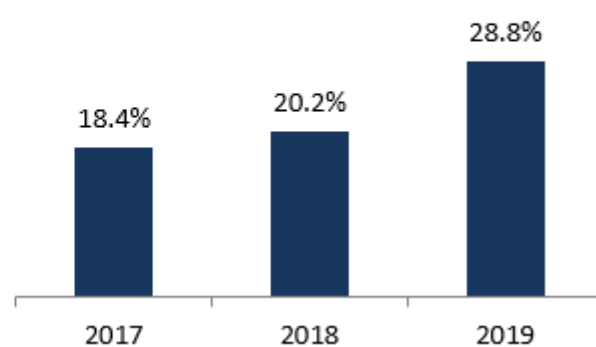
Total Funding - R\$ million



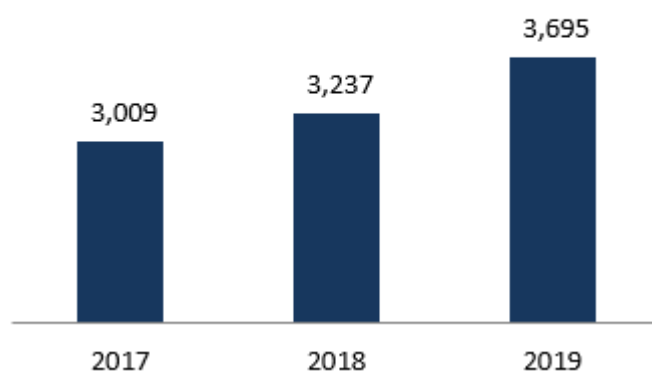
Profit - R\$ million



Return on Average Equity



Equity- R\$ million



Capital Market

Shareholders' Compensation

In 2019 the payment of R\$197.1 million of interest on capital was approved and dividend payments in the amount of R\$500.00 million were decided, corresponding to a dividend payout of 68.3% in the period.

Corporate Governance

Banco Daycoval's corporate management policy is consistent with the principles set out by the Brazilian Institute of Corporate Governance (IBGC) and the best market practices. The Bank often seeks to improve its management model, driven by sustainability guidelines and ethics, transparency, respect and responsibility principles in conducting its business and maintaining relationship equity towards all of its stakeholders.

Audit Committee

The Audit Committee, established and instated in the first half of 2009, pursuant to the National Monetary Council (CMN) Resolution 3198 of May 27, 2004, is responsible for assessing the quality and completeness of the Bank's financial statements, complying with legal and regulatory requirements, ensuring the performance, independence and quality of external auditors' work, as well as ensuring the internal audit performance and quality and the quality and effectiveness of the Bank's internal control and risk management systems.

Risk and Capital Management

Daycoval believes that the risk management is an important instrument for adding value to the Prudential Conglomerate's entities, shareholders, employees and customers, besides contributing to strengthen the corporate governance and the internal control environment. Accordingly, it constantly makes investments to enhance processes, procedures, criteria and tools designed for managing operational, market, liquidity, credit, compliance, social and environmental and capital management risks, in order to ensure a high degree of safety for all of its operations.

Daycoval adopts preventive measures and continuously operates to enhance its risk policies and internal control systems with a view to avoiding or mitigating the exposure to risks to the maximum extent. Also, Daycoval draws on a continuing, integrated risk management framework, aligned with the Bank's strategic goals, and on a continuing capital management framework, both designed to identify, monitor, control and mitigate the risks underlying its operations, as well as to disseminate such risk mitigation culture. It also relies on committees and periodic reports from the relevant areas so as to ensure appropriate risk management and efficient governance, assessed by the Risk Committee. This framework is comprised of the Board of Directors, Executive Board, Risk Committee and Risk Department.

People

When talking about Banco Daycoval's growth and development, one strength must be highlighted: the individuals. Having a motivated and interested team is a decisive factor to make Daycoval one of the best places to work, certified by the Great Place to Work in December 2019, and one of our principles revolves around believing that human capital is imperative for the good business performance. Daycoval appreciates people with different experience and career expectations aligned with the Bank's needs, capable of interacting with different hierarchical levels and different generations, showing flexibility and eager to share new experiences and build contact networks, engaged on new virtual platforms. Accordingly, Daycoval continuously invests in the training and wellbeing of its employees. To inspire employees, the Bank offers learning opportunities, adopts ethical and non-discriminatory practices, maintains a pleasant and highly productive work environment and pays fair compensation.

As at December 31, 2019, the Bank relied on a talented, motivated team of 2,353 professionals. The Daycoeduca Program stands out among the major initiatives targeted at continuous development, offering Undergraduate, Graduate or MBA scholarships. Currently, roughly 6% of employees are entitled to such benefit. 22,271 hours of training were given in 2019, covering 1,953 employees working in several areas. Such figure represented investments of 4% of the monthly payroll. As part of the "*Em Busca da Excelência*" project, under the Knowledge and Life Quality value, Academia Daycoval was implemented, using E-Learning to offer educational lectures, technical, regulatory, behavioral and management courses to all employees. The Bank relies on a qualified and engaged team and always seeks professionals willing to overcome challenges. It recognizes the potential of employees, offering professional and personal development and growth. The Bank also participates in the Young Apprentice Program through an agreement with ESPRO (Ensino Social Profissionalizante – Social, Vocational Education), besides offering welfare and labor gymnastics programs. Vaccination campaigns are organized and courses involving healthcare actions, social life and personal support are provided for the wellbeing of employees and their families. Moreover, free music classes and running training are promoted, seeking to enhance the quality of life.

Social Responsibility

Social actions rose in importance at Banco Daycoval in the last year. During 2019 around R\$16.0 million were invested in approximately 50 social projects and entities through tax incentives (the Rouanet, Audiovisual, Sports, Pronon, Pronas, Funcad, Condeca and Elderly laws). Additionally, approximately R\$4.0 million were directly donated.

These amounts were invested in initiatives that prioritize culture dissemination by sponsoring museums, such as MASP; orchestras, such as OSESP; storytelling for children; music classes, such as Brasil Musicantes, which offers musicalization for children in 30 Brazilian cities. It must be also highlighted the support to healthcare initiatives, through investments in cancer research and treatment and care provided to persons of all ages at the main Brazilian hospitals and healthcare centers, such as Hospital Israelita Albert Einstein, Hospital de Câncer Barretos, Hospital Pequeno Príncipe, Hospital Angelina Caron, GRAACC, Fundação Dorina, among others; the support to sports, through initiatives that go beyond playing sports, by giving education through physical activities; in addition to initiatives that promote life quality and environmental protection.

All projects sponsored by Banco Daycoval are submitted to a careful analysis by the Executive

Committee, which seeks to handle these initiatives from the sustainability viewpoint in order to offer the best to each one of the persons covered by such initiatives.

Sustainability

Daycoval constantly seeks to enhance its operations from the sustainability perspective, both internally and externally. It has been adopting over the past years a corporate credit rating taking such criterion into account, placing emphasis on good social and environmental practices. Moreover, Daycoval constantly develops a series of internal projects to optimize the consumption of inputs (such as water and electric energy) and use of paper. To know more about these actions, access www.daycoval.com.br/institucional/sustentabilidade and check our Annual Sustainability Report.

Relationship with Independent Auditors

In accordance with CVM Instruction 381 of January 14, 2003, we inform that the company engaged to audit the financial statements for the years ended December 31, 2019 and 2018 was not engaged to perform services to the Bank other than external audit.

Executive Board Statement

Pursuant to the provisions set out in CVM Instruction 480/09, the Bank's Executive Board states that it has discussed, reviewed and agreed with the opinions expressed in the independent auditor's report, as well as the financial statements for the year ended December 31, 2019.

Acknowledgements

Banco Daycoval S.A.'s management thanks the shareholders, clients, suppliers and the financial community for the essential support and trust shown, as well as our professionals who have made such performance possible.

São Paulo, February 5, 2020.

Management.

For further information on Banco Daycoval's performance, please visit www.daycoval.com.br/ri.

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INDEPENDENT AUDITOR'S REPORT ON THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

To the Management and Shareholders of
Banco Daycoval S.A.

Opinion

We have audited the accompanying individual and consolidated financial statements of Banco Daycoval S.A. ("Bank" or "Daycoval") and its subsidiaries ("Consolidated"), which comprise the balance sheet as at December 31, 2019 and the related statements of income, of changes in equity and of cash flows for the six-month period and year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Banco Daycoval S.A. as at December 31, 2019, and its individual and consolidated financial performance and its individual and consolidated cash flows for the six-month period and year then ended, in accordance with accounting practices adopted in Brazil applicable to financial institutions authorized to operate by the Central Bank of Brazil ("BACEN").

Basis for opinion

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

Key audit matters

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

Allowance for loan losses on the corporate segment

Allowances for loan losses are recognized pursuant to the regulations issued by BACEN, notably the National Monetary Council (CMN) Resolution 2682, and are based on the analyses of outstanding lending transactions (past-due and current), in accordance with the internal policies that consider the determination of credit ratings.

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The estimate of the allowance for loan losses involves internal models while determining the borrower's rating, that take into account the financial and economic data, market inputs, masterfile information, restricted collaterals, and default level, among others. The borrower's rating is also revised by the Bank's Management when the financial condition of a specific company or a given economic sector changes. As such revision involves a high level of judgment in the estimate of the loss by Management, we believe that this matter is a key audit matter in our audit approach, including the involvement of senior members of our staff.

How our audit addressed this matter

Our audit procedures included, but were not limited to: (i) understanding the internal model used to determine the rating; (ii) understanding the provisioning criteria adopted by the Bank; (iii) reading the Bank's provisioning policy; (iv) testing the design, implementation and effectiveness of internal controls; (v) challenging the main assumptions and significant judgments made by Management while determining the credit rating; and (vi) recalculating the amounts provisioned on a sampling basis.

Based on the audit procedures performed, we believe that the criteria adopted by the Bank's Management and the policy used to determine the allowance for loan losses were appropriate, within the context of the financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added ("DVA") for the six-month period and year ended December 31, 2019, prepared under the responsibility of the Bank's Management and disclosed as supplemental information for purposes of the International Financial Reporting Standards - IFRS, were subject to audit procedures performed together with the audit of the Bank's financial statements. In forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added were appropriately prepared, in all material respects, in accordance with the criteria set out in such technical pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

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

Management is responsible for such other information. The other information comprises the Management Report.

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

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement 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 individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil applicable to financial institutions authorized to operate by BACEN, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the individual and 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 Bank's and its subsidiaries' internal control.
- 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 and its subsidiaries' ability to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank and its subsidiaries to cease to continue as going concerns.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

São Paulo, February 5, 2020

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Carlos Claro
Engagement Partner

BALANCE SHEETS
AS AT DECEMBER 31, 2019 AND 2018
(In thousands of Brazilian reais - R\$)

ASSETS	Note	Bank		Consolidated	
		12/31/2019	12/31/2018	12/31/2019	12/31/2018
CURRENT ASSETS		23,371,214	18,710,582	23,514,322	18,977,088
Cash		357,331	151,733	363,781	153,172
Interbank investments	Note 5	5,546,407	5,561,479	4,868,869	5,190,943
Money market investments		4,223,649	4,702,402	4,223,649	4,702,402
Interbank deposits		992,662	690,921	315,124	320,385
Foreign currency investments		330,096	168,156	330,096	168,156
Securities and derivatives	Note 6	364,902	516,762	636,773	742,889
Own portfolio		140,733	72,426	345,745	228,467
Linked to repurchase commitments		192,481	139,474	192,481	139,474
Derivatives		29,416	304,862	29,416	304,862
Linked to guarantees		2,272	-	2,272	-
Asset-backed technical reserves		-	-	66,859	70,086
Interbank accounts		68,508	42,639	68,508	42,639
Restricted deposits - Central Bank of Brazil		67,220	42,509	67,220	42,509
Correspondents		1,288	130	1,288	130
Lending operations		9,065,465	7,441,612	9,125,824	7,474,760
Lending operations - public sector	Note 7.a)	80,320	38,183	80,320	38,183
Lending operations - private sector	Note 7.a)	9,596,635	7,946,219	9,657,837	7,980,424
(Allowance for loan losses)	Note 9	- 611,490	- 542,790	- 612,333	- 543,847
Leasing operations		-	-	451,786	351,000
Leases receivable	Note 7.a)	-	-	462,269	357,253
(Allowance for lease losses)	Note 9	-	-	- 10,483	- 6,253
Other receivables		7,852,762	4,890,837	7,882,875	4,917,224
Guarantees and collaterals		1,015	-	1,015	-
Foreign exchange portfolio	Note 10.a)	1,444,563	1,064,558	1,444,563	1,064,558
Income receivable		20,373	11,660	19,287	10,775
Trading account	Note 6.f)	12,207	1,779	12,207	1,779
Insurance premiums	Note 19.a)	-	-	2,558	2,029
Other	Note 10.b)	6,530,162	3,951,976	6,558,803	3,977,219
(Allowance for other loan losses)	Note 9	- 155,558	- 139,136	- 155,558	- 139,136
Other assets	Note 11	115,839	105,520	115,906	104,461
Reposessed assets		117,161	92,832	117,229	92,873
(Allowance for reposessed assets losses)		- 8,337	- 8,422	- 8,338	- 8,447
Prepaid expenses		7,015	21,110	7,015	20,035
NONCURRENT LONG-TERM ASSETS		10,518,329	9,406,614	11,301,534	9,922,919
Interbank investments	Note 5	10,806	6,711	10,806	6,711
Interbank deposits		10,806	6,711	10,806	6,711
Securities and derivatives	Note 6	1,448,907	1,907,165	1,529,965	1,957,556
Own portfolio		1,032,483	1,595,899	1,113,405	1,646,290
Linked to repurchase commitments		-	-	-	-
Derivatives		111,650	95,719	111,650	95,719
Linked to guarantees		304,774	215,547	304,774	215,547
Funds used to guarantee technical reserves		-	-	136	-
Lending operations		6,751,630	5,161,949	6,839,053	5,189,498
Lending operations - public sector	Note 7.a)	111,942	71,994	111,942	71,994
Lending operations - private sector	Note 7.a)	7,145,181	5,493,477	7,233,433	5,521,505
(Allowance for loan losses)	Note 9	- 505,493	- 403,522	- 506,322	- 404,001
Leasing operations		-	-	578,988	423,997
Leases receivable	Note 7.a)	-	-	588,292	430,132
(Allowance for lease losses)	Note 9	-	-	- 9,304	- 6,135
Other receivables		2,288,760	2,328,540	2,324,496	2,342,908
Trading account	Note 6.f)	267	-	267	-
Other	Note 10.b)	2,289,072	2,329,066	2,324,808	2,343,434
(Allowance for other loan losses)	Note 9	- 579	- 526	- 579	- 526
Other assets	Note 11	18,226	2,249	18,226	2,249
Prepaid expenses		18,226	2,249	18,226	2,249
PERMANENT ASSETS		1,380,899	1,267,751	76,226	79,727
Investments		1,312,983	1,192,436	3,071	1,343
Equity in domestic subsidiaries	Note 12	1,310,097	1,191,273	-	-
Other investments		2,886	1,163	3,071	1,343
Property and equipment in use	Note 14	67,916	75,315	72,809	78,318
Other property and equipment in use		104,537	103,274	112,302	108,958
(Accumulated depreciation)		- 36,621	- 27,959	- 39,493	- 30,640
Intangible assets		-	-	17	66
Deferred		-	-	329	-
TOTAL ASSETS		35,270,442	29,384,947	34,892,082	28,979,734

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

BALANCE SHEETS
AS AT DECEMBER 31, 2019 AND 2018
(In thousands of Brazilian reais - R\$)

LIABILITIES	Note	Bank		Consolidated	
		12/31/2019	12/31/2018	12/31/2019	12/31/2018
CURRENT LIABILITIES		15,208,437	15,794,804	15,281,053	15,379,714
Deposits	Note 15	4,370,951	3,219,471	4,329,986	3,218,434
Demand deposits		1,082,182	864,844	1,081,135	863,807
Interbank deposits		221,833	373,667	221,833	373,667
Time deposits		3,050,335	1,973,639	3,010,417	1,973,639
Foreign currency deposit		16,601	7,321	16,601	7,321
Money market funding	Note 15	2,517,947	2,992,328	2,517,947	2,992,328
Own portfolio		192,448	136,333	192,448	136,333
Third parties		2,325,499	2,855,995	2,325,499	2,855,995
Funds from acceptance and issuance of securities		4,975,041	6,405,886	4,960,274	5,833,047
Mortgage loan notes	Note 16.a)	601,114	648,667	601,114	648,667
Agribusiness letters of credit	Note 16.a)	759,743	617,665	759,743	617,665
Financial bills	Note 16.a)	3,610,758	3,232,736	3,595,991	2,689,289
Securities issued abroad	Note 16.b)	3,426	1,906,818	3,426	1,877,426
Interbank accounts		1,609	1,181	1,609	1,181
Interbranch accounts		143,269	107,529	143,269	107,529
Borrowings	Note 17	1,141,272	1,675,209	1,141,272	1,675,209
Foreign borrowings		1,141,272	1,675,209	1,141,272	1,675,209
Domestic onlendings - official institutions	Note 18	118,070	193,481	118,070	193,481
BNDES		77,308	151,383	77,308	151,383
FINAME		40,762	42,098	40,762	42,098
Derivatives	Note 6.f)	27,019	29,662	27,019	29,662
Technical reserves - insurance	Note 19.b)	-	-	66,754	67,854
Other payables		1,913,259	1,170,057	1,974,853	1,260,989
Collected taxes and other		8,988	8,562	9,004	8,600
Foreign exchange portfolio	Note 20.a)	817,802	501,455	817,802	501,455
Social and statutory	Note 20.b)	207,445	118,434	209,557	119,715
Tax and social security	Note 20.c)	541,450	330,106	583,697	380,389
Trading account	Note 6.f)	7,776	3,035	7,776	3,035
Other	Note 20.d)	329,798	208,465	347,017	247,795
NONCURRENT LONG-TERM LIABILITIES		16,330,014	10,300,464	15,833,121	10,243,815
Deposits	Note 15	4,024,383	2,247,127	3,989,955	2,177,260
Interbank deposits		26,533	21,813	26,533	21,813
Time deposits		3,997,850	2,225,314	3,963,422	2,155,447
Funds from acceptance and issuance of securities		7,654,211	4,964,814	7,142,890	4,941,903
Mortgage loan notes	Note 16.a)	244,784	125,237	244,784	125,237
Agribusiness letters of credit	Note 16.a)	23,538	46,168	23,538	46,168
Financial bills	Note 16.a)	5,977,772	4,772,807	5,466,451	4,749,896
Securities issued abroad	Note 16.b)	1,408,117	20,602	1,408,117	20,602
Borrowings	Note 17	2,320,915	371,839	2,320,915	371,839
Foreign borrowings		2,320,915	371,839	2,320,915	371,839
Domestic onlendings - official institutions	Note 18	107,146	173,089	107,146	173,089
BNDES		33,317	108,234	33,317	108,234
FINAME		73,829	64,855	73,829	64,855
Derivatives	Note 6.f)	73,956	-	73,956	-
Other payables		2,149,403	2,543,595	2,198,259	2,579,724
Tax and social security	Note 20.c)	217,930	245,597	251,281	262,817
Trading account	Note 6.f)	141	-	141	-
Other	Note 20.d)	1,773,237	2,150,684	1,788,742	2,169,593
Subordinated debts	Note 21	158,095	147,314	158,095	147,314
DEFERRED INCOME		36,832	52,641	81,734	118,179
NONCONTROLLING INTERESTS		-	-	1,015	988
EQUITY		3,695,159	3,237,038	3,695,159	3,237,038
Capital -		2,253,595	2,253,595	2,253,595	2,253,595
Residents in Brazil	Note 24.a)	2,253,595	2,253,595	2,253,595	2,253,595
Earnings capital		1,142	-	1,142	-
Earnings reserves	Note 24.e)	1,427,789	979,426	1,427,789	979,426
Valuation adjustments to equity -					
Available-for-sale marketable securities		12,633	4,017	12,633	4,017
TOTAL LIABILITIES		35,270,442	29,384,947	34,892,082	28,979,734

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

INCOME STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2019 AND 2018
FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018
(In thousands of Brazilian reais - R\$)

	Note	2nd half of 2019		Bank		Consolidated	
		Bank	Consolidated	2019	2018	2019	2018
INCOME FROM FINANCIAL INTERMEDIATION		1,901,235	2,165,657	3,706,619	4,068,617	4,198,271	4,459,625
Lending operations	Note 25.a)	1,675,285	1,682,820	3,239,004	3,014,856	3,251,185	3,020,400
Leasing operations	Note 25.b)	-	253,051	-	-	473,321	376,630
Securities transactions	Note 25.c)	205,831	201,655	445,442	487,257	438,466	491,926
Derivatives	Note 25.d)	- 108,837	- 108,837	- 195,242	372,918	- 195,242	372,918
Foreign exchange transactions	Note 25.e)	122,434	130,446	204,879	189,389	218,005	191,536
Sale transactions or transfer of financial assets		6,522	6,522	12,536	4,197	12,536	6,215
EXPENSES ON FINANCIAL INTERMEDIATION		- 818,954	- 976,104	- 1,769,679	- 2,508,446	- 2,055,596	- 2,710,105
Funding operations	Note 25.f)	- 598,933	- 579,728	- 1,204,604	- 1,392,550	- 1,162,479	- 1,347,880
Borrowings and onlending	Note 25.g)	- 60,465	- 60,465	- 86,388	- 399,724	- 86,388	- 399,724
Leasing operations	Note 25.b)	-	- 174,338	-	-	- 320,157	- 245,759
Financial assets sale or transfer		- 2,974	- 2,974	- 7,642	- 17,831	- 7,642	- 17,831
Allowance for loan losses	Note 9	- 156,582	- 158,599	- 471,045	- 698,341	- 478,930	- 698,911
GROSS PROFIT FROM FINANCIAL INTERMEDIATION		1,082,281	1,189,553	1,936,940	1,560,171	2,142,675	1,749,520
OTHER OPERATING INCOME (EXPENSES)		- 264,085	- 342,968	- 547,996	- 510,427	- 697,196	- 628,433
Income from services provided		110,351	119,978	200,127	148,940	216,928	160,267
Income from insurance operations	Note 19.d)	-	1,155	-	-	2,469	3,994
Personnel expenses	Note 25.h)	- 192,919	- 223,642	- 364,953	- 291,691	- 418,594	- 329,735
Other administrative expenses	Note 25.i)	- 326,636	- 312,135	- 584,764	- 528,018	- 563,560	- 506,779
Tax expenses	Note 25.j)	- 82,474	- 102,940	- 152,163	- 127,719	- 183,560	- 148,459
Equity in subsidiaries	Note 12	62,247	-	109,382	122,139	-	-
Other operating income	Note 25.k)	292,026	319,994	520,373	389,477	550,662	429,457
Other operating expenses	Note 25.l)	- 126,680	- 145,378	- 275,998	- 223,555	- 301,541	- 237,178
OPERATING INCOME		818,196	846,585	1,388,944	1,049,744	1,445,479	1,121,087
NONOPERATING INCOME		- 3,363	- 3,345	66	5,115	75	5,245
Income		7,703	7,721	19,285	21,673	19,347	21,803
Expenses		- 11,066	- 11,066	- 19,219	- 16,558	- 19,272	- 16,558
INCOME BEFORE INCOME TAXES		814,833	843,240	1,389,010	1,054,859	1,445,554	1,126,332
INCOME TAX AND SOCIAL CONTRIBUTION	Note 22.a)	- 116,278	- 143,060	- 271,511	- 332,709	- 324,706	- 401,996
Provision for income tax		- 235,358	- 241,790	- 357,408	- 209,133	- 384,284	- 245,556
Provision for social contribution		- 150,576	- 159,160	- 225,121	- 175,744	- 244,318	- 199,076
Deferred tax assets		269,656	257,890	311,018	52,168	303,896	42,636
PROFIT SHARING	Note 27.a)	- 57,057	- 58,666	- 97,253	- 76,315	- 100,575	- 78,454
NONCONTROLLING INTERESTS		-	16	-	-	27	47
NET INCOME FOR THE SIX-MONTH PERIOD / YEAR		641,498	641,498	1,020,246	645,835	1,020,246	645,835
Number of shares	Note 24.c)	230,820,429	230,820,429	230,820,429	230,820,429	230,820,429	230,820,429
Earnings per share - R\$		2.77921	2.77921	4.42009	2.79800	4.42009	2.79800

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2019 AND 2018
FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018
(In thousands of Brazilian reais - R\$)

	Note	Capital	Earnings capital	Earnings reserves		Special earnings reserves	Adjustments of equity valuation	Retained earnings	Total
				Legal	Bylaws				
BALANCE AS AT JUNE 30, 2019		2,253,595	1,142	222,676	775,687	-	11,378	253,521	3,517,999
Adjustment to fair value-									
Available-for-sale marketable securities		-	-	-	-	-	1,255	-	1,255
Net income for the six month period		-	-	-	-	-	-	641,498	641,498
Allocations:									
Legal reserve		-	-	32,075	-	-	-	32,075	-
Statutory reserve		-	-	-	572,087	-	-	572,087	-
Dividends from previous years	Note 24.d.3)	-	-	-	300,002	-	-	-	300,002
Proposed additional dividends	Note 24.d.4)	-	-	-	-	125,266	-	125,266	-
Dividends		-	-	-	-	-	-	74,735	74,735
Interest on capital	Note 24.d.2)	-	-	-	-	-	-	90,856	90,856
BALANCE AS AT DECEMBER 31, 2019		2,253,595	1,142	254,751	1,047,772	125,266	12,633	-	3,695,159
BALANCE AS AT DECEMBER 31, 2018		2,253,595	-	203,739	775,687	-	4,017	-	3,237,038
Capital increase		-	-	-	-	-	-	-	-
Adjustment to fair value-									
Available-for-sale marketable securities		-	-	-	-	-	8,616	-	8,616
Update of equity securities		-	1,142	-	-	-	-	-	1,142
Net income for the year		-	-	-	-	-	-	1,020,246	1,020,246
Allocations:									
Legal reserve		-	-	51,012	-	-	-	51,012	-
Statutory reserve		-	-	-	572,087	-	-	572,087	-
Dividends from previous years	Note 24.d.3)	-	-	-	300,002	-	-	-	300,002
Proposed additional dividends	Note 24.d.4)	-	-	-	-	125,266	-	125,266	-
Dividends		-	-	-	-	-	-	74,735	74,735
Interest on capital	Note 24.d.2)	-	-	-	-	-	-	197,146	197,146
BALANCE AS AT DECEMBER 31, 2019		2,253,595	1,142	254,751	1,047,772	125,266	12,633	-	3,695,159
BALANCE AS AT DECEMBER 31, 2017		1,892,143	-	171,447	940,317	-	5,121	-	3,009,028
Capital increase		361,452	-	-	-	-	-	-	361,452
Adjustment to fair value-									
Available-for-sale marketable securities		-	-	-	-	-	1,104	-	1,104
Net income for the year		-	-	-	-	-	-	645,835	645,835
Allocations:									
Legal reserve		-	-	32,292	-	-	-	32,292	-
Statutory reserve		-	-	-	415,770	-	-	415,770	-
Dividends		-	-	-	580,400	-	-	-	580,400
Interest on capital	Note 24.d.2)	-	-	-	-	-	-	197,773	197,773
BALANCE AS AT DECEMBER 31, 2018		2,253,595	-	203,739	775,687	-	4,017	-	3,237,038

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

STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2019 AND 2018
FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018
(In thousands of Brazilian reais - R\$)

	2nd half of 2019		Bank		Consolidated	
	Bank	Consolidated	2019	2018	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES						
PROFIT FOR THE PERIOD / YEAR	641,498	641,498	1,020,246	645,835	1,020,246	645,835
Adjustments to reconcile profit for the six-month period / year						
net cash provided by operating activities						
Depreciation and amortization	5,308	5,538	10,494	10,032	10,846	10,271
Deferred taxes	- 269,656	- 257,890	- 311,018	- 52,168	- 303,896	- 42,636
Provision for risks	- 418,882	- 426,237	- 350,543	250,865	- 355,062	241,444
Provision for guarantees and collaterals	9,938	9,938	5,684	10,922	5,684	10,922
Allowance for loan losses	167,647	171,743	482,017	799,368	482,503	800,699
Allowance for leasing losses	-	1,139	-	-	7,399	- 761
Allowance for other loan losses	- 9,593	- 10,586	16,476	- 101,027	16,475	- 101,027
Allowance for losses on other assets	- 421	- 433	- 85	- 2,110	- 109	- 2,085
Exchange rate changes on cash and cash equivalents	- 62,649	- 62,649	- 85,157	- 88,006	- 85,157	- 88,006
Gains on disposal of permanent assets	7,448	7,442	7,848	3,538	7,875	6,285
Share of profit (loss) of subsidiaries	- 62,247	-	- 109,382	- 122,139	-	-
TOTAL RECONCILIATION ADJUSTMENTS	- 633,107	- 561,995	- 333,666	709,275	- 213,442	835,106
ADJUSTED PROFIT FOR THE PERIOD	8,391	79,503	686,580	1,355,110	806,804	1,480,941
CHANGES IN ASSETS AND LIABILITIES	- 3,570,390	- 3,636,675	- 2,544,750	- 2,469,819	- 2,689,354	- 2,580,921
(Increase) Decrease in interbank investments	- 84,365	92,672	- 305,836	- 173,565	- 30,329	28,618
(Increase) Decrease in securities and derivatives	64,683	626,477	690,047	- 999,846	1,279,312	- 1,023,365
(Increase) Decrease in interbank and interbranch accounts	58,235	58,235	46,466	149,091	46,466	149,091
(Increase) Decrease in lending operations	- 2,364,930	- 2,414,382	- 3,695,552	- 2,480,127	- 3,783,124	- 2,525,233
(Increase) Decrease in leasing operations	-	- 193,730	-	-	- 270,575	- 261,187
(Increase) Decrease in other receivables	- 2,141,767	- 2,086,314	- 2,653,955	- 1,400,027	- 2,658,040	- 1,399,079
(Increase) Decrease in other assets	- 9,960	- 10,520	- 26,210	112,619	- 27,312	75,631
Increase (Decrease) in deposits	1,453,392	1,387,657	2,928,736	314,103	2,853,408	333,047
Increase (Decrease) in money market funding	10,549	10,549	56,115	- 48,958	56,115	- 48,958
Increase (Decrease) in funds from acceptance and issuance of securities	- 1,094,945	- 1,596,673	- 239,547	1,626,789	- 795,027	1,589,140
Increase (Decrease) in borrowings and onlendings	129,576	129,576	82,236	103,989	82,236	103,988
Increase (Decrease) in other payables	517,953	486,099	982,897	447,438	1,035,310	522,365
Income tax and social contribution paid	- 102,661	- 110,111	- 394,337	- 135,441	- 441,350	- 147,274
Increase (Decrease) in deferred income	- 6,150	- 16,211	- 15,810	14,116	- 36,445	22,295
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	- 3,561,999	- 3,557,172	- 1,858,170	- 1,114,709	- 1,882,550	- 1,099,980
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisition of property and equipment in use	- 1,700	- 1,284	- 3,239	- 3,286	- 3,240	- 3,862
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	- 1,700	- 1,284	- 3,239	- 3,286	- 3,240	- 3,862
CASH FLOWS FROM FINANCING ACTIVITIES						
Increase (Decrease) in funds from acceptance and issuance of securities	1,346,591	1,346,591	1,498,100	750,058	1,527,492	734,957
Increase (Decrease) in borrowings and onlendings	1,869,459	1,869,459	1,191,551	105,058	1,191,551	105,058
Increase (Decrease) of subordinated debts	5,214	5,214	10,781	147,314	10,781	147,314
Capital increase	-	-	-	361,452	-	361,452
Dividends and interest on capital paid	- 404,010	- 404,010	- 504,899	- 728,782	- 504,899	- 728,782
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	2,817,254	2,817,254	2,195,533	635,100	2,224,925	619,999
EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	62,649	62,649	85,157	88,006	85,157	88,006
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	- 683,796	- 678,553	419,281	- 394,889	424,292	- 395,837
Cash and cash equivalents at beginning of six-month period / year	3,269,373	3,270,580	2,166,296	2,561,185	2,167,735	2,563,572
Cash and cash equivalents at end of six-month period / year	<u>2,585,577</u>	<u>2,592,027</u>	<u>2,585,577</u>	<u>2,166,296</u>	<u>2,592,027</u>	<u>2,167,735</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	- 683,796	- 678,553	419,281	- 394,889	424,292	- 395,837
Noncash transactions						
Accrued interest on capital	41,640	41,640	41,640	49,391	41,640	49,391
Accrued undistributed dividends	74,735	74,735	74,735	-	74,735	-

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

STATEMENTS OF VALUE ADDED
FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2019 AND 2018
FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018
(In thousands of Brazilian reais - R\$)

	2nd half of 2019		Bank		Consolidated	
	Bank	Consolidated	2019	2018	2019	2018
REVENUES	2,016,985	2,299,461	3,680,140	3,690,061	4,187,729	4,122,307
Income from financial intermediation	1,901,235	2,165,657	3,706,619	4,068,617	4,198,271	4,459,625
Revenue from services	110,351	119,978	200,127	148,940	216,928	160,267
Allowance for loan losses	- 156,582	- 158,599	- 471,045	- 698,341	- 478,930	- 698,911
Other	161,981	172,425	244,439	170,845	251,460	201,326
EXPENSES	- 662,372	- 817,505	- 1,298,634	- 1,810,105	- 1,576,666	- 2,011,194
Expenses on financial intermediation	- 662,372	- 817,505	- 1,298,634	- 1,810,105	- 1,576,666	- 2,011,194
INPUTS PURCHASED FROM THIRD PARTIES	- 313,044	- 300,540	- 558,248	- 502,385	- 535,617	- 476,853
Materials, electric power and other	- 65,824	- 69,032	- 110,130	- 89,431	- 118,453	- 96,614
Outside services	- 247,220	- 231,508	- 448,118	- 413,147	- 417,368	- 380,432
Asset recovery	-	-	-	193	204	193
GROSS VALUE ADDED	1,041,569	1,181,416	1,823,258	1,377,571	2,075,446	1,634,260
DEPRECIATION AND AMORTIZATION	- 5,308	- 5,538	- 10,494	- 10,032	- 10,846	- 10,271
TOTAL WEALTH CREATED BY THE CONSOLIDATED	1,036,261	1,175,878	1,812,764	1,367,539	2,064,600	1,623,989
WEALTH RECEIVED IN TRANSFER	62,247	-	109,382	122,139	-	-
Equity in subsidiaries	62,247	-	109,382	122,139	-	-
WEALTH FOR DISTRIBUTION	1,098,508	1,175,878	1,922,146	1,489,678	2,064,600	1,623,989
DISTRIBUTION OF WEALTH	1,098,508	1,175,878	1,922,146	1,489,678	2,064,600	1,623,989
EMPLOYEES	220,429	248,366	405,792	329,012	455,016	364,094
Salaries and wages	127,395	147,334	240,799	197,239	274,968	221,927
Benefits	86,297	93,222	152,289	121,214	165,323	130,125
Severance pay fund (FGTS)	6,737	7,810	12,704	10,559	14,725	12,042
TAXES	228,297	279,941	480,087	499,423	572,418	594,550
Federal	220,111	258,281	464,484	485,479	538,801	572,328
State	1,077	1,083	1,518	1,659	1,558	1,706
Municipal	7,109	20,577	14,085	12,285	32,059	20,516
LENDERS AND LESSORS	8,284	6,057	16,021	15,408	16,893	19,463
Rentals	8,284	6,057	16,021	15,408	16,893	19,463
SHAREHOLDERS	641,498	641,498	1,020,246	645,835	1,020,246	645,835
Dividends	74,735	74,735	74,735	-	74,735	-
Interest on capital	90,856	90,856	197,146	197,773	197,146	197,773
Retained earnings for the semester / year	475,907	475,907	748,365	448,062	748,365	448,062
NONCONTROLLING INTERESTS	-	16	-	-	27	47

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands of Brazilian reais - R\$, unless otherwise stated)

1. GENERAL INFORMATION

Bank Daycoval S.A. (the "Bank" or "Daycoval") is a publicly-held entity, organized as a full-service bank authorized to operate commercial, foreign exchange, investment, and lending and financing portfolios, through its direct and indirect subsidiaries, and also leasing portfolio, asset management, life insurance, pension plans and provision of services. The Bank is part of Daycoval Group and conducts its businesses on an integrated basis.

2. PRESENTATION OF FINANCIAL STATEMENTS

The Bank's financial statements information, including its foreign branch, and the consolidated financial statements information ("Consolidated"), approved by Management on February 05, 2019, has been prepared in accordance with the accounting practices adopted in Brazil, based on the accounting guidelines set forth in the Brazilian Corporate Law (Law 6404/76), and the changes introduced by Law 11638/07 and Law 11941/09 for the accounting for transactions, coupled with the standards and instructions of the National Monetary Council ("CMN"), the Central Bank of Brazil ("BACEN"), and the Standard Chart of Accounts for Financial Institutions ("COSIF"), the Brazilian Securities and Exchange Commission ("CVM"), the National Private Insurance Council ("CNSP"), the Private Insurance Authority ("SUSEP"), and Accounting Pronouncements Committee ("CPC"), when applicable.

All relevant information in the Financial Statements Information of Banco Daycoval S.A., and only such information, is being disclosed and corresponds to the information used by the Bank's Management in managing the Bank.

As part of the process of convergence with the International Financial Reporting Standards (IFRS), the Accounting Pronouncements Committee (CPC) has issued several pronouncements related to the international accounting convergence process that have been approved by the CVM but not all of them have been ratified by the BACEN. Thus, in the preparation of the Financial Statements, the Bank has adopted the following pronouncements that have been approved by the BACEN, s follows:

Pronouncements of CPC	Resolution BACEN / CVM
CPC 00 (R1) - Conceptual Framework to Prepare and Disclose the Financial Report	4144/12
CPC 01 (R1) - Impairment of Assets	3566/08
CPC 02 (R2) - Effects of Changes in Exchange Rates and Translation of Financial Statements	4524/16
CPC 03 (R2) - Statements of Cash Flows	3604/08
CPC 04 (R1) - Intangible Assets	4534/16
CPC 05 (R1) - Related-party Disclosures	3750/09
CPC 10 (R1) - Share-based Payment	3989/11
CPC 23 - Accounting Policies, Changes in Accounting Estimates and Errors	4007/11
CPC 24 - Events After the Reporting period	3973/11
CPC 25 - Provisions, Contingent Liabilities and Contingent Assets	3823/09
CPC 27 - Property, Plant and Equipment	4535/16
CPC 33 (R1) - Employee Benefits	4424/15
CPC 46 - Fair Value Measurement ⁽¹⁾	4748/19

⁽¹⁾ The Resolution will come into effect beginning January 1, 2020.

The consolidated financial statements comprise the Bank, its foreign branch and the following direct and indirect subsidiaries:

	Ownership interest - %	
	2019	2018
Leasing operations		
Daycoval Leasing – Banco Múltiplo S.A. ("Daycoval Leasing")	100.00	100.00
Financial activity - Foreign branch		
Banco Daycoval S.A. - Cayman Branch	100.00	100.00
Insurance and pension plan activity		
Dayprev Vida e Previdência S.A. ("Dayprev")	97.00	97.00
Non-financial activity		
ACS Participações Ltda. ("ACS")	99.99	99.99
Daycoval Asset Management Administração de Recursos Ltda. ("Daycoval Asset")	99.99	99.99
IFP Promotora de Serviços de Consultoria e Cadastro Ltda. ("IFP")	99.99	99.99
SCC Agência de Turismo Ltda. ("SCC")	99.99	99.99
Treetop Investments Ltd. ("Treetop")	99.99	99.99

In the consolidated financial statements, the balances and transactions between the Bank, its foreign branch, and its direct and indirect subsidiaries have been eliminated. Profit and equity amounts related to noncontrolling interests were disclosed in a separate caption.

3. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies adopted by Banco Daycoval in the preparation of the individual and consolidated financial Statements information can be summarized as follows:

- a) Income and expenses are recorded on the accrual basis. Fixed-rate transactions are stated at the final amount, and income and expenses for future period are recognized as a reduction of the related assets and liabilities. Finance income and costs are recorded on a pro rata basis and calculated based on the exponential method, except those related to discounted notes or foreign transactions, which are calculated under the straight-line method. Floating-rate transactions or those indexed to foreign currencies are adjusted through the balance sheet date.
- b) Interbank investments and other receivables, except securities and derivatives, are stated at cost, plus inflation adjustment, exchange rate changes and contractual interest. When the realizable amount of an asset is lower than its carrying amount, an allowance for impairment is recorded to adjust such asset to its realizable amount.
- c) Under BACEN Resolution 3604/08, cash and cash equivalents are represented by cash and bank deposits, recorded in captions "Cash and cash equivalents", "Interbank investments", and "Securities - own portfolio", with original investment term of 90 days or less; the risk of change in their fair value is considered immaterial.
- d) Securities are stated at cost plus income earned, as follows: (i) fixed-income securities are adjusted at the applicable interest rate based on the respective maturities; (ii) shares are adjusted based on the average price informed by the Stock Exchange where the shares are more traded; and (iii) investments in investment funds are adjusted based on the share price informed by the fund managers.

Securities are classified in conformity with BACEN Circular Letter 3068/01 into one of the following categories:

- Trading securities - securities acquired for the purpose of being actively and frequently traded, adjusted to fair value as a contra-entry to profit or loss.
- Available-for-sale securities - securities not acquired for the purpose of being actively and frequently traded, which Management does not intend to hold to maturity. The adjustments to fair value (unrealized gains and losses) are recorded as a separate component of equity, net of taxes, and are recognized in profit or loss when realized.
- Held-to-maturity securities - securities that the Bank has the positive intent and ability to hold to maturity and stated at cost, plus income earned, as a contra-entry to profit or loss.
- Bonuses arising from investments in shares issued by publicly-traded companies are recorded in the securities portfolio only according to the respective quantities, without modifying the amount of investments, when the corresponding shares are considered "ex-rights" on the stock exchange.

Dividends and interest on capital arising from investments in shares issued by publicly-traded companies are recorded as income when the related shares are considered "ex-rights" on the stock exchange.

e) Derivatives consist of forward, futures and swap options and are recorded in conformity with BACEN Circular Letter 3082/02, which provides for the adoption of the following criteria:

- Option transactions - premiums received or paid are recorded at fair value in caption "Derivatives" in assets or liabilities, respectively, until the option is exercised, and recorded as a decrease or increase in the cost of the asset subject to the option, for the exercise of the option, or as income or expense in the event of non-exercise;
- Futures transactions - daily adjustments are recorded at fair value in caption "Trading account" in assets or liabilities and allocated daily to profit or loss as income (when relating to gains) or expense (when relating to losses);
- Currency swap and forward transactions (NDF) - differential receivable or payable is recorded at fair value in caption "Derivatives" in assets or liabilities, respectively, and allocated to profit or loss as income (when relating to gains) or expense (when relating to losses); and
- Forward transactions - recorded at the final contractual amount, less the difference between such amount and the cash price of the asset, adjusted to fair value, income and expenses being recognized over the contractual terms.

Derivative transactions are stated at fair value, with gains and losses recorded as described below:

- Derivatives not qualified as hedge - in income or expense in profit or loss; and
- Derivatives qualified as hedge - classified as market risk hedge or cash flow hedge.

Market risk hedges are used to offset the risks arising from the exposure to changes in the fair value of the hedged item, with gains or losses recorded as a contra-entry to income or expense in profit or loss.

Cash flow hedges are used to offset the changes in estimated future cash flows, the effective portion used in such offset being recorded as a contra-entry to a separate item of equity, net of taxes, and any other change as a contra-entry to income or expense in profit or loss.

f) Leasing operations were reclassified so as to reflect its financial position in conformity with the financial method.

g) Lending and leasing operations are classified based on Management's risk assessment, considering the past experience with prior borrowers, the risk rating of such borrowers and their guarantors, the economic environment, and specific and overall portfolio risks, pursuant to CMN Resolution 2682/99, which requires a periodic analysis of the portfolio and its classification into nine risk rating levels from AA (minimum risk) to H (maximum risk - loss).

Also according to CMN Resolution 2682/99, the income from lending operations past due for more than 60 days, regardless of the risk rating, is only recognized when received, and H-rated loans remain as such for 180 days, after which period they are written off against the existing allowance and are controlled in memorandum accounts, no longer being recorded in the balance sheet.

h) A financial asset is derecognized, as prescribed by CMN Resolution 3533/08, when the contractual rights to the financial asset's cash flows expire or when the asset is sold or transferred, which should be classified into the following categories:

- Transactions with substantial transfer of the risks and rewards: the assignor substantially transfers all the risks and rewards of ownership of the financial asset as follows: (i) unconditional sale of the financial asset; (ii) sale of the financial asset with repurchase option at its fair value on the repurchase date; and (iii) sale of the financial asset with call or put options, whose exercise is unlikely to occur;

- Transactions with substantial retention of the risks and rewards: the assignor substantially retains all the risks and rewards of ownership of the financial asset as follows: (i) sale of the financial asset with repurchase commitment at a fixed price or at the sales price plus any yields; (ii) securities lending agreements; (iii) sale of the financial assets with total return rate swap agreement, which transfers the market risk exposure back to the assignor; (iv) sale of the financial asset with call or put options whose exercise is likely to occur; and (v) sale of receivables, when the losses incurred by the buyer or assignee, if any, are compensated by the seller or assignor, or whose sale is made together with the acquisition of subordinated units of the buyer Receivables Investment Fund (FIDC); and

- Transactions with no substantial transfer or retention of the risks and rewards: transactions in which the assignor neither transfers nor substantially retains all the risks and rewards of ownership of the financial asset.

The transfer or retention of the risks and rewards of ownership of the financial asset is analyzed by comparing Daycoval's exposure, before and after the sale or transfer, with the changes in the present value of the financial asset's expected cash flows, adjusted at the appropriate market interest rate.

The allowance for loan losses is recorded as prescribed by CMN Resolution 2682/99.

i) Foreign exchange transactions are stated at realizable values, plus income and exchange rate changes calculated on a daily pro rata basis, and the allowance for other loan losses, pursuant to CMN Resolution 2682/99, when applicable.

j) Prepaid expenses related to commissions paid to bank correspondents are controlled by contract and accounted for in caption "Prepaid expenses in assets, in the balance sheet".

Such expenses are recognized as "Other administrative expenses" in profit or loss on a pro rata basis, over the respective contractual terms, or fully recognized, when such contracts are settled in advance.

k) Investments in subsidiaries are stated under the equity method, which is applied to all associates over which the Bank has significant influence, that is, in which the Bank holds at least 20% of the voting capital.

l) Other investments are stated at cost, less allowance for loss, when applicable.

m) Assets and rights, classified in property, plant and equipment for use, are stated at acquisition cost. Depreciation is calculated under the straight-line method at the annual rates stated in note 14, which take into consideration the economic useful lives of the assets.

n) Intangible assets correspond to rights acquired in intangible assets used in the maintenance of the Bank's and its subsidiaries' activities or exercised for such purpose; intangible assets with finite lives are amortized on a straight-line basis over the estimated period they will generate economic benefits.

o) The impairment of non-monetary assets is recognized as a loss when the carrying amount of an asset or a cash-generating unit is higher than its recoverable or realizable value. A cash-generating unit is the smallest identifiable group of assets that generates cash flows substantially independent from other assets or groups of assets. Impairment losses are recorded in profit or loss for the period they are recognized, when applicable.

The amounts of non-financial assets, except those recorded in captions "Other assets" and "Other receivables - tax credits", are periodically tested for impairment, at least annually.

As at December 31, 2019, the allowance for impairment of repossessed assets was recognized in the amount of R\$8,337 for the Bank and R\$8,338 for the Consolidated (R\$8,422 for the Bank and R\$8,447 for the Consolidated at December 31, 2018) (Note 11). No evidence of impairment of other non-financial assets was identified.

p) Known or estimated liabilities, charges and risks, including tax charges calculated based on profit or loss, are stated at the adjusted amount through the balance sheet date. Liabilities denominated in foreign currencies are translated into local currency at the exchange rates in effect on the balance sheet date, as informed by BACEN, and liabilities subject to inflation adjustments are stated at the adjusted amount through the balance sheet date. Hedged liabilities are adjusted to fair value.

q) The provision for income tax is calculated at the rate of 15% on taxable income, plus a 10% surtax on taxable income exceeding R\$240. Social contribution was calculated at the rate of 15% for financial institutions and legal entities of private insurance, levied on profit after considering the adjustments prescribed by the tax law.

The social contribution rate for all banks raised from 15% to 20%, beginning March 1, 2020, pursuant to Art. 32 of Constitutional Amendment 103, of November 13, 2019.

Tax credits and deferred liabilities are calculated on temporary differences between the book profit or loss and on valuation adjustments to securities, recognized at the rates applicable in the period in which the asset or liability realization is estimated.

Pursuant to the prevailing legislation, tax credits are recorded to the extent that their recovery is probable based on the generation of future profit.

r) Technical reserves for insurance and unsettled claims - refer to Dayprev's share in DPVAT Insurance Consortium and recorded in accordance with the statements received from Seguradora Líder.

s) Contingent assets and liabilities and legal, tax and social security obligations:

Contingent assets and liabilities and legal, tax and social security obligations are recognized, measured, and disclosed, as follows:

- Contingent assets - not recorded in the financial statements information, except when there is evidence that they will be realized and will not be subject to appeals;

Contingent liabilities - recorded in the financial statements information when the risk of loss in an administrative or legal proceeding is assessed by the legal counsel and Management as probable, with probable outflow of funds to settle obligations, and when the related amounts can be reliably measured. Contingent liabilities assessed as possible loss by the legal counsel are only disclosed in the explanatory information, whereas those assessed as remote loss do not require the recognition of a provision and disclosure; and

- Legal obligations (tax and social security) - refer to lawsuits challenging the legality and constitutionality of certain taxes and contributions. The amount under litigation is determined, accrued and adjusted on a monthly basis, regardless of its likelihood of loss.

t) Deferred income refer to: (i) income received in advance for which there are no prospects of future collection, which is recognized in the income statements as a result of the term of the transactions that originated them and that, as at December 31, 2019, amount to R\$36,832 (R\$52,641 in 2018) for the Bank and R\$40,896 (R\$70,439 in 2018) for the Consolidated; and (ii) the negative goodwill on the acquisition of Banco CIT Brasil, for purposes of consolidation of the financial statements is being reclassified from "Investments", in permanent assets, to "Deferred income", in the amount of R\$40,838 (R\$47,740 in 2018) for the Consolidated.

u) Earnings per share are calculated based on the number of shares at the balance sheet dates.

v) Uses of estimates - The preparation of the financial statements information requires Management to make estimates and adopts assumptions that, in its best judgment, affect the reported amounts of certain assets and liabilities (financial or not), revenues, expenses and other transactions, such as: (i) depreciation rates of property and equipment items and lease property and equipment; (ii) amortization of deferred assets; (iii) allowance for loan and lease losses; (iv) measurement of financial instruments; and (v) provisions for contingencies. Actual results could differ from those estimates.

w) Fixed-rate financial assets and financial liabilities are adjusted to present value by unearned income and unearned expenses, which adjust these instruments to the amounts that would be obtained upon realization should they be cash transactions, as well as floating-rate financial instruments, which are realized at their cash value and are periodically adjusted by their respective transactions rates.

x) Functional and reporting currency, foreign currency-denominated transactions and share of profit (loss) of foreign entities:

I - Functional and reporting currency:

Daycoval's Financial Statements Information is stated in Brazilian reais (R\$), which is the Bank's functional and reporting currency.

As prescribed by CMN Resolution 4524/16, Daycoval has defined that the functional and reporting currency for each of its direct and indirect subsidiaries, including foreign entities, will also be the Brazilian real (R\$).

II – Translation of foreign currency-denominated transactions:

If foreign investees conduct transactions in a currency different from their respective functional currencies, these transactions will be translated by applying the exchange rates of the respective trial balance or balance sheet for monetary items, assets and liabilities stated at fair value or market value and items not classified as monetary items.

III- Share of profit (loss) of foreign entities:

The share of profit (loss) of foreign entities, the functional currency of which is defined in item "I" above, is recognized directly in Daycoval's income statements, in "Share of profit (loss) of subsidiaries".

y) Interest on capital:

CMN Resolution 4.706/18, which came into effect beginning January 1, 2019, establishes procedures for the recognition of interest on capital, which must be recognized after declared or proposed and if representing a present obligation at the balance sheet date.

Dividends and interest on capital declared are recognized in current liabilities in line item "Social and statutory" and dividends proposed and not yet approved are recognized in equity in line item "Special earnings reserves".

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are broken down as follows:

	Bank		Consolidated	
	2019	2018	2019	2018
Cash	357,331	151,733	363,781	153,172
Money market investments ⁽¹⁾	1,898,150	1,846,407	1,898,150	1,846,407
Foreign currency investments ⁽²⁾	330,096	168,156	330,096	168,156
Total cash and cash equivalents	2,585,577	2,166,296	2,592,027	2,167,735

(1) Investments in the open market considered to compose the total of "Cash and cash equivalents", do not cover the positions of interbank investments - financed position, for the Bank and Consolidated.

(2) Refers to foreign currency investments maturing within up to 90 days from the investment date.

5. INTERBANK INVESTMENTS

Interbank investments are broken down as follows:

Investments type	Bank			
	2019		2018	
	Maturity	Value	Maturity	Value
Money market investments	Up to 1st business day	4,223,649	Up to 1st business day	4,702,402
Interbank deposits	Up to December 2024	1,003,468	Up to May 2022	697,632
Foreign currency	Up to 12st business day	330,096	Up to 1nd business day	168,156
Total		5,557,213		5,568,190

In 2019, total interbank investments for the Consolidated is R\$4,879,675 (R\$5,197,654 in 2018).

6. SECURITIES AND DERIVATIVES

a) Breakdown by category and type:

	Bank			
	2019		2018	
	Adjusted cost	Fair value ⁽¹⁾	Adjusted cost	Fair value ⁽¹⁾
Trading securities	218,185	218,174	133,791	136,877
Own portfolio	25,713	25,693	1,826	1,859
Debentures	25,713	25,693	1,826	1,859
Linked to repurchase commitments	192,472	192,481	131,965	135,018
Debentures	192,472	192,481	131,965	135,018
Available-for-sale securities	1,440,544	1,442,404	1,879,784	1,886,469
Own portfolio	1,133,472	1,135,358	1,659,743	1,666,466
Treasury bills	1,013,768	1,013,656	1,555,928	1,555,776
National Treasury Notes - NTN	208	224	321	322
National Treasury Bills - LTN	809	815	-	-
Foreign securities	45,478	47,533	46,933	45,881
Investment fund units	71,252	71,252	56,561	64,487
Debentures	1,871	1,793	-	-
Agribusiness Receivables Certificate - CRA	86	85	-	-
Linked to repurchase commitments	-	-	4,456	4,456
Treasury bills - LFT	-	-	4,456	4,456
Linked to guarantees ⁽²⁾	307,072	307,046	215,585	215,547
Treasury bills - LFT	307,072	307,046	215,585	215,547
Held-to-maturity securities	12,165	12,165	-	-
Own portfolio	12,165	12,165	-	-
Government bonds from other countries	12,165	12,165	-	-
Total Securities	1,670,894	1,672,743	2,013,575	2,023,346

	Consolidated			
	2019		2018	
	Adjusted cost	Fair value ⁽¹⁾	Adjusted cost	Fair value ⁽¹⁾
Trading securities	285,044	285,033	201,694	204,780
Own portfolio	25,713	25,693	1,826	1,859
Debentures	25,713	25,693	1,826	1,859
Linked to repurchased commitments	192,472	192,481	131,965	135,018
Debentures	192,472	192,481	131,965	135,018
Assets-backed technical reserves (Note 19.c)	66,859	66,859	67,903	67,903
Investment fund units	66,859	66,859	67,903	67,903
Available-for-sale securities	1,723,559	1,728,474	2,088,022	2,095,084
Own portfolio	1,416,350	1,421,292	1,865,798	1,872,898
Treasury bills - LFT	1,047,346	1,047,230	1,586,645	1,586,493
National Treasury Notes - NTN	208	224	321	322
National Treasury Bills - LTN	809	815	-	-
Foreign securities	94,034	99,150	83,363	82,687
Investment fund units	271,931	271,931	195,429	203,356
Debentures	1,871	1,793	-	-
Agribusiness Receivables Certificate - CRA	86	84	-	-
Bank Deposit Certificate	55	55	40	40
Bills of exchange	10	10	-	-
Linked to repurchased commitments	-	-	4,456	4,456
Treasury bills - LFT	-	-	4,456	4,456
Linked to guarantees ⁽²⁾	307,073	307,046	215,585	215,547
Treasury bills - LFT	307,073	307,046	215,585	215,547
Assets-backed technical reserves (Note 19.c)	136	136	2,183	2,183
Treasury bills - LFT	136	136	2,183	2,183
Held-to-maturity securities	12,165	12,165	-	-
Own portfolio	12,165	12,165	-	-
Government bonds from other countries	12,165	12,165	-	-
Total Securities	2,020,768	2,025,672	2,289,716	2,299,864

(1) The securities' fair value was calculated based on the prices and rates prevailing as at December 31, 2019 and 2018, as disclosed by the Brazilian Financial and Capital Markets Association (ANBIMA), by the managers of the investment fund in which the Bank invests, the B3 S.A. - Brasil, Bolsa, Balcão, and other market makers in the case of securities acquired abroad.

(2) As securities linked to guarantees refer to securities linked to transactions conducted at the B3 S.A. - Brasil, Bolsa, Balcão, and CETIP S.A. - Mercados Organizados, in the amount of R\$307,046 (R\$215,547 as at December 31, 2018) (Note 6.n).

b) Breakdown by maturity:

	Bank						Total
	Without maturity	Up to 3 months	3 to 12 months	1 to 3 Years	3 to 5 years	Over 5 years	
Federal government securities	-	20,479	24,563	436,602	739,108	100,989	1,321,741
Treasury Bills - LFT	-	20,479	24,563	436,602	738,293	100,765	1,320,702
National Treasury Notes - NTN	-	-	-	-	-	224	224
National Treasury Notes - LTN	-	-	-	-	815	-	815
Foreign securities	-	836	182	20,532	26,057	12,091	59,698
Eurobonds and similar instruments	-	836	108	20,532	26,057	-	47,533
Government bonds from other countries	-	-	74	-	-	12,091	12,165
Private-sector securities	-	-	218,174	85	-	1,793	220,052
Debentures ⁽¹⁾	-	-	218,174	-	-	1,793	219,967
Agribusiness Receivables Certificate - CRA	-	-	-	85	-	-	85
Investment fund units	71,252	-	-	-	-	-	71,252
Real estate investment fund	57,298	-	-	-	-	-	57,298
Fixed-income investment fund	12,050	-	-	-	-	-	12,050
Other investment funds	1,904	-	-	-	-	-	1,904
Total	71,252	21,315	242,919	457,219	765,165	114,873	1,672,743

	2018						Total
	Without maturity	Up to 3 months	3 to 12 months	1 to 3 Years	3 to 5 years	Over 5 years	
Federal government securities	-	9,209	322	607,528	98,989	1,060,053	1,776,101
Treasury Bills - LFT	-	9,209	-	607,528	98,989	1,060,053	1,775,779
National Treasury Notes - NTN	-	-	322	-	-	-	322
Foreign securities	-	901	104	-	34,828	10,048	45,881
Eurobonds and similar instruments	-	901	104	-	34,828	10,048	45,881
Private-sector securities	-	-	136,877	-	-	-	136,877
Debentures ⁽¹⁾	-	-	136,877	-	-	-	136,877
Investment fund units	64,487	-	-	-	-	-	64,487
Real estate investment fund	47,320	-	-	-	-	-	47,320
Fixed-income investment fund	15,722	-	-	-	-	-	15,722
Other investment funds	1,445	-	-	-	-	-	1,445
Total	64,487	10,110	137,303	607,528	133,817	1,070,101	2,023,346

	Consolidated						Total
	Without maturity	Up to 3 months	3 to 12 months	1 to 3 Years	3 to 5 years	Over 5 years	
Federal government securities	-	20,479	24,667	449,889	759,427	100,989	1,355,451
Treasury Bills - LFT	-	20,479	24,667	449,889	758,612	100,765	1,354,412
National Treasury Notes - NTN	-	-	-	-	-	224	224
National treasury bills - LTN	-	-	-	-	815	-	815
Foreign securities	-	4,952	295	31,420	42,294	32,354	111,315
Eurobonds and similar instruments	-	4,952	221	31,420	42,294	20,263	99,150
Government bonds from other countries	-	-	74	-	-	12,091	12,165
Private-sector securities	-	-	218,174	104	45	1,793	220,116
Debentures ⁽¹⁾	-	-	218,174	-	-	1,793	219,967
Agribusiness Receivables Certificate - CRA	-	-	-	84	-	-	84
Bank Deposit Certificate	-	-	-	10	45	-	55
Bills of exchange	-	-	-	10	-	-	10
Investment fund units	338,790	-	-	-	-	-	338,790
Fixed-income investment fund	217,348	-	-	-	-	-	217,348
Real estate investment fund	57,298	-	-	-	-	-	57,298
Multimarket investment fund	39,624	-	-	-	-	-	39,624
Equity funds	22,616	-	-	-	-	-	22,616
Other investment funds	1,904	-	-	-	-	-	1,904
Total	338,790	25,431	243,136	481,413	801,766	135,136	2,025,672

	2018						Total
	Without maturity	Up to 3 months	3 to 12 months	1 to 3 Years	3 to 5 years	Over 5 years	
Federal government securities	-	28,564	322	620,875	99,187	1,060,053	1,809,001
Treasury Bills - LFT	-	28,564	-	620,875	99,187	1,060,053	1,808,679
National Treasury Notes - NTN	-	-	322	-	-	-	322
Foreign securities	-	901	104	4,415	53,004	24,263	82,687
Eurobonds and similar instruments	-	901	104	4,415	53,004	24,263	82,687
Private-sector securities	-	-	136,877	-	40	-	136,917
Debentures ⁽¹⁾	-	-	136,877	-	-	-	136,877
Bank Deposit Certificate	-	-	-	-	40	-	40
Investment fund units	271,259	-	-	-	-	-	271,259
Fixed-income investment fund	187,571	-	-	-	-	-	187,571
Real estate investment fund	47,321	-	-	-	-	-	47,321
Multimarket investment fund	22,631	-	-	-	-	-	22,631
Equity fund	12,291	-	-	-	-	-	12,291
Other investment funds	1,445	-	-	-	-	-	1,445
Total	271,259	29,465	137,303	625,290	152,231	1,084,316	2,299,864

(1) As set forth in the sole paragraph of Article 7 of BACEN Circular Letter No. 3068/01, securities classified as "Trading securities" are recognized in current assets, regardless of their respective maturities.

c) Derivatives:

The Bank conducts derivative transactions recorded in balance sheet, profit or loss and memorandum accounts to meet its own and the clients' needs.

Derivatives used are properly approved based on the product use policy. Pursuant to this policy, prior to the implementation of each product, all aspects should be analyzed, such as: objectives, methods of use, underlying risks and appropriate supporting operational infrastructure.

The credit and market risk components of derivatives are monitored on a daily basis, and specific limits are set for derivative transactions for clients and also for registration and settlement chambers. Such limits are managed through a system that consolidates exposures by counterparty. Any discrepancies are promptly identified and addressed for immediate solution.

The market risk of derivatives is managed based on a prevailing risk policy, pursuant to which potential risks of price fluctuations in the financial markets are centralized in the Treasury department, which provides hedge for the other areas.

The main derivative financial instruments used by the Bank include swaps, non-deliverable forwards (NDF), US dollar futures (DOL), interest rate (DI) and foreign exchange coupon (DDI). BACEN Circular Letter 3082/02 permitted a specific accounting in those cases derivatives are used to hedge against changes in the fair value or cash flow of the Bank.

No derivative transactions were conducted between the Group companies.

d) Hedge:

The hedging strategy is determined based on the Bank's operating risk exposure limits. Whenever its transactions have risk exposures above the preset limits, which might result in significant fluctuations in the Bank's profit or loss, the Bank uses derivatives, contracted in the organized or over-the-counter market, to hedge against such risks, according to the hedging rules set forth in BACEN Circular Letter 3082/02.

The hedge instruments seek to mitigate market, currency fluctuation and interest rate risks. According to the market liquidity, the maturity dates of hedge instruments are the closest possible to the dates of the financial flows of the hedged transactions so as to ensure an efficient hedge.

Hedge Accounting

Market Risk Hedge

The Bank has a market risk hedge structure designed to offset the risks arising from the exposure to changes in the fair value relating to the fluctuation of foreign currency (US dollar and euro fluctuation) and of the Libor interest rate on foreign borrowings - (hedged items) recorded in "Payables for securities issued abroad" (Note 16.2) and "Payables for foreign borrowings" (Note 17).

The table below summarizes the market risk hedge structure:

2019				Changes in fair value			
Hedged item	Maturity	Principal Value	Hedge Instrument	Hedged item	Hedge Instrument	Effectiveness	
Issuance abroad	12/13/2024	USD 350,000	Swap	29,628	-	36,218	122.24%
IIC Funding - A / B Loan	7/15/2020	USD 20,000	Swap	-	19,590	19,577	99.93%
IFC Funding	3/15/2022	USD 110,000	Swap	-	155,967	153,563	98.46%
IDB Funding - A / B Loan	12/15/2023	USD 150,000	Swap	6,755	-	7,038	104.19%
IDB Funding - A / B Loan	12/15/2021	USD 253,000	Swap	11,410	-	11,370	99.65%
IDB Funding - A / B Loan	12/15/2021	€ 25,000	Swap	1,084	-	1,090	100.55%
Total				-	126,680	117,424	

2018		Changes in fair value					
Hedged Item	Maturity	Principal Value	Hedge Instrument		Hedged Item	Hedge Instrument	Effectiveness
IFC Funding	3/15/2019	USD 105,000	Swap	-	100,704	100,938	100.23%
IFC Funding	3/15/2019	€ 55,500	Swap	-	68,326	67,161	98.29%
Foreign issuance	3/18/2019	USD 500,000	Swap	-	446,322	446,781	100.10%
IIC Funding - A/B Loan	7/15/2020	USD 20,000	Swap	-	18,043	18,055	100.07%
IFC Funding	3/15/2022	USD 110,000	Swap	-	116,484	115,033	98.75%
Total				-	749,879	747,968	

The accounting hedge structure for these transactions was established by linking a cash flow swap contract to each borrowing maturity, either interest or principal plus interest, and the Bank's long position is identical to the yield of borrowings agreements.

e) Fair value:

The fair value of derivative instruments is determined using available market information, mainly prices and rates disclosed by the B3 S.A. - Brasil, Bolsa, Balcão. When applicable, the Bank adopts mathematical models of rate interpolation for intermediate terms, and rate extrapolation for longer terms.

The following pricing methodologies were adopted for calculating the fair value of derivatives:

- Futures transactions - quotations disclosed by B3 S.A. - Brasil, Bolsa, Balcão.
- Swap agreements and non-deliverable forwards (NDF) - use of the future cash flow, discounted to present value based on future interest curves, obtained from information disclosed by B3 S.A. - Brasil, Bolsa, Balcão.

f) Breakdown of balances recorded in balance sheet accounts in captions “Derivatives” and “Trading account”:

Assets	2019		2018	
	Current	Noncurrent	Current	Noncurrent
Derivatives	29,416	111,650	304,862	95,719
Swaps - differential receivable	8,127	108,666	278,581	94,744
Currency forward receivable	18,928	2,782	26,281	975
Premium paid on the purchase of call options	2,361	202	-	-
Trading account	12,207	267	1,779	-
Futures pending settlement	8,718	-	1,779	-
Dollar futures (DOL)	2,595	-	330	-
Foreign exchange coupon (DDI)	6,039	-	1,358	-
Interest rate (DI)	82	-	91	-
Coupon future IPC-A (DAP)	2	-	-	-
Unsettled option premium	3,489	267	-	-
Call options	3,489	267	-	-

Liabilities	2019		2018	
	Current	Noncurrent	Current	Noncurrent
Derivatives	27,019	73,956	29,662	-
Swaps - differential payable	1,980	72,345	9,631	-
Currency forward payable	22,678	1,409	20,031	-
Premium received on the sale of call options	2,361	202	-	-
Trading account	7,776	141	3,035	-
Futures pending settlement	5,292	-	3,035	-
Interest rate (DI)	2,659	-	459	-
Foreign exchange coupon (DDI)	1,849	-	1,153	-
Dollar futures (DOL)	777	-	1,423	-
Coupon future IPC-A (DAP)	7	-	-	-
Unsettled option premium	2,484	141	-	-
Call options	2,484	141	-	-

Differentials receivable and payable and daily adjustments paid or received for financial assets and financial liabilities are recorded in respective balance sheet accounts as “Derivatives” and “Trading account” which, as at December 31, 2019 and 2018, are adjusted to fair value, and the notional values of these transactions are recorded in memorandum accounts (Note 6.j).

g) Breakdown by type of contract and counterparty (Bank and consolidated):

Contracts	Type of counterparty	2019		2018	
		Amounts receivable	Amounts (payable)	Amounts receivable	Amounts (payable)
Futures	B3 S.A. - Brasil, Bolsa, Balcão	8,718	-	1,779	-
	Total futures transactions	8,718	-	1,779	-
Swap	Financial institutions	108,276	-	371,292	-
	Companies	8,517	-	2,033	-
	Total swap transactions	116,793	-	373,325	-
Forward	Financial institutions	-	-	-	-
	Companies	21,710	-	27,256	-
	Total forward transactions	21,710	-	27,256	-
Options	Financial institutions	-	-	-	-
	Companies	2,563	-	-	-
	Total options transactions	2,563	-	-	-

h) Swap contracts (Bank and Consolidated):

	2019					
	Notional value	Cost Value		Fair Value		Differential receivable (payable)
		Bank	Counterparty	Bank	Counterparty	
Lending operations						
Accounting hedge objective (Note 6.d)	365,711	469,835	366,856	470,394	362,117	108,277
LIBOR x CDI	365,711	469,835	366,856	470,394	362,117	108,277
Trading objective	113,119	113,595	111,976	120,761	112,245	8,516
PRE x DOLLAR	46,357	47,601	46,154	49,752	46,826	2,926
CDI x DOLLAR	35,790	35,910	34,648	35,779	34,254	1,525
DOLLAR x CDI	29,835	28,904	29,982	34,046	29,982	4,064
CDI X EURO	1,137	1,180	1,192	1,184	1,183	1
Total lending operations	478,830	583,430	478,832	591,155	474,362	116,793
Borrowing operations						
Accounting hedge objective (Note 6.d)	3,194,894	3,153,742	3,199,039	3,139,036	3,213,070	- 74,034
DOLLAR X CDI	1,442,055	1,414,136	1,443,357	1,406,334	1,451,336	- 45,002
DOLLAR x PRE	1,028,951	1,020,958	1,030,722	1,017,260	1,034,393	- 17,133
LIBOR X CDI	610,450	605,331	611,324	603,131	613,163	- 10,032
EURO x PRE	113,438	113,317	113,636	112,311	114,178	- 1,867
Trading objective	25,375	25,343	25,544	27,482	27,773	- 291
CDI x PRE	20,377	20,442	20,456	22,483	22,674	- 191
DOLLAR x CDI	4,263	4,130	4,284	4,205	4,284	- 79
PRE x DOLLAR	735	771	804	794	815	- 21
Total de borrowing operations	3,220,269	3,179,085	3,224,583	3,166,518	3,240,843	- 74,325

	2018					
	Notional value	Cost Value		Fair Value		Differential receivable (payable)
		Bank	Counterparty	Bank	Counterparty	
Lending operations						
Accounting hedge objective (Note 6.d)	2,489,182	2,733,190	2,569,158	2,734,882	2,564,529	170,353
PRE x CDI	1,776,750	1,853,976	1,853,972	1,853,976	1,853,972	4
LIBOR x CDI	712,432	879,214	715,186	880,906	710,557	170,349
Trading objective	1,759,810	2,743,918	2,536,059	2,741,567	2,538,595	202,972
CDI x DOLLAR	1,147,133	1,454,138	1,447,671	1,454,347	1,447,584	6,763
DOLLAR x CDI	610,175	1,287,158	1,085,957	1,284,217	1,088,316	195,901
PRE x DOLLAR	2,502	2,622	2,431	3,003	2,695	308
Total lending operations	4,248,992	5,477,108	5,105,217	5,476,449	5,103,124	373,325
Borrowing operations						
Accounting hedge objective (Note 6.d)	1,961,199	2,220,404	2,229,282	2,220,404	2,229,282	- 8,878
EMTA x PRE	1,776,750	1,973,119	1,980,944	1,973,119	1,980,944	- 7,825
EURO x CDI	184,449	247,285	248,338	247,285	248,338	- 1,053
Trading objective	16,785	17,108	17,933	17,111	17,864	- 753
CDI x DOLLAR	16,785	17,108	17,933	17,111	17,864	- 753
Total borrowing operations	1,977,984	2,237,512	2,247,215	2,237,515	2,247,146	- 9,631

i) Forward contracts (Bank and Consolidated):

2019						
Currency Forward	Notional value	Cost Value		Fair Value		Differential receivable (payable)
		Bank	Counterparty	Bank	Counterparty	
Trading objective						
Non-deliverable currency forward purchase	271,766	284,874	275,933	284,874	274,706	10,168
Non-deliverable currency forward sale	487,387	475,703	486,920	475,703	464,161	11,542
Total lending operations	759,153	760,577	762,853	760,577	738,867	21,710
Trading objective						
Non-deliverable currency forward sale	851,833	835,127	855,481	835,127	859,186	- 24,059
Non-deliverable currency forward purchase	2,471	2,565	2,512	2,565	2,593	- 28
Total Borrowing operations	854,304	837,692	857,993	837,692	861,779	- 24,087

2018						
Currency Forward	Notional value	Cost Value		Fair Value		Differential receivable (payable)
		Bank	Counterparty	Bank	Counterparty	
Trading objective						
Non-deliverable currency forward purchase	361,861	377,452	364,562	377,451	365,163	12,288
Non-deliverable currency forward sale	1,331,779	1,330,055	1,338,688	1,330,055	1,315,087	14,968
Total lending operations	1,693,640	1,707,507	1,703,250	1,707,506	1,680,250	27,256
Trading objective						
Non-deliverable currency forward purchase	991,130	984,382	997,437	984,382	1,000,106	- 15,724
Non-deliverable currency forward sale	175,647	180,465	140,291	180,465	184,772	- 4,307
Total Borrowing operations	1,166,777	1,164,847	1,137,728	1,164,847	1,184,878	- 20,031

j) Future contracts (Bank and Consolidated):

			2019				
			Notional value		Total exposure	Daily adjustments	
			Long Position	Short Position		receivable	(payable)
Contracts							
Trading objective							
Foreign exchange coupon (DDI)			379,031	839,645	1,218,676	6,039	- 2,659
Interest rate (DI)			208,754	5,676,017	5,884,771	82	- 1,849
Dollar futures (DOL)			2,015	291,627	293,642	2,595	- 777
Coupon future IPC-A (DAP)			-	11,544	11,544	2	- 7
Total			589,800	6,818,833	7,408,633	8,718	- 5,292

			2018				
			Notional value		Total exposure	Daily adjustments	
			Long Position	Short Position		receivable	(payable)
Contracts							
Trading objective							
Foreign exchange coupon (DDI)			308,019	411,616	719,635	1,358	- 459
Interest rate (DI)			44,989	3,053,318	3,098,307	91	- 1,153
Dollar futures (DOL)			367,496	-	367,496	330	- 1,423
Total			720,504	3,464,934	4,185,438	1,779	- 3,035

k) Option contracts (Bank and Consolidated):

Contracts	2019				
	Asset subject	Notional value	Amounts of premiums paid (received)		Fair Value
			Curves		
Option purchase					
Purchase of call options	DOLLAR	68,825	2,625		2,563
Option sale					
Sale of call options	DOLLAR	75,276	- 3,756		2,563

l) Operations by maturity (notional values) (Bank and Consolidated):

Contracts	2019					Total
	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	
Futures	1,733,837	2,456,581	2,767,513	450,702	-	7,408,633
Swap	16,562	84,409	1,509,005	641,893	1,447,230	3,699,099
Forward	790,268	731,645	80,175	11,369	-	1,613,457
Options	2,437	136,479	5,185	-	-	144,101
Total	2,543,104	3,409,114	4,361,878	1,103,964	1,447,230	12,865,290

Contracts	2018					Total
	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	
Futures	989,748	1,574,474	1,436,933	139,295	44,988	4,185,438
Swap	5,791,589	52,128	33,519	349,740	-	6,226,976
Forward	2,467,099	363,015	30,303	-	-	2,860,417
Total	9,248,436	1,989,617	1,500,755	489,035	44,988	13,272,831

m) Trading location (Bank and Consolidated):

	Notional value	
	2019	2018
Futures / Swap / Forward		
B3 S.A. - Brasil, Bolsa, Balcão	12,865,290	13,272,831

n) Collateral margins (Bank and Consolidated):

Federal government securities	2019		2018	
	Cost Value	Market value	Cost Value	Market value
Treasury Bills – LFT	307,073	307,046	215,585	215,547

Federal government bonds are pegged to guarantees for outstanding futures transactions at B3 S.A. - Brasil, Bolsa, Balcão as at December 31, 2019 and 2018.

7. LENDING, OTHER LENDING AND LEASING OPERATIONS

a) Breakdown of the loan, other loan and leasing portfolio:

	Bank			
	2019		2018	
	Current	Noncurrent	Current	Noncurrent
Loans ⁽¹⁾	6,410,804	6,237,300	5,493,314	4,813,958
Discounted trade notes	1,197,723	361	708,116	979
Loans assigned with substantial retention of risks and benefits (Note 8)	20,017	10,884	37,033	35,145
Financing	1,895,787	946,935	1,693,762	712,945
Rural and agro-industrial financing	152,624	61,643	52,177	2,444
Total lending operations	9,676,955	7,257,123	7,984,402	5,565,471
Guarantees and collaterals	1,015	-	-	-
Payables for purchase of assets (Note 10.b)	9,140	1,895	12,873	8,491
Other credit and notes receivable (Note 10.b)	5,795,634	32,580	3,210,382	15,489
Credits linked to transactions acquired under assignment (Note 10.b) ⁽²⁾	32,852	26,688	51,219	59,028
Financed imports (Note 20.a)	-	-	509	-
Advances on foreign exchange contracts (Note 10.a and 20.a)	618,163	-	569,363	-
Total other credits	6,456,804	61,163	3,844,346	83,008
Total	16,133,759	7,318,286	11,828,748	5,648,479

	Consolidated			
	2019		2018	
	Current	Noncurrent	Current	Noncurrent
Loans ⁽¹⁾	6,410,804	6,237,300	5,493,314	4,813,958
Discounted trade notes	1,197,723	361	708,116	979
Loans assigned with substantial retention of risks and benefits (Note 8)	20,017	10,884	37,033	35,145
Financing	1,956,989	1,035,187	1,727,967	740,973
Rural and agro-industrial financing	152,624	61,643	52,177	2,444
Total lending operations	9,738,157	7,345,375	8,018,607	5,593,499
Financial leasing	415,755	549,910	320,405	401,910
Operating leasing	46,514	38,382	36,848	28,222
Total leasing operations	462,269	588,292	357,253	430,132
Sureties and pledges honored	1,015	-	-	-
Payables for purchase of assets (Note 10.b)	9,140	1,895	12,873	8,491
Other credit and notes receivable (Note 10.b)	5,799,437	32,580	3,210,382	15,489
Credits linked to transactions acquired under assignment (Note 10.b) ⁽²⁾	32,852	26,688	51,219	59,028
Financed imports (Note 20.a)	-	-	509	-
Advances on foreign exchange contracts (Note 10.a and 20.a)	618,163	-	569,363	-
Total other credits	6,460,607	61,163	3,844,346	83,008
Total	16,661,033	7,994,830	12,220,206	6,106,639

(1) Includes linked credit transactions as set forth in CMN Resolution 2.921/02 (Note 7.h).

(2) Credit transactions acquired from a financial institution comprising the National Financial System subject to risk and benefit retention by the assignor.

b) Breakdown of the loan, other loan and leasing portfolio by risk level:

Risk Level	Bank							
	2019				2018			
	Total portfolio	Allowance			Total portfolio	Allowance		
		Required by BACEN Res. 2682/99 ⁽¹⁾	Additional ⁽²⁾	Total allowance		Required by BACEN Res. 2682/99 ⁽¹⁾	Additional ⁽²⁾	Total allowance
AA	3,276,191	-	-	-	1,316,083	-	-	-
A	6,982,997	34,915	20,473	55,388	7,390,511	36,954	29,562	66,516
B	9,040,782	90,408	171,777	262,185	6,334,105	63,341	120,348	183,689
C	2,733,075	81,992	117,522	199,514	1,186,409	35,593	15,423	51,016
D	617,425	61,743	-	61,743	366,672	36,667	-	36,667
E	114,758	34,427	-	34,427	77,982	23,394	-	23,394
F	88,359	44,179	-	44,179	135,349	67,674	-	67,674
G	37,373	26,161	-	26,161	43,660	30,562	-	30,562
H	561,085	561,085	-	561,085	626,456	626,456	-	626,456
Total	23,452,045	934,910	309,772	1,244,682	17,477,227	920,641	165,333	1,085,974

Risk Level	Consolidated							
	2019				2018			
	Total portfolio	Allowance			Total portfolio	Allowance		
		Required by BACEN Res. 2682/99 ⁽¹⁾	Additional ⁽²⁾	Total allowance		Required by BACEN Res. 2682/99 ⁽¹⁾	Additional ⁽²⁾	Total allowance
AA	3,381,725	-	-	-	1,316,083	-	-	-
A	7,444,784	37,224	20,473	57,697	7,758,115	38,791	29,562	68,353
B	9,584,300	95,843	171,775	267,618	6,723,487	67,235	120,348	187,583
C	2,803,867	84,116	117,522	201,638	1,259,874	37,797	15,423	53,220
D	625,607	62,561	-	62,561	374,560	37,456	-	37,456
E	117,933	35,380	-	35,380	84,672	25,402	-	25,402
F	90,361	45,180	-	45,180	138,128	69,064	-	69,064
G	37,395	26,176	-	26,176	43,685	30,579	-	30,579
H	569,891	569,891	-	569,891	628,241	628,241	-	628,241
Total	24,655,863	956,371	309,770	1,266,141	18,326,845	934,565	165,333	1,099,898

(1) Refers to the allowance for loan losses considering the minimum percentage rates required by CMN Resolution No. 2682/99, as mentioned in Note 3.g.

(2) Additional allowance recognized in relation to the minimum percentage required by the prevailing regulation, based on specific credit risk rating methodology.

c) Breakdown of the loan, other loan and leasing portfolio by business sector

	Bank		Consolidated	
	2019	2018	2019	2018
Private sector	23,259,783	17,367,050	24,463,601	18,216,668
Industrial	6,187,186	4,825,155	6,421,780	5,018,420
Commercial	4,805,317	3,335,420	4,960,968	3,476,737
Financial	85,603	120,443	90,954	124,439
Other services	4,235,743	2,815,274	5,037,660	3,325,775
Individuals	7,945,934	6,270,758	7,951,928	6,270,758
Rural	-	-	311	539
Public sector	192,262	110,177	192,262	110,177
Total	23,452,045	17,477,227	24,655,863	18,326,845

d) Breakdown of the loan, other loan and leasing portfolio by maturity

	Bank		Consolidated	
	2019	2018	2019	2018
Current				
Up to 3 months	9,209,368	6,288,191	9,391,767	6,421,368
3 to 12 months	6,687,671	5,274,066	7,030,210	5,531,406
1 to 3 years	4,971,219	3,892,038	5,503,008	4,281,865
3 to 5 years	1,649,501	1,271,022	1,779,765	1,339,095
Over 5 years	697,566	485,419	712,057	485,679
Total - current	23,215,325	17,210,736	24,416,807	18,059,413
Past-due				
Up to 60 days	101,954	87,247	102,523	87,940
61 to 90 days	17,743	31,125	18,027	31,229
91 to 180 days	38,005	44,226	38,684	44,344
181 to 360 days	79,018	103,893	79,822	103,919
Total - past-due	236,720	266,491	239,056	267,432
Total	23,452,045	17,477,227	24,655,863	18,326,845

e) Concentration of credit risk:

	Bank			
	2019	2018		
	Amount	% on portfolio	Amount	% on portfolio
Largest debtors				
10 largest debtors	2,204,501	9.40	1,113,947	6.37
50 next largest debtors	2,888,510	12.32	2,076,303	11.88
100 next largest debtors	2,174,520	9.27	1,780,317	10.19
Other debtors	16,184,514	69.01	12,506,660	71.56
Total	23,452,045	100.00	17,477,227	100.00

	Consolidated			
	2019	2018		
	Amount	% on portfolio	Amount	% on portfolio
Largest debtors				
10 largest debtors	2,545,660	10.32	1,326,821	7.24
50 next largest debtors	3,233,169	13.11	2,305,889	12.58
100 next largest debtors	2,380,867	9.66	1,952,110	10.65
Other debtors	16,496,167	66.91	12,742,025	69.53
Total	24,655,863	100.00	18,326,845	100.00

f) Renegotiated lending and leasing operations:

During the 2019, the Bank renegotiated delinquent customers' loans in the amount of R\$865,510, respectively (R\$563,170 in 2018) and Daycoval Leasing renegotiated leasing operations in the amount of R\$6,281 (R\$4,215 in 2018).

g) Recovery of loans written off as loss:

During 2019, the Bank recovered credits previously written off as loss, in the amounts of R\$148,500 (R\$229,505 in 2018) (Note 25.a) and Daycoval Leasing recovered R\$803 in 2019 (recovered R\$829 in 2018) (Note 25.b), recognized in the income statements.

h) Linked lending transactions:

The table below shows the information on linked lending transactions carried out as set forth in CMN Resolution 2.921/02:

	2019	2018
	Up to 12 months	Up to 12 months
Linked lending transactions		
Lending transactions	52,708	24,355
Payables for linked lending transactions		
Bank Certificates of Deposit (CDBs)	58,704	25,291

8. ASSIGNMENT OF LOANS (Bank and Consolidated):

Loan assignments carried out by the Bank meet the accounting criteria described in CMN Resolution 3533/08 (Note 3.h), regarding the classification of these assignments in the category "Operations with substantial retention of risks and benefits."

During year ended December 31, 2019, and 2018 there were no assignment of loans.

As at December 31, 2019, the carrying amount of credit assignments recorded in "Lending operations" (Note 7.a) amounts to R\$30,901 (R\$72,178 in 2018) with the respective obligation assumed by the assignment recognized in "Other obligations – Sundry – Payables for sales operations and transfer of financial assets" (Note 20.d) in the amount of R\$36,794 (R\$86,864 in 2018).

Such loan assignments did not generate advanced profit or loss for the Bank.

9. ALLOWANCE FOR LOAN, OTHER CREDIT AND LEASE LOSSES

The allowance for loan, other credit and lease losses was recognized based on the criteria described in note 3.g) and is considered sufficient to cover probable losses.

During year ended December 31, 2019 and 2018, the changes in the expenses on the allowance for loan, other credit and lease losses, recognized in the income statements, under "Allowance for loan losses", were as follows:

2019	Opening allowance balance	Recognition of allowance			Write-off of transactions against loss	Closing allowance balance
		Required by BACEN Res. 2682/99 ⁽¹⁾	Additional ⁽²⁾	Total allowance expenses		
Bank	1,085,974	323,603	147,442	471,045	- 312,337	1,244,682
Daycoval Leasing	13,924	7,885	-	7,885	- 350	21,459
Total - Consolidated	1,099,898	331,488	147,442	478,930	- 312,687	1,266,141

	Bank	Consolidated
Current assets - lending operations	611,490	612,333
Noncurrent long-term assets - lending operations	505,493	506,322
Current assets - other sundry credits	127,120	127,120
Noncurrent assets - other sundry credits	579	579
Current assets - leasing	-	10,483
Noncurrent long-term assets - leasing	-	9,304
Total allowance for loan and other loan losses with loan and lease characteristics	1,244,682	1,266,141
Noncurrent assets - other sundry loans without loan characteristics ⁽³⁾	28,438	28,438
Total allowance for other loan losses without loan characteristics	28,438	28,438
Total	1,273,120	1,294,579

2018	Opening allowance balance	Recognition of allowance			Write-off of transactions against loss	Closing allowance balance
		Required by BACEN Res. 2682/99 ⁽¹⁾	Additional ⁽²⁾	Total allowance expenses		
Bank	916,075	533,008	165,333	698,341	- 528,442	1,085,974
Daycoval Leasing	14,399	570	-	570	- 1,045	13,924
Total - Consolidated	930,474	533,578	165,333	698,911	- 529,487	1,099,898

	Bank	Consolidated
Current assets - lending operations	542,790	543,847
Noncurrent long-term assets - lending operations	403,522	404,001
Current assets - other sundry credits	139,136	139,136
Noncurrent assets - other sundry credits	526	526
Current assets - leasing	-	6,253
Noncurrent long-term assets - leasing	-	6,135
Total	1,085,974	1,099,898

(1) Refers to the allowance for loan losses considering the minimum percentage rates required by CMN Resolution No. 2682/99, as mentioned in Note 3.g.

(2) Additional allowance recognized in relation to the minimum percentage required by the prevailing regulation, based on specific credit risk rating methodology.

(3) Refers to the expense on allowance for other loan losses without loan characteristics, recognized in the income statements in line item "Other operating expenses".

10. OTHER CREDITS

Other credits are broken down as follows:

a) Foreign exchange portfolio (Bank and Consolidated)

	2019	2018
	Current	Current
Foreign exchange purchased pending settlement	960,853	678,972
Right on foreign exchange sold	472,090	372,360
(-) Advances received in local currency	-	2,638
Income receivable from advances granted (Note 7.a)	14,258	15,000
Total	1,444,563	1,064,558

b) Sundry:

	Bank			
	2019		2018	
	Current	Noncurrent	Current	Noncurrent
Salary advances	-	-	854	-
Advances for payment of our account	15,597	-	13,692	-
Advances for constructions in progress	270	-	85	-
Tax credits (Note 22.c)	388,130	919,331	473,452	552,405
Debtors for purchase of assets (Note 7.a)	9,140	1,895	12,873	8,491
Debtors for escrow deposits ⁽¹⁾	-	1,308,578	3,158	1,695,149
Recoverable taxes ⁽²⁾	159,094	-	137,460	-
Reimbursable payments	889	-	891	-
Prepaid profit sharing	26,897	-	27,169	-
Credits linked to transactions acquired under assignment (Note 7.a)	32,852	26,688	51,219	59,028
Discount on the acquisition of lending operations ⁽³⁾	9,572	-	7,908	1,496
Other credits and notes receivables (Note 7.a)	5,795,634	32,580	3,210,382	15,489
Sundry debtors	92,087	-	28,649	-
Total	6,530,162	2,289,072	3,951,976	2,329,066

	Consolidated			
	2019		2018	
	Current	Noncurrent	Current	Noncurrent
Salary advances	51	-	929	-
Advances for payment of our account	16,225	-	13,850	-
Advances for constructions in progress	270	-	85	-
Tax credits (Note 22.c)	395,151	924,266	476,545	558,279
Debtors for purchase of assets (Note 7.a)	9,140	1,895	12,873	8,491
Debtors for escrow deposits ⁽¹⁾	-	1,311,098	3,158	1,703,643
Recoverable taxes ⁽²⁾	190,549	-	152,609	-
Recoverable income tax	19	-	-	-
Reimbursable payments	-	889	891	-
Prepaid profit sharing	-	27,392	27,169	-
Credits linked to transactions acquired under assignment (Note 7.a)	32,852	26,688	51,219	59,028
Discount on the acquisition of lending operations ⁽³⁾	9,572	-	7,908	1,496
Other credits and notes receivables (Note 7.a)	5,799,437	32,580	3,210,382	15,489
Sundry debtors	105,537	-	35,417	-
Total	6,558,803	2,324,808	3,977,219	2,343,434

(1) As at December 31, 2019, refers to the accounting for deposits linked to legal requirements (Note 23.b), made for the filing of appeals relating to: (i) taxes and contributions in the amount of R\$1,270,531 for the Bank and for the Consolidated (R\$1,662,901 for the Bank and R\$1,669,014 for the Consolidated in 2018); (ii) labor, amounting to R\$8,689 for the Bank and R\$11,011 for the Consolidated (R\$10,616 for the Bank and R\$12,897 for the Consolidated in 2018); (iii) civil, amounting to R\$29,357 for the Bank and for the Consolidated (R\$24,789 for the Bank and for the Consolidated in 2018); and (iv) Daycoval Leasing rental guarantee in the amount of R\$197 (R\$100 as at December 31, 2018).

(2) As at December 31, 2019 the caption "Recoverable taxes" is composed mainly of prepaid income tax and social contribution in the amount of R\$156,849 (R\$135,441 as at 2018) for the Bank, and R\$168,884 (R\$147,275 as at 2018) for the Consolidated.

(3) As at December 31, 2019 and December 31, 2018 refers to discounts obtained on the acquisition of lending operations from other institutions comprising the National Financial System, to be recognized in the income statements of Banco Daycoval, in caption "Lending operations", due to the term of transactions.

11. OTHER ASSETS

Other assets	2019		2018	
	Current	Noncurrent	Current	Noncurrent
Reposessed assets ⁽¹⁾	117,161	-	92,832	-
(-) Allowance for depreciation of reposessed assets	- 8,337	- -	- 8,422	-
Total reposessed assets ⁽²⁾	108,824	-	84,410	-
Prepaid expenses ⁽³⁾				
Bank	7,015	18,226	21,110	2,249
Consolidated	7,015	18,226	20,035	2,249

(1) Refer to assets received as payment for loans.

(2) As at December 31, 2019, the total of reposessed assets amounts to R\$108,891 (R\$84,426 in 2018) for the Consolidated.

(3) Refer mainly to expenses on commissions paid in advance upon origination of loans (Note 3.j).

As mentioned in Note 3.j), the Bank elected to adopt the provision set forth in paragraph 1 of Circular Letter 3693/13, as amended by Circular Letter 3738/14, both from BACEN, and recognized in "Prepaid expenses" the commissions paid to correspondents upon origination of loans in years prior to 2017. Beginning January 1, 2017, expenses on commissions were directly recognized in profit or loss for the period, upon origination of loans. During the year ended December 31, 2018, the total commissions paid to third parties for the origination of loans, according to the criteria established in the aforementioned regulations, recognized in the income statements (Note 25.i) amounted to R\$197,430 (R\$175,395 in 2018).

12. INVESTMENTS

Investments are represented by investments in subsidiaries; the main information on these investments are as follows:

a) Direct subsidiaries:

	Daycoval Leasing		Dayprev ⁽³⁾	
	2019	2018	2019	2018
Total Assets	1,392,725	975,947	101,007	101,306
Total Liabilities	926,658	570,043	67,215	68,402
Equity	466,067	405,904	33,793	32,904
Negative goodwill on acquisition (Nota 3.u)	-	40,838	-	-
Capital ⁽⁴⁾	206,805	206,805	25,000	25,000
Number of shares	5,780,078,463	5,780,078,463	19,591,614	19,591,614
Net income for the year	60,163	55,515	890	1,574
Ownership interest - %	100.00%	100.00%	97.00%	97.00%
Adjusted investment	425,229	358,164	32,697	31,916
Share of profit (loss) of subsidiaries of the period	60,163	55,515	863	1,527

	ACS ⁽⁵⁾		Daycoval Asset	
	2019	2018	2019	2018
Total Assets	840,262	814,269	49,093	42,696
Total Liabilities	34,247	38,125	2,935	2,016
Equity	806,015	776,144	46,158	40,680
Capital	623,597	623,448	1,554	1,554
Number of shares	54,225,800	54,212,863	36,875	36,875
Net income for the year	27,248	37,528	5,476	4,582
Ownership interest - %	99.99%	99.99%	99.99%	99.99%
Adjusted investment	806,014	760,513	46,157	40,680
Share of profit (loss) of subsidiaries of the period ⁽³⁾	42,878	60,516	5,477	4,582

b) Indirect subsidiaries

	Treetop ⁽²⁾		IFP ⁽⁴⁾		SCC	
	2019	2018	2019	2018	2019	2018
Total Assets	78,864	72,943	261,481	62,382	13,613	13,154
Total Liabilities	-	6,353	18,992	15,143	199	125
Equity	78,864	66,590	242,489	47,239	13,414	13,029
Capital	10,756	10,340	260,020	60,020	10,020	10,020
Number of shares	2,668,585	2,668,585	260,020,000	60,020,000	10,020,000	10,020,000
Net income for the year	6,989	6,096	4,749	3,258	386	261
Ownership interest - %	100.00%	100.00%	99.99%	99.99%	99.99%	99.99%
Adjusted investment	78,864	66,590	242,489	47,234	13,414	13,028
Share of profit (loss) of subsidiaries of the period ⁽¹⁾	6,989	6,096	4,749	3,258	386	261

(1) As at December 31, 2019, revenues from share of profit of investees amounts to R\$2,626 (R\$3,099 in 2018), which were recognized in profit or loss of ACS Participações (direct parent company), as mentioned in table 12.a.

(2) As at December 31, 2019, income from exchange variation in the amount of R\$1,934 was recognized in the result of ACS Participações (direct parent company), as mentioned in table 12.a) above (expense of R\$8,785 in 2018) on the investment in Treetop.

(3) The increase of Dayprev's capital in the amount of R\$10 million was decided and approved at the Extraordinary General Meeting held on October 30, 2018, upon the payment of earnings reserves and issuance of 4,591,614 million registered common shares granted to shareholders as bonus. This increase was approved by SUSEP on January 2, 2019.

(4) On July 8, 2019, ACS increased capital by R\$200 million in IFP.

(5) On June 17, 2019, ACS increased capital by R\$149 million, upon the merger of part of the balance in line item "Capital reserves", recognized in the balance sheet as at May 31, 2019.

13. FOREIGN BRANCH

The balances of the transactions of Banco Daycoval S.A. - Cayman Branch (foreign branch) conducted with third parties and included in the Bank's financial statement information as at December 31, 2019 and 2018, are as follows:

	2019		2018	
	US\$ mil	R\$ mil ⁽¹⁾	US\$ mil	R\$ mil ⁽¹⁾
Assets				
Cash and cash equivalents	248	1,001	234	907
Interbank investments	25,554	103,000	26,100	101,132
Securities	11,792	47,534	11,840	45,880
Lending operations	245,787	990,694	99,465	385,407
Other credits	5,637	22,721	-	-
Other assets	-	-	673	2,609
Total assets	289,018	1,164,950	138,312	535,935
Liabilities				
Demand deposit	1,170	4,717	10,022	38,833
Time deposits	158,511	638,911	35,486	137,501
Funds from acceptance and issuance of securities	-	-	5,317	20,602
Borrowings and onlendings	74,731	301,219	81,736	316,710
Other sundry liabilities	24,672	99,444	-	-
Deferred income	284	1,144	183	709
Total liabilities	259,368	1,045,435	132,744	514,355

(1) The amounts in US dollars were translated into Brazilian reais (R\$) based on the R\$/US\$ 4.0307 and R\$/US\$3.8748 exchange rates disclosed by BACEN, as at December 31, 2019 and December 31, 2018, respectively.

During the year ended December 31, 2019, income from exchange variation in the amount of R\$4,527 (income of R\$13,208 in 2018) on the investment in Banco Daycoval S.A. - Cayman Branch was recognized in the Bank's income statement.

14. PROPERTY AND EQUIPMENT

Description		Bank			
		2019			2018
		Annual depreciation %	Cost	Accumulated depreciation	Net amount
Airplane	10	75,865	-	17,070	58,795
Computers and peripherals	20	16,457	-	11,805	4,652
Communications equipment	20	646	-	449	197
Security equipment	10	1,457	-	903	554
Installations	10	669	-	647	22
Furniture and equipment	10	6,645	-	4,334	2,311
Vehicles	20	2,798	-	1,413	1,385
Total assets		104,537	-	36,621	67,916

Description		Consolidated			
		2019			2018
		Annual depreciation %	Cost	Accumulated depreciation	Net amount
Airplane	10	75,865	-	17,070	58,795
Computers and peripherals	20	17,546	-	12,894	4,652
Communications equipment	20	926	-	502	424
Security equipment	10	1,457	-	903	554
Properties	4	2,140	-	-	2,140
Installations	10	2,120	-	711	1,409
Furniture and equipment	10	7,852	-	5,199	2,653
Vehicles	20	4,396	-	2,214	2,182
Total assets		112,302	-	39,493	72,809

15. DEPOSITS AND MONEY MARKET FUNDING

Demand deposits, interbank deposits, time deposits and foreign-currency deposits and money market funding are negotiated at usual market rates. Their aging list is as follows:

	Bank						Total
	Without Maturity	Up to 3 months	3 to 12 Months	1 to 3 years	3 to 5 years	Over 5 years	
Demand deposits	1,082,182	-	-	-	-	-	1,082,182
Interbank deposits	-	42,189	179,644	23,919	-	2,614	248,366
Time deposits	-	1,306,293	1,744,042	3,479,885	509,030	8,935	7,048,185
Foreign-currency deposits	16,601	-	-	-	-	-	16,601
Total deposits	1,098,783	1,348,482	1,923,686	3,503,804	509,030	11,549	8,395,334
Money market funding	-	2,517,947	-	-	-	-	2,517,947
Total money market funding	-	2,517,947	-	-	-	-	2,517,947
Total deposits and money market funding	1,098,783	3,866,429	1,923,686	3,503,804	509,030	11,549	10,913,281

	2018						Total
	Without Maturity	Up to 3 months	3 to 12 Months	1 to 3 years	3 to 5 years	Over 5 years	
Demand deposits	864,844	-	-	-	-	-	864,844
Interbank deposits	-	37,452	336,215	21,813	-	-	395,480
Time deposits	-	870,898	1,102,741	2,073,048	141,595	10,671	4,198,953
Foreign-currency deposits	7,321	-	-	-	-	-	7,321
Total deposits	872,165	908,350	1,438,956	2,094,861	141,595	10,671	5,466,598
Money market funding	-	2,992,328	-	-	-	-	2,992,328
Total money market funding	-	2,992,328	-	-	-	-	2,992,328
Total deposits and money market funding	872,165	3,900,678	1,438,956	2,094,861	141,595	10,671	8,458,926

	Consolidated						Total
	Without Maturity	Up to 3 months	3 to 12 Months	1 to 3 years	3 to 5 years	Over 5 years	
Demand deposits	1,081,135	-	-	-	-	-	1,081,135
Interbank deposits	-	42,189	179,644	23,919	-	2,614	248,366
Time deposits	-	1,306,058	1,704,359	3,479,567	474,920	8,935	6,973,839
Foreign-currency deposits	16,601	-	-	-	-	-	16,601
Total deposits	1,097,736	1,348,247	1,884,003	3,503,486	474,920	11,549	8,319,941
Money market funding	-	2,517,947	-	-	-	-	2,517,947
Total money market funding	-	2,517,947	-	-	-	-	2,517,947
Total deposits and money market funding	1,097,736	3,866,194	1,884,003	3,503,486	474,920	11,549	10,837,888

	2018						Total
	Without Maturity	Up to 3 months	3 to 12 Months	1 to 3 years	3 to 5 years	Over 5 years	
Demand deposits	863,807	-	-	-	-	-	863,807
Interbank deposits	-	37,452	336,215	21,813	-	-	395,480
Time deposits	-	870,898	1,102,741	2,003,181	141,595	10,671	4,129,086
Foreign-currency deposits	7,321	-	-	-	-	-	7,321
Total deposits	871,128	908,350	1,438,956	2,024,994	141,595	10,671	5,395,694
Money market funding	-	2,992,328	-	-	-	-	2,992,328
Total money market funding	-	2,992,328	-	-	-	-	2,992,328
Total deposits and money market funding	871,128	3,900,678	1,438,956	2,024,994	141,595	10,671	8,388,022

16. FUNDS FROM ACCEPTANCE AND ISSUANCE OF SECURITIES

16. 1) Financial bills and credit notes:

Program for Public Issuance of Financial Bills Non-Convertible into Banco Daycoval's shares

Pursuant Notice to the Market, published on March 12, 2019, the Bank has completed the seventh issuance of Financial Bills in the amount of R\$2 billion, in 4 series in the amount of R\$500 million each, maturing on March 15, 2021, March 15, 2022, March 15, 2023 and March 15, 2024.

	Bank 2019					Total
	Up to 3 months	3 to 12 Months	1 to 3 years	3 to 5 years	Over 5 years	
Mortgage loan notes	224,280	376,834	234,180	5,083	5,521	845,898
Agribusiness letter of credit	472,236	287,507	21,049	2,489	-	783,281
Financial bills	809,515	2,801,243	4,299,137	1,646,615	32,020	9,588,530
Total	1,506,031	3,465,584	4,554,366	1,654,187	37,541	11,217,709

	2018					Total
	Up to 3 months	3 to 12 Months	1 to 3 years	3 to 5 years	Over 5 years	
Mortgage loan notes	196,562	452,105	125,232	5	-	773,904
Agribusiness letter of credit	279,733	337,932	43,924	2,244	-	663,833
Financial bills	322,729	2,910,007	4,483,871	244,836	44,100	8,005,543
Total	799,024	3,700,044	4,653,027	247,085	44,100	9,443,280

	Consolidated 2019					Total
	Up to 3 months	3 to 12 Months	1 to 3 years	3 to 5 years	Over 5 years	
Mortgage loan notes	224,280	376,834	234,180	5,083	5,521	845,898
Agribusiness letter of credit	472,236	287,507	21,049	2,489	-	783,281
Financial bills	809,515	2,786,476	4,299,137	1,135,294	32,020	9,062,442
Total	1,506,031	3,450,817	4,554,366	1,142,866	37,541	10,691,621

	2018					Total
	Up to 3 months	3 to 12 Months	1 to 3 years	3 to 5 years	Over 5 years	
Mortgage loan notes	196,562	452,105	125,232	5	-	773,904
Agribusiness letter of credit	279,733	337,932	43,924	2,244	-	663,833
Financial bills	322,729	2,366,560	4,460,960	244,836	44,100	7,439,185
Total	799,024	3,156,597	4,630,116	247,085	44,100	8,876,922

16.2) Payables for securities issued abroad:

Program for the issuance of securities abroad

On December 13, 2019, Banco Daycoval has issued US\$350 million in bonds in the foreign market. The bonds have a five-year term and mature in December 2024.

The table below shows the features of these programs and the related balances, in local currency:

	Amount issued (US\$)	Interest rate (p.a.)	Issuance date	Maturity date	2019		2018	
					Bank (R\$ mil)	Consolidated (R\$ mil)	Bank (R\$ mil)	Consolidated (R\$ mil)
Foreign issuance program ⁽¹⁾								
	350,000	4.25%	12/13/19	12/13/24	1,411,543	1,411,543	-	-
	500,000	5.75%	3/19/14	3/18/19	-	-	1,906,818	1,877,426
Other issuances	5,000	2.50%	7/1/16	1/3/20	-	-	20,602	20,602
			Total issuances		1,411,543	1,411,543	1,927,420	1,898,028
			Total current		3,426	3,426	1,906,818	1,877,426
			Total noncurrent		1,408,117	1,408,117	20,602	20,602

(1) The security issued abroad in the amount of US\$500 and US\$350 million is subject to accounting hedge of market risk (Note 6.d). In March 2019, the US \$ 500 million bond issued abroad was settled.

17. BORROWINGS (Bank and Consolidated)

In December 2019, Banco Daycoval S.A. raised US\$425 million with BID Invest, a member of the Inter-American Development Bank targeted at the private sector. The loan mature between two and four years. Funds will be transferred to the corporate loan portfolio in accordance with the terms and conditions agreed upon among the parties such as, for example, the foon small- and mid-sized entities, distribution to economic and social development areas, investment in energy efficiency and gender equality. These transactions are recognized in line item "Foreign borrowings".

2019	Up to 3 months	3 to 12 Months	1 to 3 years	3 to 5 years	Total
Borrowings					
Foreign-currency payables ⁽¹⁾	592,526	301,581	-	-	894,107
Foreign borrowings ⁽²⁾	167,792	79,373	2,019,804	301,111	2,568,080
Total	760,318	380,954	2,019,804	301,111	3,462,187
2018	Up to 3 months	3 to 12 Months	1 to 3 years	3 to 5 years	Total
Borrowings					
Foreign-currency payables ⁽¹⁾	424,022	246,496	-	-	670,518
Foreign borrowings ⁽²⁾	725,062	279,629	224,833	147,006	1,376,530
Total	1,149,084	526,125	224,833	147,006	2,047,048

(1) The balance of "Foreign-currency payables" refers to funding for foreign exchange operations related to export and import financing.

(2) As at December 31, 2019, includes the foreign borrowings, in the amount of US\$533 million (US\$235 million as at December 31, 2018), and €25 million (€55 million as at December 31, 2018), subject to market risk hedge accounting (Note 6.d), whose carrying amount and fair value are R\$2,209,441 and R\$2,205,726 (R\$1,126,693 and R\$1,129,218 as at December 31, 2018).

Financial covenants

The Bank is subject to financial covenants related to the maintenance of certain performance, liquidity and debt ratios, linked to loan agreements entered into with the International Finance Corporation (IFC) and the Inter-American Investment Corporation (IIC), which, if not fulfilled, may cause the accelerated settlement of the agreements entered into between the Company and these institutions.

18. ONLENDINGS (Bank and Consolidated)

2019	Up to 3 months	3 to 12 Months	1 to 3 years	3 to 5 years	Over 5 years	Total
Domestic onlendings - official institutions						
BNDES Onlendings	22,832	54,476	33,097	220	-	110,625
FINAME Onlendings	10,677	30,085	56,836	16,693	300	114,591
Total	33,509	84,561	89,933	16,913	300	225,216
2018	Up to 3 months	3 to 12 Months	1 to 3 years	3 to 5 years	Over 5 years	Total
Domestic onlendings - official institutions						
BNDES Onlendings	37,954	113,429	103,175	5,059	-	259,617
FINAME Onlendings	11,736	30,362	49,627	14,483	745	106,953
Total	49,690	143,791	152,802	19,542	745	366,570

19. INSURANCE OPERATIONS (Consolidated)**a) Insurance premiums receivable:**

Represented by DPVAT (mandatory insurance against personal injury caused by vehicles) insurance operations which, as at December 31, 2019, amount to R\$2,558 (R\$2,029 as at December 31, 2018), recorded in accordance with the statements received by Seguradora Líder dos Consórcios dos Seguros DPVAT, in caption "Other credits – insurance premiums receivable" in current assets.

b) Breakdown of technical reserves:

	2019	2018
Unsettled claims	6,633	7,347
Provision for incurred but not reported losses	59,451	60,226
Other provisions ⁽¹⁾	670	281
Total	66,754	67,854

(1) Refers to provisions for administrative expenses, recorded in accordance with the statements received from Seguradora Líder dos Consórcios dos Seguros DPVAT.

c) Assets-backed technical reserves:

	2019	2018
Treasury Bills	136	2,183
Investment fund units	66,859	67,903
Total (Note 6.a.) - Consolidated	66,995	70,086

d) Profit (loss) on insurance operations:

	2019	2018
Revenue from premiums and contributions	8,894	18,310
Claims expenses	- 5,895	- 14,197
Other operating income and expenses	- 530	- 119
Total	2,469	3,994

20. OTHER PAYABLES

a) Foreign exchange portfolio (Bank and Consolidated):

	2019	2018
Foreign exchange sold pending settlement	459,823	391,194
(-) Financed imports (Note 7.a)	-	509
Payable for foreign exchange purchased	961,788	665,086
(-) Advances on foreign exchange contracts (Note 7.a)	-	555,179
Foreign currencies payable	96	47
Unearned income on advances granted (Note 7.a)	730	816
Total	817,802	501,455

b) Social and statutory:

	Bank		Consolidated	
	2019	2018	2019	2018
Dividends and bonuses payable (Nota 24.d.1 e d.2)	110,129	41,982	110,129	41,987
Profit sharing program	97,316	76,452	99,428	77,728
Total	207,445	118,434	209,557	119,715

c) Tax and social security

	Bank			
	2019		2018	
	Current	Noncurrent	Current	Noncurrent
Provision for income tax	357,408	-	209,133	-
Provision for social contribution	135,072	-	79,084	-
Taxes and contributions payable	36,979	-	31,214	-
Provision for deferred income tax and social contribution (Note 22.c)	11,991	217,930	10,675	245,597
Total	541,450	217,930	330,106	245,597

	Consolidated			
	2019		2018	
	Current	Noncurrent	Current	Noncurrent
Provision for income tax	372,914	-	232,791	-
Provision for social contribution	153,557	-	101,570	-
Taxes and contributions payable	41,610	-	35,353	-
Provision for deferred income tax and social contribution (Note 22.c)	15,616	251,281	10,675	262,817
Total	583,697	251,281	380,389	262,817

d) Sundry

	Bank			
	2019		2018	
	Current	Noncurrent	Current	Noncurrent
Cashier's checks	19,937	-	11,973	-
Creditors for unreleased resources	1,027	-	1,380	-
Payables for sales operations and transfer of financial assets (Note 8)	23,800	12,994	42,165	44,699
Accrued payments ⁽¹⁾	60,350	-	47,109	-
Provision for risks (Note 23.b)	17,750	1,757,294	20,689	2,104,898
Provision for financial collaterals provided (Note 28)	22,058	2,949	18,236	1,087
Sundry creditors ⁽²⁾	184,876	-	66,913	-
Total	329,798	1,773,237	208,465	2,150,684

	Consolidated			
	2019		2018	
	Current	Noncurrent	Current	Noncurrent
Cashier's checks	19,937	-	11,973	-
Creditors for unreleased resources	1,027	-	1,380	-
Payables for sales operations and transfer of financial assets (Note 8)	23,800	12,994	42,165	44,699
Accrued payments ⁽¹⁾	68,565	-	59,721	-
Provision for risks (Note 23.b)	17,894	1,771,540	20,689	2,123,807
Provision for financial collaterals provided (Note 28)	22,058	2,949	18,236	1,087
Sundry creditors ⁽²⁾	193,736	1,259	93,631	-
Total	347,017	1,788,742	247,795	2,169,593

(1) As at December 31, 2019, caption "Accrued payments" (Bank and Consolidated) mainly comprises the following: (i) personnel expenses in the amount of R\$24,051 (Bank) and R\$28,401 (Consolidated) (R\$20,382 for the Bank and R\$23,195 for the Consolidated, at December 31, 2018); (ii) expenses on suppliers in the amount of R\$14,264 (Bank) and R\$ 15,409 (Consolidated) (R\$10,694 for the Bank and R\$17,801 for the Consolidated, at December 31, 2018), and (iii) commissions payable in the amount of R\$17,693, Bank and Consolidated (R\$13,157 as Bank and Consolidated as at December 31, 2018).

(2) As at December 31, 2019, line item "Sundry creditors" (Bank and Consolidated) mainly consists of: (i) unreleased collections in the amount of R\$7,697 (R\$5,249 in 2018); (ii) discounted notes partially received, in the amount of R\$19,968 (R\$19,198 in 2018); (iii) commitments arising from credit card transactions in the amount of R\$35,598 (R\$22,803 in 2018); e (iv) trade payables to Daycoval Leasing in the amount of R\$9,363, in the Consolidated (R\$24,561 in 2018).

21. SUBORDINATED DEBTS (Bank and Consolidated)

a) Information on the issuances of subordinated debts

	Funding instruments	Dates of		Amount	Interest rate	Date of BACEN'S authorization to comprise Tier II of Capital ⁽¹⁾
		issuance	maturity			
1 st issuance	Financial bills	02/28/2018	03/05/2025	R\$10 million	CDI	04/04/2018
2 nd issuance	Financial bills	10/30/2018	10/30/2028	R\$135 million	CDI	11/30/2018

(1) Fundings were authorized by BACEN to comprise Tier II of the Bank's Regulatory Capital, in accordance with CMN Resolution 4192/13 pursuant to the order from the Financial System Organization Director.

	2019		2018	
	Over 5 years	Total	Over 5 years	Total
Financial Bills	158,095	158,095	147,314	147,314
Total	158,095	158,095	147,314	147,314

22. INCOME TAX AND SOCIAL CONTRIBUTION

a) Income tax and social contribution were calculated as follows:

	Bank	
	2019	2018
Profit before taxes on income and profit sharing	1,389,010	1,054,859
(-) Profit sharing	- 97,253	- 76,315
Profit before taxes on income	1,291,757	978,544
Additions	989,799	1,125,952
Temporary	897,178	1,081,704
Permanent / other	92,621	44,248
Deductions	- 780,753	- 1,225,777
Temporary	- 427,217	- 879,336
Permanent / other	- 156,390	- 148,668
(-) Interest on capital (Note 24.d.2)	- 197,146	- 197,773
Income tax and social contribution base	1,500,803	878,719
Income tax and social contribution at statutory rates tax incentives	- 582,529	- 384,877
Recognition / reversal of tax credits and/or deferred tax liabilities	196,947	52,168
Effect from the increase in CSLL rate from 15% to 20% (Note 3.q)	114,071	-
Income Tax and social contribution expenses	- 271,511	- 332,709

In the Consolidated year ended December 31, 2019, the amount of R\$324,706 (R\$401,996 in 2018).

b) Deferred income tax and social contribution on temporary additions and deductions (asset and liability):

As established by Resolution 3059/02, amended by Resolution 3355/06, both from the CMN, and CVM Instruction 371/02, the recognition of deferred tax assets and liabilities ("tax credits" and "deferred tax liabilities") arising from temporary differences must cumulatively meet the following conditions: (i) history of taxable income or profit for income tax and social contribution purposes, for at least three of the last five fiscal years, which period must include the current year; and (ii) expected future taxable income or profit generation for income tax and social contribution purposes, in subsequent period, based on an internal technical study showing the probability of occurrence of future tax obligations that enable the realization of the tax credit within no more than ten years.

The social contribution rate for all banks raised from 15% to 20%, beginning March 1, 2020, pursuant to Art. 32 of Constitutional Amendment 103, of November 13, 2019. Accordingly, tax credits expected to be realized after March 1, 2020 were recognized at the rate of 20% for social contribution (as at December 31, 2018, the CSLL rate applied on tax credits was 15%). The effect from the recognition of the tax credit net of deferred liabilities arising from the increased tax rate amounted to R\$114,071 at the Bank.

As at December 31, 2019, the Bank did not recognize tax credits in assets. In the consolidated, the balance of tax credits not recorded in assets amounted to R\$6,607.

c) Origin of tax credits and deferred tax liabilities:

	2019			
	2018	Recognition ⁽¹⁾	Realization	2019
Tax credits:				
Deferred income tax and social contribution on:				
Provision for tax risks	162,042	19,718	-	181,760
Allowance for loan losses	463,466	413,600	-	690,077
Adjustment to fair value of securities and derivatives	24,235	152,706	-	56,800
Inflation adjustment of contingencies	278,972	55,899	-	246,831
Other temporary additions	97,142	47,973	-	131,993
Total tax credits on temporary differences	1,025,857	689,896	-	1,307,461
Deferred tax liabilities:				
Deferred income tax and social contribution on:				
Adjustment to fair value of securities and derivatives	12,257	54,729	-	17,940
Unrealized profit (loss) on derivatives	6,660	20,197	-	4,770
Amortization of negative goodwill on the acquisition of Daycoval Leasing	8,569	4,177	-	12,746
Inflation adjustment of escrow deposits	228,786	48,416	-	194,465
Total deferred tax liabilities on temporary differences	256,272	127,519	-	229,921
	2018			
	2017	Recognition	Realization	2018
Tax credits:				
Deferred income tax and social contribution on:				
Provision for tax risks	162,042	-	-	162,042
Allowance for loan losses	437,586	289,413	-	463,466
Adjustment to fair value of securities and derivatives	21,327	103,028	-	24,235
Inflation adjustment of contingencies	247,308	31,664	-	278,972
Other temporary additions	70,098	33,429	-	97,142
Total tax credits on temporary differences	938,361	457,534	-	1,025,857
Deferred tax liabilities:				
Deferred income tax and social contribution on:				
Adjustment to fair value of securities and derivatives	6,050	39,093	-	12,257
Unrealized profit (loss) on derivatives	4,094	37,633	-	6,660
Amortization of negative goodwill on the acquisition of Daycoval Leasing	5,808	2,761	-	8,569
Inflation adjustment of escrow deposits	201,858	26,928	-	228,786
Total deferred tax liabilities on temporary differences	217,810	106,415	-	256,272

(1) Includes the effects from the increase in the social contribution rate for all banks, in accordance with Constitutional Amendment 103/19.

For the Consolidated, as at December 31, 2019, total tax credits on temporary differences amount to R\$1,319,417 (R\$1,034,824 in 2018), of which R\$395,151 (R\$476,545 in 2018) recorded in current assets and R\$924,266 (R\$558,279 in 2018) recorded in noncurrent long-term assets (Note 10.b). The deferred tax liabilities on temporary differences amount to R\$266,897 (R\$273,492 in 2018), of which R\$15,616 (R\$10,675 in December 31, 2018) recorded in current liabilities and R\$251,281 (R\$262,817 in 2018) recorded in noncurrent long-term liabilities (Note 20.c).

d) Estimated realization of tax credits

Realization term	Bank 2019			Consolidated 2019		
	Temporary differences		Total Deferred taxes	Temporary differences		Total Deferred taxes
	Income tax	Social contribution		Income tax	Social contribution	
Up to 1 year	215,824	172,306	388,130	219,828	175,323	395,151
Up to 2 years	185,038	148,038	333,076	186,640	149,330	335,970
Up to 3 years	6,377	5,690	12,067	7,129	6,257	13,386
Up to 4 years	3,317	2,654	5,971	3,622	2,884	6,506
Up to 5 years	317,301	250,668	567,969	317,408	250,748	568,156
Over 5 years	138	110	248	138	110	248
Total	727,995	579,466	1,307,461	734,765	584,652	1,319,417

Realization term	Bank 2018			Consolidated 2018		
	Temporary differences		Total Deferred taxes	Temporary differences		Total Deferred taxes
	Income tax	Social contribution		Income tax	Social contribution	
Up to 1 year	292,250	181,202	473,452	294,182	182,363	476,545
Up to 2 years	3,950	2,370	6,320	6,975	4,185	11,160
Up to 3 years	3,321	1,993	5,314	3,764	2,259	6,023
Up to 4 years	1,374	971	2,345	1,525	1,062	2,587
Up to 5 years	337,944	200,389	538,333	337,996	200,420	538,416
Over 5 years	58	35	93	58	35	93
Total	638,897	386,960	1,025,857	644,500	390,324	1,034,824

As at December 31, 2019, the present value of total tax credits is R\$1,167,212 for the Bank (R\$876,959 as at 2018) and R\$1,178,518 for the Consolidated (R\$885,215 as at 2018), and was calculated based on the expected realization of temporary differences, discounted at the average funding rate of the Bank and Daycoval Leasing, projected for the related period.

Taxable income projections consider macroeconomic assumptions, exchange and interest rates, estimates of new financial operations, among others, which may vary in relation to actual results.

23. CONTINGENT ASSETS AND LIABILITIES AND LEGAL OBLIGATIONS - TAX AND SOCIAL SECURITY

a) Contingent assets - as at December 31, 2019 and December 31, 2018 the Bank did not recognize contingent assets.

b) Contingent liabilities assessed as probable losses and legal obligations (tax and social security).

The Bank is a party to lawsuits involving labor, civil and tax matters. Provisions are recorded based on the criteria described in note 3.t). The Bank's management understands that the provisions recorded are sufficient to cover probable losses on these lawsuits.

The balances of provisions for tax, civil and labor risks recognized and the respective variations for the quarter and the nine-month period ended December 31, 2019 and for the year ended December 31, 2018, are broken down below:

	Bank		Consolidated	
	2019	2018	2019	2018
Legal obligation tax risks (Note 20.d and 23.b.1 and b.2)	1,530,665	1,907,489	1,530,665	1,907,489
Civil lawsuits (Note 20.d)	184,760	164,459	185,247	164,602
Labor lawsuits (Note 20.d)	59,619	53,639	73,522	72,405
Total	1,775,044	2,125,587	1,789,434	2,144,496

	2019			Consolidated		
	Tax	Civil	Labor	Tax	Civil	Labor
Balance at the beginning of the year	1,907,489	164,459	53,639	1,907,489	164,602	72,405
Inflation adjustment	71,182	-	-	71,182	-	-
Recognition	-	20,301	5,980	-	20,645	1,117
Balance at the end of the year	1,530,665	184,760	59,619	1,530,665	185,247	73,522

	2018			Consolidated		
	Tax	Civil	Labor	Tax	Civil	Labor
Balance at the beginning of the year	1,713,089	118,427	43,206	1,713,089	118,903	71,060
Inflation adjustment	79,112	-	-	79,112	-	-
Recognition	115,288	46,032	10,433	115,288	45,699	1,345
Balance at the end of the year	1,907,489	164,459	53,639	1,907,489	164,602	72,405

b.1.) The Bank is challenging in court the legality of certain taxes and contributions and the related amounts are fully accrued.

The main challenges are:

Income tax: challenges the effect of the discontinuation of the inflation adjustment of the balance sheet and the amount accrued in 2019 amounted to R\$22,225 (R\$407,125 in 2018). Total escrow deposits for this lawsuit amounts to R\$22,225 (R\$407,124 in 2018). In November 2019, escrow deposits relating to the lawsuit filed in 2004 were converted into income to the Brazilian government, thus settling the related litigation. Also, the lawsuit relating to 1997-2002 is still in progress.

Social contribution tax: (i) challenges the effect from the extinguishment of the balance sheet inflation adjustment, challenges the differentiated tax rate. In November 2019, escrow deposits relating to the lawsuit filed in 2004 were converted into income to the Brazilian government, thus settling the related litigation. Also, the lawsuit relating to 1997-2002 is still in progress; and (ii) challenges the increase of the social contribution rate from 9% to 15%, as established by Provisional Act 413/08, converted into Law 11727/2008 and from 15% to 20%, converted into Law 13169/2015, which amends Law 7689/88, the latter change relating to the period from September 1, 2015 to December 31, 2019. The amount accrued for this lawsuit in 2019 is R\$696,875 (R\$719,813 in 2018) and total escrow deposits for this lawsuit amounts to R\$646,534 (R\$674,964 in 2018).

COFINS (tax on revenue): challenges the constitutionality of Law 9718/98. The amount accrued for this lawsuit in 2019 amounts to R\$673,875 (R\$652,469 in 2018) and total escrow deposits for this lawsuit amounts to R\$491,166 (R\$473,827 in 2018).

PIS (tax on revenue): challenges the application of Law 9718/98 and the requirement of determination of the PIS tax base by the tax authorities in noncompliance with Constitutional Amendments 01/94, 10/96 and 17/97. The amount accrued for this lawsuit in 2019 amounts to R\$104,429 (R\$101,217 in 2018) and total escrow deposits for this lawsuit amounts to R\$106,971 (R\$103,555 in 2018).

In 2019 other tax challenges are accrued and amount to R\$3,635 (R\$3,431 in 2018) and total escrow deposits for these lawsuits amount to R\$3,635 (R\$3,431 in 2018).

b.2.) Daycoval Leasing has been challenging in courts the Tax Assessment Notices and Fine Interpretation issued by the State of São Paulo, as described below:

AIIM nº 4.012.543-9 in the amount of R\$54,148, of which R\$47,826 are assessed as remote loss, which likelihood of favorable outcome is corroborated upon the execution of ICMS Agreement 36 and ratified by the São Paulo State Decrees 56045/2010 and 56952/2013. In turn, the amount of R\$6,322 was assessed as possible loss and subject to payment eligible to the Special Installment Payment Program (PEP) enacted by the São Paulo State government through Decree 60444/2014, in the amount of R\$3,857 paid on August 29, 2014.

AIIM No. 4.021.955-0 in the amount of R\$4,480 assessed as remote loss based on the reasons described in the preceding item pursuant to ICMS Agreement 36.

AIIM No. 3.125.010-5 on December 2, 2019, such lawsuit was terminated and dismissed, and Daycoval Leasing was authorized to recover the adjusted amount of R\$6,393 relating to the escrow deposit, which was made due to the discussion on the different rate applied on the benefit from CONFAZ agreement 52/91.

c) Contingent liabilities assessed as possible losses:

Contingent liabilities classified as possible losses are not recognized in the accounts and are represented by civil and labor market.

Civil lawsuits, on December 31, 2019, amount to approximately R\$30,625 for the bank and the Consolidated (R\$9,525 for the Bank and the Consolidated in 2018).

In 2019, the risk estimate for labor lawsuits is approximately R1,938 for the Bank and for the Consolidated. (R\$639 for the Bank and Consolidated, in 2018)

There are no ongoing administrative proceedings for noncompliance with the rules of the National Financial System or payment of fines, which may have significant impacts on the financial position of the Bank or its subsidiaries.

24. EQUITY (Controlling Company)**a) Capital:**

As at December 31, 2019, the Bank's fully subscribed and paid-in capital is R\$2,253,595, divided into 230,820,429 registered and book-entry common shares, without par value.

b) Capital increase:

The Extraordinary General Meeting held on October 30, 2018 decided on and approved the Bank's capital increase in the amount of R\$361,452, upon the issuance of 26,696,649 subscribed and fully paid-up common shares on the same date. This capital increase was ratified by the Central Bank of Brazil on December 13, 2018.

c) Breakdown of common and preferred shares:

During the year ended December 31, 2019, there was no movement of share capital in shares.

2018	Number of shares		
	Common	Preferred	Total
Number of shares as at December 31, 2017	160,869,792	43,253,988	204,123,780
Issuance of shares (Note 24.b)	26,696,649	-	26,696,649
Conversion of preferred shares into common shares ⁽¹⁾	43,253,988	- 43,253,988	-
Number of shares as at December 31, 2018	230,820,429	-	230,820,429

(1) The Extraordinary General Meeting held on October 30, 2018 decided on and approved the conversion of all 43,253,988 preferred shares issued by the Bank into common shares, at the ratio of one common share for one preferred share.

d) Interest on capital and/or dividends:

According to the bylaws, the shareholders are entitled to dividends and/or interest on capital corresponding to no less than 25% of profit for the year, adjusted in accordance with the Brazilian corporate law.

Interest on capital is calculated on equity, limited to the variation of the TJLP (long-term interest rate), contingent upon the existence of profit determined before its deduction or retained earnings and earnings reserves.

d.1) Statement of calculation of interest on capital:

The calculation of interest on capital for the year ended December 31, 2019 and 2018 is as follows:

	2019	% (a)	2018	% (a)
Profit for the year (controlling shareholder)	1,020,246		645,835	
Recognition of legal reserve	- 51,012		- 32,292	
Adjusted calculation basis	969,234		613,543	
Gross interest on capital	197,146		197,773	
(-) Withholding income tax relating to interest on capital	- 29,571		- 29,666	
Mandatory dividend amount	74,735		-	
Net interest on capital and mandatory dividends	242,310	25.00	168,107	27.40

(a) Refers to the percentage corresponding to the sum of the net interest on capital and mandatory dividend on adjusted profit.

d.2) Interest on capital declared and/or paid for the years ended December 31, 2019 and 2018:

Interest on capital declared and/or paid is as follows

Board of Director's Meeting Date	Availability date	2019			
		Price per share ON	Gross amount	IRRF	Net amount
12/30/2019	1/15/2020	0.1804	41,640 -	6,246	35,394
9/30/2019	10/15/2019	0.2132	49,216 -	7,382	41,834
6/28/2019	7/15/2019	0.2231	51,496 -	7,724	43,772
3/29/2019	4/15/2019	0.2374	54,794 -	8,219	46,575
		Total	197,146 -	29,571	167,575

Board of Director's Meeting Date	Availability date	Price per share		2018		Net amount
		ON	PN	Gross amount	IRRF	
12/28/2018	1/15/2019	0.2140	-	49,391	-	41,982
9/28/2018	10/15/2018	0.2425	0.2425	49,500	-	42,075
6/29/2018	7/16/2018	0.2450	0.2450	50,014	-	42,512
3/29/2018	4/16/2018	0.2394	0.2394	48,868	-	41,538
			Total	197,773	-	168,107

d.3) Prior-year dividends:

According to Meetings of the Board of Directors, held on October 8 and November 8, 2019, the distributions of dividends on prior-year profit were discussed and approved, at the individual and equal amounts of R\$150,001, totaling R\$300,002 at the ratio of R\$0.64986 per share, which payments were made on October 15 and November 11, 2019, respectively.

d.4) Additional proposed dividends:

In the year ended December 31, 2019, additional dividends were proposed in the amount of R\$125,266 "ad referendum" of the Annual General Meeting.

e) Earnings reserves:

	2019	2018
Earnings reserves	1,427,789	979,426
Legal reserve ⁽¹⁾	254,751	203,739
Statutory reserves ⁽²⁾	1,047,772	775,687
Special reserves ⁽³⁾	125,266	-

(1) 5% of profit for the year must be allocated to this reserve until it reaches 20% of capital, according to the prevailing legislation.

(2) Reserve recorded according to the bylaws.

(3) Reserve recognized for the additional proposed dividends in the amount of R\$125,266, as mentioned in note 24, item d.4.

25. INCOME STATEMENTS

INCOME FROM FINANCIAL INTERMEDIATION -

(a) Lending operations:

	Bank		Consolidated	
	2019	2018	2019	2018
Advance on deposits	6,145	5,197	6,145	5,197
Secured account / overdraft account	398,525	365,791	398,525	365,791
Discounted notes	154,102	167,711	154,102	167,711
Onlending - Resolution 3844/10	8,441	15,072	8,441	15,072
Working capital	553,859	470,447	553,859	470,447
Export Credit Notes - CCE	134,882	118,279	134,882	118,279
Onlending - BNDES	25,267	39,835	25,267	39,835
Onlending - FINAME	11,275	11,101	11,275	11,101
Rural credit	7,731	3,892	7,731	3,892
Financing with intervention	12,923	10,355	12,923	10,355
Foreign currency financing	14,402	54,050	14,402	54,050
Consumer credit - Store owners	-	20	-	20
Payroll-deductible loans	1,272,635	1,141,841	1,272,635	1,141,841
Vehicle financing	254,514	187,441	254,514	187,441
Properties financing	55	-	55	-
Daypag - discount of forwarding agents' checks	564	721	564	721
Other lending operations	226,106	167,564	238,287	173,108
Recovery of credits previously written off as loss (Note 7.g)	148,500	229,505	148,500	229,505
Loan origination income	9,098	26,052	9,098	26,052
Total profit (loss) from lending operations	3,239,004	3,014,856	3,251,185	3,020,400

b) Leasing operations (Consolidated):

	2019	2018
Revenue from leasing		
Finance leasing - internal resources	388,291	297,145
Operating leasing - internal resources	57,492	50,272
Finance leasing - external resources	8	3,179
Operating leasing - external resources	37	311
Gain on disposal of leased assets	26,690	24,894
Recovery of credits previously written off as loss (Note 7.g)	803	829
Total revenue from leasing operations	473,321	376,630
Expenses on leasing		
Finance leasing - internal resources	-	280,556
Operating leasing - internal resources	-	242
Loss on disposal of leased assets	-	39,359
Total expenses on leasing operations	-	320,157

c) Securities transactions:

	Bank		Consolidated	
	2019	2018	2019	2018
Repurchase agreements	285,720	319,679	285,720	319,679
Interbank deposits	50,453	36,553	19,641	19,803
Fixed-income securities	96,644	113,206	104,354	121,434
Variable-income securities	10	15	21	161
Investments in investment fund units	6,484	6,378	21,327	19,699
Gain (loss) on sale of securities	769	1,056	769	1,056
Fair value adjustments	(3,097)	3,087	(1,825)	2,811
Foreign investments	8,500	7,400	8,500	7,400
Loss on investments in investment fund units	(41)	(109)	(41)	(109)
Permanent losses on securities	-	(8)	-	(8)
Total profit (loss) on securities operations	445,442	487,257	438,466	491,926

d) Derivatives (Bank and Consolidated):

Derivatives	2019			2018		
	Gain	Loss	Net gain (loss)	Gain	Loss	Net gain (loss)
Swap	1,598,270	(1,697,326)	(99,056)	6,278,129	(5,886,269)	391,860
Currency forward	290,395	(266,087)	24,308	206,997	(193,353)	13,644
Futures	203,764	(325,970)	(122,206)	90,649	(123,235)	(32,586)
Options	3,477	(1,765)	1,712	-	-	-
Total	2,095,906	(2,291,148)	(195,242)	6,575,775	(6,202,857)	372,918

The gain (loss) on derivatives net losses on mark-to-market in the amount of R\$36,445, respectively, for the year ended December 31, 2019 (losses on mark-to market in the amount of R\$8,431 in 2018), both for the Bank and Consolidated.

e) Foreign exchange operations (Bank and Consolidated):

	Bank		Consolidated	
	2019	2018	2019	2018
Income from foreign exchange operations	94,689	67,618	94,689	67,618
Expenses on foreign exchange operations	(45,796)	(11,089)	(32,670)	(8,942)
Exchange rate changes	155,986	132,860	155,986	132,860
Total profit (loss) on foreign exchange operations	204,879	189,389	218,005	191,536

EXPENSES ON FINANCIAL INTERMEDIATION

f) Funding operations:

	Bank		Consolidated	
	2019	2018	2019	2018
Interbank deposits	(20,349)	(23,038)	(20,349)	(23,038)
Time deposits	(295,643)	(245,193)	(290,646)	(239,846)
Repurchase agreements	(126,362)	(139,391)	(126,362)	(139,391)
Foreign securities	(11,345)	(399,278)	(10,768)	(397,937)
Mortgage loan notes	(52,058)	(37,770)	(52,058)	(37,770)
Agribusiness letter of credit	(42,526)	(36,385)	(42,526)	(36,385)
Financial bills	(647,446)	(504,317)	(610,895)	(466,335)
Contributions to the Loan Guarantee Fund - FGC	(8,875)	(7,178)	(8,875)	(7,178)
Total	(1,204,604)	(1,392,550)	(1,162,479)	(1,347,880)

g) Borrowings and onlendings (Bank and Consolidated):

	2019	2018
Foreign borrowings	(18,266)	(245,776)
Onlending - BNDES	(15,421)	(26,454)
Onlendings - FINAME	(7,231)	(7,328)
Obligations to foreign banks	(45,470)	(120,166)
Total gains (losses) on borrowings and onlendings	(86,388)	(399,724)

OTHER OPERATING INCOME (EXPENSES)

h) Personnel expenses:

	Bank		Consolidated	
	2019	2018	2019	2018
Executive Committee's and Board of Directors' compensation	(58,390)	(45,471)	(60,749)	(46,317)
Benefits	(54,863)	(44,820)	(64,573)	(51,588)
Social security charges	(69,117)	(49,553)	(78,877)	(56,138)
Proceeds	(181,183)	(151,101)	(212,937)	(174,916)
Training	(172)	(79)	(174)	(83)
Interns' compensation	(1,228)	(667)	(1,284)	(693)
Total personnel expenses	(364,953)	(291,691)	(418,594)	(329,735)

i) Other administrative expenses:

	Bank		Consolidated	
	2019	2018	2019	2018
Public utilities (water, power and gas)	(2,385)	(1,994)	(3,182)	(2,500)
Rent and insurance	(19,424)	(18,175)	(20,314)	(22,261)
Communication	(10,120)	(9,292)	(11,549)	(10,243)
Charitable contributions	(6,065)	(5,513)	(6,871)	(6,560)
Maintenance and upkeep of asset	(6,566)	(7,302)	(7,374)	(8,045)
Consumables	(2,908)	(3,094)	(3,218)	(3,168)
Data processing	(75,222)	(61,479)	(77,570)	(63,005)
Promotions, advertising and publications	(37,449)	(25,442)	(38,851)	(26,279)
Outside, technical and specialized services ^{(1) (2)}	(356,440)	(340,779)	(322,208)	(305,489)
Depreciation and amortization	(10,494)	(10,031)	(10,814)	(10,271)
Other administrative expenses	(57,691)	(44,917)	(61,609)	(48,958)
Total	(584,764)	(528,018)	(563,560)	(506,779)

(1) Includes the recognition of expenses on commissions paid in advance to third parties, upon origination of lending operations, as determined by Circular Letter 3693/13, as amended by Circular Letter 3738/14, both issued by BACEN, mentioned in Note 3.j) and Note 11.

j) Tax expenses:

	Bank		Consolidated	
	2019	2018	2019	2018
Tax expenses	- 7,094	- 7,868	- 7,622	- 8,452
Services tax (ISS) expenses	- 10,328	- 7,054	- 28,196	- 15,112
Expenses on contributions to COFINS	- 115,906	- 97,029	- 126,934	- 107,310
Expenses on contributions to PIS/PASEP	- 18,835	- 15,768	- 20,808	- 17,585
Total	- 152,163	- 127,719	- 183,560	- 148,459

k) Other operating income:

	Bank		Consolidated	
	2019	2018	2019	2018
Exchange rate changes ⁽¹⁾	40,168	13,208	55,753	32,286
Inflation adjustment of escrow deposits	69,045	68,583	69,418	69,376
Other operating income ⁽²⁾	411,012	307,493	425,139	327,602
Recovery of charges and expenses	148	193	352	193
Total	520,373	389,477	550,662	429,457

(1) In 2019 refers to the reclassification of the exchange rate change on foreign investments, not eliminated in the consolidation process of the financial statements.

(2) In 2019 other operating income is substantially comprised of revenues from securities and credits receivable – without right of recourse in the amount of R\$347,872 (R\$256,496 in 2018).

l) Other operating expenses:

	Bank		Consolidated	
	2019	2018	2019	2018
Expenses on provisions ⁽¹⁾	- 71,163	- 101,169	- 75,768	- 108,063
Inflation adjustment of taxes	- 71,183	- 79,112	- 71,183	- 79,112
Exchange rate changes	- 9,459	- 430	- 22,381	- 2,687
Other operating expenses ⁽²⁾	- 108,971	- 41,960	- 116,986	- 46,416
Interest expenses	- 15,222	- 884	- 15,223	- 900
Total	- 275,998	- 223,555	- 301,541	- 237,178

(1) Expenses for provisions for liabilities for the year ended December 31, 2019 are as follows: (i) civil risk - R\$35,969 for the Bank and for the Consolidated (R\$64,660 for the Bank and R\$70,211 for the Consolidated in 2018); (ii) labor risk - R\$17,399 for the Bank and R\$22,004 for the Consolidated (R\$19,348 for the Bank and R\$20,691 for the Consolidated in 2018); and (iii) sureties and sureties - R\$16,830 for the Bank and Consolidated (R\$17,161 for the Bank and Consolidated in 2018).

(2) Other operating expenses for the year ended December 31, 2019 are mainly broken down as follows: (i) discounts and reimbursements in loan transactions - R\$31,345 for the Bank and Consolidated; (ii) settlement of lawsuits - R\$14,272 for the Bank and R\$14,748 for the Consolidated; and (iii) allowance for loan losses on transfers of payroll-deductible loans - R\$35,963 for the Bank and Consolidated.

26. CAPITAL MANAGEMENT AND BASEL ACCORD**Capital management**

Daycoval carefully manages its capital base to cover the risks inherent to its business. Daycoval's capital adequacy is monitored upon compliance with the rules and proportions established by the Basel Committee on Banking Supervision and adopted by the Central Bank of Brazil, among others.

The main purpose of Daycoval's capital management is to ensure the compliance with foreign capital requirements to maintain a solid credit rating and proper capital structure to support its business and maximize the share value to its shareholders.

Basel Accord

BACEN has issued, beginning March 1, 2013, which have become effective beginning October 1, 2013, a set of standards that govern the Basel Committee's recommendations relating to the capital structure of the financial institutions. Known as Basel III, these new standards improve the capacity of these institutions to absorb the impacts from possible crisis, by strengthening the financial stability and increasing the quantity and quality of the regulatory capital.

These standards address the following issues:

- New regulatory capital calculation methodology (Regulatory Capital (PR)), which remains divided in tiers I and II;
- New required capital calculation methodology, by adopting the minimum requirements of PR, Tier I and Principal Capital, and introduction of the Principal Capital Additional; and
- New optional methodology to determine the minimum capital requirements for the credit cooperatives that joined the Prudential Simplified Regime (RPS), and introduction of the Principal Capital Additional specifically for these cooperatives.

In addition to the issues above, the CMN established a new method to prepare and submit information using a new document called Analytic Trial Balance - Prudential Financial, which started to be used as the basis to calculate the Regulatory Capital (PR) beginning January 2015.

The Basel III rules seek to improve the capital quality of the financial institutions, by restricting the use of financial instruments that are not able to absorb losses and deducting assets that could impact the capital value due to their low liquidity, their dependency on future earnings for realization purposes or whose value cannot be easily accurately. These instruments comprise tax credits, intangible assets and investments in non-controlled companies, specifically those operating in the insurance market.

The new minimum capital requirements establish the percentage amount of the risk-weighted assets and represent the capital requirements to be complied with by the financial institutions, based on the schedule below:

	2018	2019
Principal capital ^{a)} (minimum + additional)	6,375 a 8,28%	7,0 a 9,5%
Tier I ^{b)} (minimum + additional)	7,875 a 9,75%	8,5 a 11,0%
PR ^{c)} (minimum + additional)	10,5 a 12,375%	10,5 a 13,0%

a) Principal Capital - comprised of shares, reserves and retained earnings;

b) Tier I - comprised of Principal Capital and other instruments to absorb losses while the institution continue as a going concern; and

c) PR (Regulatory Capital) - comprised of Tier I and other underlying instruments to absorb losses upon the institution's liquidation.

The Principal Capital Additional, which represents the supplementary maintenance (fixed) and cyclic (variable) capital, was also created, and at the end of the transition period, it must represent no less than 2.5% and no more than 5% of the risk-weighted assets, whose percentage is established by BACEN according to current macroeconomic conditions.

These new Basel III standards are effective beginning October 1, 2013, based on the international schedule until their effective implementation on January 1, 2022.

The table below shows the calculation of regulatory capital requirements and the Basel ratio:

	2019	2018
Regulatory capital for comparison with risk-weighted assets (RWAs)	3,823,451	3,382,951
Regulatory Capital – Tier I	3,695,159	3,237,038
Equity	3,695,159	3,237,038
Valuation adjustments to equity –derivatives for cash flow hedge	- 29,803	- 1,401
Prudential adjustment - Bacen Resolution - 4192/13	- 29,803	- 1,401
Regulatory Capital - Tier II	158,095	147,314
Subordinated debts (Note 21)	158,095	147,314
Risk-Weighted Assets (RWA) Exposure to credit risk - RWAcpad	27,077,734	23,016,753
Exposure to credit risk - RWAcpad	24,620,899	18,725,498
Foreign exchange asset - RWAcam	385,655	1,564,403
Assets indexed to fixed interest - RWAjur1	267,062	444,052
Assets indexed to foreign exchange coupon - RWAjur2	113,114	185,619
Assets indexed to inflation - RWAjur3	5,530	100
Shares - RWApacs	114,596	87,783
Operational risk - RWAopad	1,570,878	2,009,298
Minimum Required Regulatory Capital (RWA x 8%) (8,625% in 2018) ⁽¹⁾	2,166,219	1,985,195
Basel ratio - Total	14.12%	14.70%
Basel ratio - Tier I	13.54%	14.06%
Basel ratio - Tier II	0.58%	0.64%
Portion of the interest rate in the Banking Book (Pbanking)	154,479	192,123

(1) The minimum requirement for Reference Equity (PR), determined by CMN Resolution No. 4,193 / 13, which corresponds to the application of the "F" factor on the amount of risk-weighted assets (RWA), will be phased out as follows: (i) 9,25% by 2017; (ii) 8,625% until December 31, 2018; (iii) 8% as of January 1, 2019.

On December 31, 2019 and 2018, the Bank's Reference Equity exceeded by 76.50% and 70.41%, respectively, the Minimum Reference Equity Required by BACEN.

27. EMPLOYEE BENEFITS

a) Education incentive and profit sharing programs

As part of its strategy of being ranked among the best companies to work in Brazil, the Bank invests in the training and welfare of its employees, through programs involving college and MBA and postgraduate students, participates in the federal government's Minor Apprentice program, and implements its own internship programs.

The Bank offers a profit sharing program to all employees. This program is designed in partnership with the Union of Bank Employees and is tied to performance goals annually evaluated, using the criteria according to the Performance Evaluation program.

28. GUARANTEES AND COLLATERALS PROVIDED ON BEHALF OF THIRD PARTIES (BANK AND CONSOLIDATED)
a) Breakdown by type and maturity date of guarantees and collaterals provided and responsibilities to third parties:

	2019		2018	
	Outstanding credits for import	Beneficiaries of guarantees provided	Outstanding credits for import	Beneficiaries of guarantees provided
Up to 3 months	131,807	1,446,018	-	719,764
3 to 12 months	51,545	760,825	114,594	344,071
1 to 3 years	-	200,721	63	141,897
3 to 5 years	-	84,651	-	63,359
Over 5 years	-	265	-	-
Total	183,352	2,492,480	114,657	1,269,091

The Bank does not guarantee any transaction of direct and indirect subsidiaries, their officers and directors and their family members.

b) Provision for guarantees and collaterals provided and responsibilities to third parties:

As prescribed by CMN Resolution No. 4512/16 on accounting policies applicable to the assessment and recognition of the provision for financial guarantees provided, the Bank has recorded the provision for bank guarantees based on the parameters established by CMN Resolution No. 2682/99, which requires the periodical analysis of the portfolio and its classification into nine levels ("AA" (minimum risk) and "H" (maximum risk - loss).

	2019			
	Total guarantees and collaterals	Provision		
		Required by BACEN Res. 4512/16	Additional ⁽¹⁾	Total provision
AA	1,710,204	-	-	-
A	321,756	1,609	965	2,574
B	568,820	5,688	10,808	16,496
C	63,409	1,902	2,727	4,629
D	11,284	1,128	-	1,128
F	359	180	-	180
Total provision for transactions with characteristics of loans (Note 20.d)	2,675,832	10,507	14,500	25,007

	2018			
	Total guarantees and collaterals	Provision		
		Required by BACEN Res. 4512/16	Additional ⁽¹⁾	Total provision
AA	557,170	-	-	-
A	345,770	1,729	1,383	3,112
B	448,903	4,489	8,529	13,018
C	11,116	333	145	478
D	19,549	1,955	-	1,955
E	318	95	-	95
F	514	257	-	257
H	408	408	-	408
Total provision for transactions with characteristics of loans (Note 20.d)	1,383,748	9,266	10,057	19,323

(1) Additional allowance recognized in relation to the minimum percentage required by the prevailing regulation, based on specific credit risk rating methodology.

c) Variations in the provision for guarantees and collaterals provided and responsibilities to third parties:

	Opening provision balance	Recognition (reversal) of provision			Closing provision balance
		Required by BACEN Res. 4512/16 ⁽¹⁾	Additional	Total provision expenses	
2019					
Bank	19,323	1,241	4,443	5,684	25,007
Total	19,323	1,241	4,443	5,684	25,007
Current liabilities – sundry payables - provision for financial guarantees provided					22,058
Noncurrent long-term liabilities - sundry payables - provision for financial guarantees provided					2,949
Total					25,007
	Opening provision balance	Recognition (reversal) of provision			Closing provision balance
		Required by BACEN Res. 4512/16 ⁽¹⁾	Additional	Total provision expenses	
2018					
Bank	8,401	865	10,057	10,922	19,323
Total	8,401	865	10,057	10,922	19,323
Current liabilities – sundry payables - provision for financial guarantees provided					18,236
Noncurrent long-term liabilities - sundry payables - provision for financial guarantees provided					1,087
Total					19,323

(1) As prescribed by CMN Resolution No. 4512/16 on accounting policies applicable to the assessment and recognition of the provision for financial guarantees provided, the Bank has recorded the provision for bank guarantees based on the parameters established by CMN Resolution No. 2682/99, which requires the periodical analysis of the portfolio and its classification into nine levels ("AA" (minimum risk) and "H" (maximum risk - loss).

29. RELATED-PARTY TRANSACTIONS

The National Monetary Council (CMN), through the publication by the Central Bank of Brazil (BACEN) of Resolution 4.693/18, has regulated the conditions and limits for loan transactions with related parties to be carried out by financial institutions and leasing companies, defining the concept of qualified interest as direct or indirect interest in another company, similar to or above 15% of the respective shares or units.

The Resolution also established that the sum of the balance of loan transactions with related parties must not exceed 10% of the adjusted equity (PLA), subject to the individual limits of 1% for loans with natural persons and 5% for loans with legal persons, as prescribed in article 7 of the Resolution. These limits must be calculated on the loan transaction date.

a) The direct and indirect subsidiaries and the Bank's shareholders enter into transactions with the Bank under usual market conditions. These transactions are contracted at rates consistent with those prevailing in the market on the transaction and settlement dates.

The table below shows the transactions between the Bank and its related parties as at December 31, 2019 and December 31, 2018:

Transactions	Bank			
	2019		2018	
	Assets (liabilities)	Income (expenses)	Assets (liabilities)	Income (expenses)
Demand deposits	-	3,526	-	2,670
Direct subsidiaries	-	290	-	182
ACS Participações Ltda.	-	28	-	83
Daycoval Asset Management Ltda.	-	48	-	16
Daycoval Leasing - Banco Múltiplo S.A.	-	193	-	64
Dayprev Vida e Previdência S.A.	-	21	-	19
Indirect subsidiaries	-	756	-	855
IFP Promotora de Serviços de Consultoria e Cadastro Ltda.	-	391	-	134
SCC Agência de Turismo Ltda.	-	11	-	15
Treetop Investments Ltd.	-	354	-	706
Other associates	-	14	-	4
Shtar Empreendimentos e Participações S.A.	-	5	-	2
Paratei Agropecuária e Imobiliária Ltda.	-	3	-	1
Valco Adm. Part. e Representações Ltda.	-	6	-	1
Other related parties – individuals	-	2,466	-	1,629
Interbank deposits	677,538	30,812	370,536	16,751
Direct subsidiaries	677,538	30,812	370,536	16,751
Daycoval Leasing - Banco Múltiplo S.A.	677,538	30,812	370,536	16,751
Time Deposits	-	335,968	-	258,758
Direct subsidiaries	-	-	-	308
ACS Participações Ltda.	-	-	-	290
Daycoval Asset Management Ltda.	-	-	-	18
Indirect subsidiaries	-	56,354	-	69,867
IFP Promotora de Serviços de Consultoria e Cadastro Ltda.	-	43,137	-	57,116
SCC Agência de Turismo Ltda.	-	13,217	-	12,751
Other related parties – individuals	-	279,614	-	188,891
Financial bills	-	698,805	-	701,831
Direct subsidiaries	-	371,660	-	566,358
ACS Participações Ltda.	-	371,660	-	566,358
Indirect subsidiaries	-	154,428	-	-
IFP Promotora de Serviços de Consultoria e Cadastro Ltda.	-	154,428	-	-
Other related parties – individuals	-	172,717	-	135,473
Agribusiness letter of credit	-	7,491	-	1,367
Other related parties – individuals	-	7,491	-	1,367
Mortgage Loan Notes	-	28,881	-	2,997
Other related parties – individuals	-	28,881	-	2,997
Securities issued abroad	-	-	-	7,404
Indirect subsidiaries	-	-	-	7,404
Treetop Investments Ltd.	-	-	-	7,404
Prepaid expenses	-	-	-	17,205
Indirect subsidiaries	-	-	-	17,205
IFP Promotora de Serviços de Consultoria e Cadastro Ltda.	-	-	-	17,205
Loan transactions	402	2	-	-
Key management personnel	321	2	-	-
Other related parties – individuals	81	-	-	-

Transactions	Daycoval Leasing			
	2019		2018	
	Assets (liabilities)	Income (expenses)	Assets (liabilities)	Income (expenses)
Interbank deposits	(677,538)	(30,812)	(370,536)	(16,751)
Controlling shareholder	(677,538)	(30,812)	(370,536)	(16,751)
Banco Daycoval S.A.	(677,538)	(30,812)	(370,536)	(16,751)

b) The table below shows the yield rates and respective terms of the transactions between the Bank and its related parties as at December 31, 2019:

Description	Interest rate	Assets (liabilities)					
		Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Total	
Interbank deposits		-	677,538	-	-	677,538	
Direct subsidiaries		-	677,538	-	-	677,538	
Daycoval Leasing - Banco Múltiplo S.A.	Floating	-	677,538	-	-	677,538	
Time deposits		- 694	- 44,102	- 12,351	- 278,821	- 335,968	
Direct subsidiaries		-	- 39,683	- 318	- 16,353	- 56,354	
IFP Promotora de Serviços de Consultoria e Cadastro Ltda.	Floating	-	- 26,466	- 318	- 16,353	- 43,137	
SCC Agência de Turismo Ltda.	Floating	-	- 13,217	-	-	- 13,217	
Other related parties - individuals	Fixed /Floating	- 694	- 4,419	- 12,033	- 262,468	- 279,614	
Financial bills		- 112,227	- 26,452	- 16,109	- 544,017	- 698,805	
Direct subsidiaries		-	- 14,767	-	- 356,893	- 371,660	
ACS Participações Ltda.	Fixed /Floating	-	- 14,767	-	- 356,893	- 371,660	
Indirect subsidiaries		-	-	-	- 154,428	- 154,428	
IFP Promotora de Serviços de Consultoria e Cadastro Ltda.	Fixed /Floating	-	-	-	- 154,428	- 154,428	
Other related parties - individuals	Fixed /Floating	- 112,227	- 11,685	- 16,109	- 32,696	- 172,717	
Agribusiness letter of credit		- 5,661	- 1,282	- 548	-	- 7,491	
Other related parties - individuals	Fixed /Floating	- 5,661	- 1,282	- 548	-	- 7,491	
Mortgage Loan Notes		- 913	- 6,993	- 15,454	- 5,521	- 28,881	
Other related parties - individuals	Fixed /Floating	- 913	- 6,993	- 15,454	- 5,521	- 28,881	
Loan transactions		86	316	-	-	402	
Key management personnel		25	296	-	-	321	
Other related parties – individuals		61	20	-	-	81	

(1) Interest rates range between: (i) fixed from 5.0% to 17.4% p.a.; and (ii) floating from 94.5% to 115% of the CDI rate.

c) Compensation of key management personnel:

The Annual Shareholders' Meeting sets the overall compensation of Management, as established by the Bank's bylaws.

For the year ended December 31, 2019, the overall compensation of up to R\$70 million (R\$70 million for the year ended December 31, 2018) was set at the Annual and Extraordinary General Meeting held on April 30, 2019.

	2019	2018
Total compensation	58,390	45,471
Direct and fringe benefits (healthcare plan)	1,077	953

The Bank does not offer other short or long-term post-employment or severance benefits to its key management personnel

d) Ownership interest:

As at December 31, 2019 and December 31, 2018, the members of the Board of Directors and the Executive Committee held jointly the following interest in the Bank's capital:

	Ownership interest in relation to share class	
	2019	2018
Common shares (ON)	100.00%	100.00%

30. OTHER INFORMATION

a) Asset management:

Banco Daycoval S.A. and Daycoval Asset Management is responsible for administering and managing third-party assets through investment funds, whose net assets as at December 31, 2019 are R\$12.6 billion (R\$3.7 billion as at December 31, 2018).

b) Insurance coverage against losses:

Despite the low risk exposure as a result of their assets not being physically concentrated, the Bank and its subsidiaries insure their assets at amounts considered sufficient to cover probable losses.

c) Relationship with Auditors:

In accordance with CVM Instruction 381, of January 14, 2003, we inform that the firm engaged to review the Bank's financial statement information and audit the financial statements for the year ending December 31, 2019, has not provided any other services to the Bank and the Group companies, other than the independent audit services.

Our policy, including our subsidiaries, to engage non-audit services from our independent auditors, is based on applicable regulation and internationally accepted principles that preserve the independence of the auditor. These principles consist of: (a) the auditor must not audit its own work; (b) the auditor must not exercise managerial functions in its client; and (c) the auditor must not promote the interests of its client.

d) Audit Committee:

As required by CMN Resolution 3198/04, and with a view to adopting the industry best practices when conducting its businesses, Extraordinary General Meeting held on March 26, 2009 has decided on and approved the establishment of an Audit Committee, which will be comprised of 3 independent members, pursuant to the prevailing legislation. The establishment of this committee was ratified by the Central Bank of Brazil on May 26, 2009.

31. INTEGRATED RISK AND CAPITAL MANAGEMENT

On February 23, 2017, BACEN has disclosed CMN Resolution No. 4557, which was effective for the banks from S2 to S5 segments, defined pursuant to CMN Resolution No. 4.553/17, beginning February 22, 2018, and revoked CMN Resolutions No. 3380, 3464, 3721, 3988, and 4090, which provided for the implementation of individual operating, market, credit, capital and liquidity risk management frameworks, respectively.

Daycoval, in addition to being aligned with the requirements set out in CMN Resolution No. 4557, understands the integrated risk management as an important tool for the generation of value to the Bank, shareholders, employees and clients. Accordingly, it establishes strategies and goals to reach the ideal balance between the growth and investment return targets and the related risks, being allowed to explore its resources with efficiency and effectiveness in the attainment of the Bank's objectives.

The Corporate Risk Management structuring, in addition to complying with the regulatory body requirements, contributes to a better Corporate Governance, which is one of Daycoval's strategic goals, and which was designed based on the purposes, demands and institutional culture.

The identification of risks allows mapping the internal and external risk events that could affect the business unit purposes. In this regard, the Risk Committees and the risk managers play an important role in the Bank's several areas to ensure its continuous expansion.

The Risk Managers identify, measure, control, assess and manage the risks, ensuring the consistency between the risks assumed and the acceptable risk level defined by the Institution, as well as report the exposure to the senior management, business areas and regulatory bodies.

In addition to the requirement to implement an integrated risk and capital management framework, CMN Resolution No. 4557/17 also required financial institutions to prepare the Risk Appetite Statement (RAS) and to establish a Risk Management Committee and appoint, to BACEN, the Chief Risk Officer (CRO), with designation of roles, responsibilities and independence requirements.

Main risk categories and respective management frameworks:

a) Market risk

Market risk is the risk of incurring losses due to fluctuations in the fair values of the positions held by a financial institution, including the risks to which the transactions subject to exchange rate changes, interest rates, stock prices, and commodity prices are exposed.

a.1) Main market risks to which Daycoval is exposed:

Interest rate risk

Possible interest rate fluctuations that could adversely affect the value of the financial instruments. This risk is classified as follows:

- Parallel change risk: exposure of profit and loss to parallel changes in the interest curve, resulting in equal differentials for all terms.
- Risk of changes in curve slope: exposure of profit or loss to the changes in the timeframe structure of the interest curve, resulting in changes in pending or curve form.

Currency price risk

The exposure of foreign currency positions to the changes in the exchange type.

Price risk

The exposure of outstanding securities to adverse market price fluctuations. This risk is classified as follows:

- Generic or systematic risk: exposure of the position value to the changes in prices in general;
- Specific risk: exposure not related to the changes in prices in general but related to the issuer's own characteristics

Commodity price risk

The risk related to the effects from the potential changes in the portfolio commodity prices.

a.2) Market Risk management methodologies

Value-at-Risk (VaR)

The Value-at-Risk or VaR is the benchmark used in the market and a measure that properly summarizes the market risk exposure from the trading activities (trading portfolio). It represents the potential maximum loss in the market value that, under normal market conditions, can result in a specific position or portfolio, considering a defined certainty level (confidence level) and time horizon.

Among the different methodologies available to calculate the VaR (parametric, historical simulation and Montecarlo simulation), Daycoval understands that the parametric methodology is the most adequate to the characteristics of the positions of its trading portfolio.

Parametric methodology

It is based on the normality statistics in the distribution of probabilities related to the risk factor changes, based on the volatilities and correlations to determine the potential change of a position. Accordingly, the risk factors must be identified and the positions must be allocated to the defined vertices. Subsequently, the volatilities of each risk factor and the correlations to the positions are applied.

a.3) Stress test

It is a supplementary tool to the VaR measures and scenario analysis used to measure and assess the risk to which the Bank is exposed. It is based on the definition of a set of movements for certain market variables and the determination of the effects from the movements on the portfolio value. The stress test results are periodically analyzed by the Market Risk Committee.

a.4) Scenario analysis

The purpose of the scenario analysis is to assist the senior management in understanding the impact caused by certain events on the Bank, using a risk analysis tool that defines the long-term scenarios that affect the parameters or variables defined for risk measurement.

Differently from the stress tests, which consider the impact from the changes in the market risk factors on the short-term portfolio, the scenario analysis determines the impact from more complex events on the Bank as a whole.

In the definition of the scenarios, the following factors are considered:

- The experience and expertise of the persons responsible for the areas involved;
- The proper number of relevant variables and their explanation power in order to avoid unnecessary problems in the analysis and interpretation of the results.

As a risk management governance practice, Daycoval and its subsidiaries adopt a continuous risk management process that involves controlling all the positions exposed to the market risk. The market risk limits are determined according to the characteristics of the operations, which are segregated in the following portfolios:

- Trading portfolio: refers to transactions with financial instruments and commodities, including derivatives, that are held for the purpose of being actively traded or to hedge other financial instruments comprising the trading portfolio. These held-for-trading transactions are those intended for the resale, obtain gains from actual or expected price fluctuations, or arbitrage.
- Banking portfolio: refers to all transactions that are not classified in the trading portfolio and are represented by transactions arising from the Bank's business lines.

The segregation above is related to the way Management manages Daycoval's business and its exposure to the market risks, in conformity with the best market practices, the transaction classification criteria set forth in prevailing regulations issued by BACEN and the –Basel Accord. Therefore, according to the nature of the activities, the sensitivity analysis, as prescribed by CVM Instruction 475/08, was conducted for the trading and banking portfolio operations, as they represent significant exposures for Daycoval's profit or loss.

The sensitivity analysis of the trading and banking portfolios as at December 31, 2019 and December 31, 2018 is as follows:

Financial exposures Risk factors	2019						2018					
	Scenarios						Scenarios					
	1	2	3	1	2	3	1	2	3	1	2	3
Fixed rate	-	18,811	-	33,139	-	47,175	-	12,952	-	24,328	-	35,450
Foreign currencies	-	23,959	-	49,502	-	76,783	-	10,447	-	29,503	-	48,796
Price indices	-	112	-	127	-	140	-	4	-	6	-	8
Variable income	-	8,595	-	20,771	-	32,946	-	7,098	-	17,154	-	27,209
Borrowings	-	2,017	-	2,953	-	5,228	-	6,340	-	11,853	-	17,198
Other	-	504	-	770	-	1,036	-	16	-	60	-	103
Total Trading	-	6,080	-	8,258	-	9,742	-	15,963	-	23,898	-	31,172
Total Banking	-	279,324	-	470,008	-	653,347	-	234,581	-	437,350	-	631,955
Total	-	285,404	-	478,266	-	663,089	-	250,544	-	461,248	-	663,127

The sensitivity analysis was carried out considering the following scenarios:

• Scenario 1: refers to the probable stress scenario for risk factors, and available market information (B3 S.A., ANBIMA, etc.) was used as basis for the preparation of this scenario. Accordingly, the risk factors considered were as follows: (i) R\$/US\$4.57 (R\$/US\$4.41 in 2018); (ii) fixed interest rate – 7.05% p.a. (9.05% p.a. in 2018); (iii) Ibovespa – 98,298 points (74,704 points in 2018); and (iv) 5.34% p.a. exchange coupon (6.22% p.a. in 2018).

• Scenario 2: As established by CVM Instruction 475/08, this scenario considered a deterioration of the risk factors of approximately 25%. Accordingly, the risk factors considered were as follows: (i) US\$5.72 (R\$/US\$5.51 in 2018); (ii) fixed interest rate – 8.81% p.a. (11.31% p.a. in 2018); and (iii) Ibovespa – 73,723 points (56,028 points in 2018); and (iv) 6.68% p.a. exchange coupon (7.78% p.a. in 2018).

• Scenario 3: As established by CVM Instruction 475/08, this scenario considered a deterioration of the risk factors of approximately 50%. Accordingly, the risk factors considered were as follows: (i) R\$/US\$6.86 (R\$/US\$6.61 in 2018); (ii) fixed interest rate 10.58% p.a. (13.58% p.a. in 2018); and (iii) Ibovespa – 49,149 points (37,352 points in 2018); and (iv) 8.01% p.a. exchange coupon (9.33% p.a. in 2018).

It is important to mention that the results shown in the tables above reflect the impacts for each scenario projected on a static position of the portfolio as at December 31, 2019 and 2018. The market dynamics changes this position continually and does not necessary reflect the actual position on the reporting date. Additionally, as mentioned above, the Trading and banking portfolio positions are continuously managed to mitigate the related risks, according to the strategy defined by Management and, when there are any indication of deterioration of a certain position, proactive actions are taken to minimize possible adverse impacts to maximize the risk/return ratio for the Bank.

a.5) Backtesting

Backtesting is the comparison between the former estimated gain/loss and the effective gain/loss. The purpose is to analyze the model adequacy. For purposes of backtesting, effective gains/losses are used for each business unit.

b) Liquidity risk

Liquidity risk is the risk of mismatches between tradable assets and payable liabilities — payables and receivables mismatches — that might affect the payment ability of the Bank, taking into consideration the different currencies and settlement terms of its assets and liabilities.

The main liquidity risk factors can have external or internal origin:

b.1) Main external risk factors:

- Macroeconomic factors, both national and international;
- Liquidity policies set by the regulator;
- Situations where the confidence and, consequently, the system liquidity was affected;
- Credit agencies' ratings: sovereign risk and organization risk;
- Lack of funds in the market.

b.2) Main internal risk factors:

- Bank's risk appetite and definition of the acceptable liquidity level;
- Terms and rates mismatches caused by the characteristics of the traded products and services;
- Concentration policy, both in fundraising and credit granting;
- Covenants assumed by the Institution: financial, economic and related to environmental management;
- Increase in the number of early redemptions of funds raised or transactions with immediate or grace period liquidity clauses;
- Exposure to illiquid or low liquidity assets;
- Leverage.

This type of risk is particularly important at the financial institutions, as economic / political / financial events and even changes in the perception of confidence or expectations may quickly turn into major solvency problems. This is a risk that needs to be constantly managed, with extremely care with respect to matches and terms between receivables and payables; either at the short, medium or long terms.

c) Credit risk

The credit risk is the risk of incurring losses due to borrower or counterparty default under agreed financial obligations, the depreciation of a credit agreement due to the downgrading of the borrowers' risk ratings, the decrease in gains or returns, the advantages granted in restructurings, and the recovery costs.

Classification of operations

For the classification of the lending operations, Daycoval adopts consistent, verifiable criteria that combine the borrower's economic, financial, personal and market information with the accessory collaterals provided for the operation. Based on this information, the minimum provision will be recognized to cover the risks assumed, as prescribed by BACEN Resolution 2682/99.

Daycoval credit scoring models

These are statistical models designed and used for risk rating in the credit granting process following the adoption of the credit policies previously analyzed and approved.

Treasury - financing of government bonds, over-the-counter derivatives and brokers

Low-risk strategies are adopted in the structuring of operations based on the exposure limit analysis against the counterparties' equity, trading agreements previously agreed and according to the objective technical assessment conditions of the counterparties' credit risk and strict selection of brokers related to prime banks to deal with the positions allocated.

d) Operational risk

Operational risk is the possibility of an entity incurring losses due to failure, deficiency or ineffectiveness of internal processes, people and systems, or external events. It includes the legal risk associated to inadequacy or deficiency in contracts entered into by the Bank, as well as penalties due to noncompliance with legal provisions, and compensation paid for damages caused to third parties as a result of the activities conducted by the Bank.

In managing operational risks, the Bank relies on a qualified risk management framework to identify, control and identify operational risks, as well as to disseminate the risk mitigation culture.

e) Social and environmental risk

Refers to the possibility of incurring losses arising from social and environmental damages, related to each entity individually, comprising Daycoval Group, in accordance with the following principles:

- **Significance:** Establishes as significance criterion the most representative segment in its product portfolio; and
- **Proportionality:** Establishes as proportionality criterion the credit operations of the most significant segment, whose economic activity may pose a higher risk of causing social and environmental damages associated with the customer's total debt amount in an institution.

In order to ensure the continuing management of the social and environmental risk, in accordance with the principles above, the procedures below were established:

All corporate clients, during the registration process, must determine the environmental impact level for the activity codes, as prescribed by the prevailing law, and the social and environmental aspects must be included in the credit rating report, through a previous questionnaire.

All loan agreements must contain, when applicable, specific contractual clauses with respect to the debtor's commitment and obligation to strictly abide by and comply with the social and environmental and labor legislation, in particular occupational health and safety standards and the lack of labor similar to slave or child labor.

Properties pledged as collateral must be assessed by a company specialized in rural and urban properties and consider the regular standing of the property, including social and environmental aspects before the relevant federal and state bodies.

With respect to a rural property pledged as collateral, during the credit granting process, the registration of the legal reserve in the rural property record or in the rural environmental register (CAR), or document entered into with the competent body must be verified, in compliance with the applicable prevailing legislation.

The assessments carried out with respect to the rural properties pledged as collateral must comprise:

- Restriction to the use, including restrictions related to zoning, land parceling, archeological and historical asset preservation, activity restriction due to location in Environmental Preservation Area (APA) or Permanent Preservation Area (APP), which satisfies the requirements imposed by the competent bodies;
- Restriction to the use, relating to land parceling, archeological, paleontological and historical asset preservation, or where the borrower does not satisfy the requirements established by the competent body; be located in indigenous and "quilombola" land and conservation units, defined as such by the relevant authority;
- Restriction to the use, relating to the contamination at the property pledged as collateral.

The administration

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