

(A free translation of the original in Portuguese)

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***Banco Cooperativo  
do Brasil S.A. -  
Bancoob***

***Parent company and consolidated  
financial statements  
at December 31, 2019  
and independent auditor's report***



(A free translation of the original in Portuguese)

## ***Independent auditor's report***

To the Board of Directors and Shareholders  
Banco Cooperativo do Brasil S.A. - Bancoob

### **Opinion**

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We have audited the accompanying parent company financial statements of Banco Cooperativo do Brasil S.A. - Bancoob ("Bank"), which comprise the balance sheet as at December 31, 2019 and the statements of income, changes in equity and cash flows for the six-month period and year then ended, as well as the accompanying consolidated financial statements of Banco Cooperativo do Brasil S.A. - Bancoob and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2019 and the consolidated statements of income, changes in equity and cash flows for the six-month period and year then ended, and a summary of significant accounting policies and other explanatory information.

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

### **Basis for opinion**

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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 parent company and consolidated financial statements section of our report. We are independent of the Bank and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Other information accompanying the parent company and consolidated financial statements and the independent auditor's report**

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

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

In connection with the audit of the parent company 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



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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 parent company and consolidated financial statements**

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Management is responsible for the preparation and fair presentation of these parent company and consolidated financial statements in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (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 parent company 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 or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's responsibilities for the audit of the parent company and consolidated financial statements**

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Our objectives are to obtain reasonable assurance about whether the parent company 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 parent company 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 controls.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Bank and its subsidiaries.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to




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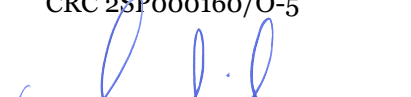
modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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

Brasília, February 12, 2020

  
PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5

  
Carlos Augusto da Silva  
Contador CRC 1SP197007/O-2

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# PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

**Banco Cooperativo do Brasil - Bancoob**

**December 2019 and 2018**

(A free translation of the original in Portuguese)

## Management Report

### December 31, 2019 and 2018



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## **Management Report**

### **December 31, 2019 and 2018**

#### **Macroeconomic Scenario**

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Despite the low level of economic activity at the beginning of the year, dampened by the political turmoil and uncertainties as to the progress of the reform agenda, the Brazilian economy resumed its path of growth throughout the rest of 2019. Monetary expansionism, promoted by further cuts to the benchmark interest rate during the year, and the expected - and later confirmed - approval of the reform of the social security system, contributed to the resumption of growth from the second quarter.

In the first three quarters of 2019, the GDP grew by 1.0% in comparison with the same period of 2018.

On the supply side, the highlight in the year up to the third quarter was the agribusiness sector, which grew by 1.4% when compared to the previous year. The service industry, whose share in the economy grew by 1.1%, also played a key role.

On the demand side, key indicators of note in the first three quarters of 2019 were the gross fixed capital formation (+3.1%) and household consumption (+1.8%), figures that support the resumption of growth driven by investments and private consumption. On the other hand, government consumption declined by 0.7% during the year, as public spending was cut back. Demand was also negatively affected by the balance of trade as imports were 1.6% higher and exports 2.0% lower.

The year was positive for the agribusiness sector. GDP data shows this industry recorded a 1.4% growth up to the third quarter when compared to the same period of 2018. According to the Systematic Survey of Agricultural Production published by the Brazilian Institute of Geography and Statistics (IBGE), there was a decline of 3.7% in the production of soybeans, down to 113.5 million metric tons, a decrease that was partially offset by the strong growth (+23.6%) in the production of corn, which reached a record 100.6 million metric tons.

Household consumption growth resumed at a moderate pace throughout the year according to the Monthly Commerce Survey (PMC) from the IBGE. In year-to-date to November, retail sales grew by 1.7% in real terms in comparison to the same period of 2018. In the broader retail sector, there was a 3.8% increase in the period, driven by the growth in sales of vehicles (+10.1%) and construction materials (+4.2%). However, consumer confidence showed signs of caution during a significant part of the year, reaching 91.6 points in December, the highest level since February.

While credit expansion continued, job market gains were moderate. The unemployment rate (Continuous National Household Sample Survey - PNAD) in the last quarter reached 11% in the original series, below the 11.6% recorded in December 2018; a total of 94.5 million were in active employment.

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The numbers of unemployed decreased by 520 thousand, to 11.6 million. Salaries, in turn, reported a strong expansion of 2.5% in real terms, a trend which supports the gradual increase in consumption.

Amidst the scenario of further cuts to the benchmark interest rate and gradual recovery of domestic demand, the credit market was a source of good news. During the year, lending operations using non-earmarked funds sustained a good pace of real growth of 11.1% for individuals and 9.6% for legal entities, when compared to the same period of 2018. Default rates on bank loans were also low. In the case of individuals, the default rate dropped from 5.8% in December 2018 to 5.0% at the end of 2019. The default rate of legal entities decreased consistently over the year, reaching 2.1% in December, the lowest rate in the history of the series.

Official inflation, as measured by the Broad Consumer Price Index (IPCA), was 4.3% p.a. at the end of 2019, in line with the target set for the year (4.25%). This index exceeded that recorded for 2018 (3.7%) and was above the target rate during a large part of the year, primarily due to hikes in meat prices between November and December. Other indicators, such as the 3.5% increase in the prices of services, confirm this evaluation. The favorable inflation scenario is associated with the still high level of underutilized economic capacity allied with the perception of a satisfactory management of macroeconomic indicators, which maintains inflation expectations for the future anchored to the targets.

With a scenario of controlled inflation and slow economic recovery, the Brazilian Central Bank resumed interest-rate cuts. At the four meetings held in the second half of 2019, the Monetary Policy Committee (Copom) reduced the benchmark interest rate by 2 percentage points, bringing it to a new record low of 4.5% at the end of the year. In its assessment notices released to the market, Copom gradually changed its view as to the risks from inflation, towards lower risks, in view of the high production under-capacity and the improvement in the international scenario.

Foreign accounts weakened as the current account deficit grew reflecting the slowdown in the global economy and gradual resumption of domestic demand. In 2019, the current transactions deficit reached US\$ 50.8 billion, or 2.7% of the GDP, against the US\$ 41.1 billion recorded for 2018. The main factor was the decrease in the trade surplus, from US\$ 58.0 billion in 2018 to US\$ 46.6 billion in 2019, a trend explained by the decrease in exports being at a faster pace than the decrease in imports.

Public accounts continued to recover slowly even though the figures remained negative. The consolidated public sector recorded a primary deficit of R\$ 61.8 billion in 2019, or 0.85% of GDP, the lowest figures since 2014. Gross debt also showed signs of improvement, recording its first decline in six years in relation to GDP, from 76.5% in 2018 to 75.8% at the end of 2019.

On the international front, the year was marked by concerns from the fallouts from the trade war between the United States and China. In the last months of the year, expectation for a trade agreement between these two countries - later confirmed - contributed to an improvement in prospects and



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### December 31, 2019 and 2018

stabilization in trading activity. Against this backdrop, global GDP is projected to grow by approximately 3.0% in 2019, below the average of 3.6% recorded from 2014 to 2018.

At the end of the year, the improved foreign environment, coupled with increasingly positive signs of a local economic recovery, created an atmosphere of optimism for Brazilian assets, especially for the Brazilian Stock Exchange (B3/Bovespa), which also welcomed the reduction in domestic interest rates, and closed 2019 at 115.6 thousand points, an increase of 31.6% over the year. The Brazilian Real weakened, affected by the low interest rates and by prepayments of corporate foreign currency debts.

The R\$ 4.03/US\$ exchange rate at the end of 2019 concealed peaks close to R\$4.20/US\$ recorded at certain times of the year, including at the beginning of 2020. Overall, the year was positive for Brazil's risk premium, as the five-year CDS dropped from 207 points at the end of 2018 to 100 points at the end of 2019.

As the level of uncertainties diminished, particularly after the approval of the social security system reform, progress made with other reform agendas, the impact from the record cut to the benchmark interest rate, and the focus on the concession and privatization agenda, the private sector is expected to continue to fill the void left by the public sector, and more drive the levels of demand and the economy.

### Bancoob

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Banco Cooperativo do Brasil S/A (Bancoob) is a multiple-service bank that holds the shareholding control of the central credit unions affiliated to Sistema de Cooperativas de Crédito do Brasil (Sicoob), which specializes in the provision of services for its single credit unions.

The Group to which the Bank belongs includes the companies Bancoob DTVM, Sicoob Seguradora, Cabal Brasil and Ponta Administradora de Consórcios; the Bank is the founder and sponsor of the Sicoob Private Pension Foundation (Sicoob Previ). All these institutions are part of Sicoob's system-based structure, which also support the Sicoob Institute, an entity responsible for concentrating and coordinating the System's private social investment activities.

Bancoob, which serves 397 single credit unions and over 4.5 million Sicoob credit union members, as well as a substantial number of associates and clients of other credit union systems, acts as a specialist in the credit union industry, supporting the credit unions' business deals and serving members' needs. Bancoob offers financial products and services consistent with the values of credit unions, fostering competitiveness in this industry and offering products at fair prices. The Bank continues to grow annually its onlending of funds to credit unions and services at the lowest cost possible.

In order to fulfill this goal, the conditions of the campaign to stimulate the onlending of funds to Sicoob's single credit unions were revised in 2019, an effort that resulted in the transfer of R\$ 1.38 billion, an increase of 43.94% in relation to 2018. Accordingly, there was a simultaneous reduction in the Bank's

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### December 31, 2019 and 2018

operating result and profit, which totaled R\$ 127.96 million at the end of 2019, corresponding to an average return on equity of 114.01%, considering the average Interbank Deposit Certificate (CDI) rate for the year.

In 2019, while the total balance of loans of the National Financial System (SFN) increased by 6.53%, Bancoob's lending operations, including interbank onlendings, increased by 17.97%, reaching R\$ 14.20 billion. This performance shows that credit unions are well positioned to contribute to the regional development in the areas in which they operate.

The Bank's total closed the year at R\$ 34.72 billion, an increase of 5.59% over the previous year; the balance of savings deposits amounted to R\$ 6.51 billion, an increase of 24.21% over 2018.

One of the main products delivered in the year was Vooz, a new credit card aimed at young customers. This fully digital innovative product was created in connection with a package of products and services aimed specifically at participants of Sicoob Connection, a roadshow that introduces credit unions to engaged youth, most of whom are from junior companies.

2019 turned out to be a year that required considerable effort to overcome the expected challenges.

## Performance

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At the end of 2019, Bancoob presented consolidated assets of R\$ 53.80 billion, an increase of 7.51% in relation to the amount recorded for the same period of the previous year, with the following items being particularly noteworthy:

### a. Short-term interbank investments and marketable securities

Short-term interbank investments and marketable securities amounted to R\$ 29.87 billion in 2019, comprised mainly of federal government securities (LFTs, LTNs and NTNs), which accounted for 92.73% of the total amount.

### b. Lending operations and interbank onlendings

The portfolio of loans and interbank onlendings totaled R\$ 14.11 billion, an increase of 17.74% when compared to 2018. For the loan portfolio, the highlights were housing credit facilities, which increased by 189.38%, and working capital loans, which increased by 147.6%. Growth was also recorded in Rural Savings Accounts, Own Funds, Compulsory Funds, BNDES/FINAME, and the Constitutional Financing Fund of the Mid-West of Brazil (FCO).

The payroll-deductible loan portfolio (including loans to pensioners and retirees of the National Institute of Social Security (INSS) and those granted under traditional credit facilities) totaled R\$ 884 million, an increase of 14.03% when compared to 2018.

### c. Card operations

Bancoob, which issues cards for Sicoob and other credit union systems, closed the year with 4.74 million cards issued, 2.42 million of which have a built-in limit. The expansion of the card base through partner credit union systems accounted for approximately 20% of total revenue.

In the second half of the year, the volume of purchases with cards increased by 31% in relation to the same period of 2018, totaling R\$ 21.03 billion. Considering only the transactions carried out using the credit function, the volume reached R\$ 11.55 billion.

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### d. Acquiring operations

In 2019, acquiring operations, which combine the Sicoob customer base and the customer bases of partner systems, recorded an increase of 9.58% in the number of authorized licensees of the Sipag card machine, in comparison with the same period of 2018.

Through the expansion of the customer base, annual revenue increased by R\$ 49.8 billion, representing a growth of 0.50% in relation to 2018.

### e. Deposits

In 2019, consolidated deposits reached R\$ 37.77 billion, an increase of 6.00% when compared to the same period of 2018, reflecting the confidence placed in Bancoob as the manager of the available funds of Sicoob and the partner systems.

The credit union savings account ("*Poupança Cooperada*") closed the year with a total of R\$ 6.51 billion, up 24.21% when compared to 2018.

### f. Services

Bancoob provides services such as document custody, microfilming and tracking, and real-time survey, among others. In 2019, Bancoob processed 422,023,362 documents, an increase of 16.31% in relation to 2018.

### g. New agreements

In 2019, new corporate agreements for the collection of bar-coded invoices/payment slips and direct debits were added to the Bank's portfolio, totaling 655 new partnership agreements. The highlights among the new partnership agreements were those with SKY, SEFAZ RS GNRE, SEFAZ RJ GNRE, Sanear ES, Roraima Energia RR, Eletroacre AC, Ultragas, the Municipal Government of Guarulhos, Sabesp Guarulhos, the Municipal Government of Palmas (state of Tocantins), CP Telecom SC, Manaus Ambiental, and SEMAE Rio Quente (Águas de Buritis, state of Rondônia).

Bancoob's portfolio of agreements, which is highly significant to the Brazilian National Financial System, is available to Sicoob's credit unions and the other credit union systems, as well as to banks.

## Risk and capital management

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### I. Risk Management

Bancoob's risk management framework seeks to identify, measure, evaluate, monitor, report, manage, control, and mitigate the risks inherent to its activities, based on policies, strategies, processes and limits established.

The allocation of resources, the definition of responsibilities and processes, and the application of the best risk management practices provide greater transparency, effectiveness and timeliness to the Bank's activities.

Its risk management framework is consistent with the nature of its operations and the complexity of the products and services offered, as well as proportional to the extent of the Bank's exposure to risks.

The risks considered relevant and included in the integrated risk management program are listed below:

**a) Financial risks:** credit risk, market risk, interest rate risk, and liquidity risk.

**b) Non-financial risks:** operational risk, socio-environmental risk, reputational risk, compliance risk, strategy risk, business continuity risk, money laundering risk, and cyber security risk.

## Management Report

### December 31, 2019 and 2018

Bancoob prepares a risk interaction map, which is published in a specific manual, for the purpose of pointing out the existing correlations between the risks considered relevant.

The risk management process is segregated, and the organizational structure involved ensures specialization, representation, and rationality, with proper dissemination of risk management information and culture across the Institution.

The procedures adopted by the Bank ensure the timely reporting of data relating to normal and atypical situations with respect to risk policies to the governance bodies, as well as the application of stress tests to assess critical situations, which would require the adoption of contingency measures.

With a view to optimizing the delegation and coordination of tasks that are essential to the risk management function, Bancoob adopts a model of three lines of defense, described below:

- a) 1st line of defense:** controls and operational management performed by risk-taking areas;
- b) 2nd line of defense:** specific areas, responsible for the performance of internal control, risk management, and compliance, in an integrated manner;
- c) 3rd line of defense:** independent assessment by the internal audit function.

The risk culture is spread across the organization through a structured process, based on specific training programs. Information about the risk appetite levels set in the Risk Appetite Statement (RAS), policies, strategies and processes related to the integrated risk management approach is also disseminated across the Institution.

The Stress Tests Program (STP) inserted into Bancoob's integrated risk management function has the purpose of identifying impacts caused by adverse events and circumstances on the Institution as a whole, or on a specific portfolio, through the application of sensitivity stress tests.

This structure receives support from a department specialized in risk management, segregated from the business units and the internal audit function. This segregation ensures, on a continued and integrated manner, that the Institution's risks are managed in accordance with the levels defined in the RAS.

The governance bodies, committees, and senior management monitor, on a permanent basis, risk management indicators and activities, to ensure the efficiency and effectiveness of the control model.

The Board of Directors is the body responsible for establishing the guidelines, policies, and approval levels for risk management.

The Bank's Risk Committee (Coris) supports the Board of Directors in the performance of its duties.

At the executive level, the Chief Risk Officer (CRO) is responsible for the continuous and integrated management of risks, under the monitoring of the Risk Committee.

The internal audit function is in charge of providing an independent assessment of the activities, systems, models and procedures developed at the Institution, allowing the senior management's evaluation of the adequacy of controls, effectiveness of risk management, and compliance with internal standards and regulatory requirements.

A report describing the risk and capital management framework, and the risk management report - Tier III are available on Bancoob's website ([www.bancoob.com.br](http://www.bancoob.com.br)).

# Management Report

## December 31, 2019 and 2018

### a. Credit risk

Credit risk arises from the uncertainty about a counterparty's ability to honor its commitments. Bancoob's credit risk management is linked to the Institutional Policy for Credit Risk Management, which defines consistent procedures, metrics and actions for all Sicoob entities.

As the entity responsible for the credit risk management of the group companies and the sponsored foundation, Bancoob standardizes processes, establishes methodologies to assess the risk posed by counterparties, and monitors the assets that involve credit risk.

In order to mitigate credit risk, Bancoob makes use of risk analysis and rating models based on quantitative and qualitative data, to support the risk calculation process and the establishment of credit limits for borrowers, with a view to maintaining the high quality of its portfolio. Bancoob's models are periodically tested in order to ensure that they are consistent with the economic and financial condition of the borrowers. Default on the portfolio and the respective ratings assigned to the operations are also monitored, in accordance with CMN Resolution 2,682/1999.

The credit risk management framework requires the adoption of the following procedures:

- a) definition of policies and strategies, including risk limits;
- b) validation of systems, models and internal procedures;
- c) estimation (using consistent and prudent criteria) of losses associated with credit risk, and comparison between the estimated and actually incurred losses;
- d) specific monitoring of related-party transactions;
- e) procedures for monitoring loan portfolios;
- f) identification and treatment of troubled assets;
- g) systems, routines and procedures to identify, measure, assess, monitor, report, control and mitigate the exposure to credit risk;
- h) monitoring and reporting of risk appetite limits;
- i) periodic submission of managerial information to the governance bodies;
- j) area responsible for the calculation and projection of the regulatory capital required, and for the adequate level of the provision for loan losses;
- k) models to assess the counterparty credit risk, according to the transaction and the public involved, which take into consideration specific characteristics of the borrowers, as well as industry-related and macroeconomic matters;
- l) application of stress tests identifying and assessing the Institution's potential vulnerabilities;
- m) establishment of credit limits for each counterparty and overall limits by portfolio or credit line;
- n) model to assess the impact of an extreme risk scenario on the provision for loan losses, regulatory capital and Basel ratio;
- o) specific risk assessment for new products and services.

Internal credit risk management standards include the organizational and regulatory framework, risk rating models for borrowers and operations, overall and individual limits, use of computer systems, and system-based monitoring to validate models and compliance of processes.

### b. Market risks and interest rate risks

Bancoob has adopted the Market Risk Management Policy, which sets out procedures, metrics, and standardized actions to be followed by all the entities that comprise Sicoob.

Bancoob's framework for managing market and interest rate risks is consistent with the nature of its operations and the complexity of the products and services it offers, as well as proportional to its exposure to risks.

# Management Report

## December 31, 2019 and 2018

The management of market and interest variation risks requires the adoption of the following procedures:

- a) monitoring, through periodic reports sent to the governance bodies, committees and senior management, addressing at least:
  - a.1) value at Risk - VaR;
  - a.2) analysis of mismatches to assess the impact on the financial margin;
  - a.3) maximum exposure limits to market and interest rate risks;
  - a.4) periodic back tests performed on models for calculation of market risk and interest rate risk;
  - a.5) application of stress scenarios;
  - a.6) definition of contingency plans;
- b) performance of tests to assess the systems for controlling market and interest rate risks;
- c) preparation of reports that allow the timely identification and correction of deficiencies in the control and management of market and interest rate risks;
- d) existence of a contingency plan containing the strategies to be adopted to ensure the continuity of activities and to limit losses arising from market and interest rate risks.

Bancoob's market risk management framework is based on good practices and consolidated valuation models. Market risk is calculated through the use of standard methodologies that are based on existing risk factors for the instruments classified in the trading portfolio.

For the market risk portions RWAjur1, RWAjur2, RWAjur3, RWAjur4, RWAcam, RWacom, and RWAacs, Bancoob uses standardized methodologies based on the regulations issued by the Brazilian Central Bank.

The interest rate risk in the banking portfolio is managed using good practices and consolidated valuation models. The Bank adopts standardized procedures for the identification of risk factors, establishment of risk limits, and performance of stress testing and tests of compliance with the risk measurement model (backtesting).

The interest rate risk in the banking portfolio is calculated using the Value-at-Risk (VaR) method, which estimates the maximum loss over a specific time horizon, under normal market conditions, and at a given confidence interval.

Stress testing is performed on a monthly basis, with the aim of assessing the possibility of losses resulting from sharp fluctuations in the prices of assets and enabling the adoption of preventive measures.

In January 2020, Bancoob began measuring and controlling interest rate volatility risk in its banking portfolio (IRRBB) using the Economic Value of Equity (EVE) and Net Interest Income (NII) methodologies, which measure impacts arising from changes in interest rates on the economic value of equity and on income from financial intermediation of assets and liabilities held by the Institution, respectively, measuring simultaneous upward and downward shifts in the interest curve.

### c. Liquidity risk

Bancoob has adhered to the following policies: Institutional Policy for Financial Centralization Management, and Institutional Policy for Liquidity Risk Management. These policies set out standardized procedures, metrics and actions to be followed by all the entities that comprise Sicoob.

Bancoob's liquidity risk management framework is consistent with the nature of its operations and the complexity of the products and services it offers, as well as proportional to its exposure to risks.

The management of liquidity risks requires the adoption of the following procedures:

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### December 31, 2019 and 2018

- a) monitoring, through periodic reports sent to the governance bodies, committees and senior management, addressing at least:
  - a.1) minimum liquidity limit;
  - a.2) projected cash flow;
  - a.3) application of stress scenarios;
  - a.4) definition of contingency plans;
- b) performance of tests to assess the liquidity risk control systems;
- c) preparation of reports that allow the timely identification and correction of deficiencies in the control and management of liquidity risks;
- d) existence of a contingency plan containing the strategies to be adopted to ensure the continuity of activities and to limit losses arising from liquidity risks.

In managing the liquidity risk, procedures for identification of short- and long-term risks are adopted, considering possible impacts on the liquidity of the Bancoob Group.

Quarterly stress tests are performed for various scenarios, with a view to identifying any deficiencies and atypical situations that could compromise the Bank's liquidity. As a control mechanism to assess the effectiveness of the contingency plan, the main measures are tested, on a quarterly basis, to evaluate the liquidity generation capacity.

#### **d. Operational and reputational risks**

The guidelines for managing operational risks are set out in Sicoob's Institutional Policy for Operational Risk Management, approved by the Executive Board and the Board of Directors.

The operational risk management process consists of a qualitative and quantitative assessment of operational risks through identification, assessment and treatment stages.

Operational losses are reported to the Internal Control Department, which interacts with the managers of the respective areas and formally reviews the causes of losses, the adequacy of the controls in place, and the need for improving the processes, which may include the implementation of new controls.

The results are submitted to the Executive Board, Board of Directors and the Statutory Audit Board.

The capital allocation methodology used to compute the portion of operational risk (RWAopad) is the Basic Indicator Approach (BIA).

Reputational risk is managed by monitoring communication channels of the Institution (Ombudsman's Office, Customer Support Service - SAC), of the Brazilian Central Bank (On-line Demand Registration System - Citizen Module - RDR), as well as publicly available communication channels (such as the customer complaint website "Reclame Aqui" and social networks).

Sicoob and Bancoob monitor, on a permanent basis the brands' exposure and the impacts on their reputation resulting from the campaigns carried out.

The monitoring of reputational risk is also assessed through the materialization of financial and non-financial risks, including potential non-compliances with regulatory bodies.

#### **e. Socio-environmental risk**

The guidelines for socio-environmental risk management are set out in Sicoob's Institutional Policy for Socio-Environmental Responsibility (PRSA), approved by the Executive Board and the Board of Directors.

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For the eligibility of operations, the process of socio-environmental risk management includes the evaluation of potentially negative impacts, including in relation to reputational risk, such as:

- a) sectors at greater exposure to socio-environmental risk;
- b) credit lines and borrowing facilities at greater exposure to socio-environmental risk;
- c) amount of debt balance in lending operations at greater exposure to socio-environmental risk.

The proposals of counterparties fined for environmental crimes are reviewed by a specific approval level.

The Bank does not carry out transactions with counterparties included in the list of employers that have subjected workers to conditions similar to slavery, or exploited child labor.

#### **f. Compliance risk**

The guidelines for managing compliance risk are set out in the Compliance Policy approved by the Executive Board and the Board of Directors.

Bancoob has employees exclusively dedicated to the implementation of the policy and specific procedures, who also act as consultants in charge of providing the information required for the effective implementation of the compliance process.

#### **g. Strategy risk**

Bancoob's strategy of adding competitiveness factors to Sicoob's credit unions by acting as a managing system for retail banking products is developed through the following business platforms:

- ✓ Payments;
- ✓ Credit;
- ✓ Management of third-party funds;
- ✓ Financial centralization;
- ✓ Social security;
- ✓ Insurance;
- ✓ Cards;
- ✓ Pre-paid cards;
- ✓ Acquiring products;
- ✓ Consortia;
- ✓ Housing credit facilities;
- ✓ Digitalization;
- ✓ Investments;
- ✓ Foreign exchange and foreign trade;
- ✓ Agribusiness derivatives;
- ✓ BNDES and Constitutional Funds.

#### **h. Business Continuity Risk**

The related guidelines are set out in Sicoob's Institutional Policy for Business Continuity Management, approved by the Executive Board and the Board of Directors.

The process of business continuity management requires the performance of the following activities:

- a) identification of the possibility of stoppage of activities;
- b) assessment of the results and consequences (potential impacts) to the entity that may arise from the stoppage of activities;
- c) definition of the strategy to recover from potential incidents;
- d) planned continuity of operations (assets, including people, processes and systems), including procedures for the periods before, during and after the stoppage;



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- e) transition between the contingency and the resumption of the normal course of business (end of the event).

### i. Money Laundering Risk

The related guidelines are set out in the Sicoob's Institutional Policy for Prevention of Money Laundering and Terrorism Financing, approved by the Executive Board and the Board of Directors.

Bancoob's Anti-Money Laundering/Terrorism Financing (AML/TF) process has the purpose of detecting atypical behaviors, situations, and transactions, through information provided by the System for Prevention of Money Laundering and Terrorism Financing and Fraud Prevention and Combat.

This process comprises the following steps:

- a) monitoring;
- b) analysis and due diligence;
- c) reporting to the Brazilian Council for Financial Activities Control (COAF);
- d) issue of managerial reports.

### j. Cyber Security Risk

The guidelines for managing cyber security risk are set out in the Bank's Institutional Policy for Cyber Security, approved by the Executive Board and the Board of Directors.

The process of cyber security risk management requires the performance of the following activities:

- a) definition of cyber security guidelines addressing the Bank's ability to prevent, detect and reduce the vulnerability to incidents related to the cyber environment;
- b) protection of the information under the responsibility of the companies, by preserving its confidentiality, integrity, availability and authenticity;
- c) prevention of potential interruptions, either total or partial, of the IT services accessed by the companies and clients/credit union members, and, in the event of an interruption, mitigation of the resulting impacts;
- d) handling and prevention of cyber security incidents;
- e) education and training of the human resources required for the cyber security area;
- f) promotion of an exchange of knowledge between the various financial institutions and public agencies and entities on the topic of cyber security;
- g) establishment of an incident response action plan which is reviewed annually;
- h) definition of information classification guidelines, kept in electronic or physical format, in accordance with the protection measures expected in terms of secrecy, value, legal requirements, sensitivity and business needs, so as to ensure the confidentiality, integrity and availability of the data and information systems used.

## II. Capital management

The Bank's capital management process complies with the guidelines included in Sicoob's Institutional Policy for Capital Management, to which Bancoob adhered, as approved by its Board of Directors.

In addition to a specific capital plan, which sets out capital targets and projections considering strategic objectives over a minimum time frame of three years, the main sources and a contingency plan, Bancoob has a set of methodologies in place that enables the identification and evaluation of significant risks to its operations, with a view to maintaining a compatible level of capital. Additionally, high impact events and extreme market conditions are simulated, and the related results and impacts on

## **Management Report**

### **December 31, 2019 and 2018**

capital framework are submitted to the Executive Board and Board of Directors.

The capital management process is reviewed annually by the Internal Audit function.

In compliance with CMN Resolution 4,557/2017, a report describing the risk and capital management framework and the risk management report - Tier III are available on Bancoob's website ([www.bancoob.com.br](http://www.bancoob.com.br)).

### **Equity and profit for the year**

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At December 31, 2019, equity totaled R\$ 1.93 billion, representing an increase of 7.45% in comparison with the previous year.

Consolidated profit for the year amounted to R\$ 129.45 million, with an annualized return on average equity of 7.21%.

### **Acknowledgments**

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We would like to thank our shareholders for the trust placed in our management; Sicoob Confederation and the central and individual credit unions for their cooperation towards the achievement of Sicoob's goals; our external partners for their confidence in the solutions offered by the Bancoob Group and Sicoob Previ Foundation; and the employees of the Bank, its subsidiaries and the sponsored foundation, for their dedication and commitment.

The Management

# Balance sheet

## December 31, 2019 and 2018

All amounts in thousands of Reais unless otherwise stated

(A free translation of the original in Portuguese)

Assets	Note	Bank		Consolidated	
		2019	2018	2019	2018
<b>Current assets</b>		<b>35,237,024</b>	<b>34,654,695</b>	<b>35,346,082</b>	<b>34,723,846</b>
Available funds	5	17,383	8,187	17,391	8,424
Short-term interbank investments	6	11,819,390	17,053,764	11,819,390	17,053,764
Money market investments		11,065,357	15,590,845	11,065,357	15,590,845
Investments in interbank deposits		754,033	1,462,919	754,033	1,462,919
Marketable securities	7	6,241,767	2,465,886	6,287,195	2,475,044
Bank's own portfolio		2,927,609	1,797,515	2,973,037	1,806,673
Subject to repurchase agreements		907,356	-	907,356	-
Linked to the provision of guarantees		2,406,680	668,371	2,406,680	668,371
Derivative financial instruments		122	-	122	-
Interbank accounts	21 (a1)	10,940,435	10,157,704	10,979,751	10,192,743
Payments and receipts pending settlement		3,439,802	3,627,002	3,479,118	3,662,041
Receivables linked to the Brazilian Central Bank		1,281,857	1,043,455	1,281,857	1,043,455
Interbank onlendings		6,224,210	5,491,399	6,224,210	5,491,399
(-) Provision for losses on interbank onlendings		(5,506)	(4,224)	(5,506)	(4,224)
Correspondent banks		72	72	72	72
Lending operations	8	1,566,018	1,211,415	1,566,018	1,211,415
Lending operations - private sector		1,600,295	1,229,553	1,600,295	1,229,553
(-) Provision for loan losses	8(g)	(34,277)	(18,138)	(34,277)	(18,138)
Other receivables		4,634,750	3,727,859	4,657,467	3,751,413
Foreign exchange portfolio		8,060	-	8,060	-
Income receivable		15,554	18,459	21,019	23,446
Sundry	21 (b)	4,663,107	3,736,244	4,680,359	3,754,811
(-) Provision for loan losses		(51,971)	(26,844)	(51,971)	(26,844)
Other assets		17,281	29,880	18,870	31,043
Other assets		1,893	2,395	1,893	2,395
Prepaid expenses		15,388	27,485	16,977	28,648
<b>Non-current assets</b>		<b>18,539,002</b>	<b>15,367,544</b>	<b>18,450,265</b>	<b>15,315,852</b>
<b>Long-term receivables</b>					
Marketable securities	7	11,764,853	9,735,165	11,766,764	9,757,512
Bank's own portfolio		4,109,847	5,937,825	4,111,758	5,960,172
Subject to repurchase agreements		3,045,184	718,950	3,045,184	718,950
Linked to the provision of guarantees		4,609,822	3,078,390	4,609,822	3,078,390
Interbank accounts	21 (a)	2,733,805	2,392,036	2,733,805	2,392,036
Interbank onlendings		2,736,876	2,394,197	2,736,876	2,394,197
(-) Provision for losses on interbank onlendings		(3,071)	(2,161)	(3,071)	(2,161)
Lending operations	8	3,589,622	2,891,724	3,589,622	2,891,724
Lending operations - private sector		3,642,876	2,925,504	3,642,876	2,925,504
(-) Provision for loan losses		(53,254)	(33,780)	(53,254)	(33,780)
Other receivables		164,459	92,974	165,160	94,167
Sundry	21 (b)	166,229	94,801	166,930	95,994
(-) Provision for loan losses		(1,770)	(1,827)	(1,770)	(1,827)
Other assets		48,878	43,903	48,878	43,903
Prepaid expenses		48,878	43,903	48,878	43,903
Investments		164,744	135,743	54,432	40,532
Equity in the results of associates and subsidiaries	10	164,391	135,390	54,079	40,179
Other investments		353	353	353	353
Property and equipment	11	70,941	73,940	82,961	86,684
Properties in use		75,592	75,592	77,497	77,092
Other property and equipment in use		34,410	30,355	57,427	51,390
(-) Accumulated depreciation		(39,061)	(32,007)	(51,963)	(41,798)
Intangible assets	12	1,700	2,059	8,643	9,294
Software		9,544	9,235	26,935	24,515
(-) Accumulated amortization		(7,844)	(7,176)	(18,292)	(15,221)
<b>Total assets</b>		<b>53,776,026</b>	<b>50,022,239</b>	<b>53,796,347</b>	<b>50,039,698</b>

All amounts in thousands of Reais unless otherwise stated

(continued)

Liabilities and equity	Note	Bank		Consolidated	
		2019	2018	2019	2018
<b>Current liabilities</b>		<b>46,382,195</b>	<b>43,349,126</b>	<b>46,531,481</b>	<b>43,467,430</b>
<b>Deposits</b>	13	<b>34,724,751</b>	<b>32,884,947</b>	<b>34,747,940</b>	<b>32,893,886</b>
Demand deposits		52,354	57,685	51,375	42,594
Savings deposits		6,507,726	5,239,265	6,507,726	5,239,265
Interbank deposits		28,039,320	27,527,339	28,039,320	27,527,339
Time deposits		125,351	60,658	119,913	60,402
Other deposits		-	-	29,606	24,286
<b>Repurchase agreement obligations</b>		<b>3,940,599</b>	<b>3,288,704</b>	<b>3,940,599</b>	<b>3,288,704</b>
Bank's own portfolio		3,940,599	717,555	3,940,599	717,555
Third-party portfolio		-	2,571,149	-	2,571,149
<b>Funds from acceptance of bills of exchange, real estate and mortgage notes, and debentures</b>	15	<b>79,748</b>	<b>207,864</b>	<b>79,748</b>	<b>207,864</b>
Agribusiness credit note obligations		79,748	207,864	79,748	207,864
<b>Interbank accounts</b>	21 (a2)	<b>3,589,860</b>	<b>2,561,634</b>	<b>3,589,886</b>	<b>2,561,646</b>
Receipts and payments pending settlement		3,589,860	2,561,634	3,589,886	2,561,646
<b>Interdepartmental accounts</b>	21 (c)	<b>21,560</b>	<b>14,504</b>	<b>21,560</b>	<b>14,504</b>
Receipts and payments pending settlement		21,560	14,504	21,560	14,504
<b>Onlendings in Brazil - Official institutions</b>	16	<b>817,840</b>	<b>771,205</b>	<b>817,840</b>	<b>771,205</b>
Banco do Brasil - FCO		10,047	12,228	10,047	12,228
BNDES		338,682	310,473	338,682	310,473
FINAME		196,461	175,695	196,461	175,695
Funcafé		272,650	272,809	272,650	272,809
<b>Derivative financial instruments</b>		<b>86</b>	<b>-</b>	<b>86</b>	<b>-</b>
Derivative financial instruments		86	-	86	-
<b>Other payables</b>		<b>3,207,751</b>	<b>3,620,268</b>	<b>3,333,822</b>	<b>3,729,621</b>
Collection of taxes and similar charges		12,237	10,744	12,237	10,744
Foreign exchange portfolio		8,070	-	8,070	-
Social and statutory charges		19,742	22,543	21,295	22,795
Tax and social security obligations	21 (e)	139,811	221,357	159,242	243,502
Sundry	21 (f)	3,027,891	3,365,624	3,132,978	3,452,580
<b>Non-current liabilities</b>		<b>5,477,242</b>	<b>4,888,694</b>	<b>5,338,569</b>	<b>4,779,629</b>
<b>Deposits</b>	13	<b>3,157,473</b>	<b>2,843,809</b>	<b>3,018,695</b>	<b>2,734,635</b>
Interbank deposits		2,634,805	2,346,837	2,634,805	2,346,837
Time deposits		522,668	496,972	383,890	387,798
<b>Funds from acceptance of bills of exchange, real estate and mortgage notes, and debentures</b>	15	<b>31,891</b>	<b>12,660</b>	<b>31,891</b>	<b>12,660</b>
Agribusiness credit note obligations		31,891	12,660	31,891	12,660
<b>Onlendings in Brazil - Official institutions</b>	16	<b>2,271,938</b>	<b>2,018,497</b>	<b>2,271,938</b>	<b>2,018,497</b>
Banco do Brasil - FCO		16,955	30,200	16,955	30,200
BNDES		1,586,980	1,357,394	1,586,980	1,357,394
FINAME		614,646	579,212	614,646	579,212
Funcafé		53,357	51,691	53,357	51,691
<b>Other payables</b>		<b>15,940</b>	<b>13,728</b>	<b>16,045</b>	<b>13,837</b>
Tax and social security obligations	21 (e)	529	529	529	529
Sundry	21 (f)	15,411	13,199	15,516	13,308
<b>Deferred income</b>		<b>256</b>	<b>173</b>	<b>256</b>	<b>173</b>
Prepaid income		256	173	256	173
<b>Equity</b>	19	<b>1,916,333</b>	<b>1,784,246</b>	<b>1,926,041</b>	<b>1,792,466</b>
Share capital		1,742,770	1,525,151	1,742,770	1,525,151
Increase in share capital		-	-	-	-
Capital reserve		51	51	51	51
Revenue reserve		172,831	257,685	172,831	252,789
Adjustment to market value - marketable securities		681	1,359	681	1,359
Retained earnings		-	-	-	4,896
Treasury shares		-	-	-	-
Non-controlling interests		-	-	9,708	8,220
<b>Total liabilities and equity</b>		<b>53,776,026</b>	<b>50,022,239</b>	<b>53,796,347</b>	<b>50,039,698</b>

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

# Statement of income

## December 31, 2019 and 2018

All amounts in thousands of Reais unless otherwise stated

(A free translation of the original in Portuguese)

	Note	Bank		Consolidated		
		2nd six-month period	Years		Years	
		2019	2019	2018	2019	2018
<b>Income from financial intermediation</b>		<b>1,441,058</b>	<b>2,905,975</b>	<b>2,766,789</b>	<b>2,907,805</b>	<b>2,768,271</b>
Lending operations	8 (h)	561,901	1,093,184	908,699	1,093,184	908,699
Gains on marketable securities	7(b)	854,307	1,763,933	1,816,399	1,765,763	1,817,880
Gains (losses) on derivative financial instruments	7 (c)	(815)	(441)	-	(441)	-
Gains on foreign exchange transactions	21(b)	1,438	1,894	-	1,894	-
Gains on compulsory investments		24,227	47,405	41,691	47,405	41,691
<b>Expenses with financial intermediation</b>		<b>(1,164,304)</b>	<b>(2,402,839)</b>	<b>(2,322,173)</b>	<b>(2,394,977)</b>	<b>(2,316,277)</b>
Money market funding	13(b)	(1,068,746)	(2,216,460)	(2,188,306)	(2,208,598)	(2,182,400)
Borrowings and onlendings	16(b)	(56,830)	(114,026)	(101,067)	(114,026)	(101,077)
(-) Provision for loan losses	8(g)	(38,728)	(72,353)	(32,800)	(72,353)	(32,800)
<b>Gross profit from financial intermediation</b>		<b>276,754</b>	<b>503,136</b>	<b>444,616</b>	<b>512,828</b>	<b>451,994</b>
<b>Other operating income (expenses)</b>		<b>(205,720)</b>	<b>(305,544)</b>	<b>(35,903)</b>	<b>(299,429)</b>	<b>(25,723)</b>
Income from services rendered	21 (g)	532,654	1,059,138	1,037,924	1,271,292	1,191,173
Income from banking fees	21 (g)	29	61	74	61	74
Personnel expenses	21 (h)	(69,795)	(132,908)	(116,897)	(198,310)	(167,205)
Administrative expenses	21 (i)	(144,748)	(265,701)	(231,293)	(300,388)	(259,746)
Taxes		(65,279)	(127,026)	(135,723)	(153,404)	(156,538)
Equity in the results of subsidiaries and associates	10	17,408	41,844	37,334	24,057	9,564
Other operating income	21 (j)	175,189	343,021	309,478	348,288	314,375
Other operating expenses	21 (k)	(651,178)	(1,223,973)	(936,800)	(1,291,025)	(957,420)
<b>Operating income</b>		<b>71,033</b>	<b>197,592</b>	<b>408,713</b>	<b>213,399</b>	<b>426,271</b>
<b>Non-operating income (expenses)</b>	21 (l)	<b>(1,113)</b>	<b>(2,125)</b>	<b>(601)</b>	<b>(2,119)</b>	<b>(686)</b>
<b>Profit before taxation and profit sharing</b>		<b>69,920</b>	<b>195,467</b>	<b>408,112</b>	<b>211,280</b>	<b>425,585</b>
<b>Income tax and social contribution</b>	9	<b>(16,351)</b>	<b>(54,757)</b>	<b>(168,150)</b>	<b>(67,559)</b>	<b>(184,395)</b>
Income tax	9(d)	(31,781)	(69,906)	(107,799)	(78,292)	(118,496)
Social contribution	9(d)	(21,117)	(44,318)	(88,830)	(48,738)	(94,438)
Deferred tax credits	9(b)	36,547	59,467	28,479	59,471	28,539
<b>Employee profit sharing</b>	23(e)	<b>(7,430)</b>	<b>(12,749)</b>	<b>(10,890)</b>	<b>(14,272)</b>	<b>(11,137)</b>
<b>Profit for the six-month period/year</b>		<b>46,139</b>	<b>127,961</b>	<b>229,072</b>	<b>129,449</b>	<b>230,053</b>
<b>Number of shares:</b>		<b>943,870,276</b>		<b>829,448,865</b>		
<b>Earnings per thousand shares - R\$</b>		<b>48.88</b>		<b>276.17</b>		

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

# Statement of changes in equity

## December 31, 2019 and 2018

All amounts in thousands of Reais unless otherwise stated

(A free translation of the original in Portuguese)

	Note	Share capital	Increase in share capital	(-) Unpaid share capital	Capital reserve	Revenue reserve	Adjustment to market value	Retained earnings	Treasury shares	Total
<b>At December 31, 2017</b>		<b>1,319,242</b>	<b>40,000</b>	-	<b>45</b>	<b>197,108</b>	<b>2,818</b>	-	<b>(59)</b>	<b>1,559,154</b>
Increase in share capital	19(a)	205,910	-	-	-	-	-	-	-	205,910
Unpaid share capital		-	125,910	(165,910)	-	-	-	-	-	(40,000)
Capital payment		-	(165,910)	165,910	-	-	-	-	-	-
Share buyback		-	-	-	6	-	-	-	-	6
Proposed dividends from previous years	19(d)	-	-	-	-	(157,614)	-	-	-	(157,614)
Carrying value adjustment - securities available for sale		-	-	-	-	-	(1,459)	-	-	(1,459)
Treasury shares		-	-	-	-	-	-	-	59	59
<b>Profit for the year</b>		-	-	-	-	-	-	<b>229,072</b>	-	<b>229,072</b>
<b>Proposed allocations:</b>										
Legal reserve		-	-	-	-	11,454	-	(11,454)	-	-
Revenue reserve		-	-	-	-	206,737	-	(206,737)	-	-
Proposed dividends	19(d)	-	-	-	-	-	-	(10,881)	-	(10,881)
<b>At December 31, 2018</b>		<b>1,525,152</b>	-	-	<b>51</b>	<b>257,685</b>	<b>1,359</b>	-	-	<b>1,784,247</b>
<b>Changes in the year</b>		<b>205,910</b>	<b>(40,000)</b>	-	<b>6</b>	<b>60,577</b>	<b>(1,459)</b>	-	<b>59</b>	<b>225,093</b>
<b>At December 31, 2018</b>		<b>1,525,152</b>	-	-	<b>51</b>	<b>257,685</b>	<b>1,359</b>	-	-	<b>1,784,247</b>
Increase in share capital	19(a)	217,618	(217,618)	-	-	-	-	-	-	-
Unpaid share capital		-	-	(217,618)	-	-	-	-	-	(217,618)
Capital payment		-	217,618	217,618	-	-	-	-	-	435,236
Share buyback		-	-	-	-	-	-	-	-	-
Proposed dividends from previous years		-	-	-	-	(206,737)	-	-	-	(206,737)
Carrying value adjustment - securities available for sale		-	-	-	-	-	(678)	-	-	(678)
Treasury shares		-	-	-	-	-	-	-	-	-
<b>Profit for the year</b>		-	-	-	-	-	-	<b>127,961</b>	-	<b>127,961</b>
<b>Proposed allocations:</b>										
Legal reserve		-	-	-	-	6,398	-	(6,398)	-	-
Revenue reserve		-	-	-	-	115,485	-	(115,485)	-	-
Proposed dividends	19(d)	-	-	-	-	-	-	(6,078)	-	(6,078)
<b>At December 31, 2019</b>		<b>1,742,770</b>	-	-	<b>51</b>	<b>172,831</b>	<b>681</b>	-	-	<b>1,916,333</b>
<b>Changes in the year</b>		<b>217,618</b>	-	-	-	<b>(84,854)</b>	<b>(678)</b>	-	-	<b>132,086</b>
<b>At June 30, 2019</b>		<b>1,742,770</b>	-	-	<b>51</b>	<b>128,883</b>	<b>(1,430)</b>	-	-	<b>1,870,274</b>
Carrying value adjustment - securities available for sale		-	-	-	-	-	2,111	-	-	2,111
<b>Profit for the 2nd six-month period</b>		-	-	-	-	-	-	<b>46,140</b>	-	<b>46,140</b>
<b>Proposed allocations:</b>										
Legal reserve		-	-	-	-	2,307	-	(2,307)	-	-
Revenue reserve		-	-	-	-	41,641	-	(41,641)	-	-
Proposed dividends (Note 19(d))		-	-	-	-	-	-	(2,192)	-	(2,192)
<b>At December 31, 2019</b>		<b>1,742,770</b>	-	-	<b>51</b>	<b>172,831</b>	<b>681</b>	-	-	<b>1,916,333</b>
<b>Changes in the 2nd six-month period</b>		-	-	-	-	<b>43,948</b>	<b>2,111</b>	-	-	<b>46,059</b>

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

# Statement of cash flows

## December 31, 2019 and 2018

All amounts in thousands of Reals unless otherwise stated

(A free translation of the original in Portuguese)

		2nd six-month period	Bank		Consolidated	
	Note	2019	2019	2018	2019	2018
<b>Cash flows from operating activities</b>						
<b>Adjusted profit</b>		<b>97,817</b>	<b>238,730</b>	<b>424,011</b>	<b>278,674</b>	<b>475,106</b>
Profit before income tax and social contribution		69,920	195,467	408,112	211,280	425,585
Provision for loan losses		38,728	72,354	32,800	72,354	32,800
Depreciation and amortization		4,159	8,170	8,153	14,314	13,805
Equity in the results of subsidiaries		(17,407)	(41,844)	(37,334)	(24,057)	(9,564)
Goodwill on equity interests in subsidiaries		1,174	2,157	1,657	2,157	1,657
Provision for tax, labor and civil contingencies		1,243	2,426	10,623	2,626	10,823
Decrease (increase) in short-term interbank investments		346,045	708,885	357,517	708,885	357,517
Decrease (increase) in marketable securities		(4,270,730)	(5,806,247)	(172,959)	(5,822,081)	(170,226)
Decrease in interbank and interdepartmental accounts		(216,055)	(89,218)	(1,011,699)	(93,481)	(1,017,208)
Increase (decrease) in lending operations		(467,422)	(1,096,691)	(831,850)	(1,096,691)	(831,850)
Decrease (increase) in other receivables		(903,859)	(852,504)	(936,659)	(851,172)	(930,660)
Decrease in other assets		3,149	7,624	(34,867)	7,198	(35,405)
Increase in deposits		2,631,568	2,153,468	4,758,665	2,138,114	4,726,285
Increase (decrease) in repurchase agreement obligations		(30,004)	651,895	626,300	651,895	626,300
Increase (decrease) in funds from acceptance of bills of exchange, real estate and mortgage notes and debentures		(123,096)	(108,885)	(117,229)	(108,885)	(117,229)
Increase (decrease) in borrowings and onlendings		223,609	300,076	(227,669)	300,076	(227,669)
Increase (decrease) in other payables		(182,255)	(534,837)	558,490	(532,651)	545,140
Income tax and social contribution (paid)		(94,738)	(94,738)	(105,649)	(94,738)	(105,649)
Change in deferred income		40	83	94	83	94
<b>Net cash inflow (outflow) from operating activities</b>		<b>(2,985,931)</b>	<b>(4,522,359)</b>	<b>3,286,496</b>	<b>(4,514,774)</b>	<b>3,294,546</b>
<b>Cash flows from investing activities</b>						
Acquisitions of equity interests		-	-	(153)	-	(153)
Dividends received from associates		-	10,686	2,522	8,000	-
Disposal of property and equipment in use		-	29	184	70	302
Disposal of intangible assets		-	-	2	-	2
Purchases of property and equipment		(1,544)	(4,533)	(2,166)	(7,586)	(5,187)
Purchases of intangible assets		(130)	(308)	(58)	(2,424)	(2,472)
<b>Net cash inflow (outflow) from investing activities</b>		<b>(1,674)</b>	<b>5,874</b>	<b>331</b>	<b>(1,940)</b>	<b>(7,508)</b>
<b>Cash flows from financing activities</b>						
Increase in share capital		-	217,618	165,910	217,618	165,910
Share buyback		-	-	65	-	65
Payment of dividends		-	(217,426)	(165,527)	(217,426)	(165,527)
<b>Net cash inflow from financing activities</b>		<b>-</b>	<b>192</b>	<b>448</b>	<b>192</b>	<b>448</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>4</b>	<b>(2,987,605)</b>	<b>(4,516,293)</b>	<b>3,287,275</b>	<b>(4,516,522)</b>	<b>3,287,486</b>
Cash and cash equivalents at the beginning of the six-month period/ year		14,070,344	15,599,032	12,311,757	15,599,269	12,311,783
Cash and cash equivalents at the end of the six-month period/ year		11,082,739	11,082,739	15,599,032	11,082,747	15,599,269

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

(A free translation of the original in Portuguese)

## Notes to the financial statements

December 31, 2019 and 2018

All amounts in thousands of Reals unless otherwise stated

### Note 1 - Operations

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Banco Cooperativo do Brasil S.A. ("Bancoob", the "Institution" or the "Bank") is a privately-held corporation located in Brasília, Federal District, established pursuant to Resolution 2,193 of the National Monetary Council (CMN) of August 31, 1995. The Bank was authorized to operate by the Brazilian Central Bank ("Central Bank" or "BACEN") on July 21, 1997 and started operations on September 1, 1997.

On March 29, 2016, the Brazilian Central Bank authorized Bancoob to operate in the real estate loan segment, and the Bank started carrying out these operations on April 1, 2016, becoming a multi-service credit union bank.

Bancoob was created to provide financial, technical and operational services to credit unions, pursuant to Article 88 of Law 5,764/71, and is under the control of central credit unions, which, together with the individual credit unions, comprise the Sistema de Cooperativas de Crédito do Brasil ("Sicoob").

At December 31, 2019, risks from the negative working capital, in the parent company and consolidated balance sheet, of R\$ 11.10 billion and R\$ 11.14 billion, respectively, are fully mitigated by the following:

- i) approximately 63.63% and 63.94% of non-current assets in the parent company and consolidated balance sheet, respectively, consist of highly liquid federal government securities;
- ii) most of the Bank's funding is obtained through interbank deposit certificates from the credit unions, which are shareholders of the Bank; and
- iii) tests conducted periodically indicate the stability/renewal of short-term liabilities

### Note 2 - Presentation of the parent company and consolidated financial statements

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The parent company and consolidated financial statements ("financial statements") are the responsibility of Management and have been prepared based on the accounting guidelines established by the Brazilian Corporation Law, as well as on standards and instructions issued by the National Monetary Council ("CMN") and the Brazilian Central Bank.

The consolidated financial statements include those of the Bank's and those of Bancoob Distribuidora de Títulos e Valores Mobiliários Ltda., Ponta Administradora de Consórcios Ltda, Cabal Brasil Ltda., and Bancoob Participações em Seguridade S.A. Equity interests, intercompany receivables and payables, as well as revenue and expenses, have been eliminated in the consolidated financial statements.

The Joint Executive Board of Bancoob submitted these financial statements to the Board of Directors, which approved them on February 11, 2020.

### Note 3 - Summary of significant accounting policies

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#### a. Accounting estimates

The preparation of financial statements in accordance with accounting practices adopted in Brazil requires Management to use its judgment to determine and record the accounting estimates, where applicable. Significant items subject to the application of estimates and assumptions include the valuation of the recoverable amount of property and equipment and intangible assets, the provision for



## Notes to the financial statements

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All amounts in thousands of Reais unless otherwise stated

loan losses, the estimated realization of tax credits, the provision for cash outflows in connection with tax, labor and civil contingencies, and the valuation of securities and derivative financial instruments. The settlement amounts of the transactions may differ from the estimated amounts presented in the financial statements due to inaccuracies inherent in their determination process. The Bank reviews the accounting estimates and assumptions on a half-yearly basis.

### b. Determination of results

The results of operations are determined on the accrual basis of accounting.

### c. Foreign currency

Monetary assets denominated in foreign currency were translated into Brazilian Reais at the exchange rate in effect on the balance sheet date, and currency translation differences were recorded in the statement of income for the period.

### d. Cash and cash equivalents

Cash and cash equivalents comprise cash in local and foreign currency, and short-term interbank investments whose maturities at the investment date are equal to or lower than 90 days, and subject to an immaterial risk of change in fair value, which are used by Bancoob to manage its short-term obligations.

### e. Short-term interbank investments and repurchase agreement obligations

Short-term interbank investments are stated at the amount of the investment or acquisition, plus income earned up to the balance sheet date. These operations are backed by federal public securities and private securities.

### f. Marketable securities

Marketable securities are classified based on a set of criteria adopted for the registration and valuation of portfolios of securities defined by BACEN Circular Letter 3,068/2001, and on Management's intention, into three specific categories, in accordance with the following recognition criteria:

- i. Trading securities** - securities acquired to be frequently and actively traded, adjusted to market value with a corresponding entry to profit or loss for the period.
- ii. Available-for-sale securities** - securities that are not classified as "trading securities" or "held-to-maturity securities". These securities are adjusted to market value, and the result of the adjustment, net of tax effects, is recorded in a separate account in equity. Gains and losses, where applicable, are recognized in the statement of income.
- iii. Held-to-maturity securities** - securities acquired to be held to maturity, based on financial capacity studies, accounted for at acquisition cost plus any income earned.

The methodology to mark securities to market was established in compliance with consistent and verifiable criteria, which take into consideration the average trading price on the day of the calculation, or, in the absence thereof, pricing models that reflect the probable net realizable value.

Income from marketable securities, irrespective of the category in which they are classified, is accrued on a daily pro-rata basis, under the exponential or straight-line method, based on the return clauses and acquisition cost distributed over the term of the investment, and recognized directly in the statement of income for the period.

## Notes to the financial statements

December 31, 2019 and 2018

All amounts in thousands of Reais unless otherwise stated

When available-for-sale securities are sold, the difference between the selling price and the initial acquisition cost, adjusted for accrued income, is considered the result of the transaction and recognized on the transaction date within "Gains (losses) on marketable securities".

### **g. Derivative financial instruments**

In compliance with BACEN Circular Letter 3,082/01, derivative financial instruments are valued at market value at least at the time the monthly trial balances and balance sheets are prepared. Any appreciation or depreciation is recognized directly in income or expense accounts for the respective derivative financial instruments.

The methodology for the marking-to-market of derivative financial instruments was established in compliance with consistent and verifiable criteria, which take into consideration the average trading price on the day of calculation, or, in the absence thereof, pricing models that reflect the probable net realizable value in accordance with the characteristics of the derivative.

### **h. Provision for loan losses and losses on interbank onlendings**

The provision for loan losses is calculated based on Management's judgment concerning the risk level, considering the analysis and rating of the borrower and the transaction, in compliance with the parameters established by CMN Resolution 2,682/99. This Resolution requires a periodic analysis of the loan portfolio, as well as the classification of its operations into nine levels, of which "AA" is the lowest risk level and "H" the highest risk level.

Income from lending operations overdue for more than 60 days, irrespective of their risk level, is only recognized in profit or loss after it has been received.

Operations classified as risk level "H" are transferred to the offsetting account, with the corresponding debit entry to the provision account, only six months after their classification into this risk level. Renegotiated operations are maintained in the same risk level in which they were classified prior to the renegotiation, and operations which had been previously recorded as losses start to be classified as risk level "H". Renegotiated operations are only transferred to the lowest risk level category after significant amortization has occurred, or when new relevant facts justify a change in their risk classification. Any gains arising from renegotiations are only recognized as income when effectively received. The provision for loan losses, which is considered sufficient by Management, complies with the minimum requirement established in the aforementioned Resolution, as shown in Note 8g.

### **i. Investments**

Investments are recorded at acquisition cost, and equity interests in subsidiaries and associates are accounted for under the equity method.

### **j. Property and equipment**

Property and equipment are recorded at acquisition, formation or construction cost, including interest and other capitalized financial charges. Depreciation is calculated on the straight-line basis, in accordance with the following annual rates, based on the useful lives of the assets: properties in use - 4.70%; equipment in use - 10%; vehicles and data processing equipment - 20%.

Other expenditures are capitalized only when associated with an increase in the economic benefits related to the asset. Any other type of expenditure is expensed in the statement of income when incurred.

## Notes to the financial statements

### December 31, 2019 and 2018

All amounts in thousands of Reais unless otherwise stated

Impairment of assets - A loss is recognized if there is clear evidence that the assets are not stated at their recoverable amount.

#### k. Intangible assets

These correspond to rights acquired in intangible assets that are maintained for or used in the Bank's operations. Intangible assets with a defined useful life are usually amortized on a straight-line basis during an estimated period of economic benefit. Intangible assets comprise software acquired from third parties and are amortized at an annual rate of 20%. Intangible assets are also reviewed for impairment on an annual basis.

#### l. Other current and non-current assets

These are stated at net realizable value.

#### m. Deposits and money market funding

Funds arising from deposits are stated at the amount raised, plus any accrued income, on a daily pro-rata basis.

#### n. Borrowings and onlendings

These are stated at known or determinable amounts, including accrued charges and monetary variations, net of the corresponding unrecognized expenses, where applicable.

#### o. Private pension plan

The private pension plan established by Bancoob is of a defined contribution type, and the monthly contributions to the plan are expensed in the statement of income for the period.

#### p. Income tax, social contribution, and tax credits

The provision for income tax was set up at the rate of 15%, plus a 10% surtax, and the provision for social contribution at the rate of 20% on taxable profit calculated as per the prevailing tax laws.

Income tax and social contribution credits were calculated in accordance with the aforementioned tax rates. Tax credits are recognized considering the expected generation of future taxable income, over a period not to exceed ten years, pursuant to CMN Resolution 3,059/02. The expected generation of future taxable income is supported by a technical study prepared by Management and updated on a half-yearly basis.

#### q. Contingent assets and liabilities and legal obligations

Provisions are recognized in the balance sheet when Bancoob has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of funds will be required to settle the obligation. The provisions are recorded based on the best estimates of the risk involved.

**Contingent assets and liabilities** - The recognition, measurement and disclosure of provisions and contingent assets and liabilities is carried out in accordance with CMN Resolution 3,823/09, which requires financial institutions and other institutions authorized to operate by BACEN to comply with Technical Pronouncement CPC 25, issued by the Accounting Pronouncements Committee (CPC), as follows:

- **Contingent assets** - Contingent assets are not accounted for, except when backed by real guarantees or final court decisions, for which a favorable outcome is virtually certain. Contingent

## Notes to the financial statements

December 31, 2019 and 2018

All amounts in thousands of Reais unless otherwise stated

assets for which a favorable outcome is classified as probable are only disclosed in the notes to the financial statements.

- **Contingent liabilities** - Contingent liabilities are recognized under the advice of legal counsel, the nature of the lawsuits, similarities with previous proceedings, and the complexity of the lawsuits, when the risk of an unfavorable outcome is classified as probable, generating an outflow of funds to settle the obligation, and the amounts involved can be measured reliably. The lawsuits for which an unfavorable outcome is classified as possible are only disclosed in the notes to the financial statements when considered material on a stand-alone basis.
- **Legal Obligations** - These are obligations that derive from a contract, through implicit or explicit terms, a law or other operation of law, which should be recognized by Bancoob.

### r. Other current and non-current liabilities

These are stated at known or estimated amounts including, where applicable, the corresponding charges and monetary variations incurred.

### s. Technical Accounting Pronouncements - CPCs

The Brazilian Central Bank has approved the adoption of the following Technical Pronouncements issued by CPC, which were considered in the financial statements:

- CPC 00 (R2) - Basic Conceptual Pronouncement;
- CPC 01 (R1) - Impairment of Assets;
- CPC 02 (R2) - Effects of Exchange Rates Variations and Translation of Financial Statements;
- CPC 03 (R2) - Statement of Cash Flows;
- CPC 04 (R1) - Intangible Assets;
- CPC 05 (R1) - Related-party Disclosures;
- CPC 10 (R1) - Share-based Payments;
- CPC 23 - Accounting Policies, Changes in Accounting Estimates and Correction of Errors;
- CPC 24 - Events After the Reporting Period;
- CPC 25 - Provisions, Contingent Liabilities and Contingent Assets;
- CPC 27 - Property and Equipment;
- CPC 33 (R1) - Employee Benefits.

The other Technical Pronouncements issued by CPC will be applied after their adoption has been approved by the Brazilian Central Bank.

## Note 4 - Cash and cash equivalents

### a. Balances

Cash and cash equivalents, presented in the statement of cash flows, are as follows:

Cash	Note	Bank		Consolidated	
		2019	2018	2019	2018
<b>Available funds</b>	5	17,383	8,187	17,391	8,424
Local currency		365	225	370	229
Bank deposits		-	-	3	233
Non-restricted reserves		124	76	124	76
Foreign currency		16,894	7,886	16,894	7,886
<b>Cash equivalents</b>					
Short-term interbank investments (up to 90 days)	6	11,065,357	15,590,845	11,065,357	15,590,845
<b>Total</b>		11,082,740	15,599,032	11,082,740	15,599,269

## Notes to the financial statements

December 31, 2019 and 2018

All amounts in thousands of Reais unless otherwise stated

### Note 5 - Available funds

Note	Bank		Consolidated	
	2019	2018	2019	2018
Local currency	365	225	370	229
Bank deposits	-	-	3	233
Non-earmarked reserves	124	76	124	76
Foreign currency	16,894	7,886	16,894	7,886
<b>Total</b>	<b>17,383</b>	<b>8,187</b>	<b>17,391</b>	<b>8,424</b>

### Note 6 - Short-term interbank investments

#### a. Balances

Note	Bank					Total		Consolidated	
	Maturity				Total	Total	Total	Total	
	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months					2019
<b>Investments in repurchase agreements</b>	<b>40,987</b>	<b>11,024,370</b>	-	-	<b>11,065,357</b>	<b>15,590,845</b>	<b>11,065,357</b>	<b>15,590,845</b>	
Resales pending settlement - own resources	40,987	11,024,370	-	-	11,065,357	13,018,939	11,065,357	13,018,939	
Resales pending settlement - third-party resources	-	-	-	-	-	2,571,906	-	2,571,906	
<b>Investments in interbank deposits</b>	-	<b>33,505</b>	<b>125,291</b>	<b>595,237</b>	<b>754,033</b>	<b>1,462,919</b>	<b>754,033</b>	<b>1,462,919</b>	
<b>Total</b>	<b>40,987</b>	<b>11,057,875</b>	<b>125,291</b>	<b>595,237</b>	<b>11,819,390</b>	<b>17,053,764</b>	<b>11,819,390</b>	<b>17,053,764</b>	
Current					11,819,390	17,053,764	11,819,390	17,053,764	
Non-current					-	-	-	-	

#### b. Income from short-term interbank investments

Classified in the statement of income as profit or loss arising from transactions with marketable securities.

Income from investments in repurchase agreements	Bank		
	2nd half of 2019	2019	2018
Own resources	409,771	851,548	819,099
Third-party resources	6	35,447	131,226
<b>Sub-total</b>	<b>409,777</b>	<b>886,995</b>	<b>950,325</b>
Income from investments in interbank deposits	20,432	64,509	91,857
<b>Total</b>	<b>430,209</b>	<b>951,504</b>	<b>1,042,182</b>

## Notes to the financial statements

December 31, 2019 and 2018

All amounts in thousands of Reais unless otherwise stated

### Note 7 - Marketable securities and derivative financial instruments

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#### a. Marketable securities

Securities are classified as "trading" and "available for sale". Their market value was determined considering the following parameters:

**i. Federal government securities (LTNs, LFTs, NTNs)** - the index disclosed by the Brazilian Association of Capital and Financial Markets Institutions (ANBIMA).

**ii. Investment funds** - the latest price disclosed by the fund's administrator for the subordinated share, which represents the fair value of the fund's net assets.

**iii. Private securities** - marked-to-market periodically, using an in-house methodology that first considers the prices available on liquid markets. Alternatively, fair values are calculated based on a method that considers the average spreads (for similar private securities) adopted for the own portfolio, in accordance with the size of the issuer.

Marketable securities, including derivative financial instruments and short-term interbank investments, are under the custody of [B]<sup>9</sup> Brasil Bolsa Balcão and SELIC, except for investment fund shares whose records are kept by the respective administrators.

## Notes to the financial statements

December 31, 2019 and 2018

All amounts in thousands of Reals unless otherwise stated

Balances, at cost plus income earned and the market values of marketable securities are as below:

Bank	Note	Maturity				Total for 2019			Total for 2018		
		Without defined maturity	From 1 to 3 months	From 6 to 12 months	Over 1 year	Curve value	Market value	Unrealized gain (loss)	Curve value	Market value	Unrealized gain (loss)
<b>I - Available-for-sale securities</b>		50,567	2,370,396	3,805,267	11,764,853	17,989,948	17,991,083	1,135	12,193,306	12,195,572	2,266
<b>Bank's own portfolio</b>											
Financial Treasury Bills (LFTs)		-	1,643,412	1,067,682	3,094,377	5,805,208	5,805,471	263	5,775,079	5,775,524	445
Funds		50,567	-	-	-	50,567	50,567	-	41,263	41,263	-
Financial Bills (LFs)		-	94,958	55,575	1,015,470	1,165,889	1,166,003	114	1,911,222	1,913,074	1,852
<b>Total</b>		<b>50,567</b>	<b>1,738,370</b>	<b>1,123,257</b>	<b>4,109,847</b>	<b>7,021,664</b>	<b>7,022,041</b>	<b>377</b>	<b>7,727,564</b>	<b>7,729,861</b>	<b>2,297</b>
<b>Subject to repurchase agreements</b>											
Financial Treasury Bills (LFTs)		-	-	907,356	3,045,184	3,952,246	3,952,540	294	719,129	718,950	(179)
<b>Total</b>		<b>-</b>	<b>-</b>	<b>907,356</b>	<b>3,045,184</b>	<b>3,952,246</b>	<b>3,952,540</b>	<b>294</b>	<b>719,129</b>	<b>718,950</b>	<b>(179)</b>
<b>Linked to the provision of guarantees</b>											
Financial Bills (LFs)		-	-	-	188,591	188,639	188,591	(48)	191,384	191,775	391
Financial Treasury Bills (LFTs)		-	632,026	1,774,654	4,421,231	6,827,399	6,827,911	512	3,555,165	3,554,922	(243)
Fund shares (QF)		-	-	-	-	-	-	-	64	64	-
<b>Total</b>		<b>-</b>	<b>632,026</b>	<b>1,774,654</b>	<b>4,609,822</b>	<b>7,016,038</b>	<b>7,016,502</b>	<b>464</b>	<b>3,746,613</b>	<b>3,746,761</b>	<b>148</b>
<b>II - Trading securities</b>		15,537	-	-	-	16,137	15,537	(600)	5,480	5,479	(1)
<b>Bank's own portfolio</b>											
Rural Producer Notes (CPRs)		9,625	-	-	-	10,225	9,625	(600)	17	16	(1)
Financial Treasury Bills (LFTs)		5,790	-	-	-	5,790	5,790	-	5,463	5,463	-
<b>Total</b>		<b>15,415</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,015</b>	<b>15,415</b>	<b>(600)</b>	<b>5,480</b>	<b>5,479</b>	<b>(1)</b>
<b>Derivative financial instruments</b>											
Futures - CPRs		5	-	-	-	5	5	-	-	-	-
Futures - Foreign exchange		117	-	-	-	117	117	-	-	-	-
<b>Total</b>		<b>122</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>122</b>	<b>122</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total - marketable securities</b>		<b>66,104</b>	<b>2,370,396</b>	<b>3,805,267</b>	<b>11,764,853</b>	<b>18,006,085</b>	<b>18,006,620</b>	<b>535</b>	<b>12,198,786</b>	<b>12,201,051</b>	<b>2,265</b>
<b>Current</b>							<b>6,241,767</b>			<b>2,465,886</b>	
<b>Non-current</b>							<b>11,764,853</b>			<b>9,735,165</b>	

## Notes to the financial statements

December 31, 2019 and 2018

All amounts in thousands of Reals unless otherwise stated

Balances, at cost plus income earned and the market values of marketable securities are as below:

Consolidated	Note	Maturity				Total for 2019			Total for 2018		
		Without defined maturity	From 1 to 3 months	From 6 to 12 months	Over 1 year	Curve value	Market value	Unrealized gain (loss)	Curve value	Market value	Unrealized gain (loss)
<b>I - Available-for-sale securities</b>		<b>74,229</b>	<b>2,392,162</b>	<b>3,805,267</b>	<b>11,766,764</b>	<b>18,037,287</b>	<b>18,038,422</b>	<b>1,135</b>	<b>12,224,811</b>	<b>12,227,077</b>	<b>2,266</b>
<b>Bank's own portfolio</b>											
Financial Treasury Bills (LFTs)		-	1,665,178	1,067,682	3,095,037	5,827,634	5,827,897	263	5,796,243	5,796,688	445
Bank Deposit Certificate (CDB)		-	-	-	1,251	1,251	1,251	-	1,183	1,183	-
Funds		74,229	-	-	-	74,229	74,229	-	50,421	50,421	-
Financial Bills (LFs)		-	94,958	55,575	1,015,470	1,165,889	1,166,003	114	1,911,222	1,913,074	1,852
<b>Total</b>		<b>74,299</b>	<b>1,760,136</b>	<b>1,123,257</b>	<b>4,111,758</b>	<b>7,069,003</b>	<b>7,069,380</b>	<b>377</b>	<b>7,759,069</b>	<b>7,761,366</b>	<b>2,297</b>
<b>Subject to repurchase agreements</b>											
Financial Treasury Bills (LFTs)		-	-	907,356	3,045,184	3,952,246	3,952,540	294	719,129	718,950	(179)
<b>Total</b>		<b>-</b>	<b>-</b>	<b>907,356</b>	<b>3,045,184</b>	<b>3,952,246</b>	<b>3,952,540</b>	<b>294</b>	<b>719,129</b>	<b>718,950</b>	<b>(179)</b>
<b>Linked to the provision of guarantees</b>											
Financial Bills (LFs)		-	-	-	188,591	188,639	188,591	(48)	191,384	191,775	391
Financial Treasury Bills (LFTs)		-	632,026	1,774,654	4,421,231	6,827,399	6,827,911	512	3,555,165	3,554,922	(243)
Fund shares		-	-	-	-	-	-	-	64	64	-
<b>Total</b>		<b>-</b>	<b>632,026</b>	<b>1,774,654</b>	<b>4,609,822</b>	<b>7,016,038</b>	<b>7,016,502</b>	<b>464</b>	<b>3,746,613</b>	<b>3,746,761</b>	<b>148</b>
<b>II - Trading securities</b>		<b>15,537</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,137</b>	<b>15,537</b>	<b>(600)</b>	<b>5,480</b>	<b>5,479</b>	<b>(1)</b>
<b>Bank's own portfolio</b>											
Rural Producer Notes (CPRs)		9,625	-	-	-	10,225	9,625	(600)	17	16	(1)
Financial Treasury Bills (LFTs)		5,790	-	-	-	5,790	5,790	-	5,463	5,463	-
<b>Total</b>		<b>15,415</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,015</b>	<b>15,415</b>	<b>(600)</b>	<b>5,480</b>	<b>5,479</b>	<b>(1)</b>
<b>Derivative financial instruments</b>											
Futures - CPRs		5	-	-	-	5	5	-	-	-	-
Futures - Exchange		117	-	-	-	117	117	-	-	-	-
<b>Total</b>		<b>122</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>122</b>	<b>122</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total - marketable securities</b>		<b>89,766</b>	<b>2,392,162</b>	<b>3,805,267</b>	<b>11,766,764</b>	<b>18,053,424</b>	<b>18,053,959</b>	<b>535</b>	<b>12,230,291</b>	<b>12,232,556</b>	<b>2,265</b>
<b>Current</b>							<b>6,287,195</b>			<b>2,475,044</b>	
<b>Non-current</b>							<b>11,766,764</b>			<b>9,757,512</b>	



## Notes to the financial statements

### December 31, 2019 and 2018

All amounts in thousands of Reais unless otherwise stated

#### b. Balances

	Note	Bank		Consolidated	
		2019	2018	2019	2018
Market value of available-for-sale securities		17,991,083	12,195,572	18,038,422	12,227,077
Market value of trading securities		15,415	5,479	15,415	5,479
<b>Total</b>		<b>18,006,498</b>	<b>12,201,051</b>	<b>18,053,837</b>	<b>12,232,556</b>

In 2019, there were no reclassifications of securities between the categories.

At December 31, 2019, Bancoob's securities linked to the provision of guarantees totaled R\$ 7,016,502 (R\$ 3,746,761 in 2018), mainly distributed as follows:

- (a) R\$ 4,132,923 (R\$ 1,713,715 in 2018) as collateral for funding transactions;  
 (b) R\$ 2,826,956 (R\$ 2,004,288 in 2018) as collateral for card transactions.

#### c. Gains (losses) on marketable securities and derivatives

	Note	Bank		Consolidated		
		2nd six-month period	2019	2018	2019	2018
Income from fixed-income securities		421,426	806,433	770,585	807,683	771,997
Income from investment funds		4,744	9,396	6,753	10,888	6,822
Positive adjustment of securities to market value		1	1	2	1	2
Income from short-term interbank investments	6(b)	430,209	951,504	1,042,182	951,504	1,042,182
Gains on transactions with derivatives		8,857	9,231	-	9,231	-
Gains (losses) on marketable securities and derivatives		(11,745)	(13,073)	(3,123)	(13,985)	(3,123)
<b>Total</b>		<b>853,492</b>	<b>1,763,492</b>	<b>1,816,399</b>	<b>1,765,322</b>	<b>1,817,881</b>

## Note 8 - Lending operations, interbank onlendings, and other receivables with loan characteristics

#### a. Balances

	Note	Bank and Consolidated	
		2019	2018
Interbank onlendings		8,961,086	7,885,596
Loans and discounted notes		1,877,000	1,329,357
Financing		881,817	722,551
Rural and agribusiness financing		2,411,736	2,078,055
Real estate financing		72,618	25,094
Other receivables		4,357,757	3,308,984
21 (b)			
<b>Sub-total</b>		<b>18,562,014</b>	<b>15,349,637</b>
(-) Provision for losses on interbank onlendings		(8,577)	(6,385)
(-) Provision for loan losses		(87,531)	(51,918)
(-) Provision for other receivables		(51,967)	(26,868)
<b>Total</b>		<b>18,413,939</b>	<b>15,264,466</b>
Current		12,087,986	9,978,292
Non-current		6,325,953	5,286,174

# Notes to the financial statements

## December 31, 2019 and 2018

All amounts in thousands of Reais unless otherwise stated

### b. Portfolio by type and risk level

Bank and Consolidated											2019	2018
Lending operations	AA	A	B	C	D	E	F	G	H			
Interbank onlendings	8,043,056	682,889	95,317	139,608	216	-	-	-	-	-	8,961,086	7,885,596
Loans and discounted notes	479,364	977,147	195,269	147,621	53,294	8,556	2,085	1,353	12,311	-	1,877,000	1,329,357
Financing	1,776	348,485	233,885	230,815	35,588	21,403	4,368	2,868	2,629	-	881,817	722,551
Rural and agribusiness financing	43,763	1,890,029	340,569	74,873	42,069	19,927	103	252	151	-	2,411,736	2,078,055
Real estate financing	3,404	51,119	14,246	2,959	790	100	-	-	-	-	72,618	25,094
<b>Total</b>	<b>8,571,363</b>	<b>3,949,669</b>	<b>879,286</b>	<b>595,876</b>	<b>131,957</b>	<b>49,986</b>	<b>6,556</b>	<b>4,473</b>	<b>15,091</b>	-	<b>14,204,257</b>	<b>12,040,654</b>
Other receivables	11,983	3,035,806	792,324	377,556	126,228	12,307	488	286	779	-	4,357,757	3,308,984
<b>Grand total</b>	<b>8,583,346</b>	<b>6,985,475</b>	<b>1,671,610</b>	<b>973,432</b>	<b>258,185</b>	<b>62,293</b>	<b>7,044</b>	<b>4,759</b>	<b>15,870</b>	-	<b>18,562,014</b>	<b>15,349,637</b>
Provision for loan losses	-	34,927	16,716	29,203	25,819	18,688	3,522	3,330	15,870	-	148,075	85,171
<b>Total provisions at 12/31/2019, net</b>	<b>8,583,346</b>	<b>6,950,548</b>	<b>1,654,894</b>	<b>944,229</b>	<b>232,366</b>	<b>43,605</b>	<b>3,522</b>	<b>1,429</b>	<b>-</b>	-	<b>18,413,939</b>	<b>-</b>
<b>Total provisions at 12/31/2018, net</b>	<b>7,187,469</b>	<b>6,673,403</b>	<b>980,851</b>	<b>333,132</b>	<b>50,365</b>	<b>37,659</b>	<b>1,033</b>	<b>554</b>	<b>-</b>	-	<b>-</b>	<b>15,264,466</b>

### c. Provision for loan losses by type

Bank and Consolidated											2019	2018
Lending operations	AA	A	B	C	D	E	F	G	H			
Interbank onlendings	-	3,414	953	4,188	22	-	-	-	-	-	8,577	6,385
Loans and discounted notes	-	4,886	1,953	4,429	5,329	2,567	1,042	947	12,311	-	33,464	15,844
Financing	-	1,742	2,339	6,924	3,559	6,421	2,184	2,007	2,629	-	27,805	14,355
Rural and agribusiness financing	-	9,450	3,406	2,246	4,207	5,978	52	176	151	-	25,666	21,565
Real estate financing	-	256	142	89	79	30	-	-	-	-	596	154
<b>Total</b>	<b>-</b>	<b>19,748</b>	<b>8,793</b>	<b>17,876</b>	<b>13,196</b>	<b>14,996</b>	<b>3,278</b>	<b>3,130</b>	<b>15,091</b>	-	<b>96,108</b>	<b>58,303</b>
Other receivables	-	15,179	7,923	11,327	12,623	3,692	244	200	779	-	51,967	26,868
<b>Grand total</b>	<b>-</b>	<b>34,927</b>	<b>16,716</b>	<b>29,203</b>	<b>25,819</b>	<b>18,688</b>	<b>3,522</b>	<b>3,330</b>	<b>15,870</b>	-	<b>148,075</b>	<b>85,171</b>

### d. Maturity range and risk level

#### d1. Maturities

Bank and Consolidated											2019	2018
	AA	A	B	C	D	E	F	G	H			
1 to 30 days	274,864	255,826	73,407	49,241	20,513	3,254	240	172	451	-	677,968	469,503
31 to 60 days	297,422	205,705	55,030	34,343	9,161	1,432	96	61	214	-	603,464	527,468
61 to 90 days	428,567	302,831	83,266	44,297	11,801	1,796	115	64	176	-	872,913	724,330
91 to 180 days	1,922,427	1,107,568	259,140	172,066	40,741	6,075	385	198	576	-	3,509,176	2,654,421
181 to 360 days	2,963,809	2,387,463	615,014	344,906	102,254	14,601	1,043	539	1,177	-	6,430,806	5,591,205
Over 360 days	2,696,222	2,703,383	554,818	294,099	56,325	29,820	2,050	1,019	5,710	-	6,343,446	5,301,541
<b>Total</b>	<b>8,583,311</b>	<b>6,962,776</b>	<b>1,640,675</b>	<b>938,952</b>	<b>240,795</b>	<b>56,978</b>	<b>3,929</b>	<b>2,053</b>	<b>8,304</b>	-	<b>18,437,773</b>	<b>15,268,468</b>

#### d2. Past-due and falling due

Bank and Consolidated											2019	2018
Past-due installments	AA	A	B	C	D	E	F	G	H			
1 to 30 days	35	9,758	20,182	11,093	5,120	834	142	110	260	-	47,534	35,308
31 to 60 days	-	-	69	10,326	2,349	565	116	90	198	-	13,713	9,406
61 to 90 days	-	-	-	71	3,831	226	95	93	229	-	4,545	2,975
91 to 180 days	-	-	-	17	142	247	211	251	578	-	1,446	1,233
181 to 360 days	-	-	-	-	-	36	119	71	970	-	1,196	979
Over 360 days	-	-	-	-	-	-	-	28	111	-	139	73
<b>Total</b>	<b>35</b>	<b>9,758</b>	<b>20,251</b>	<b>21,507</b>	<b>11,442</b>	<b>1,908</b>	<b>683</b>	<b>643</b>	<b>2,346</b>	-	<b>68,573</b>	<b>49,974</b>
<b>Falling due installments</b>												
1 to 30 days	-	313	361	396	145	124	66	63	190	-	1,658	1,056
31 to 60 days	-	226	271	314	133	96	61	59	175	-	1,335	870
61 to 90 days	-	254	308	362	150	104	67	64	179	-	1,488	888
91 to 180 days	-	709	814	965	407	285	231	181	498	-	4,090	2,594
181 to 360 days	-	1,460	1,568	1,992	901	604	373	414	924	-	8,236	5,189
Over 360 days	-	9,979	7,362	8,944	4,212	2,194	1,634	1,280	3,254	-	38,859	20,597
<b>Total</b>	<b>-</b>	<b>12,941</b>	<b>10,684</b>	<b>12,973</b>	<b>5,948</b>	<b>3,407</b>	<b>2,432</b>	<b>2,061</b>	<b>5,220</b>	-	<b>55,666</b>	<b>31,194</b>
<b>Total</b>	<b>35</b>	<b>22,699</b>	<b>30,935</b>	<b>34,480</b>	<b>17,390</b>	<b>5,315</b>	<b>3,115</b>	<b>2,704</b>	<b>7,566</b>	-	<b>124,239</b>	<b>81,168</b>

# Notes to the financial statements

## December 31, 2019 and 2018

All amounts in thousands of Reais unless otherwise stated

### e. Portfolio by industry and maturity

	Bank and Consolidated							Total	Total
	Past-due	Not yet due						2019	2018
		3 months or less	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	From 5 to 15 years	Over 15 years		
Rural	-	107,553	327,492	757,301	579,821	639,084	485	2,411,736	9,963,651
Financial intermediaries	-	1,056,960	5,167,251	2,169,619	418,465	148,792	-	8,961,087	355,715
Individuals	31,985	364,548	1,279,124	531,863	249,194	95,044	27,390	2,579,148	3,587,283
Other services	13,768	652,587	3,178,441	500,081	233,881	30,802	483	4,610,043	1,417,894
Housing	-	-	-	-	-	-	-	-	25,094
<b>Total</b>	<b>45,753</b>	<b>2,181,648</b>	<b>9,952,308</b>	<b>3,958,864</b>	<b>1,481,361</b>	<b>913,722</b>	<b>28,358</b>	<b>18,562,014</b>	<b>15,349,637</b>

### f. Concentration

#### f1. Concentration of operations - interbank onlendings

	Bank and Consolidated			
	2019	%	2018	%
10 largest debtors	2,964,826	33.09	2,977,650	37.76
50 next largest debtors	3,808,981	42.50	3,115,594	39.51
100 next largest debtors	2,046,135	22.83	1,667,744	21.15
Other	141,144	1.58	124,608	1.58
<b>Total</b>	<b>8,961,086</b>	<b>100.00</b>	<b>7,885,596</b>	<b>100.00</b>

#### f2. Concentration of operations - lending operations

	Bank and Consolidated			
	2019	%	2018	%
10 largest debtors	492,301	9.39	231,992	5.58
50 next largest debtors	319,318	6.09	197,718	4.76
100 next largest debtors	220,063	4.20	178,270	4.29
Other	4,211,489	80.32	3,547,077	85.37
<b>Total</b>	<b>5,243,171</b>	<b>100.00</b>	<b>4,155,057</b>	<b>100.00</b>

#### f3. Concentration of operations - other receivables with loan characteristics

	Bank and Consolidated			
	2019	%	2018	%
10 largest debtors	5,533	0.13	4,187	0.13
50 next largest debtors	12,661	0.29	9,895	0.30
100 next largest debtors	15,081	0.35	12,223	0.37
Other	4,324,482	99.23	3,282,679	99.20
<b>Total</b>	<b>4,357,757</b>	<b>100.00</b>	<b>3,308,984</b>	<b>100.00</b>

### g. Changes in the provision for loan losses

#### g1. Provision for loan losses - Lending operations and interbank onlendings

	Bank and Consolidated		
	2nd six-month period of 2019	2019	2018
Balance at the beginning of the year	78,386	58,303	46,355
Constitution (reversal) of provision for loan losses - interbank onlendings	1,215	2,192	(5,148)
Constitution (reversal) of provision for loan losses	21,986	45,048	23,941
Lending operations written off as losses	(5,479)	(9,435)	(6,845)
<b>Balance at the end of the year</b>	<b>96,108</b>	<b>96,108</b>	<b>58,303</b>

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### December 31, 2019 and 2018

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The loans renegotiated in 2019 totaled R\$ 20.7 (R\$ 27.9 in 2018) and related to non-performing contracts of payroll-deductible loans, Rural Credit, and lending operations.

In 2019, the recovery of loans written off as losses totaled R\$ 5,479 (R\$ 4,041 in 2018).

#### g2. Provision for loan losses - Other receivables with loan characteristics

	Bank and Consolidated		
	2nd half of 2019	2019	2018
Balance at the beginning of the year	35,689	26,868	14,756
Constitution (reversal) of provision for loan losses	16,278	25,099	12,112
<b>Balance at the end of the year</b>	<b>51,967</b>	<b>51,967</b>	<b>26,868</b>

#### g3. Guarantees provided

Provisions are recorded for guarantees provided and not yet honored, subject to the same criteria established by Resolution 2,682/99. In 2019, the amount of R\$ 46 (R\$ 148 in 2018) was recorded as a provision to cover this risk.

#### h. Income from lending operations

	Bank and Consolidated		
	2nd half of 2019	2019	2018
Income from interbank onlendings	325,255	631,322	523,308
Loans and discounted notes	129,374	250,628	206,810
Financing	35,511	71,808	58,649
Rural and agribusiness financing	68,567	133,598	114,627
Income from housing financing	2,251	3,701	1,264
<b>Sub-total</b>	<b>560,958</b>	<b>1,091,057</b>	<b>904,658</b>
Recovery of receivables written-off as losses	943	2,127	4,041
<b>Balance at the end of the year</b>	<b>561,901</b>	<b>1,093,184</b>	<b>908,699</b>

## Note 9 - Tax credits, income tax and social contribution on net income

#### a. Balances of tax credits

Breakdown	2019				2018			
	Bank		Consolidated		Bank		Consolidated	
	Income tax	Social contribution	Income tax	Social contribution	Income tax	Social contribution	Income tax	Social contribution
Provision for loan losses	154,524	154,524	154,524	154,524	91,068	91,068	91,068	91,068
Civil and labor contingencies	13,815	13,815	13,815	13,815	13,154	13,154	13,154	13,154
Adjustment to market value - securities	815	815	815	815	-	-	-	-
Profit sharing	12,733	12,733	13,008	13,008	10,890	10,890	11,143	11,143
SIPAG Acceleration Program	2,759	2,759	2,759	2,759	2,248	2,248	2,248	2,248
Government Severance Indemnity Fund for Employees (FGTS) - 50% - Executive Board	1,551	1,551	1,966	1,966	1,300	1,300	1,650	1,650
National sales campaign	20,943	20,943	20,943	20,943	16,184	16,184	16,184	16,184
Card bonus	127,791	127,791	127,791	127,791	104,573	104,573	104,573	104,573
Legal fees	1,518	1,518	1,518	1,518	1,518	1,518	1,518	1,518
Other provisions	66,494	66,494	66,543	66,543	13,339	13,339	13,385	13,385
<b>Amount</b>	<b>402,943</b>	<b>402,943</b>	<b>403,682</b>	<b>403,682</b>	<b>254,274</b>	<b>254,274</b>	<b>254,923</b>	<b>254,923</b>
Tax rates	25%	15%	25%	15%	25%	15%	25%	15%
<b>Tax credits recognized</b>	<b>100,736</b>	<b>60,441</b>	<b>100,921</b>	<b>60,552</b>	<b>63,569</b>	<b>38,141</b>	<b>63,731</b>	<b>38,271</b>

# Notes to the financial statements

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## b. Balance flux

Breakdown	2019				2018			
	Bank		Consolidated		Bank		Consolidated	
	Income tax	Social contribution	Income tax	Social contribution	Income tax	Social contribution	Income tax	Social contribution
<b>At December 31</b>								
Deferred tax assets	63,569	38,141	63,731	38,271	44,586	29,438	44,715	29,541
Deferred tax liabilities	(566)	(340)	(566)	(340)	(1,681)	(1,073)	(1,681)	(1,073)
<b>Sub-total</b>	<b>63,003</b>	<b>37,801</b>	<b>63,165</b>	<b>37,931</b>	<b>42,905</b>	<b>28,365</b>	<b>43,034</b>	<b>28,468</b>
<b>Adjustment to profit (loss)</b>	<b>37,074</b>	<b>22,244</b>	<b>37,097</b>	<b>22,225</b>	<b>19,469</b>	<b>9,010</b>	<b>19,502</b>	<b>9,037</b>
Tax credits recognized	357,835	214,701	357,952	214,771	24,942	26,103	25,053	26,192
Tax credits derecognized	(320,668)	(192,401)	(320,762)	(192,490)	(5,473)	(17,093)	(5,551)	(17,155)
Changes in deferred taxes	(93)	(56)	(93)	(56)	-	-	-	-
<b>Adjustment to equity (securities)</b>	<b>375</b>	<b>226</b>	<b>375</b>	<b>226</b>	<b>629</b>	<b>426</b>	<b>628</b>	<b>426</b>
Tax credits recognized	-	-	-	-	-	81	-	81
Tax credits derecognized	-	-	-	-	(486)	(388)	(485)	(388)
Changes in deferred taxes	375	226	375	226	1,115	733	1,114	733
<b>Changes</b>	<b>37,449</b>	<b>22,470</b>	<b>37,472</b>	<b>22,451</b>	<b>20,097</b>	<b>9,436</b>	<b>20,130</b>	<b>9,463</b>
<b>At December 31</b>								
Deferred tax assets	100,736	60,441	100,921	60,552	63,569	38,141	63,731	38,271
Deferred tax liabilities	(284)	(170)	(284)	(170)	(566)	(340)	(567)	(340)
	<b>100,452</b>	<b>60,271</b>	<b>100,637</b>	<b>60,382</b>	<b>63,003</b>	<b>37,801</b>	<b>63,165</b>	<b>37,931</b>

## c. Expected realization of tax credits

Based on a study conducted by Management, which considered the expected generation of future taxable profit, the tax credits will be realized within ten years, distributed as follows:

Years	2019			
	Bank		Consolidated	
	Nominal amount	Present value	Nominal amount	Present value
2020	101,445	99,215	101,575	99,341
2021	9,605	8,630	9,771	8,779
2022	9,595	8,095	9,595	8,095
2023	8,940	7,082	8,940	7,082
2024	11,761	8,790	11,761	8,790
2025 to 2039	19,831	13,983	19,831	13,983
<b>Total tax credits</b>	<b>161,177</b>	<b>145,796</b>	<b>161,473</b>	<b>146,070</b>

The present value of tax credits was calculated using the SELIC as a discount rate.

## d. Statement of realization of tax credits

The backtesting of expected realization of the tax credits, presented in the technical study conducted at December 31, 2018, showed that Bancoob had realized 97% of the total credits by the end of 2019.

Tax credits	Expected realization	Realized	Percentage
SIPAG Acceleration Program	899	899	100
Provision for lending operations	4,235	4,235	100
Pre-authorized provisions	321	321	100
Provision for civil contingencies	516	516	100
Provision for labor contingencies	578	331	57
Provisions for guarantees provided	18	18	100
Profit sharing	4,356	4,356	100
Plaintiff's legal fees	275	42	15
Card bonuses	13,804	13,804	100
1/3 of vacation pay - Executive Board	81	78	96
Premium bond Savings Account campaign	635	635	100
Provision for incentives - Credit	2,954	2,954	100
Development of Master Platinum actions	398	130	32
Service Tax (ISS) charges - Supplementary Law 157	316	-	-
Provisions for the National Sales Campaign (CNV)	6,474	6,474	100
<b>Total</b>	<b>35,860</b>	<b>34,793</b>	<b>97</b>

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### e. Income tax and social contribution on net income

The reconciliation of income tax and social contribution from statutory rates, is follows:

Analysis	Bank				Consolidated			
	2019		2018		2019		2018	
	Income tax	Social contribution	Income tax	Social contribution	Income tax	Social contribution	Income tax	Social contribution
Profit before taxation and profit sharing	195,467	195,467	408,112	408,112	211,280	211,280	425,585	425,585
Equity in the results of subsidiaries	(41,844)	(41,844)	(37,334)	(37,334)	(24,057)	(24,057)	(11,137)	(11,137)
Employee profit sharing	(12,749)	(12,749)	(10,890)	(10,890)	(14,272)	(14,272)	(9,564)	(9,564)
<b>Tax base</b>	<b>140,874</b>	<b>140,874</b>	<b>359,888</b>	<b>359,888</b>	<b>172,951</b>	<b>172,951</b>	<b>404,884</b>	<b>404,884</b>
Statutory combined rate	25%	15%	25%	20%	25%	15%/9%	25%	20%/9%
	<b>35,219</b>	<b>21,131</b>	<b>89,972</b>	<b>71,978</b>	<b>43,238</b>	<b>25,144</b>	<b>101,221</b>	<b>77,596</b>
<b>Tax effects</b>								
Provision for loan losses	15,802	9,481	6,672	5,337	15,802	9,481	6,672	5,337
Provisions for contingent liabilities	165	99	2,407	1,926	175	105	2,420	1,935
Other provisions	21,107	12,664	10,390	8,312	21,636	12,860	9,835	8,130
	<b>37,074</b>	<b>22,244</b>	<b>19,469</b>	<b>15,575</b>	<b>37,613</b>	<b>22,446</b>	<b>18,927</b>	<b>15,402</b>
<b>Tax effect on permanent differences</b>								
Sponsorships	(1,989)		(2,344)	-	(1,989)	-	(2,344)	-
Workers' Meal Program (PAT)	(1,774)		(726)	-	(2,243)	-	(887)	-
Extension of parenthood leave	(212)		(184)	-	(259)	-	(251)	-
Tax losses to offset	-		-	-	-	-	(1)	-
			(3,254)	-	(4,491)	-	(3,483)	-
<b>Current income tax and social contribution</b>	<b>69,906</b>	<b>44,318</b>	<b>107,799</b>	<b>88,830</b>	<b>72,283</b>	<b>48,738</b>	<b>118,455</b>	<b>94,431</b>
<b>Income tax and social contribution from prior years</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>-</b>	<b>41</b>	<b>7</b>
<b>Total</b>			<b>107,799</b>	<b>88,830</b>	<b>78,292</b>	<b>48,738</b>	<b>118,496</b>	<b>94,438</b>

## Notes to the financial statements

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### Note 10 - Investments in subsidiaries

In the parent company financial statements, investments in subsidiaries are accounted for under the equity method and recorded within "Non-current assets - investments". Adjustments arising from equity interests were recorded within "Equity in the results of subsidiaries". In the consolidated financial statements, investments in subsidiaries are eliminated upon consolidation, except for jointly-controlled subsidiaries.

Description	Reporting date	Paid-up share capital	Adjusted equity	Profit for the year	Ownership %	Number of shares	Equity in the results			Goodwill on investments		Bank		Consolidated			
							2nd six-month period	Years		2019	2018	2019	2018	2019	2018	2019	2018
								2019	2019								
Bancoob Distribuidora de Títulos e Valores Mobiliários Ltda. (a)	12/31/2019	2,170	6,079	3,657	99.9994	2,000,000	1,941	3,657	2,751	-	-	6,262	5,290	-	-		
Cabal Brasil Ltda. (b)	12/31/2019	41,070	48,509	7,439	80	41,069,859	3,240	5,951	3,917	3,644	5,801	42,451	38,657	3,644	5,801		
Ponta Administradora de Consórcios Ltda.(c)	12/31/2019	6,191	64,583	8,131	99.99	6,191,000	2,264	8,130	21,096	-	-	64,576	56,447	-	-		
Bancoob Participações em Seguridade S.A. (d)	12/31/2019	20,000	45,377	24,106	100	20,000,000	9,963	24,106	9,570	-	-	51,102	34,996	50,435	34,378		
<b>Total</b>							<b>17,408</b>	<b>41,844</b>	<b>37,334</b>	<b>3,644</b>	<b>5,801</b>	<b>164,391</b>	<b>135,390</b>	<b>54,079</b>	<b>40,179</b>		

(a) Administrator and manager of investment funds, with managed assets amounting to R\$ 25,981,456 at December 31, 2019 (R\$ 24,219,302 in 2018).

(b) Operator of MasterCard, Visa and Cabal credit cards within Sicoob.

(c) Operator of consortia for the sale of light and heavy-duty vehicles, properties and services, with over 164,420 active participants and a managed portfolio of R\$ 11.49 billion.

(d) Bancoob Participações em Seguridade S.A. - Bancoob PAR Seguridade, the purpose of which is to hold an equity interest in an insurance company.

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### Note 11 - Property and equipment

	Bank					Consolidated	
	Land	Buildings and improvements	Machinery and equipment	Information technology equipment	Other	Total	Total
<b>At December 31, 2017</b>	<b>3,010</b>	<b>58,365</b>	<b>2,684</b>	<b>14,761</b>	<b>385</b>	<b>79,205</b>	<b>92,515</b>
Acquisitions	-	-	921	1,001	242	2,164	5,184
Disposals	-	-	(182)	-	-	(182)	(299)
Depreciation	-	(3,273)	(573)	(3,291)	(110)	(7,247)	(10,716)
<b>At December 31, 2018</b>	<b>3,010</b>	<b>55,092</b>	<b>2,850</b>	<b>12,471</b>	<b>517</b>	<b>73,940</b>	<b>86,684</b>
Total cost	3,010	72,582	7,720	21,727	908	105,947	128,482
Accumulated depreciation	-	(17,490)	(4,870)	(9,256)	(391)	(32,007)	(41,798)
<b>Net book value</b>	<b>3,010</b>	<b>55,092</b>	<b>2,850</b>	<b>(30,983)</b>	<b>(1,299)</b>	<b>73,940</b>	<b>86,684</b>
<b>At December 31, 2018</b>	<b>3,010</b>	<b>55,092</b>	<b>2,850</b>	<b>12,471</b>	<b>517</b>	<b>73,940</b>	<b>86,684</b>
Acquisitions	-	-	2,999	1,362	172	4,533	7,586
Disposals	-	-	(12)	-	(17)	(28)	(70)
Depreciation	-	(3,275)	(609)	(3,491)	(129)	(7,504)	(11,239)
<b>At December 31, 2019</b>	<b>3,010</b>	<b>51,817</b>	<b>5,229</b>	<b>10,342</b>	<b>543</b>	<b>70,941</b>	<b>82,961</b>
Total cost	3,010	72,582	10,560	22,831	1,018	110,002	134,924
Accumulated depreciation	-	(20,765)	(5,332)	(12,489)	(475)	(39,061)	(51,963)
<b>Net book value</b>	<b>3,010</b>	<b>51,817</b>	<b>5,229</b>	<b>10,342</b>	<b>543</b>	<b>70,941</b>	<b>82,961</b>
<b>Annual depreciation rates - %</b>	-	<b>4.70%</b>	<b>10%</b>	<b>20%</b>	<b>10%</b>		



## Notes to the financial statements

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### Note 12 - Intangible assets - Software

	Bank	Consolidated
<b>At December 31, 2017</b>	<b>2,909</b>	<b>9,912</b>
Acquisitions	58	2,472
Disposals	(2)	(2)
Depreciation	(906)	(3,088)
<b>At December 31, 2018</b>	<b>2,059</b>	<b>9,294</b>
Total cost	9,235	24,515
Accumulated depreciation	(7,176)	(15,221)
<b>Net book value</b>	<b>2,059</b>	<b>9,294</b>
<b>At December 31, 2018</b>	<b>2,059</b>	<b>9,294</b>
Acquisitions	308	2,425
Disposals	-	-
Depreciation	(667)	(3,076)
<b>At December 31, 2019</b>	<b>1,700</b>	<b>8,643</b>
Total cost	9,544	26,935
Accumulated depreciation	(7,844)	(18,292)
<b>Net book value</b>	<b>1,700</b>	<b>8,643</b>
<b>Annual depreciation rates - %</b>	<b>20%</b>	<b>20%</b>

### Note 13 - Deposits

#### a. Balances

Deposits	Bank							Consolidated		
	Without defined maturity	2019						2018	2019	2018
		Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over 1 year	Total	Total	Total	
Demand deposits	52,354	-	-	-	-	-	52,354	57,685	51,375	42,594
Savings deposits	6,507,726	-	-	-	-	-	6,507,726	5,239,265	6,507,726	5,239,265
Interbank deposits	-	3,556,572	3,125,782	1,803,143	15,219,679	2,363,034	26,068,210	27,027,932	26,068,210	27,027,932
Rural interbank deposits	-	-	85,193	600,102	3,648,849	271,771	4,605,915	2,846,244	4,605,915	2,846,244
Time deposits	-	64,447	10,462	38,624	11,818	522,668	648,019	557,630	503,803	448,200
Other deposits	-	-	-	-	-	-	-	-	29,606	24,286
<b>Total</b>	<b>6,560,080</b>	<b>3,621,019</b>	<b>3,221,437</b>	<b>2,441,869</b>	<b>18,880,346</b>	<b>3,157,473</b>	<b>37,882,224</b>	<b>35,728,756</b>	<b>37,766,635</b>	<b>35,628,521</b>
<b>Current</b>							<b>34,724,751</b>	<b>32,884,947</b>	<b>34,747,940</b>	<b>32,893,886</b>
<b>Non-current</b>							<b>3,157,473</b>	<b>2,843,809</b>	<b>3,018,695</b>	<b>2,734,635</b>

#### b. Money market funding expenses

	Bank			Consolidated	
	2nd six-month period	2019	2018	2019	2018
Savings deposits	116,798	230,793	197,605	230,793	197,605
Interbank deposits	826,365	1,743,161	1,747,722	1,743,161	1,747,722
Time deposits	17,707	36,395	31,004	28,532	25,098
Money market funding	97,363	184,797	191,463	184,797	191,463
Other funding expenses	10,513	21,314	20,512	21,314	20,512
<b>Total</b>	<b>1,068,746</b>	<b>2,216,460</b>	<b>2,188,306</b>	<b>2,208,597</b>	<b>2,182,400</b>

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### Note 14 - Repurchase agreement obligations

#### Maturity

	Bank and Consolidated						2018
	2019						
	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over 1 year	Total	
Own portfolio	1,890,704	2,049,895	-	-	-	3,940,599	717,555
Third-party portfolio	-	-	-	-	-	-	2,571,149
<b>Total</b>	<b>1,890,704</b>	<b>2,049,895</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,940,599</b>	<b>3,288,704</b>
<b>Current</b>						<b>3,940,599</b>	<b>3,288,704</b>
<b>Non-current</b>						-	-

### Note 15 - Funds from acceptance of bills of exchange, real estate and mortgage notes, and debentures

	Bank and Consolidated						2018
	2019						
	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over 1 year	Total	
Agribusiness Credit Notes (LCAs) - floating rate	22,622	24,307	16,573	16,246	31,891	111,639	220,524
<b>Total</b>	<b>22,622</b>	<b>24,307</b>	<b>16,573</b>	<b>16,246</b>	<b>31,891</b>	<b>111,639</b>	<b>220,524</b>
<b>Current</b>						<b>79,748</b>	<b>207,864</b>
<b>Non-current</b>						<b>31,891</b>	<b>12,660</b>

### Note 16 - Onlendings in Brazil

#### a. Balances

Onlendings in Brazil are represented mainly by funds obtained from the National Bank for Economic and Social Development ("BNDES")/Government Agency for Machinery and Equipment Financing ("FINAME"), the National Treasury, Banco do Brasil, and Funcafé, with maturities up to 2038 and bearing finance charges of up to 11.31 % per year.

	Bank and Consolidated							2018	
	2019								
	Without defined maturity	3 months or less	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	From 5 to 15 years	Over 15 years		Total
BNDES	-	92,034	246,648	571,814	434,718	577,792	2,656	1,925,662	1,667,867
Banco do Brasil - FCO	-	1,583	8,464	13,149	3,215	591	-	27,002	42,428
FINAME	-	45,097	151,365	322,839	200,130	91,177	499	811,607	754,907
Funcafé	-	195,651	76,998	53,358	-	-	-	326,007	324,500
<b>Total</b>	<b>-</b>	<b>334,365</b>	<b>483,475</b>	<b>961,160</b>	<b>638,063</b>	<b>669,560</b>	<b>3,155</b>	<b>3,089,778</b>	<b>2,789,702</b>
<b>Current</b>								<b>817,840</b>	<b>771,205</b>
<b>Non-current</b>								<b>2,271,938</b>	<b>2,018,497</b>

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### b. Onlendings in Brazil expenses

	2nd six-month period	Bank		Consolidated	
		2019	2018	2019	2018
BNDES	31,969	64,975	61,654	64,975	61,654
FINAME	17,682	35,127	26,089	35,127	26,089
Banco do Brasil - FCO	676	1,461	2,082	1,461	2,082
Other institutions - Funcafé	6,503	12,463	11,242	12,463	11,242
<b>Total</b>	<b>56,830</b>	<b>114,026</b>	<b>101,067</b>	<b>114,026</b>	<b>101,067</b>

### Note 17 - Derivative financial instruments

	Bank and Consolidated		
	2019		2018
	Without defined maturity	Total	Total
Futures - CPRs	82	82	-
Futures - Currency	4	4	-
<b>Total</b>	<b>86</b>	<b>86</b>	<b>-</b>
Current		86	-
Non-current		-	-

### Note 18 - Liabilities, contingencies and legal obligations

Tax-related lawsuits and administrative proceedings to which Bancoob is a party are classified by internal and external legal consultants, taking into consideration the nature and specifics of each lawsuit, as well as the case law from higher courts.

Provisions for contingent liabilities are recognized, measured and disclosed in accordance with CMN Resolution 3,823/09, as summarized below:

- A provision is recognized only when: (a) Bancoob has a present legal or constructive obligation as a result of past events; (b) it is probable that an outflow of resources will be required to settle the obligation; and (c) the amount of the obligation can be estimated reliably. In the event any of the above conditions is not met, the provision is not recognized.
- Based on these assumptions, Bancoob records a provision when it is probable that a present obligation exists at the balance sheet date. Otherwise, the contingent liability is only disclosed, unless the possibility of an outflow of resources is considered remote.

Management understands that the provision recorded is sufficient to cover any probable losses arising from the existing lawsuits, as shown below:

#### a. Legal obligations classified as involving risk of probable losses

Legal obligations classified as probable losses, the amounts of which can be reliably estimated, are provided for and presented according to their nature in the table below, with the respective changes in the period. Deposits in court are recorded under "Other receivables - Sundry".

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## Provisions recorded

### a1. Balances

	Bank				Consolidated			
	2019		2018		2019		2018	
	Deposits in court	Provisions	Deposits in court	Provisions	Deposits in court	Provisions	Deposits in court	Provisions
Tax	3,507	-	1,324	-	3,507	2	1,324	1
Labor	1,036	2,614	761	2,363	1,036	2,733	761	2,469
Civil	8,871	11,201	772	10,791	8,964	11,359	772	10,934
<b>Total</b>	<b>13,414</b>	<b>13,815</b>	<b>2,857</b>	<b>13,154</b>	<b>13,507</b>	<b>14,094</b>	<b>2,857</b>	<b>13,404</b>

### a2. Changes in the provisions

	Bank			Consolidated	
	2019		2018	2019	2018
	Labor	Civil	Total	Total	Total
<b>At December 31</b>	<b>2,363</b>	<b>10,791</b>	<b>13,154</b>	<b>4,054</b>	<b>13,404</b>
Additions in the year	1,051	1,712	2,763	10,850	10,985
Use in the year	(490)	(863)	(1,353)	(923)	(923)
Reversals	(310)	(439)	(749)	(827)	(911)
<b>At December 31</b>	<b>2,614</b>	<b>11,201</b>	<b>13,815</b>	<b>13,154</b>	<b>14,094</b>

The provision for tax risks is recorded under "Other payables - tax and social security obligations" (Note 21e), and the provisions for civil and labor risks under "Other payables - sundry" (Note 21f).

### Nature of the lawsuits classified as involving probable losses

- i. Labor** - relates basically to lawsuits filed by employees claiming overtime hours in addition to the regular six-hour workday.
- ii. Civil** - relates basically to contractual terms, the registration of clients with credit protection services, and pain and suffering.

### a3. Schedule of expected cash outflows

Due to the nature of the existing contingencies and the complexity of Brazil's legal environment, a reasonable estimate of the schedule for the future settlement of the lawsuits is not possible.

### b. Contingencies classified as involving risk of possible losses

The lawsuits classified as possible losses are not recognized, and are only disclosed when the amount involved is material. The following contingencies are classified as possible losses: (i) civil lawsuits disputing Bancoob's joint liability for deposits made in credit unions; (ii) civil lawsuit disputing Bancoob's liability for the payment of damages due to an error made by a credit union; (iii) civil lawsuits disputing alleged property damages and pain and suffering caused by Bancoob's products; (iv) labor lawsuits; (v) tax and social security administrative proceedings (Accident Prevention Factor (FAP), Scholarships and Social Integration Program (PIS)); (vi) action for annulment of a tax assessment notice, filed by the Bank. The tax assessment notice the Bank intends to annul through the aforementioned action for annulment refers to the amount deducted by BANCOOB from the tax base in 2018. The deduction arose from the compensatory nature of the amount paid by Bancoob, as decided at an Extraordinary General Meeting, in relation to a failure in the provision of services under the Bank's responsibility.

## Notes to the financial statements

### December 31, 2019 and 2018

All amounts in thousands of Reais unless otherwise stated

#### b1. Estimates of possible losses

	Bank		Consolidated	
	2019	2018	2019	2018
Labor	17,012	12,878	17,219	13,183
Tax/social security	160,912	31,902	160,912	31,902
Civil	153,663	130,282	160,735	135,830
<b>Total</b>	<b>331,587</b>	<b>175,062</b>	<b>338,866</b>	<b>180,915</b>

## Note 19 - Equity

#### a. Share capital

Share capital is comprised of 943,870,276 shares (829,448,865 in 2018), of which 474,525,166 are common shares (417,000,482 in 2018) and 469,345,110 preferred shares (412,448,383 in 2018), all of which with no par value.

#### b. Capital reserve

The balance of R\$ 51 (R\$ 51 in 2018) relates to a gain on the sale of treasury shares.

#### c. Revenue reserve

In accordance with its bylaws, Bancoob transferred 5% of adjusted profit for the period to the revenue reserve, which totaled R\$ 6,398 (R\$ 11,454 in 2018).

The amount of R\$ 115,485 (R\$ 206,737 in 2018) was transferred to "Revenue reserve - Other", to be allocated as decided at the next shareholders' General Meeting.

#### d. Dividends

Bancoob's shareholders are entitled to mandatory minimum dividends corresponding to 5% of adjusted profit for the year. Bancoob accrued dividends totaling R\$ 6,078, equivalent to R\$ 6.43 per thousand shares (R\$ 10,881, equivalent to R\$ 13.12 per thousand shares in 2018).

#### e. Adjustment to market value

These are adjustments arising from the marking-to-market of available-for-sale securities, as required by BACEN Circular Letter 3,068/01, net of tax effects. (Note 9a).

## Note 20 - Operational limits - Basel Accord

The net assets of Bancoob's Prudential Conglomerate are consistent with the level of risk posed by its asset framework. In 2019, the Basel ratio was 16.61% (17.13% in 2018).

## Note 21 - Other items in the financial statements

#### a. Balances of interbank relations

##### a1. Receivables

	Bank		Consolidated	
	2019	2018	2019	2018
Rights with participants of settlement systems	3,439,802	3,627,002	3,479,118	3,662,041
Compulsory reserves in cash held with BACEN	5,597	3,418	5,597	3,418
BACEN - Mandatory payments	1,276,260	1,040,037	1,276,260	1,040,037
Interbank onlendings	8,952,509	7,879,211	8,952,509	7,879,211
Correspondent banks	72	72	72	72
<b>Total</b>	<b>13,674,240</b>	<b>12,549,740</b>	<b>13,713,556</b>	<b>12,584,779</b>
<b>Current</b>	<b>10,940,435</b>	<b>10,157,704</b>	<b>10,979,751</b>	<b>10,192,743</b>
<b>Non-current</b>	<b>2,733,805</b>	<b>2,392,036</b>	<b>2,733,805</b>	<b>2,392,036</b>

# Notes to the financial statements

## December 31, 2019 and 2018

All amounts in thousands of Reais unless otherwise stated

### a2. Payables

	Bank		Consolidated	
	2019	2018	2019	2018
<b>Obligations to participants of settlement systems</b>	<b>3,589,860</b>	<b>2,561,634</b>	<b>3,589,886</b>	<b>2,561,646</b>
Clearing of checks and documents	-	-	-	-
Payment transactions	3,589,860	2,561,634	3,589,886	2,561,646
<b>Total</b>	<b>3,589,860</b>	<b>2,561,634</b>	<b>3,589,886</b>	<b>2,561,646</b>
<b>Current</b>	<b>3,589,860</b>	<b>2,561,634</b>	<b>3,589,886</b>	<b>2,561,646</b>
<b>Non-current</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### b. Breakdown of other receivables - sundry

	Note	Bank		Consolidated	
		2019	2018	2019	2018
Guarantee deposits	18(a)	13,414	2,857	13,507	2,857
Tax credits	9 (c)	161,178	101,710	161,473	102,002
Receivables from credit units (a)		4,345	3,663	4,345	3,663
Taxes to be offset		100,021	109,647	115,278	126,980
Notes and credits receivable		22,306	14,411	22,169	14,188
Salary prepayments and advances		4,847	4,572	4,978	4,750
Payments to be reimbursed (b)		111,714	80,809	111,714	81,738
Amounts receivable related to payment transactions (c)		4,357,757	3,308,984	4,357,757	3,308,984
Other		53,754	204,392	56,068	205,643
<b>Total</b>		<b>4,829,336</b>	<b>3,831,045</b>	<b>4,847,289</b>	<b>3,850,685</b>
<b>Current</b>		<b>4,663,107</b>	<b>3,736,244</b>	<b>4,680,359</b>	<b>3,754,811</b>
<b>Non-current</b>		<b>166,229</b>	<b>94,801</b>	<b>166,930</b>	<b>95,994</b>

(a) These relate to banking services rendered by Bancoob to the credit unions that participate in the clearance system, which are settled in the month subsequent to that of the provision of the services.

(b) These relate to the supply of 24-hour automated teller machines.

(c) These relate to transactions carried out by the holders of Cabal/MasterCard credit cards. The amounts presented are net of the provision for losses on other receivables with loan characteristics (see Note 8).

### c. Other assets

	Bank		Consolidated	
	2019	2018	2019	2018
Other assets	1,893	2,395	1,893	2,395
Prepaid expenses (a)	64,266	71,388	65,855	72,551
<b>Total</b>	<b>66,159</b>	<b>73,783</b>	<b>67,748</b>	<b>74,946</b>
<b>Current</b>	<b>17,281</b>	<b>29,880</b>	<b>18,870</b>	<b>31,043</b>
<b>Non-current</b>	<b>48,878</b>	<b>43,903</b>	<b>48,878</b>	<b>43,903</b>

(a) Relate mainly to the recognition of commissions on lending operations.

### d. Interdepartmental accounts

	2019	2018
Public utility companies	17,688	12,580
Other agreements	3,515	1,924
Payment orders	357	-
<b>Total</b>	<b>21,560</b>	<b>14,504</b>
<b>Current</b>	<b>21,560</b>	<b>14,504</b>
<b>Non-current</b>	<b>-</b>	<b>-</b>

## Notes to the financial statements

December 31, 2019 and 2018

All amounts in thousands of Reais unless otherwise stated

### e. Tax and social security obligations

	Note	Bank		Consolidated	
		2019	2018	2019	2018
Provision for income tax		69,906	107,799	78,274	118,455
Provision for social contribution		44,318	88,829	48,732	94,431
Taxes payable on third-party services		4,215	3,717	4,758	3,922
Taxes and contributions on salaries		4,931	4,659	7,026	6,373
Deferred taxes and contributions (marking-to-market of securities)	9(b)	454	906	454	906
Other taxes payable		16,516	15,976	20,527	19,944
<b>Total</b>		<b>140,340</b>	<b>221,886</b>	<b>159,771</b>	<b>244,031</b>
<b>Current</b>		<b>139,811</b>	<b>221,357</b>	<b>159,242</b>	<b>243,502</b>
<b>Non-current</b>		<b>529</b>	<b>529</b>	<b>529</b>	<b>529</b>

### f. Other obligations - Sundry

	Bank		Consolidated	
	2019	2018	2019	2018
Provision for payment of administrative expenses	103,748	75,667	110,037	84,784
Credit card obligations (a)	249,534	198,470	249,534	198,470
Del Credere provision (b)	31,100	27,883	31,100	27,883
Obligations related to official agreements - INSS	30,394	31,574	30,394	31,574
Amounts payable on collection	16,930	13,718	16,930	13,718
Obligations related to funds received from consortium members (c)	-	-	10,144	7,731
Obligations related to payment transactions	2,517,668	3,004,839	2,592,143	3,047,349
Other	93,927	26,672	108,212	54,378
<b>Total</b>	<b>3,043,302</b>	<b>3,378,823</b>	<b>3,148,494</b>	<b>3,465,888</b>
<b>Current</b>	<b>3,027,891</b>	<b>3,365,624</b>	<b>3,132,978</b>	<b>3,452,580</b>
<b>Non-current</b>	<b>15,411</b>	<b>13,199</b>	<b>15,516</b>	<b>13,308</b>

- (a) Correspond to obligations assumed in relation to the MasterCard brand and storeowners of the Cabal chain for transactions carried out by cardholders.
- (b) Relate to payments made to credit unions for the settlement of installments related to BNDES and Funcafé operations, corresponding to 50% of the spread received by the Bank from these government agencies.
- (c) Relate to funds from terminated consortium groups that were not withdrawn by the participants.

### g. Income from services rendered and banking fees

	2nd six-month period	Bank		Consolidated	
		2019	2018	2019	2018
Sicoob Agreement	4,886	13,349	9,401	13,349	9,401
Income from banking fees (a)	11,724	27,866	33,370	27,866	33,370
Income from fund services	1,436	2,356	1,995	2,356	1,995
Income from fund management services	-	-	-	12,455	10,509
Income from consortium management services	-	-	-	165,557	118,876
Income from credit card services (b)	268,306	509,632	514,821	517,623	520,456
Income from prepayments of obligations related to payment transactions	182,230	366,141	363,150	366,218	363,200
Income from collection services for public utility companies (c)	36,529	71,450	56,909	71,450	56,909
Income from banking fees	29	61	74	61	74
Income from acquiring services	1,626	2,763	3,327	2,763	3,327
Other income - sundry	25,917	65,581	54,951	91,655	73,130
<b>Total</b>	<b>532,683</b>	<b>1,059,199</b>	<b>1,037,998</b>	<b>1,271,353</b>	<b>1,191,247</b>

- (a) Relate to services provided to Sicoob members that are not related to banking fees.
- (b) Relate to exchange services, withdrawals, electronic checks, annual fees of cards, credit card management services etc.
- (c) Relate to fees charged for collection services rendered to public utility companies.

# Notes to the financial statements

## December 31, 2019 and 2018

All amounts in thousands of Reais unless otherwise stated

### h. Personnel expenses

	2nd six-month period	Bank		Consolidated	
		2019	2018	2019	2018
Fees paid to officers and directors	4,460	8,654	8,403	13,415	12,522
Salaries (a)	35,955	68,608	60,391	98,981	83,740
Social charges (b)	15,561	29,835	26,571	42,188	36,007
Benefits (c)	10,997	20,793	17,798	36,996	29,718
Training	2,432	4,256	3,030	5,120	3,626
Interns' compensation	390	762	704	1,610	1,592
<b>Total</b>	<b>69,795</b>	<b>132,908</b>	<b>116,897</b>	<b>198,310</b>	<b>167,205</b>

(a) Relates mainly to salaries, overtime, and provisions for 13th month salary and vacation pay.

(b) Relate mainly to provisions for the National Institute of Social Security (INSS) and Government Severance Indemnity Fund for Employees (FGTS) charges.

(c) Relate mainly to health care benefits, transportation, and meal vouchers provided to employees.

### i. Administrative expenses

	2nd six-month period	Bank		Consolidated	
		2019	2018	2019	2018
Water, electricity, gas, maintenance and upkeep	137	212	175	1,453	1,098
Communication	15,881	30,418	25,009	39,459	26,882
Materials	292	610	868	1,559	1,076
Data processing	24,631	53,070	67,449	52,523	69,782
Advertising and publicity	41,382	65,412	42,417	71,848	43,072
Financial system services	19,392	36,937	27,484	37,828	28,296
Outsourced services	17,927	32,637	26,918	42,607	31,086
Specialized technical services	9,908	19,535	15,391	15,095	15,608
Depreciation and amortization	4,159	8,170	8,153	14,354	10,043
Travel	2,453	5,335	4,485	5,596	4,754
Other administrative expenses	8,586	13,365	12,944	18,066	28,049
<b>Total</b>	<b>144,748</b>	<b>265,701</b>	<b>231,293</b>	<b>300,388</b>	<b>259,746</b>

### j. Breakdown of other operating income

	2nd six-month period	Bank		Consolidated	
		2019	2018	2019	2018
Recovery of charges and expenses	4,263	9,232	6,261	9,254	6,273
Income from credit card operations (a)	35,858	65,610	68,545	66,010	69,167
Acquiring operations	134,249	266,603	232,205	266,603	232,205
Other	819	1,576	2,467	6,421	6,730
<b>Total</b>	<b>175,189</b>	<b>343,021</b>	<b>309,478</b>	<b>348,288</b>	<b>314,375</b>

(a) Total income from credit card operations (Note 20(g)).

### k. Other operating expenses

	2nd six-month period	Bank		Consolidated	
		2019	2018	2019	2018
Credit card administration expenses	260,110	506,915	468,724	508,073	468,961
Adjustment of INSS tax credits (a)	711	1,393	1,242	1,393	1,242
Expenses with collection fees	28,543	52,310	39,177	52,310	39,177
Commissions on lending operations (b)	167,270	279,994	137,820	279,994	137,820
Acquiring operations (c)	189,635	375,846	268,405	375,846	268,405
Other	4,909	7,515	21,432	73,409	41,815
<b>Total</b>	<b>651,178</b>	<b>1,223,973</b>	<b>936,800</b>	<b>1,291,025</b>	<b>957,420</b>

(a) Interest accruals (SELIC) of INSS funds available but not yet paid to the beneficiary.

(b) Relate to commissions paid to credit units for the negotiation of payroll- and pension deductible (INSS) loans.

(c) Relate mainly to commissions paid to credit unions for the accreditation of new establishments.



# Notes to the financial statements

December 31, 2019 and 2018

All amounts in thousands of Reais unless otherwise stated

## I. Non-operating income (expenses)

	2nd six-month period	Bank		Consolidated	
		2019	2018	2019	2018
Non-operating income	61	61	1,239	70	1,245
Non-operating expenses	-	29	184	32	275
Amortization of goodwill - Cabal Brasil Ltda.	1,174	2,157	1,656	2,157	1,656
<b>Total</b>	<b>1,113</b>	<b>2,125</b>	<b>601</b>	<b>2,119</b>	<b>686</b>

## Note 22 - Related-party transactions

### a. Sicoob System

Bancoob was created to provide financial, technical and operational services to credit unions, pursuant to Article 88 of Law 5,764/71 (Note 1).

The transactions carried out between Bancoob and the Sicoob system are shown below:

	Note	2019	2018
<b>Assets</b>		<b>9,586,724</b>	<b>8,154,620</b>
Lending operations and interbank onlendings		9,530,392	8,084,021
Receivables		4,337	3,674
Prepaid expenses - commission		51,995	66,925
<b>Liabilities</b>		<b>30,326,834</b>	<b>29,975,715</b>
Deposits		26,164,436	27,025,113
Repurchase agreements		3,155,650	1,889,918
Payables		1,006,748	1,060,684
<b>Revenues</b>		<b>977,579</b>	<b>743,901</b>
Lending operations and interbank onlendings		664,463	531,454
Other income		313,116	212,447
<b>Expenses</b>		<b>2,444,154</b>	<b>2,207,798</b>
Funding		1,758,149	1,736,664
Other expenses		686,005	471,134

### b. Subsidiaries

	Bancoob DIVM		Bancoob PAR		Cabal		Consórcio Ponta	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>Assets</b>	<b>27</b>	<b>23</b>	<b>-</b>	<b>-</b>	<b>107</b>	<b>109</b>	<b>111</b>	<b>90</b>
Receivables	27	23	-	-	107	109	111	90
<b>Liabilities</b>	<b>2,164</b>	<b>5,004</b>	<b>558</b>	<b>507</b>	<b>77,015</b>	<b>64,959</b>	<b>74,826</b>	<b>104</b>
Demand deposits	3	19	1	1	964	15,030	10	41
Time deposits	2,161	4,985	557	506	66,682	40,677	74,816	63,262
Payables	-	-	-	-	9,369	9,252	-	-
<b>Expenses</b>	<b>193</b>	<b>295</b>	<b>173</b>	<b>30</b>	<b>80,163</b>	<b>57,369</b>	<b>4,384</b>	<b>3,407</b>
Funding expenses	193	295	173	30	3,113	2,174	4,384	3,407
Administrative expenses	-	-	-	-	77,050	55,195	-	-
<b>Revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14</b>	<b>23</b>	<b>1,114</b>	<b>842</b>
Sundry revenues	-	-	-	-	14	23	1,114	842

### c. Remuneration of the key management personnel

Key management personnel includes the directors and officers. At the General Shareholders' Meetings, which are held on an annual basis, the maximum aggregate compensation payable to the Board of Directors and Executive Board is established.

## Notes to the financial statements

### December 31, 2019 and 2018

All amounts in thousands of Reais unless otherwise stated

The compensation packages paid or payable to officers and directors for their services is shown below:

	2nd six-month period	Bank		Consolidated	
		2019	2018	2019	2018
Fees	3,619	7,148	6,775	10,272	9,690
Benefits	1,264	2,311	2,227	3,579	3,577
Charges	905	1,803	1,699	2,468	2,440
<b>Total</b>	<b>5,788</b>	<b>11,262</b>	<b>10,701</b>	<b>16,319</b>	<b>15,707</b>

### Note 23 - Other information

#### a. Agreements allowing offsetting of payables against receivables with the same financial institution

As established by CMN Resolution 3,263/05, Bancoob has investments in financial institutions that allow it to offset payables against receivables held with these institutions. The amounts receivable and payable are presented in the balance sheet in the line items related to products under assets and liabilities, respectively.

The amounts subject to offsetting are summarized below:

Description	Bank					
	2019			2018		
	Receivables	Payables	Net amount	Receivables	Payables	Net amount
Time deposit/CDI	1,073,858	882,023	191,835	3,129,036	2,524,100	604,936
<b>Total</b>	<b>1,073,858</b>	<b>882,023</b>	<b>191,835</b>	<b>3,129,036</b>	<b>2,524,100</b>	<b>604,936</b>

#### b. Insurance

Bancoob's assets subject to risks are insured at amounts deemed sufficient to cover losses, taking into consideration the nature of its activities.

#### c. Guarantees provided

The guarantees provided through financial charges, relating to endorsements and sureties, totaled R\$ 17,501 at December 31, 2019 (R\$ 20,957 in 2018). In 2019, a provision was recorded of R\$ 46 (R\$ 148 in 2018).

#### d. Employee benefits

##### Private pension

Bancoob sponsors the Sicoob Private Pension Foundation (Sicoob Previ), established in November 2006, which provides its participants and their dependents with pension benefits, in the form of a defined contribution plan, to supplement the benefits provided by the official social security system.

At December 31, 2019, Sicoob Previ had 579 active participants (545 in 2018), whose contributions totaled R\$ 3,969 (R\$ 3,401 in 2018)

#### e. Profit sharing

Bancoob offers profit sharing to its employees, which is calculated in accordance with the Collective Labor Agreement. In the 2nd six-month period and during 2019; the amounts of R\$ 7,430 and R\$ 12,749, respectively (R\$ 5,755 and R\$ 10,890 in 2018), and R\$ 8,134 and R\$ 14,272 (R\$ 5,886 and R\$ 11,137 in 2018) in the consolidated, were recorded as a "Provision for profit sharing".

\* \* \*

## **Bancoob's Management Bodies**

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### **Board of Directors**

Geraldo Souza Ribeiro Filho - Chairman  
Hudson Tabajara Camilli - Vice Chairman  
Ismael Perina Júnior  
Ivo Azevedo de Brito  
José Alves Sena  
Luiz Antônio Ferreira de Araujo  
Luiz Gonzaga Viana Lage  
Marcelo Baiocchi Carneiro  
Rui Schneider da Silva

### **Executive Board**

Marco Aurélio Borges de Almada Abreu - Chief Executive Officer  
Ênio Meinen - Executive Officer  
Marcos Vinicius Viana Borges - Executive Officer  
Ricardo Simone Pereira - Executive Officer  
Rubens Rodrigues Filho - Executive Officer

### **Accountant**

Primo João Cracco  
CRC-SP 149.703/O-2

# Audit Committee Report

## Summary of the Audit Committee Report

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### Introduction

1. The Audit Committee of Bancoob is a statutory body whose purpose is to advise the Board of Directors on the financial statements, the effectiveness of the internal control system and risk management, and the work performed by internal and independent auditors.
2. Under statutory and regulatory terms, in addition to Banco Cooperativo do Brasil S/A - Bancoob, the activities of the Audit Committee also address the following companies that comprise the Bancoob Group: Bancoob Distribuidora de Títulos e Valores Mobiliários Ltda. - Bancoob DTVM, Ponta Administradora de Consórcios Ltda., Cabal Brasil Ltda. and Bancoob Participações em Segurança S/A.
3. The Management of Bancoob and of the companies that comprise the Group are responsible for preparing and ensuring the integrity of the financial statements, managing risks, maintaining an effective and consistent system of internal controls and ensuring compliance with legal and regulatory standards.
4. The Internal Audit performs, regular independent assessments of the risk management activities and of the suitability and effectiveness of internal controls in all Group companies.
5. PricewaterhouseCoopers ("PwC") is the independent audit firm hired to provide audit services on the financial statements of Bancoob and of the companies that make up the Group. The Independent Auditor is responsible for:
  - a) expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of Bancoob and the Group companies, in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN); and
  - b) assessing the suitability and quality of the internal control system, for the purposes of its audit of the financial statements, including the risk management system and compliance with legal and regulatory requirements.

### Audit Committee Activities

6. In compliance with legal and regulatory requirements, the Audit Committee:
  - a) held, in the second six-month period of 2019, six regular meetings;
  - b) acted independently in the performance of its duties, always supported by information received from Management, independent and internal auditors, and the officers responsible for risk and internal control management, and also based on its own conclusions arising from direct observation;
  - c) followed the process of preparation of the financial statements; assessed the relevant aspects, comprehensiveness, compliance and clarity of the notes to the financial statements; examined the accounting practices adopted, the procedures used for the constitution of provisions, and the contents of the independent auditor's report on the parent company and consolidated financial statements;

## Audit Committee Report

- d) held meetings with the Executive Board, the Board of Directors, the Statutory Audit Board, and Risk Committee, suggesting improvements to the relevant function in situations where opportunities for improvement were identified;
- e) monitored and evaluated the work performed by the Internal Audit Function; the Independent Audit conducted by PricewaterhouseCoopers; the management of credit, market, interest rate, liquidity, operational, socio-environmental, reputational, compliance, strategy and cyber security risks; Business Continuity Management (BCM); Prevention of Money Laundering and Terrorism Financing; Risk Appetite Statement (RAS); and the Stress Testing Program (STP); and
- f) provided management with recommendations, which were included in the minutes of meetings, filed, and made available to all management bodies.

### Internal control and risk management system

- 7. At meetings held with the responsible areas, and through the analysis of the information and documents requested and made available by Management, the Audit Committee evaluated aspects relating to the Group's internal control and risk management, and did not identify failures in compliance with laws, regulations, and internal rules, which could put the organization at risk.
- 8. In the second six-month period of 2019, no errors, fraud or non-compliance with statutory or regulatory provisions were reported through the communication channels made available to the employees.
- 9. The Audit Committee considers that the internal control system and the risk management processes are appropriate to the size and complexity of the operations of Bancoob and companies comprising the Group. Furthermore, Management is continuously striving to improve the systems, processes and procedures.

### Independent Audit

- 10. PwC, the independent auditor, presented the results of its work and other relevant accounting aspects at the Audit Committee's monthly meetings. No situations were identified that could affect the objectivity and independence of the audit work.
- 11. The Audit Committee considers satisfactory the work carried out by the Independent Audit function, which reflects the Committee's opinion on the integrity of the consolidated financial statements at December 31, 2019.

### Internal Audit

- 12. In accordance with the annual planning approved by the Board of Directors, the Internal Audit presented, at the Audit Committee's monthly meetings, the result of the work carried out, which did not identify any residual risks that could affect the strength and continuity of the operations of Bancoob and companies that comprise the Group.
- 13. The Audit Committee assesses as positive the scope and quality of the work performed by the Internal Audit Function.

# Audit Committee Report

## Financial Statements

14. The analyses addressed the procedures adopted in the preparation of parent company and consolidated trial balances and balance sheets, notes to the financial statements, and financial reports disclosed together with the consolidated financial statements.
15. The Audit Committee concluded that the consolidated financial statements at December 31, 2019 were prepared in compliance with legal and regulatory standards, and in accordance with accounting practices adopted in Brazil, reflecting, in all material respects, the financial position of the Bancoob Group for the year then ended.

Brasília, Federal District, February 6, 2020.

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Rubens Rodrigues Filho -  
Coordinator

Marcos Vinicius Viana Borges

Rafael Alves Horta

## Statutory Audit Board's Opinion

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The Statutory Audit Board of Banco Cooperativo do Brasil S/A, in the performance of its legal and statutory duties, having analyzed the consolidated financial statements at December 31, 2019 and 2018, the related Management Report, and the Independent Auditor's Report issued by PricewaterhouseCoopers Auditores Independentes, states that the consolidated financial statements examined present fairly, in all material respects, the financial position of Banco Cooperativo do Brasil S/A - Bancoob.

Brasília, Federal District, February 11, 2020.

Ronaldo Siqueira Santos  
Chairman

Marcelo Martins  
Secretary

Carlos Augusto de Macedo Chiarava  
Sitting Board Member

Gentil Luiz Marció  
Sitting Board Member

Vanderval José Ribeiro  
Sitting Board Member