BANCO SUMITOMO MITSUI BRASILEIRO S.A.

Financial statements as of June 30, 2020

(A free translation of the original report in Portuguese as published in Brazil containing financial statements prepared in accordance with accounting practices adopted in Brazil)

Contents

Management Report

Dear Shareholders:

In compliance with the provisions of the law, we submit for your appreciation the financial statements for the half-year ended June 30, 2020, whose net income earnings in the half-year amounted to R$ 23,523 thousand (R$ 17,488 thousand as of June 30, 2019), total assets R$ 8,171,377 thousand (R$ 7,246,914 thousand as of December 31, 2019) and the loans portfolio R$ 1,964,006 thousand (R$ 1,537,427 thousand as of December 31, 2019).

We remain at your disposal should you need any further clarifications, and we inform you that all accounting documents supporting these financial statements are at the Bank's head office.

São Paulo, September 30, 2020.

KPMG Auditores Independentes
Rua Arquiteto Olavo Redig de Campos, 105, 6º andar - Torre A
04711-904 - São Paulo/SP - Brasil
Caixa Postal 79518 - CEP 04707-970 - São Paulo/SP - Brasil
Telefone +55 (11) 3940-1500
kpmg.com.br

Independent auditors' report on the financial statements

To
Shareholders and Board of Directors of
Banco Sumitomo Mitsui Brasileiro S.A.
São Paulo - SP

Opinion
We have audited the financial statements of Banco Sumitomo Mitsui Brasileiro S.A. ("Bank"), which comprise the statement of financial position as at June 30, 2020, and the related statements of income, comprehensive income, changes in equity and cash flows for the half-year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Banco Sumitomo Mitsui Brasileiro S.A. as at June 30, 2020, the financial performance of its operations and its cash flows for the half-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
We conducted our audit in accordance with Brazilian and international auditing standards. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report. We are independent of the Bank in accordance with the relevant ethical requirements included in the Accouting Professional Code of Ethics and in the professional standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Measurement of the allowance for loan losses associated with credit risk
As mentioned in notes 3.g and 9.e, for the purpose of measurement the allowance for loan losses associated with credit risk, loans and foreign currency operations are classified according to the Management's assessment of risk, in accordance with the Bank's policy taking into account economic conditions, past experience and the specific risks of each operation, its debtors and guarantors, according to the parameters established by the CMN Resolution 2682/99, procedure which requires a periodic analysis of the portfolio and its classification into nine levels, from "AA" (minimum risk) to "H" (loss). The Bank applies the percentage losses determined by this Resolution to each risk level in order to calculate the allowance for loan losses associated with credit risk and in addition to the parameters established in this Resolution, the Bank recognizes an additional provision based on an internal methodology. Classifying the loans into risk levels and measurement the allowance for loan losses associated with credit risk requires the bank make assumptions and judgments based on its internal methodologies. Given the materiality of the loans and uncertainties inherent in estimating the allowance for loan losses associated with credit risk and the complexity of the methods and assumptions used, as well as the judgment involved in their determination, we consider this to be a key audit matter.

How the matter was addressed in our audit
We assessed the operational design and efficiency of the key internal controls for processes of approving, recording and restating loans, in addition to the internal risk rating assessment methodologies for clients supporting the ratings of operations and core assumptions used to determine the allowance for loan losses associated with credit risk. On a sample basis we also assessed the information supporting the definition and review of the clients' ratings by the Bank, such as the loan proposal, financial and onboarding information and amounts submitted in formal guarantees, including the methodologies and assumptions used for the allowance. We analyzed the arithmetical calculation of the allowance, including assessment of compliance with the requisites established by CMN Resolution 2.682/99 relating to determining the allowance for loan losses associated with credit risk. We also assessed whether the disclosures made in the financial statements comply with the existing standards.

Based on the evidence obtained through the aforesaid procedures, we consider acceptable the measurement of the allowance for loan losses associated with credit risk within the context of the financial statements for the half-year ended June 30, 2020.

Measurement of fair value of derivative financial instruments, including the assessment of accounting hedge structures
As per notes 3.f and 7.4, the Bank conducts derivative financial instrument transactions to hedge its operations against variations in market prices and to mitigate currency and interest rate risks on its assets and liabilities and contracted cash flows. These derivative financial instruments consist of the Swaps, Non deliverable Forwards (NDF) and Futures. The fair value methodology of the derivative financial instruments was established based on consistent and verifiable criteria that take into account the closing price, or adjustment, when applicable, on the calculation day, or if this does not exist, through pricing models that translate the probable net realization value or the price of a similar financial instrument, taking into account the payment terms and maturity, currency or index and the credit risk associated with the counterparty, at the very least. The Bank also has Futures contracts performed to mitigate the effect of exchange variance on foreign currency funding and fixed-

interest loan transactions in Brazilian reais. These operations were designated as "hedge" derivatives and classified in Market Risk Hedge" or "Cash Flow Hedge" operations. Hedge operations are measured at fair value. The fair value measurement of both derivatives and hedged items should meet the criteria of BACEN Circular 3.082/02, the standard that establishes and consolidates criteria for accounting and valuing derivative financial instruments, in addition to policies and controls to guarantee their effectiveness. Due to the uncertainty surrounding the assumptions and estimates involved to price the derivative financial instruments and to measure the fair value of the hedged item, we consider this issue as material for our audit.

How the matter was addressed in our audit
As part of our procedures we assessed the design and operational efficiency of the key internal controls implemented by the Bank to measure the fair value of derivative financial instruments, including hedge derivatives and hedged items. With the aid of our financial instrument experts, we tested the models developed by the Bank's professionals to determine fair values and reasonableness of the criteria to define the parameters and information included in the pricing models used, we calculated the value of the operations and compared the assumptions used to determine the fair value against similar operations in the market. Furthermore, with the aid of our financial instrument experts we understood the hedge strategies used by the Bank, including those related to hedge accounting to preserve the spread on interbank deposit investments and onlending operations. We assessed the adequacy of the documentation prepared by the Bank supporting the hedge accounting designation, specifically the formal designations containing descriptions of all methodologies and strategies used to measure effectiveness. We also recalculated the prospective and retrospective coverage effectiveness test prepared by the Bank. We also analyzed whether the information presented in the notes meets all the disclosure requirements determined by the existing standards.

Based on the evidence obtained through the procedures summarized above, we considered acceptable the measurement of the fair value of derivative financial instruments, including the hedge designated derivatives and hedged items, within the context of the financial statements taken as a whole for the half-year ended June 30, 2020.

Other information accompanying the financial statements and auditor's report
Bank's Management is responsible for the other information. The other information comprises the Management's Report.

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

In connection with our audit of the financial statements, our responsibility is to read the Management's Report and, in doing so, consider whether the 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 that we have performed, we conclude that there is a material misstatement of this Management's Report, then 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 financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Brazilian Central Bank 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 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 Bank's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current half-year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, September 30, 2020.

KPMG Auditores Independentes
CRC 2SP014428/O-6
Original report in Portuguese signed by
Luciana Liberal Sâmia
Accountant CRC 1SP198502/O-8

Banco Sumitomo Mistui Brasileiro S.A
Statement of financial position
June 30, 2020 and December 31, 2019
(In thousands of Reais)

ASSETS	NOTE	June/2020	December/2019
Cash and Cash Equivalents	4	**2,089,017**	**1,940,571**
FINANCIAL ASSETS		**5,994,149**	**5,217,692**
Interbank funds applied	5	**602,926**	**563,950**
Interfinancial deposits		602,926	563,950
Securities	6.a	**1,541,444**	**2,408,285**
Own portfolio		1,025,791	1,909,182
Subject to guarantees		515,653	499,103
Derivative Financial Instruments	6.b	**382,323**	**58,713**
Interbank Accounts		**439,292**	**201,730**
Deposits at the Brazilian Central Bank - BACEN		2,151	1,750
Interbank onlending	8	437,088	200,028
Allowance for losses associated with credit risk	8	(120)	(48)
Domestic correspondents		173	-
Loans		**1,295,458**	**1,031,295**
Private sector	9.a	1,296,788	1,032,703
Allowance for loan losses associated with credit risk	9.e	(1,330)	(1,408)
Foreign exchange portfolio	10	**1,734,422**	**955,349**
Allowance for loan losses associated with credit risk	9.e	(1,716)	(1,630)
OTHER ASSETS	12	**37,109**	**35,190**
TAX ASSETS	11	**43,381**	**46,022**
Current tax assets		6,788	14,780
Tax Credit		36,593	31,242
INVESTMENT		**123**	**123**
PROPERTY FOR USE	13.a	**3,273**	**3,077**
Other property for use		14,785	13,934
Accumulated depreciation		(11,512)	(10,857)
INTANGIBLE	13.b	**4,325**	**4,239**
Intangible assets		12,980	12,448
Accumulated amortization		(8,655)	(8,209)
T O T A L A S S E T S		**8,171,377**	**7,246,914**

LIABILITIES	NOTE	June/2020	December/2019
FINANCIAL LIABILITIES		**6,192,383**	**5,299,586**
Deposits	14	**1,496,284**	**2,223,803**
Call deposits		98,848	76,100
Interbank deposits		114,721	2,090
Time deposits		1,282,715	2,145,613
Interbank Accounts		**176**	**-**
Interbranch Accounts		**22,948**	**22,848**
Derivative Financial Instruments	6.b	**421,289**	**177,880**
Foreign currency borrowings	15.a	**851,194**	**1,093,657**
Foreign onlendings	15.b	**2,435,243**	**1,320,874**
Foreign exchange portfolio	10	**965,249**	**460,524**
OTHER LIABILITIES	16.a	**40,128**	**44,772**
PROVISIONS	16.b	**83,091**	**79,887**
Tax, civil and labor issues		62,058	56,856
Other		21,033	23,031
TAX LIABILITIES		**33,572**	**37,073**
Current tax liabilities	19.a	10,970	25,632
Deferred tax liabilities	19.c	22,602	11,441
EQUITY		**1,822,203**	**1,785,596**
Capital:		1,559,699	1,559,699
Domestic		2	2
Foreign		1,559,697	1,559,697
Revenue Reserves		249,700	226,177
Fair value securities	6.a	857	(13)
Cash Flow Hedge		828	2,030
Adjustments to Actuarial Liabilities- CVM 600		(12,132)	(12,132)
Adjustments exchange variance investments		23,251	9,835
T O T A L L I A B I L I T I E S		**8,171,377**	**7,246,914**

* See the accompanying notes to the financial statements.

Banco Sumitomo Mistui Brasileiro S.A
Statement of income
Half-year ended June 30, 2020 and 2019
(In thousand of reais, except profit per lot of thousand shares)

	Note	June/2020	June/2019
Financial operations revenue		909,492	138,205
Loans	20.a	142,767	30,697
Securities income	20.b	148,142	153,483
Derivative financial instruments income	20.c	301,504	(39,693)
Foreign exchange funding income	20.d	317,079	(6,282)
Financial operations expenses		(820,504)	(63,716)
Deposits, money market and interbank funds	20.e	(30,070)	(60,175)
Borrowings and onlendings	20.f	(790,425)	(2,751)
Allowance for loan losses associated with credit risk	8.e	(9)	(787)
Gross income on financial operations		88,988	74,489
Other operating income (expenses)		(45,712)	(40,720)
Service fee income	20.g	17,196	15,674
Personnel expenses	20.h	(35,218)	(32,182)
Other administrative expenses	20.i	(23,485)	(22,275)
Tax expenses	20.j	(5,207)	(9,799)
Other operating income / (expenses)	20.k	6,204	9,019
(Provision) / Reversal of provision for contingent liabilities	20.l	(5,202)	(1,157)
Operating income		43,276	33,772
Nonoperating income	20.m	22	181
Income before taxation		43,298	33,953
Income tax and social contribution	19	(18,253)	(15,333)
Income Tax		(6,996)	(8,224)
Social Contribution		(5,269)	(4,818)
Deferred Assets		(5,988)	(2,291)
Profit-sharing		(1,522)	(1,172)
Net income in the half-year		23,523	17,448
Number of shares		1,559,699	1,559,699
Net income per lot of a thousand shares - R$		15.08	11.19

* See the accompanying notes to the financial statements.

Banco Sumitomo Mistui Brasileiro S.A
Statement of Comprehensive Income
Half-year ended June 30, 2020 and 2019
(In thousands of Reais)

	Note	June/2020	June/2019
Net income in the half-year		23,523	17,448
Comprehensive income that might not be subsequently reclassified to net income:		**13,083**	**4,266**
Available-for-sale financial assets			
Change in fair value		1,582	865
Tax Effect		(712)	(389)
Exchange variance adjustments to forency investments			
Change in fair value		24,393	(649)
Tax Effect		(10,977)	292
Cash flow hedge			
Change in fair value		(2,185)	7,540
Tax Effect		983	(3,393)
Total other comprehensive income for the period		**13,083**	**4,266**
Total comprehensive income		36,606	21,714

*See the accompanying notes to the financial statements.

Banco Sumitomo Mistui Brasileiro S.A
Statement of changes in equity
June 30, 2020 and December 31, 2019
(In thousand of reais, except profit per lot of thousand shares)

	Note	Capital realized	Profit reserve		Other Comprehensive Income				Profit / (Losses) earnings	Total
			Legal	Statutory	Own	Hedge Gains and Losses	Adjustment Actuarial Liabilities	Exchange variance adjustments to forency investments		
Balances at December 31, 2018		**793,819**	**11,331**	**176,259**	**(628)**	**-**	**(6,440)**	**8,391**	**-**	**982,960**
Capital Increase		765,880								765,880
Fair value of securities and derivatives					476	4,147				4,623
Adjustment actuarial liabilities							-	-		-
Exchange variance adjustments to overseas investments										-
Resolution 4524								(357)		(357)
Net income in the half-year				-	-	-	-	-	17,448	17,448
Balances at June 30, 2019		**1,559,699**	**11,331**	**176,259**	**(152)**	**4,147**	**(6,440)**	**8,034**	**17,448**	**1,770,554**
Balances at December 31, 2019		**1,559,699**	**13,260**	**212,917**	**(13)**	**2,030**	**(12,132)**	**9,835**	**-**	**1,785,596**
Fair value of securities and derivatives					870	(1,202)				(332)
Adjustment actuarial liabilities										-
Exchange variance adjustments to overseas investments								13,416		13,416
Resolution 4524										
Net income in the half-year									23,523	23,523
Legal reserve	18.c		1,177						(1,177)	-
Statutory reserve	18.d			22,346					(22,346)	-
Balances at June 30, 2020		**1,559,699**	**14,437**	**235,263**	**857**	**828**	**(12,132)**	**23,251**		**1,822,203**

*See the accompanying notes to the financial statements.

Banco Sumitomo Mistui Brasileiro S.A
Statement of Cash Flow
Half-year ended June 30, 2020 and 2019
(In thousands of Reais)

	June/2020	June/2019
Operating Activities		
Adjusted Net Income	**74,256**	**72,948**
Income in the half-year	23,523	17,448
Adjustments to reconcile income (loss) to cash provided by operating activities	50,733	55,500
Adjustment to fair value of securities and derivative financial instruments (Assets/Liabilities)	19,064	33,866
Result in Financial Assets measured at Fair Value through OCI	9,597	5,520
Adjustament to allowance for loan losses associated with credit risk	9	787
Provision Adjustment (reversal) to Interbank Operations	72	11
Provision Adjustment (reversal) to financial guarantees submitted	(1,252)	(471)
Depreciation and Amortization	1,297	1,338
Adjustment to Provision for Tax Risks	2	186
Adjustment to Provision for Contingent Liabilities	5,200	972
Deferred Taxes	(1,931)	626
Provision for income and social contribution taxes	12,265	13,042
Monetary Restatement / Reversal of Judicial Deposits	(222)	(327)
Provisions for / Reversals of Personnel Bonuses	(908)	(1,969)
Other	7,540	1,919
Change in Assets and Liabilities	(60,966)	(1,542,028)
(Increase) Decrease in Interbank funds applied	(39,771)	(340,795)
(Increase) decrease in Securities and derivative financial instruments (Assets/Liabilities)	777,698	(107,564)
(Increase) Decrease in Interbranch accounts (Asset/Liabilities)	(237,358)	50,404
(Increase) Decrease in Loans	(264,084)	20,816
(Increase) Decrease in Foreign exchange portfolio and Due in connection with securities dealing (Assets/Liabilities)	(275,869)	(358,843)
(Increase) Decrease in Other assets	94	(3,484)
Income and Social Contribution taxes paid	(18,771)	(20,329)
(Decrease) Increase in Other liabilities	(2,905)	(782,233)
Net cash provided by or used in operating activities	**13,290**	**(1,469,080)**
Investment Activities		
(Acquisition) Sale of Intangible Assets	(720)	(323)
(Acquisition) Sale of Prperty for use	(820)	(177)
Net cash provided by or used in investment activities	**(1,540)**	**(500)**
Financing Activities		
Payment of Capital	-	765,880
Increase (decrease) in Deposits	(727,519)	(250,547)
Increase (Decrease) in Onlending and borrowings	864,215	1,079,716
Net cash provided by or used in financing activities	**136,696**	**1,595,049**
Increase / Decrease in cash and cash equivalents	**148,446**	**125,469**
Cash at Beginning of Period	45,607	49,279
Cash equivalents at Beginning of Period	1,894,964	2,554,014
Total cash and cash equivalents at beginning of period	1,940,571	2,603,293
Equivalents at End of Period	504,024	39,188
Cash Equivalents at End of Period	1,584,993	2,689,574
Total cash and cash equivalents at end of period	2,089,017	2,728,762
Changes in Cash and Cash Equivalents in the period	**148,446**	**125,469**

*See the accompanying notes to the financial statements.

Notes to the financial statements

(In thousands of Reais)

1 Operations

Banco Sumitomo Mitsui Brasileiro S.A. (the “Bank”) is a multiple service bank authorized to operate commercial portfolios, including foreign-exchange and investment portfolios, by National Monetary Council (CMN) Resolution 1524/88.

On January 18, 2012, the Bank received authorization from the Central Bank of Brazil to open a branch in the Cayman Islands. The documents approving the opening of this branch were issued on January 08, 2013. The Bank effectively initiated its operations at the branch in September 2013. The accounting balances of the foreign branches have been included in the financial statements.

2 Presentation and preparation of the financial statements

The financial statements have been prepared and disclosed herein in accordance with Brazilian accounting practices, considering the changes required by Law 11638/07 and Law 11941/08, together with the standards and instructions issued by the Central Bank of Brazil (BACEN) through the Accounting Chart for Institutions of the National Financial System (COSIF).

Price assumptions and estimates for purposes of recording in the accounting and determining asset and liability values were used in the preparation of these financial statements. Accordingly, the results recorded upon the actual financial settlement of these assets and liabilities could be different from the estimates.

The accounting pronouncements which have already been approved by the Central Bank of Brazil are:

- CMN Resolution 3566/08 –Impairment of Assets (CPC 01)
- CMN Resolution 3604/08 – Statement of Cash Flows (CPC 03)
- CMN Resolution 3823/09 - Provisions, Contingent Liabilities and Contingent Assets (CPC 25)
- CMN Resolution 3973/11 - Subsequent Events (CPC 24)
- CMN Resolution 3989/11 - Share-based Payment (CPC 10)
- CMN Resolution 4007/11 – Accounting Policies, Changes in Accounting Estimates and Errors (CPC 23)
- CMN Resolution 4144/12 - Basic Conceptual Pronouncement (R1)
- CMN Resolution 4424/15 – Employee Benefits (CPC 33)

- CMN Resolution 4524/16 – The Effects of Changes in Foreign Exchange Rates (CPC 02)
- CMN Resolution 4,534/16 - Intangible Assets (CPC 04)
- CMN Resolution 4,535/16 - Property, Plant and Equipment (CPC 27)
- CMN Resolution 4636/18 - Related Party Disclousures (CPC 05 R1)
- CMN Resolution 4,748/19 - Fair Value Measurement (CPC 46)

a. Changes to the presentation of the financial statements

On 1/1/2020 CMN Resolution no. 4.720/2019 and supplementary regulations amended the general criteria for preparing and publishing financial statements hitherto in force. Based on this Resolution and Bacen Circular 3.959/2019, the Bank made changes to the presentation of its financial statements to comply with this Circular, including:

Statement of financial position

Previous Nomenclature December / 2019	Amount	Current Nomenclature June /2020
Cash and banks	45,607	Cash and cash equivalents
Money market	1,490,190	Cash and cash equivalents
Foreign currency	265,998	Cash and cash equivalents
Interfinancial deposits	138,776	Cash and cash equivalents
Interfinancial deposits	563,950	Interfinancial deposits
Provision for losses on interbank onlending	(48)	Allowance for loans losses associated with credit risk
Allowance for doubtful accounts	(1,079)	Allowance for loans losses associated with credit risk
Allowance for loan losses on other receivables	(1,630)	Allowance for loans losses associated credit risk
Other	14,780	Current tax assets
Other	15,155	Tax Credit
Other	16,087	Tax Credit
Other	21,139	Other Assets
Prepaid Expenses	1,172	Other Assets
Inventory material	37	Other Assets
Income receivable	1,540	Other Assets
Trading and Brokerage of Securities	11,302	Other Assets
Collection of taxes	346	Other Liabilities
Due to shareholders	3,659	Other Liabilities

Tax and social security	4,587	Other Liabilities
Tax and social security	25,632	Current tax liabilities
Tax and social security	11,441	Deferred tax liabilities
Tax and ocial security	13,301	Tax, civil and labor issues
Due in connection with securities dealing	11,033	Other Liabilities
Deferred income	3,540	Other liabilities
Other	21,607	Other Liabilities
Other	23,067	Other
Other	43,519	Tax, civil and labor issues

Income Statement Previous Nomenclature December / 2019	Amount	Current Nomenclature June /2020
Allowance for loan losses	(787)	Allowance for loans losses associated with credit risk
Other operating income	9,105	Other operating income / (expenses)
Other operating expenses	(86)	Other operating income / (expenses)
Other operating income	1,461	(Provision) / Reversal of contingent liabilities
Other operating expenses	(2,618)	(Provision) / Reversal of contingent liabilities

Statement of financial position

- Presentation of asset and liability accounts exclusively in terms of liquidity and enforceability. The break down into current and non-current is being disclosed in the respective notes;

- Adoption of new nomenclatures and groups of equity items, such as: cash and cash equivalents, financial assets, allowance for loan losses associated with credit risk, financial liabilities, tax assets and tax liabilities and provisions.

Statement of Income

- Use of new financial intermediation income and expense nomenclatures in line with the groups presented in the statement of financial position;

- Emphasized presentation of allowance for loan losses associated with credit risk and provisions for tax, civil and labor;

Statement of Comprehensive Income

- The statement of comprehensive income embraces net income and other comprehensive income for the half-year, segregated into items that will or will not be reclassified to net income in subsequent periods. Other comprehensive income are income and expense items recognized directly in equity. The statement of comprehensive income for the half-year ended June 30, 2020 and 2019 are being presented in these financial statements.

Notes

Adaptation of the reporting structure for the notes to the financial statements as a result of adopting new nomenclatures and grouping equity and income items.

Other information

The bank did not exercise the option provided by CMN Resolution 4.720/2019 to disclose half-year financial statements along with selected notes.

The Executive Board authorized the issuance of the financial statements as of June 30, 2020 on September 23, 2020.

3 Description of significant accounting policies

The Bank adopts the following significant accounting practices in the preparation of its financial statements:

a. Functional currency and reporting currency

The Bank's functional currency is the Brazilian Real.

The operations conducted by the overseas branch (Cayman) are denominated in the functional currency the US dollar. However, for the purpose of presentation and consolidation the Bank, the amount converted to Brazilian Reais at the sale exchange rate informed by the Brazilian Central Bank.

The effect of exchange variance resulting from the translation of foreign currency transactions and financial statements of overseas investees are recorded in separate accounts in shareholders' equity in accordance with CMN Resolution 4524/16.

b. Statement of income

Revenues and expenses are recognized on the accrual basis, on a daily *pro rata* basis for financial income and expenses.

Financial income and expenses are calculated under the exponential method, except those related to factored invoices or foreign transactions, which are calculated under the straight-line method.

Fixed-rate transactions are stated at redemption value and income and expenses for the future period are stated as a reduction in related assets and liabilities. Floating-rate or foreign currency-denominated transactions are inflation adjusted through the reporting date.

c. Cash and cash equivalents

Cash and cash equivalents consist of local-currency funds, foreign-currency funds and money market investments, with a liquidity at the maturity date of 3 months or less and which pose a negligible risk of impairment, which the Bank uses to manage its short-term commitments.

d. Interbank funds applied

Interbank funds applied are stated at cost, plus income earned up to the balance sheet date up to the reporting date.

e. Securities

Under BACEN Circular 3068, of November 8, 2001, securities are classified according to Management's intent, into the following categories:

- **Trading securities** - Securities acquired for active and frequent trading, adjusted to fair value and charged to the statement of income for the half-year.

- **Available-for-sale securities** - Securities that are neither classified as marketable or held to maturity, adjusted to fair value and charged to the relevant item in the shareholders' equity, net of tax.

- **Held-to-maturity securities** - Securities acquired for which the Management has the intention and financial ability to hold as part of its portfolio until maturity date. These securities are measured at acquisition cost, plus income earned. Interest income is recognized in profit or loss for the half-year.

f. Derivative Financial Instruments

The Bank conducts derivative financial instrument transactions to hedge its operations against variations in market prices and to mitigate currency and interest rate risks posed to its assets and liabilities and cash flows agreed on by contract for proper terms, rates and amounts.

Derivative financial instruments are used as a risk-transfer tool to cover the positions of banking book and trading book portfolios. In addition, highly liquid derivatives traded on the stock exchange are used, within the strict limits and under periodical reviews, with the purpose of managing trading portfolio exposures.

In order to manage the ensuing risks, internal limits to global and portfolio exposures were set. These limits are monitored daily. Considering the possibility of exceeding the limits as a result of unexpected situations, Management established internal policies which entail the immediate definition of conditions for realignment. These risks are monitored by an area independent from operational areas and reported daily to senior management.

The mark-to-market methodology of the derivative financial instruments was established based on consistent and verifiable criteria that take into account the closing price, or adjustment, when applicable, on the calculation day, or if this does not exist, through pricing models that translate the probable net realization value or the price of a similar financial instrument, taking into account the payment terms and maturity, currency or index and the credit risk associated with the counterparty, at the very least.

Under BACEN Circular 3082, issued January 30, 2002 and BACEN Circular Letter 3026, issued July 5, 2002 derivative financial instruments are composed of swap and Non Deliverable Forward (“NDF”) transactions and futures, accounted for according to the following criteria:

- Transactions involving futures:

The daily adjustments are recorded in assets and liabilities and appropriated daily as income or expenses.

- Swap and Non Deliverable Forwards:

Difference receivable or payable recorded in assets or liabilities, respectively, and recognized as income or expense on a *pro rata die* basis through the reporting date.

Derivative transactions conducted at the request of clients or on one’s own, which meet or do not meet the hedging criteria applied to global exposure to risks and which are not considered as related transactions according to the assumptions disclosed by circular 3150/2002 issued by BACEN (Central Bank of Brazil), are stated at fair value, and valuations and devaluations are recognized as follows:

- Derivative financial instruments not classified as hedge should be recorded in the revenue or expense account in the income statement for the half-year.

- Financial instruments considered as hedging instruments:

– Against market risks – are used to offset the risks arising from exposure to the variation in the fair value of the hedged item. Their valuations or devaluations are accounted for as an offsetting entry to revenue or expense accounts in the profit or loss for the half-year.

– For cash flows – have the purpose of offsetting the changes in estimated future cash flows. Their valuations or devaluations are accounted for as an offsetting entry to a separate item in shareholders’ equity.

– On initial designation of the derivative as hedging instrument, the Bank formally documents the relationship between the hedging instruments and the items subject to hedge, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship, considering traditional calculation methods. The Bank makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value of the respective hedged items during the period for which the hedged risk is attributable, and whether the actual results of each hedge are within a range of 80% to 125%.

g. Loans, foreign exchange portfolio and allowance for loan losses associated with credit risk

Loans and foreign exchange portfolio are classified according to the Management's assessment of risk, in accordance with the Bank's policy taking into account economic conditions, past experience and the specific risks of each operation, its debtors and guarantors, according to the parameters established by the CMN Resolution 2682/99, procedure which requires a periodic analysis of the portfolio and its classification into nine levels, from "AA" (minimum risk) to "H" (loss). In addition to the parameters established in said Resolution, the Bank also makes an additional provision based on an internal methodology prepared by its parent company.

The Bank has established policies and procedures for granting credit, approved by the Credit Committee and incorporated into the Bank's internal control systems. These policies and procedures determine the need for evaluation of customer data to define the "Obligor Grade" - "grading" of the client, considering qualitative and quantitative aspects.

Regardless of their level of risk, income from loans more than 60 days overdue is only recorded as revenue when actually received.

Loans classified as level "H" (100% of allowance) remain in this classification for six months, whereupon they are written off against the existing provision and controlled for five years in memorandum accounts, no longer appearing in the balance sheet.

Renegotiated loans are held at the level they were classified in or higher. Renegotiations of loans which had already been written off against the provision and were held in memorandum accounts are classified as level H and any gains deriving from the renegotiation shall only be recognized as revenue when effectively received. When there is significant amortization of the transaction, or when new significant factors justify a change in the level of risk, there may be the reclassification of the transaction to the lower-risk category.

The Bank records provision for guarantees provided and guarantee operations which used these policies as a criteria, whilst observing at least, the assumptions established in CMN Resolution 2682/99, taking into account the economic situation, past experience and specific risks posed by each operation and the debtors, as mentioned above.

h. Other assets

Other current and long-term assets are stated at cost plus, when applicable, income and monetary variations earned, less allowance for losses at realization value adjustments.

i. Property for use

Are stated at acquisition cost, less accumulated depreciation, calculated through the half-year reporting date. Depreciation is calculated under the straight-line method at annual rates which reflect the estimated useful lives of the assets. The main annual depreciation rates are 20% for vehicles and data processing equipment, and 10% for other assets.

j. Intangible assets

Intangible assets consist of expenses incurred with the acquisition and development of the systems, which are amortized on a straight line basis at an annual rate of 20% and leasehold improvements are stated at the cost of acquisition or formation, less accumulated amortization calculated up to the half-year date, amortized over the lease term.

k. Impairment of non-monetary assets

An impairment loss is recognized if the carrying value of an asset or its cash generating unit exceeds its recoverable value. A cash generating unit is the smallest identifiable group of assets that generate cash flows with substantial independence from other assets and groups. Impairment losses are recognized in the statement of income for the period in which they were observed. Non-financial assets, except tax credits, are reviewed at least annually to check for any signs of impairment.

l. Monetary restatement of rights and liabilities

Receivables and payables legally or contractually subject to exchange rate or index variations are adjusted for inflation through the balance sheet date. Offsetting entries for these monetary restatements are recognized directly in the profit or loss for the half-year.

m. Deposits

Deposits are stated at the enforceable amounts and consists of charges incurred up to the reporting date, recognized on a *pro rata dia* basis.

n. Contingent assets and liabilities and legal obligations

The recognition, measurement and disclosure of contingent assets and liabilities and of legal obligations (tax and social security) are performed in accordance with criteria set by the National Monetary Council (CMN) Resolution 3823/09, which approved CPC 25 issued by the Accounting Pronouncements Committee (CPC). The criteria applied by the Management for the measurement and disclosure of contingent assets and liabilities are:

- **Contingent assets** - Are only recognized in the financial statements when evidence exists that the decision will be favorable.

- **Contingent liabilities** - Are recognized in the financial statements when a present obligation exists as a result of a past event, and according to the legal advisors' and the Management's opinion it is probable that an outflow of economic benefits will be required to settle the obligation and whenever the amounts involved can be reliably estimated. Provisions for labor contingencies are recognized according to lower court decisions at labor courts.

- **Legal obligations - Tax and social security** - consist of legal claims, whereby the legality and constitutionality of some taxes and contributions have been challenged. The amounts disputed are fully recorded in the financial statements and corrected in accordance with the legislation in force.

Contingent liabilities are disclosed in notes to the financial statements, unless the likelihood of any disbursement to settle them is remote.

Court deposits are held in an asset account, and corrected based on their bank statements, without deducting them from provisions for contingent liabilities and legal obligations, in compliance with the BACEN rules.

o. Income and social contribution taxes

The provision for income and social contribution taxes is calculated according to the rate of 15% plus a surtax of 10% on taxable income in excess of R$ 240 for the year, adjusted by additions and deductions established by law. The social contribution determined on income adjusted in accordance with the legislation in force is 20%.

Tax credits are recognized according to the provisions included in Resolution 3059 of December 31, 2002 and Resolution 3355 of March 31, 2006, issued by the National Monetary Council. Under those resolutions, in order to recognize and keep in the accounting tax credits arising from income and social contribution tax losses and from temporary differences, the entity must fulfill all of the following conditions:

Report a history of taxable income or revenues for income and social contribution tax purposes in at least three of the last five fiscal period, including the current year;

Future taxable income is expected to be generated for income and social contribution tax purposes, as the case may be, in subsequent periods, according to technical studies which allow the realization of tax credit over a maximum period of ten years.

Tax credits on the tax losses and negative social contribution base were calculated at the rates of 25% for income tax and 20% social contributions.

Tax benefits arising from the right to offset other temporary differences are recognized only when they are actually used, as described in Note 19c.

p. Employee benefit plan

The post-employment benefit plan comprises the commitment made by the Bank to supplement the benefits of pension plan system.

Defined-Benefit Plan

With respect to this type of plan, the obligation of the Sponsor is to provide the benefits agreed on to the employees, undertaking the potential actuarial risk that the benefits may cost more than the original amount forecast.

CVM Resolution No. 695 of December 13, 2012 approved CPC Technical Pronouncement No. 33 (R1) which addresses the matter of employee benefits, in accordance with the amendments to the International Accounting Standard IAS 19. CPC Technical Pronouncement CPC 33 (R1) established essential changes in the accounting for and disclosure of employee benefits such as the removal of the corridor mechanism for recognizing the plan's liabilities, and changes in the criterion for recognizing the plans' assets (appreciations and devaluations). The adoption of the aforementioned Pronouncement applies to years started as from January 1, 2015, and the effects are recorded retrospectively in the accounting, as changes in accounting practices.

The present value of the defined-benefit obligation is the present value without adopting any of the plan's assets, the future expected payments necessary to settle the obligation resulting from the employee's service in current and past periods.

On December 25, 2015 the Central Bank issued CMN Resolution 4424 stating that financial institutions should comply with CPC Technical Pronouncement 33 (R1) from January 01, 2016.

The Bank has adopted the assumptions and effects of CPC 33 (R1) since 2013.

q. Accounting estimates

The preparation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil applicable to institutions licensed to operate by BACEN requires that management use its judgment in determining and recording accounting estimates. Significant assets and liabilities subject to these estimates and assumptions include the allowance for loan losses associated with credit risk, deferred tax assets, provision for contingencies and valuation of derivative financial instruments. The settlement of transactions involving these estimates may result in significantly different amounts due to the lack of precision inherent to the process of their determination. Estimates and underlying assumptions are reviewed at least quarterly.

4 Cash and cash equivalents

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

	June / 2020	December/2019
Cash and banks	**504,024**	**45,607**
([1]) Interbank funds applied	**1,584,993**	**1,894,964**
Money market	1,438,992	1,490,190
Interfinancial deposits	107,114	138,776
Foreign currency investments	38,887	265,998
Total cash and cash equivalents	**2,089,017**	**1,940,571**

([1]) Denote operations with an original term lower than 90 days with an insignificant risk of fair value impairment.

5 Interbank funds applied

Money market, as of June 30, 2020 and December 31, 2019, is composed as follows:

	June/2020	December/2019
	Total	**Total**
Interfinancial deposits	602,926	563,950
Total	**602,926**	**563,950**

6 Securities

It is not the Bank’s strategy to acquire securities for the purpose of actively and frequently trading them. Thus, as of June 30, 2020 and December 31, 2019 the securities portfolio is classified under the available-for-sale securities category, as shown below:

	June / 2020		December / 2019	
	Fair Value	**Cost value**	**Fair Value**	**Cost value**
Available-for-sale securities				
Own portfolio:				
Financial Treasury Bills	939,058	939,434	1,908,498	1,908,506
National Treasury Notes - Series F	54	53	55	53
Debentures	86,046	84,005	-	-
Equity fund quotas - FIP	633	641	629	641
	1,025,791	**1,024,133**	**1,909,182**	**1,909,200**
Subject to guarantees				
Financial Treasury Bills	515,653	515,753	499,103	499,108
	515,653	**515,753**	**499,103**	**499,108**
Grand total	**1,541,444**	**1,539,886**	**2,408,285**	**2,408,308**

	June / 2020				December / 2019
	3 months or less	**3 to 12 months**	**Over 12 months**	**Total**	**Total**
Available-for-sale securities					
Own portfolio:					
Financial Treasury Bills	-	175,353	763,705	939,058	1,908,498
National Treasury Notes - Series F	-	54	-	54	55
Debentures	-	-	86,046	86,046	-
Equity fund quotas - FIP	633	-	-	633	629
	633	**175,407**	**849,751**	**1,025,791**	**1,909,182**
Subject to guarantees					
Financial Treasury Bills	74,336	263,040	178,277	515,653	499,103
	74,336	**263,040**	**178,277**	**515,653**	**499,103**
Grand total	**74,969**	**438,447**	**1,028,028**	**1,541,444**	**2,408,285**

(*) Securities classified as available-for-sale have their adjustment to fair value recorded in equity account, net of tax.

The fair value of securities is calculated according to market price quotations or quotations from market agents and pricing models developed by the management, which use rate interpolation mathematical models for intermediate terms.

The fair value of securities is calculated in the following manner:

- **Securities bearing interest at SELIC (Central Bank overnight rate) and DI (Interbank Deposit) rates -** The fair value is calculated by applying the SELIC rate accrued over the period to the issue price per unit, considering the market premium or discount. The premium or discount is obtained daily according to the expectations of ANBIMA - Brazilian Financial and Capital Markets Association for each maturity on the day before the calculation.

- **Securities bearing interest at fixed rates** - The fair value is obtained by applying a discount rate to the future flow of payments on the security. The rate is calculated according to the fixed-rate curve of B3 S.A. – Brasil, Bolsa, Balcão and the counterparty's risk is factored in for private securities.

- **Investment fund quotas** - The investment fund is valued according to the last value of the quota disclosed as of the fund's reporting date by the manager.

- **Debentures:** The fair value is obtained through the credit spread curve, which derives from the Bloomberg BVAL, which provides prices for fixed-income securities.
  The model chosen was the Spread over Treasuries, by which the credit spread is defined as the yield difference between a debt security and the public debt security with a similar maturity.

Government securities are book-entry and registered with the Special System for Settlement and Custody - SELIC.

The fund shares and debentures are registered at Central de Custódia e de Liquidação Financeira de Títulos (CETIP).

7 Derivative financial instruments

Derivative financial instruments consist of Swap, Non Deliverable Forwards - NDF and futures which are held in custody at B3 BM&FBOVESPA in the stock and over-the-counter markets.

See below the derivative financial instruments explained above recorded in equity and offsetting accounts as of June 30, 2020 and December 31, 2019:

	June / 2020			December / 2019
SWAP - Long Position	**Cost value**	**Fair Value**	**Referential value of the Contract**	**Referential value of the Contract**
Fixed vs. CDI	15,077	25,263	331,050	349,650
Fixed vs. US Dollar	-	-	-	102,196
CDI x USD	-	-	-	15,000
USD vs. CDI	12,021	13,209	177,089	141,916
	27,098	**38,472**	**508,139**	**608,762**
NDF - Long Position				
Fixed vs. US Dollar	7,473	7,115	33,214	785,849
USD VS. FIXED RATE	369,184	335,945	779,359	695,732
Fixed vs. Euro	2	11	145	1,505
Fixed vs. Yen	367	659	566,251	62,771
EURO vs. FIXED RATE	959	572	4,800	-
	377,985	**344,302**	**1,383,769**	**1,545,857**
Credit value adjustment (CVA)				
CVA	-	(451)	-	-
	-	**(451)**	**-**	**-**
Total	**405,083**	**382,323**	**1,891,908**	**2,154,619**

	June / 2020			December / 2019
SWAP - Short Position	**Cost value**	**Fair Value**	**Referential value of the Contract**	**Referential value of the Contract**
CDI vs. fixed rate	(589)	(938)	1,805	2,341
Fixed vs. CDI	-	-	-	6,000
CDI vs. LIBOR	(115,567)	(114,728)	157,815	157,815
Fixed vs. US Dollar	(30,266)	(26,916)	292,463	97,310
CDI x USD	(97,844)	(99,640)	416,165	195,005
US Dollar vs. CDI	-	-	-	180,249
LIBOR vs. US Dollar	(791)	(2,028)	189,360	189,360
	(245,057)	**(244,250)**	**1,057,608**	**828,080**

NDF - Short Position				
Fixed vs. US Dollar	(117,739)	(112,600)	217,830	256,838
USD VS. FIXED RATE	(49,318)	(46,366)	269,939	1,826,854
Fixed vs. Euro	(3,522)	(3,349)	9,318	-
Fixed vs. Yen	(16,122)	(14,724)	1,757,313	-
	(186,701)	**(177,039)**	**2,254,400**	**2,083,692**
Total	**(431,758)**	**(421,289)**	**3,312,008**	**2,911,772**

1- Aging list

	June / 2020				December / 2019
SWAP transactions	**3 months or less**	**3 months to 12 months**	**Over 12 months**	**Total**	**Referential value of the Contract**
CDI vs. fixed rate	251	667	887	**1,805**	2,341
Fixed vs. CDI	126,350	120,900	83,800	**331,050**	355,650
CDI vs. LIBOR	157,815	-	-	**157,815**	157,815
Fixed vs. US Dollar	215,183	45,000	32,280	**292,463**	199,505
CDI x USD	195,005	221,160	-	**416,165**	210,005
US Dollar vs. CDI	177,089	-	-	**177,089**	322,165
LIBOR vs. US Dollar	189,360	-	-	**189,360**	189,360
	866,339	**387,727**	**311,681**	**1,565,747**	**1,436,841**
NDF transactions					
Fixed vs. US Dollar	153,389	82,476	15,179	**251,044**	1,042,686
USD VS. FIXED RATE	274,329	703,019	71,950	**1,049,298**	2,522,587
FIXED VS. EURO	5,620	3,843	-	**9,463**	1,505
Fixed vs. Yen	819,648	1,503,916	-	**2,323,564**	62,771
EURO vs. FIXED RATE	4,800	-	-	**4,800**	-
	1,257,786	**2,293,254**	**87,129**	**3,638,169**	**3,629,549**
Total	**2,124,125**	**2,680,981**	**398,809**	**5,203,916**	**5,066,390**

2- Aging list by trading location

	June / 2020			December / 2019
	Stock market	Over the counter	Nominal amount	Nominal amount
Swaps	186,394	1,379,353	1,565,747	1,436,841
NDF	-	3,638,169	3,638,169	3,629,549
Total	**186,394**	**5,017,522**	**5,203,916**	**5,066,390**

3- Comparison between cost and fair value

The daily adjustments of transactions conducted in the futures market and the income from Swap and NDF contracts are recorded as revenue or expenses, when incurred, and denote their restated fair value.

Futures - B3 S.A - Brasil, Bolsa, Balcão

	June / 2020			
	Reference (carrying) value			
	3 months or less	3 to 12 months	Over 12 months	Total
FUTURES- Reference value				
Buy				
Currency Coupon	286,367	67,372	1,456,849	**1,810,588**
Foreign Currency	1,147,222	-	-	**1,147,222**
Interest Rate	677,529	2,936,018	512,737	**4,126,284**
	2,111,118	**3,003,390**	**1,969,586**	**7,084,094**
Sale				
Currency Coupon	1,172,039	2,889,651	351,552	**4,413,242**
Foreign Currency	379,443	-	-	**379,443**
Interest Rate	-	-	442,593	**442,593**
	1,551,482	**2,889,651**	**794,145**	**5,235,278**
	3,662,600	**5,893,041**	**2,763,731**	**12,319,372**

	December / 2019			
	Reference (carrying) value			
	3 months or less	3 to 12 months	Over 12 months	Total
FUTURES- Reference value				
Buy				
Currency Coupon	113,829	428,882	659,309	**1,202,020**
Foreign Currency	292,633	-	-	**292,633**

Interest Rate	973,117	776,147	75,973	**1,825,237**
	1,379,579	**1,205,029**	**735,282**	**3,319,890**
Sale				
Currency Coupon	562,166	997,490	11,754	**1,571,410**
Foreign Currency	97,744	-	-	**97,744**
Interest Rate	-	123,657	274,487	**398,144**
	659,910	**1,121,147**	**286,241**	**2,067,298**
	2,039,489	**2,326,176**	**1,021,523**	**5,387,188**

The fair value of derivative financial instruments is determined by discounting the future values at present value according to the interest rate curves obtained by employing the market method, which is mostly based on data disclosed by B3 S.A – Brasil, Bolsa, Balcão.

The adjustment at fair value determined in derivative financial instruments for the half-year ended June 30, 2020 totaled R$ 40,703 (R$ (11,320) as of June 30, 2019), and was recognized in income accounts.

Net income from derivative financial instruments for the half-year ended June 30, 2020 and 2019 are directly influenced by market interest rates prevailing at the time of the transaction, and by the Dollar rate variation. They are presented below.

	Net income					
	June / 2020			**June / 2019**		
Derivative financial instruments	**Revenue**	**Expense**	**Net**	**Revenue**	**Expense**	**Net**
Swap	98,981	(174,224)	(75,243)	14,507	(12,409)	2,098
“NDF”	1,004,230	(457,626)	546,604	72,239	(55,037)	17,202
Futures	3,498,844	(3,668,701)	(169,857)	1,261,489	(1,320,482)	(58,993)
	4,602,055	(4,300,551)	301,504	1,348,235	(1,387,928)	(39,693)

4- Hedge accounting

As of June 30, 2020 and December 31, 2019, the Bank only had transactions with derivative financial instruments to mitigate the effect of exchange rate fluctuations on foreign currency funding and loan transactions in Brazilian real. These operations were allocated as accounting hedges and segregated into:

- **Market risk hedges** – are used to offset the risks arising from exposure to the variation in the fair value of the hedged item. Their valuations or devaluations are accounted for as an offsetting entry to revenue or expense accounts in the net income for the period.

- **Cash flow hedges** – have the purpose of offsetting the changes in estimated future cash flows. Their valuations or devaluations are accounted for as an offsetting entry to a separate item in equity, less tax effects. The respective hedged items are marked to fair value at the reporting date.

Foreign currency futures contracts, called hedging instruments, were valued at fair value, in accordance with BACEN Circular Letter No. 3,082/02. In the half-year ended June 30, 2020 and the year ended December 31, 2019 the Bank did not have Hedge swaps.

4.1 Fair value of derivative financial instruments by maturity range and index - Market risk hedge

		Maturity – Fair Value – 2020			
Description	**Index**	**12 months or less**	**1 to 3 years**	**3 to 5 years**	**Total**
Futures	Currency Coupon	588,457	438,149	-	1,026,606
Futures	Interest Rate	-	-	-	-
Total		**588,457**	**438,149**	**-**	**1,026,606**

	June/ 2020	December/ 2019
Hedged items		
Assets		
Interfinancial deposits		
Amount restated by terms agreed	-	31,593
Value of the adjustment	-	(795)
Fair value	-	32,388
Liabilities		
Onlendings transactions		
Amount restated by terms agreed	(1,001,032)	(728,825)
Value of the adjustment	11,766	4,076
Fair value	(1,012,798)	(732,901)
Total fair value subject to hedge	**(1,012,798)**	**(700,513)**
Market hedge instruments		
Assets		
Futures	1,026,606	724,658
Liabilities		
Futures	-	(32,319)
Total fair value Hedge instrument	**1,026,606**	**692,339**

4.2 Fair value of derivative financial instruments by maturity range and index - Cash flow hedge

		Maturity – Fair Value – 2020			
Description	**Index**	**12 months or less**	**1 to 3 years**	**3 to 5 years**	**Total**
Futures	Currency Coupon	67,372	753,675	7,874	828,921
Total		**67,372**	**753,675**	**7,874**	**828,921**

	June/ 2020	December/ 2019
Hedged items		
Liabilities		
Onlendings transactions		
Amount restated by terms agreed	(821,465)	(254,513)
Hedge instruments		
Assets		
Futures	828,921	260,233
Cash Flow Hedge Reserve	828	2,030

The amount of R$ 828 (R$ 2,030 as of December 31, 2019) in the Cash Flow Hedge Reserve will be recognized in profit and loss over the hedge term.

8 Interbank accounts

They refer to interbank onlending from abroad, to the Financial Institution in the country and abroad (branch in Cayman), and have been demonstrated including the respective provisions, The amounts provisioned for are based on CMN Resolution 2682/99 and amount to R$ 120 (R$ 48 as of December 31, 2019):

	June/2020	December/2019
Outstanding:		
Up to 30 days	563	12,179
31 to 60 days	35,705	40,534
61 to 90 days	64	60,642
91 to 180 days	-	60,439
181 to 360 days	159,782	26,186
Past due more than 360 days	240,854	-
Total	**436,968**	**199,980**

9. Loans

As of June 30, 2020 and December 31, 2019, information on the loans portfolio is summarized as follows:

a. By operation

Description	**June/2020**	**December/2019**
Advance to deposit holder	40	-
Overdraft	-	3,739
Resolution 3844 (formerly Resolution 63)	164,893	121,641
Compror	18,580	23,957
Working capital	795,658	556,497
Financing in foreign currency	-	32,545
Export Credit Notes - NCE	317,617	294,324
(*) Total loans	**1,296,788**	**1,032,703**
Advance on foreign exchange contracts (Note 10)	656,466	499,948
Income receivable from advances (Note 10)	10,752	4,776
Total loans portfolio	**1,964,006**	**1,537,427**

(*) The amounts presented include the mark to fair value for hedge accounting operations.

b. By maturity

	June 2020	December 2019
Outstanding:		
Up to 30 days	239,276	75,840
31 to 60 days	451,750	273,844
61 to 90 days	218,051	140,118
91 to 180 days	341,749	506,288
181 to 360 days	413,466	353,338
Past due more than 360 days	299,714	187,999
Total	**1,964,006**	**1,537,427**

Loans of the 20 largest debtors as of June 30, 2020 account for 88.49% of the loans portfolio (95.94% as of December 31, 2019) in the amount of R$ 1,737,937 (R$ 1,475,015 as of December 31, 2019).

c. By risk rating

		June/2020			December/ 2019		
Risk rating	**% minimum of provision**	**Total operations**	**% of portfolio**	**Allowance constitution**	**Total operations**	**% of Portfolio**	**Allowance constitution**
AA	-	1,957,423	99.97	3,003	1,337,689	87	1,953
A	0.5	6,583	0.03	43	199,738	13	1,085
Total		**1,964,006**	**100**	**3,046**	**1,537,427**	**100**	**3,038**

d. By business sector

	June/2020	December/ 2019
Private sector:		
Industry	1,445,826	1,237,472
Trade	268,061	150,015
Other services	250,119	149,940
Total	**1,964,006**	**1,537,427**

e. Change in the allowance for loan losses associated with credit risk

	June/2020	December/ 2019
Opening balance	3,038	1,484
Reversal of allowance for loan losses associated with credit risk	(317)	(549)
Recording of allowance for loan losses associated with credit risk	325	2,103
Closing balance	**3,046**	**3,038**

f. Guarantees provided

The Bank recorded an allowance for loan losses associated with credit risk for these guarantees in accordance with CMN Resolution 4512/16 and Circular 3782/16. The figures were based on the assumptions of Resolution 2682 and amount to R$ 3,519 (R$ 4,771 in 2019):

	June/2020		December/2019	
	Guarantees provided	**Allowance**	**Guarantees provided**	**Allowance**
Indexed to International Trading of Goods	5,270	(44)	4,746	(57)
Indexed to Auctions, Bids, Provision of Services or Delivery of Works	13,430	(1)	13,618	(1)
Indexed to the Provision of Goods	102,060	(163)	48,855	(154)
Aval or Guarantee in Judicial and Administrative Tax Proceedings	578,344	(1,522)	581,038	(1,791)
Other Bank Guarantees	253,038	(245)	185,765	(146)
Other Financial Guarantees Submitted	842,842	(1,544)	821,317	(2,622)
Total	1,794,984	(3,519)	1,655,339	(4,771)

10. Foreign exchange portfolio

Foreign exchange operations are recorded in balance sheet accounts, as follows:

	June/2019	December/2019
Assets:		
Unsettled purchased exchange	1,063,958	873,126
Receivables on exchange sale	679,668	83,416
Advances received in local currency	(19,956)	(5,969)
Income receivable from advances granted (note 8a)	10,752	4,776
Total	**1,734,422**	**955,349**
Liabilities:		
Unsettled sold exchange	706,226	81,217
Obligations on exchange purchase	915,489	879,255
Advance on foreign exchange contracts (Note 8a)	(656,466)	(499,948)
Total	**965,249**	**460,524**

11. Tax Assets

Consist of the following amounts:

	June/2020	December/2019
Tax credit – Income and social contribution tax negative basis (see note 18b)	10,561	15,155
Prepaid income tax and social contributions	6,788	14,780
Other tax credit	26,032	16,087
Total	**43,381**	**46,022**

12. Other assets

Consist of the following amounts:

	June 2020	December 2019
Inventory material	55	37
Prepaid expenses	1,584	1,172
Collateral deposit receivables (see note 16)	16,717	16,778
Accounts receivable	1,283	1,540
Due in connection with securities dealing	11,393	11,302
Other	6,077	4,361
Total	**37,109**	**35,190**

13. Property for use and Intangible

As of June 30, 2020 and December 31, 2019 are represented as follows:

a. Property for use

	June/ 2020				2019
Description	**Annual depreciation rate %**	**Cost**	**Accumulated depreciation**	**Net amount**	**Net amount**
Facilities	10	4,394	(3,297)	1,097	1,248
Data processing system	20	6,747	(5,371)	1,376	926
Furniture and equipment	10	1,663	(1,176)	487	535
Communications system	10	299	(162)	137	148
Security system	10	300	(293)	7	8
Transportation system	20	1,382	(1,213)	169	212
Total		**14,785**	**(11,512)**	**3,273**	**3,077**

b. Intangible

	June/2020				2019
Description	**Annual depreciation rate %**	**Cost**	**Accumulated amortization**	**Net amout**	**Net amount**
Software	20	11,314	(7,820)	3,494	3,825
Usage rights	20	1,666	(835)	831	414
Total		**12,980**	**(8,655)**	**4,325**	**4,239**

14. Deposits

Breakdown by maturity as of June 30, 2020 and December 31, 2019:

	Demand deposits		Time deposits		Interbank deposits	
Description	**June / 2020**	**December / 2019**	**June / 2020**	**December / 2019**	**June / 2020**	**December / 2019**
No maturity	98,848	76,100	-	-	-	-
Up to 30 days	-	-	31,315	85,648	-	-
31 to 60 days	-	-	42,835	30,658	28,007	-
61 to 90 days	-	-	33,818	61,468	45,988	1,376
91 to 180 days	-	-	185,735	154,724	119	-
181 to 360 days	-	-	616,082	955,219	30,806	714
Past due more than 360 days	-	-	372,930	857,896	9,801	-
Total	**98,848**	**76,100**	**1,282,715**	**2,145,613**	**114,721**	**2,090**

15. Borrowings and onlendings

Foreign funding is basically performed through the use of credit lines granted by the shareholder Sumitomo Mitsui Banking Corporation, as follows:

a. Foreirgn currency borrowings

As of June 30, 2020 the balance of USD 155,457 (USD 271,416 in 2019) basically consists of import and export financing agreements which mature up to March 05, 2021, are subject to interest rates of up to 1.615% p.a., plus exchange variance for these transactions. The balance as of June 30, 2020 is R$ 851,194 (R$ 1,093,657 as of December 31, 2019).

b. Foreign onlendings

Foreign onlendings as of June 30, 2020, correspond to USD 444,760 (USD 326,740 in 2019). These obligations, translated at the official period-end buying rate, are governed by CMN Resolution No. 3,844/00 and are subject to interest rates that range from 2.06% to 3.38% p.a., plus changes in foreign exchange rates, and mature by July 5, 2022. The balance as of June 30, 2020 is R$ 2,435,243 (R$ 1,320,874 as of December 31, 2019).

	June / 2020		
	12 months or less	**Over 12 months**	**Total**
Foreign currency borrowings	851,194	-	851,194
(*) Foreign onlendings	870,289	1,564,954	2,435,243
Total	**1,721,483**	**1,564,954**	**3,286,437**

	December / 2019		
	12 months or less	**Over 12 months**	**Total**
Foreign currency borrowings	1,093,657	-	1,093,657
Foreign onlendings	727,729	593,145	1,320,874
Total	**1,821,386**	**593,145**	**2,141,531**

(*) The values presented include the fair value adjustment for hedge accounting operations in the amount of R$ 11,766 (R$ (2,030) as of December 31, 2019), as per note 7.4.

16. Other Liabilities and Provisions

a. Other Liabilities

Description	**June / 2020**	**December / 2019**
Collection and receipt of federal taxes	644	346
Contribution to the Credit Guarantee Fund - FGC	292	419

Contribution for Social Security Funding - COFINS	639	813
Government Severance Indemnity Fund for Employees - FGTS	232	295
Withholding income tax - IRRF on fixed-income transactions	283	430
Services tax - ISS	380	430
Taxes and contributions on outsourced services	15	20
Payroll taxes and contributions	1,324	1,658
Due in connection with securities dealing	9,604	11,033
Actuarial liabilities	21,892	21,643
Contribution to Social Integration Program (PIS)	104	132
Deferred income	2,248	3,540
Corporate and Statutory	2,080	3,659
Other	391	354
Total	**40,128**	**44,772**
Current liabilities	40,128	44,772
(*) Non-current liabilities	-	-

(*) The Bank considers all obligations as current liabilities, as there is no date determined to deliver the obligations, which could occur in a period of either less than or more than one year.

b. Provisions

	June / 2020			December / 2019		
Description	**Current**	**Noncurrent liabilities**	**Total**	**Current**	**Noncurrent liabilities**	**Total**
Provision for tax, civil and labor risks (note 17)	62,058	-	62,058	56,856	-	56,856
Provision for personnel expenses	15,553	-	15,553	16,936	-	16,936
Provision for general expenses	1,961	-	1,961	1,324	-	1,324
Guarantees submitted (note 8.f)	1,551	1,968	3,519	2,362	2,409	4,771
Total	**81,123**	**1,968**	**83,091**	**80,178**	**2,409**	**79,887**

17. Provision for tax, civil and labor risks

The Bank is involved in tax, civil and labor proceedings. The provision amounts and related court deposits are as follows:

	Provision		Judicial deposits	
Description	**June / 2020**	**December / 2019**	**June / 2020**	**December / 2019**
Provision for tax risks:				
ISS - RJ (a)	-	-	4,665	4,593
ISS - SP (b)	-	-	818	2,181
IRPJ/CSLL Cetip (b1)	-	100	-	-
Legal obligations:				
Demutualization Cetip (h)	101	114	-	-
PIS offsetting (c)	3,176	3,153	-	-
PIS constitutional amendment (d)	766	753	-	-

Social Contribution on Net Income - CSLL (e)	9,475	9,395	9,475	9,396
Total	**13,518**	**13,515**	**14,958**	**16,170**
Provision for risks:				
Civil (f)	36,712	35,355	-	-
Labor (g)	11,828	7,986	1,759	608
Total	**48,540**	**43,341**	**1,759**	**608**
Total provisions and court deposits	**62,058**	**56,856**	**16,717**	**16,778**

(a) The Bank is involved in tax proceedings related to Service Tax (ISS), in Rio de Janeiro, levied on commissions received from borrowings and onlending borrowings, and also revenues recorded in the “Apportionment of internal income” account. Management, based on the opinion of its legal advisors, assesses that the chances of success in these proceedings are possible, and therefore no provision was recorded. However, the deposit made to proceed with the litigation in court, which totals R$ 4,665 as of June 30, 2020, was maintained (R$ 4,593 as of December 31, 2019).

(b) The judicial deposits are for proceedings filed in connection with the service tax charged by the city of São Paulo. The lawsuit basically refers to foreign exchange transactions in the period 2001 to 2003 and guarantees provided in 2004.

Management understands, based on the opinion of its legal advisors, that the chances of success are possible and, therefore, did not recognize any provision. The deposit to proceed with the litigation in court totals R$ 818 (R$ 2,181 as of December 31, 2019). Final and unappealable decisions were delivered in favor of the bank, where the respective judicial deposits were recovered in this period. We are waiting for authorization to recover deposits amounting to R$ 766.

(c) The provision consists of the offsetting of PIS credits claimed in courts due to the disallowance by the Brazilian Federal Revenue Department of the credits offset and not approved. The provisions embrace the periods between September 2002 and October 2005. The restated amount as of June 30, 2020 is R$ 3,176 (R$ 3,153 as of December 31, 2019).

(d) This denotes a lawsuit challenging the constitutionality of PIS prior to Constitutional Amendment EC 17/97. The provision was reversed in the course of the proceeding due to the shelving of the administrative proceeding and future practical success in the legal proceeding. In 2019 only provisions remained for the attorney’s fees in connection with the lawsuit relating to the legal proceeding, which will be restated and paid on the occasion of the trial by the Supreme Federal Court, amounting to a restated R$ 766 as of June 30, 2020 (R$ 753 as of December 31, 2019).

(e) The Bank questions the increase in the rates from 18% to 30% for the year of 1996 and the determination of the social contribution calculation base. For the purpose of staying the tax credit the judicial deposit was made for the disputed amount.

According to the opinion of the legal advisors the chances of loss related to this litigation are possible. By management decision a provision was therefore made for the difference underpaid as a result of the matters under scrutiny, which as of June 30, 2020 amounts to a restated R$ 9,475 (R$ 9,396 as of December 31, 2019).

(f) The provision has been accrued basically for lawsuits related to the elimination of inflation effects on time deposits when the likelihood of disbursements is probable. Management, based on the opinion of its legal counsel, understands that the applicable legal actions have been taken are appropriate to each situation. The restated amount as of June 30, 2020 is R$ 36,712 (R$ 35,355 as of December 31, 2019).

(g) The provision refers to lawsuits filed by former employees and service providers claiming labor rights they understand are due. Lawsuits are individually controlled and the provisions are made according to the decision taken beforehand by the Executive Board or lower labor court decisions. Management, based on the opinion of its legal advisors, understands that the amounts currently accrued are adequate. The restated amount as of June 30, 2020 is R$ 11,828 (R$ 7,986 as of December 31, 2019).

(h) This consists of an IRPJ and CSLL assessment notice and single fine for 2008, which is not paid due to expenses obtained on the demutualization process of CETIP equity instruments. the provision as of June 30, 2020 is R$ 101 (R$ 114 as of December 31, 2019). The portion of the case rated as a remote defeat and therefore not provisioned for is R$ 181.

Changes in provisions and legal obligations

	2,020			
	Tax	**Labor**	**Civil**	**Total**
Balance at December 31, 2019	13,515	7,986	35,355	56,856
Constitution of provision	37	4,422	-	4,459
Monetary restatement	80	696	1,357	2,133
Operating reversals	(114)	-	-	(114)
Write-offs due to payment	-	(1,276)	-	(1,276)
Balance at June 30, 2020	**13,518**	**11,828**	**36,712**	**62,058**

	2,019			
	Tax	**Labor**	**Civil**	**Total**
Balance at December 31, 2018	13,163	5,919	32,444	51,526
Constitution of provision	58	683	-	741
Monetary restatement	128	8	1,741	1,877
Operating reversals	-	(1,461)	-	(1,461)
Balance at June 30, 2019	**13,349**	**5,149**	**34,185**	**52,683**

18. Shareholders' Equity

a. Share capital

The share capital as of June 30, 2020 consists of common shares, with a par value of R$ 1.00 each, distributed as follows:

	June / 2020 Quantity of shares (thousand)	December / 2019 Quantity of shares (thousand)
Sumitomo Mitsui Banking Corporation (Japan)	1,559,697	1,559,697
Shareholders domiciled in Brazil	2	2
Total	**1,559,699**	**1,559,699**

b. Dividends

Corporate legislation and the bylaws state a minimum of 25% of net income for the year shall be distributed to the shareholders in the form of dividends and/or interest on shareholders' equity. On June 30, 2020 it was decided not to specify the dividend/interest in equity, where the profit for the half-year was allocated to the statutory reserve for future allocation.

c. Legal reserve

The legal reserve was recorded as established by Corporate Law, and may be used for offsetting losses or increasing the Company's capital.

d. Statutory reserve

The statutory reserve corresponds to the transfer of the balance of retained earnings, subsequent to the mandatory distributions. The remaining balance of R$ 235,263 (R$ 212,917 as of December 31, 2019) will be transferred to the following year, or will be allocated as proposed by the Executive Board, and approved at the general meeting.

19. Income and social contribution taxes

a. As of June 30, 2020 and June 30, 2019, income tax and social contribution expenses were calculated as follows:

	June / 2020		June / 2019	
	Income tax	Social Contribution	Income tax	Social Contribution
Income before taxes on income less profit sharing	41,776	41,776	32,781	32,781
Provision for contingent liabilities	7,925	7,925	(3,588)	(3,588)

Allowance for doubtful accounts	326	326	1,073	1,073
Temporary provisions	(6,537)	(6,537)	(1,748)	(1,748)
Fair value adjustment of derivative financial instruments	10,127	10,127	11,319	11,319
Adjustment to fair value of hedge accounting operations	8,485	8,485	26,908	26,908
Non-deductible expenses	2,092	571	4,811	3,639
BM&F transactions	(28,367)	(28,367)	(24,168)	(24,168)
Other additions/(exclusions)	(199)	(199)	(327)	(327)
Offsetting of tax loss carry forwards	(10,688)	(10,232)	(14,118)	(13,766)
Taxable income	24,940	23,875	32,943	32,124
Income tax - 15% (note 3.o)	3,741	-	4,941	-
Income tax surcharge - 10% (note 3.p)	2,482	-	3,282	-
Empresa cidadã law	(28)	-		-
Social contribution - 20% (note 3.p)	-	4,775	-	4,818
Total	**6,195**	**4,775**	**8,224**	**4,818**

b. Tax credits

Tax credits were recorded as of December 30, 2012 in the amount of R$ 76,113 based on total tax loss and negative basis of social contribution. Based on the technical study carried out, Management understands that these tax credits are subject to offsetting in a period of up to 10 years. The amounts are recorded under "Tax assets - tax credit".

1. *Breakdown of tax credit as of June 30, 2020*

Breakdown of tax credit	**June / 2020**	**December / 2019**
Tax Loss	6,718	9,390
Negative basis of social contribution	3,843	5,765
Total	10,561	15,155

2. *Projected realization of tax credits at June 30*

Year	**Deferred Income Taxes**	**Deferred social contributions**
2020	2,465	1,355
2021	3,472	2,029
2022	781	459
Total	**6,718**	**3,843**

3. Change in tax credit

The realization of tax credits is being performed in accordance with the estimated amounts in the corresponding study and its assumptions.

	Balance at December / 2019	Realizations/ Constitution	Balance at June / 2020
Tax Loss	9,390	(2,672)	6,718
Negative Base - CSLL	5,765	(1,922)	3,843
Total	**15,155**	**(4,594)**	**10,561**

Change in net income from tax credit:

	June / 2020	June / 2019
Realization of tax loss - Income Tax	2,672	3,530
Realization of negative base - CSLL	1,922	2,065
Other Tax Credits	1,394	(3,304)
Total	**5,988**	**2,291**

4. Present value of tax credit

Year	Deferred income tax	Deferred social contributions	Total
2,020	2,440	1,341	3,781
2,021	3,325	1,943	5,268
2,022	707	416	1,123
Total	**6,472**	**3,700**	**10,172**

c. Other tax credits

Other tax credits: The Bank also has deferred tax assets and liabilities in the amounts of R$ 25,901 and R$ 22,602 (R$ 15,862 and R$ 11,441 as of December 31, 2019), respectively, which are solely related to the fair value adjustments of transactions with available-for-sale securities, as established by the BACEN Circular 3068, at the fair value of derivative financial instruments in accordance with Circular 3082. The rules for recognising the effects of the actuarial liability under the benefit retirement plans and post-employment defined-benefit plans consisting of the medical assistance plan which the Bank sponsors (pursuant to CVM resolution 600 and 695/2015) have also been taken into account.

There are also tax credits not recorded in assets on temporary provisions in the amount of R$ 28,576 (R$ 20,581 as of December 31, 2019) and credits not recorded in assets on the allowance for loan losses associated with credit risk in the amount of R$ 1,369 (R$ 744 as of December 31, 2019) due to the uncertainty surrounding their realization in less than 10 years.

20. Statement of income

a. Loans

	June/2020	June/2019
Loan income	66,315	31,927
Income from financing and onlendings	76,452	(1,230)
Total	**142,767**	**30,697**

b. Securities income

	June/2020	June/2019
Interbank Funding	41,840	86,134
Securities income	106,302	67,349
Total	**148,142**	**153,483**

c. Derivative financial instruments income

	June/2020	June/2019
Revenue from swap, NDF and futures operations	4,602,055	1,348,235
Expenses on swap, NDF and futures operations	(4,300,551)	(1,387,928)
Total	**301,504**	**(39,693)**

d. Foreign exchange funding income

	June/2020	June/2019
Income from foreign exchange operations	320,710	25,341
Expenses on foreign exchange operations	(3,631)	(31,623)
Total	**317,079**	**(6,282)**

e. Deposits, money market and interbank funds

	June/2020	June/2019
Time deposit expenses	(28,631)	(58,281)
Interbank deposit expenses	(202)	(229)
Expenses incurred on securities held under repurchase agreements	(209)	(416)
Expenses on contributions to the loan guarantee fund	(1,028)	(1,249)
Total	**(30,070)**	**(60,175)**

f. Borrowings and onlendings

	June/2020	June/2019
Expenses on BNDES onlendings		(59,202)
Expenses on foreign borrowings and onlendings	(790,425)	64,922
Expenses on subordinated debt		(8,470)
Rediscount Expenses	-	(1)
Total	**(790,425)**	**(2,751)**

g. Service fee income

	June/2020	June/2019
Income from fees and services	2,798	1,143
Income from business intermediation (see note 21a)	5,062	4,208
Income from guarantees granted	9,336	10,323
Total	**17,196**	**15,674**

h. Personnel expenses

	June/2020	June/2019
Proceeds	(21,418)	(19,362)
Payroll charges	(7,553)	(6,549)
Benefits	(3,894)	(4,428)
Management fees	(2,173)	(1,740)
Training	(180)	(103)
Total	**(35,218)**	**(32,182)**

i. Other administrative expenses

	June/2020	June/2019
Rental expenses	(2,587)	(2,569)
Data processing expenses	(8,966)	(8,925)
Expenses on outsourced technical services	(2,820)	(2,381)
Communication expenses	(3,506)	(2,616)
Financial system service expenses	(1,667)	(1,450)
Asset maintenance and upkeep expenses	(234)	(347)
Security and surveillance services	(298)	(283)
Transportation expenses	(97)	(115)
Material expenses	(98)	(78)
Water, energy and gas expenses	(125)	(137)
Expenses on outsourced services	(271)	(402)
Advertising and marketing expenses	(138)	(174)
Insurance costs	(145)	(128)
Promotion and public relations	(46)	(79)
Charitable contributions	(8)	(43)
Amortization and depreciation	(1,297)	(1,338)
Other administrative expenses	(1,182)	(1,210)
Total	**(23,485)**	**(22,275)**

j. Tax expenses

	June/2020	June/2019
COFINS	(3,665)	(5,166)
ISS	(876)	(802)
PIS	(596)	(839)
Other	(70)	(2,992)
Total	**(5,207)**	**(9,799)**

k. Other operating income / (expense)

	June/2020	June/2019
Reversal of provisions guarantees provided	1,252	471
Reversal of operating provisions	4,481	6,651
Indemnification fines	297	1,303
Restatement of court deposits	199	327
Recovery of charges and expenses	277	353
Other expenses	(302)	(86)
Total	**6,204**	**9,019**

l. (Provision) / Reversal of provision for contingent liabilities

	June/2020	June/2019
Expense on provisions for contingent liabilities	(4,459)	(741)
Reversal of operating provisions – contingent liabilities	1,390	1,461
Restatement of contingent liabilities	(2,133)	(1,877)
Total	**(5,202)**	**(1,157)**

m. Nonoperating income

	June/2020	June/2019
Other nonoperating income	22	236
Other nonoperating expenses	-	(55)
Total	**22**	**181**

21. Related-party transactions and balances

a. Transactions with parent companies (direct and indirect)

The balances of related party transactions with Sumitomo Mitsui Banking Corporation are as follows:

	Assets / (liabilities)		Revenue / (expense)	
	June/2020	**December/2019**	**June/2020**	**June/2019**
Cash and cash equivalents – foreign currency deposits	493,670	13,275	-	-
Investments in foreign currency abroad	38,412	265,998	75,234	6,222
Amounts receivable - sales commission (see note 20.g)	5,029	4,118	5,062	4,208
Obligations on foreign currency borrowings	(851,194)	(1,093,657)	(279,803)	15,760
Foreign onlendings	(2,435,243)	(1,320,874)	(510,620)	(9,642)
Subordinated debt		-		(8,470)
Total	**(2,749,326)**	**(2,131,140)**	**(710,127)**	**8,708**

b. Compensation of key management personnel

Pursuant to Resolution No. 4,636/18 and Technical Pronouncement CPC 05 – Disclosure of Related Parties, all management members have been defined as key personnel of the entity.

The global compensation is paid to executive officers in conformity with the by-laws of Banco Sumitomo Mitsui Brasileiro S.A.

In the most recent statutory reform occurred in April 2019, the maximum global monthly compensation of the executive officers was maintained at R$ 600 (salaries of executives officers).

Short-term benefits for executive officers

	2,020	**2,019**
Proceeds	2,173	1,740
Variable compensation	2,013	1,594
Contributions to INSS (Social Security Contribution) /FGTS (Severance Pay Fund)	1,010	1,013
Total	**5,196**	**4,347**

Post-employment benefits

In accordance with the pension fund regulations, executive officers may opt to participate in the supplementary defined-benefit pension plan, fully sponsored by Banco Sumitomo Mitsui Brasileiro S.A., under the same conditions of the other employees of the Bank (note 22).

The Bank does not award long-term benefits or share-based compensation to its key Management personnel.

c. Other information

Resolution 4.693/18 states that financial institutions can carry out loans with related parties providing they meet the conditions established in the items, below:

- Except for the cases established in the legislation or specific regulations, related-party loans can only be performed on an arm's-length basis, including in respect of limits, interest rates, grace period, terms, security required and risk rating criteria in order to make the provision for probable losses and write-offs as loss, without additional or special benefits in comparison to loans awarded to clients with similar profiles of the respective institutions.

- The balances of direct or indirect loan operations with related parties should not exceed 10% (ten percent) of the equity adjusted by accumulated revenue and expenses less interests held in institutions authorized to operate by the Brazilian Central Bank and overseas financial institutions, subject to the following maximum individual limits:
    1. 1% (one percent) for transactions with individuals; and
    2. 5% (five percent) for transactions with companies.

Directors or officers meeting at least the following conditions in both parties are considered independent:

I - does not have a qualified interest as either controlling shareholder, member of the control group or the group with a qualified interest, nor are they a spouse, companion or relative, blood or otherwise, to the second degree, of them;

II - not related via a shareholders agreement; and

III - is not or has not been in the last three years:

a) a director or member of statutory boards or contractual boards, including at related companies;
b) employee, including at related companies;
c) spouse, companion or relative, blood or otherwise, to the second degree, of the parties mentioned in sections “a” and “b”; and
d) recipient of compensation except that for their work as an independent director or on account of any equity interests.

As of June 30, 2020 the Bank had not granted loans, financing or any other advance to its executive officers or to any member of their families.

Management members did not hold any interest in the capital of the Bank.

22. Post-employment benefits sponsored by the Bank

The Bank’s actuarial liabilities were determined in accordance with the model established in the respective plan and represent the amount of commitments made and to be made.

The actuarial calculation is restated annually at December 31.

CVM Resolution No. 695 of December 13, 2015, approved CPC Technical Pronouncement No. 33 (R1) which addresses the matter of employee benefits, in accordance with the International Accounting Standard IAS 19. CPC Technical Pronouncement CPC 33 established essential changes in the accounting and disclosure of employee benefits such as the removal of the corridor mechanism in the recording of the plan’s liabilities, and changes in the recognition criterion of the plans’ assets (appreciations and devaluations). The adoption of the aforementioned Pronouncement applies to years started as from January 1, 2015, and the effects are recorded retrospectively in the accounting, as changes in accounting practices. Adopting this accounting practice will basically lead to the full recognition as liabilities of actuarial losses (actuarial deficit) not recognized to date as an offsetting entry to an equity account.

a. Retirement Plan

The Bank sponsors Banco Sumitomo Mitsui Brasileiro Sociedade de Previdência Privada ("Entity"), established on April 20, 1992 and primarily engaged in granting lump sum benefits and/or supplemental income to the Bank's employees and directors by means of a defined benefit plan. Participants (employees) are entitled to a benefit upon termination of the employment relationship, calculated according to regulatory provisions, whose amount will depend on the participant's salary and length of service at termination date.

As of December 31, 2019, there were no significant changes in the current restatement parameters.

Description	**Retirement Plan**	
	12/31/2019	**12/31/2018**
Present value of actuarial obligations	43,420	53,536
Fair value of the plan's assets	(38,020)	(51,809)
Deficit/(Surplus) for covered plans	5,400	1,727
Adjustments for permitted deferrals		
Effect deriving from the limit on recognizing onerous assets/liabilities	-	-
Net actuarial liability/(asset)	5,400	1,727
Actuarial assumptions:		
Nominal discount rate for the actuarial obligation	6.78%p.a.	8.95%p.a.
Estimated rate of nominal salary increase	6.71% p.a.	7.12% p.a.
Estimated nominal benefit increase	4.64% p.a.	4.00% p.a.
Estimated inflation rate	3.60% p.a.	4.00% p.a.
Biometric table of general mortality	At-2000 smoothed by 10% and separated per gender	At-2000 smoothed by 10% and separated per gender
Biometric table for classification as disabled	"Mercer" table	"Mercer" table
Expected turnover rate	0.30/ (length of service +1)	0.30/ (length of service +1)
Chance of entering retirement	10% on the first date of eligibility to early retirement 3% between the first eligibility to earlier and normal retirement 100% on the date of eligibility to normal retirement.	

Sensitivity Analysis

The present value of the actuarial obligation is sensitive to changes in the main hypotheses: discount rate, wage growth and life expectancy. The impacts on the present value of the actual obligation are stated including the basic discount rate adopted for this Actuarial Appraisal (10.00% p.a.):

	Sensitivity Analysis	
Present value of the Obligations	**12/31/2019**	**12/31/2018**
Discount Rate: decrease of 0.25%	1,089	1,801
Discount Rate: increase of 0.25%	(1,059)	(1,909)

b. Health care plan

The health care plan offered by Banco Sumitomo Mitsui to its employees was contribution-based until November 2017, generating the obligation to extend the coverage in exchange for payment of the respective premiums to former employees and retired employees of the company, in accordance with Art. 30 and 31 of Law 9656/98. Contributions of the plan were interrupted in December 2017, although there remains a group of employees who are entitled to this coverage, presenting the following actuarial liability:

Description	**Health care plan**	
	12/31/2019	**12/31/2018**
Net actuarial liability/(asset)	16,243	8,286
Total	16,243	8,286
Actuarial assumptions/actuarial hypotheses		
Nominal discount rate for the actuarial obligation	7.11%pa	9.12%pa
Estimated inflation rate	3.60%pa	4.00%pa
Biometric Turnover Rate	0.15/ (Length of Service) +1	0.15/ (Length of Service) +1
Biometric retirement entry table	55 years	55 years
Biometric table of general mortality	AT-2000 segregated by sex and deducted by 10%	AT-2000 segregated by sex and deducted by 10%
HCCTR (Health Care Cost Trend Rate)	Decreasing from 8.26% pa to 4.64% pa	Decreasing from 9.20% pa to 5.04% pa
Restatement of the Participant's Contribution	Inflation (HCCTR)	Inflation (HCCTR)
Restatement of the Plan's Cost	Inflation (HCCTR) + Aging Factor	Inflation (HCCTR) + Aging Factor
Percentage of people opting to remain in the plan	Retirement: 100% severance: 100%	Retirement: 100% severance: 100%
Aging Factor	3.00% (per annum - age)	3.00% (per annum - age)
Family members - Active	90% Married	90% Married
Age difference between holder and spouse	4 years	4 years
Family members - Retired	Real family	Real family

23. Operational, market, credit and capital management risk management framework

Operational risk

Operational risk is defined as the risk of loss arising from deficiencies, failures or inadequacy of internal processes, human conduct or systems or that arising from external causes. This definition includes the legal risk.

The Operational Risk Management framework is considered a strategic and competitive factor for Banco Sumitomo Mitsui Brasileiro S.A. and is defined in the Bank's Operational Risk Management Policy established and approved by the Bank's Executive Board at least annually, pursuant to CMN Resolution 4557/17. It reports directly to the Bank's Executive Board. It is an important tool for the effective management of the Bank's economic and regulatory capital. The size of the framework is proportional to the risks related to the complexity of the products offered by the institution, nature of transactions and risk exposure guidelines of the Bank and the companies whose accounts are included in the consolidated financial statements.

The Operational Risk Management practice of Banco Sumitomo Mitsui Brasileiro S.A. adopts a management method shared with the Bank's business areas, therefore leading to a clear view of the respective tactical and strategic roles and responsibilities of the business and Operational Risk Management departments, allowing the coordination and cooperation of all Bank's employees to reduce operational losses and duplicate activities.

Under this management method, the Operational Risk Management department is in charge of:

i. Establishing the structure, policies and tools for managing operational risks;
ii. Conducting periodical tests which are independent from identified control risks;
iii. Preparing periodical reports;
iv. Coordinating the operational risk management committees set up by the Bank;
v. Consolidating and monitoring the losses incurred by the Bank.

Management, aligned with its Corporate Governance Policy, recognizes, participates in and shares responsibility for continuous improvements in this structure, to ensure compliance with the established objectives and goals and security and quality for the Bank's clients, shareholders and related parties.

Banco Sumitomo Mitsui Brasileiro S.A. adopted the Basic Indicator Approach, "BIA", to calculate the capital requirement for Operational Risks.

Information related to the Bank's Operational Risk Management framework, and Management's responsibility for published information, are included in the publicly disclosed report available at www.smbcgroup.com.br.

Market and Liquidity Risk

Market risk is the possibility of losses being incurred due to variations in prices, indexes and rates from mismatches of terms, currencies and indexes for asset and liability portfolios. Banco Sumitomo Mitsui Brasileiro S.A. adopts a highly conservative policy and exposure to market risk factors.

Liquidity Risk is the possibility that the Bank is unable to meet its expected and unexpected obligations, whether current or future, including those resulting from guarantees, without affecting its daily transactions and without sustaining significant losses; and the possibility of the Bank being unable to trade a position at market price, due to its high size in relation to the volume which is usually traded or due to some market discontinuity.

The Market and Liquidity Risk Management structure is a specific unit of the Bank, independent from the business and audit areas, and reports directly to the Bank's Executive Board. It is responsible for managing market, liquidity and credit risks, and ensuring prudent practices and effective techniques of risk control. The size of the framework is proportional to the risks related to the complexity of the products offered by the institution, nature of transactions and risk exposure guidelines of the Bank and the companies whose accounts are included in the consolidated financial statements.

The Market and Liquidity Risk Management policy is based on the daily control of the Bank's market risk positions, on the control of limits for positions, divided into limits for exposure to interest rate and exposure to exchange rates, as well as Limits/Guidelines for "Stop Loss". In addition, the Risk Management Department also monitors the market risk using the Value at Risk (VAR) methodology and stress tests.

The Market and Liquidity Risk Management framework was implemented in accordance with the requirements of CMN Resolution 4,557/17 and is approved and reviewed at least annually by the Bank's management. In order to ensure the implementation of the guidelines and policies in force, Banco Sumitomo Mitsui Brasileiro S.A. has a Committee of Assets and Liabilities (ALCO), which usually meets once a month with the participation of management members, and extraordinarily whenever necessary. The purposes of said Committee are, among others, to decide on the market and liquidity risk management policy, asset and liability management policy, to ensure compliance with the limits/guidelines for market and liquidity risk, to ensure that the Bank keeps proper and sufficient liquidity levels and to check procedures in the treatment of new products and their risk management structure.

Information related to the Bank's Market and Liquidity Risk Management framework is included in the publicly-disclosed report available at www.smbcgroup.com.br. The Management of Banco Sumitomo Mitsui Brasileiro S.A is responsible for all disclosed information.

Credit risk

Credit risk is defined as the possibility of the occurrence of losses related to non-compliance by the borrower or counterpart with their respective obligations under the terms agreed on, the devaluation of credit assets, deriving from deterioration in the risk rating of the borrower, a decrease in gains or remunerations, the advantages granted in renegotiation and recovery costs.

Credit risk is strongly related to other types of risk, such as market and liquidity risks. These types of risks derive, many times, from the Credit Risk and may occur concurrently.

The Credit Risk Management structure was implemented in accordance with the requirements of CMN Resolution 4,557/17 and is approved and reviewed at least annually by the Bank's Management. The Credit Risk Management structure is a specific unit of the Bank, independent from the business and audit areas, and reports directly to the Bank's Executive Board. The size of the framework is proportional to the risks related to the complexity of the products offered by the institution, nature of transactions and risk exposure guidelines of the Bank and the companies whose accounts are included in the consolidated financial statements.

The Bank's Credit Risk Management structure is implemented to maintain the policies, procedures and systems for monitoring and controlling credit risk according to prevailing laws, therefore ensuring that the credit risk is identified, measured, monitored, controlled and reported to Management, so as to allow a proper treatment of risk as one of the factors of growth and profitability.

The Credit Risk Management framework has policies and strategies which are clearly defined and duly documented and reviewed, establishing operational limits, risk mitigation mechanisms and procedures to keep exposure to credit risk at levels considered acceptable by the Bank's Management.

Information related to the Bank's Credit Risk Management framework, and Management's responsibility for published information, are included in the publicly disclosed report available at www.smbcgroup.com.br.

Capital management

Capital management is defined as a continuous process of monitoring and controlling the capital held by the Bank; assessing capital needs to face the risks the entity is subject to; and planning goals and capital needs, considering the Bank's strategic purposes.

The capital management structure was implemented in accordance with the requirements of CMN Resolution 4,557/17 and is approved and reviewed at least annually by the Bank's Management. The capital management framework is under the responsibility of the Risk Management Department, independent from the business and audit areas. The size of the framework is proportional to the risks related to the complexity of the products offered by the Bank, nature of transactions and risk exposure guidelines of the Bank and the companies whose accounts are included in the consolidated financial statements. The capital management framework aims to identify and assess all the entity's significant risks according to policies and strategies, in order to keep the level of capital compatible with incurred risks.

The main source of information for calculating the regulatory capital is the document CADOC 2061 – DLO - Statement of Operating Limits, submitted monthly to BACEN which details all the components of the "PR" – Reference Equity which will serve as the reference basis for adjusting the minimum regulatory capital in accordance with Basel III pronouncements.

In order to determine the minimum required capital the total RWA is calculated by summing the assets weighted by credit, market, and operational risks:

➢ RWA = RWAcpad + RWAmpad + RWAopad

The RWA consists of the sum of these duly weighted assets.

Capital Adequacy Ratio (Basel)

The Bank falls within the National Monetary Council (CMN) Resolution 2099/94, as amended by the CMN Resolutions 4.193/13 and 4.192/13, which presents the Equity index in relation to the Weighted Assets, as follows:

	6/30/2020	12/31/2019
Credit Risk	5,064,905	3,893,765
Market Risk	1,135,633	304,955
Operational Risk	336,308	338,983
Risk weighted assets (RWA)	**6,536,846**	**4,537,703**
Rban portion	2,087	3,754
Reference Equity Tiers I and II (PR)	**1,803,523**	**1,765,220**
Required Regulatory Equity (RWA*8%)	522,948	363,016
Margin over Required Regulatory Capital	**1,280,576**	**1,402,204**
Basel capital ratio (IB) - PR/RWA	27.59%	38.90%

*The minimum percentage required for the reference equity in 2020 is 8.625% and 1.25% for the Capital Conservation Surplus (2019 – 8.625% and 1.875%).

If the Bank needs additional capital, the contingency plan is the capital increase via a capital injection from the parent company SMBC Tokyo.

Any material incident or problem should be immediately forwarded to the Bank's governance committee which is the group tasked with centralizing decisions and determining measures to address any capital adequacy issues.

In order to adopt a prospective approach and foresee the need for capital, the Bank has set up a New Product and Service Committee, with the permanent participation of the Risk Management Department, where the product and/or service is analyzed before being implemented on the Bank.

The Bank does not follow an Internal Capital Adequacy Assessment Process (ICAAP), pursuant to article 6 of CMN Resolution 4,557/2017.

The Risk Management Department tracks portfolio's performance daily and if there are any differences, communicates them immediately to Top Management so that capital adequacy is adequately addressed.

In the event of a change in the situation, the finance division will request the IRM (Integrated Risk Management) team carry out stress tests on extreme market and economic conditions.

Information related to the Bank’s Capital Management framework is included in the publicly-disclosed report available at www.smbcgroup.com.br. The Management of Banco Sumitomo Mitsui Brasileiro S.A is responsible for all disclosed information.

Fair value measurement

The fair value of financial assets and liabilities are determined based on market prices or prices quoted by market agents for the financial instruments traded on active markets. For other financial instruments, the fair value is determined by valuation methods. Evaluation methods include net present value methods, discounted cash flow methods, comparison with similar instruments for which there are observable prices in the market and valuation models. The Bank uses widely recognized valuation models in most of its products to determine the fair value of financial instruments, relying on observable data in the market.

- Level 1 - Securities acquired for active and frequent trading are adjusted to fair value, have high liquidity and their prices are available in the market. This category includes available-for-sale securities and stock futures.

- Level 2 - When the pricing information is not available for an active market, but is priced by using prices quoted for similar instruments or by pricing techniques using observable data in the market. This category includes the SWAP, NDF and Debentures, where the methodology used is the “mark to model”, where the inputs are taken from the market.

- Level 3 - Pricing assets where the data is not available in the market pricing assets where the data is not available in the market. In accordance with the best market practices, the fair value of certain products such as Promissory Notes and Financial Bills is calculated by the Credit Spread to incorporate the issuer’s credit risk into the asset’s price.

		June/2020		
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial instruments				
SWAP	-	38,472	-	38,472
NDF	-	346,963	-	346,963
Stock Futures	11,393	-	-	11,393
Available-for-sale securities	1,455,398	86,046	-	1,541,444
Total	**1,466,158**	**471,481**	**-**	**1,938,272**
Liabilities				
Derivative financial instruments				
SWAP	-	(244,249)	-	(244,249)
NDF	-	(179,701)	-	(179,701)
Stock Futures	(9,569)			(9,569)
Onlendings - Hedged items	-	(1,012)	-	(1,012)
Total	**(9,569)**	**(424,962)**	**-**	**(434,531)**

	December/2019			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial instruments				
SWAP	-	19,866	-	19,866
NDF	-	38,847	-	38,847
Stock Futures	11,302	-	-	11,302
Available-for-sale securities	2,408,285	-	-	2,408,285
Interbank Deposits - Hedged Item		32,388		32,388
Total	**2,419,587**	**91,101**	**-**	**2,510,688**
Liabilities				
Derivative financial instruments				
SWAP	**-**	(122,211)	**-**	(122,211)
NDF	**-**	(55,669)	**-**	(55,669)
Stock Futures	(11,033)			(11,033)
Onlendings - Hedged items	**-**	(728,825)	-	(728,825)
Total	**(11,033)**	**(906,705)**	**-**	**(917,738)**

24 - Other Issues

Global financial markets have been monitoring and reacting to the Covid-19 epidemic since early January 2020. Although containment efforts initiated in Asian countries have helped flatten the curve in certain locations, at the end of February and early March 2020 global financial markets reacted strongly to the news that the virus was spreading to other Western countries, including in Brazil, a fact which was ultimately confirmed. Global financial markets have reacted extremely negatively, with share prices dropping, the dollar appreciating and U.S. Treasury bond interest diminishing. Bank Management believes there will be no financial impact on the Bank's Financial Statements at June 30, 2020 as a result of this subsequent event, and is monitoring developments related to the coronavirus and is coordinating its operational response based on existing business continuity plans and guidance from Brazilian health organizations, in line with general best practice in responding to the pandemic. We emphasize that to date there has been no significant impact on the operations, given the painstaking selection of the receivables portfolio and agility with which our employees were sent to work from home offices.