

# ANNUAL REPORT 2019



# SUMMARY

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## ABOUT US AND | OUR HISTORY

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MUFG Brasil is a branch of MUFG Bank, Ltd., the biggest Japanese bank. Headquartered in Tokyo, MUFG Bank is formed by several mergers and acquisitions of financial institutions recognized in Japan and worldwide and is a member of MUFG.

MUFG (Mitsubishi UFJ Financial Group, Inc.) is the world's 5th largest financial group, with 2.8 trillion dollars in assets\*. Based in Tokyo and with a history of approximately 360 years, MUFG is a global network with 2,700 offices in more than 50 countries. The group has over 180,000 employees and offers commercial and trust bank services, financial instruments, credit cards, consumer finance, asset management and many others.

\*Source: Bloomberg, May 2020.

For hundreds of years, MUFG Bank, Ltd. has helped its clients to reach their financial goals. From the start, the organization has maintained a tradition of cultivating excellence in customer relations, with personalized and lasting service.

The bank's history in Brazil began in 1919, when the Japanese subsidiary of Yokohama Specie Bank was established in Rio de Janeiro, which would later become Bank of Tokyo. Mitsubishi Bank had begun operating in Brazil in 1950 through Banco Tozan, created in 1926 to serve the growing demand of coffee.

In 1996 The Bank of Tokyo-Mitsubishi was results from the merger of Mitsubishi Bank and Bank of Tokyo.

In 2006 The Bank of Tokyo-Mitsubishi and UFJ Bank (United Financial of Japan) joined to form The Bank of Tokyo-Mitsubishi UFJ, Ltd. Japan's largest bank and one of the world's largest banks, with presence in more than 50 countries. In Brazil is adopted the name Banco de Tokyo-Mitsubishi UFJ Brasil S/A.

On April 1, 2018, our bank's name in Brazil officially change from Banco de Tokyo-Mitsubishi UFJ Brasil S/A to Banco MUFG Brasil S.A..This change is part of a global initiative by Mitsubishi UFJ Financial Group (MUFG) to unify the brands of the major operating units of the holding company. The new name highlights our global strength as member of MUFG, the 5th largest financial group in the world.

# MISSION, VISION AND VALUES

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The Banco MUFG Brasil S.A. has a solid management that inspires trust and credibility. Our almost 100 years of operating in Brazil are based on values aimed at guaranteeing a strong and lasting relationship with our clients.

## MISSION

To be a foundation of strength, committed to meet the needs of our customers, serving society, and fostering shared and sustainable growth for a better world.

## VISION

Be the world's most trusted financial group.

## VALUES

### 1. Integrity and responsibility

Strive to be fair, transparent, and honest. Always act responsibly in the best interest of customers and society as a whole, building long-term stakeholder relationships and giving back to our community.

### 2. Professionalism and teamwork

Respect the diversity of our fellow workers and foster a strong spirit of teamwork. Expect the highest levels of professionalism.

### 3. Challenge ourselves to grow

Adopt a global perspective to anticipate trends and opportunities for growth. Create and sustain a responsive and dynamic workplace where everyone can focus on providing outstanding customer service and embrace new challenges.



MUFG Bank is Japan's premier bank, with a global network spanning more than 50 countries. It offers an extensive scope of commercial and investment banking products and services to businesses, governments, and individuals worldwide. In the Americas, MUFG Bank has offices throughout the United States and in Canada, Mexico, Brazil, Chile, Peru, Argentina and Columbia, serving mainly corporate clients. MUFG Bank is a member of MUFG Group.

MUFG Group aims to “be the world’s most trusted financial group” through close collaboration among our operating companies and flexibly respond to all of the financial needs of our customers, serving society, and fostering shared and sustainable growth for a better world. MUFG’s shares trade on the Tokyo, Nagoya, and New York stock exchanges.

In 2008, MUFG Bank acquired 100% of Union Bank, a retail and wholesale bank based in San Francisco (United States) and acting in the cities of California, Illinois, Oregon, Texas, New York and Washington. On the same year, the group acquired equity interests in Morgan Stanley, and holds today 22.4% of the company’s common shares.

In Brazil, the bank’s operations are targeted to large scale banking activities, which rely on the group strength to offer customized solutions and personalized services, with the essence and tradition of a worldwide respected bank.

With offices in Brazil for nearly 100 years, the Banco MUFG Brasil S.A. believes in the importance of long-term relations with our clients, partners and society based on all of this tradition and reliability, we account for global values that are found throughout our management:

- Integrity and responsibility
- Professionalism and teamwork
- Challenge ourselves to grow

In recent years, we have invested heavily in the development of human capital, focusing on strategic Human Resources management, focused on long-term business sustainability.

Our strategic drivers for personnel management actions include:

- Education as the basis for individual and bank development
- Organizational and individual development
- Talent attraction and retention
- Compensation and recognition as a source of basic motivation but not the only one
- Processes and technology (innovation)
- Internal climate as an evolution agent

We are always looking for professionals and young talents who believe in our values, that have the ability to propose creative solutions, and that find fulfillment in working in a multicultural and high-performance environment.

Banco MUFG Brasil, a member of Mitsubishi UFJ Financial Group (MUFG), has a long history of serving our communities. We fulfill our commitment to corporate citizenship by demonstrating a concern for the environment, offering a dynamic workplace to our employees, maintaining strictly ethical relationships with our clients and supporting our communities.

MUFG is a signatory to the most important sustainable-finance protocol, The Equator Principles, and to many others, including the UN Global Pact, the United Nations Environment Program Financial Initiative, the Principles for Responsible Investment, the Carbon Disclosure Project, the Principles for Financial Action for the 21st Century, and the Atlantic Forest Pact. These protocols help guide our business development, ensuring that environmental and social considerations are always carefully taken into account.

We identify and promote opportunities for our employees to take on positive social roles, and we work constantly to strengthen the bank's connections with local communities, in keeping with our vision of fostering shared and sustainable growth for a better world.

The principle of environmental and social responsibility is an increasingly important guideline for our management practices regarding our clients, society and employees. An example of this principle in action is MUFG Gives Back, a global volunteering program that mobilizes employees and their families in the service of two fundamental goals: preserving the environment and nurturing future generations.

In Brazil, Gives Back involves about 400 people every year, including bank employees, their families and friends, NGOs, and social organizations that together support social projects and help to build a network of solidarity. Among the notable activities recently undertaken by Gives Back have been projects to



benefit the community school José Honório Rodrigues, in eastern São Paulo; the Cinema na Praça project, in Pedra Bela (São Paulo); the Semente das Águas project and the community school Pedro Rodrigues do Carmo, both in Duque de Caxias (Rio); APAE Rural Unity, in Mogi das Cruzes; the agricultural home A Semente, in Cotia; the Bororé Social Promotion Center, in Grajaú; the Circo Escola Bom Jesus, in Butantan (SP); and the Pró + Vida Institution, in Mogi das Cruzes (SP). In all, about 2,800 people, among them many children, adolescents and elderly adults, have directly benefited from our volunteering initiatives.

# RISK MANAGEMENT

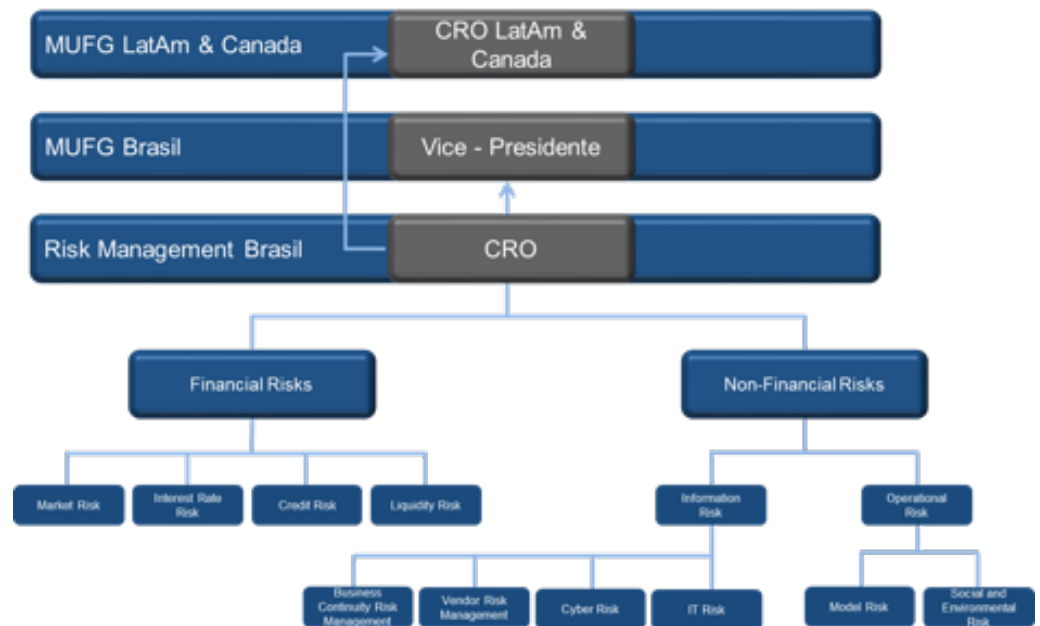
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The MUFG Brasil is committed to promoting and sustaining a comprehensive, strong and proactive risk management structure with appropriate governance endowed to achieve a balance between risk and return, respecting the principles of safety and soundness. In addition, it aims to comply with Resolution No. 4,557, of February 23, 2017 of the Central Bank of Brazil.

MUFG Brasil' risk governance framework (as depicted below) encompasses risk management processes to set risk appetite and identify, measure, control, monitor, and report risk undertaken by MUFG Brasil. The framework integrates these processes with governance and the distinct and complementary roles of MUFG Brasil' three lines of defense: (1) Front Line Business Units and related support Business Units (collectively referred to as "Business Units"), (2) Second Line of Defense, and (3) Internal Audit and Credit Review. As the First Line of Defense, the Business Units are expected to operate within a defined and transparent risk taking environment and are accountable for the risks that arise from their activities. The Second Line of Defense provides review and independent challenge for execution of risk management by the first line. The Third Line of Defense provides independent assurance.



The MUFG Risk management structure was established according to the organization chart below:



The structure above aims to identify, measure, evaluate, monitor, report and mitigate the risks considered relevant by the institution:

- Credit risk;
- Market risk;
- Interest rate risk;
- Liquidity risk;
- Operational risk;
- Information risk.

## Credit Risk

The Credit Risk Management Structure establishes the principles and practices for: identifying and aggregating exposures, measuring the risk profile, establishing the risk appetite and concentration limits / guidelines for controlling, monitoring and reporting credit risk. The main components of the credit risk structure include: Calculation and aggregation of exposure,

classifications based on scorecard (ie, probability of default), loss on default and stress testing.

The objective of credit risk management is to establish a solid information base through risk controls and portfolio management in a proactive and continuous manner, so that the Bank can take the necessary measures and in a timely manner in order to avoid or minimize losses on your assets.

## **Market Risk**

The market risk management structure allows MUFG Brasil to identify and capture all its exposures to market risks, as well as to define the best approach to manage and monitor these risk exposures, given its business and financial objectives. The components of the market risk structure include risk appetite, measurement, system infrastructure, reports, governance and policies, standards and procedures.

## **Interest Rate Risk**

The structure provides oversight of interest rate risk management activities related to MUFG Brasil. The interest rate risk management framework establishes limits, consistent stress scenarios and promotes awareness of the impact of interest rates on MUFG Brasil's business activities through measurement and monitoring.

IRRBB (Interest Rate Risk in the Banking Book): Risk, current or prospective, of the impact of adverse movements in interest rates on capital and on the results of the financial institution, for instruments classified in the bank portfolio

## **Liquidity Risk**

For liquidity risk management, the Bank has its own (a) cash flow forecasting methodologies, (b) liquidity stress test scenarios, assumptions and models, (c) measurement of liquidity buffers, (d) contingency financing plans, as well as intraday liquidity and guarantee monitoring. Liquidity monitoring and reporting is based on the methodologies mentioned above. The Second Line of Defense provides effective challenges, validates, tests models and sets limits, where appropriate.

## Operational Risk

The operational risk management structure consists of frameworks designed to identify, measure, control and monitor operational risks in a consistent manner. The main frameworks include RCSA, loss capture, risk assessment of products and services, as well as third party risk management. In addition, the company's exposure to Operational Risk is monitored through risk reports and indicators.

## Model Risk

The model's risk management framework defines the controls used for model risk management. Controls include components to identify, measure, control, monitor and report model risk in a manner consistent with regulatory guidance on model management.

- End User Computing (EUC) and Critical Spreadsheets

The Bank establishes the structure for the tools developed in the format of EUC and Critical Spreadsheets, as well as the standards to be adopted so that they are maintained safely, that they have continuity, that provide precision in the results, that are developed with technology that improve the control environment of Banco MUFG Brasil SA ("Bank").

The processes defined by this structure include issues such as development, documentation, controls, tests and certifications based on the type of tool used and according to the risk classification.

## Information Risk

The Information Risk Management Framework establishes a philosophy with principles and practices to protect the confidentiality, integrity and availability of information and technology assets. Specifically, the IRM Framework encompasses processes for defining the appetite for information risk, identifying, measuring, controlling, monitoring and reporting information risks.

Information Risk Management covers: cybersecurity risk, technology risk, third party risk and business continuity risk.

## Cyber risk

Failure to adequately protect critical business assets, products and services from the threat posed by a cyber attack can negatively affect customers, in addition to violating laws and regulations that negatively affect reputation, brand and financial stability organization.

## Capital Management Structure

The Banco MUFG Brasil S.A. recognizes that Capital must be managed to provide safe banking practices in line with regulatory requirements, as well as to support sustainable growth and enable appropriate return for its shareholders. Hence it has been established a proper Capital Management Structure which sets out the Capital management processes in order to manage and monitor Capital control as well as the Capital requirements given the risks incurred by the institution.

In compliance with the normative Resolução nº 4.557 from Central Bank of Brazil as of February 23rd, 2017, MUFG Brasil S.A. appointed on June 26th, 2017 its Deputy President (Chief Operating Officer - COO) as the member of the Board responsible for the Capital Management, and maintains a Capital Management Policy, reviewed annually, which sets out the Capital Management Structure and guidelines for Capital Plan and Capital Contingency Plan.

As per the Executive Committee meeting held on June 1st, 2020, MUFG Brasil S.A. approved the new Institutional Capital Management Policy and formalized the transfer of the responsibility of Capital Management Structure from Risk Management to Business Unit and Control Office & Reporting ("BURCO"). BURCO is responsible for risk controls in the first line of defense, has direct reporting line to the COO, and it is segregated from businesses departments and internal audit activities.

In addition to BURCO coordination role, the Capital Management Structure also counts with the support from Finance, Risk Management, Planning and Businesses departments, which are accountable to provide any required information for continuous Capital control and monitoring and preparation of the Capital Plan and Capital Contingency Plan.

MUFG Brasil S.A establishes that Capital Management Structure must:

- a) ensure compliance with laws, regulations and current rules to adopt the best Capital Management practices, in line with MUFG Bank, Ltd., its major shareholder, MUFG Brasil S.A local rules and the local regulators;
- b) use effective systems to control Capital Policy to identify, measure, control and mitigate risks associated with each unit of MUFG Brasil S.A;
- c) keep policies and strategies for Capital Management clearly documented, establishing mechanisms and procedures to maintain Capital compatible with the risks incurred by the institution;
- d) provide simulations of severe events and extreme market conditions (stress tests) to evaluate their impacts on Capital;
- e) provide management with timely reports of Capital adequacy for MUFG Brasil S.A Executive Committee, as result of the policies and strategies adopted;
- f) maintain a Capital Plan with Capital projections covering the minimum three-year horizon, detailing its main sources of Capital and the maintenance of Capital Contingency Plan.

# BALANCE SHEET

(In thousands of Brazilian reais - R\$)

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## BALANCE SHEETS AS AT DECEMBER 31, 2019 AND 2018

Assets		2019	2018	Liabilities		2019	2018
<b>Current assets</b>		20,752,605	22,585,619	<b>Current liabilities</b>		<b>21,389,693</b>	<b>23,609,817</b>
Cash and cash equivalents	(Nota 4)	20,821	16,340	<b>Deposits</b>	(Nota 11)	1,850,290	2,324,025
<b>Interbank investments</b>	(Nota 5)	3,167,535	4,600,616	Demand deposits		127,511	73,648
Money market investments		3,132,997	4,580,463	Time deposits		1,722,779	2,250,377
Interbank deposits		18,416	-	<b>Money market funding</b>	Nota 11)	540,021	-
Foreign currency investments		16,122	20,153	Own portfolio		540,021	-
<b>Securities and derivative financial instruments</b>		2,077,834	520,012	<b>Interbank accounts</b>		-	51,024
Own portfolio	(Nota 6)	359,977	-	Receipts and payments for future settlement		-	51,024
Linked to repurchase commitments	(Nota 6)	188,128	-	<b>Interbranch accounts</b>		28,981	29,254
Derivative financial instruments	(Nota 19)	72,368	90,872	Third-party funds in transit		28,981	29,254
Linked to guarantees provided	(Nota 6)	1,457,361	429,140	<b>Borrowings</b>	(Nota 12)	3,225,129	4,255,265
<b>Interbank accounts</b>		3,381	1,904	Foreign borrowings		3,225,129	4,255,265
Restricted receivables				<b>Local onlendings - government institutions</b>	(Nota 12)	23,526	64,484
Deposits at the Central Bank of Brazil		3,381	1,904	BNDES		481	1,134
<b>Loans</b>	(Nota 7)	221,561	558,285	Finame		13,148	12,334
Private sector		221,974	560,369	Other government institutions		9,897	51,016
(Allowance for loan losses)		(413)	(2,084)	<b>Foreign onlendings</b>	(Nota 12)	75,619	312,907
<b>Other receivables</b>		15,257,004	16,882,397	Foreign onlendings		75,619	312,907
Foreign exchange portfolio	(Nota 13a)	15,154,328	16,639,178	<b>Derivative financial instruments</b>	(Nota 19)	349,014	244,225
Income receivable		4,406	2,108	Derivative financial instruments		349,014	244,225
Trading accounts	(Nota 19)	6,316	4,634	<b>Other liabilities</b>		15,297,113	16,038,836
Sundry	(Nota 8)	93,252	237,526	Tax collection		107	282
(Allowance for loan losses)	(Nota 7)	(1,298)	(1,049)	Foreign exchange portfolio	(Nota 13b)	14,780,979	16,038,836
<b>Other assets</b>		4,469	6,065	Social and statutory		250,114	1,833
Prepaid expenses		4,469	6,065	Tax and social security	(Nota 14)	127,675	142,303
				Trading accounts	(Nota 19)	81,563	37,670
				Other	(Nota 17)	56,675	107,709

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

# BALANCE SHEET

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		2019	2018			2019	2018
<b>Noncurrent assets</b>		2,720,450	3,481,491	<b>Noncurrent liabilities</b>		857,327	1,017,148
<b>Interbank investments</b>	(Nota 5)	82,305	54,654	<b>Money market funding</b>	(Nota 11)	-	93,870
Interbank deposits		82,305	54,654	Own portfolio		-	93,870
<b>Securities and derivative financial instruments</b>		1,465,653	2,308,010	<b>Local onlendings - government institutions</b>	(Nota 12)	46,475	97,424
Own portfolio	(Nota 6)	35,779	427,838	BNDES		-	478
Linked to repurchase commitments	(Nota 6)	349,486	94,099	Finame		21,499	16,244
Derivative financial instruments	(Nota 19)	19,407	40,279	Other government institutions		24,976	80,702
Linked to guarantees provided	(Nota 6)	1,060,981	1,745,794	<b>Foreign onlendings</b>	(Nota 12)	362,763	360,806
<b>Other receivables</b>	(Nota 7)	786,806	858,161	Foreign onlendings		362,763	360,806
Loans				<b>Derivative financial instruments</b>	(Nota 19)	277,405	342,983
Private sector		787,595	860,520	Derivative financial instruments		277,405	342,983
(Allowance for other loan losses)		(789)	(2,359)	<b>Other liabilities</b>		170,684	122,065
<b>Other receivables</b>		383,712	257,664	Foreign exchange portfolio	(Nota 13b)	-	4,196
Foreign exchange portfolio	(Nota 13a)	-	3,970	Other	(Nota 17)	170,684	117,869
Income receivable		806	1,451	<b>Deferred income</b>		2,696	1,673
Other	(Nota 8)	382,997	252,345	<b>Equity</b>	(Nota 18)	1,261,830	1,500,020
(Allowance for other loan losses)	(Nota 7)	(91)	(102)	<b>Share capital</b>		853,071	853,071
<b>Other assets</b>		1,974	3,002	Shareholders resident in Brazil		4,445	4,445
Prepaid expenses	1,974		3,002	Shareholders resident abroad		848,626	848,626
<b>Permanent assets</b>		38,491	61,548	Capital reserves		5,103	5,103
<b>Investments</b>		1	1	Earnings reserves		417,584	654,859
Other investments		196	196	Equity valuation adjustments		(9,874)	(8,959)
(Allowance for investment losses)		(195)	(195)	(Treasury shares)		(4,054)	(4,054)
<b>Property and equipment</b>	(Nota 9a)	15,798	26,660				
Property in use		19,938	32,351				
Other constructions in progress		31,320	33,321				
(Accumulated depreciation)		(35,460)	(39,012)				
<b>Intangible assets</b>	(Nota 9b)	22,692	34,887				
Intangible assets		58,162	75,282				
(Accumulated amortization)		(35,470)	(40,395)				
<b>Total assets</b>		<b>23,511,546</b>	<b>26,128,658</b>	<b>Total liabilities and equity</b>		<b>23,511,546</b>	<b>26,128,658</b>

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

# STATEMENTS OF INCOME

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## Years ended December 31, 2019 and 2018 and six-month period ended December 31, 2019

(In thousands of Brazilian reais - R\$, except earnings per share)

		2 <sup>nd</sup> six-month period	Year	
		2019	2019	2018
<b>Income from financial transactions</b>		381,406	614,666	1,286,142
Income from loan transactions		76,148	128,854	147,068
Income from securities transactions		219,403	429,165	509,536
Income from derivative financial instruments		85,855	56,647	322,535
Income from foreign exchange transactions		-	-	307,003
<b>Expenses on financial transactions</b>		(256,534)	(349,868)	(984,766)
Money market funding		(55,321)	(121,414)	(188,890)
Borrowings and onlendings		(124,152)	(150,733)	(803,354)
Foreign exchange losses		(79,374)	(80,724)	-
Allowance for loan losses	(Nota 7f)	2,313	3,003	7,478
<b>Gross income from financial transactions</b>		124,872	264,798	301,376
<b>Other operating income (expenses)</b>		(105,323)	(213,624)	(202,513)
Service revenue	(Nota 24a)	13,797	26,148	34,606
Income from banking fees	(Nota 24a)	428	871	1,066
Personnel expenses	(Nota 24b)	(61,086)	(128,506)	(129,812)
Other administrative expenses	(Nota 24c)	(42,894)	(80,560)	(75,992)
Tax expenses	(Nota 24d)	(13,888)	(28,345)	(24,766)
Other operating income	(Nota 24e)	6,085	11,542	11,256
Other operating expenses	(Nota 24f)	(7,765)	(14,774)	(18,871)
<b>Operating income</b>		19,549	51,174	98,863
<b>Nonoperating income</b>	(Nota 24g)	(8,109)	(10,887)	3,305
<b>Profit before taxes</b>		11,440	40,287	102,168
<b>Income tax and social contribution</b>		(9,795)	(26,810)	(48,272)
Provision for income tax	(Nota 21)	(20,410)	(41,147)	(25,279)
Provision for social contribution	(Nota 21)	(12,046)	(24,255)	(19,844)
Deferred tax assets - Taxes and contributions		22,661	38,592	(3,149)
<b>Profit for the six-month period / year</b>		<b>1,645</b>	<b>13,477</b>	<b>53,896</b>
<b>Number of outstanding shares (per thousand shares)</b>	(Nota 18)	4,331,521	4,331,521	4,331,521
<b>Earnings per thousand shares - R\$</b>		0,38	3,11	12,44

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

# STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2019 AND 2018 AND SIX-MONTH PERIOD ENDED DECEMBER 31, 2019 (In thousands of Brazilian reais - R\$)

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		Capital reserves		Earnings reserves		Equity valuation adjustments			Treasury shares	Total
		Share capital	Premium on subscription of shares	Other capital reserves	Legal	Statutory	Available-for-sale securities	Employee benefits		
<b>Balances as at December 31, 2017</b>		853,071	4,947	156	39,010	565,003	336	(5,018)	-	1,453,451
Equity valuation adjustments - Available-for-sale securities	(Note 6)	-	-	-	-	-	(362)	-	-	(362)
Equity valuation adjustments - employee benefits	(Note 23)	-	-	-	-	-	-	(3,915)	-	(3,915)
Reversal of proposed dividends from prior years	(Note 18)	-	-	-	-	5	-	-	-	5
Profit for the year		-	-	-	-	-	-	-	53,896	53,896
Profit distribution:										
Legal reserve		-	-	-	2,695	-	-	-	(2,695)	-
Dividends	(Note 18)	-	-	-	-	-	-	-	(3,055)	(3,055)
Transfer to statutory reserve		-	-	-	-	48,146	-	-	(48,146)	-
<b>Balances as at December 31, 2018</b>		<b>853,071</b>	<b>4,947</b>	<b>156</b>	<b>41,705</b>	<b>613,154</b>	<b>(26)</b>	<b>(8,933)</b>	<b>-</b>	<b>1,500,020</b>
<b>Variations for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>2,695</b>	<b>48,151</b>	<b>(362)</b>	<b>(3,915)</b>	<b>-</b>	<b>46,569</b>
<b>Balances as at December 31, 2018</b>		<b>853,071</b>	<b>4,947</b>	<b>156</b>	<b>41,705</b>	<b>613,154</b>	<b>(26)</b>	<b>(8,933)</b>	<b>-</b>	<b>1,500,020</b>
Equity valuation adjustments - Available-for-sale securities	(Note 6)	-	-	-	-	-	(1,772)	-	-	(1,772)
Equity valuation adjustments - employee benefits	(Note 23)	-	-	-	-	-	-	857	-	857
Reversal of proposed dividends from prior years	(Note 18)	-	-	-	-	12	-	-	-	12
Distribution of interim dividends out of retained earnings for previous fiscal years	(Note 18)	-	-	-	-	(250,000)	-	-	-	(250,000)
Profit for the year		-	-	-	-	-	-	-	13,477	13,477
Profit distribution:										
Legal reserve		-	-	-	673	-	-	-	(673)	-
Dividends	(Note 18)	-	-	-	-	-	-	-	(764)	(764)
Transfer to statutory reserve		-	-	-	-	12,040	-	-	(12,040)	-
<b>Balances as at December 31, 2019</b>		<b>853,071</b>	<b>4,947</b>	<b>156</b>	<b>42,378</b>	<b>375,206</b>	<b>(1,798)</b>	<b>(8,076)</b>	<b>-</b>	<b>1,261,830</b>
<b>Variations for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>673</b>	<b>(237,948)</b>	<b>(1,772)</b>	<b>857</b>	<b>-</b>	<b>(238,190)</b>
<b>Balances as at June 30, 2019</b>		<b>853,071</b>	<b>4,947</b>	<b>156</b>	<b>42,296</b>	<b>623,731</b>	<b>(666)</b>	<b>(8,933)</b>	<b>-</b>	<b>1,510,548</b>
Equity valuation adjustments - Available-for-sale securities	(Note 6)	-	-	-	-	-	(1,132)	-	-	(1,132)
Equity valuation adjustments - employee benefits	(Note 23)	-	-	-	-	-	-	857	-	857
Reversal of proposed dividends from prior years	(Note 18)	-	-	-	-	5	-	-	-	5
Distribution of interim dividends out of retained earnings for previous fiscal years	(Note 18)	-	-	-	-	(250,000)	-	-	-	(250,000)
Profit for the six-month period		-	-	-	-	-	-	-	1,645	1,645
Profit distribution:										
Legal reserve		-	-	-	82	-	-	-	(82)	-
Dividends	(Note 18)	-	-	-	-	-	-	-	(93)	(93)
Transfer to statutory reserve		-	-	-	-	1,470	-	-	(1,470)	-
<b>Balances as at December 31, 2019</b>		<b>853,071</b>	<b>4,947</b>	<b>156</b>	<b>42,378</b>	<b>375,206</b>	<b>(1,798)</b>	<b>(8,076)</b>	<b>-</b>	<b>1,261,830</b>
<b>Variations for the six-month period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>82</b>	<b>(248,525)</b>	<b>(1,132)</b>	<b>857</b>	<b>-</b>	<b>(248,718)</b>

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

# STATEMENTS OF CASH FLOWS - INDIRECT METHOD

YEARS ENDED DECEMBER 31, 2019 AND 2018 AND SIX-MONTH PERIOD ENDED DECEMBER 31, 2019 (In thousands of Brazilian reais - R\$)

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		2nd six-month period		Year
		2019	2018	2018
		(414,364)	(408,150)	377,721
<b>Cash generated by / (used in) operating activities</b>				
Profit for the six-month period / year		1,645	13,477	53,896
Adjustments to profit:		26,201	52,700	55,824
(Reversal) / Recognition of allowance for loans and other loan losses	(Note 7f)	(2,313)	(3,003)	(7,477)
(Reversal) / Recognition of allowance for loan losses on guarantees provided	(Note 16)	(593)	1,480	3,319
Depreciation and amortization	(Note 24c)	7,516	15,256	14,582
Write-off of system - intangible asset	(Note 24g)	4,920	4,920	-
Write-off of property and equipment in use	(Note 24g)	3,232	6,015	-
Proceeds from disposal of property and equipment in use	(Note 24g)	-	-	(1,833)
Inflation adjustment of escrow deposits	(Note 15)	(3,424)	(7,582)	(8,454)
(Reversal) / Recognition of provision for civil, labor and tax risks	(Note 15)	5,411	9,272	13,532
Income tax and social contribution (current and deferred)	(Note 21)	9,795	26,810	48,272
Variation in deferred income		1,664	1,023	328
Exchange rate changes on cash and cash equivalents		(7)	(1,491)	(6,445)
Adjusted profit		27,846	66,177	109,720
Changes in operating assets:		(1,381,203)	2,190,379	(5,040,349)
(Increase) / Decrease in interbank investments		4,592	988,734	(38,884)
(Increase) / Decrease in securities and derivatives		(315,044)	(717,238)	301,904
(Increase) / Decrease in interbank and interbranch accounts		(9,307)	(1,750)	(7,723)
(Increase) / Decrease in loans		208,145	411,320	(714,209)
(Increase) in other receivables and other assets		(1,269,589)	1,509,313	(4,581,437)
Changes in operating liabilities:		938,993	(2,664,706)	5,308,350
(Decrease) in deposits		(319,534)	(473,735)	(717,211)
(Decrease) / Increase in money market funding		188,851	446,151	(60,179)
(Decrease) / Increase in agribusiness letters of credit		-	(51,024)	51,024
(Decrease) / Increase in borrowings and onlendings		(338,524)	(1,357,373)	1,771,421
(Decrease) / Increase in derivative financial instruments		87,930	39,212	(38,434)
(Decrease) / Increase in other liabilities		1,331,556	(1,221,024)	4,339,035
Income tax and social contribution paid		(11,286)	(46,913)	(37,306)
<b>Cash used in investing activities</b>		<b>(1,294)</b>	<b>(3,085)</b>	<b>(11,182)</b>
Disposal of property and equipment		-	-	1,472
Purchase of property and equipment		(195)	(821)	(5,500)
Investment in intangible assets		(1,099)	(2,264)	(7,154)
<b>Cash used in financing activities</b>		<b>(671)</b>	<b>(2,471)</b>	<b>(3,786)</b>
Dividends paid		(671)	(2,471)	(3,786)
<b>Net variation in cash and cash equivalents</b>		<b>(416,329)</b>	<b>(413,706)</b>	<b>362,753</b>
<b>Statements of changes in cash and cash equivalents</b>				
Cash and cash equivalents at the beginning of the six-month period / year		3,591,598	3,587,491	3,218,293
Exchange rate changes on cash and cash equivalents		7	1,491	6,445
Cash and cash equivalents at the end of the six-month period / year		3,175,276	3,175,276	3,587,491
Increase (decrease) in cash and cash equivalents		<b>(416,329)</b>	<b>(413,706)</b>	<b>362,753</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

(Amounts in thousands of Brazilian reais – R\$, unless otherwise stated)

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## 1. General Information

Banco MUFG Brasil S.A. (“Bank”), headquartered at Av. Paulista, 1274, São Paulo, Brazil, develops activities permitted for banking institutions and operates as a full-service financial institution with: Commercial, Investment, Loan, Financing and Foreign Exchange Portfolios.

## 2. Preparation and presentation of the financial statements

The financial statements have been prepared in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil (BACEN) and in conformity with the accounting guidelines from the Brazilian Corporate Law, considering the changes introduced by Law 11,638/07 and Law 11,941/09, as well as the rules and instructions from the National Monetary Council (CMN) and the Accounting Pronouncements Committee (CPC), when applicable. The financial statements are in conformity with the Accounting Chart for Institutions of the National Financial System (COSIF). The financial statements were completed and approved for issue by Management on March 10, 2020.

## 3. Significant accounting policies

### 3.1. Summary of significant accounting policies

#### a. Statement of profit and loss

Revenues and expenses are recognized on the accrual basis, according to which revenues and expenses should be included in the determination of the profit or loss for the periods in which they are earned or incurred, always simultaneously when they are matched, regardless of receipt or payment.

#### b. Accounting estimates

The preparation of the financial statements in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil requires that Management uses its judgment in determining and recording accounting estimates. Significant assets and liabilities subject to these estimates and assumptions include the residual value of property and equipment, the allowance for loan losses, the deferred

income tax asset, the provision for contingencies, the provision for actuarial obligation, and the valuation of derivative financial instruments. The settlement of transactions involving these estimates may result in amounts different from the estimated amounts due to inaccuracies inherent in the estimation process. These estimates are reviewed at least annually, seeking to establish amounts that approximate the future settlement values of the assets or liabilities considered.

## **c. Current and noncurrent assets and liabilities**

These assets and liabilities are stated at realizable and/or payable amounts, including income, charges, inflation adjustment and exchange rate changes earned and/or incurred through the reporting date, calculated on a daily pro rata basis, and, when applicable, the effect of the adjustments to reduce the cost of assets to market and/or realizable values.

The balances realizable and payable within 12 months are classified in current assets and liabilities, respectively. All other assets and liabilities are considered as noncurrent.

## **d. Securities and derivative financial instruments**

The securities portfolios and derivative financial instruments are stated in accordance with the following accounting recognition and measurement criteria:

### **• Securities**

Securities are classified by Management into three specific categories, according to its trading intention, irrespective of the maturities of papers, as defined by the Central Bank of Brazil (BACEN) Circular Letter 3,068/01, complying with the following recognition criteria:

I. Trading securities – securities acquired for the purpose of being actively and frequently traded.

Securities classified as “trading securities” are stated in current assets, irrespective of their maturity date, at their market value, with a corresponding entry in profit or loss for the period.

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II. Available-for-sale securities – securities that are not classified as trading securities or held-to-maturity securities. These are stated at cost plus income earned, and adjusted to market value as a contra entry to a separate equity account, less taxes, which will be recognized in profit or loss upon the actual sale of the securities.

III. Held-to-maturity securities – securities for which the Bank has the intention and the financial capacity to hold them in the portfolio to maturity.

Securities classified as “held to maturity” are stated at cost, plus income earned through the reporting date, calculated on a daily pro rata basis, which are recognized in profit or loss for the period, and an allowance for impairment is recognized whenever there is a permanent loss in the realizable value of these securities.

As at December 31, 2019 and 2018, the Bank did not have securities classified into the “held to maturity” category.

## • Derivative financial instruments

Derivative financial instruments are classified at their acquisition date, according to the Bank's intention to use them as a hedge or not, pursuant to BACEN's Circular Letter 3,082/02.

Transactions using financial instruments that do not meet the hedging criteria are recognized at their corresponding market value, and the gain or loss derived from such market value adjustment is recognized in an appropriate revenue or expense account.

The derivatives designated as part of a hedging structure are classified as:

I. Market risk hedge – intended to mitigate the risks arising from exposure to change in the fair value of the hedged item.

The financial assets and liabilities and the related financial instruments are stated at market value, and the realized gains and losses are recognized in profit or loss for the period.

II. Cash flow hedge – are intended to mitigate the change in the estimated future cash flow.

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The effective portion of the hedge of the financial assets and liabilities and the related financial instruments are stated at market value, and realized and unrealized gains and losses are recognized in a specific equity account, net of taxes, when applicable. The ineffective portion of the hedge is recognized directly in profit or loss for the period.

The Bank does not have cash flow hedge transactions in the years ended December 31, 2019 and 2018..

## **e. Loans, allowance for loan losses and guarantees and sureties provided**

Loans are classified according to Management's judgment, based on the analyses of the outstanding loan transactions (past due and falling due), past experience, future expectations, specific portfolio risks, and the risk assessment policy of the Bank's management, considering the parameters established in CMN Resolution 2,682/99, which requires the periodic analysis of the portfolio and its classification into nine levels, being AA (minimum risk) and H (loss). Income from loan transactions past due for over 60 days, irrespective of the risk level, will only be recognized as revenue when actually received.

The allowance for loan losses, as shown in note 7c, is considered sufficient by Management and meets the minimum requirement established by the aforementioned Resolution.

As mentioned in note 16, the allowance for guarantees and sureties are considered appropriate according to the recognized credit risk management models and practices and based on consistent information and criteria assessed by Management.

Any debt composition, extension, novation, grating of new transaction for partial or full settlement of previous transaction or any other type of agreement involving change in maturity or payment terms originally agreed are considered as renegotiation, as defined by CMN Resolution 2,682/99.

## **f. Permanent assets**

Investments – Equity instruments are stated at cost, less, when applicable, the allowance for investment losses.

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Property and equipment – Stated at cost, less respective accumulated depreciation, which are calculated under the straight-line method based on the estimated useful lives of the assets. The main rates are: property in use – buildings – 4%; facilities, machinery and equipment, security and communication systems – 10%; and data processing systems and transport – 20%.

Intangible assets – refer to the vested rights in intangible assets for the maintenance of the entity or exercised for this purpose. Intangible assets with finite useful lives are generally amortized on a straight-line basis over the estimated period of economic benefit.

## **g. Impairment of nonfinancial assets**

An impairment loss is recognized if the carrying amount of an asset, or of its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash flows substantially independent from other assets and groups. Impairment losses are recognized in profit and loss for the period. The values of nonfinancial assets are reviewed at least annually to determine whether there is an indication of impairment.

## **h. Provision for income tax and social contribution**

The provision for income tax was set up at the rate of 15% on taxable income, plus a 10% surtax on annual taxable income exceeding R\$240 (profit for the six-month-period of R\$120). The provision for social contribution was set up at the rate of 20% for the period between September 2015 and December 2018, in accordance with Law 13,169/15, returning to the rate of 15% as from January 2019 on adjusted income before income tax. The accounting policy of setting up income tax and social contribution tax assets on temporary differences is also considered, as described in note 21. As from December 2019 the Company started to recognize tax credits at the rate of 45% (20% for social contribution), pursuant to article 32 of Constitutional Amendment 103, of November 12, 2019. Deferred tax liabilities are recognized for all taxable temporary differences.

## **i. Trading account**

Trading accounts are stated at the balances of the transactions carried out on B3 S.A. - Brasil, Bolsa e Balcão pending settlement within the statutory terms or contract terms.

## **j. Tax, civil and labor risks**

The provision for legal claims is recognized when the Bank has a present obligation (legal or constructive) as a result of past events; it is probable that an outflow of funds will be required to settle the obligation, and the amount can be estimated reliably.

When there is a group of similar obligations, the probability of settling them is determined by the Bank, taking into account the group of obligations as a whole.

Provisions are measured at the present value of the expenditures required to settle the obligation, which reflects the current market assessments of the time value of money and specific risks of the obligation. The increase in the obligation is recognized as "Other operating expenses" and the reversal is recognized as "Other operating income".

## **k. Post-employment benefits**

The Bank sponsors Previda Sociedade de Previdência Privada ("Previda"), a supplementary defined benefit plan managed by Multipensions Bradesco Fundo Multipatrocinado de Previdência Privada. The obligation recognized in the balance sheet represents the actuarial calculation of the present value of the defined benefit obligation, less the fair value of the plan's assets, together with the adjustments related to the cost of service and interest.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. Actuarial gains and losses are recognized as equity valuation adjustments. The costs of current and past services and the interest expense and income are recognized in the income statement as "Personnel expenses".

The defined benefit plan was closed for new participants in August 2013. The Bank currently sponsors a supplementary pension plan, which is a defined

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contribution plan managed by Multipensions Bradesco Fundo Multipatrocinado de Previdência Privada, Fitprev Plano de Benefícios de Contribuição Definida ("Fitprev") for those who have not joined the defined benefit plan and for its employees and managers hired after the Previdida plan was closed.

## 4. Breakdown of cash and cash equivalents

Cash and cash equivalents comprise cash equivalents and interbank investments that fall due within 90 days between the acquisition date and the transaction maturity date, are readily convertible into a known amount of cash and are subject to an insignificant risk of change in value. As at December 31, 2019 and 2018, cash and cash equivalents presented in the statement of cash flows comprise:

	2019	2018
At the beginning of the year	<u>3,587,491</u>	<u>3,218,293</u>
Cash and cash equivalents	16,340	19,776
Interbank investments	3,571,151	3,198,517
At the end of the year	<u>3,175,276</u>	<u>3,587,491</u>
Cash and cash equivalents	20,821	16,340
Interbank investments (note 5)	3,154,455	3,571,151

## 5. Interbank investments

Interbank investments considered as cash and cash equivalents, in accordance with CPC 03 – Statement of Cash Flows, are comprised of repurchase transactions in the amount of R\$3,132,997 (2018 – R\$3,550,998), interbank deposits in the amount of R\$5,336 (2018 – R\$0) and foreign currency investments in the amount of R\$16,122 (2018 – R\$20,153), as shown in note 4.

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	2019			2018
	Up to 3 months	3 to 12 months	Over 12 months	Total
<b>Money market investments (*)</b>	<b><u>3,132,997</u></b>	-	-	<b><u>3,132,997</u></b>
<b>Own portfolio</b>	<b><u>3,132,997</u></b>	-	-	<b><u>3,132,997</u></b>
Financial Treasury Bills - LFT	-	-	-	2.999
National Treasury Bills - LTN	-	-	-	1.029.465
National Treasury Notes - NTN-B	3,132,997	-	-	3.547.999
<b>Interbank deposits</b>	<b><u>5,336</u></b>	<b><u>13,080</u></b>	<b><u>82,305</u></b>	<b><u>100,721</u></b>
Interbank deposit certificate	5,336	13,080	82,305	54,654
<b>Foreign-currency short-term investments</b>	<b><u>16,122</u></b>	-	-	<b><u>16,122</u></b>
Foreign-currency short-term investments	16,122	-	-	20,153

(\*) The maturity presented shows the maturity of the security and not of the repurchase transaction.

## 6. Securities

### a. Breakdown by category / maturity

	2019			2018
Category	Up to 3 months	3 to 12 months	Over 12 months	Total
Trading securities	-	-	3,662	-
Available-for-sale securities	<u>586,323</u>	<u>1,415,481</u>	<u>1,446,246</u>	<u>2,696,871</u>
<b>Grand total</b>	<b><u>586,323</u></b>	<b><u>1,415,481</u></b>	<b><u>1,449,908</u></b>	<b><u>3,451,712</u></b>

### b. Breakdown by security type

	2019			2018
Trading	Curve value	Market value	Adjustment	Market value
National Treasury Notes - NTN	<u>3,649</u>	<u>3,662</u>	<u>13</u>	-
<b>Subtotal</b>	<b><u>3,649</u></b>	<b><u>3,662</u></b>	<b><u>13</u></b>	-

	2019			2018
Available for sale	Curve value	Market value	Adjustment	Market value
National Treasury Bills - LTN (Hedge) (note 20)	419,099	429,643	10,544	429,140
Financial Treasury Bills - LFT	2,403,169	2,403,141	(28)	2,267,731
Financial Bills (LF)	354,405	351,702	(2,703)	-
Debentures	<u>264,103</u>	<u>263,564</u>	<u>(539)</u>	-
<b>Subtotal</b>	<b><u>3,440,776</u></b>	<b><u>3,448,050</u></b>	<b><u>7,274</u></b>	<b><u>2,696,871</u></b>
<b>Grand Total</b>	<b><u>3,444,425</u></b>	<b><u>3,451,712</u></b>	<b><u>7,287</u></b>	<b><u>2,696,871</u></b>

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For securities classified as “available-for-sale securities”, the market value measurement is performed by discounting the future flow to present value using the interest rate curves prepared by an area independent from the business area and which follows its own methodology and the best market practices, according to the specific characteristics of each security, based mainly on data disclosed by B3 S.A. - Brasil, Bolsa e Balcão and ANBIMA. The mark-to-market adjustment of securities classified as “available-for-sale securities” is recognized in equity, net of taxes.

Securities classified as “trading securities” are measured at market value as a contra entry to profit or loss for the period and stated in the balance sheet, in current assets, irrespective of their maturity dates.

Government bonds are held in custody with the Special Clearance and Custody System –(SELIC), and private securities are held in custody with CETIP S/A - Mercados Organizados.

As described in note 3d, the Bank recorded in a line item within equity, as mark-to-market adjustment of securities classified as “available-for-sale securities” for the year ended December 31, 2019, loss of R\$1,798 (2018 – loss of R\$26), net of taxes. The mark-to-market adjustment of hedged investments in National Treasury Bills is recognized in profit or loss, as shown in note 20.

Income from securities designated as hedge accounting instruments in the year ended December 31, 2019 was R\$5,541 (2018 - R\$(2,165)), recognized in the income statement.

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## Amounts provided as collaterals

Type of security	2019		2018
	Quantity	Amount	Amount
National Treasury Bills – LTN (Hedge)	414,452	396,080	429,140
Financial Treasury Bills - LFT	202,703	2,122,262	1,745,794
<b>Grand Total</b>	<b>617,155</b>	<b>2,518,342</b>	<b>2,174,934</b>

## 7. Lending operations

### a. Breakdown of loan portfolio and other receivables activity by risk level and economic sector

				2019	2018
Lending operations					
	Trade	Industry	Other services	Total	Total
AA	230,955	418,401	351,962	1,001,318	1,304,314
B	-	6,128	-	6,128	99,923
C	1,060	-	-	1,060	-
D	-	1,063	-	1,063	16,652
Subtotal	232,015	425,592	351,962	1,009,569	1,420,889

Other receivables - Foreign exchange portfolio / Receivables with no co-obligation (*)					
	Trade	Industry	Other services	Total	Total
AA	51,651	115,420	234,152	401,223	752,768
A	104,498	-	-	104,498	-
B	-	14,723	-	14,723	-
D	-	-	-	-	3,523
Subtotal	156,149	130,143	234,152	520,444	756,291
<b>Grand Total</b>	<b>388,164</b>	<b>555,735</b>	<b>586,114</b>	<b>1,530,013</b>	<b>2,177,180</b>

(\*) Acquisition of receivables with no co-obligation is classified in the balance sheet in "Other receivables – Sundry".

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## b. Breakdown of the loan portfolio and other receivables by product and maturity range

Product / Maturity				2019	2018
	Falling due			Total	Total
	Up to 90 days	91 to 365 days	Over 365 days		
Working capital	43,262	63,383	334,646	441,291	516,857
Overdraft account	-	-	-	-	6,275
Onlending CMN Res. 3,844/10	-	-	-	-	1,922
BNDES and Finame loans	400	3,550	31,242	35,192	30,217
Export financing	-	91,365	406,614	497,979	733,384
Rural financing	-	20,014	15,093	35,107	132,234
ACC / ACE	273,851	93,669	-	367,520	595,620
Receivables with no co-obligation	-	<u>51,651</u>	<u>101,273</u>	<u>152,924</u>	<u>160,671</u>
<b>Grand Total</b>	<b><u>317,513</u></b>	<b><u>323,632</u></b>	<b><u>888,868</u></b>	<b><u>1,530,013</u></b>	<b><u>2,177,180</u></b>

## c. Breakdown of the allowance by risk levels

In accordance with CMN Resolution 2,682/99, the analysis of the loan portfolio and other receivables and the related risk levels is presented below:

Total Operations - 2019						
Risk level	Minimum allowance required	Normal course loans	Total loans	Minimum allowance required	Total allowance	Actual % of allowance
AA	-	1,402,541	1,402,541	-	1,262	0,09
A	0,50	104,498	104,498	522	742	0,71
B	1,00	20,851	20,851	209	405	1,94
C	3,00	1,060	1,060	32	63	5,94
D	10,00	<u>1,063</u>	<u>1,063</u>	<u>106</u>	<u>119</u>	11,19
<b>Grand Total</b>		<b><u>1,530,013</u></b>	<b><u>1,530,013</u></b>	<b><u>869</u></b>	<b><u>2,591</u></b>	

Total Operations - 2018							
Risk level	Minimum allowance required	Normal course loans	Total loans	Minimum allowance required	Total allowance	Actual % of allowance	% Efetivo de provisão
AA	-	2,057,077	5	2,057,082	-	2,057	0,10
B	1,00	99,923	-	99,923	999	1,259	1,26
D	10,00	<u>20,175</u>	-	<u>20,175</u>	<u>2,018</u>	<u>2,278</u>	11,29
<b>Grand Total</b>		<b><u>2,177,175</u></b>	<b><u>5</u></b>	<b><u>2,177,180</u></b>	<b><u>3,017</u></b>	<b><u>5,594</u></b>	

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The allowance recognized by the Bank is higher than the minimum allowance required by CMN Resolution 2,682/99 due to the allowance criterion determined by the head office (MUFG Bank, Ltd.), applied by the Bank, which reflects Management's loss estimate. The allocation between ratings corresponds to the range of accrual defined by CMN Resolution 2,682/99.

## d. Concentration by largest debtors

	2019			2018		
	Balance	Portfolio %	Allowances	Balance	Portfolio %	Allowances
Largest client	282,045	18	254	311,034	14	311
10 following largest clients	1,017,499	67	1,564	1,401,918	65	2,347
Other clients	230,469	15	773	464,228	21	2,936
<b>Grand Total</b>	<b><u>1,530,013</u></b>	<b><u>100</u></b>	<b><u>2,591</u></b>	<b><u>2,177,180</u></b>	<b><u>100</u></b>	<b><u>5,594</u></b>

## e. Restricted receivables

Information related to restricted receivables performed as established in CMN Resolution 2,921/02 is as follows:

	2019		2018	
	Assets (Liabilities)	Income (Expenses)	Assets (Liabilities)	Income (Expenses)
<b>Restricted receivables</b>	<b><u>428,300</u></b>	<b><u>24,509</u></b>	<b><u>664,346</u></b>	<b><u>15,994</u></b>
Loans	428,300	24,509	664,346	15,994
<b>Obligations arising from restricted receivables</b>	<b><u>(427,930)</u></b>	<b><u>(22,481)</u></b>	<b><u>(663,958)</u></b>	<b><u>(15,038)</u></b>
Foreign onlendings	(427,930)	(22,481)	(663,958)	(15,038)
<b>Net income from restricted receivables</b>	<b>-</b>	<b><u>2,028</u></b>	<b>-</b>	<b><u>956</u></b>

	2019			2018
	91 to 365 days	Over 365 days	Total	Total
<b>Restricted receivables</b>				
Loans	60,608	367,692	428,300	664,346
<b>Grand Total</b>	<b><u>60,608</u></b>	<b><u>367,692</u></b>	<b><u>428,300</u></b>	<b><u>664,346</u></b>

As at December 31, 2019, the Bank did not register default by creditors and did not identify any legal dispute related to these transactions.

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## f. Variations in the allowance

Variations in the allowance for loan losses were as follows during the six-month period / year:

	2 <sup>nd</sup> Six-month	Year	
	2019	2019	2019
Opening balance	4,904	5,594	13,071
Recognition of allowance	942	3,284	3,897
Reversal of allowance	(3,255)	(6,287)	(11,374)
<b>Closing balance</b>	<b><u>2,591</u></b>	<b><u>2,591</u></b>	<b><u>5,594</u></b>
% of allowance on loan portfolio and other receivables	<b><u>0.17</u></b>	<b><u>0.17</u></b>	<b><u>0.26</u></b>

## g. Other information

	2 <sup>nd</sup> Six-month	Year	
	2019	2019	2019
Renegotiated loans	<u>483,712</u>	<u>923,986</u>	<u>697,115</u>

Renegotiated transactions mainly consist of renewals of working capital loans and acquisition of receivables with no co-obligation.

The recoveries of receivables previously written-off as losses in the six-month period ended December 31, 2019 amounted to R\$12,469 (2018 – R\$0), totaling the amount of R\$31,021 (2018 – R\$9,046) in the year.

## 8. Other receivables - Sundry

	2019	2019
Escrow deposits	226,335	240,855
Advances and prepayment of salaries	351	739
Tax credits on temporary differences (note 21)	68,621	60,465
Taxes to offset	27,932	26,944
Bonds and other receivables (with characteristics of loan transactions)	152,924	160,671
Sundry debtors - Domestic	50	19
Reimbursable payments	36	174
Other	-	4
<b>Grand Total</b>	<b><u>476,249</u></b>	<b><u>489,871</u></b>

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## 9. Permanent assets

### a. Property and equipment

In the year ended December 31, 2019, write-off was recognized relating to several leasehold improvements in the net amount of R\$6,066 (2018 – R\$0).

	Cost		Accumulated depreciation		Net value	
	2019	2018	2019	2018	2019	2018
Land	1,183	1,183	-	-	1,183	1,183
Buildings	18,755	31,168	14,092	18,723	4,663	12,445
Facilities, furniture and equipment in use	6,451	7,093	4,434	4,251	2,017	2,842
Data processing system	19,095	20,435	12,902	12,281	6,193	8,154
Transport system	718	850	527	592	191	258
Security system	3,291	3,291	2,192	1,890	1,099	1,401
Communication system	1,527	1,565	1,313	1,275	214	290
Construction in progress	238	87	-	-	238	87
<b>Grand Total</b>	<b>51,258</b>	<b>65,672</b>	<b>35,460</b>	<b>39,012</b>	<b>15,798</b>	<b>26,660</b>

### b. Intangible assets

In the year ended December 31, 2019, write-off was recognized relating to system – intangible assets in the net amount of R\$4,920 (2018 – R\$0).

	Cost		Accumulated depreciation		Net value	
	2019	2018	2019	2018	2019	2018
Expenditures on acquisition and development of software	53,106	65,267	35,470	40,395	17,636	24,872
In progress	5,056	10,015	-	-	5,056	10,015
<b>Grand Total</b>	<b>58,162</b>	<b>75,282</b>	<b>35,470</b>	<b>40,395</b>	<b>22,692</b>	<b>34,887</b>

## 10. Related-party transactions

For the Bank, related parties are defined as being MUFG Bank, Ltd. (parent company) and branches, shareholders and companies related to them, its management and other key management personnel and their relatives.

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	2019		2018	
	Assets (Liabilities)	Income (Expenses)	Assets (Liabilities)	Income (Expenses)
<b>Cash and cash equivalents in foreign currencies</b>	<b>19,140</b>	<b>(133,152)</b>	<b>14,067</b>	<b>197,190</b>
MUFG: Bank (New York Branch)	7,837	-	7,422	-
MUFG: Bank (London Branch)	5,229	-	1,268	-
MUFG Bank, Ltd.	2,770	-	5,203	-
MUFG: Bank (Hong Kong Branch)	3,025	-	31	-
MUFG Bank Mexico, S.A.	241	-	106	-
MUFG: Bank (Singapore Branch)	19	-	18	-
Bank of Ayudhya Public Company Limited	19	-	19	-
- exchange rate change	-	(133,152)	-	197,190
<b>Interbank investments in foreign currencies</b>	<b>16,120</b>	<b>(7,037)</b>	<b>15,500</b>	<b>24,277</b>
MUFG: Bank (New York Branch)	16,120	(7,037)	15,500	24,277
- interest	-	885	-	1,023
- exchange rate change	-	(7,922)	-	23,254
<b>Swap transactions</b>	<b>56</b>	<b>(105)</b>	<b>825</b>	<b>1,166</b>
MUFG: Bank (New York Branch)	56	(105)	825	1,166
- income from derivative transactions	-	945	-	4,909
- expenses on derivative transactions	-	(1,050)	-	(3,743)
<b>Demand deposit</b>	<b>(80,067)</b>	<b>-</b>	<b>(2,974)</b>	<b>-</b>
MUFG Bank, Ltd.	(80,067)	-	(2,974)	-
<b>Borrowings and onlendings</b>	<b>(3,662,381)</b>	<b>(148,353)</b>	<b>(4,928,978)</b>	<b>(794,656)</b>
MUFG: Bank (New York Branch)	(3,302,377)	(115,649)	(4,495,690)	(678,836)
- interest	-	(111,017)	-	(92,672)
- exchange rate change	-	(4,632)	-	(586,164)
MUFG Bank, Ltd.	(360,004)	(32,704)	(433,288)	(115,820)
- interest	-	(11,354)	-	(13,921)
- exchange rate change	-	(21,350)	-	(101,899)
<b>Dividends payable</b>	<b>(249,308)</b>	<b>-</b>	<b>(1,799)</b>	<b>-</b>
MUFG Bank, Ltd.	(249,308)	-	(1,799)	-
<b>Services rendered (receipts and payments)</b>	<b>1,011</b>	<b>8,233</b>	<b>(1,187)</b>	<b>18,904</b>
MUFG: Bank (New York Branch)	1,186	8,493	(1,162)	18,975
- Receipts	3,241	17,328	1,115	25,833
- Accrued payments	(2,055)	(8,835)	(2,277)	(6,858)
MUFG Bank, Ltd.	(175)	(260)	(25)	(71)

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## a. Compensation of key management personnel

The Annual General and Extraordinary Meetings of shareholders held on April 26, 2017 established the annual overall management compensation of the Executive Board and Advisory Board, having as limit the maximum amount of R\$20,196 to be distributed to the Officers and/or Directors.

	2 <sup>nd</sup> Six-month Period		Year
	2019	2019	2018
Fixed compensation	3,110	6,078	5,674
Variable compensation	<u>1,912</u>	<u>3,516</u>	<u>3,994</u>
<b>Grand Total</b>	<b><u>5,022</u></b>	<b><u>9,594</u></b>	<b><u>9,668</u></b>

The payment of variable management compensation is in accordance with CMN Resolution 3,921/2010, and is deferred over the minimum period of three years, and established according to the risks and activity of the manager.

The number of shares held by the Executive Board is 10,618 shares (2018 - 10,618), which account for 0.000243743% of the total number of shares.

The Bank does not have post-employment benefits nor long-term benefits due to termination of labor agreements for key management personnel.

## b. Other information

Pursuant to prevailing legislation, the Bank does not grant loans or advances to:

- Executive officers nor to their respective spouses and relatives up to the 2<sup>nd</sup> degree.
- Individuals or legal entities holding an equity interest exceeding 10% of the Bank's capital.
- Legal entities, the capital of which the Bank, or any of the executive officers or managers of the institution and their spouses and respective relatives up to the 2<sup>nd</sup> degree hold equity interest exceeding 10%.
- The Bank's controlling shareholder.

Accordingly, neither loans nor advances are made by the Bank to any of the entities and persons listed above.

Note: The Bank does not have Board of Directors and Supervisory Board.

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## 11. Deposits and funding

	2019				
	No maturity	Up to 90 days	91 to 365 days	Over 365 days	Total
Demand deposits	127,511	-	-	-	127,511
Time deposits (*)	-	199,871	565,903	957,005	1,722,779
Repurchase transactions	-	540,021	-	-	540,021
<b>Grand Total</b>	<b>127,511</b>	<b>739,892</b>	<b>565,903</b>	<b>957,005</b>	<b>2,390,311</b>

	No maturity	Up to 90 days	91 to 365 days	Over 365 days	Total
Demand deposits	73,648	-	-	-	73,648
Time deposits (*)	-	339,136	960,013	951,228	2,250,377
Repurchase transactions	-	-	-	93,870	93,870
Agribusiness letter of credit	-	51,024	-	-	51,024
<b>Grand Total</b>	<b>73,648</b>	<b>390,160</b>	<b>960,013</b>	<b>1,045,098</b>	<b>2,468,919</b>

(\*) In the balance sheet, deposits are classified as current liabilities due to their daily liquidity characteristics.

## 12. Borrowings and onlendings

Borrowings and onlendings refer to funding in foreign currency, which are adjusted using the exchange rate changes plus spread agreed among the parties.

	2019	2018
<b>MUFG: Bank (New York Branch)</b>	<b>3,302,377</b>	<b>4,495,690</b>
Foreign funding in accordance with CMN Resolution 3844, with maturity until May 2023	436,355	673,713
Foreign funding in accordance with CMN Resolution 3844 - hedge accounting with maturity until July 2019 (note 20)	-	2,694,326
Other obligations in foreign currency, with maturity until January 2020	2,866,022	1,127,651
<b>MUFG Bank, Ltd.</b>	<b>360,004</b>	<b>433,288</b>
Financing of foreign trade transaction with maturity until August 2020	357,977	433,288
Foreign funding in accordance with CMN Resolution 3,844, with maturity until June 2020	<u>2,027</u>	-
<b>Barclays Bank Plc - London</b>	<b>1,130</b>	-
Other obligations in foreign currency, with maturity until January 2020	1,130	-
<b>Government Institutions - BNDES and FUNCAFÉ</b>	<b>70,001</b>	<b>161,908</b>
Local onlendings with maturity until August 2027	70,001	161,908
<b>Grand Total</b>	<b>3,733,512</b>	<b>5,090,886</b>

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## 13. Foreign exchange portfolio

### a. Other receivables - assets

	2019	2018
Foreign exchange purchased pending settlement	7,750,865	8,970,652
Rights on sales of foreign exchange	7,402,774	7,676,433
Advances in local currency received	(1,467)	(7,979)
Income receivable from advances granted	<u>2,156</u>	<u>4,042</u>
<b>Grand Total</b>	<b><u>15,154,328</u></b>	<b><u>16,643,148</u></b>

### b. Other payables - liabilities

	2019	2018
Foreign exchange sold pending settlement	7,331,466	7,688,940
Obligations on acquisition of foreign exchange	7,814,877	8,945,636
Advances on foreign exchange contracts	(365,364)	(591,578)
Amounts in foreign currency payable	-	34
<b>Grand Total</b>	<b><u>14,780,979</u></b>	<b><u>16,043,032</u></b>

## 14. Tax and social security

	2019	2018
Provision for income tax and social contribution	65,402	45,632
Provision for deferred income tax and social contribution (note 21)	57,180	89,724
Taxes and contributions on third-party services	128	202
Taxes and contributions on payroll	3,451	3,803
Other taxes (Federal)	1,222	2,767
Other taxes (Municipal)	<u>292</u>	<u>175</u>
<b>Grand Total</b>	<b><u>127,675</u></b>	<b><u>142,303</u></b>

## 15. Assets and liabilities related to labor, civil and tax contingencies

The provision for contingent and tax liabilities is recognized in the financial statements as "Other liabilities - Sundry" when, based on the opinion of legal counsel and Management, an unfavorable outcome in a lawsuit or administrative proceeding is considered as probable, generating a probable outflow of funds to settle the obligations and when the amounts involved may be estimated reliably, regardless of whether escrow deposits are required or not.

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Legal obligations arise from lawsuits related to tax obligations, the lawfulness or constitutionality of which is being challenged and that, regardless of the assessment of the likelihood of a favorable outcome, have their amounts fully recognized in the financial statements.

The escrow deposits are recognized in the account "Other receivables - Sundry" (note 8).

The provision for labor claims refers to lawsuits filed by former employees and service providers. The amount of the labor contingencies is provided for considering each lawsuit's individual characteristics.

	2019					
	Provision for labor, civil and tax risks					
	Opening balance	Addition to provision	Reversal of provision	Use	Closing balance	Escrow deposits
Labor	18,625	5,401	(1,403)	(6,866)	15,757	3,455
Civil	25,806	1,233	-	(175)	26,864	-
Tax	126,088	4,496	(455)	(202)	129,927	205,747
IRPJ/CSLL (i)	46,812	1,085	-	-	47,897	124,625
COFINS (ii)	77,535	2,662	-	-	80,197	79,821
ISS	1,607	113	(455)	(202)	1,063	668
Other	134	636	-	-	770	633
<b>Grand Total</b>	<b>170,519</b>	<b>11,130</b>	<b>(1,858)</b>	<b>(7,243)</b>	<b>172,548</b>	<b>209,202</b>

	2018					
	Provision for labor, civil and tax risks					
	Opening balance	Addition to provision	Reversão de provisão	Use	Closing balance	Escrow deposits
Labor	16,629	6,892	(655)	(4,241)	18,625	3,339
Civil	22,696	3,194	-	(84)	25,806	-
Tax	122,033	4,443	(342)	(46)	126,088	199,330
IRPJ/CSLL (i)	45,558	1,254	-	-	46,812	121,537
COFINS (ii)	74,438	3,097	-	-	77,535	77,164
ISS	1,515	92	-	-	1,607	629
Other	522	-	(342)	(46)	134	-
<b>Grand Total</b>	<b>161,358</b>	<b>14,529</b>	<b>(997)</b>	<b>(4,371)</b>	<b>170,519</b>	<b>202,669</b>

(i) Refers mainly to the legal obligation with respect to the litigation related to the collection of Income Tax (IRPJ) and Social Contribution (CSLL) arising from deferred income related to prior-year loan transactions under settlement. The Bank joined the program established by Law 11,941/09 (REFIS Program) and withdrew the litigation. However, this discussion has not yet a final and unappealable decision and, therefore, there was no accounting impact.

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(ii) Refers to the legal obligation related to the Tax on Revenue (COFINS), where the Bank discusses Law 9718/98.

There are other tax and labor lawsuits assessed by the legal counsel as possible risk, in the inflation adjusted amount of R\$103,739 (2018 - R\$99,994), for which no provision was recognized due to the fact that the accounting practices adopted in Brazil do not require their recognition and which consist basically of the following cases:

- Labor claims - R\$7,772 (2018 - R\$11,610): The contingencies rated as possible are based on the assessments of the legal counsel in charge of handling these cases.
- Refund of IRPJ, CSLL, PIS and COFINS amounts - R\$35,983 (2018 - R\$34,638): Consists of a writ of mandamus filed to ensure the Bank's right not to be required to pay Corporate Income Tax (IRPJ), Social Contribution on Net Income (CSLL), and Taxes on Revenue (PIS and COFINS) on the amounts already received and those to be received as late payment interest because of unduly paid taxes recognized in ordinary proceedings, particularly to recover unduly paid taxes through offsetting or administrative refund after the writ of mandamus is terminated.
- Offsetting article Art.74 of Law 9,430/96 and Law 10,637/02 - COFINS (from February 1998 to December 2000) - R\$27,631 (2018 - R\$27,161): Consists of a writ of mandamus filed to ensure the Bank's right to offset the COFINS amounts unduly paid in the period from February 02/1999 to December 12/2000, pursuant to article 74 of Law 9,430/96, as amended by Law 10,637/2002, plus SELIC (Central Bank overnight interest rate), as set forth by Law 9,250 of December 27, 1995.
- In addition, the Bank is a party to other tax lawsuits with possible risk amounting to R\$32,353 (2018 - R\$26,585) including lawsuits related to ISS, IRRF, CPMF, among others. The Bank has escrow deposits associated to these tax lawsuits amounting to R\$2,765 as at December 31, 2019 (2018 - R\$2,774).
- The Bank has other escrow deposits of tax nature amounting to R\$14,368 (2018 - R\$35,412), the likelihood of loss of which is assessed as remote.

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## 16. Provision for guarantees provided and other co-obligations

The provision for financial guarantees provided and other co-obligations is recognized in the financial statements as “Other liabilities - Sundry” (note 17). Refers to amounts related to financial guarantees provided and outstanding import credits according to recognized credit risk management models and practices and based on consistent information and criteria, which is subject to verification, as set forth by CMN Resolution 4,512/16.

	2 <sup>nd</sup> Six-month Period	Year	
	2019	2019	2018
Opening balance	7,101	5,028	1,709
Recognition of provision	660	2,737	3,457
Reversal of provision	(1,253)	(1,257)	(138)
<b>Closing balance</b>	<b><u>6,508</u></b>	<b><u>6,508</u></b>	<b><u>5,028</u></b>

	2019		2018	
	Guarantees provided	Provision	Guarantees provided	Provision
Related to bids, auctions, construction works service or execution	44,699	40	14,712	15
Related to supply of goods	58,483	804	78,365	460
Other bank guarantees	778,431	5,664	950,297	4,550
Outstanding import credits	=	=	3,430	3
<b>Grand Total</b>	<b><u>881,613</u></b>	<b><u>6,508</u></b>	<b><u>1,046,804</u></b>	<b><u>5,028</u></b>

## 17. Other liabilities - Sundry

	2019	2018
Provision for contingencies (note 15)	172,548	170,519
Provision for financial guarantees and other co-obligations (note 16)	6,508	5,028
Accrued payments - personnel expenses	23,490	27,429
Accrued payments - services rendered by related parties	2,230	2,302
Accrued payments - other payments	3,372	2,703
Actuarial liabilities (note 23)	12,349	13,110
Sundry creditors - Domestic	6,862	4,487
<b>Grand Total</b>	<b><u>227,359</u></b>	<b><u>225,578</u></b>

## 18. Equity

Share capital is represented by 4,356,234,893 (2018 - 4,356,234,893) registered common shares with no par value, of which 13,599,844 (2018 - 13,599,844) are held by shareholders resident in Brazil, 24,714,392 (2018 - 24,714,392) are treasury shares, and 4,317,920,657 (2018 - 4,317,920,657) are held by shareholders resident abroad, and as at December 31, 2019, the adjusted book value of each share was R\$0.29 (2018 – R\$0.35).

The by-laws establish the payment of a minimum dividend equivalent to 6% of the profit, calculated based on the total outstanding shares, less the percentage of treasury shares.

The meeting of the Executive Board held on December 20, 2019 decided on the declaration and distribution of interim dividends out of retained earnings for the previous fiscal years in the total amount of R\$250,000 (2018 – R\$0), in conformity with Paragraph Six, Article 17 of the Bylaws, subject to subsequent referendum of the Annual General Meeting. Dividends were distributed on January 17, 2020.

In the six-month period ended December 31, 2019, the amount of R\$250,093 was allocated, totaling R\$250,764 in the year (2018 – R\$3,055), of which R\$250,000 as interim dividend distribution out of retained earnings for previous fiscal years.

If the shareholder does not redeem the dividend within the 3-year period from the distribution date, the amount is reversed to equity. In the six-month period ended December 31, 2019, the amount of R\$5 was reversed, totaling R\$12 in the year (2018 – R\$5).

The capital reserves comprise the reserve for premium on subscription of shares and the reserve for premium on the disposal of treasury shares.

The legal reserve is set up as established in Corporate Law, and may be used to offset losses or to increase capital.

The by-laws reserve corresponds to the transfer of funds accounted for in the retained earnings account, for the formation of working capital and maintenance of operating margin as established in the by-laws.

## 19. Derivative financial instruments

The Bank's policy is to mitigate the market risks arising from transactions by using derivative financial instruments. The market risk is managed by an independent area, which uses practices that include the measurement and monitoring of the use of limits previously defined by internal committees, the value at risk of the portfolios, the sensitivity to interest rate fluctuations, the foreign exchange exposure, and the liquidity gap, among other practices that permit the monitoring of the risks of fluctuation in asset prices, interest rates and other factors that may affect the positions of the portfolios in the various markets where the Bank operates. The derivative financial instruments used for hedging purposes always have a credit risk equal to or higher than those of the financial instrument hedged.

The market value of swaps is determined considering the estimated cash flow of each side of the transaction, discounted to present value based on applicable interest rate curves, which are considered as representative of the market conditions at the reporting date.

Forward transactions are recorded at the final value of the contract less the difference between this value and the cash price of the asset or right, recognizing the income and expenses over the terms of the contracts, until the reporting date.

Trading accounts – futures transactions - daily adjustments are recorded in asset and liability accounts and allocated daily as income and expenses. As at December 31, 2019, the daily adjustments of these transactions in the balance sheet was R\$(75,247) (2018 – R\$(33,036)) and in the income statements was R\$323,163 (2018 – R\$1,449,865).

Futures transactions are traded and held in custody at B3 S.A. - Brasil, Bolsa e Balcão, and swap and NDF transactions are held in custody at Cetip S.A. - Mercados Organizados.

Guarantees provided for derivative transactions carried out at B3 S.A. - Brasil, Bolsa e Balcão refers to federal government bonds and total R\$2,164,212 (2018 - R\$1,858,743), recognized as linked to guarantees provided.

As at December 31, 2019, the positions of derivative financial instruments were represented as follows:

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	2019			
Notional value	Up to 90 days	91 to 365 days	Over 365 days	Total
<b>FUTURES</b>	<b><u>7,735,300</u></b>	<b><u>5,420,683</u></b>	<b><u>3,073,079</u></b>	<b><u>16,229,062</u></b>
Purchase	<u>5,376,423</u>	<u>4,855,349</u>	<u>2,532,920</u>	<u>12,764,692</u>
Foreign exchange coupon	4,039,231	4,270,374	2,461,366	10,770,971
Foreign currency	1,337,192	-	-	1,337,192
Interest rate	-	584,975	71,554	656,529
Sale	<u>2,358,877</u>	<u>565,334</u>	<u>540,159</u>	<u>3,464,370</u>
Foreign exchange coupon	-	-	27,680	27,680
Foreign currency	1,971,781	81,041	-	2,052,822
Interest rate	387,096	484,293	512,479	1,383,868
<b>SWAP</b>	<b><u>636,923</u></b>	<b><u>4,738,364</u></b>	<b><u>2,829,227</u></b>	<b><u>8,204,514</u></b>
CDI (Interbank Deposit Certificate) X US\$	140,980	4,326,943	2,545,082	7,013,005
CDI X EURO	88,532	-	-	88,532
CDI X Libor	142,735	13,081	-	155,816
US\$ X CDI	-	-	269,845	269,845
Libor X US\$	163,126	-	-	163,126
PRE X CDI	101,550	-	14,300	115,850
PRE X US\$	-	374,159	-	374,159
Libor X PRE	-	24,181	-	24,181
<b>NDF</b>	<b><u>526,067</u></b>	<b><u>875,770</u></b>	<b><u>20,504</u></b>	<b><u>1,422,341</u></b>
Long position	<u>86,500</u>	<u>816,599</u>	<u>20,504</u>	<u>923,603</u>
US\$ Dollar	85,691	815,780	20,504	921,975
Swiss franc	809	819	-	1,628
Short position	<u>439,567</u>	<u>59,171</u>	-	<u>498,738</u>
US\$ Dollar	436,159	56,479	-	492,638
Euro	1,633	2,692	-	4,325
Yen	1,775	-	-	1,775

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	2018			
Notional value	Up to 90 days	91 to 365 days	Over 365 days	Total
<b>FUTURES</b>	<b><u>3,775,107</u></b>	<b><u>6,597,414</u></b>	<b><u>5,693,016</u></b>	<b><u>16,065,537</u></b>
Purchase	2,264,050	5,981,549	5,361,626	13,607,225
Foreign exchange coupon	226,714	5,978,673	5,309,619	11,515,006
Foreign currency	2,031,868	-	-	2,031,868
Interest rate	5,468	2,876	52,007	60,351
Sale	<u>1,511,057</u>	<u>615,865</u>	<u>331,390</u>	<u>2,458,312</u>
Foreign currency	1,506,575	-	-	1,506,575
Interest rate	4,482	615,865	331,390	951,737
<b>SWAP</b>	<b><u>280,038</u></b>	<b><u>2,956,073</u></b>	<b><u>5,439,250</u></b>	<b><u>8,675,361</u></b>
CDI (Interbank Deposit Certificate) X US\$	185,301	2,794,973	4,725,937	7,706,211
CDI X PRE	10,041	-	-	10,041
CDI X Libor	29,350	-	168,896	198,246
Libor X US\$	-	-	163,126	163,126
PRE X CDI	-	-	115,850	115,850
PRE X US\$	-	161,100	218,951	380,051
Libor X PRE	55,346	-	46,490	101,836
Libor X PRÉ	-	24.181	-	24.181
<b>NDF</b>	<b><u>484,201</u></b>	<b><u>235,807</u></b>	<b><u>5,020</u></b>	<b><u>725,028</u></b>
Long position	<u>171,114</u>	<u>136,733</u>	-	<u>307,847</u>
US\$ Dollar	152,597	135,981	-	288,578
Euro	17,774	-	-	17,774
Swiss franc	743	752	-	1,495
Short position	313,087	99,074	5,020	417,181
US\$ Dollar	<u>181,656</u>	<u>40,911</u>	<u>2,844</u>	<u>225,411</u>
Euro	1,664	2,161	2,176	6,001
Yen	127,209	56,002	-	183,211
Hong Kong Renminbi	2,558	-	-	2,558

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	2019			2018		
	Value		Adjustment	Value		Adjustment
	MTM (a)	Accrual (b)		MTM (a)	Accrual (b)	
SWAP	(503,058)	(443,587)	(59,471)	(453,960)	(460,307)	6,347
CDI X US\$	(437,166)	(360,888)	(76,278)	(364,479)	(357,370)	(7,109)
CDI X PRE	-	-	-	(883)	(863)	(20)
CDI X Libor	(69,224)	(69,856)	632	(90,377)	(90,263)	(114)
CDI X EURO	1,631	1,326	305	-	-	-
US\$ X CDI	10,419	2,596	7,823	-	-	-
Libor X US\$	112	51	61	2,671	240	2,431
PRE X CDI	5,930	3,807	2,123	3,126	1,271	1,855
PRE X US\$	(13,965)	(20,643)	6,678	(2,873)	(13,462)	10,589
Libor X PRE	56	20	36	825	140	685
CVA Adjustment (note 22)	(851)	-	(851)	(1,970)	-	(1,970)
NDF	(31,586)	(26,055)	(5,531)	(2,097)	22	(2,119)
Long position	(26,457)	(19,967)	(6,490)	(1,213)	(34)	(1,179)
US\$ Dollar	(26,499)	(20,017)	(6,482)	(1,011)	153	(1,164)
Euro	-	-	-	(295)	(288)	(7)
Swiss franc	42	50	(8)	93	101	(8)
Short position	(5,129)	(6,088)	959	(883)	57	(940)
US\$ Dollar	(5,268)	(6,218)	950	(1,482)	(2,012)	530
Euro	121	61	60	(27)	(112)	85
Yen	71	69	2	707	2,162	(1,455)
Hong Kong Renminbi	-	-	-	24	19	5
CVA Adjustment (note 22)	(53)	-	(53)	(105)	-	(105)
	2019			2018		
	Assets	Liabilities		Assets	Liabilities	
	Difference			Difference		
	Receivable	Payable		Receivable	Payable	
Grand Total	91,775	626,419		131,151	587,208	
Total Swap	86,395	589,453		124,555	578,515	
Swap	87,246	589,453		126,525	578,515	
CVA adjustment	(851)	-		(1,970)	-	
Total NDF	5,380	36,966		6,596	8,693	
NDF	5,433	36,966		6,701	8,693	
CVA adjustment	(53)	-		(105)	-	

## 20. Hedge - Market risk hedge

The Bank adopts the hedging policy in accordance with its risk management policies. These hedging transactions are carried out in compliance with BACEN Circular Letter 3,082 /2002, which requires the periodic assessment of the hedging effectiveness and the market value recording of both the derivative financial instrument and the hedged item, considering that it refers to a fair value hedge transaction.

The Bank has futures contracts used as hedging instrument as part of the fair value hedge strategy.

The hedged items are securities initially designated as available-for-sale, foreign borrowings and repurchase transactions.

The hedging strategies aim at protecting the Bank against:

**Strategy 1:** Foreign exchange fluctuation risk and interest rate fluctuation risk for principal and interest payments, relating to funding contracted abroad and indexed by the US currency.

**Strategy 2:** Interest rate fluctuation risk due to the purchase of federal bonds at fixed interest rates.

The effectiveness verified in the hedge portfolio is in accordance with BACEN Circular Letter 3,082/2002.

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Instrument/Transaction	2019		2018	
	Strategy 1	Strategy 2	Strategy 1	Strategy 2
Fair value hedge instrument	Futures transactions contracted at B3 S.A. - Brasil, Bolsa e Balcão	Futures transactions contracted at B3 S.A. - Brasil, Bolsa e Balcão	Futures transactions contracted at B3 S.A. - Brasil, Bolsa e Balcão	Futures transactions contracted at B3 S.A. - Brasil, Bolsa e Balcão
Hedged item - fair value	Funding in US currency	National Treasury Bills - LTNs (government bonds)	Funding in US currency	National Treasury Bills - LTNs (government bonds)
Hedging instrument fair value	-	(429,708)	2,676,157	(429,162)
Hedged item fair value	-	429,643 (*)	(2,675,707)	429,140
Day one deferred fair value of hedged item	-	-	(12,716)	-
Gain (loss) on hedging instrument	52,436	(38,556)	165,924	(34,354)
Gain (loss) on hedged item	(51,213)	38,648	(165,548)	34,332
Effectiveness rate	99.99%	100%	100%	99%

(\*) The difference between the balance in note 12 refers to income tax and deferred income of the day one difference.

Hedging instruments	2019		2018	
	Valor referencial	Valor MTM	Valor referencial	Valor MTM
Futures contracts - DDI	-	-	2,675,498	-
Futures contracts - DI	<u>429,628</u>	-	<u>429,056</u>	-
<b>Total Futures</b>	<b><u>429,628</u></b>	<b>-</b>	<b><u>3,104,554</u></b>	<b>-</b>

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## 21. Income tax and social contribution

Income tax and social contribution charges levied on the transactions for the periods are shown as follows:

	2019	2018
<b>Profit before income tax and social contribution</b>	<b>40,287</b>	<b>102,168</b>
<b>Effect of income tax and social contribution on permanent additions</b>	<b>39,909</b>	<b>38,909</b>
Expenses on philanthropic contributions	569	554
Association expenses	313	360
Citizen company expenses	138	251
Personnel expenses - travel	484	109
Thin capitalization	17,470	14,827
Rent expenses - other	449	177
International swap expense - related party	-	47
Bonus of executive officers	3,516	3,995
Expenses on specialized technical service – technical advisory – transfer pricing	6,131	8,888
Credit recovery	-	9,045
Interest on escrow deposit withdrawal	9,668	-
Other nondeductible expenses	971	656
Loss on disposal of property and equipment items	200	-
<b>Effect of income tax and social contribution on temporary additions</b>	<b>133,513</b>	<b>48,340</b>
Future adjustments (DI and DDI) and MTM derivatives	100,352	30,688
Adjustment to provision for contingent liabilities	5,494	7,222
Other temporary differences	27,667	10,430
<b>Effect of income tax and social contribution on permanent deductions</b>	<b>(397)</b>	<b>(2,150)</b>
Reversal of operating provision	(397)	-
Proceeds from disposal of assets	-	(2,150)
<b>Effect of income tax and social contribution on temporary deductions</b>	<b>(48,098)</b>	<b>(82,920)</b>
Future adjustments (DI and DDI) and MTM derivatives	(5,541)	(66,773)
Inflation adjustment to escrow deposits	(6,905)	(7,763)
Other temporary differences	(35,652)	(8,384)
<b>Income tax and social contribution tax base</b>	<b>165,214</b>	<b>104,347</b>
Income tax and social contribution (statutory rate)	(65,535)	(46,133)
( - ) Tax incentives: Rouanet Law / Citizen company	133	501
Tax credits on tax loss carryforwards	-	-
Income and social contribution credits – deferred amounts	37,692	(3,149)
Prior-year adjustments	527	509
<b>Effect of CSLL rate increase (CSLL tax credit)</b>	<b>373</b>	<b>-</b>
<b>Total income tax and social contribution at effective rate</b>	<b>(26,810)</b>	<b>(48,272)</b>

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The Bank records tax credit arising from temporary differences in accordance with the conditions established by CMN Resolution 3,059/02, which was subsequently amended by CMN Resolution 3,355/06.

As from December 2019 the Company started to recognize tax credits at the rate of 45%, pursuant to article 32 of Constitutional Amendment 103, of November 12, 2019.

## a. Recognition of tax credits on temporary differences

	2019		2018	
	Temporary differences	Tax credit	Temporary differences	Tax credit
Accrual for loans	1,202	541	4,443	1,777
Accrual for other loans	1,389	625	1,150	460
Accrual for payments - Previdã	14,683	6,607	14,888	5,955
Accrual for bonus	11,126	5,007	12,219	4,888
Provision for labor contingencies	15,757	7,091	18,624	7,450
Accrual for guarantees and sureties	6,508	2,929	5,028	2,011
Accrual for profit sharing	1,346	606	1,979	791
Accrual for payments	5,230	2,353	4,486	1,794
Provision for contingent liabilities	91,980	41,391	85,753	34,301
MTM adjustment of hedge accounting	-	-	2,549	1,020
MTM adjustment - Available-for-sale securities	<u>3,269</u>	<u>1,471</u>	<u>43</u>	<u>18</u>
<b>Grand Total</b>	<b><u>152,490</u></b>	<b><u>68,621</u></b>	<b><u>151,162</u></b>	<b><u>60,465</u></b>

## b. Recognition of deferred liabilities

	2019		2018	
	Temporary differences	Tax credit	Temporary differences	Tax credit
Inflation adjustment of escrow deposit	118,021	53,109	120,453	48,181
Mark-to-marked – derivatives, trading and available-for-sale securities – hedge accounting	<u>9,046</u>	<u>4,071</u>	<u>103,856</u>	<u>41,542</u>
<b>Grand Total</b>	<b><u>127,067</u></b>	<b><u>57,180</u></b>	<b><u>224,309</u></b>	<b><u>89,723</u></b>

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The amount of unrecognized tax credits as at December 31, 2019 is R\$29,165 (2018 - R\$26,457), arising from the principal balance of provision for civil and tax contingencies since, according to the Bank's legal counsel, there is no expectation of their period of realization.

## a. Variations in tax credits

	Year	
	2019	2018
Opening balance	60,465	47,709
Recognition of tax credit	20,059	24,332
Realization of tax credit	(11,903)	(11,576)
Closing balance	<b>68,621</b>	<b>60,465</b>

## b. Variations in deferred tax liabilities

	Year	
	2019	2018
Opening balance	89,724	75,959
Recognition / (Reversal) of tax credit relating to inflation adjustment of escrow deposit	4,928	1,718
Fair value adjustment of derivative financial instruments	(37,472)	12,047
Closing balance	<b>57,180</b>	<b>89,724</b>

According to the Bank's technical study, the expected realization of the tax credits is shown as follows:

2019			2018		
Year	Expected realization of the tax credit	Present value of the tax credit (DI rate)	Year	Expected realization of the tax credit	Present value of the tax credit (DI rate)
2020	17,262	16,534	2019	15,125	14,215
2021	8,096	7,428	2020	6,777	5,986
2022	6,718	5,904	2021	6,283	5,216
2023	6,327	5,326	2022	6,118	4,773
2024	6,218	5,014	2023	5,972	4,379
As from 2025 (*)	<u>24,000</u>	<u>17,038</u>	As from 2024 (*)	<u>20,190</u>	<u>12,345</u>
<b>Grand Total</b>	<b>68,621</b>	<b>57,244</b>	<b>Grand Total</b>	<b>60,465</b>	<b>46,914</b>

(\*) Five-year period

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## 22. Basel Agreement

The Bank must comply with the limits established in CMN Resolution 2,099/94, with the changes introduced by CMN Resolutions 4,912/13 and 4913/13 and BACEN Circular Letter 3,644/13, as amended by BACEN Circular Letter 3,834/17, presenting an equity-to-weighted assets ratio as follows:

	2019	2018
Credit risk	3,255,226	3,273,941
Market risk	1,272,149	1,354,706
Operational risk	<u>595,559</u>	<u>661,369</u>
<b>Risk-weighted assets (RWA)</b>	<b>5,122,934</b>	<b>5,290,016</b>
<b>Notional capital (PR)</b>	<b>1,239,138</b>	<b>1,465,133</b>
Notional capital required	409,835	456,264
Margin on the notional capital required	829,303	1,008,869
Basel ratio (IB) - PR/RWA	24.19%	27.70%

## Prudential adjustment

In accordance with CMN Resolution 4,277/13, as amended by CMN Resolution 4,389/14, the financial instruments at market value were analyzed for any prudential adjustment for the following products:

1. Federal government bonds: Available-for-sale securities.
2. Marked-to market private bonds – Marked-to-market financial bills and debentures.
3. Futures contracts traded on B3 S.A. – Brasil, Bolsa e Balcão.
4. Over-the-counter derivatives - NDF and Swap.

Among the aforementioned products, Credit Valuation Adjustment (CVA) was made to the product “Over-the-counter Derivatives - NDF and Swap” resulting in an accounting recognition as at December 31, 2019 in the amount of R\$904 (2018 – R\$2,075), as shown in note 19.

The remaining items were not adjusted considering that the federal government bonds and futures contracts are actively and frequently traded and the prices were based on independent information which adequately reflected the probable net realizable value.

With respect to private securities, the pricing methodology already includes the credit risk component.

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## 23. Supplementary pension plan

The Bank is the sponsor of a supplementary benefit plan, PREVIDA defined benefit plan, managed by Multipensions Bradesco Fundo Multipatrocinado of Previdência Privada, a closed supplementary pension fund entity. The settlement of this plan occurred in the second half of 2015.

The funds guaranteeing the pension plans are invested in accordance with the relevant legislation.

The assets are 100% allocated to fixed income.

The actuarial calculation is performed on an annual basis as at December 31.

As at December 31, 2019, according to actuarial calculations, Previda presented actuarial liability at present and fair value of assets, as shown below:

<b>Reconciliation of the Value of Actuarial Liabilities</b>	<b>2019</b>	<b>2018</b>
Amount of the liabilities at the end of the prior year	83,364	77,461
Interest expense	7,461	7,744
Remeasurements	12,250	5,132
Benefits paid by the company	(6,653)	(6,973)
Amount of the liabilities at the end of the year	<b><u>96,422</u></b>	<b><u>83,364</u></b>
 <b>Reconciliation of the fair value of assets</b>	 <b>2019</b>	 <b>2018</b>
Fair value of assets at the end of the prior year	70,254	69,592
Interest income	6,288	6,957
Remeasurements	12,455	(631)
Company contributions	1,729	1,309
Benefits paid by the plan	(6,653)	(6,973)
Fair value of assets at the end of the year	<b><u>84,073</u></b>	<b><u>70,254</u></b>
<b>Net Liability / (Asset)</b>	<b><u>12,349</u></b>	<b><u>13,110</u></b>

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Projected values to be recognized in the following year's profit or loss	2020	2019
Net interest expense		
Interest on liabilities	6,815	7,461
Interest (return) on plan's assets	(5,942)	(6,288)
<b>Total expense recognized in profit or loss</b>	<b><u>873</u></b>	<b><u>1,173</u></b>

According to CVM Resolution 695 dated December 13, 2012, in the second half of 2019 the remeasurement of the provision was recognized, including interest expenses and company contributions in the amount of R\$761, recognized as actuarial liabilities in the total amount of R\$12,349 (2018 - R\$13,110).

The actuarial remeasurements of the defined benefit plan Previda are recorded in equity, net of taxes, in the amount of R\$(8,076) (2018 – (R\$8,933)).

As at December 31, 2019, the following assumptions were considered:

	2019
Inflation rate	4.00% p.a.
Notional discount rate	7.07% p.a.
Estimated benefit adjustment index above inflation rate	Next 3 years: 5.04 % p.a.

The Bank is the sponsor of a supplementary pension plan, Fitprev defined contribution benefit plan, managed by Multipensions Bradesco Fundo Multipatrocinado de Previdência Privada, a closed-end supplementary pension entity, for its employees and managers hired after the closing of Previda plan. The contribution for the year ended December 31, 2019 was R\$3,141 (2018 - R\$3,125).

Fitprev Plan's actuarial liabilities are substantially covered by the plan's assets.

## 24. Other information

### a. Breakdown of service revenue and banking fees:

This account comprises all charges and commissions accumulated in the name of the Bank for the six-month period/year, except for those that are part of the effective interest rate of financial instruments..

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	2 <sup>nd</sup> Six-month Period	Year	
	2019	2019	2018
Income and commissions and services rendered	9,682	18,085	25,977
Guarantees provided	3,678	7,007	6,379
Income from other services	365	910	2,121
Banking fees	427	872	1,066
Collection	73	145	121
Management fee	-	-	8
<b>Grand Total</b>	<b>14,225</b>	<b>27,019</b>	<b>35,672</b>

## b. Breakdown of personnel expenses:

	2 <sup>nd</sup> Six-month Period	Year	
	2019	2019	2018
Management fee expenses	5,022	9,594	9,668
Personnel expenses - benefits	5,867	12,122	11,844
Personnel expenses - payroll charges	15,147	32,597	32,334
Personnel expenses - salaries (*)	34,709	73,611	75,045
Personnel expenses - training	341	582	921
<b>Grand Total</b>	<b>61,086</b>	<b>128,506</b>	<b>129,812</b>

(\*) Comprises basically salaries, function bonuses, vacation pay, profit sharing, performance bonus, and 13th salary.

## c. Breakdown of other administrative expenses:

	2 <sup>nd</sup> Six-month Period	Year	
	2019	2019	2018
Specialized technical service expenses	9,779	16,475	11,243
Data processing expenses	8,475	16,211	14,217
Amortization and depreciation expenses	7,516	15,256	14,582
Financial system service expenses	5,969	11,134	12,369
Communication expenses	1,548	3,125	3,040
Foreign travel expenses	1,217	2,759	3,491
Third-party service expenses	1,455	2,621	3,107
Rental expenses	1,159	2,284	2,422
Surveillance and security expenses	924	2,080	2,366
Property maintenance and upkeep expenses	702	1,553	1,684
Domestic travel expenses	530	841	549
Water, electric power and gas expenses	380	818	861
Other expenses	3,240	5,403	6,061
<b>Grand Total</b>	<b>42,894</b>	<b>80,560</b>	<b>75,992</b>

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## d. Breakdown of tax expenses:

	2 <sup>nd</sup> Six-month Period	Year	
	2019	2019	2018
Tax expenses	5,397	9,491	8,102
COFINS	6,754	15,168	12,889
PIS	1,098	2,465	2,095
ISS	<u>639</u>	<u>1,221</u>	<u>1,680</u>
<b>Grand Total</b>	<b><u>13,888</u></b>	<b><u>28,345</u></b>	<b><u>24,766</u></b>

## e. Breakdown of other operating income:

	2 <sup>nd</sup> Six-month Period	Year	
	2019	2019	2018
Inflation adjustment of escrow deposits	3,424	7,582	8,454
Inflation adjustment of taxes for offset	38	125	902
Reversal of provisions for labor, tax and civil risks	960	1,858	581
Reversal of provision for financial guarantees provided	1,253	1,257	138
Recovery of charges and expenses	320	621	566
Gain on escrow deposit withdrawal	-	-	267
Other revenues	<u>90</u>	<u>99</u>	<u>348</u>
<b>Grand Total</b>	<b><u>6,085</u></b>	<b><u>11,542</u></b>	<b><u>11,256</u></b>

## f. Breakdown of other operating expenses:

	2 <sup>nd</sup> Six-month Period	Year	
	2019	2019	2018
Provision for labor liabilities	2,990	5,401	6,892
Provision for tax risks	2,522	4,496	4,028
Provision for other contingent liabilities	860	1,233	3,193
Provision for financial guarantees provided	660	2,737	3,457
Financial cost on deficiency of compulsory payment	-	-	488
Other expenses	<u>733</u>	<u>907</u>	<u>813</u>
<b>Grand Total</b>	<b><u>7,765</u></b>	<b><u>14,774</u></b>	<b><u>18,871</u></b>

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## g. Breakdown of non-operating income (loss):

	2 <sup>nd</sup> Six-month Period	Year	
	2019	2019	2018
<b>Non-operating income</b>	<b>43</b>	<b>48</b>	<b>3,335</b>
Proceeds from disposal of assets	43	48	43
Gain on disposal of property and equipment in use	-	-	3,292
<b>Non-operating expenses</b>	<b>(8,152)</b>	<b>(10,935)</b>	<b>(30)</b>
Write-off of system – intangible assets	(4,920)	(4,920)	-
Write-off of property and equipment in use	(3,232)	(6,015)	-
Loss on disposal of assets	-	-	(30)
<b>Grand Total</b>	<b>(8,109)</b>	<b>(10,887)</b>	<b>3,305</b>

## h. Risk Management

The description of the structure related to risk management of Banco MUFG Brasil S.A. is available on our website: [www.br.bk.mufg.jp](http://www.br.bk.mufg.jp).

In compliance with CMN Resolution 4,557 of February 23, 2017 from the National Monetary Council, Banco MUFG Brasil S.A. established the risk management structure that must identify, measure, assess, monitor, report, control and mitigate the credit, market, operational, liquidity, socio-environmental and capital management risks and other risks relevant for the Bank.

## i. Leverage Ratio (LR)

In compliance with the Central Bank of Brazil Circular Letter 3748, of February 25, 2015, information related to the methodology for determining the Leverage Ratio (LR) is available on our website: [www.br.bk.mufg.jp](http://www.br.bk.mufg.jp).

## 25. Convergence with International Financial Reporting Standards

In conformity with the process of convergence with the international financial reporting standards (IFRS), the Accounting Pronouncements Committee (CPC) has issued some accounting pronouncements, the related interpretation and guidance which are applicable to financial institutions only when approved by the National Monetary Council (CMN).

# NOTES TO THE FINANCIAL STATEMENTS

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The accounting pronouncements already approved were:

- Resolution 3,566/08 - Impairment of Assets (CPC 01 R1).
- Resolution 3,604/08 - Statement of Cash Flows (CPC 03 R2).
- Resolution 4,636/18 – Related-Party Disclosures (CPC 05 R1).
- Resolution 3,823/09 - Provisions, Contingent Liabilities and Contingent Assets (CPC 25).
- Resolution 3,973/11 - Events After the Reporting Period (CPC 24).
- Resolution 3,989/11 - Share-based Payment (CPC 10 R1).
- Resolution 4,007/11 - Accounting Policies, Changes in Accounting Estimates and Errors (CPC 23),
- Resolution 4,144/12 – Conceptual Framework for Financial Reporting (CPC 00 R1).
- Resolution 4,424/15 - Employee Benefits (CPC 33 R1).
- Resolution 4,534/16 - Intangible Assets (CPC 04 R1).
- Resolution 4,535/16 - Property, Plant and Equipment (CPC 27).
- Resolution 4,524/16 - The Effects of Changes in Foreign Exchange Rates (CPC 02 R2).

Accountant: Iracema Chou Ma

CRC: 1SP319654/O-0



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

## INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the Management and Shareholders of  
Banco MUFG Brasil S.A.

### **Opinion**

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

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

### **Basis for opinion**

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

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

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

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

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

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## **Management's responsibilities 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 accounting practices adopted in Brazil applicable to institutions authorized to operate by the BACEN, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

## **Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the 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 of 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, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the 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.

**Other matters**

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

São Paulo, March 10, 2020

  
DELOITTE TOUCHE TOHMATSU  
Auditores Independentes

  
Vanderlei Minoru Yamashita  
Engagement Partner

In accordance with Central Bank of Brazil standards, an Ombudsman's office department was established comprising a Director in charge which is also the Ombudsman, in accordance with the law, whose purpose is to assure the strict compliance with legal and regulatory standards referring to consumer rights, and to operate as a communication channel between the institution and its customers and the users of its services and products, as well as to mediate conflicts.

Opening Hours: From 9 a.m. to 6 p.m.

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