

Combined Financial Statements

Sistema de Crédito Cooperativo - Sicredi

December 31, 2020 and 2019
with Independent Auditor's Report

Sistema de Crédito Cooperativo - Sicredi

Combined financial statements

December 31, 2020 and 2019

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A free translation from Portuguese into English of Independent Auditor's Report on combined financial statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil

Independent auditor's report on combined financial statements

To the
Management and Associates of
Sistema de Crédito Cooperativo - Sicredi
Porto Alegre - RS

Opinion

We have audited the combined financial statements of Sistema de Crédito Cooperativo ("Sicredi System") (formed by the related parties mentioned in Note 2), which comprise the combined statement of financial position as at December 31, 2020 and the combined income statements, of comprehensive income, of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of Sistema de Crédito Cooperativo as at December 31, 2020, and its combined financial performance and cash flows for the year then ended in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil (BACEN), associated with the guidance established in Brazilian Monetary Council (CMN) Resolution No. 4151 of October 30, 2012 and BACEN Memorandum Circular No. 3669.

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 combined financial statements section of our report. We are independent of the Sicredi System in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by Brazil's National Association of State Boards of Accountancy (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 opinion.

Emphasis of matter – presentation of the combined financial statements

We draw attention to Note 2 (a) to Sicredi System combined financial statements, which describes that these statements are presented solely for the purpose of providing, by means of a single set of financial statements, information on the activities performed by Sistema de Crédito Cooperativo, taking into consideration the guidance established in CMN Resolution 4151 of October 30, 2012 and BACEN Memorandum Circular 3669 of October 2, 2013, irrespective of Sicredi System corporate structure, control and corporate governance aspects and the requirements for presentation of financial statements set out by the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil (BACEN). Accordingly, our report on these combined financial statements was prepared solely for complying with these specific requirements and may not be appropriate for other purposes. Our opinion is not qualified in respect of this matter.

Other matters

Combined statement of comprehensive income

The combined statement of comprehensive income for the year ended December 31, 2020, prepared under the responsibility of management of Sicredi System and presented as supplementary information to the provisions for preparation of combined financial statements set out in CMN Resolution No. 4151 and BACEN Memorandum Circular 3669, was subject to audit procedures performed in conjunction with the audit of the combined financial statements. In order to form our opinion, we assessed whether this statement is reconciled to the combined financial statements and accounting records, as applicable, and if its form and content are in accordance with the criteria defined in Resolution No. 02 of the Central Bank of Brazil. In our opinion, this combined statement of comprehensive income was fairly prepared, in all materials respects, in accordance with the criteria established in referred to Resolution and is consistent with the combined financial statements as a whole.

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

Sicredi System Management is responsible for such other information, which comprises the Management Report. Our opinion on the combined financial statements does not encompass the Management Report; accordingly, we do not express any form of audit conclusion thereon.

In connection with the audit of the combined financial statements, we are responsible for reading the Management Report and, in so doing, considering whether such report presents significant inconsistency with the financial statements or with our knowledge obtained in the audit or otherwise seems to present material misstatements. If, based on the work performed, we conclude that the Management Report presents material misstatements, we are required to communicate such fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil, associated with the guidance established in CMN Resolution 4151 and BACEN Memorandum Circular 3669, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is responsible for assessing the Sicredi System'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 Sicredi System or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Sicredi System's combined financial reporting process.

Auditor's responsibilities for the audit of combined financial statements

Our objectives are to obtain reasonable assurance about whether the overall combined financial statements are free of 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 combined 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:

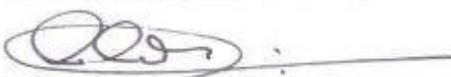
- Identified and assessed the risks of material misstatements of the combined financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained 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 Sicredi System's internal control.

- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded 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 substantial doubt on Sicredi System'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 combined 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 Sicredi System to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the corresponding transactions and events in a manner that achieves fair presentation.
- Obtained sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the group to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Porto Alegre, March 24, 2021.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6



Américo F. Ferreira Neto
Accountant CRC-1SP192685/O-9

Management Report

In accordance with legal and statutory requirements, we disclosed the combined financial statements of Sistema de Crédito Cooperativo Sicredi for the year ended December 31, 2020, and the independent auditor's report on the financial statements. The increase in the main asset and liability accounts, as compared with the prior year, derives from the joint efforts made by the Credit Cooperatives, Board of Directors, Executive Board and the Executives in order to modernize and professionalize this business.

In line with our purpose, in 2020, we continue aligning the benefit to society by means of financial solutions to engagement with social issues of the communities in the areas where we operate. We led a campaign to encourage local consumption, supported social projects by means of our Social Fund and, among various other local actions, supported "Dia C de Cooperar" (C Day to Cooperate), which held social benefit initiatives throughout the year, affecting over four million people through more than one thousand actions in 612 Brazilian municipalities, counting on over 27 thousand volunteers.

Operating performance

In a year that was particularly challenging due to the consequences of the worldwide sanitary crisis, which had substantial impacts on the Brazilian economy, Sicredi sought to support its almost five million associates by means of the actions taken.

By being close to its associates Sicredi was able to maintain its increase, in a sustainable manner. For this to happen, despite the challenges imposed by the foreign scenario, in 2020, 150 new Sicredi branches were opened, especially in the states of São Paulo, Minas Gerais, Goiás, Amazonas and Paraíba. At the end of 2020, we counted on a total 1,990 branches, were present in 1,463 municipalities in Brazil and, in 216 of these locations, Sicredi was the only physically present financial institution, promoting financial inclusion. For 2021, another 250 branches are planned to be opened, an investment above R\$ 200 million. Municipalities in the state of Espírito Santo, where we are not physically present yet, will count on branches as from this year, when we also intend to arrive in Amapá and Roraima.

Present in 23 states and in the Federal District, Sicredi increased its portfolio of associates by 9.9%, totaling 4.84 million people. This result denotes the consolidation of the institution as a reference in the Brazilian credit cooperativism segment, which now has more than 11 million associates, according to the Central Bank of Brazil.

Based on this strategy of being close to the associates, understanding their needs, we focused on our clients' demands, thus contributing to reduce the economic impacts in the regions where these clients operate. Our assets totaled R\$ 154.9 billion, a 40% increase. Sicredi's net income amounted to R\$ 3.3 billion in the year and equity reached R\$ 20.2 billion, 16% above 2019 whereas Basel Aggregate Index remained at 20.19%.

The credit portfolio increase shows Sicredi's capacity to, by means of its capillarity, support people's needs. We ended 2020 with a portfolio of R\$ 97.2 billion, a 34.7% increase. Influenced by the current scenario, this increase was mainly due to the increase in the credit portfolio for companies, which reached R\$ 34.5 billion, an increase of 54% and in the rural portfolio, which reached R\$ 33.4 billion, an increase of 26.58%. Out of the total credit portfolio for legal entities, R\$ 14.7 billion were intended for small companies, which were largely affected by the pandemic, an increase of 61.7% on 2019.

In addition to providing products to minimize the pandemic impacts, one of the actions performed was to extend the payment of our associates' credit operation installments. As such, in the entire Sicredi System, we ended 2020 with a total R\$ 2.1 billion in extended installments due to Covid-19.

Due to the draught impact on agribusiness, in Sicredi's PROAGRO (Agribusiness Activity Guarantee Program), we received 41,264 communications of crop losses mostly due to draught. Out of these communications, R\$ 683 million in coverage were paid. Worth stressing, in Sicredi, the average period for analyzing coverage requests was of 26.5 business days, significantly lower than the period stipulated by the Central Bank of Brazil, i.e. 45 business days, despite the hardships imposed by the pandemic and remote work.

With a view to mitigating the draught impacts and considering the pandemic scenario, we offered the possibility of installment extension due to the draught. One of the initiatives taken in order to help the municipalities that decreed an emergency situation due to the draught was to extend the payment of more than 8 thousand installments, amounting to approximately R\$ 147 million.

In order to support small entrepreneurs, we strongly operated the emergency credit facilities provided by the Brazilian Development Bank (BNDES). In BNDES Pequenas Empresas credit facility, Sicredi has already performed 5,230 transactions, totaling R\$ 860 million. Through Programa Emergencial de Suporte a Empregos (PESE), we performed 6,798 operations. Salaries amounting to R\$ 171 million were financed, which benefitted 117,053 thousand employees. With PESE, we seek to serve businessmen and women, companies and cooperatives whose revenue ranges from R\$ 360 thousand to R\$ 50 million, and finance their payroll. By means of Brazil's National Support Program for Medium-sized Producers (PRONAMPE), a loan facility that presented a high demand due to more favorable conditions for micro and small entrepreneurs for working capital purposes, we carried out 40,605 transactions, and released R\$ 2,003 billion. In the Emergency Credit Access Program / Investment Guarantee Fund (PEAC FGI), 11,244 transactions corresponding to R\$ 2,733 billion were carried out. This program facilitated access to credit for small and medium-sized companies as it allowed inclusion of FGI guarantee for up to 80% of the financed amount.

Seeking to minimize the draught effects, we offered our associates the possibility of extending BNDES operations, having performed 13,048 operations amounting to R\$ 114 million.

Despite the significant increase in credit granted, at year end, we had a decrease of 0.54 percentage points in default rate (Over 90), which was of 0.93%.

The results obtained in 2020 also show our associates' high level of trust in our institution, whose funding rate increased 47.88%, with over R\$ 104.6 billion in deposits. Worth highlighting, savings accounts' amounts increased 44.06%, reaching R\$ 22.2 billion in portfolio.

Revenues from services provided amounted to R\$ 2.75 billion, which represents a 18.4% increase as compared with 2019.

Another important action taken in this period was the movement called "Eu Coopero com a Economia Local" (I cooperate with the local economy), which encourages entities, companies and people to buy products from local providers, thus cooperating with the economy of the various regions and strengthening small entrepreneurs. This action also involves providing tools and contents that support the small companies in advertising and sale by digital means. In this sense, Sicredi also increased the availability of its marketplace to its associates, the *Sicredi Conecta*, by means of which the associates may advertise and sell their products and services without any costs or fees.

Economic Projection Highlights

The economic indicators projected by the Economic Analysis Office of Banco Cooperativo Sicredi were highlighted in the 2020 annual ranking of economic projections informed by the Central Bank of Brazil. For the second year in a row, our institution stood out in the indicators category and, in the annual ranking, we are the only institution appearing in five categories. In 2020, we figured in all monthly Top 5 disclosures of the Central Bank and the result of the annual ranking reflects this consistency and precision.

We also stood out in the Ministry of the Economy's Prisma Fiscal 2020 ranking, being first place in projection of the Government's Total Expense in the long term and Central Government's Primary Result in the short term. We were second place in Central Government's Nominal Result (long term) and third place in General Government's Gross Debt (long term).

Covid-19 Pandemic

In 2020, we continuously fought the novel coronavirus pandemic (Covid-19) in Brazil. Sicredi assisted the population, providing the necessary services to its associates, employees and communities. We adopted measures to prevent the spread of this disease, following the guidance provided by the Brazilian Ministry of Health and other relevant authorities. We continued working towards Sicredi's mission: foster relationships, and offer financial solutions to add income and contribute to improvement of the quality of life of its associates and the society.

Our loan facilities remained active and we also made available the government's emergency program lines. As intrinsically encompassed by our business model, we closely monitored the reality of our associates and of the areas where we operate, which enables us to expand our offers to meet each individual need in fighting this crisis and maintaining the business. In a year marked by human distancing, our electronic service means (ATMs, internet banking, application) rendered many of our demands feasible, since these are full-fledged channels that allow most operations to be performed without the need to go to a branch. We also rely on telephone channels, which may be used for solving doubts and other services, and make many requests even more agile.

Management assessed the potential risks and impacts of the pandemic to date, which are reflected in these financial statements. However, the related future impacts may not be precisely measured, reason why management continuously monitors Covid-19 potential effects on Company operations.

We believe that the credit cooperativism model may contribute with Brazil's economic development and in these challenging times, we want to continue making a difference in order to build a more prosperous society.

Acknowledgement

Every day we seek to be better than the day before. Always focused on exceeding expectations, we deliver the best products and services to our associates and the best work environment and growth to our employees.

Our society is going through a rough path; however, our business continuity is only possible by means of the Sicredi qualified workforce, as well as our associates' trust in maintaining a honest mutually-beneficial relationship.

We thank everyone. Together we shall continue making a difference.

MANAGEMENT

Porto Alegre, March 24, 2021.

Sistema de Crédito Cooperativo - Sicredi

Combined statements of financial position
December 31, 2020 and 2019
(In thousands of reais)

	Note	12/31/2020	12/31/2019
Assets			
Cash and cash equivalents	4	1,258,087	1,272,645
Financial instruments		149,955,930	105,821,466
Short-term interbank investments	5	13,044,514	7,281,251
Compulsory deposits in Central Bank of Brazil	6	3,114,885	3,088,323
Marketable securities and derivative financial instruments	7	38,410,830	25,062,076
Own portfolio		36,654,464	13,073,210
Linked to repurchase agreements		1,163,546	10,569,169
Linked to the Central Bank of Brazil		-	85,699
Linked to guarantees given		546,624	1,330,930
Derivative financial instruments		46,196	3,068
Loans	8	93,327,202	69,287,980
Other financial assets	9	5,519,558	4,148,030
Provision for expected losses associated with credit risk	8.e	(3,461,059)	(3,046,194)
Tax credits	22.b	41,158	31,289
Other assets	10	956,694	1,057,497
Investments in subsidiaries	11	171,303	202,008
Other investments	12	6,403	6,318
Property and equipment in use	13	2,091,158	1,834,602
Intangible assets	13	380,162	403,508
Total assets		154,860,895	110,629,333
Liabilities and equity			
Liabilities and equity			
Deposits and other financial instruments		131,086,099	90,218,645
Deposits	14	104,638,994	70,758,342
Open market funding	14	2,343,109	2,194,884
Funds from acceptance and issue of securities	15	4,157,403	2,033,967
Borrowings	16	2,500,900	1,319,207
Local on-lending - official institutions	16	12,599,299	10,217,383
Derivative financial instruments	7.c	48,267	3,129
Other financial liabilities	17	4,798,127	3,691,733
Provisions	18	506,413	474,387
Deferred tax obligations	22.b	-	2,944
Other liabilities	19	2,710,707	2,175,116
Equity	20	20,224,775	17,427,000
Capital		8,210,012	7,479,245
Income reserves		10,993,154	9,011,124
Other comprehensive income (loss)		(921)	(33)
Retained earnings		1,022,530	936,664
Noncontrolling interests	21	332,901	331,241
Total liabilities and equity		154,860,895	110,629,333

See accompanying notes.

Sistema de Crédito Cooperativo - Sicredi

Combined income statements
Six-month period ended December 31, 2020
and years ended December 31, 2020 and 2019
(In thousands of reais)

	Note	2020 2H	12/31/2020 Year	12/31/2019 Year
Trading revenues		6,043,884	12,663,110	12,739,750
Loans	8.f	5,426,172	11,091,757	10,479,202
Revenue from marketable securities		575,876	1,417,566	2,118,104
Foreign exchange transactions		14,855	83,465	24,721
Compulsory investments		26,981	70,322	117,723
Trading expenses		(1,051,934)	(2,835,973)	(3,469,483)
Open market transactions		(799,900)	(1,922,325)	(2,988,222)
Borrowings and onlending		(194,488)	(728,163)	(379,808)
Financial instruments	7.c	(57,546)	(185,485)	(101,453)
Trading profit(loss)		4,991,950	9,827,137	9,270,267
Provision for expected losses associated with credit risk	8.e	(779,252)	(1,646,694)	(1,403,473)
Gross trading profit		4,212,698	8,180,443	7,866,794
Other operating income		1,976,884	3,669,354	3,041,353
Service revenues	25	1,474,307	2,750,751	2,323,327
Equity pickup in subsidiaries	11	3,859	10,485	9,172
Other operating income	26	498,718	908,118	708,854
Other operating expenses		(4,184,327)	(7,919,521)	(7,281,153)
Personnel expenses	27	(1,563,222)	(3,020,909)	(2,793,855)
Other administrative expenses	28	(1,467,133)	(2,814,577)	(2,612,363)
Tax expenses		(58,241)	(127,593)	(133,436)
Other operating expenses	29	(1,095,731)	(1,956,442)	(1,741,499)
Income before taxes and profit sharing		2,005,255	3,930,276	3,626,994
Income and social contribution taxes	22	(23,537)	(149,727)	(148,741)
Income tax		(16,620)	(94,751)	(93,571)
Social contribution tax		(17,969)	(66,200)	(58,205)
Deferred tax credits, net		11,052	11,224	3,035
Profit sharing		(227,002)	(401,519)	(373,821)
Noncontrolling interests		(30,963)	(59,586)	(63,890)
Net income for the period/years		1,723,753	3,319,444	3,040,542

See accompanying notes.

Sistema de Crédito Cooperativo - Sicredi

Combined statements of comprehensive income
Six-month period ended December 31, 2020
and years ended December 31, 2020 and 2019
(In thousands of reais)

	2020	12/31/2020	12/31/2019
	2H	Year	Year
Net income for the six-month period/year	1,723,753	3,319,444	3,040,542
Noncontrolling interests	30,963	59,586	63,890
Net income attributed to shareholders	1,754,716	3,379,030	3,104,432
Items that may be reclassified to income statement			
Marketable securities available for sale	(2,120)	(1,730)	221
Taxes on adjustments to financial instruments	1,067	842	(104)
Total adjustments not included in net income for the period/year	(1,053)	(888)	117
Comprehensive income for the period	1,753,663	3,378,142	3,104,549
Attributed to shareholders			
Net income attributed to controlling interests	1,722,700	3,318,556	3,040,659
Net income attributed to non-controlling interests	30,963	59,586	63,890

See accompanying notes.

Sistema de Crédito Cooperativo - Sicredi

Combined statements of changes in equity
Six-month period ended December 31, 2020
and years ended December 31, 2020 and 2019
(In thousands of reais)

	<u>Income reserves</u>							Total
	Capital	Legal reserve	Other reserves	Other comprehensive income(loss)	Retained earnings	Equity of controlling interests	Non-controlling interests	
Balances at December 31, 2018	6,810,662	7,329,541	13,220	(150)	808,078	14,961,351	329,538	15,290,889
Other comprehensive income (loss)								
Adjustments to market value - marketable securities	-	-	-	117	-	117	10	127
Allocation of net income of the prior year								
Distribution of surplus to associates	-	-	-	-	(670,150)	(670,150)	-	(670,150)
Reserves	-	74,497	20,983	-	(95,480)	-	-	-
Social fund	-	-	-	-	(13,472)	(13,472)	-	(13,472)
Other allocations	-	11,489	(2,757)	-	(21,593)	(12,861)	-	(12,861)
Capital increase	835,548	-	-	-	-	835,548	-	835,548
Capital write-offs	(503,916)	-	-	-	-	(503,916)	-	(503,916)
Net income for the year	-	-	-	-	3,040,542	3,040,542	63,890	3,104,432
Profit allocation								
FATES	-	-	-	-	(136,110)	(136,110)	-	(136,110)
Reserves	-	1,599,892	2,029	-	(1,601,921)	-	503	503
Reversals of reserves	-	(35,111)	(2,659)	-	37,770	-	-	-
Interest on equity	336,951	-	-	-	(373,784)	(36,833)	(2,538)	(39,371)
Dividends	-	-	-	-	(25,192)	(25,192)	(60,162)	(85,354)
Other allocations	-	-	-	-	(12,024)	(12,024)	-	(12,024)
Balances at December 31, 2019	7,479,245	8,980,308	30,816	(33)	936,664	17,427,000	331,241	17,758,241

See accompanying notes.

Sistema de Crédito Cooperativo - Sicredi

Combined statements of changes in equity (Continued)
Six-month period ended December 31, 2020
and years ended December 31, 2020 and 2019
(In thousands of reais)

	<u>Income reserves</u>						Total	
	Capital	Legal reserve	Other reserves	Other comprehensive income	Retained earnings/ (accumulated losses)	Equity of controlling interests		Non-controlling interests
Other comprehensive income (loss)								
Adjustments to market value - marketable securities	-	-	-	(888)	-	(888)	(141)	(1,029)
Allocation of net income of the prior year								
Distribution of surplus to associates	-	-	-	-	(743,618)	(743,618)	-	(743,618)
Reserves	-	96,280	60,626	-	(156,906)	-	-	-
Social fund	-	-	-	-	(19,780)	(19,780)	-	(19,780)
FATES	-	-	-	-	(16,597)	(16,597)	-	(16,597)
Other allocations	-	(7,394)	(2,212)	-	(2,286)	(11,892)	-	(11,892)
Capital increase	1,077,703	-	-	-	-	1,077,703	-	1,077,703
Capital write-offs	(549,521)	-	-	-	-	(549,521)	-	(549,521)
Net income for the year	-	-	-	-	3,319,444	3,319,444	59,586	3,379,030
Profit allocation								
FATES	-	-	-	-	(159,574)	(159,574)	-	(159,574)
Reserves	-	1,783,614	87,161	-	(1,870,775)	-	873	873
Reversals of reserves	-	(3,051)	(32,994)	-	36,045	-	-	-
Interest on equity	202,585	-	-	-	(246,116)	(43,531)	(2,200)	(45,731)
Dividends	-	-	-	-	(24,772)	(24,772)	(56,458)	(81,230)
SFG returns	-	-	-	-	(8,264)	(8,264)	-	(8,264)
Social fund	-	-	-	-	(18,859)	(18,859)	-	(18,859)
Other allocations	-	-	-	-	(2,076)	(2,076)	-	(2,076)
Balances at December 31, 2020	8,210,012	10,849,757	143,397	(921)	1,022,530	20,224,775	332,901	20,557,676

See accompanying notes.

Sistema de Crédito Cooperativo - Sicredi

Combined statements of changes in equity (Continued)
Six-month period ended December 31, 2020
and years ended December 31, 2020 and 2019
(In thousands of reais)

	Income reserves				Retained earnings/ (accumulated losses)	Equity of controlling interests	Non-controlling interests	Total
	Capital	Legal reserve	Other reserves	Other comprehensive income				
Balances at June 30, 2020	7,855,096	9,091,245	34,705	(198)	1,672,247	18,653,095	360,167	19,013,262
Other comprehensive income (loss)								
Adjustments to market value - marketable securities	-	-	-	(723)	-	(723)	(106)	(829)
Allocation of net income of the prior year								
Distribution of surplus to associates	-	-	-	-	(69,249)	(69,249)	-	(69,249)
Reserves	-	(31,132)	54,259	-	(28,954)	(5,827)	-	(5,827)
Loss absorption	-	-	-	-	3,497	3,497	-	3,497
Social fund	-	-	-	-	2,191	2,191	-	2,191
FATES	-	-	-	-	(51)	(51)	-	(51)
Other allocations	-	1,973	212	-	(2,286)	(101)	-	(101)
Capital increase	470,939	-	-	-	-	470,939	-	470,939
Capital write-offs	(305,898)	-	-	-	-	(305,898)	-	(305,898)
Net income for the six-month period	-	-	-	-	1,723,753	1,723,753	30,963	1,754,716
Profit allocation								
FATES	-	-	-	-	(159,574)	(159,574)	-	(159,574)
Reserves	-	1,783,614	87,161	-	(1,870,775)	-	535	535
Reversals of reserves	-	4,057	(32,940)	-	28,883	-	-	-
Interest on equity	189,875	-	-	-	(223,181)	(33,306)	(2,200)	(35,506)
Dividends	-	-	-	-	(24,772)	(24,772)	(56,458)	(81,230)
SFG returns	-	-	-	-	(8,264)	(8,264)	-	(8,264)
Social fund	-	-	-	-	(18,859)	(18,859)	-	(18,859)
Other allocations	-	-	-	-	(2,076)	(2,076)	-	(2,076)
Balances at December 31, 2020	8,210,012	10,849,757	143,397	(921)	1,022,530	20,224,775	332,901	20,557,676

See accompanying notes.

Sistema de Crédito Cooperativo - Sicredi

Combined statements of cash flows
Six-month period ended December 31, 2020
and years ended December 31, 2020 and 2019
(In thousands of reais)

	2020	12/31/2020	12/31/2019
	2H	Year	Year
Cash flows from operating activities			
Net income before income and social contribution taxes	1,747,290	3,469,171	3,189,283
Adjustments to net income before taxes			
Adjustment to market value - marketable securities and derivatives	45,625	2,051	(33,594)
Provision for expected losses associated with credit risk	802,179	1,663,841	1,423,230
Depreciation and amortization	199,690	372,168	305,311
Loss on disposal of property and equipment	6,401	14,608	15,188
Provision for liabilities and contingencies	26,186	42,915	37,580
Interest on subordinated debt	1,559	4,339	9,389
Equity pickup in subsidiaries	(3,859)	(10,485)	(9,172)
Other comprehensive income (loss)	(723)	(888)	117
Adjusted net income for the six-month period/year	2,824,348	5,557,720	4,937,332
Changes in assets and liabilities			
Decrease (increase) in short-term interbank investments	(10,359,949)	(9,384,631)	3,929,941
Decrease (increase) in compulsory deposits in Central Bank of Brazil	600,990	(26,562)	(430,993)
Decrease (increase) in marketable securities and derivative financial instruments	3,447,458	(13,305,667)	(4,643,531)
(Increase) in loans	(20,921,634)	(25,288,680)	(16,210,909)
(Increase) in other financial instruments	(944,685)	(1,371,528)	(1,186,139)
Decrease (increase) in tax credits	27,452	(9,869)	(4,570)
Decrease (increase) in other assets	71,497	100,803	(180,090)
Increase in deposits	14,273,478	33,880,652	10,271,932
Increase (decrease) in open market funding	(1,951,004)	148,225	(1,674,294)
Increase in borrowings and onlending	1,684,181	3,563,609	1,726,509
Increase in other financial liabilities	1,151,808	3,229,830	2,508,189
Increase (decrease) in provisions	4,682	(10,889)	(8,613)
Increase (decrease) in deferred tax obligations	(39,929)	(2,944)	1,640
Increase (decrease) in other liabilities	467,877	230,068	(35,943)
Income and social contribution taxes paid	(43,214)	(149,549)	(112,592)
Net cash (used in) operating activities	(9,706,644)	(2,839,412)	(1,112,131)
Cash flow from investing activities			
Acquisition of intangible assets	(62,034)	(104,874)	(62,928)
Acquisition of property and equipment for own use	(266,763)	(511,537)	(635,585)
Refund of capital in subsidiaries	41,190	41,190	-
Acquisition of other investments	(21)	(84)	(66)
Net cash (used in) investing activities	(287,628)	(575,305)	(698,579)
Cash flows from financing activities			
Subordinated debt	(3,271)	(7,433)	(9,997)
Capital increase	446,941	746,204	552,872
Capital write-offs	(305,898)	(549,521)	(503,916)
Dividends paid	(45,251)	(412,119)	(387,474)
Noncontrolling interests	(27,266)	1,660	1,703
Net cash (used in) financing activities	65,255	(221,209)	(346,812)
(Decrease) in cash and cash equivalents	(9,929,017)	(3,635,926)	(2,157,522)
Cash and cash equivalents at beginning of period/year (Note 4)	13,608,668	7,315,577	9,473,099
Cash and cash equivalents at end of period/year	3,679,651	3,679,651	7,315,577

See accompanying notes.

Sistema de Crédito Cooperativo - Sicredi

Notes to combined financial statements
December 31, 2020 and 2019
(In thousands of reais)

1. Operations

Sistema de Crédito Cooperativo (“Sicredi” or “System”) comprises 108 first-degree associated credit cooperatives (“Cooperatives”), which operate a network of 1,990 service points. The structure also relies on five Regional Centrals (“Centrals”) – shareholders of Sicredi Participações S.A. – the Confederation of Sicredi Cooperatives (“Sicredi Confederation”), Sicredi Foundation and Banco Cooperativo Sicredi S.A. (“Bank”), which controls Corretora de Seguros Sicredi Ltda., Administradora de Consórcios Sicredi Ltda. and Administradora de Bens Sicredi Ltda., located at Avenida Assis Brasil, 3940 - Porto Alegre/RS, main office of Sicredi Administrative Center (“CAS”).

On November 12, 2020, the Commercial, Industrial and Service Registry of the state of Rio Grande do Sul approved the extinction of Sicredi Cartões Ltda, upon a strategic decision of the Bank’s Executive Board, controlling entity of the company. The remaining asset and liability balances became the responsibility of the controlling entity.

Counting on 4.84 million associates throughout Brazil, Sicredi is a cooperative financial institution made by people for people. Present in 23 Brazilian states, Sicredi promotes the social and economic development of its associates and of the communities in the areas in which it operates, based on sustainable growth. Sicredi’s differential is a management model that values participation, in which the associates vote and decide on the direction to be assumed by their credit cooperative.

Through the Bank, the System entered into an investment agreement on June 07, 2011 with Rabo Partnerships B.V., the development arm of Rabobank Dutch group. This partnership promotes the exchange of information and technical knowledge between Sicredi and Rabobank System. This process, formally conducted by means of an investment agreement, was approved by the Central Bank of Brazil (BACEN) on January 27, 2011 and by the Brazilian federal government, through Federal Decree of May 18, 2011, published in the Federal Official Gazette on May 19, 2011. As at December 31, 2020, Rabo Partnerships B.V. holds 19.45% (22.44% in December 2019) of the Bank’s capital.

In October 2012, the System, through the Bank, entered into an investment agreement with International Finance Corporation (“IFC”), a member of the World Bank and global development institution focused on the private sector in developing countries. This partnership is aimed at contributing with Sicredi’s development. The process, formalized by means of referred to investment agreement, was approved by Bacen on May 24, 2013. As at December 31, 2020, IFC holds 2.55% (2.95% in December 2019) in the Bank’s capital.

These combined financial statements were approved by the Bank’s Executive Board on March 24, 2021.

Sistema de Crédito Cooperativo - Sicredi

Notes to combined financial statements
December 31, 2020 and 2019
(In thousands of reais)

2. Basis of preparation and presentation of the combined financial statements

a) Presentation of the combined financial statements

Sicredi combined financial statements, which are under the responsibility of management of the institutions part of the System, are presented solely for the purpose of providing, by means of a single set of financial statements, information on the entirety of the System's activities, irrespective of its corporate structure, control and corporate governance aspects, and the requirements for presentation of financial statements set out by Bacen and the Brazilian Monetary Council ("CMN"). Accordingly, these combined financial statements do not represent individual or consolidated financial statements of a legal entity and its subsidiaries, nor can they be used for purposes of calculation of dividends, performance assessment, taxes or any other corporate or statutory purposes.

The combined financial statements of Cooperative Systems were allowed by CMN and Bacen by means of Resolution No. 4151/12 and Memorandum Circular No. 3669/13, which permit the institutions that comprise Cooperative Systems to disclose their financial statements in a combined manner and establish procedures for preparation and disclosure of these statements.

These combined financial statements were prepared in accordance with the accounting practices adopted in Brazil, in compliance with the guidance provided by Law No. 6404/76, as amended by Laws No. 11638/07 and No. 11941/09 and in consonance with the rules established by Bacen and CMN, consubstantiated in the Chart of Accounts of the National Financial System (COSIF), and the new pronouncements, guidance and interpretations issued by the Brazilian FASB (CPC) approved by Bacen (CPCs 01, 02, 03, 04, 05, 10, 23, 24, 25, 27 and 33), specifically those applicable to cooperative entities, and Cooperativism Law No. 5764 of December 16, 1971 and Supplementary Law No. 130 of April 17, 2009.

Additionally, as from January 2021, the amendments to CMN Resolution No. 4818/2020 and BACEN Resolution No. 2/2020 were included in the presentation of the combined financial statements, as well as the other entities that comprise Sicredi System. These amendments are mainly aimed at bringing similarity with local reporting guidance in accordance with International Financial Reporting Standards (IFRS). The main changes implemented were that the statement of financial position accounts are presented in order of liquidity and payment, no longer segregated into current and noncurrent, that segregation is only presented in the explanatory notes and that the statement of financial position balances for the period are presented in comparison with the end of the immediately prior year and the other statements are compared with the same periods of the prior year.

b) Combination criteria

Asset and liability accounts and income(loss) of the institutions participating in the combination were included, and the balances resulting from transactions performed between the institutions were eliminated.

Sistema de Crédito Cooperativo - Sicredi

Notes to combined financial statements
December 31, 2020 and 2019
(In thousands of reais)

c) Institutions included in the combined financial statements

According to CMN Resolution No. 4151/12, the cooperative system is formed by single credit cooperatives, central credit cooperatives, credit confederations and cooperative banks, directly or indirectly linked to these institutions, through interest held or effective operating control, characterized by administration or management in common, or by market activity under the same trademark or commercial brand.

On October 02, 2013, Bacen defined, in article 6 of Memorandum Circular No. 3669/13, that the combined trial balance of the Cooperative System must include all investment funds in which the entities belonging to the combined cooperative system, in any manner, assume or substantially retain risks and rewards.

The entities that comprise the System are individually responsible for conducting their activities as per their business purposes, in accordance with systemically pre-established policies and limits.

Therefore, Sicredi considered the following entities in its combined financial statements:

Banco Cooperativo Sicredi S.A.: a private Brazilian financial institution established in accordance with CMN Resolution No. 2193, of August 31, 1995, was authorized to operate by BACEN on March 20, 1996, and commenced its activities on June 3, 1996. The Bank is primarily engaged in performing bank transactions of a commercial nature, including exchange transactions and operates as a multiple bank, by means of its commercial and investment portfolio. By strategic decision of the System, the Bank operates as an instrument of the Credit Cooperatives, enabling these cooperatives to, by means of agreements, operate in the various markets available and perform operations that are supplementary to their nature, thus offering their associates access to a full-fledged service portfolio.

Central Credit Cooperatives: cooperative financial institutions focused on credit, whose main purpose is to spread credit cooperativism, coordinate and supervise the activity of the associated cooperatives, supporting these cooperatives in their development and expansion activities. The cooperatives may perform all operations compatible with their business purpose, including obtaining foreign funds, in compliance with relevant legislation, official regulations, their bylaws and Sicredi internal rules;

Single Credit Cooperatives: non-bank financial institutions authorized to operate by Bacen, and which must be associated with Central Credit Cooperatives;

Investment Funds: investment funds included in the combined financial statements, for compliance with article 6 of Bacen Memorandum Circular No. 3669/13, were as follows:

- Fundo de Investimento Multimercado Crédito Privado Centralização;
- Fundo de Investimento Liquidez Renda Fixa;
- Fundo de Investimento Renda Fixa Crédito Privado Sicredi Coop;
- Fundo de Investimento Renda Fixa Crédito Privado Centralização;

The other Sicredi entities, as established by Resolution No. 4151/12 of CMN and Memorandum Circular No. 3669/13 of Bacen, were not included in these combined financial statements, and are presented by means of interest held. Detailed information on these entities is provided in Notes 11 and 12.

Breakdown of interest held by the System associates in the institutions included in the combined financial statements is as follows:

Sistema de Crédito Cooperativo - Sicredi

Notes to combined financial statements
December 31, 2020 and 2019
(In thousands of reais)

Doing business as	BR state	Interest held		Total assets		Equity		P&L	
		12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Banco Cooperativo Sicredi	RS	78.00%	74.62%	67,582,067	56,444,922	1,513,189	1,304,999	84,357	93,770
Central Sicredi Sul/Sudeste	RS	100.00%	100.00%	7,734,743	4,518,990	416,563	400,400	-	10
Central Sicredi PR/SP/RJ	PR	100.00%	100.00%	13,563,933	7,840,410	320,371	318,570	-	-
Central Sicredi Norte/Nordeste	PB	100.00%	100.00%	3,583,715	2,623,637	173,388	161,210	4,689	1,397
Central Sicredi Centro Norte	MT	100.00%	100.00%	2,979,717	1,695,358	154,771	131,782	2,365	764
Central Sicredi Brasil Central	GO	100.00%	100.00%	1,879,081	1,116,650	66,590	52,149	839	185
Sicredi Ouro Verde MT	MT	100.00%	100.00%	4,591,052	3,024,912	796,299	674,723	141,961	107,964
Sicredi União PR/SP	PR	100.00%	100.00%	5,405,148	3,682,328	565,371	467,632	77,332	40,856
Sicredi Centro Sul MS	MS	100.00%	100.00%	3,043,369	2,051,182	563,322	486,739	105,233	94,616
Sicredi Região dos Vales RS	RS	100.00%	100.00%	2,534,935	2,138,470	531,492	472,650	61,330	58,387
Sicredi Planalto RS/MG	RS	100.00%	100.00%	2,932,674	1,963,290	530,611	458,285	87,763	95,767
Sicredi União RS	RS	100.00%	100.00%	3,390,033	2,381,791	514,057	458,906	77,775	80,931
Sicredi Vanguarda PR/SP/RJ	PR	100.00%	100.00%	4,667,461	3,244,366	511,572	442,686	69,006	64,851
Sicredi Celeiro do MT	MT	100.00%	100.00%	2,483,256	1,956,474	487,585	427,493	72,648	62,198
Sicredi Pioneira RS	RS	100.00%	100.00%	3,645,988	2,695,118	476,791	445,318	54,551	74,304
Sicredi Sudoeste MT/PA	MT	100.00%	100.00%	2,832,793	1,824,818	465,157	368,035	104,859	71,760
Sicredi Evolução	PB	100.00%	100.00%	2,069,574	1,662,193	460,757	428,125	57,568	52,451
Sicredi Vale do Piquiri ABCD PR/SP	PR	100.00%	100.00%	4,195,647	2,850,816	445,423	342,927	64,248	40,657
Sicredi Serrana RS	RS	100.00%	100.00%	3,438,557	2,382,707	421,275	352,016	75,403	69,350
Sicredi Araxingu	MT	100.00%	100.00%	2,250,245	1,580,913	410,597	330,704	71,125	66,053
Sicredi Pampa Gaúcho	RS	100.00%	100.00%	1,524,700	1,307,562	401,694	375,802	32,850	35,901
Sicredi Grandes Rios MT/PA	MT	100.00%	100.00%	2,167,980	1,337,281	393,581	325,770	63,353	46,644
Sicredi Campos Gerais PR/SP	PR	100.00%	100.00%	3,424,429	2,302,341	362,383	296,979	59,478	46,380
Sicredi Univales MT/RO	MT	100.00%	100.00%	1,426,018	1,060,153	337,474	308,949	47,518	43,004
Sicredi Uniestados	RS	100.00%	100.00%	3,219,652	2,075,168	336,969	268,970	63,020	52,537
Sicredi Região Centro RS/MG	RS	100.00%	100.00%	1,866,477	1,418,862	329,736	317,677	29,360	51,136
Sicredi Vale do Cerrado	MT	100.00%	100.00%	2,406,080	1,453,894	310,687	227,074	33,889	29,636
Sicredi Noroeste RS	RS	100.00%	100.00%	1,334,711	1,046,472	299,079	267,320	42,452	39,174
Sicredi União MS/TO	MS	100.00%	100.00%	2,535,928	1,723,578	290,596	232,790	48,476	35,925
Sicredi Alto Uruguai RS/SC/MG	RS	100.00%	100.00%	2,073,803	1,340,082	287,953	254,849	47,973	48,333
Sicredi Ouro Branco RS	RS	100.00%	100.00%	1,768,395	1,263,221	286,420	246,005	48,784	37,909
Sicredi das Culturas RS/MG	RS	100.00%	100.00%	1,376,716	1,042,532	269,313	238,693	42,322	40,924
Sicredi Celeiro Centro Oeste	MS	100.00%	100.00%	2,067,272	1,281,223	257,047	202,699	45,269	29,713
Sicredi Raízes RS/SC/MG	RS	100.00%	100.00%	1,229,563	677,808	252,582	147,578	33,512	23,010
Sicredi Ibiraiaras RS/MG	RS	100.00%	100.00%	1,448,019	1,130,618	252,528	218,031	36,689	35,000
Sicredi Centro Serra RS	RS	100.00%	100.00%	1,029,231	825,384	249,900	224,325	27,277	23,928
Sicredi Integração RS/MG	RS	100.00%	100.00%	1,521,990	999,652	243,417	217,673	32,826	33,620
Sicredi Fronteiras PR/SC/SP	PR	100.00%	100.00%	1,657,857	1,101,895	242,031	220,739	35,160	32,941
Sicredi Vale do Jaguarí e Zona da Mata RS/MG	RS	100.00%	100.00%	760,056	624,720	238,709	221,080	25,139	30,930
Sicredi Iguaçu PR/SC/SP	PR	100.00%	100.00%	1,312,889	965,955	229,894	201,376	34,921	29,075
Sicredi Botucaraí RS/MG	RS	100.00%	100.00%	1,233,150	811,008	226,100	203,720	27,257	26,275
Sicredi Integração Rota das Terras RS/MG	RS	100.00%	100.00%	1,070,671	716,019	222,102	201,464	27,592	25,934
Sicredi Zona Sul RS	RS	100.00%	100.00%	1,355,071	993,580	221,908	188,887	38,675	23,866
Sicredi Altos da Serra RS/SC	RS	100.00%	100.00%	1,558,334	1,120,059	221,849	205,563	27,363	33,539
Sicredi Espumoso RS/MG	RS	100.00%	100.00%	773,849	561,154	208,630	177,477	32,898	26,449
Sicredi Aliança PR/SP	PR	100.00%	100.00%	1,536,402	959,407	204,766	172,815	27,476	21,179
Sicredi Região da Produção RS/SC/MG	RS	100.00%	100.00%	1,836,750	1,013,603	199,260	166,489	38,291	29,534
Sicredi Biomas	MT	100.00%	100.00%	1,108,965	789,271	198,975	157,228	45,920	33,517
Sicredi Expansão	AL	100.00%	100.00%	1,150,726	863,361	196,204	172,832	32,577	26,506
Sicredi Aliança RS/SC	RS	100.00%	100.00%	1,596,668	988,316	196,127	167,489	31,794	26,934
Sicredi Agroempresarial PR/SP	PR	100.00%	100.00%	1,776,225	1,314,502	187,670	155,211	35,295	27,744
Sicredi Pantanal MS	MS	100.00%	100.00%	898,264	626,833	179,003	142,216	39,198	32,564
Sicredi Campo Grande MS	MS	100.00%	100.00%	1,462,567	996,173	176,159	139,091	34,864	30,527
Sicredi Sul MT	MT	100.00%	100.00%	1,191,007	821,021	171,794	151,014	23,251	14,340
Sicredi Integração de Estados RS/SC	RS	100.00%	100.00%	1,231,639	865,161	171,480	146,119	27,638	27,238
Sicredi Vale do Rio Pardo RS	RS	100.00%	100.00%	1,015,141	758,729	170,125	142,577	30,744	26,750
Sicredi Norte SC	SC	100.00%	100.00%	1,348,156	775,942	164,720	129,025	32,777	32,064
Sicredi Parque das Araucárias PR/SC/SP	PR	100.00%	100.00%	1,322,095	966,293	161,381	137,306	24,680	20,711
Sicredi Planalto Central	GO	100.00%	100.00%	1,247,504	808,004	153,252	118,093	25,688	20,095
Sicredi Vale Litoral SC	SC	100.00%	100.00%	1,249,819	760,889	149,956	116,514	24,392	23,254
Sicredi Progresso PR/SP	PR	100.00%	100.00%	1,074,414	741,187	148,691	126,018	19,235	14,571
Sicredi Cooperação RS/SC	RS	100.00%	100.00%	750,898	546,333	146,580	130,769	16,723	15,745
Sicredi Nossa Terra PR/SP	PR	100.00%	100.00%	1,007,257	751,206	137,222	125,230	9,566	11,387
Sicredi Centro Sul PR/SC/RJ	PR	100.00%	100.00%	956,047	695,683	135,014	113,715	20,329	13,629
Sicredi Ceará Centro Norte	CE	100.00%	100.00%	924,383	737,643	133,289	135,661	16,594	17,857
Sicredi Sul Minas RS/MG	RS	100.00%	100.00%	633,388	472,628	129,403	122,625	10,051	17,209
Sicredi Fronteira Sul RS	RS	100.00%	100.00%	695,338	556,332	129,258	113,289	20,228	12,767
Sicredi Centro Leste RS	RS	100.00%	100.00%	1,082,055	776,468	128,436	106,567	27,897	19,109
Sicredi União Metropolitana RS	RS	100.00%	100.00%	1,328,975	925,795	125,261	101,003	28,084	24,522
Sicredi Planalto das Águas PR/SP	PR	100.00%	100.00%	634,227	482,820	118,664	103,895	10,950	10,842
Sicredi Sul SC	SC	100.00%	100.00%	1,050,075	636,502	114,902	86,630	25,553	19,100
Sicredi Rio Paraná PR/SP	PR	100.00%	100.00%	874,249	571,900	111,921	88,117	17,278	10,261

Sistema de Crédito Cooperativo - Sicredi

Notes to combined financial statements
December 31, 2020 and 2019
(In thousands of reais)

Doing business as	BR state	Interest held		Total assets		Equity		P&L	
		12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Sicredi Grandes Lagos PR/SP	PR	100.00%	100.00%	696,638	484,246	110,067	96,334	14,239	12,699
Sicredi Norte Sul PR/SP	PR	100.00%	100.00%	922,695	644,560	106,159	95,957	12,291	12,308
Sicredi Rio Grande do Norte	RN	100.00%	100.00%	826,719	598,069	104,910	95,271	18,482	13,722
Sicredi Cerrado GO	GO	100.00%	100.00%	741,586	512,740	100,543	83,893	13,601	15,450
Sicredi Pernambucred	PE	100.00%	100.00%	498,529	460,078	89,823	74,226	18,575	10,214
Sicredi Recife	PE	100.00%	100.00%	583,196	487,712	87,847	84,010	10,193	11,436
Sicredi Novos Horizontes PR/SP	PR	100.00%	100.00%	812,799	538,372	85,222	66,556	13,795	9,495
Sicredi Integração PR/SC	PR	100.00%	100.00%	786,283	601,704	84,322	72,040	11,252	12,999
Sicredi Nordeste RS	RS	100.00%	100.00%	900,733	632,935	84,232	68,716	20,990	16,388
Sicredi Centro Oeste Paulista	SP	100.00%	100.00%	707,067	504,561	82,735	67,093	11,247	9,007
Sicredi Creduni	PB	100.00%	100.00%	302,816	280,569	78,421	76,996	16,727	15,825
Sicredi Paranapanema PR/SP	PR	100.00%	100.00%	784,291	467,785	74,706	57,864	17,994	10,324
Sicredi Aracaju	SE	100.00%	100.00%	456,091	305,024	71,768	68,771	8,944	9,319
Sicredi Rio RJ	RJ	100.00%	100.00%	319,863	319,556	64,107	69,350	785	555
Sicredi Valor Sustentável PR/SP	PR	100.00%	100.00%	598,734	341,484	56,726	46,812	9,523	6,649
Sicredi Centro Pernambucana	PE	100.00%	100.00%	205,210	176,408	54,236	50,305	5,298	4,178
Sicredi Região Sul Da Bahia	BA	100.00%	100.00%	165,480	143,413	42,635	39,401	3,861	1,132
Sicredi Belém	PA	100.00%	100.00%	327,317	229,806	41,489	37,797	7,033	6,882
Sicredi Alta Noroeste SP	SP	100.00%	100.00%	341,358	206,115	40,693	32,795	7,360	5,393
Sicredi Vale do São Francisco	PE	100.00%	100.00%	193,507	134,425	37,707	33,324	3,768	3,330
Sicredi Alto Sertão Paraibano	PB	100.00%	100.00%	116,314	79,057	36,615	27,500	3,040	1,502
Sicredi Noroeste SP	SP	100.00%	100.00%	278,102	189,456	35,214	29,284	5,551	4,333
Sicredi Cariri	CE	100.00%	100.00%	163,619	130,530	35,032	30,810	2,961	2,496
Sicredi Centro Norte SP	SP	100.00%	100.00%	281,565	197,554	33,511	27,323	4,781	2,538
Sicredi Força dos Ventos SP	SP	100.00%	100.00%	214,036	145,363	17,411	15,480	762	840
Sicredi Ajuris RS	RS	100.00%	100.00%	179,479	168,001	16,341	15,640	1,968	2,319
Sicredi Credjuris	PR	100.00%	100.00%	144,221	135,899	15,912	13,572	2,298	2,180
Sicredi Coomamp	MA	100.00%	100.00%	47,385	40,478	15,613	14,529	1,347	592
Sicredi Mil RS	RS	100.00%	100.00%	95,371	70,716	15,542	13,946	2,469	2,220
Sicredi Cooperjuris	CE	100.00%	100.00%	59,870	55,967	11,062	8,825	2,527	1,891
Sicredi Empreendedores PR	PR	100.00%	100.00%	108,203	72,621	10,439	8,271	1,764	1,635
Sicredi Piauí	PI	100.00%	100.00%	78,559	57,699	10,326	9,550	401	(143)
Sicredi Medicred PR	PR	100.00%	100.00%	59,352	48,653	9,068	8,409	491	852
Sicredi Credigrande MG	MG	100.00%	100.00%	60,904	35,631	8,918	8,226	744	(169)
Sicredi Cooperucs	RS	100.00%	100.00%	35,216	27,595	8,505	7,260	1,500	1,270
Sicredi Credenoreg PR	PR	100.00%	100.00%	55,380	46,709	8,143	6,969	1,080	1,227
Sicredi Bandeirantes SP	SP	100.00%	100.00%	51,722	31,298	7,635	6,035	1,426	1,022
Sicredi MP	RS	100.00%	100.00%	52,765	48,547	6,997	6,690	622	384
Sicredi Pol RS/SC	RS	100.00%	100.00%	53,920	34,857	6,672	5,441	1,442	1,478
Sicredi Sul do Maranhão	MA	100.00%	100.00%	42,741	25,809	5,573	5,304	440	1,016
Sicredi São Luís	MA	100.00%	100.00%	32,002	22,443	4,487	4,474	747	778
Sicredi Coaabcred RS	RS	100.00%	100.00%	50,506	35,849	3,507	2,806	527	410
Fundo Liquidez Renda Fixa	RS	100.00%	100.00%	23,862,466	11,579,422	23,861,662	11,578,976	482,495	636,794
Fundo Multimercado Crédito Privado Centralização	RS	100.00%	100.00%	19,784,034	9,354,021	19,782,608	9,349,275	364,746	776,298
Fundo Renda Fixa Crédito Privado Sicredi Coop	RS	100.00%	100.00%	649,356	1,147,372	649,310	1,147,308	24,979	79,584
Fundo Renda Fixa Crédito Privado Centralização	RS	100.00%	100.00%	85,075	3,224,115	85,063	3,224,023	58,800	13,273
Sicredi Grande Palmeira RS	RS	-	100.00%	-	306,275	-	72,301	3,647	11,057
Sicredi Salvador	BA	-	100.00%	-	45,282	-	21,612	(6,607)	252
Sicredi Centro Paraibana	PB	-	-	-	-	-	-	-	(15,043)
Sicredi Verde Pará	PA	-	-	-	-	-	-	-	(9,983)
Sicredi Crateús	CE	-	-	-	-	-	-	-	(1,270)
Sicredi Sul do Pará	PA	-	-	-	-	-	-	-	(98)
Total				275,743,138	193,488,349	67,236,790	45,071,727	4,087,084	4,246,850

d) Institutions included in or excluded from the System

Mergers derive from decisions taken by the associates of the cooperatives involved and are aimed at increasing the operating capacity of such cooperatives.

In the years ended December 31, 2020 and 2019, mergers between System cooperatives were as follows:

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Merging entity	Merged entity	Base date	Equity	P&L
Sicredi Sudoeste MT/PA	Sicredi Sul do Pará	06/2019	2,162	(98)
Sicredi Sudoeste MT/PA	Sicredi Verde Pará	07/2019	14,951	(9,983)
Sicredi Ceará Centro Norte	Sicredi Crateús	10/2019	8,944	(1,270)
Sicredi Evolução	Sicredi Centro Paraibana	12/2019	32,808	(15,043)
Sicredi Raízes RS/SC/MG	Sicredi Grande Palmeira RS	06/2020	73,485	3,647
Sicredi Alagoas	Sicredi Salvador	07/2020	13,782	(6,607)

The combined income statements and of cash flows comprise the operations of the merged cooperatives only for the period in which these cooperatives were active.

e) Eliminations between System institutions

	Merged amounts		Eliminations		Combined amounts	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Assets						
Cash and cash equivalents	1,258,126	1,272,654	(39)	(9)	1,258,087	1,272,645
Financial instruments	267,951,054	186,181,160	(117,995,124)	(80,359,694)	149,955,930	105,821,466
Short-term interbank investments	29,368,848	25,943,553	(16,324,334)	(18,662,302)	13,044,514	7,281,251
Compulsory deposits in Central Bank of Brazil	3,114,885	3,088,323	-	-	3,114,885	3,088,323
Marketable securities and derivative financial instruments	83,068,423	50,553,259	(44,657,593)	(25,491,183)	38,410,830	25,062,076
Loans	93,922,828	69,971,958	(595,626)	(683,978)	93,327,202	69,287,980
Other financial assets	61,938,742	39,672,088	(56,419,184)	(35,524,058)	5,519,558	4,148,030
Provision for expected losses associated with credit risk	(3,462,672)	(3,048,021)	1,613	1,827	(3,461,059)	(3,046,194)
Tax credits	41,158	31,289	-	-	41,158	31,289
Other assets	1,559,258	1,544,975	(602,564)	(487,478)	956,694	1,057,497
Investments in subsidiaries	171,303	202,008	-	-	171,303	202,008
Other investments	2,290,919	2,018,153	(2,284,516)	(2,011,835)	6,403	6,318
Property and equipment in use	2,091,158	1,834,602	-	-	2,091,158	1,834,602
Intangible assets	380,162	403,508	-	-	380,162	403,508
Total assets	275,743,138	193,488,349	(120,882,243)	(82,859,016)	154,860,895	110,629,333
Liabilities and equity						
Deposits and other financial instruments	201,293,193	142,716,156	(70,207,094)	(52,497,511)	131,086,099	90,218,645
Deposits	109,833,875	75,546,193	(5,194,881)	(4,787,851)	104,638,994	70,758,342
Open market funding	13,472,602	16,069,345	(11,129,493)	(13,874,461)	2,343,109	2,194,884
Funds from acceptance and issue of securities	4,157,403	2,033,967	-	-	4,157,403	2,033,967
Borrowings	3,096,526	2,003,197	(595,626)	(683,990)	2,500,900	1,319,207
Local on-lending - official institutions	12,599,299	10,217,383	-	-	12,599,299	10,217,383
Derivative financial instruments	48,267	3,129	-	-	48,267	3,129
Other financial liabilities	58,085,221	36,842,942	(53,287,094)	(33,151,209)	4,798,127	3,691,733
Provisions	506,560	474,387	(147)	-	506,413	474,387
Deferred tax obligations	-	2,944	-	-	-	2,944
Other liabilities	6,706,595	5,223,135	(3,995,888)	(3,048,019)	2,710,707	2,175,116
Equity	66,903,889	44,740,486	(46,679,114)	(27,313,486)	20,224,775	17,427,000
Noncontrolling interests	332,901	331,241	-	-	332,901	331,241
Total liabilities and equity	275,743,138	193,488,349	(120,882,243)	(82,859,016)	154,860,895	110,629,333
Income statements						
Trading revenues	15,504,152	16,131,942	(2,841,042)	(3,392,192)	12,663,110	12,739,750
Trading expenses	(4,747,692)	(5,367,580)	1,911,719	1,898,097	(2,835,973)	(3,469,483)
Provision for expected losses associated with credit risk	(1,656,783)	(1,404,989)	10,089	1,516	(1,646,694)	(1,403,473)
Other operating income (expenses)	(4,215,336)	(4,216,231)	(34,831)	(23,569)	(4,250,167)	(4,239,800)
Income and social contribution taxes	(149,727)	(148,741)	-	-	(149,727)	(148,741)
Profit sharing	(401,519)	(373,821)	-	-	(401,519)	(373,821)
Noncontrolling interests	(59,586)	(63,890)	-	-	(59,586)	(63,890)
Net income for the year	4,273,509	4,556,690	(954,065)	(1,516,148)	3,319,444	3,040,542

f) Functional currency

The combined financial statements are stated in Brazilian reais (R\$), which is the functional currency of the entire System, and the information, unless otherwise stated, in thousands of (R\$ thousand

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3. Summary of significant accounting practices

Significant accounting practices adopted to prepare the financial statements are as follows:

a) Determination of profit or loss

Profit or loss is computed on an accrual basis, which establishes that revenues and expenses must be included in the calculations of the periods in which these revenues and expenses occurred, always simultaneously when they correlate, irrespective of receipt or payment. Fixed rate transactions are recorded at redemption value, and income and expenses corresponding to future periods are recognized as a reduction of respective assets or liabilities. Financial income and costs are calculated on a pro-rata basis using the exponential method, except those related to discounted securities or those relating to foreign transactions, which are calculated on a straight-line basis. Floating rate transactions or transactions indexed to foreign currencies are restated up to the statement of financial position date.

b) Cash and cash equivalents

These are represented by amounts in domestic and foreign currency, and short-term interbank investments whose maturity at effective investment date is equal to or below 90 days, subject to a low risk of change in fair value.

c) Financial instruments

i. Short-term interbank investments

These represent fixed-income transactions referring to purchase of securities subject to repurchase agreements and investments in interbank deposits and in foreign currency, which are stated at redemption value, net of unrecorded yield amounts corresponding to future periods.

ii. Marketable securities

As established by BACEN Memorandum Circular No. 3068/01, marketable securities of the Bank and of the investment funds are classified and subsequently measured as follows:

Trading securities – these are acquired for the purpose of being actively and frequently traded, are adjusted to market value, matched against net income for the period and classified in current assets regardless of their maturity;

Securities available for sale – these do not classify as trading or held to maturity and are adjusted to market value, matched against a specific equity account, net tax effects;

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Securities held to maturity – the entity intends or has the financial capacity to hold these securities in its portfolio until maturity. They are stated at acquisition cost plus earnings and matched against P&L for the period. Financial capacity is defined using cash flow projections and discounting the possibility of sale of these securities.

iii. Derivative financial instruments

The System, by means of the Bank and of the investment funds, uses derivative financial instruments such as swaps and interest rate futures, currency swaps, exchange futures in foreign currency, options and interest rate options.

They are classified in accordance with management's intent, at inception date, taking into consideration whether or not these instruments are contracted for hedging purposes, under the terms of Bacen Memorandum Circular No. 3082/02.

Operations involving derivative financial instruments are recorded at fair value, using the marked-to-market methodologies adopted by the System. The method for recognition of gains and losses resulting from these operations depends on whether or not the derivative is designated as a hedging instruments, in cases of adoption of hedge accounting.

Instruments designated for hedge accounting may be classified according to their nature into the following categories:

- *Market risk hedge*: derivative financial instruments intended to offset risks arising from exposure to market value changes of the hedged item, and gains and losses should be matched against the System's P&L for the period;
- *Cash flow hedge*: derivative financial instruments intended to offset variations in the System's estimated cash flow, and gains and losses relating to the effective portion should be matched against a specific account in equity less any tax effects and other variations matched against P&L for the period.

The System recorded no operations classified as cash flow hedge accounting for the year ended December 31, 2020, and the System's operations subject to hedge accounting are classified as market risk.

Derivatives classified as hedge accounting are subject to documental identification using detailed information on the operations and risks involved, effectiveness of the strategy, by means of tests of prospective and/or retrospective effectiveness, as well as marked to market of the instruments and of the hedged items, as established by Memorandum Circular No. 3082/02.

Derivative transactions in the options and future market are held in custody on B3 S.A. – Brasil, Bolsa e Balcão ("B3"). The market value of these derivative financial instruments is calculated based on specialized exchange quotes.

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iv. Loans

These are stated at cost plus yield earned. Loan transactions are classified according to management's risk level analysis, considering the economic scenario and specific risks in connection with these transactions, the debtors and guarantors, under the parameters established in CMN Resolutions No. 2682/99 and No. 2697/00.

Loan transactions overdue within 59 days are accrued under revenues from loans and from the 60th day onwards under unearned revenues. Operations classified as "H" remain under this classification for six months when they are charged against the existing allowance and controlled for five years in memorandum accounts, and are no longer presented in the statement of financial position.

d) Provision for expected losses associated with credit risk

Provision for expected losses on credit and foreign exchange is based on the analysis of the operations and takes into consideration the economic context, past experience, specific and overall risks of the portfolios, under the accrual criteria defined by CMN Resolutions No. 2682/99 and No. 2697/00, associated with management's assessment in determining credit risks.

e) Other current assets and long-term receivables (noncurrent)

These are stated at realizable values, including, when applicable, earnings, monetary variations (on a pro-rata basis) and exchange variations, less corresponding provisions for losses or adjustment to market value and unearned income.

f) Investments

Investments are stated at cost of acquisition and investments in subsidiaries not included in the combination are adjusted by the equity method.

g) Property and equipment in use

These correspond to acquired rights over assets intended for maintaining the activities or exercised for that purpose. They are stated at cost of acquisition. Depreciation of property and equipment in use is calculated on a straight-line basis using the annual rates mentioned in Note 13, which take into account the useful life of the assets.

h) Intangible assets

Intangible assets correspond to acquired rights over these assets intended for maintaining the System or exercised for that purpose. They are stated at cost and comprise expenses with software acquisition and development, adjusted for accumulated amortization, calculated as from the moment when the respective rewards begin to be used, based on annual rates that take into account the useful life of the assets (Note 13).

i) Impairment of nonfinancial assets

Property and equipment, assets not for own use and other noncurrent assets, including intangible assets, are annually reviewed in order to identify evidence of non-recoverable losses or whenever events or changes in the circumstances indicate that the carrying amount may not be recovered.

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When this is the case, the recoverable amount is calculated to identify any loss. When identified, the loss is recorded in P&L for the period for the amount in which book value exceeds the recoverable amount, which is the higher of net sale price and value in use of an asset.

j) Assets and liabilities in foreign currency

Monetary assets denominated in foreign currency are translated into reais using the exchange rates of the Central Bank in effect for the transactions. Differences deriving from currency translation are recorded in P&L for the period.

k) Deposits, onlending obligations and other financial liabilities

These are stated at their respective amounts plus charges, monetary and exchange fluctuations through to the statement of financial position date, recognized on a pro rata basis.

l) Other current liabilities and long-term payables (noncurrent)

These are stated at known or estimated amounts, including, when applicable, charges and monetary variations on a pro-rata basis, less corresponding expenses to be recorded.

m) Tax credits, taxes and contributions

Provisions for federal contribution taxes on gross revenue for Social Integration Program (PIS) and for Social Security Financing (COFINS) were calculated at the rates in effect, considering, for the respective bases, the prevailing legislation for each tax.

For the Bank, income and social contribution tax credits are recorded on temporary differences, at the rates of 25% income tax and 15% social contribution tax until December 2019. As from March 2020, the social contribution tax rate for commercial banks was increased to 20%. These tax credits will be realized when the accrued provisions are realized. Worth mentioning, Cooperatives do not record tax credits on temporary differences.

Cooperatives are subject to current income tax (15% plus 10% on taxable profit exceeding R\$ 240 in the year, on taxable profit) and current social contribution tax (15%), when positive results are earned in non-cooperative acts. In these cases, provisions are recorded at the rates in force, considering additions, exclusions and offset of income and social contribution tax losses capped at 30% of taxable profit.

n) Provision for civil, tax and labor contingencies

The accounting practices for recording, measuring and disclosing contingent assets and liabilities are consubstantiated in CVM Rule No. 489/05 and CMN Resolution No. 3535/08, to wit:

- *Contingent assets* are recorded only when subject to security interests or favorable legal decisions on which no further appeals may be filed. Contingent assets whose likelihood of a favorable outcome is rated as probable are only disclosed in an explanatory note;

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- *Contingent liabilities* are provisioned when losses thereon are assessed as probable and the amounts involved may be reliably measured. Contingent liabilities assessed as possible loss are disclosed and contingent liabilities that may not be reliably measured and those assessed as probable loss are not provisioned or disclosed;
- *Legal obligations* are recorded as payables, irrespective of the assessment of the likelihood of a favorable outcome.

o) Significant accounting estimates and judgments

Preparation of the financial statements requires application of certain significant assumptions and judgments that involve a high level of uncertainty and may have a significant impact on these statements. Accounting estimates are determined by management, considering factors and assumptions set up based on judgment, which are reviewed every six months.

Estimates and judgments deemed significant by management are as follows:

- Provision for expected losses associated with credit risk: In addition to compliance with the provision recording requirements by function of delay in payment of principal installments or operation charges, this provision is calculated based on management's judgment concerning the risk level, taking into consideration the economic scenario, specific risks relating to the operation, debtors and guarantors, delay periods and the economic group, and using the parameters established in CMN Resolutions No. 2682/99 and No. 2697/00. Detailed information on provision for losses is presented in Note 8.
- Provision for civil, tax and labor contingencies: Based on the likelihood of loss assessed by management, this provision is recorded for contingencies of a tax, civil and labor nature by means of legal opinions. Assessment of the likelihood of loss takes into account the probability of disbursements by the entity for each proceeding and may incur in a high level of judgment, depending on how high the existing uncertainty is. Detailed information on provisions and contingent liabilities is presented in Note 18.
- Impairment of intangible and other assets: these assets are tested for impairment at least annually in order to identify any indication that an asset may be impaired. When the recoverable amount of these assets may not be obtained from external sources, calculation of the recoverable amount may incur in significant judgments, mainly in measuring potential future economic benefits associated thereto.
- Measurement of Covid-19 impacts on the financial statements and impacts on the System: Management monitors the development of operations, which includes monitoring capital and liquidity levels, the behavior of the assets' credit risk, market risk and financial instruments, new loan transactions and fund-raising operations performed. Major effects and impacts of Covid-19 on the financial statements in this period are described, when applicable, in the notes corresponding to the statement of financial position headings affected.

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p) Pension plan - defined contribution

The System participates in a pension plan managed by a private pension entity, which provides the System's employees with post-employment benefits under the defined contribution system. A defined contribution plan is a pension plan under which the companies make fixed contributions to a separate entity. The companies have no legal or constructive obligation to make contributions if the fund has no sufficient assets to pay all employees the benefits related with these employees' service in the current and prior period.

For the defined contribution plan, the companies pay contributions to the private pension entity, on a compulsory, contractual or voluntary basis. Regular contributions comprise net costs for the period in which they are due and are, therefore, included in personnel expenses.

q) Recurring and non-recurring income

Recurring income is related with the System's typical characteristics, which occur frequently in the present and are foreseen to occur in the future whereas non-recurring income derives from an extraordinary and/or unpredictable event that tends not to occur again in the future.

4. Cash and cash equivalents

In the statement of cash flows, the following amounts were considered cash and cash equivalents:

	<u>12/31/2020</u>	<u>12/31/2019</u>
Cash and cash equivalents	1,258,087	1,272,645
Short-term interbank investments	<u>2,421,564</u>	6,042,932
Resale to settle - Self-funding position	735,080	499,124
Resale to settle - Financed position	1,665,032	5,541,275
Investments in foreign currency	21,452	2,533
Total	<u><u>3,679,651</u></u>	<u><u>7,315,577</u></u>

Cash and cash equivalents and short-term interbank investments are classified as cash and cash equivalents for purposes of presentation in the statement of cash flows, when the requirements of CPC 03 (R2) – Statement of Cash Flows are met.

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5. Short-term interbank investments

	<u>12/31/2020</u>	<u>12/31/2019</u>
Open market investments	<u>12,980,110</u>	7,046,858
Resale to settle - Self-funding position		
Financial Treasury Bills (LFT)	740	118,634
National Treasury Bills (LTN)	3,634,339	1,256,817
National Treasury Notes (NTN)	7,679,999	130,132
Resale to settle - Financed position		
Financial Treasury Bills (LFT)	399,260	2,021,356
National Treasury Bills (LTN)	1,265,772	849,641
National Treasury Notes (NTN)	-	2,670,278
Investments in interbank deposits	<u>42,952</u>	231,860
Interbank Deposit Certificates (CDI)	42,952	231,860
Investments in foreign currency	<u>21,452</u>	2,533
Investments in foreign currency	21,452	2,533
Total current	<u><u>13,044,514</u></u>	<u><u>7,281,251</u></u>

6. Compulsory deposits in Central Bank of Brazil

	<u>12/31/2020</u>	<u>12/31/2019</u>
Microcredit	56	-
Deposits in savings accounts	3,080,865	3,062,575
Other deposits	-	42
Rural credit – PROAGRO receivable	33,964	25,706
Total current	<u><u>3,114,885</u></u>	<u><u>3,088,323</u></u>

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7. Marketable securities and derivative financial instruments

a) Portfolio breakdown

	12/31/2020			12/31/2019	
	Falling due			Total	Total
	Within 3 months	From 3 to 12 months	Over 12 months		
Own portfolio					
Financial Treasury Bills (LFT)	2,577,352	552,230	15,174,830	18,304,412	7,389,813
National Treasury Bills (LTN)	-	4,481,422	-	4,481,422	994,164
National Treasury Notes (NTN)	-	9,921,576	-	9,921,576	11,948
Financial Bills (LF)	-	3,225,713	-	3,225,713	4,075,996
Debentures	-	217,226	-	217,226	221,741
Fixed-income investment fund	-	1,870	-	1,870	1,845
Rural Product Bills (CPR)	13,674	230,701	162,762	407,137	252,048
Bank Deposit Certificates (CDB)	-	95,108	-	95,108	125,655
Linked to repurchase agreements					
Financial Treasury Bills (LFT)	509,401	262,751	385,479	1,157,631	1,718,596
National Treasury Bills (LTN)	-	5,915	-	5,915	8,850,573
Linked to capital increase in Central Bank					
Financial Treasury Bills (LFT)	-	-	-	-	85,699
Linked to guarantees given					
Financial Treasury Bills (LFT)	16,496	66,065	463,992	546,553	1,330,855
Other	-	71	-	71	75
Subtotal	3,116,923	19,060,648	16,187,063	38,364,634	25,059,008
Derivative financial instruments					
Swap operations	-	-	46,196	46,196	-
Options	-	-	-	-	3,068
Total – 2020	3,116,923	19,060,648	16,233,259	38,410,830	
Total – 2019	4,906,736	12,230,604	7,924,736		25,062,076
Total current				22,177,571	17,137,340
Total noncurrent				16,233,259	7,924,736

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b) Classification of marketable securities

	12/31/2020		12/31/2019	
	Restated cost	Market value	Restated cost	Market value
Held for trading				
No maturity	1,941	1,941	1,919	1,919
Maturing within 12 months	19,213,351	19,214,014	9,653,119	9,655,859
Maturing over 12 months	4,006,880	4,010,167	12,510,710	12,519,859
Subtotal	23,222,172	23,226,122	22,165,748	22,177,637
Available for sale				
Maturing within 12 months	7,600,780	7,599,770	492,807	492,805
Maturing over 12 months	62,389	62,172	995,727	995,738
Subtotal	7,663,169	7,661,942	1,488,534	1,488,543
Held to maturity				
Maturing within 12 months	1,880,618	1,880,132	273,785	280,810
Maturing over 12 months	5,596,689	5,551,426	1,119,119	1,117,984
Subtotal	7,477,307	7,431,558	1,392,904	1,398,794
Total	38,362,648	38,319,622	25,047,186	25,064,974

Based on the understanding of BACEN Memorandum Circular No. 3068/01, securities recorded as held to maturity are measured for the respective costs of acquisition plus yield earned whereas securities held for trading and available for sale are adjusted to market value.

In compliance with the provisions of article 8 of BACEN Memorandum Circular No. 3068/01, management represents that the System has the financial capacity and intent to maintain until maturity the securities classified as held to maturity.

In 2020, the System reclassified 23,300 LFTs from available for sale to held to maturity and 14,623 LFTs from trading to held to maturity, amounting to R\$ 249,400 and R\$ 156,470, respectively.

As at December 31, 2020, unrealized losses on these securities amounted to R\$ 448 and R\$ 289, respectively. As at December 31, 2019, no unrealized losses on these securities were recorded.

As at December 31, 2020, unrealized income/(loss) from securities classified as available for sale presented net loss of R\$ 1,675 (R\$ 60 of loss in December 2019), recorded net of tax effects in equity under equity adjustments amounting to R\$ 921 (R\$ 33 in December 2019). This amount is partly recorded in net income for the year due to adoption of the hedge accounting policy (Note 7.c) amounting to R\$ 250.

Market value of government securities was calculated based on the quotation obtained from the National Association of Financial and Capital Market Institutions (ANBIMA).

In operations involving bank deposit bills, time deposits with special guarantee and financial bills, issuers are classified into rating groups and are attributed spreads at each issue. These spreads are calculated based on the average rates traded that day.

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Debentures are adjusted using information from the bulletins published by ANBIMA. For debentures not informed by ANBIMA, the discounted cash flow method is used. The discount rates/indices used are projections/information provided by bulletins or specialized publications (ANBIMA). Credit spread is obtained by means of the marked-to-market method, which considers the following aspects: i) classification into period ranges, based on maturity; ii) operation rating, which considers the risk relating to the issuer, guarantees, etc.; and iii) spread calculation at issue rates weighted per maturity range and operation rating.

Market value of Rural Product Bills (CPR) is obtained based on the interest curve, using the rates negotiated in B3's DI future market for one day, and on the credit spreads calculated for each issuer.

In accordance with Bacen Memorandum Circular No. 3068/01, marketable securities classified as held for trading are presented in current assets, regardless of maturity.

c) Derivative financial instruments

These are recorded in asset and liability accounts and memorandum accounts in accordance with Bacen specific rules, and are intended to meet the Bank's needs and hedge it against market risks arising mainly from the mismatch between currencies, interest rates, indexes and terms of the Bank's asset and liability operations. Accordingly, the policy adopted by the System is to mitigate exposure to market risk. Management directly monitors these risks using duly tested and assessed instruments.

The System uses swap derivatives to hedge its foreign borrowings. Use of these derivative financial instruments is mainly aimed as hedge against risks deriving from currency fluctuations, and the instruments' maturity is linked to maturity of the fund-raising transactions.

Swap derivatives as well as hedged borrowings are adjusted to market value, except when held to maturity in matched operations with the same counterparty (instrument and object). Market value of these operations is calculated using modelling techniques approved by Sicredi management.

Fixed-income marketable securities classified as for trading and available for sale are operated together with derivative contracts, and future DI contracts are the instrument used to hedge against rate variations. The purpose of this instrument is to hedge against fluctuation of the rates pegged to fixed-income government securities.

Hedged government securities are adjusted to market value, except when held to maturity, under market price assumptions obtained by means of quotations for assets and liabilities with the same or similar characteristics. In case these assumptions are not available, pricing models approved by Sicredi management are used. Financial instruments under custody of B3 are daily adjusted based on futures transactions that are recorded in asset or liability accounts, depending on the nature of the adjustment, and settled on D+1.

Difference amounts and adjustments of derivative assets and liabilities are recorded in asset and liability accounts in accordance with each operation method, and matched against respective P&L accounts.

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The System adopted hedge accounting for swap derivatives, whose hedged items are funds obtained in the foreign market from Citibank and Japan International Cooperation Agency (JICA), as well as future DI transactions, whose hedged items are fixed-income government securities available for sale. The variations and adjustments deriving from (de)valuation of these instruments and items are matched against P&L, irrespective of their classification pursuant to Memorandum Circular No. 3068/01, in compliance with Memorandum Circular No. 3082/02, which provides for recognition of hedge accounting operations in P&L accounts, when classified as market risk.

As at December 31, 2020 and 2019, these amounts are adjusted to market value, except specific derivative financial instruments that are only adjusted based on the curve, recorded and valued in accordance with Bacen Memorandum Circular No. 3082/02, and respective notional amounts are recorded in memorandum accounts, as follows:

	12/31/2020			12/31/2019	
	Net position of contracts to mature				
	Within 3 months	From 3 to 12 months	Over 12 months	Total	Total
<u>Clearance</u>					
Futures contracts	9,780,997	2,509,042	835,669	13,125,708	11,689,341
Swap contracts	1,219	423	972,823	974,465	2,827
Options contracts	-	-	-	-	3,500
Total – 2020	9,782,216	2,509,465	1,808,492	14,100,173	
Total – 2019	2,237,026	7,420,418	2,038,224		11,695,668
<u>Swap contracts</u>					
Receivables	-	-	46,196	46,196	-
Payables	(13)	(3)	(48,251)	(48,267)	(61)
<u>Options contracts</u>					
Receivables	-	-	-	-	3,068
Payables	-	-	-	-	(3,068)
Total – 2020	(13)	(3)	(2,055)	(2,071)	
Total – 2019	(16)	(45)	-		(61)

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	12/31/2020		12/31/2019	
	Notional amount	Cost – amount receivable/received (payable/paid)	Market value	Market value
<u>Futures contracts</u>	13,125,708	(230)	-	-
Purchase commitments	(549,564)	61	-	-
Future DI	(531,376)	49	-	-
Future DOL	(18,188)	13	-	-
Future WDO	-	(1)	-	-
Sale commitments	13,675,272	(291)	-	-
Future DI	13,546,433	(707)	-	-
Future DOL	120,428	377	-	-
Future WDO	8,411	39	-	-
<u>Swap contracts</u>	974,465	(11,882)	(2,071)	(61)
Receivables	215,380	46,196	46,196	-
Foreign currency	215,380	46,196	46,196	-
Payables	759,085	(58,078)	(48,267)	(61)
Foreign currency	759,085	(58,078)	(48,267)	(61)
<u>Options contracts</u>	-	-	-	-
Receivables	-	-	-	3,068
Rate	-	-	-	3,068
Payables	-	-	-	(3,068)
Rate	-	-	-	(3,068)

Daily adjustments of futures transactions are recorded in asset or liability accounts, depending on the nature of the adjustment, and settled on D+1. As at December 31, 2020, the balance recorded under Securities trading and brokerage in assets is of R\$ 566 (R\$ 828 in December 2019) and in liabilities is of R\$ 796 (R\$ 2,592 in December 2019).

Market values adjustments of swap operations are recorded in asset or liability accounts, depending on the difference receivable or payable.

As at December 31, 2020, the amount recorded in derivative financial instruments in assets is of R\$ 46,196 (R\$ 3,068 in December 2019) and in liabilities is of R\$ 48,267 (R\$ 3,129 in December 2019).

As at December 31, 2020, the System recorded losses on derivatives amounting to R\$ 185,485 (losses of R\$ 101,453 in December 2019).

As at December 31, 2020, the equity position of government securities given in guarantee for stock exchange operations amounted to R\$ 196,462 (R\$ 131,350 in December 2019).

Notional value, hedged items and hedging instruments referring to operations subject to market risk and hedge accounting are as follows:

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	12/31/2020		12/31/2019	
	Net position of contracts to mature			
	Notional value	Curve value	Market value	Market value
<u>Market risk hedge – Funding</u>				
Hedging instruments	757,443	(58,072)	(48,253)	-
Swap contracts (payable)	757,443	(58,072)	(48,253)	-
Hedged items	757,443	703,931	713,750	-
Foreign market funding	757,443	703,931	713,750	-
	12/31/2020		12/31/2019	
	Hedged position			
	Curve value	Market value	Market value	
<u>Market risk hedge – Marketable securities</u>				
Hedging instruments	1,841,045	1,841,045	-	
Futures contracts	1,841,045	1,841,045	-	
Hedged items	1,840,530	1,840,780	-	
Marketable securities available for sale	1,840,530	1,840,780	-	

As at December 31, 2020, the Bank reclassified from equity to P&L for the year the gains of R\$ 250 referring to MtM adjustment on securities available for sale.

Prospective and retrospective effectiveness tests were conducted on the hedge portfolio classified as market risk, in accordance with the provisions of Bacen Memorandum Circular No. 3082/02.

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8. Loans

a) Breakdown of credit portfolio per type of operation

	12/31/2020				12/31/2019	
	Overdue from 15 days	Falling due			Total portfolio	Total portfolio
		Within 3 months	From 3 to 12 months	Over 12 months		
Credit operations	600,590	9,241,454	33,181,438	50,303,720	93,327,202	69,287,980
Loans and discounted notes	529,137	5,936,642	13,705,956	26,716,861	46,888,596	33,679,156
Financing	25,615	1,066,253	3,875,154	7,438,646	12,405,668	8,843,773
Rural and agro-industrial financing	45,838	2,230,137	15,580,048	15,584,087	33,440,110	26,417,914
Housing financing	-	8,422	20,280	564,126	592,828	347,137
Exchange transactions	-	21,215	106,384	781	128,380	119,883
Advances on exchange contracts (Note 17.a)	-	20,733	103,965	763	125,461	116,355
Income from advances on exchange contracts	-	482	2,419	18	2,919	3,528
Other financial instruments in assets (Note 9)	13,334	2,707,650	964,126	99,886	3,784,996	2,768,606
Securities and receivables	-	2,697,292	937,934	1,788	3,637,014	2,631,320
Payables due to purchase of amounts and assets	726	8,931	25,769	97,608	133,034	108,234
Collateral and pledges honored	12,608	1,427	423	490	14,948	29,052
Total - 2020	613,924	11,970,319	34,251,948	50,404,387	97,240,578	
Total - 2019	808,762	11,162,652	28,923,326	31,281,729		72,176,469
Total current					46,836,191	40,894,740
Total noncurrent					50,404,387	31,281,729

Notes and receivables refer to amounts receivable from credit card transactions.

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b) Breakdown of credit portfolio per risk level

Pursuant to article 3 of CMN Resolution No. 2697/00, we present below the breakdown of the credit operations' portfolio, including exchange transactions amounting to R\$ 128,380 (R\$ 119,883 in December 2019) and other receivables of a credit nature amounting to R\$ 3,784,996 (R\$ 2,768,606 in December 2019), distributed in the corresponding levels of risk, according to the classification provided for in article 1 of CMN Resolution No. 2682/99:

Risk level	%	Portfolio		Provision for expected losses associated with credit and currency risk	
		12/31/2020	12/31/2019	12/31/2020	12/31/2019
AA	0.00	16,339,503	10,824,807	-	-
A	0.50	34,583,273	23,253,994	172,575	116,270
B	1.00	29,825,101	21,903,127	297,777	219,031
C	3.00	10,032,761	10,319,864	300,585	309,596
D	10.00	3,158,505	2,783,349	315,606	278,335
E	30.00	964,911	945,184	289,430	283,555
F	50.00	437,693	468,002	218,756	234,001
G	70.00	383,196	422,810	268,237	295,967
H	100.00	1,515,635	1,255,332	1,515,570	1,255,332
Total		97,240,578	72,176,469	3,378,536	2,992,087

In conformity with the principle of prudence, Sicredi adopted provision percentages above the minimum amount defined in CMN Resolution 2682/99, taking into consideration, besides the legal criteria, that the provision for these portfolios should approximate the expected loss calculation proposed by IFRS 9, as well as the economic scenario, the experience of operating in the region and the knowledge of its associates' base. As at December 31, 2020, the additional provision amount recorded was of R\$ 81,016 (R\$ 41,755 in December 2019).

As at December 31, 2020, Sicredi recorded other receivables not of a credit grant nature for which a provision was set up amounting to R\$ 1,507 (R\$ 12,352 in December 2019).

In accordance with article 5 of Resolution 4800/20, provision for losses for operations classified as PESE should be calculated only on the amount equivalent to own capital of the cooperatives intended for this purpose. As such, management recorded a provision amounting to R\$ 314 (R\$ 0 in December 2019). These amounts are presented together with the amount accrued for credit operations and other receivables.

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c) Breakdown of credit portfolio per sector of activity and maturity brackets

Private sector	12/31/2020				12/31/2019	
	Overdue from 15 days	Falling due			Total portfolio	Total portfolio
		Within 3 months	From 3 to 12 months	Over 12 months		
Rural	45,838	2,230,137	15,580,048	15,584,087	33,440,110	26,417,914
Industry	11,688	462,493	951,157	2,118,358	3,543,696	2,386,975
Commerce	88,543	1,939,283	3,872,846	7,408,531	13,309,203	8,922,281
Financial intermediation	105	2,277	4,790	9,157	16,329	14,870
Other services	88,986	2,096,508	4,496,340	9,579,575	16,261,409	9,833,682
Individuals	378,764	5,231,199	9,326,487	15,140,553	30,077,003	24,253,610
Housing	-	8,422	20,280	564,126	592,828	347,137
Total - 2020	613,924	11,970,319	34,251,948	50,404,387	97,240,578	
Total - 2019	808,762	11,162,652	28,923,326	31,281,729		72,176,469

d) Concentration of credit operations

	12/31/2020	%	12/31/2019	%
10 major debtors	915,199	0.94	717,493	0.99
50 major debtors	1,766,083	1.82	1,245,924	1.73
100 next major debtors	2,073,709	2.13	1,583,920	2.19
Other	92,485,587	95.11	68,629,132	95.09
Total	97,240,578	100.00	72,176,469	100.00

e) Changes in provision for expected losses associated with credit risk

	12/31/2020	12/31/2019
Opening balance	3,046,194	2,558,620
Set up of provision	1,646,694	1,403,473
Changes in amounts written off for loss	(1,231,829)	(915,899)
Closing balance	3,461,059	3,046,194

In the year ended December 31, 2020, recovery of credit operations previously written off as loss, amounting to R\$ 526,961 (R\$ 489,872 in December 2019), was recorded as trading revenues – credit operations”.

In the year ended December 31, 2020, credit operations amounting to R\$ 4,423,734 (R\$ 3,460,857 in December 2019) were renegotiated.

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f) Income from credit operations

	2H	12/31/2020	12/31/2019
Loans and discounted notes	3,418,482	7,273,448	7,108,234
Financing	664,468	1,343,138	1,107,816
Rural and agro-industrial financing	978,236	1,905,812	1,742,438
Housing financing	19,592	35,915	22,767
Other	3,410	6,483	8,075
Subtotal	5,084,188	10,564,796	9,989,330
Recovery of receivables written off as loss	341,984	526,961	489,872
Total	5,426,172	11,091,757	10,479,202

9. Other financial assets

	12/31/2020	12/31/2019
Payments and receipts to be settled	52	809
Bank agents	18,692	31,875
Payment transactions	1,230,427	931,350
Exchange portfolio	170,996	214,320
Specific receivables	-	10,683
Securities trading and brokerage	566	828
Income receivable	110,356	117,149
Notes and receivables (Note 8.a)	3,635,226	2,630,719
Payables due to purchase of amounts and assets (Note 8.a)	35,426	30,793
Collateral and pledges honored (Note 8.a)	14,458	28,607
Consortium quotas	21,486	25,586
Credit card transactions	175,607	39,606
Amounts receivable relating to payment transactions	1,414	408
Refunds receivable	4,966	6,810
Total current	5,419,672	4,069,543
Notes and receivables (Note 8.a)	1,788	601
Payables due to purchase of amounts and assets (Note 8.a)	97,608	77,441
Collateral and pledges honored (Note 8.a)	490	445
Total noncurrent	99,886	78,487

Payment transactions refer to amounts receivable from issuers on intermediation of operations performed with credit and debit cards.

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10. Other assets

	<u>12/31/2020</u>	<u>12/31/2019</u>
Payables relating to agreements	4,930	3,989
Advances and salaries prepaid	39,569	27,589
Taxes and contributions to be offset	14,535	15,544
Advances for payments on our account	41,198	48,085
Amounts honored	971	922
Onlending to be regularized	78	233
Pending items to be regularized	53,219	124,293
Internal offset	85	-
Deposit Insurance Fund	10,205	10,205
Other sundry receivables	24,545	54,051
Other amounts and assets (Note 10.a)	498,247	517,560
Total current	<u>687,582</u>	<u>802,471</u>
Advances for payments on our account	60,560	62,547
Payables for guarantee deposits (Note 18.a)	191,446	188,046
Other amounts and assets (Note 10.a)	17,106	4,433
Total noncurrent	<u>269,112</u>	<u>255,026</u>

Advances for payments on our account refer to amounts prepaid to Sicredi Confederation, which is preparing investments in technology structures and platforms, through purchase of assets (furniture, equipment, software, facilities, etc.) and expenses with specific projects (applications, products, etc.). After completion, these items will be transferred to the Cooperatives.

The Deposit Insurance Fund (FGD) refers to a financial reserve set up by the cooperatives of Central Sicredi Norte/Nordeste to guarantee credit for their associates and aimed at safeguarding System's image.

a) Other amounts and assets

	<u>12/31/2020</u>	<u>12/31/2019</u>
Assets not for own use	539,762	571,370
Buildings	529,831	554,783
Vehicles	7,157	10,598
Machinery and equipment	2,738	5,859
Other	36	130
Material in inventory	3,217	1,924
Prepaid expenses	27,769	14,323
Provision for devaluation of other amounts and assets	(55,395)	(65,624)
Total	<u>515,353</u>	<u>521,993</u>

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b) Changes in provision for devaluation of other amounts and assets

	<u>12/31/2020</u>	<u>12/31/2019</u>
Opening balance	<u>65,624</u>	59,084
Set up of provision	18,244	26,275
Reversal of provision	(28,473)	(19,735)
Closing balance	<u><u>55,395</u></u>	<u>65,624</u>

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11. Investments in subsidiaries

Banco Sicredi investments assessed under the equity method in Administradora de Cartões Sicredi Ltda. (Card Administrator), Corretora de Seguros Sicredi Ltda. (Insurance Broker), Administradora de Bens Sicredi Ltda. (Asset Administrator) and Administradora de Consórcios Sicredi Ltda. (Consortium Administrator) are as follows:

	Card administrator		Insurance Broker		Asset Administrator		Consortia administrator		Total	Total
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Number of units of interest held	-	2,421	399	399	49,276	49,276	22,825	22,825		
Interest percentage	-	99.99	99.75	99.75	99.98	99.98	99.99	99.99		
Capital	-	2,421	400	400	49,286	49,286	22,827	22,827		
Equity	-	39,222	35,772	33,779	52,946	52,935	82,694	76,181		
Net income for the year	-	2,066	1,993	1,660	11	109	6,513	5,343		
Investment amount	-	39,217	35,683	33,694	52,935	52,924	82,685	76,173	171,303	202,008
Equity pickup	1,973	2,065	1,989	1,656	11	109	6,512	5,342	10,485	9,172

On November 12, 2020, Sicredi Cartões Ltda became extinct, by strategic definition of the Executive Board of the Bank, controlling entity of the company. The operations that were performed by this company began to be conducted internally by the System's Cooperatives and by Sicredi Confederation.

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12. Other investments

Other investments refer to interests held by the System in other companies, as follows:

	<u>12/31/2020</u>	<u>12/31/2019</u>
Sicredi Confederation	5,373	5,374
Other investments	1,030	944
Total	<u>6,403</u>	<u>6,318</u>

13. Property and equipment in use and intangible assets

	<u>12/31/2020</u>		<u>12/31/2019</u>		Annual depreciation/ amortization rates - %
	Cost	Accumulated depreciation/ amortization	Net	Net	
Property and equipment in use	<u>3,148,276</u>	<u>(1,057,118)</u>	<u>2,091,158</u>	1,834,602	
Land	189,677	-	189,677	179,940	-
Buildings	522,413	(103,145)	419,268	339,527	2 to 4
Furniture, fixtures and facilities	1,440,842	(563,185)	877,657	757,180	10
IT equipment and processing systems	526,591	(309,897)	216,694	199,083	20
Transportation systems	64,326	(35,483)	28,843	31,379	20
Other	120,671	(45,408)	75,263	63,104	10
Property and equipment in progress	283,756	-	283,756	264,389	-
Intangible assets	1,014,943	(634,781)	380,162	403,508	10 to 20
Total - 2020	<u>4,163,219</u>	<u>(1,691,899)</u>	<u>2,471,320</u>		
Total - 2019	<u>3,626,484</u>	<u>(1,388,374)</u>		<u>2,238,110</u>	

Intangible assets mostly refer to investments in technology for developing software, licenses, digital solutions, internet banking, applications and rights for payroll acquisition.

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14. Deposits and open-market funding

Deposits and funding, per maturity bracket, are as follows:

	12/31/2020			12/31/2019	
	No maturity and within 3 months	From 3 to 12 months	Over 12 months	Total	Total
Deposits	44,592,049	5,550,683	54,496,262	104,638,994	70,758,342
Demand deposits	21,218,765	-	-	21,218,765	11,353,956
Deposits in rural savings accounts	22,200,753	-	-	22,200,753	15,411,198
Interbank deposits	364,231	3,580,593	592,212	4,537,036	3,932,946
Time deposits	808,300	1,970,090	53,904,050	56,682,440	40,060,242
Open market funding	1,362,377	284,750	695,982	2,343,109	2,194,884
Own portfolio	139,495	284,750	695,982	1,120,227	1,055,905
Third-party portfolio	1,222,882	-	-	1,222,882	1,138,979
Investment funds	1,170,883	-	-	1,170,883	1,078,480
Financial institutions	51,999	-	-	51,999	60,499
Total - 2020	45,954,426	5,835,433	55,192,244	106,982,103	
Total - 2019	29,145,917	5,632,019	38,175,290		72,953,226
Total current				51,789,859	34,777,936
Total noncurrent				55,192,244	38,175,290

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15. Funds from acceptance and issue of securities

	12/31/2020			12/31/2019	
	Within 3 months	From 3 to 12 months	Over 12 months	Total	Total
Funds from agribusiness credit bills	272,928	886,198	1,490,183	2,649,309	1,180,818
Payables for issue of financial bills	-	1,238,699	269,395	1,508,094	853,149
Total - 2020	272,928	2,124,897	1,759,578	4,157,403	
Total - 2019	215,306	803,134	1,015,527		2,033,967
Total current				2,397,825	1,018,440
Total noncurrent				1,759,578	1,015,527

16. Loan and onlending obligations

	12/31/2020			12/31/2019	
	Within 3 months	From 3 to 12 months	Over 12 months	Total	Total
Loan obligations	288,783	768,332	1,443,785	2,500,900	1,319,207
Domestic loans – official institutions	787	1,895	52,711	55,393	24,607
Domestic loans	108,033	324,076	290,210	722,319	319,964
Foreign loans	179,963	442,361	1,100,864	1,723,188	974,636
Local on-lending obligations - official institutions	426,979	2,148,746	10,023,574	12,599,299	10,217,383
National Treasury	160	16,308	584	17,052	1,300
Banco do Brasil	14,911	79,942	360,596	455,449	244,728
BNDES	308,989	1,541,351	7,477,080	9,327,420	7,396,232
FINAME	102,919	511,145	2,185,314	2,799,378	2,575,123
Total - 2020	715,762	2,917,078	11,467,359	15,100,199	
Total - 2019	423,950	2,447,772	8,664,868		11,536,590
Total current				3,632,840	2,871,722
Total noncurrent				11,467,359	8,664,868

Domestic loans – official institutions are represented by funds raised from Caixa Econômica Federal in domestic currency, to be invested in commercial transactions relating to housing financing, maturing until June 2048.

Domestic loans are represented by Bank Credit Note (CCB) operations, in loan agreements, deriving from funds raised abroad and translated into domestic currency, maturing until January 2025.

Foreign loans are represented by funds raised in foreign currency to be invested in exchange, commercial and rural credit operations maturing until March 2027.

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Foreign loans include funds raised from Japan International Cooperation Agency (JICA) and Citibank amounting to USD 100,000 and USD 35,000, respectively. These fund-raising agreements are subject to covenants that include, among others, clauses referring to maintenance of certain financial ratios, calculated on a quarterly basis. Noncompliance with such clauses entails early settlement of the agreements. As at December 31, 2020, Sicredi is compliant with the clauses of referred to agreements.

Domestic funds for domestic onlending mostly represent funds raised from BNDES. The operations contracted, according to the characteristics of each program, have monthly, quarterly, half-yearly and annual maturity until 2034. These funds are transferred using the same periods and rates of the funding program plus onlending commission amounts.

In addition, domestic funds for domestic onlending represent amounts raised from the National Treasury transferred through BNDES. The operations contracted, according to the characteristics of PESE, have monthly maturity until 2023. These funds are transferred using the same periods and rates of the funding program plus onlending commission amounts.

17. Other financial liabilities

	<u>12/31/2020</u>	<u>12/31/2019</u>
Receipts and payments to be settled	296	349
Payment transactions	3,325,214	2,475,166
Third-party funds in transit	270,902	217,896
Domestic transfers of funds	2,602	903
Exchange portfolio (Note 17.a)	44,999	100,926
Securities trading and brokerage	796	2,592
Subordinated debt (Note 17.b)	100,902	4,621
Rural savings account	15,881	26,458
Accredited establishment – multiple card	43,940	6,667
Investment fund share obligations	8,758	82,193
Funds to be released – real property sellers	60,896	17,430
Payment transaction obligations	892,032	614,912
Obligations due to payment arranger services	8,672	19,245
Total current	<u>4,775,890</u>	<u>3,569,358</u>
Exchange portfolio (Note 17.a)	(763)	-
Subordinated debt (Note 17.b)	23,000	122,375
Total noncurrent	<u>22,237</u>	<u>122,375</u>

Payment transactions refer to amounts that will be paid to accreditation agents, relating to the issue financial agenda.

Payment transaction obligations mostly refer to domicile amounts, payments to be processed, TECBAN withdrawals to be confirmed and transactions using savings account cards.

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a) Exchange portfolio

	<u>12/31/2020</u>	<u>12/31/2019</u>
Foreign exchange payables	6,146	52,695
Exchange purchase obligations	163,551	164,586
Advances on exchange contracts (Note 8.a)	(124,698)	(116,355)
Total current	<u>44,999</u>	<u>100,926</u>
Advances on exchange contracts (Note 8.a)	(763)	-
Total noncurrent	<u>(763)</u>	-

b) Subordinated debt

On February 07, 2013, in conformity with CMN Resolution No. 3444/07, the Bank raised funds from IFC. This foreign funding amounts to R\$ 99,375, matures in December 2021 and is subject to annual remuneration at 158.5% of CDI, paid on semi-annual basis. As at December 31, 2020, the adjusted amount of subordinated debt to IFC is of R\$ 100,825 (R\$ 103,497 in December 2019). Expenses for the year ended December 31, 2020 totaled R\$ 4,339 (R\$ 9,389 in December 2019) and are presented under loan and onlending operations.

This agreement is subject to covenants that include, among others, clauses relating to maintenance of certain financial ratios such as Basel index, credit risk exposure, exchange and interest rates calculated on a quarterly basis. Noncompliance with such clauses entails additional 2% to annual remuneration. In the year ended December 31, 2020, the System is compliant with the clauses of referred to agreement.

Sicredi has subordinated financial notes, whose restated amount at December 31, 2020 is of R\$ 23,077 (R\$ 23,499 in December 2019). In the year ended December 31, 2020, this expense totaled R\$ 118 (R\$ 228 in December 2019) and is presented under market funding operations.

18. Provisions

	<u>12/31/2020</u>	<u>12/31/2019</u>
Provision for financial guarantees given	279,253	262,379
Total current	<u>279,253</u>	<u>262,379</u>
Provision for civil, tax and labor contingencies	227,160	212,008
Total noncurrent	<u>227,160</u>	<u>212,008</u>

Provision for financial guarantees given refers to financial guarantees provided by the Cooperatives upon transactions performed with the Bank by their associates.

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a) Changes in provision for financial guarantees given

	<u>12/31/2020</u>	<u>12/31/2019</u>
Opening balance	<u>262,379</u>	245,674
Set up of provision	165,259	163,412
Reversal of provision	(148,385)	(146,707)
Closing balance	<u>279,253</u>	<u>262,379</u>

b) Provision for civil, tax and labor contingencies

The System is party to legal proceedings whose likelihood of an unfavorable outcome is rated by the System's legal advisors as probable. Estimated amounts and respective provisions are recorded under provisions and presented below, according to the nature of these liabilities.

Nature		Likelihood of loss	<u>12/31/2020</u>	<u>12/31/2019</u>
Labor	Probable		78,782	74,371
Civil	Probable		38,122	25,971
Tax	Probable		110,256	111,666
Total			<u>227,160</u>	<u>212,008</u>

As at December 31, 2020, the System also recorded labor, civil and tax claims whose likelihood of loss is considered possible amounting to R\$ 58,371, R\$ 102,510 and R\$ 42,976 (R\$ 60,442, R\$ 102,630 and R\$ 45,362 in December 2019), respectively.

Changes in provision for civil, tax and labor contingencies are as follows:

	<u>12/31/2020</u>	<u>12/31/2019</u>
Opening balance	<u>212,008</u>	199,747
Write-off due to payment	(33,626)	(42,864)
Set up of provision	48,778	55,125
Closing balance	<u>227,160</u>	<u>212,008</u>

In the year ended December 31, 2020, management recorded a provision amounting to R\$ 5,863 (R\$ 17,545 in December 2019) relating to actions that challenge legality of income tax collection on interest on equity and surplus amounts. This amount is retained from the associates and deposited in court, therefore resulting in no impact on the Cooperatives' P&L.

As at December 31, 2020, Sicredi System recorded judicial deposits amounting to R\$ 191,446 (R\$ 188,046 in December 2019), recorded under other assets, referring to these legal proceedings.

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19. Other liabilities

	<u>12/31/2020</u>	<u>12/31/2019</u>
Collection of taxes, charges and contributions	852	20,208
Social and statutory obligations	1,142,583	941,648
Tax and social security obligations	188,719	168,575
Cashier's checks	474,208	231,828
Provision for payments to be made	334,519	296,959
Creditors – INSS agreements	-	36
Creditors – agreements	-	21
Obligations due to official agreements	13,803	11,044
Credit card transactions	61,008	79,072
Payments on behalf of third parties	91,989	67,939
Funds to be transferred	12,023	10,902
Sundry creditors	253,103	222,368
Amounts under custody linked to loan transactions	15,913	37,704
Other liabilities	69,294	38,193
Total current	<u>2,658,014</u>	<u>2,126,497</u>
Provision for payments to be made	52,693	48,619
Total noncurrent	<u>52,693</u>	<u>48,619</u>

Social and statutory obligations mostly refer to Technical, Educational and Social Assistance Fund (FATES), interest on equity, dividends payable, provisions for profit sharing, voluntary funds and capital shares payable.

Sundry creditors mostly refer to trade accounts payable and accounts payable to suppliers and companies of the Group.

Provisions for payments to be made recorded in current mostly refer to labor obligations such as profit sharing, vacation pay, 13th monthly salary and related charges.

20. Equity

a) Capital

Capital is divided into shares at par value equivalent to R\$ 1.00 (one real) and each member is entitled to one vote, irrespective of the number of shares held, as follows:

	<u>12/31/2020</u>	<u>12/31/2019</u>
Capital	8,210,012	7,479,245
Number of associates	4,848,404	4,409,929

In the year ended December 31, 2020, the cooperatives increased capital amounting to R\$ 1,077,703 (R\$ 835,548 in December 2019), of which R\$ 331,499 (R\$ 282,676 in December 2019) by means of payment of surplus amounts and R\$ 746,204 (R\$ 552,872 in December 2019), through payment of shares. In this period, capital decreased, by means of share redemption, in the amount of R\$ 549,521 (R\$ 503,916 in December 2019).

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b) Interest on equity

Interest on equity paid may be remunerated annually at the Central Bank Benchmark Rate (SELIC), upon proposal by the cooperative's Board of Directors. Payment may be in capital shares and/or the associates' checking account.

In the year ended December 31, 2020, interest on equity amounts paid were recorded in P&L for the period amounting to R\$ 246,116 (R\$ 373,784 in December 2019), presented as allocation of surplus amounts in the statement of changes in equity.

c) Statutory and legal allocations

Pursuant to the cooperatives' bylaws and Law No. 5764/71, net surplus amounts will be allocated as follows:

- A minimum 5% to the Technical, Educational and Social Assistance Fund (FATES), aimed at educational activities and providing assistance to the cooperative members, their families and to cooperative employees.

Additionally, Law No. 5764/71 establishes that:

- (i) The positive results from operations with non-associates will be allocated to the Technical, Educational and Social Reserve (fund) (RATES); and
 - (ii) Loss computed in the period will be covered by the legal reserve and, if the legal reserve is insufficient, by means of apportionment, between the associates with future years' surplus amounts, as provided for in Supplementary Law No. 130/09. At least 45% will be allocated to the legal reserve, whose purpose is to repair losses and support the development of the cooperative's activities. In the year ended December 31, 2020, the System recorded no loss (R\$ 0 in December 2019).
- The total amount recovered, referring to loan operations written off as loss, may be allocated to the legal reserve, other reserves and funds, at the discretion of the Board of Directors; and
 - The General Meeting may create other reserves (funds), including those subject to flexible terms, with funds intended for specific purposes, and determine their formation, application and settlement terms, as defined by the Board of Directors, such as expansion reserves, equalization fund and social funds.

d) Dividends

Under the terms of the Bank's bylaws, net income calculated, after legal and statutory allocations, will be fully distributed to the shareholders.

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21. Noncontrolling interests

As at December 31, 2020, Rabo Partnerships B.V. and IFC hold interests of 19.45% (22.44% in December 2019) and 2.55% (2.95% in December 2019), respectively, of the Bank's shares.

The interests of Rabo Partnerships B.V. and IFC are class A preferred shares (PNA) and class B preferred shares (PNB), respectively. Dividends to be paid to these shares are calculated in proportion to the interests held by Rabo Partnerships B.V. and IFC, and equity of the cooperatives, named profit sharing ratio (QPL). As at December 31, 2020, profit sharing ratio of Rabo Partnerships B.V. and IFC is of 1.67% (1.93% in December 2019) and 0.12% (0.14% in December 2019), respectively.

	12/31/2020		12/31/2019	
	Rabo Part.B.V	IFC	Rabo Part.B.V	IFC
Bank equity	1,513,189		1,304,999	
Interest held (%)	19.45%	2.55%	22.44%	2.95%
Interest held (R\$)	294,247	38,654	292,779	38,462
Noncontrolling interests	294,247	38,654	292,779	38,462
QPL	1.67%	0.12%	1.93%	0.14%

At the Bank's Executive Board meeting held on December 21, 2020, payment of dividends referring to net income for 2020 was approved.

22. Income and social contribution taxes

a) Reconciliation of income and social contribution taxes

Cooperatives are subject to income and social contribution taxes when they earn positive results in non-cooperative acts. In these cases, provisions are recorded at the rates in force, considering additions, exclusions and offset of income and social contribution tax losses capped at 30% of taxable profit.

Provisions for social contribution tax were recorded at the rate of 15% for the cooperatives and 20% for the Bank as from March 2020, and provisions for income tax at the rate of 15%, and surtax of 10% on taxable profit exceeding R\$ 240 in the year, on taxable profit, as follows:

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	<u>12/31/2020</u>	<u>12/31/2019</u>
Income after profit sharing and before income taxes and interest on equity	<u>3,528,757</u>	3,253,173
Income and social contribution taxes at tax rates	(1,411,503)	(1,301,269)
Exclusions / (Additions)		
Permanent		
Equity pickup in subsidiaries	4,718	3,669
Tax incentives	6,939	4,888
(Provision for) Reversal of profit sharing	(4,044)	(3,539)
Reversal of income and social contribution taxes of the prior six-month period	13	43
Income from cooperative acts	1,180,444	1,004,175
Tax loss	10,008	13,124
Interest on equity	98,446	149,514
Effect of change in social contribution rate (*)	1,529	683
Other, net	(33,298)	(20,029)
Subtotal	<u>1,264,755</u>	<u>1,152,528</u>
Temporary		
Reversal of (provision for) profit sharing	(33)	4
Reversal of loan operations	(6,024)	(1,144)
Reversal of (provision for) civil, tax and labor contingencies	(1,740)	189
MtM adjustment of securities	(5,450)	(1,899)
Other provisions	(2)	500
Effect of change in social contribution rate (*)	(500)	(685)
Other, net	(454)	-
Subtotal	<u>(14,203)</u>	<u>(3,035)</u>
Current income and social contribution taxes	(160,951)	(151,776)
Tax credits recorded	11,224	3,035
Income and social contribution taxes recorded in P&L	<u>(149,727)</u>	<u>(148,741)</u>

(*) Effect of rate difference for the company - Banco, in which the social contribution rate decreased from 20% to 15% as from January 2019 and went back to 20% as from March 2020. The difference effect is applied on the asset and liability balances to deferred taxes in proportion to the rates for current social contribution tax.

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b) Deferred tax assets and liabilities

i. *Breakdown of deferred taxes*

In the Bank, deferred tax assets and liabilities at December 31, 2020 and December 2019, already considering the tax rates in effect in 2020 of 25% (15% in December 2019) for income tax and 20% in December 2020 (15% in December 2019) for social contribution tax, recorded under tax credits in assets and deferred tax obligations in liabilities, are as follows:

	<u>12/31/2020</u>	<u>12/31/2019</u>
Temporary differences – deferred tax assets		
Provision for civil, tax and labor contingencies	12,589	9,396
Provisions for profit sharing	10,330	13,284
Provision for losses on assets	9,564	3,066
MtM of marketable securities and derivative financial instruments	6,556	3,200
Other provisions	2,119	2,343
Total	<u>41,158</u>	<u>31,289</u>
Temporary differences – deferred tax liabilities		
MtM of marketable securities and derivative financial instruments	-	(2,944)
Total	<u>-</u>	<u>(2,944)</u>

Recognition in accounting took into consideration the probable realization of these taxes based on future results prepared based on internal assumptions and future economic scenarios which may, therefore, change.

Present value of net tax credits, calculated at the average rate of 2.66% (4.09% in December 2019), computed based on the average rate of government securities and loan operations in portfolio, amounts to R\$ 39,716 (R\$ 29,447 in December 2019).

As at December 31, 2020 and 2019, there are no tax credits not activated.

ii. *Estimated realization period*

As at December 31, 2020 and 2019, deferred tax asset amounts are expected to be realized as follows:

<u>Year</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
2020	-	22,900
2021	24,828	3,988
2022	5,603	3,135
2023	8,683	1,266
2024	2,044	-
Total	<u>41,158</u>	<u>31,289</u>

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Since the taxable net profit base of income and social contribution taxes derives not only from profit that may be generated but also from whether or not there are non-taxable revenues, non-deductible expenses, tax incentives and other variables, the System's net income and income/(expenses) relating to income and social contribution taxes are not immediately correlated. As such, the expected use of tax credits should not be understood as the sole indication of future results of the System.

iii. Changes in the period

	Deferred assets		Deferred liabilities		Equity	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Balance at beginning of year	31,289	26,719	(2,944)	(1,304)	(30)	(135)
Tax credits recorded	19,680	9,722	2,944	(2,638)	(842)	-
Tax credits realized	(9,811)	(5,152)	-	998	-	105
Balance at end of year	41,158	31,289	-	(2,944)	(872)	(30)

23. Balances and transactions with related parties

a) Related institutions / subsidiaries

The entities perform transactions with related parties, including companies that do not form part of the combined financial statements. Transactions with related parties, summarized per accounting group, are as follows:

	12/31/2020	12/31/2019
Assets	466,570	496,291
Other receivables – income receivable	56,019	52,122
Other receivables – Sundry	60,056	62,313
Intangible assets	350,495	381,856
Liabilities	1,350,369	985,938
Demand deposits	83,241	80,025
Time deposits	16,024	100
Third-party portfolio	1,170,824	835,934
Sundry	57,203	46,686
Subordinated debt	23,077	23,193

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	<u>12/31/2020</u>	<u>12/31/2019</u>
Revenues	37,850	32,612
Other operating income	37,844	32,595
Service revenues	6	17
Expenses	1,072,913	965,142
Open market transactions	36,240	48,748
Other administrative expenses	1,415	1,786
Other operating expenses	1,035,258	914,608

b) Transactions with management members

Transactions with management members refer to loans and (demand or time) deposits maintained in the cooperatives by their management members (directors, officers and Board of Director members).

Loan and funding transactions with related parties were performed under conditions similar to those practiced by third parties, in effect at transaction dates.

Guarantees given for loan transactions are collateral signatures, mortgage guarantees, pledges and chattel mortgage. Transactions with management members, summarized per accounting group, are as follows:

	<u>12/31/2020</u>	<u>12/31/2019</u>
Assets	393,538	330,676
Credit operations	393,538	330,676
Liabilities	352,614	301,025
Demand deposits	42,060	23,948
Time deposits	310,554	277,077

c) Key management personnel compensation

Sicredi key management personnel compensation follows the compensation policy defined by the System, and is approved by decision of each entity's specific forums.

Concerning compensation of the Bank's management, the current policy establishes that 50% of variable compensation, if any, will be readily paid and 50% will be available in three successive equal annual installments, the first of which maturing in the year subsequent to payment date. This procedure is in compliance with CMN Resolution No. 3921/10, which provides for the policy for compensation of management of financial institutions.

Total key management personnel compensation for the year ended amounted to R\$ 344,726 (R\$ 335,982 in December 2019), which is considered a short-term benefit and a post-employment benefit.

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24. Investment funds managed by the Bank

The Bank manages investment funds, whose equity as at December 31, 2020 amounted to R\$ 12,245,876 (R\$ 11,328,770 in December 2019), not considering the funds consolidated in these combined financial statements.

Revenue from investment fund management in the year ended amounted to R\$ 10,232 (R\$ 14,539 in December 2019) and is presented under service revenues.

The investment funds are audited at various base dates by other independent auditors.

25. Service revenues

	2020	12/31/2020	12/31/2019
	2H	Year	Year
Fund management	4,559	10,232	14,539
Collection	165,511	316,063	284,572
Custody	753	1,912	2,249
Bank services	490,671	941,934	858,511
Clearance processing	19,354	34,272	24,126
Cards	405,812	701,514	454,732
Insurance	219,945	412,390	364,278
Consortia	102,977	201,162	189,793
Agreements	42,938	82,832	73,114
Payment services	4,853	19,439	34,324
Other services	16,934	29,001	23,089
Total	<u>1,474,307</u>	<u>2,750,751</u>	<u>2,323,327</u>

26. Other operating income

	2020	12/31/2020	12/31/2019
	2H	Year	Year
Absorption of expenditures - FATES	30,423	92,544	125,598
Recovery of charges and expenses	147,370	247,874	175,538
Reversal of provision for financial guarantees given	74,569	148,112	143,655
Reversal of operating provisions	45,074	86,935	52,570
Reversal of provision for civil, tax and labor contingencies	18,650	33,245	37,205
Funds received from Sicredi Fundos Garantidores	24,083	48,544	32,595
Profit upon disposal of amounts and assets	14,582	25,268	17,367
Clearance - RCO	36,842	67,669	86,112
Agreement – Social Security Institute (INSS)	-	6	1,260
Non-mandatory funds	9,761	21,148	-
Exchange differences on cards	63,182	63,182	-
Rent of Sicredi card machines	10,296	10,296	8,295
Other revenues	23,886	63,295	28,659
Total	<u>498,718</u>	<u>908,118</u>	<u>708,854</u>

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Recovery of charges and expenses refer mostly to refunds of administrative expenses, the cooperatives' contribution to the centrals, cards and commissions on pledges.

27. Personnel expenses

	2020	12/31/2020	12/31/2019
	2H	Year	Year
Salaries	882,976	1,726,400	1,602,952
Profit sharing	14,873	30,885	25,522
Benefits	335,283	650,497	564,945
Social charges	323,854	600,255	558,329
Training	5,753	11,906	40,506
Other personnel expenses	483	966	1,601
Total	<u>1,563,222</u>	<u>3,020,909</u>	<u>2,793,855</u>

28. Other administrative expenses

	2020	12/31/2020	12/31/2019
	2H	Year	Year
Water, power and gas	33,834	71,269	69,329
Rents	145,738	281,736	246,947
Communication	55,153	106,577	115,867
Depreciation and amortization	199,690	372,168	305,311
Technical, educational and social assistance expenses	32,755	96,257	146,301
Social funds	948	948	-
Maintenance and upkeep of assets	82,253	156,831	147,017
Materials and supplies	27,196	51,392	45,379
Data processing	56,915	105,342	76,506
Promotions, public relations, advertising and publicity	160,157	313,699	315,543
Tariff refunds	18,716	33,626	31,112
Financial System Services	129,981	250,341	220,072
Third-party services	324,944	577,875	461,100
Fees	30,990	59,569	57,946
Transportation	64,214	130,307	142,493
Travel	9,730	20,693	46,186
Other	93,919	185,947	185,254
Total	<u>1,467,133</u>	<u>2,814,577</u>	<u>2,612,363</u>

Financial System Services substantially comprise expenses with provision of services relating to allocation of funds from BNDES loan facilities and equalization of costs of National Family Farming Strengthening Program (PRONAF) programs.

Third-party services refer to services outsourced by the System such as surveillance, legal services and credit card processing.

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29. Other operating expenses

	2020	12/31/2020	12/31/2019
	2H	Year	Year
Contribution to Confederação Sicredi	374,040	701,881	614,009
Contribution to Sicredi Fundos Garantidores	24,182	70,473	90,410
Provision for financial guarantees given	97,496	165,259	163,412
Provision for civil, tax and labor contingencies	44,836	76,160	74,785
Discounts granted in renegotiations	183,137	298,526	241,728
Cards	210,093	350,197	209,802
Contribution to Organização das Cooperativas Estaduais	6,937	13,725	12,669
Operating losses	15,955	30,167	38,021
Clearance - RCO	49,479	92,018	99,854
Loss on disposal of amounts and assets	11,860	17,415	17,566
Operating provisions	5,479	21,972	31,827
Services associated with payment transactions	8	8	-
Other	72,229	118,641	147,416
Total	1,095,731	1,956,442	1,741,499

Contributions to Confederação Sicredi are made by the System for provision of services, in the IT and administrative segments, especially in tax, accounting and payroll areas.

30. Recurring and non-recurring income

	2020	12/31/2020	12/31/2019
	2H	Year	Year
Non-recurring events			
Provision for expected losses associated with credit risk (additional)	(3,393)	(3,393)	-
Effects of change in social contribution rate	(1,529)	(1,529)	-
Funds received from Sicredi Fundos Garantidores	(24,083)	(48,544)	(32,595)
Recurring income (loss)	(29,005)	(53,466)	(32,595)

31. Risk management structure

Sicredi System considers risk management a priority in conducting its activities and business, and adopts practices in absolute consonance with the precepts of Basel Accords. As such, the System has specialized areas for managing these risks, centralized in Banco Cooperativo Sicredi S.A. Major risks managed by Sicredi System are the capital management structure, and operational, market, liquidity and credit risk, presented as follows:

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a) Capital management structure

For purposes of the legislation currently in force, capital management is defined as the continuous process of:

- Monitoring and controlling capital maintained by the System;
- Assessing the capital requirements to cover the risks to which the System is subject;
- Planning capital objectives and needs, considering the System's strategic objectives.

Capital management of Sicredi System institutions is centralized in Banco Cooperativo Sicredi, by means of a unified structure compatible with the nature of the operations, complexity of the products and dimension of the System's exposure to risk. The centralized structure is responsible for establishing the processes, policies and systems that support the System's entities in managing capital.

The processes and policies for capital management are defined in accordance with the minimum requirements of the regulation in force, in line with best market practices, and approved by the relevant hierarchy levels of each System institution.

The processes used by Sicredi System for managing capital include:

- Mechanisms that enable the identification, assessment and monitoring of the significant risks incurred by the System, including risks not covered by the minimum legal capital requirements;
- Capital objectives at levels above the minimum legal requirements and that reflect the System's risk appetite, in order to maintain capital to support the risks incurred and ensure that the business grows sustainably and efficiently;
- A capital plan for each System institution, consistent with the strategic planning and comprising a horizon of at least three years;
- Stress tests and measurement of impacts thereof on capital;
- Periodic management reports on capital adequacy for the executive board and board of directors.

b) Operational risk

This risk is defined as the possibility of loss occurrence resulting from failure, deficiency or inadequacy of internal processes, people and systems.

This definition also includes the legal risk associated with inadequacy or deficiency in agreements entered into by the System, with sanctions due to non-compliance with legal provisions or indemnities for damages to third parties deriving from the activities developed by the institution. Operational risk is managed jointly by the Bank, Centrals and Single Cooperatives. These entities are responsible for complying with internal and external rules and regulations, using tools, methodologies and processes systemically established. These processes are comprised of a set of actions aimed at keeping the risks to which each institution is exposed in appropriate levels. The actions are as follows:

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- Internally-established regulations containing rules, roles and responsibilities for managing operational risk spread to System's personnel;
- Identification, assessment, treatment and monitoring of operational risks;
- Storage, monitoring and inquiry on operating losses in order to keep such losses at levels considered acceptable by the System;
- Structured periodic reports on significant matters relating to operational risk and internal controls provided to those in charge of governance;
- Implementation and maintenance of qualification programs on culture of risks and controls in the System;
- Periodic stress tests for operational risk scenarios;
- Procedures aimed at ensuring the continuity of the institution's activities and limiting losses derived from interruption of critical business processes, including impact analyses and periodic tests on continuity plans.

Additionally, a set of procedures is under implementation to assess, manage and monitor the operational risk deriving from outsourced services that are significant for Sicredi's regular operation.

c) Market risk

This is the possibility of loss occurrence due to fluctuation in market values of positions held by a financial institution. Operations subject to currency, interest rate, share price and commodity price risks are included in this definition.

Market risk management of Sicredi System institutions is centralized in Banco Cooperativo Sicredi, by means of a unified structure compatible with the nature of the operations, complexity of the products and dimension of the System's exposure to risk. The centralized structure is responsible for establishing the processes, policies and systems that support the System's entities in managing market risk.

The processes and policies for market risk management are defined in accordance with the minimum requirements of the regulation in force, in line with best market practices, and approved by the relevant hierarchy levels of each System institution.

The processes for managing Sicredi's market risk include:

- Clear rules for classifying the trading portfolio, which ensure the correct treatment of the operations;
- Procedures for measuring, monitoring and maintaining market risk exposure at levels considered acceptable by the System;
- Processes to monitor and report compliance with the System's market risk appetite in relation to its capital;
- Definition of market risk methodologies to be applied;
- Systems to calculate and measure risks, considering the complexity of the products and dimension of market risk exposure of the System's institutions.

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d) Liquidity risk

Understanding liquidity risk is essential for sustainability of the institutions that operate in the financial and capital markets, and is associated with the entity's ability to fund the commitments acquired at reasonable market prices and conduct its business plans using stable funding sources. For this effect, liquidity risk is defined as:

- The possibility that the System will not be able to efficiently honor its expected and unexpected, current and future obligations, including obligations deriving from guarantees given, without affecting the System's daily operations or incurring in significant losses; and
- The possibility that the System will not be able to trade a certain position at market price, due to its large size in relation to the volume usually transacted or by reason of market discontinuity.

Market risk management of Sicredi System institutions is centralized in Banco Cooperativo Sicredi, by means of a structure compatible with the nature of the operations, complexity of the products and dimension of the System's exposure to risk. The centralized structure is responsible for establishing the processes, policies and systems that support the System's institutions in managing market risk.

The processes and policies for liquidity risk management are defined in accordance with the minimum requirements of the regulation in force, in line with best market practices, and approved by the relevant hierarchy levels of each System institution.

The processes used by Sicredi System for managing liquidity risk include:

- Definition of processes for identifying, assessing, monitoring and controlling exposure to liquidity risk in different time horizons;
- Establishment of processes for tracking and reporting on compliance with liquidity risk appetite and at levels considered acceptable by the System;
- Definition of funding strategies that allow for appropriate dispersion of funding sources and maturity periods;
- Definition of a liquidity contingency plan, regularly updated, which establishes responsibilities and procedures to face liquidity stress situations;
- Stress tests periodically conducted in short and long-term scenarios.

e) Credit risk

This consists in identifying, measuring, controlling and mitigating risks derived from loan transactions performed by the financial institutions.

Sicredi manages credit risk by means of a centralized structure and by the local areas and collegiate committees.

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Banco Cooperativo Sicredi is responsible for the set of policies, strategies and methodologies to control and manage exposure to credit risk of the System entities, to wit: responding for the corporate credit risk management policies; developing and proposing credit risk classification methods, including by means of quantitative models; checking and controlling the capital requirements for covering the credit risk assumed; and constantly monitoring exposure to credit risk of all Sicredi companies.

The local areas and collegiate committees are in charge of managing credit risk, in compliance with the policies and limits systemically pre-established.

f) Information security risk

This is defined as the risk relating to the probability that a weakness will be explored, considering all related threats, and the respective impact on confidentiality, completeness or availability of the information. Cyber security risk are included in the context of information security risk.

In Sicredi, information security risk is managed in a jointly manner by the Bank, Centrals and Cooperatives, which are responsible for complying with internal and external regulations, using systemic tools and methodologies that may be supplemented by local actions. The processes and actions relating to information security are aimed at maintaining the risks at acceptable levels, including use of appropriate and effective controls, in compliance with the business costs, technology and objectives.

g) Additional information

Description of the full structure and processes for management of risks and capital may be accessed at www.sicredi.com.br; path: "Sobre nós \ Relatórios e Políticas \ Gestão de Riscos".

32. Property and equipment and Basel Indices

Financial and other institutions authorized to operate by the Central Bank of Brazil should maintain, at all times, Reference Assets (RA) computed under the terms of CMN Resolutions No. 4192/13 and No. 4193/13, commensurate with the risks inherent in their activities.

Despite the combined financial statements, Bacen requires that each of the institutions included in the combined financial statements comply with reference asset levels.

As at December 31, 2020, all the institutions included in the combined financial statements are in compliance with the Basel parameters established by Bacen.

33. Correspondent banks

As allowed by CMN Resolution No. 3263/05, the System entered into agreements referring to clearance and settlement of obligations in the sphere of Brazil's National Financial System (SFN). Amounts receivable and payable are recorded in the statement of financial position in the respective headings relating to the products, in assets and liabilities, respectively, with no offset.

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34. Commitments, guarantees and other responsibilities

a) Commitments, guarantees and other responsibilities

	<u>12/31/2020</u>	<u>12/31/2019</u>
Credits open to export		
Exchange to be contracted	1,350	-
Co-obligations for guarantees given		
Beneficiaries of guarantees given	53,233	25,459
Co-obligations in credit assignments	2,693	3,499
Depositories of amounts in custody/guarantee	7,368,985	7,308,289
Notes under collection	26,662,161	22,529,079

b) Other guarantees

	<u>12/31/2020</u>	<u>12/31/2019</u>
B3 guarantee margin	196,462	131,350

35. Insurance coverage

The System takes out insurance for its assets subject to risks and operations. System management analyzed insurance coverage and deemed it sufficient to cover any losses. The risk assumptions adopted, given their nature, are not within the scope of an audit of financial statements; accordingly, such assumptions were not audited by our independent auditors.

36. Events after the reporting period

On March 01, 2021, Provisional Executive Order No. 1034/2021 was published in the Federal Official Gazette, to increase Social Contribution on Net Profit (CSLL) rate for Banks from 20% to 25% and for Credit Cooperatives from 15% to 20% in the period from July 01, 2021 to December 31, 2021. This provisional order is currently under analysis in the House of Representatives.