BANK OF AMERICA

Prudential Conglomerate Bank of America Merrill Lynch

Disclosure Pillar 3

December 2020

Prudential Conglomerate
Bank of America Merrill Lynch
Basel III - Pillar 3

Index

Introduction

The Bank of America Merrill Lynch Brazil Prudential Conglomerate ("Conglomerate" or "CPBofAML") follows the requirements set forth in CMN Resolution No. 4.557/17, with regard to the rules on risk and capital management in financial institutions and which represented a significant advance in the governance of financial institutions.

The objectives of supervising the Basel III requirements are: (i) promote the security and soundness of the Financial System, (ii) maintain capital at appropriate levels, (iii) improve the competitiveness conditions of the financial market, and (iv) establish a more comprehensive approach to risks. The Basel III requirements are based on a "three pillar" structure: (1) "Minimum capital required", (2) "Supervisory Review" and (3), "Market discipline", allowing public access to key information related to the capital adequacy of financial institutions in a structured and standardized manner.

The Conglomerate affirms its commitment to transparency in all its activities, in compliance with the requirements of regulatory bodies.

Scope of document application

In accordance with the requirements of Resolution BCB No 54, we present the information regarding risk management, the calculation of the amount of risk-weighted assets (RWA), and the calculation of the Reference Equity (PR). Additionally, this report describes the organizational structure of integrated risk management, according to CMN Resolution No. 4.557/17.

In compliance with regulatory requirements and aligned with global guidelines, Bank of America Corporation ("BAC"), controller of the Bank of America Merrill Lynch Brasil Prudential Conglomerate ("BofAML", "CPBofAML" or "Conglomerate") and its subsidiaries, including Bank of America Merrill Lynch Banco Múltiplo S.A. ("BofAML") and Merrill Lynch S.A. Securities Broker ("ML CTVM").

In Brazil, we operate as wholesale and investment bank, serving large corporate clients, through commercial, fixed income, variable income, derivatives, loans, foreign exchange and government bonds portfolios.

KM1: Key metrics at consolidated level

Table KM1: Key metrics at consolidated level						
		2020-12	**2020-09**	**2020-06**	**2020-03**	**2019-12**
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	3,168,546	3,115,126	2,977,230	2,912,650	2,869,248
2	Tier 1	3,168,546	3,115,126	2,977,230	2,912,650	2,869,248
3	Total capital	3,168,546	3,115,126	2,977,230	2,912,650	2,869,248
3b	Funding Excess invested in Fixed Asset	-	-	-	-	-
3c	Total Capital - Highlight	-	-	-	-	-
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	14,750,684	15,502,569	15,553,897	17,497,078	12,452,436
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	21.48	20.09	19.14	16.65	23.04
6	Tier 1 ratio (%)	21.48	20.09	19.14	16.65	23.04
7	Total capital ratio (%)	21.48	20.09	19.14	16.65	23.04
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (%)	1.25	1.25	1.25	2.50	2.50
9	Countercyclical buffer requirement (%)	-	-	-	-	-
10	Bank G-SIB and/or D-SIB additional requirements (%)	-	-	-	-	-
11	Total of bank CET1 specific buffer requirements (%)	1.25	1.25	1.25	2.50	2.50
12	CET1 available after meeting the bank's minimum capital requirements (%)	12.23	10.84	9.89	6.15	12.54
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure	26,551,879	28,840,256	28,414,199	32,134,165	19,111,690
14	Basel III leverage ratio (%)	11.93	10.80	10.48	9.06	15.01
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA)	NA	NA	NA	NA	NA
16	Total net cash outflow	NA	NA	NA	NA	NA
17	LCR (%)	NA	NA	NA	NA	NA
	Net Stable Funding Ratio (NSFR)					
18	Total available stable funding	NA	NA	NA	NA	NA
19	Total required stable funding	NA	NA	NA	NA	NA
20	NSFR (%)	NA	NA	NA	NA	NA

The Basel Index reached the level of 21.48% on December's 31 2020, which represents an increase of 139 basis points (or 1.39%) compared to the previous quarter. This movement is the result of the reduction in the amount of risk-weighted assets (RWA) by R$ 752 million, mainly from the market risk portion and the increase in Reference Equity (PR) due to the profit retained in the quarter, which ratifies CPBofAML's comfortable capital position.

OVA: Institution risk management overview

For the Conglomerate, the establishment of an efficient risk management structure is a critical task, fulfilled through policies and procedures aligned with risk goals and appetite, as well as prudential principles, rules, laws and regulatory practices.

Risk management comprises independent and integrated monitoring of seven globally established risk categories, which are:

Compliance Risk: Defined as that arising from legal or regulatory sanctions capable of causing material financial losses, as well as causing reputational damages arising from non-compliance with laws, rules, regulations or codes of conduct of self-regulation. The Compliance Policy follows the global guidelines outlined by the Global Compliance and Operational Risk Standard Operating Procedures (GCOR) as well as the local requirements of CMN Resolution No. 4.595/17.

Credit Risk: Defined as the possibility of occurrences of losses associated with disability or non-compliance by the borrower or the borrower of their respective financial obligations under the agreed terms, the devaluation of the credit agreement resulting from the deterioration in the risk rating of the borrower, the reduction of gains or remunerations, the advantages granted in the renegotiation and the costs of recoveries.

Strategy Risk: Defined as the result of incorrect assumptions about internal or external factors; inadequate business plans, outside the main or ambiguous segments of operations; poor execution of business strategy or inability to react timely to changes in competitive, macroeconomic or regulatory environments.

Liquidity Risk: Defined as that arising from the financial capacity to honor short, medium or long-term commitments, and the effects of insufficient and/or inadequacy of sources of resources to meet their immediate obligations.

Market Risk: Defined as the risk of losses resulting from fluctuations in market variables that may negatively affect the value of their assets and liabilities or otherwise negatively affect results. The Market Risk Management area has tools capable of measuring, monitoring and controlling market risk exposure applicable to operations carried out by the Conglomerate, supported by a framework of limits, reports and policies that follow global guidelines and local regulatory requirements.

Operational Risk: Defined as that resulting from losses of external events or systems, people and internal processes inadequate or deficient.

Reputational Risk: Defined as that resulting from negative perceptions of the conglomerate's business practices and/or conduct that harm profitability and its operations, through the inability to establish new relationships and/or maintain relationships with current customers/consumers or, furthermore, that may harm the relationship with investors, regulators, employees and/or the community. Reputational risk is managed through process and business policies and controls for timely mitigation of reputational risks and through proactive monitoring and identification of potential reputational risk events. Employees are responsible for the reputation of the

Conglomerate and must act ethically and legally in accordance with the policies and standards defined in the Code of Conduct.

In addition to the seven fundamental risks listed above, the Conglomerate also monitors:

Environmental and Social Risk: The Conglomerate has an Environmental and Social Risk Responsibility Policy, which includes climate risk and establishes guidelines for identification, assessment, monitoring, control and mitigation of socio-environmental risk, in compliance with CMN Resolution 4.327/14. Additionally, credit risk policies establish specific requirements for the management of social and environmental risks.

Anti Money Laundering and Combating Terrorism: Reputational risk and regulatory sanctions related to financial crimes of money laundering, economic sanctions and combating terrorism is managed by global policies and procedures, with addressing of local regulators and commitment from the entire organization.

Cyber Risk: As required by CMN Resolution 4.658/18, policies, processes and procedures for governance were implemented, with the appointment of an Executive Director and transparency in the information to the regulator, establishment of processes for hiring relevant technology service providers and annual reports and eventual in case of occurrences.

Risk management governance

The Risk Framework establishes functions and responsibilities for risk management across the different areas of the Conglomerate, consistent with global guidelines and segmented into three lines of defense. In addition, it advises senior management by delegation of responsibilities to committees and their executives and establishes the appetite for risks and limits related to activities.

The responsibilities of the three lines of defense are:

First line of defense – lines of businesses - primary responsibility for managing the risks associated with their activities;

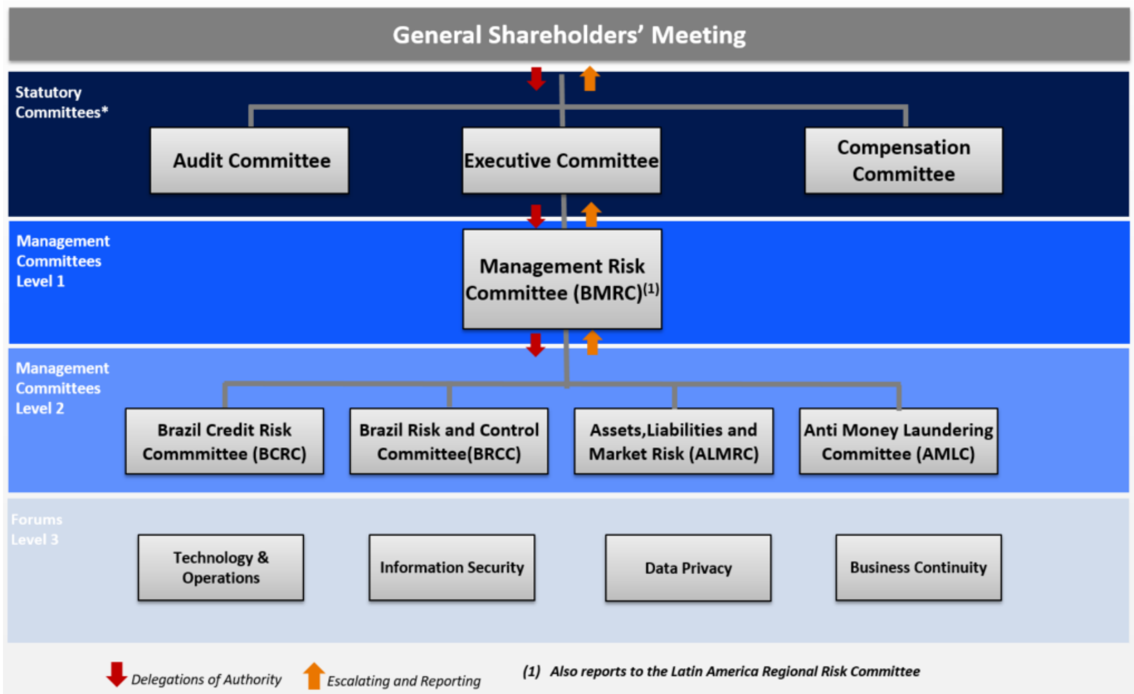
Second line of defense - risk management by the various risk areas and control functions, carried out through timely, integrated and independent analysis of business areas; and

Third line of defense - Internal Audit - validates adherence to the proposed structure, in a process of independent control of the other lines.

All employees should be committed to appropriate risk management and be responsible for identifying risks in their activities, escalating concerns about topics that may pose risks to the Conglomerate, and discussing and analyzing any informed non-conformities in good faith, taking into account risks and returns, and implementing actions that result in better outcomes.

The Conglomerate integrates the management of the different types of risks in the Executive Risk Board, under the leadership of the Executive Director of Risks, Chief Risk Officer (CRO) and supervision of the Risk Management Committee of Brazil (BMRC).

The organization chart below summarizes the structure of the Conglomerate's governance and risk management committees.



The Conglomerate's Integrated Risk Management Framework is composed of five principles:

<u>Principles</u>

1. **Ability to take risks –** The Conglomerate's risk appetite is limited, so risks are prioritized to achieve business objectives.
2. **Financial capacity to absorb adverse outcomes –** Maintain resilient financial capacity to face stressful situations and seize opportunities for organic and responsible growth. Thus, the objectives are established with the goal of capital and liquidity that allow the Conglomerate to continue to operate safely, including in periods of stress.
3. **Risk-return assessment –** Risks must be compatible with established appetite and offer shareholders acceptable returns globally.
4. **Acceptable Risks –** Qualitative risk appetite guidelines describe the global risk management approach adopted by the organization.
5. **Skills and capabilities –** The risks assumed must be compatible with the organization's skills and the ability to identify, measure, monitor and control.

Risk culture dissemination channels

All employees, interns and contractors receive a copy of the Code of Conduct when they join the Conglomerate. Each employee formally adhering to the Code of Conduct by signing a term upon their hiring. Each year, or when code updates occur, employees conduct online training (in a global tool) on various risk-related issues, as well as face-to-face training.

The Conglomerate has a Communication Program directed to all employees focused on risk management culture. This Program provides for the periodic sending of e-mails regarding the various risks to which the Conglomerate is exposed.

It is also worth mentioning that the Risk Appetite Statement is available to all employees in internal directories, as well as the conglomerate's risk management policies and procedures.

Risk measurement process

The Risk Appetite Statement (RAS) defines and quantifies the amount of capital, revenue or liquidity that we are willing to put at risk to achieve our strategic objectives and business plans in accordance with applicable regulatory requirements.

Qualitative components include the conglomerate's risk management statements and objectives, which describe appetite and establish risk appetite direction and structure, and quantitative metrics, aligned with qualitative objectives, establish risk-taking parameters, and serve as a guideline for the Executive Board, by delegation of authority to committees and executives and establishing limits for business areas in each type of risk.

The limits that make up the RAS indicate the amount of risk we want to assume and the metrics that demonstrate these levels of risk in the business. Risk appetite metrics are defined annually, with a forward-looking view in scenarios based on macroeconomic stress conditions. In addition, the Conglomerate maintains risk appetite metrics and limits related to key concentrations to ensure adequate visibility of risks that may manifest in business areas as part of our ongoing efforts to ensure that concentrations are effectively identified, measured, monitored and controlled.

Risk monitoring metrics were selected based on the principles, risks and relevance of these indicators to their respective business areas.

Risk reporting process

BMRC is responsible to supervise the relevant risks faced by the Conglomerate and monitoring risk appetite metrics. BMRC reports to the Executive Board ("Brazil ExCo") and the Latin America Regional Risk Committee (LRRC).

Regularly, the different areas present, debate and analyze the evolution of metrics and limits in their respective subcommittees: Capital Management, Liquidity Risk, Market Risk (ALMRC); Credit Risk (BCRC); Operational Risk and Compliance, business areas and control functions (BRCC) and Anti Money Laundering (ALMC).

Quarterly, metrics are presented and discussed at BMRC, and any violations are discussed in the sub-committees for defining action plan and, escalation stems from BMRC and/or executive board. At least once a year and following the integrated stress test, BMRC analyzes and assesses compliance with the risk appetite levels documented in the Risk Appetite Statement (RAS), as well as their management strategies, considering both individually and integrated risks and recommends them to Brazil ExCo and LRRC. In addition, BMRC defines measures to optimize risk and return, ensuring that the Conglomerate's financial capacity is in line with the RAS.

The Risk Appetite Statement (RAS) ratifies the risk profile acceptable to the Conglomerate and is the responsibility of CRO, which is also responsible for maintaining an integrated risk governance structure, appropriate to the size, complexity and risk profile of the Conglomerate. The CRO should also maintain policies, processes, reports, systems and models in accordance with the strategic objectives and RAS of the Conglomerate.

In the event of any breaches of the limits set out in the RAS, those responsible for monitoring them should immediately notify BMRC members by email. At CRO's discretion, a special BMRC meeting may be scheduled for the matter to be examined by members, and corrective actions must be reported to the LRRC.

Stress Testing Program

The Stress Testing Program is a set of procedures and routines, comprising specific methodologies, documentation and governance, aiming mainly at identifying potential vulnerabilities to which the Conglomerate may be exposed.

The exercise of stress tests involves a prospective assessment of the potential impacts arising from adverse events and circumstances related to the Conglomerate or a specific portfolio using methodologies that allow the assessment of changes in impacts in a specific relevant parameter of capital or liquidity of the Conglomerate and/or in a portfolio. In addition, you should consider the adverse consequences of conglomerate decisions or market responses to the stress tests originally designed.

Risk Mitigation Strategies

The strong culture of risk management combined with a responsible growth strategy - which presupposes a judicious process of approval and review of customers, counterparties and suppliers - are the fundamental pillars of the risk mitigation strategies employed. The Conglomerate operates with large corporate clients with high credit quality that, as a rule, relate globally to Bank of America.

The Governance Framework provides risk management policies and strategies, documented through limits and procedures designed to maintain risk exposure in accordance with the levels set in the RAS. Adherence to the different established limits are monitored daily through management reports and regularly debated and scaled by the three lines of defense through the Committees structure. Additionally, the effectiveness of mitigation strategies are constantly evaluated by the adherence of metrics to the limits established in current and stressed co-broadcasts. At least once a year, the Board of Directors, with the help of the Risk Committee, evaluates the results of integrated stress and calibrates RAS metrics so that the Conglomerate continues to present the appropriate capital and liquidity to achieve its business plan.

Capital Management

In compliance with regulatory requirements and aligned with global guidelines, CPBofAML has implemented a capital management structure that includes procedures for the assessment of sufficiency and adequacy of reference equity (PR) to cover the risks of current and projected activities.

The CFO (Chief Financial Officer) is the Director responsible, among other functions, for the Capital Management structure and its duties include:

- Responsibility for monitoring and maintaining capital resources above internal minimum rates and regulatory minimum requirements, as well as for notifying all relevant governance bodies about possible capital mismatch. The following operational limits are also included in the monitoring process: Limit of immobilization, Credit Limit to the Public Sector, Limit of Concentrated Exposure and Limit of Committed Operations.

- Supervision, definition and execution of the activities of the Capital Management structure as well as the supervision of the performance of the structure, including its improvement.

- Responsibility for providing conditions for the adequate training of the members of the capital management unit about policies, processes, regulatory reports and capital management structure systems, even if developed by third parties.

- Responsible for managing the capital plan and contingency plan and therefore its adequate consistency with the entity's objectives, scenarios and projections defined.

In order to define strategies to balance, monitor and make decisions regarding the relationship between available capital, risk appetite and minimum capital requirements are discussed in the Committee on Assets, Liabilities and Market Risk Management ("ALMRC") the following aspects:

- Adherence to quantitative metrics related to capital;

- Variation and evolution of capital consumption, accompanied by due distribution in the respective risks;
- • Explanations, if necessary, for the violation of internal or regulatory operational limits and their remediating actions;
- Decisions with relevant impacts on capital management;
- Approval of internal limits, capital and contingency plans and capital policy;
- Relevant regulatory changes.

From the required capital projection point of view, the document called Capital Plan and Contingency Plan ("Contingency Plan") consolidates the actions implemented by CPBofAML for regulatory capital management purposes. The capital projection is carried out annually and provides a forecast of the sufficiency of available regulatory capital in view of the strategic and budgetary objectives, forecast of future profits, dividend distribution policy and corporate actions foreseen by the executive management. Specifically, the following elements are part of the Capital Plan:

- Alignment with expected profits and balance sheet, as well as other factors elaborated jointly by the Finance, Risks and Business areas, approved by the Conglomerate's committees;
- Based on estimates for different types of risk-weighted assets (RWA) and capital indices, consistent with the terms of the standards applicable to CPBofAML;
- Demonstration of coverage for capital projections, as well as planned capital actions to ensure the adequacy of regulatory capital;
- Determination of premises for at least one base scenario and an adverse stress scenario, appropriate to the business model, risk appetite and CPBofAML portfolios and;
- Evaluation and reporting of the capacity of CPBofAML to withstand adverse stressed scenarios from the point of view of regulatory capital.

OV1: Overview of risk-weighted assets (RWA)

In this section are presented the main numbers referring to the RWA of each installment: RWA Credit Risk (RWA Cpad), RWA Market Risk (RWA Mpad) and RWA Operational Risk (RWA Opad).

It is noteworthy that Bank of America Brazil uses the standardized approach to the market risk share and the Basic Indicator Approach (BIA) for the operational risk portion.

Table OV1: Overview of RWA - Risk Weighted Assets

		RWA		Minimum Capital Required
		2020-12	2020-09	2020-12
0	Credit risk (excluding counterparty credit risk)	5,725,424	5,629,062	458,034
2	Of which: standardized approach	1,953,447	1,396,227	156,276
6	Counterparty credit risk (CCR)	2,367,631	2,928,419	189,410
7	Of which: standardized approach for counterparty credit risk methodology	NA	NA	NA
7a	Of which: CEM methodology	2,130,661	2,577,990	170,453
9	Of which: other CCR	236,970	350,429	18,958
10	Credit valuation adjustment (CVA)	602,600	517,811	48,208
12	Equity investments in funds - look-through approach	0	0	0
13	Equity investments in funds - mandate-based approach	NA	NA	NA
14	Equity investments in funds - fall-back approach	0	0	0
16	Securitization exposures in banking book	0	0	0
25	Floor adjustment	801,746	786,604	64,140
20	Market risk	6,669,347	7,517,595	533,548
21	Of which: standardized approach	6,669,347	7,517,595	533,548
22	Of which: internal models approach (IMA)	NA	NA	NA
24	Operational risk	2,355,913	2,355,913	188,473
27	**Total (2+6+10+12+13+14+16+25+20+24)**	14,750,684	15,502,569	1,180,055

The decrease in RWA in the market risk portion (RWA Mpad, in approximately R$ 850 million or 11%) occurred mainly by the decrease in the portion relative to the interest rate, specifically exposure to foreign currency coupons (PJUR2), due to the reduction of the so-called net exposure, explained by the amortization of cash flows related to foreign exchange swap positions. In relation to the credit risk portion, although there is no significant variation in the quarter, there is an increase of approximately R$ 560 million in credit risk in the strict sense resulting from the increase in working capital operations and reduction of the same amount of exposures mainly derived from derivative financial instruments (CCR, use of the CEM approach).

LIQA: Qualitative information on liquidity risk management

The Chief Risk Officer ("CRO") is responsible for supervising the daily activities of controlling and monitoring liquidity risk, which is managed by the Corporate Treasury ("Strategic Asset and Liability Management" or "SALM") in partnership with the Liquidity Risk area.

Communication

The main function of ALMRC, under the delegated authority of Brazil ExCo, with respect to Liquidity Risk, is to ensure that CPBofAML has the policies, processes, systems, controls and limits to manage liquidity risk. Decisions with relevant impacts on Liquidity Risk management should be discussed by THE ALMRC and approved in a collegiate manner at BMRC.

ALMRC and BMRC should also be forums and communication channels between the areas responsible for managing and monitoring the different types of risk with direct or indirect impact on liquidity, market, credit and operational risks. Through these channels it is possible to maintain transparency about risk management and monitoring, and obtain a consolidated view of the risks incurred by CPBofAML and its impacts on Liquidity Risk.

Fundraising strategies

The SALM area analyzes daily liquidity mismatches, which makes it possible to anticipate periods of outflows or significant cash needs, which can impact the liquidity of the Conglomerate.

Cash flow projection is one of the key procedures adopted for the analysis of liquidity mismatches, as it provides a prospective view of the continuous flow between generating sources and resource takers, allowing the evaluation of the capacity to generate resources to meet the cash needs arising from their activities and market volatilities.

Cash flow is projected daily for a horizon of at least 3 (three) months and mismatches are analyzed, in the aspect of daily and accumulated cash needs, arising from these mismatches.

The SALM area defines the fundraising strategy taking into account the diversification of sources and funding deadlines. This strategy is presented and discussed in the ALMRC.

Mitigation and control

Among the management and monitoring activities, the Liquidity Risk area is responsible for:

- Monitor daily compliance or violation of predefined liquidity limits;
- Report to CRO in a timely manner the violations of the liquidity limits and the respective approvals required;
- Report to ALMRC the monthly summary of required approvals arising from violated liquidity limits;
- Analyze and present monthly to the ALMRC the results of stress tests;
- Provide explanations to the ALMRC, where applicable, about possible violation of limits and their remedial actions;
- Perform, quarterly, scenario analysis and stress tests;
- Report any weakness observed in liquidity controls; and
- Maintain a broad communication channel with risk areas, especially with the Market Risk area in Brazil to provide coordination and integration in risk management.

Liquidity Stress Tests

Liquidity risk management requires an understanding of potentially serious events, both systemic and specific to Bank of America Brazil, and their potential impact on the conglomerate's liquidity position. CPBofAML Brazil uses a robust approach to monitor and measure the impacts of liquidity stress in various time horizons and progressively severe scenarios that incorporate specific events for the market and for CPBofAML Brazil. The results are used to:

- Monitoring and analyzing the level of cash inflows and outflows, including contractual and contingent flows between business lines, products and legal entities, that CPBofAML Brazil can experience during a stress event,
- Measure, monitor and quantify liquidity levels in relation to established risk tolerance limits,
- Assess changes in the financing profile and overall business mix considering outflows in low-cost deposits, monetization costs, including discounts on the sale of securities, reduced capacity of self-financing trading portfolios with committed operations and incremental costs to finance significant redemptions,
- Evaluate the adequacy of CPBofAML Brazil's liquidity profile and the sensitivity of liquidity levels to certain scenarios,
- Inform the size of the liquidity mattress, the management of liquidity risk within CPBofAML Brazil and contingency financing plans.

Liquidity Contingency Plan

The Contingency Funding Plan (CFP) establishes the functions, responsibilities, procedures and predefined strategies for the management of potential liquidity deficiencies that may occur with CPBofAML. In Brazil, the CFP is under the supervision of the ALMRC, with final approval from BMRC.

The Corporate Treasury is responsible for monitoring and managing the liquidity of CPBofAML, both during a normal environment and in the midst of a possible stress event. As such, the Corporate Treasury may take appropriate measures to address liquidity shortness, for example, adjusting the liability and asset structure of CPBofAML, without activating CFP. However, the CFP complements other capabilities of the Corporate Treasury by establishing a strategic and coordinated structure to manage liquidity during possible stress and make appropriate communications, whether internal and external.

The CFP contains the following information:

- Inventory of key indicators monitored to detect potential emergence of liquidity stress;
- Procedures for enabling and disabling CFP, along with the communications protocol;
- Overview and quantitative analysis of actions that can be adopted to raise funds in various liquidity stress environments;
- Quantitative analysis demonstrating how CFP actions meet liquidity deficiencies in various liquidity stress environments;
- Administrative requirements for CFP review, approval and testing; and
- Overview of liquidity stress environments referred to in CFP.

Identification, measurement and monitoring

The Liquidity Risk area, with the proper support of the business areas, is responsible for identifying the main liquidity risk factors, which should be measured and monitored. It also has responsibility for the provision of liquidity limits to be approved by the appropriate committees.

Once the most relevant factors are identified, the daily control of Liquidity Risk should analyze the behavior that these factors have in view of the stress scenarios defined for the Conglomerate. It is up to the Liquidity Risk area to ensure that all liquidity factors are captured and contemplated by the system used to measure, control and report the Liquidity Risk.

Liquidity risk management is carried out with the help of tools responsible for:

- Control all operations of the primary and secondary fixed income market;
- Keep track of all the characteristics of a fixed income operation, such as issuing data, valuation form, interest payment plan;
- Have cash information from CPBofAML Brazil, showing the institution's cash flow movements related to fixed income, derivatives and foreign currency exposure; and
- Settle the transactions with the market through the SPB (Brazilian Payment System).

Among the main monitoring metrics we can highlight:

- Liquidity Stress Test Limit;
- Sources of captaincy and use;
- Concentration of deposits and credit operations;
- Historical behavior of liquidity and liquidity sources; And
- Historical behavior of derivative guarantee margins.

CRA: Qualitative information on credit risk management

The institution has a conservative attitude to take credit risks in the market in which it operates. The scope of the institution's operations is composed of the relationship with large companies with a role of wholesale and investment bank. There is no differentiation regarding credit positioning in the different segments of activity, since the basis of the credit relationship is formed by a careful selection of the client portfolio, which is composed of large national and multinational conglomerates with high credit quality and with banking relationship with the Bank of America Conglomerate (BofA) not only in Brazil, but in the various countries and segments of activity.

The credit risk policy aims to establish the main guidelines for the management of credit risk of operations carried out in Brazil. The policy describes customer selection and due diligence practices, as well as standards of supervision and portfolio monitoring that allow the Bank to be adequate to current legislation, and providing the appropriate quality and management to safeguard its financial assets.

The credit risk management structure is composed of the Credit Analysis, Credit Risk, BCRC ("Credit Risk Committee") and BMRC areas, which act in the assessment, control and monitoring of these risks, according to the nature of the operations, complexity of products and services and proportional to the conglomerate's risk appetite.

All credit concessions, renewals and reviews are analyzed and approved by the Credit Analysis Area, 1st line of defense, and validated by the Credit Risk Area, 2nd line of defense, following pre-established individual elevations. These areas should observe the maximum limits for countries, maximum limits for industries and maximum exposure of expected financing per economic group based on the risk rating of the partner. In addition to establishing and monitoring individual limits by partner and by economic group, the Credit Risk and Credit Analysis areas, aiming to maintain portfolio diversification, monitor and control exposure according to the metrics and limits set forth in the Risk Appetite Statement ("RAS").

Credit risk management is the responsibility of the areas of Credit Analysis (1st line of defense) and Credit Risk (2nd line of defense), and they are responsible for the proposition of the level of credit risk that the Institution is able to accept, in line with business objectives and without diverging from global objectives and strategies. The internal credit audit ("Credit Review"), as the 3rd line of defense, evaluates risk ratings periodically, independently as a way to ensure the accuracy and consistency of the assigned classification.

The scope and main credit risk management topics included in the management reports for the board of directors, the risk committee, and the Conglomerate's board include:

- Exposures and risks generated by the credits granted;
- The risk of concentration and the quality of the portfolio, as well as the impact of credit risks on strategic planning;
- The levels of provision for doubtful accounts and their adherence to the established criteria;
- Compliance or violation of predefined credit limits, standards and procedures;
- Adherence to quantitative metrics related to credit risk established in the RAS.

CR1: Credit quality of assets

In this section, the main figures for exposure to credit risk related to loans, debt securities and similar transactions that are not recorded in the Conglomerate's financial statement are presented.

Table CR1: Credit quality of assets

		Gross carrying values of:		Allowances/ impairments	Net values
		Defaulted exposures	Non-defaulted exposures		
1	Loans	-	1,429,609	827	1,428,782
2	Debt Securities	-	4,050,075	-	4,050,075
2a	Government bonds	-	4,050,075	-	4,050,075
2b	Sovereign bonds	-	-	-	-
3	Off-balance sheet exposures	-	836,787	641	836,146
4	**Total (1+2+3)**	-	6,316,471	1,468	6,315,003

In 31 of December 2020 the gross value of the exposures amounts to R$ 6.316 million in its entirety classified as non-defaulted. The vast majority of (64%), exhibits represent exposures in national sovereign bonds with 22%, composed of transactions with credit granting characteristics. The allowances/impairments totaled R$1 million. The net value of the exposures totals R$ 6.315 million.

CR2: Changes in stock of defaulted loans and debt securities

In this section are presented the changes in the stock of defaulted assets, as defined in the table presented by the Central Bank (overdue operations above 90 days), between the period ended on 31 of December 2020 and 30 of June 2020, considering the operations reported in the previous table, CR1.

Table CR2: Changes in stock of defaulted loans and debt securities

		Total
1	Defaulted loans and debt securities at end of the previous reporting period	-
2	Loans and debt securities that have defaulted since the last reporting period	-
3	Returned to non-defaulted status	-
4	Amounts written off	-
5	Other changes	-
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)	-

There were no defaulted assets in the prior period and in the semester ended on 31 of December 2020.

CRB: Additional disclosure related to the credit quality of assets

In this section, additional information on the credit quality of the exposures presented in table CR1 is demonstrated. The tables contain the details of exposures by geographical distribution, by economic sector and remaining maturity, defaulted exposures, overdue and restructured exposures. They also present the percentage of the ten and one hundred largest exposures of debtors in relation to the total scope defined by table CR1.

CRB (a): Concentration of Exposures by Industry, maturity and geographic breakdown

	Brasil					Outros
Em R$ mil	Sudeste	Sul	Centro-Oeste[1]	Norte	Nordeste	Países
Atividades administrativas e serviços complementares						
Até 1 ano	50,650	-	-	6,329	-	-
De 1 a 5 anos	121,721	-	-	-	-	-
> 5 anos	-	-	-	-	-	-
Subtotal	***172,371***	***-***	***-***	***6,329***	***-***	***-***
Comércio; reparacao de veiculos automotores e motocicletas						
Até 1 ano	319,028	13,076	-	-	-	-
De 1 a 5 anos	1,424	-	-	-	-	-
> 5 anos	83,736	-	-	-	-	-
Subtotal	***404,188***	***13,076***	***-***	***-***	***-***	***-***
Indústrias extrativas						
Até 1 ano	102	-	-	-	-	-
Subtotal	***102***	***-***	***-***	***-***	***-***	***-***
Atividades financeiras, de seguros e serviços relacionados						
Até 1 ano	99,266	0	311,366	-	-	-
Subtotal	***99,266***	***0***	***311,366***	***-***	***-***	***-***
Informação e comunicação						
Até 1 ano	95,505	-	-	-	-	-
Subtotal	***95,505***	***-***	***-***	***-***	***-***	***-***
Indústrias de transformação						
Até 1 ano	680,239	8,087	-	8,950	7,033	-
De 1 a 5 anos	282,263	-	-	-	-	-
Subtotal	***962,502***	***8,087***	***-***	***8,950***	***7,033***	***-***
Outras atividades de serviços						
Até 1 ano	356	-	-	-	-	-
Subtotal	***356***	***-***	***-***	***-***	***-***	***-***
Atividades profissionais, científicas e técnicas						
Até 1 ano	156,740	-	-	-	-	-
Subtotal	***156,740***	***-***	***-***	***-***	***-***	***-***
Transporte, armazenagem e correio						
Até 1 ano	280	-	-	-	-	-
De 1 a 5 anos	200	-	-	-	-	-
Subtotal	***480***	***-***	***-***	***-***	***-***	***-***
Água, esgoto, atividades de gestão de resíduos e descontaminação						
Até 1 ano	20,043	-	-	-	-	-
Subtotal	***20,043***	***-***	***-***	***-***	***-***	***-***
Administracao publica, defesa e seguridade social						
Até 1 ano	-	-	1,723,665	-	-	-
De 1 a 5 anos	-	-	1,968,029	-	-	-
> 5 anos	-	-	358,380	-	-	-
Subtotal	***-***	***-***	***4,050,075***	***-***	***-***	***-***
Total	**1,911,553**	**21,164**	**4,361,441**	**15,279**	**7,033**	**-**

[1] Includes Brazilian government bonds

CRB (a): Maturity of exposures

	Brasil					Outros
Em R$ mil	Sudeste	Sul	Centro-Oeste[1]	Norte	Nordeste	Países
Até 1 ano	1,422,210	21,164	2,035,032	15,279	7,033	-
De 1 a 5 anos	405,608	-	1,968,029	-	-	-
> 5 anos	83,736	-	358,380	-	-	-
Total	**1,911,553**	**21,165**	**4,361,441**	**15,279**	**7,033**	**-**

[1] Considers Brazilian government bonds

CRB (b): Defaulted exposures segregated by geographic regions

On December's 31 2020 there are no abnormal ongoing operations, as shown in table CR1.

CRB (c): Maturity of exposures in delay

There are no overdue operations on the exposures shown in table CR1.

CRB (d): Total restructured exposures

In 31 of December 2020 there are no restructured operations among the exposures presented in table CR1.

CRB (e): Percentage of 10 and 100 largest debtors in relation to the exposures presented in table CR1[1]

	Dec/20
10 higher debtors	87.12%
100 higher debtors	99.94%

[1]The value of the exposure includes securities issued by the National Treasury.

CCRA: Qualitative information on counterparty credit risk (CCR) management

The limits for managing exposures subject to credit risk counterparty are expressed as:

- **Potential Exposure (PE) limits** governing pre-settlement exposure and represent a statistical estimate of exposure in the "worst case" with reliable 95%, which could be performed over the life of a transaction. A PE limit accommodates all traded products; different PE limits per product are not required. PE limits are included in the Total Relationship Exposure ("TRE").

- **Settlement limits,** also called Maximum Daily Delivery (MDD), represent the theoretical maximum value that can be settled daily with a customer. They apply to products whose payment exchanges are not concurrent (delivery versus payment or "DVP"). Typically, these limits are related to foreign exchange transactions. Settlement limits are included in intraday exposure.

The counter-party credit risk assessment policy follows the same policy as any credit extension. All counterparties and their respective limits must be rated at risk according to the appropriate valuation. The CPBofAML maintains a risk classification methodology of the assertive, consistent and dynamic counterparty based on models (scorecards) that consider financial and non-financial factors of the counterparty, developed for the use of specific portfolios and lines of business.

The methodology used for the evaluation and measurement of the guarantee will depend on the use and degree of dependence of the CPBofAML on the warranty. The assessment of guarantees shall be part of any repayment analysis. As a general rule, the CPBofAML uses the instruments of clearing and settlement of obligations under the National Financial System (SFN), noting that an analysis should be made on a case-by-case basis.

Due to the price volatility inherent in securities of immediate liquidity, the monitoring of these securities given as collateral is critical. Control requirements include marking the market of guarantees and verification of compliance with coverage indices through integrated systems.

The impact on the amount of collateral that the institution would be required to commit in the event of lowering its credit rating is minimal considering that less than 1% of the contracts contain clause stems from a credit rating downgrade of our parent company and not CPBofAML and are still based on a drawdown of at least six notches to be triggered.

SECA: Qualitative disclosure requirements related to securitization exposures

Currently the Conglomerate does not offer securitization products.

MRA: Qualitative information on market risk management

Market Risk is that resulting from changes in market conditions that may affect the value of assets or liabilities or otherwise negatively affect results.

Market Risk is composed of price risk and interest rate risk:

- **Price Risk:** Risk of the current or projected financial condition and resilience arising from changes in the value of trading portfolios or other bonds that are part of the distribution risk. These portfolios are typically subject to daily price changes and are accounted for mainly based on market marking. This risk occurs more significantly on market making, intermediation (dealing) activities and capital market activities related to interest rates, foreign exchange, markets, securities and credit operations.
- **Interest Rate Risk:** Risk of current or projected financial condition and resilience arising from changes in interest rates. Interest rate risk results from differences between the period of changes in rates and period of cash flows (remarking risk), changes in correlations between interest curves that affect banking activities (interest curve risk) and, if applicable, options related to interest embedded in banking products (transaction risk).

As an intrinsic risk to the Conglomerate's business, it is important that there is an appropriate structure for the management of Market Risk, based on corporate governance practices and the effectiveness of the internal control structure, which determine the strategy and objectives of risk management, and also the way risks are identified, at the time of assessment, planning, and the consequent execution of business activities. The specific components of the Market Risk management structure consist of properly documented policies and strategies, which establish limits and procedures designed to maintain exposure to market risk within the levels accepted by the Conglomerate; in addition to systems to measure, monitor and control market risk exposures and an appropriate organizational structure for timely and efficient reporting of risk exposures in relation to the levels defined as appropriate by the Conglomerate. Providing information to evaluate the performance of business areas is part of the effectiveness of internal control systems and procedures.

The Conglomerate's Market Risk management includes the identification and measurement of existing and potential market risks; mitigation and risk control through policies and procedures, monitoring and management of risk levels, ensuring their adherence to the conglomerate's risk appetite, and the appropriate review and reporting to both the Board and regulatory bodies.

Market Risk Policies and Strategies

The Conglomerate's Market Risk policies are intended to establish standards for identifying, measuring, monitoring and reporting the activities that expose the Conglomerate to market risks. These policies are reviewed at least annually.

The principles of market risk management focus on ensuring that the functions that generate this type of risk do not expose the Conglomerate to losses that may affect the strategy and/or its viability.

For effective risk monitoring, the Market Risk area operates according to the following principles:

- Exposure to risks is an integral part of the Conglomerate's activities and the Market Risk area has the function of ensuring the correct identification and measurement of these risks, as well as the responsibility to develop controls and carry out continuous reporting of market risks incurred;
- The Market Risk area shall ensure that the risk levels incurred by the Conglomerate are compatible with risk appetite by monitoring limits;
- The instruments operated by the Conglomerate in its hedges must be previously approved instruments;

Classification of operations

The methodology used to measure the Market Risk of the operations performed depends on their classification, as to their characteristics and purposes:

- Trading book;
- Banking book.

The classification of operations allows the establishment of required regulatory capital, given the different methodologies used for measurement in each portfolio, trading or banking.

Market risk management is carried out on the basis of the following metrics:

VaR ("Value-at-Risk")

Standard methodology used to estimate the maximum expected loss of a portfolio, given a significance level and within a given time horizon. The Market Risk area uses the VaR measurement as an indicator of the market risk level, and changes observed in this measure should be correlated with relative changes in risk.

The VaR calculation methodology, adopted both locally and globally, increased the transparency of the model and the inclusion of more granularity in the risk factors considered for the calculation of the measure. The model consists of a historical simulation performed with a period of observations of 3 years updated periodically. The confidence level of the model is 99% and the horizon of 1 day, considering the average of the last 19 worst losses in the period. This methodology takes into account the effects of extreme risks, called "tail risk" effect, characteristics of financial asset series.

The VaR methodology by historical simulation does not require a prior hypothesis about the distribution of returns and it is not necessary to estimate volatilities or correlations between the assets of the portfolio, considered an advantage over other methodologies of Calculation of VaR. However, with regard to historical returns, it should be considered that past events do not necessarily represent future events, that is, the time series may contain events that will no longer occur or omit events that will occur in the future. In addition, by weighing all samples with the same weight, VaR can be distorted by old information and if an extreme value leaves the observation window, the VaR may vary greatly.

Sensitivity analysis

Sensitivity analysis allows measuring the impact on the value of a position or portfolio resulting from isolated changes in market factors, keeping the other market risk factors constant. The Market Risk area analyzes and reports daily to other business areas the measures of risk sensitivity in relation to interest rates, interest curves, volatilities, foreign exchange exposure, stocks and commodities.

In accordance with Bank of America Corporation's global guidelines, the Market Risk area also uses other market risk indicators such as exposure levels, VaR, and stress testing.

Stress tests

Stress tests are performed periodically, with the purpose of capturing the most affected positions, given a specific market situation, allowing rapid identification of positions with potential for significant impacts arising from changes in market variables. For exposures classified in the trading book, daily stress tests are performed by applying pre-defined scenarios.

Backtest

The Market Risk area uses the backtest to analyze the adherence and accuracy of local models used to measure market risks. The backtesting results are calculated in accordance with the Global BAC backtesting program and reported monthly.

Transactions not classified in the trading book - sensitivity to changes in interest rates

Interest rate risk from operations not classified in the trading book (IRRBB or bank portfolio interest rate risk) is monitored using NII and EVE metrics.

The EVE refers to the difference between the present value of the sum of repricing cash flows of instruments subject to IRRBB in a reference scenario and the present value of the sum of these same repricing cash flows after shocks in interest rates.

NII refers to the difference between the financial intermediation result projected for the base scenario and the same projected financial intermediation result after interest rate shocks.

CRO oversees Market Risk management and, together with ALMRC, defines and determines the level of market risk that the Conglomerate is able to accept, in accordance with business, local and global objectives. The Board and ALMRC delegate to the Market Risk area, regardless of the business areas, the responsibilities for the identification, measurement, monitoring and reporting of market risks arising from the conglomerate's activities, including the responsibility for the disclosure of risk measures such as VaR, DV01, foreign exchange exposure, backtest and stress tests, among other measures, and the monitoring of risk levels and established limits , in addition to the responsibility to support compliance with local regulations.

The area uses global systems to produce market risk measures such as VaR and Stress Tests, as well as providing sensitivity metrics for the trading portfolio. The calculation and preparation of management reports of support related to the calculations of regulatory portions of market risk and IRRBB monitoring are elaborated through a system provided by contracted company.

MR1: Market risk under standardized approach

In this section, the figures for the Market Risk RWA (RWA Mpad) are presented.

Table MR1: Market risk under standardized approach

	R$ thousands	**2020-12**
	Risk Factors	**RWAMPAD**
1	Interest rate	6,175,464
1a	Fixed interest rates denominated in BRL (RWAJUR1)	856,020
1b	Foreign currency coupon rates (RWAJUR2)	3,610,214
1c	Price index coupon rates (RWAJUR3)	1,709,230
1d	Interest rate coupon rates (RWAJUR4)	-
2	Equity prices (RWAACS)	-
3	Exchange rates (RWACAM)	415,790
4	Commodity prices (RWACOM)	78,094
9	**Total**	**6,669,347**

The RWA MPAD (capital requirement portion for market risk coverage) decreased by approximately 11% between September-2020 and December 2020. This movement was mainly caused by the decrease in the portion related to exposure to foreign currency coupons (PJUR2), due to the reduction of the so-called net exposure, explained by the amortization of cash flows related to foreign exchange swap positions.

OPD: Total exposure associated to derivative financial instruments

In this section, the positions in derivatives in the respective risk factors are presented.

Table OPD: Total exposure associated to derivatives financial instruments

Dec-20

Risk Factor	Bought				Sold				Others		
	Central Counterparty		Non - Central Counterparty		Central Counterparty		Non - Central Counterparty		Name	Description	Amount
	Brazil	Foreign	Brazil	Foreign	Brazil	Foreign	Brazil	Foreign			
Interest rate	19,977	-	79,731	-	6,082	-	87,852	-	*n/d*	*n/d*	-
Fx Rate	13,319	-	40,206	-	478	-	52,925	-	*n/d*	*n/d*	-
Stock Price	-	-	-	-	-	-	-	-	*n/d*	*n/d*	-
Commodities	-	-	-	-	-	-	-	-	*n/d*	*n/d*	-
Others	5,390	-	16,351	-	5,470	-	12,340	-	*n/d*	*n/d*	3,931
Total	38,687	-	136,288	-	12,030	-	153,116	-			3,931

Additional information	
Others	
Name	Positions indexed to CDI and SELIC
Description	The positions indexed to CDI and SELIC appear exclusively in the 'Others' category, i.e., they do not fall into the 'Interest Rate' category.
Comments	For Swap positions with terms longer than 10 years is considered the total market value, i.e., it is not considered the multipliers of RWAJURs.

IRRBBA: Qualitative information on IRRBB management

Definition of IRRBB for risk control and measurement purposes

THE IRRBB is the Interest Rate Risk of the Banking Book defined as the risk of positions that may affect the current or projected financial condition as a result of movements in interest rates, both in terms of economic value, as well as the projection of the expected result of financial intermediation for a given future time horizon.

This risk can be caused by (i) differences between interest rate levels between distinct moments of time over the life of the transaction (re-pricing risk, (ii) changes in rate relationships between the different yield curves that affect the bank's activities (base risk) and (iii) changes in rate relationships across the entire maturity spectrum (interest curve risk or yield risk yield).

Policies and strategies for IRRBB management and mitigation

The Market Risk Manual describes how Market Risk is managed by the Conglomerate, for trading book and banking book portfolios, describing key market risk measures, defining roles and responsibilities and describing the main monitoring processes in place.

The Market Risk area monitors the IRRBB through △NII and △EVE metrics using the standardized methodology according to Circular BC 3.876/18, considering the respective changes of the Circular BC 3.938/19. These metrics are tracked daily through management reports distributed to ALMRC members involved with IRRBB management and other support areas. The monitoring of metrics and the definition of their limits are made regularly by the ALMRC and any changes to limits are finally approved by BMRC. IRRBB and its metrics are part of the Conglomerate's integrated stress tests as well as capital planning.

The Conglomerate did not present a history of reclassification of operations between the banking and trading portfolio or vice versa. In the event of such a need, this reclassification shall be reported and approved at an ALMRC meeting and duly documented in the draft meeting at which it is approved.

Periodicity of calculation of IRRBB measurements and description of metrics

The IRRBB is monitored using the ΔEVE and ΔNII metrics, calculated and according to the Standardized Model.

These metrics are calculated and disseminated daily through reports distributed throughout the Market Risk area.

The history of daily metrics and/or statistics on them is also published monthly at ALMRC and quarterly at BMRC.

Description of interest rate shock and stress scenarios

The Conglomerate opted for the application of the methodology standardized by the Central Bank of Brazil to the calculation of IRRBB metrics. The two parallel shock scenarios up and down 400bps are used according to the standard methodology.

Hedge and accounting treatment for exposures to IRRBB

The Conglomerate does not contract hedge instruments (derivatives) for its banking portfolio. It should be in mind that the current composition of the bank portfolio of the institution is largely formed by instruments indexed to the one-day interest rate (CDI / Selic).

Moreover, the vast majority of bank portfolio transactions are not exposed to market value risk, due to exposure to fluctuations in future interest rates. This is due to the fact that, if they are closed before their expiration, they will be closed by the curve value and not at market value (future value discount). This feature can be easily verified by the low historical value of the EVE metric.

Since the banking portfolio ends up being highly indexed to the one-day interest rate, NII risk ends up being predominant and the management of this risk ends up being much more a function of liquidity management and deposit capture, than of using hedge instruments.

Relevant premises for modeling and parameterization, in the calculation of EVE and NII

The spreads of the transactions that form the bank portfolio are included in the repricing flows, according to the original contractual value of the spread, i.e. the contracted nominal rate of the portfolio operations is used to project their respective future values (repricing values).

The discount curve used to calculate the present value is the basic interest curve (without spreads).

The profile of the bank card of the institution is quite simple. There are no derivatives in the portfolio and the vast majority of transactions are indexed at overnight interest rates (CDI or Selic). There are also a few operations at pre-fixed rates but of short periods (less than one year). The repricing periods of operations indexed to CDI or Selic is 1 business day and that of pre-fixed operations corresponds to the maturity of the respective cash flows.

The Conglomerate chose to disregard the prepayment risks in credit operations because it considers them not relevant, according to the following facts: (i) credit transactions, in the vast majority, are indexed at floating rates (eminently CDI); and (ii) low prepayment history.

Similarly, the risks of early redemption of term deposits are considered not applicable to the Conglomerate's portfolio, in accordance with the terms of art. 22, § 1, of the BC Circular 3.876/2018, according to which one of the conditions for deposits to be considered subject to the risk of early redemption, is that their rates are pre-fixed. Thus, considering that all deposits in the bank portfolio are indexed to the daily interest rate (CDI), they are not subject to this type of risk.

Cash deposits of customers have been disregarded from the calculation of IRRBB metrics, since spot deposits historically represent about 10% of the value of deposits and since a very large proportion of them is held by a small number of large clients, which does not allow to make assumptions of stability of such funds.

As of January 2020, according to circular BC 3.876/18, RBAN began to reflect the IRRBB (NII and EVE) metrics, and the amount considered in the RBAN corresponds to the highest value between the two metrics (NII and EVE).

Most positions in Brazil's banking portfolio are indexed to the overnight interest rate (CDI), either in the percentage format of cdi or cdi + spread format, with short-term interest rate risk. There are also some positions in pre-fixed instruments.

NII is designed on the basis of future one-day interbank rates (CDI) for post-fixed positions or pre-fixed forward rates for pre-fixed ones. Future rates are those implicit in interest curves before and after shocks, and the following assumptions are applied when renewals of operations are projected.

- For positions indexed to cdi, it is assumed the renewal by the same spread or percentage of the CDI of the original operation.
- For positions in pre-fixed rates, the renewal for an average period of one year is assumed, using the forward interest rate, implicit in the interest curve, adding the spread applicable to the type of operation.

Assumptions of medium and maximum repricing period attributed to deposits without contractual maturity

A large part of the liabilities of the bank portfolio are formed by deposits of customers made within the product called self-invest in which the remaining balances in the client's account are applied to bank deposit certificates that can be withdrawn at any time by customers. Such deposits are treated as due within a period of one business day, but it should be noted that, since they are remunerated at a percentage of the CDI and that when redeemed they pay only the amount in the curve to the client, the treatment of their maturity ends up being irrelevant in terms of IRRBB metrics.

As regards the amount for spot deposits, they are not taken into account in the IRRBB metrics since a very large amount of that balance belongs to a very small number of customers which does not agree with the sustainability of these balances over long periods.

IRRBB1: Qualitative information related to IRRBB

This section presents the calculated values for NII and EVE metrics, covering the parallel high and low scenarios and the maximum variation for 31 for December 2020.

Table IRRBB1: Quantitative information on IRRBB[1]

	R$ thousands	ΔEVE		ΔNII	
	Period	**2020**	**2019[2]**	**2020**	**2019[2]**
1	Parallel up	6,403	NA	(376,024)	NA
2	Parallel down	(6,833)	NA	372,584	NA
3	Short rate up	NA	NA	NA	NA
4	Short rate down	NA	NA	NA	NA
5	Steepener	NA	NA	NA	NA
6	Flattener	NA	NA	NA	NA
7	Maximum	6,403	NA	372,584	NA
	Period	**2020**		**2019**	
8	Tier 1 capital	3,168,546		2,869,248	

[1]The values presented in the parallel scenarios of high and low and the maximum variation have the losses represented by positive values as established by circular 3.876.
[2] CPBofAML adhered to the provisions of circular 3.876 as of January 1, 2020.