

(A free translation of the original in Portuguese)

Banco BOCOM BBM S.A.

***Consolidated financial statements
of the Prudential Conglomerate at
June 30, 2021
and independent auditor's report***



(A free translation of the original in Portuguese)

Independent auditor's report on the consolidated financial statements of the Prudential Conglomerate

To the Board of Directors and Shareholders
Banco BOCOM BBM S.A.

Opinion

We have audited the accompanying consolidated financial statements of the Prudential Conglomerate of Banco BOCOM BBM S.A. (the "Bank"), which comprise the consolidated balance sheet of the Prudential Conglomerate as at June 30, 2021 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information. These special purpose financial statements were prepared in accordance with specified procedures as established in Resolution nº 4,280, from October 31, 2013, issued by National Monetary Council ("CMN"), and supplementary regulations of the Brazilian Central Bank (BACEN), described in note 2.

In our opinion, the consolidated financial statements of the Prudential Conglomerate referred to above present fairly, in all material respects, the financial position of the Prudential Conglomerate of Banco BOCOM BBM S.A. as at June 30, 2021, the consolidated financial performance and cash flows, for the six-month period then ended, in accordance with the provisions for the preparation of consolidated financial statements of the Prudential Conglomerate established by Resolution 4,280 of the CMN and supplementary regulations of BACEN, for the preparation of these special purpose consolidated financial statements, as described in the Note 2.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements of the Prudential Conglomerate. We are independent of the Bank and companies of the Prudential Conglomerate in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Banco BOCOM BBM S.A.

Basis of preparation of the consolidated financial statements of the Prudential Conglomerate

Without modifying our opinion, we draw attention to the Note 2, which discloses that the consolidated financial statements of the Prudential Conglomerate were prepared by management to comply with the requirements of Resolution nº 4,280 of the CMN, and supplementary regulations of BACEN.

Consequently, our report on these consolidated financial statements was prepared exclusively for the compliance with these specific requirements and, accordingly, may not be suitable for another purpose.

Other matters

Financial statements of parent company and consolidated financial statements

Banco BOCOM BBM S.A. prepared a set of parent company and consolidated financial statements for general purposes referring to the six-month period then ended in June 30, 2021, in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN), on which we issue an unmodified audit report, dated August 16, 2021.

Other information accompanying the consolidated financial statements of the Prudential Conglomerate and the independent auditor's report

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

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

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

Responsibilities of management and those charged with governance for the consolidated financial statements of the Prudential Conglomerate

Management is responsible for the preparation and fair presentation of the consolidated financial statements of the Prudential Conglomerate of Banco BOCOM BBM S.A. in accordance with Resolution nº 4,280 of the National Monetary Council (CMN), and supplementary regulations of the Brazilian Central Bank (BACEN), whose main criteria and accounting policies are disclosed in the notes 2 and 3, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements of the Prudential Conglomerate that are free from material misstatement, whether due to fraud or error.



Banco BOCOM BBM S.A.

In preparing the consolidated financial statements of the Prudential Conglomerate, management is responsible for assessing the Bank the ability to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance in the Bank and companies of the Prudential Conglomerate are responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements of the Prudential Conglomerate

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements of the Prudential Conglomerate, prepared in accordance with Resolution nº 4,280 of the National Monetary Council (CMN), and supplementary regulations of the Brazilian Central Bank (BACEN), as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, whereas the NBC TA 800 (Special Conditions - Audit Financial Statements in accordance with special purpose accounting conceptual structures), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements of the Prudential Conglomerate, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Bank and companies of the Prudential Conglomerate.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank to continue as going concerns. 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 consolidated financial statements of Prudential Conglomerate or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as going concerns.





Banco BOCOM BBM S.A.

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

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

Rio de Janeiro, August 16, 2021


PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5


Caio Fernandes Arantes
Contador CRC 1SP222767/O-3

Management's Report

(In thousands of Reals, otherwise indicated)

Who We Are

With agility and transparency, we meet the need for credit and financial services of companies established in Brazil. For the management and consultancy of individual assets (Wealth Management), we use methods that have been successfully tested and improved over decades and the expertise of a highly qualified and certified team. The credit funds area provides private credit funds, in addition to global funds.

Through ethical and transparent procedures, we focus our efforts on sustainably offering to our shareholders and customers the profitability of capital, as well as the Brazil-China integration; to our employees, opportunities for professional, material and intellectual growth, encouraging the search for cutting-edge knowledge, especially in the financial and technological areas.

Message from Management

The first six-month period of 2021 was highlighted by the strong recovery of the global economy, as several measures of social isolation could be relaxed as vaccination advanced in the main developed economies. Most countries in the Northern Hemisphere ended the first six-month period with more than 50% of their population vaccinated with the first dose of the vaccine. Combined with the maintenance of tax and monetary incentives, global activity has been quickly recovering, bringing with it concerns about the sustainability of the expenditures and inflation. In Brazil, the six-month period ended with 35% of the population vaccinated with the first dose, and with an expressive growth, driven mainly by the global recovery and by the increase in the price of commodities. The record tax collection, the end of extraordinary expenses resulting from the pandemic and the growth of the nominal GDP brought relief to the tax scenario and to the debt/GDP. For 2021, it is expected a growth of more than 5%, but prospects are less favorable for 2022. The scenario remains challenging when considering the low performance of the labor market and the increase in the population in poverty. The reform agenda – tax, administrative, social protection network – continues to be decisive for a more robust growth trajectory and for the tax sustainability of the Brazilian economy in the coming years.

For the second six-month period in a row, most of our employees remained working remotely from home and we can say that the second wave of contamination by COVID-19, despite being more extreme than the first, did not affect our work capacity. We know that in the coming semesters we will be evolving to a new normal of how to work, not yet clearly defined, but which will demand creativity and discipline of our managers and employees in general.

During this period, we must also highlight the progress of our planning and action to carry out and disseminate our activities aimed at best practices in the environmental, social and governance fields.

In this six-month period, we, at BOCOM BBM, remained aligned with our traditional and new credit customers, expanding the offer of capital market products, participating in the issuance of fixed income securities by companies and offering derivatives to protect the balance sheets and results of our customers.

The strong growth of the Brazilian economy, mainly of agribusiness, significantly reduced the credit risk in the sectors and in the size of the companies with which we have a relationship. This fact is reflected in our results. On the other hand, our revenues from services mentioned above, together with those from Wealth and Asset Management, reached 21.9% of total revenues, maintaining a growing trend.

We are an Asian bank, and countries in this region that responded promptly to the health crisis at its inception are now reaping the good results of tax discipline and an even greater economic recovery. In China, the expected growth is above 8%. And the 14th Five-Year Plan for 2021-2025 – which established priorities for green and technological development, focused on the domestic market – should place China among the countries with the highest sustainable economic growth in the long term. This vision leads us to seek opportunities and integration mechanisms in the Brazilian and Asian markets, especially the Chinese. Our pioneering participation for a Latin American bank in Bond Connect, the main platform for foreigners to buy securities in the local Chinese market, follows this direction.

This was another atypical semester for all of us. The strength of global creative destruction in the period can only be compared to years of large-scale warfare. The asymmetric distribution of material and emotional losses brings many challenges for states, governments, companies and individuals. It is our goal to understand and act positively in this environment.

Performance of Prudential Conglomerate

The Prudential Conglomerate recorded equity of R\$ 808 million and net income of R\$ 64 million on June 30, 2021, which corresponds to annual profitability of 16.17%, calculated based on the average equity for the period.

Total assets on June 30, 2021 amounted to R\$ 13,218 million. The amount raised in the domestic and foreign markets totaled R\$ 10,150 million at end of the semester. The Bank's Basel Capital Adequacy Ratio was 13.17% at the end of the semester.

Management's Report

(In thousands of Reais, otherwise indicated)

Corporate Credit

The expanded credit portfolio reached R\$ 8.88 billion, including export-import finance and guarantees such as sureties and avals, and we participated actively in the extension of credit facilities as part of the measures implemented to mitigate the economic impact of the pandemic via PEAC and BNDES, for a total of R\$ 2.9 billion.

Wealth Management

Using constantly updated tools to manage the assets of Brazilian and foreign clients, we offer a range of financial products via an open platform and global investment opportunities suited to long-term objectives. Assets under management totaled R\$ 9.3 billion in June 2021.

Asset Management

Asset Management offers investment funds with a medium and long term horizon. In addition to private credit funds, global equity funds ESG, US and China, focus on sustainability, return on US companies and return on Chinese companies, respectively. Our main differentials are the robust management processes, using macro research, credit analysis and monitoring. In June 2021, assets invested in the funds totaled R\$956 million.

People

We are recognized for identifying and developing talents, valuing the search for cutting-edge knowledge and encouraging people who want to achieve their material and intellectual goals with the support of practical and academic experience. We know the importance of teaching and motivating those who join us, in order to discover new ways to do our job better. We are committed to maintaining a meritocratic, dynamic, transparent and diverse work environment, taking into account the dignity and well-being of the social groups with which we interact.

Credit Rating

In our point of view, the classification of the rating agencies are an important source of transparent and independent assessment of the quality of our credit.

Moody's Investors Service assigned the ratings of Banco BOCOM BBM on June 30, 2021. On a global scale, "Ba1" rating was assigned to local and foreign currency deposits, with a notch above the Brazilian rating ("Ba2") and "Ba1" for deposits in foreign currency, and "stable perspective". In the national scale, the "Aaa.br" rating was assigned by the Moody's Local Brazil, in June 29, 2021, with "stable perspective", the best possible credit rating in this category.

In addition, on January 5, 2021, Fitch Ratings assigned the long-term national rating "AAA (bra)", the highest possible rating in this category. On a global scale, long-term issuer default ratings (IDR) "BB" and "BB+" were assigned in foreign currency and local currency, respectively, keeping above the sovereign rating ("BB-"). BOCOM BBM's long-term IDR prospects reflect those of sovereign ratings.

Securities Portfolio

The Sales & Trading area is responsible for managing and negotiating corporate securities. The scope of this business unit includes the active negotiation of corporate securities in the secondary market, thus, together with the reorganization.

Bank Segmentation Transition

In June 2020, Banco BOCOM BBM S.A. completed 3 six-month periods with the Total Exposure/GPD ratio higher than 0.1%, thus being subject to the regulation of the S3 segment at the end of 2020, according to Article 8 of Resolution No. 4,553 of 2017.

Balance Sheet
(In thousands of Reais)

Assets	Note	Prudential Conglomerate	
		06/30/2021	12/31/2020
Current and long-term assets		13,181,001	12,177,923
Cash	4	931,914	666,826
Bank deposits		3	2
Cash		3	3
Free reserves		328	11,470
Bank deposits in foreign currencies		931,580	655,351
Short-term interbank investments	5	644,577	768,723
Open market investments	4	162,533	540,007
Interbank deposits		354,988	226,637
Investments in foreign currencies	4	127,056	2,079
Marketable securities and derivative financial instruments	6	4,255,932	3,706,814
Bank portfolio		2,129,327	2,364,784
Subject to repurchase agreements		1,326,265	283,794
Linked to guarantees given		493,750	971,640
Derivative financial instruments	21	306,737	86,716
Allowance for marketable securities		(147)	(120)
Interbank accounts		25,396	63,684
Correspondent banks		18,115	85
Deposits – Central Bank of Brazil		7,281	63,599
Loan transactions	7	6,342,391	6,471,638
Discounted securities and loans		4,940,277	5,137,907
Financing		961,676	734,566
Rural and agroindustrial financing		478,525	636,906
Allowance for loans		(38,087)	(37,741)
Other receivables		968,908	484,304
Foreign exchange portfolio	8	720,257	223,478
Unearned income		17,764	19,157
Trading and brokerage		20,269	2
Credit assignment	7	23,465	25,937
Sundry	13	94,869	109,666
Tax credits	24	95,354	107,332
Allowance for other receivables	7	(3,070)	(1,268)
Other assets	14	11,883	15,934
Permanent assets		36,748	36,590
Investments		839	647
Other investments		3,468	3,275
Provision for losses		(2,629)	(2,628)
Property and equipment in use		10,268	11,007
Furniture and equipment		12,079	11,876
(-) Furniture and equipment depreciation		(5,161)	(4,441)
Improvements in third party real estate		6,936	6,936
(-) Depreciation in improvement in third parties properties		(3,587)	(3,365)
Lands		1	1
Intangible	15	25,641	24,936
Total assets		13,217,749	12,214,513

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

Balance Sheet
(In thousands of Reais)

Liabilities	Note	Prudential Conglomerate	
		06/30/2021	12/31/2020
Current and long-term liabilities		12,391,508	11,430,285
Deposits	9	2,471,409	2,802,333
Demand deposits		317,050	629,320
Time deposits		1,290,700	1,533,845
Interbank deposits		863,659	639,168
Repurchase agreements	10	1,309,260	291,208
Own portfolio		1,309,260	291,208
Funds from acceptance and issue of securities	11	3,134,211	4,018,252
Liabilities from issue of agribusiness credit bills - LCA		1,338,085	1,450,829
Liabilities from issue of housing credit bills - LCI		53,639	67,442
Liabilities from issue of financial bills - LF		1,540,043	1,456,749
Liabilities from financial letter with guarantee - LFG		-	841,472
Liabilities from issue of credit bills subordinated debts		202,444	201,760
Interbank accounts		67	-
Receipts and payments to be settled		67	-
Interbranch accounts		53,077	60,097
Third-party funds in transit		53,077	60,097
Borrowings	12	4,324,709	3,462,816
Loans abroad		4,324,709	3,462,816
Derivative financial instruments	6 and 21	439,111	370,790
Derivative financial instruments		439,111	370,790
Other liabilities		659,664	424,789
Collection of similar taxes		510	32
Foreign exchange portfolio	8	256,643	2,779
Social		27,023	27,023
Statutory		59,589	56,271
Tax and social security		121,795	130,294
Securities trading		-	5,597
Allowance for financial guarantees	7 and 26	15,060	14,740
Sundry	13	179,044	188,053
Deferred income	27 b	18,604	19,900
Equity	16	807,637	764,328
Share Capital		469,300	469,300
Domiciled in Brazil		469,300	469,300
Income reserves		513,391	449,852
Market value adjustment of securities and derivative financial instruments		6,785	27,015
Securities available for sale		6,785	27,015
Treasury stock		(181,839)	(181,839)
Total liabilities and equity		13,217,749	12,214,513

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

Statement of Operations
(In thousands of Reals, except the net income per share)

	Note	Prudential Conglomerate	
		06/30/2021	06/30/2020
Financial income		146,992	760,974
Loan transactions		179,430	192,637
Income from marketable securities transactions	5 and 6	35,878	125,187
Result of exchange operations	17	33,815	163,462
Gain/(Loss) on derivative financial instruments	21	(102,131)	279,688
Financial expenses		51,784	(670,048)
Loans, assignments and onlending operations	17	135,892	(462,227)
Market funding operations	17	(76,914)	(141,736)
(Provisions)/Reversal of allowance doubtful accounts	7	(7,073)	(65,333)
Provisions for marketable securities	6	(121)	(752)
Gross financial income		198,776	90,926
Other operating income/(expenses)		(38,915)	(45,445)
Service revenues	18	57,728	30,991
Personnel expenses		(51,656)	(40,180)
Other administrative expenses	19	(32,575)	(31,017)
Tax expenses		(12,397)	(7,264)
Other operating income		936	2,156
Other operating expenses		(951)	(131)
Operating income		159,861	45,481
Non-operating income/(expenses)		1,101	(1,095)
Income before income taxes and profit sharing		160,962	44,386
Income and social contributions taxes	24	(60,483)	(17,456)
Provision for income tax		(28,518)	(36,889)
Provision for social contribution tax		(20,187)	(23,461)
Deferred tax asset/(liabilities)		(11,778)	42,894
Profit sharing – management and employees		(36,940)	(12,500)
Net income		63,539	14,430
Earnings per outstanding share		0.31	0.07

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

Statement of Comprehensive Income
(In thousands of Reais)

	Prudential Conglomerate	
	06/30/2021	06/30/2020
Net income	63,539	14,430
Market adjustment variation of the securities	(20,230)	12,866
Securities available for sale	(21,765)	22,467
Tax effects	1,535	(9,601)
Exchange variation of investments abroad	(4,242)	25,848
Derivative financial instruments used for hedging	4,242	(25,852)
Derivative financial instruments	5,977	(45,734)
Tax effects	(1,735)	19,882
Comprehensive income for the six-month period	<u>43,309</u>	<u>27,292</u>

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

Statement of changes in equity of Banco BOCOM BBM S.A.
(In thousands of Reais, except for the values per share)

Capital	Income reserves		Market value adjustment of securities and derivatives	Hedge of Investments Abroad	Treasury shares	Retained earnings	Total
	Legal	Statutory	Bank				
469,300	36,098	328,974	650 12,866	- 25,848 (25,852)	(181,839)	- 14,430	653,183 12,866 25,848 (25,852) 14,430
	722	13,708				(14,430)	-
469,300	36,820	342,682	13,516	(4)	(181,839)	-	680,475
-	722	13,708	12,866	(4)	-	-	27,292
469,300	41,927	407,925	27,286 (20,230)	(271) (4,242) 4,242	(181,839)	- 63,539	764,328 (20,230) (4,242) 4,242 63,539
	3,177	60,362				(63,539)	-
469,300	45,104	468,287	7,056	(271)	(181,839)	-	807,637
-	3,177	60,362	(20,230)	-	-	-	43,309

Statement of Cash Flow
(In thousands of Reais)
Prudential Conglomerate
06/30/2021 06/30/2020
Cash flow from operating activities

Net income	63,539	14,430
Adjustments to net income:	20,271	31,783
Allowance/Reversion for doubtful accounts	7,073	65,333
Depreciation and amortization	4,739	3,559
Expenses from civil, labor and tax allowances	283	2,998
Deferred income and social contribution taxes	11,778	(42,894)
Gain/losses on fair value adjustment on marketable securities and derivatives	(3,602)	2,787
Adjusted net income	83,810	46,213
(Increase) in short-term interbank investments	(141,378)	(172,353)
(Increase)/Decrease in marketable securities and derivative financial instruments	(477,195)	(795,858)
(Increase)/Decrease in interbank and interbranch accounts	31,335	(28,850)
(Increase)/Decrease in loan and lease transactions	122,174	(4,477)
(Increase)/Decrease in other assets	(492,331)	27,945
(Decrease)/Increase in deposits	(330,924)	408,474
(Decrease)/Increase in open market funding	1,018,052	(1,502,966)
Increase in borrowings and onlending	861,893	1,200,903
(Decrease) in deferred income	(1,296)	(367)
Increase in other liabilities	234,592	18,433
(Decrease)/Increase in market value adjustments - marketable securities	(20,230)	12,862
Net cash flow from operating activities	804,692	(836,254)
Cash flow from investing activities:		
Increase in investments	(192)	(129)
Property and equipment for use and leased acquisition	(4,705)	(6,116)
Net cash used in investing activities	(4,897)	(6,245)
Cash flow from financing activities:		
(Decrease)/Increase in securities issue resources	(884,041)	(38,066)
Net cash used in financing activities	(884,041)	(38,066)
Net increase in cash and cash equivalents	(436)	(834,352)
At the beginning of the six-month period	1,208,912	1,972,154
Changes for the six-month period	(57,689)	(938,210)
Exchange variation for the six-month period	57,253	103,858
At the end of the six-month period	1,208,476	1,137,802
Net increase in cash and cash equivalents	(436)	(834,352)

The accompanying notes are an integral part of these financial statements

Notes to the financial statements as at June 30, 2021*(In thousands of Reals, otherwise indicated)***1. Operations**

Banco BOCOM BBM is the leading institution of the Prudential Conglomerate (Note 2) and is authorized to operate as finance bank with the following portfolios:

- Commercial;
- Investment;
- Loan, Financing and Investment;
- Foreign Exchange;
- Energy trading.

Prudential Conglomerate operates as a group of institutions which operate together in the financial market, with certain operations involving co-participation or intermediation of associated institutions which are part of Banco BOCOM BBM Financial Group. The benefits of services rendered by such institutions and the costs of the Financial Group's shared operating and administrative structures are fully or individually absorbed, which is practical and reasonable in the circumstances.

2. Presentation of the Financial Statements and Consolidation Criteria

The financial statements of the Prudential Conglomerate were prepared in accordance with the Resolution No. 4,280/2013, of the Brazilian National Monetary Council (CMN), and Circular Letter No. 3,701/2015 of the Central Bank of Brazil (BACEN), which are elaborated based on the accounting guidelines arising from the Laws No. 4,595/64 (National Financial System Law) and No. 6,404/76 (Corporation Law), including the amendments introduced by the Laws No. 11,638/07 and No. 11,941/09, in compliance with the standards and instructions from CMN, BACEN, Federal Accounting Council (CFC) and the accounting practices adopted in Brazil applicable to financial institutions regulated by the BACEN.

The preparation of these statements in accordance with the accounting practices adopted in Brazil, applicable to financial institutions, requires management to use judgment in the determination and recording of accounting estimates, when applicable. Significant assets and liabilities subject to these estimates and assumptions include: allowance for doubtful accounts, realization of deferred tax assets, provision for labor, tax and civil claims, valuation of financial instruments and other provisions. The definitive values of the transactions involving these estimates will only be known at the time of their settlement.

As of May 2020, the amendments to CMN Resolution No. 4,818/20 and BACEN Resolution No. 2/20 were included in Banco Bocom BBM's consolidated financial statements. The main objective of these standards is to comply with the guidelines for the presentation of financial statements in accordance with international accounting standards, International Financial Reporting Standards (IFRS). The main changes implemented were: the Balance Sheet balances for the period are presented in comparison with the end of the immediately preceding year and the other statements are compared with the same periods of the previous year for which they were presented; and the inclusion of the Statement of Comprehensive Income. The changes implemented by the new standards had no impact in the Net Income or Shareholders' Equity.

2.1 Consolidation

The Prudential Conglomerate's financial statements were prepared in accordance with the consolidation criteria stated by BACEN's Resolution No. 4,280/2013, which includes financial institutions and other institutions authorized to operate by the Central Bank of Brazil.

In the consolidation process of the entities participating in the Prudential Conglomerate, at the base date, there was an adjustment in order that the same classifications, criteria, procedures and accounting practices used in the lead institution are applied in the evaluation and recognition of the assets, liabilities, revenues and expenses, with the following eliminations:

- Capital share, reserves and accumulated results held between the institutions (it also should be noted that there is no intercompany transactions);
- Balances of current accounts and other Assets and/or Liabilities between the institutions, whose balance sheets were consolidated; and
- The effects on profit or loss arising from significant transactions between these institutions.

The Prudential Conglomerate financial statements comprise the financial statements at June 30, 2021 and December 31, 2020 and June 30, 2020 of the following institutions:

Notes to the financial statements as at June 30, 2021
(In thousands of Reals, otherwise indicated)
2.1 Consolidation (continued)

Banco BOCOM BBM S.A. and Nassau branch

BBM Bank Ltd. (a)

BOCOM BBM Corretora de Câmbio e Valores Mobiliários S.A. (b)

Bahia Fund (c)

The Southern Atlantic Investments (b)

Jiang Fundo de Investimento Multimercado Credito Privado Investimento no Exterior (b)

Haitan Fund (a)

Tai Yang Fund (a)

- (a) The indirect participation of 100% of Banco BOCOM BBM in the social capital of BBM Bank Ltd., Bahia Fund, Haitan Fund and Tai Yang Fund were eliminated from the Prudential Conglomerate.
- (b) Banco BOCOM BBM directly holds 100% of the capital of these entities. The consolidation of Jiang FIM C PIE has started at March 2018.
- (c) Bahia Fund was dissolved on the 27th of May of 2021 in the Cayman Islands. All of its shares was redeemed by The Southern Atlantic Investments, Ltd.

3. Significant Accounting Practices
(a) Results of operations

Recorded on an accrual basis.

According to BACEN Resolution No. 2/20, recurring and non-recurring results were presented separately.

	Prudential Conglomerate	
	06/30/2021	06/30/2020
Recurring Net Income	63,065	18,015
Non-recurring Events	474	(3,585)
Fines	(117)	(18)
Provisions for contingencies	(283)	(2,998)
Result from sale of properties not for use (BNDU)	1,261	(3,501)
Income tax and social contribution	(387)	2,932
Net Income	63,539	14,430

(b) Marketable securities and derivative financial instruments

In accordance with BACEN Circular Letter No. 3,068, securities are classified into the following categories:

I- Trading securities;

II- Securities available for sale;

III- Securities held up to maturity.

Notes to the financial statements as at June 30, 2021

(In thousands of Reals, otherwise indicated)

3. Significant Accounting Practices (Continued)

Securities classified in categories I and II are adjusted to market value, being the adjustment of the former directly accounted in the result and the adjustment of the latter in specific equity account, net of tax effects. Securities classified as "held up to maturity" are evaluated based on the cost plus the earnings.

Derivative financial instruments are adjusted to market value, in accordance with BACEN Circular Letter No. 3,082.

Investment fund quotas are restated monthly based on the quota value disclosed by the Administrators of the funds in which funds are invested. The appreciation and depreciation of investment fund quotas are presented in "Result from transactions with marketable securities".

(c) Current and non-current assets

These are presented at their realization amounts, including, when applicable, the earnings and monetary variations (on a pro rata basis) and foreign exchange variations, less corresponding proceeds from future realization and/or provision for losses. Balances maturing within 12 months (or 360 days) are classified as current assets.

(d) Permanent assets

These are stated at cost, plus the following aspects:

- * Evaluation of the significant investments in subsidiaries on an equity accounting basis.
- * Depreciation of property and equipment in use and lease calculated on a straight-line basis, based on annual rates that reflect the economic useful life of the assets, is as following: properties in use - 4%; furniture and utensils - 10% and data processing - 20%.
- * Amortization of intangible assets calculated according to the economic useful life of the asset.

In accordance with CMN Resolution No. 4,534/16, financial institutions and institutions authorized to operate by BACEN cannot record Deferred Assets. Balances recorded as deferred assets at the date this resolution became effective, except for lease losses to amortize, must be:

- I- Reclassified to the proper asset accounts, according to the operation nature, when they refer to items that constitute an asset, according to the effective regulation; and
- II- Amortized on a straight-line basis up to June 30, 2021, in the other cases.

(e) Current liabilities and long-term liabilities

These are stated at their known or calculable values including, whenever applicable, the charges and the monetary (on a daily pro rata basis) and exchange variations, less the corresponding expenses to be allocated. Balances maturing within 12 months (or 360 days) are classified as Current Liabilities.

(f) Income tax and social contribution

The provision for income tax is set up based on the taxable profit, at a 15% rate, plus 10% surcharge on annual taxable profit exceeding R\$ 240 thousand. The provision for social contribution tax is set up at the rate of 20%.

The deferred tax assets and liabilities arising from temporary differences were recognized in accordance with CMN Resolutions No. 3,059 of December 20, 2002, and No. 3.355, of March 31, 2006, and they take into account the history of profitability and the expected generation of future taxable income supported by technical feasibility studies. The deferred taxes were constituted based on the expected income tax of 25% and social contribution rates of 15% and 20%, since used while the rate is effective.

On March, 21, 2021, Provisional Measure No. 1,034/2021 was published, amending Law No. 7,689/1988 with the aim of increasing the rate of the Social Contribution on Net Income (CSLL) owed by legal entities in the financial sector. The impact on Banco BOCOM BBM will be the increase in the CSLL rate from 20% to 25%, in the period from 07/01/2021 to 12/31/2021. As from 01/01/2022 the rate will be 20%, according to the changes proposed by MP No. 1,034/2021 in Article 3, Item III of Law No. 7,689/1988. BOCOM BBM CCVM will have an increase in the CSLL rate from 15% to 20% between 07/01/2021 and 12/31/2021, and from 01/01/2022 the rate will be 15% , according to the amendments proposed by MP 1,034/2021, in Article 3, Item I of Law 7,689/1988.

Notes to the financial statements as at June 30, 2021*(In thousands of Reals, otherwise indicated)***3. Significant Accounting Practices (Continued)****(g) Swaps, futures, forwards and options**

The nominal amounts of contracts are recorded in offsetting accounts. Daily adjustments of transactions conducted in the future market are recorded as effective income or expense as they are incurred. Premiums paid or received upon the realization of operations in the options market are recorded in the respective equity accounts at cost, adjusted to market value as a counterparty to the result. The market value of swap and term operations are individually recorded in asset and liability equity accounts, as a counterparty to the respective income and expense accounts.

(h) Earnings per share

These are calculated based on the number of outstanding shares at the balance sheet dates.

(i) Impairment of assets

In accordance with CPC 1, as approved by CMN Resolution No. 3,566/08 of May 29, 2008, and based on management analysis, if the carrying amount of the assets of the Bank and of others institutions of the Prudential Conglomerate exceed their recoverable value, an impairment is recognized in the statement of operations.

(j) Contingent assets and liabilities and legal obligations

The recognition, measurement and disclosure of contingent assets and liabilities, and legal obligations are as follows:

Contingent assets - these are not recognized in the financial statements, except when there are evidences that offer guarantees of their realization, with no appeals.

Contingent liabilities - these are recognized in the financial statements when, based on the opinion of the legal advisors and of management, the loss of a lawsuit or administrative proceeding is evaluated as probable and whenever the amounts involved can be measured with sufficient reliability. The contingent liabilities classified as possible losses by legal advisors are not recorded and are just disclosed in the notes to the financial statements, and those classified as remote loss do not require any provision disclosure. Regarding the labor suits with loss probability classified as possible by the external lawyers, management will consider some assumptions such as: procedure stage, involved right, losses background, deal possibility. Accordingly, even if the suits are classified as possible, they may be provided for.

Legal obligations - tax and social security - these refer to lawsuits contesting the legality and constitutionality of some taxes and contributions. The discussed amount is quantified and accounted for.

(k) Short-term interbank investments

Interbank investments are stated at the acquisition, investment or release cost, plus foreign exchange, monetary and interest variations, as contractually defined. When the market value is lower, a provision for the adjustment of an asset to its realization value is made.

(l) Loan transactions

Credit operations are stated at the acquisition, investment or release cost, plus foreign exchange, monetary and interest variations, as contractually defined. When the market value is lower, a provision for the adjustment of an asset to its realization value is carried out. An allowance for doubtful accounts is set at an amount considered sufficient to cover any losses, and it considers, in addition to past experience, the assessment of debtors and their guarantors, as well as the specific characteristics of the transactions, in accordance with the requirements of Brazilian Central Bank Resolution No. 2,682. These are recorded at present value on a daily pro rata basis, based on the index variation and the agreed-upon interest rate, restated up to the 59th day in arrears at the financial companies, observing the estimated receipt date. After the 60th day, the recognition in the result occurs on the effective receipt of the installments. The renegotiated operations are maintained, at least, at the same level in which they were classified previously to the renegotiation and, if they have already been written-off against the provision, they are classified as level H; the gains are recognized as income upon the effective receipt.

Credit assignments without risk retention result in the write-off of the financial assets that are the object of the operation, which are then kept in an offsetting account. The result of the assignment is fully recognized when it is realized. In January 2012, as determined by CMN Resolutions No. 3,533/2008 and No. 3,895/2010, all credit assignments with risk retention are recognized in the remaining terms of operations, and the financial assets subject to assignment are recorded as credit operations and the amount received as obligations for sales or transfer of financial assets.

Notes to the financial statements as at June 30, 2021*(In thousands of Reals, otherwise indicated)***3. Significant Accounting Practices (Continued)****(m) Cash and cash equivalents**

These represent cash and cash equivalents, unlinked balances with the Central Bank of Brazil and financial assets of high liquidity with maturities within three months, subject to an immaterial risk of changes in their fair values, which are used by the Group to manage short-term commitments (see Note 4).

(n) Other values and assets

The operations classified as Other values and assets represent operations arising from the execution of loan guarantees, which are initially valued at the remaining balance of the debt, and which are valued at fair value based on valuation reports prepared by professional entities with recognized qualifications, using evaluation techniques, limited to the value of the debt.

(o) Hedge Accounting

The Bank allocated derivative financial assets to hedge principal amounts raised and the corresponding interest due.

Derivative financial instruments used to mitigate risks arising from exposure to variations in the market values of financial assets and liabilities, and that are highly correlated regarding changes in its market value in relation to the market value of the item that is being protected, at the beginning and during the life of the contract and considered effective in reducing the risk associated to the exposure to be protected, are considered protection instruments (hedges) and classified based on their nature:

- (a) Market risk hedge: the financial instruments classified under this category, as well as their related financial assets and liabilities, which are the hedge objects, are recorded at fair value and have their gains/losses, whether realized or not, reflected in the result; and
- (b) Cash flow hedge: the financial instruments classified in this category are marked at fair value, being the effective installment of appreciation or depreciation recorded, net of tax effects, in a specific account on equity. The ineffective portion of the respective hedge is recognized directly in the result.

If the hedging instrument expires or is sold, cancelled or exercised, or when the hedging position does not fall under hedge accounting conditions, the hedging relationship ends.

The objectives of the risk management of this operation, as well as the strategy of protection against such risks during the operation, are duly documented, as well as it is documented the evaluation, both at the beginning of the protection operation and on an ongoing basis. The derivative financial instruments are highly effective in offsetting the variations of the fair value (mark-to-market) of the hedged item. A hedge is expected to be highly effective if the variation in the fair value or cash flow attributable to the risk being hedged during the hedge relation period nulls from 80% to 125% of the risk variation.

Derivative instruments used for hedging purposes, as well as the marked-to-market value of the hedged object are disclosed in Note 21.

(p) Deposits and funding in the open market

These are recognized at the amounts of the liabilities, and the charges payable, when applicable, are recorded on a daily pro rata basis.

(q) Intangible asstes

These correspond to the acquired rights that aim at assets incorporated into the maintenance of the entity or exercised with this condition, in accordance with CMN Resolution No. 4,534, of November 24, 2016. It consists of (i) licenses and copyrights and use and (ii) Software. Intangible assets with defined useful lives are amortized on a straight-line basis over the period of their useful lives in which the rights generate benefits.

Notes to the financial statements as at June 30, 2021
(In thousands of Reals, otherwise indicated)
4. Cash and Cash Equivalents

	Prudential Conglomerate	
	06/30/2021	12/31/2020
Bank deposits in foreign currencies	931,580	655,351
Open market investments (a)	149,506	540,007
Investments in foreign currencies	127,056	2,079
Free reserves	328	11,470
Cash	3	3
Bank deposits	3	2
Total	1,208,476	1,208,912

(a) Committed transactions maturing within 90 days, on the date of application.

5. Short-term Interbank Investments

Short-term interbank investments are as follows:

	Prudential Conglomerate	
	06/30/2021	12/31/2020
Open market investments	162,533	540,007
Self-funded position	162,533	540,007
National treasury bills	142,499	380,001
Financial treasury bills	20,034	60,004
National treasury notes – B series	-	100,002
Interbank deposits (*)	354,988	226,637
Investments in foreign currencies	127,056	2,079
	644,577	768,723
Current assets	567,211	600,326
Long-term receivables	77,366	168,397
Total	644,577	768,723

(*) The interbank deposits in the Prudential Conglomerate in June 2021 basically refer to Time Deposits with Special Guarantees. In the semester ended June 30, 2021, their maturities are between July 2021 and June 2023.

At June 30, 2021 and December 31, 2020, the collateral received through repurchase agreements amounted to R\$ 163,045 thousand and R\$ 542,414 thousand, respectively, in the Prudential Conglomerate. The provided collateral amounted to R\$ 1,017,590 thousand and R\$ 9,459 thousand during the same periods.

The results of short-term interbank investments in the Prudential Conglomerate are as follows:

	Prudential Conglomerate	
	06/30/2021	06/30/2020
Open market investments	6,726	13,872
Interbank deposits	5,351	1,692
Investments in foreign currencies	146	355
Income from marketable securities transactions	12,223	15,919

Notes to the financial statements as at June 30, 2021

(In thousands of Reais, otherwise indicated)

6. Marketable Securities and Derivative Financial Instruments

	Prudential Conglomerate			
	Cost	Market	Cost	Market
	06/30/2021		12/31/2020	
I - Marketable securities	3,958,378	3,949,195	3,586,691	3,620,098
Securities for trading (*)	1,240,196	1,226,259	858,652	862,103
Bank portfolio	462,959	458,228	806,996	810,421
Fixed income securities	462,959	458,228	806,996	810,421
Financial Treasury Bills	118,164	118,205	448,789	449,437
National Treasury Bills	103,718	100,817	274,431	276,982
National Treasury Notes – B series	241,077	239,206	83,776	84,002
Subject to repurchase agreements	730,454	721,244	5,604	5,616
Financial Treasury Bills	233,962	233,900	-	-
National Treasury Bills	307,148	300,669	-	-
National Treasury Notes – B series	189,344	186,675	5,604	5,616
Linked to guarantees given	46,783	46,787	46,052	46,066
Financial Treasury Bills	19,595	19,599	19,329	19,343
Fund quotas given as guarantee	27,188	27,188	26,723	26,723
Securities available for sale (*)	1,852,748	1,857,502	1,899,815	1,929,771
Bank portfolio	1,285,558	1,290,443	947,138	969,981
Fixed-income securities	519,176	522,984	318,046	318,163
Financial Treasury Bills	28,169	28,165	58,050	58,042
National Treasury Bills	3,235	3,199	980	1,000
National Treasury Notes – B series	8	8	7	7
Promissory note	87,561	87,561	142,618	142,621
Debentures	275,423	279,271	1,525	1,489
CRA	22,115	22,115	13,934	14,072
Rural product note	102,665	102,665	100,932	100,932
Marketable securities abroad	766,382	767,459	629,092	651,818
Eurobonds	(a) 766,382	767,459	629,092	651,818
Subject to repurchase agreements	567,190	567,059	276,926	278,178
Financial Treasury Bills	165,167	165,299	9,504	9,459
National Treasury Bills	127,204	125,360	-	-
Debentures	244,772	246,493	267,422	268,719
Eurobonds	(a) 30,047	29,907	-	-
Linked to guarantees given	-	-	675,751	681,612
Financial Treasury Bills	-	-	274,462	274,350
Debentures	-	-	401,289	407,262
Securities held up to maturity	865,434	865,434	828,224	828,224
Bank portfolio	380,656	380,656	584,382	584,382
Fixed-income securities	182,289	182,289	400,237	400,237
National Treasury Notes – F series	182,289	182,289	400,237	400,237
Marketable securities abroad	198,367	198,367	184,145	184,145
Eurobonds	(a) 198,367	198,367	184,145	184,145
Subject to repurchase agreements	37,962	37,962	-	-
National Treasury Notes – F series	8,119	8,119	-	-
Eurobonds	(a) 29,843	29,843	-	-
Linked to guarantees given	446,963	446,963	243,962	243,962
National Treasury Notes – F series	446,963	446,963	243,962	243,962
Provision for marketable securities	(147)	(147)	(120)	(120)
Eurobonds	(a) (147)	(147)	(120)	(120)
II - Derivative financial instruments	265,856	306,737	64,739	86,716
Swap operations	63,781	101,352	8,833	36,162
Term	200,387	203,946	53,222	47,981
Options	610	361	1,501	1,390
Futures	1,078	1,078	1,183	1,183
Total marketable securities and derivative financial instruments	4,224,234	4,255,932	3,651,430	3,706,814
Segregation of portfolio by maturity range:				
No maturity				
Up to 3 months	1,878,812	1,871,570	1,132,346	1,139,570
From 3 to 12 months	144,827	160,801	267,199	283,429
Over 12 months	2,200,595	2,223,561	2,251,885	2,283,815
Total	4,224,234	4,255,932	3,651,430	3,706,814

Notes to the financial statements as at June 30, 2021

(In thousands of Reals, otherwise indicated)

6. Marketable Securities and Derivative Financial Instruments (Continued)

(a) The amount refers to Eurobonds, of which R\$ 228,063 thousand are classified as "Securities held to Maturity" with final maturity up to September 2031, and R\$ 797,366 thousand as "Securities Available for Sale" with final maturity up to September, 2031.

(*) Securities classified as "Securities for trading" maturing in more than 12 months and which, on June 30, 2021, amount to R\$ 1,103,867 in the Prudential Conglomerate (December 31, 2020 - R\$ 710,407 thousand), are stated in current assets, according to BACEN Circular Letter No. 3,068/01. Securities classified as "Available for sale", maturing in more than 12 months, in the amount of R\$ 1,301,215 thousand on June 30, 2021 (December 31, 2020 - R\$ 1,354,338 thousand), in the Prudential Conglomerate, are stated as long-term receivables, according to BACEN Circular Letter No. 3,068/01, regardless its liquidity level. The effect of this classification in net current capital is shown in Note 22 - Liquidity risk.

There were no transfers in the bond category in the first half of 2021.

The results of Marketable Securities in the Prudential Conglomerate are as follows:

	Prudential Conglomerate	
	06/30/2021	06/30/2020
Private securities	47,618	46,049
Government bonds	35,205	70,094
Investment funds quotas	333	382
Exchange Variation	(59,501)	(7,257)
Income from marketable securities	23,655	109,268
	Prudential Conglomerate	
	06/30/2021	06/30/2020
Provision for marketable securities	(121)	(752)
Result of provision for marketable securities	(121)	(752)

The market values of marketable securities and derivative financial instruments are determined based on market price quotations at the balance sheet date, when available, or through price valuation models that consider certain assumptions for the valuation of instruments without liquidity and no active market and/or observable market data.

Notes to the financial statements as at June 30, 2021
(In thousands of Reals, otherwise indicated)
7. Loan Transactions, Sureties and Honored Guarantees

At June 30, 2021 and December 31, 2020, loans and guarantees provided through sureties or guarantee agreements in the Prudential Conglomerate, classified according to the clients' economic activities, are as follows:

	Prudential Conglomerate			
	06/30/2021		12/31/2020	
Agriculture	1,212,835	15.10%	888,006	11.19%
Sugar and Ethanol	1,175,105	14.63%	1,158,216	14.60%
Building and Real Estate	613,660	7.64%	611,331	7.70%
Retail market	555,433	6.92%	513,970	6.48%
Utilities (energy)	508,938	6.34%	570,491	7.19%
Foods - Sundry	325,291	4.05%	277,560	3.50%
Vehicles and Parts	310,217	3.86%	256,961	3.24%
Specialized Services	286,183	3.56%	198,480	2.50%
Pharmaceutics	250,208	3.12%	249,452	3.14%
Transportation and Logistics	245,909	3.06%	292,597	3.69%
Chemical and Petrochemical	200,881	2.50%	218,285	2.75%
Banks and Insurers	193,737	2.41%	444,854	5.61%
Pulp and Paper	186,732	2.33%	222,367	2.80%
Health	183,711	2.29%	171,160	2.16%
Meat Industry	178,078	2.22%	162,630	2.05%
Civil Aviation	158,278	1.97%	163,639	2.06%
Construction Material	134,622	1.68%	112,166	1.41%
Heavy Construction	133,734	1.67%	101,990	1.29%
Diversified Holdings	117,224	1.46%	124,250	1.57%
Metallurgy	112,667	1.40%	95,127	1.20%
Telecommunication	100,078	1.25%	100,970	1.27%
Textile and Leathers	98,503	1.23%	56,196	0.71%
Others (*)	381,873	4.76%	546,748	6.89%
Private sector	7,663,897	95%	7,537,446	95%
Utilities (energy)	256,450	3.19%	271,563	3.42%
Others (*)	110,155	1.37%	125,724	1.58%
Public Sector	366,605	5%	397,287	5%
Total	8,030,502	100%	7,934,733	100%

(*) The activities classified as Others include all economic sectors that individually represent less than 1% of the total active loan portfolio at the base date June 30, 2021 and December 31, 2020.

Notes to the financial statements as at June 30, 2021
(In thousands of Reais, otherwise indicated)
7. Loan Transactions, Sureties and Honored Guarantees (Continued)

Loan transactions are stated in the Prudential Conglomerate balance sheet as follows:

	Prudential Conglomerate	
	06/30/2021	12/31/2020
Current Assets		
Loan Transactions	2,445,959	2,183,045
Private Sector	2,430,667	2,154,425
Public Sector	15,292	28,620
Other Receivables	19,295	13,864
Foreign Exchange Portfolio - Receivables (a)	10,269	5,287
Securities and Credits Receivable (b)	9,026	8,577
Noncurrent Assets		
Loan Transactions	3,934,519	4,326,334
Private Sector	3,901,979	4,276,654
Public Sector	32,540	49,680
Other Receivables	14,439	17,360
Securities and Credits Receivable (b)	14,439	17,360
Current Liabilities		
Other Liabilities	467,447	210,121
Foreign Exchange Portfolio - Advances on exchange contracts (a)	467,447	210,121
Subtotal	6,881,659	6,750,724
Co-obligations and risks in guarantees provided (c)	1,148,843	1,184,009
Total	8,030,502	7,934,733

- (a) The Advances on Exchange Contracts are classified as reduction accounts of Other Liabilities – Exchange Portfolio and as Other Receivables – Exchange Portfolio, respectively, as shown in Note 8.
- (b) Refers to credit assignment, recorded in “Other credits” account.
- (c) These refer to guarantees granted through sureties and guarantees. The granted guarantees are recorded in offsetting accounts and the respective earnings are classified as Results for Future Years and appropriated to the result according to the guarantees’ contractual terms. The Bank also includes guarantees provided for BBM Bank Limited's credit operations, which are eliminated in the Prudential Conglomerate.

Notes to the financial statements as at June 30, 2021

(In thousands of Reals, otherwise indicated)

7. Loan Transactions, Sureties and Honored Guarantees (Continued)

The provision for loan transactions was calculated according to the criteria established by the CMN Resolutions No. 2,682 and No. 2,697, based on the risk classification of the transactions and on their level of arrears.

The classification of the loan transactions in the Prudential Conglomerate is as follows:

	06/30/2021											12/31/2020	
	Overdue - days					Falling due - days							
Risk Level	Within 14	15 to 60	61 to 90	91 to 180	181 to 360	Within 90	From 91 to 180	From 181 to 360	Over 360 days	Total	Allowance	Total	Allowance
AA	-	-	-	-	-	574,411	477,079	719,779	1,967,262	3,738,531	-	4,143,787	-
A	1,008	-	-	-	-	308,060	410,761	552,810	1,576,298	2,848,937	14,244	2,591,917	12,960
B	-	-	-	-	-	175,557	57,656	196,566	583,010	1,012,789	10,477	855,565	8,846
C	-	-	-	-	-	103,309	75,826	73,381	146,659	399,175	21,316	316,496	19,761
D	-	64	-	-	-	216	149	1,532	6,667	8,628	863	-	-
E	-	-	-	-	-	1,613	644	-	14,500	16,757	5,027	18,024	5,407
F	151	153	197	-	-	405	1,884	-	-	2,790	1,395	4,339	2,170
H	-	-	1,718	-	1,177	-	-	-	-	2,895	2,895	4,605	4,605
	1,159	217	1,915	-	1,177	1,163,571	1,023,999	1,544,068	4,294,396	8,030,502	56,217	7,934,733	53,749

The allowance below is presented in the Prudential Conglomerate balance sheets as follows:

	06/30/2021	12/31/2020
Allowance for loan losses	38,087	37,741
Current Assets	16,142	16,540
Noncurrent Assets	21,945	21,201
Provision for Other Credits	3,070	1,268
Securities and Credits Receivable	3,070	607
Current Assets	1,752	-
Noncurrent Assets	1,318	607
Provision for Advances on Exchange Contracts	-	661
Current Assets	-	661
Provision for Co-obligations and Risks in Guarantees Provided	15,060	14,740
Current Liability	13,555	13,671
Noncurrent Assets	1,505	1,069
Total	56,217	53,749

Notes to the financial statements as at June 30, 2021
(In thousands of Reals, otherwise indicated)
7. Loan Transactions, Sureties and Honored Guarantees (Continued)

Changes in allowances are as follows:

	06/30/2021	12/31/2020
Balance at January 1	53,749	47,513
Increase / (reversal)	7,073	26,925
Write-offs to loss	(4,605)	(20,689)
Total	56,217	53,749

In the semester ended June 30, 2021, there were no loan transactions renegotiated in the Prudential Conglomerate (December 31, 2020 – R\$ 34,825)

In the semester ended June 30, 2021, there was a recovery of losses on loan transactions in the amount of R\$ 122 thousand (December 31, 2020 - R\$ 5,815 thousand).

The credit risk concentration in the Prudential Conglomerate statements is as follows:

	06/30/2021	%	12/31/2020	%
Top debtor	256,450	3.2%	271,563	3.4%
Top 10 debtors	1,314,453	16.4%	1,385,395	17.5%
Top 20 debtors	2,055,968	25.6%	2,113,933	26.6%
Top 50 debtors	3,540,598	44.1%	3,591,012	45.3%
Top 100 debtors	5,105,839	63.6%	5,120,335	64.5%

The breakdown of the Prudential Conglomerate credit portfolio by type is as follows:

	06/30/2021	12/31/2020
Working Capital	5,261,735	5,433,410
Co-obligations and Risk in Guarantees Provided	1,148,843	1,184,009
Export Credit Notes	915,874	710,066
Trade Finance	639,369	551,635
Others	64,681	55,613
Total	8,030,502	7,934,733

Notes to the financial statements as at June 30, 2021
(In thousands of Reals, otherwise indicated)
8. Foreign Exchange Portfolio

	Prudential Conglomerate	
	06/30/2021	12/31/2020
Other receivables – Foreign exchange portfolio		
Foreign exchange purchases pending settlement	694,399	216,889
Rights on foreign exchange sales	15,889	1,302
Income receivable from advances granted (a)	10,269	5,287
(-) Advances in national currency received	(300)	-
Total	720,257	223,478
Other payables – Foreign exchange portfolio		
Exchange purchase obligations	707,983	210,121
Foreign exchange sales pending settlement	16,107	1,301
Advances on foreign exchange contracts granted (a)	(467,447)	(210,121)
Others	-	1,478
Total	256,643	2,779

(a) See Note 7.

On June 30, 2021, there were federal government securities deposited securing foreign exchange transactions with B3 in the amount of R\$ 43,450 thousand (December 31, 2020 – R\$ 65,101 thousand).

9. Deposits

Maturity range	Time deposits	Interbank deposits	Total	Total
			06/30/2021	12/31/2020
Within 1 month	97,454	272,793	370,247	490,902
From 1 to 3 months	288,497	30,061	318,558	322,417
From 3 to 6 months	260,333	-	260,333	109,642
From 6 to 12 months	210,968	-	210,968	191,517
More than 12 months	433,448	560,805	994,253	1,058,535
Subtotal	1,290,700	863,659	2,154,359	2,173,013
Demand Deposits			317,050	629,320
Total			2,471,409	2,802,333

The average term of interbank and time deposits for outstanding transactions at June 30, 2021 is 478 days and 609 days (December 31, 2020 – 640 and 605 days), respectively.

Notes to the financial statements as at June 30, 2021
(In thousands of Reals, otherwise indicated)
9. Deposits (Continued)

Maturities upon issuance	Time deposits	Interbank deposits	Total 06/30/2021	Total 12/31/2020
Within 1 month	37,961	272,793	310,754	69,189
From 1 to 3 months	112,041	30,061	142,102	314,663
From 3 to 6 months	114,644	-	114,644	127,898
From 6 to 12 months	223,943	-	223,943	106,859
More than 12 months	802,111	560,805	1,362,916	1,554,404
Subtotal	1,290,700	863,659	2,154,359	2,173,013
Cash deposits			317,050	629,320
Total			2,471,409	2,802,333

The breakdown per segment of the Prudential Conglomerate is as follows:

	Demand deposits		Time deposits		Interbank deposits		Total			
	06/30/2021	12/31/2020	06/30/2021	12/31/2020	06/30/2021	12/31/2020	06/30/2021	12/31/2020		
Legal entities	271,959	554,524	915,870	1,140,506	64,471	121,773	1,252,300	50.67%	1,816,803	64.83%
Institutional customers	4	4	234,710	281,833	203,615	180,907	438,329	17.74%	462,744	16.51%
Group	11,528	48,839	135,993	107,504	-	-	147,521	5.97%	156,343	5.58%
Financial institutions	-	-	151	-	595,573	336,488	595,724	24.10%	336,488	12.01%
Individuals	33,559	25,953	3,976	4,002	-	-	37,535	1.52%	29,955	1.07%
Total	317,050	629,320	1,290,700	1,533,845	863,659	639,168	2,471,409	100%	2,802,333	100%

	06/30/2021		12/31/2020	
Top depositor	559,857	22.65%	301,392	10.76%
Top 10 depositors	1,218,102	49.29%	862,198	30.77%
Top 20 depositors	1,488,686	60.24%	1,191,485	42.52%
Top 50 depositors	1,952,920	79.02%	1,764,153	62.95%
Top 100 depositors	2,225,096	90.03%	2,251,511	80.34%

Notes to the financial statements as at June 30, 2021

(In thousands of Reals, otherwise indicated)

10. Repurchase Agreements

The obligations from repurchase agreements in the Prudential Conglomerate are as follows:

	Prudential Conglomerate	
	06/30/2021	12/31/2020
Own Portfolio	1,309,260	291,208
National Treasury Bills	423,909	-
Financial treasury bills	399,795	9,630
Debentures	245,481	281,578
National treasury notes	189,987	-
Eurobonds	50,088	-
	1,309,260	291,208
Current liabilities	1,302,486	276,496
Noncurrent liabilities	6,774	14,712
Total	1,309,260	291,208

During the first half of 2021, the main variation was the increase in the position of prefixed National Treasury Bills with BNDES, maturing on July 1, 2021 and they were settled on the same date.

11. Funds from Acceptance and Issue of Securities

On June 30, 2021 and December 31, 2020, fundraising through Agribusiness Credit Bills (LCA), Housing Credit Bills (LCI), Financial Bills (LF), Guaranteed Financial Bills (LFG) and Financial Bills – Subordinated Debt were segregated by maturity range as follows:

Maturity	Prudential Conglomerate									
	LCA (a)		LCI (b)		LF (c)		LFG (d)		LF - Subordinated debt (e)	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020	06/30/2021	12/31/2020	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Within 1 month	57,297	107,225	2,081	2,647	55,571	26,045	-	-	-	-
From 1 to 3 months	83,742	155,825	7,308	6,298	69,918	18,886	-	-	-	-
From 2 to 6 months	140,443	229,523	30,427	7,720	166,778	101,896	-	92,045	-	-
From 6 to 12 months	181,594	236,073	651	40,318	291,632	355,894	-	749,427	2,444	-
More than 12 months	875,009	722,183	13,172	10,459	956,144	954,028	-	-	200,000	201,760
	-	-	-	-	-	-	-	-	-	-
Total	1,338,085	1,450,829	53,639	67,442	1,540,043	1,456,749	-	841,472	202,444	201,760

- (a) Agribusiness Credit Bills (LCA) are issued by the Bank and registered with B3, according to Laws No. 11,076/2004 and No. 11,311/2006 and subsequent amendments. The range between rates used for this operation are 82% of DI – 123% of DI and 100% of pre-set.
- (b) Housing Credit Bills (LCI) are nominative securities created by Provisional Measure No. 2,223 on September 4, 2001, which resulted in Law No. 10,931 of August 2, 2004. The range between rates used for this operation are 85% of DI – 120.7% of DI.
- (c) Financial Bills (LF) are issued by the Bank and registered with B3 - according to the Law No. 12,249/10 (Section II, articles 37 to 43), and ruled by CMN (Law No. 3,836). The range between rates used for this operation are 100% of DI – 129% DI, 100% of pre-set and 100% of IPCA.
- (d) Financial Letter with Guarantee (LFG) is regulated by Resolution No. 4,795 through which the Central Bank of Brazil is authorized to carry out loan operations under specific conditions through direct acquisition, in the primary market, of Financial Bills with financial assets or securities as guarantees. The rates used for this operation are 100% of SELIC.
- (e) Financial Bill (LF) - Subordinated Debt has a perpetual term and a repurchase option starting within 5 semiannual windows. The Bank uses the amount raised as complementary capital in order to make up the institution's Level I capital. The issue was private and carried out with the Bank's shareholder base. The rates used for this operation are 110% of SELIC.

Notes to the financial statements as at June 30, 2021

(In thousands of Reais, otherwise indicated)

12. Borrowings

a) Borrowings abroad

Borrowings abroad in the Prudential Conglomerate are as follows:

	Prudential Conglomerate	
	06/30/2021	31/12/2020
Obligations with borrowings abroad (*)	4,050,528	3,300,574
Export credit facility	248,189	146,673
Import credit facility	25,992	15,569
	4,324,709	3,462,816
Current liabilities	2,716,968	2,313,174
Long-term payables	1,607,741	1,149,642
	4,324,709	3,462,816

(*) The amount of R\$ 4,050,528 thousand on June 30, 2021 (December 31, 2020 – R\$ 3,300,574 thousand), classified as Borrowings Abroad, refers:

1 - To the fundraising in U.S. dollars with Bank of Communications with final maturity up to September 2022 and March 2023 representing the amount of R\$ 841,919. The range between rates used for this operation are 0,94% – 0,95%;

2 - Money market operations in dollars and renminbi, taken with the Bank of Communications GMC, with maturities of less than 365 days representing R\$ 1,565,800 and maturities up to January 2026 representing R\$ 765,822. The range between rates used for this operation are 0,26% – 3,00%; and;

3 - Working capital operations with maturities of less than 365 days representing R\$ 876,987. The range between rates used for this operation are 0,47% – 1,12%.

Notes to the financial statements as at June 30, 2021
(In thousands of Reals, otherwise indicated)
13. Sundry

	Prudential Conglomerate	
	06/30/2021	12/31/2020
Other receivables - Sundry		
Debtors deposits on warranty	53,307	53,209
Taxes and contributions to offset	23,008	35,127
Sundry debtors – domestic	14,076	16,185
Sundry debtors – foreign	3,187	4,332
Advances – Salaries and constructions	1,291	813
	94,869	109,666
Current asset	41,179	51,690
Long-term asset	53,690	57,976
	94,869	109,666

	Prudential Conglomerate	
	06/30/2021	12/31/2020
Other payables - Sundry		
Sundry debtors – Abroad	143,438	149,466
Allowance for contingent liabilities	13,601	13,201
Allowance for payments to be made	13,241	11,301
Sundry debtors – Domestic	7,915	13,361
Administrative checks	849	724
	179,044	188,053
Current liabilities	158,736	168,403
Non-current liabilities	20,308	19,650
	179,044	188,053

14. Other Assets

	Prudential Conglomerate	
	06/30/2021	12/31/2020
Other Values and Goods		
Properties	8,323	13,454
Others	3,560	2,480
	11,883	15,934
Current asset (a)	11,871	15,934
Long-term assets	12	-
	11,883	15,934

(a) On June 30, 2021, the amount of R\$ 8,323 thousand, classified as current assets, refers mainly to the execution of guarantee of properties, recorded as properties not for use (BNDU), according to independent appraisal report, limited to the value of debt. In the six-month period ended June 30, 2021, the bank BOCOM BBM has sold one of its buildings received as guarantee for credit operations resulting in R\$ 1,261 thousand of profit.

Notes to the financial statements as at June 30, 2021
(In thousands of Reals, otherwise indicated)
15. Intangible

	12/31/2020	Acquisitions	Write Off	Amortization in the period	06/30/2021
Intangible					
Data processing systems					
Cost	33,715	4,820	(318)		38,217
Accrued Amortization	(12,171)			(3,327)	(15,498)
Communication and security systems					
Cost	922				922
Accrued Amortization	(441)			(87)	(528)
Licenses and copyright and use rights					
Cost	4,405				4,405
Accrued Amortization	(1,494)			(383)	(1,877)
Total	24,936	4,820	(318)	(3,797)	25,641

16. Equity
(a) Capital - Banco BOCOM BBM S.A.

The capital comprises 282,201,085 registered shares with a par value of R\$ 1.60 each, divided into 188,626,652 common shares and 93,574,433 preferred shares. Each common share is entitled to 1 (one) vote in resolutions of the General Meeting. Preferred shares have no voting rights.

(b) Legal reserve

This reserve is calculated at the rate of 5% of the net income at each balance sheet date, up to the limit of 20% of capital, as determined by the Corporations Law.

(c) Statutory reserve

In accordance with the articles of incorporation, this reserve represents the remaining balance of net income at each balance sheet date, after the legal allocations.

(d) Treasury stock

In June 30, 2021, the Bank BOCOM BBM has 76,296,769 shares to be held in treasury in the amount of R\$ 181,839 thousand.

Notes to the financial statements as at June 30, 2021
(In thousands of Reals, otherwise indicated)
17. Financial Intermediation Expenses, Result of Foreign Exchange Operations, Loans, Assignments and onlending operations

	Prudential Conglomerate	
	06/30/2021	06/30/2020
Market funding operations		
Financial bills	(32,230)	(34,966)
Agriculture credit bills	(23,924)	(18,601)
Time deposits	(16,775)	(17,018)
Interbank deposits	(10,659)	(35)
Repurchase agreements	(6,489)	(6,078)
Credit guarantee fund	(2,518)	(1,142)
Real estate credit bills	(732)	(2,427)
Deposits previous notice	(276)	(141)
Expenses with securities abroad	7	(61,332)
Foreign exchange variation (a)	16,682	4
	(76,914)	(141,736)
Loans, assignments and onlending operations		
Loan expenses abroad	(21,153)	(25,523)
Foreign exchange variation (a)	157,045	(436,704)
	135,892	(462,227)
Foreing Exchange Transactions		
Foreign exchange variations and interest differences	26,327	150,068
Revenue from Advances on Exchange Contracts (ACC)	7,734	13,725
Other expenses	(246)	(331)
	33,815	163,462

- (a) This substantially represents the effects of foreign exchange variations on loans raised by the Bank from its branch abroad through the transfer of funds raised in foreign currency. In the semester ended June 30, 2021, the decrease of the dollar justifies the income of exchange variation.

18. Service Revenue

	Prudential Conglomerate	
	06/30/2021	06/30/2020
Service Revenue		
Management and performance fees of investment funds	22,114	9,990
Bank fee income	12,107	9,663
Guarantees commision and letter of credit	11,792	8,120
Structuring commission	9,390	1,118
Other services	2,325	2,100
Total	57,728	30,991

Notes to the financial statements as at June 30, 2021

(In thousands of Reals, otherwise indicated)

19. Other Administrative Expenses

	Prudential Conglomerate	
	06/30/2021	06/30/2020
Data processing	(5,183)	(4,634)
Amortization and depreciation	(4,739)	(3,559)
Rentals	(4,655)	(3,762)
Specialized technical services	(4,157)	(3,272)
Financial system services (a)	(3,068)	(2,645)
Communications	(2,514)	(2,430)
Third-party services	(1,496)	(1,286)
Condominium	(1,111)	(1,306)
Promotion/ Advertising/ Publications	(832)	(490)
Property maintenance and upkeep	(821)	(994)
Registry	(449)	(859)
Water, energy and gas	(370)	(607)
Travel	(311)	(1,051)
Transportation	(227)	(240)
Fines	(117)	(18)
Material	(27)	(186)
Insurance	(21)	(22)
Surveillance and security services	-	(543)
Other administrative expenses	(2,477)	(3,113)
	(32,575)	(31,017)

(a) - In the semester ended June 30, 2021, this includes brokerage expenses, charges and commission related to guarantee transactions and derivative financial instruments of R\$ 1,004 thousand (June 30, 2020 - R\$ 823 thousand).

Notes to the financial statements as at June 30, 2021
(In thousands of Reals, otherwise indicated)
20. Related-parties' Significant Transactions

a) The transactions between related-parties were carried out using the average rates practiced by the market, effective on the operations dates, as follows:

	Prudential Conglomerate		
	Rate	06/30/2021	12/31/2020
Asset			
Cash and cash equivalents		961	531
Bank of Communications Co., Ltd		134	90
Bank of Communications - GMC		9	90
Bocom Hong Kong		191	40
Bocom Macau		627	401
Derivative Financial Instruments		52,659	64,323
Bocom Brazil Holding Company Ltda		52,659	64,323
Liabilities			
Demand Deposits		11,528	48,839
Évora S.A.		10	10
Bahia AM Renda Fixa Ltda		5	5
Bahia AM Renda Variável Ltda		5	4
Bocom Brazil Holding Company Ltda		9	39087
Bahia Holding S.A.		5	5
Other related individuals/legal entities		11,494	9,728
Time Deposits		135,993	107,504
Bahia Holding S.A.	97% DI/97.2% DI	15,176	18,101
Évora S.A.	97% DI	3,488	3,445
Aleutas S.A.	97.2% DI	55,488	54,812
Colares Participações S/A	97% DI	8,992	8,882
Bocom Brazil Holding Company Ltda	97% DI	52,816	22,264
Other related individuals/legal entities	115% DI	33	
Debentures Agreements		34,028	27,023
Other related individuals/legal entities	100% DI	34,028	27,023
Government Bonds Agreements		13,702	-
Other related individuals/legal entities		13,702	-
Agriculture Credit Bills		150,935	239,984
Other related individuals/legal entities	85%-123% DI	150,935	239,984
Real Estate Credit Bills		45,862	59,581
Other related individuals/legal entities	85%-120.7% DI	45,862	59,581
Derivative Financial Instruments		102,260	121,313
Bocom Brazil Holding Company Ltda		102,260	121,313
Subordinated Debt		202,444	201,760
Bocom Brazil Holding Company Ltda	110% SELIC	162,588	162,039
Other related individuals/legal entities	110% SELIC	39,856	39,721
Liabilities on Loans Abroad		3,173,541	2,724,090
Bank of Communications Co., Ltd	0.94%-0.95%	841,919	873,917
Bocom Macau	3.05%	15,950	16,121
Bank of Communications - GMC	0.55%-1.02%	1,815,329	1,574,162
Bocom Hong Kong	0.99%	250,151	259,890
Bocom NY	0.26%-0.33%	250,192	-
Dividends and Bonuses Payable		27,023	27,023
Interest on capital credited to shareholders		27,023	27,023

Notes to the financial statements as at June 30, 2021
(In thousands of Reals, otherwise indicated)
20. Related-parties' Significant Transactions (Continued)

	Prudential Conglomerate	
	06/30/2021	06/30/2020
Result		
Income from Investments Abroad		
Expenses with Banks Abroad		
Result with Derivative Financial Instruments	8,972	70,026
Bocom Brazil Holding Company Ltda	8,972	70,026
Open Market Funding	(9,846)	(13,161)
Time Deposits Expenses	(1,671)	(2,539)
Évora S.A.	(42)	(59)
Bocom Brazil Holding Company Ltda	(651)	(418)
Bahia Holding S.A.	(193)	(811)
Aleutas S.A.	(676)	(1,075)
Colares Participações S/A	(109)	(176)
Repurchase Agreements - Debentures Expenses	(270)	(640)
Other related individuals/legal entities	(270)	(640)
Repurchase Agreements - Government Bonds	(2,162)	-
Other related individuals/legal entities	(2,162)	-
Agriculture Credit Bills Expenses	(2,319)	(4,636)
Other related individuals/legal entities	(2,319)	(4,636)
Real Estate Credit Bills Expenses	(636)	(1,456)
Other related individuals/legal entities	(636)	(1,456)
Subordinated Debt	(2,788)	(3,890)
Bocom Brazil Holding Company Ltda	(2,242)	(3,093)
Other related individuals/legal entities	(546)	(797)
Loans Expenses Abroad	(15,636)	(23,433)
Bank of Communications Co., Ltd.	(6,288)	(4,079)
Bocom Macau	(233)	(2,181)
Bank of Communications - GMC	(7,690)	(17,173)
Bocom Hong Kong	(1,343)	-
Bocom NY	(82)	-
Foreign Exchange Variation with Loans Abroad	32,359	(290,251)
Bank of Communications Co., Ltd	32,359	(292,430)
Bocom Macau	(200)	2,179
Total	15,849	(256,819)

Notes to the financial statements as at June 30, 2021
(In thousands of Reals, otherwise indicated)
20. Related-parties' Significant Transactions (Continued)

a) Key Management Compensation

The total compensation will be calculated as follows:

I) Fixed and variable compensation

The total compensation of the Participants will comprise fixed and variable part. The variable compensation of the Participants will be paid as follows:

- (a) The amount equivalent to at most 50% (fifty percent) of the variable compensation will be paid in cash, immediately available for the Participant ("Short-term compensation"); and
- (b) The amount equivalent to at least 50% (fifty percent) of the variable compensation will be deferred for payment within 3 (three) years, considering the provisions below ("Deferred Compensation" together with "Short-term Compensation" and "Variable Compensation").

The minimum and maximum amounts of the Variable Compensation of the Participants will be fixed by the Administrative Council of Banco Bocom BBM.

II) Deferred compensation

The payment of the deferred Compensation will be carried out on a scaled basis, every six months, in shares proportional to the deferral period ("Deferred Compensation Shares"), and all the deferred shares should be updated by the ROE of Banco Bocom BBM. In the semester ended June 30, 2021, the payment of Deferred Remuneration occurred through repurchase agreements backed by public securities.

ROE is the profit before tax for the period divided by the Equity at the beginning of the period.

	Prudential Conglomerate	
	6/30/2021	12/31/2020
Liabilities		
Statutory	18,040	15,254
Management Variable Compensation - Short Term	8,821	7,410
Deferred Management Variable Compensation - Long Term	9,219	7,844

	Prudential Conglomerate	
	6/30/2021	6/30/2020
Result	(26,738)	(10,444)
Fixed Compensation	(9,364)	(5,358)
Variable Compensation Provision	(17,374)	(5,086)

Notes to the financial statements as at June 30, 2021*(In thousands of Reals, otherwise indicated)***21. Derivative Financial Instruments**

The Bank and the other institutions of the Prudential Conglomerate participate in transactions involving derivative financial instruments to meet their own needs as well as on behalf of their clients.

Derivative financial instruments are classified according to management's intent at the inception of the transaction, taking into consideration whether or not the purpose is to hedge risks.

In accordance with BACEN Circular Letter No. 3,082, the derivative financial instruments assigned to offset, in whole or in part, exposure to risks from assets, liabilities, commitments or projected future transactions (hedged items), provided that they are considered effective in reducing the risk associated with the exposure to be hedged, are classified according to their nature:

These transactions are traded, recorded or held on B3. In the Prudential Conglomerate, international derivatives transactions are traded and recorded in the OTC market, at the Chicago Board of Trade (CBOT) or Chicago Mercantile Exchange (CME).

The criteria used to calculate the market values of the derivative financial instruments are:

- Futures: value of daily adjustments to the transactions;
- Swap and term transactions: Cash flow is estimated for each part, discounted to present value according to the corresponding interest rate curves, obtained based on B3 prices or on the assets' prices;
- Options: average trading price on the calculation date or, when not available, estimated price based on pricing models, such as Black & Scholes.

At June 30, 2021, the guarantees for the transactions involving derivative financial instruments are represented mainly by government securities in the total amount of R\$ 367,283 thousand (December 31, 2020 - R\$ 460,987 thousand) and fund quotas in the total amount of R\$ 27,188 thousand (December 31, 2020 - R\$ 26,723 thousand).

Notes to the financial statements as at June 30, 2021
(In thousands of Reais, otherwise indicated)
21. Derivative Financial Instruments (Continued)
a) At cost and market value

	Prudential Conglomerate						Total
	06/30/2021					12/31/2020	
	Cost	Market	Up to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	
Future market							
Purchased position	1,078	1,078	460	321	158	139	1,183
Sold position	17,832	17,832	7,287	3,538	6,468	539	24,193
Swaps							
Asset position	63,781	101,352	752	34,670	37,706	28,224	36,162
Liability position	84,384	108,779	251	4,213	7,426	96,889	258,402
Non-deliverable forward - NDF							
Asset position	200,387	203,946	165,773	6,188	27,244	4,741	47,981
Liability position	303,179	312,469	225,654	6,655	37,773	42,387	87,816
Options market							
Asset position	610	361	109	252	-	-	1,390
Liability position	181	31	31	-	-	-	379

Notes to the financial statements as at June 30, 2021

(In thousands of Reals, otherwise indicated)

21. Derivative Financial Instruments (Continued)

The futures market includes the following positions maturing on the first business day of the subsequent month:

- Purchased foreign exchange coupon contracts (DDI) of R\$ 2,854,927 thousand (December 31, 2020 – R\$ 2,597,208 thousand);
- Sold foreign exchange coupon contracts (DDI) of R\$ 372,314 thousand (December 31, 2020 – R\$ 341,744 thousand);
- Purchased interest contracts (DI1) of R\$ 624,820 thousand; (December 31, 2020 – R\$ 466,131 thousand);
- Sold interest contracts (DI1) of R\$ 1,026,384 thousand; (December 31, 2020 – R\$ 1,010,341 thousand);
- Purchased currency contracts (DOL) of R\$ 168,669 thousand; (December 31, 2020 – R\$ 392,716 thousand);
- Sold currency contracts (DOL) of R\$ 515,464 thousand (December 31, 2020 – R\$ 782,117 thousand);
- Purchased currency contracts (DAP) of R\$ 27,465 thousand; (December 31, 2020 – R\$ 43,404 thousand);
- Sold currency contracts (DAP) of R\$ 165,500 thousand (December 31, 2020 – R\$ 131,633 thousand).

Net gains (losses) on derivative financial instruments are as follows:

	Prudential Conglomerate	
	06/30/2021	06/30/2020
Future contracts	(205,058)	665,465
Options contracts	16,382	84
Swap and term contracts	86,545	(385,861)
Total	(102,131)	279,688

The main factor of the variation in the result of derivatives is due to the devaluation of Brazilian real against U.S. dollar, taking into account that most of our derivatives are used as hedging instruments.

Notes to the financial statements as at June 30, 2021
(In thousands of Reais, otherwise indicated)
21. Derivative Financial Instruments (Continued)
d) Hedge Accounting
Fundraising Fair Value hedge (I)

During the 3rd quarter of 2017 and the 1st quarter of 2020, Banco BOCOM BBM entered into loan agreements in U.S. dollars with Bank of Communications Shanghai Branch with the objective of providing funding. They are as follows:

- On September 6, 2017 in the amount of USD 35,000 thousand with payment of pre-fixed interest of 0.95% p.a..
- On September 18, 2017 in the amount of USD 30,000 thousand with payment of fixed interest of 0.94% p.a..
- On September 11, 2017 in the amount of USD 35,000 thousand with payment of fixed interest 0.95% p.a..
- On March 25, 2020 in the amount of USD 67,500 thousand with payment of fixed interest 0.95% p.a..

In order to index these flows to the CDI, a series of exchange coupon operations were carried out at B3, in accordance with the maturities and exposures of the available FRC contracts and the maturity of the operations. Disbursements were made in U.S. dollars and, upon cash receipt, a market risk hedge was contracted, designating a portfolio of derivative financial instruments, comprising DDI, DOL and ED contracts for total hedge, considering the foreign exchange exposure and interest rate risks. In order to equalize the mark-to-market effects of derivative financial instruments designated as hedge, the amount of the hedge principal, plus interest due, is stated at fair value and also marked to market.

Due to the fact that there is a matching of hedge object flows and the results of hedge derivatives, the effectiveness of the operation remains close to 97.68%.

Hedge object	Prudential Conglomerate			
	06/30/2021		12/31/2020	
	Result of the object	Result of the hedge instrument	Effectiveness	Effectiveness
Fundraising (I)	197,120	192,549	97.68%	90.34%

Fundraising Fair Value Hedge (II)

In June 2017, Banco BOCOM BBM designated a portfolio of derivative financial instruments constituted by DI1 and DAP contracts, with the objective of indexing to the CDI part of its funding portfolio indexed to the IPCA. In order to equalize the effects of mark-to-market derivative financial instruments designated as hedge, the value of the funding portfolio indexed to the IPCA is stated at fair value and also marked to market.

In December 2018, Banco BOCOM BBM designated a portfolio of derivative financial instruments constituted by DI1 and DAP contracts, with the objective of indexing to the CDI part of its pre-fixed funding portfolio. In order to equalize the effects of mark-to-market derivative financial instruments designated as hedge, the value of the pre-fixed funding portfolio is stated at fair value and also marked to market.

Due to the fact that there is a matching of hedge object flows and the results of hedge derivatives, the effectiveness of the operation remains 98.69% to LF IPCA and 98.57% to LF PRÉ.

Hedge object	Prudential Conglomerate			
	06/30/2021		12/31/2020	
	Result of the object	Result of the hedge instrument	Effectiveness	Effectiveness
Fundraising (II) - LF IPCA	367	363	98.69%	102.37%
Fundraising (II) - LF PRÉ	2,364	2,331	98.57%	99.97%

Notes to the financial statements as at June 30, 2021
(In thousands of Reals, otherwise indicated)
21. Derivative Financial Instruments (Continued)
Credit Operations Fair Value Hedge

In August 2017, Banco BOCOM BBM designated a portfolio of derivative financial instruments comprising Euro Dollar Futures contracts (ED), in order to hedge the U.S. Dollar short-term interest rate variations. In order to equalize the effects of the mark to market of the derivative financial instruments assigned as hedge, the amount of USD 29,761 thousand of the credit operation released in August 2017 by Banco BOCOM BBM SA Nassau Branch, with a fixed interest rate of 4.28 % p.a., is stated at fair value and also marked to market.

Due to the fact that there is a matching of hedge object flows and the results of hedge derivatives, the effectiveness of the operation remains close to 100.46%.

Hedge object	Prudential Conglomerate			
	06/30/2021		12/31/2020	
	Result of the object	Result of the hedge instrument	Effectiveness	Effectiveness
Credit Operations	179	180	100.46%	95.66%

Investment Cash Flow Hedge Abroad

In September 2016, CMN edited the Resolution No. 4,524, establishing the criteria to record the transactions with financial instruments contracted in order to mitigate the risks associated to the foreign exchange exposure of the investments abroad.

In January 2017, Banco BOCOM BBM assigned a derivative financial instruments portfolio constituted by DI1 and DOL contracts, with the purpose of hedging the foreign exchange rate risk of its investment abroad in the amount of USD 5,000,000, which is consolidated in the Prudential Conglomerate.

Due to the fact that there is a matching of hedge object flows and the results of hedge derivatives, the effectiveness of the transaction remained close to 100.00%.

Hedge object	Prudential Conglomerate			
	06/30/2021		12/31/2020	
	Result of the object	Result of the hedge instrument	Effectiveness	Effectiveness
Investment Abroad	4,242	4,242	100.00%	101.34%

Bonds Held to Maturity Fair Value Hedge

In June 2020, Banco BOCOM BBM designated a portfolio of derivative financial instruments consisting of Libor flat swap contracts vs. fixed rate in USD, in order to cover the risk of fluctuations in the external profitability of bonds classified as "held to maturity" as spread over Libor due to fluctuations in the forward structure of the Libor curve. Because of the matching between the flows of the hedge object and the results of the derivatives intended for hedge, the effectiveness of the operation was of 96.02%.

Hedge object	Prudential Conglomerate			
	06/30/2021		12/31/2020	
	Result of the object	Result of the hedge instrument	Effectiveness	Effectiveness
Bonds Held to Maturity Abroad	315	303	96.02%	100.77%

Notes to the financial statements as at June 30, 2021

(In thousands of Reals, otherwise indicated)

21. Derivative Financial Instruments (Continued)

Bonds Available for Sale Cash Flow Hedge

In January 2021, Banco BOCOM BBM designated a portfolio of derivative financial instruments consisting of Libor flat swap contracts vs. fixed rate in USD, in order to cover the risk of fluctuations in the external profitability of bonds classified as "available for sale" as spread over Libor due to fluctuations in the forward structure of the Libor curve. Because of the matching between the flows of the hedge object and the results of the derivatives intended for hedge, the effectiveness of the operation was of 98.97%.

Hedge object	Prudential Conglomerate			
	06/30/2021		12/31/2020	
	Result of the object	Result of the hedge instrument	Effectiveness	Effectiveness
Bonds Available for Sale Abroad	1,126	1,114	98.97%	-

22. Risks Management

Market Risk

Banco BOCOM BBM was a pioneer in terms of quantifying market risk in Brazil, and developed a proprietary system in 1997 which became a benchmark for the industry. The market risk management structure includes the following: a) the Executive Board, responsible for reviewing risk management policies and proposing risk management operating limits, submitting these for the approval of the Board of Directors at least once a year; b) the Board of Directors, which approves the risk policies and limits at least once a year; c) the Market Risk area, subordinated to the Risk Officer, is responsible for identifying, measuring, monitoring and reporting online to the Executive Board the Bank's market risk, ensuring compliance with the market risk management policy, as well as guaranteeing that operational limits are observed; d) the Price department, which among other duties is responsible for defining the price models and sources used in mark-to-market adjustments of traded products, independently of the management departments; e) Internal Audit, which is responsible for ensuring the adequacy of procedures and the consistency between market risk management policies and the structure actually implemented.

The market risk is monitored through daily calculations of the Value at Risk (VaR), a statistical tool that measures the institution's maximum potential loss at a given confidence level over a given investment horizon. A VaR limit is established, which may be allocated by the Chief Treasury Officer among the various risk factors. The VaR calculation model is submitted to periodical back testing. Furthermore, scenarios are analyzed daily, and these scenarios are quarterly defined by the Risk Committee, independently of the management departments. A full description of the Bank's market risk management structure is available on Banco BOCOM BBM's website (www.bancobocombbm.com.br).

Market Risk means the risk arising from fluctuations in the values of assets and derivatives resulting from changes in market prices and rates, such as interest, stocks, currencies and commodities. Market Risk control is based on the calculation of VaR - Value at Risk, a statistical tool that measures the maximum potential loss of BOCOM BBM for a given confidence level and investment horizon. BOCOM BBM's daily VaR limit calculated with 95% confidence is 2% of Equity. The model used to calculate the VaR limit is the parametric one. The variance-covariance matrix is reestimated daily using GARCH models. This model captures the presence of volatility groupings and, according to the daily estimated parameters, gives more weight to the most recent past. It should be noted that other VaR models are available, such as Monte Carlo Simulation and Historical Simulation. The effectiveness of the risk model is tested annually through back-testing, which consists in comparing the VaR estimates with the actual daily results.

*VaR = Maximum potential risk, given the level of reliability and the investment scenario. For Banco BBM, the limit is established based on a 95% likelihood of loss at a maximum of 2% of equity in 1 day.

Notes to the financial statements as at June 30, 2021
(In thousands of Reals, otherwise indicated)

Reference Date	VaR (in R\$ Millions)
06/30/2021	3.6
12/31/2020	6.1
06/30/2020	4.0
12/31/2019	2.1

22. Risks Management (Continued)
Market Risk (Continued)

In addition to VaR, stress tests are calculated based on the stress scenarios provided by B3. Based on the envelope scenarios for each risk factor, one optimistic and one pessimistic scenario are defined, considering a holding period of 3 business days. For risk factors in which there is no shock defined by the B3 scenarios, shocks from related risk factors are used. Thus, based on the exposure of the Bank's portfolio to each of the risk factors, the consolidated financial loss of the portfolio under stress is calculated for each of the two scenarios. Finally, the scenario with the greatest financial loss is used as a reference.

Reference Date	B3 Stress (in R\$ Millions)
06/30/2021	-57.5
12/31/2020	-20.2

Liquidity Risk

Banco BOCOM BBM's liquidity target is to ensure that at any given time the Bank has sufficient cash to meet all its liabilities and other commitments. It is the responsibility of the Liquidity Risk area to monitor whether there is a sufficient free cash position to guarantee the continuity of the bank's operations in a severe stress scenario, following the limits and guidelines defined by the Risk Committee and approved by the Board of Directors.

Liquidity risk is managed based on cash flow forecasts, considering different scenarios for funding, loan and treasury operations. These cash flow analyses take into consideration: (a) the implicit risk of each client, (b) possible additional cash for compulsory deposits, (c) derivative adjustments; and (d) other existing obligations. The general principle is to ensure that the Bank's commitments are aligned with its equity and the current policies for fundraising, credit and treasury.

Banco BOCOM BBM has a liquidity risk management structure comprising the following agents, with their respective assignments: a) Liquidity Risk area, subordinated to the Risk Director, which is responsible for centralizing and measuring the information referring to liquidity risk management, ensuring that operational limits are observed and disclosing reports to support decision making on liquidity risk; b) Internal Audit, which is responsible for ensuring the adequacy of the procedures and the consistency between the liquidity risk management policies and the effectively implemented structure. A full description of the Bank's liquidity risk management structure is available on the website of Banco BOCOM BBM (www.bocombbm.com.br).

	Prudential Conglomerate	
	06/30/2021	12/31/2020
Current assets	6,657,146	5,162,336
Current liabilities	(7,490,970)	(6,919,320)
Working capital, net	(833,824)	(1,756,984)
Securities available for sale presented in long-term receivables	1,301,215	1,354,338
Loans abroad	1,565,800	1,254,949
	2,033,191	1,171,516

Notes to the financial statements as at June 30, 2021*(In thousands of Reals, otherwise indicated)*

Banco BOCOM BBM's current liabilities are higher than its current assets calculated according to the nominal maturity of its operations. However, part of the current liabilities are loans made to the parent company in the total amount of R\$ 1,565,800 thousands which, despite having a maturity of less than 1 year, are systematically renewed.

22. Risks Management (Continued)**Credit Risk**

Banco BOCOM BBM has a credit risk management structure comprising the following elements and respective duties: a) the Credit Committee, responsible for defining the economic groups' credit limits and monitoring and evaluating the consolidated portfolio position, its concentration and risk level. It is also responsible for establishing the terms for solving default on credit operations or with a certain level of deterioration of the guarantees and deciding whether or not to initiate judicial collection proceedings, as applicable; b) Board of Directors, responsible for approving the risk policies and limits, at least once a year; c) Credit Risk area, subordinated to the Risk Director, is responsible for centralizing and evaluating information related to the individual and consolidated credit risk management, per operation, ensuring that operating limits are complied with, disclosing reports that make it easy to make a decision related to credit limits approved by the Credit Committee. It is also the responsibility of the risk area to previously evaluate new operational genres related to credit risk; d) Credit Analysis area, responsible for assessing the credit risk of economic groups with which the Bank maintains or intends to maintain credit relationships; e) Internal Audit, which carries out periodic audits of the business units and of the Credit processes of the Group; f) Legal Department, responsible for analyzing the contracts entered into by Banco BOCOM BBM and its clients, as well as coordinating measures to recover credits or protect the Bank's rights; and g) Contracts Department, responsible for checking the adherence of operations to the parameters established in the Credit Limit Proposal ("PLC"), as well as providing the adequate guarantees. It is also responsible for issuing contracts to be entered into by Banco BOCOM BBM and the client. A full description of the credit risk management structure is available on the website of Banco BOCOM BBM (www.bocombbm.com.br).

Operational Risk

Banco BOCOM BBM has implemented an operational risk management structure based on market best practices and in compliance with the regulatory requirements in force. The structure is documented in the internal manual "Policy on Operational Risk Management" which defines the methodology, management process, roles and responsibilities, categories, information storage and documentation procedures, and also the disclosure process in order to ensure the transparency of management activities.

The Operational Risk Department is an independent organizational unit segregated from the Internal Audit department, subordinated to the Chief Internal Control, Capital and Risk Officer. This area is responsible for working with the other components of the operational risk structure to ensure the compliance with the guidelines established by the mentioned Policy. A full description of the operational risk management structure is available on the website of Banco BOCOM BBM (www.bocombbm.com.br).

Capital Management

Banco BOCOM BBM manages its capital through a structure comprising the following bodies: Board of Directors, Executive Board, Internal Control, Capital and Risk Board, Treasury Board, Fund Raising Board, Back Office, Business Units and Audit Board. The Board of Directors is the highest body within this structure, in charge of monitoring the capital adequacy. The Executive Board must review the documents to be submitted to the Board of Directors, as well as approving the methodologies

to be used for the management and monitoring of the capital adequacy. Capital management and centralization is the responsibility of the Capital and Risk Board, which must continuously work to improve and oversee the institution's compliance with the capital management policy and its capital plan. The Treasury and Fundraising Boards are responsible for planning the issuance of equity instrument, if necessary. The capital management department periodically generates reports on the capital adequacy, which are sent to the Executive Board and the Board of Directors.

These reports comprise simulations of severe events and extreme market conditions. The Business Units must provide all information that the Internal Control, Capital and Risk Board deems necessary for effective capital management. The Audit department is responsible for evaluating, from time to time, the effectiveness of the capital management process. The description of the capital management structure is available on the website of Banco BOCOM BBM (www.bocombbm.com.br).

Notes to the financial statements as at June 30, 2021

(In thousands of Reals, otherwise indicated)

23. Operating Limits

In October 2013, the new rules related to capital measurement became effective. The financial institutions and similar entities have to maintain minimum equity of 8.0% of their assets, weighted by grades of risk to expositions in gold, foreign exchange and operations subject to the operating risk and to the variations in: foreign exchange, interest rate, price of commodities and price of shares classified as held in portfolio for trade, according to BACEN's rules and instructions. The Prudential Conglomerate of Banco BOCOM BBM is within this operational limit on June 30, 2021.

	Prudential Conglomerate	
	06/30/2021	12/31/2020
Reference Equity Level I	980,048	935,748
Ajusted equity	1,010,080	966,087
Decrease in intangible / deferred assets according to CMN Resolution No. 4,192	30,032	30,339
Reference Equity (PR)	980,048	935,748
Risk-Weighted Assets (RWA)	595,360	521,100
Portion referring to:		
Credit risk (RWACPAD)	507,342	447,457
Foreign exchange risk (PCAM)	16,317	10,353
Interest rate risk (RWAMPAD)	6,177	4,360
Operating risk (RWAOPAD)	65,524	58,930
Margin or Insufficiency Value (PR - RWA)	384,688	414,648
Risk Factor - 8.00% of PR	78,404	74,860
Basel Rate (Risk Factor / RWA)	13.17%	14.37%
RBAN	80,258	62,754
ACP required	120,933	81,422
Reference Equity Margin + RBAN	183,497	270,472

24. Income Tax and Social Contribution

Changes in tax credits and provision for deferred taxes on temporary differences are as follows:

	Prudential Conglomerate	
	06/30/2021	12/31/2020
Asset credit tax:	107,332	68,292
Balance at January 1		
Constitution (Reversal)		
- With effects in the result	(11,778)	26,367
- With effects in equity		
(Securities held for sale)	(200)	12,673
Balance at June 30	95,354	107,332
Provision for deferred taxes: (*)	58,935	19,199
Balance at January 1		
Constitution (Reversal)		
- With effects in the result	(75)	39,736
- With effects in equity		
(Securities available for sale)	-	-
Balance at June 30	58,860	58,935

(*) The amount of provision for deferred taxes is recorded as Other tax and social security obligations.

Notes to the financial statements as at June 30, 2021
(In thousands of Reals, otherwise indicated)
24. Income Tax and Social Contribution (Continued)

Attending the BCB No 15/2020 Resolution, in its 13th article, the constitutions and realizations happened in asset credit taxes and provision for deferred taxes were highlighted, just like their nature and origins, as it is being shown at the table below:

	Prudential Conglomerate			
	06/30/2021	Constitution	Realization	12/31/2020
Asset credit tax:				
Temporary differences (a)				
- Provision for loan transactions	32,215	3,327	4,609	33,497
- Market value adjustment - marketable securities and derivatives	37,744	29,097	40,960	49,607
- Provisions for Contingencies (Note 25)	6,112	178		5,934
- Others	14,892	11,378	9,376	12,890
Social Contribution Negative Basis	1,921	19	437	2,339
Tax loss	2,470	3	598	3,065
Total	95,354	44,002	55,980	107,332
Provision for deferred taxes				
Temporary differences (a)				
- Market adjustment of securities and derivatives	58,823	54,316	54,242	58,898
- Adjustment of Selic Interest rate on Judicial Deposits				
- Others	37			37
Total	58,860	54,316	54,242	58,935

(a) It is expected that these tax credits will be realized up to the end of 2025 for income tax and social contribution, with a present value of R\$ 23 million and R\$ 18 million, respectively. The Social Contribution on tax credits was calculated considering a new rate in force of 20%, after publication of the Proposed Amendment to Constitution No. 6/2019, for additions or exclusions from March 1, 2020.

The present value of the tax credits, considering the realization expectation for the deferred tax assets and liabilities, is as follows:

Description	Prudential Conglomerate	
	Tax credits on temporary differences	Loss and negative basis
2021	22,699	4,933
2022	25,537	472
2023	(5,515)	
2024	387	
2025	774	
Total	49,287	5,404
Present value	41,922	

The tax credits of Banco BOCOM BBM were accounted for in the financial statements using the rates applicable to the period they are expected to be realized, and they are based on the future results projections and on a technical study prepared in accordance with CMN Resolution No. 3,039/2002, amended by CMN Resolution No. 4,441/2015.

Notes to the financial statements as at June 30, 2021
(In thousands of Reals, otherwise indicated)
24. Income Tax and Social Contribution (Continued)

The conciliation of the expense calculated using the tax rates and the expense of income tax and social contribution accounted for in the Bank is as follows:

	06/30/2021		06/30/2020	
	IRPJ	CSLL	IRPJ	CSLL
Income before taxes	120,250	120,250	24,469	24,469
Bank's net profit	63,542	63,542	14,423	14,423
(-/+) Income tax and social contribution	(56,708)	(56,708)	(10,046)	(10,046)
Tax rate	25%	20%	25%	20%
Income tax and social contribution				
At tax rate	(30,063)	(24,050)	(6,117)	(4,894)
Permanent additions	53,179	36,287	35,259	30,645
Non-deductible expenses	15,757	(1,136)	5,506	892
Addition on profit abroad	37,423	37,423	29,753	29,753
Permanent exclusions	33,555	33,555	19,863	19,863
Tax-free revenues	(2,121)	(2,121)	-	-
Equity in the result of investees (Bank)	35,676	35,676	19,863	19,863
Temporary additions / exclusions	(24,359)	(23,090)	(20,656)	(31,009)
Tax basis	115,516	99,892	19,208	4,243
Use of tax loss and negative basis	-	-	-	-
Tax basis with use of tax loss and negative basis	115,516	99,892	19,208	4,243
Income tax and social contribution (a)	(28,867)	(19,978)	(4,790)	(849)
Use of tax incentives and taxes of subsidiaries abroad	409	-	178	-
Income tax and social contribution in the period result	(28,457)	(19,978)	(4,612)	(849)
DIPJ adjustment	355	-	-	-
Provision Deferred Tax Liabilities	41	33	(27,001)	(22,563)
Income tax and social contribution in the result for the period - Banco BOCOM BBM	(28,062)	(19,945)	(36,766)	(23,411)
Income tax and social contribution of other institutions of the Prudential Conglomerate	(456)	(242)	(124)	(50)
Income tax and social contribution in the result for the period - Prudential Conglomerate	(28,518)	(20,187)	(36,889)	(23,461)

a) On March, 21, 2021, Provisional Measure No. 1,034/2021 was published, amending Law No. 7,689/1988 with the aim of increasing the rate of the Social Contribution on Net Income (CSLL) owed by legal entities in the financial sector. The impact on Banco BOCOM BBM will be the increase in the CSLL rate from 20% to 25%, in the period from 07/01/2021 to 12/31/2021. As from 01/01/2022 the rate will be 20%, according to the changes proposed by MP No. 1,034/2021 in Article 3, Item III of Law No. 7,689/1988. BOCOM BBM CCVM will have an increase in the CSLL rate from 15% to 20% between 07/01/2021 and 12/31/2021, and from 01/01/2022 the rate will be 15%, according to the amendments proposed by MP 1,034/2021, in Article 3, Item I of Law 7,689/1988. President Jair Bolsonaro sanctioned Law 14,183, of 2021 resulting from Provisional Measure 1,034/2021, valid from July/2021.

Notes to the financial statements as at June 30, 2021
(In thousands of Reals, otherwise indicated)
25. Provisions and liabilities for legal obligation

The Bank and the Prudential Conglomerate are a party to lawsuits and administrative proceedings arising from the normal course of operations, involving tax, labor and civil matters among others.

a) Breakdown of provisions

Based on information from its legal counsels and on an analysis of the pending legal and civil proceedings and labor suits, considering previous experience related to the claimed amounts, management recorded a provision in an amount considered sufficient to cover the estimated losses expected in connection with ongoing litigation, as follows:

	Prudential Conglomerate	
	06/30/2021	12/31/2020
Labor	12,437	12,154
Civil	633	633
Total - Provisions for contingencies	13,070	12,787

These provisions are recorded as "Other liabilities - sundry" under Long-term liabilities. During the period ended June 30, 2021, R\$ 283 thousand was provided for contingencies in the Prudential Conglomerate.

b) Liabilities for legal obligations

Based on the preliminary injunction obtained, Banco BOCOM BBM and BOCOM BBM Corretora de Câmbio e Valores Mobiliários SA ensured the suspension of the requirement for PIS/Pasep and COFINS tax credits that are determined, with the incidence of ISS in their calculation bases, as well as their respective bookkeeping for timely and future compensation, if applicable, with the respective ISS deductibility from the calculation bases of the mentioned contributions. Based on that preliminary injunction, Banco BOCOM BBM and BOCOM BBM Corretora de Valores Mobiliários SA started to collect, in November 2018, PIS/Pasep and COFINS disregarding the municipal tax in their respective calculation bases, having been constituted a liability for the remaining balance until June 2021, included in the item "Other Sundry Liabilities" in Long-Term Liabilities, as follows:

	Prudential Conglomerate	
	06/30/2021	12/31/2020
PIS and COFINS	531	414
Total - Liabilities for legal obligations	531	414

c) Others

On December 5, 2016, the Brazilian Administrative Council for Economic Defense (CADE) files an administrative proceeding against Banco BOCOM BBM S.A. investigating alleged anticompetitive practices in relation to the onshore foreign exchange market between 2008 and 2012. The Bank, together with its legal advisors, has already presented its administrative defense, still pending judgment.

In November 2019, Banco BOCOM BBM SA received assessments from the Federal Revenue of Brazil with the purpose of: (i) Social security contributions allegedly due on PLR (Profit Sharing or Results) in the amount of \$ 5.6 million and (ii) social security contributions allegedly due on food in the amount of R\$ 1.2 million, both correspond to payments made in 2015. The Bank discusses the assessments at the administrative level. In the opinion of our legal advisors, the chances of loss in these cases are possible.

Notes to the financial statements as at June 30, 2021
(In thousands of Reals, otherwise indicated)
26. Allowance for Financial Guarantees

The allowance for doubtful accounts related to financial guarantees is based on the analysis of operations according to the type of obligation provided, past experience, future expectations and management's risk assessment policy. They are reviewed periodically, as established by CMN Resolution No. 4,512/2016.

	Prudential Conglomerate	
	06/30/2021	12/31/2020
Guarantee		
Surety or guarantee in lawsuits and administrative proceedings	366,317	364,728
Linked to bids, auctions, service render or construction	299,971	307,213
Other sureties	317,243	231,015
Linked to international trade	2,340	9,205
Total	985,871	912,161
Changes in allowance for financial guarantees		
Opening balance	14,740	1,088
Exchange variation	-	117
Constitution / (Reversal)	320	13,535
Closing balance	15,060	14,740

The raise of the provision for guarantee provided is due to our provision policy to sectors that were directly impacted by the Covid Crisis.

27. Other information
(a) Compensatory and settlement of obligations arrangement

Banco BOCOM BBM has a compensatory and settlement of obligations arrangement within the scope of the National Financial System, according to CMN Resolution No. 3,263/05, resulting in more guarantee to settle its debits with financial institutions with which it has this kind of arrangement. On June 30, 2021, the total assets mitigated by compensatory arrangement was of R\$ 1,065,853 thousand (December 31, 2020 - R\$ 203,053 thousand).

(b) Result for future years

Result for future years refers mainly to the earnings of guarantees granted, and its decrease in the period ended June 30, 2021 is aligned with the variation of the guarantees.

(c) Marketable securities portfolio

In the first half of 2021, based on Resolution 3,181 of the Central Bank of Brazil, considering the trend of positive effect on the nominal rates and liquidity of the Eurobonds offered by the national treasury and that for the budget and business plan of the coming years, it is important to have predictability and avoid revenue reductions, the Bank's Executive Committee unanimously approved to continue the process of stretching the portfolio of nominal securities held to maturity selling R\$ 162,184 thousand in bonds maturing in 2025 and 2027 and buying R\$ 163,967 thousand in 2030 and 2031, which generated an effect on the result of R\$ 5,068 thousand.

At the end of the semester, Banco BOCOM BBM had R\$ 865,434 thousand in marketable securities classified as "held to maturity", according to Circular Letter No. 3.068 /01 of Central Bank of Brazil. Banco BOCOM BBM has financial capacity and intention to hold them to maturity

(d) Energy trading

In order to diversify the business lines that have synergy with the group's performance in the corporate credit segment and to increase the range of services available to meet the specific needs of customers, Banco BOCOM BBM plans to operate in the energy trading market performing activities of purchase and sale of electricity. The process of obtaining the necessary regulatory authorizations has already started and, at the moment, the approval of the National Electric Energy Agency (ANEEL) is pending.

Notes to the financial statements as at June 30, 2021*(In thousands of Reals, otherwise indicated)***27. Other information (Continued)****(e) Impacts of Covid-19**

The first six-month period of 2021 was highlighted by the strong recovery of the global economy, as several measures of social isolation could be relaxed as vaccination advanced in the main developed economies. Most countries in the Northern Hemisphere ended the first six-month period with more than 50% of their population vaccinated with the first dose of the vaccine. Combined with the maintenance of tax and monetary incentives, global activity has been quickly recovering, bringing with it concerns about the sustainability of the expenditures and inflation. In Brazil, the six-month period ended with 35% of the population vaccinated with the first dose, and with an expressive growth, driven mainly by the global recovery and by the increase in the price of commodities. The record tax collection, the end of extraordinary expenses resulting from the pandemic and the growth of the nominal GDP brought relief to the tax scenario and to the debt/GDP. For 2021, it is expected a growth of more than 5%, but prospects are less favorable for 2022. The scenario remains challenging when considering the low performance of the labor market and the increase in the population in poverty. The reform agenda – tax, administrative, social protection network – continues to be decisive for a more robust growth trajectory and for the tax sustainability of the Brazilian economy in the coming years.

For the second six-month period in a row, most of our employees remained working remotely from home and we can say that the second wave of contamination by COVID-19, despite being more extreme than the first, did not affect our work capacity. We know that in the coming semesters we will be evolving to a new normal of how to work, not yet clearly defined, but which will demand creativity and discipline of our managers and employees in general.

Banco BOCOM BBM S.A. together with its employees donated more than R\$ 114 thousand to families in the Porto Maravilha, Catumbi, Rio Comprido and Méier regions.

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Aline Gomes – Controller
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