
Banco BOCOM

BBM S.A.

Financial statements

parent company at

June 30, 2022 and independent

auditor's report

Management's Report

(In thousands of Reals)

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 our shareholders and clients the profitability of capital, as well as Brazil-China integration; ensuring that our employees have opportunities for professional, material and intellectual growth; and encouraging the search for cutting-edge knowledge, especially in the financial and technological areas.

Message from Management

The continuing economic recovery and rising inflation around the world due to the post-pandemic return to normal set the tone in the first half of 2022. Developed economies such as the United States, United Kingdom and eurozone saw a rapid revival of employment, and the positive economic performance was accompanied by an acceleration of inflation in its most inertial components, such as services. The Russia-Ukraine war added more complexity to the inflation outlook via a rise in prices of commodities, especially energy, and difficulties in the logistics of production and distribution of goods. During the first half of the year, developed-country central banks embarked on a cycle of interest-rate hikes. In Brazil, monetary tightening began in 2021, but more adverse international financial conditions have led to a continuation of the cycle in 2022. Despite monetary tightening, the Brazilian economy displayed considerable resilience in the first half of the year, thanks to a recovery by the service sector, improving job creation, and a number of fiscal stimulus measures that the government continues to roll out, such as an increase in the social assistance budget and tax breaks for regulated items such as gasoline. The upcoming presidential election adds uncertainty to the economic outlook. The reform agenda promised by the front runners will play a key role in determining whether the economy grows more robustly with fiscal sustainability in the coming years.

Having begun our transition from home working to a hybrid work model in late 2021, we briefly returned to the former in December in response to a surge in cases of COVID-19 caused by the omicron variant. As always, our priority was protecting the health of our employees, while at the same time maintaining the security and efficacy of our processes. When the third wave faded in February 2022, we were able to resume the hybrid approach.

Alongside our concern with the health and well-being of the people with whom we interact in this third year of exceptionality, our sustainability procedures aim to have a positive socio-environmental impact, mitigating environmental and social risks and complying with external and internal laws and regulations, always with transparent governance and the interests of all stakeholders in mind.

The adverse economic impacts of the pandemic on society reinforced the importance of corporate support by BOCOM BBM for actions to benefit the local community and investment in citizen education to deal with the challenges of the post-pandemic labor market. Our actions continue to involve support for vulnerable people, especially those living near our corporate HQ, by sponsoring educational projects in the technological, financial and economic segments, and with a focus mainly on women and children. In education and training, we continue to support professionals in the economic and technological areas, awarding scholarships at the Pontifical Catholic University (PUC-Rio), Getulio Vargas Foundation (FGV) and Aeronautical Technology Institute (ITA), and sponsoring the 42 Rio coding school. In supporting socio-environmental projects that are capable of having a positive impact on society, we continued to sponsor projects via federal tax incentive laws, such as the Rouanet Law and the Sports Incentive Law at the end of 2021. Our internal sustainability initiatives were strengthened by guidelines from the ESG Committee and Women's Committee – the latter with the aim of bolstering recruitment of women and promotion of their careers. In 2022, we remain committed to sponsoring projects with a high social and environmental return as our contribution to the sustainable development of the economy and society.

The resilience of the Brazilian economy in the first half of 2022, alongside the efforts of our staff and our focus on identifying the needs of our clients, enabled us to sustain the growth of our activities and profitability. Our systematic pursuit of diversification in the products offered to our clients led to a change in the composition of our revenue, leveraging the expansion of the Brazilian capital markets and financial protection via derivatives-based hedging. Wealth Management and sundry services accounted for 24% of total revenue. We are an Asian bank, and the countries of Asia, unlike the other developed countries, are now reaping the fruits of the fiscal and monetary discipline imposed during the pandemic. In China, control of inflation provides scope for more expansionary fiscal and monetary policies in response to the prospect of lower economic growth in 2022. The deterioration of the real estate market, the public health policy of social isolation, especially in Shanghai, and decelerating consumption are guiding the government's planning and actions toward stable growth, with a focus on economic development, a reduction in inequality, and the use of technology to achieve sustainable growth. This vision leads us to seek opportunities and the means to integrate the Brazilian market with those of Asia, especially China. This is why we were the first Latin American bank to join Bond Connect, the main platform for the purchase of bonds on China's local market.

Management's Report

(In thousands of Reals)

Message from Management (Continued)

Monetary tightening in the main developed economies, accelerated by the inflationary impact of the military operations in Ukraine, points to an economic slowdown in the near future. The speed at which the labor market, demand for goods and household financial conditions adjust will be crucial to determine whether these corrections will be sufficient to contain the inflationary pressures we are seeing now. Changes as significant as these, occurring simultaneously in several countries, present challenges for states, governments, corporations and people. We must bear this in mind in our work throughout 2022.

Performance of Bocom BBM

Banco Bocom BBM recorded equity of R\$ 920 million and net income of R\$ 87 million on June 30, 2022, which corresponds to annual profitability of 19.8%, calculated based on the average equity for the period.

Total assets on June 30, 2022, amounted to R\$ 17,355 million. The amount raised in the domestic and foreign markets totaled R\$ 14,375 million at end of the semester. The Bank's Basel Capital Adequacy Ratio was 13.54% at the end of the semester.

Corporate Credit

Our expanded credit portfolio, which includes export-import finance and guarantees such as sureties, reached R\$ 12.1 billion in first-half 2022. This corresponded to growth of 16.76% when compared to the previous six months.

Wealth Management

Using constantly updated tools to manage the assets of Brazilian and foreign clients, the Wealth Management area offers a diversified range of financial products via an open platform and global investment opportunities suited to the clients' long-term objectives. Assets under management totaled R\$ 9.9 billion in June 2022.

Asset Management

Asset Management offers investment funds with a medium- and long-term horizon. In addition to private credit funds, our ESG, US and China global equity funds focus on sustainability, returns on US companies and returns on Chinese companies respectively. Our main differentials are robust management processes, using macro research, credit analysis and monitoring. In June 2022, assets invested in the funds totaled R\$ 1.4 billion.

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 by offering opportunities for growth and full individual development to all. We are committed to maintaining a meritocratic, dynamic, transparent and diverse work environment, taking into account the dignity and well-being of all those with whom we interact.

Credit Ratings

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 in April, 2022. 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, on April 13, 2022, with "stable perspective", the best possible credit rating in this category.

In addition, on August 24, 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-"). In addition, the outlook for long-term IDRs was reviewed from negative to stable, following the outlook for sovereign ratings.

Management's Report*(In thousands of Reals)***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	Bank	
		06/30/2022	12/31/2021
Current and long-term assets		18,714,858	15,163,645
Cash	4	324,586	872,723
Cash		4	4
Free reserves		655	2,110
Bank deposits in foreign currencies		323,927	870,609
Short-term interbank investments	5	2,793,273	1,789,667
Open market investments	4	10,281	14,333
Interbank deposits		1,251,222	257,236
Investments in foreign currencies	4	1,531,770	1,518,098
Linked to guarantees given			
Marketable securities and derivative financial instruments	6	5,465,171	4,869,141
Bank portfolio		2,505,407	1,880,257
Subject to repurchase agreements		1,803,494	1,786,946
Linked to guarantees given		816,063	1,007,170
Derivative financial instruments	22	340,630	194,949
Allowance for marketable securities		(423)	(181)
Interbank accounts		32,072	7,110
Correspondent banks		27,002	274
Deposits – Central Bank of Brazil		5,027	6,836
Check Payment Services and Other Papers		43	-
Loan transactions	7	8,857,511	6,831,040
Discounted securities and loans		5,316,136	5,014,932
Financing		2,153,739	1,285,963
Rural and agroindustrial financing		1,443,753	575,327
Allowance for loans		(56,117)	(45,182)
Other receivables		1,228,848	782,950
Foreign exchange portfolio	8	917,381	520,573
Unearned income		17,528	19,703
Trading and brokerage		32,022	-
Credit assignment	7	17,152	20,887
Sundry	14	121,383	109,642
Tax credits	25	129,791	116,791
Allowance for other receivables	7	(6,409)	(4,646)
Other assets	15	13,397	11,014
Permanent assets		516,919	485,538
Investments		471,888	441,999
Income from interest in subsidiaries			
In Brazil	9	16,554	14,697
Abroad	9	453,497	426,221
Other investments		3,647	2,891
Provision for losses		(1,810)	(1,810)
Property and equipment in use		10,672	11,117
Intangible assets	16	34,359	32,422
Total assets		19,231,777	15,649,183

Balance Sheet

(In thousands of Reais)

Liabilities	Note	Bank	
		06/30/2022	12/31/2021
Current and long-term liabilities		18,311,780	14,808,375
Deposits	10	3,122,133	3,334,404
Demand deposits		1,592,260	1,422,299
Time deposits		883,637	1,146,662
Interbank deposits		646,236	765,443
Repurchase agreements	11	1,648,931	1,733,897
Bank portfolio		1,648,931	1,733,897
Funds from acceptance and issue of securities	12	7,061,249	4,115,737
Liabilities – marketable securities abroad		712,470	341,329
Liabilities from issue of agribusiness credit bills - LCA		4,381,780	2,087,510
Liabilities from issue of housing credit bills - LCI		41,635	47,910
Liabilities from issue of financial bills - LF		1,430,310	1,432,992
Liabilities from issue of financial bills - LF - Subordinated Debts		495,054	205,996
Interbank accounts		80	-
Receipts and payments to be settled		80	-
Interbranch accounts		85,374	31,831
Third-party funds in transit		85,374	31,831
Borrowings	13	5,785,139	4,663,429
Loans abroad		5,785,139	4,663,429
Derivative financial instruments	6 and 22	129,364	339,909
Derivative financial instruments		129,364	339,909
Other liabilities		479,510	589,168
Collection of similar taxes		1,051	613
Foreign exchange portfolio	8	87,294	1,272
Social		-	35,008
Statutory		57,880	60,569
Tax and social security		173,788	183,865
Securities trading		2	50,619
Allowance for financial guarantees	7 and 27	12,070	14,208
Sundry	14	147,425	243,014
Equity	17	919,997	840,808
Capital		469,300	469,300
Domiciled in Brazil		469,300	469,300
Income reserves		649,134	556,936
Other comprehensive income		(16,598)	(3,589)
Treasury stock		(181,839)	(181,839)
Total liabilities and equity		19,231,777	15,649,183

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

Statement of Operations

(In thousands of Reais, except the net income per share)

	Note	Bank	
		06/30/2022	06/30/2021
Financial income		852,305	387,639
Loan transactions		449,984	175,053
Income from marketable securities transactions	5 and 6	237,046	36,638
Result of exchange operations	18	-	39,961
Loans, assignments and onlending operations	18	165,275	135,987
Financial expenses		(655,448)	(200,496)
Market funding operations	18	(371,760)	(78,171)
Loss on derivatives financial instruments	22	(249,323)	(115,131)
Result of exchange operations	16	(23,430)	-
(Provisions)/Reversals of allowance doubtful accounts	7	(10,560)	(7,073)
(Provisions)/Reversals for marketable securities	6	(375)	(121)
Gross financial income		196,857	187,143
Other operating income (expenses)		5,804	(29,998)
Service revenues	19	74,137	53,059
Personnel expenses		(55,207)	(48,746)
Other administrative expenses	20	(38,043)	(30,807)
Tax expenses		(12,901)	(11,815)
Income from interest in subsidiaries	9	29,194	8,320
Other operating income	7 (d)	10,911	934
Other operating expenses		(2,287)	(943)
Operating income		202,661	157,145
Non-operating expenses		429	1,078
Income before income taxes and profit sharing		203,090	158,223
Income and social contributions taxes	25	(77,424)	(58,225)
Provision for income tax		(46,217)	(26,778)
Provision for social contribution tax		(33,469)	(19,945)
Deferred tax asset/(liability)		2,262	(11,502)
Profit sharing – management and employees		(38,407)	(36,459)
Net income		87,259	63,539
Earnings per outstanding share		0.42	0.31

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

Statement of Comprehensive Income

(In thousands of Reais)

	Bank	
	06/30/2022	06/30/2021
Net income	87,259	63,539
Market adjustment variation of the securities	(12,955)	(20,230)
Securities available for sale	(23,651)	(21,765)
Tax effects	10,696	1,535
Exchange variation of investments abroad	(10,149)	(4,242)
Derivative financial instruments used for hedging	10,149	4,242
Derivative financial instruments	10,149	5,977
Tax effects	-	(1,735)
Cumulative translation adjustment	(54)	-
Comprehensive income for the six-month period/year	74,250	43,309

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		Other comprehensive income			Treasury stock	Retained earnings	Total
		Legal	Statutory	Market value adjustment of securities and derivatives	Hedge of Investments Abroad	Cumulative translation adjustment			
Semester Ended June 30, 2021									
Balances at January 1, 2021	469,300	41,927	407,925	27,286	(271)	-	(181,839)	-	764,328
Market value adjustments - marketable securities				(20,230)					(20,230)
Exchange variation of investments abroad					(4,242)				(4,242)
Derivative financial instruments used for hedging					4,242				4,242
Net income for the semester								63,539	63,539
Allocations:									
- Reserves		3,177	60,362					(63,539)	
Balances at June 30, 2021	469,300	45,104	468,287	7,056	(271)	-	(181,839)	-	807,637
Changes in the semester	-	3,177	60,362	(20,230)	-	-	-	-	43,309
Semester Ended June 30, 2022									
Balances at January 1, 2022	469,300	49,297	507,639	(3,318)	(271)		(181,839)		840,808
Market value adjustments - marketable securities				(12,955)					(12,955)
Exchange variation of investments abroad					(10,149)				(10,149)
Derivative financial instruments used for hedging					10,149				10,149
Cumulative translation adjustment						(54)			(54)
Net income for the semester								87,259	87,259
Allocations:									
- Reserves		4,363	82,896					(87,259)	
- Reversal of proposed dividends			4,939						4,939
Balances at June 30, 2022	469,300	53,660	595,474	(16,273)	(271)	(54)	(181,839)	-	919,997
Changes in the semester	-	4,363	87,835	(12,955)	-	(54)	-	-	79,189

Statement of Cash Flow

(In thousands of Reais)

	Bank	
	06/30/2022	06/30/2021
Cash flow statements		
Net income	87,259	63,539
Adjustments to net income:	(107,620)	1,177
Allowance/Reversion for doubtful accounts	10,560	7,073
Depreciation and amortization	6,052	4,737
Expenses from civil, labor and tax allowances	-	863
Income from interest in subsidiaries	(29,194)	(8,320)
Deferred income and social contribution taxes	(2,262)	11,502
Gain/losses on fair value adjustment on marketable securities and derivatives	(92,722)	(14,678)
Equity adjustments	(54)	-
Adjusted net income	(20,361)	64,716
(Increase) in short-term interbank investments	(989,852)	(141,378)
(Increase) in marketable securities and derivative financial instruments	(713,853)	(459,860)
Decrease in interbank and interbranch accounts	28,661	31,335
(Increase)/Decrease in loan and lease transactions	(2,037,031)	44,831
(Decrease) Increase in deposits	(212,271)	(343,951)
(Decrease)/Increase in open market funding	(84,966)	1,014,621
Increase in borrowings and onlending	1,121,709	861,893
Decrease in other assets	(446,019)	(496,269)
(Decrease)/Increase in other liabilities	(134,786)	236,357
(Decrease)/Increase in market value adjustments - marketable securities	(12,955)	(20,230)
Net cash flow from (used in) operating activities	(3,481,363)	727,349
Cash flow from investing activities:		
Increase in investments	(695)	(192)
Property and equipment for use and leased acquisition	(7,544)	(4,706)
Net cash provided by (used in) investing activities	(8,239)	(4,898)
Cash flow from financing activities:		
(Decrease)/Increase in securities issue resources	2,945,512	(770,985)
Dividends and interest on equity paid	30,068	-
Net cash used in financing activities	2,975,580	(770,985)
Net increase in cash and cash equivalents	(534,383)	16,182
At the beginning of the six-month period	2,401,020	2,121,996
Changes for the six-month period	880,255	(41,000)
Exchange variation for the six-month period	(1,414,638)	57,182
At the end of the six-month period	1,866,637	2,138,178
Net increase in cash and cash equivalents	(534,383)	16,182
Non-monetary transaction		
Deliberate dividends	(4,939)	-

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

Notes to the financial statements as at June 30, 2022*(In thousands of Reals, otherwise indicated)***1. Operations**

Banco BOCOM BBM is authorized to operate as finance bank with the following portfolios:

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

The Bank operates as a group of institutions which operate together in the financial market, with certain operations involving co-participation or intermediation of associated institutions. The benefits of services rendered by such institutions and the costs of administrative structures are fully or individually absorbed, which is practical and reasonable in the circumstances.

2. Presentation of the Financial Statements

The Financial Statements of Banco BOCOM BBM S.A., including its foreign branch, were prepared in accordance with the accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Central Bank of Brazil (BACEN), in line with the norms and instructions of the National Monetary Council (CMN) and the Federal Accounting Council (CFC), and show all the relevant information proper of the financial statements, and only them, which are consistent with those used by management in its management.

The preparation of these statements in accordance with the accounting practices adopted in Brazil, applicable to financial institutions, requires management to use judgment in determining and recording 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.

The Bacen Resolutions No. 2/2020 and 4,818/2020 consolidated the general criteria and the procedures for disclosure of the parent company financial statements.

According to BCB Resolution No. 2/2020, the balance sheets items are exposed in liquidity and enforceability order.

According to the provisions of BCB Resolution No. 92/2021, Group 5 – Revenues from Future Years – was extinct, consequently, all its balances are transferred to the line of Sundry under Other Liabilities. Due to the prospective adoption, the balances of the items of Group 5 before the enforcement date of the new rules are being presented for comparison effects.

2.1 Functional currency

The elements presented in Banco Bocom BBM's financial statements are measured using the currency of the primary economic environment in which the institution operates ("functional currency"). In this sense, the parent company financial statements is stated in reais.

The functional currency of the group's investees in Brazil is also the Brazilian Real. Some investees outside Brazil have different functional currencies, including U.S. dollars ("USD").

Notes to the financial statements as at June 30, 2022

(In thousands of Reals, otherwise indicated)

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.

	Bank	
	06/30/2022	06/30/2021
Recurring Net Income	87,043	63,065
Non-recurring Events	216	474
Fines	(11)	(117)
(Provisions)/Reversals for contingencies	404	(283)
Provision for devaluation of properties not for use (BNDU)	-	1,261
Income tax and social contribution	(177)	(387)
Net Income	87,259	63,539

(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.

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 realizable value, 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.

The amounts not provided for in the "Other investments" line refer to the shares of CERTA (Central de Registro de Títulos e Ativos S.A.) and Swift.

Notes to the financial statements as at June 30, 2022*(In thousands of Reals, otherwise indicated)***3. Significant Accounting Practices (Continued)****(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.

In 2021, the Law 14,183, resulting from Provisional Measure (MP) 1,034/2021, increased the rate of the Social Contribution on Net Profit (CSLL) payable by legal entities of the financial sector. The impact on BOCOM BBM Bank was the increase of the CSLL rate from 20% to 25% and on BOCOM BBM CCVM from 15% to 20%, for the period between 07/01/2021 and 12/31/2021.

As of January 2022, the CSLL rate returned to 20% for BOCOM BBM Bank and 15% for BOCOM BBM CCVM. On April 28, 2022, Provisional Measure 1,115/22 was issued, increasing the CSLL rate for these legal entities by 1%, in accordance with the changes proposed in Law 7,689/88. The CSLL rate of BOCOM BBM Bank increased from 20% to 21%, and of BOCOM BBM CCVM, from 15% to 16%, effective from August 1, 2022 to December 31, 2022.

(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 average number of outstanding shares at the period.

(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 exceeds its recoverable value, an impairment is recognized in the statement of operations. Currently, within the scope of our equity, we have real estate foreclosed on credit guarantees subject to evaluation and analysis of its recoverable value.

(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.

Notes to the financial statements as at June 30, 2022*(In thousands of Reals, otherwise indicated)***3. Significant Accounting Practices (Continued)****(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 carried out.

(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 with no retention risk 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 retention risk 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.

(m) Cash and cash equivalents

These represent cash and cash equivalents, unlinked balances held 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 debt value.

(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 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.

Notes to the financial statements as at June 30, 2022*(In thousands of Reals, otherwise indicated)***3. Significant Accounting Practices (Continued)****(o) Hedge Accounting**

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 mark-to-market value of the hedged object are disclosed in Note 22.

(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 assets

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, 2022

(In thousands of Reals, otherwise indicated)

4. Cash

	Bank	
	06/30/2022	12/31/2021
Investments in foreign currencies (b)	1,531,770	1,518,098
Bank deposits in foreign currencies	323,927	870,609
Open market investments (a)	10,281	10,199
Free reserves	655	2,110
Cash	4	4
Total	1,866,637	2,401,020

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

(b) Operations in currencies other than Real with immediate liquidity, these operations are mostly carried out in US dollars.

5. Short-term interbank investments

Short-term interbank investments are as follows:

	Bank	
	06/30/2022	12/31/2021
Open market investments	10,281	14,333
Self-funded position	10,281	14,333
Financial treasury bills	10,281	14,333
Interbank deposits (*)	1,251,222	257,236
Investments in foreign currencies	1,531,770	1,518,098
	2,793,273	1,789,667
Current assets	2,777,493	1,723,867
Long-term receivables	15,780	65,800
	2,793,273	1,789,667

(*) The interbank deposits in the Bank and in the Bank on June 2022 basically refer to Time Deposits. In the semester ended June 30, 2022, their maturities are between July 2022 and June 2023.

(**) Investments in foreign currencies are operations mostly in US dollars and with immediate liquidity.

At June 30, 2022 and December 31, 2021, the collateral received through repurchase agreements amounted to R\$ 10,547 thousand and R\$ 14,752 thousand, respectively, in the Bank. The provided collateral amounted to R\$ 778,070 thousand and R\$ 3,428,117 thousand during the same periods.

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

	Bank	
	06/30/2022	06/30/2021
Open market investments	6,183	7,092
Investments in interbank deposits	23,907	5,351
Investments in foreign currencies	207	125
Total	30,297	12,568

Notes to the financial statements as at June 30, 2022

(In thousands of Reals, otherwise indicated)

6. Marketable securities and derivative financial instruments

	Bank			
	Cost	Market	Cost	Market
	06/30/2022		12/31/2021	
I- Marketable securities	5,226,552	5,124,541	4,720,761	4,674,192
Securities for trading (*)	1,857,838	1,805,688	1,312,900	1,280,179
Bank portfolio	1,477,536	1,439,352	566,953	560,641
Fixed-income securities	1,319,824	1,281,640	416,718	410,406
Financial Treasury Bills	169,835	170,038	148,072	148,360
National Treasury Bills	-	-	301	301
National Treasury Notes - B series	1,149,989	1,111,602	268,345	261,745
Investment funds quotas	157,712	157,712	150,235	150,235
Multimarket fund quotas	157,712	157,712	150,235	150,235
Subject to repurchase agreements	321,707	309,846	694,498	669,520
Financial Treasury Bills	8,542	8,548	35,017	35,086
National Treasury Notes - B series	313,165	301,298	659,481	634,434
Linked to guarantees given	58,595	56,490	51,449	50,018
National Treasury Notes - B series	28,182	26,077	26,208	24,777
Fund quotas given as guarantee	30,413	30,413	25,241	25,241
Securities available for sale (*)	1,882,647	1,832,786	2,182,483	2,168,635
Bank portfolio	936,488	934,353	1,170,429	1,167,052
Fixed-income securities	772,241	769,292	568,496	570,443
Financial Treasury Bills	427,948	428,949	285,062	285,837
National Treasury Bills	92,951	87,317	24,099	23,186
National Treasury Notes - B series	8	8	8	8
Promissory notes	111,228	111,228	103,584	103,584
Debentures	2,400	3,314	25,052	26,145
CRA	32,775	32,775	32,653	32,653
Rural product note	72,512	72,512	67,541	67,541
Private Financial Bills	32,419	33,189	30,497	31,489
Marketable securities abroad	164,247	165,061	601,933	596,609
Eurobonds	164,247	165,061	601,933	596,609
Subject to repurchase agreements	910,886	863,011	916,924	910,938
Financial Treasury Bills	134,652	135,035	211,918	212,349
National Treasury Bills	220,741	207,550	206,160	197,600
Debentures	267,142	273,743	356,168	364,196
Eurobonds	288,351	246,683	142,678	136,793
Linked to guarantees given	35,273	35,422	95,130	90,645
Financial Treasury Bills	35,273	35,422	20,217	20,217
National Treasury Bills	-	-	72,400	67,925
Debentures	-	-	2,513	2,503

Notes to the financial statements as at June 30, 2022
(In thousands of Reals, otherwise indicated)
6. Marketable Securities and Derivative Financial Instruments (Continued)

	Bank			
	Cost	Market	Cost	Market
	06/30/2022		12/31/2021	
Securities held up to maturity	1,486,067	1,486,067	1,225,378	1,225,378
Bank portfolio	131,702	131,702	152,564	152,564
Fixed-income securities	126,071	126,071	25,045	25,045
National Treasury Bills	126,071	126,071	25,045	25,045
Marketable securities abroad	5,631	5,631	127,519	127,519
Eurobonds	5,631	5,631	127,519	127,519
Subject to repurchase agreements	630,637	630,637	206,488	206,488
Eurobonds	502,159	502,159	130,311	130,311
National Treasury Bills	128,478	128,478	76,177	76,177
Linked to guarantees given	724,151	724,151	866,507	866,507
National Treasury Notes - F series	623,374	623,374	630,654	630,654
National Treasury Bills	100,777	100,777	235,853	235,853
Provision for marketable securities	(423)	(423)	(181)	(181)
Eurobonds	(423)	(423)	(181)	(181)
II-Derivative financial instruments	210,988	340,630	116,824	194,949
Swap operations	66,878	195,902	48,187	125,484
Term	95,304	96,249	64,915	66,101
Options premium	1,762	1,435	1,659	1,301
Futures	47,044	47,044	2,063	2,063
Total marketable securities and				
Derivative financial instruments	5,437,540	5,465,171	4,837,585	4,869,141
Segregation of portfolio by maturity range:				
Up to 3 months	1,861,153	1,802,149	1,543,837	1,507,350
From 3 to 12 months	377,745	393,808	280,192	274,686
More than 12 months	3,198,642	3,269,214	3,013,556	3,087,105
Total	5,437,540	5,465,171	4,837,585	4,869,141

(*) Securities classified as "Securities for trading" maturing in more than 12 months and which, on June 30, 2022, amount to R\$ 1,502,515 thousand in the Bank (December 31, 2021 - R\$ R\$ 1,078,630 thousand), are classified and segregated 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\$ 1,767,274 thousand on June 30, 2022 (December 31, 2021 - R\$ 1,738,655 thousand) are classified and segregated according to BACEN Circular Letter No. 3,068/01, regardless its liquidity level. The effect of this determination in net current capital is shown in Note 23 - Liquidity risk.

There were no transfers in the bond category in the semester ended June 30, 2022.

Notes to the financial statements as at June 30, 2022

(In thousands of Reals, otherwise indicated)

6. Marketable Securities and Derivative Financial Instruments (Continued)

	Bank			
	Cost	Market	Cost	Market
	06/30/2022		12/31/2021	
III-Derivative financial instruments	193,136	129,364	319,517	339,909
Swap operations	163,718	97,984	178,706	183,131
Term	9,297	9,585	130,360	146,401
Futures	485	485	6,464	6,463
Options	19,636	21,310	3,987	3,914
Liability position	193,136	129,364	319,517	339,909
Segregation by maturity range:				
Up to 3 months	27,289	22,920	92,729	97,197
From 3 to 12 months	58,731	62,443	89,683	109,766
More than 12 months	107,116	44,001	137,105	132,946
Total	193,136	129,364	319,517	339,909

The results of Marketable Securities in the Bank are as follows:

	Bank	
	06/30/2022	06/30/2021
Private securities	38,267	47,617
Government bonds	159,270	34,629
Investment funds quotas	9,143	1,325
Exchange Variation	69	(59,501)
Income from marketable securities	206,749	24,070

	Bank	
	06/30/2022	06/30/2021
(Provision)/Reversal of provision for Marketable Securities	(375)	(121)
Result of (provision)/reversal of provision for Marketable Securities	(375)	(121)

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, 2022

(In thousands of Reals, otherwise indicated)

7. Loan Transactions

At June 30, 2022 and December 31, 2021, loans and guarantees provided through sureties or guarantee agreements in the Bank, classified according to the clients' economic activities and representativeness, are as follow:

	Bank			
	06/30/2022		12/31/2021	
Agriculture	2,563,499	22.63%	1,229,633	13.21%
Sugar and Ethanol	1,676,457	14.80%	1,391,855	14.95%
Banks and Insurers	991,580	8.75%	773,251	8.31%
Utilities (energy)	574,456	5.07%	546,200	5.87%
Building and Real Estate	483,496	4.27%	609,250	6.55%
Retail market	453,065	4.00%	566,882	6.09%
Chemical and Petrochemical	411,841	3.64%	296,933	3.19%
Vehicles and Parts	399,497	3.53%	371,038	3.99%
Transportation and Logistics	358,920	3.17%	254,369	2.73%
Foods - Sundry	295,116	2.60%	320,966	3.45%
Telecommunication	271,211	2.39%	155,039	1.67%
Specialized Services	271,065	2.39%	293,413	3.15%
Diversified Holdings	251,616	2.22%	122,718	1.32%
Meat Industry	235,415	2.08%	186,361	2.00%
Pharmaceutics	223,403	1.97%	242,324	2.60%
Health	211,760	1.87%	216,863	2.33%
Pulp and Paper	194,787	1.72%	246,878	2.65%
Metallurgy	166,788	1.47%	165,193	1.77%
Heavy Construction	161,137	1.42%	194,559	2.09%
Textile and Leathers	124,812	1.10%	113,093	1.22%
Individuals	123,389	1.09%	57,408	0.62%
Others (*)	564,040	4.98%	593,274	6.37%
Private sector	11,007,350	97%	8,947,500	96%
Utilities (energy)	242,327	2.14%	262,002	2.81%
Others (*)	80,132	0.71%	98,146	1.05%
Public Sector	322,459	3%	360,148	4%
Total	11,329,809	100%	9,307,648	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 dates June 30, 2022, and December 31, 2021.

Notes to the financial statements as at June 30, 2022

(In thousands of Reals, otherwise indicated)

7. Loan Transactions (Continued)

Loans transactions are stated in the Bank balance sheet as follows:

	Bank	
	31/12/2021	31/12/2020
Current Assets		
Loan Transactions	4,257,753	2,640,619
Private Sector	4,240,400	2,622,826
Public Sector	17,353	17,793
Other Receivables	25,713	19,682
Foreign Exchange Portfolio - Receivables (a)	15,671	10,017
Securities and Credits Receivable (b)	10,042	9,665
Noncurrent Assets		
Loan Transactions	4,655,874	4,235,603
Private Sector	4,655,874	4,217,076
Public Sector	-	18,527
Other Receivables	7,110	11,222
Securities and Credits Receivable (b)	7,110	11,222
Current Liabilities		
Other Liabilities	805,382	492,443
Foreign Exchange Portfolio - Advances on exchange contracts (a)	805,382	492,443
Subtotal On-balance Loans	9,751,832	7,399,569
Co-obligations and risks in guarantees provided (c)	1,577,977	1,908,079
Subtotal Off-balance Loans	1,577,977	1,908,079
Total	11,329,809	9,307,648

(a) The Advances on Exchange Contracts are classified as reduction accounts of Other Liabilities – Exchange Portfolio and as Other Receivables – Foreign Exchange Portfolio, respectively, as shown in Note 8.

(b) Refers to credit assignment. recorded in "Other credits" accounts.

(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 other liabilities and appropriated to the result according to the guarantees' contractual terms. The Bank also includes guarantees provided for the credit operations of BBM Bank Limited and Nassau Branche, which Nassau Branch is eliminated in the Bank.

Notes to the financial statements as at June 30, 2022

(In thousands of Reals, otherwise indicated)

7. Loan Transactions (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 Bank is as follows:

Risk Level	06/30/2022										12/31/2021	
	Overdue - days					Falling due - days					Total	Allowance
	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		
AA	-	-	-	-	-	1,296,919	594,610	1,073,044	2,000,684	4,965,257	-	4,241,080
A	492	-	-	-	-	439,476	582,964	1,043,685	2,178,950	4,245,567	21,228	3,375,773
B	-	-	-	-	-	261,222	198,816	403,825	681,302	1,545,165	15,836	1,182,947
C	-	-	-	-	-	126,637	83,836	127,164	161,614	499,251	21,295	475,111
D	7	3	-	-	-	715	1,146	17,712	22,709	42,292	4,229	6,695
E	-	980	8,058	8,058	-	4,867	2,605	-	11,278	28,316	8,495	16,806
F	-	-	-	896	-	-	-	-	-	896	448	-
G	-	-	-	-	-	-	-	-	-	-	-	7,518
H	-	-	-	-	3,065	-	-	-	-	3,065	3,065	1,718
	499	983	528	8,954	3,065	2,129,836	1,463,977	2,665,430	5,056,537	11,329,809	74,596	9,307,648
												64,036

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

	Bank	
	06/30/2022	12/31/2021
Allowance for loan losses	56,117	45,182
Current Assets	29,029	21,998
Noncurrent Assets	27,088	23,184
Provision for Other Credits	6,409	4,646
Securities and Credits Receivable	6,409	4,646
Current Assets	5,369	2,891
Noncurrent Assets	1,040	1,755
Provision for Co-obligations and Risks in Guarantees Provided	12,070	14,208
Current Liability	11,119	12,253
Noncurrent Liability	951	1,955
Total	74,596	64,036

Changes in allowances are as follows:

	06/30/2022	12/31/2021
Balance at January 1	64,036	53,749
Increase / (reversal)	10,560	14,891
Write-offs to loss	-	(4,604)
Total	74,596	64,036

In the six-month period ended June 30, 2022, there were loan transactions renegotiated in the Bank in amount of R\$ 57,452 thousand (December 31, 2021 - R\$ 0).

(d) In the six-month period ended June 30, 2022, there was a recovery of losses on loan transactions in the amount of R\$ 9,515 thousand (December 31, 2021 - R\$ 5,482 thousand). This amount is impacting Other Operating Income in the Statements of Operations for the year.

Notes to the financial statements as at June 30, 2022

(In thousands of Reals, otherwise indicated)

7. Loan Transactions (Continued)

The credit risk concentration in the Bank is as follows:

	06/30/2022	%	12/31/2021	%
Top debtor	242,327	2.1%	262,002	2.8%
Top 10 debtors	1,721,353	15.2%	1,443,077	15.5%
Top 20 debtors	2,813,729	24.8%	2,337,617	25.1%
Top 50 debtors	4,949,327	43.7%	4,076,071	43.8%
Top 100 debtors	7,204,109	63.6%	5,909,530	63.5%

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

	06/30/2022	12/31/2021
Working Capital	6,310,147	5,660,819
Co-obligations and Risk in Guarantees Provided	1,577,977	1,525,405
Export Credit Bills	2,170,356	1,257,842
Trade Finance	1,075,772	786,416
Others	195,557	77,166
Total	11,329,809	9,307,648

Notes to the financial statements as at June 30, 2022

(In thousands of Reals, otherwise indicated)

8. Foreign exchange portfolio

	Bank	
	06/30/2022	12/31/2021
Other receivables – Foreign exchange portfolio		
Foreign exchange purchases pending settlement	846,465	509,334
Income receivable from advances granted (a)	15,671	10,017
Rights on foreign exchange sales	56,644	1,265
(-) Advances in national currency received	(1,399)	(43)
Total	917,381	520,573
Other payables – Foreign exchange portfolio		
Exchange purchase obligations	836,632	492,443
Foreign exchange sales pending settlement	56,044	1,272
Advances on foreign exchange contracts granted (a)	(805,382)	(492,443)
Total	87,294	1,272

(a) See Note 7.

On June 30, 2022, there were federal government securities deposited securing foreign exchange transactions with B3 in the amount of R\$ 75,212 thousand (December 31, 2021 – R\$ 311,944 thousand).

9. Investments – Interest in Subsidiaries

	BOCOM BBM CCVM S.A.	The Southern Atlantic Investments Ltd.	Total
At June 30, 2022:			
Number of issued shares	127,374	229,201,370	
Common shares	63,687	229,201,370	
Preferred nominative shares	63,687		
Direct interest	100%	100%	
Capital – R\$ thousand	8,755	229,201	237,956
Equity – R\$ thousand	16,554	453,497	470,051
Net income for the semester – R\$ thousand	1,857	27,337	29,194
Dividends, Interest on Equity or Capital reduction	770	-	770
Book value of investments – R\$ thousand			
June 30, 2022	16,554	453,497	470,051
Income from interest in subsidiaries – R\$ thousand			
First half of 2022	1,857	27,337	29,194
At December 31, 2021			
Number of issued shares	127,374	229,201,370	
Common nominative shares	63,687	229,201,370	
Preferred nominative shares	63,687		
Direct interest	100%	100%	
Capital – R\$ thousand	8,755	229,201	52,038
Equity – R\$ thousand	14,697	426,221	440,918
Net income for the semester – R\$ thousand	2,049	15,132	17,181
Dividends, Interest on Equity or Capital reduction – R\$ thousand	770	-	770
Book value of investments – R\$ thousand			
December 31, 2021	14,697	426,221	440,918
Income from interest in subsidiaries – R\$ thousand			
First half of 2021	1,192	7,128	8,320
Year ended 2021	3,241	22,260	25,501

Notes to the financial statements as at June 30, 2022

(In thousands of Reals, otherwise indicated)

10. Deposits

Maturity range	Time deposits	Interbank deposits	Total 06/30/2022	Total 12/31/2021
	Bank	Bank	Bank	Bank
Within 1 month	16,055	137,553	153,608	214,079
From 1 to 3 months	29,905	71,259	101,164	242,409
From 3 to 6 months	48,031	433,911	481,942	92,127
From 6 to 12 months	351,095	3,513	354,608	706,989
More than 12 months	438,551	-	438,551	656,501
Subtotal	883,637	646,236	1,529,873	1,912,105
Demand Deposits			1,592,260	1,422,299
Total			3,122,133	3,334,404

The average term of interbank and time deposits, for outstanding transactions at June 30, 2022, in the Bank, is 702 and 828 days (December 31, 2021 - 558 and 822 days), respectively.

Maturities upon issuance	Time deposits	Interbank deposits	Total 06/30/2022	Total 12/31/2021
	Bank	Bank	Bank	Bank
Within 1 month	4,637	-	4,637	196,772
From 1 to 3 months	4,183	25,581	29,764	161,857
From 3 to 6 months	8,849	-	8,849	46,458
From 6 to 12 months	44,492	1,841	46,333	53,934
More than 12 months	821,476	618,814	1,440,290	1,453,084
Subtotal	883,637	646,236	1,529,873	1,912,105
Cash deposits			1,592,260	1,422,299
Total			3,122,133	3,334,404

The breakdown per segment of the Bank is as follows:

	Demand deposits		Time deposits		Interbank deposits		Total			
	06/30/2022	12/31/2021	06/30/2022	12/31/2021	06/30/2022	12/31/2021	06/30/2022		12/31/2021	
Legal entities	382,162	554,523	632,303	1,140,506	-	121,773	1,014,465	32.49%	1,095,468	46.02%
Institutional customers	1,977	4	8,796	281,833	168,456	180,907	179,229	5.74%	272,742	11.46%
Group	1,193,420	157,782	223,937	107,504	4,181	-	1,421,538	45.53%	305,652	12.84%
Financial institutions	-	-	13,396	-	473,599	336,488	486,995	15.60%	626,911	26.33%
Individuals	14,701	25,953	5,205	4,002	-	-	19,906	0.64%	79,871	3.36%
Total	1,592,260	738,262	883,637	1,533,845	646,236	639,168	3,122,133	100%	2,380,644	100%

Notes to the financial statements as at June 30, 2022

(In thousands of Reals, otherwise indicated)

10. Deposits (Continued)

The concentration of our main customers of the Bank is as follows:

	06/30/2022		12/31/2021	
Top depositor	1,089,819	34.91%	498,762	20.95%
Top 10 depositors	2,048,347	65.61%	1,063,695	44.68%
Top 20 depositors	2,330,902	74.66%	1,372,470	57.65%
Top 50 depositors	2,738,178	87.70%	1,833,535	77.02%
Top 100 depositors	2,934,763	94.00%	2,090,959	87.83%

11. Repurchase Agreements

The obligations from repurchase agreements in the Bank are as follows:

	Bank	
	06/30/2022	12/31/2021
Own portfolio		
National treasury notes – F series	294,992	625,686
Debentures	273,245	362,990
Financial Treasury Bills	331,095	270,445
Financial treasury bills	147,249	259,247
Eurobonds	602,350	215,529
	1,648,931	1,733,897
Current liabilities	1,632,763	1,722,127
Noncurrent liabilities	16,168	11,770
	1,648,931	1,733,897

12. Funds from Acceptance and Issue of Securities and Real Estate Bills

BOCOM BBM has in June 2022 an amount of R\$ 712,470 thousand in Eurobonds (December 2021 R\$ 341,329 thousand), with maturities between November 30, 2022 and July 05, 2032, acquired by The Southern Atlantic Investments Ltd, a company not consolidated in BOCOM BBM.

On June 30, 2022 and December 31, 2021, fundraising through Agribusiness Credit Bills (LCA), Housing Credit Bills (LCI), Financial Bills (LF) and Financial Bills – Subordinated Debt were segregated by maturity range as follows:

	Bank							
	LCA (a)		LCI (b)		LF (c)		LF - Subordinated debt (d)	
Maturity	06/30/2022	12/31/2021	06/30/2022	12/31/2021	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Within 1 month	160,872	118,883	615	-	34,607	122,915	-	-
From 1 to 3 months	207,850	55,157	7,266	-	107,373	135,857	10,221	5,996
From 2 to 6 months	478,508	124,543	6,625	598	280,620	42,297	-	-
From 6 to 12 months	1,569,420	803,660	1,515	16,660	286,588	486,249	-	-
More than 12 months	1,965,130	985,267	25,614	30,652	721,122	645,674	484,833	200,000
		-		-		-		-
Total	4,381,780	2,087,510	41,635	47,910	1,430,310	1,432,992	495,054	205,996

Notes to the financial statements as at June 30, 2022

(In thousands of Reals, otherwise indicated)

12. Funds from Acceptance and Issue of Securities and Real Estate Bills (Continued)

- (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 is from 87% to 123% DI.
- (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 is from 92% to 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 from 100% to 129% of DI, 100% of pre-set and 100% of IPCA.
- (d) Financial Bill (LFSN) - 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 basis. The rates used for this operation are 110% of SELIC. Financial Bill (LFSC) - Subordinated Debt has a ten-year term with an option to repurchase it after five years, with payment of principal and interest on maturity. The amount raised will be used as complementary capital in order to make up the institution's Level II capital. The rate was CDI+2.60% and the private and bilateral issue was directed to institutional investors.

13. Borrowings and onlendings

a) Borrowings abroad

Borrowings abroad in the Bank as follows:

	Bank	
	06/30/2022	12/31/2021
Obligations with borrowings abroad (*)	5,548,566	4,568,886
Export credit facility	230,272	66,422
Import credit facility	4,029	28,121
Exchange Variation	2,272	-
	5,785,139	4,663,429
Current liabilities	4,779,641	3,448,121
Long-term payables	1,005,498	1,215,308
	5,785,139	4,663,429

(*) The amount of R\$ 5,548,566 thousand on June 30, 2022 (December 31, 2021 - R\$ 4,568,886 thousand), classified as Borrowings Abroad, refers to:

1 - The funding operations in dollars and renminbi taken with the Bank of Communications Shanghai, with final maturities up to July 2022 representing R\$ 655,018, up to August 2022 representing R\$ 366,992, up to September 2022 representing R\$ 969,577, up to March 2023 representing R\$ 352,172, up to March 2025 representing R\$ 169,514 and up to January 2026 representing R\$ 524,420. The range between the remuneration rates practiced for these operations are 0.75% - 3.00%. The dollar funding with Bank of Communications Macau, with maturities of less than 365 days, representing R\$ 16,028, with Bank of Communications New York, with maturities of less than 365 days, representing R\$ 1,181,358 and with Bank of Communications Hong Kong, with maturities of less than 365 days, representing R\$ 263,243. The range between the remuneration rates practiced for these operations are 0.57% - 3.00%; and

2 - Working capital operations with maturities of less than 365 days representing R\$ 1,050,245. The range between rates used for this operation is 2.14% - 4.00%.

Notes to the financial statements as at June 30, 2022

(In thousands of Reals, otherwise indicated)

14. Sundry

	Bank	
	06/30/2022	12/31/2021
Sundry		
Debtors deposits on warranty	53,386	52,412
Taxes and contributions to offset	24,492	41,898
Sundry debtors – domestic	18,758	10,473
Sundry debtors – foreign	22,934	4,342
Advances – Salaries and constructions	1,800	463
Receivables from related parties	13	54
	121,383	109,642
Current asset	102,414	93,247
Long-term asset	18,969	16,395
	121,383	109,642

	Bank	
	06/30/2022	12/31/2021
Other payables - Sundry		
Sundry Debtors – Abroad (a)	94,003	190,054
Income on Guarantees for Credit Operations (b)	17,326	19,916
Allowance for payments to be made	12,191	12,436
Sundry debtors – Local	12,942	12,163
Allowance for contingent liabilities	10,097	7,596
Administrative checks	849	849
Payables for acquisition of goods and rights	17	-
	147,425	243,014
Current liabilities	131,888	203,578
Noncurrent liabilities	15,537	39,436
	147,425	243,014

(a) – It mainly refers to the prepayment of letters of credit. The original maturity date of these contracts were from September, 2022 and November, 2022.

(b) – Based on the BCB resolution N° 92/2021, the accounting line income from future years was discontinued, and its balances reclassified to the other liabilities group for comparison purposes.

Notes to the financial statements as at June 30, 2022

(In thousands of Reals, otherwise indicated)

15. Other assets

	Bank	
	06/30/2022	12/31/2021
Other Values and Goods		
Properties	8,323	8,323
Others	5,074	2,691
	13,397	11,014
Current asset (a)	13,397	10,187
Long-term assets	-	827
	13,397	11,014

(a) On June 30, 2022, 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.

16. Intangible assets

	12/31/2020	Acquisitions	Write Off	Amortization in the period	12/31/2021
Intangible assets					
Data processing systems					
Cost	49,093	8,419	(1,403)		56,109
Accrued Amortization	(19,143)		-	(4,630)	(23,773)
Communication and security systems					
Cost	922				922
Accrued Amortization	(605)			(77)	(682)
Licenses and copyright and use rights					
Cost	4,405				4,405
Accrued Amortization	(2,250)			(372)	(2,622)
Total	32,422	8,419	(1,403)	(5,079)	34,359

17. 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 Corporation Law.

(c) Statutory reserve

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

(d) Treasury shares

On June 30, 2022, 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, 2022

(In thousands of Reals, otherwise indicated)

18. Financial Intermediation Expenses, Result of Foreign Exchange Operations, Borrowings, Assignments and Transfers

	Bank	
	06/30/2022	12/31/2021
Open market funding		
Expenses with securities abroad	(229,322)	(92,658)
Agriculture credit bills	(150,735)	(23,924)
Financial bills	(100,926)	(32,230)
Time deposits	(53,272)	(16,775)
Interbank deposits	(36,635)	(10,790)
Repurchase agreements	(36,412)	(6,909)
Credit guarantee fund	(3,230)	(2,518)
Real estate credit bills	(2,195)	(732)
Deposits previous notice	(368)	(139)
Foreign exchange variation (a)	241,335	108,504
	(371,760)	(78,171)
Borrowings, assignments and onlending operations		
Foreign exchange variation (a)	192,291	157,044
Borrowings expenses abroad	(27,016)	(21,057)
	165,275	135,987
Foreign exchange transactions		
Foreign exchange variations and interest differences	(36,623)	32,473
Other expenses	(224)	(246)
Revenue from Advances on Exchange Contracts (ACC)	13,417	7,734
	(23,430)	39,961

(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.

19. Services Revenues

	Bank	
	06/30/2022	12/31/2021
Service Revenue		
Coordinating and Structuring commission	25,606	17,241
Bank fee income	22,373	12,063
Management fees of investment funds	14,241	9,096
Guarantees commission and letter of credit (a)	11,088	11,792
Other services	829	2,867
Total	74,137	53,059

(a) In June 2022, total income refers mainly to surety transactions, which represent a significant portion of the amount of co-obligations and risks in financial guarantees provided – see note 7 (c). Furthermore, its provision balances can be seen in note 14 (b).

Notes to the financial statements as at June 30, 2022

(In thousands of Reals, otherwise indicated)

20. Other Administrative Expenses

	Bank	
	06/30/2022	12/31/2021
Data processing	(7,176)	(5,054)
Amortization and depreciation	(6,052)	(4,737)
Financial system services (a)	(4,810)	(2,667)
Rentals	(4,771)	(4,270)
Specialized technical services	(3,698)	(4,172)
Communications	(2,629)	(2,499)
Travel	(1,756)	(311)
Third-party services	(1,294)	(1,140)
Condominium	(1,027)	(1,111)
Property maintenance and upkeep	(914)	(820)
Water, energy and gas	(523)	(370)
Transportation	(436)	(227)
Promotion/ Advertising/ Publications	(408)	(786)
Registry	(382)	(448)
Material	(50)	(25)
Surveillance and security services	(16)	-
Fines	(11)	(115)
Insurance	(1)	(21)
Other administrative expenses	(2,089)	(2,034)
	(38,043)	(30,807)

(a) In the six-month period ended June 30, 2022, this includes brokerage expenses, charges and commission related to guarantee transactions of R\$ 2,413 thousand (June 30, 2021 - R\$ 1,004 thousand).

Notes to the financial statements as at June 30, 2022

(In thousands of Reals, otherwise indicated)

21. Related-parties Significant Transactions

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

	Rate	Bank	
		06/30/2022	12/31/2021
Asset			
Cash and cash equivalents		2,830	3,278
Bocom Shanghai		10	11
Bocom Hong Kong		55	47
Bocom Macau		630	441
BBM Bank Limited		2,135	2,779
Investments in foreign currencies		1,530,673	1,378,585
BBM Bank Limited		1,530,673	1,378,585
Dividends and bonuses receivables		770	770
BOCOM BBM CCVM S.A.		770	770
Other Receivables		87	2,342
BOCOM BBM CCVM S.A.		13	54
Tai Yang Fund		37	39
Haitan		37	2,249
Loan Operations		241	52,985
Bank of Communications Co., Ltd		-	52,659
Other related individuals/legal entities	100% DI + 1.1	241	326
Marketable Securities		15,800	35,242
Bocom Macau	3.05%	15,800	35,242
Derivative Financial Instruments		120,456	94,915
Haitan Fund		7,254	12,210
Bocom Brazil Holding Company Ltda		20,994	73,581
BBM Bank Limited		27,760	6,801
Jiang Fundo De Investimento Multimercado CPIE		64,448	2,323

Notes to the financial statements as at June 30, 2022
(In thousands of Reals, otherwise indicated)
21. Related-parties Significant Transactions (Continued)

	Rate	Bank	
		06/30/2022	12/31/2021
Liability			
Demand deposits		1,193,420	1,115,518
BBM Bank Limited		1,089,974	971,943
Haitan Fund		92,453	120,319
Tai Yang Fund		2,133	1,971
BOCOM BBM CCVM S.A.		183	507
Bocom Brazil Holding Company Ltda		15	24
Évora S.A.		10	10
Bahia AM Renda Fixa Ltda		5	5
Bahia AM Renda Variável Ltda		5	5
Bahia Holding S.A.		1	1
Outras pessoas físicas/jurídicas ligadas		8,641	20,733
Interbank deposits		4,181	3,976
BOCOM BBM CCVM S.A.	100% DI	4,181	3,976
Time deposits		223,937	139,919
Bocom Brazil Holding Company Ltda	97% DI	162,033	68,549
Aleutas S.A.	97.5% DI	46,825	54,122
Bahia Holding S.A.	97% - 97.2% DI	8,975	11,516
Évora S.A.	97% DI	3,780	3,592
Colares Participações S/A	97.2% DI	2,169	2,105
Other related individuals/legal entities	99% - 115% DI	155	35
Repurchase agreements - Debentures		17,845	79,065
Other related individuals/legal entities	100% DI	17,845	79,065
Government Bonds Agreements		31,808	25,367
Jiang Fundo de Investimento Multimercado CPIE		546	2,298
Other related individuals/legal entities		31,262	23,069
Financial Bills		389	290
Other related individuals/legal entities	100% - 111% DI	389	290
Agriculture Credit Bills		196,302	173,674
Other related individuals/legal entities	91% - 123% DI	196,302	173,674
Real Estate Credit Bills		9,713	46,180
Other related individuals/legal entities	97% - 104% DI	9,713	46,180
Obligations for securities abroad		712,470	341,329
The Southern Atlantic Investments Ltd	3.01% - 0.15%	712,470	341,329
Derivative Financial Instruments		21,250	183,522
Bocom Brazil Holding Company Ltda		-	146,400
Haitan Fund		11,387	1,835
BBM Bank Limited		1,557	2,183
The Southern Atlantic Investments Ltd		636	185
Jiang Fundo De Investimento Multimercado CPIE		7,670	32,919
Subordinated Debt		210,221	205,996
Bocom Brazil Holding Company Ltda	110% SELIC	168,833	165,441
Other related individuals/legal entities	110% SELIC	41,388	40,555
Liabilities on Loans abroad		4,498,322	3,895,561
Bocom Shanghai	0.75% - 3.00%	3,210,785	3,021,848
Bocom NY	0.57% - 2.25%	1,008,266	558,458
Bocom Hong Kong	0.99%	263,243	279,775
Bocom Macau	3.00%	16,028	35,480
Dividends and bonuses payable		-	30,068
Interest on capital credited to shareholders		-	30,068
Sundry		21,605	2,182
The Southern Atlantic Investments Ltd		-	2,182
Haitan		21,605	-

Notes to the financial statements as at June 30, 2022
(In thousands of Reals, otherwise indicated)
21. Related-parties Significant Transactions (Continued)

	Bank	
	06/30/2022	06/30/2021
Result		
Result with Derivative Financial Instruments	(21,513)	(9,443)
The Southern Atlantic Investments Ltd	(19,838)	(7,220)
Bocom Brazil Holding Company Ltda	28,602	8,972
BBM Bank Limited	1,771	2,476
Jiang Fundo de Investimento Multimercado C PIE	(803)	(19,987)
Haitan Fund	(30,490)	6,316
Tai Yang Fund	(755)	-
Other related individuals/legal entities	-	-
Loans operations Income	192	-
Bank of Communications Co., Ltd.	177	-
Other related individuals/legal entities	15	-
Income with Marketable Securities	386	-
Bocom Macau	386	-
Earnings from investments funds	7,478	1,018
Jiang Fundo de Investimento Multimercado C PIE-DRE-RendaAplic.	7,478	1,018
Open market funding	(15,877)	5,922
Expenses from investments funds	10,226	15,845
The Southern Atlantic Investments Ltd	10,226	15,845
Repurchase agreements - Debentures expenses	(2,064)	(270)
Other related individuals/legal entities	(2,064)	(270)
Repurchase agreements - Securities	(4,172)	(2,108)
Jiang Fundo de Investimento Multimercado C PIE	(54)	54
Outras pessoas físicas/jurídicas ligadas	(4,118)	(2,162)
Interbank deposits expenses	(265)	(131)
BOCOM BBM CCVM S.A.	(265)	(131)
Time deposits expenses	(4,337)	(1,671)
Évora S.A.	(84)	(42)
Bocom Brazil Holding Company Ltda	(2,699)	(651)
Bahia Holding S.A.	(243)	(193)
Aleutas S.A.	(1,279)	(676)
Colares Participações S/A	(31)	(109)
Outras pessoas físicas/jurídicas ligadas	(1)	-
Agriculture credit bills expenses	(4,285)	(2,319)
Other related individuals/legal entities	(4,285)	(2,319)
Real estate credit bills expenses	(986)	(636)
Other related individuals/legal entities	(986)	(636)
Subordinated Debt	(9,994)	(2,788)
Bocom Brazil Holding Company Ltda	(9,542)	(2,242)
Other related individuals/legal entities	(452)	(546)

Notes to the financial statements as at June 30, 2022

(In thousands of Reals, otherwise indicated)

21. Related-parties Significant Transactions (Continued)

	Bank	
	06/30/2022	06/30/2021
Loans expenses abroad	(16,193)	(15,636)
Bocom Shanghai	(10,922)	(13,978)
Bocom Macau	(381)	(233)
Bocom Hong Kong	(1,304)	(1,343)
Bocom NY	(3,586)	(82)
Foreign Exchange Variation with Loans Abroad	33,731	32,359
Bocom Shanghai	32,571	32,559
Bocom Macau	1,160	(200)
Expenses with banks abroad	(255,119)	(44,936)
BBM Bank Limited	(255,119)	(44,936)
Other administrative expenses	(50)	(54)
Services provisions	(50)	(54)
BBM Bank Limited	(50)	(54)
Other operating income	748	770
BBM Bank Limited	451	485
BOCOM BBM CCVM S.A.	75	75
Haitan Fund	111	105
Tai Yang	111	105
Total	(266,217)	(30,000)

Notes to the financial statements as at June 30, 2022

(In thousands of Reals, otherwise indicated)

21. Related-parties Significant Transactions (Continued)

b) Key Management Compensation

The total compensation will be calculated as follows:

I) Fixed and variable compensation

The total compensation of the Participants will comprise a fixed and a 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.

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

	Bank	
	06/30/2022	12/31/2021
Liabilities		
Statutory	13,517	17,108
Management Variable Compensation - Short Term	4,420	5,876
Deferred Management Variable Compensation - Long Term	9,097	11,232

	Bank	
	06/30/2022	06/30/2021
Result	(25,298)	(25,841)
Fixed compensation	(11,781)	(8,948)
Variable compensation	(13,517)	(16,893)

Notes to the financial statements as at June 30, 2022*(In thousands of Reals, otherwise indicated)***22. Derivative financial instruments**

The Bank 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 Bank, international derivative 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, 2022, the guarantees for the transactions involving derivative financial instruments are represented mainly by government securities in the total amount of R\$ 625,475 thousand (December 31, 2021 - R\$ 578,159 thousand) and fund quotas in the total amount of R\$ 30,413 thousand (December 31, 2021 - R\$ 27,582 thousand).

Notes to the financial statements as at June 30, 2022
(In thousands of Reals, otherwise indicated)
22. Derivative Financial Instruments (Continued)
a.) At cost and market value

	Bank						
	06/30/2022						12/31/2021
	Cost	Market	Up to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total
Future market							
Purchased position	47,044	47,044	42,420	3,402	957	265	2,063
Sold position	485	485	485	-	-	-	6,463
Swaps							
Asset position	66,878	195,902	25,743	22,145	15,959	132,055	125,484
Liability position	163,718	97,984	14,340	2,416	50,006	31,222	183,131
Non-deliverable forward - NDF							
Asset position	95,304	96,249	65,218	8,522	21,817	692	66,101
Liability position	9,297	9,585	7,981	1,461	68	75	146,401
Options market							
Asset position	1,762	1,435	847	-	1	587	1,301
Liability position	19,636	21,310	114	293	8,199	12,704	3,914

Notes to the financial statements as at June 30, 2022

(In thousands of Reals, otherwise indicated)

22. 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\$ 5,058,389 thousand (December 31, 2021 – R\$ 4,305,243 thousand);
- Sold foreign exchange coupon contracts (DDI) of R\$ 1,000,277 thousand (December 31, 2021 – R\$ 436,778 thousand);
- Purchased interest contracts (DI1) of R\$ 2,352,005 thousand; (December 31, 2021 – R\$ 858,032 thousand);
- Sold interest contracts (DI1) of R\$ 443,303 thousand; (December 31, 2021 – R\$ 488,852 thousand);
- Purchased currency contracts (DOL) of R\$ 1,274,522 thousand; (December 31, 2021 – R\$ 365,725 thousand);
- Sold currency contracts (DOL) of R\$ 1,239,283 thousand (December 31, 2021 – R\$ 1,725,701 thousand);
- Purchased currency contracts (DAP) of R\$ 46,614 thousand; (December 31, 2021 – R\$ 64,178 thousand);
- Sold currency contracts (DAP) of R\$ 224,081 thousand (December 31, 2021 – R\$ 184,713 thousand);
- Purchased currency contracts (EUP) of R\$ 1,739,523 thousand (December 31, 2021 – R\$ 0 thousand);
- Purchased contracts in US treasury bonds (T-Note10) in the amount of R\$ 501,039 thousand; (December 31, 2021 – R\$ 0 thousand);

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

	Bank	
	06/30/2022	06/30/2021
Futures contracts	(513,557)	(203,318)
Option contracts	(255)	14,821
Swap and term agreements	264,489	73,366
Total	(249,323)	(115,131)

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, 2022

(In thousands of Reals, otherwise indicated)

22. Derivative Financial Instruments (Continued)

b.) Hedge Accounting

Fundraising fair value hedge (I)

Bank 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 0.90% p.a..
- On September 18, 2017 in the amount of USD 30,000 thousand with payment of fixed interest of 0.90% p.a..
- On September 11, 2017 in the amount of USD 35,000 thousand with payment of fixed interest of 0.90% p.a..
- On December 11, 2021 in the amount of USD 10,000 thousand with payment of fixed interest of 0.75% p.a..
- On March 31, 2022 in the amount of USD 32,500 thousand with payment of fixed interest of 2,38% 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 101.69%.

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Hedge object	Bank			
	06/30/2022		12/31/2021	
		Result of the hedge instrument	Effectiveness	Effectiveness
Fundraising (I)	(114,959)	113,046	101.69%	100.57%

Fundraising fair value hedge (II)

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 99.98% to LF PRÉ

Hedge object	Bank			
	06/30/2022		12/31/2021	
		Result of the hedge instrument	Effectiveness	Effectiveness
Fundraising (II) - LF PRÉ	5,021	(5,022)	99.98%	99.44%

Notes to the financial statements as at June 30, 2022

(In thousands of Reals, otherwise indicated)

22. 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 98.55%.

Hedge object	Bank			
	06/30/2022		12/31/2021	
	Result of the object	Result of the hedge instrument	Effectiveness	Effectiveness
Credit Operations	136	(138)	98.55%	98.90%

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.

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	Bank			
	06/30/2022		12/31/2021	
	Result of the object	Result of the hedge instrument	Effectiveness	Effectiveness
Investment Abroad	10,149	(10,149)	100.00%	100.00%

Notes to the financial statements as at June 30, 2022

(In thousands of Reals, otherwise indicated)

22. Derivative Financial Instruments (Continued)

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 and in February 2022 SoFr vs. USD prefixed rate swap contracts, 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 and SOFR. 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 103.78% for Libor and 104.24 for SOFR.

Hedge object	Bank			
	06/30/2022		12/31/2021	
	Result of the object	Result of the hedge instrument	Effectiveness	Effectiveness
Bonds Held to Maturity Abroad - LIBOR	(4,738)	4,775	99.23%	103.78%
Bonds Held to Maturity Abroad - SOFR	(5,116)	4,908	104.24%	0.00%

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 and in December 2021 SOFR 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 and SOFR 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 LIBOR 99.37% and SOFR 106.18%.

Hedge object	Bank			
	06/30/2022		12/31/2021	
	Result of the object	Result of the hedge instrument	Effectiveness	Effectiveness
Bonds Available for Sale Abroad - LIBOR	(5,203)	5,236	99.37%	99.24%
Bonds Available for Sale Abroad - SOFR	(2,579)	2,429	106.18%	88.04%

Notes to the financial statements as at June 30, 2022

(In thousands of Reals, otherwise indicated)

23. Risks Management

Market Risk

Bank 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 the 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, regardless 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, independent 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.

Reference Date	VaR (in R\$ Millions)
06/30/2022	7.5
12/31/2021	3.7
06/30/2021	3.6
12/31/2020	6.1

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 one of the risk factors, the consolidated financial loss of the portfolio under stress is calculated for each one of the two scenarios. Finally, the scenario with the greatest financial loss is used as a reference.

Reference Date	B3 Stress (in R\$ Millions)
06/30/2022	-143.1
12/31/2021	-111.5
06/30/2021	-57.5
12/31/2020	-20.2

Notes to the financial statements as at June 30, 2022

(In thousands of Reals, otherwise indicated)

23. Risks Management (Continued)

Liquidity Risk

Bank 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 to its equity and the current policies for fundraising, credit and treasury.

Bank 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).

	Bank	
	06/30/2022	12/31/2021
Current assets	10,518,123	7,448,779
Current liabilities	(12,842,330)	(10,480,875)
Working capital, net	<u>(2,324,207)</u>	<u>(3,032,096)</u>
Securities available for sale presented in long-term receivables	1,767,274	1,738,655
Borrowings abroad	2,364,051	2,121,045
	<u>1,807,118</u>	<u>827,604</u>

Bank 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\$ 2,364,051 thousands which, despite having a maturity of less than 1 year, are systematically renewed.

Notes to the financial statements as at June 30, 2022*(In thousands of Reals, otherwise indicated)***23. Risks Management (Continued)****Credit Risk**

Bank BOCOM BBM has a credit risk management structure comprising the following elements and respective duties: a) the Credit Committee, which is 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

It is the risk associated with faulty or inadequate internal processes, human or systems failures, or external events. Operational risk is inherent to the Conglomerate's activities and can manifest itself in several ways.

To monitor and control these risks, and in line with the guidelines of the Regulatory Bodies and best market practices, the Financial Conglomerate BOCOM BBM ("BOCOM BBM") established the "Operational Risk Management Policy". This document constitutes a set of principles, procedures and responsibilities to be observed, in order to ensure the functioning and strengthening of our internal control systems.

The area is responsible for ensuring, together with the other components of the risk management structure, the compliance with the guidelines established by the mentioned Policy. The Internal Controls and Operating Risk area is a segregated independent organizational area of Internal Audit, under the responsibility of the Risk Office.

The complete description of the operating risk management structure is available for the public in the website of Banco BOCOM BBM na Internet (www.bocombbm.com.br).

Capital Management

Bank 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 a 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, 2022

(In thousands of Reals, otherwise indicated)

24. Operating Limits

In October 2013, the new rules related to capital measurement became effective. The financial institutions and similar entities must 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 for trade, according to BACEN's rules and instructions. The Prudential Conglomerate of Banco BOCOM BBM is within this operational limit on June 30, 2022.

	Prudential Conglomerate	
	06/30/2022	12/31/2021
Reference Equity Level I	1,095,346	1,013,478
Level I + Equity Adjustments Except Non-consolidated Interest and Tax Credit	1,130,217	1,046,804
Decrease in intangible / deferred assets according to CMN Resolution No. 4,955	34,871	33,326
Reference Equity Level II	284,833	-
Reference Equity (PR)	1,380,179	1,013,478
Risk-Weighted Assets (RWA)	815,729	641,542
Portion referring to:		
Credit risk (RWACPAD)	734,160	554,456
Market risk (RWAMPAD)	3,773	16,675
Operating risk (RWAOPAD)	77,796	70,411
Margin or Insufficiency Value (PR - RWA)	564,450	371,936
Risk Factor – 8.00% of PR	110,414	81,078
Basel Rate (Risk Factor / RWA)	13.54%	12.64%
RBAN	50,839	89,265
ACP required	254,915	160,386
Reference Equity Margin + RBAN and ACP	258,696	122,285

Notes to the financial statements as at June 30, 2022

(In thousands of Reals, otherwise indicated)

25. Income Tax and Social Contribution

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

	Bank	
	06/30/2022	12/31/2021
Asset credit tax:		
Balance at January 1st	116,791	105,754
Constitution (Reversal)		
- With effects in the result	2,304	285
- With effects in equity		
(Securities held for sale)	10,696	10,752
Balance at June 30th	129,791	116,791
Provision for deferred taxes: (*)		
Balance at January 1st	88,826	58,892
Constitution (Reversal)		
- With effects in the result	33,998	29,934
Balance at June 30th	122,824	88,826

(*) 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, 2022

(In thousands of Reals, otherwise indicated)

25. Income Tax and Social Contribution (Continued)

Attending the BCB Resolution No. 15/2020, in its 13th article, the constitutions and realizations in asset credit taxes and provision for deferred taxes were highlighted, just like their nature and origins, as follows:

	Bank			
	06/30/2022	Constitution	Reversal	12/31/2021
Asset credit tax:				
Temporary differences (a)				
- Provision for loan transactions	33,568	4,527	1,696	30,737
- Market value adjustment - marketable securities and derivatives	75,062	24,056	15,674	66,680
- Provisions for Contingencies (Note 26)	5,487	50	159	5,596
- Others	15,223	17,366	15,511	13,369
- CTA Tax Effects	43	43	-	-
Social Contribution Negative Basis	182	2,850	2,850	182
Tax loss	227	754	754	227
Total	129,791	49,645	36,644	116,791
Provision for deferred taxes				
Temporary differences (a)				
- Adjustment to Market of TVM and Derivatives	122,745	18,612	52,568	88,789
- Others	37	-	-	37
- CTA Tax Effects	(43)	43	-	-
Total	122,739	18,655	52,568	88,826

(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\$ 21 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 as 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	Bank	
	Tax credits on temporary differences	Loss and negative basis
2021	(10,342)	409
2022	30,255	
2023	5,953	
2024	564	
2025	1,128	
Total	27,967	
Present value	20,038	

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, 2022
(In thousands of Reals, otherwise indicated)
25. 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:

	06/30/2022		06/30/2021	
	IRPJ	CSLL	IRPJ	CSLL
Income before taxes	160,788	160,788	120,250	120,250
Bank's net profit	87,259	87,259	63,542	63,542
(-/+) Income tax and social contribution	(73,529)	(73,529)	(56,708)	(56,708)
Tax rate	25%	20%	25%	20%
Income tax and social contribution				
At tax rate	(40,197)	(32,158)	(30,063)	(24,050)
Permanent additions	56,279	42,763	53,180	36,287
Non-deductible expenses	5,958	(7,558)	15,757	(1,136)
Addition on profit abroad	50,321	50,321	37,423	37,423
Permanent exclusions	35,977	35,977	33,555	33,555
Tax-free revenues	(10,149)	(10,149)	(2,121)	(2,121)
Equity in the result of investees (Bank)	46,126	46,126	35,676	35,676
Temporary additions / exclusions	(73,541)	(75,677)	(24,359)	(23,090)
Tax basis	107,548	91,896	115,516	99,892
Tax basis with use of tax loss and negative basis	107,548	91,896	115,516	99,892
Income tax and social contribution (a)	(26,873)	(18,378)	(28,867)	(19,978)
Use of tax incentives and taxes of subsidiaries abroad	27	-	409	-
Income tax and social contribution in the result for the period	(26,846)	(18,378)	(28,458)	(19,978)
DIPJ adjustment	(2,012)	-	355	-
Provision for Deferred Tax Liabilities	(18,864)	(15,091)	41	33
Income tax and social contribution in the result for the period - Banco BOCOM BBM	(47,722)	(33,469)	(28,061)	(19,945)
Income tax and social contribution in the result for the period - Prudential Conglomerate	(47,722)	(33,469)	(28,516)	(20,187)

- a) In 2021, the Law No. 14,183, arising from the Provisional Measure (MP) No. 1,034/2021, increases the Social Contribution on Net Income (CSLL) rate due by financial institutions. The impact for Banco BOCOM BBM was the increase of the CSLL rate from 20% to 25%, between 7/1/2021 and 12/31/2021, as from 1/1/2022, the rate will be of 20%, according to the amendment proposed by the MP No. 1,034/2021, article 3, item III of the Law No. 7,689/1988. BOCOM BBM CCVM had the CSLL rate increased from 15% to 20%, between 7/1/2021 and 12/31/2021, and as from 1/1/2022, the rate will be of 15%, according to amendments proposed by MP No. 1,034/2021, article 3, item I, of the Law No. 7,689/1988. On April 28, 2022, Provisional Measure 1,115/22 was issued, increasing by 1% the CSLL rate for these legal entities, according to the changes proposed in Law 7,689/88. The CSLL rate of BOCOM BBM Bank increased from 20% to 21%, and of BOCOM BBM CCVM, from 15% to 16%, effective from August 1, 2022 to December 31, 2022.

Notes to the financial statements as at June 30, 2022

(In thousands of Reals, otherwise indicated)

26. Provisions and liabilities for legal obligation

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

Breakdown of provision

a) Labor 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 and current stage of the processes, management recorded a provision in an amount considered sufficient to cover the estimated losses expected in connection with ongoing litigation, as follows:

	Bank	
	06/30/2022	12/31/2021
Labor	11,383	11,787
Total - Provisions for contingencies	11,383	11,787

These provisions are recorded as "Other liabilities - sundry" under Long-term liabilities. During the semester ended June 30, 2022, R\$ 404 thousand were reversed for contingent liabilities in the Bank.

b) Tax and Social Security Provisions

Bocom BBM is a party to other proceedings for which the internal and external legal advisors have judged the risk of loss to be possible. From all the tax proceedings classified as possible loss, there are 9 in which the main discussion refers to the offsetting process that is in the initial administrative stage and the aggregate value is not relevant.

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 R\$ 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.

Considering that, at the moment, the suits are classified as possible, they were not recorded as liability.

c) Civil Provisions

Bocom BBM is a party to other lawsuits for which the internal and external legal advisors have judged the risk of loss to be possible. From all the tax proceedings classified as possible loss, there are 17 proceedings in which the main discussion is related to: request for a review of contractual terms and conditions, requests for monetary adjustments (including alleged effects of the implementation of various government economic plans), bankruptcy, protests, accountability, having counterparties originating from credit operations or products already discontinued, and provision services. For the purposes of provisioning for civil lawsuits, the legal advisors considered the law, case law, case history and the procedural stage.

Considering that, at the moment, the suits are classified as possible, they were not recorded as liability.

Notes to the financial statements as at June 30, 2022

(In thousands of Reals, otherwise indicated)

26. Provisions and Liabilities for Legal Obligation (Continued)

d) Liabilities for legal obligations

Based on the preliminary injunction obtained, Banco BOCOM BBM ensured the suspension of the requirement for PIS/Pasep and COFINS tax credits that are determined, with the incidence of Service Tax (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 started to collect, in November 2018, PIS/Pasep and COFINS disregarding the municipal tax in their respective calculation bases, having constituted a liability for the remaining balance up to June 2022, recorded as "Other Sundry Liabilities" in Long-Term Liabilities, as follows:

	Bank	
	06/30/2022	12/31/2021
PIS and COFINS	808	648
Total - Liabilities for legal obligations	808	648

e) Others

On December 5, 2016, the Brazilian Administrative Council for Economic Defense (CADE) filed 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.

27. 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.

	Bank	
	06/30/2022	12/31/2021
Guarantee		
Other Sureties	388,574	572,605
Surety Guarantee in lawsuits and administrative procedures	381,847	369,085
Linked to bids, auctions, service render or construction	260,434	267,340
Linked to international trade	8,080	28,829
Total	1,038,935	1,237,859
Changes in allowances for financial guarantees		
Beginning balance	14,208	17,021
Constitution / (Reversal)	(2,138)	(2,813)
Ending balance	12,070	14,208

28. 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 debts with financial institutions with which it has this kind of arrangement. On June 30, 2022, the total assets mitigated by compensatory arrangement was of R\$ 1,623,355 thousand (December 31, 2021 - R\$ 1,928,401 thousand).

Notes to the financial statements as at June 30, 2022*(In thousands of Reals, otherwise indicated)***28. Other information (Continuing)****(b) Marketable Securities Portfolio**

In the six-month period ended June 30, 2022, 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\$ 21,057 thousand in bonds maturing in 2027 and 2031 and buying R\$ 24,569 thousand maturing in 2030 and 2031, which generated an effect on the result of R\$ 68 thousand.

At the end of the six-month period, Banco BOCOM BBM had R\$ 1,486,067 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.

(c) Impacts of Covid19

The continued recovery in activity and the escalation of inflation around the world due to the post-Covid return to normalcy set the tone in the first half of 2022. Developed economies such as the United States, the United Kingdom, Canada and the Eurozone saw a rapid recovery in employment and an increase in consumption due to the fiscal and monetary stimuli implemented during the pandemic. The good performance of the economy and lower unemployment rates were accompanied by rising inflation, especially in services and its most inertial components, accelerated by the war between Russia and Ukraine, which further increased the pressure on commodity prices and made logistics more difficult in the production and distribution of goods. During the first half of the year, the Central Banks of the developed countries started cycles of interest rate hikes. In Brazil, monetary tightening started in 2021, but more adverse international financial conditions have led to the continuation of the cycle also in 2022. Despite the monetary policy continuing to advance in restrictive territory, the Brazilian economic activity showed a lot of resilience in the first half of the year, due to the recovery of the services sector, the recovery of employment, and a series of fiscal stimuli that continue to be practiced, with an increase in the budget dedicated to social assistance and tax exemptions on regulated items, such as gasoline. Presidential elections add uncertainty to the economic scenario, and the definition of the reform agenda of the main candidates continues to be determinant for a more robust growth path and for the fiscal sustainability of the Brazilian economy in the coming years.

Throughout the first half of the year, the third wave of COVID-19, caused by the crowds during the year-end external celebrations and the time window between vaccine doses, required extra attention to preserve the health of our employees and collaborators. The remote work model became more flexible for a determined period and the use of masks was mandatory in the internal environment during this period, thus preventing contamination from advancing into the work environment.

In parallel with the internal initiatives, we continue to help needy communities that have been severely impacted by the pandemic, through sponsorships and donations. In April, we donated hygiene kits for 70 children and teenagers living in poverty, in the amount of R\$ 5,600.00, reinforcing our corporate commitment to actions aimed at fighting COVID-19.

29. Events After the Reporting Period**(a) Corporate Change**

In 2021, Banco BOCOM BBM announced the beginning of the process of transferring 20% of its shares to Bank of Communications, current holder of the remaining 80%. This will result in the exit of individuals that controlled the share capital of Banco BOCOM BBM, it is about a continuity of the shareholders' agreement entered into in 2016 between the former owners and the Bank of Communications (when the acquisition of the initial 80% occurred). The consumption of the operations is subject to the approval from the Brazilian and Chinese regulation authorities, with probable conclusion in about a year.

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Aline Gomes – Controller
CRC 087.989/0-9 "S"- BA