

(A free translation of the original in Portuguese)

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***Banco BOCOM BBM
S.A.
Financial statements at
June 30, 2023
and independent auditor's report***





(A free translation of the original in Portuguese)

Independent auditor's report

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

Opinion

We have audited the accompanying financial statements of Banco BOCOM BBM S.A. (the "Bank"), which comprise the balance sheet as at June 30, 2023 and the statements of operations, comprehensive income, changes in equity and cash flow for the six-month period then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

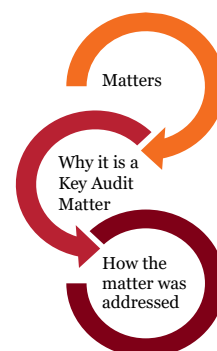
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banco BOCOM BBM S.A. as at June 30, 2023, and its financial performance and cash flow for the six-month period then ended, in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN).

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.





Banco BOCOM BBM S.A.

Why it is a Key Audit Matter	How the matter was addressed in the audit
<p>Measurement of the Allowance for Doubtful Accounts</p> <p>As disclosed in Notes 3(l) and 7, the determination of the allowance for doubtful accounts considers, in addition to past experience, the risk assessment of debtors and their guarantors, as well as the specific characteristics of the operations carried out in accordance with the requirements of the Resolution No. 2682 of the Central Bank of Brazil.</p> <p>This is an area that was defined as an audit focus, because the use of different judgments in determining the amount of the allowance for loan losses could result in significant variations in the estimate of this allowance.</p>	<p>We updated our understanding of the relevant internal controls in calculating and recognizing the allowance for doubtful accounts.</p> <p>We performed tests in order to observe the integrity of the data used to calculate the allowance for doubtful accounts, in addition to tests to observe the application of the methodology for calculating this allowance in relation to the assigned ratings, the assumptions adopted, as well as the comparison of balances accounting with analytical reports.</p> <p>We consider that the criteria and assumptions adopted by Management are consistent with the information analyzed in our audit.</p>
<p>Measuring the fair value of certain financial instruments with low liquidity and no active market</p> <p>As disclosed in Notes 3(b), 3(g) and 6, measuring the fair value of financial instruments with low liquidity and no active market was considered an area of focus in our audit due to its relevance in the context of financial statements. These instruments depend on valuation techniques carried out through internal models, which consider certain assumptions for valuing instruments with low liquidity and without an active market and/or observable market data.</p>	<p>We updated our understanding of the relevant internal controls that involve the measurement, recognition and disclosure of the fair value of these financial instruments with low liquidity and without an active market.</p> <p>We updated our understanding of the calculation methodologies for pricing derivative financial instruments, analyzed the reasonableness of the assumptions used by Management in the construction of curves and internal pricing models, as well as analyzed the alignment of these assumptions and models with practices used in the market. We carry out independent valuation tests on certain operations, selected on a sample basis.</p> <p>We consider that the criteria and assumptions adopted by Management in measuring the fair value of these financial instruments with low liquidity and no active market are consistent with those analyzed in our audit.</p>



Banco BOCOM BBM S.A.

Other matters

Prior-year and semester informations

The original financial statements of the Bank for the year ended December 31, 2022 and the six-month period ended June 30, 2022, were audited by another firm of auditors whose report, dated February 17, 2023 and August 22, 2022, respectively, expressed an unmodified opinion on those statements.

Other information accompanying the financial statements and the audit report

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

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

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit



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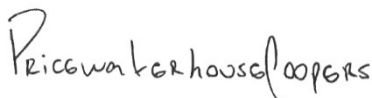
evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.


- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of associates to express an opinion on the Bank's financial statements. We are responsible for the direction, supervision and performance of the audit, considering these investees. We remain solely responsible for our audit opinion.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Rio de Janeiro, August 14, 2023


PricewaterhouseCoopers
 Auditores Independentes Ltda.
 CRC 2SP000160/O-5

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 Hugo Lisboa
 Signed By: HUGO LISBOA FERREIRA 10048469750
 CPF: 10048469750
 Signing Time: 14 de agosto de 2023 | 19:37 BRT

Hugo Lisboa Ferreira
 Contador CRC 1RJ116875/O-0

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 and abroad. For the management and consultancy of individual assets (Wealth Management), we adapted our Wealth Management Services activity to the new market practices with the objective of having more focus on administrative and transaction settlement services. Coherently, the activity of distributing own and third-party products, focused at individuals, began to be carried out on an exclusive basis through strategic partners.

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.

Performance of Bocom BBM

In June 2023, the Banco Bocom BBM recorded equity of R\$ 1,107 million (December 31, 2022 - R\$ 1,010 million) and net income of R\$ 130 million on June 30, 2023 (June 30, 2022 - R\$ 87 million), which corresponds to annual profitability of 24.46%, calculated based on the average equity for the period.

Total assets on June 30, 2023, amounted to R\$ 24,073 million (December 31, 2022 - R\$ 22,568 million). The amount raised in the domestic and foreign markets totaled R\$ 17,139 million (December 31, 2022 - R\$ 16,233 million) at end of the semester. The Bank's Basel Capital Adequacy Ratio was 14.27% at the end of the semester (December 31, 2022 - 14.66%).

Corporate Credit

Our expanded credit portfolio, which includes export-import finance and guarantees such as sureties, reached R\$ 15.0 billion (December 31, 2022 - R\$ 13.5 billion). This corresponded to growth of 10.51% when compared to the previous semester.

Wealth Management

Wealth Management Services area serves Brazilian and Foreigner customers, through diversified financial products and services, such as the distribution of funds, current account, custody, Legal Representation of Non-residents, foreign exchange, credit and other treasury products. The total these assets in June 2023 amounted to R\$ 10.3 billion (December 31, 2022 - R\$ 10.2 billion).

Asset Management

Asset Management offers investment funds aiming at the mid and long terms, focused on private credit assets, gaining scale with the expertise of Banco BOCOM BBM in the credit market. Our main differential is the robust management processes, using macro research, credit analysis and monitoring. In June 2023, the assets invested in the funds amounted to R\$ 1.9 billion (December 31, 2022 - R\$ 1.5 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.



Banco BOCOM BBM S.A.

Management's Report

(In thousands of Reais)

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 on November 1, 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 May 2, 2023, with "stable perspective", the best possible credit rating in this category.

On August 2, 2023 Fitch Ratings raised on a global scale, long-term issuer default ratings (IDR) to "BBB-" and "BB+" were assigned in local currency and foreign 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.

The long-term national rating "AAA (bra)", the highest possible rating in this category has not changed.

Balance Sheet*(In thousands of Reais)*

Assets	Note	Bank	
		06/30/2023	12/31/2022
Current and long-term assets		23,497,803	22,015,886
Cash	4	52,305	166,541
Cash		4	4
Free reserves		263	156
Bank deposits in foreign currencies		52,038	166,381
Short-term interbank investments	5	1,750,106	2,864,717
Open market investments	4	78,687	33,261
Interbank deposits		1,502,552	1,339,193
Investments in foreign currencies	4	168,867	1,492,263
Marketable securities and derivative financial instruments	6	8,209,754	6,928,819
Bank portfolio		3,382,799	2,725,901
Subject to repurchase agreements		3,770,791	3,158,165
Linked to guarantees given		473,851	762,451
Derivative financial instruments	22	582,877	283,004
Allowance for marketable securities		(564)	(702)
Interbank accounts		31,161	6,726
Correspondent banks		20,622	279
Deposits – Central Bank of Brazil		7,039	6,447
Check Payment Services and Other Papers		3,500	-
Loan transactions	7	11,601,010	10,895,963
Discounted securities and loans		5,920,043	5,586,237
Financing		2,137,681	2,587,046
Rural and agroindustrial financing		3,616,577	2,793,276
Allowance for loans		(73,291)	(70,596)
Other receivables		1,840,198	1,136,370
Foreign exchange portfolio	8	1,540,863	757,439
Unearned income		23,348	20,767
Trading and brokerage		-	35,528
Credit assignment	7	21,154	13,035
Honoured guarantee and surety	7	1,195	-
Sundry	14	136,612	128,341
Tax credits	25	123,641	186,680
Allowance for other receivables	7	(6,615)	(5,420)
Other assets	15	13,269	16,750
Permanent assets		574,872	551,645
Investments		524,536	502,567
Income from interest in subsidiaries			
In Brazil	9	19,675	18,187
Abroad	9	502,088	482,100
Other investments		4,595	4,102
Provision for losses		(1,822)	(1,822)
Property and equipment in use		11,178	12,283
Intangible assets	16	39,158	36,795
Total assets		24,072,675	22,567,531

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

Balance Sheet*(In thousands of Reais)*

Liabilities	Note	Bank	
		06/30/2023	12/31/2022
Current and long-term liabilities		22,965,671	21,557,425
Deposits	10	1,451,535	2,384,102
Demand deposits		374,407	441,460
Time deposits		1,059,601	1,903,438
Interbank deposits		17,527	39,204
Repurchase agreements	11	3,593,114	2,929,892
Bank portfolio		3,593,114	2,929,892
Funds from acceptance and issue of securities	12	10,155,339	9,529,885
Liabilities – marketable securities abroad		306,047	1,177,450
Liabilities from issue of agribusiness credit bills - LCA		7,227,398	5,651,106
Liabilities from issue of housing credit bills - LCI		18,736	17,880
Liabilities from issue of financial bills - LF		1,841,043	1,960,797
Liabilities from issue of financial bills - LF - Subordinated Debts		762,115	722,652
Interbank accounts		6	-
Receipts and payments to be settled		6	-
Interbranch accounts		45,720	30,471
Third-party funds in transit		45,720	30,471
Borrowings	13	5,844,716	5,970,785
Loans abroad		5,844,716	5,970,785
Derivative financial instruments	6 and 22	391,418	127,165
Derivative financial instruments		391,418	127,165
Other liabilities		1,483,823	585,125
Collection of similar taxes		77	361
Foreign exchange portfolio	8	969,218	46,918
Social		31,048	7,714
Statutory		82,220	78,355
Tax and social security		225,017	332,048
Securities trading		46,986	10
Allowance for financial guarantees	7 and 27	6,071	8,159
Sundry	14	123,186	111,560
Equity	17	1,107,004	1,010,106
Capital		469,300	469,300
Domiciled in Brazil		469,300	469,300
Income reserves		812,629	721,516
Other comprehensive income		6,914	1,129
Treasury stock		(181,839)	(181,839)
Total liabilities and equity		24,072,675	22,567,531

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	
		06/30/2023	06/30/2022
Financial income		1,280,794	852,305
Loan transactions		543,328	449,984
Income from marketable securities transactions	5 and 6	489,663	237,046
Loans, assignments and onlending operations	18	247,614	165,275
(Provisions)/Reversals for marketable securities	6	189	-
Financial expenses		(962,578)	(655,448)
Market funding operations	18	(593,056)	(371,760)
Loss on derivative financial instruments	22	(299,457)	(249,323)
Result of exchange operations	18	(65,805)	(23,430)
Provisions of allowance doubtful accounts	7	(4,260)	(10,560)
(Provisions)/Reversals for marketable securities	6	-	(375)
Gross financial income		318,216	196,857
Other operating income (expenses)		(52,290)	5,804
Service revenues	19	61,360	74,137
Personnel expenses		(67,455)	(55,207)
Other administrative expenses	20	(50,383)	(38,043)
Tax expenses		(16,789)	(12,901)
Income from interest in subsidiaries	9	21,525	29,194
Other operating income	7	2,437	10,911
Other operating expenses		(2,985)	(2,287)
Operating income		265,926	202,661
Non-operating expenses		185	429
Income before income taxes and profit sharing		266,111	203,090
Income and social contributions taxes	25	(90,621)	(77,424)
Provision for income tax		(17,724)	(46,217)
Provision for social contribution tax		(15,496)	(33,469)
Deferred tax asset		(57,401)	2,262
Profit sharing – management and employees		(45,836)	(38,407)
Net income for the six-month period		129,654	87,259
Earnings per outstanding share		0.63	0.42

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



Banco BOCOM BBM S.A.

Statement of Comprehensive Income*(In thousands of Reais)*

	Bank	
	06/30/2023	30/06/2022
Net income	129,654	87,259
Market adjustment variation of the securities	5,985	(12,955)
Securities available for sale	11,373	(23,651)
Tax effects	(5,388)	10,696
Exchange variation of investments abroad	(14,148)	(10,149)
Derivative financial instruments used for hedging	14,141	10,149
Derivative financial instruments	14,141	10,149
Cumulative translation adjustment *	(193)	(54)
Comprehensive income for the six-month period	135,439	74,250

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

*According to BCB Resolution No. 4,817/20



Banco BOCOM BBM S.A.

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	Expansion	Market value adjustment of securities and derivatives	Hedge of Investments Abroad	Cumulative translation adjustment *			
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)
Derivatives 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 six-month period	-	4,363	87,835	-	(12,955)	-	(54)	-	-	79,189
Semester Ended June 30, 2023										
Balances at January 1, 2023	469,300	60,329	661,187	-	1,406	(269)	(8)	(181,839)	-	1,010,106
Market value adjustments - marketable securities					5,985					5,985
Exchange variation of investments abroad						(14,148)				(14,148)
Derivative financial instruments used for hedging						14,141				14,141
Cumulative translation adjustment							(193)			(193)
Constitution Expansion Reserve			(70,369)	70,369						-
Prior year adjustment		(101)	(1,913)							(2,014)
Net income for the semester									129,654	129,654
Allocations:										-
- Reserves		6,483	86,644						(93,127)	-
- Interest on equity (R\$ 0.18 per share)									(36,527)	(36,527)
										-
Balances at June 30, 2023	469,300	66,711	675,549	70,369	7,391	(276)	(201)	(181,839)	-	1,107,004
Changes in the six-month period	-	6,382	14,362	70,369	5,985	(7)	(193)	-	-	96,898

See accompanying notes.

*According to BCB Resolution No. 4,817/20

Statement of Cash Flow*(In thousands of Reals)*

	Bank	
	06/30/2023	06/30/2022
Cash flow statements		
Net income	129,654	87,259
Adjustments to net income:	1,697	(107,191)
Allowance/Reversion for doubtful accounts	4,260	10,560
(Provisions)/Reversals for marketable securities	(189)	375
Depreciation and amortization	7,423	6,052
Expenses/Reversion from civil, labor and tax allowances	448	-
Income from interest in subsidiaries	(21,525)	(29,194)
Deferred income and social contribution taxes	57,401	(2,262)
(Gain)/losses on fair value adjustment on marketable securities and derivatives	(46,121)	(92,722)
Adjusted net income	131,351	(19,932)
(Increase) in short-term interbank investments	(163,359)	(989,852)
(Increase) in marketable securities and derivative financial instruments	(970,372)	(714,228)
(Increase)/Decrease in interbank and interbranch accounts	(9,180)	28,661
(Increase) in loan and lease transactions	(709,307)	(2,037,031)
(Decrease) in deposits	(932,567)	(212,271)
Increase/(Decrease) in open market funding	663,222	(84,966)
(Decrease)/Increase in borrowings and onlending	(126,069)	1,121,709
(Increase) in other credits and other assets and values	(759,762)	(446,019)
Increase/(Decrease) in other liabilities	865,731	(134,786)
Market value adjustments - marketable securities	5,785	(13,009)
Net cash flow from (used in) operating activities	(2,135,878)	(3,481,792)
Cash flow from investing activities:		
(Increase)/Decrease in investments	(444)	(695)
Property and equipment for use and leased (acquisition)	(8,681)	(7,544)
Net cash provided by (used in) investing activities	(9,125)	(8,239)
Cash flow from financing activities:		
Increase in securities issue resources	625,454	2,945,512
Dividends and interest on equity paid	(4,008)	30,068
Net cash used in financing activities	621,446	2,975,580
Net increase in cash and cash equivalents	(1,392,206)	(534,383)
At the beginning of the six-month period/year	1,692,065	2,401,020
Changes for the six-month period	(1,277,651)	880,255
Exchange variation for the six-month period	(114,555)	(1,414,638)
At the end of the six-month period	299,859	1,866,637
Net increase in cash and cash equivalents	(1,392,206)	(534,383)
Non-monetary transaction		
Interest on equity	36,527	-
Reversal of proposed dividends	-	(4,939)

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

*According to BCB Resolution No. 4,817/20



Banco BOCOM BBM S.A.

Notes to the financial statements as at June 30, 2023

(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;

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. 92/2020, 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, beyond Nassau Branch have the U.S. dollars ("USD") as their functional currency.

2.2 CMN Resolution 4,966/21 – Financial Instruments

The CMN Resolution 4,966/2021 establishes new accounting rules for the financial instruments, such as the classification and recognition of the hedge operations by the financial institutions and other institutions authorized to operate by the Central Bank of Brazil. In order to comply with this Resolution, Bocom BBM elaborated and keeps available for the Central Bank of Brazil its plan to implement the normative for the years to come.

Notes to the financial statements as at June 30, 2023

(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	
	06/30/2023	06/30/2022
Recurring Net Income	129,349	87,043
Non-recurring Events	305	216
Fines	(473)	(11)
(Provisions)/Reversals for contingencies	(448)	404
Income from Equity Securities	807	-
Provision for devaluation of properties not for use (AMV)	669	-
Income tax and social contribution	(250)	(177)
Net Income	129,654	87,259

(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, 2023

(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% 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, 2023

(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 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, 2023

(In thousands of Reals, otherwise indicated)

3. Significant Accounting Practices (Continued)

(o) Hedge Accounting (Continued)

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, 2023

(In thousands of Reals, otherwise indicated)

4. Cash

	Bank	
	06/30/2023	12/31/2022
Investments in foreign currencies (b)	168,867	1,492,263
Open market investments (a)	78,687	33,261
Bank deposits in foreign currencies	52,038	166,381
Free reserves	263	156
Cash	4	4
Total	299,859	1,692,065

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

(b) In the semester ended June 30, 2023, the item investments in foreign currency presents operations mostly in U.S. dollar

5. Short-term interbank investments

Short-term interbank investments are as follows:

	Bank	
	06/30/2023	12/31/2022
Open market investments	78,687	33,261
Self-funded position	78,687	33,261
Debentures	55,316	20,590
Financial treasury bills	15,387	12,169
Agribusiness receivables certificate	7,984	502
Interbank deposits (*)	1,502,552	1,339,193
Investments in foreign currencies (**)	168,867	1,492,263
	1,750,106	2,864,717
Current assets	1,697,049	2,863,812
Long-term receivables	53,057	905
Total	1,750,106	2,864,717

(*) The interbank deposits in the Bank on June 2023 basically refer to Time Deposits. In the semester ended June 30, 2023, their maturities are between June 2023 and June 2027.

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

At June 30, 2023 and December 31, 2022, the collateral received through repurchase agreements amounted to R\$ 20,846 thousand and R\$ 12,359 thousand, respectively, in the Bank. The provided collateral amounted to R\$ 2,655,538 thousand and R\$ 1,375,399 thousand during the same periods.

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



Notes to the financial statements as at June 30, 2023
(In thousands of Reals, otherwise indicated)

	Bank	
	06/30/2023	06/30/2022
Investments in interbank deposits	78,749	23,907
Open market investments	4,418	6,183
Investments in foreign currencies	2,505	207
Total	85,672	30,297

6. Marketable securities and derivative financial instruments

Notes to the financial statements as at June 30, 2023
(In thousands of Reals, otherwise indicated)

	Bank			
	Cost	Market	Cost	Market
	06/30/2023		12/31/2022	
I- Marketable securities	7,646,791	7,626,877	6,755,585	6,645,815
Securities for trading (*)	2,229,733	2,224,690	2,038,169	1,971,507
Bank portfolio	959,850	951,991	1,223,971	1,198,607
Fixed-income securities	852,228	844,369	1,139,570	1,114,206
Financial Treasury Bills	108,996	109,133	119,583	119,672
National Treasury Notes - B series	743,232	735,236	1,019,987	994,534
Investment funds quotas	107,622	107,622	84,401	84,401
Multimarket fund quotas	107,622	107,622	84,401	84,401
Subject to repurchase agreements	1,237,453	1,240,269	783,849	742,551
Financial Treasury Bills	2,312	2,313	3,255	3,255
National Treasury Notes - B series	1,235,141	1,237,956	780,594	739,296
Linked to guarantees given	32,430	32,430	30,349	30,349
Fund quotas given as guarantee	32,430	32,430	30,349	30,349
Securities available for sale (*)	2,726,405	2,711,534	1,987,230	1,944,122
Bank portfolio	2,074,279	2,082,119	1,208,125	1,206,234
Fixed-income securities	2,071,632	2,079,625	1,207,783	1,205,936
Financial Treasury Bills	862,584	864,031	586,779	587,462
National Treasury Bills	99,982	99,949	96,733	93,827
Debentures	113,851	120,770	3,502	3,677
Agribusiness Certificate of Credit Rights	684,251	684,247	300,419	300,417
Promissory notes	104,907	104,907	108,778	108,778
Commercial Note	62,817	62,854	-	-
Agribusiness Receivables Certificates	72,465	72,084	69,432	69,514
Certificate of Real Estate Receivables	32,508	32,508	-	-
Rural product note	37,019	37,019	34,003	34,003
Private Financial Bills	1,248	1,256	8,137	8,258
Marketable securities abroad	2,647	2,494	342	298
Eurobonds	2,647	2,494	342	298
Subject to repurchase agreements	652,126	629,415	779,105	737,888
Financial Treasury Bills	40,884	40,951	29,416	29,447
National Treasury Bills	239,534	235,400	229,718	220,702
Private Financial Bills	36,203	36,428	26,737	27,134
National Treasury Notes - B series	1,094	1,105	-	-
Debentures	132,430	132,078	192,339	195,667
Eurobonds	201,981	183,453	300,895	264,938

Notes to the financial statements as at June 30, 2023
(In thousands of Reals, otherwise indicated)
6. Marketable Securities and Derivative Financial Instruments (Continued)

	Bank			
	Cost	Market	Cost	Market
	06/30/2023		12/31/2022	
Securities held up to maturity	2,690,653	2,690,653	2,730,186	2,730,186
Bank portfolio	348,689	348,689	321,060	321,060
Fixed-income securities	348,689	348,689	318,368	318,368
National Treasury Notes - F series	54,578	54,578	-	-
National Treasury Bills	38,392	38,392	318,368	318,368
National Treasury Notes - B series	255,719	255,719	-	-
Subject to repurchase agreements	1,901,107	1,901,107	1,677,726	1,677,726
National Treasury Notes - B series	5,709	5,709		
Eurobonds	771,568	771,568	715,670	715,670
National Treasury Bills	1,123,830	1,123,830	962,056	962,056
Linked to guarantees given	441,421	441,421	732,102	732,102
National Treasury Notes - F series	280,997	280,997	616,190	616,190
National Treasury Bills	160,424	160,424	115,912	115,912
Provision for marketable securities	(564)	(564)	(702)	(702)
Eurobonds	(564)	(564)	(702)	(702)
II-Derivative financial instruments	484,018	582,877	187,434	283,004
Swap operations	197,466	302,573	78,237	216,778
Term	216,038	226,883	93,500	50,870
Options	28,365	11,272	13,907	13,566
Futures	42,149	42,149	1,790	1,790
Total marketable securities and				
Derivative financial instruments	8,130,809	8,209,754	6,943,019	6,928,819
Segregation of portfolio by maturity range:				
Up to 3 months	2,916,630	2,989,058	2,181,775	2,059,563
From 3 to 12 months	2,051,218	1,967,790	409,979	396,398
More than 12 months	3,162,961	3,252,906	4,351,265	4,472,858
Total	8,130,809	8,209,754	6,943,019	6,928,819

(*) Securities classified as "Securities for trading" maturing in more than 12 months and which, on June 30, 2023, amount to R\$ 2,069,568 thousand in the Bank (December 31, 2022 - R\$ 1,847,031 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\$ 1,233,421 thousand on June 30, 2023 (December 31, 2022 - R\$ 1,677,210 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, 2023.

Notes to the financial statements as at June 30, 2023
(In thousands of Reals, otherwise indicated)
6. Marketable Securities and Derivative Financial Instruments (Continued)

	Bank			
	Cost	Market	Cost	Market
	06/30/2023		12/31/2022	
III-Derivative financial instruments	467,708	391,418	238,959	127,165
Swap operations	135,543	118,407	98,612	47,013
Term	226,039	239,284	74,765	25,044
Futures	1,167	1,167	667	667
Options	104,959	32,560	64,915	54,441
Liability position	467,708	391,418	238,959	127,165
Segregatio by maturity range:				
Up to 3 months	260,145	243,375	55,115	24,678
From 3 to 12 months	73,328	47,388	75,224	49,764
More than 12 months	134,235	100,655	108,620	52,723
Total	467,708	391,418	238,959	127,165

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

	Bank	
	06/30/2023	06/30/2022
Private securities	68,959	38,267
Government bonds	329,691	159,270
Investment funds quotas	5,341	9,143
Exchange Variation	-	69
Income from marketable securities	403,991	206,749

	Bank	
	06/30/2023	06/30/2022
(Provision)/Reversal of provision for Marketable Securities	189	(375)
Result of (provision)/reversal of provision for Marketable Securities	189	(375)

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, 2023

(In thousands of Reals, otherwise indicated)

7. Loan Transactions

At June 30, 2023 and December 31, 2022, 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			
	06/30/2023		12/31/2022	
Agriculture	3,548,269	25.82%	3,076,213	24.00%
Sugar and Ethanol	2,647,609	19.27%	2,568,656	20.04%
Utilities (energy)	864,484	6.29%	545,626	4.26%
Banks and Insurers	692,328	5.04%	675,958	5.27%
Chemical and Petrochemical	570,376	4.15%	647,238	5.05%
Retail market	480,065	3.49%	387,066	3.02%
Foods - Sundry	411,204	2.99%	392,665	3.06%
Building and Real Estate	392,513	2.86%	435,011	3.39%
Specialized Services	381,361	2.78%	388,503	3.03%
Transportation and Logistics	368,180	2.68%	363,257	2.83%
Vehicles and Parts	313,598	2.28%	447,136	3.49%
Metallurgy	306,442	2.23%	231,474	1.81%
Diversified Holdings	303,726	2.21%	305,440	2.38%
Capital Goods	281,318	2.05%	76,333	0.60%
Meat Industry	254,068	1.85%	319,863	2.50%
Health	237,225	1.73%	210,369	1.64%
Pharmaceutics	202,840	1.48%	194,031	1.51%
Individuals	170,502	1.24%	164,864	1.29%
Pulp and Paper	137,356	1.00%	108,853	0.85%
Others (*)	827,184	6.02%	958,234	7.48%
Private sector	13,390,648	97%	12,496,790	97%
Utilities (energy)	269,404	1.96%	252,605	1.97%
Others (*)	80,620	0.59%	67,918	0.53%
Public Sector	350,024	3%	320,523	3%
Total	13,740,672	100%	12,817,313	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, 2023, and December 31, 2022.



Banco BOCOM BBM S.A.

Notes to the financial statements as at June 30, 2023

(In thousands of Reals, otherwise indicated)

7. Loan Transactions (Continued)

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

	Bank	
	06/30/2023	12/31/2022
Current Assets		
Loan Transactions	6,698,932	5,626,556
Private Sector	6,668,397	5,605,681
Public Sector	30,535	20,875
Other Receivables	44,090	27,866
Foreign Exchange Portfolio - Receivables (a)	21,741	17,353
Securities and Credits Receivable (b)	22,349	10,513
Noncurrent Assets		
Loan Transactions	4,975,369	5,340,003
Private Sector	4,975,369	5,340,003
Other Receivables	-	2,522
Securities and Credits Receivable (b)	-	2,522
Current Liabilities		
Other Liabilities	586,250	680,232
Foreign Exchange Portfolio - Advances on exchange contracts (a)	586,250	680,232
Subtotal	12,304,641	11,677,179
Co-obligations and risks in guarantees provided (c)	1,436,031	1,140,134
Current	1,032,350	930,073
Noncurrent	403,681	210,061
Total	13,740,672	12,817,313

(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, letters of credit and firm guarantees. The granted guarantees are recorded in clearing accounts and the respective yields are classified as other liabilities - see Note 14 - and appropriated to income according to the contractual terms of the guarantees. These also include, in the Bank, guarantees granted for credit operations of Nassau Branch and BBM Bank Limited. Nassau Branch is eliminated in the individual reports.

Notes to the financial statements as at June 30, 2023

(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:

	06/30/2023											12/31/2022	
	Overdue - days					Falling due - days							
Risk Level	Within 14	15 to 60	61 to 90	91 to 180	181 to 360	Within 90	From 91 to 180	From 181 to 360	Over 360 days	Total	Allowance	Total	Allowance
AA	-	-	-	-	-	1,351,898	736,521	2,442,067	2,480,514	7,011,000	-	5,690,230	-
A	2,040	-	-	-	-	713,579	480,586	1,056,608	2,366,831	4,619,644	23,098	5,070,640	25,353
B	-	1,268	-	-	-	438,722	214,705	305,457	659,815	1,619,968	16,200	1,461,080	14,611
C	237	367	-	-	-	38,351	121,137	88,428	152,828	401,348	16,314	504,662	21,191
D	6	34,099	2,512	-	-	1,707	2,225	4,809	13,076	58,434	5,843	65,909	6,591
E	-	-	-	7,505	-	-	-	-	-	7,505	2,251	1,529	459
F	-	-	-	1,006	-	-	-	-	-	1,006	503	14,586	7,293
G	-	-	-	-	-	-	-	-	-	-	-	-	-
H	-	302	-	-	21,466	-	-	-	-	21,768	21,768	8,677	8,677
	2,282	36,036	2,512	8,510	21,466	2,544,258	1,555,174	3,897,370	5,673,064	13,740,672	85,977	12,817,313	84,175

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

	Bank	
	06/30/2023	12/31/2022
Allowance for loan losses	73,291	70,596
Current Assets	52,003	50,345
Noncurrent Assets	21,288	20,251
Provision for Other Credits	6,615	5,420
Securities and Credits Receivable	6,615	5,420
Current Assets	4,103	3,463
Noncurrent Assets	2,512	1,957
Provision for Advances on Exchange Contracts	-	-
Current Assets	-	-
Provision for Co-obligations and Risks in Guarantees Provided	6,071	8,159
Current Liability	5,579	5,579
Noncurrent Liability	492	2,580
Total	85,977	84,175

Changes in allowances are as follows:

	06/30/2023	12/31/2022
Balance at January 1	84,175	64,036
Increase / (reversal)	4,260	23,673
Write-offs to loss	(2,458)	(3,534)
Total	85,977	84,175

In the semester ended June 30, 2023, there were no loan transactions renegotiated in the Bank (December 31, 2022 – R\$ 67,564 thousand).

In the semester ended June 30, 2023, there was a recovery of losses on loan transactions in the amount of R\$ 800 thousand (December 31, 2022 - R\$ 14,933 thousand). This amount is impacting Other Operating Income in the Statements of Operations for the semester.

Notes to the financial statements as at June 30, 2023

(In thousands of Reals, otherwise indicated)

7. Loan Transactions (Continued)

The credit risk concentration in the Bank is as follows:

	06/30/2023	%	12/31/2022	%
Top debtor	437,136	3.2%	252,605	2.0%
Top 10 debtors	2,367,612	17.2%	1,940,420	15.1%
Top 20 debtors	3,668,110	26.7%	3,197,524	24.9%
Top 50 debtors	6,216,306	45.2%	5,795,019	45.2%
Top 100 debtors	8,493,734	61.8%	8,347,316	65.1%

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

	06/30/2023	12/31/2022
Working Capital	9,462,611	7,931,432
Export Credit Bills	2,080,444	2,560,714
Co-obligations and Risk in Guarantees Provided	1,436,031	1,140,134
Trade Finance	712,598	1,040,842
Others	48,988	144,191
Total	13,740,672	12,817,313

8. Foreign exchange portfolio

	Bank	
	06/30/2023	12/31/2022
Other receivables – Foreign exchange portfolio		
Foreign exchange purchases pending settlement	975,022	694,961
Rights on foreign exchange sales	544,100	46,111
Income receivable from advances granted (a)	21,741	17,353
(-) Advances in national currency received	-	(986)
Total	1,540,863	757,439
Other payables – Foreign exchange portfolio		
Exchange purchase obligations	1,018,209	680,287
Foreign exchange sales pending settlement	537,259	46,863
Advances on foreign exchange contracts granted (a)	(586,250)	(680,232)
Total	969,218	46,918

(a) See Note 7.

On June 30, 2023, there were federal government securities deposited securing foreign exchange transactions with B3 in the amount of R\$ 73,414 thousand (December 31, 2022 – R\$ 74,345 thousand).

Notes to the financial statements as at June 30, 2023
(In thousands of Reals, otherwise indicated)
9. Investments – Interest in Subsidiaries

	BOCOM BBM CCVM S.A.	The Southern Atlantic Investments Ltd.	Total
At June 30, 2023:			
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	19,675	502,088	521,763
Net income for the semester – R\$ thousand	1,488	20,037	21,525
Book value of investments – R\$ thousand			
June 30, 2023	19,675	502,088	521,763
Income from interest in subsidiaries – R\$ thousand			
First half of 2023	1,488	20,037	21,525
At December 31, 2022			
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	237,956
Equity – R\$ thousand	18,187	482,100	500,287
Net income for the semester – R\$ thousand	2,720	28,620	31,340
Dividends, Interest on Equity or Capital reduction – R\$ thousand	1,087		1,087
Book value of investments – R\$ thousand			
December 31, 2022	18,187	482,100	500,287
Income from interest in subsidiaries – R\$ thousand			
First half of 2022	2,720	28,620	31,340
Year ended 2022	4,577	55,957	60,534

Notes to the financial statements as at June 30, 2023

(In thousands of Reals, otherwise indicated)

10. Deposits

Maturity range	Bank			
	Time deposits	Interbank deposits	Total 06/30/2023	Total 12/31/2022
Within 1 month	30,489	-	30,489	783,663
From 1 to 3 months	319,402	1,415	320,817	184,338
From 3 to 6 months	98,904	12,194	111,098	252,207
From 6 to 12 months	296,573	3,918	300,491	287,055
More than 12 months	314,233	-	314,233	435,379
Subtotal	1,059,601	17,527	1,077,128	1,942,642
Demand Deposits			374,407	441,460
Total			1,451,535	2,384,102

The average term of interbank and time deposits, for outstanding transactions at June 30, 2023, in the Bank, is 360 and 577 days (December 31, 2022 - 186 and 485 days), respectively.

Maturities upon issuance	Bank			
	Time deposits	Interbank deposits	Total 06/30/2023	Total 12/31/2022
Within 1 month	7,061	-	7,061	27,542
From 1 to 3 months	85,492	-	85,492	697,393
From 3 to 6 months	59,580	-	59,580	234,865
From 6 to 12 months	253,983	12,919	266,902	114,156
More than 12 months	653,485	4,608	658,093	868,686
Subtotal	1,059,601	17,527	1,077,128	1,942,642
Demand deposits			374,407	441,460
Total			1,451,535	2,384,102

The breakdown per segment of the Bank is as follows:

	Bank									
	Demand deposits		Time deposits		Interbank deposits		Total			
	06/30/2023	12/31/2022	06/30/2023	12/31/2022	06/30/2023	12/31/2022	06/30/2023	12/31/2022		
Legal entities	215,136	371,863	702,538	752,452	-	-	917,674	63.22%	1,124,315	69.86%
Institutional customers	113	113	973	1,505	-	-	1,086	0.07%	1,618	0.09%
Group	144,290	51,334	240,064	901,526	17,528	18,407	401,882	27.69%	971,267	14.50%
Financial institutions	-	-	61,086	239,180	-	20,797	61,086	4.21%	259,977	14.10%
Individuals	14,868	18,150	54,940	8,775	-	-	69,807	4.81%	26,925	1.46%
Total	374,407	441,460	1,059,601	1,903,438	17,528	39,204	1,451,535	100%	2,384,102	100%

Notes to the financial statements as at June 30, 2023

(In thousands of Reals, otherwise indicated)

10. Deposits (Continued)

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

	Bank			
	06/30/2023		12/31/2022	
Top depositor	182,467	12.57%	635,901	26.67%
Top 10 depositors	709,429	48.87%	1,489,210	62.46%
Top 20 depositors	894,043	61.59%	1,725,934	72.39%
Top 50 depositors	1,113,748	76.73%	1,998,131	83.81%
Top 100 depositors	1,254,571	86.43%	2,168,126	90.94%

11. Repurchase Agreements

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

	Bank	
	06/30/2023	12/31/2022
Own portfolio		
Financial Treasury Bills	1,360,630	1,173,357
National treasury notes – B series	1,227,670	727,402
Eurobonds	785,393	766,938
Debentures	132,204	195,103
Financial treasury Bills	51,258	40,361
Financial Bill	35,959	26,731
Total	3,593,114	2,929,892
Current liabilities	3,566,405	2,909,498
Noncurrent liabilities	26,709	20,394
Total	3,593,114	2,929,892

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

BOCOM BBM has in June 2023 an amount of R\$ 306,047 thousand in Eurobonds (December 2022 R\$ 1,177,450 thousand), with maturities between July 03, 2023 and December 01, 2026, acquired by The Southern Atlantic Investments Ltd, a company not consolidated in BOCOM BBM.

On June 30, 2023 and December 31, 2022, 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)		LFSC - Subordinated debt I (d)		LFSN - Subordinated debt II (e)	
Maturity	06/30/2023	12/31/2022	06/30/2023	12/31/2022	06/30/2023	12/31/2022	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Within 1 month	431,412	340,294	830	17	-	176,383	-	-	-	-
From 1 to 3 months	1,092,249	808,389	5,788	-	133,072	59,034	11,843	12,186	-	-
From 3 to 6 months	1,358,850	528,995	10,115	55	135,969	338	-	-	-	-
From 6 to 12 months	2,314,984	1,968,418	2,003	15,925	417,659	251,556	-	-	-	-
More than 12 months	2,029,903	2,005,010	-	1,883	1,154,343	1,473,486	200,000	200,000	550,272	510,466
Total	7,227,398	5,651,106	18,736	17,880	1,841,043	1,960,797	211,843	212,186	550,272	510,466

Notes to the financial statements as at June 30, 2023

(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.
- (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.
- (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).
- (d) Financial Bill (LFSC) - 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.
- (e) Financial Bill (LFSN) - 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 is used as complementary capital in order to make up the institution's Level II capital.

13. Borrowings and onlendings

a) Borrowings abroad

Borrowings abroad in the Bank as follows:

	Bank	
	06/30/2023	12/31/2022
Obligations with borrowings abroad (*)	5,765,340	5,675,051
Export credit facility	22,066	269,401
Import credit facility	57,238	26,333
Exchange Variation	72	-
	5,844,716	5,970,785
Current liabilities	4,267,568	5,273,005
Long-term payables	1,577,148	697,780
	5,844,716	5,970,785

(*) The amount of R\$ 5,765,340 thousand on June 30, 2023 (December 31, 2022 - R\$ 5,675,051 thousand), classified as Borrowings Abroad, refers to:

Bank						
	Maturity					Total
Operations	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 12 months	06/30/2023
BOCOM	640,671	1,035,597	1,096,779	755,990	1,577,148	5,106,185
Working Capital	1,953	125,200	96,474	435,528	-	659,155
Total	642,624	1,160,797	1,193,253	1,191,518	1,577,148	5,765,340

Notes to the financial statements as at June 30, 2023

(In thousands of Reals, otherwise indicated)

13. Borrowings and onlendings (Continued)

Bank						
	Maturity					Total
Currencies	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 12 months	06/30/2023
USD	529,710	762,050	1,193,253	1,191,518	1,577,148	5,253,679
JPY	112,914	-	-	-	-	112,914
CNY	-	398,747	-	-	-	398,747
Total	642,624	1,160,797	1,193,253	1,191,518	1,577,148	5,765,340

(*) Borrowings with Bocom, whose currency is the dollar and whose maturity is less than one year, are systematically renewed, as set out in NE 23.

14. Sundry

	Bank	
	06/30/2023	12/31/2022
Sundry		
Debtors deposits on warranty	56,810	54,166
Taxes and contributions to offset	46,801	53,773
Sundry debtors – domestic	13,577	12,420
Sundry debtors – foreign	15,449	5,716
Securities and credits receivable	1,367	1,722
Advances – Salaries and constructions	2,559	531
Receivables from related parties	49	13
Total	136,612	128,341
Current asset	78,420	111,621
Long-term asset	58,192	16,720
Total	136,612	128,341
	Bank	
	06/30/2023	12/31/2022
Other payables - Sundry		
Sundry Debtors – Abroad (a)	56,066	48,943
Allowance for contingent liabilities	14,754	19,238
Income on Guarantees for Credit Operations	23,853	17,983
Sundry debtors – Local	14,903	12,371
Allowance for payments to be made	12,583	11,998
Administrative checks	1,027	1,027
	123,186	111,560
Current liabilities	104,964	95,672
Noncurrent liabilities	18,222	15,888
	123,186	111,560

(a) – It mainly refers to the prepayment of letters of credit. The original maturity date of this contract was from August 29, 2022.

Notes to the financial statements as at June 30, 2023

(In thousands of Reals, otherwise indicated)

15. Other assets

	Bank	
	06/30/2023	12/31/2022
Other Values and Goods		
Properties	7,835	12,166
Others	5,434	4,584
	13,269	16,750
Current asset (a)	12,854	16,471
Long-term assets	415	279
	13,269	16,750

(a) On June 30, 2023, the amount of R\$ 7,835 thousand, classified as current assets, refers mainly to the execution of guarantee of properties, recorded as assets held for sale (AMV), according to independent appraisal report, limited to the value of debt. In the six-month period ended June 30, 2023, Banco BOCOM BBM sold one of its properties arising from the execution of guarantees for credit operations, generating a result of R\$ 669 thousand.

16. Intangible assets

	12/31/2022	Acquisitions	Write Off	Amortization in the period	06/30/2023
Intangible assets					
Data processing systems					
Cost	64,263	7,355	-		71,618
Accrued Amortization	(29,043)	-	-	(4,567)	(33,610)
Communication and security systems					
Cost	922	-	-	-	922
Accrued Amortization	(759)	-	-	(65)	(824)
Licenses and copyright and use rights					
Cost	4,405	-	-	-	4,405
Accrued Amortization	(2,993)	-	-	(360)	(3,353)
Total	36,795	7,355	-	(4,992)	39,158

Notes to the financial statements as at June 30, 2023

(In thousands of Reals, otherwise indicated)

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, 2023, the Bank BOCOM BBM has 76,296,769 shares to be held in treasury in the amount of R\$ 181,839 thousand.

(e) Interest on Equity

According to article 9 of Law No. 9.249/95 and its subsequent amendments, Banco BOCOM BBM S.A., at the end of June 30, 2023, declared interest on equity of R\$ 36,527 thousand (December 31, 2022 – R\$ 57,283 thousand), with withholding income tax of R\$ 5,479 thousand (December 31, 2022 – R\$ 8,592 thousand), calculated at a 15% rate. The amount of interest on equity was determined based on the legal limits in force and classified in the group's official records as "Other Operating Expenses".

For the purposes of the publication of the statement of operations, as established by CMN Resolution No. 4,706/18, BOCOM BBM S.A., recognized as other obligations, as a counterpart for the appropriate equity account, the declared capital remuneration was set by the obligation at balance sheet date.

Interest on equity proposed on semester ended June 30, 2023 reduced tax burden by R\$ 16,437 thousand (December 31, 2022 – R\$ 26,349 thousand).

	Bank	
	06/30/2023	12/31/2022
Net income - Banco BBM S.A.	129,654	220,632
(-) Legal reserve	(6,483)	(11,032)
Calculation basis	123,171	209,600
Minimum mandatory dividends	25%	25%
	30,793	52,400
Interest on own capital	31,048	48,691
Dividends	-	3,708
Total	31,048	52,399

(f) Expansion Reserves (Retention Profit)

In Accordance with BOCOM BBM Strategic Planning presented and the regulatory capital limits, will be submitted to Board of directors the retention of profit in the amount of R\$ 70,369 After its approval at the Minutes the amount will be registered in the "Expansion Reserves" account, so that it is possible to maintain the growth of the Bank's activities.

Notes to the financial statements as at June 30, 2023

(In thousands of Reals, otherwise indicated)

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

	Bank	
	06/30/2023	06/30/2022
Open market funding		
Agriculture credit bills	(358,355)	(150,735)
Financial bills	(176,930)	(100,926)
Repurchase agreements	(127,402)	(36,412)
Time deposits	(76,556)	(53,272)
Interbank deposits	(1,376)	(36,635)
Credit guarantee fund	(4,593)	(3,230)
Real estate credit bills	(1,120)	(2,195)
Deposits previous notice	(1,714)	(368)
Expenses with securities abroad	(531,999)	(229,322)
Foreign exchange variation	686,989	241,335
	(593,056)	(371,760)
Borrowings, assignments and onlending operations		
Foreign exchange variation	313,507	192,291
Borrowings expenses abroad	(65,893)	(27,016)
	247,614	165,275
Foreign exchange transactions		
Revenue from Advances on Exchange Contracts (ACC)	30,483	(36,623)
Other expenses	(226)	(224)
Foreign exchange variations and interest differences	(96,062)	13,417
	(65,805)	(23,430)

19. Services Revenues

	Bank	
	06/30/2023	06/30/2022
Service Revenue		
Coordination and Structuring commission	22,075	22,373
Bank fee income	17,581	11,088
Guarantees commission and letter of credit (a)	11,531	25,606
Other services	5,194	829
Management fees of investment funds	4,979	14,241
Total	61,360	74,137

(a) In June 2023, 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, 2023

(In thousands of Reals, otherwise indicated)

20. Other Administrative Expenses

	Bank	
	06/30/2023	06/30/2022
Data processing	(9,228)	(7,176)
Financial system services	(7,325)	(4,810)
Amortization and depreciation	(7,423)	(6,052)
Specialized technical services	(4,622)	(3,698)
Rentals	(5,278)	(4,771)
Travel	(3,741)	(1,756)
Communications	(2,586)	(2,629)
Other administrative expenses	(2,921)	(2,089)
Registry	(1,410)	(382)
Third-party services	(1,330)	(1,294)
Condominium	(1,013)	(1,027)
Property maintenance and upkeep	(1,007)	(914)
Promotion/ Advertising/ Publications	(635)	(408)
Transportation	(607)	(436)
Fines	(473)	(11)
Water, energy and gas	(468)	(523)
Insurance	(230)	(1)
Material	(59)	(50)
Surveillance and security services	(27)	(16)
	(50,383)	(38,043)

Notes to the financial statements as at June 30, 2023

(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:

	Bank	
	06/30/2023	12/31/2022
Asset		
Cash and cash equivalents	2,403	3,064
Bocom Shanghai	325	121
Bocom Hong Kong	41	349
Bocom Tokyo	4	-
Bocom Macau	-	388
BBM Bank Limited	2,033	2,206
Short-term interbank investments		
Investments in foreign currencies	72,034	1,486,706
BBM Bank Limited	72,034	1,486,706
Dividends and bonuses receivables	-	1,087
BOCOM BBM CCVM S.A.	-	1,087
Other Receivables	14,941	4,809
BOCOM BBM CCVM S.A.	49	13
Tai Yang Fund	34	37
Haitan	14,858	4,759
Loan Operations	215	2,496
Bank of Communications Co., Ltd	-	2,237
Other related individuals/legal entities	215	259
Derivative Financial Instruments	275,118	114,116
BBM Bank Limited	26,309	37,212
Bocom Brazil Holding Company Ltda	214,376	30,182
Jiang Fundo De Investimento Multimercado CPIE	25,282	29,371
Haitan Fund	9,151	14,283
The Southern Atlantic Investments Ltd	-	3,068

Notes to the financial statements as at June 30, 2023

(In thousands of Reals, otherwise indicated)

21. Related-parties Significant Transactions (Continued)

	Bank	
	06/30/2023	12/31/2022
Liability		
Demand deposits	144,290	51,334
Haitan Fund	64,302	45,824
BBM Bank Limited	75,478	2,027
Tai Yang Fund	1,062	1,671
BOCOM BBM CCVM S.A.	247	58
Bahia Holding S.A.	19	19
Évora S.A.	10	10
Bocom Brazil Holding Company Ltda	2,712	8
Aleutas S.A.	6	6
Bahia AM Renda Fixa Ltda	5	5
Bahia AM Renda Variável Ltda	5	5
PIN Petroquímica S.A.	1	1
Colares Participações S.A	1	1
Outras pessoas físicas/jurídicas ligadas	442	1,701
Interbank deposits	17,528	18,406
BOCOM BBM CCVM S.A.	17,528	18,406
Time deposits	240,064	901,527
BBM Nassau Branch	-	635,901
Bocom Brazil Holding Company Ltda	179,755	203,842
Aleutas S.A.	44,680	46,090
Bahia Holding S.A.	7,549	9,096
Évora S.A.	4,204	3,954
Colares Participações S/A	2,454	2,309
Other related individuals/legal entities	1,422	335
Repurchase agreements - Debentures	11,320	33,503
Other related individuals/legal entities	11,320	33,503
Government Bonds Agreements	36,774	40,001
Other related individuals/legal entities	36,774	40,001
Financial Bills	837	643
Other related individuals/legal entities	837	643
Agriculture Credit Bills	288,437	232,092
Other related individuals/legal entities	288,437	232,092
Real Estate Credit Bills	454	519
Other related individuals/legal entities	454	519
Obligations for securities abroad	306,047	-
The Southern Atlantic Investments Ltd	306,047	-
Derivative Financial Instruments	65,381	48,008
Jiang Fundo De Investimento Multimercado CPIE	43,205	26,935
Haitan Fund	20,381	19,690
BBM Bank Limited	215	747
The Southern Atlantic Investments Ltd	1,580	636
Subordinated Debt	200,000	212,186
Bocom Brazil Holding Company Ltda	160,625	170,412
Other related individuals/legal entities	39,375	41,774
Liabilities on Loans abroad	5,106,185	4,585,873
Bocom Shanghai	2,822,359	2,678,301
Bocom New York	1,525,713	1,639,751
Bocom Hong Kong	733,911	267,821
Bocom Prague	24,202	-
Dividends and bonuses payable	31,048	7,716
Interest on capital credited to shareholders	31,048	4,008
Proposed dividends		3,708
Sundry	14,775	26,284
The Southern Atlantic Investments Ltd	14,775	4,679
Haitan	-	21,605

Notes to the financial statements as at June 30, 2023
(In thousands of Reals, otherwise indicated)
21. Related-parties Significant Transactions (Continued)

	Bank	
	06/30/2023	06/30/2022
Result		
Investment Income Abroad	13,216	-
BBM Bank Limited	13,216	-
Result with Derivative Financial Instruments	(52,300)	(21,513)
Haitan Fund	(732)	(30,490)
The Southern Atlantic Investments Ltd	(31,502)	(19,838)
Tai Yang Fund	-	(755)
BBM Bank Limited	14,834	1,771
Jiang Fundo de Investimento Multimercado CPIE	(34,900)	(803)
Bocom Brazil Holding Company Ltda	-	28,602
Loans operations Income	1,095	192
Bank of Communications Co., Ltd.	1,067	177
Other related individuals/legal entities	28	15
Income with Marketable Securities	-	386
Bocom Macau	-	386
Earnings from investments funds	2,577	7,478
Jiang Fundo de Investimento Multimercado CPIE-DRE	2,577	7,478
Open market funding	(21,475)	(15,877)
Expenses from investments funds	27,835	10,226
The Southern Atlantic Investments Ltd	27,835	10,226
Repurchase agreements - Debentures expenses	(1,811)	(2,064)
Other related individuals/legal entities	(1,811)	(2,064)
Repurchase agreements - Securities	(5,165)	(4,172)
Jiang Fundo de Investimento Multimercado CPIE	-	(54)
Other related individuals/legal entities	(5,165)	(4,118)
Interbank deposits expenses	(1,159)	(265)
BOCOM BBM CCVM S.A.	(1,159)	(265)
Time deposits expenses	(12,106)	(4,337)
Bocom Brazil Holding Company Ltda	(10,284)	(2,699)
Aleutas S.A.	(1,192)	(1,279)
Bahia Holding S.A.	(435)	(243)
Évora S.A.	(109)	(84)
Colares Participações S/A	(64)	(31)
Other related individuals/legal entities	(22)	(1)
Agriculture credit bills expenses	(14,969)	(4,285)
Other related individuals/legal entities	(14,969)	(4,285)
Real estate credit bills expenses	(31)	(986)
Other related individuals/legal entities	(31)	(986)
Subordinated Debt	(14,069)	(9,994)
Bocom Brazil Holding Company Ltda	(11,425)	(9,542)
Other related individuals/legal entities	(2,644)	(452)
Loans expenses abroad	(79,285)	(16,193)
Bocom Shanghai	(33,004)	(10,922)
Bocom New York	(34,001)	(3,586)
Bocom Hong Kong	(11,965)	(1,304)
Bocom Macau	-	(381)
Bocom Prague	(241)	-
Bocom Luxemburgo	(74)	-

Notes to the financial statements as at June 30, 2023
(In thousands of Reals, otherwise indicated)
21. Related-parties Significant Transactions (Continued)

	Bank	
	06/30/2023	06/30/2022
Foreign Exchange Variation with Loans Abroad	130,107	33,731
Bocom Macau	-	1,160
Bocom Shanghai	119,774	32,571
Bocom Luxemburgo	9,928	-
Bocom Hong Kong	405	-
Expenses with banks abroad	(39,023)	(255,119)
BBM Bank Limited	(39,023)	(255,119)
Other administrative expenses	(50)	(50)
Services provisions	(50)	(50)
BBM Bank Limited	(50)	(50)
Other operating income	733	748
BBM Bank Limited	455	451
BOCOM BBM CCVM S.A.	75	75
Haitan Fund	203	111
Tai Yang	-	111
Key management compensation		
Expenses with dividends and bonuses	(36,527)	-
Interest on capital credited to shareholders	(36,527)	-
Total	(80,933)	(266,217)

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.

Notes to the financial statements as at June 30, 2023

(In thousands of Reais, otherwise indicated)

21. Related-parties Significant Transactions (Continued)

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	
	06/30/2023	12/31/2022
Liabilities		
Statutory	16,328	18,121
Management Variable Compensation - Short Term	5,638	6,416
Deferred Management Variable Compensation - Long Term	10,690	11,705

	Bank	
	06/30/2023	06/30/2022
Result	(28,682)	(25,298)
Fixed compensation	(12,353)	(11,781)
Variable compensation	(16,329)	(13,517)

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, 2023, the guarantees for the transactions involving derivative financial instruments onshore are represented mainly by government securities in the total amount of R\$ 336,544 thousand (December 31, 2022 - R\$ 635,649 thousand) and fund quotas in the total amount of R\$ 32,430 thousand (December 31, 2022 - R\$ 30,348 thousand). Additionally, the amount of margin received on transactions of financial instruments and derivatives was higher than that given on offshore transactions.



Banco BOCOM BBM S.A.

Notes to the financial statements as at June 30, 2023

(In thousands of Reals, otherwise indicated)

22. Derivative Financial Instruments (Continued)

a.) Notional value per asset, maturity and indexer

	In R\$ thousand					
	Bank					
	06/30/2023					12/31/2022
	Up to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total	Total
Future market						
Purchased position						
Foreign exchange coupon	169,430	825,220	1,259,241	646,558	2,900,449	2,560,962
Interest rate	716,287	845,998	855,911	1,447,714	3,865,910	3,273,212
Foreign currency	5,134,973	-	-	-	5,134,973	4,392,281
IPCA	-	-	-	160,359	160,359	67,877
Sold position						
Foreign exchange coupon	1,749,605	11,712	91,344	559,866	2,412,527	1,784,742
Interest rate	5,182	1,235	369,399	263,334	639,150	1,041,605
Foreign currency	1,808,629	-	-	-	1,808,629	1,045,165
IPCA	-	-	13,364	110,925	124,289	158,960
Forward Market						
Asset position						
Currency	150,548	86,737	234,195	6,886	478,366	1,151,220
Commodities	5,918	7,200	287,520	-	300,638	173,822
Others	-	-	-	-	-	283,095
Liability position						
Currency	823,595	58,620	16,850	925	899,990	962,766
Commodities	28,349	28,779	-	-	57,128	172,750
Swaps						
Asset position						
Interest rate	411,323	2,703,016	1,485,295	3,830,472	8,430,106	6,883,377
Currency	-	-	-	-	-	13,114
Liability position						
Interest rate	70,269	2,396,776	2,108,810	1,431,301	6,007,156	2,906,346
Options market						
Asset position						
Currency	1,774	6,272	6,680	9,842	24,568	163,968
Interest rate	653	-	21,390	-	22,043	-
Liability position						
Currency	362,814	358,844	547,381	3,038,300	4,307,339	617,326
Interest rate	435	-	21,130	-	21,565	-



Banco BOCOM BBM S.A.

Notes to the financial statements as at June 30, 2023

(In thousands of Reals, otherwise indicated)

22. Derivative Financial Instruments (Continued)

b.) At cost and market value

	Bank						
	06/30/2023						12/31/2022
	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	42,149	42,149	42,115	23	11	-	2,063
Sold position	1,167	1,167	1,167	-	-	-	6,463
Swaps							
Asset position	197,466	302,573	21,166	23,685	81,830	175,890	125,484
Liability position	135,543	118,407	11,903	3,206	17,580	85,718	183,131
Term							
Asset position	216,038	226,883	183,363	19,284	23,976	260	66,101
Liability position	226,039	239,284	222,744	15,848	692	-	146,401
Options market							
Asset position	28,365	11,272	188	538	6,659	3,889	1,301
Liability position	104,959	32,560	7,560	2,077	7,986	14,937	3,914



Banco BOCOM BBM S.A.

Notes to the financial statements as at June 30, 2023

(In thousands of Reals, otherwise indicated)

22. Derivative Financial Instruments (Continued)

c.) Notional value per counterparty

	In R\$ thousand						
	Bank						
	06/30/2023						12/31/2022
	Financial Institutions	Related-parties	Legal entities	Settlement Chamber/Stock exchanges	Individuals	Total	Total
Future market							
Purchased position	1,187,955	-	-	10,878,702	-	12,066,657	10,294,332
Sold position	93,138	-	-	4,895,655	-	4,988,793	4,030,472
Swaps							
Asset position	2,640,831	-	3,693,840	1,935,624	159,811	8,430,106	6,896,491
Liability position	3,753,881	375,001	1,695,519	140,237	42,518	6,007,156	2,906,346
Forward Market							
Asset position	360,016	214,376	204,612	-	-	779,004	1,608,137
Liability position	787,662	-	169,456	-	-	957,118	1,135,516
Options market							
Asset position	25,221	-	-	21,390	-	46,611	163,968
Liability position	4,307,774	-	-	21,130	-	4,328,904	617,326

Notes to the financial statements as at June 30, 2023

(In thousands of Reals, otherwise indicated)

22. Derivative financial instruments (Continued)

The positions in the futures market include the following positions maturing on the first business day of the following month:

- Long contracts of foreign exchange coupon (DDI) in the amount of R\$ 162,325 thousand (December 31, 2022 - long contracts of foreign exchange coupon (DDI) in the amount of R\$ 492,573 thousand);
- Foreign exchange coupon contracts sold (DDI) in the amount of R\$ 374,984 thousand (December 31, 2022 - foreign exchange coupon contracts sold (DDI) in the amount of R\$ 981,495 thousand);
- Purchased contracts in interest (DI1) in the amount of R\$ 683,753 thousand; (December 31, 2022 - R\$ 477,015 thousand);
- Contracts bought in currency (DOL) in the amount of R\$ 386,741 thousand; (December 31, 2022 - contracts bought in currency (DOL) in the amount of R\$ 970,075 thousand);
- Contracts sold in currency (DOL) in the amount of R\$ 128,191 thousand (December 31, 2022 - contracts sold in currency (DOL) in the amount of R\$ 477,524 thousand);
- Contracts purchased in currency (DAP) in the amount of R\$ 0 thousand; (December 31, 2022 - R\$ 7,224 thousand);

The amounts of revenues and net expenses with Derivative Financial Instruments are shown below:

	Bank	
	06/30/2023	06/30/2022
Future contracts	(503,099)	(513,557)
Options contracts	57,401	(255)
Swap and term contracts	146,241	264,489
Total	<u>(299,457)</u>	<u>(249,323)</u>

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

Notes to the financial statements as at June 30, 2023
(In thousands of Reals, otherwise indicated)
22. Derivative Financial Instruments (Continued)
d.) 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 98,44%.

Hedge object	Bank			
	06/30/2023		12/31/2022	
		Result of the hedge instrument	Effectiveness	Effectiveness
Fundraising (I)	64,124	(65,142)	98.44%	98.89%

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 99.93% to LF PRÉ

Hedge object	Bank			
	06/30/2023		12/31/2022	
		Result of the hedge instrument	Effectiveness	Effectiveness
Fundraising (II) - LF FIXED	(2,944)	2,946	99.93%	99.97%

Notes to the financial statements as at June 30, 2023
(In thousands of Reals, otherwise indicated)
22. Derivative Financial Instruments (Continued)
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			
	06/30/2023		12/31/2022	
		Result of the hedge instrument	Effectiveness	Effectiveness
Investment Abroad	(21,029)	21,029	100.00%	100.00%

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 97.95% for Libor and 103.59% for SOFR.

Hedge object	Bank			
	06/30/2023		12/31/2022	
		Result of the hedge instrument	Effectiveness	Effectiveness
Bonds Held to Maturity Abroad - LIBOR	(7,388)	7,543	97.95%	99.25%
Bonds Held to Maturity Abroad - SOFR	(10,629)	10,261	103.59%	106.75%

Bonds available for sale cash flow 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 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 98.70% and SOFR 109.77%.

Hedge object	06/30/2023		12/31/2022	
		Result of the hedge instrument	Effectiveness	Effectiveness
Bonds Available for Sale Abroad - LIBOR	(7,519)	7,618	98.70%	99.39%
Bonds Available for Sale Abroad - SOFR	(5,045)	4,596	109.77%	110.23%

Notes to the financial statements as at June 30, 2023

(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 loss, given the confidence level and the investment horizon. In the case of BBM, the limit is set based on a 95% probability that the Bank will lose a maximum of 2% of equity in 1 day.

Reference Date	VaR (in R\$ Millions)
06/30/2023	3.6
12/31/2022	4.7
06/30/2022	7.5
12/31/2021	3.7

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

Reference Date	B3 Stress (in R\$ Millions)
06/30/2023	-101.5
12/31/2022	-93.0
06/30/2022	-143.1
12/31/2021	-111.5

Notes to the financial statements as at June 30, 2023

(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	
	06/30/2023	12/31/2022
Current assets	14,774,091	11,764,847
Current liabilities	(16,818,656)	(15,279,957)
Working capital, net	(2,044,565)	(3,515,110)
Securities available for sale presented in long-term receivables	1,233,421	1,677,210
Loans abroad	2,590,076	3,847,651
	1,778,932	2,009,751

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\$ 2,590,076 thousands which, despite having a maturity of less than 1 year, are systematically renewed.

Notes to the financial statements as at June 30, 2023

(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, 2023

(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, 2023.

	Prudential Conglomerate	
	06/30/2023	12/31/2022
Reference Equity Level I	1,279,690	1,185,088
Level I + Equity Adjustments Except Non-consolidated Interest and Tax Credit	1,318,847	1,222,291
Decrease in intangible / deferred assets according to CMN Resolution No. 4,955	39,157	37,203
Reference Equity Level II	550,272	510,467
Reference Equity (PR)	1,829,962	1,695,555
Risk-Weighted Assets (RWA)	1,025,881	925,515
Portion referring to:		
Credit risk (RWACPAD)	912,744	832,077
Market risk (RWAMPAD)	18,682	8,033
Operating risk (RWAOPAD)	94,455	85,405
Margin or Insufficiency Value (PR - RWA)	804,081	770,040
Risk Factor – 8.00% of PR	146,397	135,644
Basel Rate (Risk Factor / RWA)	14.27%	14.66%
RBAN	96,103	66,852
ACP required	320,588	289,223
Reference Equity Margin + RBAN and ACP	387,390	413,965

Notes to the financial statements as at June 30, 2023

(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:

	In R\$ Thousand	
	Bank	
	30/06/2023	31/12/2022
Asset credit tax:		
Balance at January 1	186,680	116,791
Constitution (Reversal)		
- With effects in the result	(57,652)	73,436
- With effects in equity		
(Securities held for sale)	(5,387)	(3,547)
Balance at June 30	123,641	186,680
Provision for deferred taxes: (*)		
Balance at January 1	176,896	88,827
Constitution (Reversal)		
- With effects in the result	(19,183)	88,069
Balance at June 30	157,713	176,896

(*) 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, 2023
(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:

	In R\$ Thousand			
	Bank			
	06/30/2023	Constitution	Reversal	12/31/2022
Asset credit tax:				
Temporary differences (a)				
- Provision for loan transactions	40,863	4,441	2,837	39,259
- Market value adjustment - marketable securities and	59,318	12,439	44,463	91,341
- Provisions for Contingencies (Note 25)	5,662	263		5,399
- Others	17,793	10,489	42,964	50,267
Social Contribution Negative Basis			182	182
Tax loss			227	227
Total	123,641	27,633	90,672	186,680

Provision for deferred taxes
Temporary differences (a)

- Adjustment to Market of TVM and Derivatives	157,676	34,105	53,288	176,859
- Others	37	-	-	37
Total	157,713	34,105	53,288	176,896

(a) It is expected that the realization of these tax credits occurs up to the end of 2025 for Income Tax and Social Contribution, being its present value of R\$ 3.8 million. The Social Contribution on tax credits was calculated considering the 20% rate, according to the PEC publication No. 6, 2019, for the additions and 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	In R\$ Thousand	
	Bank	
	Tax credits on temporary differences	Loss and negative basis
2023	(29,664)	
2024	26,709	
2025	12,331	
Total	9,377	
Present value	3,723	

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, 2023
(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:

	In R\$ Thousand			
	06/30/2023		06/30/2022	
	IRPJ	CSLL	IRPJ	CSLL
Income before taxes	169,333	169,333	160,788	160,788
Bank's net profit	129,461	129,461	87,259	87,259
(-) Interest on own capital	(36,527)	(36,527)	-	-
(-/+) Income tax and social contribution	(76,399)	(76,399)	(73,529)	(73,529)
Tax rate	25%	20%	25%	20%
Income tax and social contribution				
At tax rate	(42,333)	(33,867)	(40,197)	(32,158)
Permanent additions	76,191	59,862	56,279	42,762
Non-deductible expenses	23,014	6,685	5,958	(7,558)
Addition on profit abroad	53,177	53,177	50,321	50,321
Permanent exclusions	32,198	23,976	35,977	35,977
Tax-free revenues	(5,781)	(14,003)	(10,149)	(10,149)
Equity in the result of investees (Bank)	37,979	37,979	46,126	46,126
Temporary additions / exclusions	(84,096)	(85,111)	(73,541)	(75,677)
Tax basis	129,230	120,109	107,548	91,896
Tax basis with use of tax loss and negative basis	129,230	120,109	107,548	91,896
Income tax and social contribution (a)	(32,296)	(24,022)	(26,873)	(18,378)
Use of tax incentives and taxes of subsidiaries abroad	47	-	27	-
Income tax and social contribution in the result for the period	(32,248)	(24,022)	(26,846)	(18,378)
DIPJ adjustment	(1,244)	-	(2,012)	-
Ajuste DIPJ	1,513	-	-	-
Provision for Deferred Tax Liabilities	10,657	8,525	(18,864)	(15,091)
Income tax and social contribution in the result for the period - Banco BOCOM BBM	(21,322)	(15,496)	(47,723)	(33,469)
Income tax and social contribution of other institutions of the Operational Consolidated	(695)	(374)	(611)	(293)
Income tax and social contribution in the result for the period - Prudential Conglomerate	(22,017)	(15,871)	(48,334)	(33,762)

- 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, 2023

(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	
	06/30/2023	12/31/2022
Labor	11,497	11,049
Total - Provisions for contingencies	11,497	11,049

These provisions are recorded as "Other liabilities - sundry" under Long-term liabilities. During the semester ended June 30, 2023, R\$ 448 thousand were reverted into 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\$ 6.5 million and (ii) social security contributions allegedly due on food in the amount of R\$ 1.3 million, both correspond to payments made in 2015. The Bank discusses the assessments at the administrative level.

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

At the end of the first half of 2023, the BOCOM BBM S.A. did not have an active lawsuit related to the judgment of Issue No. 372 of the Federal Supreme Court (taxability of PIS and COFINS on the financial income of financial institutions).

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 14 proceedings in the amount of R\$ 4,992 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 risk of loss possible, they were not recorded as liability.

Notes to the financial statements as at June 30, 2023
(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 2023, recorded as "Other Sundry Liabilities" in Long-Term Liabilities, as follows:

	Bank	
	06/30/2023	12/31/2022
PIS and COFINS	1,086	948
Total - Liabilities for legal obligations	1,086	948

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	
	06/30/2023	12/31/2022
Guarantee		
Linked to bids, auctions, service render or construction	705,986	223,182
Surety Guarantee in lawsuits and administrative procedures	374,611	379,045
Other Sureties	247,523	323,137
Linked to international trade	106,996	37,821
Total	1,435,116	963,185
Changes in allowances for financial guarantees		
Beginning balance	8,159	14,208
Constitution / (Reversal)	(2,088)	(6,049)
Ending balance	6,071	8,159



Banco BOCOM BBM S.A.

Notes to the financial statements as at June 30, 2023

(In thousands of Reals, otherwise indicated)

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, 2023, the total assets mitigated by compensatory arrangement was of R\$ 1,190,133 thousand (December 31, 2022 - R\$ 1,419,510 thousand).

(b) Marketable Securities Portfolio

In the semester ended June 30, 2023, 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\$ 259,152 thousand in bonds maturing in 2025 and buying R\$ 261,427 thousand maturing in 2026, which generated an negative effect on the result of (R\$ 13,741) thousand.

At the end of semester, Banco BOCOM BBM had R\$ 2,690,653 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) Corporate change

In 2021, Banco BOCOM BBM announced the beginning of the process of transfer of 20% of the shares it issues to Bank of Communications, current holder of the other 80%. The change will make the former individual controllers to exit the share capital of Banco BOCOM BBM, and it is the continuity of the shareholders agreement signed in 2016 by the former controllers and the Bank of Communications (when the initial 80% were acquired). The consummation of the operation is subject to the approval of the regulation authorities of Brazil, Bahamas and China, with probable conclusion in 2023.

* * *

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

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@pwc.com

Eventos do signatário

Hugo Lisboa

hugo.lisboa@pwc.com

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