财务报表

信用评级

评级机构的信用评级是对我行信用状况进行评估的重要信息。

穆迪于2021年6月30 日发布了交行巴西的投资者报告。我行本币和外币中长期国际评级均为“Ba1”，高于巴西主权评级“Ba2”; 21年7月2日，穆迪给予我行“Aaa. br”的国内评级，为该类评级中最高级别评级，评级展望为“稳定”。

惠誉于2021年8月24日给予我行“AAA (bra)”的国内长期评级，为该类评级中最高级别；惠誉给予我行外币“BB”和本币“BB+”的国际评级，均高于巴西的主权评级“BB-”。

Aaa.br

2021年穆迪对交行巴西评级

AAA(bra)

2021年惠誉对交行巴西长期国内评级.

银行分类升级

截止2020年6月,我行连续18个月保持总风险敞口在巴西GDP中占比高于0.1%，根据相关法律（4,553号决议），我行升级进入巴西S3级银行序列。

(In thousands of Reais)

Assets

	Note	Prudential Conglomerate 12/31/2021	12/31/2020
Current and long-term assets		**14,139,490**	**12,177,923**
Cash	**4**	**972,605**	**666,826**
Bank deposits		3	2
Cash		4	3
Free reserves		2,110	11,470
Bank deposits in foreign currencies		970,488	655,351
Short-term interbank investments	**5**	**411,082**	**768,723**
Open market investments	**4**	14,333	540,007
Interbank deposits		257,236	226,637
Investments in foreign currencies	**4**	139,513	2,079
Marketable securities and derivative financial instruments	**6**	**4,742,472**	**3,706,814**
Bank portfolio		1,765,968	2,364,784
Subject to repurchase agreements		1,786,946	283,794
Linked to guarantees given		1,009,511	971,640
Derivative financial instruments	**21**	180,228	86,716
Allowance for marketable securities		(181)	(120)
Interbank accounts		**7,110**	**63,684**
Correspondent banks		274	85
Deposits – Central Bank of Brazil		6,836	63,599
Loan transactions	**7**	**7,210,205**	**6,471,638**
Discounted securities and loans		5,397,606	5,137,907
Financing		1,285,963	734,566
Rural and agroindustrial financing		575,327	636,906
Allowance for loans		(48,691)	(37,741)
Other receivables		**785,002**	**484,304**
Foreign exchange portfolio	**8**	520,573	223,478
Unearned income		18,934	19,157
Trading and brokerage		–	2
Credit assignment	**7**	20,887	25,937
Sundry	**13**	111,539	109,666
Tax credits	**24**	117,715	107,332
Allowance for other receivables	**7**	(4,646)	(1,268)
Other assets	**14**	**11,014**	**15,934**
Permanent assets		**44,652**	**36,590**
Investments		**1,081**	**647**
Other investments		3,710	3,275
Provision for losses		(2,629)	(2,628)
Property and equipment in use		**11,149**	**11,007**
Furniture and equipment		13,912	11,876
(-) Furniture and equipment depreciation		(5,891)	(4,441)
Improvements in third party real estate		6,936	6,936
(-) Depreciation in improvement in third parties properties		(3,809)	(3,365)
Lands		1	1
Intangible	**15**	**32,422**	**24,936**
Total assets		**14,184,142**	**12,214,513**

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

(In thousands of Reais)

Liabilities

	Note	Prudential Conglomerate 12/31/2021	Prudential Conglomerate 12/31/2020
Current and long-term liabilities		**13,323,418**	**11,430,285**
Deposits	**9**	**2,235,688**	2,802,333
Demand deposits		327,559	629,320
Time deposits		1,146,662	1,533,845
Interbank deposits		761,467	639,168
Repurchase agreements	**10**	**1,731,600**	**291,208**
Own portfolio		1,731,600	291,208
Funds from acceptance and issuance of securities	**11**	**3,774,408**	**4,018,252**
Liabilities from issuance of agribusiness credit bills - LCA		2,087,510	1,450,829
Liabilities from issuance of housing credit bills - LCI		47,910	67,442
Liabilities from issuance of financial bills - LF		1,432,992	1,456,749
Liabilities from financial letter with guarantee - LFG		–	841,472
Liabilities from issuance of financial bills - LF - Subordinated Debts		205,996	201,760
Interbranch accounts		**31,831**	**60,097**
Third-party funds in transit		31,831	60,097
Borrowings	**12**	**4,663,429**	**3,462,816**
Loans abroad		4,663,429	3,462,816
Derivative financial instruments	**6 and 21**	**317,682**	**370,790**
Derivative financial instruments		317,682	370,790
Other liabilities		**568,780**	**424,789**
Collection of similar taxes		613	32
Foreign exchange portfolio	**8**	1,272	2,779
Social		35,008	27,023
Statutory		62,661	56,271
Tax and social security		186,078	130,294
Securities trading		50,619	5,597
Allowance for financial guarantees	**7 and 26**	10,699	14,740
Sundry	**13**	221,830	188,053
Deferred income	**27 b**	**19,916**	**19,900**
Equity	**16**	**840,808**	**764,328**
Capital		**469,300**	**469,300**
Domiciled in Brazil		469,300	469,300
Income reserves		**556,936**	**449,852**
Market value adjustment of securities and derivative financial instruments		**(3,589)**	**27,015**
Securities available for sale		(3,589)	27,015
Treasury stock		**(181,839)**	**(181,839)**
Total liabilities and equity		**14,184,142**	**12,214,513**

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

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

	Note	Prudential Conglomerate		
		Second half of 2021	12/31/2021	12/31/2020
Financial income		**748,665**	**861,843**	**719,820**
Loan transactions		332,611	512,042	324,109
Income from marketable securities transactions	**5 and 6**	172,006	207,884	231,053
Gain on derivative financial instruments	**21**	244,048	141,917	164,658
Financial expenses		**(534,390)**	**(448,791)**	**(400,238)**
Market funding operations	**17**	(216,282)	(293,196)	(194,448)
Loans, assignments and onlending operations	**17**	(273,673)	(137,781)	(345,001)
Result of exchange operations	**17**	(36,779)	(2,964)	166,982
(Provisions)/Reversals of allowance doubtful accounts	**7**	(7,818)	(14,891)	(26,925)
(Provisions)/Reversals for marketable securities	**6**	162	41	(846)
Gross financial income		**214,275**	**413,052**	**319,582**
Other operating income (expenses)		(32,202)	(71,117)	(66,179)
Service revenues	**18**	81,677	139,405	105,455
Personnel expenses		(59,912)	(111,568)	(90,028)
Other administrative expenses	**19**	(38,378)	(70,953)	(61,143)
Tax expenses		(15,538)	(27,935)	(23,582)
Other operating income		721	1,657	7,386
Other operating expenses		(772)	(1,723)	(4,267)
Operating income		**182,073**	**341,935**	**253,403**
Non-operating expenses		**32**	**1,133**	**(7,393)**
Income before income taxes and profit sharing		**182,106**	**343,068**	**246,010**
Income and social contributions taxes	**24**	**(57,187)**	**(117,670)**	**(79,614)**
Provision for income tax		(36,185)	(64,703)	(62,859)
Provision for social contribution tax		(32,411)	(52,598)	(43,122)
Deferred tax asset/(liabilities)		11,409	(369)	26,367
Profit sharing – management and employees		**(41,059)**	**(77,999)**	**(49,824)**
Net income		**83,860**	**147,399**	**116,572**
Earnings per outstanding share		**0.41**	**0.72**	**0.57**

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

(In thousands of Reais)

	Prudential Conglomerate		
	Second half of 2021	12/31/2021	12/31/2020
Net income	**83,860**	**147,399**	**116,572**
Market adjustment variation of the securities	**(10,374)**	**(30,604)**	**26,636**
Securities available for sale	(15,020)	(36,785)	29,564
Tax effects	4,646	6,181	(2,928)
Exchange variation of investments abroad	**12,613**	**8,371**	**20,349**
Derivative financial instruments used for hedging	**(12,613)**	**(8,371)**	**(20,620)**
Derivative financial instruments	(18,919)	(12,942)	(36,221)
Tax effects	6,306	4,571	15,601
Comprehensive income for the six-month period/year	**73,486**	**116,795**	**142,937**

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

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

		Income reserves		Market value adjustment of securities and derivatives				
	Capital	Legal	Statutory	Bank	Hedge of Investments Abroad	Treasury shares	Retained earnings	Total
Year ended December 31, 2020								
Balances at January 1, 2020	**469,300**	**36,098**	**328,974**	**650**	**–**	**(181,839)**	**–**	**653,183**
Market value adjustments - marketable securities				26,636				26,636
Exchange variation of investments abroad					20,349			20,349
Derivative financial instruments used for hedging					(20,620)			(20,620)
Net income for the year							116,572	116,572
– Reserves		5,829	78,951				(84,780)	–
– Interest on equity (R$ 0.15 per share)							(31,792)	(31,792)
Balances at December 31, 2020	**469,300**	**41,927**	**407,925**	**27,286**	**(271)**	**(181,839)**	**–**	**764,328**
Changes in the year	**–**	**5,829**	**78,951**	**26,636**	**(271)**	**–**	**–**	**111,145**
Year ended December 31, 2021								
Balances at January 1, 2021	**469,300**	**41,927**	**407,925**	**27,286**	**(271)**	**(181,839)**	**–**	**764,328**
Market value adjustments - marketable securities				(30,604)				(30,604)
Exchange variation of investments abroad					8,371			8,371
Derivative financial instruments used for hedging					(8,371)			(8,371)
Net income for the year							147,399	147,399
– Reserves		7,370	99,714				(107,084)	–
– Dividends payable							(4,940)	(4,940)
– Interest on equity (R$ 0.17 per share)							(35,375)	(35,375)
Balances at December 31, 2021	**469,300**	**49,297**	**507,639**	**(3,318)**	**(271)**	**(181,839)**	**–**	**840,808**
Changes in the year	**–**	**7,370**	**99,714**	**(30,604)**	**–**	**–**	**–**	**76,480**
Balances at July 1, 2021	**469,300**	**45,104**	**468,287**	**7,056**	**(271)**	**(181,839)**	**–**	**807,637**
Market value adjustments - marketable securities				(10,374)				(10,374)
Exchange variation of investments abroad					12,613			12,613
Derivative financial instruments used for hedging					(12,613)			(12,613)
Net income for the semester							83,860	83,860
– Reserves		4,193	39,352				(43,545)	–
– Dividends payable							(4,940)	(4,940)
– Interest on equity (R$ 0.17 per share)							(35,375)	(35,375)
Balances at December 31, 2021	**469,300**	**49,297**	**507,639**	**(3,318)**	**(271)**	**(181,839)**	**–**	**840,808**
Changes in the six-month period	**–**	**4,193**	**39,352**	**(10,374)**	**–**	**–**	**–**	**33,171**

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

Statement of Cash Flow

(In thousands of Reais)

	Prudential Conglomerate		
	Second half of 2021	12/31/2021	12/31/2020
Cash flow from operating activities			
Net income	**83,860**	**147,399**	**116,572**
Adjustments to net income	**(41,829)**	**(21,558)**	**15,692**
Allowance/Reversion for doubtful accounts	7,818	14,891	26,925
Depreciation and amortization	5,169	9,908	7,708
Expenses from civil, labor and tax allowances	–	283	3,603
Deferred income and social contribution taxes	(11,409)	369	(26,367)
Gain/losses on fair value adjustment on marketable securities and derivatives	(43,407)	(47,009)	3,823
Adjusted net income	**42,031**	**125,841**	**132,264**
(Increase)/Decrease in short-term interbank investments	94,610	(34,733)	(226,637)
(Increase) in marketable securities and derivative financial instruments	(564,562)	(1,041,757)	(1,236,169)
(Increase)/Decrease in interbank and interbranch accounts	(3,027)	28,308	(68,481)
(Increase) in loan and lease transactions	(875,632)	(753,458)	(2,691,285)
(Increase)/Decrease in other assets	196,184	(296,147)	157,600
(Decrease)/Increase in deposits	(235,721)	(566,645)	1,942,024
(Decrease)/Increase in open market funding	422,340	1,440,392	(1,405,271)
Increase in borrowings and onlending	338,720	1,200,613	1,208,659
Increase in deferred income	1,312	16	3,989
(Decrease)/Increase in other liabilities	(158,223)	76,369	53,678
(Decrease)/Increase in market value adjustments - marketable securities	(10,374)	(30,604)	26,365
Net cash flow from operating activities	**(794,373)**	**22,354**	**(2,235,528)**
Cash flow from investing activities			
(Increase) in investments	(242)	(434)	(347)
Property and equipment for use and leased acquisition	(12,831)	(17,536)	(13,568)
Net cash used in investing activities	**(13,073)**	**(17,970)**	**(13,915)**
Cash flow from financing activities			
Dividends and interest on equity paid	27,023	27,023	48,410
(Decrease)/Increase in securities issue resources	640,198	(243,843)	1,305,527
Net cash used in financing activities	**667,221**	**(216,820)**	**1,353,937**
Net increase in cash and cash equivalents	**(98,194)**	**(86,595)**	**(763,242)**
At the beginning of the six-month period/year	1,220,511	1,208,912	1,972,154
Changes for the six-month period/year	19,633	(32,627)	(1,037,902)
Exchange variation for the six-month period/year	(117,827)	(53,968)	274,660
At the end of the six-month period/year	1,122,317	1,122,317	1,208,912
Net increase in cash and cash equivalents	**(98,194)**	**(86,595)**	**(763,242)**
Non-monetary transaction			
Unpaid interest on equity	35,375	35,375	31,792
Unpaid dividends	4,940	4,940	–

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

1.Operations

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

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

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

2.Presentation of the Financial Statements and Consolidation Criteria

The financial statements of the Prudential Conglomerate were prepared in accordance with the Resolution No. 4,280/2013, of the Brazilian National Monetary Council (CMN), and Circular Letter No. 3,701/2015 of the Central Bank of Brazil (BACEN), which are elaborated based on the accounting guidelines arising from the Laws No. 4,595/1964 (National Financial System Law) and No. 6,404/1976 (Corporation Law), including the amendments introduced by the Laws No. 11,638/2007 and No. 11,941/2009, in compliance with the standards and instructions from CMN, BACEN, Federal Accounting Council (CFC) and the accounting practices adopted in Brazil applicable to financial institutions regulated by the BACEN.

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

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

2.1 Consolidation

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

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

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

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

Banco BOCOM BBM S.A. and Nassau branch

BBM Bank Ltd. (a)

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

Bahia Fund (c)

The Southern Atlantic Investments (b)

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

Haitan Fund (a)

Tai Yang Fund (a)

(a) The indirect participation of 100% of Banco BOCOM BBM in the social capital of BBM Bank Ltd., Bahia Fund, Haitan Fund and Tai Yang Fund were eliminated from the Prudential Conglomerate.

(b) Banco BOCOM BBM directly holds 100% of the capital of these entities. The consolidation of Jiang FIM CPIE has started at March 2018.

(c) Bahia Fund was dissolved on May 27, 2021 in the Cayman Islands. All of its shares were redeemed by The Southern Atlantic Investments, Ltd.

(In thousands of Reais, unless otherwise indicated)

3.Significant Accounting Practices

(a) Results of Operations

Recorded on an accrual basis.

According to BACEN Resolution No. 2/2020, recurring and non-recurring results were presented separately.

	Prudential Conglomerate		
	Second half of 2021	12/31/2021	12/31/2020
Recurring net income	**83,825**	**146,933**	**120,929**
Non-recurring events	**35**	**466**	**(4,357)**
Fines	(68)	(185)	(178)
(Provisions)/Reversals for contingencies	139	(144)	(3,603)
Provision for devaluation of properties not for use (BNDU)	–	–	(2,600)
Result from sale of properties not for use (BNDU)	–	1,261	(1,540)
Income tax and social contribution	(36)	(466)	3,564
Net income	**83,860**	**147,399**	**116,572**

(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. 4,534/2016, financial institutions and institutions authorized to operate by BACEN cannot record Deferred Assets. Balances recorded as deferred assets at the date this resolution became effective, except for lease losses to amortize, must be:

I – Reclassified to the proper asset accounts, according to the operation nature, when they refer to items that constitute an asset, according to the effective regulation; and

II – Amortized on a straight-line basis up to December 31, 2021, in the other cases.

(e) Current Liabilities and Long-term Liabilities

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

(f) Income Tax and Social Contribution

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

The deferred tax assets and liabilities arising from temporary differences were recognized in accordance with CMN Resolutions No. 3,059 of December 20, 2002, and No. 3,355, of March 31, 2006, and they take into account the history of profitability and the expected generation of future taxable income supported by technical feasibility studies. The deferred taxes were constituted based on the expected income tax of 25% and social contribution rates of 15% and 20%, since used while the rate is effective.

The president Jair Bolsonaro approved the Law No. 14,183, of 2021, arising from the Provisional Measure (MP) No. 1,034/2021, effective as from July 2021, amending the Law No. 7,689/1988, in order to increase 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.

(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 of May 29, 2008, and based on management analysis, if the carrying amount of the assets of the Bank and of others institutions of the Prudential Conglomerate exceeds their recoverable value, an impairment is recognized in the statement of operations.

(j) Contingent Assets and Liabilities and Legal Obligations

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

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

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

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

(k) Short-term Interbank Investments

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

(l) Loan Transactions

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

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

(m) Cash and Cash Equivalents

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

(n) Other Values and Assets

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

(o) Hedge Accounting

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

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

(a) Market risk hedge: the financial instruments classified under this category, as well as their related financial assets and liabilities, which are the hedge objects, are recorded at fair value and have their gains/losses, whether realized or not, reflected in the result; and

(b) Cash flow hedge: the financial instruments classified in this category are marked at fair value, being the effective installment of appreciation or depreciation recorded, net of tax effects, in a specific account on equity. The ineffective portion of the respective hedge is recognized directly in the result.

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

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

(In thousands of Reais, unless otherwise indicated)

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

(p) Deposits and Funding in the Open Market

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

(q) Intangible 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.

4.Cash and Cash Equivalents

	Prudential Conglomerate	
	12/31/2021	12/31/2020
Bank deposits in foreign currencies	970,488	655,351
Investments in foreign currencies	139,513	2,079
Open market investments (a)	10,199	540,007
Free reserves	2,110	11,470
Cash	4	3
Bank deposits	3	2
Total	**1,122,317**	**1,208,912**

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

(In thousands of Reais, unless otherwise indicated)

5.Short-term Interbank Investments

Short-term interbank investments are as follows:

	Prudential Conglomerate	
	12/31/2021	12/31/2020
Open market investments	**14,333**	**540,007**
Self-funded position	**14,333**	**540,007**
Financial treasury bills	14,333	60,004
National treasury bills	–	380,001
National treasury notes – B series	–	100,002
Interbank deposits (*)	**257,236**	**226,637**
Investments in foreign currencies	**139,513**	**2,079**
	411,082	**768,723**
Current assets	345,282	600,326
Long-term receivables	65,800	168,397
Total	**411,082**	**768,723**

(*) The interbank deposits in the Prudential Conglomerate on December 31, 2021 basically refer to Time Deposits with Special Guarantees. In the year ended December 31, 2021, their maturities are between January 2022 and June 2023.

At December 31, 2021 and December 31, 2020, the collateral received through repurchase agreements amounted to R$ 14,752 thousand and R$ 542,414 thousand, respectively, in the Prudential Conglomerate. The provided collateral amounted to R$ 3,425,812 thousand and R$ 9,459 thousand during the same periods.

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

	Prudential Conglomerate		
	Second half of 2021	12/31/2021	12/31/2020
Open market investments	12,974	19,700	26,661
Interbank deposits	11,571	16,922	4,846
Investments in foreign currencies	279	425	1,902
Income from marketable securities transactions	**24,824**	**37,047**	**33,409**

(In thousands of Reais, unless otherwise indicated)

6.Marketable Securities and Derivative Financial Instruments

	Prudential Conglomerate			
	Cost	Market	Cost	Market
	12/31/2021		12/31/2020	
I – Marketable securities	**4,608,794**	**4,562,244**	**3,586,691**	**3,620,098**
Securities for trading (*)	**1,200,934**	**1,168,231**	**858,652**	**862,103**
Bank portfolio	**452,646**	**446,352**	**806,996**	**810,421**
Fixed income securities	**442,603**	**436,309**	**806,996**	**810,421**
Financial treasury bills	173,957	174,263	448,789	449,437
National treasury bills	301	301	274,431	276,982
National treasury notes – B series	268,345	261,745	83,776	84,002
Investment fund shares	**10,043**	**10,043**	**–**	**–**
Credit fund quotas	10,043	10,043	–	–
Subject to repurchase agreements	**694,498**	**669,520**	**5,604**	**5,616**
Financial treasury bills	35,017	35,086	–	–
National treasury notes – B series	659,481	634,434	5,604	5,616
Linked to guarantees given	**53,790**	**52,359**	**46,052**	**46,066**
Financial treasury bills	–	–	19,329	19,343
National treasury notes – B series	26,208	24,777	–	–
Fund quotas given as guarantee	27,582	27,582	26,723	26,723
Securities available for sale (*)	**2,182,482**	**2,168,635**	**1,899,815**	**1,929,771**
Bank portfolio	**1,170,428**	**1,167,052**	**947,138**	**969,981**
Fixed-income securities	**568,495**	**570,443**	**318,046**	**318,163**
Financial treasury bills	285,062	285,837	58,050	58,042
National treasury bills	24,099	23,186	980	1,000
National treasury notes – B series	8	8	7	7
Promissory note	103,584	103,584	142,618	142,621
Debentures	25,052	26,145	1,525	1,489
CRA	32,653	32,653	13,934	14,072
Rural product note	67,541	67,541	100,932	100,932
Private financial bills	30,496	31,489	–	–
Marketable securities abroad	**601,933**	**596,609**	**629,092**	**651,818**
Eurobonds (a)	601,933	596,609	629,092	651,818
Subject to repurchase agreements	**916,924**	**910,938**	**276,926**	**278,178**
Financial treasury bills	211,918	212,349	9,504	9,459
National treasury bills	206,160	197,600	–	–
Debentures	356,168	364,196	267,422	268,719
Eurobonds (a)	142,678	136,793	–	–
Linked to guarantees given	**95,130**	**90,645**	**675,751**	**681,612**
Financial treasury bills	20,217	20,217	274,462	274,350
National treasury bills	72,400	67,925	–	–
Debentures	2,513	2,503	401,289	407,262

continued

(In thousands of Reais, unless otherwise indicated)

	Prudential Conglomerate			
	Cost	Market	Cost	Market
	12/31/2021		12/31/2020	
Securities held up to maturity	**1,225,378**	**1,225,378**	**828,224**	**828,224**
Bank portfolio	**152,564**	**152,564**	**584,382**	**584,382**
Fixed-income securities	**25,045**	**25,045**	**400,237**	**400,237**
National treasury notes – F series	–	–	400,237	400,237
National treasury bills	25,045	25,045		
Marketable securities abroad	**127,519**	**127,519**	**184,145**	**184,145**
Eurobonds (a)	127,519	127,519	184,145	184,145
Subject to repurchase agreements	**206,488**	**206,488**	**–**	**–**
National treasury bills	76,177	76,177	–	–
Eurobonds (a)	130,311	130,311	–	–
Linked to guarantees given	**866,507**	**866,507**	**243,962**	**243,962**
National treasury notes – F series	630,654	630,654	243,962	243,962
National treasury bills	235,853	235,853	–	–
Provision for marketable securities	**(181)**	**(181)**	**(120)**	**(120)**
Eurobonds (a)	(181)	(181)	(120)	(120)
II – Derivative financial instruments	**109,850**	**180,228**	**64,739**	**86,716**
Swap operations	42,483	112,043	8,833	36,162
Term	63,874	65,050	53,222	47,981
Options	1,430	1,072	1,501	1,390
Futures	2,063	2,063	1,183	1,183
Total marketable securities and derivative financial instruments	**4,718,644**	**4,742,472**	**3,651,430**	**3,706,814**
Segregation of portfolio by maturity range				
No maturity				
Up to 3 months	1,568,836	1,532,358	1,132,346	1,139,570
From 3 to 12 months	120,401	114,828	267,199	283,429
Over 12 months	3,029,407	3,095,286	2,251,885	2,283,815
Total	**4,718,644**	**4,742,472**	**3,651,430**	**3,706,814**

(a) The amount refers to Eurobonds, of which R$ 257,649 thousand are classified as "Securities held to Maturity" with final maturity up to September 2031, and R$ 733,402 thousand as "Securities Avaiable for Sale" with final maturity up to September 2031.

(*) Securities classified as "Securities for trading" maturing in more than 12 months and which, on December 31, 2021, amount to R$ 1,094,075 in the Prudential Conglomerate (December 31, 2020 – R$ 710,407 thousand), are stated as current assets, according to BACEN Circular Letter No. 3,068/2001. Securities classified as "Available for sale", maturing in more than 12 months, in the amount of R$ 1,738,655 thousand on December 31, 2021 (December 31, 2020 – R$ 1,354,338 thousand), in the Prudential Conglomerate, are stated as long-term receivables, according to BACEN Circular Letter No. 3,068/2001, regardless its liquidity level. The effect of this classification in net current capital is shown in Note 22 – Liquidity risk.

There were no transfers in the bond category during 2021.

(In thousands of Reais, unless otherwise indicated)

	Prudential Conglomerate			
	Cost	Market	Cost	Market
	12/31/2021		12/31/2020	
III – Derivative financial instruments				
Swap operations	183,142	169,669	211,417	258,402
Term	122,618	137,864	99,184	87,816
Futures	6,464	6,463	24,193	24,193
Options	3,748	3,686	473	379
Liability position	**315,972**	**317,682**	**335,267**	**370,790**
Segregation by maturity range				
Up to 3 months	84,856	88,537	14,157	16,467
From 3 to 12 months	86,162	100,006	56,319	56,601
Over 12 months	144,954	129,139	264,791	297,722
Total	**315,972**	**317,682**	**335,267**	**370,790**

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

	Prudential Conglomerate		
	Second half of 2021	12/31/2021	12/31/2020
Private securities	38,088	85,706	146,966
Government bonds	80,077	115,282	103,884
Investment funds quotas	937	1,270	552
Exchange variation	28,080	(31,421)	(53,758)
Income from marketable securities	**147,182**	**170,837**	**197,644**

	Prudential Conglomerate		
	Second half of 2021	12/31/2021	12/31/2020
(Provision)/Reversal of provision for marketable securities	162	41	(846)
Result of (provision)/reversal of provision for marketable securities	**162**	**41**	**(846)**

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.

(In thousands of Reais, unless otherwise indicated)

7.Loan Transactions, Sureties and Honored Guarantees

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

	Prudential Conglomerate			
	12/31/2021		12/31/2020	
Sugar and ethanol	1,391,855	14.95%	1,158,216	14.60%
Agriculture	1,229,633	13.21%	888,006	11.19%
Banks and insurers	773,251	8.31%	444,854	5.61%
Building and real estate	609,250	6.55%	611,331	7.70%
Retail market	566,882	6.09%	513,970	6.48%
Utilities (energy)	546,200	5.87%	570,491	7.19%
Vehicles and parts	371,038	3.99%	256,961	3.24%
Foods – Sundry	320,966	3.45%	277,560	3.50%
Chemical and petrochemical	296,933	3.19%	218,285	2.75%
Specialized services	293,413	3.15%	198,480	2.50%
Transportation and logistics	254,369	2.73%	292,597	3.69%
Pulp and paper	246,878	2.65%	222,367	2.80%
Pharmaceutics	242,324	2.60%	249,452	3.14%
Health	216,863	2.33%	171,160	2.16%
Heavy construction	194,559	2.09%	101,990	1.29%
Meat industry	186,361	2.00%	162,630	2.05%
Metallurgy	165,193	1.77%	95,127	1.20%
Telecommunication	155,039	1.67%	100,970	1.27%
Civil aviation	135,906	1.46%	163,639	2.06%
Diversified holdings	122,718	1.32%	124,250	1.57%
Textile and leathers	113,093	1.22%	56,196	0.71%
Others (*)	514,776	5.53%	658,911	8.30%
Private sector	**8,947,500**	**96%**	**7,537,446**	**95%**
Utilities (energy)	262,002	2.81%	271,563	3.42%
Others (*)	98,146	1.05%	125,724	1.58%
Public sector	**360,148**	**4%**	**397,287**	**5%**
Total	**9,307,648**	**100%**	**7,934,733**	**100%**

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

(In thousands of Reais, unless otherwise indicated)

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

	Prudential Conglomerate	
	12/31/2021	12/31/2020
Current assets		
Loan transactions	**2,835,106**	**2,183,045**
Private sector	2,817,313	2,154,425
Public sector	17,793	28,620
Other receivables	**19,682**	**13,864**
Foreign exchange portfolio - receivables (a)	10,017	5,287
Securities and Credits Receivable (b)	9,665	8,577
Noncurrent Assets		
Loan Transactions	**4,423,790**	**4,326,334**
Private Sector	4,405,263	4,276,654
Public Sector	18,527	49,680
Other Receivables	**11,222**	**17,360**
Securities and Credits Receivable (b)	11,222	17,360
Current Liabilities		
Other Liabilities	**492,443**	**210,121**
Foreign Exchange Portfolio – Advances on exchange contracts (a)	492,443	210,121
Subtotal	**7,782,243**	**6,750,724**
Co-obligations and risks in guarantees provided (c)	1,525,405	1,184,009
Total	**9,307,648**	**7,934,733**

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

(b) This refers to credit assignment, recorded in "Other credits" account.

(c) These refer to guarantees granted through sureties and guarantees. The granted guarantees are recorded in offsetting accounts and the respective earnings are classified as Results for Future Years and appropriated to the result according to the guarantees' contractual terms. The Bank also includes guarantees provided for the credit operations of BBM Bank Limited, which are eliminated in the Prudential Conglomerate.

(In thousands of Reais, unless otherwise indicated)

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

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

Risk Level	12/31/2021											12/31/2020	
	Overdue – days					Falling due – days							
	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	–	–	–	–	–	1,154,255	620,504	592,786	1,873,535	4,241,080	–	4,143,787	–
A	88	–	–	–	–	316,918	380,722	579,604	2,098,441	3,375,773	16,879	2,591,917	12,960
B	–	13	–	–	–	89,828	165,887	298,470	628,749	1,182,947	12,247	855,565	8,846
C	–	976	–	–	–	82,321	59,520	162,720	169,574	475,111	22,218	316,496	19,761
D	7	529	–	–	–	1,585	1,437	2,677	460	6,695	670	–	–
E	–	1,888	–	–	–	–	–	3,640	11,278	16,806	5,042	18,024	5,407
F	–	–	–	–	–	–	–	–	–	–	–	4,339	2,170
G	–	–	–	7,518		–				7,518	5,262	–	–
H	–	–	–	–	1,718	–	–	–	–	1,718	1,718	4,605	4,605
	95	**3,406**	**–**	**7,518**	**1,718**	**1,644,907**	**1,228,070**	**1,639,897**	**4,782,037**	**9,307,648**	**64,036**	**7,934,733**	**53,749**

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

	12/31/2021	12/31/2020
Allowance for loan losses	**48,691**	**37,741**
Current assets	24,284	16,540
Noncurrent assets	24,407	21,201
Provision for other credits	**4,646**	**1,268**
Securities and credits receivable	**4,646**	**607**
Current assets	2,891	–
Noncurrent assets	1,755	607
Provision for advances on exchange contracts	**–**	**661**
Current assets	–	661
Provision for co-obligations and risks in guarantees provided	**10,699**	**14,740**
Current liability	9,966	13,671
Noncurrent assets	733	1,069
Total	**64,036**	**53,749**

(In thousands of Reais, unless otherwise indicated)

Changes in allowances are as follows:

	12/31/2021	12/31/2020
Balance at January 1st	**53,749**	**47,513**
Increase / (reversal)	14,891	26,925
Write-offs to loss	(4,604)	(20,689)
Total	**64,036**	**53,749**

In the year ended December 31, 2021, there were no loan transactions renegotiated in the Prudential Conglomerate (December 31, 2020 – R$ 34,825 thousand).

In the year ended December 31, 2021, there was a recovery of losses on loan transactions in the amount of R$ 5,482 thousand (December 31, 2020 – R$ 5,815 thousand).

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

	12/31/2021	%	12/31/2020	%
Top debtor	262,002	2.8%	271,563	3.4%
Top 10 debtors	1,443,077	15.5%	1,385,395	17.5%
Top 20 debtors	2,337,617	25.1%	2,113,933	26.6%
Top 50 debtors	4,076,071	43.8%	3,591,012	45.3%
Top 100 debtors	5,909,530	63.5%	5,120,335	64.5%

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

	12/31/2021	12/31/2020
Working capital	5,660,819	5,433,410
Co-obligations and Risk in Guarantees Provided	1,525,405	1,184,009
Export credit notes	1,257,842	710,066
Trade finance	786,416	551,635
Others	77,166	55,613
Total	**9,307,648**	**7,934,733**

(In thousands of Reais, unless otherwise indicated)

8.Foreign Exchange Portfolio

	Prudential Conglomerate	
	12/31/2021	12/31/2020
Other receivables – Foreign exchange portfolio		
Foreign exchange purchases pending settlement	509,334	216,889
Income receivable from advances granted (a)	10,017	5,287
Rights on foreign exchange sales	1,265	1,302
(-) Advances in national currency received	(43)	–
Total	**520,573**	**223,478**
Other payables – Foreign exchange portfolio		
Exchange purchase obligations	492,443	210,121
Foreign exchange sales pending settlement	1,272	1,301
Advances on foreign exchange contracts granted (a)	(492,443)	(210,121)
Others	–	1,478
Total	**1,272**	**2,779**

(a) See Note 7.

On December 31, 2021, there were federal government securities deposited securing foreign exchange transactions with B3 in the amount of R$ 311,944 thousand (December 31, 2020 – R$ 65,101 thousand).

(In thousands of Reais, unless otherwise indicated)

9.Deposits

Maturity range	Time deposits	Interbank deposits	Total 12/31/2021	Total 12/31/2020
Within 1 month	34,014	180,065	214,079	490,902
From 1 to 3 months	242,409	–	242,409	322,417
From 3 to 6 months	92,127	–	92,127	109,642
From 6 to 12 months	121,611	581,402	703,013	191,517
More than 12 months	656,501	–	656,501	1,058,535
Subtotal	**1,146,662**	**761,467**	**1,908,129**	**2,173,013**
Demand deposits			327,559	629,320
Total			**2,235,688**	**2,802,333**

The average term of interbank and time deposits for outstanding transactions at December 31, 2021 is 558 days and 822 days (December 31, 2020 – 640 and 605 days), respectively.

Maturities upon issuance	Time deposits	Interbank deposits	Total 12/31/2021	Total 12/31/2020
Within 1 month	16,707	180,065	196,772	69,189
From 1 to 3 months	161,857	–	161,857	314,663
From 3 to 6 months	46,458	–	46,458	127,898
From 6 to 12 months	53,934	–	53,934	106,859
More than 12 months	867,706	581,402	1,449,108	1,554,404
Subtotal	**1,146,662**	**761,467**	**1,908,129**	**2,173,013**
Demand deposits			327,559	629,320
Total			**2,235,688**	**2,802,333**

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

	Demand deposits		Time deposits		Interbank deposits		Total			
	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021		12/31/2020	
Legal entities	285,063	554,524	810,404	1,140,506	–	121,773	1,095,468	49.00%	1,816,803	64.83%
Institutional customers	4	4	113,699	281,833	159,039	180,907	272,742	12.20%	462,744	16.51%
Group	20,778	48,839	139,919	107,504	–	–	160,697	7.19%	156,343	5.58%
Financial institutions	–	–	24,483	–	602,428	336,488	626,911	28.04%	336,488	12.01%
Individuals	21,714	25,953	58,157	4,002	–	–	79,871	3.57%	29,955	1.07%
Total	**327,559**	**629,320**	**1,146,662**	**1,533,845**	**761,467**	**639,168**	**2,235,688**	**100%**	**2,802,333**	**100%**

(In thousands of Reais, unless otherwise indicated)

	12/31/2021		12/31/2020	
Top depositor	498,762	22.03%	301,392	10.76%
Top 10 depositors	981,382	43.35%	862,198	30.77%
Top 20 depositors	1,275,175	56.33%	1,191,485	42.52%
Top 50 depositors	1,718,296	75.90%	1,764,153	62.95%
Top 100 depositors	1,975,720	87.27%	2,251,511	80.34%

10.Repurchase Agreements

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

	Prudential Conglomerate	
	12/31/2021	12/31/2020
Own portfolio		
National treasury notes	623,389	–
Debentures	362,990	281,578
National treasury bills	270,445	–
Financial treasury bills	259,247	9,630
Eurobonds	215,529	–
	1,731,600	**291,208**
Current liabilities	1,719,830	276,496
Noncurrent liabilities	11,770	14,712
Total	**1,731,600**	**291,208**

The main variation was the increase in the position of prefixed national treasury notes, which the acquisition happened in December 30, 2021, maturing on January 3, 2022 and they were settled on the same date.

(In thousands of Reais, unless otherwise indicated)

11.Funds from Acceptance and Issuance of Securities

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

	Prudential Conglomerate									
Maturity	LCA (a)		LCI (b)		LF (c)		LFG (d)		LF - Subordinated debt (e)	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Within 1 month	118,883	107,225	–	2,647	122,915	26,045	–	–	–	–
From 1 to 3 months	55,157	155,825	–	6,298	135,857	18,886	–	–	5,996	–
From 3 to 6 months	124,543	229,523	598	7,720	42,297	101,896	–	92,045	–	–
From 6 to 12 months	803,660	236,073	16,660	40,318	486,249	355,894	–	749,427	–	–
More than 12 months	985,267	722,183	30,652	10,459	645,674	954,028	–	–	200,000	201,760
Total	**2,087,510**	**1,450,829**	**47,910**	**67,442**	**1,432,992**	**1,456,749**	**–**	**841,472**	**205,996**	**201,760**

(a) Agribusiness Credit Bills (LCA) are issued by the Bank and registered with B3, according to Laws No. 11,076/2004 and No. 11,311/2006 and subsequent amendments. The range between rates used for this operation are 85% of DI – 123% of DI and 100% of pre-set.

(b) Housing Credit Bills (LCI) are nominative securities created by Provisional Measure No. 2,223 on September 4, 2001, which resulted in Law No. 10,931 of August 2, 2004. The range between rates used for this operation are 92% of DI – 120.7% of DI.

(c) Financial Bills (LF) are issued by the Bank and registered with B3 – according to the Law No. 12,249/2010 (Section II, articles 37 to 43), and ruled by CMN (Law No. 3,836). The range between rates used for this operation are 100% of DI – 129% DI, 100% of pre-set and 100% of IPCA.

(d) Financial Letter with Guarantee (LFG) is regulated by Resolution No. 4,795 through which the Central Bank of Brazil is authorized to carry out loan operations under specific conditions through direct acquisition, in the primary market, of Financial Bills with financial assets or securities as guarantees. The rates used for this operation are 100% of SELIC.

(e) Financial Bill (LF) – Subordinated Debt has a perpetual term and a repurchase option starting within 5 semiannual windows. The Bank uses the amount raised as complementary capital in order to make up the institution's Level I capital. The issue was private and carried out with the Bank's shareholder base. The rates used for this operation are 110% of SELIC.

(In thousands of Reais, unless otherwise indicated)

12.Borrowings

Borrowings abroad in the Prudential Conglomerate are as follows:

	Prudential Conglomerate	
	12/31/2021	12/31/2020
Obligations with borrowings abroad (*)	4,568,886	3,300,574
Export credit facility	66,422	146,673
Import credit facility	28,121	15,569
	4,663,429	**3,462,816**
Current liabilities	3,448,121	2,313,174
Long-term payables	1,215,308	1,149,642
	4,663,429	**3,462,816**

(*) The amount of R$ 4,568,886 thousand on December 31, 2021 (December 31,2020 – R$ 3,300,574 thousand), classified as Borrowings Abroad, refers:

1 – To the fundraising in U.S. dollars with Bank of Communications with final maturity up to September 2022 representing R$ 618,214 and March 2023 representing the amount of R$ 378,233. The range between rates used for this operation is 0.90% – 1.01%;

2 – Money market operations in dollars and renminbi, taken with the Bank of Communications GMC, with maturities of less than 365 days representing R$ 1,467,350 and maturities up to January 2026 representing R$ 558,050, with the Bank of Communications Macau, with maturities of less than 365 days representing R$ 35,480, with the Bank of Communications New York, with maturities of less than 365 days representing R$ 558,458 and with the Bank of Communications Hong Kong, with maturities of less than 365 days representing R$ 750 and maturities up to September 2023 representing R$ 279,025. The range between rates used for this operation is 0.30% – 3.00%; and;

3 – Working capital operations with maturities of less than 365 days representing R$ 673,326. The range between rates used for this operation is 0.88% – 1.10%.

(In thousands of Reais, unless otherwise indicated)

13.Sundry

	Prudential Conglomerate	
	12/31/2021	12/31/2020
Other receivables – Sundry		
Debtors deposits on warranty	52,555	53,209
Taxes and contributions to offset	42,665	35,127
Sundry debtors – domestic	12,914	16,185
Sundry debtors – foreign	2,940	4,332
Advances – Salaries and constructions	465	813
	111,539	**109,666**
Current asset	94,912	51,690
Long-term asset	16,628	57,976
	111,539	**109,666**

	Prudential Conglomerate	
	12/31/2021	12/31/2020
Other payables - Sundry		
Sundry debtors – abroad (a)	188,003	149,466
Allowance for payments to be made	12,855	11,301
Allowance for contingent liabilities	12,462	13,201
Sundry debtors – domestic	7,661	13,361
Administrative checks	849	724
	221,830	**188,053**
Current liabilities	202,277	168,403
Non-current liabilities	19,553	19,650
	221,830	**188,053**

(a) It mainly refers to the prepayment of letters of credit. The original maturity date of these contracts were from May 25, 2022, September 16, 2022 and November 11, 2022.

(In thousands of Reais, unless otherwise indicated)

14.Other Assets

	Prudential Conglomerate	
	12/31/2021	12/31/2020
Other values and goods		
Properties	8,323	13,454
Others	2,691	2,480
	11,014	**15,934**
Current asset (a)	10,187	15,934
Long-term assets	827	–
	11,014	**15,934**

(a) On December 31, 2021, the amount of R$ 8,323 thousand, classified as current assets, refers mainly to the execution of guarantee of properties, recorded as properties not for use (BNDU), according to independent appraisal report, limited to the value of debt. In the year ended December 31, 2021, the bank BOCOM BBM has sold one of its buildings received as guarantee for credit operations resulting in R$ 1,261 thousand of profit.

15.Intangible Assets

	12/31/2020	Acquisitions	Write-off	Amortization in the period	12/31/2021
Intangible					
Data processing systems					
Cost	33,715	16,314	(936)		49,093
Accrued amortization	(12,171)		125	(7,097)	(19,143)
Communication and security systems					
Cost	922				922
Accrued amortization	(441)			(164)	(605)
Licenses and copyright and use rights					
Cost	4,405				4,405
Accrued amortization	(1,494)			(756)	(2,250)
Total	**24,936**	**16,314**	**(811)**	**(8,017)**	**32,422**

16.Equity

(a) Capital – Banco BOCOM BBM S.A.

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

(b) Legal Reserve

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

(c) Statutory Reserve

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

(d) Treasury Shares

On December 31, 2021, 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. 9,249/1995 and its subsequent amendments, Banco BOCOM BBM S.A., at the end of 2021, declared interest on equity of R$ 35,375 thousand (2020 – R$ 31,792 thousand), with withholding income tax of R$ 5,306 thousand (2020 – R$ 4,769 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, 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 at the end of 2021 reduced tax burden by R$ 17,688 thousand (2020 – R$ 14,306 thousand).

In the year ended December 31, 2021, R$ 27,023 thousand was paid as interest on equity.

(In thousands of Reais, unless otherwise indicated)

(f) Dividends

	Prudential Conglomerate	
	12/31/2021	12/31/2020
Net income – Banco BBM S.A.	147,399	116,572
(-) Legal reserve	(7,370)	(5,829)
Calculation basis	**140,029**	**110,743**
Minimum mandatory dividends (a)	25%	25%
	35,008	**27,686**
Interest on own capital	30,068	27,023
Dividends	4,940	–
Total	**35,008**	**27,023**

(a) The minimum mandatory dividends decided as Interest on Equity and dividends.

17.Financial Intermediation Expenses, Result of Foreign Exchange Operations, Loans, Assignments and Onlending Operations

	Prudential Conglomerate		
	Second half of 2021	12/31/2021	12/31/2020
Market funding operations			
Financial bills	(52,303)	(84,533)	(57,438)
Agriculture credit bills	(58,195)	(82,119)	(33,285)
Time deposits	(33,784)	(50,559)	(30,694)
Interbank deposits	(21,222)	(31,881)	(3,500)
Foreign exchange variation (a)	(29,827)	(13,145)	32,730
Repurchase agreements	(16,545)	(23,034)	(8,887)
Credit guarantee fund	(2,537)	(5,055)	(3,566)
Real estate credit bills	(1,587)	(2,319)	(3,386)
Deposits previous notice	(267)	(543)	(722)
Expenses with securities abroad	(15)	(8)	(85,700)
	(216,282)	**(293,196)**	**(194,448)**
Loans, assignments and onlending operations			
Foreign exchange variation (a)	(250,676)	(93,631)	(287,328)
Loan expenses abroad	(22,997)	(44,150)	(57,673)
	(273,673)	**(137,781)**	**(345,001)**
Foreing exchange transactions			
Foreign exchange variations and interest differences	(48,312)	(21,985)	144,822
Other expenses	(304)	(550)	(598)
Revenue from advances on exchange contracts (ACC)	11,837	19,571	22,758
	(36,779)	**(2,964)**	**166,982**

(a) This substantially represents the effects of foreign exchange variations on loans raised by the Bank from its branch abroad through the transfer of funds raised in foreign currency. In the year ended December 31, 2021, the increase of the dollar justifies the expenses of exchange variation.

(In thousands of Reais, unless otherwise indicated)

18.Service Revenue

	Prudential Conglomerate		
	Second half of 2021	12/31/2021	12/31/2020
Service revenue			
Management and performance fees of investment funds	22,942	45,056	24,687
Bank fee income	29,131	41,238	53,023
Guarantees commission and letter of credit	14,496	26,288	17,332
Structuring commission	12,083	21,473	5,917
Other services	3,025	5,350	4,496
Total	**81,677**	**139,405**	**105,455**

19.Other Administrative Expenses

	Prudential Conglomerate		
	Second half of 2021	12/31/2021	12/31/2020
Data processing	(6,154)	(11,337)	(9,728)
Amortization and depreciation	(5,169)	(9,908)	(7,708)
Rentals	(5,095)	(9,750)	(7,890)
Specialized technical services	(4,302)	(8,459)	(7,236)
Financial system services (a)	(3,598)	(6,666)	(5,737)
Communications	(2,258)	(4,772)	(4,610)
Third-party services	(2,048)	(3,544)	(2,674)
Condominium	(872)	(1,983)	(2,049)
Property maintenance and upkeep	(1,064)	(1,885)	(1,645)
Promotion/ Advertising/ Publications	(992)	(1,824)	(1,260)
Travel	(951)	(1,262)	(1,262)
Registry	(802)	(1,251)	(1,560)
Water, energy and gas	(412)	(782)	(856)
Transportation	(415)	(642)	(414)
Fines	(68)	(185)	(178)
Material	(53)	(80)	(260)
Insurance	–	(21)	(40)
Surveillance and security services	–	–	(771)
Other administrative expenses	(4,125)	(6,602)	(5,265)
	(38,378)	**(70,953)**	**(61,143)**

(a) In the year ended December 31, 2021, this includes brokerage expenses, charges and commission related to guarantee transactions and derivative financial instruments of R$ 2,267 thousand (December 31, 2020 - R$ 1,692 thousand).

(In thousands of Reais, unless otherwise indicated)

20.Related-parties' Significant Transactions

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

	Prudential Conglomerate		
	Rate	12/31/2021	12/31/2020
Asset			
Cash and cash equivalents		**499**	**531**
Bank of Communications Co., Ltd.		30	90
Bank of Communications – GMC		10	90
Bocom Hong Kong		18	40
Bocom Macau		441	401
Loan operations		**52,985**	**–**
Bank of Communications Co., Ltd.	1.02% – 1.07%	52,659	–
Other related individuals/legal entities	100% CDI + 1.1	326	–
Derivative financial instruments		**73,581**	**64,323**
Bocom Brazil Holding Company Ltda.		73,581	64,323
Marketable securities		**35,242**	**–**
Bocom Macau	2.68% – 3.05%	35,242	–
Liabilities			
Demand deposits		**20,778**	**48,839**
Évora S.A.		10	10
Bahia AM Renda Fixa Ltda.		5	5
Bahia AM Renda Variável Ltda.		5	4
Bocom Brazil Holding Company Ltda.		24	39,087
Bahia Holding S.A.		1	5
Other related individuals/legal entities		20,733	9,728
Time deposits		**139,919**	**107,504**
Bahia Holding S.A.	97% DI – 97.2% DI	11,516	18,101
Évora S.A.	97% DI	3,592	3,445
Aleutas S.A.	97.5% DI	54,122	54,812
Colares Participações S.A.	97% DI	2,105	8,882
Bocom Brazil Holding Company Ltda.	97% DI	68,549	22,264
Other related individuals/legal entities	115% DI	35	–
Debentures agreements		**79,065**	**27,023**
Other related individuals/legal entities	100% DI	79,065	27,023
Government bonds agreements		**23,069**	**–**
Other related individuals/legal entities		23,069	–
Financial bills		**290**	**–**
Other related individuals/legal entities	100% – 111% DI	290	–
Agriculture credit bills		**173,674**	**239,984**
Other related individuals/legal entities	92% – 123% DI	173,674	239,984
Real Estate credit bills		**46,180**	**59,581**
Other related individuals/legal entities	92% – 120.7% DI	46,180	59,581
Derivative financial instruments		**146,400**	**121,313**
Bocom Brazil Holding Company Ltda.		146,400	121,313
Subordinated debt		**205,996**	**201,760**
Bocom Brazil Holding Company Ltda.	110% SELIC	165,441	162,039
Other related individuals/legal entities	110% SELIC	40,555	39,721
Liabilities on loans abroad		**3,895,561**	**2,724,090**
Bank of Communications Co., Ltd.	0.75% – 1.01%	996,447	873,917
Bocom Macau	2.63% – 3.0%	35,480	16,121
Bank of Communications – GMC	0.45% – 0.96%	2,025,401	1,574,162
Bocom Hong Kong	0.99%	279,775	259,890
Bocom NY	0.3% – 0.47%	558,458	–
Dividends and bonuses payable		**30,068**	**27,023**
Interest on capital credited to shareholders		30,068	27,023

(In thousands of Reais, unless otherwise indicated)

	Prudential Conglomerate		
	Second half of 2021	12/31/2021	12/31/2020
Result			
Result with derivative financial instruments	**(20,872)**	**(11,900)**	**130,542**
Bocom Brazil Holding Company Ltda.	(20,872)	(11,900)	130,626
Other related individuals/legal entities	–	–	(84)
Income with marketable securities	**593**	**593**	**–**
Bocom Macau	593	593	–
Loans operations income	**293**	**293**	**–**
Bank of Communications Co., Ltd.	277	277	–
Other related individuals/legal entities	16	16	–
Open market funding	**(21,527)**	**(31,373)**	**(18,349)**
Time deposits expenses	**(3,711)**	**(5,382)**	**(3,575)**
Évora S.A.	(104)	(146)	(91)
Bocom Brazil Holding Company Ltda.	(1,443)	(2,094)	(629)
Bahia Holding S.A.	(397)	(590)	(978)
Aleutas S.A.	(1,595)	(2,271)	(1,705)
Colares Participações S/A	(171)	(280)	(172)
Other related individuals/legal entities	(1)	(1)	–
Repurchase agreements – Debentures expenses	**(1,377)**	**(1,647)**	**(1,039)**
Other related individuals/legal entities	(1,377)	(1,647)	(1,039)
Repurchase agreements - government bonds	**(3,707)**	**(5,869)**	**–**
Other related individuals/legal entities	(3,707)	(5,869)	–
Agriculture credit bills expenses	**(4,538)**	**(6,857)**	**(6,857)**
Other related individuals/legal entities	(4,538)	(6,857)	(6,857)
Real Estate credit bills expenses	**(1,396)**	**(2,032)**	**(1,603)**
Other related individuals/legal entities	(1,396)	(2,032)	(1,603)
Financial bills expenses	**(10)**	**(10)**	**–**
Other related individuals/legal entities	(10)	(10)	–
Subordinated debt	**(6,788)**	**(9,576)**	**(5,275)**
Bocom Brazil Holding Company Ltda.	(5,452)	(7,694)	(4,205)
Other related individuals/legal entities	(1,336)	(1,882)	(1,070)
Loans expenses abroad	**(16,194)**	**(31,830)**	**(46,704)**
Bank of Communications Co., Ltd.	(6,881)	(13,169)	(18,658)
Bocom Macau	(358)	(591)	(472)
Bank of Communications – GMC	(6,808)	(14,498)	(26,817)
Bocom Hong Kong	(1,410)	(2,753)	(757)
Bocom NY	(737)	(819)	–
Foreign exchange variation with loans abroad	**(5,883)**	**26,476**	**(244,182)**
Bank of Communications Co., Ltd.	(96,752)	(64,193)	(240,507)
Bocom Macau	90,869	90,669	(3,675)
Expenses with dividends and bonuses	**(35,374)**	**(35,374)**	**(31,792)**
Interest on Equity	(35,374)	(35,374)	(31,792)
Total	**(98,964)**	**(83,115)**	**(210,485)**

(In thousands of Reais, unless otherwise indicated)

(b) Key Management Compensation

The total compensation will be calculated as follows:

I) Fixed and variable compensation

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

(a) The amount equivalent to at most 50% (fifty percent) of the variable compensation will be paid in cash, immediately available for the Participant ("Short-term compensation"); and

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

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

II) Deferred compensation

The payment of the deferred compensation will be carried out on a scaled basis, every six months, in shares proportional to the deferral period ("Deferred Compensation Shares"), and all the deferred shares should be updated by the ROE of Banco Bocom BBM. In the year ended December 31, 2021, the payment of Deferred Remuneration occurred through repurchase agreements backed by public securities.

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

	Prudential Conglomerate	
	12/31/2021	12/31/2020
Liabilities		
Statutory	**18,035**	**15,254**
Management variable compensation – Short-term	6,121	7,410
Deferred management variable compensation – Long-term	11,914	7,844

	Prudential Conglomerate		
	Second half of 2021	**12/31/2021**	12/31/2020
Result	**(28,962)**	**(55,700)**	**(30,861)**
Fixed compensation	(11,699)	(21,063)	(11,099)
Variable compensation	(17,263)	(34,637)	(19,762)

21.Derivative Financial Instruments

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

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

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

These transactions are traded, recorded or held on B3. In the Prudential Conglomerate, international 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 December 31, 2021, the guarantees for the transactions involving derivative financial instruments are represented mainly by government securities in the total amount of R$ 578,159 thousand (December 31, 2020 – R$ 460,987 thousand) and fund quotas in the total amount of R$ 27,582 thousand (December 31, 2020 – R$ 26,723 thousand).

(In thousands of Reais, unless otherwise indicated)

(a) At Cost and Market Value

	Prudential Conglomerate						
	12/31/2021						12/31/2020
	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	2,063	2,063	145	504	1,076	338	1,183
Sold position	6,464	6,463	3,397	2,731	303	32	24,193
Swaps							
Asset position	42,483	112,043	8,940	1,498	425	101,180	36,162
Liability position	183,142	169,669	20,553	13,018	11,273	124,825	258,402
Non-deliverable forward – NDF							
Asset position	63,874	65,050	2,646	938	61,466	–	47,981
Liability position	122,618	137,864	61,130	1,513	71,168	4,053	87,816
Liability position							
Asset position	1,430	1,072	1,072	–	–	–	1,390
Liability position	3,748	3,686	3,457	–	–	229	379

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

- Purchased foreign exchange coupon contracts (DDI) of R$ 4,305,243 thousand (December 31, 2020 – R$ 2,597,208 thousand);
- Sold foreign exchange coupon contracts (DDI) of R$ 436,778 thousand (December 31, 2020 – R$ 341,744 thousand);
- Purchased interest contracts (DI1) of R$ 858,032 thousand (December 31, 2020 – R$ 466,131 thousand);
- Sold interest contracts (DI1) of R$ 488,852 thousand (December 31, 2020 – R$ 1,010,341 thousand);
- Purchased currency contracts (DOL) of R$ 365,725 thousand (December 31, 2020 – R$ 392,716 thousand);
- Sold currency contracts (DOL) of R$ 1,725,701 thousand (December 31, 2020 – R$ 782,117 thousand);
- Purchased currency contracts (DAP) of R$ 64,178 thousand (December 31, 2020 – R$ 43,404 thousand);
- Sold currency contracts (DAP) of R$ 184,713 thousand (December 31, 2020 – R$ 131,633 thousand).

(In thousands of Reais, unless otherwise indicated)

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

	Prudential Conglomerate		
	Second half of 2021	12/31/2021	12/31/2020
Future contracts	302,766	97,708	496,910
Options contracts	3,173	19,555	12,473
Swap and term contracts	(61,891)	24,654	(344,725)
Total	**244,048**	**141,917**	**164,658**

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

(b) Hedge Accounting

Fundraising Fair Value Hedge (I)

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

- On September 6, 2017 in the amount of USD 35,000 thousand with payment of pre-fixed interest of 0.90% 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 March 25, 2020 in the amount of USD 67,500 thousand with payment of fixed interest of 1.01% p.a.;
- On December 11, 2021 in the amount of USD 10,000 thousand with payment of fixed interest of 0.75% 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.

(In thousands of Reais, unless otherwise indicated)

Due to the fact that there is a matching of hedge object flows and the results of hedge derivatives, the effectiveness of the operation remains close to 100.57%.

	Prudential Conglomerate			
	12/31/2021			12/31/2020
Hedge object	Result of the object	Result of the hedge instrument	Effectiveness	Effectiveness
Fundraising (I)	(242,387)	243,773	100.57%	90.34%

Fundraising Fair Value Hedge (II)

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

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

Due to the fact that there is a matching of hedge object flows and the results of hedge derivatives, the effectiveness of the operation remains 98.69% to LF IPCA and 99.44% to LF PRÉ.

	Prudential Conglomerate			
	12/31/2021			12/31/2020
Hedge object	Result of the object	Result of the hedge instrument	Effectiveness	Effectiveness
Fundraising (II) – LF IPCA	(367)	363	98.69%	102.37%
Fundraising (II) – LF PRÉ	8,772	(8,723)	99.44%	99.97%

Credit Operations Fair Value Hedge

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

(In thousands of Reais, unless otherwise indicated)

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 98.90%.

	Prudential Conglomerate			
	12/31/2021			12/31/2020
Hedge object	**Result of the object**	**Result of the hedge instrument**	**Effectiveness**	Effectiveness
Credit operations	(172)	170	98.90%	95.66%

Investment Cash Flow Hedge Abroad

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

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

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

	Prudential Conglomerate			
	12/31/2021			12/31/2020
Hedge object	**Result of the object**	**Result of the hedge instrument**	**Effectiveness**	Effectiveness
Investiment abroad	8,371	(8,371)	100.00%	101.34%

(In thousands of Reais, unless otherwise indicated)

Bonds Held to Maturity Fair Value Hedge

In June 2020, Banco BOCOM BBM designated a portfolio of derivative financial instruments consisting of Libor flat swap contracts vs. fixed rate in USD, in order to cover the risk of fluctuations in the external profitability of bonds classified as "held to maturity" as spread over Libor due to fluctuations in the forward structure of the Libor curve. Because of the matching between the flows of the hedge object and the results of the derivatives intended for hedge, the effectiveness of the operation was of 103.78%.

	Prudential Conglomerate			
	12/31/2021			12/31/2020
Hedge object	Result of the object	Result of the hedge instrument	Effectiveness	Effectiveness
Bonds held to maturity abroad	426	(442)	103.78%	100.77%

Bonds Avaiable for Sale Cash Flow Hedge

In January 2021, Banco BOCOM BBM designated a portfolio of derivative financial instruments consisting of Libor flat swap contracts vs. fixed rate in USD and in December 2021 SOFR flat swap contracts vs. fixed rate in USD, in order to cover the risk of fluctuations in the external profitability of bonds classified as "available for sale" as spread over Libor due to fluctuations in the forward structure of the Libor and SOFR curve. Because of the matching between the flows of the hedge object and the results of the derivatives intended for hedge, the effectiveness of the operation was of LIBOR 99.24% and SOFR 88.04%.

	Prudential Conglomerate			
	12/31/2021			12/31/2020
Hedge object	Result of the object	Result of the hedge instrument	Effectiveness	Effectiveness
Bonds available for sale abroad – LIBOR	(965)	958	99.24%	–
Bonds available for sale abroad – SOFR	12	(11)	88.04%	–

22.Risks Management

Market Risk

Banco BOCOM BBM was a pioneer in terms of quantifying market risk in Brazil, and developed a proprietary system in 1997 which became a benchmark for the industry. The market risk management structure includes the following: a) the Executive Board, responsible for reviewing risk management policies and proposing risk management operating limits, submitting these for the approval of the Board of Directors at least once a year; b) the Board of Directors, which approves the risk policies and limits at least once a year; c) the Market Risk area, subordinated to the Risk Officer, is responsible for identifying, measuring, monitoring and reporting online to the Executive Board the Bank's market risk, ensuring compliance with the market risk management policy, as well as guaranteeing that 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, independently of the management departments. A full description of the Bank's market risk management structure is available on Banco BOCOM BBM's website (www.bancobocombbm.com.br).

Market Risk means the risk arising from fluctuations in the values of assets and derivatives resulting from changes in market prices and rates, such as interest, stocks, currencies and commodities.

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

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

(In thousands of Reais, unless otherwise indicated)

Reference date	VaR (in R$ millions)
12/31/2021	3.7
06/30/2021	3.6
12/31/2020	6.1
06/30/2020	4.0

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

Reference date	B3 stress (in R$ millions)
12/31/2021	-111.5
06/30/2021	-57.5
12/31/2020	-20.2

Liquidity Risk

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

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

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

(In thousands of Reais, unless otherwise indicated)

	Prudential Conglomerate	
	12/31/2021	12/31/2020
Current assets	6,228,325	5,162,336
Current liabilities	(9,318,497)	(6,919,320)
Working capital, net	**(3,090,172)**	**(1,756,984)**
"Securities available for sale presented in long-term receivables"	1,738,655	1,354,338
Loans abroad	2,121,045	1,574,162
	769,527	**1,171,516**

Banco BOCOM BBM's current liabilities are higher than its current assets calculated according to the nominal maturity of its operations. However, part of the current liabilities are loans made to the parent company in the total amount of R$ 2,121,045 thousands which, despite having a maturity of less than 1 year, are systematically renewed.

Credit Risk

Banco 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

Aligned to the orientation of the Regulation Bodies and to the best market practices, Banco BOCOM BBM ("BOCOM BBM") established the "Operating Risk Management Policy", which defined principles, procedures and responsibilities to be observed in order that the internal controls systems of BOCOM BBM work and are strengthened, seeking to mitigate the risks according to the complexity of its businesses, as well as to dissiminate the culture of the controls to ensure the compliance with laws, regulations and other internal standards.

The Internal Controls and Operating Risk area is a seggregated independent organizational area of Internal Audit, under the responsibility of the Risk and Internal Controls Officer. The area is responsible for performing, together with the other components of the risk management structure, in order to comply with the guidelines established by the mentioned Policy.

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

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

(In thousands of Reais, unless otherwise indicated)

23.Operating Limits

In October 2013, the new rules related to capital measurement became effective. The financial institutions and similar entities have to maintain minimum equity of 8.0% of their assets, weighted by grades of risk to expositions in gold, foreign exchange and operations subject to the operating risk and to the variations in: foreign exchange, interest rate, price of commodities and price of shares classified as held in portfolio for trade, according to BACEN's rules and instructions. The Prudential Conglomerate of Banco BOCOM BBM is within this operational limit on December 31, 2021.

	Prudential Conglomerate	
	12/31/2021	12/31/2020
Reference equity level I	**1,013,478**	**935,748**
Adjusted equity	1,046,804	966,087
Decrease in intangible / deferred assets according to CMN Resolution No. 4,192	33,326	30,339
Reference equity (PR)	**1,013,478**	**935,748**
Risk-weighted assets (RWA)	**641,542**	**521,100**
Portion referring to:		
Credit risk (RWACPAD)	554,456	447,457
Foreign exchange risk (PCAM)	10,508	10,353
Interest rate risk (RWAMPAD)	6,167	4,360
Operating risk (RWAOPAD)	70,411	58,930
Margin or insufficiency value (PR - RWA)	**371,936**	**414,648**
Risk factor – 8.00% of PR	**81,078**	**74,860**
Basel rate (Risk factor / RWA)	**12,64%**	**14,37%**
RBAN	89,265	62,754
ACP required	160,386	81,422
Reference equity margin + RBAN	**122,285**	**270,472**

(In thousands of Reais, unless otherwise indicated)

24.Income Tax and Social Contribution

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

	Prudential Conglomerate	
	12/31/2021	12/31/2020
Asset credit tax		
Balance at January 1	**107,332**	**68,292**
Constitution (reversal)		
- With effects in the result	(369)	26,367
- With effects in equity		
(Securities held for sale)	10,752	12,673
Balance at December 31	**117,715**	**107,332**
Provision for deferred taxes (*)		
Balance at January 1	**58,935**	**19,199**
Constitution (Reversal)		
- With effects in the result	29,936	39,736
- With effects in equity		
(Securities available for sale)	–	–
Balance at December 31	**88,871**	**58,935**

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

(In thousands of Reais, unless otherwise indicated)

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 it is being shown at the table below:

	Prudential Conglomerate			
	12/31/2021	Constitution	Reversal	12/31/2020
Asset credit tax				
Temporary differences (a)				
– Provision for loan transactions	30,738	5,914	8,673	33,497
– Market value adjustment – marketable securities and derivatives	66,680	91,605	74,532	49,607
– Provisions for contingencies (Note 25)	5,596	207	545	5,934
– Others	13,797	25,007	24,100	12,890
Social contribution negative basis	411	25	1,953	2,339
Tax loss	493	3	2,575	3,065
Total	**117,715**	**122,761**	**112,378**	**107,332**
Provision for deferred taxes				
Temporary differences (a)				
– Market adjustment of securities and derivatives	88,834	101,279	131,215	58,898
– Adjustment of Selic Interest rate on Judicial Deposits				
– Others	37			37
Total	**88,871**	**101,279**	**131,215**	**58,935**

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

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

	Prudential Conglomerate	
Description	Tax credits on temporary differences	Loss and negative basis
2021	(10,342)	409
2022	30,255	
2023	5,953	
2024	564	
2025	1,128	
Total	**27,966**	
Present value	**20,038**	

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

(In thousands of Reais, unless otherwise indicated)

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:

	12/31/2021		12/31/2020	
	IRPJ	CSLL	IRPJ	CSLL
Income before taxes	**220,626**	**220,626**	**151,105**	**151,106**
Bank´s net profit	147,401	147,401	116,564	116,564
(-) Interest on own capital	(35,374)	(35,374)	(31,792)	(31,792)
(-) Interest on Bank's capital	(35,374)	(35,374)	(31,792)	(31,792)
(-/+) Income tax and social contribution	(108,599)	(108,599)	(66,333)	(66,333)
Tax rate	**25%**	**25%**	**25%**	**20%**
Income tax and social contribution				
At tax rate	(55,157)	(55,157)	(37,776)	(30,221)
Permanent additions	**108,578**	**74,577**	**71,744**	**52,782**
Non-deductible expenses	41,645	7,644	20,905	1,943
Addition on profit abroad	66,933	66,933	50,839	50,839
Permanent exclusions	**73,349**	**73,349**	**38,102**	**38,102**
Tax-free revenues	4,190	4,190		
Equity in the result of investees (Bank)	69,159	69,159	38,102	38,102
Temporary additions / exclusions	**(59,392)**	**(55,337)**	**(36,705)**	**(42,989)**
Tax basis	**196,463**	**166,518**	**148,043**	**122,797**
Tax basis with use of tax loss and negative basis	**196,463**	**166,518**	**148,043**	**122,797**
Income tax and social contribution (a)	**(49,092)**	**(38,506)**	**(36,987)**	**(24,719)**
Use of tax incentives and taxes of subsidiaries abroad	**1,834**		**1,260**	**14**
Income tax and social contribution in the result for the period	**(47,258)**	**(38,506)**	**(35,727)**	**(24,706)**
DIPJ adjustment	354	–	(5,154)	
Provision for deferred tax liabilities	(16,630)	(13,304)	(21,541)	(18,195)
Income tax and social contribution in the result for the period – Banco BOCOM BBM	**(63,534)**	**(51,810)**	**(62,422)**	**(42,901)**
Income tax and social contribution of other institutions of the Prudential Conglomerate	(1,169)	(788)	(437)	(221)
Income tax and social contribution in the result for the period – Prudential Conglomerate	**(64,703)**	**(52,598)**	**(62,859)**	**(43,122)**

(a) The president Jair Bolsonaro approved the Law No. 14,183, of 2021, arising from the Provisional Measure (MP) No. 1,034/2021, effective as from July 2021, amending the Law No. 7,689/1988, in order to increase 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.

(In thousands of Reais, unless otherwise indicated)

25.Provisions and Liabilities for Legal Obligation

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

(a) Breakdown of Provisions

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

	Prudential Conglomerate	
	12/31/2021	12/31/2020
Labor	11,787	12,154
Civil	–	633
Total – Provisions for contingencies	**11,787**	**12,787**

These provisions are recorded as "Other liabilities – sundry" under Long-term liabilities. During the year ended December 31, 2021, R$ 283 thousand was provided for contingencies in the Prudential Conglomerate.

(b) Liabilities for Legal Obligations

Based on the preliminary injunction obtained, Banco BOCOM BBM and BOCOM BBM Corretora de Câmbio e Valores Mobiliários SA ensured the suspension of the requirement for PIS/Pasep and COFINS tax credits that are determined, with the incidence of 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 and BOCOM BBM Corretora de Valores Mobiliários SA started to collect, in November 2018, PIS/Pasep and COFINS disregarding the municipal tax in their respective calculation bases, having constituted a liability for the remaining balance up to December 2021, recorded as "Other Sundry Liabilities" in Long-Term Liabilities, as follows:

	Prudential Conglomerate	
	12/31/2021	12/31/2020
PIS and COFINS	675	414
Total – Liabilities for legal obligations	**675**	**414**

(In thousands of Reais, unless otherwise indicated)

(c) 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.

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$ 5.6 million and (ii) social security contributions allegedly due on food in the amount of R$ 1.2 million, both correspond to payments made in 2015. The Bank discusses the assessments at the administrative level. In the opinion of our legal advisors, the chances of loss in these cases are possible.

26. Allowance for Financial Guarantees

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

	Prudential Conglomerate	
	12/31/2021	12/31/2020
Guarantee		
Surety or guarantee in lawsuits and administrative proceedings	369,085	364,728
Linked to bids, auctions, service render or construction	267,340	307,213
Other sureties	189,931	231,015
Linked to international trade	28,829	9,205
Total	**855,185**	**912,161**
Changes in allowance for financial guarantees		
Opening balance	**14,740**	**1,088**
Exchange variation	–	117
Constitution / (reversal)	(4,041)	13,535
Closing balance	**10,699**	**14,740**

27.Other Information

(a) Compensatory and Settlement of Obligations Arrangement

Banco BOCOM BBM has a compensatory and settlement of obligations arrangement within the scope of the National Financial System, according to CMN Resolution No. 3,263/2005, resulting in more guarantee to settle its debits with financial institutions with which it has this kind of arrangement. On December 31, 2021, the total assets mitigated by compensatory arrangement was of R$ 1,928,401 thousand (December 31, 2020 – R$ 203,053 thousand).

(b) Deferred Income

Result for future years refers mainly to the earnings of guarantees granted, and its decrease in the period ended December 31, 2021 is aligned with the variation of the guarantees.

(c) Marketable Securities Portfolio

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

At the end of the year, Banco BOCOM BBM had R$ 1,225,378 thousand in marketable securities classified as "held to maturity", according to Circular Letter No. 3,068/2001 of Central Bank of Brazil. Banco BOCOM BBM has financial capacity and intention to hold them to maturity.

(d) Energy Trading

In order to diversify the business lines that have synergy with the group's performance in the corporate credit segment and to increase the range of services available to meet the specific needs of customers, Banco BOCOM BBM plans to operate in the energy trading market, purchasing and selling electric power. The process of obtaining the necessary regulatory authorizations was concluded. The activities are expected to begin during 2022.

(e) Impacts of Covid-19

The year of 2021 was marked by the strong recovery of the global economy, as several social isolation measures could be relaxed as vaccination advanced in the main developed economies. Most countries in the Northern Hemisphere ended the year with more than 75% of their population immunized with two doses of the vaccine. In response to the recovery in activity, several economies reduced fiscal and monetary stimulus that took place during the pandemic, especially because of concerns about the sustainability of spending and inflation. In Brazil, the year ended with 67% of the population immunized (two doses), and growth driven mainly by the global recovery and the increase in commodity prices. Record collections, the end of extraordinary expenses resulting from the pandemic and the growth of nominal GDP brought relief to the fiscal scenario and to the debt/GDP. For 2021, growth should reach just over 4%, but prospects are not very favorable for 2022. The labor market and the service sector continue to recover, but a restrictive monetary policy, combined with high household indebtedness, poses challenges for growth. Presidential elections in Brazil and less favorable international financial conditions add even more uncertainty to the scenario. The reform agenda – such as the tax and administrative ones – continues to be crucial for a more robust growth trajectory and for the fiscal sustainability of the Brazilian economy in the coming years.

Throughout the year, the mass vaccination and immunization of our employees allowed many to partially return to face-to-face work, and the hybrid system combined flexibility with the advantages of interactions in the work environment. Regular testing and the control protocols established by the bank were essential to prevent contamination by Covid-19 among our employees, and this year's experience and learning contribute to the return to normality of work in 2022.

Banco BOCOM BBM S.A., together with its employees, donated more than R$150 thousand in projects aimed at mitigating the effects of the pandemic on low-income families, many of which are located in regions surrounding the Bank.

28.Events After the Reporting Period

(a) Corporate Change

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

(b) Issuance of Subordinated Private Financial Bills

In February 2022, Banco BOCOM BBM issued 270 million in 10–year Subordinated Private Financial Bills, with a CDI rate plus 2.6% for institutional investors. According to BCB Resolution n° 122 the amount issued is eligible to be included in Reference Equity Level II.

ALINE GOMES – CONTROLLER

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