Financial statements

Credit Rating

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

Moody's Investors Service assigned the ratings of Banco BOCOM BBM on April, 2022. On a global scale, "Ba1" rating was assigned to local and foreign currency deposits, with a notch above the Brazilian rating (“Ba2”) and “Ba1” for deposits in foreign currency, and “stable perspective”. In the national scale, the “Aaa.br” rating was assigned by the Moody’s Local Brazil, on April 13, 2022, with “stable perspective”, the best possible credit rating in this category.

In addition, on August 17, 2022, Fitch Ratings assigned the long-term national rating "AAA (bra)", the highest possible rating in this category. On a global scale, long-term issuer default ratings (IDR) "BB" and "BB+" were assigned in foreign currency and local currency, respectively, keeping above the sovereign rating ("BB-"). In addition, the outlook for long-term IDRs was reviewd from negative to stable, following the outlook for sovereign ratings.

Aaa.br
National scale rating awarded to Banco BOCOM BBM in 2022 by Moody’s.

AAA(bra)
Long-term national scale rating awarded to Banco BOCOM BBM in 2022 by Fitch Ratings.

(In thousands of Reais)

Assets	Note	Prudential Conglomerate 12/31/2022	12/31/2021
Current and Long-term Assets		**20,686,619**	**14,139,490**
Cash	4	**182,810**	**972,605**
Bank Deposits		1	3
Cash		4	4
Free Reserves		156	2,110
Bank Deposits in Foreign Currencies		182,649	970,488
Short-term Interbank Investments	5	**1,399,841**	**411,082**
Open Market Investments	4	55,092	14,333
Interbank Deposits		1,339,193	257,236
Investments in Foreign Currencies	4	5,556	139,513
Marketable Securities and Derivative Financial Instruments	6	**6,858,397**	**4,742,472**
Bank Portfolio		2,656,899	1,765,968
Subject to Repurchase Agreements		3,158,166	1,786,946
Linked to Guarantees Given		765,090	1,009,511
Derivative Financial Instruments	21	278,944	180,228
Allowance for Marketable Securities		(702)	(181)
Interbank Accounts		**6,725**	**7,110**
Correspondent Banks		278	274
Deposits – Central Bank of Brazil		6,447	6,836
Loan Transactions	7	**11,088,362**	**7,210,205**
Discounted Securities and Loans		5,780,137	5,397,606
Financing		2,587,046	1,285,963
Rural and Agroindustrial Financing		2,793,275	575,327
Allowance for Loans		(72,096)	(48,691)
Other Receivables		**1,133,717**	**785,002**
Foreign Exchange Portfolio	8	757,440	520,573
Unearned Income		19,681	18,934
Trading and Brokerage		35,527	–
Credit Assignment	7	13,035	20,887
Sundry	13	126,592	111,539
Tax Credits	24	186,862	117,715
Allowance for Other Receivables	7	(5,420)	(4,646)
Other Assets	14	**16,767**	**11,014**
Permanent Assets		**51,385**	**44,652**
Investments		**2,280**	**1,081**
Other Investments		4,909	3,710
Provision for Losses		(2,629)	(2,629)
Property and Equipment in Use		**12,310**	**11,149**
Intangible Assets	15	**36,795**	**32,422**
Total Assets		**20,738,004**	**14,184,142**

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

Liabilities	Note	Prudential Conglomerate 12/31/2022	12/31/2021
Current and Long-term Liabilities		**19,727,898**	**13,343,334**
Deposits	9	**1,740,659**	**2,235,688**
Demand Deposits		452,325	327,559
Time Deposits		1,267,537	1,146,662
Interbank Deposits		20,797	761,467
Repurchase Agreements	10	**2,929,892**	**1,731,600**
Own Portfolio		2,929,892	1,731,600
Funds from Acceptance and Issuance of Securities	11	**8,352,435**	**3,774,408**
Liabilities from Issuance of Agribusiness Credit Bills - LCA		5,651,106	2,087,510
Liabilities from Issuance of Housing Credit Bills - LCI		17,880	47,910
Liabilities from Issuance of Financial Bills - LF		1,960,797	1,432,992
Liabilities from Issuance of Financial Bills - LF - Subordinated Debts		722,652	205,996
Interbranch Accounts		**30,471**	**31,831**
Third-party Funds in Transit		30,471	31,831
Borrowings	12	**5,970,785**	**4,663,429**
Loans Abroad		5,970,785	4,663,429
Derivative Financial Instruments	6 and 21	**118,736**	**317,682**
Derivative Financial Instruments		118,736	317,682
Other Liabilities		**584,920**	**588,696**
Collection of Similar Taxes		362	613
Foreign Exchange Portfolio	8	46,918	1,272
Social		7,716	35,008
Statutory		79,004	62,661
Tax and Social Security		334,899	186,078
Securities Trading		9	50,619
Allowance for Financial Guarantees	7 and 26	6,659	10,699
Sundry	13	109,353	241,746
Equity	16	**1,010,106**	**840,808**
Capital		**469,300**	**469,300**
Domiciled in Brazil		469,300	469,300
Income Reserves		**721,516**	**556,936**
Other Comprehensive Income		**1,129**	**(3,589)**
Treasury Stock		**(181,839)**	**(181,839)**
Total Liabilities and Equity		**20,738,004**	**14,184,142**

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

(In thousands of Reais)

	Note	Prudential Conglomerate		
		Second Half of 2022	12/31/2022	12/31/2021
Financial Income		1,242,693	1,900,982	716,962
Loan Transactions		714,797	1,170,855	512,042
Income from Marketable Securities Transactions	5 and 6	439,328	673,339	207,884
Result of Exchange Operations	17	88,568	56,788	(2,964)
Financial Expenses		(911,642)	(1,339,845)	(303,910)
Market Funding Operations	17	(664,191)	(1,033,178)	(293,196)
Loss on Derivative Financial Instruments	21	81,978	(131,578)	141,917
Loans, Assignments and Onlending Operations	17	(316,119)	(150,844)	(137,781)
Provisions of Allowance Doubtful Accounts	7	(13,113)	(23,673)	(14,891)
(Provisions)/Reversals for Marketable Securities	6	(197)	(572)	41
Gross Financial Income		331,051	561,137	413,052
Other Operating Income (Expenses)		(67,554)	(91,435)	(71,117)
Service Revenues	18	79,428	158,467	139,405
Personnel Expenses		(70,260)	(127,986)	(111,568)
Other Administrative Expenses	19	(57,041)	(97,046)	(70,953)
Tax Expenses		(25,027)	(38,819)	(27,935)
Other Operating Income		6,789	17,705	1,657
Other Operating Expenses		(1,443)	(3,756)	(1,723)
Operating Income		263,497	469,702	341,935
Non-operating Expenses		123	571	1,133
Income Before Income Taxes and Profit Sharing		263,620	470,273	343,068
Income and Social Contributions Taxes	24	(81,367)	(161,761)	(117,670)
Provision for Income Tax		(85,073)	(133,384)	(64,703)
Provision for Social Contribution Tax		(67,329)	(101,071)	(52,598)
Deferred Tax Asset		71,035	72,694	(369)
Profit Sharing – Management and Employees		(48,880)	(87,880)	(77,999)
Net Income for the Six-month Period/Year		133,373	220,632	147,399
Earnings per Outstanding Share		0.65	1.07	0.72

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

	Prudential Conglomerate		
	Second Half of 2022	12/31/2022	12/31/2021
Net Income	133,373	220,632	147,399
Market Adjustment Variation of the Securities	17,679	4,724	(30,604)
Securities Available for Sale	31,927	8,276	(36,785)
Tax Effects	(14,248)	(3,552)	6,181
Exchange Variation of Investments Abroad	(600)	(10,749)	8,371
Derivative Financial Instruments Used for Hedging	602	10,751	(8,371)
Derivative Financial Instruments	602	10,751	(12,942)
Tax Effects	–	–	4,571
Cumulative Translation Adjustment*	46	(8)	–
Comprehensive Income for the Six-month Period/Year	151,100	225,350	116,795

The accompanying notes are an integral part of these financial statements.
*According to BACEN Resolution No. 4,817/2020.

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

		Income Reserves		Other Comprehensive Income					
	Capital	Legal	Statutory	Market Value Adjustment of Securities and Derivatives	Hedge of Investments Abroad	Cumulative Translation Adjustment *	Treasury Stock	Retained Earnings	Total
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 Semester								147,399	147,399
Allocations:									
– 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, 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**
Year Ended December 31, 2022									
Balances at January 1, 2022	**469,300**	**49,297**	**507,639**	**(3,318)**	**(271)**	**–**	**(181,839)**	**–**	**840,808**
Market Value Adjustments - Marketable Securities				4,724					4,724
Exchange Variation of Investments Abroad					(10,749)				(10,749)
Derivative Financial Instruments Used for Hedging					10,751				10,751
Cumulative Translation Adjustment						(8)			(8)
Net Income for the Semester								220,632	220,632
Allocations:									
– Proposed Dividends								(3,708)	(3,708)
– Reserves		11,032	148,609					(159,641)	–
– Interest on Equity (R$ 0.28 per Share)								(57,283)	(57,283)
– Reversal of Proposed Dividends			4,939						4,939
Balances at December 31, 2022	**469,300**	**60,329**	**661,187**	**1,406**	**(269)**	**(8)**	**(181,839)**	**–**	**1,010,106**
Changes in the Year	**–**	**11,032**	**153,548**	**4,724**	**2**	**(8)**	**–**	**–**	**169,298**
Balances at July 1, 2022	**469,300**	**53,660**	**595,474**	**(16,273)**	**(271)**	**(54)**	**(181,839)**	**–**	**919,997**
Market Value Adjustments - Marketable Securities				17,679					17,679
Exchange Variation of Investments Abroad					(600)				(600)
Derivatives Financial Instruments Used for Hedging					602				602
Cumulative Translation Adjustment						46			46
Net Income for the Semester								133,373	133,373
Allocations:									
– Proposed Dividends								(3,708)	(3,708)
– Reserves		6,669	65,713					(72,382)	–
– Interest on Equity (R$ 0.28 per Share)								(57,283)	(57,283)
Balances at December 31, 2022	**469,300**	**60,329**	**661,187**	**1,406**	**(269)**	**(8)**	**(181,839)**	**–**	**1,010,106**
Changes in the Six-month Period	–	**6,669**	**65,713**	**17,679**	**2**	**46**	**–**	**–**	**90,109**

See accompanying notes.
*According to BACEN Resolution No. 4,817/2020.

Statement of Cash Flow
(In thousands of Reais)

	Prudential Conglomerate		
	Second Half of 2022	12/31/2022	12/31/2021
Cash Flow From Operating Activities			
Net Income	**133,373**	**220,632**	**147,399**
Adjustments to Net Income	**(28,766)**	**(74,743)**	**(21,599)**
Allowance for Doubtful Accounts	13,113	23,673	14,891
(Provisions)/Reversals for Marketable Securities	197	572	(41)
Depreciation and Amortization	6,797	12,852	9,908
Expenses/Reversion from Civil, Labor and Tax Allowances	(4)	(4)	283
Deferred Income and Social Contribution Taxes	(71,035)	(72,694)	369
(Gain)/Losses on Fair Value Adjustment on Marketable Securities and Derivatives	22,166	(39,142)	(47,009)
Adjusted Net Income	**104,607**	**145,889**	**125,800**
(Increase) in Short-term Interbank Investments	(87,971)	(1,077,822)	(34,733)
(Increase) in Marketable Securities and Derivative Financial Instruments	(1,547,850)	(2,276,299)	(1,041,716)
(Increase)/Decrease in Interbank and Interbranch Accounts	(29,637)	(976)	28,308
(Increase) in Loan and Lease Transactions	(2,001,443)	(3,901,831)	(753,458)
(Increase)/Decrease in Other Assets	143,232	(281,774)	(296,147)
(Decrease) in Deposits	(233,528)	(495,029)	(566,645)
Increase in Open Market Funding	1,281,521	1,198,291	1,440,392
Increase in Borrowings and Onlending	185,646	1,307,355	1,200,613
(Decrease)/Increase in Other Liabilities	109,371	14,926	130,431
Market Value Adjustments - Marketable Securities	17,727	4,765	(30,604)
Net Cash Flow From Operating Activities	**(2,162,932)**	**(5,508,394)**	**76,441**
Cash Flow From Investing Activities			
(Increase) in Investments	(443)	(1,245)	(434)
(Property) and Equipment for Use and Leased Acquisition	(10,842)	(18,386)	(17,536)
Net Cash Used in Investing Activities	**(11,285)**	**(19,631)**	**(17,970)**
Cash Flow From Financing Activities			
Dividends and Interest on Equity Paid	(44,682)	(74,750)	(27,023)
(Decrease)/Increase in Securities Issue Resources	2,003,657	4,578,027	(243,843)
Net Cash Used in Financing Activities	**1,958,975**	**4,503,277**	**(270,866)**
Net Increase in Cash and Cash Equivalents	**(110,635)**	**(878,859)**	**(86,595)**
At the Beginning of the Six-month Period/Year	354,093	1,122,317	1,208,912
Changes for the Six-month Period/Year	(238,060)	408,256	(32,627)
Exchange Variation for the Six-month Period/Year	127,425	(1,287,115)	(53,968)
At the End of the Six-month Period/Year	243,458	243,458	1,122,317
Net Increase in Cash and Cash Equivalents	**(110,635)**	**(878,859)**	**(86,595)**
Non-monetary Transaction			
Interest on Equity	57,283	57,283	35,375
Reversal of Proposed Dividends	–	(4,939)	–
Unpaid Dividends	3,708	3,708	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 that 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. 4,950/2021, of the Brazilian National Monetary Council (CMN), and Circular Letter No. 168/2021 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 determining and recording accounting estimates, when applicable. Significant assets and liabilities subject to these estimates and assumptions include: allowance for doubtful accounts, realization of deferred tax assets, provision for labor, tax and civil claims, valuation of financial instruments and other provisions. The definitive values of the transactions involving these estimates will only be known at the time of their settlement.

The BACEN Resolutions No. 2/2020 and 4,818/2020 consolidated the general criteria and the procedures for disclosure of the parent company financial statements. As determined by BACEN Resolution No. 2/2020, as from January 2021, the elaboration of the financial statements of the Prudential Conglomerate are not required anymore. However, Management opted to continue elaborating them for the purpose of reporting to the Controlling Company.

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

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

2.1 Consolidation

The Prudential Conglomerate's financial statements were prepared in accordance with the consolidation criteria stated by BACEN's Resolution No. 4,950/2021, 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:

- Share capital, reserves and accumulated results held between the institutions (it also should be noted that there is no intercompany transaction);
- 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 as of December 31, 2022 and December 31, 2021 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)
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 share capital of BBM Bank Ltd., Bahia Fund, Haitan Fund and Tai Yang Fund was 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.

2.2 Functional Currency

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

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

2.3 CMN Resolution No. 4,966/2021 – Financial Instruments

The CMN Resolution No. 4,966/2021 establishes new accounting rules for the financial instruments, such as the classification and recognition of the hedge operations by the financial institutions and other institutions authorized to operate by the Central Bank of Brazil. In order to comply with this Resolution, Bocom BBM elaborated and keeps available for the Central Bank of Brazil its plan to implement the normative for the years to come.

(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 2022	12/31/2022	12/31/2021
Recurring Net Income	**133,904**	**220,947**	**146,933**
Non-recurring Events	**(531)**	**(315)**	**466**
Fines	(1,125)	(1,136)	(185)
(Provisions)/Reversals for Contingencies	142	546	(144)
Result from Sale of Assets Held for Sale (AMV)	–	–	1,261
Income Tax and Social Contribution	452	275	(466)
Net Income	**133,373**	**220,632**	**147,399**

(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.

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

(e) Current Liabilities and Long-term Liabilities

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

(f) Income Tax and Social Contribution

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

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

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

As of January 2022, the CSLL rate returned to 20% for BOCOM BBM Bank and 15% for BOCOM BBM CCVM. On April 28, 2022, Provisional Measure No. 1,115/2022 was issued, increasing the CSLL rate for these legal entities by 1%, in accordance with the changes proposed in Law No. 7,689/1988. The CSLL rate of BOCOM BBM Bank increased from 20% to 21%, and of BOCOM BBM CCVM, from 15% to 16%, effective from August 1, 2022 to December 31, 2022.

(g) Swaps, Futures, Forwards and Options

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

(h) Earnings per Share

These are calculated based on the average number of outstanding shares at the period.

(i) Impairment of Assets

In accordance with CPC 1, as approved by CMN Resolution No. 3,566 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. Currently, within the scope of our equity, we have real estate foreclosed on credit guarantees subject to evaluation and analysis of its recoverable value.

(j) Contingent Assets and Liabilities and Legal Obligations

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

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

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

Legal Obligations – Tax and Social Security – these refer to lawsuits contesting the legality and constitutionality of some taxes and contributions. The discussed amount is quantified and accounted for.

(k) Short-term Interbank Investments

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

(l) Loan Transactions

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

The renegotiated operations are maintained, at least, at the same level in which they were classified previously to the renegotiation and, if they have already been written-off against the provision, they are classified as level H; the gains are recognized as income upon the effective receipt.

Credit assignments with no retention risk result in the write-off of the financial assets that are the object of the operation, which are then kept in an offsetting account. The result of the assignment is fully recognized when it is realized. In January 2012, as determined by CMN Resolutions No. 3,533/2008 and No. 3,895/2010, all credit assignments with retention risk are recognized in the remaining terms of operations, and the financial assets subject to assignment are recorded as credit operations and the amount received as obligations for sales or transfer of financial assets.

(m) Cash and Cash Equivalents

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

(n) Other Values and Assets

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

(o) Hedge Accounting

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

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

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

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

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

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

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

(In thousands of Reais, unless otherwise indicated)

4. Cash and Cash Equivalents

	Prudential Conglomerate	
	12/31/2022	12/31/2021
Bank Deposits in Foreign Currencies	182,649	970,488
Open Market Investments (a)	55,092	10,199
Free Reserves	156	2,110
Cash	4	4
Bank Deposits	1	3
Investments in Foreign Currencies	5,556	139,513
Total	**243,458**	**1,122,317**

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

5. Short-term Interbank Investments

Short-term interbank investments are as follows:

	Prudential Conglomerate	
	12/31/2022	12/31/2021
Open Market Investments	**55,092**	**14,333**
Self-funded Position	**55,092**	**14,333**
National Treasury Bills	21,831	–
Debentures	20,590	–
Financial Treasury Bills	12,169	14,333
Agribusiness Receivables Certificate	502	–
Interbank Deposits (*)	**1,339,193**	**257,236**
Investments in Foreign Currencies	**5,556**	**139,513**
	1,399,841	**411,082**
Current Assets	1,398,936	345,282
Long-term Receivables	905	65,800
Total	**1,399,841**	**411,082**

(*) The interbank deposits in the Prudential Conglomerate on December 31, 2022 basically refer to Time Interbank Deposits. In the year ended December 31, 2022, their maturities are between January 2023 and December 2026. The rates used in these operations are indexed to CDI, presenting a percentage between 100% and 108% of CDI, besides the operations indexed to CDI with fixed rate, which vary between 100%CDI+0.4 and 100%CDI+1.95

At December 31, 2022 and December 31, 2021, the collateral received through repurchase agreements amounted to R$ 34,179 thousand and R$ 14,752 thousand, respectively, in the Prudential Conglomerate. The provided collateral amounted to R$ 1,375,399 thousand and R$ 3,425,812 thousand during the same periods.

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

	Prudential Conglomerate		
	Second Half of 2022	12/31/2022	12/31/2021
Investments in Interbank Deposits	68,101	92,009	16,922
Open Market Investments	3,578	9,761	19,700
Investments in Foreign Currencies	1,295	1,520	425
Total	**72,974**	**103,290**	**37,047**

6. Marketable Securities and Derivative Financial Instruments

	Prudential Conglomerate			
	Cost	Market	Cost	Market
	12/31/2022		12/31/2021	
I – Marketable Securities	**6,689,221**	**6,579,453**	**4,608,794**	**4,562,244**
Securities for Trading (*)	**1,971,802**	**1,905,142**	**1,200,934**	**1,168,231**
Bank Portfolio	**1,154,966**	**1,129,603**	**452,646**	**446,352**
Fixed Income Securities	**1,154,966**	**1,129,603**	**442,603**	**436,309**
Financial Treasury Bills	134,979	135,070	173,957	174,263
National Treasury Bills	–	–	301	301
National Treasury Notes – B series	1,019,987	994,533	268,345	261,745
Investment Fund Shares	**–**	**–**	**10,043**	**10,043**
Credit Fund Quotas	–	–	10,043	10,043
Subject to Repurchase Agreements	**783,849**	**742,552**	**694,498**	**669,520**
Financial Treasury Bills	3,255	3,256	35,017	35,086
National Treasury Notes – B series	780,594	739,296	659,481	634,434
Linked to Guarantees Given	**32,987**	**32,987**	**53,790**	**52,359**
National Treasury Notes – B series	–	–	26,208	24,777
Fund Quotas Given as Guarantee	32,987	32,987	27,582	27,582

(In thousands of Reais, unless otherwise indicated)

	Prudential Conglomerate			
	Cost	Market	Cost	Market
	12/31/2022		12/31/2021	
Securities Available for Sale (*)	**1,987,230**	**1,944,122**	**2,182,482**	**2,168,635**
Bank Portfolio	**1,208,125**	**1,206,235**	**1,170,428**	**1,167,052**
Fixed-income Securities	**1,207,783**	**1,205,937**	**568,495**	**570,443**
Financial Treasury Bills	586,779	587,462	285,062	285,837
Agribusiness Certificate of Credit Rights	300,419	300,417	–	–
National Treasury Bills	96,733	93,828	24,099	23,186
National Treasury Notes – B series	–	–	8	8
Promissory Note	108,778	108,778	103,584	103,584
Debentures	3,502	3,677	25,052	26,145
Agribusiness Receivables Certificates	69,432	69,514	32,653	32,653
Rural Product Note	34,003	34,003	67,541	67,541
Private Financial Bills	8,137	8,258	30,496	31,489
Marketable Securities Abroad	**342**	**298**	**601,933**	**596,609**
Eurobonds	342	298	601,933	596,609
Subject to Repurchase Agreements	**779,105**	**737,887**	**916,924**	**910,938**
Financial Treasury Bills	29,416	29,447	211,918	212,349
National Treasury Bills	229,718	220,702	206,160	197,600
Eurobonds	300,895	264,938	142,678	136,793
Debentures	192,339	195,667	356,168	364,196
Private Financial Bills	26,737	27,133	–	–
Linked to Guarantees Given	**–**	**–**	**95,130**	**90,645**
Financial Treasury Bills	–	–	20,217	20,217
National Treasury Bills	–	–	72,400	67,925
Debentures	–	–	2,513	2,503
Securities Held Up to Maturity	**2,730,189**	**2,730,189**	**1,225,378**	**1,225,378**
Bank Portfolio	**321,061**	**321,061**	**152,564**	**152,564**
Fixed-income Securities	**318,368**	**318,368**	**25,045**	**25,045**
National Treasury Bills	318,368	318,368	25,045	25,045
Marketable Securities Abroad	**2,693**	**2,693**	**127,519**	**127,519**
Eurobonds	2,693	2,693	127,519	127,519
Subject to Repurchase Agreements	**1,677,727**	**1,677,727**	**206,488**	**206,488**
National Treasury Bills	962,056	962,056	76,177	76,177
Eurobonds	715,671	715,671	130,311	130,311
Linked to Guarantees Given	**732,103**	**732,103**	**866,507**	**866,507**
National Treasury Notes – F Series	616,190	616,190	630,654	630,654
National Treasury Bills	115,913	115,913	235,853	235,853
Provision for Marketable Securities	**(702)**	**(702)**	**(181)**	**(181)**
Eurobonds	(702)	(702)	(181)	(181)

	Prudential Conglomerate			
	Cost	Market	Cost	Market
	12/31/2022		12/31/2021	
II – Derivative Financial Instruments	**241,323**	**278,944**	**109,850**	**180,228**
Swap Operations	152,447	239,371	42,483	112,043
Term	86,436	37,420	63,874	65,050
Options	645	358	1,430	1,072
Futures	1,795	1,795	2,063	2,063
Total Marketable Securities and Derivative Financial Instruments	**6,930,544**	**6,858,397**	**4,718,644**	**4,742,472**
Segregation of Portfolio by Maturity Range				
Up to 3 Months	2,193,549	2,063,235	1,568,836	1,532,358
From 3 to 12 Months	316,161	298,235	120,401	114,828
Over 12 Months	4,420,834	4,496,927	3,029,407	3,095,286
Total	**6,930,544**	**6,858,397**	**4,718,644**	**4,742,472**

(*) Securities classified as "Securities for trading" maturing in more than 12 months and which, on December 31, 2022, amount to R$ 1,853,279 thousand in the Prudential Conglomerate (December 31, 2021 - R$ 1,094,075 thousand), are classified and segregated 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$ 1,677,210 thousand on December 31, 2022 (December 31, 2021 - R$ 1,767,274 thousand) are classified and segregated according to BACEN Circular Letter No. 3,068/2001, regardless its liquidity level. The effect of this determination in net current capital is shown in Note 22 - Liquidity risk.

There were no transfers in the bond category in the years ended December 31, 2022 and December 31, 2021.

The details about interest rate of Eurobonds and Private Securities in the Prudential Conglomerate are as follows:

			12/31/2022			12/31/2021		
	Index	%	Principal	Interest	Total	Principal	Interest	Total
Agribusiness Certificate of Credit Rights (CDCA)			**300,000**	**419**	**300,419**	**–**	**–**	**–**
Private			**300,000**	**419**	**300,419**	**–**	**–**	**–**
Private Entities	CDI	100% – 103%	300,000	419	300,419	–	–	–
Rural Product Note (CPR)			**33,333**	**670**	**34,003**	**66,666**	**875**	**67,541**
Private			**33,333**	**670**	**34,003**	**66,666**	**875**	**67,541**
Private Entities	CDI	135%	33,333	670	34,003	66,666	875	67,541
Agribusiness Receivables Certificates (CRA)			**65,748**	**3,684**	**69,432**	**30,796**	**1,857**	**32,653**
Private			**65,748**	**3,684**	**69,432**	**30,796**	**1,857**	**32,653**
Private Entities	CDI	102% –104%	40,000	624	40,624	–	–	–
	IPCA	105% – 109%	25,748	3,060	28,808	30,796	1,857	32,653
Debentures			**186,529**	**9,312**	**195,841**	**375,035**	**8,698**	**383,733**
Private			**122,209**	**8,652**	**130,860**	**375,035**	**8,698**	**383,733**
Private Entities	CDI	102% – 105%	120,493	8,524	129,017	375,035	8,698	383,733
	IPCA	110%	1,716	128	1,844	–	–	–
Public			**64,320**	**660**	**64,980**	**–**	**–**	**–**
Public Entities	CDI	106%	64,320	660	64,980	–	–	–
Eurobond			**1,006,409**	**13,192**	**1,019,601**	**995,632**	**6,810**	**1,002,441**
Private			**–**	**–**	**–**	**501,853**	**1,094**	**502,947**
Others	Fixed	–	–	–	–	501,853	1,094	502,947
Public			**1,006,409**	**13,192**	**1,019,601**	**493,779**	**5,715**	**499,494**
Public Entities	Fixed	3% – 7%	1,006,409	13,192	1,019,601	493,779	5,715	499,494
Promissory Note (NP)			**90,000**	**18,778**	**108,778**	**100,000**	**3,584**	**103,584**
Private			**90,000**	**18,778**	**108,778**	**100,000**	**3,584**	**103,584**
Private Entities	CDI	104%	90,000	18,778	108,778	100,000	3,584	103,584
Total			**1,682,019**	**46,055**	**1,728,073**	**1,568,128**	**21,824**	**1,589,952**

	Prudential Conglomerate			
	Cost	Market	Cost	Market
	12/31/2022		12/31/2021	
III – Derivative Financial Instruments				
Swap Operations	122,094	69,561	183,142	169,669
Term	57,496	7,150	122,618	137,864
Futures	667	667	6,464	6,463
Options	50,099	41,358	3,748	3,686
Liability Position	**230,356**	**118,736**	**315,972**	**317,682**
Segregation by Maturity Range				
Up to 3 Months	33,537	2,201	84,856	88,537
From 3 to 12 Months	62,854	36,850	86,162	100,006
Over 12 Months	133,965	79,685	144,954	129,139
Total	**230,356**	**118,736**	**315,972**	**317,682**

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

	Prudential Conglomerate		
	Second Half of 2022	12/31/2022	12/31/2021
Private Securities	29,519	59,911	85,706
Government Bonds	198,596	369,418	115,282
Investment Funds Quotas	2,790	5,202	1,270
Exchange Variation	135,449	135,518	(31,421)
Income from Marketable Securities	**366,354**	**570,049**	**170,837**

	Prudential Conglomerate		
	Second Half of 2022	12/31/2022	12/31/2021
(Provision)/Reversal of Provision for Marketable Securities	(197)	(572)	41
Result of (Provision)/Reversal of Provision for Marketable Securities	**(197)**	**(572)**	**41**

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

Notes to the financial statements as at December 31, 2022
(In thousands of Reais, unless otherwise indicated)

7. Loan Transactions

At December 31, 2022 and December 31, 2021, loans and guarantees provided through guarantee agreements in the Prudential Conglomerate, classified according to the clients' economic activities and representativeness, are as follow:

	Prudential Conglomerate			
	12/31/2022		12/31/2021	
Agriculture	3,076,213	24.00%	1,229,633	13.21%
Sugar and Ethanol	2,568,656	20.04%	1,391,855	14.95%
Banks and Insurers	675,958	5.27%	773,251	8.31%
Chemical and Petrochemical	647,238	5.05%	546,200	5.87%
Utilities (energy)	545,626	4.26%	609,250	6.55%
Vehicles and Parts	447,136	3.49%	566,882	6.09%
Building and Real Estate	435,011	3.39%	296,933	3.19%
Foods – Sundry	392,665	3.06%	371,038	3.99%
Specialized Services	388,503	3.03%	254,369	2.73%
Retail market	387,066	3.02%	320,966	3.45%
Transportation and Logistics	363,257	2.83%	155,039	1.67%
Meat Industry	319,863	2.50%	293,413	3.15%
Diversified Holdings	305,440	2.38%	122,718	1.32%
Metallurgy	231,474	1.81%	186,361	2.00%
Health	210,369	1.64%	242,324	2.60%
Pharmaceutics	194,031	1.51%	216,863	2.33%
Individuals	164,864	1.29%	246,878	2.65%
Heavy Construction	153,854	1.20%	165,193	1.77%
Textile and Leathers	149,794	1.17%	194,559	2.09%
Telecommunication	136,611	1.07%	113,093	1.22%
Others (*)	703,161	5.49%	593,274	6.37%
Private Sector	**12,496,790**	**97%**	**8,947,500**	**96%**
Utilities (energy)	252,605	1.97%	262,002	2.81%
Others (*)	67,918	0.53%	98,146	1.05%
Public Sector	**320,523**	**3%**	**360,148**	**4%**
Total	**12,817,313**	**100%**	**9,307,648**	**100%**

(*) The activities classified as Others include all economic sectors that individually represent less than 1% of the total active loan portfolio at the base dates December 31, 2022 and December 31, 2021.

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

	Prudential Conglomerate	
	12/31/2022	12/31/2021
Current Assets		
Loan Transactions	**5,752,149**	**2,835,106**
Private Sector	5,731,274	2,817,313
Public Sector	20,875	17,793
Other Receivables	**27,866**	**19,682**
Foreign Exchange Portfolio – Receivables (a)	17,353	10,017
Securities and Credits Receivable (b)	10,513	9,665
Noncurrent Assets		
Loan Transactions	**5,408,309**	**4,423,790**
Private Sector	5,408,309	4,405,263
Public Sector	–	18,527
Other Receivables	**2,522**	**11,222**
Securities and Credits Receivable (b)	2,522	11,222
Current Liabilities		
Other Liabilities	**680,232**	**492,443**
Foreign Exchange Portfolio – Advances on Exchange Contracts (a)	680,232	492,443
Subtotal On-balance Loans	**11,871,078**	**7,782,243**
Co-obligations and Risks in Guarantees Provided (c)	**946,235**	**1,525,405**
Current	804,480	1,371,754
Noncurrent	141,755	153,651
Subtotal Off-balance Loans	**946,235**	**1,525,405**
Total	**12,817,313**	**9,307,648**

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

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

(c) These refer to guarantees granted through sureties, letters of credit and firm guarantees. The granted guarantees are recorded in clearing accounts and the respective yields are classified as other liabilities - see Note 13 - and appropriated to income according to the contractual terms of the guarantees. These also include, in the Bank, guarantees granted for credit operations of BBM Bank Limited and Nassau Branch, which are eliminated in the Prudential Conglomerate.

Notes to the financial statements as at December 31, 2022
(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	12/31/2022											12/31/2021	
	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	10	–	–	–	–	1,312,069	593,785	1,455,063	2,329,303	5,690,230	–	4,241,080	–
A	1,001	–	–	–	–	574,249	836,044	1,008,691	2,650,655	5,070,640	25,353	3,375,773	16,879
B	–	422	–	–	–	148,038	218,330	417,671	676,619	1,461,080	14,611	1,182,947	12,247
C	185	3	–	–	–	108,621	95,105	179,595	121,153	504,662	21,191	475,111	22,218
D	832	3,292	9,981	–	–	3,723	18,529	7,110	22,442	65,909	6,591	6,695	670
E	–	–	–	1,529	–	–	–	–	–	1,529	459	16,806	5,042
F	–	–	–	14,586	–	–	–	–	–	14,586	7,293	–	–
G	–	–	–	–		–	–	–	–	–	–	7,518	5,262
H	–	–	–	–	8,677	–	–	–	–	8,677	8,677	1,718	1,718
	2,028	**3,717**	**9,981**	**16,115**	**8,677**	**2,146,700**	**1,761,793**	**3,068,130**	**5,800,172**	**12,817,313**	**84,175**	**9,307,648**	**64,036**

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

	12/31/2022	12/31/2021
Allowance for Loan Losses	**72,096**	**48,691**
Current Assets	51,480	24,284
Noncurrent Assets	20,616	24,407
Provision for Other Credits	**5,420**	**4,646**
Securities and Credits Receivable	**5,420**	**4,646**
Current Assets	3,464	2,891
Noncurrent Assets	1,956	1,755
Provision for Co-obligations and Risks in Guarantees Provided	**6,659**	**10,699**
Current Liability	4,445	9,966
Noncurrent Liability	2,214	733
Total	**84,175**	**64,036**

(In thousands of Reais, unless otherwise indicated)

Changes in allowances are as follows:

	12/31/2022	12/31/2021
Balance at January 1st	**64,036**	**53,749**
Increase / (Reversal)	23,673	14,891
Write-offs to Loss	(3,534)	(4,604)
Total	**84,175**	**64,036**

In the year ended December 31, 2022, there were loan transactions renegotiated in the Prudential Conglomerate in amount of R$ 67,564 thousand (December 31, 2021 – R$ 0).

In the year ended December 31, 2022, there was a recovery of losses on loan transactions in the amount of R$ 14,933 thousand (December 31, 2021 - R$ 5,482 thousand). This amount is impacting Other Operating Income in the Statements of Operations for the year.

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

	12/31/2022	%	12/31/2021	%
Top Debtor	252,605	2.0	262,002	2.8
Top 10 Debtors	1,940,420	15.1	1,443,077	15.5
Top 20 Debtors	3,197,524	24.9	2,337,617	25.1
Top 50 Debtors	5,795,019	45.2	4,076,071	43.8
Top 100 Debtors	8,347,316	65.1	5,909,530	63.5

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

	12/31/2022	12/31/2021
Working Capital	8,093,561	5,660,819
Export Credit Bills	2,560,714	1,525,405
Trade Finance	1,072,612	1,257,842
Co-obligations and Risk in Guarantees Provided	946,235	786,416
Others	144,191	77,166
Total	**12,817,313**	**9,307,648**

8. Foreign Exchange Portfolio

	Prudential Conglomerate	
	12/31/2022	12/31/2021
Other Receivables – Foreign Exchange Portfolio		
Foreign Exchange Purchases Pending Settlement	694,961	509,334
Rights on Foreign Exchange Sales	46,111	1,265
Income Receivable from Advances Granted (a)	17,353	10,017
(-) Advances in National Currency Received	(985)	(43)
Total	**757,440**	**520,573**
Other Payables – Foreign Exchange Portfolio		
Exchange Purchase Obligations	680,287	492,443
Foreign Exchange Sales Pending Settlement	46,863	1,272
Advances on Foreign Exchange Contracts Granted (a)	(680,232)	(492,443)
Total	**46,918**	**1,272**

(a) See Note 7.

On December 31, 2022, there were federal government securities deposited securing foreign exchange transactions with B3 in the amount of R$ 74,345 thousand (December 31, 2021 – R$ 311,944 thousand).

9. Deposits

Maturity Range	Time Deposits	Interbank Deposits	Total 12/31/2022	Total 12/31/2021
Within 1 Month	126,965	20,797	147,762	214,079
From 1 to 3 Months	184,226	–	184,226	242,409
From 3 to 6 Months	251,769	–	251,769	92,127
From 6 to 12 Months	269,197	–	269,197	703,013
More than 12 Months	435,380	–	435,380	656,501
Subtotal	**1,267,537**	**20,797**	**1,288,334**	**1,908,129**
Demand Deposits			452,325	327,559
Total			**1,740,659**	**2,235,688**

(In thousands of Reais, unless otherwise indicated)

The average term of interbank and time deposits for outstanding transactions at December 31, 2022 is 31 days and 713 days (December 31, 2021 - 558 and 822 days), respectively.

Maturities Upon Issuance	Time Deposits	Interbank Deposits	Total 12/31/2022	Total 12/31/2021
Within 1 Month	27,542	–	27,542	196,772
From 1 to 3 Months	40,695	20,797	61,492	161,857
From 3 to 6 Months	234,865	–	234,865	46,458
From 6 to 12 Months	98,507	–	98,507	53,934
More than 12 Months	865,928	–	865,928	1,449,108
Subtotal	**1,267,537**	**20,797**	**1,288,334**	**1,908,129**
Demand Deposits			452,325	327,559
Total			**1,740,659**	**2,235,688**

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

	Demand Deposits		Time Deposits		Interbank Deposits		Total			
	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022		12/31/2021	
Legal Entities	432,307	285,063	752,452	810,404	–	–	1,184,759	68.06%	1,095,467	49.00%
Institutional Customers	113	4	1,505	113,699	–	159,039	1,618	0.09%	272,742	12.20%
Group	1,755	20,778	265,626	139,919	–	–	267,381	15.36%	160,697	7.19%
Financial Institutions	–	–	239,179	24,483	20,797	602,428	259,976	14.94%	626,911	28.04%
Individuals	18,150	21,714	8,775	58,157	–	–	26,925	1.55%	79,871	3.57%
Total	**452,325**	**327,559**	**1,267,537**	**1,146,662**	**20,797**	**761,467**	**1,740,659**	**100%**	**2,235,688**	**100%**

	12/31/2022		12/31/2021	
Top Depositor	212,601	12.21%	498,762	22.03%
Top 10 Depositors	905,615	52.03%	981,382	43.35%
Top 20 Depositors	1,118,455	64.25%	1,275,175	56.33%
Top 50 Depositors	1,368,432	78.62%	1,718,296	75.90%
Top 100 Depositors	1,533,007	88.07%	1,975,720	87.27%

10. Repurchase Agreements

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

	Prudential Conglomerate	
	12/31/2022	12/31/2021
Own Portfolio		
National Treasury Bills	1,173,357	270,445
Eurobonds	766,938	215,529
National Treasury Notes	727,402	623,389
Debentures	195,103	362,990
Financial Treasury Bills	40,361	259,247
Financial Bill	26,731	–
	2,929,892	**1,731,600**
Current Liabilities	2,909,498	1,719,830
Noncurrent Liabilities	20,394	11,770
Total	**2,929,892**	**1,731,600**

11. Funds from Acceptance and Issuance of Securities

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

	Prudential Conglomerate									
Maturity	LCA (a)		LCI (b)		LF (c)		LFSC - Subordinated Debt I (d)		LFSN - Subordinated Debt II (e)	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Within 1 Month	340,294	118,883	17	–	176,383	122,915	–	–	–	–
From 1 to 3 Months	808,389	55,157	–	–	59,034	135,857	12,186	5,996	–	–
From 3 to 6 Months	528,995	124,543	55	598	338	42,297	–	–	–	–
From 6 to 12 Months	1,968,418	803,660	15,925	16,660	251,556	486,249	–	–	–	–
More than 12 Months	2,005,010	985,267	1,883	30,652	1,473,486	645,674	200,000	200,000	510,466	–
Total	**5,651,106**	**2,087,510**	**17,880**	**47,910**	**1,960,797**	**1,432,992**	**212,186**	**205,996**	**510,466**	**–**

(a) Agribusiness Credit Bills (LCA) are issued by the Bank and registered with B3, according to Laws No. 11,076/2004 and No. 11,311/2006 and subsequent amendments. The range between rates used for this operation is from 87% to 123% DI, 100% of pre-set from 4.64% to 13.37% and 100% of IPCA + 4.30% to 6.50%.

(b) Housing Credit Bills (LCI) are nominative securities created by Provisional Measure No. 2,223 on September 4, 2001, which resulted in Law No. 10,931 of August 2, 2004. The range between rates used for this operation is from 92% to 103% 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 from 100% to 125% of DI, 100% of pre-set from 6.77% to 12.80% and 100% of IPCA + 3.60% to 5.75%.

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

(e) Financial Bill (LFSN) – Subordinated Debt has a ten-year term with an option to repurchase it after five years, with payment of principal and interest on maturity. The amount raised is used as complementary capital in order to make up the institution's Level II capital. The rate was CDI+2.64% and the private and bilateral issue was directed to institutional investors.

(In thousands of Reais, unless otherwise indicated)

12. Borrowings

Borrowings abroad in the Prudential Conglomerate are as follows:

	Prudential Conglomerate	
	12/31/2022	12/31/2021
Obligations with Borrowings Abroad (*)	5,675,051	4,568,886
Export Credit Facility	269,401	66,422
Import Credit Facility	26,333	28,121
	5,970,785	**4,663,429**
Current Liabilities	5,273,004	3,448,121
Long-term Payables	697,781	1,215,308
	5,970,785	**4,663,429**

(*) The amount of R$ 5,675,051 thousand on December 31, 2022 (December 31,2021 – R$ 4,568,886 thousand), classified as Borrowings Abroad, refers to:

1 – The principal of the funding operations in dollars taken with the Bank of Communications Shanghai with maturities of less than 365 days, which represent the amount of R$ 1,124,444 and more than 365 days, which represent R$ 1,230,274. It also refers to interest, with maturities of less than 365 days, in the amount of R$ 21,908. The range between the remuneration rates practiced for these operations is 2.38% - 5.52%. The principal of the funding in dollars with the Bank of Communications New York with maturities of less than 365 days which represent R$ 1,934,043 and the interest also with maturities of less than 365 days, in the amount of R$ 15,289. The principal of the funding in dollars with the Bank of Communications Hong Kong with maturities of less than 365 days which represent R$ 264,575 and the interest, also with maturities of less than 365 days, in the amount of R$ 3,246. The range between the remuneration rates practiced for these operations are 3.30% - 5.80%; and

2 – The principal of working capital operations with maturities of less than 365 days, which represent R$ 862,514 and with maturities up to January 2024, which represent R$ 211,660. It also refers to interest, with maturities of less than 365 days, in the amount of R$ 15,003. The range between the remuneration rates practiced for these operations is 2.14% - 6.15%.

13. Sundry

	Prudential Conglomerate	
	12/31/2022	12/31/2021
Other Receivables – Sundry		
Taxes and Contributions to Offset	54,617	42,665
Debtors Deposits on Warranty	54,316	52,555
Sundry Debtors – Domestic	15,374	12,914
Advances – Salaries and Constructions	533	465
Sundry Debtors – Foreign	1,752	2,940
	126,592	**111,539**
Current Asset	109,722	94,912
Long-term Asset	16,870	16,627
	126,592	**111,539**

	Prudential Conglomerate	
	12/31/2022	12/31/2021
Other Payables – Sundry		
Sundry Debtors – Abroad (a)	46,471	188,003
Sundry Debtors – Local	19,620	7,661
Income on Guarantees for Credit Operations (b)	17,983	19,916
Allowance for Contingent Liabilities	12,036	12,462
Allowance for Payments to be Made	12,216	12,855
Administrative Checks	1,027	849
	109,353	**241,746**
Current Liabilities	93,390	202,277
Non-current Liabilities	15,963	39,469
	109,353	**241,746**

(a) It mainly refers to the prepayment of letters of credit. The original maturity date of this contract was from August, 2023.

(b) Based on the BACEN Resolution No. 92/2021, the accounting line income from future years was discontinued, and its balances reclassified to the other liabilities group for comparison purposes.

(In thousands of Reais, unless otherwise indicated)

14. Other assets

	Prudential Conglomerate	
	12/31/2022	12/31/2021
Other Values and Goods		
Properties	12,166	8,323
Others	4,601	2,691
	16,767	**11,014**
Current Asset (a)	16,488	10,187
Long-term Assets	279	827
	16,767	**11,014**

(a) On December 31, 2022, the amount of R$ 12,166 thousand, classified as current assets, refers mainly to the execution of guarantee of properties, recorded as assets held for sale (AMV), according to independent appraisal report, limited to the value of debt. In December 2022, the bank executed a warranty, the property was valued at R$ 3,843 thousand.

15. Intangible assets

	12/31/2021	Acquisitions	Write-off	Amortization in the Period	12/31/2022
Intangible Assets					
Data Processing Systems					
Cost	49,093	18,478	(3,308)	–	64,263
Accrued Amortization	(19,143)	–	–	(9,900)	(29,043)
Communication and Security Systems					
Cost	922	–	–	–	922
Accrued Amortization	(605)	–	–	(154)	(759)
Licenses and Copyright and Use Rights					
Cost	4,405	–	–	–	4,405
Accrued Amortization	(2,250)	–	–	(743)	(2,993)
Total	**32,422**	**18,478**	**(3,308)**	**(10,797)**	**36,795**

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 reporting date, after the legal allocations.

(d) Treasury Shares

On December 31, 2022, 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 2022, declared interest on equity of R$ 57,283 thousand (2021 – R$ 35,375 thousand), with withholding income tax of R$ 8,592 thousand (2021 - R$ 5,306 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 2022 reduced tax burden by R$ 26,349 thousand (2021 - R$ 17,688 thousand).

In the year ended December 31, 2022, R$ 74,750 thousand was paid as interest on equity.

(f) Dividends

	Prudential Conglomerate	
	12/31/2022	12/31/2021
Net Income – Banco BBM S.A.	220,632	147,399
(–) Legal Reserve	(11,032)	(7,370)
Calculation Basis	**209,600**	**140,029**
Minimum Mandatory Dividends (a)	25%	25%
	52,399	**35,008**
Interest on Own Capital	48,691	30,068
Dividends	3,708	4,940
Total	**52,399**	**35,008**

(a) Based on BCB Resolution No. 4,885/2020, Banco Bocom BBM allocated minimum mandatory dividends, part of which was declared as interest on own capital and part through dividends.

(*) Interest on capital declared for the year usually tend to be enough to reach the limit of 25% (twenty-five per cent). However,because the Company's income for 2021 exceeded the expected, the interest on capital was not enough to reach the minimum mandatory profit sharing — which would have to be complemented by dividends in the amount of R$ 4,939,604.40 (four million, nine hundred and thirty-nine thousand, six hundred and four reais and forty cents) to reach the statutory limit. Considering the need for capital for the Company to continue to grow, and in compliance with the Company's Board of Directors' proposal at the meeting that took place on February 24, 2022, the Ordinary General Meeting approved the nondistribution of supplementary dividends (as permitted by Article 202, paragraph 3, item II, of the Corporate Law).

(In thousands of Reais, unless otherwise indicated)

(g) Expansion Reserves (Retention Profit)

In Accordance with BOCOM BBM Strategic Planning presented and the regulatory capital limits, will be submitted to Board of directors the retention of profit in the amount of R$ 70,368,404. After its approval at the Minutes the amount will be registered in the "Expansion Reserves" account, so that it is possible to maintain the growth of the Bank's activities.

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

	Prudential Conglomerate		
	Second Half of 2022	12/31/2022	12/31/2021
Market Funding Operations			
Agriculture Credit Bills	(287,792)	(438,527)	(82,119)
Financial Bills	(148,911)	(249,837)	(84,533)
Repurchase Agreements	(119,375)	(155,590)	(23,034)
Time Deposits	(59,553)	(112,825)	(50,559)
Interbank Deposits	(27,679)	(64,100)	(31,881)
Credit Guarantee Fund	(4,244)	(7,474)	(5,055)
Real Estate Credit Bills	(1,824)	(4,019)	(2,319)
Deposits Previous Notice	(2,128)	(2,644)	(543)
Expenses with Securities Abroad	(12,685)	1,838	(13,153)
Total	**(664,191)**	**(1,033,178)**	**(293,196)**
Borrowings, Assignments and Onlending Operations			
Borrowings Expenses Abroad	(316,119)	(150,844)	(137,781)
Total	**(316,119)**	**(150,844)**	**(137,781)**
Foreing Exchange Transactions			
Foreign Exchange Variations and Interest Differences	57,958	12,984	(21,985)
Other Expenses	(218)	(441)	(550)
Revenue from Advances on Exchange Contracts (ACC)	30,828	44,245	19,571
Total	**88,568**	**56,788**	**(2,964)**

18. Service Revenue

	Prudential Conglomerate		
	Second half of 2022	12/31/2022	12/31/2021
Service Revenue			
Coordination and Structuring Commission	23,775	49,267	21,473
Bank Fee Income	26,691	49,177	41,238
Management and Performance Fees of Investment Funds	13,433	33,086	45,056
Guarantees Commission and Letter of Credit (a)	12,744	23,832	26,288
Other Services	2,785	3,105	5,350
Total	**79,428**	**158,467**	**139,405**

(a) On December 2022, total income refers mainly to surety transactions, which represent a significant portion of the amount of co-obligations and risks in financial guarantees provided – see note 7 (c). Furthermore, its provision balances can be seen in note 13 (b).

19. Other Administrative Expenses

	Prudential Conglomerate		
	Second half of 2022	12/31/2022	12/31/2021
Data Processing	(16,205)	(23,555)	(11,337)
Amortization and Depreciation	(6,797)	(12,852)	(9,908)
Financial System Services	(6,192)	(11,478)	(6,666)
Rentals	(5,616)	(10,789)	(9,750)
Specialized Technical Services	(5,033)	(8,843)	(8,459)
Communications	(2,024)	(4,700)	(4,772)
Travel	(2,615)	(4,371)	(1,262)
Third-party Services	(2,115)	(3,775)	(3,544)
Condominium Fee	(1,024)	(2,051)	(1,983)
Property Maintenance and Upkeep	(1,035)	(1,963)	(1,885)
Promotion/ Advertising/ Publications	(1,341)	(1,753)	(1,824)
Registry	(950)	(1,334)	(1,251)
Fines	(1,125)	(1,136)	(185)
Transportation	(616)	(1,052)	(642)
Water, Energy and Gas	(429)	(952)	(782)
Insurance	(314)	(315)	(21)
Material	(76)	(127)	(80)
Surveillance and Security Services	(3)	(18)	–
Other Administrative Expenses	(3,531)	(5,982)	(6,602)
	(57,041)	**(97,046)**	**(70,953)**

(In thousands of Reais, unless otherwise indicated)

20. Related-parties' Significant Transactions

a) The related-parties' transactions were carried out using the average rates practiced by the market, in force at the operations dates, as follows:

	Prudential Conglomerate		
	Rate	12/31/2022	12/31/2021
Asset			
Cash and Cash Equivalents		**858**	**499**
Bocom Shanghai		452	40
Bocom Hong Kong		18	18
Bocom Macau		388	441
Loan Operations		**2,496**	**52,985**
Bank of Communications Co., Ltd.	4.92%	2,237	52,659
Other Related Individuals/Legal Entities	100% DI + 1.1	259	326
Derivative Financial Instruments		**30,182**	**73,581**
Bocom Brazil Holding Company Ltda.		30,182	73,581
Sundry			
Marketable Securities		**–**	**35,242**
BOCOM Macau		–	35,242
Liabilities			
Demand Deposits		**1,755**	**20,778**
Bahia Holding S.A.		19	–
Évora S.A.		10	10
Bocom Brazil Holding Company Ltda.		8	24
Aleutas S.A.		6	0
Bahia AM Renda Fixa Ltda.		5	5
Bahia AM Renda Variável Ltda.		5	5
PIN Petroquímica S.A.		1	–
Colares Participações S.A.		1	1
Other Related Individuals/Legal Entities		1,701	20,733
Time Deposits		**265,626**	**139,919**
Bocom Brazil Holding Company Ltda.	97% DI	203,842	68,549
Aleutas S.A.	97.5% DI	46,090	54,122
Bahia Holding S.A.	97% – 97.2% DI	9,096	11,516
Évora S.A.	97.5% DI	3,954	3,592
Colares Participações S.A.	97.2% DI	2,309	2,105
Other Related Individuals/Legal Entities	99% – 115% DI	335	35
Debentures Agreements		**33,503**	**79,065**
Other Related Individuals/Legal Entities	100% DI	33,503	79,065
Government Bonds Agreements		**40,001**	**23,069**
Other Related Individuals/Legal Entities		40,001	23,069
Financial Bills		**643**	**290**
Other Related Individuals/Legal Entities	106% – 111% DI	643	290
Agriculture Credit Bills		**232,092**	**173,674**
Other Related Individuals/Legal Entities	92% – 123% DI	232,092	173,674
Real Estate Credit Bills		**519**	**46,180**
Other Related Individuals/Legal Entities	97% DI	519	46,180
Obligations for Bonds and Securities Abroad			
Derivative Financial Instruments		**–**	**146,400**
Bocom Brazil Holding Company Ltda.		–	146,400
Subordinated Debt		**212,186**	**205,996**
Bocom Brazil Holding Company Ltda.	110% SELIC	170,412	165,441
Other Related Individuals/Legal Entities	110% SELIC	41,774	40,555
Liabilities on Loans Abroad		**4,585,873**	**3,860,081**
Bocom Shanghai	2.38% – 5.52%	2,678,301	3,021,848
Bocom New York	3.3% – 5.80%	1,639,751	558,458
Bocom Hong Kong	4.46%	267,821	279,775
Bocom Macau		–	35,480
Dividends and Bonuses Payable		**7,716**	**30,068**
Interest on Capital Credited to Shareholders		4,008	30,068
Proposed Dividends		3,708	–

	Prudential Conglomerate		
	Second Half of 2022	12/31/2022	12/31/2021
Result			
Result with Derivative Financial Instruments	**9,193**	**37,795**	**(11,900)**
Bocom Brazil Holding Company Ltda.	9,193	37,795	(11,900)
Loans Operations Income	**475**	**667**	**293**
Bank of Communications Co., Ltd.	457	634	277
Other Related Individuals/Legal Entities	18	33	16
Open Market Funding	**(47,411)**	**(84,292)**	**(31,373)**
Time Deposits Expenses	**(14,183)**	**(24,245)**	**(5,382)**
Bocom Brazil Holding Company Ltda.	(10,343)	(16,883)	(2,094)
Aleutas S.A.	(2,904)	(5,668)	(2,271)
Bahia Holding S.A.	(553)	(1,040)	(590)
Évora S.A.	(227)	(410)	(146)
Colares Participações S.A.	(138)	(223)	(280)
Other Related Individuals/Legal Entities	(18)	(21)	(1)
Repurchase Agreements – Debentures Expenses	**(1,043)**	**(2,726)**	**(1,647)**
Other Related Individuals/Legal Entities	(1,043)	(2,726)	(1,647)
Repurchase Agreements – Government Bonds	**(8,033)**	**(12,151)**	**(5,869)**
Other Related Individuals/Legal Entities	(8,033)	(12,151)	(5,869)
Agriculture Credit Bills Expenses	**(9,220)**	**(18,630)**	**(6,857)**
Other Related Individuals/Legal Entities	(9,220)	(18,630)	(6,857)
Real Estate Credit Bills Expenses	**(277)**	**(1,534)**	**(2,032)**
Other Related Individuals/Legal Entities	(277)	(1,534)	(2,032)
Financial Bills Expenses	**(29)**	**(50)**	**(10)**
Other Related Individuals/Legal Entities	(29)	(50)	(10)
Subordinated Debt	**(14,626)**	**(24,956)**	**(9,576)**
Bocom Brazil Holding Company Ltda.	(11,802)	(21,344)	(7,694)
Other Related Individuals/Legal Entities	(2,824)	(3,612)	(1,882)
Loans Expenses Abroad	**(1,446,012)**	**(1,462,236)**	**(31,830)**
Bocom Shanghai	(1,419,485)	(1,430,429)	(27,667)
Bocom New York	(22,520)	(26,108)	(819)
Bocom Hong Kong	(3,876)	(5,185)	(2,753)
Bocom Macau	(131)	(514)	(591)
Foreign Exchange Variation with Loans Abroad	**1,242,885**	**1,276,604**	**26,476**
Bocom Macau	1,264,018	1,265,166	90,669
Bocom Shanghai	(21,133)	11,438	(64,193)
Expenses with Dividends and Bonuses	**(57,283)**	**(57,283)**	**(35,374)**
Interest on Equity	(57,283)	(57,283)	(35,374)
Total	**(298,016)**	**(288,220)**	**(84,001)**

Related-party transactions were performed at the average market rate in effect on the transaction date.

(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.

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

	Prudential Conglomerate	
	12/31/2022	12/31/2021
Liabilities		
Statutory	**18,450**	**18,035**
Management Variable Compensation – Short Term	6,580	6,121
Deferred Management Variable Compensation – Long Term	11,870	11,914

	Prudential Conglomerate		
	Second Half of 2022	**12/31/2022**	12/31/2021
Result	**(31,725)**	**(58,363)**	**(55,700)**
Fixed Compensation	(13,275)	(25,803)	(21,063)
Variable Compensation Provision	(18,450)	(32,560)	(34,637)

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, 2022, the guarantees for the transactions involving derivative financial instruments onshore are represented mainly by government securities in the total amount of R$ 635,649 thousand (December 31, 2021 - R$ 578,159 thousand) and fund quotas in the total amount of R$ 32,987 thousand (December 31, 2021 - R$ 27,582 thousand). Additionally, the amount of margin received on transactions of financial instruments and derivatives was higher than that given on offshore transactions.

(a) Notional Value per Asset, Maturity and Indexer

	In R$ thousand					
	Prudential Conglomerate					
	12/31/2022					12/31/2021
	Up to 3 Months	From 3 to 6 Months	From 6 to 12 Months	More than 1 Year	Total	Total
Future Market						
Purchased Position						
Foreign Exchange Coupon	492,572	975,469	775,278	317,643	2,560,962	4,305,243
Interest Rate	477,015	332,125	1,208,735	1,255,337	3,273,212	858,032
Foreign Currency	4,369,033	10,532	13,072	–	4,392,637	875,455
IPCA	7,224	41,029	–	19,624	67,877	64,178
Sold Position						
Foreign Exchange Coupon	1,414,783	33,533	62,960	273,466	1,784,742	436,778
Interest Rate	21,199	–	–	1,020,406	1,041,605	488,852
Foreign Currency	1,045,165	–	–	–	1,045,165	2,192,801
IPCA	–	100,205	–	58,755	158,960	184,713
Forward Market						
Asset Position						
Currency	283,390	42,758	22,008	23,892	372,048	1,432,110
Commodities	37,143	67,008	–	–	104,151	–
Others	–	283,095	–	–	283,095	278,990
Liability Position						
Currency	92,928	29,776	32,538	–	155,242	190,522
Commodities	50,822	64,904	–	–	115,726	–
Swaps						
Asset Position						
Interest Rate	1,023,558	162,115	497,112	4,260,666	5,943,451	2,517,433
Liability Position						
Interest Rate	622,309	155,267	205,181	794,225	1,776,982	1,368,630
Options Market						
Asset Position						
Currency	1,279	5,625	6,000	12,375	25,279	2,985
Liability Position						
Currency	50,826	136,765	192,968	221,951	602,510	54,750

Notes to the financial statements as at December 31, 2022
(In thousands of Reais, unless otherwise indicated)

(b) At Cost and Market Value

	In R$ thousand						
	Prudential Conglomerate						
	12/31/2022						12/31/2021
	Cost	Market	Up to 3 Months	From 3 to 6 Months	From 6 to 12 Months	More than 1 Year	Total
Future Market							
Purchased Position	1,795	1,795	793	495	507	–	2,063
Sold Position	667	667	667	–	–	–	6,463
Swaps							
Asset Position	152,447	239,371	6,671	2,875	13,821	216,004	122,043
Liability Position	122,094	69,561	416	2,259	5,487	61,399	169,669
Term							
Asset Position	86,436	37,420	31,287	4,488	706	939	65,050
Liability Position	57,496	7,150	4,034	2,764	352	–	137,864
Options Market							
Asset Position	645	358	56	3	43	256	1,072
Liability Position	50,099	41,358	2,279	5,704	15,282	18,093	3,686

(c) Notional Value per Counterparty

	In R$ thousand						
	Prudential Conglomerate						
	12/31/2022						12/31/2021
	Financial Institutions	Related-Parties	Legal Entities	Settlement Chamber/Stock Exchanges	Individuals	Total	Total
Future Market							
Purchased Position	41,871	–	–	10,252,817	–	10,294,688	6,102,908
Sold Position	126,657	–	–	3,903,815	–	4,030,472	3,303,144
Swaps							
Asset Position	656,569	388,786	3,160,185	1,645,934	91,977	5,943,451	2,517,433
Liability Position	483,008	–	1,263,707	–	30,267	1,776,982	1,368,630
Forward Market							
Asset Position	442,727	228,161	88,406	–	–	759,294	1,711,100
Liability Position	58,298	–	212,670	–	–	270,968	190,522
Options Market							
Asset Position	25,279	–	–	–	–	25,279	2,985
Liability Position	602,510	–	–	–	–	602,510	54,750

(In thousands of Reais, unless otherwise indicated)

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

- Purchased foreign exchange coupon contracts (DDI) of R$ 2,560,961 thousand (December 31, 2021 – R$ 4,305,243 thousand);
- Sold foreign exchange coupon contracts (DDI) of R$ 1,784,741 thousand (December 31, 2021 – R$ 436,778 thousand);
- Purchased interest contracts (DI1) of R$ 3,273,211 thousand (December 31, 2021 – R$ 858,032 thousand);
- Sold interest contracts (DI1) of R$ 1,041,605 thousand (December 31, 2021 – R$ 488,852 thousand);
- Purchased currency contracts (DOL) of R$ 4,224,350 thousand (December 31, 2021 – R$ 365,725 thousand);
- Sold currency contracts (DOL) of R$ 918,508 thousand (December 31, 2021 – R$ 1,725,701 thousand);
- Purchased currency contracts (DAP) of R$ 67,878 thousand (December 31, 2021 – R$ 64,178 thousand);
- Sold currency contracts (DAP) of R$ 158,961 thousand (December 31, 2021 – R$ 184,713 thousand);
- Purchased currency contracts (EUP) of R$ 126,417 thousand (December 31, 2021 – R$ 0 thousand).

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

	Prudential Conglomerate		
	Second Half of 2022	12/31/2022	12/31/2021
Future Contracts	(102,960)	(616,454)	97,708
Options Contracts	13,311	13,498	19,555
Swap and Term Contracts	171,627	471,378	24,654
Total	**81,978**	**(131,578)**	**141,917**

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.

(d) Hedge Accounting

Fundraising Fair Value Hedge (I)

Bank BOCOM BBM entered into loan agreements in U.S. dollars with Bank of Communications Shanghai Branch with the objective of providing funding. They are as follows:

- On March 25, 2020 in the amount of USD 67,500 thousand with payment of fixed interest of 0.80% p.a.
- On March 31, 2022 in the amount of USD 32,500 thousand with payment of fixed interest of 2,38% p.a.

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

Due to the fact that there is a matching of hedge object flows and the results of hedge derivatives, the effectiveness of the operation remains close to 98.89%.

	Prudential Conglomerate			
	12/31/2022			12/31/2021
Hedge Object	Result of the Object	Result of the Hedge Instrument	Effectiveness	Effectiveness
Fundraising (I)	48,964	(49,515)	98.89%	100.57%

Fundraising Fair Value Hedge (II)

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

Pelo fato de haver o casamento dos fluxos do objeto do hedge e dos resultados dos derivativos destinados ao hedge, a efetividade da operação se manteve em 99,97% para LF PRÉ.

	Prudential Conglomerate			
	12/31/2022			12/31/2021
Hedge object	Result of the object	Result of the hedge instrument	Effectiveness	Effectiveness
Fundraising (II) - LF FIXED	6,570	(6,572)	99.97%	99.44%

(In thousands of Reais, unless otherwise indicated)

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			
	12/31/2022			12/31/2021
Hedge Object	Result of the Object	Result of the Hedge Instrument	Effectiveness	Effectiveness
Investment Abroad	10,751	(10,751)	100.00%	100.00%

Bonds Held to Maturity Fair Value Hedge

In June 2020, Banco BOCOM BBM designated a portfolio of derivative financial instruments consisting of Libor flat swap contracts vs. fixed rate in USD and in February 2022 Sofr vs. USD prefixed rate swap contracts, in order to cover the risk of fluctuations in the external profitability of bonds classified as "held to maturity" as spread over Libor due to fluctuations in the forward structure of the Libor curve and SOFR. Because of the matching between the flows of the hedge object and the results of the derivatives intended for hedge, the effectiveness of the operation was of 99.25% for Libor and 106.75% for SOFR.

	Prudential Conglomerate			
	12/31/2022			12/31/2021
Hedge Object	Result of the Object	Result of the Hedge Instrument	Effectiveness	Effectiveness
Bonds Held to Maturity Abroad – LIBOR	(6,780)	6,831	99.25%	103.78%
Bonds Held to Maturity Abroad – SOFR	(8,126)	7,612	106.75%	0.00%

Bonds Available for Sale Cash Flow Hedge

In January 2021, Banco BOCOM BBM designated a portfolio of derivative financial instruments consisting of Libor flat swap contracts vs. fixed rate in USD and in December 2021 SOFR flat swap contracts vs. fixed rate in USD, in order to cover the risk of fluctuations in the external profitability of bonds classified as "available for sale" as spread over Libor due to fluctuations in the forward structure of the Libor and SOFR curve. Because of the matching between the flows of the hedge object and the results of the derivatives intended for hedge, the effectiveness of the operation was of LIBOR 99.39% and SOFR 110.23%.

	Prudential Conglomerate			
	12/31/2022			12/31/2021
Hedge Object	Result of the Object	Result of the Hedge Instrument	Effectiveness	Effectiveness
Bonds Available for Sale Abroad – LIBOR	(7,040)	7,083	99.39%	99.24%
Bonds Available for Sale Abroad – SOFR	(4,836)	4,387	110.23%	88.04%

22. Risks Management

Market Risk

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

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

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

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

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

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

(In thousands of Reais, unless otherwise indicated)

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

Reference Date	B3 Stress (in R$ Millions)
12/31/2022	-93.0
06/30/2022	-143.1
12/31/2021	-111.5
06/30/2021	-57.5

Liquidity Risk

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

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

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

	Prudential Conglomerate	
	12/31/2022	12/31/2021
Current Assets	10,343,242	6,228,325
Current Liabilities	(14,096,700)	(9,318,497)
Working Capital, Net	**(3,753,458)**	**(3,090,172)**
Securities Available for Sale Presented in Long-term Receivables	1,677,210	1,738,655
Borrowings Abroad	3,847,651	2,121,045
	1,771,403	**769,528**

Bank BOCOM BBM's current liabilities are higher than its current assets calculated according to the nominal maturity of its operations. However, part of the current liabilities are loans made to the parent company in the total amount of R$ 3,847,651 thousands which, despite having a maturity of less than 1 year, are systematically renewed.

Credit Risk

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

Operational Risk

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

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

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

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

Capital Management

Bank BOCOM BBM manages its capital through a structure comprising the following bodies: Board of Directors, Executive Board, Internal Control, Capital and Risk Board, Treasury Board, Fund Raising Board, Back Office, Business Units and Audit Board. The Board of Directors is the highest body within this structure, in charge of monitoring the capital adequacy. The Executive Board must review the documents to be submitted to the Board of Directors, as well as approving the methodologies to be used for the management and monitoring of the capital adequacy. Capital management and centralization is a responsibility of the Capital and Risk Board, which must continuously work to improve and oversee the institution's compliance with the capital management policy and its capital plan. The Treasury and Fundraising Boards are responsible for planning the issuance of equity instrument, if necessary. The capital management department periodically generates reports on the capital adequacy, which are sent to the Executive Board and the Board of Directors.

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

(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 for trade, according to BACEN's rules and instructions. The Prudential Conglomerate of Banco BOCOM BBM is within this operational limit on December 31, 2022.

	Prudential Conglomerate	
	12/31/2022	12/31/2021
Reference Equity Level I	**1,185,088**	**1,013,478**
Level I + Equity Adjustments Except Non-consolidated Interest and Tax Credit	1,222,291	1,046,804
Decrease in Intangible / Deferred Assets According to CMN Resolution No. 4,955	37,203	33,326
Reference Equity Level II	**510,467**	**–**
Reference Equity (PR)	**1,695,555**	**1,013,478**
Risk-Weighted Assets (RWA)	**925,515**	**641,542**
Portion Referring to:		
Credit Risk (RWACPAD)	832,077	554,456
Market Risk (RWAMPAD)	8,033	16,675
Operating Risk (RWAOPAD)	85,405	70,411
Margin or Insufficiency Value (PR - RWA)	**770,040**	**371,936**
Risk Factor – 8.00% of PR	**135,644**	**81,078**
Basel Rate (Risk Factor / RWA)	**14,66%**	**12,64%**
RBAN	66,852	89,265
ACP Required	289,223	160,386
Reference Equity Margin + RBAN and ACP	**413,965**	**122,285**

24. Income Tax and Social Contribution

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

	In R$ Thousand	
	Prudential Conglomerate	
	12/31/2022	12/31/2021
Asset Credit Tax		
Balance at January 1	**117,715**	**107,332**
Constitution (Reversal)		
– With Effects in the Result	72,694	(369)
– With Effects in Equity		
(Securities Held for Sale)	(3,547)	10,752
Balance at December 31	**186,862**	**117,715**
Provision for Deferred Taxes: (*)		
Balance at January 1	**88,872**	**58,935**
Constitution (Reversal)		
– With Effects in the Result	88,073	29,936
Balance at December 31	**176,945**	**88,871**

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

	In R$ Thousand			
	Prudential Conglomerate			
	12/31/2022	Constitution	Reversal	12/31/2021
Asset Credit Tax				
Temporary Differences (a)				
– Provision for Loan Transactions	39,260	11,367	2,845	30,738
– Adjustment to Market of TVM and Derivatives	91,341	62,924	38,263	66,680
– Provisions for Contingencies (Note 25)	5,399	66	263	5,596
– Others	50,449	52,735	16,083	13,797
– CTA Tax Effects	5	–	5	–
Social Contribution Negative Basis	181	2,861	3,091	411
Tax Loss	227	754	1,020	493
Total	**186,862**	**130,707**	**61,570**	**117,715**
Provision for Deferred Taxes				
Temporary Differences (a)				
– Adjustment to Market of TVM and Derivatives	176,908	164,853	76,779	88,834
– Others	37	–	–	37
Total	**176,945**	**164,853**	**76,779**	**88,871**

(a) It is expected that the realization of these tax credits occurs up to the end of 2025 for Income Tax and Social Contribution, being its present value of R$ 3.8 million. The Social Contribution on tax credits was calculated considering the 20% rate, according to the PEC publication No. 6, 2019, for the additions and exclusions as from March 1, 2020.

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

	In R$ thousand	
	Prudential Conglomerate	
Description	Tax Credits on Temporary Differences	Loss and Negative Basis
2023	(29,607)	409
2024	26,790	
2025	12,331	
Total	**9,923**	
Present Value	**3,833**	

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.

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

	In R$ Thousand			
	12/31/2022		12/31/2021	
	IRPJ	CSLL	IRPJ	CSLL
Income Before Taxes	**361,914**	**304,632**	**220,626**	**220,626**
Bank's net profit	220,632	220,632	147,401	147,401
(–) Interest on Own Capital	(57,283)	(57,283)	(35,374)	(35,374)
(–/+) Income Tax and Social Contribution	(141,282)	(141,282)	(108,599)	(108,599)
Tax Rate	**25%**	**20%**	**25%**	**25%**
Income Tax and Social Contribution				
At Tax Rate	(76,158)	(63,973)	(55,157)	(55,157)
Permanent Additions	**133,305**	**101,668**	**108,578**	**74,577**
Non-deductible Expenses	33,447	1,810	41,645	7,644
Addition on Profit Abroad	99,858	99,858	66,933	66,933
Permanent Exclusions	**75,415**	**75,415**	**73,349**	**73,349**
Tax-free Revenues	(10,751)	(10,751)	4,190	4,190
Equity in the Result of Investees (Bank)	86,166	86,166	69,159	69,159
Temporary Additions / Exclusions	**(36,851)**	**(36,370)**	**(59,392)**	**(55,337)**
Tax Basis	**325,671**	**294,515**	**196,463**	**166,518**
Tax Basis with Use of Tax Loss and Negative Basis	**325,671**	**294,515**	**196,463**	**166,518**
Income Tax and Social Contribution (a)	**(81,394)**	**(61,063)**	**(49,092)**	**(38,506)**
Use of Tax Incentives and Taxes of Subsidiaries Abroad	**792**	**–**	**1,834**	**–**
Income Tax and Social Contribution in the Result for the Period	**(80,602)**	**(61,063)**	**(47,258)**	**(38,506)**
DIPJ Adjustment	(2,012)	–	354	–
Provision for Deferred Tax Liabilities	(48,930)	(39,143)	(16,630)	(13,304)
Income Tax and Social Contribution in the Result for the Period - Banco BOCOM BBM	**(131,544)**	**(100,206)**	**(63,534)**	**(51,810)**
Income Tax and Social Contribution of Other Institutions of the Operational Consolidated	(1,840)	(865)	(1,169)	(788)
Income Tax and Social Contribution in the Result for the Period - Prudential Conglomerate	**(133,384)**	**(101,071)**	**(64,703)**	**(52,598)**

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

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.

Breakdown of Provision

a) Labor Provisions

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

	Prudential Conglomerate	
	12/31/2022	12/31/2021
Labor	11,049	11,787
Total – Provisions for Contingencies	**11,049**	**11,787**

These provisions are recorded as "Other liabilities - sundry" under Long-term liabilities. During the year ended December 31, 2022, R$ 192 thousand were written-off and R$ 546 thousand were reverted into contingent liabilities in the Prudential Conglomerate.

b) Tax and Social Security Provisions

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

In November 2019, Banco BOCOM BBM SA received assessments from the Federal Revenue of Brazil with the purpose of: (i) Social security contributions allegedly due on PLR (Profit Sharing or Results) in the amount of R$ 6.3 million and (ii) social security contributions allegedly due on food in the amount of R$ 1.3 million, both correspond to payments made in 2015. The Bank discusses the assessments at the administrative level. In the opinion of our legal advisors, the chances of loss in these cases are possible.

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

c) Civil Provisions

Bocom BBM is a party to other lawsuits for which the internal and external legal advisors have judged the risk of loss to be possible. From all the tax proceedings classified as possible loss, there 16 proceedings in which the main discussion is related to: request for a review of contractual terms and conditions, requests for monetary adjustments (including alleged effects of the implementation of various government economic plans), bankruptcy, protests, accountability, having counterparties originating from credit operations or products already discontinued, and provision services. For the purposes of provisioning for civil lawsuits, the legal advisors took into account the law, case law, case history and the procedural stage.

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

Notes to the financial statements as at December 31, 2022
(In thousands of Reais, unless otherwise indicated)

d) 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 2022, recorded as "Other Sundry Liabilities" in Long-Term Liabilities, as follows:

	Prudential Conglomerate	
	12/31/2022	12/31/2021
PIS and COFINS	987	675
Total - Liabilities for Legal Obligations	**987**	**675**

e) Others

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

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	
	12/31/2022	12/31/2021
Guarantee		
Surety Guarantee in Lawsuits and Administrative Proceedings	379,045	369,085
Linked to Bids, Auctions, Service Render or Construction	223,182	267,340
Other Sureties	129,237	189,931
Linked to International Trade	37,821	28,829
Total	**769,285**	**855,185**
Changes in Allowance for Financial Guarantees		
Opening Balance	**10,699**	**14,740**
Constitution / (Reversal)	(4,040)	(4,041)
Closing Balance	**6,659**	**10,699**

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 debts with financial institutions with which it has this kind of arrangement. On December 31, 2022, the total assets mitigated by compensatory arrangement was of R$ 1,419,510 thousand (December 31, 2021 - R$ 1,928,401 thousand).

(b) Marketable Securities Portfolio

In the year ended December 31, 2022, based on Resolution No. 3,181 of the Central Bank of Brazil, considering the trend of positive effect on the nominal rates and liquidity of the Eurobonds offered by the national treasury and that for the budget and business plan of the coming years, it is important to have predictability and avoid revenue reductions, the Bank's Executive Committee unanimously approved to continue the process of stretching the portfolio of nominal securities held to maturity selling R$ 21,326 thousand in bonds maturing in 2027 and 2031 and buying R$ 24,882 thousand maturing in 2030 and 2031, which generated an effect on the result of R$ 68 thousand.

At the end year, Banco BOCOM BBM had R$ 2,730,188 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.

28. Events After the Reporting Period

(a) Corporate Change

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

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

交通銀行 BANK OF COMMUNICATIONS BBM

Rio de Janeiro
Av. Barão de Tefé, 34 | 20º e 21º andares
CEP: 20220-460 | Rio de Janeiro | RJ
+55 [21] 2514-8448 | +55 [21] 2514-8293

São Paulo
Av. Brigadeiro Faria Lima, 3311 | 15º andar
CEP: 04538-133 | São Paulo | SP
+55 [11] 3704-0667 | +55 [11] 4064-4867
+55 [11] 3704-0502

Salvador
Rua Miguel Calmon, 398 | 2º Andar – Parte
CEP: 40015-010 | Salvador | BA
+55 [71] 3326-4721 | + 55 [71] 3326-5583
+55 [71] 3254-2703

Nassau
Shirley House, 50 Shirley Street
2nd Floor | PO N-7507
+1 [242] 356-6584 | +1 [242] 356-6015