

# **Banco Modal S.A.**

**Consolidated and condensed interim financial  
statements prepared in accordance with IAS 34  
and independent auditors' report**

**At June 30, 2021**

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## 2Q21 EARNINGS RELEASE

**AUGUST 10, 2021.** Banco Modal S.A. (B3: MODL11) today announces its financial results for the second quarter and first half of 2021. The financial information is compliant with the consolidated financial statements in IFRS. Comparisons presented in this document refer to year-over-year comparisons, i.e. 2Q21 vs 2Q20, unless otherwise noted.

### Highlights



**Total AuC**  
**R\$26.0 billion**  
**+87.7%**



**Retail AuC**  
**R\$16.8 billion**  
**+152.2%**



**Enrolled Clients**  
**1.4 million**  
**+36.5%**



**Active Clients**  
**440,300**  
**+36.9%**



**Net Revenue**  
**R\$177.6 million**  
**+89.1%**



**Annualized ROAE**  
**14.2%**  
**+1.2 p.p.**



**Adjusted Net Income**  
**R\$45.9 million**  
**+137.4%**



**Adjusted Net Margin**  
**25.8%**  
**+5.3 p.p.**

- **Expansion:** new partnerships announced with key independent financial advisors (IFAs) and multi-family offices (MFOs) in Brazil's South and Southeast regions. Six new IFA offices were added that bring more than R\$3 billion in AuC, from which we highlight the combination of Valore and Elbrus in Paraná, forming a well-known and traditional player in their market with high adherence to the differentials of our ecosystem (on the signature date, the combined operations had over R\$2 billion in AuC). In Santa Catarina, Nova Capital brings the prospect of R\$1 billion in the short term, is already beginning its expansion into the countryside of São Paulo state, and is strongly driven by synergies with our leading B2B model.
- **Vaivoa Project - tech as a core:** our Technology Excellence Academy, which has received over 11,000 applications from all Brazilian states, with an exclusive and fully remote program aimed at training tech professionals for the financial markets, in all the essential skills for high-level developers. Approved applicants receive a scholarship for the

duration of the course and have an opportunity to jump-start their technical careers and work in an environment that fosters Digital Transformation.



## Products by Credit Suisse - Customized financial advisory service

Officially launched in late June, the Modal Premium app, *products by Credit Suisse*, gives access to the best and most attractive products in the market through a fully digital, technological and secure bank, with exclusive benefits and financial solutions.

## OPERATIONAL AND FINANCIAL HIGHLIGHTS

<i>Financial Highlights</i> (in R\$ thousands except when indicated)	2Q21	2Q20	Δ	1H21	1H20	Δ
<b>Gross Revenue <sup>(1)</sup></b>	<b>187,014</b>	<b>99,509</b>	<b>87.9%</b>	<b>319,558</b>	<b>173,218</b>	<b>84.5%</b>
<b>Net Revenue</b>	<b>177,561</b>	<b>93,909</b>	<b>89.1%</b>	<b>302,065</b>	<b>163,147</b>	<b>85.1%</b>
<b>Gross Profit</b>	<b>148,435</b>	<b>74,962</b>	<b>98.0%</b>	<b>250,733</b>	<b>127,203</b>	<b>97.1%</b>
Gross Margin (%)	83.6%	79.8%	3.8 p.p.	83.0%	78.0%	5.0 p.p.
<b>Adjusted EBT <sup>(2)</sup></b>	<b>62,468</b>	<b>30,017</b>	<b>108.1%</b>	<b>99,837</b>	<b>32,591</b>	<b>206.3%</b>
Adjusted EBT Margin (%)	35.2%	32.0%	3.2 p.p.	33.1%	20.0%	13.1 p.p.
<b>Adjusted Net Income <sup>(3)</sup></b>	<b>45,857</b>	<b>19,319</b>	<b>137.4%</b>	<b>69,891</b>	<b>22,478</b>	<b>210.9%</b>
Adjusted Net Margin (%)	25.8%	20.6%	5.3 p.p.	23.1%	13.8%	9.4 p.p.
<b>Shareholders' Equity <sup>(4)</sup></b>	<b>1,378,087</b>	<b>396,606</b>	<b>247.5%</b>	<b>1,378,087</b>	<b>396,606</b>	<b>247.5%</b>
<b>Total Assets <sup>(5)</sup></b>	<b>5,790,144</b>	<b>3,772,767</b>	<b>53.5%</b>	<b>5,790,144</b>	<b>3,772,767</b>	<b>53.5%</b>

<i>Operational Highlights</i>	2Q21	2Q20	Δ
<b>Annualized ROAE (%) <sup>(6)</sup></b>	<b>14.2%</b>	<b>13.0%</b>	<b>1.3 p.p.</b>
<b>Basel Index (%)</b>	<b>37.0%</b>	<b>12.1%</b>	<b>24.9 p.p.</b>
<b>AuC (R\$ bn)</b>	<b>26.0</b>	<b>13.9</b>	<b>87.7%</b>
Retail AuC	16.8	6.7	152.2%
Institutional AuC	9.2	7.2	27.9%
<b>Active Clients (number of clients)</b>	<b>440,270</b>	<b>321,565</b>	<b>36.9%</b>
<b>Enrolled Clients (number of clients)</b>	<b>1,354,689</b>	<b>992,194</b>	<b>36.5%</b>
<b>Revenue Yield (%)</b>	<b>1.33%</b>	<b>1.30%</b>	<b>0.03 p.p.</b>
<b>AuC Retail Average per Cohort (R\$ thousands)</b>	<b>102.7</b>	<b>21.2</b>	<b>383.9%</b>

(1) See revenue reconciliation at the end of the document.

(2) Earnings before Taxes, adjusted for the provision of the Phantom Stock Option plan.

(3) Net Income from Continuing Operations, adjusted for the provision of the Phantom Stock Option plan after taxes.

(4) Adjusted Shareholders' Equity. See Glossary for definition.

(5) Total Assets, excluding the assets held for sale.

(6) Return on Average Adjusted Shareholders' Equity. See Glossary for definition.

## Subsequent Events

- **Strategic alliance in Brazil between Eleven and global research giant Morningstar:** taking another step towards consolidating its Research as a Service (RaaS) business, Eleven will develop and distribute customized content in Brazil in collaboration with Morningstar, a leading global provider of independent research, covering more than 500 listed companies and 200 investment funds and ETFs. At the forefront of the transformation of Brazil's investment ecosystem, this strategic alliance reinforces our positioning and competitive advantages, delivering even more value to our clients.
- **AuC migration of new B2B partners:** after a little more than one month of partnership, RJ Investimentos, one of our B2B partners, already reached the mark of R\$1.0 billion in assets transferred to our custody in July (equivalent to approximately 35% of AuC on the date the partnership was signed). In July, new IFA offices were signed totaling more than R\$1.0 billion in AuC, including Plus, a traditional office in Belo Horizonte-MG operating for more than 20 years.
- **News and financial education portal - 1Bilhão:** as part of our growth strategy in the financial education segment, in July we completed the acquisition of 1Bilhão ([www.1bilhao.com.br](http://www.1bilhao.com.br)), a news and financial education portal focused on retail investors, with more than 450 thousand subscribers.

## MESSAGE FROM MANAGEMENT

### Efficient Execution & Profitable Growth

To say that the second quarter of 2021 was a period of hard work at modalmais is redundant and is not as important as highlighting the quality of our deliveries. We are proud of our capacity of execution which has gone well beyond financial results and funding. It is no surprise that we sought to expand our ecosystem through partnerships and acquisitions in order to continuously gain scale while improving and simplifying our customer experience.

Among this quarter's highlights, we continued to evolve our B2B partnerships. We attracted some key IFA offices and one major multi-family office. Our efforts to accelerate AuC migration from these partnerships to modalmais already delivered promising results in 2Q21.

IFA offices were seeking a partner that would be fully aligned with their growth strategy, and they found all these support at modalmais. After a little over a month into our partnership, RJ Investimentos transferred R\$1 billion in assets into our custody. This amount is equivalent to approximately 35% of its total AuC, attesting our operational agility and execution capacity. They have also counted on the support of Proseek to select, recruit, and train qualified professionals to reinforce their team. The new IFAs announced in June located in the South region, our goal is to support their expansion, which includes increasing physical presence and operations. Together they sum up to R\$2.5 billion in assets under custody. This ecosystem has been working well to attract not only IFAs, but also their current clients while simultaneously expanding the size of their operations. All the offices we have partnered with have rapidly increased their number of IFAs within 30 days after the signature date. For the upcoming quarters, the plan is to enter into new partnerships in strategic regions to keep solidifying our presence nationwide.

Another important highlight was the launch of Modal Premium: our app for high net worth segments which combines our technology with Credit Suisse's asset allocation experience and products. We believe this app is unique and a turning point in the use of technology for high-end clients. We are confident that we can still extract a lot of value from all the externalities of this partnership with Credit Suisse.

Our operation remains with strong growth pace in our main KPIs for 2Q21. Our AuC increased 88% over 2Q20, totaling R\$26 billion driven by Retail AuC which grew 2.5 times in the last 12 months. Our client base increased 36.5% to 1.4 million enrolled clients while active clients grew 36.9% to 440,000. Most importantly, our client base growth was qualified: the average retail AuC of the cohort of these new clients reached R\$102,700. All these numbers are important, and while we are proud of them, we want to accelerate this growth even further in the coming quarters.

The solidity of the operation is reflected in the accelerated pace of our revenue growth with high profitability, even during a period of natural increases in expenses. In line with our strategy of better balancing our revenue lines, we have strengthened our Capital Markets and Institutional Desk areas, complementary to Retail Portfolio and Retail Flow revenues of our digital platform that continue to grow consistently. Institutional Desk revenue doubled, and Capital Markets revenue grew sixfold, as a direct result of our increased share in capital market operations. This reflects the value of our increasingly wider and more sophisticated distribution base, and the integration with Eleven. Costs continued to lag revenue, demonstrating room to continue delivering increased operating leverage. Although expenses virtually doubled both in the second-quarter and first-half comparisons, our adjusted operating income (EBT) more than doubled between 2Q20 and 2Q21, and tripled between 1H20 and 1H21, with an operating margin of over 30% in the two periods.

In research, there is still great synergy with Eleven and several niches to be explored. We have already begun to win mandates for the public offering of shares and debt precisely because of our high-quality research team. In addition, one of the major differentials of Eleven's acquisition is the possibility of greater integration between asset recommendations and order executions. In July, we also announced a strategic partnership with Morningstar which will expand the range of customized services for local and international investments and expand the distribution of Research as a Service (RaaS) for all of Latin America. This will be another financial education driver for our clients and partners. We are very happy about this, a further step which places us at the forefront of the transformation of the financial ecosystem which will break down international boundaries as well as local barriers. This is a clear example of how we have designed the contribution of the Digital Content area to our performance and consolidated results.

As I have been saying since our roadshow, everything we are doing and delivering only mark the beginning. We operate in a highly competitive market that is constantly developing and has enormous potential for growth. In times of open finance, clients belong to the market. Qualitative differentials in the experience and services will be essential to establish long-term aligned relationships with clients, partners, and investors. This is what we are building. For this reason, efficient execution and profitable growth are our 'jobs to be done.'

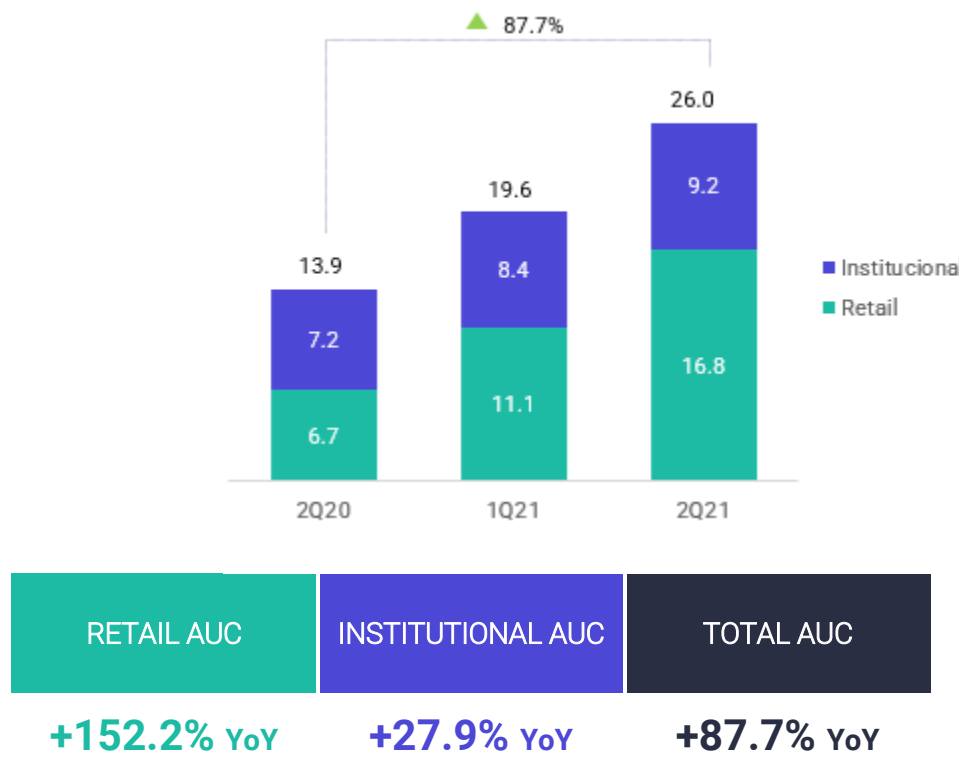
**Cristiano Ayres, CEO**

## OPERATIONAL PERFORMANCE

### Assets under Custody

Assets under Custody (AuC) totaled R\$26.0 billion in 2Q21, up 87.7% from 2Q20, led by Retail AuC, which increased 152.2%, from R\$6.7 billion in 2Q20 to R\$16.8 billion in 2Q21.

#### Assets under Custody – AuC (R\$ billion)



The fast-paced growth of Retail AuC was mainly due to the investment products ecosystem combined with financial education and customized advisory service, which has contributed not only to attracting new clients, but also to increasing the average AuC of existing clients.

Partnerships with independent financial advisors (IFAs) and multi-family offices (MFOs) continue at a fast pace, with a positive impact on AuC due to the beginning of AuC migration process. The highlight was **RJ Investimentos**, which after a little more than one month of partnership, reached the mark of R\$1.0 billion in assets transferred to our custody (equivalent to approximately 35% of AuC on the date the partnership was signed). Key factors for the speed and consistency of migration include the combination of the solid relationship between the partners selected as protagonists and their client bases with an allocation intelligence machine enabled by the combination of our team with Eleven, in

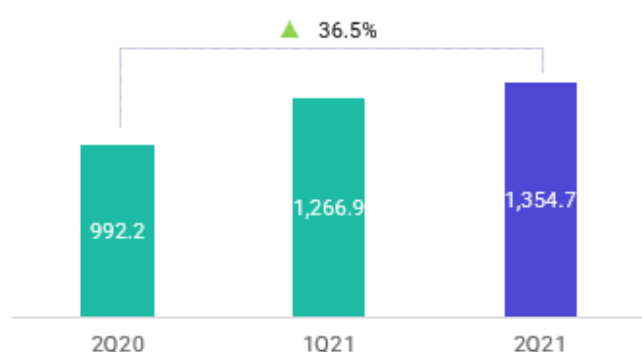


addition to the strategies and products by Credit Suisse via Modal Premium app, officially launched in late June.

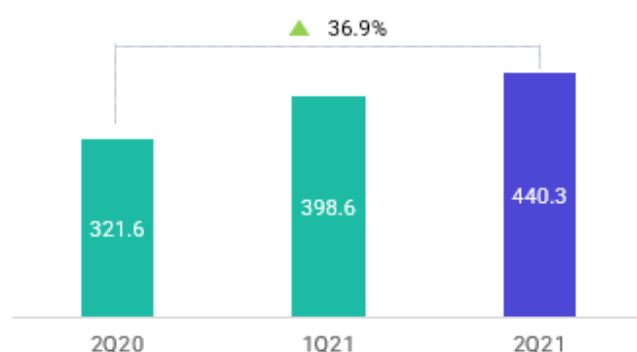
In 2Q21, we also entered into new partnerships with important offices in the Southeast and South region of Brazil, consolidating our presence in this important and growing market.

## Client Base (‘000)

Enrolled Clients

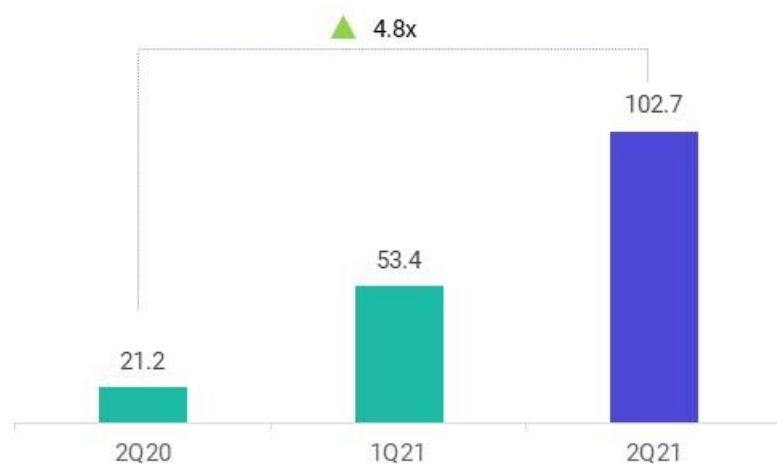


Active Clients



The number of enrolled clients increased 36.5% YoY, reaching 1.4 million in 2Q21, while the active client base grew 36.9%, totaling 440,300 active clients, reflecting our ongoing client attraction and acquisition strategy.

## Retail AuC by Cohort (R\$ thousands)



The 2Q21 cohort ended the quarter with an average AuC of R\$102,700, approximately five times higher than the average AuC of the 2Q20 cohort at the end of June 2021, demonstrating the differentials of our ecosystem related to products and customized financial advisory services.

## FINANCIAL PERFORMANCE

### Gross Revenue

<b>Gross Revenue</b> <i>(R\$ thousands, except when indicated)</i>	<b>2T21</b>	<b>2T20</b>	<b>Δ</b>	<b>1H21</b>	<b>1H20</b>	<b>Δ</b>
<b>Retail Portfolio</b>	57,678	21,035	174.2%	91,599	37,990	141.1%
<b>Retail Flow</b>	51,918	48,369	7.3%	102,481	87,420	17.2%
<b>Capital Markets</b>	31,646	5,477	477.8%	49,322	10,504	369.6%
<b>Institutional Desk</b>	27,686	13,847	100.0%	52,449	19,302	171.7%
<b>Digital Content</b>	6,066	4,965	22.2%	8,441	8,668	-2.6%
<b>Others</b>	12,020	5,817	106.7%	15,267	9,334	63.6%
<b>Total</b>	<b>187,014</b>	<b>99,509</b>	<b>87.9%</b>	<b>319,558</b>	<b>173,218</b>	<b>84.5%</b>

RETAIL PORTFOLIO	RETAIL FLOW	INSTITUTIONAL DESK	CAPITAL MARKETS
<b>+174.2%YoY</b>	<b>+7.3% YoY</b>	<b>+100.0% YoY</b>	<b>6X</b>

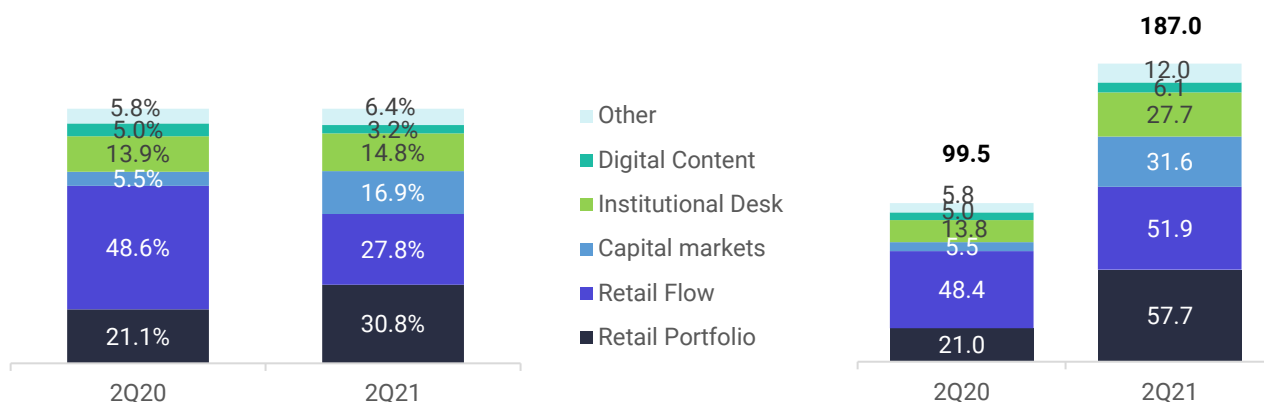
Gross Revenue was R\$187.0 million in 2Q21, up 87.9% over the same period last year. As in 1Q21, the accelerated pace of revenue growth reflects the initiatives in place for product and service complementarity in our ecosystem, with sustained profitability. The main drivers that positively impacted revenue include: (i) 152.2% increase in Retail AuC, driven by growth fueled by new clients, an increase in the average AuC of existing clients, in addition to the beginning of the AuC migration process of new B2B partners; (ii) Revenue Yield resilience; (iii) a more balanced contribution from different revenue lines; and (iv) the integration of recent acquisitions, with general positive impacts on our various business fronts.

Maintaining the 1Q21 trend, our Capital Markets and Institutional Desk units, which have important synergies with our digital platform, continued to grow substantially in 2Q21, reflecting the positive result of the recent partnerships and the integration of our acquisitions.

In 1H21, Gross Revenue totaled R\$319.6 million, an increase of 84.5% over the same period last year.

## Revenue Breakdown

% of total revenue | R\$ million

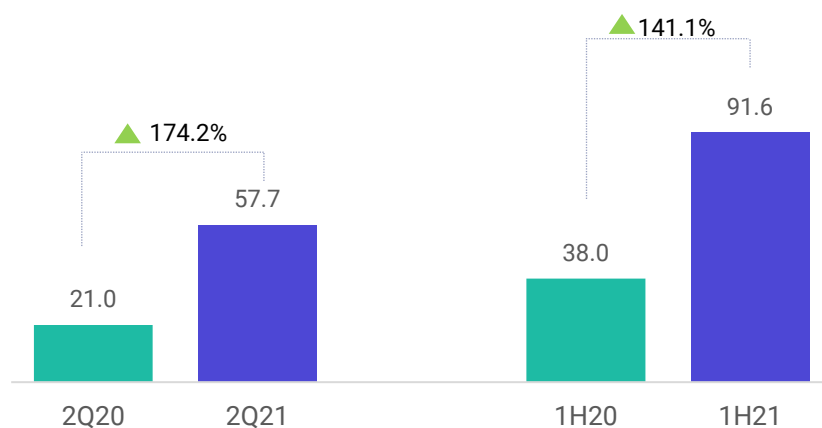


1Q21 became evident in the 10T comparison. Retail Portfolio, Retail Flow and Capital Markets accounted for 31%, 28% and 17%, respectively, of total Gross Revenue in 2Q21, versus 21%, 49% and 6%, respectively, in 2Q20.

The diversification of our growth sources reflects our belief that it is not enough to just make products available, but it is also necessary to understand the different demands and desires of our different clients and partner profiles, a key factor in building aligned long-term relationships.

## Retail Portfolio

(R\$ million)

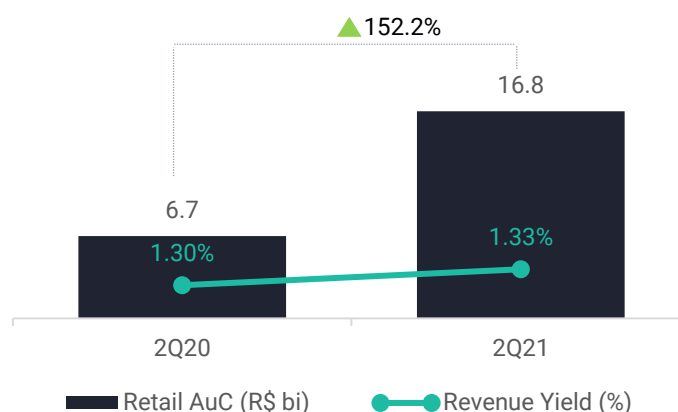


Retail Portfolio revenue totaled R\$57.7 million in 2Q21, up 174.2% over the same period last year.

As already mentioned, the strong Retail Portfolio performance in the quarter was directly related to the YoY increase of 152.2% in Retail AuC (B2B and B2C clients) and stable Revenue Yield between 2Q20 and 2Q21.

In 1H21, Retail Portfolio revenue totaled R\$91.6 million, an increase of 141.1% over the same period last year.

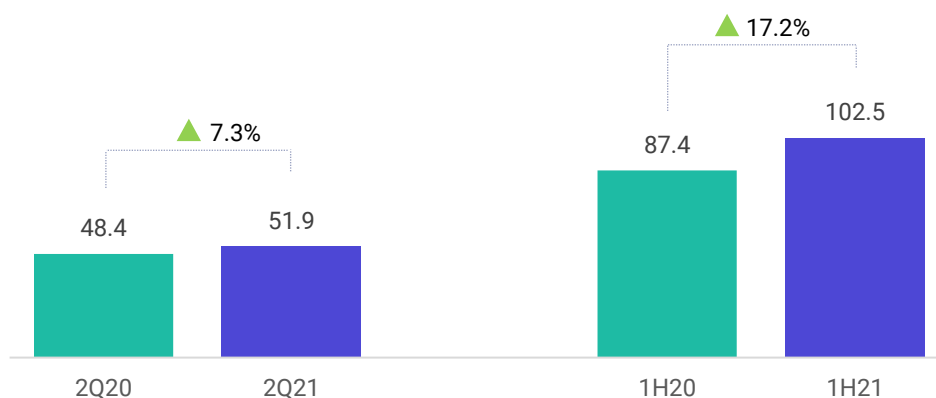
## Revenue Yield (%)



Revenue Yield measures revenue as a percentage of the Average Retail AuC<sup>(1)</sup>. We calculate the Revenue Yield of Retail Portfolio considering the last 12 months revenue in relation to the Average Retail AuC<sup>(1)</sup>. In 2Q21, Revenue Yield stood at 1.33%, 0.03 p.p. higher than in 2Q20, demonstrating the resilience and consistency of the revenue mix despite significant growth in Retail AuC and different client profiles.

(1) Average AuC Retail: the sum of AuC Retail at the beginning of the period and each quarter end in a given year, with five data points in a year, divided by five.

## Retail Flow (R\$ million)

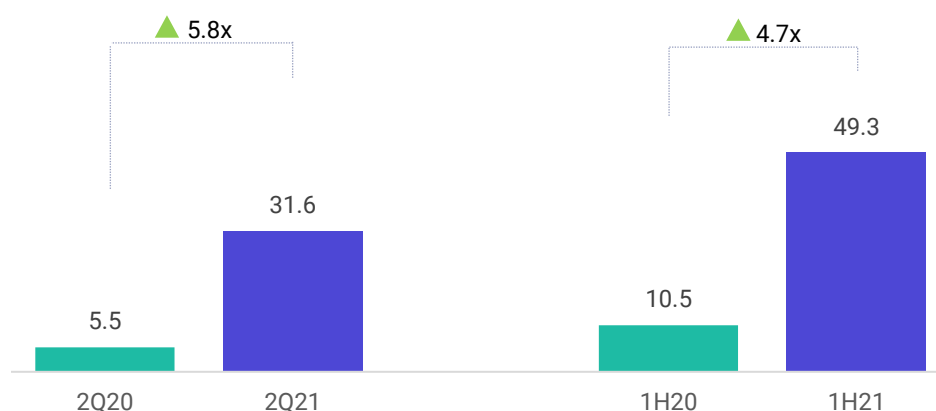


Retail Flow revenue totaled R\$51.9 million in 2Q21, up 7.3% over the same period last year.

With a less drastic change than in other segments, performance reflected the decline in trading volume in the futures market at B3 in April and May.

In 1H21, Retail Flow revenue totaled R\$102.5 million, an increase of 17.2% over the same period last year.

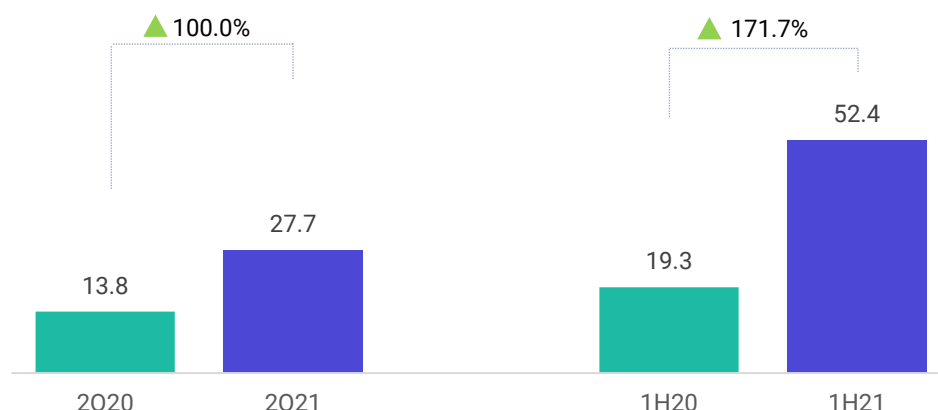
### Capital Markets (R\$ million)



Capital Markets revenue totaled R\$31.6 million in 2Q21, approximately six times higher than in the same period last year. The strong performance of this segment was due to (i) rapid growth in DCM (Debt Capital Markets) transactions, dealflow of which was positively impacted by our larger client distribution base; and (ii) the positive impact of Eleven's networking and reputation which keeps helping us bring clients and business flow.

In 1H21, Capital Markets revenue totaled R\$49.3 million, approximately five times higher than in 1H20.

### Institutional Desk (R\$ million)



Institutional Desk revenue totaled R\$27.7 million in 2Q21, up 100.0% over 2Q20. In 2Q21, Institutional Desk revenue was impacted by low trading volume at B3 in April and May, offset by an increase in the range of solutions offered to institutional clients and growth in the number of clients and business flow.

In 1H21, Institutional Desk revenue totaled R\$52.4 million, an increase of 171.7% over the same period last year.

### Digital Content and Others

Digital Content revenue totaled R\$6.0 million in 2Q21, up 22.2% over the same period last year. It is also important to note that, among other integration initiatives, we prioritized free content over paid content in 2Q21 as a way to engage clients and test content for different client profiles.

In 1H21, Digital Content revenue totaled R\$8.4 million, in line with the R\$8.7 million recorded in the same period last year.

Others revenue is mostly composed of financial revenue from our cash position. In 2Q21, Others revenue totaled R\$12.0 million, an increase of 106.7% over 2Q20, due to proceeds of our IPO (completed on April 30, 2021). In 1H21, Others revenue totaled R\$15.3 million, up 63.6% over 1H20.

### Net Revenue

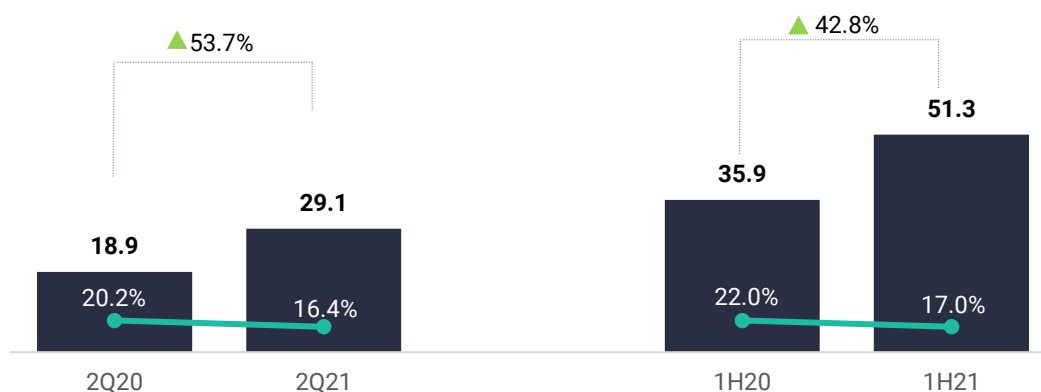
Net Revenue, i.e. revenue after deducting revenue taxes, namely PIS, COFINS, ISS and IRRF (over incentivized debentures), totaled R\$177.6 million in 2Q21, up 89.1% over 2Q20. In 1H21, Net Revenue totaled R\$302.1 million, an increase of 85.1% over the same period last year.

## COGS and Gross Profit

The Cost of Goods and Services (COGS), mainly composed of costs related to custody, brokerage, systems and services payable to B3 and financial agents; home broker platforms; and IFA commissions.

### COGS

(R\$ million | % Net Revenue)



COGS totaled R\$29.1 million in 2Q21 (16.4% of Net Revenue), an increase of 53.7% over 2Q20 (20.2% of Net Revenue), demonstrating important operational leverage between the periods, as costs grew less than revenue.

In 1H21, COGS totaled R\$51.3 million (17.0% of Net Revenue), up 42.8% from R\$35.9 million in 1H20 (22.0% of Net Revenue).

## Gross Profit

Gross Profit (R\$ thousands, except when indicated)	2Q21	2Q20	Δ	1H21	1H20	Δ
<b>Net Revenue</b>	<b>177,561</b>	<b>93,909</b>	<b>89.1%</b>	<b>302,065</b>	<b>163,147</b>	<b>85.1%</b>
(+) COGS	(29,126)	(18,947)	53.7%	(51,332)	(35,944)	42.8%
<b>Gross Profit</b>	<b>148,435</b>	<b>74,962</b>	<b>98.0%</b>	<b>250,733</b>	<b>127,203</b>	<b>97.1%</b>
Gross Margin (%)	83.6%	79.8%	3.8 p.p.	83.0%	78.0%	5.0 p.p.

Due to the aforementioned effects, Gross Profit totaled R\$148.4 million in 2Q21, up 98.0% over 2Q20, together with a substantial gain of 3.8 p.p. in Gross Margin, which reached 83.6% in the period.

In 1H21, Gross Profit was R\$250.7 million, 97.1% higher than in the same period last year, while Gross Margin was 83.0% (up 5.0 p.p. over 1H20).

## Selling, General, and Administrative Expenses

SG&A (R\$ thousands, except when indicated)	2Q21	2Q20	Δ	1H21	1H20	Δ
Personnel	(32,914)	(18,504)	77.9%	(58,920)	(37,050)	59.0%
Profit Sharing	(7,268)	28	n.a.	(11,800)	(34)	n.a.
Third Party Services	(7,905)	(3,818)	107.1%	(14,992)	(8,957)	67.4%
Marketing Expenses	(11,258)	(4,984)	125.9%	(20,248)	(10,573)	91.5%
Administrative Expenses	(5,871)	(4,615)	27.2%	(10,973)	(9,482)	15.7%
Other	(1,213)	(890)	36.4%	(2,465)	(3,267)	-24.5%
<b>Adjusted SG&amp;A</b>	<b>(66,429)</b>	<b>(32,782)</b>	<b>102.6%</b>	<b>(119,398)</b>	<b>(69,363)</b>	<b>72.1%</b>
<b>% of Net Revenue</b>	<b>-37.4%</b>	<b>-34.9%</b>	<b>-2.5 p.p.</b>	<b>-39.5%</b>	<b>-42.5%</b>	<b>3.0 p.p.</b>
(+) Phantom Stock Options <sup>(1)</sup>	(13,217)	(1,393)	848.8%	(13,358)	(1,393)	858.9%
<b>Total SG&amp;A</b>	<b>(79,646)</b>	<b>(34,175)</b>	<b>133.1%</b>	<b>(132,756)</b>	<b>(70,756)</b>	<b>87.6%</b>

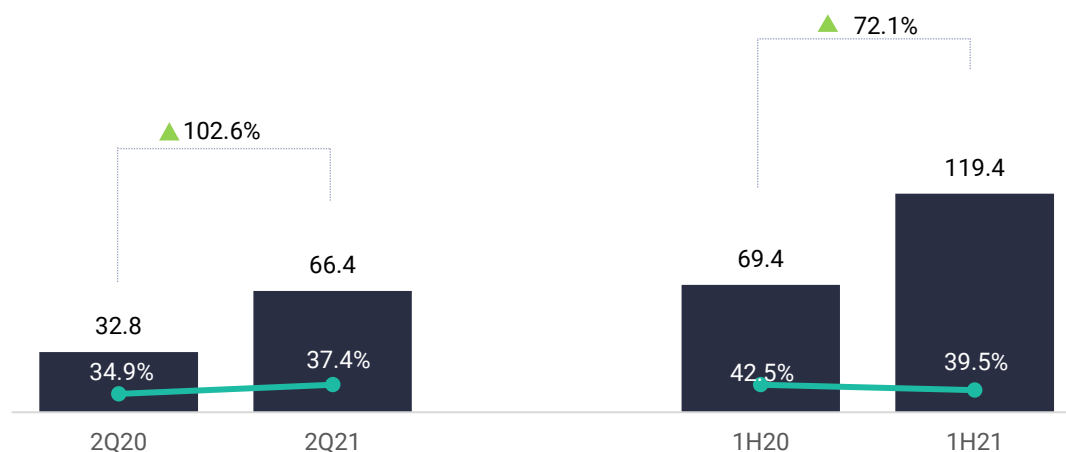
(1) The increase in the provision for the Phantom Stock Options program reflects an increase in our Shareholders' Equity, associated with the completion of the IPO through the primary and secondary public offering of units, completed in April 2021.

Selling, General, and Administrative Expenses, excluding the non-recurring effect of the provision for the Phantom Stock Options program, an important alignment and talent attraction and retention tool, totaled R\$66.4 million in 2Q21, up 102.6% over 2Q20, due to the sustainable growth of our operation. Adjusted Selling, General, and Administrative represented 37.4% of Net Revenue in 2Q21, versus 34.9% in the same period last year. The increase in expenses was driven by (i) a 77.9% increase in personnel expenses, related to growth of approximately 82.9% in headcount compared to 2Q20, due to, among other reasons, the reinforcement of the internal financial advisory team (B2C) and the teams of the recently acquired companies; (ii) quarterly provisioning for profit sharing (in 2020, it was mostly accounted for in 4Q20); and (iii) growth of 125.9% in marketing expenses, as part of the strategy to strengthen the brand and acquire new clients in the period, with positive effects on the quality of the cohort of new clients in 2Q21.

In 1H21, Adjusted Selling, General, and Administrative Expenses totaled R\$119.4 million, 72.1% higher than in 1H20, but 3.0 p.p. lower as a percentage of Net Revenue.



## Adjusted SG&A Expenses (R\$ million | % of Net Revenue)



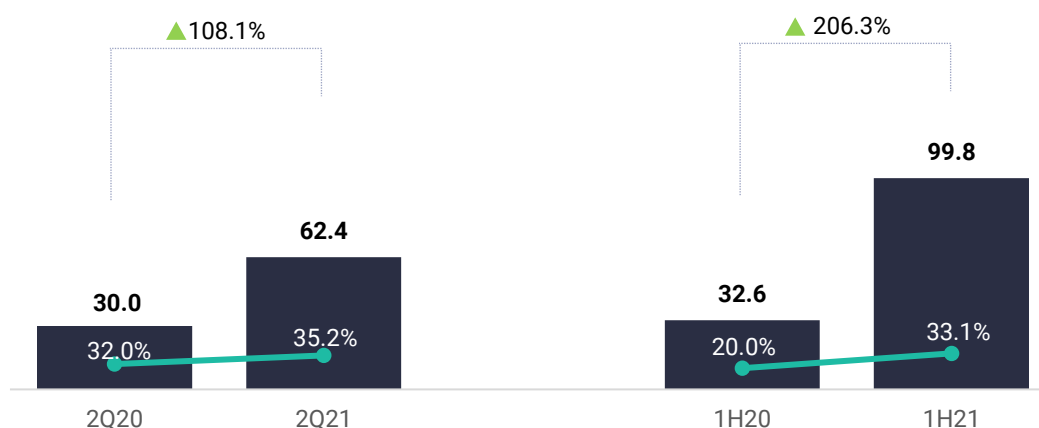
## Earnings Before Taxes (EBT)

<i>EBT</i> (R\$ thousands, except when indicated)	2Q21	2Q20	Δ	1H21	1H20	Δ
<b>Gross Profit</b>	<b>148,435</b>	<b>74,962</b>	<b>98.0%</b>	<b>250,733</b>	<b>127,203</b>	<b>97.1%</b>
(+) Adjusted SG&A Expenses	(66,429)	(32,782)	102.6%	(119,398)	(69,363)	72.1%
(+) Equity Method	920	(142)	-748.8%	1,721	627	174.4%
(+) Depreciation and Amortization	(6,214)	(3,952)	57.3%	(11,336)	(7,388)	53.4%
<b>Adjusted EBIT<sup>(1)</sup></b>	<b>76,712</b>	<b>38,086</b>	<b>101.4%</b>	<b>121,720</b>	<b>51,079</b>	<b>138.3%</b>
<i>Adjusted EBIT Margin %</i>	43.2%	40.6%	2.6 p.p.	40.3%	31.3%	9.0 p.p.
(+) Financial Expenses	(14,244)	(8,069)	76.5%	(21,883)	(18,488)	18.4%
<b>Adjusted EBT<sup>(1)</sup></b>	<b>62,468</b>	<b>30,017</b>	<b>108.1%</b>	<b>99,837</b>	<b>32,591</b>	<b>206.3%</b>
<i>Adjusted EBT Margin %</i>	35.2%	32.0%	3.2 p.p.	33.1%	20.0%	13.1 p.p.

(1) Excluding the effect of the provision for the Phantom Stock Options program.

Earnings Before Taxes (EBT), excluding the non-recurring effect of the provision for the Phantom Stock Options program, totaled R\$62.5 million in 2Q21, up 108.1% over 2Q20, and Adjusted EBT Margin was 35.2%, 3.2 p.p. higher than in 2Q20. In 1H21, Adjusted EBT totaled R\$99.8 million, up 206.3% over 1H20, with an increase of 13.1 p.p. in Adjusted EBT margin.

## Adjusted EBT and Adjusted EBT Margin (R\$ million | % of Net Revenue)



## Net Income

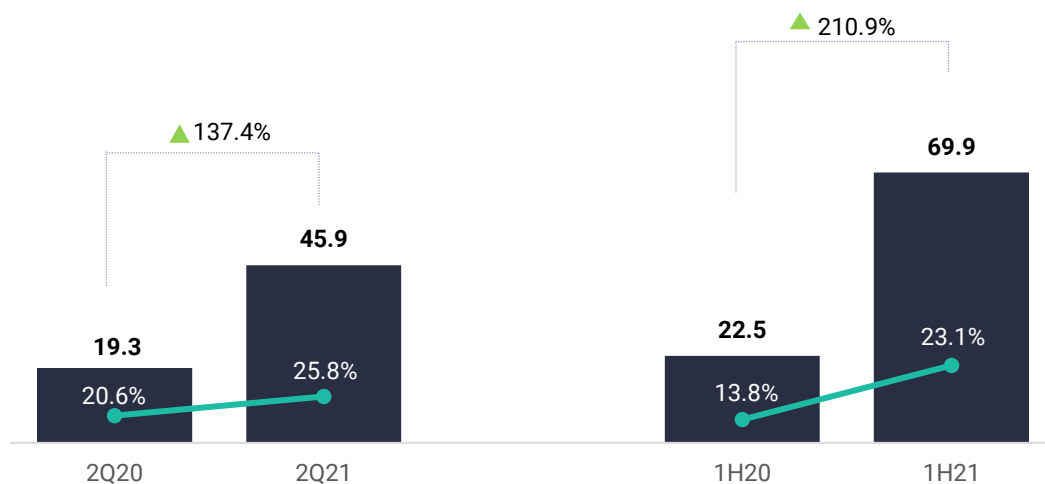
<i>Net Income</i> (R\$ thousands, except when indicated)	2Q21	2Q20	Δ	1H21	1H20	Δ
<b>Adjusted EBT</b>	<b>62,468</b>	<b>30,017</b>	<b>108.1%</b>	<b>99,837</b>	<b>32,591</b>	<b>206.3%</b>
Phantom Stock Options	(13,217)	(1,393)	848.8%	(13,358)	(1,393)	858.9%
<b>EBT</b>	<b>49,251</b>	<b>28,624</b>	<b>72.1%</b>	<b>86,479</b>	<b>31,198</b>	<b>177.2%</b>
Income Tax and Social Contribution	(10,911)	(10,201)	7.0%	(24,196)	(9,616)	151.6%
<b>Net Income<sup>(1)</sup></b>	<b>38,340</b>	<b>18,423</b>	<b>108.1%</b>	<b>62,283</b>	<b>21,582</b>	<b>188.6%</b>
Phantom Stock Options after Tax	7,517	897	738.5%	7,608	897	748.6%
<b>Adjusted Net Income<sup>(2)</sup></b>	<b>45,857</b>	<b>19,319</b>	<b>137.4%</b>	<b>69,891</b>	<b>22,478</b>	<b>210.9%</b>
<b>Adjusted Net Margin %</b>	<b>25.8%</b>	<b>20.6%</b>	<b>5.3 p.p.</b>	<b>23.1%</b>	<b>13.8%</b>	<b>9.4 p.p.</b>

(1) Net Income from Continuing Operations.

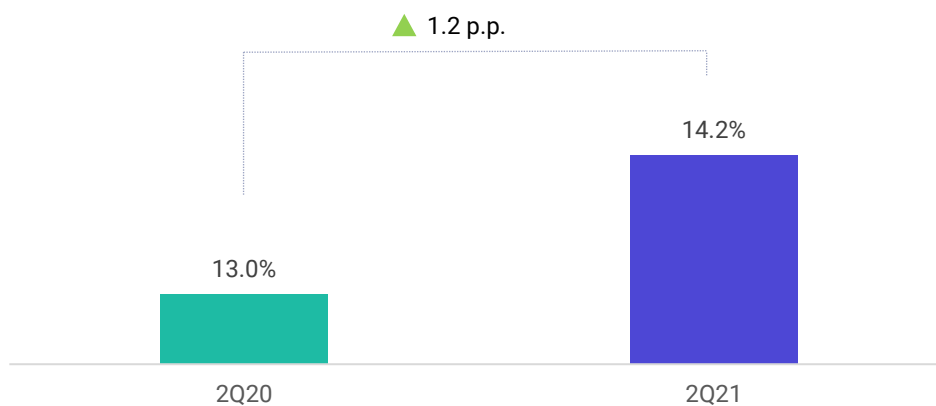
(2) Net Income from Continuing Operations, adjusted for the provision for the Phantom Stock Option program after taxes.

Adjusted Net Income totaled R\$45.9 million in 2Q21, up 137.4% over 2Q20. Adjusted Net Margin was 25.8% in 2Q21, 5.3 p.p. higher than in 2Q20, demonstrating the solid trend of capturing balanced growth among all areas, with a positive impact on the bottom line. In 1H21, Adjusted Net Income totaled R\$69.9 million, 210.9% higher than in 1H20, and Adjusted Net Margin was 23.1%, an increase of 9.4 p.p.

### Adjusted Net Income (R\$ million | % of Net Revenue)



### Annualized Return on Average Equity (ROAE) (%)



Annualized ROAE stood at 14.2% at the end of 2Q21, 1.2 p.p. higher than in 2Q20, due to the profitability gains over the period, especially in light of our high level of operational leverage.

## CAPITAL STRUCTURE AND CAPITAL ADEQUACY RATIO

As shown below, our Capital Adequacy Ratio reached 37.0% at the end of 2Q21, strongly associated with the strengthening of our capital following the completion of our IPO through the public offering of primary and secondary units in April 2021.

<b>Capital Adequacy Ratio</b> <i>(in R\$ thousands except when indicated)</i>	<b>2Q21</b>	<b>1Q21</b>
Principal Capital (Tier I)	1,083,161	465,149
<b>Reference Equity</b>	<b>1,083,161</b>	<b>465,149</b>
Credit Risk Weighted Assets (RWACPAD) (a)	2,035,718	1,549,968
Market Risk Weighted Assets (RWAMPAD) (b)	373,540	401,476
Operational Risk Weighted Assets (RWAOPAD) (c)	515,691	515,691
<b>RWA (a) + (b) + (c)</b>	<b>2,924,949</b>	<b>2,467,135</b>
Minimum Required Reference Equity	233,996	197,371
Gap in relation to the Minimum Required Reference Equity	849,165	267,778
<b>Ratio (%)</b>	<b>37.0%</b>	<b>18.9%</b>

## RECONCILIATION OF GROSS AND NET REVENUE

<b>Reconciliation of Gross and Net Revenue (IFRS - Managerial)</b> <i>(R\$ thousands, except when indicated)</i>	<b>2Q21</b>	<b>2Q20</b>	<b>1H21</b>	<b>1H20</b>
<b>Gross Revenue</b>	<b>187,014</b>	<b>99,509</b>	<b>319,558</b>	<b>173,218</b>
Result of financial intermediation and services <sup>(1)</sup>	167,932	88,724	288,245	148,841
(-) Funding Expenses <sup>(2)</sup>	14,244	8,069	21,883	18,488
(+) Other operating revenues <sup>(3)</sup>	4,838	2,716	9,430	5,889
<b>(-) Income tax on Revenues <sup>(4)</sup></b>	<b>(9,453)</b>	<b>(5,601)</b>	<b>(17,493)</b>	<b>(10,072)</b>
Contribution to the social integration program (PIS)	(813)	(517)	(1,582)	(944)
Contribution for social security financing (COFINS)	(4,765)	(3,067)	(9,414)	(5,592)
Tax on services (ISS)	(3,199)	(1,448)	(5,189)	(2,651)
Income tax withheld at source (IRRF)	(676)	(568)	(1,308)	(884)
<b>Net Revenue</b>	<b>177,561</b>	<b>93,909</b>	<b>302,065</b>	<b>163,147</b>

(1) Considers the balance of the "Result of financial intermediation and services" account in accordance with the Income Statement.

(2) Considers the balance of "Expenses with Interest and Similar" as Funding Expenses in the Income Statement, excluding the balance of "Expenses with Committed Operations" (for more details, see the notes to the Audited Financial Statements).

(3) Considers the portion of "Other Operating Income", included in the balance of "Other operating income (expenses)" in the Income Statement (for more details, see the notes to the Audited Financial Statements).

Considers the balance of "Contribution to the social integration program (PIS)", "Contribution for the social security financing (COFINS)", "Tax on services (ISS)", and "Income tax withheld at source (IRRF)" in "Tax Expenses" in the Income Statement (for additional details, see the notes to the Audited Financial Statements).

## MANAGERIAL INCOME STATEMENT

<i>Managerial Income Statement</i> (in R\$ thousands)	2T21	2T20	1H21	1H20
<b>Gross Revenue</b>				
Retail Portfolio	57,678	21,035	91,599	37,990
Retail Flow	51,918	48,369	102,481	87,420
Capital Markets	31,646	5,477	49,322	10,504
Institutional Desk	27,686	13,847	52,449	19,302
Digital Content	6,066	4,965	8,441	8,668
Other	12,020	5,817	15,267	9,334
<b>Total Gross Revenue</b>	<b>187,014</b>	<b>99,509</b>	<b>319,558</b>	<b>173,218</b>
Taxes and Deductions	(9,453)	(5,601)	(17,493)	(10,072)
<b>Net Revenue</b>	<b>177,561</b>	<b>93,909</b>	<b>302,065</b>	<b>163,147</b>
COGS	(29,126)	(18,947)	(51,332)	(35,944)
<b>Gross Profit</b>	<b>148,435</b>	<b>74,962</b>	<b>250,734</b>	<b>127,203</b>
SG&A	(66,429)	(32,782)	(119,398)	(69,363)
Personnel expenses	(32,914)	(18,504)	(58,920)	(37,050)
Profit sharing	(7,268)	28	(11,800)	(34)
Third-party services	(7,905)	(3,818)	(14,992)	(8,957)
Marketing Expenses	(11,258)	(4,984)	(20,248)	(10,573)
Administrative Expenses	(5,871)	(4,615)	(10,973)	(9,482)
Other Expenses	(1,213)	(890)	(2,465)	(3,267)
Equity in results of investees	920	(142)	1,721	627
Depreciation and Amortization	(6,214)	(3,952)	(11,336)	(7,388)
<b>Adjusted EBIT</b>	<b>76,712</b>	<b>38,086</b>	<b>121,720</b>	<b>51,079</b>
Financial Expenses	(14,244)	(8,069)	(21,883)	(18,488)
<b>Adjusted EBT</b>	<b>62,468</b>	<b>30,017</b>	<b>99,837</b>	<b>32,591</b>
Phantom Stock Options	(13,217)	(1,393)	(13,358)	(1,393)
<b>EBT</b>	<b>49,251</b>	<b>28,624</b>	<b>86,479</b>	<b>31,198</b>
Income Tax and Social Contribution	(10,911)	(10,201)	(24,196)	(9,616)
<b>Net Income</b>	<b>38,340</b>	<b>18,423</b>	<b>62,283</b>	<b>21,581</b>
Phantom Stock Option after Tax	7,517	897	7,608	897
<b>Adjusted Net Income</b>	<b>45,857</b>	<b>19,319</b>	<b>69,892</b>	<b>22,478</b>

## GLOSSARY

<b>Active Client</b>	Client with a position above R\$10.00 or who has operated over the last three months. This criterion is in accordance with our proposal to democratize investments.
<b>Adjusted Shareholders' Equity</b>	Shareholders' Equity adjusted to non-recurring effects. For December 31, 2019, Shareholders' Equity is adjusted to the net shareholders' equity of discontinued operations, object of partial spin-off for the creation of MAF Distribuidora de Títulos e Valores Mobiliários S.A., with the consequent reduction in the share capital of Banco Modal.
<b>AuC</b>	Assets Under Custody represent the total amount of all financial assets under custody of Banco Modal.
<b>Capital Markets Revenue</b>	Through our Capital Markets unit, we offer structuring and distribution services for debt securities (DCM - Debt Capital Markets), both in the primary and the secondary markets (via our fixed income secondary trading desk), besides financial advisory services in mergers & acquisitions. In addition to being a vertical that broadens our scope of activity, we believe that the Capital Markets services are complementary since products originated and structured by our team are mainly distributed to our digital platform's clients and partners.
<b>Digital Content Revenue</b>	Through our Digital Content unit, we offer courses and live rooms for various audiences and investor profiles.
<b>Institutional Desk Revenue</b>	Through our Institutional Desk unit, we offer operations in the equities, futures and fixed income markets, besides FX, currency derivatives, indexes and commodities, as well as market-making transactions to institutional partners, such as investment fund managers who also distribute their funds in our digital platform.
<b>Other Revenue</b>	Other revenue is mostly composed of financial income from remuneration of equity.
<b>Phantom Stock Options</b>	Banco Modal's stock option program in the "Phantom Shares" modality, which consists of compensation with cash payment, with no effective delivery of shares.
<b>Retail Flow Revenue</b>	Business Unit through which we offer our customers financial products and services related to futures transactions, with or without leverage, as well as plan and home broker platform subscriptions.
<b>Retail Portfolio Revenue</b>	Business Unit through which we offer our retail investor clients, high net worth individuals and B2B partners a wide range of products and services (such as fixed income, own and third-party investment funds and structured products, among others), mostly distributed through our digital platform.
<b>Revenue Yield</b>	It is calculated by dividing the Retail Portfolio business unit revenue for the last twelve months by the average AUC Retail. Average AuC Retail is calculated using the sum of AuC Retail at the beginning of the period and each quarter end in a given year, with five data points in a year, divided by five.
<b>ROAE</b>	Return on Average Shareholders' Equity - corresponds to the net profit (loss) of the fiscal year from continued operations attributed to the controlling shareholders, divided by the Adjusted Average Shareholders' Equity. For the quarter, ROAE considers annualized net income (loss). Adjusted Average Shareholders' Equity is calculated by the simple average between Adjusted Shareholders' Equity at the beginning and end of the fiscal year.



(A free translation of the original in Portuguese)

## ***Report on review of consolidated condensed interim financial statements***

To the Board of Directors and Shareholders  
Banco Modal S.A.

### **Introduction**

We have reviewed the consolidated balance sheet of Banco Modal S.A. ("Institution") at June 30, 2021 and the related consolidated statements of operation, comprehensive income, for the for the quarter and six-month period then ended, and changes in shareholder's equity and cash flows for the for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation and presentation of these consolidated condensed interim financial statements in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC) and International Accounting Standard (IAS) 34 - "Interim Financial Reporting" issued by the International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

### **Scope of review**

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently did not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion on the consolidated condensed interim financial statements**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements referred to above are not prepared, in all material respects, in accordance with the International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB).

### **Others Matters**

#### **Statement of value added**

The quarterly information referred to above includes the consolidated statement of value added for the quarter ended June 30, 2021. This statement is the responsibility of the Company's management and is



presented as supplementary information under IAS 34. This statement has been subjected to review procedures performed together with the review of the quarterly information for the purpose of concluding whether it is reconciled with the interim accounting information and accounting records, as applicable, and if its form and content are in accordance with the criteria defined in the accounting standard CPC 09 - "Statement of Value Added". Based on our review, nothing has come to our attention that causes us to believe that this statement of value added has not been properly prepared, in all material respects, in accordance with the criteria established in this accounting standard, and that it is consistent with the consolidated condensed interim accounting information taken as a whole

### **Individual interim financial statements**

Banco Modal S.A. prepared individual interim financial statements for the six-month period ended June 30, 2021, in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Brazilian Central Bank (Bacen), on which we issued an review of the interim financial statements on August 10, 2021.

Rio de Janeiro, August 10, 2021

PricewaterhouseCoopers  
Auditors Independents  
CRC 2SP000160/O-5

Marcelo Luis Teixeira Santos  
Contador CRC 1PRO50377/O-6



**Banco Modal S.A.**  
**Consolidated Balance Sheet**

(All amounts in thousands of reais unless otherwise stated) (A free translation of the original in Portuguese)



<b>Assets</b>	<b>Note</b>	<b>At 6/30/2021</b>	<b>12/31/2020</b>
<b>Cash and cash equivalents</b>	<b>6</b>	<b>2,167,869</b>	<b>2,057,592</b>
<b>Financial Assets</b>		<b>3,105,724</b>	<b>1,768,530</b>
<b>At amortized cost</b>		<b>1,000,229</b>	<b>453,017</b>
Marketable Securities	7	25,021	-
Other financial assets	15	423,893	318,224
Decrease in compulsory deposits in the Central Bank of Brazil		16,845	14,978
Credit operations	9	536,912	127,821
(-) Provision for expected loss	9	(2,442)	(8,006)
<b>At fair value through other comprehensive income</b>	<b>7</b>	<b>1,117,447</b>	<b>892,544</b>
Marketable Securities		1,117,447	892,544
<b>At fair value through profit or loss</b>		<b>988,048</b>	<b>422,969</b>
Marketable Securities	7	902,624	335,712
Derivatives	8	85,424	87,257
<b>Non-current assets held for sale</b>	<b>10</b>	<b>310,794</b>	<b>332,828</b>
<b>Investments in associates</b>	<b>11</b>	<b>1,727</b>	<b>2,117</b>
<b>Other assets</b>	<b>15</b>	<b>112,164</b>	<b>17,225</b>
<b>Tax assets</b>		<b>147,579</b>	<b>112,161</b>
Income tax recoverable	20.b	36,908	36,926
Deferred income tax and social contribution	20.c	110,671	75,235
<b>Property and equipment</b>	<b>12</b>	<b>35,021</b>	<b>21,755</b>
<b>Right of use of leases</b>	<b>13</b>	<b>12,549</b>	<b>12,124</b>
<b>Intangible assets</b>	<b>14</b>	<b>207,511</b>	<b>81,419</b>
Goodwill and capital gains from acquired companies		86,957	-
Other intangible assets		120,554	81,419
<b>Total Assets</b>		<b><u>6,100,938</u></b>	<b><u>4,405,751</u></b>

The accompanying notes are an integral part of these consolidated and condensed interim financial statements.

**Banco Modal S.A.**  
**Statement of value added**



(All amounts in thousands of reais unless otherwise stated) (A free translation of the original in Portuguese)

<b>Liabilities</b>	<b>Note</b>	<b>At 6/30/2021</b>	<b>12/31/2020</b>
<b>Financial liabilities</b>		<b>4,587,830</b>	<b>3,745,436</b>
<b>At amortized cost</b>		<b>4,524,100</b>	<b>3,728,786</b>
Deposits	17	2,884,884	2,092,060
Funding in the open market	16	1,301,497	1,412,003
Other financial liabilities	18	332,018	224,723
Obligations due to borrowings		5,701	-
<b>At fair value through profit or loss</b>		<b>63,730</b>	<b>16,650</b>
Derivatives	8	63,730	16,650
<b>Provisions and contingent liabilities</b>	<b>21</b>	<b>2,030</b>	<b>1,460</b>
<b>Other liabilities</b>	<b>18</b>	<b>63,508</b>	<b>36,437</b>
<b>Liabilities associated to Non-current Assets held for sale</b>	<b>10</b>	<b>1,094</b>	<b>11,839</b>
<b>Tax liabilities</b>		<b>68,389</b>	<b>24,326</b>
Current income tax and social contribution	20.b	22,026	23,620
Deferred income tax and social contribution	20.c	43,356	617
Other tax obligations		3,007	89
<b>Total Liabilities</b>		<b>4,722,851</b>	<b>3,819,498</b>
<b>Shareholders' Equity</b>	<b>19</b>	<b>1,378,087</b>	<b>586,253</b>
<u>Equity attributable to owners of the parent</u>		<u>1,378,087</u>	<u>586,253</u>
Share capital		1,074,966	291,908
Capital reserves		195,579	228,974
Revenue reserves		67,339	71,385
Treasury shares		-	(6,349)
Other comprehensive income		583	335
Profit reserve to be paid in		39,620	-
<b>Total Liabilities and Shareholders' Equity</b>		<b>6,100,938</b>	<b>4,405,751</b>

The accompanying notes are an integral part of these consolidated and condensed interim financial statements.

**Banco Modal S.A.**  
**Consolidated Statement of Operations**

(All amounts in thousands of reais unless otherwise stated)



(A free translation of the original in Portuguese)

	Note	4/1 to 6/30/2021	1/1 to 6/30/2021	4/1 to 6/30/2020	1/1 to 6/30/2020
<b>Income from interest and similar earnings</b>	<b>22</b>	<b>43,013</b>	<b>77,894</b>	<b>23,573</b>	<b>54,354</b>
At amortized cost and at fair value through other comprehensive income		43,013	77,894	23,573	54,354
<b>Expenses with interest and similar</b>	<b>22</b>	<b>(25,183)</b>	<b>(39,550)</b>	<b>(16,377)</b>	<b>(39,245)</b>
At Amortized Cost		(25,183)	(39,550)	(16,377)	(39,245)
Result of financial assets and liabilities at fair value through profit or loss	23	124,916	124,822	20,755	2,041
Service revenue	24	87,460	148,442	47,569	87,632
Foreign exchange result and foreign exchange variation of transactions abroad	25	(62,873)	(28,927)	12,530	46,276
Result in the sale of credit operations		-	-	-	6
<b>Financial assets expected losses</b>		<b>599</b>	<b>5,564</b>	<b>674</b>	<b>(2,223)</b>
Credit operations	9	599	5,564	674	(2,223)
<b>Result of financial intermediation and services</b>		<b>167,932</b>	<b>288,245</b>	<b>88,724</b>	<b>148,841</b>
Personnel expenses	27	(40,182)	(70,720)	(18,477)	(37,085)
Tax	28	(9,929)	(18,081)	(5,633)	(11,172)
General and administrative expenses	29	(57,627)	(104,533)	(33,399)	(67,506)
Equity in results of investees	11	920	1,721	(142)	627
Other operating income (expenses)	26	(11,553)	(9,368)	(1,987)	(2,045)
Provisions and contingent liabilities		(310)	(785)	(461)	(461)
<b>Result before taxation</b>		<b>49,251</b>	<b>86,479</b>	<b>28,625</b>	<b>31,199</b>
Income taxes					
Current	20.a	1,184	(3,519)	(1,772)	(4,889)
Deferred	20.a	(12,095)	(20,677)	(8,429)	(4,727)
<b>Profit from continuing operations</b>		<b>38,340</b>	<b>62,283</b>	<b>18,424</b>	<b>21,583</b>
Result with discontinued operations	10.a	(7,344)	(7,664)	5,207	(932)
<b>Consolidated net profit for the period</b>		<b>30,996</b>	<b>54,619</b>	<b>23,631</b>	<b>20,651</b>
Attributable to controlling stockholders		30,996	54,619	23,631	20,651
<b>Diluted and basic earnings per share (in R\$)</b>	<b>19.e</b>				
Common Shares		0.06188	0.10053	0.03140	0.04990
Preferred Shares		0.06275	0.10195	0.05479	0.03906

The accompanying notes are an integral part of these consolidated and condensed interim financial statements.

**Banco Modal S.A.****Consolidated Statement of Comprehensive Income**

(All amounts in thousands of reais unless otherwise stated) (A free translation of the original in Portuguese)



	4/1 to 6/30/2021	1/1 to 6/30/2021	4/1 to 6/30/2020	1/1 to 6/30/2020
<b>Consolidated net profit for the period</b>	<b>30,996</b>	<b>54,619</b>	<b>23,631</b>	<b>20,651</b>
<b>Other comprehensive income will be reclassified to the result whenever specific conditions are met:</b>				
<b>Financial assets at fair value through other comprehensive income</b>	<b>62</b>	<b>248</b>	<b>9</b>	<b>(148)</b>
Fair value variation (Note 19.d)	110	451	14	(270)
Tax effects	(48)	(203)	(5)	122
<b>Consolidated comprehensive income</b>	<b>31,058</b>	<b>54,867</b>	<b>23,640</b>	<b>20,503</b>
Attributable to controlling stockholders	31,058	54,867	23,640	20,503

The accompanying notes are an integral part of these consolidated and condensed interim financial statements.

**Banco Modal S.A.**  
**Consolidated Statements of Changes in Shareholders' Equity**

(All amounts in thousands of reais unless otherwise stated)



(A free translation of the original in Portuguese)

	<b>Note</b>	<b>Share capital</b>	<b>Capital Reserves</b>	<b>Revenue reserves</b>	<b>Treasury shares</b>	<b>Profit reserve to be paid in</b>	<b>Other comprehensive income</b>	<b>Total shareholders' equity</b>
<b>At January 1, 2020</b>		<b>345,668</b>	-	<b>41,002</b>	<b>(10,755)</b>	-	<b>189</b>	<b>376,104</b>
Result for the period		-	-	-	-	20,651	-	20,651
Variation in the fair value of the financial assets at fair value through other comprehensive income		-	-	-	-	-	(148)	(148)
<b>At June 30, 2020</b>		<b>345,668</b>	-	<b>41,002</b>	<b>(10,755)</b>	<b>20,651</b>	<b>41</b>	<b>396,607</b>
<b>At January 1, 2021</b>		<b>291,908</b>	<b>228,974</b>	<b>71,385</b>	<b>(6,349)</b>	-	<b>335</b>	<b>586,253</b>
Capital increase	19.a	783,058	-	-	-	-	-	783,058
Transaction costs - capital increase	19.c	-	(33,395)	-	-	-	-	(33,395)
Result for the period		-	-	-	-	54,619	-	54,619
Variation in the fair value of the financial assets at fair value through other comprehensive income		-	-	-	-	-	248	248
Disposal of treasury shares	19.f	-	-	(46)	6,349	-	-	6,303
Distributed dividends		-	-	(4,000)	-	-	-	(4,000)
Interest on capital distributed		-	-	-	-	(14,999)	-	(14,999)
<b>At June 30, 2021</b>		<b>1,074,966</b>	<b>195,579</b>	<b>67,339</b>	-	<b>39,620</b>	<b>583</b>	<b>1,378,087</b>

The accompanying notes are an integral part of these consolidated and condensed interim financial statements.

**Banco Modal S.A.**  
**Consolidated Statement of Cash Flows**



(All amounts in thousands of reais unless otherwise stated) (A free translation of the original in Portuguese)

	Note	1/1/2021 to 6/30/2021	1/1/2020 to 6/30/2020
<b>Cash flows from operations</b>			
<b>Consolidated net profit for the period</b>		<b>54,619</b>	<b>20,651</b>
Provision for financial assets expected loss	9	(5,564)	2,223
Depreciation and amortization	12, 13 and 14	13,925	9,816
Deferred income tax and social contribution	20.a	20,677	4,727
Provision for share-based payments	26	13,358	(1,365)
Provision for contingencies	21.g	785	461
Provision for profit sharing	27	11,800	34
Equity in results of investees	11	(1,721)	(627)
Appropriation of lease liability interest	13	702	(457)
Effect of the changes in the foreign exchange rates in cash and cash equivalents	25	(34,846)	(48,648)
<b>Adjusted profit (loss)</b>		<b>73,735</b>	<b>(13,185)</b>
<b>Variations in Assets and Liabilities</b>			
Increase in compulsory deposits in the Central Bank of Brazil		(1,867)	(2,802)
Increase (decrease) in financial assets at amortized cost		(525,802)	82,474
Increase in financial assets at fair value through profit or loss		(564,126)	(347,876)
(Increase) decrease in financial assets at fair value through other comprehensive income		(224,858)	153,569
Decrease in income tax to offset		195	368
Decrease in other assets		(117,257)	(8,084)
Decrease in financial liabilities at amortized cost		753,434	1,008,727
Increase in financial liabilities at fair value through profit or loss		47,080	89,774
Increase in provisions		(215)	(682)
Increase in current tax liabilities and other tax obligations		1,686	10,537
Decrease in other liabilities		6,552	13,887
Decrease in liabilities associated to non-current assets for sale		(10,745)	(171)
Dividends received		2,063	1,265
Income tax and social contribution paid		(5,395)	(5,707)
Increase (decrease) in non-current assets for sale - discontinued operations		22,034	(14,262)
<b>Net cash provided by (used in) operating activities</b>		<b>(543,486)</b>	<b>967,832</b>
<b>Cash flows from investing activities</b>			
Acquisition of property and equipment	12	(16,709)	(5,725)
Disposal of property and equipment		221	314
Acquisition of intangible assets	14	(46,277)	(20,015)
Disposal of intangible assets		195	89
(Addition) Disposal of Investments		48	(720)
Acquisition of subsidiaries, net of cash acquired	14.a	(64,224)	-
<b>Cash used in investing activities</b>		<b>(126,746)</b>	<b>(26,057)</b>
<b>Cash flows from financing activities</b>			
Capital increase	19.a	783,058	-
Transaction costs - capital increase	19.a	(33,395)	-
Dividends paid	19.b	(4,000)	-
<b>Cash provided by financing activities</b>		<b>745,663</b>	<b>-</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>75,431</b>	<b>941,775</b>
Cash and cash equivalents at the beginning of the period	6	2,057,592	502,473
Effects of the changes in the foreign exchange rates in cash and cash equivalents		34,846	48,648
Cash and cash equivalents at the end of the period	6	2,167,869	1,492,896
<b>Complementary information</b>			
Interest paid		136,321	269,047
Interest received		92,866	614,212
<b>Transactions that involved no cash</b>			
Deliberated interest on capital		(14,999)	-

The accompanying notes are an integral part of these consolidated and condensed interim financial statements.

**Banco Modal S.A.**  
**Statement of value added**



(All amounts in thousands of reais unless otherwise stated) (A free translation of the original in Portuguese)

	<b>Note</b>	<b>1/1/2021 to 6/30/2021</b>	<b>1/1/2020 to 6/30/2020</b>
<b>Revenue</b>		<b>320,131</b>	<b>187,157</b>
Revenue with interest and similar	22	77,894	54,354
Service revenue	24	148,442	87,632
Result with discontinued operations	10.a	(7,664)	(932)
Result of financial assets and liabilities at fair value through profit or loss	23	124,822	2,041
Foreign exchange variation of transactions abroad	25	(28,927)	46,276
Result in the Sale of Credit Operations		-	6
Financial assets expected losses	9	5,564	(2,223)
<b>Expenses</b>		<b>(49,703)</b>	<b>(41,751)</b>
Expenses with interest and similar	22	(39,550)	(39,245)
Other operating expenses and provisions, net of revenue		(10,153)	(2,506)
<b>Inputs acquired from third parties</b>		<b>(89,381)</b>	<b>(56,901)</b>
Material, energy and others		(314)	(187)
Outsourced services		(86,090)	(54,604)
Others		(2,977)	(2,110)
<b>Gross value added</b>		<b>181,047</b>	<b>88,502</b>
Depreciation and amortization	29	(13,713)	(9,782)
<b>Net value added generated by the entity</b>		<b>167,334</b>	<b>78,720</b>
<b>Value added received through transfer</b>		<b>1,721</b>	<b>627</b>
Equity in results of investees	11	1,721	627
<b>Value added to distribute</b>		<b>169,055</b>	<b>79,347</b>
<b>Distribution of value added</b>		<b>169,055</b>	<b>79,347</b>
<b>Personnel</b>		<b>70,720</b>	<b>37,085</b>
Direct remuneration	27	50,163	24,468
Social charges	27	11,144	6,741
Benefits	27	8,926	5,823
Others- Training	27	487	53
<b>Taxes and contributions</b>		<b>42,277</b>	<b>20,938</b>
Federal		36,907	18,125
State		181	11
Municipal		5,189	2,802
<b>Third-parties' capital remuneration</b>		<b>1,439</b>	<b>673</b>
Rentals	29	1,439	673
<b>Own capital remuneration</b>		<b>54,619</b>	<b>20,651</b>
Retained earnings		39,620	20,651
Interest on capital distributed		14,999	-

The accompanying notes are an integral part of these consolidated and condensed interim financial statements.

**Banco Modal S.A.**  
**Notes to the consolidated and condensed interim financial statements**



(All amounts in thousands of reais unless otherwise stated)

**1. Operations**

Banco Modal S.A. ("Bank" or "Modal") is a limited liability corporation, headquartered at Praia de Botafogo, 501 – 6º andar – Torre Pão de Açúcar - Rio de Janeiro - RJ, and its objective is to carry out banking operations and to render the permitted services for multiservice banks with commercial, investment and foreign exchange portfolios. It can also hold investments in other companies.

The Bank and its subsidiaries (together "Group" or "Conglomerate") distribute products and services offered by the Group to institutional customers and through the investment portal "Modalmais". Its subsidiary Modal Distribuidora de Títulos e Valores Mobiliários Ltda. ("Modal DTVM") began its operations in 2015 and represents an important distribution and cross-selling channel for the products and services offered by the Bank.

On June 22, 2020, the shareholders of Modal and Credit Suisse entered into a long-term strategic agreement, which provides that Credit Suisse could acquire (purchase option) preferred shares of Modal Participações (Bank's subsidiary) equal to up to 35% of the Modal's total capital interest. The agreement aimed to bring synergy between the complementary operations of the two institutions. On March 24, 2021, Credit Suisse exercised the purchase option, 100% secondary operation, being (i) a part through physical settlement, through which Credit Suisse acquired from Modal Participações 37,206,000 common shares and 74,394,000 preferred shares issued by the Bank, which represent 19.02% of the share capital at the mentioned date (15.85% after the conclusion of the Bank's IPO); and (ii) the remaining part through financial settlement.

The Bank also owns the subsidiaries Modal Assessoria Financeira Ltda. ("MAF"), which operates in the advisory and consulting of marketable securities and structured operations in the financial and capital markets, and Modal Real Estate Participações Ltda., which operates in the investment in the real estate sector. Besides, in 2019, the Bank created Modalmais Treinamento e Desenvolvimento Profissional Ltda. ("Modalmais Treinamento") was created. It is a subsidiary of Modal DTVM, whose objective is to offer trainings for the financial market, making the investment platform modalmais even more complete.

On February 23, 2021, Modal filed with the Securities and Exchange Commission ("CVM") the application for registration of the public offering of primary and secondary distribution of stock certificates (Note 35.d). On April 30, 2021, the Bank's units started to be traded at Brasil, Bolsa e Balcão ("B3") under the Ticker MODL11. The gross amount raised totaled R\$783,058 (R\$749,663, net of issue costs) upon the issue of 117,400,000 preferred shares (Note 19).

In the six-month period ended June 30, 2021, Modal, direct through its subsidiaries, upon the compliance with all the precedent conditions, concluded the acquisition of Eleven Serviços de Consultoria e Análise S.A. ("Eleven"), of Proseek Escola de Negócios, Finanças e Consultoria Empresarial Ltda. ("Proseek"), of Refinaria de Dados – Análise de Dados Ltda. ("Refinaria de Dados") and of Banking and Trading Desenvolvimento de Sistemas Ltda. ("Carteira Global"). The purpose of these acquisitions is to increase Modal's offer of products and services, reinforcing the Bank's competitive differentials, in addition to accelerating the use of artificial intelligence to analyze market and customer data, in order to act more assertively in the financial recommendations offered to customers (Note 3.a).

**Effect of COVID19 on the consolidated interim financial statements**

The Securities and Exchange Commission (CVM) has been recurrently issuing guidance in which it highlights the importance of companies carefully considering the impacts of COVID19 on their business and reporting in the consolidated and condensed interim financial statements the main risks and uncertainties arising from this analysis, observing the applicable accounting standards. The Central Bank ("Bacen"), regulator of the financial institutions, adopted measures to provide liquidity and greater flexibility on prudential regulation and requirements in the case of renegotiated credits and, through CMN Resolution No. 4,820, of May 29, 2020, established temporary prohibitions for (i) payment of interest on equity and dividends above the highest value between: (a) the amount



**Banco Modal S.A.**  
**Statement of value added**

(All amounts in thousands of reais unless otherwise stated) (A free translation of the original in Portuguese)

equivalent to 30% (thirty percent) of the adjusted net income or (b) the minimum mandatory dividend established in Law No. 6,404/76, when applicable; (ii) repurchase of own shares outside the stock exchange or organized over-the-counter market environment, to be held in treasury and subsequently sold, and that does not exceed the limit of 5% (five percent) of the shares issued; (iii) capital decrease; (iv) increase in the fixed or variable compensation of members of the management; and (v) prepayment of any of the above items. It is not possible to predict whether new restrictions on distributions will be imposed by regulatory bodies of the National Financial System, and it is certain that, in the event of the imposition of such restrictions, the distribution of the Bank's results to its shareholders may be compromised.

The Bank and its managers monitor the situation and assess any impacts resulting from the pandemic. Even with the evolution of the knowledge and prophylaxis about the virus, it is still complex to measure the effect resulting from the impacts of the COVID 19 pandemic and as Management identifies these impacts, it measures and incorporates in its accounting judgments and estimates. These impacts, once identified, may have significant impacts on the consolidated and condensed interim financial statements. The possible impacts that may be observed are an increase in customer credit risk due to default in payments and an increase in provisions for losses on financial assets, decrease in the fair value of investments in securities and derivative financial instruments, increase in contingencies liabilities and changes in the estimated tax credit realization.

In its judgment, management incorporates the financial situation of its debtors when assessing the risk of significant deterioration in credit operations and classifying them in stages. In addition, the fair value of financial instruments measured using unobservable data includes management's expectation as to the realization value of the investments on June 30, 2021.

It is not possible to measure or anticipate the future eventual financial economic impacts arising from the COVID 19 pandemic. Up to the issuance of these consolidated and condensed interim financial statements, the Bank has not identified any evidence of facts that could significantly change the assessments carried out or indicate that the Bank may compromise its ability to maintain its operational continuity, as well as its accounting estimates and judgments.

The issue of these consolidated and condensed interim financial statements was authorized by the Board of Directors on August 10, 2021.

## **2. Preparation Basis**

The consolidated and condensed interim financial statements have been prepared in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), as well as according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The assets and liabilities are presented in the Consolidated Balance Sheet in liquidity and enforceability order, respectively.

### **Accounting Pronouncements Recently Issued and Applicable to the Period ended June 30, 2021**

- *Interest Rate Benchmark Reform (IBOR Reform) Stage 2* – Amendments to IFRS 9, IAS39, IFRS 7, IFRS 4 and IFRS 16 arising from the second stage of the project related to the reform of the offered interbank rates. The amendments include practical steps to modify financial instruments, leases, judgments for instruments eligible for hedge accounting and disclosure requirements. These amendments had no impacts in these consolidated and condensed interim financial statements.

### **Accounting Pronouncements Recently Issued and Applicable to Future Periods**

## Banco Modal S.A.

### Statement of value added

(All amounts in thousands of reais unless otherwise stated) (A free translation of the original in Portuguese)



- IFRS 17/CPC 50 – Insurance Contracts: In May 2017, IASB issued IFRS 17/CPC 50 for segment contracts that aim at substituting IFRS 4/CPC 11. The implementation date of IFRS 17/CPC 50 is January 1, 2023. This standard aims to demonstrate greater transparency and useful information in the financial statements, one of the main changes being the recognition of profits as the insurance services are delivered, in order to assess the performance of insurance companies over time. Modal is assessing the possible impacts upon the adoption of the standard.
- IFRS 4 – Insurance Contracts – joint application of IFRS 9: The amendment allows entities issuing insurance contracts to mitigate possible impacts of the adoption of IFRS 9 - Financial Instruments before the effectiveness of IFRS 17. No relevant impact arising from this amendment was identified on the consolidated and condensed interim financial statements of Modal.
- Amendment to IFRS10/CPC36 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures (Joint Ventures) - The amendments aim at aligning these two standards when dealing with the sale or contribution of assets between an investor and its associate or joint ventures. No relevant impact arising from this amendment was identified on the consolidated and condensed interim financial statements of Modal.

### 3. Accounting policies

The preparation of consolidated and condensed interim financial statements requires the use of certain critical accounting estimates. It also requires Bank's management to exercise its judgment in the process of applying the Group's accounting policies. The calculation methods are the same in the interim financial statements, when compared to the consolidated financial statements for the year December 31, 2020. The areas involving a higher degree of judgment or complexity, or information where assumptions and estimates are significant to the consolidated and condensed interim financial statements, are disclosed in Note 4.

#### a) Consolidation basis

The consolidated and condensed interim financial statements reflect the assets, liabilities, revenue and expenses of the Bank and its subsidiaries.

#### (i) Subsidiaries

Direct and indirect subsidiaries are all entities in which the Bank has the power to determine financial and operating policies, generally as a result of holding more than half of the voting rights. The existence and effect of potential voting rights, currently exercisable or convertible, are taken into account when assessing whether the Bank controls another entity. Subsidiaries are fully consolidated as from the date on which control is transferred to the Bank and are no longer consolidated from the date on which such control ceases.

Intercompany transactions, balances and unrealized gains on transactions between companies are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by Modal.

The controlled entities included in the consolidated and condensed interim financial statements are as follows:

Entity	Classification	Country	Activity	Interest (%)	
				At 6/30/2021	12/31/2020
Modal Assessoria Financeira Ltda.	Subsidiary	Brazil	Advisory	99.99%	99.99%

## Banco Modal S.A.

### Statement of value added



(All amounts in thousands of reais unless otherwise stated) (A free translation of the original in Portuguese)

Modal Real Estate Participações Ltda.	Subsidiary	Brazil	Holding company	99.99%	99.99%
Modal Distrib. de Títulos e Val. Mobiliários	Subsidiary	Brazil	Broker	99.99%	99.99%
Modalmais Treinamento e Desenvolvimento	Indirect subsidiary	Brazil	Financial education	99.99%	99.99%
Modal Corretora de Seguros Ltda. (1)	Subsidiary	Brazil	Services	100.00%	-
Eleven Serviços de Consult. e Análise S.A. ("Eleven Research") (2)	Subsidiary	Brazil	Services	100.00%	-
Banking and Trading Desenv de Sistemas Ltda. ("Carteira Global") (3)	Subsidiary	Brazil	Services	100.00%	-
Refinaria de Dados – Análise de Dados Ltda. ("Refinaria de Dados") (4)	Subsidiary	Brazil	Services	100.00%	-
Proseek Escola de Negócios, Finanças e Consultoria Empresarial Ltda. (5)	Indirect subsidiary	Brazil	Financial education	100.00%	-
Modal Asset Management Ltda. (6)	Subsidiary	Brazil	Management	-	-
Modal Administradora de Recursos Ltda. (6)	Subsidiary	Brazil	Management	-	-

- (1) Incorporated on May 11, 2021, the company is engaged in the intermediation, raising, management and brokerage of personal and personal insurance, pension, health, dental and capitalization bonds, as well as the offer of products and services related to technical assistance and the maintenance of relationships with companies authorized to provide such products and services.
- (2) On February 5, 2021, Modal and the shareholders of Eleven Research entered into a purchase and sale agreement through which Modal set out to acquire all Eleven Research's shares. Eleven is an independent financial analysis house that aims to support the development of the Brazilian financial market through reporting of exempt assets, without conflicts of interest, in a technical and proprietary manner. As of June 30, 2021, the presented consolidated result includes the result of Eleven Research as from April 2021 (acquisition closing date).
- (3) On April 6, 2021, Modal and the shareholders of Carteira Global entered into a share purchase and sale agreement in which Modal acquired all the quotas of Carteira Global. Carteira Global is an investment portfolio management and consolidation platform focused on open finance that offers services for investors (B2C) and also for financial advisers and consultants (B2B). As of June 30, 2021, the presented consolidated result includes the result of Carteira Global as from June 2021 (acquisition closing date).
- (4) On April 6, 2021, Modal and the shareholders of Refinaria de Dados entered into a purchase and sale agreement through which Modal acquired all the quotas of Refinaria de Dados. The objective of this operation is to increase the synergy of Modal's operations using the infrastructure and technology of data collection, pre-processing, analysis and visualization offered by Refinaria de Dados for better understanding of the customers' and partners' needs. As of June 30, 2021, the presented consolidated result includes the result of Refinaria de Dados as from May 2021 (acquisition closing date).
- (5) On January 21, 2021, through its subsidiaries, Modal and the shareholders of Proseek entered into a share purchase and sale agreement in which Modal acquired all the quotas of Proseek. A Proseek is a school specialized in the training and qualification of professionals for the financial market. With this acquisition, we internalized a complete and scalable solution for training financial advisors (AAIs), internal and external, allowing us to better serve our customers, in addition to supporting the development of B2B partners, i.e., autonomous investment agents (AAIs), consultants investment and Family Offices. As of June 30, 2021, the presented consolidated result includes the result of Proseek as from April 2021 (acquisition closing date).
- (6) As mentioned in Notes 10.3 and 34 (d), Modal Asset Management Ltda ("MAM") and Modal Administradora de Recursos Ltda. ("MAR") were split up to create MAF DTVM, leaving the Bank to invest in these companies as part of the process of discontinuing the segment of Fiduciary Administration of Illiquid Investment Funds.

## (ii) Associates

Associates are all companies over which Modal has significant influence over financial and operating policies, although it does not control it. Significant influence is normally assumed when the Bank holds between 20% and 50% of the voting rights. Even with less than 20% of the voting right, the Bank may have significant influence, through

**Banco Modal S.A.**  
**Statement of value added**

(All amounts in thousands of reais unless otherwise stated) (A free translation of the original in Portuguese)



participation in the management of the investee or participation in the Board of Directors, with voting power. The investments in associates are recorded in the consolidated and condensed interim financial statements as equity in the results of investees.

Entity	Classification	Assessment criterion	Activity	Interest (%)	
				At 6/30/2021	12/31/2020
KSM Desenvolvimento e Negócios Imobiliário Ltda. (1)	Associate	Equity in the results of investees	Management	100.00%	100.00%
Novus Capital Gestora de Recursos Ltda.	Associate	Equity in the results of investees	Management of portfolio	27.50%	27.50%

(1) KSM Desenvolvimento e Negócios Imobiliários S.A is ceasing its operations and its equity is immaterial to Modal, which opted to not consolidate it.

**(iii) Business combination**

A business generally consists of an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return, as dividends, lower costs or other economic benefits, directly to investors or other partners, members or participants. If there is goodwill on a set of activities and transferred assets, it is assumed that it is a business.

The acquisition method is used in accounting for business combinations, except for those classified as under common control.

The cost of an acquisition is measured as the fair value of assets delivered, equity instruments issued and liabilities incurred or assumed on the acquisition date. Assets acquired and liabilities and contingent liabilities assumed identifiable in a business combination are initially measured at fair value on the acquisition date, regardless of the existence of non-controlling interests. When the amount paid, plus the participation of non-controlling shareholders, is greater than the fair value of the identifiable net assets acquired, the difference will be recorded as goodwill. On the other hand, if the difference is negative, it will be treated as a capital gain and the amount will be recognized directly in profit or loss.

**4. Accounting judgments and estimates**

The preparation of consolidated and condensed interim financial statements in IFRS requires the application of certain relevant assumptions and judgments that involve a high degree of uncertainty and that may have a material impact on the financial statements. In compliance with IFRS, Management applies estimates that can significantly change the amounts presented in our consolidated and condensed interim financial statements, and the amounts may differ in scenarios in which such propositions are not used. The accounting policies adopted, which are highly complex and guide relevant aspects in determining our operations, are described below.

Estimates and judgments Modal considers relevant are as follows:

**a) Fair value of derivative financial instruments and quotas of equity investment funds**

There are specific techniques for assessing the fair value of financial instruments that are not traded in active markets and for which prices and market parameters are not available. This calculation incorporates assumptions under Management's judgment, which takes into account the assessment of market information and circumstances.

**Banco Modal S.A.**  
**Statement of value added**



(All amounts in thousands of reais unless otherwise stated) (A free translation of the original in Portuguese)

- - Discount method to present value for valuation of financial instruments (method mainly applicable to debt instruments, “vanilla” swaps and forward operations): expected future cash flows are discounted to present value using the curves calculated based on observable market data (DIs, Future DDIs, etc.).
- Black-Scholes model for the valuation of financial instruments (mainly options): certain observable market information, such as the difference between bid and offer, exchange rates, volatility, correlation between indexes and market liquidity, are used as inputs in the Black-Scholes model for the purpose of determining the fair value of the financial instruments evaluated under this model.
- Discounted cash flow method for valuing complex or illiquid financial instruments (method used to evaluate, mainly, equity investment funds): in these cases, Management uses a significant degree of judgment to determine the model used by selecting specific data and, in some cases, valuation adjustments are applied to the value of the model or quoted price for financial instruments that are not actively traded.

**b) Estimates of results for purposes of realizing the tax credit**

The realization of the tax credit is based on projections of revenues from the different business units of the Bank, which have uncertainties. This assessment is supported by the entity's strategic planning and is duly submitted to the governance bodies.

**c) Provision for impairment losses of credit operations**

The impairment requirements provided for in IFRS 9/CPC 48 introduced an expected credit loss model instead of an incurred loss model, as it was done until then by IAS 39/CPC 38. The measurement of the provision for expected credit loss considers significant assumptions, as described in Note 9.d.

- Determination of criteria for significantly increasing or reducing credit risk: Based on the monitoring of credit risk indicators, of the continuous monitoring of the financial situation of the counterparties and of public information, it is possible to determine whether there was a significant increase or decrease in credit risk.

**d) Impairment of non-financial assets**

The impairment test of non-financial assets involves significant estimates and judgments, including the identification of cash-generating units and their respective estimates of potential future economic benefits.

The assessment of the existence of impairment of non-financial assets is carried out at least annually, in order to ascertain whether there is any indication that an asset may have been devalued. If there is any indication, the bank estimates the recoverable value of the asset, which is the highest of: i) its fair value less costs to sell it; and ii) its value in use. If the recoverable amount of the asset is lower than its carrying amount, the asset is reduced to its recoverable amount through a provision for loss, which is recognized in the Statement of Operations.

**5. Operating segments**

The Group evaluates its segments based on the guidelines established by the main strategic and operational decision maker of the company (Executive Committee - Comex). On June 30, 2021, Comex considers all the group as an only one reportable operating segment “modalmals”, monitoring the operations, taking decisions about transfer of funds and evaluating the performance based on an only operating segment. Up to the period ended June 30, 2021, the operations were verified in three reportable segments, from which two were discontinued.

**Banco Modal S.A.**  
**Statement of value added**



(All amounts in thousands of reais unless otherwise stated) (A free translation of the original in Portuguese)

- **Merchant Banking:** segment related to the activities of Investment Banking, mainly investments in investment funds in participations and shares of privately held companies managed by the former Private Equity area of the Bank and Assets not for use resulting from the execution of guarantees given in credit operations.
- **Fiduciary Administration:** through the subsidiaries Modal Asset Management Ltda. ("MAM") e Modal Administradora de Recursos Ltda. ("MAR"), the Bank performed the administration and management of illiquid investment funds. In mid-2019, the Bank initiated the spin-off of the Fiduciary Administration operation (Notes 10.3 and 34(f)); and
- **Digital Bank modalmais:** is a digital investment platform integrated with a digital bank with a high technological bias that unifies the operations of the Bank and Modal DTVM in order to offer bank services and a wide variety of investment options, structuring and distribution securities and financial intermediation, as well as foreign exchange and hedge transactions for customers. In the six-month period ended June 30, 2021, Banco Modal acquired, directly and through its subsidiaries, companies in the financial education, research and data analysis segments, with the objective of reinforcing the offer of products and services of the Digital Bank.

In its evaluations, Comex does not verify financial and equity position data, concentrating its analyses on the performance of the operations of each business unit.



**Banco Modal S.A.**  
**Notes to the consolidated and condensed interim financial statements**



(All amounts in thousands of reais unless otherwise stated)

**a) Management statement of operations by segment**

	Total	Modalmais	4/1 to 6/30/2021		
			Opening of the Discontinued Segments	Merchant Banking	Fiduciary Administration
			Discontinued operations		
<b>Income from interest and similar earnings</b>	<b>43,013</b>	<b>43,013</b>	-	-	-
At amortized cost and at fair value through other comprehensive income	43,013	43,013	-	-	-
Earnings and Dividends of Financial Assets and Liabilities at Fair Value through Profit or Loss	-	-	-	-	-
<b>Expenses with interest and similar</b>	<b>(27,695)</b>	<b>(25,183)</b>	<b>(2,512)</b>	<b>(2,512)</b>	-
At Amortized Cost	(27,695)	(25,183)	(2,512)	(2,512)	-
Result of financial assets and liabilities at fair value through profit or loss	108,613	124,916	(16,303)	(16,303)	-
Service revenue	98,507	87,460	11,047	-	11,047
Foreign Exchange Result and Foreign Exchange Variation of Transactions Abroad	(62,873)	(62,873)	-	-	-
<b>Financial assets expected losses</b>	<b>599</b>	<b>599</b>	-	-	-
Credit Operations	599	599	-	-	-
<b>Result of financial intermediation and services</b>	<b>160,164</b>	<b>167,932</b>	<b>(7,768)</b>	<b>(18,815)</b>	<b>11,047</b>
Personnel expenses	(42,158)	(40,182)	(1,976)	(984)	(992)
Tax	(10,850)	(9,929)	(921)	-	(921)
General and administrative expenses	(60,788)	(57,627)	(3,161)	(1,076)	(2,085)
Equity in results of investees	920	920	-	-	-
Other operating income (expenses)	(12,561)	(11,553)	(1,008)	(1,008)	-
Provisions and Contingent Liabilities	(310)	(310)	-	-	-
<b>Result before taxation</b>	<b>34,417</b>	<b>49,251</b>	<b>(14,834)</b>	<b>(21,883)</b>	<b>7,049</b>
Income taxes					
Current	279	1,184	(905)	2,267	(3,172)
Deferred	(3,700)	(12,095)	8,395	8,395	-
<b>Consolidated profit (loss) for the period</b>	<b>30,996</b>	<b>38,340</b>	<b>(7,344)</b>	<b>(11,221)</b>	<b>3,877</b>

**Banco Modal S.A.**  
**Notes to the consolidated and condensed interim financial statements**



(All amounts in thousands of reais unless otherwise stated)

			At 6/30/2021		
			Opening of the Discontinued Segments		
	Total	Modalmais	Discontinued operations	Merchant Banking	Fiduciary Administration
<b>Income from interest and similar earnings</b>	<b>79,695</b>	<b>77,894</b>	<b>1,801</b>	<b>1,801</b>	<b>-</b>
At amortized cost and at fair value through other comprehensive income	77,894	77,894	-	-	-
Earnings and Dividends of Financial Assets and Liabilities at Fair Value through Profit or Loss	1,801	-	1,801	1,801	-
<b>Expenses with interest and similar</b>	<b>(43,930)</b>	<b>(39,550)</b>	<b>(4,380)</b>	<b>(4,380)</b>	<b>-</b>
At Amortized Cost	(43,930)	(39,550)	(4,380)	(4,380)	-
Result of financial assets and liabilities at fair value through profit or loss	104,285	124,822	(20,573)	(20,573)	-
Service revenue	171,175	148,442	22,733	-	22,733
Foreign Exchange Result and Foreign Exchange Variation of Transactions Abroad	(28,927)	(28,927)	-	-	-
<b>Financial assets expected losses</b>	<b>5,564</b>	<b>5,564</b>	<b>-</b>	<b>-</b>	<b>-</b>
Credit Operations	5,564	5,564	-	-	-
<b>Result of financial intermediation and services</b>	<b>287,862</b>	<b>288,245</b>	<b>383</b>	<b>(23,116)</b>	<b>22,733</b>
Personnel expenses	(74,386)	(70,720)	(3,666)	(1,803)	(1,863)
Tax	(19,902)	(18,081)	(1,821)	-	(1,821)
General and administrative expenses	(111,391)	(104,533)	(6,858)	(2,953)	(3,905)
Equity in results of investees	1,721	1,721	-	-	-
Other operating income (expenses)	(10,376)	(9,368)	(1,008)	(1,008)	-
Provisions and Contingent Liabilities	(785)	(785)	-	-	-
<b>Result before taxation</b>	<b>72,743</b>	<b>86,479</b>	<b>(13,736)</b>	<b>(28,880)</b>	<b>15,144</b>
Income taxes					
Current	(6,824)	(3,519)	(3,305)	3,510	(6,815)
Deferred	(11,300)	(20,677)	9,377	9,337	-
<b>Consolidated profit (loss) for the period</b>	<b>54,619</b>	<b>62,283</b>	<b>(7,664)</b>	<b>(15,993)</b>	<b>8,329</b>



**Banco Modal S.A.**  
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(All amounts in thousands of reais unless otherwise stated)



	Total	Modalmais	4/1 to 6/30/2020 Opening of the Discontinued Segments		
			Discontinued operations	Merchant Banking	Fiduciary Administration
<b>Income from interest and similar earnings</b>	<b>23,573</b>	<b>23,573</b>	-	-	-
At amortized cost and at fair value through other comprehensive income	23,573	23,573	-	-	-
<b>Expenses with interest and similar</b>	<b>(18,795)</b>	<b>(16,377)</b>	<b>(2,418)</b>	<b>(2,418)</b>	-
At Amortized Cost	(18,795)	(16,377)	(2,418)	(2,418)	-
Result of financial assets and liabilities at fair value through profit or loss	22,266	20,755	1,511	1,511	-
Service revenue	66,346	47,569	18,777	114	18,663
Foreign Exchange Result and Foreign Exchange Variation of Transactions Abroad	12,530	12,530	-	-	-
Result in the sale of Credit Operations	-	-	-	-	-
<b>Financial assets expected losses</b>	<b>674</b>	<b>674</b>	-	-	-
Credit Operations	674	674	-	-	-
<b>Result of financial intermediation and services</b>	<b>106,594</b>	<b>88,724</b>	<b>17,870</b>	<b>(793)</b>	<b>18,663</b>
Personnel expenses	(21,979)	(18,477)	(3,502)	(488)	(3,014)
Tax	(7,055)	(5,633)	(1,422)	(3)	(1,419)
General and administrative expenses	(37,327)	(33,339)	(3,928)	(781)	(3,147)
Equity in results of investees	(142)	(142)	-	-	-
Other operating income (expenses)	(2,349)	(1,987)	(362)	(362)	-
Provisions and Contingent Liabilities	(461)	(461)	-	-	-
<b>Result before taxation</b>	<b>37,281</b>	<b>28,625</b>	<b>8,656</b>	<b>(2,427)</b>	<b>11,083</b>
Income taxes					
Current	(4,694)	(1,772)	(2,922)	1,612	(4,534)
Deferred	(8,956)	(8,429)	(527)	(527)	-
<b>Consolidated profit (loss) for the period</b>	<b>23,631</b>	<b>18,424</b>	<b>5,207</b>	<b>(1,342)</b>	<b>6,549</b>

**Banco Modal S.A.**  
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(All amounts in thousands of reais unless otherwise stated)

	<u>Total</u>	<u>Modalmais</u>	<u>Discontinued operations</u>	<u>Merchant Banking</u>	<u>Fiduciary Administration</u>
<b>Income from interest and similar earnings</b>	<b>54,354</b>	<b>54,354</b>	-	-	-
At amortized cost and at fair value through other comprehensive income	54,354	54,354	-	-	-
<b>Expenses with interest and similar</b>	<b>(45,145)</b>	<b>(39,245)</b>	<b>(5,900)</b>	<b>(5,900)</b>	-
At Amortized Cost	(45,145)	(39,245)	(5,900)	(5,900)	-
Result of financial assets and liabilities at fair value through profit or loss	1,277	2,041	(764)	(764)	-
Service revenue	122,585	87,632	34,953	157	34,796
Foreign Exchange Result and Foreign Exchange Variation of Transactions Abroad	46,276	46,276	-	-	-
Result in the sale of Credit Operations	6	6	-	-	-
<b>Financial assets expected losses</b>	<b>(2,223)</b>	<b>(2,223)</b>	-	-	-
Credit Operations	(2,223)	(2,223)	-	-	-
<b>Result of financial intermediation and services</b>	<b>177,130</b>	<b>148,841</b>	<b>28,289</b>	<b>(6,507)</b>	<b>34,796</b>
Personnel expenses	(44,258)	(37,085)	(7,173)	(916)	(6,257)
Tax	(13,787)	(11,172)	(2,615)	(4)	(2,611)
General and administrative expenses	(76,386)	(67,506)	(8,880)	(2,372)	(6,508)
Equity in results of investees	627	627	-	-	-
Other operating income (expenses)	(9,334)	(2,045)	(7,289)	(351)	(6,938)
Provisions and Contingent Liabilities	(461)	(461)	-	-	-
<b>Result before taxation</b>	<b>33,531</b>	<b>31,199</b>	<b>2,332</b>	<b>(10,150)</b>	<b>12,482</b>
Income taxes					
Current	(8,668)	(4,889)	(3,779)	4,053	(7,832)
Deferred	(4,212)	(4,727)	515	515	-
<b>Consolidated profit (loss) for the period</b>	<b>20,651</b>	<b>21,583</b>	<b>(932)</b>	<b>(5,582)</b>	<b>4,650</b>

## 6. Cash and cash equivalents

	<u>At 6/30/2021</u>	<u>12/31/2020</u>
Available funds	1,194	182
Free reserves	7,950	58,417
Available funds in foreign currency	355,403	225,115
<b>Cash</b>	<b>364,547</b>	<b>283,714</b>
Short-term interbank investments <sup>(i)</sup>	1,803,322	1,773,878
<b>Cash and cash equivalents</b>	<b>2,167,869</b>	<b>2,057,592</b>

<sup>(i)</sup> It includes operations whose maturity on the effective investment date is equal to or less than 90 days. These operations were practiced at an average rate of 4.8% p.a. (12/31/2020 - 3.3% p.a.).

**Banco Modal S.A.**  
**Notes to the consolidated and condensed interim financial statements**



(All amounts in thousands of reais unless otherwise stated)

**7. Financial Assets - Marketable Securities**

**a) Breakdown**

On June 30, 2021 and December 31, 2020, the debt and capital instruments are as follows:

Classification	At 6/30/2021			12/31/2020		
	Fair Value	Curve Value	Adjustment at fair value	Fair Value	Curve Value	Adjustment at fair value
<b>Financial instruments at fair value through profit or loss</b>						
Debt instruments	659,297	658,406	891	297,911	295,750	2,161
Capital instruments	243,327	216,296	27,031	37,801	37,801	-
<b>Total</b>	<b>902,624</b>	<b>874,702</b>	<b>27,922</b>	<b>335,712</b>	<b>333,551</b>	<b>2,161</b>
<b>Financial assets at fair value through other comprehensive income (FVTOCI)</b>						
Debt instruments	1,117,447	1,116,108	1,339	892,544	891,783	761
<b>Total</b>	<b>1,117,447</b>	<b>1,116,108</b>	<b>1,339</b>	<b>892,544</b>	<b>891,783</b>	<b>761</b>
<b>Financial instruments at amortized Cost (CA) (1)</b>						
Debt instruments	25,021	25,021	-	-	-	-
<b>Total</b>	<b>25,021</b>	<b>25,021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Marketable Securities</b>	<b>2,045,092</b>	<b>2,015,831</b>	<b>29,261</b>	<b>1,228,256</b>	<b>1,225,334</b>	<b>2,922</b>

(1) The balances of provision referring to securities valued at amortized cost are available in Note 9.d.

**b) Breakdown by classification, type of bonds and maturity:**

The breakdown by classification, type of bonds and maturity of the Debt and Capital Instruments is as follows:

Bond / Maturity	At 6/30/2021						
	No maturity	Up to 3 months	Between 3 and 12 months	Between 1 and 3 years	Between 3 and 5 years	Between 5 and 15 years	More than 15 years
<b>Financial instruments at fair value through profit or loss (FVTPL)</b>							
CRI	-	-	-	741	345	113	3,039
CRA	-	-	-	-	9,682	16,005	-
Private companies shares	1,004	-	-	-	-	-	-
Investment fund quotas	-	-	2,507	-	-	-	-
Shares in publicly traded companies	99,743	-	-	-	-	-	-
Multimarket fund quotas	-	-	100,000	-	-	-	26,012
Fixed Income Fund Quotas	-	-	-	-	-	-	12,626
COE	-	-	-	1,247	814	310	-
Debentures	-	-	-	785	3,708	56,594	2,964
LFT	-	10,306	-	301,994	250,650	-	-
<b>Total</b>	<b>100,747</b>	<b>10,306</b>	<b>102,507</b>	<b>304,767</b>	<b>265,199</b>	<b>73,022</b>	<b>46,076</b>
<b>Financial assets at fair value through other comprehensive income (FVTOCI)</b>							
CDB	-	65	1,128	3,394	920	191	-
LC	-	-	-	342	1	-	-

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(All amounts in thousands of reais unless otherwise stated)

LCI	-	52	-	265	-	-	-	317
LCA	-	20	-	295	-	-	-	315
NTN	-	-	-	263	-	2	398	663
TDA	-	-	-	-	-	1	-	1
LTN	-	-	-	10	-	-	-	10
LFT	-	43,162	-	952,814	114,124	-	-	1,110,100
<b>Total</b>	-	<b>43,299</b>	<b>1,128</b>	<b>957,383</b>	<b>115,045</b>	<b>194</b>	<b>398</b>	<b>1,117,447</b>

**Financial instruments at amortized Cost (CA)**

Debentures	-	-	-	-	-	-	25,021	25,021
<b>Total</b>	-	-	-	-	-	-	<b>25,021</b>	<b>25,021</b>
<b>Total General</b>	<b>100,747</b>	<b>53,605</b>	<b>103,635</b>	<b>1,262,150</b>	<b>380,244</b>	<b>73,216</b>	<b>71,495</b>	<b>2,045,092</b>

Bond / Maturity	At 12/31/2020							Total
	No maturity	Up to 3 months	Between 3 and 12 months	Between 1 and 3 years	Between 3 and 5 years	Between 5 and 15 years	More than 15 years	

**Financial instruments at fair value through profit or loss (FVTPL)**

CRI	-	-	-	1,992	1,974	-	-	3,966
CRA	-	-	-	1,515	4,673	295	-	6,483
Private companies shares	1,004	-	-	-	-	-	-	1,004
Multimarket fund quotas	-	-	-	-	-	-	25,678	25,678
Fixed Income Fund Quotas	-	-	-	-	-	-	11,119	11,119
COE	-	-	-	15	1	1,487	-	1,503
Debentures	-	-	-	1,439	4,211	14,301	21,491	41,442
LFT	-	33,631	7,839	164,623	37,894	530	-	244,517
<b>Total</b>	<b>1,004</b>	<b>33,631</b>	<b>7,839</b>	<b>169,584</b>	<b>48,753</b>	<b>16,613</b>	<b>58,288</b>	<b>335,712</b>

**Financial assets at fair value through other comprehensive income (FVTOCI)**

CDB	-	67	181	125	196	182	-	751
LC	-	-	-	319	6	-	-	325
LCI	-	20	110	187	10	-	-	327
LCA	-	157	64	254	-	-	-	475
NTN	-	-	-	-	-	2	419	421
TDA	-	-	-	-	-	1	-	1
LTN	-	-	-	9	-	-	-	9
LFT	-	103,798	42,766	743,384	287	-	-	890,235
<b>Total</b>	-	<b>104,042</b>	<b>43,121</b>	<b>744,278</b>	<b>499</b>	<b>185</b>	<b>419</b>	<b>892,544</b>

**Financial instruments at amortized Cost (CA)**

<b>Total</b>	-	-	-	-	-	-	-	-
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**Banco Modal S.A.**  
**Notes to the consolidated and condensed interim financial statements**



(All amounts in thousands of reais unless otherwise stated)

<b>Total General</b>	<b>1,004</b>	<b>137,673</b>	<b>50,960</b>	<b>913,862</b>	<b>49,252</b>	<b>16,798</b>	<b>58,707</b>	<b>1,228,256</b>
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In the periods ended June 30, 2021 and December 31, 2020, there was no reclassification of the securities between the categories, as well as it did not occur derecognition/sale of equity instruments at fair value through other comprehensive income.

## 8. Financial assets at fair value through profit or loss - Derivatives

Derivative financial instruments consist of futures, swap and forward transactions. They are classified according to Management's intention, on the date of contracting the operation, taking into account whether their purpose is to protect against risk (hedge) or not.

The Bank participates in transactions involving derivative financial instruments that are designated to fulfill its strategy and meet the needs of its customers, in order to reduce the exposure to market, currency and interest rate risks. The management of these risks is carried out based on policies that define the operating strategy, as well as monitoring controls and compliance with position limits.

The fair value of derivative financial instruments and the respective hedge objects is determined using the available market information, mainly the prices and rates disclosed by B3. When applicable, mathematical models of rate interpolation are used for intermediate terms and rate extrapolation for higher terms. For the calculation of the fair value of swap contracts, the future cash flow was used, discounted at present value by the future interest curves obtained from B3 adjusted by the counterparty credit risk (Credit Value Adjustment - CVA).

Substantially represented by Modal's own funding hedge and by investment strategies of customers in the national and/or international currency, commodities and interest markets, registered at B3. Derivative transactions carried out with customers are neutralized in order to eliminate market risks for Modal.

### a) Breakdown of derivatives (assets and liabilities)

The fair value of derivative financial instruments recorded as assets and liabilities is as follows:

	At 6/30/2021			12/31/2020		
	Updated cost	Fair value	Unrealized result	Updated cost	Fair value	Unrealized result
<b>Asset position</b>						
Purchase options – financial assets	459	499	40	316	455	139
Future purchase receivable	16,388	28,038	11,650	26,718	26,056	(662)
Future sale receivable	39,469	37,480	(1,989)	60,649	60,701	52
Differential of swap contracts	11,709	11,709	-	38	38	-
Foreign exchange purchased to settle <sup>1</sup>	2,470	2,470	-	-	-	-
Other derivatives	5,221	5,221	-	-	-	-
Structured Operations Certificate– COE	7	7	-	7	7	-
<b>Total</b>	<b>75,723</b>	<b>85,424</b>	<b>9,701</b>	<b>87,728</b>	<b>87,257</b>	<b>(471)</b>
<b>Liability position</b>						
Premiums of launched options	-	-	-	(310)	(455)	145
Future sale payable	(2,773)	(2,764)	(9)	(2,397)	(2,000)	(395)
Future purchase payable	(28,246)	(23,291)	(4,955)	(6,325)	(6,868)	543
Differential of swap contracts	(26,942)	(24,426)	(2,516)	-	(7,327)	7,327
Foreign exchange sold to settle <sup>1</sup>	(10,899)	(10,899)	-	-	-	-
Obligations for purchase of foreign exchange <sup>1</sup>	(2,350)	(2,350)	-	-	-	-
<b>Total</b>	<b>(71,210)</b>	<b>(63,730)</b>	<b>(7,480)</b>	<b>(9,032)</b>	<b>(16,650)</b>	<b>7,620</b>

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(1) The Bank records foreign exchange operations to settle as derivative financial instruments considering the their initial low disbursement characteristics and future settlement.

**b) Value of derivative financial instruments by indexer**

				At 6/30/2021
	<b>Custody location</b>	<b>Purchased position</b>	<b>Sold position</b>	<b>Net Exposure</b>
<b>Options (Financial assets)</b>				
Purchase options	B3	499	-	<b>499</b>
<b>Future market</b>				
Interest rate	B3	535,992	(88,792)	<b>447,200</b>
Currency	B3	-	(2,118,592)	<b>(2,118,592)</b>
Commodities	B3	7,037	-	<b>7,037</b>
Index	B3	-	(2,585,973)	<b>(2,585,973)</b>
Price index - DAP	B3	-	(41,331)	<b>(41,331)</b>
Commodities	NYBOT	82,822	(1,739)	<b>81,083</b>
Interest rate	CME	-	(444,017)	<b>(444,017)</b>
Commodities	CME	-	(7,119)	<b>(7,119)</b>
Index	CME	2,588,998	-	<b>2,588,998</b>
Index	CBOE	537	-	<b>537</b>
Commodities	SGX	-	(10,617)	<b>(10,617)</b>
Commodities	ICE-US	-	(69,662)	<b>(69,662)</b>
<b>Forward market</b>				
Currency	B3	1,772,971	(225,042)	<b>1,547,930</b>
Commodities	B3	76,028	(112,618)	<b>(36,589)</b>
<b>Swap</b>				
Interest rate	B3	786,900	(713,531)	<b>73,370</b>
Share	B3	-	(537)	<b>(537)</b>
Currency	B3	10,961	-	<b>10,961</b>
Commodities	B3	-	(110,666)	<b>(110,666)</b>
<b>Other derivative instruments</b>				
COE	B3	7	-	<b>7</b>
				At 12/31/2020
	<b>Custody location</b>	<b>Purchased position</b>	<b>Sold position</b>	<b>Net Exposure</b>
<b>Options (Financial assets)</b>				
Commodities-purchase	NYBOT	6,563	(6,563)	-
<b>Future market</b>				
Interest rate	B3	214,901	(66,990)	<b>147,911</b>
Currency	B3	181,885	(404,017)	<b>(222,132)</b>
Commodities	B3	-	(59,072)	<b>(59,072)</b>
Index	B3	-	(1,451,033)	<b>(1,451,033)</b>
Foreign exchange coupon	B3	-	(181,945)	<b>(181,945)</b>
Commodities	NYBOT	89,762	-	<b>89,762</b>
Interest rate	CME	-	(138,473)	<b>(138,473)</b>
Commodities	CME	59,928	-	<b>59,928</b>

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Index	CME	1,460,916	-	<b>1,460,916</b>
Commodities	SGX	-	(24,839)	<b>(24,839)</b>
Commodities	ICE-US	-	(51,433)	<b>(51,433)</b>

**Forward market**

Currency	B3	246,585	(263,756)	<b>(17,171)</b>
Commodities	B3	98,163	(181,909)	<b>(83,746)</b>

**Swap**

Interest rate	B3	-	(1,751)	<b>(1,751)</b>
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**Other derivative instruments**

COE	B3	15	-	<b>15</b>
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**c) Opening by maturity - nominal amount (principal)**

At 6/30/2021					
	Up to 30 days	From 31 to 90 days	From 91 to 180 days	From 181 to 360 days	After 360 days
<b>Options (financial assets)</b>	-	-	-	-	<b>499</b>
Purchased position	-	-	-	-	499
Sold position	-	-	-	-	-
<b>Future market</b>	<b>269</b>	<b>(2,168,539)</b>	<b>80,391</b>	<b>(47,978)</b>	<b>(16,599)</b>
Purchased position	5,276	3,035,367	82,822	16,340	75,581
Sold position	(5,007)	(5,203,906)	(2,431)	(64,318)	(92,180)
<b>Forward market</b>	<b>(40,836)</b>	<b>1,483,425</b>	<b>(145,372)</b>	<b>175,918</b>	<b>38,204</b>
Purchased position	28,095	1,540,202	24,464	218,033	38,204
Sold position	(68,931)	(56,777)	(169,836)	(42,115)	-
<b>Swap</b>	<b>59</b>	<b>(5,534)</b>	<b>(500)</b>	-	<b>(20,898)</b>
Asset position	596	30,094	10,364	-	756,807
Liability position	(537)	(35,628)	(10,864)	-	(777,705)
<b>COE</b>	<b>7</b>	-	-	-	-
Asset position	7	-	-	-	-
<b>Total</b>	<b>(40,501)</b>	<b>(690,648)</b>	<b>(65,481)</b>	<b>127,940</b>	<b>1,206</b>
At 12/31/2020					
	Up to 30 days	From 31 to 90 days	From 91 to 180 days	From 181 to 360 days	After 360 days
<b>Options (financial assets)</b>	-	-	-	-	-
Purchased position	6,563	-	-	-	-
Sold position	(6,563)	-	-	-	-
<b>Future market</b>	-	-	-	<b>(396,920)</b>	<b>26,510</b>
Purchased position	-	-	-	1,930,868	76,524
Sold position	-	-	-	(2,327,788)	(50,014)
<b>Forward market</b>	<b>(32,053)</b>	<b>(75,330)</b>	<b>(63,451)</b>	<b>26,180</b>	<b>43,737</b>
Purchased position	34,068	138,910	73,506	54,526	43,737
Sold position	(66,121)	(214,240)	(136,957)	(28,346)	-
<b>Swap</b>	-	<b>37</b>	-	-	-
Asset position	-	1,788	-	-	-
Liability position	-	(1,751)	-	-	-
<b>COE</b>	-	-	-	-	<b>15</b>

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Asset position					15	15
<b>Total</b>	<b>(32,053)</b>	<b>(75,293)</b>	<b>(63,451)</b>	<b>(370,740)</b>	<b>70,262</b>	<b>(471,712)</b>

**d) Opening by maturity - differential receivable (payable)**

	At 6/30/2021					
	Up to 30 days	From 31 to 90 days	From 91 to 180 days	From 181 to 360 days	After 360 days	Total
<b>Trade receivables</b>	<b>25,214</b>	<b>16,602</b>	<b>23,648</b>	<b>13,656</b>	<b>3,834</b>	<b>82,954</b>
Purchase option	-	-	-	-	499	499
Swap	11,699	10	-	-	-	11,709
Forward Market	8,287	16,592	23,648	13,656	3,335	65,518
Financial Assets	5,221	-	-	-	-	7
COE	7	-	-	-	-	5,221
<b>Amounts payable</b>	<b>(5,249)</b>	<b>(8,513)</b>	<b>(2,007)</b>	<b>(15,022)</b>	<b>(19,690)</b>	<b>(50,481)</b>
Swap	-	-	-	-	-	-
Forward Market	(5,249)	(5,544)	(499)	-	(18,383)	(29,675)
Financial Assets	-	(2,969)	(1,508)	(15,022)	(1,307)	(20,806)
<b>Total</b>	<b>19,965</b>	<b>8,089</b>	<b>21,641</b>	<b>(1,366)</b>	<b>(15,856)</b>	<b>32,473</b>

	At 12/31/2020					
	Up to 30 days	From 31 to 90 days	From 91 to 180 days	From 181 to 360 days	After 360 days	Total
<b>Trade receivables</b>	<b>4,345</b>	<b>37,215</b>	<b>40,526</b>	<b>2,581</b>	<b>2,590</b>	<b>87,257</b>
Swap	-	38	-	-	-	38
Forward Market	3,883	37,177	40,526	2,581	2,590	86,757
Financial Assets	455	-	-	-	-	455
COE	7	-	-	-	-	7
<b>Amounts payable</b>	<b>(9,492)</b>	<b>(2,648)</b>	<b>(1,546)</b>	<b>(1,890)</b>	<b>(1,074)</b>	<b>(16,650)</b>
Forward Market	(1,710)	(2,648)	(1,546)	(1,890)	(1,074)	(8,868)
Financial Assets	(7,782)	-	-	-	-	(7,782)
<b>Total</b>	<b>(5,147)</b>	<b>34,567</b>	<b>38,980</b>	<b>691</b>	<b>1,516</b>	<b>70,607</b>

**e) By counterparty**

	At 6/30/2021			At 12/31/2020		
	Customers	Financial Institutions	Total	Customers	Financial Institutions	Total
Financial assets - Options	-	499	499	-	6,563	6,563
Swap	(26,873)	-	(26,873)	37	-	37
Forward contracts	1,511,342	-	1,511,342	(100,917)	-	(100,917)
Future contracts	-	(2,152,456)	(2,152,456)	-	(370,410)	(370,410)
COE	-	7	7	-	15	15



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<b>Total</b>	<b>1,484,469</b>	<b>(2,151,950)</b>	<b>(667,481)</b>	<b>(100,880)</b>	<b>(363,832)</b>	<b>(464,712)</b>
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**f) Margins given in guarantee**

	<b>At 6/30/2021</b>	<b>12/31/2020</b>
Financial Treasury Bills- LFT	647,609	279,063
<b>Total</b>	<b>647,609</b>	<b>279,063</b>

**g) Economic hedge**

The Bank uses different financial instruments for economic hedge such as options, forward, future and swap with periodic adjustment. The use of these instruments is intended to hedge treasury positions in markets, aiming to adjust the level of risk in the portfolio whenever the risk area deems necessary.

On June 30, 2021 and December 31, 2020 the hedge of the expositions in U.S. dollar and IPCA are as follows:

**(i) The hedge of the dollar exposition:**

	<b>At 6/30/2021</b>		<b>12/31/2020</b>	
<b>Instrument</b>	<b>Purchased position</b>	<b>Sold position</b>	<b>Purchased position</b>	<b>Sold position</b>
Non Deliverable Forward - NDF <sup>(1)</sup>	1,760,792	(186,134)	253,970	(224,727)
Future Market	-	(2,118,592)	-	(404,016)
Availability in Foreign Currency - U.S. Dollar	528,266	-	373,774	-
<b>Total general</b>	<b>2,289,058</b>	<b>(2,304,726)</b>	<b>627,744</b>	<b>(628,743)</b>

<sup>(1)</sup> It represents the value of the contracts registered with B3, restated up to the base date

**(ii) The hedge of the exposition in the IPCA indexer is as follows:**

	<b>At 6/30/2021</b>		<b>12/31/2020</b>	
<b>Instrument <sup>(1)</sup></b>	<b>Purchased position</b>	<b>Sold position</b>	<b>Purchased position</b>	<b>Sold position</b>
Credit operations	94,171	-	51,177	-
Government bonds (NTN-B) <sup>(2)</sup>	-	(44,175)	-	(39,378)
Price index BM&F - DAP	-	(37,990)	-	-
<b>Total general</b>	<b>94,171</b>	<b>(82,165)</b>	<b>51,177</b>	<b>(39,378)</b>

(1) The values above represent the principal updated by the rate agreed on each transaction.

(2) The sold position is related to the fund raising in committed operations with free changes, where we sell the backing and have the obligation to repurchase the securities up to the operation's maturity.

**9. Financial Assets at Amortized Cost - Credit Operations**

**a) Breakdown**

Credit operations and other credits categorized by credit modality and internal classification, as well as the corresponding provision for loss for each one of the categories are as follows:

	<b>At 6/30/2021</b>		<b>12/31/2020</b>	
<b>Credit modality</b>	<b>Total</b>	<b>Expected loss</b>	<b>Total</b>	<b>Expected loss</b>
Borrowings and discounted bonds (1)	493,687	(2,238)	106,523	(7,993)

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Other credits	43,225	(188)	21,298	(13)
<b>Total</b>	<b>536,912</b>	<b>(2,426)</b>	<b>127,821</b>	<b>(8,006)</b>

(1) Composed of collateralized credit operations, loans and operations aimed at cross-selling for operations in the digital bank modalmais.

**b) Concentration by activity sector**

Sector	At 6/30/2021		12/31/2020	
	Amount	%	Amount	%
Commerce	246	0.1%	315	0.2%
Services	337,855	62.9%	87,037	68.1%
Individual	198,811	37.0%	40,469	31.7%
<b>Total</b>	<b>536,912</b>	<b>100.0</b>	<b>127,821</b>	<b>100.0%</b>

**c) Financial guarantees granted**

	At 6/30/2021	12/31/2020
Sureties or guarantees in tax lawsuits and administrative proceedings	59,954	65,276
Other bank guarantees	4,372	4,177
<b>Financial guarantees granted</b>	<b>64,326</b>	<b>69,453</b>
Provision for expected losses <sup>(1)</sup>	(701)	(1,233)
<b>Financial guarantees granted, net of expected losses</b>	<b>63,625</b>	<b>68,220</b>

(1) The financial guarantees granted to our customers are valued for the purpose of expected losses, in accordance with IFRS 9/CPC 48.

**d) Financial assets by risk stage and changes in provision for expected credit loss**

Modal periodically assesses the expected credit losses from financial assets, which take into account the historical experience of credit losses in different types of portfolios, the quality and the current characteristics of customers and operations. The main macroeconomic variables used in this process are Brazilian interest rates, inflation rates and economic activity indexes (GDP).

The estimate of expected loss on financial assets is divided into three categories (stages):

- Stage 1: Financial assets that showed no significant increase in credit risk;
- Stage 2: Financial assets that showed significant increase in credit risk; and
- Stage 3: Financial assets that have shown that they will not be fully honored.

The measurement of expected credit loss requires the application of significant assumptions, such as:

**Term:** Modal considers the residual maturity date of the operation as the maximum term over which it will be exposed to the credit risk of the financial instrument. However, assets that do not have a specific maturity have an estimated life expectation based on the period of exposure to the portfolio's historical credit risk.

**Significant increase in credit risk:** Modal evaluates several factors to determine a significant increase in credit risk, such as: the counterparty, the type and characteristics of the product, frequency and history of renegotiations, evaluation of agents external to Modal (such as rating reports issued by credit rating agencies), considering the following objective criteria as minimal factors:

- Stage 1 to stage 2: default of more than 45 days; and
- Stage 2 to stage 3: default of more than 90 days and indicative of deterioration in credit quality, such as recurring renegotiations, among others.

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Improvement in credit risk: to determine the decrease in the credit risk of a financial asset, Modal mainly evaluates the fulfillment of the renegotiation conditions of the object operation (renegotiation of contractual terms, relevant payment of part of the financial asset and/or payment of installments) and it resumes periodic monitoring of the assumptions that determine the significant increase in credit risk.

Forward-looking information: IFRS 9/CPC 48 requires a weighted and impartial estimate of credit loss that incorporates forecasts of future economic conditions. Modal uses prospective macroeconomic information and projected public information to determine the impact of these estimates in determining the expected credit loss.

**Individual or collective evaluation**

For the purposes of collective evaluation, financial assets are grouped based on characteristics of shared credit risk, taking into account the type of instrument, the credit risk classifications, the initial recognition date, the average history of losses and recoveries of the portfolio among other relevant factors.

For the purpose of individual evaluation, the financial assets and financial guarantees granted to our customers have their credit risk evaluated, mainly considering: (i) the history of other credit operations previously granted to financial guarantees (ii) history of renegotiation of operations, if any; (iii) qualitative analysis of credit risk using data internal and external to our organization, such as ratings issued by risk agencies and reports issued and published by companies to the market; (iv) quantitative analysis of credit risk, which includes the assessment of available financial data; history of the debtor's restrictions, if any; history of credit operations with other financial institutions, when publicly disclosed; among others.

**d.1) Opening by stage**

	At 6/30/2021			
Financial assets carried at amortized cost	Stage 1	Stage 2	Stage 3	Total
Borrowings and discounted bonds and other credits	520,307	9,656	6,949	536,912
Debentures	25,021	-	-	25,021
(-) Expected losses associated to the credit risk	(313)	(745)	(1,384)	(2,442)
<b>Financial assets carried at amortized cost, net of expected losses</b>	<b>545,015</b>	<b>8,911</b>	<b>5,565</b>	<b>559,491</b>

	At 12/31/2020			
Financial assets carried at amortized cost	Stage 1	Stage 2	Stage 3	Total
Borrowings and discounted bonds and other credits	73,097	33,959	20,765	127,821
(-) Expected losses associated to the credit risk	(121)	(2,433)	(5,452)	(8,006)
<b>Financial assets carried at amortized cost, net of expected losses</b>	<b>72,976</b>	<b>31,526</b>	<b>15,313</b>	<b>119,815</b>

**d.2) Changes in expected loss**

	Stage 1	Stage 2	Stage 3	Total <sup>(2)</sup>
<b>At December 31, 2020</b>	<b>(121)</b>	<b>(2,433)</b>	<b>(5,452)</b>	<b>(8,006)</b>
Transfers from Stage 2	(2,399)	2,407	(8)	-
Transfers from Stage 3 <sup>(1)</sup>	(1,289)	(2,006)	3,295	-
Reversal of expected loss for the following 12 months	3,452	-	-	3,452
(Constitution) reversal of loss expected up to maturity	-	1,261	(294)	967
Reversals due to settlements/write-offs of Credit Operations	44	26	1,075	1,145
<b>At June 30, 2021</b>	<b>(313)</b>	<b>(745)</b>	<b>(1,384)</b>	<b>(2,442)</b>

	Stage 1	Stage 2	Stage 3	Total <sup>(2)</sup>
<b>At December 31, 2019</b>	<b>(5)</b>	<b>(7)</b>	<b>(4,171)</b>	<b>(4,183)</b>
Transfers from Stage 1	10	-	(10)	-
Transfers from Stage 2	-	5	(5)	-

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Transfers from Stage 3 <sup>(1)</sup>	(3,792)	-	3,792	-
Reversal of expected loss for the following 12 months	3,706	-	-	3,706
(Constitution) reversal of loss expected up to maturity	-	(4,309)	(1,832)	(6,141)
Reversals due to settlements/write-offs of Credit Operations	8	2	202	212
<b>At June 30, 2020</b>	<b>(73)</b>	<b>(4,309)</b>	<b>(2,024)</b>	<b>(6,406)</b>

(1) When moving transfers from stage 3 to stage 1 over the period, they moved to stage 2 earlier.

(2) It includes expected loss for granted financial guarantee operations.

**10. Non-current assets held for sale and discontinued operations**

In order to direct the Group's operations to the retail and product offering segment through its Digital Bank platform, Management opted for the discontinuity of its operating segments. In this context, the Group started the effort to sell Merchant Banking and Fiduciary Administration. As they are relevant components of the company that represent separate business units (Note 5), they were considered as “discontinued operations”.

a. The main classes of assets and liabilities held for sale are as follows?

	<b>At 6/30/2021</b>
	<b>Merchant Banking</b>
Cash and cash equivalents	10
Financial Assets	
at fair value through profit or loss - marketable securities	240,201
Other Financial Assets	12,905
Assets not for use, net of impairment	57,677
Income tax recoverable	1
<b>Non-current assets held for sale</b>	<b>310,794</b>
Deposits	13
Income Tax and Social Contribution - Deferred <sup>(1)</sup>	1,081
Other Tax Obligations	-
<b>Liabilities related to non-current assets held for sale</b>	<b>1,094</b>
	<b>At 12/31/2020</b>
	<b>Merchant Banking</b>
Cash and cash equivalents	5
Financial Assets	
at fair value through profit or loss - marketable securities	258,376
Other Financial Assets	13,706
Assets not for use, net of impairment	60,740
Income tax recoverable	1
<b>Non-current assets held for sale</b>	<b>332,828</b>
Deposits	29
Income Tax and Social Contribution - Deferred <sup>(1)</sup>	11,809
Other Tax Obligations	1
<b>Liabilities related to non-current assets held for sale</b>	<b>11,839</b>

(1) Deferred income tax and social contribution are due to the assets market adjustment. Accordingly, when the investments are effectively made, the tax obligations will not be transacted and will be paid by the Bank.

b. The effects on the results of the periods related to the discontinued operation are shown below:

	<b>At 6/30/2021</b>
	<b>Merchant Banking      Fiduciary Administration      Total</b>

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Income from Interest, Earnings and Dividends of Financial Assets at Fair Value through Profit or Loss	1,801	-	1,801
<b>Expenses with interest and similar</b>			
At Amortized Cost	(4,380)	-	(4,380)
Result of financial assets and liabilities at fair value through profit or loss	(20,537)	-	(20,537)
Service revenue	-	22,733	22,733
<b>Result of financial intermediation and services</b>	<b>(23,116)</b>	<b>22,733</b>	<b>383</b>
Personnel expenses	(1,803)	(1,863)	(3,666)
Tax	-	(1,821)	(1,821)
General and administrative expenses	(2,953)	(3,905)	(6,858)
Other operating income (expenses)	(1,008)	-	(1,008)
<b>Result before taxation</b>	<b>(28,880)</b>	<b>15,144</b>	<b>(13,736)</b>
<b>Income taxes</b>			
Current	3,510	(6,815)	(3,305)
Deferred	9,377	-	9,377
<b>Result with discontinued operations</b>	<b>(15,993)</b>	<b>8,329</b>	<b>(7,664)</b>
<b>Result per share (basic in R\$) with discontinued operations</b>			
Common Shares			(0.01237)
Preferred Shares			(0.01254)

	At 6/30/2020		
	Merchant Banking	Fiduciary Administration	Total
<b>Expenses with interest and similar</b>			
At Amortized Cost	(5,900)	-	(5,900)
Result of financial assets and liabilities at fair value through profit or loss	(764)	-	(764)
Service revenue	157	34,796	34,953
<b>Result of financial intermediation and services</b>	<b>(6,507)</b>	<b>34,796</b>	<b>28,289</b>
Personnel expenses	(916)	(6,257)	(7,173)
Tax	(4)	(2,611)	(2,615)
General and administrative expenses	(2,372)	(6,508)	(8,880)
Other operating income (expenses)	(351)	(6,938)	(7,289)
<b>Result before taxation</b>	<b>(10,150)</b>	<b>12,482</b>	<b>2,332</b>
<b>Income taxes</b>			
Current	4,053	(7,832)	(3,779)
Deferred	515	-	515
<b>Result with discontinued operations</b>	<b>(5,582)</b>	<b>4,650</b>	<b>(932)</b>
<b>Result per share (basic in R\$) with discontinued operations</b>			
Common Shares			(15.48584)
Preferred Shares			(15.48584)

**10.1. Merchant Banking**

**10.1.1. Proprietary investment funds and private companies shares**

**a) Breakdown of the investments**

	At	
	6/30/2021	12/31/2020

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FIP Novo Hotel Participações	85,933	91,738
FIP KSM Realty	80,530	83,503
FIP Seville <sup>2</sup>	63,318	70,819
FIP Chardonnay	8,303	9,656
FIP BHG	1,101	1,459
FIP Performance	1,016	1,200
<b>Investment funds</b>	<b>240,201</b>	<b>258,375</b>

In the six-month period ended June 30, 2021, the disposals were as follows:

Period	Venture	Amount	Gain (Loss)
At 3/31/2021	KSM Empreendimento Extrema LTDA (1)	5,902	(52)

(1) Disposal, in the 1st quarter of 2021, of 100% of SPE Extrema. As a result of this sale, MD Realty received R\$ 5,902 in advance (being R\$ 2,535 as a reduction of 100% of the invested capital and R\$ 3,367 as result distribution) thus, settling its position in SPE. The amount was paid in cash. As result of the settlement, the Bank recognized a loss of R\$ 52.

(2) On May 10, 2021, Ontario Teachers Pension Plan Board entered into an agreement for the acquisition of 100% interest in Evoltz, investee of FIP Seville. On June 30, 2021, this operation awaited the fulfillment of conditions precedent for the conclusion that were consummated in July 2021 (Note 35). In view of the conditions existing on June 30, 2021, for the determination of the fair value of the FIP Seville on the same date, the price of that transaction was used.

**b) Evaluation inputs in investments measured at fair value**

The most relevant quantitative information for management about unobservable inputs from level 3 financial instruments is as follows:

Direct investment	Indirect investment	Fair value 6/30/2021	Fair value 12/31/2020	Responsible experts <sup>(1)</sup>	Valuation technique	Non-observable data used in the valuation	Input on 6/30/2021	Input on 12/31/2020
FIP Novo Hotel	Novo Hotel Participações	85,933	91,738	(a)	Discounted cash flow	Discount rate	11.54%	11.00%
	Ícaro	19,947	26,117	(a)	Evolutionary method/discounted cash flow	Discount rate	4.00%	4.00%
	Cachambi	30,000	33,000	(b)	Involutive method/discounted cash flow	Discount rate	9.08%	8.00%
FIP KSM	Extrema	-	5,953	(c)	Discounted cash flow	Discount rate	-	4.50%
	City of Lima	8,171	9,070	(b)	Comparative method of market data/Discounted cash flow	Discount rate	10.00%	10.00%
FIP Seville	Evoltz	63,318	70,819	(d)	Discounted cash flow/method of the assets	Discount rate	-	Between 7.2% and 7.4% for SPE
FIP Chardonnay	Oldenburg	8,303	9,656	(a)	Discounted cash flow	Discount rate	8.17%	10.90%
a. Appraised by management experts in all the periods; b. Appraised by outsourced experts in all the periods; c. 12/31/2020 - management specialists, investment sold in the 1st quarter of 2021 (Note 5 a (ii)); d. 12/31/2020 - Evaluated by outsourced specialists. On June 30, 2021, fair value determined according to Note 10.1.1 a) (ii)								

**c) Measure at fair value based on non-observable inputs**

Changes in the assets level 3 during the periods ended June 30, 2021 and 2020 are as follows:

Changes in the level 3 assets	2021	2020
<b>Opening balance</b>	<b>258,375</b>	<b>271,540</b>
Investments	3,436	3,184
Adjustment at fair value	(20,537)	(793)

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Receipt of dividends	-	29
Recognition of losses	(1,073)	(1,521)
<b>At June 30,</b>	<b>240,201</b>	<b>272,439</b>

**d) Sensibility analysis - level III investments**

**6/30/2021**

<b>Fund</b>	<b>Pricing methodology</b>	<b>Main non-observable data</b>	<b>Sensitivity coefficient (Scenarios)</b>	<b>Impact on the investment appraisal</b>
FIP NH Botafogo	Discounted cash flow	Discount rate	+0.50% -0.50%	-10.81% +13.14%
KSM Realty I FIP - Empreendimento Ícaro	Evolutionary method/discounted cash flow	Discount rate	+0.50% -0.50%	-0.37% +0.38%
KSM Realty I FIP - Empreendimento Cachambi	Involutive method/discounted cash flow	Discount rate	+1.00% -1.00%	-7.76% +8.26%
KSM Realty I FIP - Empreendimento Cidade Lima	Method of market data comparison	Discount rate	+1.00% -1.00%	-8.54% +9.31%
FIP Chardonnay	Discounted cash flow	Discount rate	+0.50% -0.50%	-7.45% +9.11%

**10.1.2. Assets not for use**

Assets received as payment are destined for sale, since the entity decides to realize them through a sale or otherwise than the use and receive of cash flows of these assets. Due to the characteristic and nature, all these assets are classified as held for sale. On June 30, 2021 and December 31, 2020, the balances of assets not for use by nature were as follows:

	<b>At 6/30/2021</b>	<b>12/31/2020</b>
Land	11,035	10,875
Residential	955	3,475
Commercial	45,537	46,240
Hotel	150	150
<b>TOTAL <sup>1</sup></b>	<b>57,677</b>	<b>60,740</b>

1 - Net provision values for impairment. On June 30, 2021, the accumulated amount of BNDU impairment is of R\$ 2,109 (12/31/2020 - R\$ 1,567).

In May 2021, there was a forward sale of a residential property in the amount of R\$2,100, the book value of the property on 12/31/2020 was R\$2,520.

Management, as a practice, annually assesses the existence of impairment indicators and hires external appraisers to carry out the appraisal. As a result of the COVID19 pandemic, considered an indication by Management, the Bank carried out the appraisal of its main BNDUs on the base date of June 30, 2021, when it recognized a provision for impairment in the amount of R\$ 543.

**10.2. Fiduciary Administration**



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On January 3, 2020, the process of spin-off of the Fiduciary Administration segment was approved by Bacen and published in the Union's Gazette on January 8, 2020. In October 2020, the creation of MAF DTVM was approved by Bacen, a company that bequeathed this segment.

On October 27, 2020, in a notice to the market, the acquisition of the Fiduciary Administration segment by the Apex Group ("Apex") was announced. The Bank's shareholders and the Apex Group ("Apex") announced this transaction through the purchase of MAF DTVM by Apex, concluding the segment's sale effort. This operation is still being analyzed by the regulation body and the Bank and Apex are still waiting the approval.

**Earnings per share - Discontinued Operations**

**(i) Earnings per share - basic and diluted**

Description	Common	Preferred	At 6/30/2021	6/30/2020
Number of shares	412,566,001	291,633,999	704,200,000	62,000
Number of outstanding shares	412,566,001	291,633,999	704,200,000	60,184
Weighted average number of outstanding shares - 6/30/2021	362,977,033	252,999,122	615,976,155	-
Weighted average number of outstanding shares - 6/30/2020	31,000	29,184	-	60,184
Attributed profit (R\$ thousand)			(7,664)	(932)
Basic and diluted earnings per common share (R\$)			(0.01237)	(15.48584)
Basic and diluted earnings per preferred share (R\$)			(0.01254)	(15.48584)

**11. Investments in Associates**

On June 30, 2021 and December 31, 2020, Modal's interest in its subsidiaries was follows:

						At 6/30/2021	
	Number of shares/quotas held	Modal interest - %	Share capital	Shareholders' Equity	Profit/(loss)	Carrying amount of the investments	Equity in the result of investees
KSM Desenvolvimento e Negócios Imobiliários Ltda.	6,499,999	99.99%	6,500	-	39	-	39
Novus Capital Gestora de Recursos	96,250	27.50%	350	350	21,468	1,727	1,682
<b>Total</b>						1,727	1,721

						At 12/31/2020	6/30/2020
	Number of shares/quotas held	Modal interest - %	Share capital	Shareholders' Equity	Profit/(loss)	Carrying amount of the investments	Equity in the result of investees
KSM Desenvolvimento e Negócios Imobiliários Ltda.	6,499,999	99.99%	6,500	(39)	(7)	-	(17)
Novus Capital Gestora de Recursos <sup>(1)</sup>	96,250	27.50%	350	29,480	21,559	2,117	644
<b>Total</b>						2,117	627

(1) In the six-month period ended June 30, 2021, Novus Capital Gestora de Recursos (Novus) distributed disproportional dividends. Modal received R\$ 2,063.



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## 12. Property and Equipment

Property and equipment are depreciated using the straight-line method at the following annual rates: facilities and furniture and equipment in use, 10%, communication system, processing system and security system, 20%. These rates represent appropriately the useful life of the assets.

Property and Equipment	At 12/31/2020	Purchases	Write-offs	Transfers	Depreciation	At 6/30/2021
Facilities	4,220	510	(221)	9	(677)	3,841
Furniture and equipment of use	1,756	509	-	-	(521)	1,744
Communication systems	327	40	-	-	(34)	333
Data processing systems	15,263	12,469	-	-	(3,036)	24,696
Security system	189	-	-	-	(20)	169
Property and equipment in course	-	4,247	-	(9)	-	4,238
<b>Total property and equipment</b>	<b>21,755</b>	<b>17,775</b>	<b>(221)</b>	<b>-</b>	<b>(4,288)</b>	<b>35,021</b>

Property and Equipment	12/31/2019	Purchases	Write-offs	Transfers	Depreciation	At 6/30/2020
Facilities	4,555	-	-	643	(807)	4,391
Furniture and equipment of use	2,005	85	-	-	(190)	1,900
Communication systems	393	20	-	-	(36)	377
Data processing systems	18,377	2,118	(154)	-	(2,453)	17,888
Security system	229	-	-	-	(20)	209
Property and equipment in course	1,183	3,502	(160)	(643)	-	3,882
<b>Total property and equipment</b>	<b>26,742</b>	<b>5,725</b>	<b>(314)</b>	<b>-</b>	<b>(3,506)</b>	<b>28,647</b>

## 13. Right of use of leases

Right-of-use assets and lease liabilities correspond to the rent of floors and commercial rooms of corporate offices. The balances and effects of the recording in the result for the periods ended June 30, 2021 and December 31, 2020 are as follows:

	At 6/30/2021	12/31/2020
<b>Assets</b>		
Right of use assets - Property and equipment	12,549	12,124
<b>Liabilities</b>		
Lease liability - Other financial liabilities (Note 18)	14,585	14,941
<b>Realization term of the lease liability</b>	<b>At 6/30/2021</b>	<b>12/31/2020</b>
Up to 3 months	2,107	1,578
Between 3 and 12 months	6,319	4,847
More than 1 year	6,159	8,516
<b>Lease liability</b>	<b>14,585</b>	<b>14,941</b>

Changes in the right of use and in the financial liabilities in the periods ended June 30, 2021 and 2020:

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<b>Right of use</b>	<b>At 6/30/2021</b>	<b>6/30/2020</b>
<b>At the beginning of the period</b>	<b>12,124</b>	<b>16,912</b>
Update of the right of use (1)	1,523	-
Addition for the acquisition of subsidiary (Note 3.a (i))	1,328	-
Contract cancellation	(49)	-
Depreciation of rights of use	(2,377)	(2,394)
<b>At the end of the period</b>	<b>12,549</b>	<b>14,518</b>

<b>Lease liability</b>	<b>At 6/30/2021</b>	<b>6/30/2020</b>
<b>At the beginning of the period</b>	<b>14,941</b>	<b>19,694</b>
Update of the lease liability (1)	1,523	-
Addition for the acquisition of company (Note 3.a (i))	1,311	-
Contract cancellation	(49)	-
Appropriation of interest in the period (2)	702	457
Payments done	(3,843)	(2,239)
<b>At the end of the period</b>	<b>14,585</b>	<b>17,912</b>

(1) In the year ended June 30, 2021, the Bank adjusted its cash flow projection in order to adequate to the new expectations for the rates previously used in the management projection, according to contractual correction rates.

(2) This item is also directly impacted by the negotiations and occasional postponement of rental terms made by the Group due to the COVID-19 pandemic, with no contractual changes.

## 14. Intangible Assets

### 14.a - Business combination and capital gains from acquired companies

In the six-month period ended June 30, 2021, Modal acquired, directly and indirectly, through its subsidiaries (Note 3.a (i)), the control of Eleven Serviços de Consultoria e Análise S.A. ("Eleven Research"), Banking and Trading Desenv de Sistemas Ltda. ("Carteira Global"); Refinaria de Dados – Análise de Dados Ltda. ("Refinaria de Dados") and Proseek Escola de Negócios, Finanças e Consultoria Empresarial Ltda ("Proseek").

Goodwill for expected future profitability (goodwill) is an asset that represents future economic benefits resulting from other assets acquired in a business combination, which are not individually identified and separately recognized and it is amortized according to the IFRS standards.

The identified intangible asset is an identifiable asset when: (a) it can be separated or divided from the company and sold, transferred, licensed, leased or exchanged, individually or together with other assets and liabilities or related contract, regardless of the entity's intention to do so; or (b) it arises from a contract or other legal right, regardless of whether that right is transferable or detachable from the company and other rights and obligations.

The preliminary fair value of identifiable assets acquired and liabilities assumed are as follows:

	<b>Eleven Research</b>	<b>Carteira Global</b>	<b>Other acquisition s</b>	<b>Total</b>
<b>Assets</b>				
Cash <sup>1</sup>	880	8	932	1,820

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Trade receivables	3,444	-	1,271	4,715
Other assets	1,553	-	2,168	3,721
Intangible assets/Property and equipment and right of use	1,815	-	305	2,120
<b>Total</b>	<b>7,692</b>	<b>8</b>	<b>4,676</b>	<b>12,376</b>

**Liabilities**

Borrowings payable	(8,728)	-	-	(8,728)
Other liabilities	(17,360)	(107)	(5,186)	(22,653)
Lease liabilities	(825)	-	-	(825)
<b>Total</b>	<b>(26,913)</b>	<b>(107)</b>	<b>(5,186)</b>	<b>(32,206)</b>

**Total identifiable net assets at fair value**

**(19,221) (99) (510) (19,830)**

	<b>Eleven Research</b>	<b>Carteira Global</b>	<b>Other acquisitions</b>	<b>Total</b>
Acquisition price <sup>1</sup>	38,589	17,000	11,712	67,301
Shareholders' equity of the acquired companies	(19,221)	(99)	(510)	(19,830)
<b>Surplus purchase price</b>	<b>57,810</b>	<b>17,099</b>	<b>12,222</b>	<b>87,131</b>
Software	-	700	846	1,546
Brand	1,759	-	562	2,321
Non-contractual relationship with customers	748	-	2,144	2,892
<b>Intangible assets identified and evaluated</b>	<b>2,507</b>	<b>700</b>	<b>3,552</b>	<b>6,759</b>
<b>Unallocated portion – goodwill</b>	<b>55,303</b>	<b>16,399</b>	<b>8,670</b>	<b>80,372</b>
Amortization terms				
Software	-	-	Up to 5 years	-
Brand	Up to 8 years	-	Up to 8 years	-
Non-contractual relationship with customers	Up to 5 years	Up to 5 years	Up to 5 years	-

1 – The acquisition carried out in the period were settled in cash, with no contingent payments. The absorber cash in the acquisition of investees differs from the cash used for the purpose of preparing PPAs that were carried out in a preliminary manner on a base date prior to the closing of transactions, the effects generated by this mismatch are not relevant to these financial statements.

The Bank has not yet completed the valuation of all identifiable assets acquired and liabilities assumed in the business combination presented above and, therefore, some of these amounts are preliminary. These amounts can be adjusted when assessments are completed.

Preliminary goodwill recognized includes the amount of expected synergies arising from the acquisition, which is not separately recognized. None of the preliminary goodwill recognized is expected to be deductible for income tax purposes.

In addition, the Bank incurred direct costs for business combinations that were accounted for as expenses as incurred. The operating results of the businesses acquired in periods prior to the acquisitions, individually and

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jointly, were not relevant to the Company's consolidated statement of operations and, therefore, the pro-forma information was not presented.

Changes in goodwill and appreciation of assets of companies acquired in the six-month period ended June 30, 2021, are as follows:

	Surplus purchase price	Segregation of the PPA	Amortization of PPA (1)	At 6/30/2021
<b>Goodwill</b>	<b>87,131</b>	<b>(6,759)</b>	-	<b>80,372</b>
Eleven Research	57,810	(2,507)	-	55,303
Carteira Global	17,099	(700)	-	16,399
Other acquisitions	12,222	(3,552)	-	6,830
<b>Capital gains from acquired companies' assets</b>	-	<b>6,759</b>	<b>(174)</b>	<b>6,585</b>
<b>Goodwill and capital gains from acquired companies</b>	<b>87,131</b>	-	<b>(174)</b>	<b>86,957</b>

- (1) The amortization of allocable assets is recorded in the result for the six-month period under "General and administrative expenses – Depreciation and amortization".

#### 14.B - Other intangible assets

Other intangible assets correspond to expenses with the acquisition and development of software and are amortized using the straight-line method at an annual rate of 20%, as follows:

	At 12/31/2020	Purchases	Write-offs	Transfers	Amortization	At 6/30/2021
<b>Other intangible assets</b>						
Software	25,304	1,974	(195)	-	(924)	26,159
Concluded projects	42,956	-	-	17,711	(6,161)	54,506
Intangible assets in course <sup>(1)</sup>	13,159	44,441	-	(17,711)	-	39,889
<b>Total</b>	<b>81,419</b>	<b>46,415</b>	<b>(195)</b>	-	<b>(7,085)</b>	<b>120,554</b>

	At 12/31/2019	Purchases	Write-offs	Transfers	Amortization	At 6/30/2020
<b>Other intangible assets</b>						
Software	9,639	1,023	(13)	(23)	(1,175)	9,451
Concluded projects	19,348	-	(28)	15,124	(2,741)	31,703
Intangible assets in course <sup>(1)</sup>	18,175	18,992	(48)	(15,101)	-	22,018
<b>Total</b>	<b>47,162</b>	<b>20,015</b>	<b>(89)</b>	-	<b>(3,916)</b>	<b>63,172</b>

- (1) Referring to projects that are under development within the scope of structuring digital bank products and services. The amortization occurs according to the business plan prepared by Management, after the conclusion of the development stage, homologation and tests. The development is of a unified platform of a digital bank, with several functionalities, controlled in subprojects that come into operation at different times.

#### 15. Other Assets

	At 6/30/2021	12/31/2020
<b>Other Financial Assets</b>	<b>423,893</b>	<b>318,224</b>
Negotiation and intermediation of securities <sup>(1)</sup>	303,363	225,899
Sundry debtors in Brazil and others <sup>(2)</sup>	69,566	48,051
Restrict investments <sup>(3)</sup>	32,059	33,367
Revenue receivable	153	-
Receivables from the funds rates <sup>(4)</sup>	6,439	3,817

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Debtors by guarantee deposits	3,831	3,094
Other receivables	6,857	372
Amounts receivable from related parties	1,625	3,624
<b>Other Assets</b>	<b>112,164</b>	<b>17,225</b>
Prepaid expenses <sup>(5)</sup>	111,921	16,982
Other investments	243	243
<b>Total</b>	<b>536,057</b>	<b>335,449</b>

- (1) These are represented by securities pending settlement within the regulatory deadlines, related to operations of purchase and sale of securities and financial assets agreements carried out in B3 for its own or for third-parties.
- (2) It refers to commissions arising from the provision of services, such as structuring and distributing debentures, financial advisory and distribution of fund quotas.
- (3) It refers, substantially, to the amount deposited in an escrow account in the name of the Bank, by shareholders of a fund managed by this institution as guarantees on redemptions made by these shareholders in the amount of R\$ 32,059 (R\$ 33,367 on 12/31/2020). This account will be operated according to the fulfillment of certain obligations provided for in the contract within five years. This same amount is recorded as a restricted deposit in the Liabilities Obligations group;
- (4) Comprised of fees receivable from the modalmais funds.

**(5) Prepaid Expenses**

	<b>At 6/30/2021</b>	<b>12/31/2020</b>
Expenses with offices of independent investment agents <sup>(1)</sup>	89,200	-
Prepaid services	12,922	5,097
Expenses with cards sent to the customers	4,835	4,594
Marketing expenses	2,000	2,000
Other prepaid expenses	2,963	5,291
<b>Total</b>	<b>111,921</b>	<b>16,982</b>

- (1) Composed of long-term investment programs implemented by the Bank through its network of autonomous investment agents. These commissions and premiums paid are recognized on the execution date of each contract and are amortized in the Bank's result, on a straight-line basis, over the investment term. As of June 30, 2021, the amortization period is up to 120 months.

**16. Financial liabilities at amortized cost - Funds obtained in the open market**

<b>Breakdown</b>	<b>At 6/30/2021</b>	<b>12/31/2020</b>
Own portfolio <sup>(1)</sup>	400,696	301,688
Third-parties' portfolio <sup>(1)</sup>	856,296	1,070,953
Free portfolio movement <sup>(1)</sup>	43,682	39,362
Housing Credit Bills - LCI	823	-
<b>Total</b>	<b>1,301,497</b>	<b>1,412,003</b>

- (1) These operations were practiced at an average rate of 4.1% p.a., on June 30, 2021. (12/31/2020 - 1.9% p.a.).

**17. Financial Liabilities at amortized cost - Deposits**

<b>Breakdown</b>	<b>At 6/30/2021</b>	<b>12/31/2020</b>
Demand deposits	154,175	801,907
Term deposits	2,730,709	1,290,153
<b>Total</b>	<b>2,884,884</b>	<b>2,092,060</b>

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**18. Other liabilities**

	At 6/30/2021	12/31/2020
<b>Other Financial Liabilities</b>	<b>332,018</b>	<b>224,723</b>
Negotiation and intermediation of securities <sup>(1)</sup>	221,115	144,070
Restrict deposits <sup>(2)</sup>	32,059	33,367
Lease liability	14,585	14,941
Social and statutory <sup>(3)</sup>	24,246	17,646
Payment orders and third-party funds in transit <sup>(4)</sup>	38,002	11,894
Earnings to appropriate	1,222	2,332
Amounts to pay to the Credit Guarantee Fund (FGC)	779	473
Commissions of guarantees to appropriate	10	-
<b>Other Liabilities</b>	<b>63,508</b>	<b>36,437</b>
Personnel expenses payable	21,209	10,571
Provision for debtor customers	5,260	5,489
Amounts payable - variable remuneration plan	18,217	5,381
Administrative expenses payable	2,722	3,600
Amounts payable to related parties	423	2,410
Other payables	9,591	1,280
Legal advice service <sup>(5)</sup>	6,086	7,706

- (1) Obligations arising from relations with the market (system and customers) regarding the trading of securities (securities, shares, assets and financial assets) on their own account and on behalf of third parties;
- (2) It refers, substantially, to the amount deposited in an escrow account in the name of the Bank, by shareholders of a fund managed by this institution as guarantees on redemptions made by these shareholders in the amount of R\$ 32,059 (R\$ 33,367 on 12/31/2020). This account will be operated according to the fulfillment of certain obligations provided for in the contract within five years. This same amount is recorded as restricted investments in the Sundry Liabilities group in liabilities and Restricted Investments in assets;
- (3) This refers to interest on capital payable, net of IRRF, in the amount of R\$13,031 (12/31/2020 - R\$0) and provision for profit sharing payable in the amount of R\$11,215 (12/31/2020 - profit sharing payable in the amount of R\$17,645).
- (4) These refer to amount to transfer to the issuer arising from credit cards operations.
- (5) As of December 31, 2020, the amount substantially corresponded to the provision for payment of successful attorneys' fees in the amount of R\$7,500. As of June 30, 2021, this includes the amount of R\$5,880 referring to attorneys' fees contracted within the scope of the Public Offering of Shares (Note 34.d).

**19. Shareholders' Equity**

**a) Share capital breakdown**

Share capital, totally subscribed and paid-in, is represented by:

Year	Total shares	Common	Preferred	Share capital
At 6/30/2021	704,200,000	412,566,001	291,633,999	1,074,966
At 12/31/2020	65,200	32,600	32,600	291,908

On June 30, 2021, the Bank had no shares for issuance in order to pay the options and shares sale contracts.

On April 30, 2021, the Bank concluded the issue of Units which started to be traded at Level 2 of B3 on under the code "MODL11" with the launch price of R\$ 20.01 per Unit (R\$ 6.67 per preferred share issued), totaling the primary offer at R\$ 783,058,000.00 (R\$ 749,662,735.71 net of costs linked to the offer), upon the issue of 117,400,000 nominative preferred shares with no par value. The issuance of the Preferred Shares object of the Primary Offering and Bank's capital increase were approved by the Central Bank of Brazil on May 10, 2021 (Note 34.d).

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At the Extraordinary General Meeting on February 22, 2021, the split of common and preferred shares was approved in the proportion of 9,000 (nine thousand) new common and preferred shares for each 1 (one) previously existing common and preferred share. On the same date, it was approved the voluntary conversion of 119,166,001 (one hundred and nineteen million, one hundred and sixty-six thousand and one) preferred nominative shares with no par value into common, nominative shares with no par value.

Event	Number of shares in units				
	ON	PN	Total	Treasury shares(1)	Outstanding shares
<b>At 12/31/2020</b>	<b>32,600</b>	<b>32,600</b>	<b>65,200</b>	<b>(1,072)</b>	<b>64,128</b>
Disposal of treasury shares	-	-	-	1,072	1,072
Split	293,367,400	293,367,400	586,734,800	-	586,734,800
Conversion from PNs into ONs	119,166,001	(119,166,001)	-	-	-
Capital increase upon issue of shares (IPO)	-	117,400,000	117,400,000	-	117,400,000
<b>At 6/30/2021</b>	<b>412,566,001</b>	<b>291,633,999</b>	<b>704,200,000</b>	<b>-</b>	<b>704,200,000</b>

(1) Solely comprised by preferred shares.

In the EGM of February 22, 2021, the authorized capital of the Company was instituted, in order to allow the increase of its capital without statutory reform, until the capital reaches the limit of 948,825,000 (nine hundred and forty-eight million, eight hundred and twenty-five thousand) shares, through the issuance of new shares with no par value.

In the year ended December 31, 2020, the Bank concluded the partial spin-off for the creation of MAF ("Nova MAF") which gave rise to the capital decrease of the Bank in R\$70,691, without decrease in the number of common and preferred shares (Note 34 (f)).

In the Extraordinary General Meeting (AGE) of November 30, 2020, it was approved the voluntary conversion of nominative preferred shares, with no par value, into nominative common shares, with no par value. At the same meeting, the capital increase was approved by issuing 3,200 nominative preferred shares, with no par value, at the unit issue price of R\$ 80,625 (eighty thousand, six hundred and twenty-five reais), being allocated to the composition of the company's capital in the amount of R \$ 16,931 and the composition of the company's capital reserve in the amount of R \$ 241,069.

## **b) Share rights**

The shareholders of the Bank are assured a annual minimum dividend of 25% profit for the year, computed as mandatory minimum dividend, adjusted in accordance with corporation law.

Preferred shares, with no voting right, have priority in the reimbursement of capital, without the payment of a premium in the event of settlement of the Bank; the right to participate in the profits on equal terms with the common shares and the right to be included in the public offering for sale of control is established in the Bank's Bylaws on equal terms with the common shares.

According to Law 9,249/95, Article 9, paragraph 7, the amount paid or credited to the shareholders, as interest on capital, can be considered in the calculation of the minimum compulsory dividends.

At the Board of Directors' Meeting held on June 28, 2021, the distribution of Interest on Capital in the total gross amount of R\$14,999 (R\$13,031 net of Withholding Income Tax - -IRRF) was approved, equivalent to R\$0.021300 gross per common and preferred share (R\$0.063900 gross per Unit) (equivalent to R\$0.018105 net per common and preferred share (R\$0.054315 net per Unit) entitled to Interest on Capital to shareholders included in the Company's shareholding basis on July 1, 2021.



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In the Ordinary General Meeting held on March 29, 2021, the Bank's shareholders resolved the proposal for the allocation of results, where it decided to distribute dividends in the amount of R\$ 4,000, equivalent to 25.67% of the Net Income calculated based on the Financial Statements in accordance with the accounting practices applicable to institutions authorized to operate by Bacen for the year ended December 31, 2020, less the legal reserve, with settlement on March 31, 2021.

**c) Reserves**

- Legal reserve: The legal reserve is constituted at the rate of 5% of the net income determined in each fiscal year under the terms of Article 193 of Law 6,404/76, up to the limit of 20% of the share capital. The legal reserve may cease to be constituted when the amount of the capital reserves exceeds 30% of the Share Capital. The legal reserve can only be used to increase capital or to offset losses.

- Statutory reserve: This reserve is constituted with the remaining balance of adjusted net income, less the distribution of dividends, for the purpose of future incorporation into capital, distribution to shareholders or absorption of accumulated losses; the balance of this reserve, together with the other profit reserves, cannot exceed the share capital, under penalty of capitalization or distribution of the excess.

- Dividends special reserve: Recognized under the terms of paragraph 5 of Article 202 of Law 6,404/76, based on profits not distributed as dividends, which may be absorbed by losses in subsequent years or paid as dividends according to the Bank's financial availability.

- Capital reserve: Constituted under the terms of paragraph 1 of Article 182 of Law No. 6,404/76 and may be used to: absorb losses that exceed retained earnings and profit reserves; redemption, refund or purchase of shares; redemption of beneficiary parties; incorporation into the share capital; payment of dividends to preferred shares, when this advantage is assured, in accordance with Article 200 of Law 6,404/76.

The transaction costs comprise expenses incurred by Banco Modal in connection with the IPO (Note 34.d)

**d) Other comprehensive income**

These are unrealized gains and losses, arising from the adjustment to fair value of securities classified as "financial assets at fair value through other comprehensive income". These gains and losses are transferred to the corresponding statement of operations accounts on the date on which they are effectively realized.

	At 6/30/2021			12/31/2020		
	Adjustment at fair value	Tax effect	Net amount	Adjustment at fair value	Tax effect	Net amount
Government bonds	1,061	(478)	583	610	(275)	335
<b>At December 31</b>	<b>1,061</b>	<b>(478)</b>	<b>583</b>	<b>610</b>	<b>(275)</b>	<b>335</b>

**e) Earnings per share**

**(i) Earnings per share - basic and diluted**

Basic earnings per share are calculated by dividing the profit or loss attributable to holders of common and preferred shares by the weighted average of common and preferred shares held by shareholders at the balance sheet date. Diluted earnings per share are determined by adjusting basic earnings or losses per share for investments with potential for dilution. Management concluded there are no instruments with dilution potential.

Description	4/1 to 6/30/2021	1/1 to 6/30/2021	4/1 to 6/30/2020	1/1 to 6/30/2020
Number of shares	704,200,000	704,200,000	558,000,000	558,000,000



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Number of outstanding shares	704,200,000	704,200,000	541,656,000	541,656,000
Weighted average number of outstanding shares - 6/30/2021	615,976,155	615,976,155	-	-
Weighted average number of outstanding shares - 6/30/2020	-	-	488,379,962	488,379,962
Profit attributable to the continued activities (R\$ thousand)	38,340	62,283	23,631	21,583
Basic earnings per common share (R\$)	0.06188	0.10053	0.03140	0.04990
Basic earnings per preferred share (R\$)	0.06275	0.10195	0.05479	0.03906

Share-based payment plans (Phantom Stock Option) are settled in cash and do not change the composition of basic and diluted earnings.

**f) Treasury shares**

On June 30, 2021, there were no treasury shares (12/31/2020 - 1,072 treasury preferred shares in the amount of R\$ 6,349 representing 2.18% of share capital).

At the Board of Directors' Meeting held on June 28, 2021, the opening of the Bank's Units Repurchase Program ("Repurchase Program") was approved. The purpose of the Repurchase Program is to acquire Units issued by the Bank (representative of 1 (one) common share and 2 (two) preferred shares issued by the Bank), respecting the legal limits and based on available resources, for permanence in treasury, subsequent cancellation or even eventual replacement of the Units in the market. The Bank may acquire up to 10,400,498 (ten million, four hundred thousand, four hundred and ninety-eight) Units, corresponding to up to 10.0% of the Outstanding Shares and up to 4.43% of the total shares issued by the Bank.

On February 2021, the Bank sold 1,072 treasury preferred shares for the amount of R\$ 6,303, giving rise to a negative result of R\$ 46, which was accounted for as revenue reserves.

**20. Assets, Tax Liabilities and Taxes on the Result**

**a) Income taxes recognized in the period**

	<b>4/1 to 6/30/2021</b>	<b>1/1 to 6/30/2021</b>	<b>4/1 to 6/30/2020</b>	<b>1/1 to 6/30/2020</b>
<b>Income Taxes - Current</b>	<b>1,184</b>	<b>(3,519)</b>	<b>(1,772)</b>	<b>(4,889)</b>
Expense of current year	266	(6,849)	(4,694)	(8,668)
Discontinued Operations	918	3,330	2,922	3,779
<b>Income Taxes - Deferred</b>	<b>(12,095)</b>	<b>(20,677)</b>	<b>(8,429)</b>	<b>(4,727)</b>
Adjustment at fair value of financial instruments	(30,679)	(32,832)	(4,056)	(3,089)
Non-deductible provisions	10,976	6,942	(356)	968
Tax Loss	9,463	7,161	(3,977)	(2,686)
Presumed basis	(1,611)	(1,704)	(40)	80
Discontinued Operations	(244)	(244)		
<b>Current and deferred income tax</b>	<b>(10,911)</b>	<b>(24,196)</b>	<b>(10,201)</b>	<b>(9,616)</b>
Taxes paid in the period	(5,395)	(5,395)	-	-

**b) Current income tax and social contribution**

<b>Current tax assets</b>	<b>At 6/30/2021</b>	<b>12/31/2020</b>
Taxes to offset:		
COFINS	20,069	19,988
Income tax and social contribution	7,867	3,691
Taxes withheld at source	2,948	1,354
Others	6,024	11,893
<b>Total</b>	<b>36,908</b>	<b>36,926</b>

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<b>Current tax liabilities</b>	<b>At 6/30/2021</b>	<b>12/31/2020</b>
Provision for Taxes and Contributions on Income	5,742	13,235
<b>Taxes and Contributions payable:</b>	<b>16,284</b>	<b>10,385</b>
of third-parties	616	417
on salaries	6,398	4,297
withheld at source of customers	1,955	2,839
Others	7,315	2,832
<b>Total</b>	<b>22,026</b>	<b>23,620</b>

**c) Deferred income tax and social contribution**

<b>Deferred tax assets</b>	<b>At 6/30/2021</b>	<b>12/31/2020</b>
On allowance for losses	18,795	18,006
On income tax and social contribution losses	73,596	43,054
On presumed basis	-	236
On market adjustment to offset	581	4,428
Temporary non-deductible provisions	17,699	9,511
<b>Total</b>	<b>110,671</b>	<b>75,235</b>
<b>Deferred tax liabilities</b>	<b>At 6/30/2021</b>	<b>12/31/2020</b>
On adjustment to market value of securities and derivatives	31,499	-
On presumed basis	11,857	-
On adjustment of the future curve	-	617
<b>Total</b>	<b>43,356</b>	<b>617</b>

**d) Reconciliation of tax rates**

The total charges for the period conciliated with the accounting profit is as follows:

	<b>4/1 to 6/30/2021</b>	<b>1/1 to 6/30/2021</b>	<b>4/1 to 6/30/2020</b>	<b>1/1 to 6/30/2020</b>
Result before Taxation	49,251	86,479	28,625	31,199
<b>Rate (25% of income tax and 20% of social contribution)</b>	<b>(22,163)</b>	<b>(38,916)</b>	<b>(12,881)</b>	<b>(14,040)</b>
Deduction of income tax and social contribution losses	(1,411)	1,023	2,687	2,687
<b>Non-taxable/non-deductible adjustments</b>				
Profit sharing	2,295	4,334	(22)	6
Equity in the results of investees	13,648	14,008	7,304	8,840
Provision for credit risk	(835)	(1,382)	(486)	(675)
Share-based payment program	(1,728)	(1,826)	(580)	(580)
Results with incentivized debentures	673	1,310	300	604
Other permanent additions (exclusions)	131	211	(620)	(1,075)
Other temporary additions (exclusions)	29,783	36,416	(3,739)	(3,564)
<b>Temporary differences</b>				
Adjustment to market value of securities and derivatives	(26,815)	(31,900)	(2,015)	(3,547)
Other temporary differences	(10,451)	(16,122)	(3,588)	(6,089)
Other adjustments (1)	5,962	8,648	3,439	7,817
<b>Income taxes</b>	<b>(10,911)</b>	<b>(24,196)</b>	<b>(10,201)</b>	<b>(9,616)</b>
Current	1,184	(3,519)	(1,772)	(4,889)
Deferred	(12,095)	(20,677)	(8,429)	(4,727)

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- (1) On June 30, 2021, it includes the amount of R\$ 2,452 regarding the 5% increase of the CSLL rate. On March 1, 2021, it was published the Provisional Measure No. 1,034/21 ("MP") that increases the Social Contribution on Net Income rate of the financial institutions from 15% to 20% up to December 31, 2021. This Measure, which became Law No. 14,183/21, became effective on July 1, 2021.

## **21. Provisions and contingent liabilities**

Contingent liabilities arising from litigations or notifications from supervisory entities are evaluated by management with the support of the Bank's legal advisors, considering the concepts defined in IAS 37/CPC 25 and recognized in the consolidated and condensed interim financial statements, when the risk of loss is considered probable in a lawsuit or administrative proceeding, giving rise to a probable outflow of funds for the settlement of obligations and when the amounts involved are measurable with sufficient security. For the lawsuits whose evaluation of loss is considered possible, no accounting provision is recognized, however, disclosed in note to the financial statements. When loss is considered remote, no provision is recognized or disclosed in note.

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

Based on information from its legal counsel and an analysis of the pending legal proceedings, management recorded a provision in an amount considered sufficient to cover the estimated losses expected in connection with ongoing litigation.

In accordance with IAS 37/CPC 25, the bank constitutes a provision for labor, tax and civil claims with a probable loss risk, quantified using individualized or mass methodology, according to the nature and/or value of the suit.

### **a) Contingent assets**

Contingent assets are recognized in the consolidated and condensed interim financial statements only when there is certainty of collection or that unappealable favorable court decisions have been obtained. No contingent assets were recognized in the consolidated and condensed interim financial statements, related to the periods ended June 30, 2021 and December 31, 2020.

### **b) Labor claims**

The contingencies are related to suits in which alleged labor rights are discussed, related to specific labor legislation in the professional category, such as overtime, salary equalization, reinstatement, transfer allowance and others.

On June 30, 2021, the Bank had provision for labor contingencies in the amount of R\$ 1,243 (12/31/2020 – R\$ 1,202), considered enough to cover the potential amount for loss in these suits, according to the analysis of legal advisors hired for the mentioned suits.

### **c) Tax lawsuits**

Modal is subject, in inspections carried out by the tax authorities, to questions regarding taxes, which may eventually generate assessments, such as: composition of the income tax and social contribution calculation base (deductibility); and discussion about the incidence of taxes, when certain economic facts occur.

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Modal and its subsidiaries are a party to lawsuits and administrative proceedings arising from the normal course of operations, involving tax matters among others. Modal and its subsidiaries are a party to lawsuits and administrative proceedings arising from the normal course of operations, involving tax matters among others.

**d) Civil lawsuits**

They basically refer to lawsuits for damages, the nature of which are: challenge of the total effective cost of the agreements entered into; review of contractual conditions and charges; and tariffs.

The provision for individual civil cases, suits with peculiar characteristics, is carried out periodically, based on the determination of the risk value and the likelihood of loss. The provision for mass civil suits is carried out periodically using the average loss recorded over time and applied to the base of active suits as a parameter. The amounts considered as probable loss are object of accounting provision. On June 30, 2021, the provision constituted for claims of this nature was of R\$ 567 (12/31/2020 - R\$ 38).

**e) Provisions by nature**

	<b>At 6/30/2021</b>	<b>12/31/2020</b>
Labor claims	1,243	1,202
Tax lawsuits	220	220
Civil lawsuits	567	38
<b>Total</b>	<b>2,030</b>	<b>1,460</b>
Guarantee Deposits	2,706	2,097

**f) Changes in the provisions for contingencies**

	<b>Labor</b>	<b>Tax</b>	<b>Civil</b>
<b>At 12/31/2020</b>	<b>1,202</b>	<b>220</b>	<b>38</b>
Constitution/ (Reversal)	256	-	529
Payments	(215)	-	-
<b>At 6/30/2021</b>	<b>1,243</b>	<b>220</b>	<b>567</b>
<b>At 12/31/2019</b>	<b>1,771</b>	<b>220</b>	<b>83</b>
Constitution/ (Reversal)	489	-	(28)
Payments	(654)	-	(24)
<b>At 6/30/2020</b>	<b>1,606</b>	<b>220</b>	<b>31</b>

**g) Contingent liabilities classified as possible loss**

For the lawsuits whose evaluation of loss is considered possible, no accounting provision is recognized, however, they are as follows:

**(i) Labor**

On June 30, 2021, Modal is part to 10 (12/31/2020 - 7) labor suits classified as possible in the amount of R\$ 2,230 (12/31/2020 - R\$1,368).

**(ii) Tax**

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- Profit sharing: In March 2016, the Secretariat of the Federal Revenue of Brazil ("SRF") filed a Tax Assessment Notice to demand, with the addition of an official fine and interest on late payment, social security contributions (GIRAT) and contributions destined to third parties (INCRA and FNDE) , allegedly levied on payments made by Modal to its employees as profit sharing ("PLR"), in January 2012 and July 2012, referring to the second half of 2011 and the first of 2012, respectively. On April 14, 2016, Modal filed a challenge to the Tax Assessment Notice, which was dismissed on December 27, 2017 and it is currently in the CARF (Administrative Council for Tax Appeals), awaiting judgment on the Voluntary Appeal. The updated amount of the suit, classified as possible loss, is of R\$ 6,061 (12/31/2020 - R\$ 6,018).

- COAF - Financial Activities Control Council; The Central Bank of Brazil ("BCB") has filed an administrative proceeding in order to ascertain any lack of Modal regarding the duty to report on transactions carried out by one of its customers. The administrative proceeding ended with the BCB imposing a fine of R\$ 200 to Modal and R\$ 20 to its officer, a decision from which we appealed to the Minister of Finance. On this occasion, the Financial Activities Control Council ("COAF") was called upon to express its opinion, increasing the fine imposed on Modal to R\$ 15,800 and to its officer to R\$ 100, in addition to suggesting its disqualification for a period of 5 years. In violation of the principle of prohibition of *reformatio in pejus*, the Minister of Finance accepted the COAF's opinion, increasing the sanctions. Against this decision, Modal filed an action for annulment that is currently in the Superior Court of Justice awaiting judgment. Modal's theses ins grounded on the following allegations: (i) prohibition of *reformatio in pejus*, (ii) absence of illegality in the BCB's administrative decision that justified the increase of fines by the higher hierarchical authority; and (iii) lack of reasonableness and proportionality in the increase applied.

The updated amount of the case amounts to R\$ 40,433 as of June 30, 2021 (12/31/2020, R\$ 40,198), including monetary restatement, fine and defeated party's fees. In the context of tax enforcement, as a guarantee of execution, Modal indicated 4,778 LFTs totaling R\$ 51,953 on June 30, 2021 (12/31/2020, R\$ 50,615). At the current stage, our legal advisors classify the risk as possible loss.

In the year ended December 31, 2020, the BCB requested the constitution of provision in the amount of R\$ 15,863, against the prognosis of the legal advisors. Management performed the accounting in its local books recognizing the regulator's discretion. In order to adapt these consolidated and condensed interim financial statements to the accounting practices in force determined by CPC 25/ IAS 37 that determine the recognition of the provision only for suits classified as probable, these consolidated and condensed interim financial statements were adjusted and do not reflect the constitution of this provision.

Besides the two suits mentioned in the previous paragraphs, on June 30, 2021, Modal is part to a tax suit classified as possible in the amount of R\$ 101 (12/31/2020 R\$-).

**(iii) Civil**

On June 30, 2021, Modal is part to 8 (12/31/2020 - 20) civil suits classified as possible in the amount of R\$ 115 (12/31/2020 - R\$983).

**(vi) Value of the possible suits**

	At 6/30/2021	12/31/2020
Labor claims	2,230	1,368
Tax lawsuits	46,595	46,216
Civil lawsuits	131	850
<b>Total</b>	<b>48,956</b>	<b>48,434</b>

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**22. Income (expenses) with interest and similar**

	4/1 to 6/30/2021	1/1 to 6/30/2021	4/1 to 6/30/2020	1/1 to 6/30/2020
<b>Income from interest and similar earnings</b>	<b>43,013</b>	<b>77,894</b>	<b>23,573</b>	<b>54,354</b>
Credit Operations	5,980	8,272	1,511	2,783
Revenue from committed operations	15,392	22,475	5,828	15,957
Earnings from government securities	10,664	29,590	8,409	22,311
Earnings from private securities	10,977	17,557	7,825	13,291
Others	-	-	-	12
<b>Expenses with interest and similar</b>	<b>(25,183)</b>	<b>(39,550)</b>	<b>(16,377)</b>	<b>(39,245)</b>
Term deposits	(12,500)	(18,938)	(7,334)	(16,632)
Expenses with committed operations	(10,939)	(17,667)	(8,308)	(20,757)
Contributions to FGC	(1,094)	(1,932)	(506)	(945)
Update of the lease liability	(339)	(702)	(224)	(457)
Obligations due to borrowings	(311)	(311)	-	-
Others	-	-	(5)	(454)
<b>Income (expenses) with interest and similar</b>	<b>17,830</b>	<b>38,344</b>	<b>7,196</b>	<b>15,109</b>

**23. Result of financial assets and liabilities at fair value through profit or loss**

	4/1 to 6/30/2021	1/1 to 6/30/2021	4/1 to 6/30/2020	1/1 to 6/30/2020
<b>Adjustment of fair value and disposal of marketable securities</b>	<b>32,883</b>	<b>23,103</b>	<b>1,256</b>	<b>(1,791)</b>
Government bonds	1,644	(8,424)	(309)	(734)
Private securities	4,245	4,430	1,422	(432)
Investment funds	321	424	143	374
Shares	26,673	26,673	-	(999)
<b>Result of derivative financial instruments</b>	<b>92,033</b>	<b>101,719</b>	<b>19,499</b>	<b>3,832</b>
Swap contracts	(12,234)	(13,695)	(426)	339,413
Forward market	(112,809)	(110,129)	(1,417)	116,279
Future market	216,964	223,398	21,329	(451,871)
Options	111	2,137	-	30
COE	1	8	13	(19)
<b>Result of financial assets and liabilities at fair value through profit or loss</b>	<b>124,916</b>	<b>124,822</b>	<b>20,755</b>	<b>2,041</b>

**24. Service revenue**

	4/1 to 6/30/2021	1/1 to 6/30/2021	4/1 to 6/30/2020	1/1 to 6/30/2020
Revenue from bank rates and stock brokerage rates	36,626	73,621	35,914	66,689
Commissions for consultancy and structured operations <sup>(1)</sup>	39,748	61,921	9,495	17,638
Other service revenues <sup>(2)</sup>	9,002	10,055	1,226	1,346
Revenue from guarantees given (pledges)	1,568	2,108	899	1,907
Revenue from payment services	516	737	35	52
<b>Total</b>	<b>87,460</b>	<b>148,442</b>	<b>47,569</b>	<b>87,632</b>

(1) The revenue from consultancy and structured operations comprises fees received for the consultancy in structured operations and distribution of capital market, of structured operations and of mergers and acquisitions.

(2) Substantially comprised by management fees of funds and custody services.



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**25. Foreign exchange result and foreign exchange variations of transactions abroad**

	<b>4/1 to 6/30/2021</b>	<b>1/1 to 6/30/2021</b>	<b>4/1 to 6/30/2020</b>	<b>1/1 to 6/30/2020</b>
Variations and differences of taxes	5,614	3,339	(5,176)	(121)
Foreign exchange variation of available funds	(68,574)	(34,846)	20,199	48,648
Other exchange variations	87	2,580	(2,493)	(2,251)
<b>Total</b>	<b>(62,873)</b>	<b>(28,927)</b>	<b>12,530</b>	<b>46,276</b>

**26. Other operating income (expenses)**

	<b>4/1 to 6/30/2021</b>	<b>1/1 to 6/30/2021</b>	<b>4/1 to 6/30/2020</b>	<b>1/1 to 6/30/2020</b>
<b>Other operating income</b>	<b>4,838</b>	<b>9,430</b>	<b>2,717</b>	<b>5,890</b>
Interest on credit granting	52	85	58	137
Monetary update on the tax credits	88	131	65	143
Investments abroad	40	53	8	102
Incentive income stock exchange <sup>(1)</sup>	3,079	7,324	1,329	3,034
Other income	1,579	1,837	1,257	2,474
<b>Other operating expenses</b>	<b>(16,391)</b>	<b>(18,798)</b>	<b>(4,704)</b>	<b>(7,935)</b>
Operating losses	(298)	(737)	(312)	(727)
Amortizations Platform Modal	-	-	412	-
Variable remuneration program – <i>Phantom Stock Option</i>	(13,217)	(13,358)	(1,393)	(1,365)
Other expenses	(2,876)	(4,703)	(3,411)	(5,843)
<b>Other operating income (expenses)</b>	<b>(11,553)</b>	<b>(9,368)</b>	<b>(1,987)</b>	<b>(2,045)</b>

(1) Revenue resulting from the incentive received by brokers by B3 for the volume of operation of clients.

**27. Personnel expenses**

	<b>4/1 to 6/30/2021</b>	<b>1/1 to 6/30/2021</b>	<b>4/1 to 6/30/2020</b>	<b>1/1 to 6/30/2020</b>
Salaries and grant aid	21,122	38,363	12,343	24,434
Provision for employees' profit sharing	7,268	11,800	(28)	34
Benefits	4,152	8,926	2,902	5,823
Social charges	7,215	11,144	3,237	6,741
Training	425	487	23	53
<b>Total</b>	<b>40,182</b>	<b>70,720</b>	<b>18,477</b>	<b>37,085</b>

**28. Tax**

	<b>4/1 to 6/30/2021</b>	<b>1/1 to 6/30/2021</b>	<b>4/1 to 6/30/2020</b>	<b>1/1 to 6/30/2020</b>
Contribution for the social security financing - COFINS	4,765	9,414	3,067	5,592
Service tax - ISS	3,199	5,189	1,449	2,652
Income tax withheld at source - IRRF	676	1,308	568	884
Contribution to the social integration program - PIS	813	1,582	517	944
Tax on financial operations– IOF	384	407	24	1,089
Others	92	181	8	11
<b>Total</b>	<b>9,929</b>	<b>18,081</b>	<b>5,633</b>	<b>11,172</b>

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**29. Other administrative expenses**

	<b>4/1 to 6/30/2021</b>	<b>1/1 to 6/30/2021</b>	<b>4/1 to 6/30/2020</b>	<b>1/1 to 6/30/2020</b>
Data processing <sup>(1)</sup>	20,880	36,522	11,428	23,549
Advertising	11,258	20,324	3,517	8,079
Depreciation and amortization	7,471	13,713	5,661	9,782
Specialized and third-party technical services	6,569	9,892	2,948	6,596
National financial system services	5,511	13,219	6,142	11,991
Communication	1,974	3,851	1,713	2,905
Trips in the country and abroad	66	162	114	428
Promotions and public relations	486	1,004	49	301
Philanthropic contributions	144	279	234	377
Financial system services abroad	676	1,116	380	755
Maintenance and conservation of assets	85	314	87	187
Rentals, IPTU and condominium	798	1,439	370	673
Others <sup>(2)</sup>	1,709	2,698	856	1,883
<b>Total</b>	<b>57,627</b>	<b>104,533</b>	<b>33,399</b>	<b>67,506</b>

(1) Data processing expenses mainly refer to the hiring of platforms, equipment rental, annual renewal of licenses, simulators and online maintenance of live rooms;

(2) On June 30, 2021, is refers to other general expenses of publications, office material, union contributions and fees and emoluments.



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**30. Related-party Transactions**

**a) Related-party transactions**

Transactions between parties related to Modal are carried out at values, terms and average rates usual in the market, in force on the respective dates, under conditions of commutation and in accordance with the legal provisions in force and with IAS 24/CPC 05 (r1) and are presented as follows:

	Relation level	Maturity	Assets (Liabilities)		Income (Expenses)	
			At	6/30/2021	12/31/2020	6/30/2021
<b>Assets</b>						
<b>Other Credits – sundry</b>						
- Novus Capital Gestora de Recursos Ltda.	Associate	At 12/31/2021	-	1,949	-	-
- Modal Asset Management Ltda.	Associate	At 12/31/2021	1,591	1,172	-	-
- Modal Participações Ltda.	Associate	12/31/2021	34	374	-	-
- MRE Desenv. e Neg. Imobiliários Ltda.	Associate	At 12/31/2021	-	39	-	-
- Modal Holding Controle Ltda.	Associate	12/31/2021	-	90	-	-
<b>Credit operations</b>						
- Modal Participações Ltda.	Associate	12/19/2022	-	10,798	-	-
- Key management	-	At 2/14/2024	513	4,613	6	61
<b>Derivative Financial Instruments</b>						
- Key management	-		5,800	-	-	-
<b>(Liabilities)</b>						
<b>Demand deposits</b>						
- Modal Participações Ltda.	Associate	No maturity	(4)	(2)	-	-
- Bastad RJ Participações Ltda.	Associate	No maturity	(129)	(9)	-	-
- Modal Controle Participações S.A.	Associate	No maturity	(6)	-	-	-
- Modal Holding Controle Ltda.	Associate	No maturity	(15)	-	-	-
- MAB Ceilândia Administradora de bens	Associate	No maturity	(8)	-	-	-
FIP Chardonnay	Associate	No maturity	(8)	-	-	-
FIP Novo Hotel Botafogo	Associate	No maturity	(1)	-	-	-
- X3 Real Estate Imobiliária e Part. Ltda.	Associate	No maturity	(6)	(1)	-	-
- DFB Brasil Participações Ltda.	Associate	No maturity	-	(4)	-	-
- DFL Industria e Comercio S/A	Associate	No maturity	-	(1)	-	-
- Icaro AG7 1 SPE Empreend Imob Ltda.	Associate	No maturity	(1,439)	(38)	-	-
- Lund RJ Participações Ltda.	Associate	No maturity	(8)	(19)	-	-
- MD Realty I Participações S.A	Associate	No maturity	(5)	(5)	-	-
- Novo Hotel Participações S.A	Associate	No maturity	(1)	(1)	-	-
- Opal Participações S.A	Associate	No maturity	(2)	(4)	-	-
- Performance Katrina Empreend Imob S.A	Associate	No maturity	(101)	(212)	-	-
- Key management	-	No maturity	(641)	(2,060)	-	-
<b>Term deposits</b>						
- Modal Participações Ltda.	Associate	6/17/2024	(3,477)	(2,015)	(70)	(107)
- Lund RJ Participações Ltda.	Associate	At 6/17/2024	(90)	-	-	-
- X3 Real Estate Imobiliária e Part. Ltda.	Associate	At 6/17/2024	(8,628)	(12,587)	(108)	(120)
- Key management		At 6/17/2024	(6,169)	(2,466)	(42)	(50)
- MD Realty I Participações S.A	Associate	At 6/17/2024	(20,570)	(13,433)	(225)	(80)
- Modal Controle Participações S.A.	Associate	At 6/17/2024	(700)	-	(676)	-
- Modal Holding Controle Ltda.	Associate	At 6/17/2024	(1,811)	-	(69)	-
- Modalmais Treinam. e Desenv. Ltda.	Associate	-	-	-	-	(50)
- Spe Incorporadora condado di Alphaville Ltda.	Associate	-	-	(467)	-	(8)
- Icaro AG7 1 Spe Empreend Imobiliários Ltda.	Associate	-	-	(1,369)	(3)	(6)
FIP Chardonnay	Associate	-	-	-	(4)	-
- Modal Adm. de Recursos Ltda.	Associate	-	-	(849)	(11)	(36)
- Modal Assessoria Financeira Ltda.	Associate	-	-	-	-	(72)
- Modal Asset Management Ltda.	Associate	-	-	(1,801)	(24)	(133)
<b>Housing Credit Bills</b>						
- Key management		At 9/28/2021	-	-	(20)	

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- Key management	No maturity	-	-	-	(6,491)
<b>Other liabilities - sundry</b>					
- Modal Asset Management Ltda.	Associate	12/31/2021	(423)	(2,410)	(5,417)
		At			
- Modal Adm. de Recursos Ltda.	Associate	12/31/2021	-	-	(280)
		At			
- Novus Capital Gestora de Recursos Ltda.	Associate	12/31/2021	-	-	(201)
					(532)

**b) Key management remuneration**

Every two years, at an Annual Shareholders' Meeting, the maximum monthly remuneration for all the Managers is established, in accordance with the provisions of the Bylaws. Remunerations and benefits granted to managers in the periods are as follows:

	<b>4/1 to 6/30/2021</b>	<b>1/1 to 6/30/2021</b>	<b>4/1 to 6/30/2020</b>	<b>1/1 to 6/30/2020</b>
Salaries	3,240	1,797	5,439	3,554
Social charges	721	547	1,268	1,054
<b>Total</b>	<b>3,961</b>	<b>2,344</b>	<b>6,707</b>	<b>4,608</b>

**c) Interest**

As of June 30, 2021, key management jointly holds, directly and indirectly, 73.25% (12/31/2020 - 90.98%) of the common and preferred shares of Modal. Key management received no dividends of Banco Modal in the periods ended June 30, 2021 and June 30, 2020. The equity interests held by key management in Modal's subsidiaries in that period did not result in them receiving dividends (6/30/2020 - R\$ 8,298).

**31. Employee benefits**

Aligned with the best market practices, Modal offers social benefits to its employees, among them: (a) Medical Assistance; (b) Dental Assistance; (c) Life Insurance; (d) Meal Vouchers and (e) Food Vouchers.

- a)** The expenses with benefits in the period ended June 30, 2021 represented R\$ 8,926 (6/30/2020 - R\$ 5,823).

**Variable remuneration program – Phantom Stock Option**

Modal, as from 2017, created a Stock Option Program in the “Phantom Shares” modality. The plan consists of compensation with cash payment, however, there is no effective delivery of shares, since there will be no delivery of shares to settle the plan. Up to the six-month period ended June 30, 2021, five plans were structured. These amounts are recorded as a provision payable, with a corresponding entry in the result for the year, based on the fair value of the Phantom Shares granted and the vesting period. The fair value of this liability is reviewed and updated at each reporting period, according to the variation in the fair value of the benefit granted and the acquisition of the right to exercise.

The options issued require an acquisition period of 5 years and can only be exercised if the beneficiary remains in the company for the entire period (vested in full), with the exception of employees terminated at the initiative of the Bank and without justified reason. The exercise price must be equal to the lower price of equity of Banco Modal S.A. at the exercise date of each option. The estimated volatility was calculated based on the historical volatility of bank shares similar to Modal in size and operations listed on the stock exchanges in Brazil and abroad.

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On June 30, 2021, the fair value estimated by management was of R\$ 18,237 gross (12/31/2020 - R\$ 5,381) and R\$ 10,021, net of taxes (12/31/2020 - R\$ 2,960). The provision will be adjusted in subsequent periods to the extent that the permanence periods provided for in the Option Programs are fulfilled.

The fair values of the programs were estimated based on the Black & Scholes option valuation model, considering the following assumptions:

	Programs <sup>1</sup>				
	2017	2018	2019	2020	2021
Exercise price (Parent company's equity)	1,395,358	1,395,358	1,395,358	1,395,358	1,395,358
Duration up to the exercise (years)	0.75	1.75	2.75	3.75	4.75
Risk-free rate	5.85%	7.14%	7.73%	8.01%	8.22%
Expected Annualized Volatility <sup>(1)</sup>	49.10%	49.10%	49.10%	49.10%	49.10%
(Parent Company) Shareholders' equity at the grant date	363,844	363,844	363,844	363,844	567,278
Granting percentage	0.24%	0.16%	0.80%	0.46%	0.60%
<b>Base value for granting on the maturity</b>	<b>3,317</b>	<b>2,211</b>	<b>1,106</b>	<b>6,413</b>	<b>8,372</b>

(1) Pursuant to paragraph B29 of IFRS2/CPC10, volatility is determined based on the historical volatility of similar entities listed, for which information on share prices is available.

The changes in the payment plan based on phantom shares are as follows:

	2021		2020	
	%	Number of shares	%	Number of shares
<b>January 1</b>	<b>7,40</b>	<b>4,586</b>	<b>4,10</b>	<b>2,542</b>
Splited (proportion 1:9000)	0,00082	41.270.400	-	-
Granted	0,00018	9.482.700	-	-
Canceled	0,00004	2.138.400	0,10	62
Paid	0,00044	21.870.000	0,10	62
<b>June 30</b>	<b>0,00052</b>	<b>26.744.700</b>	<b>3,90</b>	<b>2.418</b>

### 32. Financial, operating and capital risks management

The management of operational risks is carried out using internal policies by multidisciplinary teams, independent of the Bank's business areas, which monitor the various risks inherent to the operations and/or processes, which include market risk, liquidity risk, credit risk and operational risk.

This management structure allows the identification and measurement of possible impacts and solutions to guarantee the continuity, permanence and quality of the business of Modal and its subsidiaries.

In order to guarantee the anticipation of eventual changes caused by scenarios and/or market situations that may result in the realization of the identified risks, Modal and its subsidiaries adopt a proactive and conservative stance in risk management, considering mainly the strategic objectives of Modal and its controlled companies, anticipating possible changes, in addition to mitigating actions focused on their exposures, mapping their deficiencies through a survey of processes, respecting the limits established in their policies and in the relevant legislation. Modal adopts the following definition in the risks management:

#### 32.1. Credit risk

Credit risk refers to the possibility of losses related to the non-compliance, by the borrower or counterparty, of its financial obligations as agreed, as well as the devaluation of the credit agreement resulting from the deterioration in the borrower's risk classification, the reduction of gains or remunerations, benefits granted to renegotiation,

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recovery costs and other amounts related to the non-compliance with the financial obligations of the counterparty with Modal.

The Group has a policy for granting credit whereby procedures for the assessment of clients and counterparties are established. An assessment of each client or counterparty is made prior to realizing operations and includes objective analyses of financial data, comparative ratios, cash flow, working capital, interest rate coverage and quality of the guarantees provided, as well as subjective analyses including of data regarding the economic sector, regulatory environment and market share. The limits are approved by the Credit Committee and are regularly reviewed together with the sufficiency of the guarantees provided.

Exposures to this type of risk exist mainly in financial investments, credit operations, government bonds, debentures and other receivables. The Group has a policy for granting credit whereby procedures for the assessment of clients and counterparties are established. An assessment of each client or counterparty is made prior to realizing operations and includes objective analyses of financial data, comparative ratios, cash flow, working capital, interest rate coverage and quality of the guarantees provided, as well as subjective analyses including of data regarding the economic sector, regulatory environment and market share. The limits are approved by the Credit Committee and are regularly reviewed together with the sufficiency of the guarantees provided.

**a) Measurement of the credit risk**

The operations included in the categories of credit operations and other credits are analyzed individually through risk classification models developed internally. Modal has its own scale for assigning risk ratings, just as it is carried out by rating agencies. However, a specific classification is used, which is equivalent to the scale of the local regulatory agency.

The levels of classification are monitored and updated whenever necessary. Management regularly validates the performance of the rating and its predictive power in relation to default events.

**b) Maximum exposition to the credit risk**

The following table presents the maximum exposure do credit through the carrying amount of the financial assets and the “Off-balance” balances for the periods ended June 30, 2021 and December 31, 2020.

	<b>At</b>	
	<b>6/30/2021</b>	<b>12/31/2020</b>
Available funds	364,547	283,587
Investments in the open market	1,803,322	1,773,878
Financial assets at fair value through other comprehensive income – TVM	1,117,447	892,544
Financial assets at fair value through profit or loss	902,624	335,712
Financial assets at fair value through profit or loss - derivative financial instruments	85,424	87,257
Assets Carried at Amortized Cost	1,000,229	453,017
Off-balance	136,089	88,559
Sureties and balances	64,326	69,453
Credits released and to be released	71,763	19,106
<b>Total maximum exposition to the credit risk</b>	<b>5,409,682</b>	<b>3,914,681</b>

**c) Control of risk limit and mitigation policies**

Modal manages, limits and controls concentrations of credit risk whenever they are identified, particularly in relation to counterparties and individual groups, as well as in sectors of the economy.

Management structures the levels of risk it assumes, setting limits on the extent of acceptable risk with respect to a specific debtor, groups of debtors and industry segments. These risks are monitored on a rotating basis and

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subject to annual reviews or whenever necessary. The limits on the level of credit risk by product and industry sector are regularly approved by the Modal's Credit Committee.

Exposure to credit risk is also managed through regular analysis of borrowers, both actual and potential, for payments of principal and interest, and changing limits where appropriate.

One of the practices designed to mitigate credit risk is to take guarantees on the release of funds.

#### **d) Provision for expected loss**

The calculation of expected credit losses for financial assets is performed according to the characteristics of each type of operation, considering the quality and current characteristics of customers and operations, including their guarantees. In assessing the expected loss, macroeconomic factors and rollover projections were also considered, which incorporate the current and prospective effects of economic variables in the loss estimates.

In accordance with IFRS 9/CPC 48, the provisions for expected losses will be measured according to the following methodologies:

- Credit losses expected for 12 months: result from possible default events within the next 12 months; and
- Credit losses expected to last a lifetime: result from all possible events of default over the expected life of a financial asset.

The change in methodology for expected losses of 12 months for the entire life of the financial asset is carried out when there is a significant increase in credit risk on the report date in relation to its initial recognition. The Institution may determine that the credit risk of a financial asset has not increased significantly, when it remains classified as low credit risk at the reporting date.

#### **e) Credit quality**

Through the credit stage classification carried out in accordance with IFRS 9/CPC 48, it was possible to group the percentage of exposure of the credit portfolio by quality of the risk level:

<b>Credit Quality</b>	<b>At 6/30/2021</b>	<b>12/31/2020</b>
Write-off	1.3%	16.2%
Average	1.8%	26.6%
High	96.9%	57.2%

#### **f) Guarantees**

In all cases, the guarantees of the operations are observed as ancillary and, therefore, are not the main reason for granting credit. The level of guarantees required is related to the risk of the customer and of the operation. The credit granting process is structured as follows for one of the main activity segments.

The classification of the rating occurs at the moment a credit is evaluated. The classification model takes into account quantitative and qualitative information obtained from the customer, technical visits and market research, with customers, suppliers and competitors. Based on the client's rating, a rating of the operation is defined, which takes into account the guarantees involved.

### **32.2. Market risk**

The national and international market conditions may affect the market, resulting in changes in the interest and foreign exchange rates, in the prices of shares and inflation indicators, resulting in variations in the prices of the

assets in general. These variations may affect the Modal's performance. The decrease or increase in prices of assets that make up part of the portfolio may be temporary, not existing, however, guarantees that they will not extend for long and/or undetermined periods. When using derivative operations, the market risk may be increased through directional trading and leverage or reduced through hedge transactions. There is also the risk of temporary distortion of the derivative result and its underlying asset for hedge operations due to mark-to-market, which may generate distortions in Modal's result, as is the case with dollar exposure, interest rates and coupon IPCA.

Market risk management for operations is carried out through control policies and limits defined by a Risk Committee, formed by senior management and the risk area, which is totally independent from Modal's business areas. Every day, reports with the calculation of the Value at Risk (VaR), through "Monte Carlo" simulation or through the parametric method, market stress tests and the exposure presented by the portfolio to the main risk factors are disclosed. Periodically, tests are carried out to validate the employed calculation methodology ("back test") and simulation of historical crises to evaluate the leverage used.

The bank maintains its own treasury in order to meet the specific needs of its customers and to protect itself from market risks, considering interest rate risk as subcategories; exchange variation, share prices and commodity prices. All positions taken at any rate or index are controlled by the treasury department and monitored by the risk area and, therefore, use derivative instruments or other assets.

#### **a) Methodology**

##### **(i) Value-at-Risk (VaR)**

VaR measures the worst expected loss across a horizon given under normal market conditions at a given level of confidence, i.e., VaR provides a measure of market risk.

Market risk management uses VaR as a measure of potential loss in portfolios. For the calculations, the parametric model is used for the one-day horizon and 95% confidence interval. The entire calculation is based on market closing prices, obtained from different sources (Anbima, B3, Banco Central, among others). VaR analyses are carried out by market, vertices and by risk factor associated with the interest curve, stock prices, foreign exchange and commodities. If the VaR limit is exceeded, an evaluation of the operations will be carried out and those that present the greatest risk must be readjusted by the Treasury in order to reduce the risk and seek to comply with the maximum exposure limit. Market liquidity should be assessed when readjusting these operations.

##### **(ii) Stress tests**

They can be historical scenarios, representing the effects of crises that have occurred, or hypothetical scenarios. Such scenarios should take into account the variation of prices in an adequate period of time to consider both the accumulated effect of shocks, as well as that necessary for the reversal or hedge of risk positions. It is allowed taking into account extreme but feasible events, which would be at the tail of the return distribution curves, as this is disregarded in the calculation of VaR.

#### **b) Sensibility analysis**

The use of VaR is a measure of the potential loss in financial instruments due to adverse movements in the market over a defined time horizon with a specified level of confidence. Along with the stress test, VaR is used to measure the exposure of our financial instruments to market risk, even though the objective of the Sales and Trading ("S&T") table, is exclusively arbitrage and zeroing the customer, without directional exposures. The accuracy of the market risk methodology is tested through back-tests that compare the adherence between VaR estimates and realized losses.



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The VaR shown below was calculated for the one-day period and a 95% confidence level. A confidence level of 95% means that there is the possibility of one in twenty occurrences that the result of a single trading day is greater than the VaR presented. It is expected and forecast to occur, on average, about once a month. Given its reliance on historical data, the accuracy of VaR is limited and its ability to predict unprecedented market changes, as historical distributions in market risk factors, may not produce accurate estimates of future market risk. As previously mentioned, we use stress tests as a complement to VaR in our daily risk activities.

**(i) VaR 1 day / 95% I.C.**

In thousands of reais	VaR	VaR Limit	% of Occupation	VaR (% of equity)
At 6/30/2021	402	500	80.58%	0.06%
At 3/31/2021	260	500	52.12%	0.04%
At 12/31/2020	174	500	34.78%	0.04%
At 6/30/2020	168	500	33.60%	0.04%
At 3/31/2020	264	500	52.70%	0.07%
At 1/31/2020	75	500	15.00%	0.02%
12/31/2019	177	500	35.40%	0.05%
At 6/30/2019	201	500	40.20%	0.06%
At 12/31/2018	480	2,500	19.20%	-

**(ii) VaR by type of risk**

In R\$	At 6/30/2021		At 12/31/2020	
	Marginal VaR (parametric)	Marginal VaR (%)	Marginal VaR (parametric)	Marginal VaR (%)
SELIC/CDI	1,474	0.37	127	0.07
PRE	514,866	127.79	25,327	14.57
IPCA	(90,936)	(22.57)	22,395	12.88
On shore shares	(21)	(0.01)	20,938	12.04
On shore currencies	(22,479)	(5.58)	35,816	20.60
On shore foreign exchange coupon	-	-	69,273	39.84
<b>Total</b>	<b>402,902</b>	<b>100</b>	<b>173,876</b>	<b>100</b>

**(iii) BM&F Stress Testing**

The BMF stress test is carried out based on the stress scenarios BM&F makes available. The Risk Area classifies BMF shocks in optimistic and pessimistic scenarios, thus forming two stress scenarios with macroeconomic reasons and which are based on an external source of credibility. For assets that are not present in the disclosed scenarios, the shock of a BMF scenario in which the asset in question has a similar nature is chosen. The Bank's positions will be reassessed under the "Full Valuation" method, based on the scenarios generated.

Additionally, in order to complement the BMF stress scenario, which has a low probability scenario, the Risk Area calculates the "worst case of the current portfolio in the last 5 years" Stress scenario. Thus, all exposures of the bank's portfolio at the time of calculation are replicated in risk factors and, based on their daily return in the last 5 years, the daily value of the portfolio in this period is reassessed. Finally, the indicator shows the worst daily change in the portfolio's value in this series.

In thousands of reais	Worst case in the last 5 years	BM&F Stress	Scenario Direction Stress	Contribution Stress
At 6/30/2021	(2,925)	(8,459)	Optimistic	(8,459)

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At 3/31/2021	(885)	(5,580)	Optimistic	(5,580)
At 12/31/2020	(1,604)	(3,619)	Optimistic	(3,619)
At 6/30/2020	(2,440)	(2,286)	Pessimist	(2,440)
At 3/31/2020	(2,037)	(329)	Pessimist	(2,037)
At 1/31/2020	(1,067)	(1,127)	Pessimist	(1,127)
12/31/2019	(1,623)	(778)	Pessimist	(1,623)
At 6/30/2019	(2,366)	(2,559)	Pessimist	(2,559)
At 12/31/2018	(2,303)	(6,113)	Pessimist	(6,113)

The Bank's Management evaluates the accounting estimates and considers the appropriate VaR analysis. The impact resulting from the sensitivity of the projections of assets and liabilities to changes in prices, rates and other estimates do not have a material effect in the context of these consolidated and condensed interim financial statements.

### **32.3. Liquidity risk**

Liquidity risk is managed through the adoption of controls that ensure the allocation of resources in assets of a high degree of quality and liquidity, based on equity and/or raised from counterparts recognized to be respected or dispersed in retail, at rates compatible with those practiced in the market. This control encompasses a review of any mismatch in time between assets and liabilities and the consequent adjustments required to reflect this.

The liquidity risk management structure is segregated and acts proactively in preventing possible situations in which Modal and its subsidiaries may be submitted in relation to liquidity. The liquidity risk monitoring process covers the entire flow of receipts and payments from the Bank and its subsidiaries so that risk mitigating actions can be carried out.

#### **a) Contingencies plan**

If there is any difficult liquidity situation resulting from unexpected redemptions of customer/bank deposits, default by a customer with active operation, or simply major adjustments in positions in the future market, Modal may resort to some alternatives, as shown below:

- Pre-approved credit lines with other prime banks;
- Raising rates for capturing deposits from customers/banks to attract more resources and/or lengthen funding;
- Reduction of commercial portfolios, through the non-rollover of maturing operations as a way of generating cash over time.

### **32.4. Operating Risk**

There is a team created specifically to manage operating risks. They are responsible for evaluating, monitoring and controlling the risks arising from systems, people, internal processes and external events.

The management of operating risk is carried out through analysis of the main processes, the identification of risks and by suggesting mitigating controls for these risks, using a system of internal controls and risk metrics. These controls and metrics also enable the administrators of each process to evaluate the controls, as well as their action plans.

In order to ensure the security of all procedures in execution at the bank, the Operational Risk area is closely linked to the Internal Audit area and the Compliance Committee.



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Among the operating risk events, these are included:

- Internal frauds;
- External frauds;
- Inappropriate practices related to customers, products and services;
- Interruption of the activities;
- Failures in the information technology systems;
- Failures in the execution, meeting deadlines and managing activities.

Operational risk management ensures compliance with established standards, being seen as an opportunity to improve the quality of processes and controls.

### 32.5. Capital management

Modal and its subsidiaries have a Capital Management Structure that comprises the continuous process of monitoring and controlling capital maintained by the Bank, the assessment of the capital need to face the risks to which it is subject and the planning of goals and capital need, considering the strategic objectives.

Capital management enables Modal and its subsidiaries to consistently assess the capital required to support projected growth, in addition to adopting a prospective stance, anticipating the need for capital due to possible changes in market conditions.

In this context, Modal and its subsidiaries manage the Capital structure in order to also meet the minimum regulatory capital requirements. In the normative plan, it is worth mentioning that the Basel Agreement has as a mandatory international parameter for financial institutions, better known in Brazil as Reference Capital, according to the legislation in force.

The Basel Ratio was calculated according to the criteria established by CMN Resolutions No. 4,192/2013 and No. 4,193/2013, which deal with the calculation of the Reference Equity (PR) and the Minimum Required Reference Equity (PRMR) in relation to the Weighted Assets by Risk (RWA).

Financial institutions have to maintain a minimum shareholders' equity equivalent to 8% of their consolidated assets, weighted by risk factor, increased by the percentage of their credit risk, their exposure to gold and to assets and liabilities linked to variations in foreign exchange and on interest rate variations, in accordance with the rules and instructions of the BACEN.

Modal is framed in this operating minimum limit, as follows:

	At 6/30/2021	12/31/2020
Principal capital (Level I)	1,083,161	202,028
<b>Reference Equity</b>	<b>1,083,161</b>	<b>202,028</b>
Credit Risk-weighted Assets (RWACPAD) (a)	2,035,718	1,154,462
Market Risk-weighted Assets (RWAMPAD) (b)	373,540	209,485
Operating Risk-weighted Assets (RWAOPAD) (c)	515,691	438,219
<b>RWA (a) + (b) + (c)</b>	<b>2,924,949</b>	<b>1,802,166</b>
Minimum Required Reference Equity	233,996	144,173
Excess in relation to the Minimum Required Reference Equity	849,165	57,855
<b>Index (%)</b>	<b>37.0%</b>	<b>11.0%</b>
Reference equity amount calculated to cover interest rate risk of transactions not classified in the trading portfolio (RBAN)	7,848	9,088

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### 33. Fair value hierarchy

The calculation of fair value is subject to a defined control structure to ensure that the calculated values are determined by a department independent of the risk taker.

According to IFRS13/CPC 46, the measurement of fair value using a fair value hierarchy that reflects the model used in the measurement process, must be in accordance with the following hierarchical levels:

- Level 1 - Determined based on public price quotes (unadjusted) in active markets for identical assets and liabilities, they include government bonds, stocks, listed derivatives;
- Level 2 - Derivatives of data other than quoted prices included in Level 1 that are observable for the asset or liability, directly (as prices) or indirectly (derived from prices); and
- Level 3 - They are derived from valuation techniques that include data for assets or liabilities that are not based on observable market variables (unobservable data).

#### a) Financial assets at fair value

				At 6/30/2021
Assets	Level 1	Level 2	Level 3	Total
Fund quotas	126,002	16,577	-	142,580
CRI	-	4,239	-	4,239
CRA	-	25,687	-	25,687
COE	-	2,371	-	2,371
Debentures	-	64,051	-	64,051
Shares	99,743	-	1,004	100,747
LFT	562,950	-	-	562,950
<b>Financial assets at fair value through profit or loss</b>	<b>788,695</b>	<b>112,295</b>	<b>1,004</b>	<b>902,624</b>
CDB	-	5,698	-	5,698
LC	-	344	-	344
LCA	-	315	-	315
LCI	-	316	-	316
LFT	1,110,100	-	-	1,110,100
LTN	10	-	-	10
NTN	663	-	-	663
TDA	-	1	-	1
<b>Financial assets at fair value through other comprehensive income</b>	<b>1,110,773</b>	<b>6,674</b>	<b>-</b>	<b>1,117,447</b>
<b>Derivative financial instruments</b>	<b>499</b>	<b>84,925</b>	<b>-</b>	<b>85,424</b>
<b>Total</b>	<b>1,899,967</b>	<b>204,524</b>	<b>1,004</b>	<b>2,105,495</b>
<b>Liabilities</b>				
Derivative financial instruments	-	63,730	-	63,730
<b>Total</b>	<b>-</b>	<b>63,730</b>	<b>-</b>	<b>63,730</b>

				At 12/31/2020
Assets	Level 1	Level 2	Level 3	Total
Fund quotas	25,678	11,119	-	36,797
CRI	-	3,966	-	3,966
CRA	-	6,483	-	6,483
COE	-	1,503	-	1,503
Debentures	-	41,442	-	41,442
Shares	-	-	1,004	1,004

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LFT	244,517	-	-	244,517
<b>Financial assets at fair value through profit or loss</b>	<b>270,195</b>	<b>64,513</b>	<b>1,004</b>	<b>335,712</b>
CDB	-	751	-	751
LC	-	325	-	325
LCA	-	475	-	475
LCI	-	327	-	327
LFT	890,235	-	-	890,235
LTN	9	-	-	9
NTN	421	-	-	421
TDA	-	1	-	1
<b>Financial assets at fair value through other comprehensive income</b>	<b>890,665</b>	<b>1,879</b>	<b>-</b>	<b>892,544</b>
<b>Derivative financial instruments</b>	<b>909</b>	<b>86,348</b>	<b>-</b>	<b>87,257</b>
<b>Total</b>	<b>1,161,769</b>	<b>152,740</b>	<b>1,004</b>	<b>1,315,513</b>
<b>Liabilities</b>				
Derivative financial instruments	765	15,885	-	16,650
<b>Total</b>	<b>765</b>	<b>15,885</b>	<b>-</b>	<b>16,650</b>

The fair value of financial instruments classified as Level 3 is measured using internal estimates and models. The unobservable data used to measure the fair value of instruments classified as Level 3 are: interest rates, asset prices and volatility. Variations in unobservable data alone, or together, have no material effect.

**b) Fair value of financial instruments measures at amortized cost**

	At 6/30/2021		12/31/2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Assets</b>	<b>2,805,993</b>	<b>2,803,551</b>	<b>2,234,901</b>	<b>2,226,895</b>
Short-term interbank investments <sup>(1)</sup>	1,803,322	1,803,322	1,773,878	1,773,878
Other financial Assets <sup>(2)</sup>	423,893	423,893	318,224	318,224
Marketable Securities <sup>(3)</sup>	25,021	25,021	-	-
Credit operations <sup>(4)</sup>	536,912	534,470	127,821	119,815
Compulsory Deposits Bacen <sup>(3)</sup>	16,845	16,845	14,978	14,978
<b>Liabilities</b>	<b>4,186,381</b>	<b>4,366,414</b>	<b>3,504,063</b>	<b>3,355,028</b>
Deposits <sup>(5)</sup>	2,884,884	3,064,917	2,082,060	1,943,025
Funding in the open market <sup>(1)</sup>	1,301,497	1,301,497	1,412,003	1,412,003

(1) The fair value of the operations of liquidity interbank investments and open market funding are composed of short-term repurchase agreements that will be settled in the usual market terms (overnight). The book value presented for these instruments is substantially close to their fair value;

(2) The other financial assets are substantially composed of trading and intermediation of securities and other short-term receivables. The book value presented for these instruments is substantially close to their fair value;

(3) Financial assets measured at amortized cost are recorded at amortized cost and their fair value was measured based on the market values available on the base date;

(4) Detailed credit operations are mostly fixed-rate operations and their fair value approximates their net book value of provision;

(5) The fair value of deposits was calculated by discounting the difference between cash flows under contractual conditions and the rates currently practiced in the market for instruments whose maturities are similar.

### 34. Other information

#### a) Agreements for offsetting and settling obligations under the National Financial System

Agreements for Offsetting and Settling Obligations - CMN Resolution No. 3,263/05; Modal has agreements for clearing and settling obligations under the National Financial System (SFN), entered into with corporations that are an integrating party to SFN, or not. The purpose of the resolution is to allow the offsetting of credits and debts held with the same counterparty, where the maturity of rights and obligations can be brought forward to the date on which the event of default occurs by one of the parties or in the event of the debtor's bankruptcy.

#### b) Third-parties' assets management

Position of the investment funds managed by Modal:

	Number of funds/portfolios		Managed amounts	
	At 6/30/2021	12/31/2020	At 6/30/2021	12/31/2020
Investment funds and managed portfolios	278	212	26,040,350	17,812,359

#### c) Insurance coverage

Modal adopts the policy of contracting insurance coverage for assets subject to risks. The insurance amounts are considered sufficient to cover possible losses, taking into consideration the nature of the activities.

		Coverage Type		Amounts Covered	
				At 6/30/2021	12/31/2020
Directors and Officers Liability (D&O)	Managers' Civil Liability			40,000	40,000
Facilities, equipment, furniture and utensils	Any material damage to facilities, machinery and equipment			84,500	84,500

#### d) Registration with the Securities and Exchange Commission (CVM) and conclusion of the Initial Public Offering (IPO)

On February 23, 2021, the application for registration of the public offer for the primary and secondary distribution of share deposit certificates, each representing 1 (one) common share, was protocolled with the Brazilian Securities and Exchange Commission ("CVM"). issued by the Bank and 2 (two) preferred shares issued by the Bank, all registered, book-entry shares, without par value, free and clear of any liens or encumbrances ("Units"), comprising the distribution of initially 51,050,000 Units, representing (i) 117,400,000 new Preferred Shares to be issued by the Bank ("Primary Offering"); and (ii) 35,750,000 Common Shares held by the Selling Shareholders ("Secondary Offering"), in both cases, to be carried out in Brazil, with efforts to place them abroad.

The Bank voluntarily requested B3 to join the Level 2 listing segment, B3's special securities trading segment that establishes different corporate governance rules and disclosure of information to the market that are stricter than those established in the Law No. 6,404, of December 15, 1976 ("Corporate Law"), subject to the completion of the Offer.

The Units issued by the Bank started to be traded at Level 2 of B3 on April 30, 2021, under the code "MODL11" with the launch price of R\$ 20.01 per Unit (R\$ 6.67 per preferred share issued), totaling the primary offer at R\$ 783,058 (R\$ 749,663 net of costs linked to the offer). The issuance of the Preferred Shares object of the Primary Offering and respective Bank's capital increase were approved by the Central Bank of Brazil on May 10, 2021.

**e) Statutory amendments and relevant acts**

At the EGM of March 22, 2021, the change in the composition of the Executive Board was approved, comprising a minimum of 5 (five) and a maximum of 27 (twenty-seven) executive officers, in which the Board of Directors will designate at least 1 (one) and at most 2 (two) Chief Executive Officers; (ii) at least 2 (two) and at most 8 (eight) Executive Officers, (iii) 1 (one) Investor Relations Officer, (iv) at least 1 (one) and at most 8 (eight) Operating Officers and (v) at least 1 (one) and at most 8 (eight) Officers without specific designation, in accordance with what is established by the Board of Directors when filling these positions.

At the EGM of February 22, 2021, the following matters were approved for the reform of the Bank's bylaws in order to adapt to the legal and regulatory requirements of a publicly-held company and the regulation of the special corporate governance segment, called Level 2 of B3 S.A. – Brasil, Bolsa, Balcão (“B3”):

- While the B3 Level 2 Participation Agreement is in force, each preferred share issued by the Company will grant its holder the right to vote at General Meetings, except in the following matters:
  - Transformation, merger, incorporation or spin-off of the Company;
  - Approval of contracts between the Company and its controlling shareholder, directly or indirectly, whenever, pursuant to legal provisions or to the Bylaws, they require its deliberation at General Meeting;
  - Assessment of assets destined to pay in the Company's capital increase;
  - Choice of specialized institution/company to determine the economic value of the Company for the purpose of Public Acquisition Offer to change the Company's control; and
  - Amendment/revocation of statutory provisions that alter or modify any requirements provided for in item 4.1 of the B3 Level 2 Regulation;
- Insertion in the Bylaw the possibility for the shareholders to be able, at any time, to convert shares of the common type into preferred shares, from the order of 1 (one) to 1 (one), as long as paid-in, observing the legal limit, upon request to the Company, the request will be sent in writing to the Executive Board, which will submit it for deliberation by the Board of Directors;
- Formation of the Board of Directors to be composed of up to 9 (nine) members and with at least 20% (twenty percent) of independent members, according to the independence criteria provided by the Company's Bylaws;

Change in the composition of the Executive Board, so that among the Executive Officers, the Board of Directors will appoint at least one CEO and at most two Co-CEOs, as well as the review of the duties of the positions and the creation of the position of Officer of Relations with Investors.

**f) Corporate reorganization - Spin-off**

On May 30, 2019, the Extraordinary General Meeting of Banco Modal S.A. approved the partial spin-off of the Bank's equity, with version of the spun-off portion in the amount of R\$ 70,691 for the creation of a new entity called MAF Distribuidora de Títulos e Valores Mobiliários S.A. The operation was awaiting the approval of the regulator and legal procedures and was concluded on October 22, 2020. The change in the balance of net assets between the report date and the spin-off date, in the amount of R\$ 4,111, was recorded in the Revenue Reserves account in Shareholders' Equity.

The net assets spun-off to MAFDTVM, according determined in Appraisal Report dated April 30, 2019, are as follows:

	<u>Amount</u>
Marketable Securities	5,008
Investments	10,912
Property and equipment in use	342
Intangible assets	54,429

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<b>Total assets</b>	<b>70,691</b>
Share capital	70,691
<b>Total Liabilities and Shareholders' Equity</b>	<b>70,691</b>

In the spin-off, the portion referring to the difference between the original goodwill value and its value on the spin-off date, in the amount of R\$ 12,095, was recognized in shareholders' equity in the capital reserve account.

Pursuant to Decree 9,580/18, about the possibility of using the tax loss and negative calculation basis proportionately to the portion of the shareholders' equity in the event of partial spin-off, in this operation, the bank recognized the negative amount of R\$ 9,186 related to the write-off of the credit deferred charges of this nature (Note 20).

The spin-off process is currently being ratified by the Central Bank of Brazil ("BACEN").

**g) Capital investment**

On November 30, 2020, the Extraordinary General Meeting of Banco Modal S.A. approved the receipt of investment of R\$ 258,000 from a local investment group. Within this context, the Meeting deliberated: (i) the voluntary conversion of 1,600 registered shares with no par value into common shares, all registered and with no par value; (ii) the Company's capital increase, in the total amount of R\$ 16,931, through the issuance of 3,200 new preferred shares, nominative and with no par value. Of the amount invested, R\$ 16,931 is allocated to the capital account and R\$ 241,069 is allocated to the Company's capital reserve account.

**35. Events after the reporting period**

**FIP Seville sale settlement**

On July 30, 2021, FIP Seville concluded the sale of the investment in Evoltz Participações S.A. The realized amount is close to that recognized by the Bank on June 30, 2021.

**Acquisition Agreement - 1 Bilhão**

On July 6, 2021, Banco Modal S.A. signed an agreement to acquire all the shares of Hum Bilhão Educação Financeira Ltda. The transaction amount is R\$ 3,000. This operation is still awaiting regulatory approval.

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